



374Water, Inc.

First Quarter 2025 Financial Results Conference Call

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C O R P O R A T E P A R T I C I P A N T S

Christopher Tyson, *Executive Vice President of MZ Group*

Chris Gannon, *President and Chief Executive Officer*

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C O N F E R E N C E C A L L P A R T I C I P A N T S

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P R E S E N T A T I O N

Operator

Greetings. Thank you for standing by and welcome to the 374Water First Quarter 2025 Financial Results Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

At this time, I would like to hand the call to Chris Tyson, Executive Vice President of MZ Group. Please go ahead.

Christopher Tyson

Thank you, Operator.

Before we begin the formal presentation, I would like to remind everyone that statements made on the call and webcast may include predictions, estimates, or other information that might be considered forward looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events.

Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions. You should also review our most recent Form 10-Q and 10-K for a more complete discussion of these factors and other risks, particularly under the heading, Risk Factors.

Your host today, President and Chief Executive Officer, Mr. Chris Gannon; and Chief Financial Officer, Mr. Russell Kline, will present results of operations for the first quarter ended March 31, 2025. A press release

detailing these results crossed the wire this afternoon at 4:01 PM Eastern Time and is available in the Investor Relations section of the Company's website, 374water.com.

I will now turn the call over to 374Water's President and Chief Executive Officer, Chris Gannon. Chris, the floor is yours.

Chris Gannon

Thank you, Chris.

Good afternoon, everyone, and thank you for joining us today.

374Water is an industrial technology and services company focused on transforming the waste management landscape. Our proprietary AirSCWO system offers a groundbreaking solution for the destruction of solid and liquid organic waste, both non-hazardous and hazardous, across municipal, federal, and industrial sectors.

Our technology not only eliminates waste, but also generates safe, dischargeable water, mineral byproducts, scent gas, and recoverable thermal energy. We are targeting \$450 billion waste destruction and management market that is increasingly demanding sustainable next-generation solutions. Our AirSCWO system is uniquely positioned to meet this need, offering a scalable, modular, and customizable platform that can replace or augment conventional, often inefficient waste management approaches.

We've built a flexible commercial model that includes waste destruction as a service, capital sales, and leases, allowing us to address diverse customer needs and to drive adoption across market segments. With a growing backlog and revised sales pipeline, our goal is to convert opportunities into revenue over the coming months. Based on our current trajectory, discussions with potential partners, and market demand, we believe we are on a path towards achieving \$250 million to \$500 million in annual revenue in five years. As a reminder, our mission is to help create and preserve a clean and healthy environment that sustains life.

Moving on to our operational highlights and business updates for 2025 year-to-date, I would like to discuss some of the team's accomplishments this year, building on the foundational steps we took in 2024 to position the Company for long-term success.

In Q1, we continued to ruggedize and optimize our AS system, upgrading our pre- and post-treatment systems, and further refining and expanding our destruction capabilities across solid and liquid waste. We made great progress in Orlando with the initial phase of our deployment, focused on demonstrating the effectiveness of our AirSCWO system to destroy AFFF firefighting foam, granular activated carbon, and ion exchange resin. The test results achieved north of 99.99% PFAS elimination across these waste streams, reinforcing the efficacy of our solution, further supporting our launching of waste destruction services.

Supercritical Water Oxidation technology has also gained further validation, having been named by the EPA as an emerging PFAS destruction technology. We also secured a waste destruction services contract with the University of North Carolina at Chapel Hill Collaboratory to destroy AFFF firefighting foam on behalf of the state. If we are awarded additional materials, this multi-phase contract could be worth north of \$5 million in future revenues to our Company. We also continue to advance partner negotiations with RCRA Part B Treatment, Storage, and Disposal Facility operators to establish regional waste destruction service operations across North America.

During Q2, we signed a waste destruction services term sheet with Crystal Clean, a leading provider of specialized environmental and waste management solutions to commercial and industrial end markets to conduct operations at their RCRA Part B TSD facility in Ohio.

We also shifted our focus to our 90-day biosolids destruction campaign in Orlando, which unlocks meaningful revenue. Our main focus here has been improving run duration and system reliability, particularly on components outside of the reactor. All improvements identified are being made to the AS units slated to be shipped to OC San, which is in line with our mutual agreement. While we still plan to begin mobilizing equipment to OC San in June, full system installation is likely to be delayed by a few months to complete further upgrades to the AS system and as OC San secures requisite permits.

