

Transcript of  
374Water, Inc.  
374Water Third Quarter 2024 Earnings Call  
November 14, 2024

**Participants**

Heather Crowell - Investor Relations, 374Water, Inc.  
Chris Gannon - President & CEO, 374Water, Inc.  
Adrienne Anderson - CFO, 374Water, Inc.

**Analysts**

Graham Price - Raymond James  
Justin Smith - Maxim Group

**Presentation**

**Operator**

Greetings, and welcome to the 374Water Third Quarter 2024 Earnings Call. At this time, all participants are in a listen-only mode. [Operator Instructions] As a reminder, the conference is being recorded.

I would now like to turn the call over to our host, Heather Crowell, Investor Relations.

**Heather Crowell - Investor Relations, 374Water, Inc.**

Hello, everyone, and welcome to 374Water's third quarter 2024 earnings call. My name is Heather Crowell, and I'm here today with our President and Chief Executive Officer, Chris Gannon; and Chief Financial Officer, Adrienne Anderson. During today's call, we may make projections and other forward-looking statements under the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995 regarding future events for the future financial performance of the company. These statements may discuss our business, economic and market outlook, growth expectations, new products and their performance, cost structure and business strategy.

Forward-looking statements are based on information currently available to us and on management's beliefs, assumptions, estimates and/or projections. Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors. We refer you to documents the company files from time to time with the SEC, specifically the company's Form 10-K and 10-Q. These documents identify important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements.

All statements made during this call are made only as of today, November 14, 2024, and the company expressly disclaims any intent or obligation to update any forward-looking statements made during this call to reflect subsequent events or circumstances, unless otherwise required by law. Note that our earnings release and transcript will be available on the Investor Relations page of our website.

At this point, I will turn the call over to our President and CEO, Chris Gannon.

**Chris Gannon - President & CEO, 374Water, Inc.**

Thank you, Heather. Good morning, everyone, and thank you for joining us today. Over the past quarter, we have continued executing on our strategic initiatives taking major strides towards the commercialization of our AirSCWO technology to capture the expansive and growing markets for destruction of organic waste, estimated to exceed 250 billion globally. Our vision remains clear and executable, namely to deliver a scalable solution for organic waste destruction across municipal, federal, industrial and TSDf sectors.

Today, we will discuss our technology and our major advancements towards commercialization, our recent deployment to Orlando, upcoming demonstrations, recent waste stream destruction successes as well as the market opportunities we are pursuing, including near-term destruction-as-a-service revenue opportunities, our go-forward capital strategy and our growth strategy. As in prior calls, I will start with a discussion of our technology.

We believe our AirSCWO system sits at the forefront of clean tech innovation, offering a vital solution to global wastewater treatment and organic waste destruction challenges. The core of our AirSCWO system is our patented supercritical water oxidation technology designed to permanently destroy and mineralize a broad spectrum of organic nonhazardous and hazardous waste streams, producing safe, dischargeable clean water, safe mineral affluent, safe vent gas and recoverable heat energy.

Importantly, AirSCWO eliminates recalcitrant, organic waste, including emerging contaminants like PFAS in the SCWO process without creating waste byproducts. Our AirSCWO technology is designed to destroy organic contaminants across municipal, federal and industrial waste streams. Traditional waste include biosolids, landfill leachate, oily sludge, home fractionate, military waste, granular activated carbon, ion exchange resin and other organic industrial waste.

While emerging contaminants include PFAS, like AFFF firefighting foam, pharmaceuticals, pesticides and plastics. In addition to our AirSCWO system, our technology incorporates certain pre- and post-treatment systems. These solutions ensure our AirSCWO system receives waste in the right form for ease of processing and destruction. Three treatment systems consist of masseraters and/or crushers, screens, mixing tanks, chemical feed and dewatering solutions; while post-treatment systems consist of clarifiers and filters.

