

**LIQTECH INTERNATIONAL, INC.**  
**(NASDAQ: LIQT)**



**FOURTH QUARTER AND FISCAL YEAR 2019  
FINANCIAL RESULTS CONFERENCE CALL**

**Thursday, March 26, 2020**  
**9:00 a.m. Eastern**

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**CORPORATE PARTICIPANTS**

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

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**PRESENTATION**

**Operator**

Good day, and welcome to the LiqTech International Reports Fourth Quarter and Fiscal Year 2019 Financial Results Conference Call. 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. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Robert Blum with Lytham Partners. Please go ahead.

**Robert Blum**

Thank you very much, Sarah. Good morning, everyone, and thank you for joining us today as LiqTech discusses its fourth quarter and fiscal year 2019 financial results. As the operator indicated, 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 Mr. Sune Mathiesen, the company's Chief Executive Officer.

Before I turn the call over to Sune, 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.

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.

With that being said, let me turn the call over to Mr. Sune Mathiesen, Chief Executive Officer of LiqTech International. Sune, pleased proceed.

### **Sune Mathiesen**

Thank you, Robert, and good morning to all of you. Thank you for joining us today to discuss our fourth quarter and fiscal year 2019 financial results. First of all, we hope everyone on the call and your families are safe and healthy. We're certainly operating in some unprecedented times.

As you see from the press release results for the fourth quarter and year-end, we're in line with our preliminary results we had provided back on January 21, which highlighted record revenue for LiqTech in 2019 and a transition to profitability. For the year, revenue was \$32.6 million compared to \$12.2 million in 2018, an increase of 167% or 182% in constant currency. The growth in revenue was due to the higher sales of our proprietary ceramic silicon carbide water filtration systems for the marine scrubber market, where we achieved a significant commercial breakthrough. We also turned the company profitable, with net income of \$40,000 compared to a loss of \$3.8 million in 2018 which is a turnaround of nearly \$4 million.

We have highlighted over the last year the leverage we believe is available in our business model, and this clearly highlights that opportunity. Remember, this was despite the fact that we had to overcome the impact of the furnace shutdown during the fourth quarter. With the first furnaces now online and as we continue to improve our margin optimization program, we believe that we will deliver further growth and profitability in the years to come.

For the fourth quarter, revenue was \$6.2 million compared to \$2.9 million in the fourth quarter of 2018, representing an increase of 116%. This was in line with our initial expectations for the fourth quarter we discussed back in November and reflected the impact from the mechanical issues affecting our legacy furnaces. As just mentioned, and many of you saw firsthand, during our Investor Day back in January in Denmark these issues have now been resolved by the successful installation and commission of new custom built furnaces that each has four times the capacity of any individual legacy furnace.

Overall, I'm pleased with our performance in 2019, which highlighted our commercial breakthrough in the marine scrubber industry. As we look to the future, our goal is to continue to maintain that strong market share in the marine scrubber market, where we estimate our share to be at approximately 50% of all closed loop scrubber filtration systems currently installed or on order. We'll also leverage that success by expanding the application of our proprietary water filtration technology into adjacent



markets which we believe has the potential to be significantly larger than our marine scrubber opportunity.

Let me first spend some time on what we see happening in the marine scrubber space, and then provide some added details from these new markets. The marine scrubber market continues the trend we have discussed for the past several quarters towards increased adoption of closed loop scrubbers. Again, closed loop scrubbers include a water filtration system that cleans the dirty water prior to reuse of discharge back into the ocean.

Open loop systems simply take the dirty water, which includes all the contaminants, and discharges it back into the ocean. Open loop systems really defeat the purpose of what the IMO was trying to achieve by removing these harmful contaminants from the environment. 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 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 if a global ban were to occur and more ports continue to implement open loop discharge bans. This would highlight a very significant market opportunity for LiqTech of nearly \$1.5 billion simply based on the already installed fleet of open loop systems.

Remember, the cost to install the filtration system on the scrubber is about \$400,000 to \$500,000, with the overall cost of a scrubber ranging between \$1.5 million, up to \$3 million. So if a ship owner has already invested millions into a scrubber, the additional expense to install a filter is a small part of the overall expense.

