

# LiqTech International Announces Third Quarter 2023 Financial Results

BALLERUP, Denmark, Nov. 9, 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 third quarter of 2023 for the period ended September 30, 2023.



## Q3 2023 Financial Highlights

- Revenue of \$5.1 million, a 53% increase from Q3 2022.
- Gross profit margin of 19% compared to 3% in Q3 2022.
- Operating expenses of \$2.6 million, compared to \$2.4 million in Q3 2022.
- Net loss of \$(1.4) million, an improvement from \$(1.8) million in Q3 2022.
- Strong ending cash balance of \$11.8 million.

## Recent Operational Highlights

- Received orders for two marine scrubber water treatment systems through recently enhanced distribution relationship with Joyo in China.
- Entered into an agreement for the distribution of LiqTech’s Aqua Solution® swimming pool water filtration systems covering the Middle East.
- Entered into an agreement for the distribution of LiqTech’s Aqua Solution® swimming pool water filtration systems covering Australia and Pacific Islands.
- Entered into an amendment to extend the maturity of our \$6.0 million Senior Promissory note from June 2024 to January 2026.

## Management Commentary

“Our enhanced commercial strategy continues to deliver positive results, driven primarily by our established businesses—including the provision of commercial pool systems, general aftermarket sales, and the sale of ceramic membranes and diesel particulate filters—resulting in a year-over-year revenue growth of 53%,” commented Fei Chen, CEO of LiqTech. “We also continued to execute against our goals to improve our manufacturing and operational efficiencies, demonstrating an increase in gross profit margin from 3% in the prior-year period to 19% in the current period, coupled with a 4% sequential decline in our operating expenses. As revenue growth continues and we better absorb our fixed manufacturing overhead through increased throughput, we should see continued improvement in gross

profit margins as evidenced during the third quarter. This strong trend provides us with a clear pathway to quarterly breakeven in line with previous guidance.”

“Within the established segment of our business, we also saw the return of our first new marine scrubber system orders in more than 18 months as we deployed an upgraded, modular-designed system through our recently enhanced distribution relationship with Joyo in China. LiqTech has more than 160 installations in the marine scrubber market, which occurred primarily between 2018 and 2020. With a renewed focus on this market, coupled with capable distribution partners, I believe there is an opportunity to regain our position in this market in the future.”

“As we look to the rest of the year and into 2024, we see a number of opportunities in our targeted business segment particularly within phosphoric acid, mono ethylene glycol (MEG), and produced water as a component of the oil and gas market, all of which we believe will be key contributors to future growth alongside our established business. Further, our new partnerships within the commercial swimming pool market are expected to accelerate our growth in this key market segment for us starting next year.”

“I am pleased with the progress our new leadership team has made to transform LiqTech operationally and commercially to become a leading provider of advanced and sustainable filtration solutions, servicing our clients globally. Looking into the last quarter of 2023, we will carefully monitor the escalating conflict in the Middle East, more specifically Israel and Gaza, as we continue to have important O&G projects ongoing in the region that may be negatively impacted by the situation. Across the rest of our business, we will work diligently to close out 2023 on a strong note while positioning for growth and margin accretion in 2024,” Chen concluded.

### **Q3 2023 Financial Results**

Revenue for the quarter ended September 30, 2023, was \$5.1 million, compared to the \$3.3 million reported in the third quarter of 2022. The positive development in revenue reflects a continued strengthening of our established business lines with a significant increase in aftermarket sales, more specifically membrane housings and general spare part sales, but also increased deliveries for pool systems in Europe and Asia Pacific. Furthermore, the quarter benefitted from stable DPF activity, continued remediation work for marine systems, and progress on external R&D projects to further strengthen our technology base.

While delivering a strong quarter, we did see a decline in incoming orders for general component sales due to macro-economic uncertainty and the impact from the European holiday early in the summer.

Gross profit for the quarter ended September 30, 2023, was \$0.9 million, reflecting a gross profit margin of 19%, compared to \$0.1 million, or a gross profit margin of 3%, in the third

quarter of 2022. The positive variance in gross profit is a result of increased volume, an improved revenue mix with elevated contribution of high-margin aftermarket activities, enhanced pricing discipline, and targeted cost reductions. During the quarter, we have onboarded new hires to ramp up our ceramics manufacturing throughput, improve kiln utilization, and compress delivery lead times. Profitability was also underpinned by new quality and production optimization efforts, seeking to standardize our system and service delivery platforms.

