



**LIQTECH INTERNATIONAL, INC.**  
**(NYSE American: LIQT)**



**Third Quarter Fiscal Year 2018  
Financial Results**

**Wednesday, November 14, 2018  
11:00 a.m. Eastern**

**CORPORATE PARTICIPANTS**

**Sune Mathiesen** – Chief Executive Officer, LiqTech International  
**Robert Blum** – Managing Partner, Lytham Partners

**PRESENTATION**

**Operator**

Good day, ladies and gentlemen, and welcome to LiqTech International Third Quarter Fiscal Year 2018 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 telephone keypad. To withdraw from the queue, please press star then two. Please note that this event is being recorded.

At this time, I would now like to turn the conference over to Robert Blum of Lytham Partners. Please go ahead, sir.

**Robert Blum**

Thank you so much Denise. Good morning, everyone and thank you for joining us today to discuss LiqTech International's third quarter 2018 financial results. I'm Robert Blum of Lytham Partners, and I'll be your moderator for today's call. Joining us on today's call from the company is Sune Mathiesen, CEO of the company.

Before I turn the call over to Sune, let me remind listeners that the following 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's website shortly thereafter.

Before we begin with prepared remarks, we submit for the record the following statement. This conference call may contain forward-looking statements. Although 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 the 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.

Now I'd like to turn the call over to Sune Mathiesen, CEO of LiqTech International. Sune, please proceed.

**Sune Mathiesen**

Thank you very much, Robert, and good day to all of you. Thank you very much for joining us today to discuss our third quarter results and the outlook for our business.

Since we had a conference call just a few weeks ago, I'll keep my prepared remarks brief and try to leave room for as many questions as possible. As you can see from the press release, we made tremendous progress during the quarter. And let me start by highlighting a few of the key accomplishments.

First, even though early stages, we continue to see an increase in interest for our standardized systems for the marine industry. Our sales pipeline is growing day-by-day, and now we also see the first significant orders. We now have more than 50 confirmed orders for delivery in 2019. This is a very steep ramp, and the current activity in the market leads us to believe that we'll book further significant orders before the end of the year.

Second, we signed a new framework agreement with one of the world's largest global manufacturers to develop a new product for the treatment of Marine Scrubber Wastewater. The new product will offer marine vessels guaranteed compliance with the IMO 2020 regulations, while providing attractive returns on capital and operating expenses. We expect to deliver a significant number of systems in 2019 under this new framework agreement.

Based on the delivery of certain orders from our backlog, during the first quarter of 2019 we expect a record first quarter. We also expect to be profitable, as we drive efficiencies in our operations and benefit from the higher gross margins we carry for our standardized liquid filtration systems.

Based on our current discussions with customers and the expected ramp in our backlog in the coming quarters, we have also placed an order for new furnaces used in the manufacturing of our silicon carbide membranes. Furnaces are expected to be delivered in the second half of 2019, and once installed, they will double our manufacturing capacity.

Overall, we had a strong operational quarter. We believe that we are ideally positioned to capitalize on IMO 2020 with a superior product offering which provides an attractive return on investments compared to purchasing lower sulphur fuel.

We have been building a strong market position over the past more than four years. We have signed key partnership agreements with the industry's leading scrubber manufacturers, and we have a very



good reputation amongst the vessel owners. We have made continuous improvements to our products in terms of performance and costs, and we believe that we can use our first mover advantage to stay ahead of any potential competition.

Let me also touch on a couple of other initiatives we are focused on to further leverage our emerging leadership position in the marine industry. It is becoming clear to us that we are becoming a trusted partner in the marine industry. We have a very good relationship with manufacturers on the supply side as well as vessel owners. We and others believe that the marine industry is moving towards a zero-emissions industry, and LiqTech are now being looked to by these parties to help solve other issues that they may encounter.

We are in the process of developing several new products for the marine industry. These new products will complement our current product offering and will further establish our emerging position within the marine industry. I look forward to keeping you informed on the development of these new products in the coming quarters.

I am frequently asked about our ability to meet the current ramp in demand with our working capital position. We have positioned ourselves as efficiently as possible from a working capital perspective. Systems manufacturing has now been completely outsourced and we have negotiated better terms with our key suppliers. This provides us with a good cash flow profile in our system orders. Even though our headcount has increased due to the ramp in our business, I'm pleased to report that our current cash balance today is higher than the cash position we reported on September 30.

