

LiqTech International Inc. Announces First Quarter 2020 Financial Results

BALLERUP, Denmark, May 11, 2020 — **LiqTech International, Inc. (NASDAQ: LIQT) (“LiqTech”)**, a clean technology company that manufactures and markets highly specialized filtration technologies, announced today first quarter 2020 financial results for the period ended March 31, 2020.

Key Highlights

- Record quarterly revenue of \$10.3 million
- Gross Profit margin improved to 25.7%
- Net income of \$0.3 million
- Successful installation of second new customized furnace
- First sales of the new, lower cost MK 6.1 marine scrubber filtration system
- Implementation of plans to reduce annual operating costs by \$1.9 million
- Ending cash balance of \$6.3 million

First Quarter 2020 Financial Results

Despite the impacts of COVID-19, the Company achieved record quarterly revenue of \$10.3 million in the first quarter of 2020, an increase of 39% compared to \$7.4 million in revenue in the first quarter of 2019.

Gross profit for the first quarter of 2020 was \$2.6 million, reflecting a gross profit margin of 25.7%, compared to gross profit of \$1.5 million in the first quarter of 2019 and a gross profit margin of 19.9%. Improvements in the first quarter 2020 gross margin resulted primarily from sales of the Company’s new, higher margin MK 6.1 marine scrubber filtration system design.

Total operating expense in the first quarter was \$2.5 million compared to \$1.5 million in the first quarter of 2019. The increase in total operating expense was due to the increase in personnel hired during 2019 to accelerate market penetration, manage the ramp in manufacturing output, strengthen administrative resources and increase investment in new product development.

Net income for the first quarter of 2020 was \$0.3 million compared to \$34,000 in the first quarter of 2019, with the benefits of higher revenue and improved gross margin offset by approximately \$0.2 million of non-recurring costs related to the Company’s new and legacy furnaces.

Ending cash balance at March 31, 2020 was \$6.3 million, compared to the cash balance of \$9.8 million on December 31, 2019. The change in cash was primarily due to increased working capital as a result of the increased activity in the quarter.

Operational Update

Due to the global economic impacts from COVID-19, the Company has taken steps to lower its overall cost base and anticipates annual savings of approximately \$1.9 million in manufacturing and SG&A costs beginning in the third quarter. The cost to implement these plans is approximately \$0.3 million and will be expensed in the second quarter. Given the current economic uncertainties, the Company is prepared to implement further plans to reduce costs if necessary.

The Company successfully installed its second new customized furnace used in the manufacture of the Company's proprietary silicon carbide membrane filters. Each new furnace provides nearly four times more capacity than each of the Company's older furnaces due to its larger size and greater heating efficiency. The Company is maintaining its plan to add two more new furnaces this year, which upon successful installation and commissioning of all four new furnaces, increases the Company's total membrane and DPF filter capacity equivalent to more than \$150 million of annual revenue. Once the new furnaces are in production, we will decommission and remove the old furnaces.

Approximately \$0.2 million of non-recurring costs were incurred in the first quarter of 2020 related to the new furnace installations and exceptional maintenance of the existing legacy furnaces.

In the third quarter of 2019 the Company introduced its latest MK 6.1 marine scrubber filtration system, a lower cost and more efficient design with higher average gross margins than the previous MK 6 system. Roughly one-third of the marine scrubber systems that were shipped in the first quarter were the new MK 6.1 design. The Company continues its development work on its next generation of marine scrubber filtration systems, expected to be launched later this year.

To address the COVID-19 pandemic, the Company implemented measures to ensure manufacturing continuity. In order to keep the Company's Danish facilities operational and adhere to strict government guidelines on the number of personnel that can work in proximity, the workforce was divided into multiple shifts. The government also recommended that certain office personnel work remotely from home. At the end of April, Denmark relaxed its guidelines and employees are now returning to work in more normalized operations.

Near-Term Outlook

As previously announced on March 26th, the rate of incoming orders for the marine scrubber industry has slowed due to COVID-19, impacting at least second and third quarter revenue. Considering the lack of near-term visibility, the Company is not providing revenue guidance at this time. However, market activity in the marine business is showing some signs of improvement and the Company is currently in discussions for new systems orders scheduled

for delivery commencing in the fourth quarter of 2020.

Management Commentary

“We completed the first quarter of fiscal 2020 with record quarterly revenue of \$10.3 million despite the unfavorable impacts from COVID-19,” commented Sune Mathiesen, CEO of LiqTech International. “We have made good progress in expanding our manufacturing capacity, improving operating efficiencies and reducing our cost structure, which we expect will result in higher gross margins and profitability in the longer term.”

