

NX Filtration reports 2023 half-year results

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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 2023.

Half year 2023 highlights

- **Total revenues¹ of €3.7m**, similar as in the first half year of 2022, a delay in revenue growth that is caused by longer lead times to convert pilot projects into large full-scale projects
- **Full-year 2023 revenue is still expected to substantially increase from full-year 2022**, with an outlook on total revenues of €10m to €14m
- **Gross margin of 58.9%** (55.3% in the first half year of 2022), reflecting our strong technology position
- **All underlying business drivers continue to develop in a very favorable direction**
 - **Initiated 104 pilots projects**, 28% more than in the first half-year of 2022, with strong results and therewith planting the seeds for future growth
 - **Strong and rapidly growing pipeline** of commercial opportunities that is more than 50% larger than at the end of the first half of 2022
 - **Major steps forward with key OEMs** (e.g. Veolia, Aqualia, Suez, Greentech and Saur) who further intensified their pilot programs, entered into cooperation agreements with NX Filtration, and started offering NX Filtration's products in full-scale projects
 - **Stronger than ever market trends** to address global water issues, driven by droughts and pollution, causing many countries to implement regulations and investment plans
 - **Strong recognition by industry institutions** for our technology: Global Water Intelligence Distinction Awards for Water Technology Company of the Year and Water Project of the Year, and Frost & Sullivan award for exceptional performance in the global industrial water and wastewater treatment membrane market
- **Fully on-track with our new megafactory**: strong progress on the construction, with completion anticipated by Q1 2024 and start-up in H1 2024, within the anticipated Capex budget
- **Medium- and long term objectives on revenue growth and profitability remain unchanged**

¹ 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

Jeroen Pynenburg, CEO of NX Filtration, states:

“I am thrilled to have joined NX Filtration and am excited to work with a global team that has such a strong drive and competence to make an impact on the water transition. Despite the delay in our revenue growth, I am highly confident that we are on the right track of our future growth path. We remain closely collaborating with our customers and continue to be positive on the conversion of our pilots. Our major opportunities that we had planned to deliver in the first half of 2023 are still part of our pipeline today.

In fact, the underlying drivers for our business are stronger than ever: the market is developing very favorably, our pipeline continues to grow, and we experience great traction with major customers that are clearly entering the next stage of roll-out of our technology. We put our shoulders to the wheel and continue to stick to our medium- and long-term objectives.”

Financial and segmental review

Total revenues were €3,737k in the first half year of 2023 compared to €3,692k in the first half year of 2022, representing a delay in revenue growth that is caused by longer lead times to convert pilot projects into large full-scale projects. This accounts for both pilot trajectories taking longer than anticipated, as well as longer lead times towards larger projects after the pilot phase amongst others caused by permitting lead times, decision making and engineering.

In our **Clean Municipal Water** business line, revenues were €1,427k in the first half year of 2023, compared to €1,180k in the first half year of 2022. This business line benefitted from various drinking water projects in Asia. In Europe major steps forward were made with several key OEMs (e.g. Veolia, Aqualia, Suez and Nijhuis Saur) who further intensified their pilot programs, entered into cooperation agreements with NX Filtration, and started offering NX Filtration’s products in full-scale projects.

In our **Sustainable Industrial Water** business line, revenues were €1,934k in the first half year of 2023, compared to €2,073k in the first half year of 2022. The focus in this business line remains on industries looking to reduce their water footprint and optimize their water systems in a sustainable way. The majority of revenues in this business line is currently coming from various OEMs across Europe.

Other income slightly declined from €439k in the first half year of 2022 to €376k in the first half year of 2023. This decline was driven by reduced government grants for innovation projects, partly offset by rental income from pilots growing from €231k in the first half year of 2022 to €271k in the first half year of 2023.

Gross margin increased to 58.9% in the first half year of 2023 compared to 55.3% in the first half year of 2022, reflecting our strong technology position.

Changes in inventory of finished goods and work in progress positively contributed €2,517k in the first half year of 2023, compared to €219k in the first half year of 2022, driven by a build up of finished good inventory anticipating future growth.

