

Transcript of  
BioLargo, Inc.  
Q2 2023 Earnings Call  
August 16, 2023

**Participants**

Brian Loper - Investor Relations, ClearThink Capital  
Dennis Calvert - Chief Executive Officer, BioLargo, Inc.

**Presentation**

**Operator**

Greetings. Welcome to the BioLargo Second Quarter 2023 Earnings Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, Brian Loper. You may begin.

**Brian Loper - Investor Relations, ClearThink Capital**

Thank you, John. Good afternoon, everyone, and welcome to BioLargo's Q2 2023 quarterly results conference call. By now, everyone should have had access to their earnings press release, which was issued yesterday prior to market open and the 10-Q report filed with the SEC. This call is being webcast and is available for replay.

In our remarks today, we may include statements that are considered forward-looking within the meanings of securities laws, including forward-looking statements about future results of operations, business strategies and plans, our relationships with our customers, market and potential growth opportunities. In addition, management may make additional forward-looking statements in response to your questions. Forward-looking statements are based on management's current knowledge and expectations as of today, and are subject to certain risks and uncertainties and may cause the actual results to differ materially from the forward-looking statements. A detailed discussion of such risks and uncertainties are contained in our most recent Form 10-Q, 10-K and other reports filed with the SEC. The company undertakes no obligation to update any forward-looking statements.

And with that, I'll now hand the call over to BioLargo's, Chief Executive Officer, Dennis Calvert.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Hey, Brian. Thank you very much. This is Dennis Calvert. I appreciate everyone joining us today. And as usual, we got a lot to share, so we're going to plow through a lot of information quickly, and, again, it's our privilege to have the chance to talk to you today. So at BioLargo, we

make life better, sustainable, innovation focused on making a better clean air, clean water, cleaner Earth, making life better across a number of fields, as an innovator and solution provider. Our strategy is pretty basic; invent it, prove it, and partner it. And we have gotten multiple platform technologies in cycle with a couple of commercial endeavors under our belt and more coming, so we're going to highlight those today.

We've already covered the safe harbor statement by Brian, thank you very much for that, Brian. Part of our messaging is very important; you know, who are we and what are we doing? Well, we're scientists and engineers, entrepreneurs, passionate about making a difference in health and sustainability, focused on the mission of making life better. How do we do that? We focus on best-in-class -- very important best-in-class solutions, with engineering-forward technologies, heavy science, heavy engineering, focused on solutions without -- problems without good solutions. That's the emphasis of the company and we got a number that are really significant in terms of making a high impact, impact-driven company.

This is a pretty new slide. You know, we're often asked the question, how do you -- you got so much going on, how do you explain it in one shot? Well, this is an attempt. This is an attempt, you have to stay, I'm not going to go through all the words, but, really, if you think about it, the parent company is focused on finance and strategy, the engineering group supports all the operating units and innovators, the water company is primarily focused on R&D, and the engineering company does have some clients in that, while we're building support for our technologies and commercial endeavors. And now as a result of all this innovation, putting this together for commercial assault, we have four commercial operating entities: Clyra; of course, we talked about BioLargo Energy, a new subsidiary, with a new battery technology in development, not yet commercial; ONM Environmental where our odor and VOC control products are housed in commercials now well over eight years, and now breaking records; and then of course, this new enterprise called BioLargo Equipment Science and Technology, colloquially, we would say BEST, the BEST Equipment, focused with an emphasis on PFAS, but also the entire catalog of technologies and solutions focused on, primarily, the water industry. And so this is a nice way to think about the company and an innovation engine with resources to support the development commercialization and ultimately the exit, the exit, focused on either spin-out, merger and acquisition or licensure.

