



LIQTECH INTERNATIONAL, INC.
(NASDAQ: LIQT)

LIQTECH

**SECOND QUARTER FISCAL YEAR 2020
FINANCIAL RESULTS CONFERENCE CALL**

Monday, August 10, 2020
9:00 a.m. Eastern

CORPORATE PARTICIPANTS

Sune Mathiesen - Chief Executive Officer, LiqTech International, Inc.
Robert Blum - Managing Partner, Lytham Partners, LLC

PRESENTATION

Operator

Good morning. Welcome to the LiqTech International Reports Second Quarter Fiscal Year 2020 Financial Results. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key, followed by zero (0). After today's presentation, there will be an opportunity to ask questions.

Please note this event is being recorded.

I would now like to turn the conference over to Robert Blum with Lytham Partners. Go ahead.

Robert Blum

Thank you very much. Good morning everyone and thank you all for joining us today to discuss LiqTech International's second quarter 2020 financial results. I'm Robert Blum of Lytham Partners. I will be your moderator for today's call.

Joining us on today's call from the Company is Sune Mathiesen, Chief Executive Officer.

Before I turn the call over, let me remind listeners that following the conference call there will be an open Q&A session. You should also note that a replay of this call will be available shortly following the conclusion of the live call, and that a transcript of the call will be available on the Investor Relations' section of the company website shortly.

Before we begin with prepared remarks, we submit for the record the following statements. This conference call may contain forward-looking statements. Although, the forward-looking statements reflect the good faith and 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 during the conference call.

The company, therefore, urges all listeners to carefully review and consider the various disclosures made in the reports filed with the Securities and Exchange Commission, including risk factors that attempt to advise interested parties of the risks that may affect our business, financial conditions and sales of operations and cash flows. If one or more of these risks or uncertainties materialize or if the underlying assumptions prove incorrect, the company's actual results may vary materially from those expected or projected.

The company, therefore, urges all listeners not to place undue reliance on these forward-looking statements, which speak only as of this date and the date of the release and conference call. The company assumes no obligation to update any forward-looking statements in order to reflect any events or circumstances that may arise after the date of this release and conference call.

Now, I'd like to turn the call over to Sune Mathiesen, Chief Executive Officer of LiqTech International. Sune, please proceed.

Sune Mathiesen

Thank you very much, Robert, and good morning to all of you, and thank you for joining us today. 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.

We shipped all of the orders that our customers were able to accept during the second quarter. We are announcing what we believe will be a transformational joint venture to develop the oil and gas market as we leverage our proprietary silicon carbide water filtration technology, and we also advanced a number of new product development initiatives.

Despite the disruptions, we accomplished a tremendous amount. At a high level, the results of the quarter came very much in line with our expectations, given the global disruptions from COVID-19. The slowdown of inquiries and order activity within the marine scrubber market, which we communicated to you in March and May of this year, had an impact on our revenues during the second quarter and will have some level of impact on the second half of the year as well. However, we are unsure at this point to what the exact impact might be.

On the positive side, following months of limited inquiries and order activity, we are beginning to see activity return to pre-COVID 19 levels, which should bode well for us.

Our marine sales pipeline has increased significantly, since we last spoke. This is a very positive sign of recovery in the marine scrubber business. Based on our historical conversion cycles, I expect us to convert a lot of this into orders. While there has certainly been a slow-down in orders that started in Asia, and gradually worked their way to Europe, customers around the world seem to be slowly coming back and the recent improvement in activity gives us reason to believe that our business will soon return to normal levels.

Remember that there is typically a couple of quarters disconnect between order activity and revenue recognition, due to the timing of delivery for the systems.



We continue to have high levels of optimism for the marine scrubber market as we believe it represents a multi-hundred-million-dollar revenue opportunity over the next several years for LiqTech. As we have discussed in the past, the trends in the marine scrubber industry continue to favor increased adoption of closed-loop scrubbers, which include a filtration system such as the one provided by LiqTech.