Beyond that, current market estimates indicate an additional 4,000 to 8,000 scrubbers to be installed on existing vessels between 2020 and 2025. If the recent trends towards closed loop system hold and that the historical 10% closed loop adoption jumps to 25% or 50%, as has been highlighted by our largest customers, our market potential remains extremely large.

As I stated last quarter, this trend towards closed loop scrubbers is not only driven by the expectation of a global ban of open loop discharge and current ban of open loop discharge in more than 100 ports around the world, but also driven by increased pressure from end customers and shipping companies to utilize superior environmental scrubber solutions.

A question that has come up often recently has been the spread between low sulfur fuel and high sulfur fuel and the impact it might have on a ship owner's decision to install the scrubber. But it obviously makes the economic argument much easier for a ship owner to install a scrubber when the spread between the two is higher. The reality is that most of these ship owners are looking at long term trends and not day to day fluctuations between the two.

We certainly have [indiscernible] times for the oil and gas industry over the last month. The absence of shipping across the world has significantly decreased the demand for low sulfur fuel in the near term, which has driven the price point between the two much lower than during normal times. The ship owners I talk to expect the spread to normalize in the coming months, and their decision to install a



scrubber or not is based on that normalized spread, not the spread at any one point in time. Obviously, we will see how this all plays out but we remain bullish on the long term opportunity within the marine scrubber market.

In the most immediate term, we are in close communication with our customers and suppliers in light of the recent global events surrounding COVID-19. As of today, we have made all planned deliveries for the first quarter and we have not had any cancellations of existing orders. In the quarter to date we have shipped approximately \$10 million of revenue. As you all know, the situation is developing day by day and given current uncertainties we are now lowering our guidance for the first quarter to \$10 million, which despite of the difficult global situation would mark a new quarterly record for the company. Additionally, our incoming orders have obviously slowed and will impact second quarter revenues, although we, along with the rest of the world, don't have a good enough picture on it yet on what that impact will be.

Operationally, we implemented several measures to ensure manufacturing continuity. In order to keep our Danish facilities operational and comply with 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. We continue to monitor the immediate change in the situation closely and have taken additional steps to reduce our overall cost base as necessary. As you may recall from our November conference call, we have significantly diversified our customer base, as our proprietary water filtration systems work seamlessly with a number of different scrubber manufacturers.

We have been seeing significant expansion of orders from Asia at the time where we had added a number of new customers. With Asia being the first to encounter many of the challenges that the current COVID-19 situation has created, they also appear to be the first to once again ramp up. Over the last week I've spoken with many of our customers in the region, and after a difficult period they appear to be returning to normal. We are optimistic that our customer diversification will allow us to minimize disruptions to our operations in the immediate term.

But it seems like a lifetime ago when we spoke with you during our Investor Day in Denmark. You may recall that we spent considerable time highlighting the opportunity we believe is in front of us to expand the application of our core filtration technology to our industries, including our advance [ph] and power plant markets.

As we discussed, new regulations, combined with geological restrictions and local water scarcity, are driving the increasing need to have a greater portion of the produced water more extensively treated and ultimately reduced. Moreover, the growth in the application of water intrinsic [ph] processes to extract unconventional oil and gas resources has increased the need for cost effective treatment and reuse of reduced water to reduce freshwater offtakes.

As discussed on our Investor Day in January, we are currently working on a number of very large opportunities in the Middle East, which we believe will result in very significant orders in the near term. But the obvious question here is whether or not this is still a viable option given the current price of oil. I have had conversations very recently with our partners and they continue to relay to me that this is less a function of the price of oil and more a function of new legislation that is being put in place in large oil producing countries with limited water resources to minimize the water usage in their production, particularly in the Middle East.



Until everything is finalized, we have to put it into proper perspective that we remain highly optimistic that the oil and gas market will be a significant drive for us in the years to come, with an expectation that it will overtake the marine scrubber business in terms of revenue contribution for LiqTech. And I clearly have to note that this is not because the scrubber business will see a drop off, but because the oil and gas opportunity is simply that large.

