



EQUITECH



## IN-LINE PROCESS MEASUREMENT

Optimizing Processes • Maximizing Quality • Minimizing Waste

# 2019 2nd Quarter Report

# Quarter II – Company Report

Dear Shareholders,

It is with great pleasure that I bring to your attention our accomplishments, progress, challenges and opportunities realized during second fiscal quarter.

## People

As I reported at the end of our first quarter, our most important asset is our people. We need good people that can make the difference. I am pleased to report that during the second quarter we have added two new Vice Presidents to our team:

Dr. Joseph Golba joined Equitech as Vice President of Innovation. Recently retired from PolyOne, and being their expert in reaction extrusion, Joe was one of our customers and can speak with first-hand experience about the benefits of our technology. Since joining our team, Joe's responsibilities encompass our Research & Development and the establishment of OEM opportunities. With his efforts, our product was presented to 13 companies, many of which are well-known brands in the plastics industry. Negotiations and tests are underway, and we should be able to present the results of these alliances and/or partnerships during the following months.



Dr. Joseph C. Golba Jr.

# Quarter II – Company Report



Mr. Robert Barnett

Mr. Robert Barnett, previously a member of our Advisory Board, accepted the position of Vice President of Marketing & Sales. Bob brings to Equitech 40+ years of experience in the feeders market, particularly in the plastics and pharmaceutical industries, and most importantly his expertise in managing salespeople. Bob's responsibilities include setting up a sales force that can represent Equitech throughout North America (Canada, USA, Mexico). Bob has already engaged 6 sales representatives with a combined sales force of over 15 people that cover more than 50% of the US territory. We have begun training our new sales representatives.



# Quarter II – Company Report

## Financial Results

Equitech’s financial results for Quarter II, 2019 are outlined in the table below. Our sales were in line with our predictions given our thin sales pipeline at the beginning of the year. However, we were able to lower our COGS and expenses in relationship to the same quarter last year and; thus, cover our operating expenses without the accumulation of further debt and/or recurring to the investment market.

Early this year, we anticipated that it will take Equitech about 18 months to see real changes in its financials. After four months, we are well in our way to achieve this objective and our revenue for the second quarter is in line with this forecast. We now have two consecutive quarters with corporate profits even if small.

Despite some significant challenges, we were able to bring several projects home, pay our bills, and run our operations. In addition, our sales pipeline has grown to about a potential \$300K\* at the end of this year.

	Summary of Results P&L Three Months Ending June 30		Summary of Results P&L Three Months Ending March 31	
	Q2 2019	Q2 2018	Q1 2019	Q1 2018
Sales	\$32,008.27	\$34,372.04	\$22,869.65	\$13,983.93
COGS	\$15,608.73	\$29,816.36	\$10,864.34	\$20,695.85
Gross Profit	\$16,399.54	\$4,555.68	\$12,004.31	(\$6,711.92)
Expenses	\$15,815.44	\$29,933.72	\$9,496.05	\$24,998.42
Net Income	\$584.10	\$(25,378.04)	\$2,508.26	\$(31,710.34)