At the five and a half year mark, we've done 88% of what we did last year and that represents 127% period [Phonetic] over last period, so that six months ending this year, over last six months ending period we're up 127%. Notice that 88% takes us to a total of about 5.9 million and we've still got half a year to go, and we've got some exciting news about the expansion going on. We're going to talk also about the quarter-over-quarter, so give me a minute, we'll get to that in a second. Pooph is a very exciting product line. Remember, this is a product that's sold through our partnership. It's an extension of our industrial products that we've been selling for about eight years, and continuing to grow organically, made a partnership with a marketing group Ikigai Marketing, developed a brand called Pooph, we secured the supply chain agreement as the manufacturer, we licensed technology with a very discreet, specific license focused on pet odor control, and we bargain for 20% of the brand exit, eventually, when Pooph decides to exit and sell their company. Their stated mission is to ramp it up to about 100 million a year in sales and looking for an exit of 3.5x to 7x on the exit; that's their stated mission. The rollout of Walmart,

there's about 2000 stores that are currently carrying the product. That's a rough estimate, it is very difficult to keep up with the logistics as it rolls out. It did take a little longer than anticipated and, as a result, there's still about 1000 stores to still achieve the fulfillment of inventory, so can be sold on the shelves. Now the good news is there's an addition of about 12 additional retailers who come on board recently and that number is expanding. So we do believe the Pooph revenues will continue to expand significantly, and we would -- really would say dramatically, and to that point, they've informed us that they believe that by the end of the year 2023, they'll have approximately 20,000 plus -- 20,000 plus retail stores under contract to carry the line.

Now, we always hesitate just a bit, because the logistics associated with securing these agreements, sometimes can take a month sometimes can take three and, in the biggest case, we've seen it take even five to six months. So really, I think the way everyone should consider this is it's exciting because it represents a big broad distribution plan, contracts are already in place to carry much of that along the way. There will be additional retails that will come on in the next three to four months plus, but as you reach maturity at that kind of impact 20,000 plus retail outlets assuming minimums, it becomes a force to be reckoned with plus DTC, that's direct-to-consumer, Amazon and Walmart, which are already under contract. So as these are achieved over the coming months, we'd like to say four to let's call it nine, something like that, we don't know exactly, we'll see this impact translate to revenues and it represents about a 10x over current selling resources that are in place for this product. Remember, as a supply chain partner, as they grow, we grow; as they make money, we make money; it's a very good situation and they've shown some brilliance. As we said in our press release, they are a company that executes with precision, we're here to support them any way we possibly can, and we think the financial implications of this alone, as these numbers are achieved, it holds the good prospect of heading towards certainly positive cash flow, and even surpassing our overhead on a fully loaded GAAP counting non-cash basis.

The spike -- the spike from Q1 to Q2, right, so Q1 was a huge, huge performance. And to give Ikigai and Pooph credit, they properly stocked up in preparation of a national account with a big national footprint so that they'd have the inventory on hand to meet the demand and the timeframes, whatever that was for deployment, as Walmart rolled out the product. As a result of having such a high level of inventory, we saw a fall off in the purchase orders from Pooph in Q2 and now as we're entering into Q3, we're watching those numbers come back to stabilizing and beginning to increase again, and, of course, that's reflected with the additional retail accounts, but logistics catching up with the launching of these retail stores and we're going to watch that number trend backwards in a nice growth trend that we believe is reflective of their historical, which is averaging about 20% quarter-over-quarter growth on the Pooph side. And of course that represents historically, 80% something of our total revenue performance and so that's a big deal for the company; so more to come.

Of course, our cash position reflects that; Q1 was such a big quarter. ONM produced positive cash in excess of a million dollars, so that was a big deal for the company. Q2 was down, as a result, we used more cash, but we have been able to increase our net shareholder equity, which we'll talk about in just a second and so very much in line with the Pooph sales, our cash used and cash generated is mirroring that trend. And again, we're going to watch the trend, head back

north here in Q3, which we're very happy for, of course. Net stockholder equity increased to 4.12 million, as a result of the end of the second quarter. That was primarily attributable to Q1's excess revenue, of course, a big impact, and then Q2, we also brought in additional capital to support our battery technology and the medical company, which is really good, because what that does is it lessens the burden on the corporate office, if we can allow for direct investment into those opportunities, which we have because we believe they're so substantial, and the investors believe so too. So that's been a very good situation for the company as well to leverage those assets with direct investment rather than dilution at the parent to give us that diversity and capital to grow.

