LiqTech International Announces Financial Results for Fourth Quarter and Full Year 2023

BALLERUP, Denmark, March 21, 2024 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("LiqTech"), a clean technology company that manufactures and markets highly specialized filtration technologies, today announced its financial results for the fourth quarter and fiscal year 2023 for the period ended December 31, 2023.



2023 Financial Highlights

- Full year revenue of $18.0 million, an increase of 13% from $16.0 million in 2022.
- Gross margin of 15.4%, an improvement of approximately 1190 basis points compared to 3.5% in 2022.
- Operating expenses of $10.6 million compared to $13.1 million in 2022, an improvement of $2.5 million.
- Net loss of $(8.6) million, an improvement of $5.6 million compared to $(14.2) million in 2022.
- Ending cash balance of $10.4 million at December 31, 2023.

Recent Operational Highlights

- Received order for the first U.S.-based oil & gas produced water order as part of new distribution agreement with Razorback Direct.
- Received order from NESR for produced water treatment pilot unit for major oil & gas operator in the Middle East.
- After having achieved 20 system orders for swimming pool applications, we continue to expand our footprint with new pool system orders in the first quarter of 2024.
- New orders for DPFs have increased 11% in the first quarter of 2024 compared to the same period in 2023.

Management Commentary

"We successfully executed a number of strategic initiatives during 2023 to drive revenue growth, improve our manufacturing and operational efficiencies, and strengthen our balance sheet, resulting in 13% growth in revenue and $5.6 million improvement on the bottom line," commented Fei Chen, CEO of LiqTech. "Our enhanced commercial focus on initially stabilizing and growing our established markets–including the provision of commercial pool systems,

general aftermarket sales, and the sale of ceramic membranes and diesel particulate filters- were the key drivers for the improvement in revenue in 2023."

"Beyond our focus on established markets, we are making progress within our target growth markets as well. During 2023, we received key system orders for marine scrubbers, monoethylene glycol (MEG) systems, and phosphoric acid units. We have built upon this progress in early 2024 with the receipt of two strategically important orders for our oil and gas produced water solutions. The first was with our partners at Razorback Direct, where we will install our first ever U.S.-based O&G system, and the second with our partners at NESR for our second Middle East-based O&G system. These orders highlight the unique capabilities of LiqTech's ultrafiltration technology in treating produced water to facilitate beneficial industrial reuse and meet current and future regulatory requirements. We believe these two new orders provide us with an increased reference base that will open the door within this extremely large and strategically important market for LiqTech going forward."

"We remain committed to executing against our strategic roadmap focused on long-term value creation. Over the past two years, we have launched a clearly defined commercial strategy that has already yielded positive results. Going forward, our business will be underpinned by strong recurring revenues within our established businesses and an increased foothold in our strategic target markets. This growth, coupled with improved operational execution across the organization, will be key to drive a step change in gross margins and to generate positive cash flows. I look forward to continuing to execute against our strategic initiatives in 2024 to drive value creation for our shareholders," Chen concluded.

2023 Financial Results

Revenue for 2023 was $18.0 million compared to $16.0 million in 2022, representing an increase of 13%. The increase was primarily due to $2.4 million, or 46%, growth in system sales led by pool and marine system deliveries as well as oil & gas and industrial system applications as the company focused on both its established business markets as well as target growth markets. The sales of DPFs and ceramic membranes experienced a year-on-year decline of 9% as the prior-year period benefitted from delivery of a large legacy DPF order. Going forward, the Company has applied a deliberate focus to optimize the product mix in favor of higher-margin products, explaining the significant improvement in gross profit for the year.

