

## BAWAT Q4 REPORT 2022

*BAWAT is a leading supplier of sustainable ballast water treatment technology and services. BAWAT was listed on Nasdaq First North Premier Growth Market in Stockholm in March 2022. This quarterly report represents the third financial update to the Stock Exchange since the company was listed. The report contains information that BAWAT is required to disclose pursuant to the EU Market Abuse Regulation. The report was submitted for publication on 21. February 2023, at 10:00 am.*



## Financial Highlights Q4 2022 – delayed large orders and further lift in margin:

- Order intake in the fourth quarter was SEK 1.2m and Order Intake for the year is SEK 18.1m.
- The low Q4 Order Intake reflects the difficulty in projecting decision making on larger orders for mobile containerized solutions. These orders have a large impact on the full year volume and thus have a large on/off effect on reaching guidance.
- Sales in Q4 amounted to SEK 2.4 m (Q4 2021: SEK 3.3m). Recorded POC (Percentage of Completion) sales relates mainly to recently sold equipment and service sales for same.
- The gross profit on sales in the period was reported at 64.4% reflecting the high degree of service and project completion in the sales figures for the quarter. The gross profit is expected to increase to 30% or above in the years to come depending on the sales mix.
- Ship systems were commissioned with new customers in a smooth and predictable way, all passing trouble free the commissioning test which is mandatory for newly installed BWMS systems as per 1. June 2022.
- Quoting activity is still very high and Q4 marked the highest quoted volume recorded. More than SEK 75m in quotes for the Q4.

Bawat is active in three market segments within ballast water management. The company estimates the annual market opportunity to:

- Ship installations USD 3bn
- Mobile installations USD 2bn (total market)
- Ballast-water-as-a-Service USD 5bn

After closing of Q4 one large order for a mobile unit has been confirmed from end-customer in February 2023 and second large order for mobile units is still in commercial negotiations. The confirmed mobile order is for Bawat Ballast-water-as-a-Service (BaaS) partner Freedom Ballast in the US, and together with the order is also a service order for BaaS between Freedom Ballast and their end-customer. Bawat is equity owner in Freedom Ballast and will thus benefit from the BaaS service cash flow. Also, order intake for ship installations is received in the period after closing of Q4.

## FINANCIAL KEY FIGURES Q4 2022

SEK '1000	Q4 2022	9M 2022	12M 2022
Order intake	1.217	16.883	18.100
Sales	2.398	13.468	15.866
Gross Profit	1.545	1.173	2.718
Gross Profit %	64,4%	8,7%	17,1%
EBITDA**	-5.960	-15.356	-21.320
Result for the period	-7.186	-31.793	-38.979
Earnings per share	-0,19	-0,80	-0,99
Cash flow from operations	-6.236	-27.242	-33.478
Net working capital	-4.469	-5.921	-4.469
Equity ratio %	17,4%	29,9%	17,4%

\* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

\*\*In addition to this, IPO and other related non-recurrent items SEK 6.9m in 2022

Marcus P. Hummer, CEO comments on the developments in the fourth quarter: *“The quarter shows the challenge in predicting timing for Order Intake. We didn’t reach our guidance for the full year as already announced in January but are pleased to report that one of the two larger orders that made up the bulk of the missed guidance has been confirmed in February 2023. Activity on the commercial side of the business is high and the increase in quoting activity is across all three activity legs in Bawat at an all-time high.*

*As also reported in third quarter, we have further seen the increase in gross profit in the fourth quarter to 64.4 %, and already now Bawat is close to the predicted long term gross profit margin of 20% for ship systems. This gives us comfort in our project execution after signed contracts – both for ships as well as for mobile systems, and in the years to come we are certain to reach 30% or more in gross profit for the company depending on the sales mix.”*

*“For the full year 2023, order intake is guided to SEK 40-60m and an estimated EBITDA break-even is forecasted to be reached in H2 2024. The forecast is based on projected revenue, cost, and margin structure.”*

## **OPERATIONAL HIGHLIGHTS Q4 2022**

### **Market activity**

In general, the market activity is very high with a continuous positive increase in quoting activity. The quoting volume reached an all-time high in the quarter with more than SEK 75m quoted volume. Order Intake was SEK 1.2m in the quarter and low due to delay in customer decision for especially two larger mobile BWMS systems. Bawat is confident that quoting conversion will be reflected in the 2023 numbers and the full year 2023 guidance reflects that.