I'll remind everybody at that 4 million, as the company evaluates potential uplisting strategies, those are very important numbers. In addition, of course, reducing the burn rate is very, very critical. And so as most people look at the company with these trends, we've got a lot of analysts talking about Q4, Q1, heading into that positive cash flow scenario where our existing commercial success is sufficient to actually carry the company to the point where it may not need to raise much capital to sustain itself, if at all. And of course, we're careful, because we think that the current valuation is low and we want to minimize dilution. And we do believe that these commercial endeavors will raise our profile and increase awareness for the company.

So in summary, the additional final information is important, 5.188 million [Phonetic], 127% up year-over-year, for the same period, critical number, and 88% up last year's revenue in the first six months. So in six months, we've been 88% of what we did last year. Now we did see a big drop off at 61%, so that number was big and Q1 and low in Q2. I think the explanation is right in front of us, stocking up at Walmart, the delay in fulfillment really did impact us all. But that number is already turning and so we're pleased for that. I think the other critical numbers, engineering, we've talked about this before, as we're ramping up infrastructure for these developing assets, the engineering group is spending quite a bit of time supporting those. So that creates internal billings, all of which is eliminated in consolidation. So they did the work that if billed would have been approximately 550,000, but from a revenue perspective, for third-party contracts, that numbers 131,000 for the Q2. And of course, BioLargo is supporting many of our endeavors with R&D work, and of course, supporting AOS for its commercial launch. And then on the Clyra side, you'll notice an increase in the law set Clyra that's because money has come into Clyra giving it the tools to expand for sales marketing and its efforts to get the word out about its technology and products throughout their industry. So they are very aggressively now marketing around the industry.

Okay, the family of companies, I'll just reiterate that the company, as we mentioned in the session, we will go back to it real quick. As we mentioned in slide number five, here it comes, the company has a portfolio of technologies in various stages of development. We believe each one of these has a chance to be a disruptor in their space. They're all moving forward in some meaningful way and I'm happy to answer some questions about those in the Q&A. So I think for the moment we'll stop, open this up for Q&A and see if we get some more detailed information for all of you. Brian?

**Brian Loper - Investor Relations, ClearThink Capital**

Great, thank you Dennis. Excellent overview on what we have going on here. So, some general questions about BioLargo and how things are coming along. Can you talk about full time employees at BioLargo and any hiring plans?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yeah, I can verify our exact number. I want to say 32 or 33, something like that on full time employees. We have a number of people that also share some time, so consultants that also give us talent to do some very specific things that are of high value for the company. And then we have a cadre of contractors that we bring them under the engineering group when we win some of these large bids. So that's the team. Relative to hiring, I think the concept is pretty simple. We want to hire as we grow, not before. It's easy to say it's very difficult to do, but that is what we're doing. We don't want to expand our overhead until we see commercial adoption with some traction on our AEC for PFAS and our water technologies and Clyra, same thing. We just want to keep it lean and mean until we get that first market adoption that starts to propel into repetitive business and we believe that's here in front of us, and so it will put some pressure on our team, as you can imagine, in particular, the engineering group is supporting old technology, innovating new and serving clients, they've got a lot on their plate. And so I can see us really focusing on hiring additional staff in the engineering group as either these long-term contracts are secured or we see the swell of commercial activity to justify the additional staff. And again, given the relationships, we think that's doable in the short run and it needs a more strategic plan in the long run subject to capital and revenue.

