

LiqTech International Announces Financial Results for the Fourth Quarter and Full Year of 2021

BALLERUP, Denmark, March 24, 2022 — **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 ended December 31, 2021.

LIQTECH

2021 Highlights

- Full-year revenue of \$18.3 million, a decrease of 19% from 2020.
- Net loss of \$11.1 million, an increase of 13% from 2020.
- Strong ending cash balance of \$17.5 million.
- Received first new orders from key oil & gas customers and other non-marine customers.
- Secured \$15.0 million Senior Unsecured Convertible Note.
- Appointed Simon Stadil as Company's Chief Financial Officer.

Highlights Subsequent to End of Year

- Signed three-year \$23 million OEM membrane supply agreement.
- Appointed Alexander J. Buehler as Interim Chief Executive Officer.

Management Commentary

Results were largely in line with expectations, and while the Company powered through another year of depressed market activity caused by the global pandemic and its associated economic repercussions, it remains bullish on the long-term prospects of the business.

To be sure, the current global business environment is very challenging; however, the Company is seeing encouraging signs in its core marine scrubber business after a sustained lull in the market. Importantly, the Company will stay the course with respect to its diversification strategy and will continue to work to increase its share in what will ultimately become buoyant end markets that are supported by regulatory tailwinds and increased environmental awareness.

While the Company remains optimistic about its prospects in 2022 and beyond, we also

cautiously acknowledge the reality of the current business environment, where geopolitical tensions, supply chain disruptions and sustained inflation create inevitable market uncertainty. Considering such heightened uncertainty, the Company believes it is appropriate to revise its guidance for the first quarter and full year of 2022. We anticipate revenue of \$3.5 to \$4.0 million in Q1 and \$25 to \$30 million for the full year 2022. Despite what is best characterized as a push to the right, the Company remains confident with respect to its long-term growth trajectory and commercial success across multiple end markets.

Alex Buehler, Interim CEO, stated, "In light of Sune's medical leave of absence, I am honored to lead the Company at this time with the full support of the Board of Directors. Each of our investors has my commitment that I will work tirelessly to provide strong leadership, strategic clarity, commercial intensity and execution discipline." Commenting further, Buehler said, "As we face continued uncertainty in our target markets, we will carefully evaluate the pace of our strategic investments to balance current cash flow with future revenue opportunity. This does not imply that we are tempering our growth ambitions or altering our strategy. Rather, it remains our intent to continue progressing our sales efforts to fully deploy our water systems filtration technology and leverage our deep experience manufacturing silicon carbide ceramic filters into several large, growing markets. We are fortunate to benefit from a strong, adaptive organization, market-leading products and technology, and stable corporate governance."

2021 Financial Results

Revenue in 2021 was \$18.3 million compared to \$22.5 million in 2020, representing a decrease of 19%. Results for 2021 were unfavorably impacted by a decrease in sales of liquid filters and wash water filtration systems for the marine scrubber industry, partly offset by an increase in sales of DPF filters and plastics. The decrease in sales of liquid filters and water treatment systems was a result of the ongoing negative impacts of the COVID-19 pandemic, exacerbated by continued supply chain disruptions and general market volatility. The higher demand for the Company's DPF filters reflects a continued interest in environmental solutions to reduce global CO₂ emissions amid increased political awareness and regulatory legislation.

Gross profit in 2021 was \$1.6 million, reflecting a gross profit margin of 8.6%, compared to \$2.1 million, or a 9.5% gross profit margin for the same period in 2020. The decrease in gross profit was due to the decline in sales of liquid filters and water treatment systems that generally carry a higher gross margin. Gross profit was further impacted by increased costs related to decisions made prior to COVID-19, when the Company had invested in the expansion and improvement of production facilities along with increased hiring of R&D and sales personnel. Finally, there were higher costs related to the ramp-up of the China manufacturing facility, higher depreciation expense and changes in the sales mix that also negatively impacted gross profit in 2021.

Total operating expense in 2021 was \$12.3 million compared to \$10.4 million in 2020, representing an increase of 18% compared to the prior period. The increase in operating expense was due to strategic decisions made in 2020 to increase sales and R&D investments to drive revenue growth, although this expense was partially offset by a decrease in general and administrative expense. Further, fourth quarter 2021 operating expense was exceptionally high due to elevated sales and marketing efforts, IT and legal costs, as well as cost related to our activities in China.

