

Midwest Energy Emissions Corp. Reports Second Quarter 2019 Financial Results

LEWIS CENTER, OH, Aug. 14, 2019 (GLOBE NEWSWIRE) -- Midwest Energy Emissions Corp. (OTCQB: MEEC) ("ME₂C" or the "Company"), a leader in mercury emissions control in North America, today announced financial results for the second quarter ended June 30, 2019.

Second Quarter and Recent Company Highlights

- In July 2019, the Company announced that it had initiated patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to the Company's two-part Sorbent Enhancement Additive (SEA[®]) process for mercury removal from coal-fired power plants.
- During Q2 2019, the Company raised \$1.3 million in a private placement offering of unsecured convertible promissory notes.
- During Q2 2019, the Company announced a multi-year renewal with a long-term customer expected to generate approximately \$3.0 million annually in product sales. In July 2019, the Company announced a two-year contract extension with another long-term customer expected to generate approximately \$1.0 million annually in product sales.
- Revenues increased 2.4% in Q2 2019 compared to Q2 2018, primarily due to the increase in customers.
- Restructured debt completed in Q1 2019 enables the Company to have a solid financial footing going forward. The restructured debt does not mature until August 2022.

Management Commentary

"At the end of the first quarter of 2019, we announced that we were operating across the board in a new manner which included customer growth and new business development, supported by a restructuring of our debt," stated Richard MacPherson, President, and CEO of ME₂C. "This has continued into the second quarter with a supply contract renewal for a long-term customer and the extension of a contract with another long-term customer."

"In addition, in July 2019, we initiated patent litigation against multiple defendants which action has been taken in order to protect our patented technologies," stated Mr. MacPherson.

Mr. MacPherson continued, "We remain focused on driving increased organic growth with current customers and new business opportunities while protecting our intellectual properties which we believe will collectively enhance shareholder value. We look forward to further growth this year as we continue to implement our strategies."

Second Quarter 2019 Financial Results

Total revenue in the second quarter of 2019 was \$2.51 million compared to \$2.45 million in the year-ago quarter. The increase from the prior-year period is primarily due to the increase in customer EGUs (electric generating units), despite lower capacity factors achieved by most of our clients during the second quarter.

Costs and expenses were \$5.3 million during the three months ended June 30, 2019 compared to \$4.2 million in the same prior year quarter. Such increase is primarily attributable to a non-cash charge of \$1.8 million for stock-based compensation, partially offset by decreases in employee compensation expenses as the Company effectively managed its costs in alignment with its growth strategies for 2019.

Net loss in the second quarter of 2019 was \$2.8 million, or \$(0.04) per diluted share, compared to a net loss of \$1.7 million, or \$(0.02) per diluted share, in the second quarter of 2018. This change was primarily due to the non-cash charge for stock-based compensation described above.

The Company's cash balance on June 30, 2019, was \$1.3 million, an increase from the balance as of December 31, 2018, of \$0.6 million.

Adjusted EBITDA in the second quarter of 2019 improved \$840,000 over the prior 2018 comparable period. Adjusted EBITDA was negative \$68,000 in the second quarter of 2019 as compared to negative \$908,000 in the same period of 2018.

Company Conference Call and Webcast

The Company is planning to host a conference call in September 2019 to provide a detailed corporate update including current developments that are underway and a discussion of the Company's financial results for the second quarter of 2019. The date and time of the call will be announced in September.

About Midwest Energy Emissions Corp. (ME₂C[®])

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. ME₂C 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.

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
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND DECEMBER 31, 2018
(UNAUDITED)

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets		
Cash	\$ 1,320,874	\$ 584,877
Accounts receivable	1,240,154	1,642,126
Inventory	571,552	509,416

Prepaid expenses and other assets	143,957	136,628
Customer acquisition costs, net	-	34,467
Total current assets	<u>3,276,537</u>	<u>2,907,514</u>
Property and equipment, net	2,234,656	2,397,691
Right of use asset	1,295,995	-
Intellectual property, net	2,633,062	2,733,662
Total assets	<u>\$ 9,440,250</u>	<u>\$ 8,038,867</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities

Accounts payable and accrued expenses	\$ 1,890,080	\$ 1,858,326
Current portion of equipment notes payable	64,924	63,424
Current portion of operating lease liability	381,245	-
Accrued interest	105,383	96,902
Customer credits	167,000	167,000
Deferred compensation	739,614	555,877
Total current liabilities	<u>3,348,246</u>	<u>2,741,529</u>

Equipment notes payable, less current portion	72,080	104,226
Operating lease liability	992,651	-
Convertible notes payable, net of discount and issuance costs	2,874,354	1,760,570
Secured note payable	271,686	271,686
Unsecured note payable, net of discount and issuance costs	9,095,119	11,781,952
Total liabilities	<u>16,654,136</u>	<u>16,659,963</u>

COMMITMENTS AND CONTINGENCIES (Note 11)

Stockholders' deficit

Preferred stock, \$.001 par value: 2,000,000 shares authorized	-	-
Common stock; \$.001 par value; 150,000,000 shares authorized; 76,710,630 shares issued and outstanding as of June 30, 2019 76,246,113 shares issued and outstanding as of December 31, 2018	76,710	76,246
Additional paid-in capital	44,745,926	42,785,990
Accumulated deficit	(52,036,522)	(51,483,332)
Total stockholders' deficit	<u>(7,213,886)</u>	<u>(8,621,096)</u>
Total liabilities and stockholders' deficit	<u>\$ 9,440,250</u>	<u>\$ 8,038,867</u>

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

	<u>For the Three Months Ended June 30, 2019</u>	<u>For the Three Months Ended June 30, 2018</u>	<u>For the Six Months Ended June 30, 2019</u>	<u>For the Six Months Ended June 30, 2018</u>
Revenues	\$ 2,509,750	\$ 2,451,551	\$ 5,297,070	\$ 4,572,662
Costs and expenses:				
Cost of sales	1,794,985	1,882,612	3,961,325	3,590,926
Selling, general & administrative expenses	2,790,013	1,709,763	3,930,206	3,491,130
Interest expense & letter of credit fees	763,873	516,082	1,293,067	1,058,583
(Gain)/Loss on debt restructuring	-	44,036	(3,412,204)	44,036
Total costs and expenses	<u>5,348,871</u>	<u>4,152,493</u>	<u>5,772,394</u>	<u>8,184,675</u>
Net loss	<u>\$ (2,839,121)</u>	<u>\$ (1,700,942)</u>	<u>\$ (475,324)</u>	<u>\$ (3,612,013)</u>
Net loss per common share - basic and diluted:	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Weighted average common shares outstanding	<u>76,278,400</u>	<u>76,246,113</u>	<u>76,327,455</u>	<u>76,246,113</u>

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 second quarter that ended on June 30, 2019:

	<u>Quarter Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2019	2018	2019	2018
	(In thousands)		(In thousands)	
Net loss	\$ (2,839)	\$ (1,701)	\$ (475)	\$ (3,612)
Non-GAAP adjustments:				
Depreciation and amortization	249	149	511	398
Interest and letter of credit fees	764	516	1,293	1,058
Income taxes	-	-	-	-
Stock based compensation	1,758	84	1,758	385
(Gain)/Loss on debt exchange	-	44	(3,412)	44
Adjusted EBITDA	<u>\$ (68)</u>	<u>\$ (908)</u>	<u>\$ (325)</u>	<u>\$ (1,727)</u>

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Source: Midwest Energy Emissions Corp.