

LiqTech International Inc. Announces Third Quarter 2020 Financial Results

BALLERUP, Denmark, Nov. 9, 2020 — **LiqTech International, Inc. (NASDAQ: LIQT) (“LiqTech”)**, a clean technology company that manufactures and markets highly specialized filtration technologies, announced today third quarter 2020 financial results for the period ended September 30, 2020.

LIQTECH

Key Highlights

- Revenue of \$3.5 million, in line with our expectations.
- Strong ending cash balance of \$14.5 million.
- Developed Black Carbon and NOx Reduction systems for the marine market.
- Introducing new 60-nanometer ceramic hybrid membrane.

Management Commentary

“Third quarter results were in line with our internal expectations, given the global impacts from COVID-19 on the marine scrubber market” commented Sune Mathiesen, CEO of LiqTech International. “While the marine scrubber market has not yet returned to pre-COVID-19 levels, we are encouraged by market trends and continued customer interest. We note that the European Parliament recently voted for a phase-out and ban of open loop scrubbers. We believe that this will further drive the transition towards closed loop scrubbers and ultimately provide an opportunity to convert some 4,000 already installed open loop scrubbers.”

“As we look to the future, the initiatives we have discussed for the past 18 months to transition LiqTech from its marine scrubber market focus to a diversified filtration company, built on leveraging our core technologies, is coming to fruition. We believe we are now well positioned to address four high-growth opportunities, including water treatment for the oil and gas industry, black carbon and NOx reduction for the marine industry, ceramic membranes for industrial and municipal water treatment and marine scrubber wash water filtration. Each of these holds the possibility to be transformational in the coming years. I am very pleased with the progress made by the entire organization throughout what has been a challenging time to position LiqTech for significant growth in the future,” concluded Mr. Mathiesen.

Third Quarter 2020 Financial Results

Revenue for the third quarter of 2020 was \$3.5 million, down 63% compared to \$9.7 million in the third quarter of 2019 but in line with our expectations. As reported previously, we saw a significant slowdown in both inquiries and orders for marine scrubber filtration systems beginning late first quarter 2020 that has negatively impacted revenue in the second and third quarters. We expect the slowdown in scrubber orders to continue until the global economic effects of COVID-19 are largely behind us.

Gross profit for the third quarter of 2020 was \$(0.3) million, reflecting a negative gross profit margin of 9%, compared to gross profit of \$2.2 million in the third quarter of 2019 and a gross profit margin of 23%. The reduction in gross profit was due primarily to the steep drop in revenue for marine scrubber systems combined with a higher fixed cost base from decisions taken in 2019 to increase manufacturing capacity and improve our production facilities. Approximately \$0.3 million of non-recurring costs were incurred in the third quarter relating to the write-off of inventory and other costs in connection with the closing of operations in LiqTech North America.

Total operating expense in the third quarter of 2020 was \$2.5 million compared to \$2.0 million in the third quarter of 2019 due to decisions taken in 2019 to strengthen our sales, research and development and financial teams. Third quarter 2020 operating expense also includes \$0.2 million of costs related to the closing of operations in LiqTech North America. Our underlying sequential operating expense therefore declined from \$2.4 million in the second quarter to \$2.3 million in the third quarter as we reduced headcount. We expect further benefit in the fourth quarter, as several employees were let go as of September 30, 2020.

Total other income/(expense) in the third quarter of 2020 was \$(1.1) million compared to \$0.4 million in the third quarter of 2019. Total other income/(expense) in the third quarter of 2020 consisted primarily of three major items: other income of \$0.3 million related to a change in the earn-out agreement with the former owner of BS Plastic, wherein we agreed to reduce the contingent earn-out of DKK 6 million over three years to a fixed earn-out of DKK 4 million over two years; other expense of \$(0.7) million related to foreign currency losses from the drop in the DKK/USD currency rate; and other expense of \$(0.7) million that resulted from the fair value adjustment of the prefunded warrants issued in May 2020. This warrant agreement was amended in August 2020, resulting in a reclassification of the warrants from debt to an equity instrument that does not require fair value adjustment in future periods.

Net loss for the third quarter of 2020 was \$(3.9) million compared to net income of \$0.7 million in the third quarter of 2019. The net loss was primarily a result of the decline in revenue for marine scrubber systems and other non-recurring and non-cash costs in the quarter.

Ending cash balance on September 30, 2020 was \$14.5 million, compared to the cash

balance of \$16.2 million on June 30, 2020. The decline in the cash balance resulted mainly from the low level of activity and the net loss for the period. In addition, the Company invested \$0.7 million on property, plant and equipment, and made a \$0.3 million earn-out payment to the former owner of LiqTech Plastics.

Marine Scrubber Market

Incoming orders for marine scrubbers have been significantly impacted by the global economic effects of COVID-19. The economic benefit of marine scrubbers has been hit hard by the decrease in fuel spreads between high and low sulphur marine fuel grades, by reduced ocean freight transportation volumes and by a refinery supply and demand imbalance. While we see continued customer interest in scrubbers and ongoing orders, we expect the current slowdown to continue until the global economic effects of COVID-19 are largely behind us and marine fuel price spreads normalize.

We continue to believe that trends in the marine scrubber market favor increased adoption of closed loop scrubbers that employ the Company's filtration technology. This transition to closed loop systems could accelerate with the potential ban of open loop systems. The European Parliament's environment committee voted recently to phase-out and ban open loop scrubbers. The Company believes that this could quicken the transition to closed loop scrubbers and potentially create an opportunity to convert some 4,000 open loop scrubbers already installed.

