

April 3, 2017



# **MagneGas Reports 50% Increase in Revenue for the Fourth Quarter of 2016**

## **MagneGas2® Fuel Driving Revenue Growth**

## **Gross Margins Improved 441 Basis Points**

## **Call to be Held on Monday, April 3rd at 4:00 P.M. Eastern Time**

TAMPA, Florida, April 3, 2017 /PRNewswire/ --**MagneGas Corporation ("MagneGas" or the "Company") (NASDAQ: MNGA)**, a leading clean technology company in the renewable resources and environmental solutions industries, today announced financial results and provided a business update for the full year ending December 31, 2016.

### **Financial Highlights**

- Revenue for the year ended December 31, 2016 increased 46% to \$3.5 million compared to \$2.4 million for the same period last year;
- Revenue for the three months ended December 31, 2016 increased 50% to \$2.5 million compared to \$1.8 million for the same period last year;
- Gross margins for the year ended December 31, 2016 increased 384 basis points to 43% from 39% for the year ending December 31, 2015;
- Gross margins for the three months ended December 31, 2016 increased 441 basis points to 46% from 41% for the same period last year.

### **Recent Business Highlights**

- Gasification system installed and commissioned at Louisiana industrial gas company to supply gulf states;
- Business development in Europe gaining traction in multiple markets including signing definitive agreement for \$2.65 million equipment sale to German company;
- Fortune 100 auto manufacturing company converted its second factory from acetylene to MagneGas2® for metal cutting;
- Two divisions of the New York Department of Transportation selected MagneGas2® for metal cutting and repairs;
- Expanded product offering in Florida to include beverage CO2;
- MagneGas significantly reduces production cost of MagneGas2®;
- Management initiated aggressive cost reduction program.

Ermanno Santilli, Chief Executive Officer of MagneGas, stated, "We are pleased to report a 50% increase in revenue and 441 basis point increase in gross margin for the fourth quarter of 2016 versus the same period last year. We have benefitted from our

MagneGas2® product line, which enables us to drive enhanced value for our clients in a price competitive and commoditized landscape. Our business model to leverage MagneGas 2® has continued to mature, as the premier wedge product in the industry. This has been a critical driver of revenue growth and has allowed the Company to continue to rapidly gain market share. As a result, MagneGas has experienced impressive growth versus the overall welding supply and gas industry market growth rate of just 2-3% annually. We expect sales will continue to increase as we expand into additional locations and add new partnerships."

"We have also been focused on reducing costs and streamlining operations heading into 2017. First, we identified a more cost-effective feedstock, which will enhance our gross margins. At the same time, we have consolidated vendors, reduced headcount and refocused resources on sales and marketing. We believe these initiatives will help drive sales and enhance profitability going forward."

"On the commercial front, the marketing program we implemented with our distribution partner in 2016, AWISCO Corporation, attracted new customers including the NYC Department of Transportation, which selected MagneGas2® for metal cutting and repairs, as well as the New York Iron Workers Joint Apprentice Training Facility, which added MagneGas2® to its training program for new iron workers. Moreover, in January of this year, MagneGas2® was selected as a metal cutting fuel for the Long Island railroad Brooklyn accident repairs in New York."

"At the same time, we are gaining greater market penetration in the state of Florida, with the reasonable goal of expanding to a majority of the metropolitan markets in the state of Florida by the end of 2018. We recently announced plans to expand into the Tampa, Florida market with direct sales of industrial gases, welding supplies, and MagneGas2® due to strong demand in the area. We believe adding new locations will enable us to drive high margin revenue growth in these and other key markets in the coming months."

"We also expanded our product offering to include the commercial sale of Carbon Dioxide (CO<sub>2</sub>) as a complimentary product to our industrial gas line of products. We initially tested this strategy with success in Sarasota and Ft Myers, and are now planning to roll this out into other retail locations in the state of Florida in the coming months. We plan to initially sell CO<sub>2</sub> in the restaurant, travel and leisure markets where there is a large amount of CO<sub>2</sub> use in carbonated beverages."

"We are gaining a strong foothold in the U.S. automotive market as well. Earlier this year, we announced the direct sales of industrial gases, welding supplies, and MagneGas2® to a Fortune 100 U.S. automaker. That relationship has since expanded to include a second facility in October 2016. The facilities we are currently servicing produce light trucks and automobiles, and are using MagneGas2® as the exclusive fuel for metal cutting due to its faster cutting speed and hotter flame temperature compared to existing cutting fuels. Given our recent success in the Midwest and automotive markets, we hired an experienced industrial gas sales executive to support this key client, while further expanding our market presence in these markets."

