

LiqTech International, Inc. Announces Record Third Quarter 2019 Revenue and Net Income

BALLERUP, Denmark, Nov. 14, 2019 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, announced today record third quarter 2019 financial results for the three months ended September 30, 2019.

Recent Highlights

- Revenue for the third quarter of 2019 was \$9.7 million, a new quarterly record for the Company, up 189% from the same period in 2018.
- Third quarter net income was \$656,000, also a new quarterly record for the Company, compared to a net loss of (\$922,000) during the third quarter of 2018, and net income of \$147,000 in the second quarter of 2019. The higher net income in the third quarter included the negative impact of an unfavorable customer mix for filtration systems that was largely offset by improvements in manufacturing cost for filtration systems and a favorable US Dollar exchange rate.
- Cash balance at the end of the third quarter was \$11.6 million.
- Subsequent to the third quarter, the Company secured a new \$5.0 million credit facility for the leasing of new furnaces and other working capital needs.
- The Company continued to see strong interest for its ceramic membrane water filtration systems, resulting in higher order backlog at the end of the third quarter compared to the second quarter 2019.
- The Company received an \$8.4 million order for water filtration systems-its largest single order to date-from one of the world's largest shipping companies. Delivery is scheduled to be completed in 2020.
- The expansion of the Company's Hobro facilities were completed ahead of schedule and put into production.
- The Company encountered mechanical issues with two of four older furnaces at its Ballerup, Denmark facility, where ceramic membranes are manufactured. These issues have caused a delay in the manufacture of ceramic membranes for several marine scrubber systems that were originally scheduled for delivery in the fourth quarter of 2019.
- The first new furnace that was ordered as part of the Company's manufacturing expansion is set to be commissioned in December, with three additional furnaces scheduled for installation during the first and second quarters of 2020. Following installation of the new furnaces, the Company is expecting overall capacity to have tripled by July 2020.
- The acquisition of BS Plastics A/S was completed, with total upfront consideration of approximately \$1.4 million funded out of existing cash on hand.

Third Quarter 2019 Financial Results

Net sales for the three months ended September 30, 2019 were \$9.7 million compared to \$3.3 million for the same period in 2018, representing an increase of \$6.4 million, or 189%. The new quarterly revenue record was achieved despite the European summer holiday season.

Gross profit for the three months ended September 30, 2019 was \$2.2 million compared to \$0.3 million for the same period in 2018. Although gross profit in the third quarter was higher than the previous two quarters, it was unfavorably impacted by an unfavorable customer mix for filtration systems and by \$0.2 million of exceptional expense associated with the new facility expansion of Hobro.

Total operating expenses for the three months ended September 30, 2019 were \$2.0 million compared to \$1.2 million for the same period in 2018. Selling expenses increased \$47,000, or, 11%, compared to the same period of 2018 due to the hiring of additional sales employees to accelerate market penetration. General and administrative expenses increased \$655,000, or, 99%, compared to the prior-year quarter, also due to the hiring of additional employees to manage the significant ramp in revenues and due to strengthening of the administrative resources. Research and development expenses increased \$36,000, or, 24%, compared to the same period of last year from increased investment in new technologies to help the company develop products for adjacent industrial and marine market segments.

Other income/expenses for the three months ended September 30, 2019 was positive \$397,000, compared to positive \$20,000 for the same period in 2018 and negative (\$247,000) in the second quarter 2019. The income was mainly driven by unrealized currency gains. The US Dollar weakened against the Danish Krone at the end of June 2019, but strengthened in the third quarter, which more than offset the exchange loss in the second quarter 2019.

Net income for the three months ended September 30, 2019 was \$656,000, or, \$0.03 per basic and diluted share, versus a net loss of \$922,000, or, \$(0.05) per basic and diluted share for the same period in 2018. The improvement in profitability was mainly attributable to the increased sales of the Company's higher margin water treatment systems and improvements in manufacturing costs but unfavorably impacted by an unfavorable customer mix for filtration systems and by \$0.2 million of exceptional expense associated with the new facility expansion of Hobro.

