

LiqTech International, Inc. Announces Second Quarter 2020 Financial Results

BALLERUP, Denmark, Aug. 10, 2020 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, announced today second quarter 2020 financial results for the period ended June 30, 2020.

Key Highlights

- Revenue of \$4.6 million due to global impacts of COVID-19.
- Recent ramp-up in inquiries for marine scrubber filtration systems.
- Formed joint venture to supply water treatment systems for Middle East oil and gas industry.
- Launched standalone filter press for a wide range of industrial applications.
- Continued investment in new furnaces to increase total manufacturing capacity.
- Raised \$7.3 million in private placement.
- Ending cash balance of \$16.2 million.

Second Quarter 2020 Financial Results

Revenue for the second quarter of 2020 was \$4.6 million, down 50.1% compared to \$9.3 million in the second quarter of 2019. As reported previously, we saw a slowdown in inquiries and orders beginning late in the first quarter that continued through the second quarter. The slowdown in orders impacted revenue in the second quarter and is expected to also impact revenue in the second half of the year. However, recent inquiries for the Company's marine scrubber filtration systems have ramped up and we are beginning to win new orders.

Gross profit for the second quarter of 2020 was \$0.5 million, reflecting a gross profit margin of 10.7%, compared to gross profit of \$2.1 million in the second quarter of 2019 and a gross profit margin of 22.3%. The reduction in gross profit margin was due to the steep drop in revenue for marine scrubber filtration systems combined with a higher fixed cost base from the additional employees hired in 2019 and production facilities improvements.

Approximately \$0.1 million of non-recurring costs were incurred in the second quarter related to the installation of the second new furnace.

Total operating expense in the second quarter of 2020 was \$2.4 million compared to \$1.7 million in the second quarter of 2019. The increase in total operating expense was due largely to the increase in personnel hired during 2019. The Company took steps at the end of the first quarter 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 2020.

Total other income/(expense) in the second quarter of 2020 was \$(0.6) million compared to \$(0.2) million in the second quarter of 2019, unfavorably impacted by \$0.2 million related to the fair value adjustment of the pre-paid warrants issued as part of the private placement in May 2020 and \$0.4 million currency translation loss.

Net loss for the second quarter of 2020 was \$(2.6) million compared to net income of \$0.1 million in the second quarter of 2019 due largely to the operating loss of \$1.9 million plus the increase in other expense as noted above.

Ending cash balance on June 30, 2020 was \$16.2 million, compared to the cash balance of \$6.3 million on March 31, 2020. This improved cash position resulted from the proceeds of the \$7.3 million private placement completed in May 2020 and a decrease in accounts receivable.

Oil & Gas Update

The Company has entered into a joint venture (“JV”) agreement to supply and operate water treatment systems for oil and gas producers in the Middle East. The formation of the JV follows the successful completion of several pilot projects that were based on LiqTech’s unique and proprietary ceramic silicon carbide membranes. The focus of the JV will be to supply water treatment solutions in filtration applications where there is local water scarcity and oil prices will therefore have less impact on these projects.

Near-Term Outlook

As previously reported, incoming orders for the marine scrubber industry have been significantly impacted by the global impacts of COVID-19. This slowdown in new orders will also impact revenue in the second half of 2020. Recent inquiries for the Company’s marine scrubber filtration systems have ramped up, and we are beginning to win new orders, although at this time we are not providing revenue guidance for the second half of the year.

Management Commentary

“I am incredibly proud of the efforts by the entire team at LiqTech during the past several months as we worked our way through the global impacts from COVID-19,” commented Sune Mathiesen, CEO of LiqTech International. “We successfully delivered all orders to customers that were able to accept shipments in the second quarter. Following a slowdown in inquiries and orders in the past several months, we are beginning to see activity return to pre-COVID levels, which should bode well for the future. We believe the trends in the marine scrubber industry continue to favor increased adoption of closed-loop scrubbers, which should allow us to exceed industry growth rates of overall scrubber installations.”

“We have worked hard to leverage our core technologies and advance new product development initiatives that have the potential to become important revenue drivers for the

business in 2021. These include the signing of a joint venture agreement to address certain oil and gas market opportunities in the Middle East, the filing of a patent for our next generation filtration membranes to address applications in the pharmaceutical and beverage markets and the launch of a standalone filter press that can be sold in a wide range of industrial applications. We also remain on track to achieve our goal of increasing our manufacturing capacity to \$150 million equivalent of annual revenue. These important initiatives should position the company for a stronger 2021.”

