

# **LiqTech International, Inc. Announces Fourth Quarter and Record Year End 2019 Financial Results**

BALLERUP, Denmark, March 26, 2020 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, announced today fourth quarter and record fiscal year 2019 financial results for the periods ended December 31, 2019.

## **Fourth Quarter 2019 Financial Results**

- Revenue for the fourth quarter of 2019 was \$6.2 million, an increase of 116% compared to \$2.9 million in the fourth quarter of 2018.
- Net income for the fourth quarter of 2019 was a loss of \$0.8 million compared to a loss of \$1.1 million in the fourth quarter of 2018.

## **Fiscal Year 2019 Financial Results**

- Revenue in 2019 was a record \$32.6 million compared to \$12.2 million in 2018, an increase of 167% (or 182% at constant currency).
- Net income in 2019 was \$39,616 compared to a loss of \$3.8 million in 2018.
- Gross profit in 2019 was \$7.2 million, reflecting a gross profit margin of 22%, compared to \$1.1 million in 2018, or a 9% gross profit margin.
- Ending cash balance in 2019 was \$9.8 million.
- During the fourth quarter of 2019 a new credit facility was secured for working capital needs.

## **Recent Highlights**

- The Company achieved meaningful market traction in 2019 for its proprietary ceramic silicon carbide water filtration systems in the marine scrubber market.
- We completed several pilot and commercial projects to expand adoption of our core filtration technology into adjacent industries, including oil and gas and power plants, while also expanding our non-marine focus with new OEM membrane partnerships and standalone filter press systems.
- The Company is introducing new products to expand its addressable market opportunity within the marine industry, including NOx reduction, water desalination and bilge water treatment.
- We successfully completed the expansion of our systems manufacturing capacity at our Hobro facility and completed the installation of the first new furnace in a planned, multi-furnace expansion at our Ballerup facility. The Company remains on track to complete its overall planned furnace capacity expansion by July 2020.

## **Near Term 2020 Outlook - COVID-19 coronavirus impact**

- All planned deliveries have thus far been made during the first quarter of 2020. Further, there have been no order cancellations. We are anticipating first quarter revenues of approximately \$10.0 million.
- Incoming orders have slowed and will impact second quarter revenues.
- The Company has implemented several measures to ensure manufacturing continuity. In order to keep our Danish facilities operational and adhere to strict state guidelines on the number of personnel that can work in proximity, we have divided our workforce into multiple shifts. We are also permitting certain office personnel to work remotely from home.
- Additional steps have been taken to lower our overall cost base, as necessary, depending on the duration and severity of an economic downturn.

## **Financial Results**

Net sales in 2019 were \$32.6 million compared to \$12.2 million in 2018, representing an increase of \$20.4 million, or 167%. The growth in revenue was due to higher sales of our proprietary ceramic silicon carbide water filtration systems business for the marine scrubber market.

Net sales for the fourth quarter of 2019 were \$6.2 million compared to \$2.9 million in the fourth quarter of 2018, representing an increase of \$3.3 million, or 116%. As previously announced, revenue for the fourth quarter was unfavorably impacted by mechanical issues affecting our legacy furnaces. These issues have now been resolved by the successful installation and commissioning of a new custom-built furnace that has four times the capacity of any individual legacy furnace.

Gross profit in 2019 was \$7.2 million, reflecting a gross profit margin of 22%, compared to \$1.1 million in 2018, or a 9% gross profit margin. Gross profit for the fourth quarter of 2019 was \$1.4 million compared to \$0.2 million in the fourth quarter of 2018. Improvements in gross profit margin for the Company's marine systems business in 2019 was achieved by increased manufacturing efficiencies but was offset by exceptional maintenance costs on the Company's legacy furnaces and additional infrastructure costs to accommodate the new furnaces.

