

## BAWAT Q1 REPORT 2023

*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 fourth 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 23. May 2023, at 10:00 am.*

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## Highlights Q1 2023 – order intake in line with guidance, margin above 20% and capital raise in motion

- Order intake in the first quarter was SEK 9.3 m.
- The Gross Margin in the period was reported at 21.6% which is in line with the long-term projection of 30% pending product mix.
- Sales in Q1 amounted to SEK 4.2 m.
- There are no Q1 2022 comparison figures as Bawat was stock listed late in Q1 2022 and first report for 2022 was Q1+Q2 (H1) combined.
- Quoting activity is still very high and Q1 was at similar level as Q4 2022 with more than SEK 75 m in quotes for the quarter. Quoting activity is very active for BWMS to both retrofit and newbuild ship projects as well as to mobile systems.
- NEFCO (Nordic Environment Finance Corporation) approved in principle a finance commitment for SEK 25 m to be disbursed in 2023/2024 and subject to 1:1 equity match from Bawat.
- Mobile BWMS (Ballast Water Management System) test system to Great Lakes Research Center was shipped and has post quarter arrived in Duluth in Minnesota USA.
- Two non-exclusive contracts with operating partners in the US Gulf of Mexico region was signed with focus on delivering Ballast-as-a-Service (BaaS) in coastal regions from Texas to Florida.
- The Order Intake for the quarter supports a repeated guidance for the year in the SEK 40-60 m range, although the influence from mobile BWMS orders will have large impact on final outcome in positive and negative direction.

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 (BaaS) USD 5bn

After closing of Q1 NEFCO financing has received final approval from its board and Bawat has carried out a directed share issue raising SEK 18.8 m to match first tranche of NEFCO loan of EUR 1.3 m. The directed share issue was conducted at a share price of 1.60 SEK/share. The net-proceeds from the directed share issue and the NEFCO financing are considered to be sufficient until Bawat reaches a positive cash flow from its operation.

Also, a few days after the close of the quarter, Bawat has signed a Term Sheet agreement with Damen Green Solution whereby the parties are aiming to establish a 50/50 Joint Venture focusing on the assembly and sales of mobile BWMS. Damen Green Solution is a Bawat competitor on mobile BWMS with its own InvaSave BWMS but will with the establishment of the new JV terminate the InvaSave program and focus on Bawat technology. Damen Green Solutions are part of the Damen global shipyard group and will thus be able to source and assemble Bawat mobile systems on a global and consistent basis under a new brand name 'InvaSave powered by Bawat'.

## FINANCIAL KEY FIGURES Q1 2023

SEK '1000	Q1 2023	12M 2022
Order intake	9.345	18.100
Sales	4.159	15.866
Gross Profit	899	2.718
Gross Profit %	21,6%	17,1%
EBITDA**	-6.657	-21.320
Result for the period	-10.221	-38.908
Earnings per share	-0,26	-1,18
Cash flow from operations	-7.229	-29.305
Net working capital	-6.246	-4.469
Equity ratio %	-2,7%	17,5%

\* 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 first quarter: *“The quarter was influenced by a combination of operational and financing activities. From an operational side we see a steadily increase in interest in mobile BWMS as ports and yards are getting increasingly aware of malfunctioning ships BWMS and regulators, especially in the USA, are becoming aware of the problem. US Coast Guard annual report from 2022 quotes “Compliance with ballast water management regulations continues to be one of the most challenging issues faced by the maritime industry”. Bawat mobile BWMS solutions as well as BaaS will positively benefit from this increase in regulatory awareness, and we believe that towards IMO compliance date in September 2024 this will positively support the predicted Bawat growth.*

*From a financing point of view, we are pleased that we have been able to secure needed funding for the onwards growth and operation in a market that is very difficult to raise capital in. However, once again Bawat shows that there is a strong belief from both current and new shareholders in the long-term perspectives in its technology and business model.*