Oil & Gas Market

Last quarter the Company announced the formation of a joint venture in the Middle East to supply and operate water treatment systems for oil and gas producers. The Company is currently in negotiations for several projects wherein large water treatment systems would be built based on LiqTech's proprietary silicon carbide technology and operated by the JV under long-term water supply agreements. Since these projects relate to filtration applications where there is local water scarcity, we believe that oil prices will have minimal impact on the viability of the projects. It remains the Company's expectation that the oil and gas market will be an important contributor to revenue in 2021.

Black Carbon / NOx Reduction in Marine Market

We are pleased to announce that the Company has completed development of its black carbon and NOx reduction systems that will allow us to address other opportunities in the marine market. We are currently in negotiations with several existing filtration customers to supply these new systems. We believe that our 20-year experience with diesel particulate filters (DPF) for the land vehicle emission control market, coupled with our marine experience, positions the Company well to be a market leader in this new and rapidly growing market segment. We believe that new mandates for black carbon and NOx reduction

in the marine market represent a potentially significant opportunity for us in 2021.

Next Generation Ceramic Membrane Market

The Company is ready to launch its next generation membrane to address key segments of the \$5.5 billion ceramic membrane market. This new membrane has a pore size of 60 nanometers, which will allow the Company to compete in segments of the industrial and municipal wastewater, food and beverage, pharmaceutical, and drinking water markets. Longer term, this will enable the company to be both a systems provider, as well as a component supplier working with OEMs who can more quickly accelerate adoption of the technology.

Conference Call Details

Date and Time: Monday, November 9, 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 November 16, 2020 at (877) 344-7529 or (412) 317-0088, confirmation #10149509.

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 September 30 2020 (Unaudited)	As of December 31, 2019
Current Assets:		
Cash, cash equivalent and Restricted Cash	\$ 14,492,549	\$ 9,783,932
Accounts receivable, net	3,636,765	6,272,760
Inventories, net	5,966,538	5,199,238
Contract assets	3,008,541	5,664,929
Prepaid expenses and other current assets	665,402	566,398
Total Current Assets	27,769,795	27,487,257
Other Assets:		
Property and Equipment, net	6,754,404	4,825,952
Operating lease right-of-use assets	4,817,875	5,053,614
Deposits and other assets	521,649	498,053
Intangible assets, net	456,922	488,716

Goodwill	247,864	236,131
Total Long-Term Assets	12,798,714	11,102,466
Total Assets	\$ 40,568,509	\$ 38,589,723

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	As of September 30 2020 (Unaudited)	As of December 31, 2019
Current Liabilities:		
Accounts payable	\$ 1,692,550	\$ 4,339,070
Accrued expenses	4,988,842	3,222,951
Current portion of finance lease obligation	37,620	34,772
Current portion of operating lease obligations	953,087	999,685
Current portion of earn-out liability	-	299,585
Contract liabilities	1,427,618	1,421,376
Accrued income taxes payable	15,394	14,692
Total Current Liabilities	9,115,111	10,332,131
Deferred tax liability	306,911	338,763
Finance lease obligation, net of current portion	152,476	172,273
Operating lease liability, net of current portion	4,028,986	4,141,855
Earn-out liability, net of current portion	-	599,170
Total Long-Term Liabilities	4,488,373	5,252,061
Total Liabilities	13,603,484	15,584,192

Stockholders' Equity:

Common stock; par value \$0,001, 25,000,000 shares authorized and 21,655,461 and 20,547,668 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	21,655	20,548
Additional paid-in capital	69,824,156	61,398,150
Accumulated deficit	(38,380,339)	(32,246,608)
Other comprehensive loss	(4,500,447)	(6,166,559)
Total Stockholders' Equity	26,965,025	23,005,531
Total Liabilities and Stockholders' Equity	\$ 40,568,509	\$ 38,589,723

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

	For the Three Months Ended September 30,		For the Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 3,543,730	\$ 9,672,716	\$ 18,467,057	\$ 26,391,100
Cost of Goods Sold	3,852,210	7,444,978	15,641,998	20,613,172
Gross Profit	(308,480)	2,227,738	2,825,059	5,777,928
Operating Expenses:				
Selling expenses	741,738	461,010	2,024,485	1,458,633
General and administrative expenses	1,526,327	1,353,428	4,585,857	3,161,855
Research and development expenses	256,239	189,216	883,752	591,572
Total Operating Expense	2,524,304	2,003,654	7,494,094	5,212,060
Income (Loss) from Operations	(2,832,784)	224,084	(4,669,035)	565,868
Other Income (Expense)				
Gain on modification of earn-out liability	301,573	-	301,573	-
Interest and other income	8,164	28,736	12,901	54,186
Interest expense	(41,388)	(369)	(102,926)	(6,394)
Fair value adjustment of warrants	(664,350)	-	(901,250)	-
Gain (Loss) on currency transactions	(660,747)	403,432	(821,681)	244,872
Gain (Loss) on sale of fixed assets	-	474	-	(21,145)
Total Other Income (Expense)	(1,056,748)	432,273	(1,511,383)	271,519
Income (Loss) Before Income Taxes	(3,889,532)	656,357	(6,180,418)	837,387
Income Tax Provisions (Benefit)	(16,113)	-	(46,687)	-
Net Income (Loss)	(3,873,419)	656,357	(6,133,731)	837,387
Basic Income (Loss) Per Share	\$ (0.18)	\$ 0.03	\$ (0.29)	\$ 0.04
Diluted Income (Loss) Per Share	\$ (0.18)	\$ 0.03	\$ (0.29)	\$ 0.04
Basic Weighted Average Common Shares				
Outstanding	21,653,514	20,547,667	21,059,251	19,350,533

Diluted Weighted Average Common Shares

Outstanding	21,653,514	20,563,540	21,059,251	19,366,545
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