

LiqTech International Announces Third Quarter 2021 Financial Results

BALLERUP, Denmark, Nov. 11, 2021 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, today reported third quarter 2021 financial results for the period ended September 30, 2021.

LIQTECH

Third Quarter 2021 Highlights

- Third quarter revenue of \$4.1 million.
- Net loss of \$2.9 million.
- Strong ending cash balance of \$20.7 million.
- Received first order from Chevron (CVX) for new offshore deep-sea drilling application.
- Signed key agreements for new China manufacturing facility and began equipment procurement.
- Received first orders for new non-marine applications.

Highlights Subsequent to Third Quarter

- Received first Middle East oil & gas order from Baker Hughes (BKR).
- Received first oil & gas order from India's Oil and Natural Gas Corporation (ONGC).

Management Commentary

Third quarter results were lower than expectations due to continuing supply chain disruptions that have impacted our ability to deliver all of the planned shipments. We expect these supply chain issues to remain with us through at least the next quarter. However, we continue to see improving trends in virtually all of our end markets and we are booking new orders for new applications. We expect to end the year with a good backlog as we enter 2022.

LiqTech CEO, Sune Mathiesen, commented, "I am very pleased with the traction we are gaining in diversifying our business and growing our order book, particularly within the oil and gas industry, where we have recently booked orders from several industry leaders such as Baker Hughes, Chevron and ONGC. The first orders from these important industry leaders confirm our progress. We believe that we will see further revenue growth in our oil & gas business in the coming months."

“While the past 18 months have been very challenging, we have taken this time to increase our investments in developing new product applications for the oil & gas and black carbon marine emission reduction markets. We expect these markets will be significant contributors to our business in 2022 and beyond. Further, we are seeing a recovery in our marine scrubber business, with increased inquiries and new orders. We see further opportunities if the IMO agrees to an open loop scrubber ban currently being discussed at its MEPC Committee session. Finally, we are successfully executing on our China joint venture manufacturing facility, where we remain on schedule to be operational in the second half of 2022.”

“As we look to the future, we have better visibility and greater confidence in our order book and pipeline of potential orders. As a result, we believe the timing is now appropriate to provide guidance for the remainder of 2021 and 2022. Due to the previously highlighted supply chain issues, we anticipate fourth quarter 2021 revenues of \$6 million to \$8 million. However, we will end the year with a good backlog and expect ramping revenue growth starting in the first quarter of 2022. For the full year 2022, we see revenues of \$50 million to \$80 million,” Mathiesen continued. “The upside scenario assumes the IMO will ban open loop scrubbers at port and that certain large orders in our oil and gas pipeline will be released sooner than currently expected.”

Q3 2021 Financial Results

Revenue for the third quarter of 2021 was \$4.1 million compared to \$3.5 million in the third quarter of 2020, representing an increase of \$0.6 million, or 17%. The increase in revenue was mainly driven by an increase in sales of diesel particulate filters and membranes. Revenue from our marine scrubber business continued to be negatively impacted by the pandemic. The Company has experienced some supply chain disruptions, particularly in its ability to obtain pumps and electronic parts, which has hindered our ability to complete and deliver certain systems. These impacts are expected to persist at least into the fourth quarter.

Gross profit for the third quarter of 2021 was \$0.2 million, reflecting a gross profit margin of 4.7%, compared to \$(0.3) million for the third quarter of 2020, or a negative 8.7% gross profit margin. The overall impact on gross profit was due primarily to higher sales volume compared to last year. Gross profit for the third quarter of 2020 was also negatively impacted by costs related to the planned closure of the production facility in North America, including write-off of inventory components, increased scrap cost for production machinery and other related costs.

Total operating expense for the third quarter of 2021 was \$2.8 million compared to \$2.5 million for the third quarter of 2020, an increase of 11% compared to the prior period. Operating expense was higher due to strategic decisions to increase selling and engineering

investments to drive revenue growth.

Net other expense for the third quarter of 2021 was negative \$(0.3) million compared to a negative \$(1.1) million in the third quarter of 2020. The negative result in the third quarter of 2021 was mainly due to amortization discount and interest expense on the Convertible Note, offset by a reduction in the foreign currency transaction loss due to a more favorable DKK/USD exchange rate.