*Order intake of SEK 9.3 m supports our full year guidance of SEK 40-60 m. Beyond the many interesting projects Bawat is quoting on, there is currently one large ship order under negotiations and also one very large mobile order in negotiations. The positive or negative impact including timing of these will to a large extent influence Order Intake for year end and guidance during the year”.*

## **OPERATIONAL HIGHLIGHTS Q4 2022**

### **Market activity**

In general, the market activity is still very high with a continuous positive increase in quoting activity. More than SEK 75 m was quoted for the period. There are still many ship owners with smaller and specialised fleets that needs to decide on BWMS, or interesting enough is in the market for a new BWMS as what they have installed so far is simply not working to the operational standard needed. This trend is seen from both small and large ship owners and ship management companies. A Bawat system with its ability to operate evenly good in all water conditions/types and with its filter less one-pass solution is the obvious new choice for customers looking for an alternative to a poor performing or non-operable BWMS already installed.

The quoting activity and the general activity for mobile BWMS and BaaS is increasing. There is a larger and larger unsolicited approach to Bawat from Ports/Yards/Terminals who are asking for mobile BWMS or BaaS to vessels calling with a malfunctioning or non-operational BWMS. Similar ship operators are on a continuous and increasing basis calling Bawat and its BaaS partners BTS (Bawat Technology Service) and Freedom Ballast to inquire for BaaS. During 2023 we expect that the increase in demand will spur further investment into mobile systems to be delivered to BTS and/or Freedom Ballast. Before the service can be delivered in a more regular and continuous manner, Bawat will not guide for either Order Intake Volume or profitability. However, already performed jobs and quotes indicate a potential beyond what is currently forecasted in BWMS sales to vessels.

### **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. The range for Bawat was extended in the low range from 5-100 m<sup>3</sup>/hr and approved by IMO during the quarter and are relevant for smaller type vessels including yachts.

## **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.

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

BAWAT continues its efforts to introduce ballast water-as-a-service. As announced earlier last year, a joint venture was established between BAWAT's service company, BAWAT Technology Services (BTS) and Monstrant Viam. 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.

Freedom Ballast has entered into two non-exclusive agreements with operational partners in the USA Gulf of Mexico region to support with logistics and back-office support for the BaaS that is expected to be sold on an onward basis.

During Q1 the assembly and manufacturing of the mobile BWMS to Freedom Ballast has commenced. 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 Q1 2023**

### **Sales**

Sales in first quarter 2023 amounted to SEK 4.2m equivalent to an increase of 5% from 2022 pro rata sales. Around 44% of first quarter 2023 sales are generated by progress on mobile units with normal margins.

### **Gross profit**

Gross profit in Q1 amounted to SEK 0.9 m (2022 pro rata SEK 0.7m). Gross profit ratio was 21,6% with is in line with expectations and once again confirm the longer-term aspiration of 30% gross profit margin pending mix of mobile solutions and ship solutions.

The company expects 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 Q1 amounted to SEK -6.7m (2022 pro rata: -5,3m excl. IPO cost). Listing cost is included in Q1 2023 with SEK 0.3m. The development is in line with expectations.

### **Earnings**

Earnings after tax in Q1 amounted to SEK -10.2m (2022 pro rata: -8.0m). At 2023 exchange rates the comparable number from 2022 would be in line with Q1 2023 actual.

No dividends will be paid out for the financial year 2023.

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

Cashflow from operating activities in Q1 amounted to SEK -7.2m (2022 pro rata SEK -7.3m). Cash flow from investment activities in Q1 amounted to SEK 0.7m (2022 pro rata SEK 0.3m). At the end of Q1, net working

capital amounted to SEK -6.2m (End of 2022: -4.5 m). The positive change is a function of ongoing customer projects.