As we encounter new forms of waste, the pre- and post-treatment processes will be adjusted and/or refined to accommodate the particulars of these waste streams. We plan to offer four commercial scale AirSCWO models and corresponding pre- and post-treatment technologies to

fully support our end customers' organic waste destruction needs. These AirSCWO models consist of our AS1, AS6, AS30 and larger capacity systems like our AS100s and larger. Our highly mobile AS1 unit is designed to process up to one metric ton per day of wet waste, and is ideal for on-site demonstrations, cleanups and small-scale destruction-as-a-service or DAAS projects.

Our mobile AS6 unit is designed to process up to six metric tons per day of wet waste, and is ideal for smaller municipal, federal and industrial sites. We plan to utilize this mobile unit for both permanent on-site destruction and mobile DAAS opportunities. Our AS30 is designed to process up to 30 metric tons of wet waste per day and is semi-permanent. We believe this unit is ideal for midsized municipal, federal and industrial sites as well as regional TSDFs and landfills.

Finally, our largest bespoke AS100 systems will be designed to process 100 or more tons of wet waste per day and will be permanent installations. We believe these systems will be well suited for the largest municipal wastewater treatment facilities like the City of Orlando and Orange County as well as large industrial facilities, which process large volumes of waste daily.

Over the past six months, we have made substantial improvements to our AirSCWO system, which has materially advanced our technology towards commercialization across multiple waste streams. Our technology effectively processes solid waste, which can be preprocessed and dispersed for treatment, including wastewater sludges and biosolids, spent granular activated carbon or GAC, ion-exchange resins and hard-to-degrade plastics and liquid waste such as firefighting foam or AFFF, industrial solvents and [indiscernible] made streams.

Recent system improvements include upgrades to our pretreatment systems, feedstock delivery to our reactor, water process controls, mixing geometry, and atmospheric monitoring, controls and automation systems, AirSCWO processing and post-treatment to name just a few of the significant improvements we have made to our system recently. These and other system upgrades contributed to our confidence in completing the commercial scale deployment to Orlando.

This deployment has allowed us to process biosolids at scale in a real-world wastewater treatment facility environment as well as begin to execute on a range of waste destruction demonstrations for clients and test additional liquid and solid waste streams at scale to prove our systems capabilities across multiple organic waste streams. Through our technology development and testing processes, we have been working along parallel pass related to sludge and liquid waste. We are now pursuing near-term revenue opportunities across both waste streams. I will discuss these revenue opportunities shortly.

In September, we announced a successful deployment, commissioning and full operability of our AirSCWO system which consists of our core AirSCWO technology and our biosolids dewatering unit at the City of Orlando's Iron Bridge Regional Water Reclamation facility, which offers us a real world stage to demonstrate our system. The Orlando deployment marks a major milestone in our technology commercialization journey and affords us the opportunity to process not only biosolids, but also other solid and liquid municipal, federal and industrial waste streams.

In fact, we are doing just that. We are executing various contracted demonstrations as well as our own internal commercial scale waste destruction projects to advance our technology to further unlock other key market verticals. I will provide further updates on our Orlando deployment and next steps there in future calls.

Turning now to our Orange County Sanitation or OC San for short. As previously disclosed, we are building an AirSCWO system for delivery to OC San in 2025. Prior to this deployment, we will complete a factory acceptance test, and upon delivery, the system will undergo a six-month operational period managed by 374Water engineers, followed by another six-month operational period managed by OC San staff. We were pleased to host the team from OC San at the Orlando facility in October to show them the system in a real-world environment and had a day of productive conversations about our strategy and ongoing partnership.

As a reminder, following the successful demonstrations, the City of Orlando and OC San have announced their intentions to upgrade to our larger AS30 system and have already secured relevant funding. Following the AS30 installations, OC San also intends to purchase multiple AS100 or larger units to manage waste for their entire plants. The City of Orlando has expressed a similar intent.

Now let's turn to materials that contain per and polyfluoroalkyl substances or PFAS for short, which are synthetic chemicals known for their persistence in the environment, which caused adverse effects in humans and animals. We have been hard at work developing our technology to effectively destroy PFAS waste streams. This work has paid off as our technology has successfully processed and destroyed a host of PFAS contaminated waste with the structural results north of 99.99% and more.