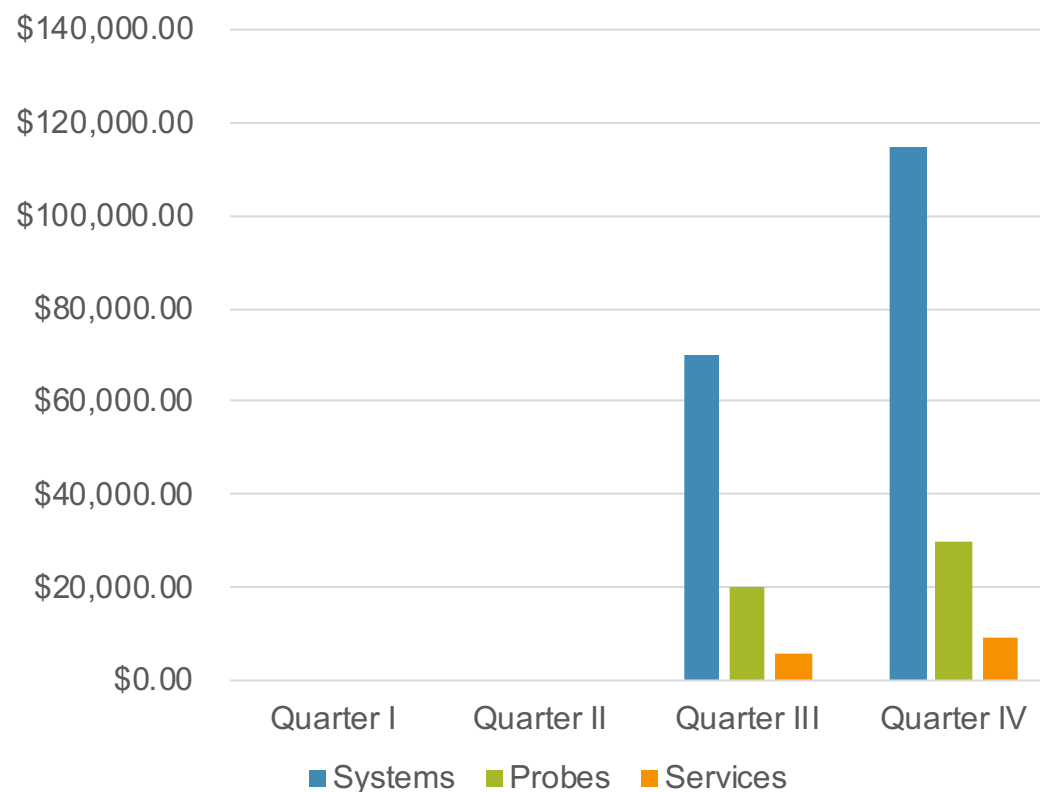


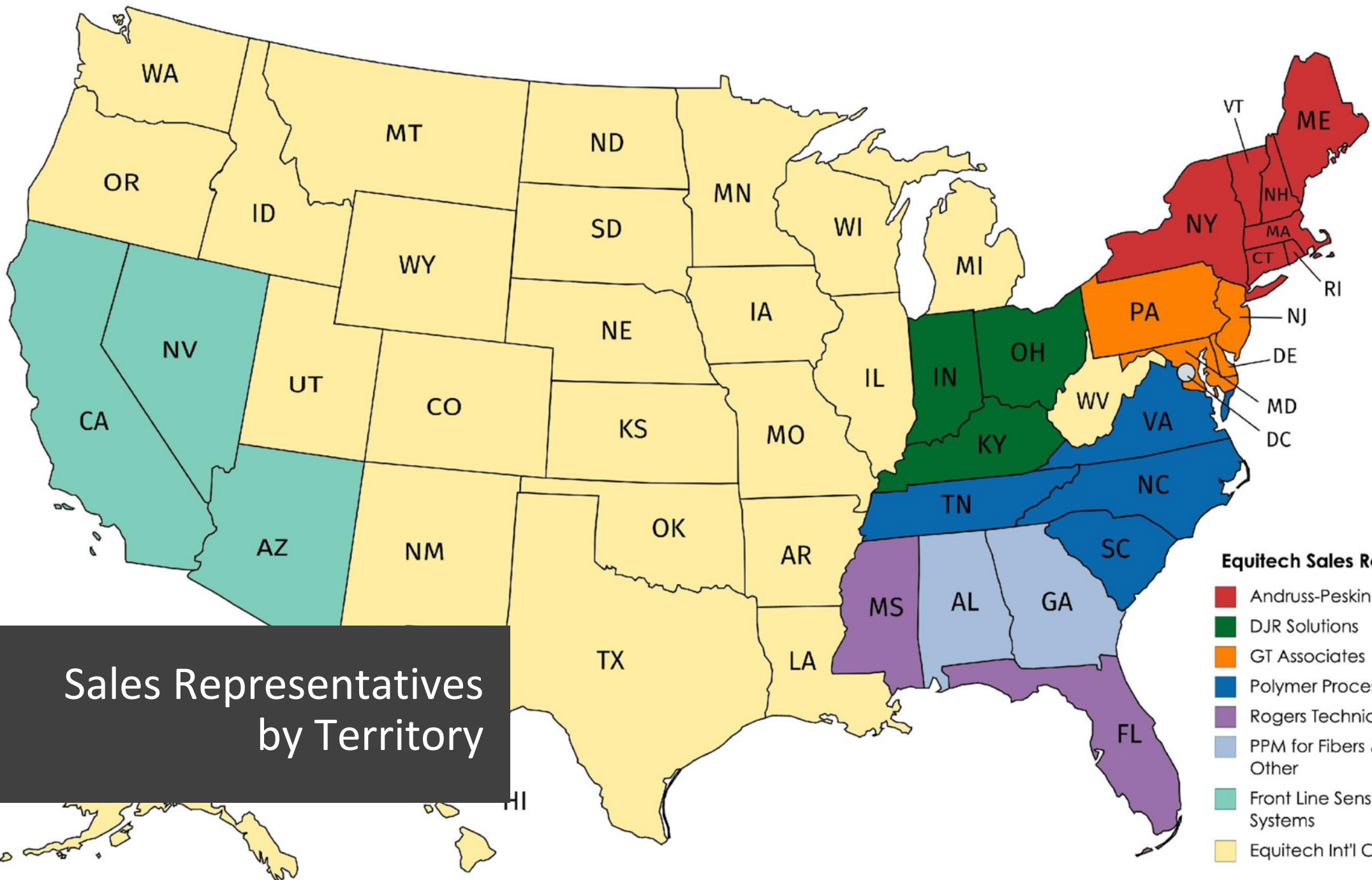
# Quarter II – Company Report

As mentioned, the addition of sales representatives in late June has multiplied Equitech’s sales force significantly. These companies/individuals bring to the table years of experience in the processing industries in which we participate, as well as deep knowledge of the regions where they operate. Our Sales Representatives will be instrumental in helping us grow our sales pipeline faster than ever before.

Equitech’s products are considered by most of our customers ‘a new technology’ and thus they require multiple trials by people from different departments before finalizing a purchase order. We are working diligently with all potential customers to demonstrate that with Equitech’s technology, they can achieve higher quality products, improve efficiency in production, and most importantly minimize waste. Moreover, with our new competitive prices, a typical plastics extrusion operation can experience full payback for its investment in 2 to 4 months. In the pharmaceutical industry, this payback can be measured in weeks!

### Cumulative Value of Sales Opportunities





**Equitech Sales Representatives**

- Andruss-Peskin
- DJR Solutions
- GT Associates
- Polymer Processing Machinery
- Rogers Technical Services
- PPM for Fibers & RTS for Other
- Front Line Sensors & Systems
- Equitech Int'l Corporation

Sales Representatives  
by Territory



# Corporate Headquarters

## Headquarters & Manufacturing Facilities Relocation Completed

At the end of the first quarter, we mentioned the new relationship with Rowan University and I'm glad to report that Equitech has completed the relocation of the headquarters to the South Jersey Technology Park.