Despite COVID-19, we have continued to see ports and countries around the world banning open-loop scrubber discharge. As a result of this shift towards closed loop systems, it should allow us to exceed industry growth rates of overall scrubber installations for the next several years.

The spread between low sulfur fuel and bunker fuel, continues to be volatile. As global consumption of clean diesel has slowed significantly over the last few months, there is an excess supply of low sulfur fuel, which has narrowed the spread between the two.

As the world begins to return to more normalized levels of activity, nearly everyone expects this surplus of low sulfur fuel to be diminished and the spreads to return to a more normalized level, which continues to make the installation of marine scrubbers a highly attractive business case opportunity for shipowners.

Our enthusiasm for the marine scrubber market remains extremely high.

Let me now expand on the exciting news we announced this morning on the joint venture we signed for the oil and gas market in the Middle East.

Under the terms of the agreement, our partner will own 51% of the joint venture, and LiqTech will own the remaining 49%. The joint venture is currently in negotiations on multiple projects whereby large water treatment systems would be built based on LiqTech's proprietary silicon carbide technology and operated by the joint venture under long-term water supply agreements with oil and gas producers.

As opposed to operating as a systems provider, LiqTech and our partner saw an opportunity to capture increasing share of the economics by working together to build out and operate large water treatment systems and work with large oil and gas producers to create long-term water supply agreements. These various systems would be financed at the project level without any access of the balance sheet of LiqTech. We will recognize income on the sale of water filtration systems to the joint venture as well as from any proportional profit generated by the joint venture from the sale of water to the end customer.

The execution of the joint venture occurred following the successful completion of several pilot projects in the oil and gas industry over more than 24-months, utilizing our filtration technology with end customers for which the joint venture is currently negotiating long-term water supply agreements with.

What makes LiqTech's solution unique for this market is our ability to treat difficult water and reuse it in the process. In our tests with some of the largest Oil and Gas companies in the world, we have proven that our technology offers a better solution in terms of both quality and cost compared to existing alternatives in the market. So, by leveraging our water filtration technology, with our partners expertise within civil projects in the region, we believe the joint venture is ideally positioned to address the need for water treatment solutions to areas in the Middle East, where there is local water scarcity. We look forward now to finalizing contracts.



It remains our expectation that the oil and gas market will be the largest contributor of revenue in 2021, and want to--once again note that this is not because we expect the marine scrubber business will see a drop off, but because the oil and gas opportunity is simply that large.

As I mentioned, the team did an incredible job of utilizing this slowdown to advance a number of key new product development initiatives that have the potential to become important revenue drivers for the business beginning in 2021. In addition to the signing of the before mentioned joint venture agreement, we also filed a patent for our next generation filtration membranes and launched a standalone filter press that can be sold in a wide range of industrial applications.

The new generation membranes have a much tighter pore size and is intended to compete against other ceramic membranes already available in the market. The new membrane is a hybrid product that offers the unique strength of silicon carbide and combines it with tighter pore sizes than we have normally been able to manufacture. This will allow us to target markets where other ceramic membranes have been used for a long time--like the pharmaceutical and food & beverage markets.

The market for ceramic membranes is huge and estimated to be approximately \$5 billion on an annual basis. We will be competing against well established players in this industry, but we believe that the unique advantages of our silicon carbide technology and the lower manufacturing costs due to our recently upgraded manufacturing equipment will enable us to be competitive and win market shares.

The progress in the oil & gas industry and the launch of these new products were key objectives we laid out at our analyst meeting back in January and I am very proud of the progress the team has made to accomplish these goals. This is all part of diversifying our business, and I look forward to these developments becoming revenue contributors in the quarters to come. We also remain on track to achieve our goal of increasing our manufacturing capacity to \$150 million equivalent of annual revenue. These initiatives all clearly position the company for a stronger 2021 as we capitalize 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 you all saw from the press release, revenue for the quarter were \$4.6 million. Again, this was largely in line with the expectations we had and communicated back in May as we dealt with the impacts from COVID-19.