Net loss for the third quarter of 2021 was \$(2.9) million compared to \$(3.9) million for the third quarter of 2020, resulting primarily from the higher revenue and gross profit and the positive impact from foreign currency transactions.

Cash on hand and restricted cash at September 30, 2021 was \$20.7 million compared to \$13.3 million at December 31, 2020. Cash used in operating activities was negative \$(4.4) million, mainly due to the net loss for the period adjusted for non-cash activities of \$2.8 million, offset by favorable changes in working capital of \$1.2 million.

Marine Scrubber Market

We continue to see improving market conditions for scrubber systems as the price spread between high and low sulfur fuels (HSFO and LSFO), the key economic driver supporting investments in marine scrubbers to meet the IMO 2020 low sulfur emissions mandate, remains above \$100 per metric ton. In recent weeks, the spread has widened further, as reports of shortages of VLSFO permeate the market.

The IMO is presently discussing a harmonization of scrubber discharge regulations at their MEPC 77 committee session that ends November 12. The potential regulatory harmonization by the IMO follows myriad local open loop scrubber discharge bans around the world.

The Company believes that trends in the marine scrubber market continue to favor increased adoption of closed loop scrubbers that employ the Company's filtration technology. This transition to closed loop systems could accelerate with a potential global port ban of open loop systems, providing LiqTech the additional opportunity to supply conversion filtration systems for some 4,000 vessels that have already installed open loop or hybrid scrubber systems. In addition to 4,000 vessels that would need to be converted, research analysts continue to estimate that an additional 4,000 to 6,000 ships will yet be retrofitted with exhaust gas scrubber systems.

Black Carbon / NOx Reduction Marine Market

As previously noted, the Company's optimism in the rapidly developing black carbon emission reduction market for ocean-going and inland marine vessels led us to take a decision to move forward with plans to develop a new manufacturing facility in China. The facility will manufacture both black carbon and NOx reduction products and will also function

as a service center for the Company's marine scrubber products.

Tightening legislation in the marine industry has created an enormous market opportunity to utilize our extensive experience in diesel particulate filters (DPF) to also reduce black carbon emissions. China is taking the lead in reducing their black carbon emissions but we also see new mandates in several European countries and expect that the IMO could likely implement global black carbon emissions reduction regulation.

The Company recently signed a lease agreement for its new China manufacturing facility in the city of Taicang, some 50 km northwest of Shanghai. The investment agreement with the Chinese authorities has also been signed. We have started installation of the required infrastructure for the facility and have begun procurement of major equipment required for the manufacture of our black carbon and NOx reduction products. We remain on track to be operational in the second half of 2022.

Oil & Gas Market

The Company has recently 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 we not only enter a very large market, it also marks the Company's first entry into a "build, own and operate" model, where we can generate income from both the sale and operation of our water filtration systems. We are currently discussing several additional orders for the Middle East, as tightening regulation for environmentally friendly and sustainable solutions to address local water scarcity and oil production challenges continues.

Management Expectations

Fourth Quarter 2021

- Revenue of \$6 to \$8 million
- Gross profit of 15% to 20%

The Company is experiencing increasing demand for its products and solutions following the negative impacts from the pandemic that extended well into 2021. The improvement in the overall market environment is being partly offset by supply chain disruptions, particularly affecting our ability to obtain pumps and electronic parts. These disruptions have impacted third quarter deliveries and will impact fourth quarter deliveries as well.

Full Year 2022

- Revenue of \$50 to \$80 million

- Gross margin of 30% to 35%

The Company is expecting continued revenue growth in its oil & gas business, coupled with continued progress in our marine scrubber business. Taken together, these end markets are expected to contribute more than 50% of 2022 revenue. Additional revenue growth is expected from other component products and systems sales, including OEM membranes, DPF filters, engineered plastic parts and land-based water treatment systems. The Company is expecting limited near-term revenues from the development of the black carbon marine emission reduction market in 2022. However, a significant ramp in revenues is expected in the following years after production begins in our new China manufacturing facility.

Conference Call Details

Date and Time: Thursday, November 11, 2021 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://www.webcaster4.com/Webcast/Page/2364/43519>.

Slide Presentation: There will be a slide presentation accompanying today's event. The Company's slide presentation for the call will be available on the Investor Relations page at <https://www.liqtech.com/investor-relations/>.