Before we turn the call over to your questions, let me also provide a bit of an update on our anticipated communication with you over the coming quarters and a few other IR updates. At the current time, we will look to provide investors with an update on the traction we are achieving sometime between our quarterly conference calls. We will not issue a press release on every new order we receive, but will instead look to provide a bit of a recap sometime throughout the quarter. Knowing that we have a year-end approaching and likely won't conduct a conference call again until sometime in March, we felt this was important to keep you up-to-date.

Also, we plan on hosting two Investor Days during 2019. We expect to have further details on these events in the next few months.

We want to thank every one of you for your continued support of LiqTech. We have great products, we have tremendous partners, and importantly, a very good reputation in the market. Two thousand nineteen is setting up to be a tremendous year for us, with the backlog that continues to build every single day.

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

## QUESTIONS AND ANSWERS

### Operator

Thank you, Mr. Mathiesen. We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. If your question has been addressed, you may withdraw from the queue by pressing star then two. Again, it is star one if you would like to ask a question.



And your first question today will be from Eric Stine of Craig-Hallum. Please go ahead.

**Aaron Spychalla**

Yes. Hi. It's Aaron Spychalla on for Eric Stine. Thanks for taking the questions, Sune.

**Sune Mathiesen**

No problem, Aaron. Good morning.

**Aaron Spychalla**

Good morning. Maybe first from me on the 50 orders, great to hear that. Can you maybe just square that up versus the 130 minimum that you've been expecting or thinking you could get from the first two agreements? And then I know the product with the third OEM isn't supposed to come to market until early 2019, but you talked about expectations a little bit. Can you just discuss how that order book might be shaping up or a little more granularity on what your thoughts are for 2019 with that OEM?

**Sune Mathiesen**

Yes. First of all, we are very pleased to see that the great activity that we have seen over the last couple of quarters is now turning into orders for delivery in 2019. It's great that we now have more than 50 systems, confirmed orders for more than 50 systems for delivery in 2019. And in addition to that we have the framework agreement that we announced on October 1 this year.

The 50 plus systems comes from the framework agreements that we announced in the spring, and they also come from other customers just ordering products. So it's basically a mixture between that.

**Aaron Spychalla**

Okay. And then on the capacity you kind of talked about doubling that. Can you just remind us where you're at today and maybe the cost of these new furnaces? And then I know you talked about your working capital, how it's structured, and I know in the past you had mentioned you get some of the cash upfront on these orders. Can you just kind of walk us through that, your comfort level with that, as you're putting this capex through?

**Sune Mathiesen**

Yes, it's correct that we have a good cash flow profile in all of our marine orders. We collect a substantial payment on order, and then we have progress payments as the order progresses. We collect the majority of the amount before shipment and then we have a small proportion remaining that we collect after commissioning the system. As we put in the press release and as discussed in my prepared remarks, we have now put furnaces on order to double our capacity, and we expect to receive those furnaces in the fourth quarter next year, and that will double our capacity. The cost is around \$2.5 million in total.

**Aaron Spychalla**

All right. Thanks for that. And then, I think you talked about it on the last call, but can you just talk about your current thoughts on the deadline holding, and kind of what you're hearing most recently regarding any penalties for noncompliance?



**Sune Mathiesen**

There is no change. So it looks like IMO 2020 will be strictly enforced. We know that they have put a control system in place, so an inspector will come onboard ships when they come into a major harbor, they will inspect whether or not you have a scrubber installed. If you have a scrubber installed, you'll be allowed to carry the heavy fuel that we use today. If you do not have a scrubber installed, they have also implemented a carriage ban for heavy fuel and it means that if you are carrying heavy fuel with no scrubber installed, you will receive a fine. So it looks like this will be strictly enforced.

**Aaron Spsychalla**

And then maybe last, we've been hearing more about the opportunity post the IMO 2020 deadline. Can you just talk about how and maybe for how long you're starting to see that play out?

**Sune Mathiesen**

Yes, analysts following the industry are expecting to see a continuous ramp, which means that a significant ramp in 2019, an even greater ramp in 2020, a further ramp in 2021. And then the market is expected to stay on a high level until 2025, and then slowly fade off.

**Aaron Spsychalla**

Thanks for taking the questions.

**Operator**

The next question will be from Jeb Armstrong of Clear Harbor Asset Management. Please go ahead.

