

LiqTech International Announces First Quarter 2022 Financial Results

BALLERUP, Denmark, May 12, 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 first quarter of 2022.

LIQTECH

Q1 2022 Highlights

- Q1 2022 revenue of \$3.6 million, a decrease of 9% from Q1 2021.
- Gross margin of 6.8% compared to 2.9% in Q1 2021.
- Net loss of \$(3.7) million.
- Ending cash balance of \$11.2 million.

Highlights Subsequent to Q1 2022

- Retained Heidrick & Struggles to assist search for new CEO.
- Delivered systems to Baker Hughes in Middle East through local partner in May 2022.
- Commissioning first acid filtration system for U.S. market.
- Implemented aggressive program to preserve capital by reducing and suspending planned investments.
- Re-aligned corporate management structure involving significant reduction in headcount and labor costs.

Management Commentary

Alex Buehler, Interim CEO, stated, "In the past few weeks we have made considerable progress to re-establish commercial traction in key end markets, initiate a leadership transition, reorganize the business for future success, and reduce costs and investments. We successfully delivered our first oil & gas systems of commercial scale in the Middle East through Baker Hughes and are actively commissioning our first acid filtration system for this new market in the U.S. Specific to operations, we implemented measures to significantly reduce our fixed cost structure and suspended certain capital investments, which together will substantially decrease our quarterly revenue breakeven point to approximately \$7 million to \$8 million while maintaining our ability to effectively service our customers and pursue growth opportunities. Beyond such actions related to fixed costs, we are also in the process of optimizing price and mix to drive margin accretion. Overall, we believe that these measures will make LiqTech a far stronger and more resilient business, poised to capture the

growth opportunities facing the business.”

Q1 2022 Financial Results

Revenue for the first quarter of 2022 was \$3.6 million compared to \$4.0 million in the first quarter of 2021, representing a decrease of 9%. Results for the first quarter continue to reflect the impact of decreased sales of liquid filters and wash water filtration systems for the marine scrubber industry, partly offset by an increase in sales of plastics. The decrease in sales of liquid filters and water systems was a result of the ongoing negative impacts of the COVID-19 pandemic exacerbated by continued supply chain disruptions, general market volatility, and execution discipline.

Gross profit for the first quarter of 2022 was \$0.2 million, reflecting a gross profit margin of 6.8%, compared to \$0.1 million, or a 2.9% gross profit margin for the same period in 2021. The increase in gross profit compared to last year was underpinned by an improvement in sales mix with elevated profitability tied to plastics and membranes, partly offset by the negative impacts from input cost inflation and lower profitability associated with DPF sales. We are facing inflationary cost pressures from utilities, raw materials, labor, and supply chain logistics; therefore, we have increased sales prices accordingly to improve contribution margins.

Total operating expense for the first quarter of 2022 was \$3.6 million compared to \$2.9 million in the first quarter of 2021, representing an increase of 23%. The increase was primarily attributable to project management and leasehold expenses in China, coupled with the implementation of a new ERP platform, intensified sales and marketing efforts, and increases in ongoing development projects to improve production yields at our ceramics manufacturing plant in the greater Copenhagen area.

Net Other Expense in the first quarter of 2021 was \$(0.4) million compared to \$0.3 million in the first quarter of 2021. The change was mainly related to the convertible note issued in April 2021, with \$0.3 million associated with the amortization discount and \$0.2 million from interest expense. Additionally, we experienced a reduction in the gain on currency transactions due to a less favorable DKK/USD exchange rate during the period.

The Net Loss in the first quarter of 2022 was \$(3.7) million compared to \$(2.5) million in the first quarter of 2021, primarily attributable to the reduced revenue, increased operating expenses, and other expenses that include interest and amortization discount relating to the convertible note.

Cash on hand (including restricted cash) on March 31, 2022 was \$11.2 million, compared to \$17.5 million on December 31, 2021. Cash used in operating activities was \$(5.0) million, mainly due to the net loss for the period adjusted for non-cash items, \$1.0 million for prepayment of equipment and machinery for the Company’s manufacturing facilities, and

\$0.8 million for the partial redemption of the convertible note.

Leadership Transition

As of May 11, 2022, the Company entered into a separation and release agreement with Sune Mathiesen, the CEO. Mr. Mathiesen had previously taken a medical leave of absence, which was announced in March 2022. Importantly, LiqTech has retained Heidrick & Struggles, a leading international executive search firm, to assist the Company in its search for a new, permanent CEO. The Company's Interim CEO, Alex Buehler, has agreed to maintain the position for the foreseeable future until a permanent candidate is identified and a proper transition is conducted. The Company thanks Mr. Mathiesen for his service and wishes him well in his future endeavors.

Commercial Update

In May 2022, the Company successfully delivered its first order from Baker Hughes for a strategic oil & gas customer in the Middle East through its local partner. As previously announced, under the terms of the contract, the customer will be deploying LiqTech's water filtration systems for a fixed monthly rental fee. LiqTech will recognize a portion of the profits over the rental term as well as revenue and profit from the upfront system sale, the latter of which will be recorded in the second quarter of 2022. This is a significant milestone for the company-opening new applications in an attractive end market-and one from which it will leverage its compelling value proposition to unlock new opportunities with this customer and others.

In the second quarter, the Company is actively commissioning its first system for the acid filtration market in the U.S. The \$2.2 million system was originally shipped to the client and recognized as revenue in the fourth quarter of 2021. With the successful commissioning of this highly specialized system, the Company is optimistic that this will generate additional opportunities for deployment of LiqTech's unique filtration technology within this market segment for this customer at their other sites and for new customers.