Due to the reduced volumes, gross profit was 10.7%; however, our contribution margin for our MK6.1 marine systems was actually about 46.5%, when you exclude the overhead absorption. This is a continual improvement from where we have been over the last few quarters, reflecting the successful implementation of our gross margin enhancement initiatives, including our conversion to the new MK 6.1 systems.

As we discussed last quarter, when the impact from COVID-19 first began to occur, we implemented several measures to ensure manufacturing continuity and adhere to strict state guidelines on the number of personnel that can work in proximity. We divided the workforce into multiple shifts and had certain office personnel work remotely from home. Since the end of April, Denmark has relaxed its guidelines and employees have now returned to more normalized operating procedures.



We were also proactive in restructuring our overall cost base, given the expected near-term impact to the business. Overall, we reduced our annual cost base by approximately \$1.9 million, which will come into effect beginning from the third quarter this year. In addition to this, we have decided to shut down our U.S. manufacturing facility. With the new and more efficient capacity now online in Denmark, it made sense to concentrate our future expansion and development here. The closure of our U.S. manufacturing facility will reduce our overall cost by additionally approximately \$1 million dollars, beginning from the fourth quarter this year.

I want to take this opportunity to thank our employees in the U.S. for their loyal efforts over the years and I wish them all the best for the future.

Our hope is that we are able to quickly ramp back up to full capacity, but given the current uncertainty, these cost reductions allow us to create a cost structure whereby we can be profitable at about \$7 million per quarter in revenue.

Our balance sheet is in a strong position as we raised \$7.3 million in a private placement in May to support potential filtration project orders, strategic tuck-in acquisitions, and general corporate purposes, and we significantly improved our accounts receivable. Our ending cash balance at June 30, 2020, was \$16.2 million compared to \$6.3 million at the first quarter of 2020, an improvement of nearly \$10 million.

So, just to wrap things up before we turn it over to your questions, I want to say, that I am incredibly proud of the efforts by the entire team at LiqTech during the past several months. We successfully delivered all orders to customers that were able to accept shipments in the second quarter and we are seeing an uptick, once again, in order activity which should bode well for a couple of quarters from now. We advanced a number of key new product development initiatives that have the potential to become important revenue drivers for the business beginning in 2021, including the signing of the joint venture agreement to address oil and gas market opportunities in the Middle East, the filing of a patent for our next generation filtration membranes to address the pharmaceutical and food & beverage markets, and the launch of a standalone filter press that can be sold in a wide range of industrial applications.

We remain on track to achieve our goal of increasing our manufacturing capacity to \$150 million equivalent of annual revenue. We acted quickly and successfully navigated the COVID-19 disruptions, ensuring manufacturing continuity, while at the same time ensuring our cost structure matches our revenue levels in the near-term and lowering our overall breakeven point. And we ensured we have a strong balance sheet to execute the growth initiatives we have in front of us.

Just one final note before I turn this over to questions, I will be participating in virtual one-on-one meetings on August 19th to the 21st with the team at Lytham Partners. I look forward to talking with many of you during the event. Please contact Robert Blum for additional information.

With that said, let me now turn the call over to any questions you might have.



QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question, you may press star (*), then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*), then two (2). At this time, we will pause momentarily to assemble our roster.

Our first question is from Eric Stine from Craig-Hallum. Go ahead.

Eric Stine

Good morning, Sune.

Sune Mathiesen

Good morning Eric.

Eric Stine

So, maybe just on the JV in the Middle East, it sounds to me like an EPC firm-like company, but maybe any characteristics you can give about that partner, the relationships they've got in the Middle East in the oil and gas industry? And then, I may have missed it, but is this something that you do expect some orders near-term?

Sune Mathiesen

Yes, so the partner is a company that is already very well established in the Middle East. They do work in Saudi Arabia, Iraq, and Kuwait, predominantly and they have been around for many, many years. They are in fact an EPC partner and they do already have very good contacts in the oil and gas industry and have been successful in delivering projects prior to this. We think it's a great relationship and we've known the company for quite some years now.