Mathiesen continued, “Our leadership position in the marine scrubber market continues to be strong and despite the near-term market disruptions and narrow price spreads between high and low sulfur marine diesel fuels, we are pleased to be receiving new orders from some of the world’s largest ship owners, albeit at a slower pace than 2019. This order flow amidst signs of improving marine scrubber market activity coupled with the traction we are beginning to achieve in other key end markets, give me confidence as we look to the future.”

Conference Call Details

Date and Time: Monday, May 11, 2020 at 9:00am ET

Call-in Information: Interested parties can access the conference call by dialing (833) 535-2206 or (412) 902-6741.

Replay: A teleconference replay of the call will be available until May 18, 2020 at (877) 344-7529 or (412) 317-0088, confirmation #10143230.

Transcript: A transcript of the call will be available on the investor relations section of the LiqTech website following the conclusion of the call at <https://www.liqtech.com/investor-relations/>.

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 Statements

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.

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LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEET

	As of March 31, 2020 (Unaudited)	As of December 31, 2019
Current Assets:		
Cash, cash equivalent and Restricted Cash	\$ 6,299,042	\$ 9,783,932
Accounts receivable, net	8,042,101	6,272,760
Inventories, net	5,324,499	5,199,238

Contract assets	5,137,111	5,664,929
Prepaid expenses and other current assets	822,306	566,398
Total Current Assets	25,625,059	27,487,257
Other Assets:		
Property and Equipment, net	5,529,919	4,825,952
Operating lease right-of-use assets	4,876,698	5,053,614
Deposits and others	488,656	498,053
Intangible assets, net	456,517	488,716
Goodwill	231,285	236,131
Total Long-Term Assets	11,583,075	11,102,466
Total Assets	\$ 37,208,134	\$ 38,589,723

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

	As of March 31, 2020 (Unaudited)	As of December 31, 2019
Current Liabilities:		
Accounts payable	\$ 3,226,114	\$ 4,339,070
Accrued expenses	3,290,386	3,222,951
Current portion of finance lease obligation	34,403	34,772
Current maturities of operating lease obligations	985,360	999,685
Current portion of contingent earn-out	293,436	299,585
Contract liabilities	1,351,666	1,421,376
Accrued income taxes payable	14,402	14,692
Total Current Liabilities	9,195,767	10,332,131
Deferred tax liability	316,587	338,763
Finance lease obligation, net of current portion	160,006	172,273
Operating lease liability, net of current maturities	3,994,609	4,141,855
Contingent earn-out, net of current portion	586,872	599,170
Total Long-Term Liabilities	5,058,074	5,252,061
Total Liabilities	14,253,841	15,584,192
Stockholders' Equity:		
Common stock; par value \$0,001, 25,000,000 shares authorized and 20,555,880 and 20,547,668 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	20,556	20,548
Additional paid-in capital	61,539,364	61,398,150
Accumulated deficit	(31,943,109)	(32,246,608)
Other comprehensive loss	(6,662,518)	(6,166,559)
Total Stockholders' Equity	22,954,293	23,005,531
Total Liabilities and Stockholders' Equity	\$ 37,208,134	\$ 38,589,723

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

**For the Three Months Ended
March 31**

	2020	2019
Revenue	\$ 10,281,844	\$ 7,421,198
Cost of Goods Sold	7,642,768	5,946,118
Gross Profit	2,639,076	1,475,080
Operating Expenses:		
Selling expenses	676,800	483,587
General and administrative expenses	1,470,393	770,864
Research and development expenses	310,954	203,172
Total Operating Expense	2,458,147	1,457,623
Income from Operations	180,929	17,457
Other Income (Expense)		
Interest and other income	4,490	7,277
Interest expense	(104,856)	(38,648)

Gain (Loss) on currency transactions	207,627	48,158
Total Other Income (Expense)	107,261	16,787
Income Before Income Taxes	288,190	34,244
Income Tax Benefit	(15,309)	-
Net Income	303,499	34,244
Basic Income Per Share	\$ 0.01	\$ 0.00
Diluted Income Per Share	\$ 0.01	\$ 0.00
Basic Weighted Average Common Shares Outstanding	20,554,524	18,267,068
Diluted Weighted Average Common Shares Outstanding	20,711,035	19,145,875

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