One such PFAS contaminant is Aqueous Film-Forming Foam or AFFF firefighting foam. Developed by the U.S. Navy and 3M in the 1960s, AFFF is used to suppress Class B fires involving plantable liquids like gasoline, oil and jet fuel. Since that time, AFFF has been widely used in state and local fire departments, military bases, airports, refineries and chemical plants for fire suppression.

AFFF is highly persistent, leading to long-term contamination of soil and water resources. Further, exposure to AFFF has been linked to various health issues, including cancers, immune system effects, birth defects and developmental challenges in children. Due to environmental and health concerns, several regulations have been enacted to limit or prohibit the use of AFFF. The National Defense Authorization Act for fiscal year 2020, mandated that the DoD phase out the use of PFAS containing AFFF by October 2024.

In addition, various states have implemented bans or restrictions on AFFF use. For example, California prohibited the sale or distribution of AFFF-containing PFAS starting January 1, 2022, and banned its use for training purposes. Importantly, many states across the U.S. are also evaluating similar bans and are initiating programs that move towards destruction of their stockpiles of AFFF.

We have completed numerous internal AFFF destruction tests on our lab-scale system and commercial scale AS1 and AS6 systems, which have demonstrated 99.999% plus AFFF destruction results. These tests have also informed additional technological improvements to our AirSCWO system. Based on these successes and improvements, we now feel confident in pursuing near-term AFFF destruction-as-a-service revenue opportunities within the local, state, federal and industrial markets.

We are also advancing our development efforts to address GAC, IX and fomate destruction. So far, we have experienced meaningful results and are currently focused on pretreatment process changes to deliver these waste and easily process form to our AirSCWO technology. We intend to continue to expand our testing of these waste streams in response to changing regulations to address PFAS in water and wastewater.

Granular activated carbon or GAC for short, is used by various industries for its absorption properties, including water treatment facilities, industry, pharmaceutical manufacturing, air purification systems, oil and gas and environmental remediation firms. GAC is used to absorb containments from liquids and gases. While GAC effectively removes contaminants, spent GAC can become a hazardous waste if it absorbs toxic substances. Improper disposal of spent GAC can lead to secondary environmental contamination.

Ion exchange resins or IX for short, our polymers used to remove ions from solutions, commonly employed in water softening and purification processes. Over time, these resins become saturated with contaminants are referred to as spent ion exchange resins. These resins are used in various industries, including water treatment, chemical manufacturing, and nuclear power. Spent ion resins can become hazardous substances making their disposal a potential environmental concern as improper handling can lead to the release of toxic materials into the environment.

Foam fractionation or foam frac of landfill leachate is a treatment process that concentrates pollutants such as PFAS and various organic contaminants from liquid waste into a foamate, making them easy to manage. While SCWO destroys organic pollutants, any heavy metals that may be present are not degraded. Instead, they are separated and captured in the stable non-reactive inert form, allowing for safe disposal or potential recovery and reuse.

We have achieved great success running GAC, IX, foamate and other industrial solvents and lab scale and AS1 commercial scale and have seen the destruction levels greater than 99.99%. In the coming months, we will be running full destruction trials on our AS6 and anticipate similar destruction results.

Now turning to our lab operations. Based on our internal technology development and customer needs, we moved our lab operations to a state-of-the-art Biosafety Level 1 laboratory in Worsville, North Carolina. This new facility more than triples our lab testing capacity, enabling faster throughput and ability to handle more complex materials. We utilized this facility to complete initial lab-scale waste destruction tests for our customers to showcase the effectiveness of our AirSCWO technology in the supercritical water oxidation process to destroy organic waste.

374 Water's Lab is often the first experience for customers to learn about the power of AirSCWO to destroy organic waste and provides a revenue source for the company. We also utilize our lab as an important part of our research, development, and engineering organization to develop pretreatment protocols on waste streams, identify and evaluate potential challenges with processing various waste streams through our AirSCWO system and develop a robust approach to effectively processing in those waste streams.