So, we've been able to get to know them, make sure that they are the right partner for us, and we recently set up this joint venture company. The reason for setting up the company is to participate in tenders that are now out. So, yes, we can expect to see orders in the near-term turn out of this. Some of the tenders are already out, some are still being prepared, but we should be able to see orders in the very near term.

Eric Stine

Okay, that's great, and then maybe just turn the marine scrubber on the activity level side, I mean, any commentary about how that breaks down between Asia and Europe? I mean, I know that early in the year Asia, very weak, Europe was pretty good, and that kind of flipped a little bit. As we've gone on through the year, maybe just commentary there, but also an update. I know last quarter, you said that you were in negotiations or you had a pretty good level of visibility into order for 70 systems where that stands too?

Sune Mathiesen

Yes, so what we have been happy to see is that we have grown our sales pipeline, since we last spoke, and it's correct when we last spoke, we said, we had about 70 systems that we were negotiating at the time. And that number has grown since then. So, that that is very, very positive. We think that the overall scrubber market has been hit severely by the COVID-19 situation for a number of reasons. One, the price spread between low sulfur fuel and longer fuel being low, and second that, shipyards were being closed down and shipping companies have had limited visibility on the future.

Now that the world is maybe not normalizing, but definitely improving, then we see more activity, we see a very nice increase in inquires, and we also see all activity again now which is very nice. So altogether, we think that we see light at the end of the tunnel here. We think that the marine scrubber business is returning to some sort of normality, and on top of that, we think that there will be a higher proportion of closed loop systems versus the open loop system in the future, which will also be a positive for us. So altogether, we see light at the end of the tunnel, and hopefully, we can return some normality in the next few quarters.

Eric Stine

Okay. That's great. Thanks, Sune.

Sune Mathiesen

Thanks.

Operator

Our next question is from Rob Brown from Lake Street Capital Markets. Go ahead.

Rob Brown

Hi Sune.

Sune Mathiesen

Good morning Rob.

Rob Brown

Just wanted to follow up on the oil and gas JV. What's the set of projects that are active right now that you're pursuing and then maybe a sense of how the revenue flows on those once they're awarded? Does the partner need to kind of get things built and running before you see orders? Or do you see activity early in the process? Just a sense of how that flows. Thank you.

Sune Mathiesen

Yes. So, we are bidding for a number of projects right now and they have different sizes to sum out few million and some of them are hundreds of millions of dollars. So, project size is very different, and in terms of revenue recognition, it's also very different. So, meaning, if we get a \$5 million order, that's something you complete in a few quarters, you recognize the revenue and, you move on. If you get a several hundred-million-dollar order, its multi-year projects typically two or three. So, depending on the project, revenue recognition would be different.

Rob Brown

Okay. Okay, good. That's helpful. Thank you, and then, maybe the kind of shipment in the order pipeline, how much of shipments--are shipments still muted right now in Q3? And how do you see that stepping up sort of for the rest of the year in terms of shipments off your order backlog?

Sune Mathiesen

Yes. So, shipments are still affected by COVID-19 and our ability to travel and get on board the ship is also still affected. We see improvements day-by-day, but I think we probably need one or two quarters before we see real improvement in terms of our customers' ability to accept orders. We are back to normal in Denmark and we have been for a while, so we have the ability to manufacture at full speed, but unfortunately, the situation around the world is different at this point. It is normalizing. It is getting better. We see Southern Europe is slowly coming back. Asia has been back for a while, and this is probably where we see the most activity right now, but very encouraging to see activity again in Europe and that bodes well for returns to normal business in the next few quarters.

Rob Brown

Okay, thank you. I will turn it over.

Sune Mathiesen

Thanks Rob.

Operator

Again, if you want to ask a question, please press star (*), then one (1).

Our next question is from Liam Burke from B. Riley. Go ahead.