Not all active quotes will convert to orders. BAWAT experiences a longer period from initial contact to potential customer to actual order than initially expected on Mobile Solutions but at the same time a substantial higher interest from potential customers around the World not least in North America.

### **Operations**

From its inception, BAWAT has operated a business model which ties up the minimum amount of capital in assets such as inventory, buildings, and machinery.

Hence, BAWAT has no own production and carries no inventory. As part of the sales process for a ship that needs to be retrofitted with a ballast water treatment system, detailed plans for the specification and installation are drawn up by BAWAT's engineers in the Danish headquarters. Once the customer confirms the order, then BAWAT orders the required components from its suppliers and prepare the components for delivery. Once installed the equipment is commissioned by BAWAT. When the ship is back in service, BAWAT offers after-sales support, standard spare part packages and remote follow-on training and support for crew members. The entire retrofitting process, including planning, specification, and installation process, typically takes 4-6 months.

This operational model allows BAWAT to serve a significant number of international customers with a relatively limited staff of technical experts, engineers, and sales personnel without committing large amounts of capital.

BAWAT addresses the market with an extensive network of sales agents. Sales agents with local networks provide a scalable market entry strategy with low operational and financial risk. BAWAT's own sales and support staff follow up and evaluate each agent regularly and provide motivation and education on the product and market situation. BAWAT has so far formed partnerships with multiple sales agents, covering main maritime markets. More agents will actively be sought in coming quarters, but as of now, all main markets are covered by active agents.

### **Product development**

Development of the Bawat system towards especially smaller BWMS installations and standardization of mobile systems is ongoing.

### **Initiatives and developments in relation to BAWAT's three business areas**

#### **1. Ship Solutions (Ballast Water Management)**

Vessel ballast water management system (BWMS) installations comprise both single projects and series of vessels. While ballast water is essential for modern shipping operations, it also poses serious ecological, economic and health problems due to the multitude of marine species and pathogens inadvertently transferred between ecosystems when the ballast water is dumped. BAWAT's value proposition to its customers is the most environmentally friendly ballast water treatment solution on the market, which at the same time provides for the lowest total cost of ownership over the system's lifetime. In addition, the advantages include better efficacy, the absence of harmful chemicals and not least, the ability to function equally well in seawater, brackish water, and freshwater – and last but not least, it operates with no filter.

BAWAT's patented heat-based treatment system use otherwise wasted excess heat from the ship's main engine to pasteurize the ballast water, and the residual heat in the treated water is used to heat incoming ballast water. Thus, BAWAT's solution does not lead hot water into the ballast tanks, nor does it pump hot water overboard or use chemicals.

Every new BWMS in service adds to BAWAT's sustainable profile in support of UN's Sustainable Development Goal 14 which aims at conserving and sustainably using the oceans, seas and marine resources and thus protecting life below water and marine ecosystems.

## **2. Mobile Solutions (Ballast Water Management)**

Customers are showing growing interest in BAWAT's mobile ballast water management solution (BWMS). The solution's single pass and filter free technology is ideal for operation in port or yard environments, as well as for the offshore and wind installation sector, and as backbone in land-based contingency systems for faulty ship BWMS systems. The interest is coming from primarily Western Europe, North America and Africa. The BAWAT mobile solution can run on any type of available energy including green fuels in order to operate it carbon neutral. BAWAT is one of two global providers into land-based ballast water treatment systems.

An order for a mobile system was received in Q3, and after the closure of Q4 a confirmation for a mobile systems order was received from Bawat partner Freedom Ballast in the USA for delivery summer 2023.

## **3. Ballast water-as-a-Service (BaaS)**

BAWAT continues its efforts to introduce ballast water-as-a-service. As announced earlier this year, a joint venture was established between BAWAT's service company, BAWAT Technology Services (BTS) and Monstrant Viam. American based Monstrant Viam is led by ballast water subject matter expert, William Burroughs, and the sole purpose of the company is to establish Ballast Water Reception Facilities. The name of the joint venture is 'Freedom Ballast', and although it targets all US waters, the initial focus is on the Mississippi delta, the Houston ship channel, California, the Great Lakes, and New York / New Jersey waters. The BaaS business model is to receive untreated ballast water from vessel customers and charging for treatment and compliant discharge. BTS and partners are currently the first movers in this market space as BAWAT's single pass no filter technology makes it operational and economical most competitive.