Net other expense in 2021 was \$(0.5) million compared to \$(2.0) million in 2020. Included in other income/(expense) for 2020 was the negative effect of \$(0.9) million in expense resulting from the fair value remeasurement of the prefunded warrants that were issued in May 2020. Additionally, the gain on currency transactions from the USD/DKK exchange rate favorably benefited other income by \$0.7 million in 2021, compared to a loss of \$(1.5) million in 2020. Further, in 2021 interest expense was \$(0.7) million compared to \$(0.1) million in 2020, which together with the amortization discount of \$(0.8) million reflect the issuance of the Convertible Note in 2021.

The net loss in 2021 was \$(11.1) million compared to \$(9.8) million in 2020, primarily attributable to the decrease in revenue from lower sales of marine scrubbers along with higher comparative cost of goods sold (as a percentage of revenue) caused by increased investments in production capacity at our Danish manufacturing facilities and inflationary cost pressures related to raw materials, electricity and wages for hourly employees. The year-on-year comparison also reflects investments in our sales organization and R&D activities, leading to an overall increase in operating expenses compared to 2020.

Cash on hand and restricted cash at December 31, 2021 was \$17.5 million, compared to \$13.3 million at December 31, 2020. Cash used in operating activities was negative \$(7.2) million, mainly due to the net loss for the period adjusted for non-cash activities with cash flow from investing activities of \$(1.5) million reflecting continued investments in our Danish manufacturing facilities.

Mr. Buehler remarked, "While clearly we were not pleased with our financial results, we remain confident in the strength of our product portfolio, our position across large and growing end markets and the quality of our talent and organization. In summary, we are facing head-on the challenges of the moment, rising to the occasion as a team, and fully committed to achieving a bright and exciting future for the company."

Marine Scrubber Market

The Company continued to face challenges in its marine scrubber business due to order delays. Recent feedback from ship owners indicates a strong desire to keep their ships on the water and operational during this time of increased shipping volumes and rates to normalize global supply chains. Despite the very favorable economics today for scrubber investments,

ship owners remain reluctant to dry dock for the installation of a marine scrubber system amid such frenzied activity and pricing power. On a positive note, quotation activity in the past month for new marine scrubbers exceeds the pace and levels recorded by the Company throughout 2021, highlighting pent-up demand for the Company's solutions after the prolonged lull during the pandemic.

Oil & Gas Market

The Company has received orders for several oil and gas projects from industry leaders such as Baker Hughes, Chevron and ONGC. These orders span global geographies and feature applications in produced water treatment and deep-sea oil drilling. The order from Baker Hughes for the Middle East is a significant milestone for the Company, as it allows entry into a very large end market for water filtration system applications. Due to various logistical challenges, two large orders that were scheduled for delivery in the first half of 2022 are now expected to deliver later in 2022. Additionally, owing to the uncertainty resulting from the conflict in Ukraine and the overall geopolitical environment, the Company is experiencing order release delays from its oil & gas customers, pushing out expected orders into the second half of 2022.

Black Carbon / NOx Reduction Marine Market

Tightening legislation in the marine industry has created an enormous market opportunity to utilize the Company's extensive experience in diesel particulate filters (DPF) to also reduce black carbon emissions. China is taking the lead in reducing its black carbon emissions, but the Company also sees new mandates in several European countries and expects that the IMO could likely implement global regulations pertaining to black carbon emissions. Considering strong investment and regulatory tailwinds, the Company remains focused to optimize and expand its manufacturing capacity to supply new global end markets like black carbon.

Other Applications

Reflecting its efforts to diversify the revenue base, in January the Company announced a three-year membrane supply agreement, which has an estimated total value of \$23 million over the life of the contract. This agreement is with a large European customer for drinking water treatment. First deliveries are expected to begin in the third quarter of 2022, with regularly scheduled deliveries over the final two years of the agreement.

Conference Call Details

Date and Time: Thursday, March 24, 2022 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/GvZznbw7m9L>.

Replay: A teleconference replay of the call will be available until March 31, 2022 at (877) 344-7529 or (412) 317-0088, confirmation #6117628.