**Roger Liddell**

Thank you. It's actually Roger Liddell sitting in for Jeb. Sune, you referred specifically to the guaranteed compliance with IMO 2020 of the new product. Well, that implies that there are vendors out there of competing systems that are not capable of meeting IMO 2020, or the standard may be met at certain times under certain conditions, but not others. And if that thesis is correct, then LiqTech has an extreme competitive advantage by being able to guarantee compliance. Could you elaborate on that?

**Sune Mathiesen**

Yes, I can. Basically—and good morning, Roger. So basically what we have is with our technology we have a guaranteed output from our system, everything above a certain size will stay inside the membrane and clear water will pass through, and that will provide you with guaranteed compliance with IMO 2020. The competing technology to our technology is high speed sensor features. The high speed sensor features rely on mass balance, so they work on mass balance, and if the input changes so will the output. It also means that you cannot be 100% guaranteed to meet discharge limits at all times. So that is one of the big advantages of our technology that we have this guaranteed output and this guaranteed compliance with the collections.

**Roger Liddell**

Interesting. The other comment that you made that I'm focused on is wording to the effect that the marine industry is transitioning toward zero emissions. But the focus, therefore, would be beyond stack gases, and could include bilge and tank cleaning overboard discharges, which have been a major environmental concern around the globe. So am I right in thinking that zero discharge, if applied to everything not just stack gases, then calls out of the LiqTech supply of products and techniques a different array treating those non-exhaust issues?



**Sune Mathiesen**

You're absolutely correct, Roger. We think that this industry is moving towards a zero-emissions industry. And not only we think it, a lot of analysts following the industry also believe that this is the case. It opens a lot of opportunities for LiqTech. We think that we'll see new and tighter legislation on bilge water treatment. We think that we'll see a mandate for NOx reduction, and also other things will be mandated.

And as I mentioned in my prepared remarks, we are in the process of developing several new products for the marine industry. So, yes, we think that tightening the legislation will open a lot of opportunities for us, and we are already in the process of developing products for this.

**Roger Liddell**

I recall the bad press, perhaps 10 years ago, for one of the cruise line operators, I believe operating out of Miami. And when the inspectors went to examine the oil being pumped overboard system, or shall I say the bilge pumping system, the press had been that the ships were all equipped with putting it all into tanks, and the inspectors found bypass valves dumping the stuff straight overboard. And it was a significant black eye for one of the two or three biggest of the cruise line operators. So nobody needs that kind of press. So it sounds to me as if the global industry is going to really clean up its act, and LiqTech has applications in numerous avenues.

**Sune Mathiesen**

I agree with you, Roger. What we see right now is a lot of ship owners that are cheating. We see that the bilge water that you're referring to, we see that some are diluting it to be in compliance. And that's for sure not going to be allowed in the future. I think that general awareness of environmental matters is increasing around the globe right now, and I think that we are very good positioned to take advantage of that, and that we have the solution to some of the world's environmental issues.

**Roger Liddell**

You have spoken in the past of reaching out directly to owners of vessels, separate and distinct from your outreach or collaboration with shipyards. That could be quite significant, in that certain vessel owners and operators may have their own standards of conduct that would be in excess of existing standards. True, IMO 2020 is there, but that's on stack gas emissions. So do you care to comment at all on that direct outreach, and how are we going to know that certain orders are coming through that channel of direct selling to the owners and operators?

**Sune Mathiesen**

You're absolutely correct, we think it's important for us to stay in direct contact with ship owners to make sure they understand the advantages that we offer in terms of a smaller footprint in terms of energy savings, and most importantly in terms of guaranteed compliance with regulations. It is an approach that we are using, so we are trying to stay in contact with large ship owners and have them specify our equipment towards global manufacturers and all suppliers into this industry. And that is something we plan to continue to do and expand on in the future.

**Operator**

Once again, if you would like to ask a question, please press star then one. Your next question will be from John Anderson of KTG. Please go ahead.





**John Anderson**

So a couple questions. Can you talk about the cadence of orders that you saw throughout Q3? Is it logical to assume that they're building and they're still building in Q4? I think this is the first time you've actually specified the amount of orders that you guys have received thus far.

**Sune Mathiesen**

Yes, as I mentioned in my prepared remarks, this is still very, very early stages in this industry. And we are happy to see that, let's say, the ramp up in activity that we have seen throughout the year is now resulting in a good order book building, and we're really pleased with that. We have all the reason in the world to believe that this will continue and also expect we'll continue to build our backlog for next year and the years to come. And so we are very pleased with these, let's say, early stages results that we're seeing, but we think it's a trend for the future.