After closing of Q4, Freedom Ballast has confirmed a service agreement with an end-customer for BaaS in the Mexican Gulf. Bawat as equity owner in Freedom Ballast will receive a positive cash flow from the contract duration of 12-18 months starting Summer 2023.

## **FINANCIAL DEVELOPMENTS Q4 2022**

### **Sales**

Sales in 2022 amounted to SEK 15.9m equivalent to an increase of 48% from full year 2021. Sales in Q4 amounted to SEK 2.4m (Q4 2021: 3.3m) equivalent to a decrease of 27%. Q4 of 2021 had more PoC from orders landed second half of 2021. In Q4 Sales related predominantly to later stage orders and service sales. POC sales from Mobile solutions constituted SEK 3.7m in 2022 (SEK 0.5m in Q4). Equipment sales of Mobile solutions and Service business is expected to grow further and thus contributing more to sales in 2023.

### **Gross profit**

Gross profit in Q4 amounted to SEK 1.5m (Q4 2021: 1.5m). Gross profit ratio was 64,4% with is higher than expected. The relatively high gross profit was achieved through successful final hand over of a number of new and older projects. With final hand over, final cost calculation has allowed release of surplus provisions to finish the projects.

The company expect margins to increase above 30% over time due to the elapse of early market entry orders at lower margins, greater efficiency in project execution as well as delivery of repeat orders to single customers. The long-term margin level will also be dictated by the mix in ship and mobile solutions as well as the increasing influx of recurrent cashflow from service business (BaaS) and aftermarket activity for the installed base.

### **Operating profit**

Operating profit [EBITDA] in Q4 amounted to SEK -4,7m (Q4 2021: -4.9m). IPO cost is included in 2022 with SEK 6.9m. The development is in line with expectations.

### **Earnings**

Earnings after tax in Q4 amounted to SEK -7.2m (Q4 2021: -6.9m). The decrease is related to changes in Financial items, specifically driven by adjustment amortized cost after IFRS 9.

No dividends will be paid out for the financial year 2022.

### **Cash flow and working capital**

Cashflow from operating activities in Q4 amounted to SEK -6.2m (Q4 2021: +1.2m). The deterioration is mainly attributable to working capital compared to same period 2021. Cash flow from investment activities in Q4 amounted to SEK 0.5m (Q4 2021: 0.6m). At the end of Q4, net working capital amounted to SEK -4.5m (End of 2021: -5.3 m). The negative change is a function of ongoing customer projects.

## **Cash and financial position**

Cash at the end of Q4 amounted to SEK 6.7m (End of 2021: 4.8m) and Net interest-bearing debt amounted to SEK 30.1m (End of 2021: 44.7m). The change in Cash is primarily related to the capital increase and the change in Net interest bearing debt is primarily related to debt set-off in March.

At the end of Q4, Equity amounted to SEK 9.0m (End of 2021: -7.8m), equivalent to an equity ratio of 17%. The increased in equity and equity ratio is a result of the capital increase in March 2022.

## **Risks**

BAWAT is exposed to market risks including currency risks, interest risks and commodity price risks as part of its ongoing operations and investment activities. The key commercial risks relate to the company's ability to effectively manage the anticipated rapid growth and attract sufficient and skilled employees. Also, BAWAT's success depends on its ability to develop and market products that are recognized by customers as reliable, sustainable, and cost-effective. Many of its competitors are much larger than BAWAT, but none offer heat-based systems, and as far as the Company is aware, no other heat-based system is currently undergoing the certification processes with IMO or the US Coast Guard. The flip side of having no other competitor with a similar offering is that the market's general awareness of the advantages of a heat-based system to treat ballast water is limited, and that is the reason why increased sales and marketing activities are essential for the future growth prospects.

## **FINANCIAL CALENDAR 2023'**

Annual Report 2022	April 18
Annual General Meeting	May 9
Interim Report Q1	May 23
Subscription period for T01 warrants	May 24 - 7 June
Last day of public trading T01 warrants	June 5
Interim Report Q2	August 22
Interim Report Q3	November 21

## **CONFERENCE CALL**

A video recording of management's view of the quarterly result will be available online on Bawat investor page as well as LinkedIn in the afternoon of 21. February 2023.