Total operating expenses for the quarter ended September 30, 2023 were \$2.6 million, compared to \$2.4 million in the third quarter of 2022, with the increase attributable to the onboarding of additional sales representatives, increased IT costs, and intensified marketing efforts partly offset by reduced general and administrative expenses following the CEO transition and key management changes recorded in the third quarter of 2022.

Other Income (Expense) for the quarter ended September 30, 2023 was \$0.3 million compared to \$0.5 million in the third quarter of 2022, with the change reflecting a reduced gain on currency transactions, partially offset by increased interest income due to a more favorable deposit interest rate

Net Loss for the quarter ended September 30, 2023 was \$(1.4) million compared to \$(1.8) million in the third quarter of 2022. The change was attributable to the increase in revenue and gross profit margin, partially offset by an increase in operating expenses and reduction of other income.

Cash on hand (including restricted cash) on September 30, 2023 was \$11.8 million compared to \$12.6 million on June 30, 2023.

## **2023 Full-Year Outlook**

The Company expects 2023 full year revenue between \$19 million and \$21 million with a reported full year gross margin range of 15-20%.

## **Conference Call Details**

**Date and Time:** Thursday, November 9, 2023, at 10:00 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/zAd4Xa5XeNn>.

**Replay:** A teleconference replay of the call will be available until November 16, 2023, at

(877) 344-7529 or (412) 317-0088, confirmation # 8554685.

## **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>

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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.*

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

**As of**  
**September 30,**  
**2023**  
**(Unaudited)**

**As of**  
**December 31,**  
**2022**

**Assets**

**Current Assets:**

|  |                   |                   |
|--|-------------------|-------------------|
| Cash and restricted cash   | \$ 11,832,959     | \$ 16,597,371     |
| Accounts receivable, net of allowance for doubtful accounts of \$48,909 and \$59,559 at September 30, 2023 and December 31, 2022, respectively       | 3,883,813         | 2,310,344         |
| Inventories, net of allowance for excess and obsolete inventory of \$898,944 and \$663,227 at September 30, 2023 and December 31, 2022, respectively | 4,556,000         | 4,062,001         |
| Contract assets  | 2,587,397         | 2,253,295         |
| Prepaid expenses and other current assets  | 1,311,140         | 1,720,902         |
| Assets held for sale   | 394,623           | 723,872           |
| <b>Total Current Assets</b>  | <b>24,565,932</b> | <b>27,667,785</b> |

**Long-Term Assets:**

|   |                   |                   |
|---|-------------------|-------------------|
| Property and equipment, net of accumulated depreciation of \$10,713,077 and \$9,046,499 at September 30, 2023 and December 31, 2022, respectively | 8,640,532         | 8,296,807         |
| Operating lease right-of-use assets   | 2,827,101         | 3,271,997         |
| Deposits and other assets   | 446,149           | 450,038           |
| Intangible assets, net of accumulated amortization of \$509,641 and \$438,250 at September 30, 2023 and December 31, 2022, respectively           | 135,363           | 212,933           |
| Goodwill  | 223,951           | 226,095           |
| <b>Total Long-Term Assets</b>   | <b>12,273,096</b> | <b>12,457,870</b> |

**Total Assets** **\$ 36,839,028** **\$ 40,125,655**

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

**As of**  
**September 30,**  
**2023**  
**(Unaudited)**

**As of**  
**December 31,**  
**2022**

**Liabilities and Stockholders' Equity**

**Current Liabilities:**

|  |                   |                   |
|--|-------------------|-------------------|
| Accounts payable   | \$ 2,233,853      | \$ 1,389,355      |
| Accrued expenses   | 3,847,849         | 3,087,206         |
| Current portion of finance lease obligations   | 558,961           | 399,198           |
| Current portion of operating lease liabilities   | 548,417           | 561,182           |
| Contract liabilities   | 540,153           | 649,557           |
| <b>Total Current Liabilities</b>   | <b>7,729,233</b>  | <b>6,086,498</b>  |
| Deferred tax liability   | 111,077           | 154,645           |
| Finance lease obligations, net of current portion  | 2,899,640         | 2,384,011         |
| Operating lease liabilities, net of current portion  | 2,278,684         | 2,710,815         |
| Senior promissory notes payable, net of debt discount of \$1,455,127 and \$519,686 at September 30, 2023 and December 31, 2022, respectively | 4,544,873         | 5,480,314         |
| <b>Total Long-term Liabilities</b>   | <b>9,834,274</b>  | <b>10,729,785</b> |
| <b>Total Liabilities</b>   | <b>17,563,507</b> | <b>16,816,283</b> |