Cash on hand and restricted cash at September 30, 2019 was \$11.6 million compared to \$3.8 million at December 31, 2018.

Outlook

Due to the furnace issues noted in the highlights above, revenues for the fourth quarter of 2019 are now expected to be approximately \$6 million. Customers that may be impacted by a delay in their originally scheduled fourth quarter shipments have been notified. Assuming the successful commissioning of the new furnaces, the Company is anticipating some catch up in shipments in the first quarter of 2020, with expected revenues of about \$12 million.

Marine Scrubber Market

While the overall marine scrubber market remains healthy, there are new manufacturers of marine scrubbers entering the industry, which is changing the competitive landscape and market shares. LiqTech continues to see strong overall inquiry and order activity for closed loop scrubbers, in which our ceramic membrane water filtration systems are used for scrubber water filtration.

One of the Company's largest current customers and one of the largest manufacturers in the marine scrubber market note that they are seeing an increase in the number of inquiries and orders for closed loop systems. Their current activity suggests that a higher percentage of their marine scrubber business in 2020 will likely be closed loop systems. This compares to their market uptake ratio of roughly 10% closed loop systems to 90% open loop systems in 2018.

This trend towards closed loop systems follows the banning of discharge from open loop scrubbers by more than 60 global ports and from increased pressure by end customers on shipping companies to utilize superior environmentally friendly scrubber solutions. By the end of 2019, industry experts estimate that nearly 4,000 open loop scrubbers will be on order or installed and LiqTech believes that many of these open loop scrubber systems will be converted to closed loop.

Management Commentary

"We continued to make strong progress on our key operational initiatives during the third quarter, culminating in a quarterly revenue and net income record and an expanding backlog," commented Sune Mathiesen, CEO of LiqTech International. "We also received our largest single order to date placed by one of the world's largest shipping companies, which follows the recent installation and system deployment by this same customer on the two largest container ships in the world. This order provides further validation of our market-leading position for filtration systems within the marine scrubber market.

"We continued our focus on our margin optimization program to improve gross margins. We executed on one of the key opportunity areas-the in-sourcing of certain manufacturing activities-through the acquisition of BS Plastics. We also introduced our MK6.1 water filtration system in the quarter, which is expected to further lower production costs by approximately 20%. While we did encounter mechanical issues with two of our four existing furnaces at our

Ballerup facility, which short-term disruption will impact our fourth quarter results, we expect to increase manufacturing capacity in the first quarter of 2020, upon successful commissioning of the new furnaces.”

Mr. Mathiesen continued, “Our proprietary ceramic silicon carbide water filtration systems are uniquely designed to integrate seamlessly with many different scrubber manufacturers. This approach has served us well as new entrants have entered the marine scrubber industry, particularly from Asia, where we have added a number of new customers. Further, the ability of our water filtration systems to be installed retroactively to open loop (non-filtration) scrubber systems has created additional opportunity for LiqTech to benefit from tightening environmental legislation and further banning of in port open loop discharge.

“Finally, we continue to make progress in new applications, including the power plant industry. We also successfully completed an important pilot trial in the oil and gas industry for filtration of produced water. And, we are having advanced customer discussions with ship owners regarding our NOx reduction system that is in development and currently expect our first orders in 2020.”

Mr. Mathiesen concluded, “It is gratifying to see the adoption of our technology across the marine scrubber market, and now into adjacent markets. I believe that there are far reaching applications for our proprietary technology and we are just scratching the surface of the various opportunities available. I look forward to the continued growth and diversification of our business into the future.”

Denmark Investor Day

LiqTech will host an investor day on Tuesday, January 21, 2020 commencing at 2:00pm CET local time (8:00am EST in New York), at the Company’s facility in Ballerup, Denmark, a suburb of Copenhagen. The event will include presentations by company executives along with plant tours and product demonstrations. In-person attendance at the Investor Day requires advanced registration. Please email Robert Blum of Lytham Partners at blum@lythampartners.com for further information.