Finally, we will be deploying an AS6 unit to Detroit, Michigan in partnership with Arcadis for a DoD demonstration. We believe these activities have actively de-risked our business and placed us on the path to achieving material waste destruction service revenue in the future.

To support our growth, we've also strengthened our leadership team and Board of Directors. We welcomed Raj Melkote as Chief Technology Officer, whose global engineering expertise will be instrumental in driving continuous product innovation and commercialization. Raj has already hit the ground running, and he is having a materially positive impact.

Steve Jones, former CEO of Covanta, has joined our Board of Directors. His strong background in leadership positions in environmental services, corporate governance, and commercial strategy are valuable assets to the Company.

Additionally, we appointed James Pawloski as an Advisor, and he has been also been appointed for election as a director at our annual meeting. Mr. Pawloski brings extensive executive experience from Veolia North America in environmental services, as well as DuPont, which will be invaluable to our Company growth.

We believe our technology has the potential to deliver scalable, commercial-grade waste destruction solutions, which would set us apart in a fragmented and outdated waste treatment industry. Our product roadmap includes four distinct AirSCWO models, each designed to address a range of customer requirements with varying needs. These include our ultra-mobile AS1, the mobile AS6, the semi-permanent AS30, and our high-capacity, customizable AS100+, which will be designed for large-scale, site-specific deployments.

Currently, we are close to completing the manufacturing of our AS1 and AS6 units to meet existing contracts and scheduled demonstrations. In parallel, we are designing our AS30 for potential production beginning this year, and we are progressing long sales cycles, high-value opportunities for our AS100+ units with municipal customers.

We believe we're at a pivotal inflection point in the commercialization of our business. We are tracking multiple near-term opportunities for AS capital sales and leases, as well as other waste destruction service opportunities in 2025. We look forward to sharing material updates on these opportunities as we advance them throughout the year.

Let me now provide a high-level overview of our current and near-term operational footprint. Today, we operate facilities in Florida and North Carolina. In the near term, we are preparing to deploy AirSCWO systems to four key locations, Orange County Sanitation District in California, Clean Earth in Detroit, Michigan, for the DIU-DoD initiative that focuses on commercial-scale PFAS destruction solutions for military and federal installations, Peterson Space Base in Colorado. Finally, we have signed a non-binding term sheet to establish our first waste destruction service operation at Crystal Clean's Ohio TSD facility.

Our waste destruction services term sheet with Crystal Clean is based on a revenue-sharing and system hosting model. When the full agreement is finalized, Crystal Clean will not only host our AirSCWO system at the RCRA Part D TSD in Oregon, Ohio, but also provide waste hauling, processing, storage, and other services. In addition, the term sheet contemplates that we will jointly and individually market waste destruction services to municipal, federal, and industrial customers. We are very excited to work with Crystal Clean in the near future.

We were also selected to participate in a highly anticipated Department of Defense initiative focused on commercial-scale PFAS solutions for military and federal installations, and we'll be mobilizing to Detroit shortly. As previously noted, we have already demonstrated the effectiveness and adaptability of our AirSCWO technology for federal agencies on the majority of the waste streams we will be processing in Detroit. We believe our system is poised to provide a permanent solution for federal agencies here.

In addition, the government has indicated the Detroit DIU demonstration should unlock the federal government and military's golden ticket, enabling them to directly contract with Arcadis and 374Water without going through lengthy competitive bid processes. As you can imagine, we are quite excited about the potential here.

Further, in March, we secured a contract with the state of North Carolina to destroy AFFF under the state's Responsible Firefighting Foam Management Act. We're proud to be supporting this important initiative through a partnership with the University of North Carolina at Chapel Hill Collaboratory, one of the most ambitious state-led PFAS destruction efforts to date. The initial phase of the program targets the treatment of 1,000 gallons of AFFF with a phased expansion plan that could scale to as much as 29,000 gallons. This effort positions 374Water as a leader in PFAS remediation and sets the stage for future large-scale environmental cleanup projects.