Gross profit for 2023 was $2.76 million, reflecting a gross profit margin of 15.4%, compared to $0.6 million, or a gross profit margin of 3.5%, in 2022. The increase derives from a reduction in cost of goods sold due to an improved product mix and increased pricing discipline within the legacy ceramic DPF business, coupled with continued delivery of profitable system and aftermarket orders within the pool, oil & gas, and phosphoric acid

businesses. These efforts resulted in improved profitability, despite remediation costs related to legacy system deliveries and increased depreciation from recent investments in manufacturing equipment and facilities to improve kiln utilization and manufacturing throughput. Included in the gross profit for the year ended December 31, 2023 is depreciation of $2.2 million compared to $1.8 million for the same period in 2022.

Total operating expense for 2023 was $10.6 million compared to $13.1 million in 2022, representing a decrease of $2.5 million. Adjusting for the reported restructuring costs of $1.9 million incurred in 2022, total operating expenses decreased by $0.6 million, or 6%. In addition to the absence of restructuring costs in 2023, the further improvement was primarily due to overall cost reductions across the organization, reduction in bad debt and legal expenses, and the absence of costs associated with the now-closed production facility in China. These reductions were offset by an increase in expenses associated with the onboarding of the new sales team and senior leadership team in 2023.

Other Income (Expense) in 2023 was $(1.0) million compared to $(1.9) million in 2022. Total Other income (expense) in 2023 reflects a loss on assets held for sale along with a reduced gain on currency transactions, with the increased levels in the prior period explained by non-recurring transactions related to the now-closed production facility in China, the receipt of COVID-19 grants, and the early repayment of the Convertible Note.

Net Loss in 2023 was $(8.6) million compared to $(14.2) million in 2022. The change was primarily attributable to the improved gross profit combined with the notable non-recurring items recorded in 2022, including restructuring costs, early repayment of the Convertible Note, closure of the production facility in China, and the CEO transition.

Cash on hand (including restricted cash) on December 31, 2023, was $10.4 million compared to $16.6 million on December 31, 2022.

Q1 2024 Outlook

The Company expects revenue in the first quarter of 2024 to be between $4.1 million and $4.3 million.

Conference Call Details

Date and Time: Thursday, March 21, 2024, at 9:00 a.m. ET

Call-in Information: Interested parties can access the conference call by dialing (833) 535-2206 or (412) 902-6741.

Webcast: Interested parties can access the conference call via a live webcast, which is available in the Investor Relations section of the Company’s website at https://www.liqtech.com/investor-relations/ or at https://app.webinar.net/g9QvD8pD8Ew.

Replay: A teleconference replay of the call will be available until March 28, 2024 at (877) 344-7529 or (412) 317-0088, replay access code 8608051.

About LiqTech International Inc.

LiqTech International, Inc., a Nevada corporation, is a clean technology company that provides state-of-the-art ceramic silicon carbide filtration technologies for gas and liquid purification. LiqTech's silicon carbide membranes are designed to be used in the most challenging water purification applications, and its silicon carbide filters are used to control diesel exhaust soot emissions. Applying nanotechnology, LiqTech develops products using its proprietary silicon carbide technology, resulting in a wide range of component membranes, membrane systems, and filters for both microfiltration and ultrafiltration applications. By incorporating LiqTech's SiC liquid membrane technology with the Company´s extensive systems design experience and capabilities, LiqTech offers unique, turnkey solutions for the most difficult water purification applications.

For more information, please visit www.liqtech.com

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Forward-Looking Statement

This press release contains "forward-looking statements." Although the forward-looking statements in this release reflect the good faith judgment of management, forward-looking statements are inherently subject to known and unknown risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us in the reports filed with the Securities and Exchange Commission, including the risk factors that attempt to advise interested parties of the risks that may affect our business, financial condition, results of operation, and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this release.

We assume no obligation to update any forward-looking statements to reflect any event or circumstance that may arise after the date of this release.