**John Anderson**

And are the cadence of orders changing? As opposed to just getting a couple at a time are you seeing orders come in 5, 10 at a clip, any commentary there?

**Sune Mathiesen**

Yes, what is changing is the size of the orders. Up until this point, we've seen one order here and one order there. Now we are mostly seeing five here and 10 there. So, the order size is changing, and as we progress, we believe that the order size will grow even bigger.

**John Anderson**

And then final question on orders, and one question on your long-term model. In terms of the 50 orders that you received thus far, your confidence levels that you still expect from the first two framework agreements relative to expectations for what those initial terms were, I think it was for a total of 120 between those two. Do you still have high degree of confidence over the coming quarters that you'll have that minimum amount of orders come through?

**Sune Mathiesen**

Nothing tells us that it would be different from our initial expectations. What we are focused on right now is to work with as many scrubber suppliers as we can, and we are continuing to add new relationships. And hopefully, it will be a matter of picking and choosing at some point. We're not there right now, but it seems like the way the market is developing right now we could be in a very nice position to choose the right orders for us, maybe not next year but the year after. Let's see how it looks.

But we're very pleased with this initial progress that we've made. And we have reason to believe that we'll continue to see a ramp in the market.

**John Anderson**

And then a final question on the long-term model. It seems as though you guys are expressing confidence in terms of doubling capacity by the end of next year, for 2020, which would, I think, bring it to \$200 million potential run rate. It seems as though from where I sit, the model is actually going to be very leverageable at some point as you reach scale. Have you guys provided or are willing to provide investors with what the long-term model for the company will hopefully look like as you reach scale on the first phase of the \$100 million that is actual capacity now?



**Sune Mathiesen**

Yes, we will definitely get more complete in the future. As mentioned a few times, this is still very, very early stages. We are just turning the company profitable right now, and we're coming from a low point. We are pleased with this early stages progress, and as the company matures and as the market matures, we will definitely be in a position to provide more specific guidance on the long-term opportunities that we have for our company.

**Operator**

The next question will be from Timothy Chatard of Quantum Capital Management. Please go ahead.

**Timothy Chatard**

Can you clarify what the capacity is currently on the number of systems based on the furnaces you've got there?

**Sune Mathiesen**

Yes, so basically we have outsourced the manufacturing of our systems, so in principle, we have unlimited capacity for that. The limiting factor right now is the number of membranes that we can manufacture. Right now that limits our capacity to approximately 240 systems in a year. And as we discussed earlier on the call, we have now placed new furnaces on order, which will double that capacity once they are installed.

**Timothy Chatard**

And just help me again, what was the component? It's the ceramic—

**Sune Mathiesen**

It's the ceramic membranes that we manufacture in-house, and the propriety part of the product.

**Timothy Chatard**

So 240 going to 480?

**Sune Mathiesen**

Yes, that's correct.

**Timothy Chatard**

Okay. How many systems did you ship in the current quarter?

**Sune Mathiesen**

We have not disclosed that.

**Operator**

The next question will be from Bill Chapman, a private investor. Please go ahead.

**Bill Chapman**

Sune, good morning to you. The first two partnership arrangements you signed last spring, you have the option of raising the price at the first year for your systems. Do you plan on raising the price any?





**Sune Mathiesen**

We have no current plans to change our pricing policy. We have made great progress in reducing our costs of the manufacturing. And as we discussed on our second quarter conference call, we have been able to reduce our costs by approximately 30% with the introduction of our Mark 6 system.

So there are no current plans to increase pricing. But let's see how the market develops. Hopefully, this turns into one of those industries where delivery is more important than pricing. If that happens, yes, we will, of course, take advantage of that. But there are no current plans to do so.

**Bill Chapman**

Well, this meeting in London we had, the committee, this experienced building phase proposal, is there still momentum for them to keep pushing for this? What are you hearing behind the scenes?

**Sune Mathiesen**

As far as we can tell, that's off the table. The IMO came out after the meeting two weeks ago and said that it was completely off the table. And we have seen no pressure to continue that discussion.

**Bill Chapman**

Could you address on the quality of the blending fuels concern about substandard blends? What are you hearing on that?

**Sune Mathiesen**

So what we're hearing is that the oil companies are expecting a significant uptick in scrubbers. It also means that a lot of the oil companies are reluctant to make investments in manufacturing capacity for low sulphur fuel. And we can understand why, because basically the heavy fuel that they use today is a byproduct from the manufacturing of cleaner diesel. And it also means that it's a quite attractive product for the oil companies, cost is next to nothing, and they're able to sell it in the market.

