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Zacks Small-Cap Research

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Midwest Energy Emissions (MEEC-OTCQB)

Midwest Energy Emissions Reports Above Expectations 1st quarter & Provides Positive Outlook for 2019

Based on comparative analysis that utilizes the valuation metric of price-to-sales (P/S), a second quartile industry P/S ratio of 3.36 on TTM sales through 1Q-2019 of $13.0 million indicates a share price target of $0.57

Current Price (05/22/19)	$0.28
Valuation	**$0.57**

OUTLOOK

Midwest Energy Emissions is well-positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe. The company holds patents to SEA™ Technology for the reduction of mercury emissions by coal-fired electric generating units. In 2019, the company's patent strategy gained traction with **a new EGU under contract**. In addition, Midwest Energy expanded into an existing customer's fleet with **2 additional EGUs under contract**. Also, Europe offers significant prospects through a Licensing Agreement with Cabot Corp. Under the Industrial Emissions Directive (IED), over 1,300 coal-fired EGUs will be required to achieve new mercury emission compliance standards by mid-2021.

SUMMARY DATA

52-Week High	**$0.40**
52-Week Low	**$0.12**
One-Year Return (%)	**-6.67**
Beta	**1.72**
Average Daily Volume (shrs.)	**20,120**
Shares Outstanding (million)	**76.481**
Market Capitalization ($ mil.)	**$21.41**
Short Interest Ratio (days)	**0.01**
Institutional Ownership (%)	**15.3**
Insider Ownership (%)	**22.1**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Pollution Control**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	5.43 A	7.93 A	8.45 A	5.69 A	27.50 A
2018	2.12 A	2.45 A	4.21 A	3.51 A	12.30 A
2019	2.79 A	4.23 E	6.87 E	5.04 E	18.93 E
2020					25.00 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.02 A	$0.00 A	$0.01 A	-$0.02 A	-$0.04 A
2018	-$0.03 A	-$0.02 A	-$0.01 A	-$0.01 A	-$0.06 A
2019	-$0.01 A	-$0.01 E	$0.01 E	-$0.00 E	-$0.02 E
2020					$0.01 E

Zacks Projected EPS Growth Rate - Next 5 Years % **7**

Quarterly EPS & revenue may not equal annual totals.

RECENT NEWS

Executive Overview

2018 was a transitional year for Midwest Energy Emissions. During 2018, product (sorbent) deliveries declined due to a variety of factors, including lower product usage by the company's customer base and the shutdown of some client EGUs as a result of competitive disadvantages versus other EGUs in their service areas. The **lower product (sorbent) usage by the company's customer base** was both due to some customers lowering capacity factors and also due to Midwest Energy's own optimization efforts at each client EGU in order to improve operating efficiencies, both of which resulted in lower and less-than-expected product (sorbent) usage.

Despite the pipeline of prospective customer opportunities, the anticipated closing of new contracts during the summer of 2018 did not materialize due to an **unexpected pricing response by incumbent suppliers of sorbent**. It was necessary for Midwest Energy Emissions to offer competitive pricing; however, management subsequently initiated a cost cutting initiative, which has lowered the costs of its sorbent products.

Management also discerned that many non-client EGUs implemented aspects of the Midwest Energy's patented process as these non-client EGUs sought out solutions to achieve compliance with MATS. As a result, management **initiated a licensing program during November 2018** in an effort to capture revenues from the unauthorized use of the company's patented SEA® technologies. An IP (Intellectual Property) law firm (Caldwell Cassady & Curry P.C.) was engaged to seek fair compensation from the many coal-fired EGUs (which management believes to be over 100) that have adopted aspects of the patented methods of SEA® technologies. Potential resolutions include a licensing program with Midwest Energy Emissions or a supply contract by which Midwest would become the provider of the sorbent. Already one EGU has opted to sign a supply contract with Midwest Energy Emissions as a result of this effort.

Currently, Midwest Energy Emissions has **supply contracts for 15 Electric Generating Units** (EGUs) **in the United States**, including the initial contracts on three EGU's announced in March 2019. Given the year-over-year growth in the number of EGUs being served and the seasonal increase of demand for electricity from coal-fired EGUs during the warmer months, **Midwest Energy Emissions should show strong double-digit top-line growth in the 2nd and 3rd quarters of 2019**.

In 2018, Midwest Energy Emissions began supplying product to the front-end of an EGU located in Canada. Initially a $700,000 purchase order was secured. In April 2018, Midwest Energy Emissions secured another order from the same Canadian customer, this time to supply product to an EGU in Alberta. Currently, Midwest Energy is supplying sorbent product to these **two EGUs in Canada** with the potential to expand the relationship to a total of eight EGUs for this particular Canadian customer.