Total operating expense in 2019 was \$7.6 million compared to \$5.6 million in fiscal year 2018. For the fourth quarter of 2019, total operating expense was \$2.4 million compared to \$1.8 million in the fourth quarter of 2018. The increase in total operating expense for both the year and fourth quarter was due to the hiring of additional sales people to accelerate market penetration, the hiring of personnel to manage the significant ramp in revenues, the strengthening of administrative resources and increased investment in new product development.

Other income in 2019 was \$0.1 million compared to \$0.3 million in fiscal year 2018. For the

fourth quarter of 2019, other expense was \$(33,000) compared to income of \$118,000 in the fourth quarter of 2018.

Income taxes in 2019 were a benefit of \$0.3 million compared to \$0.4 million in 2018.

Net income in 2019 was \$39,616 compared to a net loss of \$3.8 million in 2018. For the fourth quarter of 2019, net loss was \$0.8 million compared to a net loss of \$1.1 million in the fourth quarter of 2018. The improvement was mainly attributable to increased sales of the Company's higher margin water treatment systems and improvements in manufacturing costs.

Cash on hand and restricted cash at December 31, 2019 was \$9.8 million compared to \$3.8 million at December 31, 2018.

### **Marine Scrubber Market**

Current overall activity in the marine scrubber is relatively quiet. In discussions with the largest ship owners in the container shipping industry, we continue to see a trend toward increased adoption of closed loop scrubbers, in which the Company's ceramic membrane water filtration systems are used for scrubber wash water filtration. More than 100 ports around the world have now banned open loop scrubbers, nearly double the number from just a few months ago. In addition, there are other significant environmental benefits by employing closed loop scrubbers.

It is estimated that there are currently about 4,000 total scrubbers installed or on order through the end of 2019, with approximately 10%, or 400, of those being closed loop. This implies an additional potential addressable market opportunity of nearly 3,600 systems that may need to be converted from open loop to closed loop. Current market estimates indicate an additional 4,000 to 8,000 scrubbers to be retrofitted on existing vessels between 2020 and 2025.

### **Management Commentary**

"I am pleased with our performance in 2019, which was highlighted by record revenues as our proprietary ceramic silicon carbide water filtration systems achieved a commercial breakthrough in the marine scrubber industry," commented Sune Mathiesen, CEO of LiqTech International. "We expect to leverage our success within the marine scrubber market by expanding the application of our technologies into adjacent markets, where we have recently completed important pilot programs that we believe position the Company for commercial success in the future."

"We also met a key milestone to expand our production capacity through the installation of the first of several new furnaces and the expansion of our systems manufacturing capacity. We have also continued our efforts in our margin optimization program, with important

process improvements, further system design efficiencies and the insourcing of some manufacturing operations. The acquisition of BS Plastics A/S has thus far exceeded our financial targets and has provided important insourcing for some key plastics components for our water filtration systems.”

Mathiesen continued, “We are in close communication with our customers and suppliers in light of the recent global events. As of this writing, we have made all planned deliveries for the first quarter and we have not had any cancellations of existing orders. We continue to monitor the situation closely and have taken additional steps to reduce our overall cost base as necessary. I am encouraged to note that our partners in Asia appear to be ramping up again after a difficult period and I trust that we will see some normalization in the rest of the world soon.”

“Overall, I am pleased with our leading position in the marine scrubber market as we not only continue to supply the world’s largest shipowners with our highly effective solutions but continue to expand and diversify our customer base as well. We are also diversifying our end markets through the introduction of our leading-edge technologies into adjacent industries. This customer and industry diversification, coupled with a strong balance sheet of nearly \$10 million in cash, no debt and a new credit facility puts us in a good position to face the impacts from the current challenging global situation.”

## **Conference Call Details**

**Date and Time:** Thursday, March 26, 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 April 2, 2020 at (877) 344-7529 or (412) 317-0088, confirmation # 10140410.