Company Contact: Mads Cordt Gyldenkærne, Head of IR & Marketing, LiqTech International, Phone: +45 52271027, mcg@liqtech.com

Investor Contact: Robert Blum, Lytham Partners, LLC, Phone: (602) 889-9700, liqt@lythampartners.com, www.lythampartners.com

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2023	As of December 31, 2022
Current Assets:		
Cash, cash equivalents and restricted cash	$ 10,422,181	$ 16,597,371
Accounts receivable, net of allowance for doubtful accounts of $134,912 and $59,559 at December 31, 2023 and December 31, 2022, respectively	3,171,047	2,310,344
Inventories, net of allowance for excess and obsolete inventory of $867,458 and $663,227 at December 31, 2023 and December 31, 2022, respectively	5,267,816	4,062,001
Contract assets	2,891,744	2,253,295
Prepaid expenses and other current assets	337,391	1,720,902
Assets held for sale	–	723,872
Total Current Assets	22,090,179	27,667,785
Long-Term Assets:		
Property and equipment, net of accumulated depreciation of $11,828,200 and $9,046,499 at December 31, 2023 and December 31, 2022, respectively	9,007,166	8,296,807
Operating lease right-of-use assets	4,055,837	3,271,997
Deposits and other assets	470,349	450,038
Intangible assets, net of accumulated amortization of $558,555 and $438,250 at December 31, 2023 and December 31, 2022, respectively	114,593	212,933
Goodwill	233,723	226,095
Total Long-term Assets	13,881,668	12,457,870
Total Assets	**$ 35,971,847**	**$ 40,125,655**

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2023	As of December 31, 2022
Current Liabilities:		
Accounts payable	$ 2,444,653	$ 1,389,355
Accrued expenses	3,550,542	3,087,206
Current portion of finance lease obligations	590,550	399,198
Current portion of operating lease liabilities	531,355	561,182
Contract liabilities	382,647	649,557
Total Current Liabilities	7,499,747	6,086,498
Deferred tax liability	101,059	154,645
Finance lease obligation, net of current portion	2,879,932	2,384,011
Operating lease liability, net of current portion	3,527,082	2,710,815
Senior promissory notes payable	4,688,011	5,480,314
Total Long-term liabilities	11,196,084	10,729,785

Total Liabilities	18,695,831	16,816,283
Stockholders' Equity:		
Preferred stock; par value $0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at December 31, 2022 and December 31, 2021	–	–
Common stock; par value $0.001, 50,000,000 shares authorized 5,727,310 and 5,498,260 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	5,727	5,498
Additional paid-in capital	98,796,357	96,975,476
Accumulated deficit	(75,922,180)	(67,351,035)
Accumulated other comprehensive loss	(5,603,888)	(6,320,567)
Total Stockholders' Equity	17,276,016	23,309,372
Total Liabilities and Stockholders' Equity	**$ 35,971,847**	**$ 40,125,655**

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2023	**2022**
Revenue	$ 18,001,652	$ 15,982,438
Cost of Goods Sold	15,226,176	15,415,294
Gross Profit	2,775,476	567,144
Operating Expenses:		
Selling expenses	4,298,905	3,669,887
General and administrative expenses	4,856,779	5,701,955
Research and development expenses	1,418,842	1,835,890
Restructuring costs	–	1,893,166
Total Operating Expenses	10,574,526	13,100,898
Loss from Operations	(7,799,050)	(12,533,754)
Other Income (Expense)		
Interest and other income	366,365	384,058
Interest expense	(151,670)	(419,942)
Amortization of discount on convertible note	(400,903)	(2,389,128)
Gain (loss) on currency transactions	(359,960)	404,162
Gain on lease termination	–	147,452
Gain (loss) on disposal of assets held for sale	(439,388)	–
Gain on sale of property and equipment	7,254	635
Total Other Expense	(978,302)	(1,872,763)
Loss Before Income Taxes	(8,777,352)	(14,406,517)
Income Tax Benefit	(206,207)	(237,410)
Net Loss	(8,571,145)	(14,169,107)
Basic and Diluted Loss Per Share	$ (1.51)	$ (3.20)
Basic and Diluted Weighted Average Common Shares Outstanding	5,688,281	4,424,433

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