Personnel costs increased from €3,797k in the first half year of 2022 to €6,293k in the first half year of 2023, reflecting ahead-of-the-curve investments in personnel. Total FTEs increased from 104 at 30 June 2022 (135 at 31 December 2022) to 159 at 30 June 2023. Key additions in the first half year of 2023 relate to application engineers and production personnel.

Other operating cost increased from €2,595k in the first half year of 2022 to €3,891k in the first half year of 2023. This increase is mainly related to increased cost for marketing and sales activities, research & development, travel and energy consumption.

EBITDA loss was €5,310k in the first half year of 2023 compared to a loss of €3,936k in the first half-year of 2022. The EBITDA loss is mainly driven by investing in the organization ahead-of-the-curve to facilitate future business. **Net loss** amounted to €4,872k compared to a net loss of €3,989k in the first half year of 2022.

Capex amounted to €12,942k compared to €8,060k in the first half year of 2022. Capex mostly relates to the ongoing construction of our new megafactory and further additions to NX Filtration's fleet of pilot systems. Additionally, NX Filtration capitalized €625k of development costs which demonstrates our continued efforts to invest in innovations for the future.

Net cash position at 30 June 2023 amounted to €82.2 million compared to a net cash position of €104.3 million at 31 December 2022.

Working capital² increased to €13,455k as per 30 June 2023 versus €8,471k at 31 December 2022, as a result of increased inventories to support future growth of the business. This also impacted **operating cash flow**, that was €9,585k negative in the first half year of 2023, compared to €8,438k negative in the first half year of 2022.

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 2023, Sustainalytics updated its independent ESG risk assessment on NX Filtration, ranking us amongst the 12% best performers in our global subindustry peer group compared to 13% in the previous year.

² Working capital defined as Inventories plus trade and other receivables minus trade and other payables

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 2023 can enable the production of 93 billion liters of clean water³, enabling access to clean water across 22 countries
2. Avoiding emissions at our customers: With our membrane module sales in the first half year of 2023, we enabled 2,305 ton CO₂e savings during the deployment lifetime of our modules, by avoiding the use of 4.3 million kg of chemicals and saving 53 GWh energy compared to conventional technologies⁴
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

Market developments and commercial roll-out

Market developments that benefit our direct nanofiltration technology have developed very favorably in the first half year of 2023. Driven by droughts and pollution, many countries are implementing new regulations and investment plans related to water. For example, in March 2023, France introduced 53 measures to share, reuse and save water. One of the objectives of this plan is to achieve 10% wastewater reuse by 2030, compared to less than 1% today. This represents nearly 1,000 projects in five years to recycle and reuse water. Also in March 2023, the US Biden-Harris Administration proposed the first-ever national drinking water standard related to PFAS. In May 2023, Spain announced a €2.2 billion package to alleviate drought impact, and in June 2023 Germany announced new limit values for PFAS in drinking water.

NX Filtration is actively working with its OEM partners on deploying its direct nanofiltration technology in, amongst others, the above-mentioned market trends. **Pilots play an important role in this commercial roll-out strategy**, that is based on converting pilot projects into larger demo or full-scale projects, with subsequent repeat orders from existing clients, and periodic module replacements at existing plants. In the first half year of 2023, NX Filtration initiated 104 pilot projects compared to 81 in the first half year of 2022. On 30 June 2023, NX Filtration had 186 pilot systems in its fleet, up from 162 at the end of 2022. Pilot projects continue to generate very positive outcomes with our customers. In the first half year of 2023 we delivered our dNF modules for 3 demo projects and 8 full-scale projects, of which 4 were repeat orders from customers who had already worked with NX Filtration before.