Being part of this community is critical for our strategy to become an employment force for Gloucester County and the State of New Jersey. New Jersey offers a wide variety of financing, incentives, tax credits and assistance programs designed to support small innovative business growth.

Starting off, we are in the process of evaluating a series of research projects with several professors at the university. A preliminary report of the status of these projects will be included in our next Quarterly Report.



## Manufacturing Facilities

I am also pleased to report that we have moved our technical lab and manufacturing facilities to the city of North Augusta, South Carolina, just a few miles from our past location. Our new manufacturing home is a Class A-type real estate brick building, with a conference room and amenities that we did not have before. The new facility will not only help Equitech be more organized on its production, but also will provide us room for expansion in the near future. Most importantly, these two relocations helped us lower our operating expenses significantly.





## Strengthening Relationships

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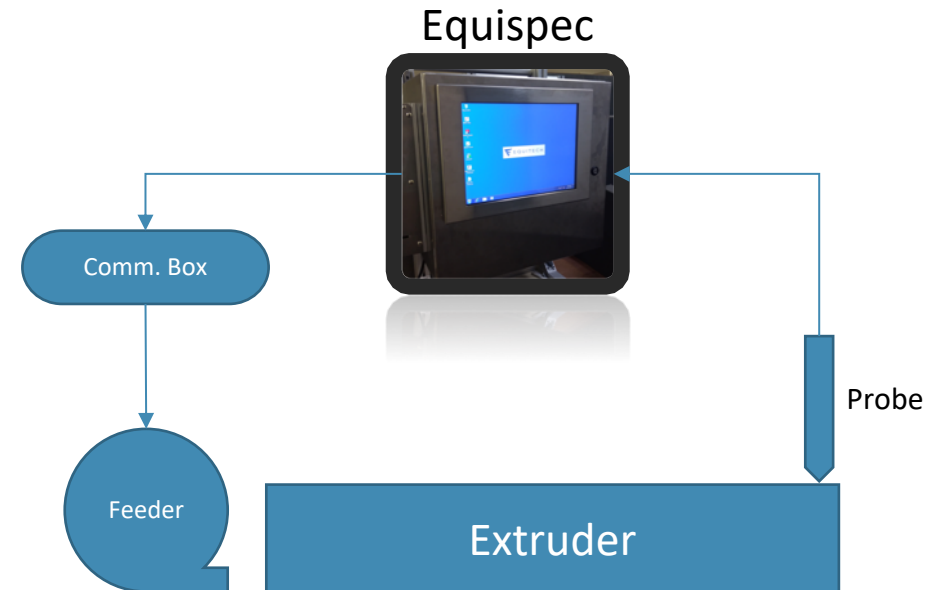
We did not envision the transition of our production from Germany to the US to be difficult, (after all we are the inventors and developers of this technology); however, bringing manufacturing back to the US meant that we needed to re-establish and strengthen relationships with former and new suppliers. Since early April, I have personally met with several vendors to discuss payment terms and volume discounts as we prepare to scale up operations. It is worth noting that working diligently with our suppliers was key to help us reduce our accounts payable considerably.