Financial Results for the First Quarter of 2019

On May 15, 2019, Midwest Energy Emissions reported results for the first quarter of 2019 ending March 31, 2019. **Total revenues increased 31.4%** to $2,787,321 from $2,121,112 reported in the comparable quarter last year as revenue from product (sorbent) deliveries increased 33.9%. Sorbent sales increased primarily from the addition of several new EGU's to the company's customer base. Other revenues declined from $52,147 to $29,000, primarily due to a decrease in demonstration revenues.

Total operating expenses decreased 5.2% to $3.31 million versus $3.49 million, primarily attributable to **SG&A decreasing 36.0%** due to decreases in stock-based compensation and sales compensation. **The gross margin expanded to 21.5%** versus 17.1% in the first quarter of 2018 due to lower overhead costs per sales dollar (aka the cost of goods sold increased at a rate less than the increase in sorbent product revenues). **Interest expense declined 37.7%** to $320,000 versus $513,501 million in the comparable quarter last year, primarily attributable to the decrease in secured debt and the new interest rates associated with the debt, which was restructured in February 2019.

The company reported a gain of $2.36 million (or $0.03 per diluted share) versus a reported loss of $1.91 million (or $0.03 per diluted share) in the first quarter of 2018, primarily due to the non-cash, one-time $3.41 million gain on debt restructuring and secondarily, to increased sales with an improved gross margin and cost-cutting efforts that decreased SG&A costs. Operating earnings (aka earnings before non-recurring items, specifically the gain on debt restructuring) were a loss of $1,048,407 (or $0.01 per diluted share). Adjusted EBITDA improved to a negative $257,000 versus a negative $847,000 in the first quarter of 2018. As of March 31, 2019, the company had $611,547 in cash on hand and working capital deficit of $1.1 million. **Shares outstanding have remained stable at 76,246,113 shares since the end of the second quarter of 2017**. Subsequently, 235,184 shares were issued to a Director who resigned from the Board.

Despite the challenges of the **2018 transitional year**, Midwest Energy Emissions remains well positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe. **The recently reported financial results appear to indicate 1) that the company has turned the corner and 2) that in 2019 Midwest Energy's top-line will return to growth.** It is important to remember that:

- Midwest Energy Emissions continues to generate revenues from its operationally-effective and cost-effective mercury emissions technology.
- The recently reported financial results for the first quarter of 2019 indicate that the company is benefiting from **cost cutting initiatives** which have lower the costs of its sorbent products.
- The company announced **two new contracts** covering three additional EGUs **since October 2018**.
- Despite recent challenges, **Midwest Energy Emissions has not issued any common shares to fund the company since early 2017**, and currently management has no plans to seek capital through the issuance of equity.
- The company has **meaningful potential in Europe** beginning in the fall of 2019 as a result of mercury control standards at coal-fired EGUs being fully enforced across Europe by mid-2021 with initiation of testing starting in the summer of 2019. In Europe, the barriers to entry should be significantly reduced since Cabot Corp. (with its established relationships) will be the sales point contact.
- The **licensing model** being pursued under management's patent strategy could provide top-line and/or licensing revenues, both of which would enhance the company's profitability.

Management Guidance

On the May 15th conference call, management reconfirmed prior guidance that **EDITDA is anticipated to be positive in 2019**. In addition, due to existing contract renewals, further penetration of current customer fleets and the addition of new customers through the company's patent strategy/licensing program, **management anticipates the top-line to grow in the mid-20% range in 2019**. The company should also benefit from the sorbent product cost cutting measures implemented in 2018 and from new products being introduced in order to further enhance the company's product line.

Debt Restructuring

On February 25, 2019, Midwest Energy Emissions announced that all the unsecured and secured debt obligations with Alterna Capital Partners, LLC had been restructured.