Now let's turn our attention to the waste treatment and destruction market. As a reminder, we estimate the global market opportunity for our AirSCWO waste destruction technology to be measured in the hundreds of billions of dollars. While the global market is truly massive, we consciously made the decision to focus on cultivating the U.S. market at this time. With this in mind, we have a robust and growing municipal, federal, industrial and TSDf backlog and pipeline of more than \$1.8 billion.

As public awareness of emerging contaminants grows, traditional technologies focused on waste removal such as land application, landfilling, incineration, deep well injection and hauling and storage, which changed the market decades ago are now increasingly viewed as insufficient as they only move the problem and liability from one median, one geography and one organization to another.

We believe our commercial scale AirSCWO system will offer a comprehensive and final solution for the most challenging organic waste streams. From a cost perspective, we believe our technology is competitive with current waste removal alternatives when considering all accretive degree of costs, including future liabilities. Further, recent legal settlements in federal remediation budgets indicate substantial financial obligations and funding associated with addressing existing and future liabilities.

Recent EPA regulations, state mandates and the bipartisan concern over emerging contaminants ensure stricter and more robust disposal practices and requirements will continue regardless of the results of the recent election. These developments are accelerating the transition, which was already well underway to emerging commercial scale destruction solutions like our AirSCWO system.

With this in mind, let's discuss the markets in which we participate. First, let's discuss the \$120 billion U.S. drinking water and municipal wastewater management market, which includes approximately 152,000 water utilities, 16,000 wastewater treatment facilities, several thousand capped and uncapped landfills and more than 52,000 state and local firefighting units. All of these areas have waste streams, which must be managed, disposed of and/or destroyed.

U.S. drinking water utilities are increasingly impacted by contaminants like PFAS, microplastics and pharmaceuticals, leading to widespread adoption of treatment methods like granular activated carbon and ion exchange to filter these substances. As these materials become saturated with PFAS, processes like supercritical water oxidation are essential for safely destroying the spent GAC and IX offering a more complete solution for PFAS disposal. We believe we are well positioned to provide a compelling solution here.

U.S. municipal wastewater treatment market is experiencing significant challenges as it relates to the management and disposal of biosolids, which are highly contaminated with PFAS, microplastics and other harmful substances. Traditional methods of biosolid disposal, including land application as fertilizer or soil supplements, landfill burial, incineration are simply not adequate.

In fact, the state of Florida's House Bill HB 1405 places stricter limits on sludge land application due to nutrient pollution, particularly near sensitive water bodies, increasing demand for alternative sludge management. Note previously, Florida used land application as one of their primary biosolids disposal methods. As a result of these recent changes, Florida municipalities now transferred this additional biosolid waste out of state, extremely long distances to dispose of them in landfills, which increases their costs dramatically. The regulatory landscape, including Florida mandates, has created a perfect storm, which landfills increasingly closing their doors as biosolids and are on the rise. Municipalities are urgently seeking solutions, and we are well positioned to deliver here.

Now let's turn to landfills. There are over 3,000 landfills across the U.S. facing leachate issues, including nearly 1,700 open landfills and over 1,300 closed landfills. Landfill leachate is a liquid that forms when water percolates through waste material in a landfill, picking up various dissolved and suspended substances. This contaminated liquid is a result of rainfall, surface runoff and decomposing waste within the landfill, which can include organic materials, chemicals, heavy metals, pathogens as well as biosolids. We are in discussions with waste management companies surrounding landfill leachate destruction demonstrations within the lab. We anticipate these early demonstrations will translate into full-scale construction of service opportunities for our company shortly.

Now let's discuss AFFF firefighting foam. Both scale, removal and disposal of PFAS-laden AFFF firefighting foam is now underway at the state and municipal government levels. 16 U.S. states currently offer AFFF buyback programs to help fire departments safely dispose of this toxic firefighting foam. These programs enable fire departments and agencies to return obsolete or unused AFFF stocks, which are then safely stored and processed for disposal.