### **Cash and financial position**

Cash at the end of Q1 amounted to SEK 3.6m (End of 2022: 6.7m) and Net interest-bearing debt amounted to SEK 30.8m (End of 2022: 30.1m). Bridge financing from major shareholders of SEK 4.9m is also established in Q1 2023. The bridge financing will be repaid upon disbursement of permanent financing from NEFCO.

At the end of Q1, Equity amounted to SEK -1.3m (End of 2022: 9.0m), equivalent to an equity ratio of -3%. The equity will be improved again in Q2 2023, with the announced directed share issue of SEK 19m, out of which SEK 17m has already been subscribed.

### **Risks**

Disbursements of loans from NEFCO, mentioned above, is subject to formalized loan agreements on already agreed terms.

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**

Subscription period for T01 warrants	May 24 -7 June
Last day of public trading T01 warrants	June 5
Annual General Meeting 2023	June 7
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 24. May 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 May 23, 2023*.

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

## FINANCIAL STATEMENTS JAN-MAR 2023

This interim report for Bawat Water Technologies AB's is prepared in accordance with IFRS. The consolidated financial statements have been prepared using the cost method.

A number of new standards and interpretations are effective for financial years beginning after 1 January 2023 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	Q1 2023	Pro rata 2022	12M 2022	12M 2021*
Sales	4.159	3.967	15.866	10.722
Gross Profit	899	680	2.718	2.489
Gross Profit %	21,6%	17,1%	17,1%	23,2%
Personnel cost	5.562	4.426	17.704	16.334
EBITDA**	-6.657	-7.047	-28.186	-19.690
Operating profit/loss**	-9.115	-9.330	-37.320	-28.440
Finance cost - net	1.106	397	1.588	1.951
Result for the period before income tax**	-10.221	-9.727	-38.908	-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 March 2023	31 December 2022	31 December 2021*
Total intangible assets	36.058	37.354	41.322
Total tangible fixed assets	1.201	1.267	1.834
Total financial assets	342	355	352
Total non-current assets	37.601	38.976	43.508
Trade receivables	655	1.482	1.043
Contract assets	1.321	1.611	2.102
Other receivables	2.598	1.912	993
Prepayments	1.241	1.014	70
Total current receivables	5.815	6.019	4.549
Cash and cash equivalents	3.572	6.723	4.759
<b>Total assets</b>	<b>46.988</b>	<b>51.718</b>	<b>52.816</b>
Share capital	652	652	14.150
Total equity	-1.268	9.030	-7.691
Total non-current liabilities	31.511	24.482	46.033
Borrowings, current	4.925	6.228	3.615
Lease liabilities, current	841	738	630
Trade payables	5.703	4.983	2.523
Contract Liabilities	1.800	2.843	1.938
Other payables	3.476	3.414	5.667
Total current liabilities	16.745	18.206	14.474
Total liabilities	48.256	43.027	60.507
<b>Total liabilities and equity</b>	<b>46.988</b>	<b>51.718</b>	<b>52.816</b>

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

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

SEK '1000	31 March 2023	31 December 2022	31 December 2021*
Equity 1 January	9.030	-8.351	5.725
Profit/loss for the period	-10.221	-38.908	-30.053
Other comprehensive income for the period	-77	452	-298
Total comprehensive income for the period	-10.298	-38.456	-30.351
Total transactions with owners	-	55.487	16.310
Equity 31 December	-1.268	9.030	-7.691

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

## Consolidated statement of cash flows (condensed)

SEK '1000	31 March 2023	31 December 2022	31 December 2021*
Cash flow from operations**	-7.229	-29.305	-13.982
Cash flow from investments	-722	-1.271	-1.840
Cash flow from financing activities	5.008	32.113	12.951
<b>Total</b>	<b>-2.943</b>	<b>1.537</b>	<b>-2.871</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 first quarter of 2023. 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, 23 May 2023

### Executive Management

Marcus P. Hummer

*CEO*

### Board of Directors

Klaus Nyborg

Charlotte Vad

Peter V. Stokbro

Thomas S. Knudsen

*Chairman*