Quickly on a few additional areas for expansion of our core technology, we continue to book orders for power plant systems and believe that will be an important part of our business in 2020 and onwards. We are also continuing to make progress on developing our NOx and carbon black reduction products, and as I've stated in the past, many within the industry believe this will be the next key initiatives following the implementation of IMO 2020 which is a SOx reduction initiative. We remain on target to launch the product later this year. Finally, with the new membrane capacity coming online, we will also be advancing our OEM membrane sales.

And so turning back to our operations for marine, as those of you that were at our facility in January saw, we made 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. The new furnaces have throughputs that are approximately four times the company's existing furnaces due to increased size and efficiency.

The installation of the first furnace occurred towards the end of last year. The second new furnace and barrel is coming online soon, while two additional new furnaces are set to be installed by June 2020. Upon successful installation of all four brand new efficient furnaces in June 2020, we expect to completely retire our older, less efficient furnaces. Overall, the company's manufacturing initiatives are expected to result in total capacity of between \$150 million to \$200 million on an annualized basis by mid-2020.

We've also continued our efforts in our margin optimization program, with important process improvements, further system design efficiencies, and the in-sourcing of some manufacturing operations. The acquisition of BS Plastics has thus far exceeded our financial targets and has provided important in-sourcing for some key plastic components for our water filtration systems.

While gross margins are dependent on achieving certain revenue thresholds, assuming we achieve our expectations for 2021 we believe that we're well-positioned to achieve gross margins of more than 40% in 2021.

While we are certainly working through some unprecedented times, I believe that we are in a very strong position, both from a product standpoint as well as a financial one, [indiscernible] once again we return to a certain level of normalcy. We've made tremendous strides diversifying our customer base and developing new and market leading [ph] technology. I believe the marine scrubber market will show continued strong growth for LiqTech in the foreseeable future and that new markets such as oil and gas will become significant contributors of growth for us.

Financially, we have a strong balance sheet, with approximately \$10 million in cash and positive net income and have no debt. Again, we hope all of you and your families are safe and healthy and look forward to be able to visit with you again in the near future.



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

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## QUESTIONS AND ANSWERS

### Operator

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

Our first question comes from Eric Stine with Craig-Hallum. Please go ahead.

### Eric Stine

So I know your balance sheet is in very good shape and you've got a history of running things pretty tight when you need to. But just curious if you could talk about some of the cost-reductions that you referenced in the release, what some of those levers are what the potential magnitude of that could be as you navigate the current environment and maybe are those some things that would show up fairly quickly in your financials.

### Sune Mathiesen

So we have already taken some steps, we are taking further the column [ph] and to put a number of initiatives in place to help Danish companies through this crisis and altogether the magnitude we are looking into is the ability to scale off about \$420,000 per month. So a little bit more than \$1.2 million on a quarterly basis.

I'm not saying that we will do all of that. Just saying that that is what we are prepared for and if we take all the steps that we put into our plan that will come into effect by July and step-by-step some cost-reductions already next month and some later. We'll be using a combination of old initiatives and the government initiatives in place.

### Eric Stine

Good morning, Sune. I know your balance sheet is in very good shape and you have a history of running things pretty tight when you need to. But just curious if you could talk about some of the cost reductions that you referenced in the release, what some of those levers are, what the potential magnitude of that could be as you navigate the current environment, and maybe are those some things that would show up fairly quickly in your financials.

### Sune Mathiesen

We have already taken some steps. We're taking further steps. The Danish government has put a number of initiatives in place to help Danish companies through this crisis. Altogether, the magnitude we're looking into is the ability to scale off about \$420,000 per month, so a little bit more than \$1.2 million on a quarterly basis. I'm not saying that we'll do all of that. I'm just saying that that is what we have prepared for. If we take all the steps that we have put into our plan, that will come into effect by July and step by step, I would say. So, some cost reductions are hitting already next month, and some later. We'll be using a combination of own initiatives and the government initiatives in place.





