

# NX Filtration accelerates strategic expansion and reports strong revenue growth in H1 2022

Enschede, the Netherlands, 30 August 2022, 07:00 CET

**ENSCHDEDE, THE NETHERLANDS – NX Filtration N.V. (Euronext Amsterdam: NXFIL), the global provider of breakthrough direct nanofiltration (dNF) technology for pure and affordable water with strong sustainability benefits, today reports its condensed interim consolidated financial statements for the six months ended 30 June 2022.**

## Half year 2022 highlights

- **Total revenues<sup>1</sup> of €3.7m, an increase of 188%** compared to the first half year of 2021
- **Expanding global footprint;** 63% of revenues from sale of goods outside Europe, and new sales presence established in France, Germany, China, Japan and Indonesia
- **Successful conversions of pilots to full-scale projects,** amongst others for Aquarius H2O Dynamics (India), BI Pure Water (Canada), Cross Textile (Turkey), Delco Water (Canada), Ecoazur (Mexico), Ekopak (Belgium), Envirogen (UK), Practical Water Solutions (South Africa) and PT Bayu (Indonesia)
- **Accelerating on three key strategic fronts:**
  - **Upsized design of our new megafactory:** higher initial capacity and more space for future capacity additions
  - **Pre-empting the expansion of our fleet of pilot systems,** on-track to exceed previous guidance of more than 140 systems by the end of 2022
  - **Ahead-of-the-curve expansion of our organization,** with successful hires of strong industry leaders, amongst whom the former Chairman of Hydranautics, the former Head of Inge (DuPont Water Solutions) China, the former Commercial Director of LG Water Solutions and the former Global Technology Leader Equipment & Systems of Suez
- **Strong ESG profile and impact underpinned by recently obtained Sustainalytics rating,** ranked best 13% of our global subindustry peer group
- **Reiteration of outlook on total revenues of €8m to €10m** for full year 2022, driven by strong market demand, further roll-out of full-scale projects and our expanding global sales presence

## Michiel Staatsen, CEO of NX Filtration, states:

*“In the first half year of 2022 NX Filtration created strong impact on many fronts. We increased our revenues by 188%, successfully converted many pilot projects into full-scale projects,*

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<sup>1</sup> Total revenues (defined as Gross income in the Semi-Annual Report) includes revenues from sale of goods in the Clean Municipal Water and Sustainable Industrial water business lines and other income

*increasingly benefitted from repeat projects, attracted strong new talent to our company and, most importantly, realized real and measurable ESG impact through our mission of clean and affordable water for all. I am particularly proud that Recolab Sweden, to which we supplied our dNF technology, was awarded by Global Water Intelligence as wastewater project of the year 2022.*

*Encouraged by strong traction in the market and increasing market opportunities, we decided to accelerate our strategic expansion on three key fronts. We upsized the design of our new megafactory to create flexibility to deliver larger volumes ahead of schedule. We also pre-empted the expansion of our fleet of pilot systems to facilitate the strong and growing demand in the market. We are well on-track to exceed our previous guidance of more than 140 pilot systems by the end of 2022. These pilots are an important step in our commercial roll-out strategy and provide the basis for our anticipated strong revenue growth. Finally, we successfully strengthened our organization with various high-profile industry leaders in commercial and technical roles. Being able to attract such personnel is a great testimony to the breakthrough technology we provide, the impact we make with our products and the great place to work we offer to our employees.”*

### **Financial and segmental review**

**Total revenues increased by 188%** to €3,692k in the first half year of 2022 compared to €1,280k in the first half year of 2021. Key drivers for this growth were an increasing number of full-scale projects that resulted from preceding pilot projects, as well as global sales force expansions and a growing number of OEM relationships, which are increasingly resulting in repeat projects.

In the **Sustainable Industrial Water** business line, revenues from the sale of goods were €2,073k in the first half year of 2022, a **growth of 169%** compared to €771k in the first half year of 2021. NX Filtration benefitted from the pilots it had initiated since mid-2020 and the relatively short lead-times from pilots to full-scale projects. We experienced strong traction with customers in, amongst others, the food & beverage and textile industries looking to reduce their water footprint and optimize their water systems in a sustainable way.

