



Corporate Headquarters  
South Jersey Technology Park  
107 Gilbreth Pkwy, Mullica Hill, NJ 08062

Dear Shareholders,

It takes persistence, a good strategy, deep knowledge of the market, resources, and great relationships to turn a company around. This is precisely what we are doing at Equitech.

As I jovially mentioned in a recent presentation, we are a 23-year old start-up!

Certainly, it feels like it. The actions we have taken are somewhat related to that of a startup company, but other aren't! We are a mature company that invented and developed a great and revolutionary product, successfully tested it over more than 70 installations around the world in multiple industries for the past decade, and is now moving fast to setup a professional sales force to commercialize it.

We began this year by making a conscious evaluation about the reasons why the company has taken so long to be successful in the market. We came up with both external (out of our control) and internal reasons.

When Equitech started this journey back in 1995, we encountered a market that was not ready for our products. In fact, the breakthrough technology was ahead of its time. With Industry 4.0 this has radically changed. We are now establishing partnerships that allow us to position our technology at the front of Industry 4.0 efforts. After all, our In-line Process Spectrophotometer (IPS) serves as 'eyes' that allow AI/ML platforms the acquisition of real-time processing data.

All other reasons for our delay in achieving fast and broad penetration in the market had to do with matters that were in our control such as management's experience and knowledge of the markets, how the company was financed (its capital structure), and how the marketing mix – everything the company could do to influence demand for its products from its target market, was conceived and deployed. These are factors that have our precise prioritization since early this year. During the next two months, we will address the company's capital structure and will report on this topic at the end of the year.

The most important objective the company is pursuing at the moment is increasing sales. To do so, we are focusing on strengthening the marketing mix (also known as the 7 P's).

**People.** In our report for QII, we presented our new management and shared with you their experience and credentials. We continue to discuss our products and business strategy with experienced individuals in the plastics industry who, no doubt, will help us advance our business proposition.

**Product.** As we have regained control of our manufacturing, we are looking into how to drive its cost down while enhancing its capabilities. During the past two months, we spent considerable amount of time evaluating a couple of research projects that will help us advance our products. One of these projects became a clear priority for us as Dr. Joseph Golba and Dr. Lewis Baylor completed a grant application that, if awarded, will help the company embrace development efforts related to Industry 4.0. This grant application will be submitted to the National Science Foundation (NSF) and the Small Business Innovation Research (SBIR) programs during the month of October.



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**Price.** The product's high price was brought up as a significant hurdle for its mass adoption in the market. With our customer's feedback, we have adjusted the selling prices so most of our potential customers will realize a full payback (depending on the configuration of the system), in 2.5 to 4.5 months.

**Position.** We have a disciplined approach to position Equitech as the leader for *In-line Process Spectroscopy* in the industries in which we have chosen to participate. To this end, we are taking small but solid steps to solidify our position in the market.

**Place.** We continue to put together and expand a sales force that now covers about 80% of the USA and Mexico and are now interviewing candidates in Canada. Our sales representatives bring decades of experience with industrial manufacturing processes in many industries such as chemicals, plastics, food, pharmaceuticals, paints, inks, and textiles. We have trained and continue to assist them in their visits to customers, inquiries about our products, and setting up trials.

**Promotion.** Our new website has changed the face of Equitech. We continue to streamline and adjust it daily. Our search engine optimization (SEO) efforts are paying off as the site was recently ranked with an 81/100 grade which places [www.equitechintl.com](http://www.equitechintl.com) as one of the 'top performing science & technology sites' according to Godaddy. Additional marketing activities will be implemented to expand our company's brand and generate sales leads. We will be discussing 'Packaging' (the last P) in future reports.

In addition to those activities directly related to the Marketing Mix, we continue to reduce our accounts payable and prioritize them based on criteria such as strategic importance to the company, amount, interest rate, and equity conversion potential. This quarter alone, we paid off two small but significant vendors.

The actions taken serve as the foundations for long-term profitable growth and we have begun to see positive results. To this end, I am pleased to report that in only 6 months, our list of accomplishments is rich and growing as denoted in the following list.

- Recruited strong management team with deep knowledge of the market
- Moved manufacturing back to the USA
- Setup selling prices that provide our customers with excellent return on investment
- Added 14 Manufacturing Sales Representative companies with about 24 sales people in North America
- Completed our first grant application
- Produced a new professional website and marketing collateral
- Wiped off \$1.2M in liabilities (debt-to-equity swap)
- Paid off several vendors
- Lowered operating expenses significantly
- Completed relocation of HQ to NJ and receive the support of Rowan University
- Completed relocation of manufacturing to SC to a professional, Class A building
- Engaged a new legal team



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## Financial Results

Equitech's products are considered by most of our customers as 'a new technology,' and thus we treat our sales cycle like a marathon. The consistent care for our deal will take us across the finish line. This includes getting our products into the potential customers' capital budget cycle very early in one year in order to realize a sale the following year. As such, our third quarter results were soft compared to previous quarters in 2019, but aligned with expectations given the sales and marketing efforts realized in mid to late 2018. Our overall results continue to be in line with our predictions for this year. Nonetheless, we continue in our path to recovery.

We anticipated that the turnaround of the company was going to take about 18 to 24 months. We continue in our path to recovery as evidence by the already explained accomplishments, but also by the many opportunities that have come knocking at the door in the past month.

I am very thankful to all our employees and contractors. Their dedication and commitment make re-positioning Equitech in the market an achievable goal.

My best,

A handwritten signature in blue ink that reads "Jaime A. Gómez". The signature is stylized and includes a horizontal line underneath the name.

Jaime A. Gómez, PhD  
President & CEO