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

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

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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 CONSOLIDATED BALANCE SHEETS**

**As of  
December 31,  
2019**

**As of  
December 31,  
2018**

**Current Assets:**

Cash, cash equivalent and restricted cash	\$ 9,783,932	\$ 3,776,111
Accounts receivable, net	6,272,760	1,308,122
Inventories, net	5,199,238	4,432,055
Unbilled receivables	3,202,799	1,098,796
Prepaid expenses	255,470	133,847
Contract Assets	2,773,058	624,275
Total Current Assets	27,487,257	11,373,206

**Other Assets:**

Property and Equipment, net	4,825,952	1,431,649
Operating lease right of use	5,053,614	-
Deposits and other	498,053	353,646
Other intangible assets	488,716	748
Goodwill	236,131	-
Total Other Assets	11,102,466	1,786,043
<b>Total Assets</b>	<b>\$ 38,589,723</b>	<b>\$ 13,159,249</b>

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

	<b>As of December 31, 2019</b>	<b>As of December 31, 2018</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 4,339,070	\$ 2,122,479
Accrued expenses	3,222,951	1,867,659
Current portion of finance lease obligation	34,772	13,789
Current portion of operating lease obligations	999,685	-
Current portion of contingent earn-out	299,585	-
Contract Liabilities	1,421,376	615,116
Income taxes payable	14,692	570
Total Current Liabilities	10,332,131	4,619,613
Deferred tax liability	338,763	-
Finance lease obligation, net of current portion	172,273	-
Operating lease obligations, net of current portion	4,141,855	-
Contingent earn-out, net of current portion	599,170	-
Total Long-Term Liabilities	5,252,061	-
Total Liabilities	15,584,192	4,619,613
<b>Stockholders' Equity:</b>		
Series A Mandatory Convertible Preferred stock; par value \$0.001, 2,500,000 shares authorized, 0 and 0 shares issued and outstanding at December 31, 2019 and December 31, 2018 respectively	-	-
Common stock; par value \$0,001, 25,000,000 shares authorized and 20,547,688 and 18,228,887 (each after the 4-to-1 reverse stock split) shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	20,548	18,229
Additional paid-in capital	61,398,150	46,552,487
Accumulated deficit	(32,246,608)	(32,286,224)
Accumulated comprehensive loss	(6,166,559)	(5,744,856)
Total Stockholders' Equity	23,005,531	8,539,636
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 38,589,723</b>	<b>\$ 13,159,249</b>

**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>For the Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	\$ 32,637,484	\$ 12,232,088
<b>Cost of Goods Sold</b>	25,475,170	11,165,944
<b>Gross Profit</b>	7,162,314	1,066,144
<b>Operating Expenses:</b>		
Selling expenses	2,426,971	1,703,327
General and administrative expenses	4,378,444	3,187,311

Research and development expenses	749,249	661,014
Total Operating Expense	7,554,664	5,551,652
<b>(Loss) from Operations</b>	<b>(392,350)</b>	<b>(4,485,508)</b>
<b>Other Income (Expense)</b>		
Interest and other income	73,635	28,401
Interest expense	(203,603)	(71,781)
Gain on currency transactions	285,742	344,023
Gain (Loss) on sale of fixed assets	(21,060)	4,907
Total Other Income (Expense)	134,714	305,550
<b>(Loss) Before Income Taxes</b>	<b>(257,636)</b>	<b>(4,179,958)</b>
<b>Income Tax (Benefit)</b>	<b>(297,252)</b>	<b>(365,430)</b>
<b>Net Income (Loss)</b>	<b>\$ 39,616</b>	<b>(3,814,528)</b>
<b>Basic Income (Loss) Per Share</b>	<b>\$ -</b>	<b>\$ (0.24)</b>
<b>Diluted Income (Loss) Per Share</b>	<b>\$ -</b>	<b>\$ (0.24)</b>
<b>Basic Weighted Average Common Shares Outstanding</b>	<b>19,652,277</b>	<b>15,960,908</b>
<b>Diluted Weighted Average Common Shares Outstanding</b>	<b>19,667,752</b>	<b>15,960,908</b>

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