Key projects included a repeat full-scale project for Ecoazur in Mexico, for whom we also initiated various pilot projects that could lead to further potential repeat industrial and municipal projects. In addition, NX Filtration converted various pilot projects for wastewater reuse into full-scale projects, for example with Cross Textiles in Turkey and Practical Water Solutions in South Africa. For Envirogen, NX Filtration successfully expanded its previous ultrafiltration and microfiltration projects to a first dNF project for a UK based industrial client, an example of our strategy of cross-selling between our various membrane products.



In the **Clean Municipal Water** business line, revenues from the sale of goods in the first half year of 2022 were €1,180k, a **growth of 272%** compared to €317k in the first half year of 2021. This growth was primarily driven by full-scale projects in Asia and North America, whereas the focus in Europe remains on realising pilot projects with leading players, with visibility on future full-scale projects.

In North America, NX Filtration successfully sold its first full-scale municipal system with Delco Water to produce drinking water from lake water in Northern Alberta, Canada. Subsequently, NX Filtration worked with BI Pure Water on its largest municipal system till date in North America for a similar application. In Asia, we secured a large repeat order with PT Bayu for the production of drinking water in Indonesia.

**Other income** was €439k in the first half year of 2022, a growth of 129% compared to €192k in the first half year of 2021. Growth in other income was driven by rental income from a growing number of pilot projects and government grants for innovation projects.

**Gross margin** increased to 55.3% in the first half year of 2022 compared to 47.9% in the first half year of 2021, despite the fact that the gross margin in the first half year of 2022 was amongst others impacted by waste and inefficiencies related to the start-up of the second spinning line.

**Personnel costs** increased by 154% to €3,797k compared to €1,497k in the first half year of 2021, reflecting ahead-of-the-curve investments in personnel, with total FTEs increasing from 43 at 30 June 2021 (69 at 31 December 2021) to 104 at 30 June 2022.

**Other operating costs** increased by 463% to €2,376k compared to €422k in the first half year of 2021 (excluding costs related to the IPO), caused by increased marketing and sales activities, travel, increased energy consumption and growth in personnel related cost due to the growth of the organization.

**EBITDA** loss was €3,936k in the first half year of 2022 compared to a loss of €1,206k in the first half-year of 2021 (excluding costs related to the IPO).

**Net loss** amounted to €3,989k compared to a net loss of €1,407k in the first half year of 2021 (excluding costs related to the IPO and corresponding tax effect).

**Capex** amounted to €8,060k as compared to €2,443k in the first half year of 2021. Capex included investments in the ongoing capacity expansion at the existing locations, the purchase of land and development cost for the new megafactory and additions to NX Filtration's fleet of pilot systems. Additionally, NX Filtration capitalized €428k of development costs which demonstrates our continued efforts to invest in innovations for the future.

**Net cash position** at 30 June 2022 amounted to €116,589k compared to a net cash position of €133,433k at 31 December 2021.

**Working capital**<sup>2</sup> increased to €5,434k as per 30 June 2022 versus €1,062k at 31 December 2021, as a result of increased operational and commercial activities to support further growth of the business.

**Operating cash flow** was €8,438k negative in the first half year of 2022, compared to €1,294k negative in the first half year of 2021 (excluding IPO related cost).

### **Sustainability and ESG impact**

Sustainability and a clear Environmental, Social and Governance (ESG) agenda are at the heart of NX Filtration's business. We passionately believe we have a responsibility to contribute positively to society and the environment.

In the first half year of 2022 we further build on our externally certified dark green-labelled IPO, by obtaining a Sustainalytics rating, in which we rank amongst the 13% best performers in our global subindustry peer group. We also joined the United Nations Global Compact initiative. This is a voluntary leadership platform for the development, implementation and disclosure of responsible business practices – as part of our commitment to be a responsible company.

We continue to use our targeted ESG framework to address and monitor our impact along three pillars:

1. **Clean water for all**: Our membrane sales in the first half year of 2022 could enable the production of 160 billion liter of clean water<sup>3</sup>. In the first half year of 2022, NX Filtration enabled access to clean water across 22 countries.
2. **Avoiding emissions at our customers**: With our membrane module sales in the first half year of 2022, we enabled 1,467 ton CO<sub>2</sub>e savings during the deployment lifetime of our membrane modules, by avoiding the use of 2.7 million kg of chemicals and saving 33 GWh energy compared to conventional technologies<sup>4</sup>.
3. **Our internal initiatives**: We have implemented various sustainability measures and initiatives around ESG related themes in our own operations, for our employees and our partners.