**Brian Loper - Investor Relations, ClearThink Capital**

Okay, thank you very much. So everyone knows BioLargo is segmented, right, that new slide that you put in there, it's a great visual to get a sense of the different divisions, how the subsidiaries work with the mothership here. So on the topic of water, can you talk a little bit more about the AEC? Are any other projects waiting on the results of completion of that? Are there other adopters that will get their own projects underway? Have the results so far the Midwest customer achieved a non-detect status? A little bit more on the AEC?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Sure. Yeah, sure, we could just give a short update on the business in general. So, up until now, and for the next quarter or so, we're going to be transitioning from incubating the AEC asset at the parent and at the engineering level into BioLargo Equipment, so that's the idea. And on the P&L basis, that's going to take a little bit of time to make the full integration, but from a selling and positioning perspective, it happens pretty quick. And so the way to think about that is when you look at what Tonya Chandler has done a couple of very important things where she's now being asked to speak all over the country on a regular basis. I think it was about a week ago, maybe five days ago, she did a seven hour continuing education class in Las Vegas to a group of engineers for continuing education credit on PFAS for seven hours. That's a lot of PFAS for seven hours. Anyway, it's quite special that and, in addition, we'll be at WEFTEC coming up in the fall and we'll make a big presence. We'll have a whole team there, very large booth, multiple assets, demonstration units and our data. And it's really is the first time that we've been in a

position to present ourselves on a unified front as a technology and solution provider to that industry on the floor, on the deck at one of the largest trade conferences in the world, WEFTEC, Chicago coming up in, I think it's October.

Anyway, relative to the selling channel, we got about eight agreements representing now pushing 100 reps that are qualified and in process of taking our information to the marketplace. And we have a number of projects that have indicated an interest in moving forward with us and we're hoping that in the very near future, we'll have some of these head into secured contracts. It's interesting with regulatory change and the increased awareness and then with some of the settlements that are going on, on these very large class actions, multistate class actions, I think the last settlement was almost 10.2 billion for a group in the class action of water agencies suing for PFAS [Indiscernible] against one of the polluters. There's a swell of interests going on in PFAS and we're extraordinarily well positioned. Having said that, there's still this regulatory threshold that has not become mandate, which won't occur until Q1 of 2024, so that's another six to nine months away. Now, Tonya and the team are on the cutting edge of knowledge about the interface with hazmat drinking water versus wastewater versus product treatment technologies, what you do with the waste stream, we are expert in these areas. And as a result of that knowledge, we believe we're very well positioned to succeed in a dramatic way.

What we're watching on early adopters is still very much old technology. We don't see new technology being adopted, we see old carbon ion exchange systems, which we know will not achieve the specifications that are being prescribed for performance. And they have other practical limitations and costs of waste disposal. So as we watch that market, we have yet to see a competitor bring forth a technology that can compare to the value proposition that we set forth in ours. Now, I will also say that from a technical advancement perspective, our technology continues to advance and get better. We're not prepared to make a lot of disclosure about that but our performance economically and our performance relative to the significant small waste stream as compared to the alternatives is multiples of what we thought it would be in our favor -- in our favor, that's the key. So it's better than we thought it would be. And so our performance results on all these trials that we're doing continue to enhance our claims but some of that may be patentable, so we're really keeping some of that close to the vest until we can get our enhanced patent activity on record. But it's very exciting, because it also means that our economic proposition becomes even that more compelling. So remember, when we started with 1000 [Phonetic] of the waste stream, we think it's multiples of that and, again, we haven't seen competition, really knock on the door with that kind of claim.

