

# Midwest Energy Emissions Corp. Reports Fourth Quarter and Year-End 2019 Financial Results

CORSICANA, TX, May 20, 2020 (GLOBE NEWSWIRE) -- Midwest Energy Emissions Corp. (OTCQB: MEEC) ("ME<sub>2</sub>C" or the "Company"), a leader in mercury emissions control in North America, today announced financial results for the fourth quarter and full year ended December 31, 2019.

## Fourth Quarter 2019 and Recent Company Highlights

- In October 2019, we completed our private placement offering of 12.0% unsecured convertible promissory notes and warrants which raised \$2.6 million between June and October 2019.
- In October 2019, we entered into a license and development agreement with an unaffiliated entity in Alabama to work together to develop a plan to commercialize and market a certain technology owned by such other entity related to the removal of mercury from air and water emissions generated by coal burning power plants.
- During December 2019, we relocated our corporate headquarters from Ohio to Corsicana, Texas. This has allowed us to consolidate our financial, bookkeeping and accounting activities with our manufacturing and distribution operations at one location.
- Support of our patent catalogue and IP remains a key focus. As previously reported, we announced in July 2019 that we had commenced patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to our two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) process for mercury removal from coal-fired power plants. The lawsuit is in the early stages but is proceeding in the normal course.
- In February 2020, we closed on a one-year secured loan with a bank in the principal amount of \$200,000; and, in April 2020, we received loan proceeds in the amount of \$299,300 pursuant to the Paycheck Protection Program under the CARES Act which was enacted in March 2020 as a result of the COVID-19 pandemic.

## Fourth Quarter and Full Year 2019 Financial Results

Total revenues in the fourth quarter of 2019 were \$2.5 million compared to \$3.5 million in the same year-ago quarter of 2018, while total revenues for the year ended December 31, 2019, were \$11.4 million compared to the revenue of \$12.3 million in 2018. The decrease from the prior year is primarily due to decreased generation in the coal fired power sector principally due to renewables and low natural gas prices.

*Costs of sales* were \$8.3 million and \$9.1 million for the years ended December 31, 2019 and 2018, respectively. The year to year decrease in costs of sales is primarily attributable to decreased sales.

*Selling, general and administrative expenses* were \$6.4 million and \$5.9 million for the years ended December 31, 2019 and 2018, respectively. The increase is primarily attributed to an increase in stock-based compensation of \$1.8 million in 2019 compared to \$491,000 in 2018. This increase was offset by decreases in salaries and other compensation which totaled \$1.9 million in 2019 compared to \$2.4 million in 2018.

*Total costs and expenses* were \$17.5 million and \$17.1 million during the years ended December 31, 2019 and 2018, respectively. This change was primarily due to such increase in selling, general and administrative expenses offset by the decrease in costs of sales.

For the years ended December 31, 2019 and 2018 we had a net loss of \$6.1 million and \$4.8 million, respectively. The change in net loss for the year ended December 31, 2019 is primarily due to the decrease in revenue and an increase in selling, general and administrative expenses. This was offset by a decrease in costs of sales.

Adjusted EBITDA totaled \$(950,000) for 2019 compared to \$(1.5) million for 2018.

On December 31, 2019, we had cash and cash equivalents of \$1.5 million compared to \$585,000 on December 31, 2018.

On April 13, 2020, we concluded that a gain on debt restructuring recognized during the first quarter of 2019 should have been accounted for as a capital transaction. The effect of restatement, which resulted in a reduction in net gain and no effect on ending equity, on the specific items presented in the Company's historical unaudited interim condensed consolidated financial statements previously included in the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019 have been restated within the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. The adjustments, which are non-cash in nature, have no impact on previously reported cash, working capital, total assets, total liabilities and revenues.

## **Management Commentary**

"We continue to remain optimistic and believe our Company is in stable position with ongoing business and with our efforts to protect our patented technologies which resulted in the commencement of litigation in July 2019 against various parties for infringement of certain of our patents. While the worldwide COVID-19 pandemic certainly raises concerns and has impacted businesses throughout the world, we feel positive about our financial standing and look forward to a strong remainder of 2020," stated Richard MacPherson, President and CEO of ME<sub>2</sub>C.

## **Company Conference Call and Webcast**

In light of the patent litigation commenced by the Company and due to the sensitive nature of any legal proceeding in its early stages, the Company has decided not to host an earnings call or webcast for its fourth quarter and year end 2019 results.

## **About Midwest Energy Emissions Corp. (ME<sub>2</sub>C<sup>®</sup>)**

Midwest Energy Emissions Corp. (OTCQB: MEEC) delivers patented and proprietary

solutions to the global coal-power industry to remove mercury from power plant emissions, providing performance guarantees, and leading-edge emissions services. ME<sub>2</sub>C has developed patented technology and proprietary products that have been shown to achieve mercury removal at a significantly lower cost and with less operational impact than currently used methods, while maintaining and/or increasing unit output and preserving the marketability of fly-ash for beneficial use. For more information, please visit [www.midwestemissions.com](http://www.midwestemissions.com).

