

NX Filtration reports 2023 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 consolidated financial statements for 2023.

- **Full-year 2023 revenues are €8.1 million.** Several orders that we anticipated to receive and deliver in 2023, have been delayed by the respective customers, but are still part of our pipeline for delivery in 2024. Our **outlook on total revenues for 2024 is in excess of €16 million**, amongst others supported by a growing number of successful pilot projects and concrete project opportunities from our growing OEM customer base. **Gross margins remain very strong at 59.6%** in 2023, an increase compared to 57.2% in 2022, underpinning our strong technology position.
- **NX Filtration is experiencing an approximately 1.5 years delay in the roll-out of its original business plan**, that is caused by longer lead times to convert pilot projects into large full-scale projects. These delays were further impacted by the current financing environment that negatively impacts our end-customers' capex plans, as well as the ability and willingness of OEMs to build-up or maintain stock of our modules in anticipation of upcoming projects.
- **We expect our current cash position (€50 million at year-end 2023) to be sufficient** to fully finance the construction of our new factory, and our operations in 2024. We have taken cost control measures without impacting our growth ambitions. To implement our growth strategy for the longer-term, **we are exploring a range of possibilities to increase our financial flexibility**, including asset-based financing on our €58m fixed asset base as per December 2023.
- **All underlying business drivers continue to develop in a very favorable direction.** In conjunction with the opening of our factory by mid-2024, **we will organize a Capital Markets Day** to provide an update of market developments and the roll-out of our business plan.
 - We see **stronger than ever market trends** to address global water issues with many countries to implement regulations and investment plans.
 - We are making **major steps forward with large global OEMs** (including Veolia, Suez, Nijhuis Saur, and Aqualia) that further intensified their pilot programs, entered into cooperation agreements with us, and started offering our products in full-scale projects.

- Our strong technology position is underscored by a **continuation of repeat orders from existing partners** across Europe (e.g. Nijhuis Saur Industries, Ekopak and Envirogen), the Americas (e.g. Delco, PepsiCo, Vetec, Evoqua and International RO) and Asia (e.g. Hydroflux and PT Bayu Surya Bakti Konstruksi).
- We are **fully on-track with our new factory**: we have gained early-access to the building in December 2023 to frontload the installation of equipment ahead of schedule, and completion of the factory and start of commissioning is planned for the end of Q1 2024.

Jeroen Pynenburg, CEO of NX Filtration, states:

“Despite the delay of approximately 1.5 years in our business plan, I remain 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 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 and are increasingly developing and running their own pilot systems around our technology. We will further elaborate on these trends and the roll-out of our business plan on a Capital Markets Day that we plan to host mid-2024, in conjunction with the opening of our factory.”

In the context of the delayed roll-out of our business plan we have taken cost control measures without impacting our medium and long-term growth ambitions. For example, upon the completion of our new factory, which is fully on schedule, we will be moving all our existing operations into this new facility. We believe our current cash position is sufficient to finance the construction of our new factory and our operations in 2024. To implement our growth strategy for the longer-term, we are currently exploring a range of possibilities to increase our financial flexibility, including financing on our asset base that is further growing with the completion of our new factory.

NX Filtration is globally active in one of the major challenges of our planet, the availability of clean and affordable water. With our breakthrough membrane technology we can remove contaminations, such as antibiotics, PFAS, viruses and bacteria from polluted water. Every day we are working to help our partners to improve water quality and make clean water available to millions of people worldwide. With our membrane module sales in 2023 alone, we enabled the production of 254 billion liter of clean water.

We are well prepared for 2024, for which we have an outlook on total revenues in excess of €16 million, amongst others supported by a growing number of successful pilot projects and concrete project opportunities from our growing OEM customer base.”

Financial and segmental review

Total revenues were €8,053k in 2023 compared to €8,354k in 2022, representing a delay in revenue growth that is caused by longer lead times to convert pilot projects into large full-scale projects, as communicated at the half-year 2023 results. This is driven by 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. These delays were further impacted by the current financing environment that negatively impacts our end-customers' capex plans, as well as the ability and willingness of OEMs to build-up or maintain stock of our modules in anticipation of upcoming projects.