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<sup>2</sup> Working capital defined as Inventories plus trade and other receivables minus trade and other payables

<sup>3</sup> Based on NX Filtration's sales of approximately 1,350 membrane modules (dNF and UF only) in the first half year of 2022, multiplied by the expected capacity and lifetime of such modules. See Sustainability Chapter in the Annual Report 2021 for details, assumptions and methodologies

<sup>4</sup> See Sustainability Chapter in the Annual Report 2021 for details, assumptions and methodologies

### **Accelerating on three key strategic fronts**

In the first half year of 2022, NX Filtration has accelerated its progress and ambition on three key strategic fronts: we upsized the design of our new megafactory, pre-empted our pilot roll-out and strengthened our organization ahead-of-the-curve.

#### ***Upsized design of our new megafactory***

During the first half year of 2022, NX Filtration started to benefit from its expanded capacity in its existing facilities. The commissioning of its second spinning line resulted in a combined total capacity of approximately 10,000 membrane modules per year<sup>5</sup> (compared to the capacity of approximately 2,500 membrane modules per year in 2021<sup>6</sup>).

In parallel, further progress has been made with the development of a new large-scale manufacturing facility, which is expected to be commissioned at the end of 2023. NX Filtration decided to upsize the design of this megafactory with a higher initial capacity and allowing more space for future capacity additions. Improvements and lessons learned from our recently commissioned second spinning line have resulted in higher capacity estimates per spinning line. In addition, to create optimal flexibility for the future, we have decided to build a larger (approx. 32,500 m<sup>2</sup> floor space) facility from the outset. These two factors allow us to start-up with a higher initial capacity (approximately 50k<sup>7</sup> membrane modules based on 4 spinning lines), whilst leaving space for further capacity additions within the same facility (total targeted annual capacity of >120k<sup>8</sup> membrane modules). Total expected capex is higher than foreseen at our IPO, as a result of the larger plant design and current views on cost inflation, but estimated capex per module capacity remains in line with previous estimates.

We are on track to start the construction of our new megafactory in H2 2022. Parallel teams are working on the building, utilities and equipment. Commissioning of the new factory is expected at the end of 2023.

#### ***Pre-empting expansion of our fleet of pilot systems***

Pilot projects play an important role in NX Filtration's commercial roll-out strategy. In the first half year of 2022, NX Filtration initiated 81 pilot projects compared to 32 in the first half year of 2021. Responding to strong market demand, NX Filtration is accelerating the expansion of its fleet of pilot systems. On 30 June 2022, NX Filtration had 113 pilot systems in its fleet (up from 31 at 30 June 2021 and 85 at the end of 2021). Including outstanding purchase orders for

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<sup>5</sup> Estimation, based on 5-shift production and depending on product mix

<sup>6</sup> Theoretical capacity (as this spinning line was incurring downtime with changes in products being produced and because this spinning line is also used for R&D activities), estimation based on 3-shift production and depending on product mix

<sup>7</sup> Estimation, based on 5-shift production and depending on product mix

<sup>8</sup> Estimation, based on 5-shift production and depending on product mix



additional pilot systems, NX Filtration is heading towards 168 pilot systems in the short to medium term, on-track to exceed its previous guidance of more than 140 systems by the end of 2022.

### ***Ahead-of-the-curve expansion of our organization***

We continued to invest in our organization, expanding our team from 43 FTEs at 30 June 2021 (69 FTEs at the end of 2021) to 104 at 30 June 2022. Key additions relate to international sales, pilot engineering, R&D and production personnel. We have been particularly successful in attracting strong industry leaders, who will be instrumental in building-out our regional sales and engineering teams and establishing new customer relationships. Examples of key leadership additions in our team are:

- Tsunenobu Katsura (former Chairman of Hydranautics), who joined NX Filtration as Business Development Manager for South East Asia in April 2022
- Shaohua Hu (former Head of Inge - DuPont Water Solutions - China), who joined NX Filtration as Country Manager China in May 2022
- Tony Fuhrman (former Commercial Director of LG Water Solutions), who joined NX Filtration as Country Manager Americas in May 2022
- Geert-Henk Koops (former Global Technology Leader Equipment & Systems at Suez and Technology Leader and Director R&D Membranes at GE Water & Process Technologies), who joined NX Filtration as Technology Director in June 2022