**Eric Stine**

Okay. That's helpful. Then you mentioned no order cancellations, but just as you think about the backlog that you have in place, maybe just how the expected timeline has likely pushed out. I think in the past it was kind of hopeful that it was a 12-month sort of backlog, maybe what that looks like today just in light of activity slowing down given the current environment.

**Sune Mathiesen**

It's obviously been developing day by day here. I think a good way of showing that is that we've actually made all deliveries planned in the first quarter so far. Now it's getting more and more, I would say, quiet especially from the European scrubber manufacturers. I'm very pleased to see that the Asian scrubber manufacturers appear to be back working, we see good activity from Asia now.

So, hopefully in the next couple of weeks we will be able to better estimate how that will play out. Right now we're trying to gather all the information we can. I think we're not alone. I think most companies are doing that right now. So, in a couple of weeks I hope we will have a clear picture of how that will play out [indiscernible].

**Eric Stine**

Okay, got it. Then the last one from me, this was top of mind until probably, I don't know, two, three weeks ago, but just curious your thoughts on what you're seeing in terms of IMO 2020 enforcement. We have started to see a few measures, where if people are out of compliance they're getting fined for it. But I'm just curious your thoughts on that.

**Sune Mathiesen**

Yes, we've been extremely pleased to see that this is strictly enforced. It appears to be ongoing still. I think one of the keys here is that the UN left it up to the individual member states to enforce this and collect the fines themselves, so that has been a great incentive for governments around the world, and we have seen a strong enforcement and we expect that to continue.

**Eric Stine**

Thanks a lot.

**Operator**

Our next question comes from Robert McCarthy with Stephens. Please go ahead.

**Robert McCarthy**

A couple questions. The first one, maybe you can talk about, just so we level set the revenues, talk about the diesel particular business in the quarter and any other sources of revenue in the quarter, just so we have a good estimate of your portfolio revenues.

**Sune Mathiesen**

So, in the current quarter—are we talking about the fourth quarter or first quarter?

**Robert McCarthy**

Well, both if you can, but certainly fourth quarter.



**Sune Mathiesen**

Yes. In the fourth quarter diesel particulate filters were under normal levels, so around \$1.5 million. The rest was basically our marine scrubber business. In the first quarter, there was not a big change, so the DPF [ph] business was pretty constant. Obviously, a healthy optic in the first quarter for the marine scrubber business and it is on track to be a new record quarter for us in the first quarter.

**Robert McCarthy**

I guess for the balance of the portfolio, though, would you expect revenues to uptick this year, given the current environment and state of play? I know there was some orders that might be coming in in Denmark on the power side and some other applications on the OEM side for filtration, but just give us a sense of do you expect those to be meaningful contributors in 2020.

**Sune Mathiesen**

Yes, we are expecting DPF business to be constant and slightly improving in 2020. As earlier discussed, there are some new mandates in place in Denmark, and it looks like that is still ongoing. So, we still expect to see an uptick in our DPF business. We expect to see more power plant business this year, which is also nice. We have some orders in place already. We have our orders that we know are coming in, so that looks promising as well.

In terms of marine scrubbers, it's difficult to say. The picture we are seeing now is that it was awfully quiet from Asia in January and February. I'm pleased to note that it is more busy from Asia now in March, they appear to be back backing. We have even seen orders from Asia in March, which is nice. It is now awfully quiet from European scrubber manufacturers, it has been for the last week or so. We know that most countries in Europe are shut down more or less, so we expect that to be quiet for some time. If we see the same pattern as we have seen in Asia, and that is what we're hoping, then they will be back to work in the next couple of months. So, we're keeping our fingers crossed that this is still happening and there will be a temporary disruption.

**Robert McCarthy**

The last question for me for now. But you highlighted notably that the investment in sales in the fourth quarter, understandably to prosecute all these opportunities, you had a narrow loss in the fourth quarter. How do we think about your investments in 2020, given the ramp in gross margin that you've already alluded to? Do you expect to be making a profit? And maybe you can just comment on how we should be thinking about cash profitability, particularly in 2020, particularly given this overall environment.