In our **Clean Municipal Water** business line, revenues were €2,613k in 2023, compared to €2,569k in 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. We received follow-on orders from, amongst others, Belgian Water-as-a-Service company Ekopak and UK-based industrial water treatment provider Envirogen. 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 Latin America.

In our **Sustainable Industrial Water** business line, revenues were €4,625k in 2023, compared to €4,947k in 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. In the food & beverage market we realized a large replacement order for Carlsberg's flagship Fredericia brewery in Denmark, and have our technology included in KHS Group's new beer filtration concept that it is bringing to the market in 2024.

Other income slightly increased from €808k in 2022 to €815k in 2023. A reduction in government grants for innovation projects was offset by rental income from pilots growing from €400k in 2022 to €641k in 2023.

Gross margin increased to 59.6% in 2023 compared to 57.2% in 2022, reflecting our strong technology position.

EBITDA loss was €11,936k in 2023 compared to a loss of €8,549k in 2022. The EBITDA loss is mainly driven by investing in the organization ahead-of-the-curve to facilitate future business.

For 2024, we are taking cost control measures without impacting our medium and long-term growth ambitions. **Loss before tax** amounted to €14,347k compared to a loss before tax of €11,895k in 2022. The **net loss** (after tax) was €23,292k compared to a net loss of €8,642k in 2022, mainly impacted by a derecognition of €8,945k of accumulated deferred tax losses of previous years and not recognizing any deferred tax benefits for the current year. This derecognition has no cash implications and the tax losses remain available for NX Filtration at the moment it starts to generate profits.

Capex amounted to €43,940k compared to €12,760k in 2022. Capex mostly relates to the ongoing construction of our new factory and further additions to NX Filtration's fleet of pilot systems (primarily in the first half of the year, as the current fleet of pilot systems is approximately sufficient to sustain our ongoing pilot program). Additionally, NX Filtration capitalized €1,063k of development costs which demonstrates our continued efforts to invest in innovations for the future.

Net cash position at 31 December 2023 amounted to €49.9 million compared to a net cash position of €104.3 million at 31 December 2022. We expect our current cash position to be sufficient to fully finance the construction of our new factory, and our operations in 2024. We have taken cost control measures without impacting our growth ambitions. To implement our growth strategy for the longer-term, we are exploring a range of possibilities to increase our financial flexibility, including asset-based financing on our €58m fixed asset base as per December 2023.

Working capital¹ increased to €9,046k as per 31 December 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 €11,744k negative in 2023, compared to €15,702k negative in 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. We have externally certified science-based CO2 reduction targets, work with an independent ESG risk rating from Sustainalytics, in which we rank amongst the 14% best performers in our global subindustry peer group, we are part of the United Nations Global Compact initiative, and have a formal ESG Committee comprised of the two independent Supervisory Board members to formalize governance and oversight responsibilities with regard to sustainability, environmental, social, corporate governance and human capital matters.

¹ 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 2023 can enable the production of 254 billion liters of clean water², enabling access to clean water across 35 countries
2. Avoiding emissions at our customers: With our membrane module sales in 2023, we enabled 4,188 ton CO₂e savings during the deployment lifetime of our modules, by avoiding the use of 7.8 million kg of chemicals and saving 96 GWh energy compared to conventional technologies³
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 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.

In October 2023, the European Economic and Social Committee (EESC) adopted its call for a new and **comprehensive water strategy for Europe** – an EU Blue Deal. Part of this Blue Deal is the requirement to add additional treatment steps to remove a broad spectrum of micropollutants by 2045, with intermediate targets in 2040 and 2035. Another European regulation, the Water Framework Directive, poses strict guidelines for surface water quality that EU countries have to comply with by 2027, with direct consequences for, amongst others, industries and their wastewater treatment processes.

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 our commercial roll-out strategy**, that is based on converting pilot projects into larger

² 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 2023 Annual Report for details, assumptions and methodologies

³ See Sustainability Chapter in the 2023 Annual Report for details, assumptions and methodologies



demo or full-scale projects, with subsequent repeat orders from existing clients, and periodic module replacements at existing plants. In 2023, NX Filtration initiated 209 pilot projects compared to 167 in 2022. At the end of 2023, NX Filtration had 190 pilot systems in its fleet, up from 162 at the end of 2022. In addition, our OEM partners are increasingly active in developing and deploying their own pilots based on our technology. Pilot projects continue to generate very positive outcomes with our customers. In 2023 we delivered our dNF modules for 6 demo projects and 18 full-scale projects, of which 11 were repeat orders from customers who had already worked with NX Filtration before.