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. Using 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 encouraged not to place undue reliance on these forward-looking statements, which pertain 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.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2021	As of December 31, 2020
	(Unaudited)	
Current Assets:		
Cash, cash equivalents and Restricted cash	\$ 17,489,380	\$ 13,264,449
Accounts receivable, net of allowance for doubtful accounts of \$409,076 and \$498,044 at December 31, 2021 and December 31, 2020, respectively	1,957,579	3,129,109
Inventories, net of allowance for excess and obsolete inventory of \$268,470 and \$723,949 at December 31, 2021 and December 31, 2020, respectively	5,421,027	5,522,038
Contract assets	1,906,510	2,708,136
Prepaid expenses and other current assets	1,292,285	1,031,194
Total Current Assets	28,066,781	25,654,926
Long-Term Assets:		
Property and Equipment, net of accumulated depreciation of \$7,554,803 and \$8,908,145 at December 31, 2021 and December 31, 2020, respectively	8,858,993	10,321,511
Operating lease right-of-use assets	6,925,807	4,947,734
Deposits and other assets	628,109	545,673
Intangible assets, net of accumulated amortization of \$357,231 and \$269,441 at December 31, 2021 and December 31, 2020, respectively	334,743	480,060
Goodwill	240,259	260,233
Total Long-term Assets	16,987,911	16,555,211
Total Assets	\$ 45,054,692	\$ 42,210,137
	As of December 31, 2021	As of December 31, 2020
	(Unaudited)	
Current Liabilities:		
Accounts payable	\$ 1,646,662	\$ 2,332,151
Accrued expenses	4,685,665	4,909,531
Current portion of finance lease obligations	373,824	394,839
Current portion of operating lease liabilities	846,544	1,026,235
Current portion of convertible note payable	8,400,000	-
Contract liabilities	914,828	1,152,178
Total Current Liabilities	16,867,523	9,814,934
Deferred tax liability	224,779	305,167
Other liabilities, net of current portion	346,939	-
Finance lease obligation, net of current portion	2,499,591	3,112,496
Operating lease liability, net of current portion	6,154,064	4,159,225
Convertible note payable, less current portion	6,186,936	-
Total Long-term liabilities	15,412,309	7,576,888
Total Liabilities	32,279,832	17,391,822
Stockholders' Equity:		

Preferred stock; par value \$0.001, 2,500,000 shares authorized, 0 and 0 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	-	-
Common stock; par value \$0.001, 100,000,000 shares authorized 21,285,706 and 21,655,461 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	21,285	21,655
Additional paid-in capital	70,910,902	69,897,698
Accumulated deficit	(53,181,928)	(42,054,968)
Accumulated other comprehensive loss	(4,975,399)	(3,046,070)
Total Stockholders' Equity	12,774,860	24,818,315
Total Liabilities and Stockholders' Equity	\$ 45,054,692	\$ 42,210,137

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

**For the Years Ended
December 31,**

2021 2020

(Unaudited)

Revenue	\$ 18,273,442	\$ 22,526,201
Cost of Goods Sold	16,697,296	20,379,519
Gross Profit	1,576,146	2,146,682
Operating Expenses:		
Selling expenses	4,564,188	2,918,418
General and administrative expenses	5,836,629	6,205,040
Research and development expenses	1,862,653	1,278,331
Total Operating Expenses	12,263,470	10,401,789
Loss from Operations	(10,687,324)	(8,255,107)
Other Income (Expense)		
Gain on modification of earn-out liability	-	306,077
Interest and other income	371,467	139,513
Interest expense	(708,176)	(120,903)
Amortization of discount on convertible note	(835,331)	
Fair value adjustment of warrants	-	(901,250)
Gain (Loss) on currency transactions	668,225	(1,469,607)
Gain (Loss) on sale of fixed assets	1,113	27,772
Total Other Income (Expense)	(502,672)	(2,018,398)
Loss Before Income Taxes	(11,189,996)	(10,273,505)
Income Tax Benefit	(63,036)	(465,145)
Net Loss	(11,126,960)	(9,808,360)
Basic and Diluted Loss Per Share	\$ (0.52)	\$ (0.46)
Basic and Diluted Weighted Average Common Shares Outstanding	21,567,112	21,209,118

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