Now, there's a lot of companies talking about innovation in the space and it's good. And there's a lot of venture capital swelling, and the government is swelling with capital. But the truth is, early adopters have moved, many of the early adopters have adopted technology that will not meet the mark and the market is as ripe as it ever was. The other thing that's interesting is when you talk about the future of this market, the future, we said at one time, some people were saying it could be a trillion dollar market, that's a lot more common now than it was even nine months ago. There's a swell of activity that's going on at PFAS because of all the litigation, all the settlement, all the public outcry and awareness and the impact of PFAS is going well beyond drinking water, well beyond. It's almost ubiquitous in the environment. So I've said before this is going to keep us busy for 20 years. No question, we're going to be busy for 20 years on this one. So while it's



frustrating that it doesn't adapt fast, and it's hard slugging to get those first adopters, we're confident that we will and that we're in a good position. And we're anxious also, as everyone knows, for the go forward on phase two of our large project, our industrial account that we announced approximately -- almost nine -- about nine months ago or maybe more where we would did phase one, we're waiting for phase two.

It has not moved forward and I'll tell you that I think the read on that -- two things that I'd comment for people to be aware. The first is that the regulatory front is still moving very much and people wait and wait and wait until someone makes them do it. That's the first thing. Second thing and again, the mandates are here, they're going into effect, the testing limits are extraordinarily low and the identification PFAS as a hazmat is uniform throughout the market. That's one. Second is with the financial times, there's a lot of people hanging on to money waiting to see what holds in the future with the Fed rate and what's going to happen on the next market dynamics, especially coming into the fall to see if we're in an inflationary period or whether they need to put capital to work in the problem that they just assumed not fix until they have to. So there's a little bit of both going on.

I think the capital markets impact is probably greater than we realize. We are witnessing across the engineering group and the water group there's a lot of customers who said yes, who've scoped and priced and bid and shook our hand and said we're in, we're in, we're in and we still have to sign contract. So that can be very frustrating but we know in the end our technology can prevail. We've got good relationships with these customers and we'll find our start and get going in a more meaningful way. So that's my update on PFAS and the water venture for now, Brian. Next?

### **Brian Loper - Investor Relations, ClearThink Capital**

Great, great. On that front, can you talk any more about sales with Garratt-Callahan?

### **Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yeah, again, long cycles, much longer than anticipated. Everybody hear it all the time, we were forecasting success last summer and here we are coming to the mid-summer and we're still waiting. The good news is that the whole series of things have been accomplished; one, as you know, we did a demonstration device in our location with customers, can't remember when, the recent history. We've also built a commercial unit that's capable of going out on a portable trailer that can now be taken to client locations and performed and demonstrate its efficacy. So that's a big deal. We also know from Garratt-Callahan that there's a renewed vigor to see this get into a commercial mode and so a number of clients are in process and we believe that again, we're really near the mark of having success moving forward with the customer. The other thing, of course, is that Garratt-Callahan because of the advancing of PFAS globally, as well as everyone's awareness, including any industry that's heard about PFAS now, they're particularly excited about representing the PFAS technology into their customer base as well. So our work with them is live, continuing, very active, and prospects again, very much like PFAS coming to the table, looking for the first successful ventures, and we're knocking on the door. So hopefully it's very, very soon.

**Brian Loper - Investor Relations, ClearThink Capital**

Great, great. So switching channels here, we have some questions about the sodium sulfur battery. So BioLargo Energy Technologies, Inc., is the subsidiary in charge of that of looking at, can you give us a bit of an update on the prototype or commercialization of what's going on there?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yeah, it's very exciting, actually. So recall that we acquired the technology, we raised just under a million dollars from direct investors into the subsidiary, sold a small portion of the company to capitalize those efforts and then we've now taken that money and dedicated to the building of a prototype production line. So that's in our building, our building complex in Oak Ridge, Tennessee adjacent to our engineering group and we're building a prototype line, a line is a series of tools and machines that make batteries. So the general contractors were hired, we are now coming in on the final stages of the construction of the facility, so that's HVAC, electricity, lights, power, ventilation, all the things necessary to support that line, and requisition of all the -- requisite equipment, a lot of equipment. All that equipment is being delivered, including supplies and materials. We'd like to be in the moment to say the line is live something like 45 to 70 days, something like that, a little grace required because we're waiting for people to deliver. But once all that is in one place, they'll go some through some preliminary tests and start to make prototypes. So I'd like to say that we'll be in the prototype delivery business, hopefully before the end of the year or thereabouts.