As our pilot program further matures, we are also becoming **more confident about the success rate of our pilots**. Since 2020, we have initiated 490 pilot projects. Of these, 78 have already converted in a demo or full-scale project. The vast majority of the initiated pilot projects are either still running, have been extended into a more extensive larger pilot project, or have been concluded successfully but are still in the process of decision making, financing, permitting or engineering. We estimate that less than 25% of the commercial pilot projects we initiated are no longer associated with a potential future project. This predominantly relates to pilot projects with our smaller Mexplorer pilot systems, and is in most cases caused by the project no longer being pursued by the customer (for example because of budget reasons), and in a limited number of cases by our technology not being selected as preferred option for the related project opportunity (for example because of risk averseness to work with a new technology or because of very specific treatment requirements outside the direct scope of our products). Based on the learnings from previous pilot trajectories, we have further finetuned our upfront pilot qualification processes.

New factory

We are fully **on track with the construction of our new large-scale manufacturing facility** within the anticipated Capex budget. We have gained early-access to the building in December 2023 to enable the installation of production equipment well ahead of schedule. Completion of the factory and start of commissioning is planned for the end of Q1 2024, and start-up during the second quarter of 2024. In the second half of the year we plan to move our entire team and operations into this new facility. This enables further efficiencies and optimizations in our operations.

Initial machine capacity will be approximately 50k⁴ membrane modules per year, with a potential to ramp-up capacity within the same facility footprint to a total targeted annual capacity of >120k⁵ membrane modules.

⁴ Estimation, based on 5-shift production and depending on product mix

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



ESG is strongly embedded in the design of this factory, with more than 400 solar panels for electricity generation, a unique peer-to-peer heat exchange contract with neighboring datacenter Previder, an extensive heat energy management and reuse system, and an inhouse water treatment facility.

Priorities and outlook for 2024

Sustaining and accelerating adoption of our technology through our **commercial roll-out strategy is top priority** in 2024. We will further intensify our existing approach in working with OEM partners to roll-out pilot projects and convert these pilots into demo- and full-scale projects, focus on realizing more and larger repeat projects with OEMs, and therewith expanding our installed base for future replacement sales.

In the context of the delayed roll-out of our business plan we have taken **cost control measures** without impacting our medium and long-term growth ambitions. NX Filtration is focused on making its ahead-of-the-curve investments even more effective. For example, our globally commercial organization has developed professional onboarding processes for OEMs and end-customers, and gained experience in rolling-out pilot projects and converting these into larger projects. We will sustain our global commercial team in its current size of approximately 42 FTEs and continue to work on effective execution and collaboration with our ever-growing base of (OEM) partners. 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 190 systems at the end of 2023. Therewith we are reaching our medium-term objective of 200 pilot systems, and will be shifting our focus from rapid expansion of our pilot fleet towards optimal deployment for near, medium and long-term commercial opportunities.

2024 is a **key year for our production footprint**. We are nearing the completion of our new factory. In the second half of the year we plan to move our existing operations into this new facility to enable further efficiencies. The additional capacity from the new factory will enable us to supply larger projects from our rapidly growing overall pipeline of opportunities for the medium term.

Our **outlook on total revenues for 2024 is in excess of €16 million**, a substantial increase from €8.1 million in 2023. We are reiterating our medium- and long-term objectives on revenue growth and profitability, although the roll-out of our business plan is delayed with approximately 1.5 years. 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 expect our **current cash position to be sufficient to fully finance the construction of our new factory, and our operations in 2024**. To implement our growth strategy for the longer-term,



we are exploring a range of possibilities to **increase our financial flexibility**, including asset-based financing. In conjunction with the opening of our factory by mid-2024, we plan to organize a **Capital Markets Day** to provide an update of market developments and the roll-out of our business plan.

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 annual report 2023 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 9 February 2024 to comment on its 2023 results. Please see www.nxfiltration.com/investors for details to participate.

Financial calendar

H1 2024 results: 28 August 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 whilst offering strong sustainability benefits. For further information on NX Filtration please visit 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. Not all reported data in this press release has 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 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 2024 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.