Funding for the destruction of collected AFFF varies by state. For example, Ohio's program run by the Ohio EPA and State Fire Marshal is funded by a settlement from a PCB-related case. In contrast, North Carolina's take-back program leverages the state support and collaborates with the North Carolina Collaboratory to research and apply PFAS destruction technologies. We are now starting to bid on AFFF waste destruction opportunities using our AirSCWO destruction-as-a-service model. We believe state and municipal AFFF destruction opportunities represent near-term revenue opportunities for our company.

As of today, our municipal backlog and pipeline stands north of \$600 million. Now the \$15 billion U.S. federal waste management market, which includes 715 DoD sites, 50 DOE sites and 150 airports under the oversight of the FAA. These agencies have stockpiles of waste streams such as AFFF firefighting foam, chemicals, narcotics, biosolids and other waste, which must be treated, stored and destroyed. These agencies are actively seeking solutions to eliminate this PFAS contamination

The DoD estimates cleanup costs of over \$29 billion for PFAS contamination. Full-scale removal and disposal of PFAS contained firefighting equipment and a AFFF firefighting foam is now underway in military basis around the country. Hundreds of millions of dollars are already being allocated to eliminate AFFF from all U.S. military facilities. Federal funding for this cleanup activity is available and growing. We see a very real market opportunity here. As such, we intend to bid on AFFF destruction opportunities using our AirSCWO destruction-as-a-service model. We believe federal government atrial disruption opportunities represent a very real near-term revenue opportunity for our company, and we intend to capitalize.

We also see growing demand for destruction of PFAS contaminated media, such as granular activated carbon and ion exchange waste streams using the cleanup of soil at DoD facilities. Over time, we expect to broaden our focus to include GAC and IX waste destruction, leveraging the billions of dollars of federal funding earmarked to support destruction and cleanup efforts. Further and importantly, we anticipate continued strong bipartisan political support for PFAS remediation and destruction will remain with the DoD as they continue to spearhead federal action.

374Waters contractually engaged into 2025 with multiple DoD entities for evaluating PFAS and other organic waste stream destruction effectiveness. As of today, our federal backlog and pipeline exceeds \$900 million. Now for the \$80 billion U.S. industrial waste management market, which includes a diverse group of industries from landfills and oil and gas to health care and battery manufacturing verticals.

As a reminder, industrial facilities generate tons and tons of organic waste annually, that are either pretreated on-site and discharged to wastewater treatment plants, treated and discharged directly into our water bodies or transported offsite for expensive treatment and disposal of final residuals. Downstream handlers and disposal facilities are now beginning to reject waste material because of the increasing threat of liability and remediation costs.

We continue to experience traction across the industrial market, targeting subverticals like oil and gas, pharmaceuticals, chemicals, and battery manufacturing. We have and we will continue to provide waste destruction tests to industrial market participants to demonstrate AirSCWO's efficacy in destroying and eliminating liability associated with their persistent organic waste streams.

I will now walk through each of these markets. The oil and gas industry generates significant volumes of nonhazardous and hazardous waste, including drill cuttings, produced water and sludge, all of which require a specialized treatment. U.S. oil and gas waste treatment market is valued at roughly \$10.5 billion in 2024, and is expected to grow, driven by regulatory pressures and a focus on environmental responsibility. In addition, the oil and gas market has significant stockpiles of AFFF firefighting foam, which again represents an important near-term destruction-as-a-service revenue opportunity for our company.

The U.S. battery recycling market value north of \$500 million in 2024 is expected to grow rapidly, driven by the increased demand for electric vehicles and the need for sustainable battery

disposal methods. With a projected CAGR of 38% through 2030, this expanding market represents a significant opportunity for AirSCWO. Key industry players recognize potential to serve as a central waste management solution, providing safe and sustainable processing while helping battery recyclers meet environmental regulations. The technology application within battery recycling highlights its role in advancing sustainability within hazardous waste management.