**Sune Mathiesen**

We expect to be profitable for the first quarter. The second quarter looks challenging at the moment. We think that the COVID-19 situation will be challenging. It's not that we have a good picture at this stage, but we are certainly following the situation very closely.

As I noted in my remarks, we have things to reduce our overall costs as necessary. We can do that fairly easily. There are government initiatives in place. So, we think overall for the first half we should be slightly profitable, even with the COVID-19 situation going on, and we should be able to scale our business if necessary for the second half of the business to ensure that we are profitable in the second half as well.

**Robert McCarthy**

I'll leave it there for now. Thank you.





**Sune Mathiesen**  
Thanks, Robert.

**Operator**  
Our next question comes from Rob Brown with Lake Street Capital Markets. Please go ahead.

**Rob Brown**  
Hi, Sune. On the oil and gas market, could you clarify where you're at? I think at one point you had completed some pilot projects and were evaluating them, or the customer was evaluating them. Can you give us a sense of where they're at and maybe some better timeline on next steps in terms of orders?

**Sune Mathiesen**  
We are through the piloting stage. We have done several pilots with some very big oil companies, especially in the Middle East, and they have been highly successful. Now, we are in the phase of securing orders. We have a few orders that are decided in the first half of this year. We think it is likely that we'll see some of these orders come in. We have a high confidence level. So, that should be on track.

Obviously, with the COVID-19 situation, we have reached out to our customers in the Middle East to make sure that these projects are still moving forward, and the feedback that we have is that they are. They are not related to the oil price. The projects are more related to the water scarcity in the region and new legislation that they have to reuse the water.

**Rob Brown**  
Okay, thank you. Then back to the order book and backlog, can you give us a sense of what size that is at this point and how much visibility that gives you just in terms of what you have on the books today.

**Sune Mathiesen**  
We have never disclosed our backlog numbers, so I'm not able to provide a specific figure. With what is going on in the world, we are following that very closely. I think what is worth to note is that even through a challenging first quarter, we have been able to make all planned deliveries so far. We have not seen any cancellations at this stage, which obviously provides us with confidence in the backlog that we have.

So, at this stage I think all we can do is monitor the situation very closely, be happy that we have not seen any cancellations, and then try to get a better picture over the next coming weeks. This is still a very new situation, and I think like any company out there we're still trying to get a good picture of how the coming quarters will play out.

**Rob Brown**  
Okay, thank you. I'll turn it over.

**Operator**  
Our next question comes from Liam Burke with B. Riley FBR. Please go ahead.

**Liam Burke**  
Thank you. Good morning, Sune. How are you?



**Sune Mathiesen**

I'm good. How are you, Liam? Good morning.

**Liam Burke**

Fine, thank you. Could we just talk a little bit about the shipyard closures and then the related demand for the overall scrubber systems? Understanding that COVID-19 has shut down all the shipyards in the world, with the Southeast Asian yards starting to come back online, are they starting to turn up the orders for scrubbers, or are you seeing any problems with them getting deliveries? Is there a bottleneck there?

**Sune Mathiesen**

I would say shipyards in China and South Korea were shut down in January and February for a period of four or five weeks altogether. They have now come back to work and we're actually seeing good activity from China and the rest of Asia right now. So, they appear to have overcome these challenges with the COVID-19. The majority of the shipyard capacity is in China, so that is good news for us.

We now see that the shipyards in Europe, in Italy and in France, they are shut down because of this situation. That is, let's say, a smaller global capacity that is located in Southern Europe, so not as concerning. So, I think for us it's good news to see that the Asian shipyards are back up and running, and we think that will cause this, let's say situation, to normalize hopefully very quickly.

**Liam Burke**

I know you're not disclosing on the order front or the backlog, but anecdotally as you exit the first quarter, is there any color you can give us, is there any measurable response to these shipyards going back to work?

**Sune Mathiesen**

Yes, I would say the shipyards coming back to work definitely makes things easier. That means that we will be able to make deliveries. If they shut down, that will be a different situation. The reason why we succeeded in making all deliveries in the first quarter is that we consider the goods delivered when they are tested and approved in our factory by the customer. So, we have actually been storing some of these goods for the customer and we're now in the process of shipping that to Asia. But it is good news that they're back to work. That should cause minimal disruption. Again, 85%, 90% of the world's shipyard capacity is in Asia, so that is extremely encouraging.