"Earlier this month, we announced that we successfully installed a 100kw Plasma-Arc Gasification system at Green Arc Supply, LLC in Louisiana. As previously announced,

Green Arc Supply of Louisiana, purchased a Gasifier to manufacture and distribute MagneGas2® exclusively in certain regions of Louisiana and Texas. Pursuant to the terms of the Gasifier Purchase Agreement, MagneGas received a total of \$775,000 for the purchase of the system in addition to recurring royalty payments. We are excited to have our first operating system at a customer location, and plan to replicate this model which includes upfront payments plus long-term, high margin royalties."

"In January 2017, we signed a definitive agreement for a \$2.65 million equipment sale of our proprietary gasification and sterilization system, MagneGas2® fuel and cylinders to a company based in Germany. This transaction represents the largest sale in our company's history and MagneGas Corporation's first equipment sale in Europe. Moreover, the German company has indicated their interest to purchase additional systems for multiple markets. These first two systems are expected be used for demonstrations and service contracts with the goal of entering the agriculture, municipal wastewater treatment and industrial gas markets in Germany. We believe this transaction positions MagneGas Corporation for expansion across Europe and globally."

### **Full Year 2016 Financial Results**

Revenues for the year ended December 31, 2016 were \$3,552,245 as compared to \$2,430,647 for the same period last year. For the years ended December 31, 2016 and 2015, we generated revenues from our industrial gas segment of \$2,777,245 compared to \$2,383,981 last year. The Company also experienced close to 20% revenue growth versus the same period last year for MagneGas fuel sales. This increase was primarily due to additional customers and distributors acquired through ESSI and the results of marketing our Company.

Gross margins increased to 43% from 39% for the full year ending December 31, 2016 versus December 31, 2015. This improvement was in part due to increased sales of our higher-margin offerings, including MagenGas2® and our proprietary equipment sales as well as controlling the cost of materials. In addition, the gross profit from the Green Arc sales was higher than anticipated due to lower component costs and installation expenses.

Operating expenses increased approximately \$3.6 million for the full year ending December 31, 2016 to \$13.7 million from \$10.1 million for the same period last year. The increase in our operating expense in 2016 was primarily attributable to the completion of our new headquarters and increased consulting expenses related to research and development, investor relations, public relations and new business development.

### **Conference Call**

MagneGas' executive management team will host a conference call today, Monday, April 3<sup>rd</sup> at 4:00 p.m. Eastern Time to discuss the company's financial results for the full year ending December 31, 2016, as well as the Company's corporate progress and other meaningful developments.

Interested parties can access the conference call by dialing 877-407-8031 for U.S. callers or +1-201-689-8031 for international callers.

A teleconference replay of the conference call will be available approximately one hour following the call, through midnight April 30, 2017, and can be accessed by dialing 877-481-4010 for U.S. callers or +1-919-882-2331 for international callers and entering conference ID: 10301.

## **About MagneGas Corporation**

MagneGas® Corporation (MNGA) owns a patented process that converts various renewables and liquid wastes into MagneGas fuels. These fuels can be used as an alternative to natural gas or for metal cutting. The Company's testing has shown that its metal cutting fuel "MagneGas2®" is faster, cleaner and more productive than other alternatives on the market. It is also cost effective and safe to use with little changeover costs. The Company currently sells MagneGas2® into the metal working market as a replacement to acetylene.

The Company also sells equipment for the sterilization of bio-contaminated liquid waste for various industrial and agricultural markets. In addition, the Company is developing a variety of ancillary uses for MagneGas® fuels utilizing its high flame temperature for co-combustion of hydrocarbon fuels and other advanced applications. For more information on MagneGas®, please visit the Company's website at <http://www.MagneGas.com>.

The Company distributes MagneGas2® through Independent Distributors in the U.S and through its wholly owned distributor, ESSI (Equipment Sales and Services, Inc). ESSI has four locations in Florida and distributes MagneGas2®, industrial gases and welding supplies. For more information on ESSI, please visit the company's website at <http://www.weldingsupplytampa.com>.