Let's now turn to our go-to-market strategy and commercial momentum. Our approach is intentionally diversified and focused on well-established end markets that require advanced waste destruction solutions, like our AirSCWO system. We offer customers multiple procurement options to meet varying operational and budgetary needs, including capital purchases, leases, and waste destruction services. We're seeing strong interest from municipal officials, many of whom are eager to begin waste destruction operations and are evaluating both capital purchase, lease, and waste destruction service models.

On the federal side, the U.S. government has made significant commitments to the removal and destruction of PFAS and other contaminants from military and civilian facilities. With hundreds of millions of dollars already appropriated for this effort, we believe 374Water is well-positioned to compete for and secure a meaningful share of this work.

We also continue to ramp up efforts to capture industrial waste destruction opportunities, which we see as a significant and growing revenue stream. Most recently, the U.S. EPA announced new major actions to combat PFAS contamination, underscoring the federal government's commitment to safeguard public health through preventing PFAS from entering drinking water systems and holding polluters responsible. We believe the EPA's stance on PFAS provides positive tailwinds for our AirSCWO platform. We are also advancing strategic partnership discussions with multiple other TSD to establish on-site waste destruction services operations.

In addition to our Crystal Clean Term Sheet, our internal goal is to finalize one or more additional TSD definitive agreements yet this year. Our team continues to actively pursue and expand these commercial channels, and we look forward to updating you on our progress in the quarters ahead.

We've discussed the clear and growing market demand for our AirSCWO waste destruction technology. As we look ahead, we believe we are entering a pivotal phase for scaling our technology and the business.

Again, our growth strategy is driven by a mix of capital equipment sales, leases, and waste destruction services. We intend to capture this growth through strategic partnerships, continued market development, and geographic expansion across our core municipal, federal, and industrial verticals with an initial focus on the U.S. market.

Looking to the remainder of 2025, we have line of sight to generate \$4 million to \$6 million in revenue. Based on current and anticipated future demand, we believe we are on a credible path to achieving \$250 million to \$500 million in annual revenue in five years.

With that, I'll now turn the call over to Russell Kline, our Chief Financial Officer, to walk through our financial results for the first quarter of 2025.

Russell Kline

Thank you, Chris.

For the three months ended March 31, 2025, the Company generated revenue of \$543,000 compared to \$315,000 in the prior-year quarter. The Company's business has been focused on the development and commercialization of our AirSCWO systems. Revenue is primarily attributable to equipment manufacturing services, demonstrations, and from treatability study services.

During the first quarter, we completed a full-scale demonstration for a customer, resulting in an increase in our services revenue of \$376,000, offset by a decrease in equipment manufacturing revenue of approximately \$162,000.

Total operating expenses increased 106% to \$3.9 million for the three months ended March 31, 2025, compared to \$1.9 million in the prior-year quarter. The increase was primarily due to an increase in professional fees of \$0.5 million, an increase of \$0.9 million in general and administrative expenses, and an increase in compensation and related expenses of \$0.6 million.

The increase in our professional fees are primarily non-recurring expenses related to the settlement of a legal matter and recruiting fees related to the increase in headcount. The increases in general and administrative expenses and compensation expenses stem from increased stock-based compensation, continued efforts to establish our executive team, as well as the relocation of our manufacturing facility and continued commercialization and efforts.

Net loss for the three months ended March 31, 2025, was \$3.7 million as compared with \$2.0 million in the prior year quarter.

Cash and cash equivalents as of March 31, 2025, was \$6.9 million as compared to \$10.7 million as of December 31, 2024. As of March 31, 2025, working capital was \$8.7 million compared to \$11.7 million as of March 31, 2024. Based upon our current cash position, we project to have adequate cash to support our 2025 business plans. We are reviewing capital opportunities and are in active discussions with possible strategic partners to support our business growth.

I will now hand the call back to Chris for his closing comments.

Chris Gannon

Thank you, Russell.

As we look ahead to the remainder of 2025, we are building on the solid groundwork laid in 2024 to transition 374Water into a high-growth Company generating material revenue. Our mission is clear, to provide scalable, effective waste destruction solutions to markets that urgently need them. The demand for advanced environmental technologies is accelerating, and we believe 374Water is uniquely positioned for leadership in this sector.

Our AirSCWO technology directly addresses a critical global challenge, which is the safe, scalable destruction of waste streams. We are targeting large, underserved markets, namely municipal, federal, and industrial, where traditional waste destruction solutions are no longer sufficient. Our strategy to create a national network of TSDF facilities is sound and will enable us to unlock material contracts.

