

# LiqTech International Announces Second Quarter 2023 Financial Results

BALLERUP, Denmark, Aug. 10, 2023 — **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 second quarter of 2023 for the period ended June 30, 2023.



## Q2 2023 Financial Highlights

- Revenue of \$5.0 million, a 1% decrease from Q2 2022.
- Gross profit margin of 23% compared to 3% in Q2 2022.
- Operating expenses of \$2.8 million, down 42% from Q2 2022.
- Net loss of \$(1.6) million, an improvement of \$4.9 million compared to \$(6.5) million in Q2 2022.
- Strong ending cash balance of \$12.6 million.

## Recent Operational Highlights

- Signed commercial contracts for delivery of ten pool systems and increased order intake of both ceramic membranes and DPFs.
- Successfully performed on-site commissioning of our first MEG unit at customer’s offshore platform in the Mediterranean.
- Entered into a Memorandum of Understanding (MoU) to explore the application of LiqTech’s advanced filtration system for industrial water treatment in China.
- Delivered a pilot unit for phosphoric acid purification to Silicon Filter in China.

## Management Commentary

“During the second quarter, we continued to successfully execute against our strategy to drive profitable revenue growth through enhanced recurring business solutions, resulting in 25% sequential revenue growth and a significant improvement in gross margin,” commented Fei Chen, CEO of LiqTech. The commercial strategy we instituted when I took over as CEO focused on several initiatives: first, to increase recurring revenue; second, to create new partnership and distribution agreements to expand our commercial reach; and third, to improve operational efficiencies. These first three initiatives are all moving forward according to plan. Further, our fourth initiative is to deploy larger system sales. This initiative is advancing, with the successful commissioning during the second quarter of key swimming

pool and oil and gas applications as well as the recent delivery of a phosphoric acid pilot unit, representing our first delivery of this application in Asia.”

“Our strategic focus to enhance our recurring revenue opportunities—including installed base sales, diesel particulate filters, ceramic membranes, and plastics business—continues to deliver the intended results. Across all of these key areas, we have improved our pricing excellence to deliver increased gross profits. With an expectation for continued improvement in contribution margins and efficient management of operating expenses, we are closing the gap to achieve quarterly breakeven.”

“From a system sales standpoint, swimming pool systems have been a leading driver for us during 2023 following the launch of our enhanced Aqua Solution® based on our proprietary silicon carbide (SiC) membrane technology. Year-to-date, we have received fifteen pool system orders from a wide variety of geographic locations. Additionally, oil and gas-related solutions continue to advance, particularly through our collaboration with NESR as we have built up an aligned pipeline with clear targets in the near term. We also completed the on-site commission of our first MEG unit, providing us confidence for additional opportunities within this market subsegment. Furthermore, we are making progress in phosphoric acid purification with the delivery of a pilot unit to Silicon Filter in China. With a strategic combination of direct sales and distribution partners, such as our recently signed agreement with Wondux and Silicon Filter, I believe we have the right combination going forward to make continued progress in our key target markets of swimming pools, oil and gas, acid purification, and broader water treatment markets.”

“We believe the second half of the year will show continued growth and improved operating performance as we look to mark a major milestone in the near future of sustained profitability,” Chen concluded.

## **Q2 2023 Financial Results**

Revenue for quarter ended June 30, 2023, was \$5.0 million, comparable to the \$5.0 million reported in second quarter of 2022. While offset by lower system sales and DPFs, revenue stability was attributable to an increase in system aftermarket activities, ceramic membranes sales, and plastic products, reflecting a continued focus on strengthening the recurring business lines with a diversified and improved revenue mix that is better suited for the existing manufacturing setup. Furthermore, revenue in the current period benefitted from commissioning and contract work across key oil & gas projects and planned marine scrubber remediation work.

The positive development in the current quarter was partly offset by a year-on-year decrease in sales of liquid filtration systems and DPFs, as the quarter ended June 30, 2022, benefitted from the delivery of a sizable oil & gas project in the Middle East as well as the delivery of a legacy DPF order for a transportation client in Asia.

Gross profit for the quarter ended June 30, 2023 was \$1.2 million, reflecting a gross profit margin of 23%, compared to \$0.1 million, or a gross profit margin of 3%, in second quarter of 2022. Considering the comparable revenue levels, the increase was mainly driven by a reduction in cost of goods sold underpinned by improvements in both product and price mix, and operational efficiencies supported by the newly implemented ERP platform. Notably, the recurring business, including sales of ceramic products and pool systems, were the main drivers behind the improvement in gross profit, partly offset by costs related to ongoing remediation work and continued investments in manufacturing optimization initiatives as we seek to improve kiln utilization and general manufacturing throughput.

Total operating expenses for the quarter ended June 30, 2023 were \$2.8 million compared to \$4.7 million in the second quarter of 2022. The decrease was predominantly attributable to the restructuring costs of \$1.8 million recorded in the second quarter of 2022. Adjusting for the reported restructuring costs, total operating expenses decreased \$0.2 million, or 7%.

Other Income (Expense) for the quarter ended June 30, 2023 was \$0.0 million compared to \$(1.9) million in second quarter of 2022, with the change reflecting a gain on currency transactions and the early repayment of the Convertible Note in the second quarter of 2022.

Net Loss for the quarter ended June 30, 2023 was \$(1.6) million compared to \$(6.5) million in the second quarter of 2022, benefitting from the increased gross profit underpinned by both price and mix improvements, increased manufacturing throughput across our Danish manufacturing facilities, and reductions in operating expenses related to the restructuring and refinancing activities conducted during the second quarter of 2022.

Cash on hand (including restricted cash) on June 30, 2023 was \$12.6 million compared to \$16.6 million on December 31, 2022.