### **Priorities and outlook for the second half of 2022**

Driven by the strong market demand for our technology and supported by the additional equity capital that NX Filtration raised with its green IPO in June 2021, we will continue to invest in our strategic priorities in the second half year of 2022. In terms of people, we will further strengthen our organization, including our global presence of sales and engineering teams. We will also continue our strong focus on rolling-out pilot projects and converting these pilots into demo- and full-scale projects. We are well on-track to reach our full year guidance of more than 160 pilot projects in 2022 based on a pilot fleet of more than 140 pilot systems. Moreover, we expect to increasingly benefit from repeat business with our existing (OEM) relationships.

In terms of production, we will further ramp-up production output from our two existing production lines. In addition, we are on schedule to start the construction of our new megafactory in the second half year of 2022. Our upsized plant design will have a higher initial capacity and allow for more space for future capacity additions, creating flexibility to deliver larger volumes ahead of the original plan.

ESG will undoubtedly remain a key part of our overall mission while scaling up. NX Filtration considers high ESG standards of great importance for its long-term success, its workforce, its customers, the environment and society as a whole. The strong growth that NX Filtration is



currently experiencing provides many opportunities to organize ESG aspects with the highest standards and impact from the outset.

We reiterate our outlook on total revenues of €8m to €10m for full year 2022, driven by strong market demand, further roll-out of full-scale projects and our expanding global sales presence. This targeted growth is largely driven by further roll-out of full-scale projects and by repeat business with our existing (OEM) relationships.

We remain fully committed to make an impact based on our mission 'clean and affordable water for all', whilst offering strong sustainability benefits to our customers and providing an inspiring working environment for our employees.

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*The half year 2022 report is available on the Investor Relations section of the website [www.nxfiltration.com](http://www.nxfiltration.com).*

#### **Analyst call / webcast**

NX Filtration will host an analyst call and webcast at 9:30 CEST on 30 August 2022 to comment on the H1 2022 results. Please see [www.nxfiltration.com/investors](http://www.nxfiltration.com/investors) for details to participate.

#### **Financial calendar**

FY 2022 results: 10 February 2023

#### **About NX Filtration**

NX Filtration is a provider of direct nanofiltration membrane technology for producing pure and affordable water to improve quality of life. Its direct nanofiltration technology removes micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts, but also bacteria, viruses and nanoplastics, from water in one step whilst offering strong sustainability benefits. For further information on NX Filtration please visit [www.nxfiltration.com](http://www.nxfiltration.com)

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#### **Notes to the press release**

This is a public announcement by NX Filtration N.V. pursuant to section 17 of the European Market Abuse Regulation (596/2014). This public announcement does not constitute an offer, or



any solicitation of any offer, to buy or subscribe for any securities in NX Filtration N.V. The reported data in this press release have not been audited.

### **Use of non-IFRS information**

In presenting and discussing the NX Filtration's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

### **Forward looking statements**

This press release may include forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms such as guidance, expected, step up, announced, continued, incremental, on track, accelerating, ongoing, innovation, drives, growth, optimizing, new, to develop, further, strengthening, implementing, well positioned, roll-out, expanding, improvements, promising, to offer, more, to be or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect NX Filtration's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to NX Filtration's business, results of operations, financial position, liquidity, prospects, growth or strategies. Forward looking statements reflect the current views of NX Filtration and assumptions based on information currently available to NX Filtration. Forward-looking statements speak only as of the date they are made, and NX Filtration does not assume any obligation to update such statements, except as required by law. NX Filtration's revenue outlook estimates are management estimates resulting from NX Filtration's pursuit of its strategy. NX Filtration can provide no assurances that the estimated future revenues will be realised and the actual total revenues for 2022 could differ materially. The expected total revenues have also been determined based on assumptions and estimates that NX Filtration considered reasonable at the date these were made. These estimates and assumptions are inherently uncertain and reflect management's views which are also based on its historic success of being assigned projects, which may materially differ from the success rates for any future projects. These estimates and assumptions may change as a result of uncertainties related to the economic, financial or competitive environment and as a result of future business decisions of NX Filtration or its clients, such as cancellations or delays, as well as the occurrence of certain other events.