Regulatory momentum, particularly around PFAS and other contaminants, is creating tailwinds that reinforce the need for our solution. Our system is scalable and customizable, enabling us to serve a wide range of customers and waste profiles. Our commercial model is flexible, with options for waste destruction services, capital sales, and leases, providing multiple revenue streams, and we believe we have a growing pipeline of real waste destruction services, capital sale, and lease opportunities to support our near and long-term revenue targets.

Taken together, we believe these pillars position us for strong, sustainable growth. We are executing against a clear roadmap, expanding our team, and strategically deploying capital. We believe 2025 will be a breakout year as we move towards growth and long-term market leadership. We continue to see the potential to drive meaningful environmental impact while disrupting industries, and we are energized by the opportunities ahead and grateful for your continued support.

With that, I'd like to thank everyone for joining us today. I will now hand the call over to the operator to begin our question-and-answer session.

Operator, please go ahead.

Operator

Thank you. To ask a question, you may press star, then one. If you're using a speakerphone, please pick up your handset before pressing the keys. To remove yourself from the queue, you may press star, then two. At this time, we will pause momentarily to assemble our roster.

Today's first question comes from Michael Matheson with Sidoti. Please go ahead.

Michael Matheson

Good afternoon, gentlemen, and congratulations on all the milestones in the quarter. The Crystal Clean deal really caught my eye. You mentioned you expect one more, perhaps, in the balance of the year. Do you have a forecast for what a typical destruction as a service deal would generate in revenue?

Chris Gannon

Hey, Michael. Thanks so much for being on the call and for the question. I'll let Russell address the economics. But yes, to just put a finer point on the TSDF side, we are in discussions with multiple different TSDF players across the United States and in advanced discussions there. The goal ultimately is to set up regional facilities to cover the entire United States. Those are the ongoing conversations. Crystal Clean, wonderful organization. They have additional RCRA TSDF facilities coming online shortly as well. Again, there's a lot of work going in that realm right now, and we're very excited about it.

But to the economics, Russell, could you address that?

Russell Kline

Thank you, Chris. Michael, thank you for the question. The revenue potential will, of course, depend on the type of material being processed and the size of the AirSCWO unit. We expect to initially start with an AirSCWO 6, and then our plans would be going forward to increase that capacity with our AirSCWO 30 unit. On the AirSCWO 30, we project that the revenue potential for that unit will be between \$12 million and \$20 million on an annual basis, depending upon the type of material being processed and the related utilization. That's what we're excited about, this opportunity to launch and continue to grow our waste destruction service business.

Michael Matheson

Thank you. That's a big number. Looking at other high leverage opportunities, when do you think the Department of Defense demo was expected to wrap up?

Chris Gannon

That's a several-month process. We'll be mobilizing there shortly, starting to mobilize in June, be on site in July. Then we will—we have a number of months to complete the demonstrations. I think what's important there is that we've already done all of those demonstrations for the military, for the federal government. This is hopefully the last step in that process to, again, secure the opportunity to bid directly on very large-scale contracts.

The other gating item for us there was having a RCRA-permitted site TSDF facility. We are solving that issue as well. Again, I think we are collectively very excited about the future there and doing more for the government, for the military.

Michael Matheson

Great. If I could just wrap up with one last question. On the aqueous foam destruction for North Carolina, when would that be expected to start and finish?

Chris Gannon

We're actually in the process of arranging to pick up the initial 1,000 gallons of that. We will be starting within the next month or so on that work.

Michael Matheson

Terrific. Thanks again, and congrats on the quarter.

Chris Gannon

Thank you.

Operator

Thank you. As a reminder, to ask a question, you may press star then one on your telephone keypad. Seeing no further questions at this time, I would now like to turn the call back over to Mr. Gannon for his closing remarks.

Chris Gannon

Great. Thanks so much, Operator.

I'd like to once again thank everyone for joining our conference call today and we look forward to continuing to update you on our go-forward progress and growth. If you have any additional questions, please reach out to MZ Group as an initial step.

That concludes our first quarter 2025 update call. Thank you, everybody. I look forward to talking to you again very shortly.

Operator

The conference is now concluded. Thank you for your participation. You may now disconnect your lines.