**Stockholders' Equity:**

|  |                   |                   |
|--|-------------------|-------------------|
| Preferred stock; par value \$0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at September 30, 2023 and December 31, 2022                                   | -                 | -                 |
| Common stock; par value \$0.001, 12,500,000 shares authorized, 5,727,310 and 5,498,260 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | 5,727             | 5,498             |
| Additional paid-in capital   | 98,662,745        | 96,975,476        |
| Accumulated deficit  | (72,710,060)      | (67,351,035)      |
| Accumulated other comprehensive loss   | (6,682,891)       | (6,320,567)       |
| <b>Total Stockholders' Equity</b>  | <b>19,275,521</b> | <b>23,309,372</b> |

**Total Liabilities and Stockholders' Equity****\$ 36,839,028    \$ 40,125,655****LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

|   | For the Three Months Ended<br>September 30, |                | For the Nine Months Ended<br>September 30, |                 |
|---|---|----------------|--|-----------------|
|   | 2023  | 2022           | 2023                                       | 2022            |
| <b>Revenue</b>  | \$ 5,070,446                                | \$ 3,305,534   | \$ 14,071,984                              | \$ 11,961,062   |
| Cost of Goods Sold  | 4,121,881                                   | 3,198,255      | 11,569,549                                 | 11,460,102      |
| <b>Gross Profit</b>   | 948,565                                     | 107,279        | 2,502,435                                  | 500,960         |
| <b>Operating Expenses:</b>  |   |                |  |                 |
| Selling expenses  | 965,039                                     | 676,420        | 3,175,699                                  | 2,932,881       |
| General and administrative expenses                                 | 1,253,779                                   | 1,429,315      | 3,690,211                                  | 4,611,375       |
| Research and development expenses                                   | 428,600                                     | 283,524        | 1,131,003                                  | 1,377,097       |
| Restructuring costs   | -   | (1,964)        | -  | 1,786,863       |
| Total Operating Expense   | 2,647,418                                   | 2,387,295      | 7,996,913                                  | 10,708,216      |
| <b>Loss from Operations</b>   | (1,698,853)                                 | (2,280,016)    | (5,494,478)                                | (10,207,256)    |
| <b>Other Income (Expense)</b>                                       |   |                |  |                 |
| Interest and other income   | 103,887                                     | 1,870          | 272,105                                    | 344,593         |
| Interest expense  | (34,734)                                    | (28,514)       | (92,633)                                   | (394,532)       |
| Amortization discount on Notes                                      | (86,447)                                    | (84,098)       | (257,765)                                  | (2,304,054)     |
| Gain (Loss) on currency transactions                                | 287,437                                     | 628,137        | 170,653                                    | 361,928         |
| Gain on lease termination   | -   | (3,317)        | -  | 150,258         |
| Gain on sale of fixed assets  | -   | (19)           | -  | 642             |
| Total Other Income (Expense)  | 270,143                                     | 514,059        | 92,360                                     | (1,841,165)     |
| <b>Loss Before Income Taxes</b>                                     | (1,428,710)                                 | (1,765,957)    | (5,402,118)                                | (12,048,421)    |
| Income Tax Benefit  | 14,480                                      | 13,293         | 43,093                                     | 42,274          |
| <b>Net Loss</b>   | \$ (1,414,230)                              | \$ (1,752,664) | \$ (5,359,025)                             | \$ (12,006,147) |
| <b>Basic and Diluted Loss Per Share</b>                             | \$ (0.25)                                   | \$ (0.32)      | \$ (0.94)                                  | \$ (2.95)       |
| <b>Basic and Diluted Weighted Average Common Shares Outstanding</b> | 5,705,729                                   | 5,486,475      | 5,684,430                                  | 4,066,144       |

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