Again, a lot of stuff is hitting us and some of this is impacted also by the increase in contracting for engineering services and the other endeavors, but we're really focused on getting those prototypes out because once the prototypes are in our possession, we can do verification testing, to verify claims and then also begin marketing position those for adoption with client partners and, so that's where we're at.

**Brian Loper - Investor Relations, ClearThink Capital**

Okay, excellent. All right, to change channels again to Clyra, so at the annual shareholder meeting a few months ago now, Steve, the executive over Clyra was alluding to [Indiscernible], yeah, so we're wondering if we're allowed to talk about that news or what's going on there?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yeah, there's a lot going on there. You remember Clyra is the full circle -- another full circle story for the company like ONM. This is something we've been talking about since inception and we finally got the money and regulatory approval and first clients in the marketplace. So there's a couple of things going on. First is that there's an independent sales force has been assembled and they're very interested in moving forward and Steve and his team have started participating in marketing shows where they are presenting to physicians who can make yes decisions. And then there're logistical things that have to happen behind that like getting approved on formularies at surgery centers and hospitals. So there's a lot of work in the setup, before you can really go to



scale. So that's ongoing and now with a little bit of capital, we got resources to execute on that front.

Second, the strategic partners that we've identified are very interested in moving forward, we're very excited about it. The idea that the product could leap into an international, national adoption with global partners is of something that's very exciting to us and we believe the innovation deserves to be positioned at that level. So we're in deep discussions on logistics, terms, pricing rights, that you would expect with a potential program like that and we're very optimistic about its success, of course, subject to being patient, while we negotiate with some very, very large companies to get their attention and get into cues to launch product. The beauty about this one is, as we said, since inception, we believe the claims are disrupted by nature and as we now are positioned for significant commercial success, we can see how the market over the last decade has been pushed towards us, as competitive products that have market share and have achieved some financial success are now falling under great pressure, because of their potential toxicity, whether localized or systemic. And that market is shifting very rapidly, and it's shifting towards Clyra, so just let me just illustrate that for just a second.

If you're a company that has a product that's creating a market, most companies die; if you're creating a product that dislodges incumbents because of technical advance like ours, the proposition for success is exponentially higher and that's where we're at. We're not having to create the market, the market has been established, as a result of now the leaders having trouble with the basic technology of their solution and the extraordinary claims of Clyra's product, namely biofilm efficacy, sustained release, up to three day antimicrobial residual activity, no cyto and no systemic tox. With performance that matches all rivals from a performance efficacy perspective, it stands out as the number one of the market. There's a gap in that market, and we're going to fill it.

So we believe the most prudent thing for us to do is to negotiate for strategic partners that can really see that vision come real in a shorter period of time, and find the right partners that are culturally sort of the same mindset, and also will treat us in a fair way. So we think that's the vision for big success and we think it's right in front of us. So stay tuned, more information to come.

**Brian Loper - Investor Relations, ClearThink Capital**

All right. Appreciate that, Dennis. Yeah, those are all the questions for now. So appreciate you going over those.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yeah, so we want to do a closing in.

**Brian Loper - Investor Relations, ClearThink Capital**

Sure thing.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Okay, everybody, thanks for your time. We're coming in just about 35 minutes, so hopefully, we're succinct and complete. We welcome you to reach out, of course, email us at info@biolargo.com. You can reach me directly. It is a very exciting time, I think trending towards that 100% plus growth rate is something that we're striving for, for the year. And if the trend continues as represented, and with a little luck, some of these big contracts will come in, we're going to see 2023 and 2024 shape up to the best year in the history of the company. So we think it's worth the wait and worth the effort and I would appreciate everyone's for their support. Go BioLargo.

**Brian Loper - Investor Relations, ClearThink Capital**

Nice, Dennis.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Thank you.

**Operator**

Thank you. This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.