Conference Call Details

Date and Time: Thursday, November 14, 2019 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 November 21, 2019 at (877) 344-7529 or (412) 317-0088, confirmation #10136577.

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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	As of September 30, 2019 (Unaudited)	As of December 31, 2018
Current Assets:		
Cash	\$ 9,957,472	\$ 3,776,111
Restricted cash	1,678,936	-
Accounts receivable, net	6,560,857	1,308,122
Other receivables	3,697,315	1,098,796
Contract assets	641,356	624,275
Inventories, net	5,186,234	4,432,055
Prepaid expenses	203,024	133,847
Total Current Assets	27,925,194	11,373,206
Long-Term Assets:		
Property and Equipment, net	2,783,420	1,431,649
Operating lease right-of-use asset	2,200,130	-
Construction in progress	2,138,406	-
Investments at cost	5,433	5,714
Other intangible assets	-	748
Deposits	475,769	347,932
Goodwill	605,313	-
Total Long-Term Assets	8,208,471	1,786,043
Total Assets	\$ 36,133,665	\$ 13,159,249
	As of September 30, 2019 (Unaudited)	As of December 31, 2018
Current Liabilities:		
Current portion of capital lease obligations	\$ -	\$ 13,789
Current maturities of operating lease obligations	681,481	-
Current portion of contingent earn-out	291,690	-
Accounts payable	3,703,850	2,122,479
Accrued expenses	3,623,012	1,868,229
Contract liabilities	1,165,684	516,335
Income taxes payable	31,260	-
Deferred revenue	842,254	98,781
Total Current Liabilities	10,339,231	4,619,613
Net deferred income tax liability	210,393	-
Contingent earn-out, net of current portion	583,380	-
Operating lease liabilities, net of current maturities	1,561,076	-
Total Long-Term Liabilities	2,354,849	-
Total Liabilities	12,694,080	4,619,613
Stockholders' Equity:		

Preferred stock; par value \$0,001, 2,500,000 shares authorized, no shares issued or outstanding at September 30, 2019 and December 31, 2018 respectively	-	-
Common stock; par value \$0,001, 25,000,000 shares authorized, 20,547,668 and 18,228,887 (after the 4-to-1 reverse stock split) shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	20,548	18,229
Additional paid-in capital	61,483,032	46,575,986
Accumulated deficit	(31,448,837)	(32,286,224)
Deferred compensation	(23,332)	(23,499)
Other other comprehensive loss	(6,591,826)	(5,744,856)
Total Stockholders' Equity	23,439,585	8,539,636
Total Liabilities and Stockholders' Equity	\$ 36,133,665	\$ 13,159,249

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Sales	\$ 9,672,716	\$ 3,347,204	\$ 26,391,100	\$ 9,336,614
Cost of Goods Sold	7,444,978	3,058,465	20,613,172	8,447,645
Gross Profit	2,227,738	288,739	5,777,928	888,969
Operating Expenses:				
Selling expenses	461,010	414,504	1,458,633	1,288,294
General and administrative expenses	1,318,505	663,547	3,057,807	2,008,194
Research and development expenses	189,216	152,849	591,572	498,526
Total Operating Expense	1,968,731	1,230,900	5,108,012	3,795,014
Income (Loss) from Operations	259,007	(942,161)	669,916	(2,906,045)
Other Income (Expense)				
Interest and other income	28,736	1,814	54,186	12,271
Interest expense	(35,292)	(5,463)	(110,442)	(65,937)
Gain (Loss) on currency transactions	403,432	23,861	244,872	240,947
Gain (Loss) on sale of fixed assets	474	-	(21,145)	-
Total Other Income (Expense)	397,350	20,212	167,471	187,281
Income (Loss) Before (Income) Taxes	656,357	(921,949)	837,387	(2,718,764)

Income Tax				
Expense (Income)	-	-	-	-
Net Income				
(Loss)	656,357	(921,949)	\$ 837,387	(2,718,764)

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