The pharmaceutical industry is facing increasing regulatory scrutiny and environmental demands, driving the need for effective sustainable waste treatment solutions. Valued at north of \$600 million in 2024, U.S. pharmaceutical waste management market is projected to grow as the industry emphasizes responsible disposal practices. SCWO is particularly well suited for this market given its ability to break down complex and high-risk compounds effectively. Pharmaceutical manufacturers are actively seeking AirSCWO as a solution to handle diverse waste profiles with minimal environmental impact, positioning the technology as essential for the sector's compliance and sustainability goals. The chemical manufacturing sector accounts for roughly 50% of the industrial waste market, which translates into roughly 15 billion pounds of produced waste annually, and the annual industrial waste market from chemical production is valued at over \$1 billion.

Chemical waste can be in solid, liquid or sludge form generated by chemical production, manufacturing and other industrial activities. Many chemicals can be hazardous, toxic or carcinogenic substances and can be in the form of synthetic organics, organic solvents, oils, plasticizers and the like. Industrial players are increasingly turning to sustainable solutions not only due to regulatory requirements and public pressures, but because the use of recovery technologies like 374Water's AirSCWO system can save costs, streamline internal operations and eliminate potential liabilities.

We currently see no effective commercial scale final and permanent destruction solution for these industrial markets. We see a mix of capital sale and destruction-as-a-service opportunities across the industrial market landscape, which will benefit our business. As of today, our industrial backlog and pipeline exceeds \$300 million.

Finally, the U.S. treatment, storage and disposal facility or TSDF market, which includes more than 860 RCRA operating permitted sites in the U.S. We are actively engaged with global and national materials, waste handling and waste management companies to set up a national network of facilities to service customers from our three core markets: municipal, federal and industrial, and provide a turnkey destruction-as-a-service or DAAS offering, which will drive recurring revenues.

As such, we are seeking to partner with the existing TSDFs who are known to our customers, have experienced in the nonhazardous, in hazardous waste treatment spaces and finally have the appropriate local, state and federal permits. We will provide further updates as we sign these strategic and innovative partnerships that will drive recurring revenues and solve multi-stakeholder market problems. We believe the TSDF DAAS market opportunity is measured in the hundreds of millions of dollars to our company.

Now let's shift to how we sell our technology. As discussed previously, we offer three AirSCWO procurement close to our customers: capital purchase, lease and destruction-as-a-service or DAAS. Large municipalities typically desire to outright purchase the equipment within their facilities. So there may be some instances where these large municipalities opt for our DAAS model. Smaller municipalities, landfill operators and many industrial clients are drawn to our DAAS model which provides access to our waste destruction technology without significant upfront investment.

Federal government customers, including the military have also consistently articulated desire for our DAAS model, with centralized destruction facilities as well as run-type structures to facilitate on-site destruction. Finally, TSDf market participants have been focused on our DAAS model and waste destruction and revenue sharing. While we are in the early stages of making these agreements, we are increasingly bullish on these opportunities to generate meaningful revenue. We will naturally keep you informed as our procurement vehicles in our discussions of these market verticals evolve.

Now let's turn to how we fund all of these opportunities. As previously disclosed, we are actively raising capital to expand our company, and we'll be providing public disclosures on our progress here shortly. As mentioned previously, we have a backlog and pipeline of \$1.8 billion in near-term capital sale and destruction-as-a-service revenue opportunities, which require capital to execute.

In addition, we have discussed the need to expand our team to more rapidly commercialize our AirSCWO technology across several waste streams, including biosolids, AFFF firefighting foam, landfill leachate and other PFAS contaminated liquids as well as build, sell and deploy our technology across these markets. First, we plan to expand our engineering, field and manufacturing teams to fast-track technology commercialization and deployment.