## **2023 Full-Year Outlook**

The Company expects revenue growth of 20-30% for the full year of 2023 compared to 2022, with a gross margin range of 15-20%.

## **Conference Call Details**

**Date and Time:** Thursday, August 10, 2023, 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/WxAljrVjGy6>.

**Replay:** A teleconference replay of the call will be available until August 17, 2023, at (877) 344-7529 or (412) 317-0088, confirmation # 8122262.

## **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](http://www.liqtech.com)

Follow LiqTech on LinkedIn: <http://www.linkedin.com/company/liqtech-international>

Follow LiqTech on Twitter: <https://twitter.com/LiqTech>

## **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: Simon Stadil, Chief Financial Officer, LiqTech International, Inc., Phone: +45 3140 9128, [www.liqtech.com](http://www.liqtech.com);

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

**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of June 30, 2023 (Unaudited)	As of December 31, 2022
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and restricted cash	\$ 12,594,689	\$ 16,597,371
Accounts receivable, net of allowance for doubtful accounts of \$50,230 and \$59,559 at June 30, 2023 and December 31, 2022, respectively	2,960,421	2,310,344
Inventories, net of allowance for excess and obsolete inventory of \$732,638 and \$663,227 at June 30, 2023 and December 31, 2022, respectively	4,423,280	4,062,001
Contract assets	2,406,402	2,253,295
Prepaid expenses and other current assets	2,816,823	1,720,902
Assets held for sale	694,601	723,872
Total Current Assets	25,896,216	27,667,785
<b>Long-Term Assets:</b>		
Property and equipment, net of accumulated depreciation of \$10,374,274 and \$9,046,499 at June 30, 2023 and December 31, 2022, respectively	7,526,475	8,296,807
Operating lease right-of-use assets	3,046,933	3,271,997
Deposits and other assets	457,111	450,038
Intangible assets, net of accumulated amortization of \$497,445 and \$438,250 at June 30, 2023 and December 31, 2022, respectively	164,978	212,933
Goodwill	229,999	226,095
Total Long-Term Assets	11,425,496	12,457,870
<b>Total Assets</b>	<b>\$ 37,321,712</b>	<b>\$ 40,125,655</b>

**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	As of June 30, 2023 (Unaudited)	As of December 31, 2022
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,963,042	\$ 1,389,355
Accrued expenses	2,998,844	3,087,206
Current portion of finance lease obligations	413,505	399,198
Current portion of operating lease liabilities	589,127	561,182
Contract liabilities	878,201	649,557
Total Current Liabilities	6,842,719	6,086,498
Deferred tax liability	128,542	154,645
Finance lease obligations, net of current portion	2,216,535	2,384,011
Operating lease liabilities, net of current portion	2,457,806	2,710,815
Senior promissory notes payable, less current portion	5,651,632	5,480,314
Total Long-term Liabilities	10,454,515	10,729,785
Total Liabilities	17,297,234	16,816,283
<b>Stockholders' Equity:</b>		
Preferred stock; par value \$0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at June 30, 2023 and December 31, 2022	-	-
Common stock; par value \$0.001, 12,500,000 shares authorized, 5,700,226 and 5,515,056 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	5,700	5,515
Additional paid-in capital	97,326,371	96,975,459
Accumulated deficit	(71,295,830)	(67,351,035)
Accumulated other comprehensive loss	(6,011,753)	(6,320,567)
Total Stockholders' Equity	20,024,478	23,309,372

**Total Liabilities and Stockholders' Equity** **\$ 37,321,712**   **\$ 40,125,655**

**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
		\$	\$	\$
<b>Revenue</b>	4,990,019	5,018,292	9,001,538	8,655,528
Cost of Goods Sold	3,827,491	4,870,152	7,447,668	8,261,847
<b>Gross Profit</b>	1,162,528	148,140	1,553,870	393,681
<b>Operating Expenses:</b>				
Selling expenses	1,028,225	1,196,513	2,210,660	2,256,461
General and administrative expenses	1,377,483	1,265,543	2,436,432	3,182,060
Research and development expenses	359,784	490,836	702,403	1,093,573
Restructuring costs	-	1,788,827	-	1,788,827
Total Operating Expense	2,765,492	4,741,719	5,349,495	8,320,921
<b>Loss from Operations</b>	(1,602,964)	(4,593,579)	(3,795,625)	(7,927,240)
<b>Other Income (Expense)</b>				
Interest and other income	116,545	342,624	168,218	342,723
Interest expense	(45,898)	(159,557)	(57,899)	(366,018)
Amortization discount on Notes	(86,790)	(1,922,618)	(171,318)	(2,219,956)
Gain (Loss) on currency transactions	49,494	(342,202)	(116,784)	(266,209)
Gain on lease termination	-	153,575	-	153,575
Gain on sale of fixed assets	-	661	-	661
Total Other Income (Expense)	33,351	(1,927,517)	(177,783)	(2,355,224)
<b>Loss Before Income Taxes</b>	(1,569,613)	(6,521,096)	(3,973,408)	(10,282,464)
Income Tax Benefit	(14,321)	(14,037)	(28,613)	(28,981)
<b>Net Loss</b>	\$ (1,555,292)	\$ (6,507,059)	\$ (3,944,795)	\$ (10,253,483)
<b>Basic and Diluted Loss Per Share</b>	\$ (0.27)	\$ (1.62)	\$ (0.70)	\$ (3.05)
<b>Basic and Diluted Weighted Average Common Shares Outstanding</b>	5,676,803	4,028,983	5,673,605	3,361,004

 View original content to download

multimedia:<https://www.prnewswire.com/news-releases/liqtech-international-announces-second-quarter-2023-financial-results-301897265.html>

SOURCE LiqTech International, Inc.