## **FORWARD-LOOKING STATEMENTS**

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future

operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

**FOR MORE INFORMATION, PLEASE CONTACT:**

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This report constitutes inside information that Bawat *Water Technologies AB* is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was sent for publication, through the agency of the contact persons set out above, at the time stated by the Company's news distributor, Cision, at the publication of this press release *on February 21, 2023*.

For further information about Bawat *Water Technologies AB*, please contact above.

## FINANCIAL STATEMENTS JAN-DEC 2022

This interim report is Bawat Water Technologies AB's third report prepared in accordance with IFRS. The consolidated financial statements have been prepared using the cost method. Historical financial information has been adjusted as of January 1, 2020, which is the date of transition to IFRS.

A number of new standards and interpretations are effective for financial years beginning after 1 January 2022 and have not been applied in the preparation of these financial statements. These new standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

The Financial report has not been audited or reviewed by the Company's independent auditors.

### Consolidated income statement (condensed)

SEK '1000	Q4 2022	Q4 2021*	12M 2022	12M 2021*
Sales	2.398	3.300	15.866	10.722
Gross Profit	1.545	1.510	2.718	2.489
Gross Profit %	64,4%	45,8%	17,1%	23,2%
Personnel cost	4.607	4.113	17.714	16.334
EBITDA**	-4.730	-4.850	-28.186	-19.690
Operating profit/loss**	-7.241	-7.508	-37.320	-28.440
Finance cost - net	55	971	-1.659	-1.613
Result for the period before income tax**	-7.186	-6.875	-38.979	-30.391

\* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

\*\*including IPO and other related non-recurrent items 2022 SEK 6.9m

### Consolidated balance sheet (condensed)

SEK '1000	31 December 2022	31 December 2021*
Total intangible assets	37.354	41.667
Total tangible fixed assets	1.312	1.925
Total financial assets	462	279
Total non-current assets	39.128	43.871
Trade receivables	1.821	1.051
Contract assets	1.611	2.119
Other receivables	1.912	1.346
Prepayments	862	71
Total current receivables	6.206	4.587
Cash and cash equivalents	6.723	4.799
<b>Total assets</b>	<b>52.057</b>	<b>53.257</b>
Share capital	652	14.268
Total equity	9.030	-7.755
Total non-current liabilities	24.593	44.333
Borrowings, current	7.103	3.645
Lease liabilities, current	738	635
Trade payables	4.983	2.546
Contract Liabilities	3.183	1.954
Other payables	2.427	7.899
Total current liabilities	18.434	16.678
Total liabilities	43.027	61.012
<b>Total liabilities and equity</b>	<b>52.057</b>	<b>53.257</b>

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### Consolidated statement of changes in equity (condensed)

SEK '1000	31 December 2022	31 December 2021*
Equity 1 January	-7.755	5.772
Profit/loss for the period	-38.979	-30.391
Other comprehensive income for the period	-937	418
Total comprehensive income for the period	-39.916	-29.973
Total transactions with owners	56.701	16.446
Equity 31 December	9.030	-7.755

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## Consolidated statement of cash flows (condensed)

SEK '1000	31 December 2022	31 December 2021*
Cash flow from operations**	-33.478	-14.584
Cash flow from investments	-1.462	-1.919
Cash flow from financing activities	36.864	13.509
<b>Total</b>	<b>1.924</b>	<b>-2.994</b>

\* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

\*\* including IPO and other related non-recurrent items 2022 SEK 8.1m

## MANAGEMENT'S STATEMENT

The Executive Management and Board of Directors of BAWAT have today adopted the interim financial statement for the full year of 2022. The Financial report has not been audited or reviewed by the Company's independent auditors.

BAWAT applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS34 Interim Financial Reporting.

In our opinion, the Interim Financial Statements give a true and fair view of the operations, financial position, and results, and describes the significant risks and uncertainties facing the company.

Copenhagen, 21 February 2022

### Executive Management

Marcus P. Hummer

*CEO*

### Board of Directors

Klaus Nyborg

Charlotte Vad

Peter V. Stokbro

Thomas S. Knudsen

*Chairman*