### **Use of Non-GAAP Financial Measures**

To provide investors with additional information regarding our financial results, this press release includes references to Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock-based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance. Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

### **Safe Harbor Statement**

With the exception of historical information contained in this press release, content herein may contain "forward-looking statements" that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified by using words such as "anticipate," "believe," "plan," "expect," "intend," "will," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Investors are cautioned that forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the statements made. Matters that may cause actual results to differ materially from those in the forward-looking statements include, among other factors, the gain or loss of a major customer, change in environmental regulations, disruption in supply of materials, capacity factor fluctuations of power plant operations and power demands, a significant change in general economic conditions in any of the regions where our customer utilities might experience significant changes in electric demand, a significant disruption in the supply of coal to our customer units, the loss of key management personnel, availability of capital and any major litigation regarding the Company. In addition, this release contains time-sensitive information that reflects management's best analysis only as of the date of this release. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to

reflect future events, information or circumstances that arise after the date of this release. Further information concerning issues that could materially affect financial performance related to forward-looking statements contained in this release can be found in the Company's periodic filings with the Securities and Exchange Commission.

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,499,287	\$ 584,877
Accounts receivable	1,222,874	1,642,126
Inventory	513,498	509,416
Prepaid expenses and other assets	316,199	136,628
Customer acquisition costs, net	-	34,467
<b>Total current assets</b>	<b>3,551,858</b>	<b>2,907,514</b>
Property and equipment, net	2,082,343	2,397,691
Right of use asset	1,106,575	-
Intellectual property	2,532,462	2,733,662
<b>Total assets</b>	<b>\$ 9,273,238</b>	<b>\$ 8,038,867</b>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,676,757	\$ 1,858,326
Current portion of equipment notes payable	53,304	63,424
Current portion of operating lease liability	383,307	-
Current portion of convertible notes payable, net of discount and issuance costs	990,000	-
Accrued interest	226,065	96,902
Customer credits	167,000	167,000
Deferred compensation	357,095	555,877
<b>Total current liabilities</b>	<b>3,853,528</b>	<b>2,741,529</b>
Equipment notes payable, less current portion	22,386	104,226
Operating lease liability	807,409	-
Convertible notes payable, net of discount and issuance costs	2,951,137	1,760,570
Profit share liability	2,328,845	-
Secured note payable	271,686	271,686
Unsecured note payable, net of discount and issuance costs	7,911,898	11,781,952
<b>Total liabilities</b>	<b>18,146,889</b>	<b>16,659,963</b>

**COMMITMENTS AND CONTINGENCIES (Note 11)**

**Stockholders' deficit**

Preferred stock, \$0.001 par value: 2,000,000 shares authorized,  
no shares issued

- -

Common stock; \$0.001 par value; 150,000,000 shares authorized; 76,747,750 and 76,246,113 shares issued and outstanding as of December 31, 2019 and 2018, respectively	76,748	76,246
Additional paid-in capital	48,708,085	42,785,990
Accumulated deficit	<u>(57,658,484 )</u>	<u>(51,483,332 )</u>
<b>Total stockholders' deficit</b>	<u>(8,873,651 )</u>	<u>(8,621,096 )</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 9,273,238</u>	<u>\$ 8,038,867</u>

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>For the Year Ended December 31, 2019</u>	<u>For the Year Ended December 31, 2018</u>
<b>Revenues</b>	\$ 11,417,027	\$ 12,295,862
<b>Costs and expenses:</b>		
Cost of sales	8,335,436	9,147,745
Selling, general and administrative expenses	6,428,580	5,894,511
Interest expense & letter of credit fees	2,391,395	2,004,097
Loss on debt restructuring	-	44,036
Loss on change in fair value of profit share liability	374,462	-
Gain on sale of equipment	<u>(29,560 )</u>	<u>-</u>
<b>Total costs and expenses</b>	<u>17,500,313</u>	<u>17,090,389</u>
<b>Net loss before provision for income taxes</b>	(6,083,286 )	(4,794,527 )
<b>Provision for income taxes</b>	<u>(14,000 )</u>	<u>(22,153 )</u>
<b>Net loss</b>	<u>\$ (6,097,286 )</u>	<u>\$ (4,816,680 )</u>
<b>Net loss per common share-basic and diluted:</b>	\$ (0.08 )	\$ (0.06 )
<b>Weighted average common shares outstanding</b>	<b>76,534,957</b>	<b>76,137,894</b>

We prepare and publicly release yearly audited financial statements prepared in accordance with GAAP. The following table shows our reconciliation of Net Income to Adjusted EBITDA for the full years ended December 31, 2019 and 2018, respectively:

	<u>Year Ended</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>
	(In thousands)	
Net loss	\$ (6,097 )	\$ (4,817 )

Non-GAAP adjustments:

Depreciation and amortization	929	796
Interest and letter of credit fees	2,391	2,004
Income taxes	14	22
Stock based compensation	1,810	491
	<hr/>	<hr/>
Adjusted EBITDA	<u>\$ (953 )</u>	<u>\$ (1,504 )</u>

**Company Contact:**

Richard MacPherson  
Chief Executive Officer  
Midwest Energy Emissions Corp.  
Main: 614-505-6115  
[macpherson@midwestemissions.com](mailto:macpherson@midwestemissions.com)

**Investor Relations Contact:**

Stacey Hyatt  
Corporate Communications  
Midwest Energy Emissions Corp.  
Main: 614-505-6115  
Direct: 404-226-4217  
[shyatt@midwestemissions.com](mailto:shyatt@midwestemissions.com)



Source: Midwest Energy Emissions Corp.