Liam Burke

Thank you, Good morning, sir.

Sune Mathiesen

Good morning.

Liam Burke

Sune, in terms of the JV, are you comfortable with your current capacity in order to meet the order flow? I know you've been working very hard to get to that \$150 million run rate. You do have some absorption on the scrubber side as those orders start turning into revenues, but are you sized okay for what you're seeing in terms of the JV and scrubbers?

Sune Mathiesen

Yes, it's difficult question, right, because \$150 million of revenue is a big number, but the projects we see in the Middle East are also very big projects. Our capacity right now is somewhere between \$150 million up to \$200 million, as we stated in the past. So, \$150 million number is kind of a low number. We already prepared our factory to get additional furnaces. We put in cooling systems and power for six furnaces. At this time, we only have four installed. So, we do have some additional capacity to put in additional furnaces that will then further increase our manufacturing capacity upwards of \$300 million on an annual basis. So, we prepared, and should we see the need, we have the ability to further ramp



up. Right now, I would love to get to 150, and then, we'll take the next steps, but we are prepared for it.

Liam Burke

150 sounds like a high-class problem at this point.

Sune Mathiesen

It does, Liam.

Liam Burke

If I'm looking in terms of opportunity, you've got multiple applications out there, oil and gas seems to be something a potential 2021 event. You're also undertaking other applications and things like food processing, et cetera. How would I rank the applications in terms of revenue potential?

Sune Mathiesen

I think so. 2019 was kind of turnaround for the company, we had our first commercial breakthrough into one industry, the marine scrubber industry, and we kind of proved our technology by doing that, that we could do things in a big scale. We turned the company profitable. So, that was a real turnaround for the company, but what we have been very clear on is that, even though we see a great potential in the marine scrubber industry in the years to come, we still need to diversify our business and we talked a lot about that at our Investor Day in January.

What we mentioned that the Investor Day was that we saw, a breakthrough in front of us in oil and gas. We think that is now happening. We formed the JV with a great partner in the Middle East. We are now bidding for several projects and we think that will turn into our largest revenue stream in 2021 and onwards. So, that is likely to be the next commercial breakthrough for our technology. Oil and gas is a multibillion dollar market and really a multibillion dollar addressable opportunity for the company as well. So, we're very enthusiastic about that opportunity.

If we look to the new generation membrane, which is also a huge industry, we estimate the ceramic membrane market to be around \$5 billion on an annual basis, and it's dominated by all the ceramic materials with a much smaller pore size than what we've been able to manufacture so far. The new patent we filed--the new product we developed, has significantly smaller pore sizes. It's still based on silicon carbide, but it will allow us to enter into completely different applications than where we were traditionally.

We will be competing for that \$5 billion market or the new product puts us in a position to do that. We'll be competing against very large players, but I think we can find a market share. We have a good product. We have the advantage of silicon carbide, and we have been able to lower our cost base through installing the new manufacturing equipment. So, we will be competitive. So, to answer your question, we are looking into several billion dollar markets now with oil and gas. And with the new generation membrane, it's not going to happen overnight, but that those are very, very large opportunities and much, much larger than the marine scrubber business opportunity that has been the driver so far.

Liam Burke

Sure, and just administrative question, ceramic diesel particulates, how was that contribution vis-a-vis filtration anyway you want to play it out percentage or anything else?



Sune Mathiesen

So, the DPF business has been slightly down, as well, but has actually held up great on the COVID-19. So, not as big a decrease in depth, part of the business in the last quarter. If we look to the future, it actually looks pretty good in DPF. We are negotiating some very big orders actually right now. We are receiving orders on a frequent basis. So, that part of the business looks relatively stable, even despite COVID-19.

One positive thing that is coming out of or another positive thing that's come out of the installation of the new manufacturing equipment is that we have improved our costs on DPF significantly. So, it means that we can now compete for orders. We couldn't compete for before we installed the new equipment. And it also means that we were realizing higher margins on that part of the business now. So, it looks pretty stable for DPF in the upcoming quarters.