Replay: A teleconference replay of the call will be available until November 18, 2021 at (877) 344-7529 or (412) 317-0088, confirmation #10161459.

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 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 CONSOLIDATED BALANCE SHEET

	As of September 30, 2021 (Unaudited)	As of December 31, 2020
Current Assets:		
Cash and restricted cash	\$ 20,692,339	\$ 13,264,449
Accounts receivable, net	2,233,586	3,129,109
Inventories, net	5,117,362	5,522,038
Contract assets	1,939,107	2,708,136
Prepaid expenses and other current assets	686,112	1,031,194
Total Current Assets	30,668,506	25,654,926
Long-term Assets:		
Property and equipment, net	9,345,299	10,321,511
Operating lease right-of-use assets	7,246,422	4,947,734
Deposits and other assets	517,847	545,673
Intangible assets, net	370,012	480,060
Goodwill	245,467	260,233
Total Long-Term Assets	17,725,047	16,555,211
Total Assets	\$ 48,393,553	\$ 42,210,137

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	As of September 30, 2021 (Unaudited)	As of December 31, 2020
Current Liabilities:		
Accounts payable	\$ 2,023,985	\$ 2,332,151
Accrued expenses	4,363,370	4,908,961
Current portion of finance lease obligation	379,726	394,839
Current portion of operating lease obligations	781,235	1,026,235

Current portion of convertible note payable	5,880,000	-
Contract liabilities	908,172	1,152,748
Total Current Liabilities	14,336,488	9,814,934
Convertible note payable, net of current portion	8,415,538	-
Deferred tax liability	245,262	305,167
Other liabilities, net of current portion	564,621	-
Finance lease obligation, net of current portion	2,650,139	3,112,496
Operating lease liability, net of current portion	6,485,282	4,159,225
Total Long-Term Liabilities	18,360,842	7,576,888
Total Liabilities	32,697,330	17,391,822

Stockholders' Equity:

Common stock; par value \$0,001, 25,000,000 shares authorized and 21,285,786 and 21,655,461 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	21,285	21,655
Additional paid-in capital	70,784,780	69,897,698
Accumulated deficit	(50,516,461)	(42,054,968)
Other comprehensive loss	(4,593,381)	(3,046,070)
Total Stockholders' Equity	15,696,223	24,818,315
Total Liabilities and Stockholders' Equity	\$ 48,393,553	\$ 42,210,137

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue	\$ 4,142,954	\$ 3,543,730	\$ 12,157,394	\$ 18,467,057
Cost of Goods Sold	3,946,732	3,852,210	11,525,847	15,641,998
Gross Profit	196,222	(308,480)	631,547	2,825,059
Operating Expenses:				
Selling expenses	1,205,849	741,738	3,417,933	2,024,485
General and administrative expenses	1,102,772	1,526,327	3,824,574	4,585,857
Research and development expenses	497,823	256,239	1,370,059	883,752
Total Operating Expense	2,806,444	2,524,304	8,612,566	7,494,094
Loss from Operations	(2,610,222)	(2,832,784)	(7,981,019)	(4,669,035)
Other Income (Expense)				
Interest and other income	-	8,164	-	12,901
Gain on modification of earn-out liability	-	301,573	-	301,573
Interest expense	(235,318)	(41,388)	(491,335)	(102,926)
Amortization discount on convertible note	(292,129)	-	(543,933)	-
Fair value adjustment warrants	-	(664,350)	-	(901,250)
Gain (Loss) on currency transactions	218,030	(660,747)	506,018	(821,681)
Gain on sale of fixed assets	(8)	-	1,126	-
Total Other Income (Expense)	(309,425)	(1,056,748)	(528,124)	(1,511,383)
Loss Before Income Taxes	(2,919,647)	(3,889,532)	(8,509,143)	(6,180,418)
Income Tax Benefit	(15,691)	(16,113)	(47,650)	(46,687)
Net Loss	\$ (2,903,956)	\$ (3,873,419)	\$ (8,461,493)	\$ (6,133,731)
Basic and diluted Loss Per Share	\$ (0.13)	\$ (0.18)	\$ (0.39)	\$ (0.29)
Basic and Diluted Weighted Average Common Shares Outstanding	21,540,688	21,653,514	21,661,945	21,059,251

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