**Liam Burke**

Then on the scrubber front, are they seeing any difficulty getting scrubbers from their suppliers?

**Sune Mathiesen**

Yes, they have. On the scrubber front, most of scrubbers are manufactured also in China, so even though most of the scrubber manufacturers are European, they have set up factories or use Chinese partners for the manufacturing. I would believe that that has been an issue in the first quarter. Luckily enough, it has not affected us because we are not relying on any Chinese suppliers, so we've been able to get supplies and maintain operations and had very minimal disruption on deliveries. So, I would believe that this is good news again for the scrubber manufacturers, because the factories in China should also be up and running now.



**Liam Burke**

Great. Thank you, Sune. I appreciate it.

**Sune Mathiesen**

Thanks, Liam.

**Operator**

Our next question is a follow-up from Robert McCarthy with Stephens. Please go ahead.

**Robert McCarthy**

Could you just talk through your plan around your furnaces and your options for furnaces in the context of your capex for this year? And just help us with the balance sheet and just remind us, in this environment everybody's very focused generally on names with liquidity, but I just wanted to give you the opportunity to discuss your liquidity and your balance sheet.

**Sune Mathiesen**

Yes. We exited the year with nearly \$10 million of cash. We already worked through most of the payments for the new furnaces with, from the top of my head, \$600,000 or \$700,000 remaining. So, there will be minimal additional capex from now on in 2020.

So, we do have a very solid balance sheet. Eric mentioned earlier we should be able to generate a profit in the first half, even with the situation that's ongoing, and we have the ability, depending on what happens in the world, if we're back to full speed, the second half looks very promising. If we're not, we will be able to scale our costs and we should be able to be profitable in the second half as well. So, we are one of the fortunate companies that, at least for our size, has zero debt, we have cash on the balance sheet, and we're profitable. That is encouraging going into this situation.

**Robert McCarthy**

Then just in terms of your capex deployment of the furnaces, just remind us of the staging of the furnaces this year, the capex and association with it this year, and then the options. And maybe you're delaying an option on some additional furnaces given you have probably adequate capacity.

**Sune Mathiesen**

Yes, we're installing the four furnaces we discussed in the past. That takes us to a \$150 million to \$250 million capacity by July this year. We have about, again, from the top of my head, about \$700,000 of capex remaining on those four furnaces, and from now we are not installing more capacity before we see how the market develops. But we are proceeding with the four furnaces, and they are more or less at this point all paid for.

**Robert McCarthy**

Thanks for your time.

**Sune Mathiesen**

Thanks.

**Operator**

Our next question comes from David Granik with Ranger Capital. Please go ahead.



**David Granik**

Hi, Sune. How are you?

**Sune Mathiesen**

Hi, David. I'm good. How are you?

**David Granik**

I'm doing well. Nice job in this challenging environment. I just had a quick question, and this is more just maybe a small detail, but I think you had mentioned \$12 million as your expectation for the first quarter during the Analyst Day, and that you guys had shipped all your orders that you expect to ship. Can you help me understand, help me bridge why the revenue is expected to be \$10 million in this quarter as opposed to \$12 million?

**Sune Mathiesen**

Yes, up until this point we shipped \$10 million, or a little bit more than \$10 million of product. Given what is going on right now, it is becoming increasingly difficult to deliver things, and that is the bridge to the \$12 million. So, that is the reason why we're lower in our guidance for the first quarter.

**David Granik**

Okay. The last two weeks of the quarter essentially is the issue. Okay. Thank you very much.

**Sune Mathiesen**

My pleasure. Thanks, David.

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**CONCLUSION**

**Operator**

This concludes our question and answer session. I would like to turn the conference back over to Mr. Mathiesen for any closing remarks.

**Sune Mathiesen**

Thank you very much, operator. Thank you, everyone, for joining us on the call today. We wish you all a good day, and hope that you all stay safe and healthy. Thank you very much.

**Operator**

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