So that's basically the last information that we've seen in the press. I'm not an expert on availability of fuels, but it seems like the major oil companies are reluctant to make huge investments in order to manufacture more low sulphur fuel.

**Bill Chapman**

Yes. And if they do, that's going to take years to be able to build out their plants. And let me ask you too on more scrubber partnerships, are you still of that stance that you don't foresee any more scrubber partnerships that you're going to try to sell to the different, the Top 10?

**Sune Mathiesen**

Yes. That is not the current plan that we have. These framework agreements were put in place at an early stage, and the good thing for us is, of course, it ties the customer closer to us. The bad thing is that you allocate a certain percentage of your manufacturing capacity to these customers. With the current development, we see no reason why we should enter into new frameworks. We are just looking to collect orders from anyone who wants to buy our products.

**Bill Chapman**

Okay. On price concessions for other scrubber companies, is that one of the reasons you want to also do a partnership, you can get better prices possibly?

**Sune Mathiesen**

It gives us the opportunity anyway to negotiate prices on an order-to-order basis, and that's an opportunity we do not have under the framework agreement. So, yes, you could say it gives us more options.

**Operator**

And the next question will be from Andy Preikschat of Edgebrook Partners. Please go ahead.

**Andy Preikschat**

For the 50 confirmed orders, can you remind us the average selling price in gross margin roughly that you expect?

**Sune Mathiesen**

Yes, we have not disclosed the average selling price for these orders specifically, but typically we range between \$200,000 to \$400,000 for [indiscernible] system.

**Andy Preikschat**

Okay. I believe that the new framework agreement, the ASP was around \$230,000. So I'm just trying to understand, is there a significant difference between the two types of products. Maybe you can explain if there's any difference there.

**Sune Mathiesen**

There is a difference. The new framework agreement, you're absolutely correct, is around \$230,000 ASP. And the typical system carries a higher ASP.

**Andy Preikschat**

And why is that different? Is it the sizing? Can you explain the specifications, what the difference is, a little bit?

**Sune Mathiesen**

Yes. So our typical standardized system is a standalone filtration system, a plug-and-play filtration system, if you will, where again on the recently announced framework agreement it's more component-based. So this specific customer will use two different technologies, ours and their own technology, in combination, and that is why it's a smaller system.

**Andy Preikschat**

And I know you stated that you have like a 4 to 6 year advantage in terms of this market, and I'm wondering, what are you seeing competitive-wise, and what is engineering lead time for someone else to develop a competitive product?

**Sune Mathiesen**

So what we know is that we have been working on this for more than four years now, and the early systems that we manufactured are definitely not as good as the systems that we have now. We think that any new competitor will have to go through that same learning curve, and we think that gives us that first mover advantage.



So today we have a much better system in terms of performance, but also in terms of cost. And what it gives us the opportunity to do is also to fight on price, if that becomes necessary. It's not necessary right now, but who knows what will happen in the future. And we think we are very well positioned here, and we have the advantage of being first movers, we have a proven technology and we have the ability to fight on price if necessary.

**Andy Preikschat**

Okay, great. And my understanding is that there's no patents, but there's a lot of expertise in material science. Is that correct? How would you define what is special?

**Sune Mathiesen**

Our ceramic membranes are patent-protected.

**Andy Preikschat**

Okay.

**Sune Mathiesen**

And we spent eight years, more than \$60 million, developing that technology. So it's protected both by patents, but also by the fact that it took a very, very long time and cost of a lot of money to get that technology. The system itself is not patent-protected, but we have that first mover advantage on that. But the heart of the system is, in fact, patent-protected.

**Operator**

And the next question will be a follow-up from Jeb Armstrong of Clear Harbor Asset Management. Please go ahead.

**Roger Liddell**

Yes, Roger Liddell, again. My question involves the reductions in costs, the gratifying reductions in the cost of the, I believe, you said it was the Mark 6 system. Looking back two or three years, there was hope at that time for orders from Denmark's 250 or so aquatic centers, where upgrades were—supposed to be upgraded. And separately, coal-fired power plant scrubber waste streams, there seemed to be opportunities there, but presumably the higher cost of membranes in that period was part of the reason it didn't really materialize.