# Quarter II – Company Report

## Technology Advancements

We have determined that our instruments and probes hold a significant competitive advantage in the market against similar and/or other technologies - even against those companies that have been measuring color 'in-line' for decades. On top of that, Equitech has achieved an important technological milestone during the second quarter by working closely with one of our customers.

Equitech was able to 'close the loop' in a color extrusion operation. In short, we were able to control the color of an object while being extruded. We achieved this by measuring its color (as it exited the extruder), sending such signal to an actuator that controlled the feeder that was adding a particular pigment to the process. We continue to enable 'close loop control' as part of the capabilities we can offer.



# Quarter II – Company Report

## **Rebuilding Credibility**

When I took over the helm of Equitech, I vowed to clean up our balance sheet as soon as possible. I am happy to report that with debt-to-equity conversion, Equitech was able to convert \$1.1M in liabilities (from several lenders) into equity. This effort combined with a reduction of our accounts payable is helping us rebuild our credibility as we have paid off several vendors already. After only a few months of work, the combined efforts of all employees and contractors have begun to yield good results and the company is starting to establish a strong credibility with its customers and vendors.

## **Future Challenges**

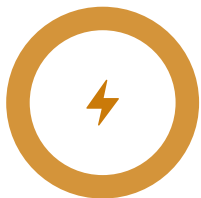
Despite our rich history, Equitech must still be considered a startup company. And such, the company faces the normal business challenges and risks related to small entrepreneurial companies. We have slim resources to cover all fronts in administration, sales, marketing, business development, operations, and technology improvements.

Thanks to the drive, passion and relentless commitment of our employees, we have begun to reduce our risks and address our challenges. First, with the addition of Messers Barnett & Golba, and the new Sales Representatives, we have addressed sales, business development and marketing significantly. Second, with the relocation of our production facilities we addressed some of the operation and manufacturing challenges we experienced in our previous facility. Finally, we have managed cash strictly stretching every single dollar to cover our operations.

Despite a very thin sales pipeline with which we began 2019 operations, the company has not gone to the financial markets to cover its operations cost and has managed to make significant progress repaying its obligations. As our sales pipeline grows and we begin closing on the opportunities that we have at hand, I am very confident that Equitech will soon begin reporting faster progress in all strategic areas delineated in Q1.

Jaime A. Gómez, PhD  
President & CEO

# Short-Term Corporate Strategy Status



## COMMUNICATIONS

- **Develop a New Website (Completed)**
- Establish periodic reporting (financials & press releases) (In Progress)
- Develop a comprehensive marketing & communications plan (In Progress)
- Establish direct communication with companies that have tested (and not purchased) Equitech's technology (In Progress)
- Re-establish OTC trading status (In Progress)



## FINANCES

- Refinance Equitech (In Progress)
- Minimize operating expenses & improve cash flow (In Progress)
- Pursue government grants (In Progress)
- Clean up balance sheet (In Progress)



## MANUFACTURING

- **Relocate manufacturing back to the USA (Completed)**
- Scale up production of key components (In Progress)
- Re-establish partnerships and vendor relationships and find new ones (In Progress)
- Partner with well-known engineering companies (In Progress)



## SALES

- **Introduce lower prices to the market in 2019 (Completed)**
- **Offer leasing agreements to facilitate access to our technology (Opex vs. Capex) (Completed)**
- **Write industry applications brochures (Completed)**
- Establish OEM partnerships (In Progress)
- Establish a network of sales representatives in North America (In Progress)
- Leverage successful applications from current customers to expand our market (In Progress)



## Benefits of Equitech's Technology



IMPROVE  
UNDERSTANDING  
OF THE PROCESS



TIGHTER PRODUCT  
QUALITY CONTROL



INCREASE CAPACITY  
THROUGH  
EFFICIENCY  
IMPROVEMENT



DIAGNOSIS OF  
MANUFACTURING  
PROBLEMS



ENABLE CLOSED  
LOOP CONTROL



EQUITECH

Equitech Corporate Headquarters  
South Jersey Technology Park  
107 Gilbreth Pkwy, Mullica Hill, NJ 08062  
<https://equitechintl.com/>