Liam Burke

Great. Thank you, Sune.

Sune Mathiesen

Thanks.

Operator

Our next question is from Larry Lytton from Second Line Capital. Go ahead.

Larry Lytton

Good morning, Sune. Thanks.

Sune Mathiesen

Good morning, Larry.

Larry Lytton

In terms of furnace, could you just remind me, when you add a furnace, how much revenue that potentially adds?

Sune Mathiesen

One furnace is equivalent to \$40 million to \$50 million of revenue on an annual basis.

Larry Lytton

Okay, and in terms of, rough planning purposes, where do you have another furnace penciled in for, if you feel like sharing?

Sune Mathiesen

So, we penciled for in, which we are coming to the end of now, so installing the first four furnaces that takes our revenue capacity to \$150 million to \$200 million on an annual basis. We prepared the factory for an additional two. So, we already installed the cooling and electrical equipment to handle six furnaces. We have not put them on order right now, but could easily do that, if we saw the need. The lead time for additional furnaces is five-to-six months from when we make that decision.



Larry Lytton

And also, it's five-to-six months lead time in terms of getting them commissioned and being revenue producing, is that the full cycle would be more like 12 months or how long does it take to get revenue out of them?

Sune Mathiesen

No. As I said, we already laid the groundwork. We will be ordering identical furnaces to the ones we already installed. We prepared the factory for six already. So, the six months is really to get it up and running and to revenue.

Larry Lytton

Okay, and for planning purposes, do you think you'll be adding a furnace next year or 2022? What's your--the current roadmap look like?

Sune Mathiesen

Again, a difficult question because \$150 million sound crazy right now, that's a huge number.

Larry Lytton

Okay.

Sune Mathiesen

It would be great to get to \$150 million. However, with what we see in the oil and gas projects in the Middle East, it's not unlikely that we will see the need. Whether that's during the first half of next year and the second half of next year, nobody knows, but it's not unlikely that we could end up in a situation where we would have to order new furnaces.

Larry Lytton

All right. I got on the call a little late, so you probably had addressed it. So, I apologize if you did, but so, how come you're not naming the JV partner? And also, could you say how large the JV partner is in terms of revenues or some kind of metric?

Sune Mathiesen

Yes. The reason why we're not naming it is because we're still bidding for a number of projects in the region, and we don't want to draw too much attention to two potential competitors. The partner is an established company, has been established for many, many years. They have worked with oil companies in the region before, it's an EPC partner. And they are very well-connected in Saudi Arabia, Iraq, Kuwait, and those are really countries where we need a strong partner. So, what this partner brings to us is established relationships with the oil and gas producers in the region.

Larry Lytton

Okay, and just to push you one step further, so are they strictly experts in the Middle East region, or are they an international worldwide operation?

Sune Mathiesen

This particular partner is--they only work in the Middle East for now, but we are looking into, let's say including, potentially, including companies, worldwide companies in joint venture as well.

Larry Lytton

So, just to understand, so if you ended up in the future working in the United States, which may be an inevitability that would be with a different partner?

Sune Mathiesen

That--that will be with a different partner, that's correct, and for completely different type of project. The projects we're bidding for right now in the Middle East are more related to water scarcity. If we at some point decide to concentrate our efforts into North America, and I think we will, then we will be bidding on projects based on the economics. As discussed on earlier calls, we actually have two selling points in oil and gas. We have--the fact that we--that we are much more environmentally friendly and that we can help address water scarcity issues. But we also have a quite strong business case against what they are doing today.

In the Middle East right now, the projects we focus on is related to environmental issues and to water scarcity. If we get into North America, it's related to the business case. I think we could be competitive. We've proven that we can be competitive, but investments in North America right now are very low in this industry. And so, right now we're just, focusing on Middle East, getting references and then we'll start focusing into North America at a later point.

Larry Lytton

Okay, great. Thank you.

Sune Mathiesen

Thanks, Larry.