Mathiesen concluded, “LiqTech is capitalizing on our vision to leverage our success in the marine scrubber market and expand our addressable market opportunities in new industry segments and products. As nations look to stimulate their economies in the wake of the COVID-19 pandemic, we believe that environmentally favorable solutions like those provided by LiqTech will gain significant traction.”

Conference Call Details

Date and Time: Monday, August 10, 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 August 17, 2020 at (877) 344-7529 or (412) 317-0088, confirmation #10147008.

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 STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended June 30		For the Six months ended June 30	
	2020	2019	2020	2019
Revenue	\$ 4,641,483	\$ 9,297,186	\$ 14,923,327	\$ 16,718,384
Cost of Goods Sold	4,147,020	7,222,076	11,789,788	13,168,194
Gross Profit	494,463	2,075,110	3,133,539	3,550,190
Operating Expenses:				
Selling expenses	605,947	514,037	1,282,747	997,623

General and administrative expenses	1,509,772	1,001,179	3,059,530	1,808,427
Research and development expenses	316,559	199,184	627,513	402,356
Total Operating Expense	2,432,278	1,714,400	4,969,790	3,208,406
Income (Loss) from Operations	(1,937,815)	360,710	(1,836,251)	341,784
Other Income (Expense)				
Interest and other income	247	18,173	4,737	25,450
Interest expense	(36,047)	(3,760)	(61,538)	(6,025)
Fair value adjustment of warrants	(236,900)	-	(236,900)	-
Gain (Loss) on currency transactions	(368,561)	(206,718)	(160,934)	(158,560)
Gain (Loss) on sale of fixed assets	-	(21,619)	-	(21,619)
Total Other Income (Expense)	(641,261)	(213,924)	(454,635)	(160,754)
Income (Loss) Before Income Taxes	(2,579,076)	146,786	(2,290,886)	181,030
Income Tax Provisions (Benefit)	(15,265)	-	(30,574)	-
Net Income (Loss)	(2,563,811)	146,786	(2,260,312)	181,030
Basic Income (Loss) Per Share	\$ (0.12)	\$ 0.01	\$ (0.11)	\$ 0.01
Diluted Income (Loss) Per Share	\$ (0.12)	\$ 0.01	\$ (0.11)	\$ 0.01
Basic Weighted Average Common Shares Outstanding	20,963,186	19,211,771	20,758,855	18,742,029
Diluted Weighted Average Common Shares Outstanding	20,963,186	19,228,160	20,758,855	18,758,108

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	As of June 30 2020 (Unaudited)	As of December 31, 2019
Current Assets:		
Cash, cash equivalent and Restricted Cash	\$ 16,230,269	\$ 9,783,932
Accounts receivable, net	4,452,526	6,272,760
Inventories, net	5,356,614	5,199,238
Contract assets	4,523,130	5,664,929
Prepaid expenses and other current assets	753,229	566,398
Total Current Assets	31,315,768	27,487,257
Other Assets:		
Property and Equipment, net	6,407,932	4,825,952
Operating lease right-of-use assets	4,776,456	5,053,614
Deposits and other assets	499,470	498,053
Intangible assets, net	462,716	488,716
Goodwill	236,862	236,131
Total Long-Term Assets	12,383,436	11,102,466
Total Assets	\$ 43,699,204	\$ 38,589,723

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	As of June 30 2020 (Unaudited)	As of December 31, 2019
Current Liabilities:		
Accounts payable	\$ 2,073,842	\$ 4,339,070
Accrued expenses	5,209,103	3,222,951
Current portion of finance lease obligation	35,589	34,772
Current portion of operating lease obligations	957,971	999,685
Current portion of contingent earn-out	300,512	299,585
Contract liabilities	1,323,245	1,421,376
Accrued income taxes payable	14,736	14,692
Total Current Liabilities	9,914,998	10,332,131
Deferred tax liability	308,714	338,763
Warrant liability	2,811,900	-
Finance lease obligation, net of current portion	154,832	172,273
Operating lease liability, net of current portion	3,951,093	4,141,855
Contingent earn-out, net of current portion	601,025	599,170
Total Long-Term Liabilities	7,827,564	5,252,061
Total Liabilities	17,742,562	15,584,192
Stockholders' Equity:		
Common stock; par value \$0,001, 25,000,000 shares authorized and 21,649,213 and 20,547,668 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	21,649	20,548

Additional paid-in capital	66,364,654	61,398,150
Accumulated deficit	(34,506,920)	(32,246,608)
Other comprehensive loss	(5,922,741)	(6,166,559)
Total Stockholders' Equity	25,956,642	23,005,531
Total Liabilities and Stockholders' Equity	\$ 43,699,204	\$ 38,589,723

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