We are focused on advancing engineering efforts through parallel development paths to identify and resolve potential failure modes, ensuring the technology's resilience. At the same time, the company intends to deploy field teams to conduct demonstrations across various market segments to gather critical data and validate the technology as well as begin to execute on DAAS revenue opportunities, particularly within the AFFF destruction market.

Second, we plan to make key strategic hires. We are currently meeting with accomplished Chief Technology Officer candidates with deep, proven backgrounds in technology development, commercialization and deployment, and we intend to announce our new CTO shortly. The CTO is an important hire as we scale our engineering organization to effectively execute our development, commercialization and technology deployment goals.

Third, we intend to establish a dedicated manufacturing and engineering facility that will enhance production capacity, improved quality control and support ongoing innovation as the company scales to meet growing market demands. Fourth, we are actively building two AS1 units which are hypermobile for on-site demonstrations and destructions, including near-term revenue-generating AFFF DAAS work. In addition, we are constructing multiple AS6 units, one

to deploy to Orange County Sanitation in 2025, another to potentially deploy to a TSDF partner, and one, to begin generating AFFF DAAS revenue.

Finally, we are in the process of creating an independent industry advisory board consisting of experts with critical connections and expertise across our municipal, federal, industrial and TSDF market verticals. This advisory board will support leadership and the Board of Directors to strategically and quickly explore and unlock new market opportunities, which will enable us to more rapidly scale our business.

In summary, 374Water's AirSCWO technology is tackling some of the world's most critical waste challenges with a solution that is both unmatched in its commercial efficacy and scale. We have made substantial progress on the path to commercialize our technology across both solid and liquid waste streams. We continue to build a robust backlog and pipeline of actionable opportunities which now totals more than \$1.8 billion.

In addition, we are pursuing near-term revenue opportunities across our AirSCWO capital sales, emerging destruction-as-a-service business model destruction demonstrations and our lab tests. The progress we've made over the past six months is significant, and I am confident in our ability to continue driving value for our shareholders.

Thank you for your support and interest, and we look forward to sharing more updates in the coming months.

With that, I'll hand it over to Adrienne to update you on our financials.

**Adrienne Anderson - CFO, 374Water, Inc.**

Thank you, Chris. Today, I'll discuss our financial results for the third quarter of 2024, which reflects our business evolution as we began scaling our business and enhancing our financial position. I'll touch on a few key metrics for the first three quarters of 2024.

For the nine months of 2024, the company generated revenue of \$434,000 compared to approximately \$864,000 for the nine months of 2023. As we start to reach the end of the assembly and fabrication work on our sold unit, our direct cost decline, which has resulted in a reduction of our equipment revenues of approximately \$527,000, offset by an increase in our service revenues from our treatability studies of approximately \$97,000.

Further, during the quarter, we deployed our owned AirSCWO unit to the City of Orlando for the waste destruction demonstrations previously discussed. We anticipate recognizing revenue from this deployment as we complete these demonstrations during Q4 2024.

Total operating expenses increased from \$5.2 million in the first nine months of 2023 to \$7.8 million in the first nine months of 2024, driven primarily by an increase in our general and administrative expenses of approximately \$730,000, an increase in our professional fees of approximately \$1.58 million and an increase in research and development expenses of \$581,000.

Increases in general and administrative expenses stem from the continued efforts to build out and establish our executive team as well as the relocation of our manufacturing facility and continued commercialization and growth efforts. Increase in our professional fees are primarily non-recurring expenses related to the settlement of a legal matter and the changes in our executive leadership and Board of Directors that have been previously disclosed. The increase in our research and development expenses is primarily due to an increase in engineering expenses and our continued efforts to commercialize our systems.

As of September 30, 2024, we have a working capital of \$4.5 million and no outstanding debt obligations.

With that, I will turn the call back over to Chris.

**Chris Gannon - President & CEO, 374Water, Inc.**

Thank you, Adrienne. We would now like to move to Q&A.

**Operator**

Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions]. Your first question for today is from Graham Price with Raymond James.