³ Based on NX Filtration's sales of dNF and UF membrane modules multiplied by the expected capacity and lifetime of such modules. See Sustainability Report in the 2022 Annual Report for details, assumptions and methodologies

⁴ See Sustainability Chapter in the 2022 Annual Report for details, assumptions and methodologies

We are particularly proud that we are making **major steps forward with key OEMs** across all geographies. In **Europe**, large OEMs (e.g. Veolia, Aqualia, Suez and Nijhuis Saur) further intensified their pilot programs with our technology, entered into cooperation agreements with NX Filtration, and started offering NX Filtration's products in full-scale projects. We also received follow-on orders from Belgian Water-as-a-Service company Ekopak. In **Asia**, we experience an increasing size of full-scale projects with large orders from e.g. Greentech in China and Hydroflux in Australia, who also entered into cooperation agreements with NX Filtration that form the basis for further roll-out of our technology. In the **Americas**, our sales team continued to plant the seeds with a focus on industrial and smaller municipal projects across North America, and various larger drinking water projects across Central and South America that have many similarities with the fast commercial roll-out we experience in Asia.

As a result of these favorable market dynamics, our increased pilot program and our traction with key OEMs, we see our **pipeline of commercial opportunities** further strengthening and growing, being today more than 50% larger than at the end of the first half of 2022.

New megafactory

We are fully **on track with the construction of our new large-scale manufacturing facility**. Last year, NX Filtration decided to upsize the design of this megafactory with a higher initial capacity and allowing more space for future capacity additions. Initial capacity is expected to be approximately 50k⁵ membrane modules per year, compared to approximately 10k⁶ membrane modules in our current facilities. We also anticipated for further capacity additions within the same facility, with a total targeted annual capacity of >120k⁷ membrane modules in addition to the existing capacity at the current locations.

ESG is strongly embedded in the design of this factory, with more than 400 solar panels for electricity generation, an extensive heat energy management and reuse system, and an inhouse water treatment facility. We are making **strong progress on the construction**, with completion of the new megafactory being anticipated by the first quarter of 2024, and start-up during the first half-year of 2024 within the anticipated Capex budget.

Priorities and outlook for the second half of 2023

Our commercial roll-out strategy remains top priority in the second half year of 2023. We will continue our existing approach in which our global sales teams work with OEMs to roll-out pilot projects and convert these pilots into demo- and full-scale projects.

⁵ Estimation, based on 5-shift production and depending on product mix

⁶ Estimation, based on 5-shift production and depending on product mix

⁷ Estimation, based on 5-shift production and depending on product mix



NX Filtration will increasingly be able to benefit from the ahead-of-the-curve investments it has made. For example, over the past 1.5 years, we have expanded our global commercial organization from 18 to 42 FTEs, who are increasingly becoming effective in onboarding new OEMs, rolling out pilot projects and working towards converting these pilots into larger projects. Also in terms of our fleet of pilot systems, we have made ahead-of-the-curve investments, growing this fleet from 85 systems at the beginning of 2022 to 186 systems at the end of the first half year of 2023. Therewith we are nearing closely to our medium-term objective of 200 pilot systems, and therewith gradually shifting our focus from rapid expansion of our pilot fleet towards optimal deployment for near, medium and long-term commercial opportunities.

2023 is a key year for the construction of our new megafactory. We are fully on track and completion of this megafactory is anticipated by the first quarter of 2024 and start-up during the first half-year of 2024. By then, we expect the additional capacity is needed to meet expected demand from our rapidly growing overall pipeline of opportunities for the medium term.

Our outlook on total revenues for 2023 is €10m to €14m, a substantial increase from €8.4 million in 2022. We are reiterating our medium- and long term objectives on revenue growth and profitability. The growth for the years to come is further substantiated by strong building blocks that are in place: e.g. benefiting from stronger than ever market trends, making major steps forward with key OEMs, and seeing a rapidly growing pipeline of commercial opportunities.

We remain fully committed to making 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.

The half year 2023 report is available on the Investor Relations section of the website www.nxfiltration.com.

Analyst call / webcast

NX Filtration will host an analyst call and webcast at 9:30 CEST on 29 August 2023 to comment on the H1 2023 results. Please see www.nxfiltration.com/investors for details to participate.

Financial calendar

FY 2023 results: 9 February 2024

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

For enquiries, please contact:

NX Filtration

Michiel Staatsen, COO and Investor Relations

m.staatsen@nxfiltration.com

+31 85 047 9900

Notes to the press release

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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 standardized 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 realized and the actual total revenues for 2023 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.