Operator

Our next question is from Roger Liddell from Clear Harbor Asset. Go ahead.

Roger Liddell

Hi, Sune.

Sune Mathiesen

Good morning, Roger.

Roger Liddell

You mentioned in the description of the projects that the big ones would involve a water supply contract. So, I take it the JV would own, operate, and supply under a long-term framework--contractual framework, which brings up the issue of revenue recognition. Would there be revenue recognition in a sale to the JV, which then would be separately financed? Or can you clarify any of that?

Sune Mathiesen

Yes, so--and you're absolutely correct. I did mention that the JV would build, own, and operate these projects. We are not providing any financing for this, which I also clarified. In terms of revenue recognition, I think what we learned over the years is that, we learned a lot in the hard way, right. So, our first interest in these projects is to deliver equipment and get paid, make a profit on the systems delivery. And that is our first, let's say, first priority, really.



Then we will own a part of the joint venture company and we will also get a proportional part of the profits generated in that joint venture company. But I think what we've learned over the years is, make sure you get paid for the equipment; and then if you are really able to make money on the sale of water, if you're really able to get the money out, there will be icing on the cake. So, that's the way we think about it.

Roger Liddell

Yes, it's helpful. Power plant market, we've heard nothing. Is there anything, any update you can give us?

Sune Mathiesen

Yes, so, power plant is actually still developing positively for us, but it's probably the industry that has been hit most severely by COVID-19 for us--not in terms of cancel orders and not in terms of the outlooks for the industry--but more in terms of projects being delayed. And it's not been a top priority. Where we live and the projects we work into, most of the top lines are owned by the state and it's not been a top priority for them to advance these projects, and so, the status is that our outlook for our power plants is positive.

We remain very optimistic about the opportunity. The projects that we have been working into orders we already signed and orders we're anticipating to sign have been delayed. And we think that we will now see real revenue development in 2021. We initially thought that it would be in 2020, but with the delays from COVID-19, that has been postponed.

Roger Liddell

Okay, the new furnaces I take it are the key to supplying discs and flat sheet membranes to the market. Are there shovel ready projects that would require disk? And I understand disk is for very heavily contaminated waste streams, but I'm not sure what the direct applications are on flat sheet membranes relative to the tubular products of the past. So, what is going on in that area?

Sune Mathiesen

So, ceramic disc has been an increasing part of what we do over the last 12 months approximately, and it's still growing for us. So, that is nice to see. I think the real step we have in front of us is, is the launch of that new generation membranes with a much tighter pore size. And the membranes can come in shapes of tubular membranes, flat sheets, ceramic discs, but it will all allow us to look into new applications where we not working right now, especially within pharmaceutical, food and beverage applications, but also within industrial wastewater and applications where we are not now.

So, to answer your question, yes, I think we'll see membranes in many shapes come out of our factory in the future. Flat sheets have not been growing that much for us right now. I think, it will in the future. Ceramic discs have been grown part of what we do. And tubal membranes is also an area where we are focusing, but it maybe not so much the shape of the membrane, but more that we can now go to much smaller pore sizes that will allow us to break into other applications, and that is something I'm very enthusiastic about.

Roger Liddell

Yes. So, the smaller pore sizes is that 60 or 40 nanometers?



Sune Mathiesen

Yes. So, the product we have today is around 200 nanometers average pore size. The new generation membranes we are targeting 50 and 75 nanometer products, and those pore sizes are exactly what is required to break into that established ceramic membrane market.

Roger Liddell

Yes. Thank you, Sune.

Sune Mathiesen

Thank you, Roger.

Operator

Okay. This concludes our question-and-answer session. I would now like to turn the conference back over to management for closing remarks.

CONCLUSION**Sune Mathiesen**

Thank you, operator, and thank you for everyone joining us on the call today, and I look forward to speaking with many of you again next during our virtual presentation and one-on-ones. I hope that we can all visit face-to-face again in the near future. Have a good day. Thank you for joining and stay safe.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.