The MagneGas IR App is now available for free in Apple's App Store for the iPhone or iPad <http://bit.ly/AfLYww> and at Google Play <http://bit.ly/Km2iyk> for Android mobile devices.

## **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements as defined within Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events, including our ability to raise capital, or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could, and likely will, materially affect actual results, levels of activity, performance or achievements. Any forward-looking statement reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new

information becomes available in the future.

For a discussion of these risks and uncertainties, please see our filings with the Securities and Exchange Commission. Our public filings with the SEC are available from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

(tables follow)

**MagneGas Corporation**  
**Condensed Consolidated Balance Sheets**

	December 31,	
	2016	2015
<b>Assets</b>		
Current Assets		
Cash	\$ 1,616,410	\$ 5,319,869
Accounts receivable, net of allowance for doubtful accounts of \$145,931 and \$109,568, respectively	442,555	373,006
Inventory, net	1,615,933	2,362,014
Prepaid and other current assets	<u>226,305</u>	<u>320,431</u>
Total Current Assets	3,901,203	8,375,320
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,474,944 and \$1,467,123, respectively	6,402,931	6,004,990
Intangible assets, net of accumulated amortization of \$401,277 and \$345,382, respectively	437,121	493,016
Investment in joint ventures, net	--	754,601
Security deposits	26,636	24,113
Goodwill	<u>2,108,781</u>	<u>2,108,781</u>
Total Assets	<u>\$ 12,876,672</u>	<u>\$ 17,760,821</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 416,247	\$ 425,294
Accrued expenses	276,612	504,855
Deferred revenue and customer deposits	25,000	412,500
Capital lease, current	9,328	7,891
Derivative liabilities	<u>7,700,585</u>	<u>1,241,841</u>
Total Current Liabilities	8,427,772	2,592,381
Note payable	520,000	520,000
Capital lease, net of current	25,317	32,177
Senior convertible debenture, net of debt discount of \$811,000	<u>75,000</u>	<u>-</u>
Total Liabilities	9,048,089	3,144,558

Commitments and Contingencies

Stockholders' Equity		
Preferred stock: \$0.001 par; 10,000,000 authorized; 1,000,000 issued and outstanding	1,000	1,000
Common stock: \$0.001 par; 90,000,000 authorized; 58,040,267 and 45,599,534 issued and outstanding, respectively	58,040	45,599
Additional paid-in capital	57,328,005	50,658,216
Accumulated deficit	<u>(53,558,480)</u>	<u>(36,088,552)</u>
Total Stockholders' Equity	<u>3,828,565</u>	<u>14,616,263</u>
 Total Liabilities and Stockholders' Equity	 <u>\$ 12,876,672</u>	 <u>\$ 17,760,821</u>

**MagneGas Corporation**  
**Condensed Consolidated Statements of Operations**

	For the Years Ended December 31,	
	2016	2015
Revenues:	\$ 3,552,245	\$ 2,430,647
Cost of Revenues	<u>2,018,453</u>	<u>1,474,361</u>
Gross Profit	<u>1,533,792</u>	<u>956,286</u>
Operating Expenses:		
Selling, general and administration	10,478,676	8,697,149
Research and development	678,546	342,350
Impairment of joint ventures	806,716	-
Loss on sale and disposal of property and equipment	1,049,305	483,630
Depreciation and amortization	<u>650,887</u>	<u>558,131</u>
Total Operating Expenses	<u>13,664,130</u>	<u>10,081,260</u>
Operating Loss	<u>(12,130,338)</u>	<u>(9,124,974)</u>
Other Income and (Expense):		
Interest	(51,687)	(28,777)
Loss on modification of warrants	(2,897,291)	
Excess fair value of warrants issued over related debt	(2,622,080)	-
Non-cash Interest, amortization of debt discount	(189,000)	-
Other income	49,842	12,253
Change in fair value of derivative liability	<u>370,626</u>	<u>(729,666)</u>
Total Other Expense	<u>(5,339,590)</u>	<u>(746,190)</u>
Net Loss	<u>\$ (17,469,928)</u>	<u>\$ (9,871,164)</u>
Net Loss per share:		
Basic and diluted	<u>\$ (0.35)</u>	<u>\$ (0.25)</u>

Weighted average common shares:

Basic and diluted

49,687,704

39,947,837

**Investor Contacts:**

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To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/magnegas-reports-50-increase-in-revenue-for-the-fourth-quarter-of-2016-300433205.html>

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