**Q:** Hi, thanks for taking the question. For my first one, I just wanted to ask one on the regulatory landscape, given the election. So if the Trump administration curtails the EPA's ability to regulate PFAS. Just wondering how you would think about that? Would that create a scenario of kind of state-by-state hodgepodge for PFAS rules? Or how would you see that playing out?

**Chris Gannon - President & CEO, 374Water, Inc.**

Well, Graham, I appreciate the question. When I think about that, I really feel like the train has left the station. There are so many different lawsuits and other things going on, big awards and so forth geared towards dealing with this issue. It's in the news, gosh, every day now as well about the issue. So while that may occur, they may delay or push out the full implementation. I don't think that's going to have a material impact on the opportunity set that we have in front of us.

**Q:** Got it. Thank you for that. Maybe for my follow-up, kind of along the same lines? Any changes do you see in your work with the DoD under new leadership?

**Chris Gannon - President & CEO, 374Water, Inc.**

No, not at this time. We're in obviously constant contact with them. We have a host of different federal government demonstrations, and we're not hearing anything from them about worry that those are going to get delayed. When you think about the military branches and all of the various facilities that are highly contaminated, the military is very focused on cleaning up where they live. And so again, I don't see that materially changing for us or other participants in the industry.

**Q:** Got it. Understood. Thank you very much. I'll jump back in the queue.

**Chris Gannon - President & CEO, 374Water, Inc.**

Thank you so much.

**Operator**

Your next question for today is from Justin Smith with Maxim Group.

**Q:** Hi, good afternoon. Yes, so my question was just if you guys could please give a little more detail on maybe the logistics and the operations at the Orlando facility kind of what type of testing are you guys doing exactly? Is it the percentage of PFAS that the AirSCWO systems can remove? And then are those customer demonstrations currently going on right now at the facility? And if so, maybe what are some of the most important metrics that the customers are looking at during these demonstrations? Thank you.

**Chris Gannon - President & CEO, 374Water, Inc.**

Justin, thanks for the question, and thanks for being on the call here today. So in terms of the City of Orlando, we are fully up and running there. We have conducted some demonstrations for customers on site there. But right now, we are focused on processing biosolids to meet that agreement with the City of Orlando as well.

As far as what people are looking at, they're looking at a lot of different items as they evaluate the efficacy of our technology. One is that it's a continuous flow system that its operating very stably, and it is processing waste as we promised. The other is they are looking at not only what that waste stream is as it goes into our system, but what's coming out, and they are taking samples, extensive samples throughout the processing period to send off to labs they're choosing to, again, be very focused on the destruction of the various waste streams.

Certainly, everyone is looking at PFAS within those waste streams and evaluating the efficacy of our destruction of long and short chain PFAS. As a reminder, when you destroy long chain PFAS, it often turns to short chain PFAS, and the short chain PFAS is incredibly difficult to destroy. Our system is able to be tuned to, and have the resonance time or the length that that waste stream is within our reactor. And we have seen incredible results in terms of the complete destruction of PFAS at a very, very, very high percentage.

**Q:** All right. Great. That was all very helpful. Appreciate it. And then just for a quick follow-up. Regarding the unit for Orange County sanitation, how long is that factor expected to take before that unit can be shipped?

**Chris Gannon - President & CEO, 374Water, Inc.**

Yes. So that's basically a day test and then based on those results. And we will, of course, have to perform that test down in Orlando, which is where we're building the unit, and then we would ship it out.

**Q:** Okay. Great. Thank you. I'll hop back in the queue. Appreciate it.

**Chris Gannon - President & CEO, 374Water, Inc.**

Thanks so much, Justin.

**Operator**

We have reached the end of the question-and-answer session, and I will now turn the call over to Chris for closing remarks.

**Chris Gannon - President & CEO, 374Water, Inc.**

Well, thank you everyone for joining us today, and we look forward to talking more in the near future. Also, please look for updates as we have additional press releases and different papers coming out as well over the near term. Very exciting time for our business, a lot going on, and we, again, look forward to engaging with you in the future. Bye for now.

**Operator**

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