The Company is currently in detailed discussions with our partners in China regarding new orders for marine scrubber systems. This development reflects continued signs of increasing activity in the sales pipeline, and we are encouraged to observe increased client interest in this market after a prolonged lull in activity.

Cost Reduction and Capital Rationalization

The Company has implemented an aggressive plan to reduce costs and preserve capital, while maintaining its ability to effectively service its customers and pursue growth opportunities. As part of this plan, the Company implemented a corporate re-alignment in April 2022 and reduced headcount and labor costs by nearly 25%, excluding non-cash

compensation. Combined with the planned improvement in contribution margin from optimized price and product mix, and further identified reductions in non-labor fixed costs in the second half of 2022, we expect to significantly reduce the operating and cash-flow breakeven of our business, with full realization anticipated in late 2022.

Additionally, we have reduced and suspended planned capital investments for the year, including the Company's program to build a manufacturing and service center in China to address the black carbon and NOX reduction markets. The Company will continue to pursue this end market opportunity by providing products from its facilities in Denmark, making use of existing capacity. Inclusive of other planned capital expenditures also suspended, the Company expects to decrease its previously planned capital expenditures to less than \$5 million over the next 12 months.

"We have taken aggressive action to re-align the organization, accelerate sales, reduce cost and capital commitments, and solidify operations. Based on these measures, along with our attractive end markets, product leadership, and compelling value proposition, I am very excited about the current position of the Company along with its prospects," commented Alex Buehler.

Conference Call Details

Date and Time: Friday, May 13, 2022 at 8:00 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/7b6lYLIYvdV>.

Replay: A teleconference replay of the call will be available until May 20, 2022 at (877) 344-7529 or (412) 317-0088, confirmation #5784914.

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 in order to reflect any event or circumstance that may arise after the date of this release.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2022 (Unaudited)	As of December 31, 2021
Assets		
Current Assets:		
Cash and restricted cash	\$ 11,227,061	\$ 17,489,380
Accounts receivable, net of allowance for doubtful accounts of \$312,677 and \$409,076 at March 31, 2022 and December 31, 2021, respectively	2,152,606	1,957,579
Inventories, net of allowance for excess and obsolete inventory of \$262,901 and \$268,470 at March 31, 2022 and December 31, 2021, respectively	5,809,602	5,421,027
Contract assets	2,437,924	1,906,510
Prepaid expenses and other current assets	2,651,618	1,292,285
Total Current Assets	24,278,811	28,066,781
Long-Term Assets:		
Property and equipment, net of accumulated depreciation of \$7,829,488 and \$7,554,803 at March 31, 2022 and December 31, 2021, respectively	8,383,826	8,858,993
Operating lease right-of-use assets	6,613,073	6,925,807
Deposits and other assets	618,995	628,109
Intangible assets, net of accumulated amortization of \$376,375 and \$357,231 at March 31, 2022 and December 31, 2021, respectively	301,244	334,743
Goodwill	235,275	240,259
Total Long-Term Assets	16,152,413	16,987,911
Total Assets	\$ 40,431,224	\$ 45,054,692

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

As of March 31, 2022	As of December 31, 2021
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(Unaudited)

Liabilities and Stockholders' Equity

Current Liabilities:

Accounts payable	\$ 2,023,972	\$ 1,646,662
Accrued expenses	5,084,650	4,685,665
Current portion of finance lease obligations	367,171	373,824
Current portion of operating lease liabilities	871,682	846,544
Current portion of convertible note payable	10,080,000	8,400,000
Contract liabilities	692,640	914,828
Total Current Liabilities	19,120,115	16,867,523
Deferred tax liability	205,318	224,779
Other liabilities, net of current portion	61,547	346,939
Finance lease obligations, net of current portion	2,355,721	2,499,591
Operating lease liabilities, net of current portion	5,872,927	6,154,064
Convertible note payable, less current portion	3,964,273	6,186,936
Total Long-term Liabilities	12,459,786	15,412,309
Total Liabilities	31,579,901	32,279,832

Stockholders' Equity:

Preferred stock; par value \$0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at March 31, 2022 and December 31, 2021	-	-
Common stock; par value \$0.001, 100,000,000 shares authorized, 21,352,688 and 21,285,706 shares issued and outstanding at March 31, 2021 and December 31, 2021, respectively	21,352	21,285
Additional paid-in capital	71,089,613	70,910,902
Accumulated deficit	(56,928,352)	(53,181,928)
Accumulated other comprehensive loss	(5,331,290)	(4,975,399)
Total Stockholders' Equity	8,851,323	12,774,860
Total Liabilities and Stockholders' Equity	\$ 40,431,224	\$ 45,054,692

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

**For the Three Months Ended
March 31,**

	2022	2021
Revenue	\$ 3,637,236	\$ 3,997,877
Cost of goods sold	3,391,695	3,883,262
Gross Profit	245,541	114,615
Operating Expenses:		
Selling expenses	1,059,948	1,009,498
General and administrative expenses	1,916,517	1,474,670
Research and development expenses	602,737	437,607
Total Operating Expense	3,579,202	2,921,775
Loss from Operations	(3,333,661)	(2,807,160)
Other Income (Expense)		
Interest and other income	99	-
Interest expense	(206,461)	(40,419)
Amortization discount on convertible note	(297,338)	-
Gain (Loss) on currency transactions	75,993	371,684
Total Other Income (Expense)	(427,707)	331,265
Loss Before Income Taxes	(3,761,368)	(2,475,895)
Income Tax Benefit	(14,994)	(16,466)
Net Loss	\$ (3,746,424)	\$ (2,459,429)
Basic and Diluted Loss Per Share	\$ (0.18)	\$ (0.11)
Basic and Diluted Weighted Average Common Shares Outstanding	21,350,455	21,677,186

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