With a 30% reduction now, and you might be able to achieve more as production rolls out—how should we think about the opportunities of the past? And by the way, I would be satisfied if you said we have a world-class opportunity in hand with the marine industry, and let's just focus on that and not risk blowing up the whole company trying to grow too quickly. But to my question, how should we think about the opportunities of the past given what you have achieved on cost reductions?

**Sune Mathiesen**

So it's actually a little bit of both. When we decided to readdress our business strategy in 2014 and transform the company from a component supplier into a supply of water treatment systems, at that point we set out to identify a number of suitable applications for our technology. Since then we have been successful in getting large gain references in a number of industries within pools, within power plants, within heavy metal removal from the mining industry, within drinking water and within oil and gas. But also I have to admit, when this new legislation came up in late 2016, when the IMO decided to



implement this new lower cap on sulphur emissions, since then we have been laser-focused on this opportunity. We have not forgotten about the other applications, but we have dedicated 99.9% of our efforts into this industry.

As we see this market grow and as we grow the company, we will start looking into those other applications again. We have already made plans to hire new sales people, and once they are in place early next year, we will start looking into these other applications where we have large scale references. But for the past two years, I have to admit that we have been laser-focused on this opportunity in front of us, and rightfully so, because now we see that we are very successful in this industry. The long-term hope for the company is that we can turn some of these other applications into that same success story.

**Operator**

And the next question will be from Keith Schaefer of OGIB. Please go ahead.

**Keith Schaefer**

Do you guys have any clarity or insight into how the scrubber market's developing? Is the industry moving towards hybrid and closed scrubbers versus more open loop? Do you guys have any comments on that?

**Sune Mathiesen**

Yes, we do. So again, it's still early stages. What we see is that the market seems to be moving towards hybrid and closed loop systems. There's been a lot of discussions, especially in the last one or two months, to entirely ban open loop scrubbers, which makes a lot of sense because what you do with an open loop scrubber is you remove the sulphur and the other harmful things from the emissions, so you prevent it from going up in the air, but you dump it in the ocean. And that's, from my standpoint anyway, a very bad solution.

But let's see where it's heading. We have more than enough to do right now. But from what we can see, there are a lot of discussions to entirely ban open loop scrubbers.

**Keith Schaefer**

Okay. The next question would be, so as you see the market developing, you've been very vocal that you've got the big three distributors but you've also got seven of the Top 10. Do you see these big three keeping market share or increasing market share, or are the smaller guys starting to get more orders? I'm just seeing different press releases, where some of these smaller guys are starting to get orders, like Ecospray and [indiscernible]. And so what do you see in terms of how this market's developing? Are the big dogs keeping or increasing market share, or are the little guys really picking up steam here, pardon the pun.

**Sune Mathiesen**

So if you go back 12 months, the top three global manufacturers probably represented about 70% of the market. We see a lot of new players coming into the industry, and we also see some of the smaller players starting to book some quite substantial orders. And so my guess would be that the market share of the big three is coming down a little bit. I do not have any fresh numbers, but I think it's fair to say that is coming down a fair bit.



**Keith Schaefer**

Okay. Last question here. You guys have a very capital light business. You said basically you can break-even on 20 units a year, and you said you're going to do at least 50 for 2019. But I guess really what's in the back of my mind is investors like me, we're here to see you guys get thousands, hundreds of orders, and the bar is pretty low here when you say you're going to be profitable in Q1 '19. And that's basically five units, if my math is right. So moving forward, when do you see that we're going to see like a magnitude, like several standard deviations higher orders that would be much more in line with what the market potential is for the product?

**Sune Mathiesen**

Again, what was discussed earlier, this is very, very early stages in this industry. We are extremely happy with the progress we've made so far. We are coming from a very low point, and what we're looking into right now is a very steep ramp in 2019 and onwards. I agree that there is a very, very big market potential. I think that we are very well positioned to continue to be one of the market leaders for water treatment for this industry. And we have realized that and this is why we have now taken the decision to put new furnaces on order.

But so far we're very, very happy with the progress we have made, and as the market matures, we'll get a much better idea of where we could be in two or three years from now. So right now we are laser-focused on maximizing this opportunity. We have put new furnaces on order. And again, we are very well positioned to take part of the ramp in this industry.

**CONCLUSION****Operator**

Ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back over to Sune Mathiesen for his closing remarks.

**Sune Mathiesen**

Thank you very much, Denise. And thank you for everyone joining us today on the call. We look forward to speaking with you again on our next conference call that is likely to be in January. Thank you very much. Have a good day.

**Operator**

Thank you, sir. Ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. You may now disconnect your lines.