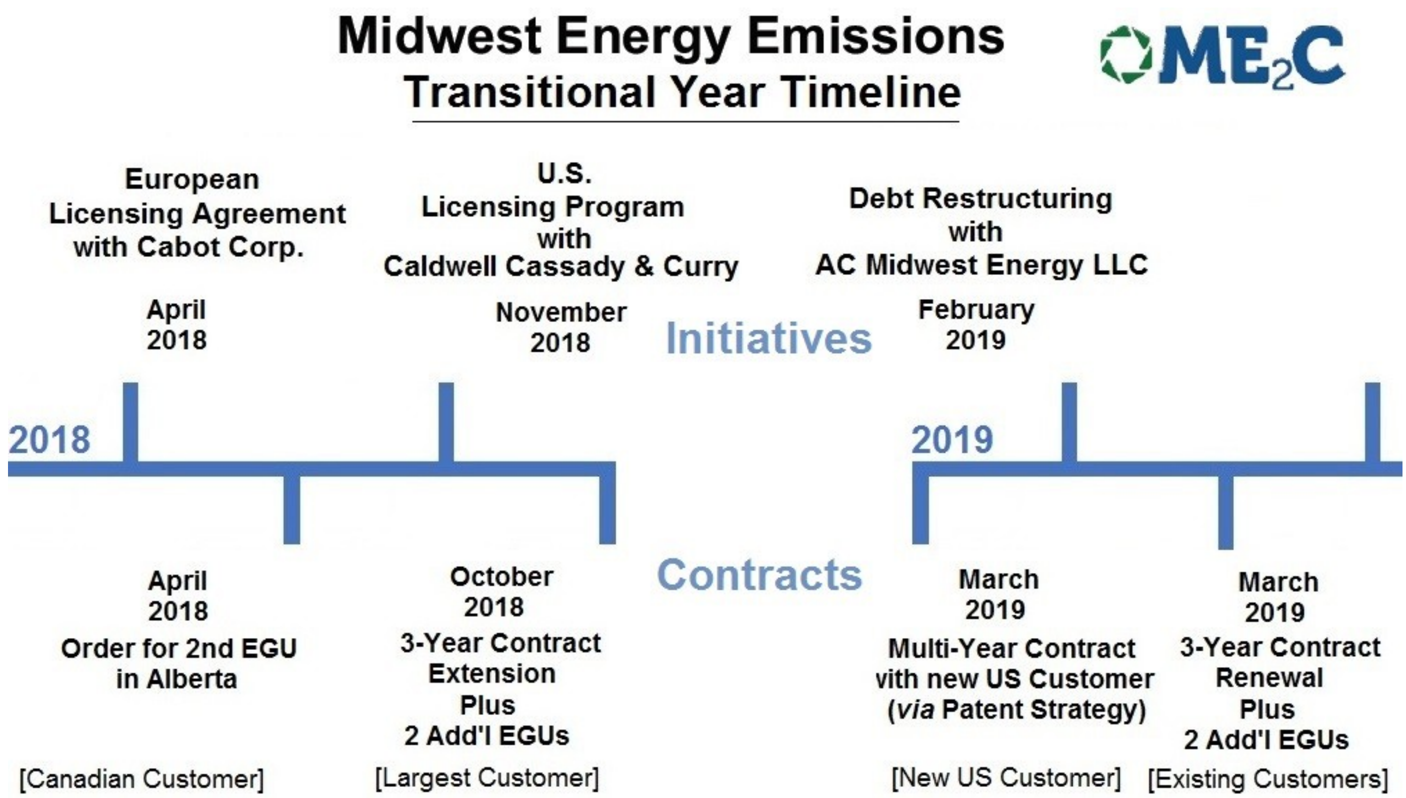
The $13.0 million Unsecured Note Financing Agreement due December 15, 2020 (3-month LIBOR plus 5.0%) was exchanged for a new $13,154,930 Unsecured Note due August 25, 2022 (zero cash interest rate) with a profit participation preference derived from a certain percentage of net litigation proceeds, net licensing revenue and adjusted free cash flow, subject to various considerations. The new $13,154,930

Unsecured Note due August 25, 2022 appears on the balance sheet as an unsecured note payable in the amount of $8,403,968 (discounted for the accrual of face value towards maturity date).

The maturity of the $271,686 Secured Note due December 15, 2018) **was extended to August 25, 2022** and the minimum EBITDA covenant has been waived.

OVERVIEW OF 2018 AND OUTLOOK FOR 2019

Over the last eight months, the news flow from Midwest Energy Emissions has been significant and positive, both regarding **North American contracts** and concerning **corporate initiatives**. In terms of contracts, **at least three additional EGUs are under supply contracts**, one of which is a new customer brought on board through the Patent Strategy. The **European initiative** (through the licensing agreement with Cabot) is expected to gain traction during the summer months of 2019, and management anticipates that some European contracts may be announced in the fall. The **Licensing initiative** continues to be pursued and has already led to a new customer contract. Moreover, the company's secured and unsecured **debt held by AC Midwest Energy LLC was restructured** in February 2019 with maturities being extended and the interest rate being reduced. Finally, despite the challenging industry dynamics, Midwest Energy Emissions has not issued any common shares to fund the company since early 2017.



Management expects to continue **securing additional contracts** for USA-based EGUs during 2019 and **for European EGUs beginning in the fall of 2019**. The licensing strategy, spearheaded by Caldwell Cassady & Curry's efforts, has already led to one contract, which was announced on March 5, 2019.

Contract Announcements

In March 2019, Midwest Energy Emissions made three announcements:

- On March 5th**,** the company announced that a **new multi-year supply contract** was secured with a US-based utility. Management expects the contract to generate revenues of **over $1,000,000 annually**.
- On March 12th, Midwest announced the signing of a **multi-year contract renewal** (with a long-term customer), which is expected to generate **approximately $1,000,000 annually** in product sales.
- On March 19th, the company **expanded an existing customer agreement** with its largest customer for **two additional coal-fired boilers (EGUs)** in North America. Under the three-year contract, management expects the incremental coal-fired boilers to generate revenues **in excess of $2,000,000 annually**. This announcement elaborated upon the press release issued on October 16, 2018, in which Midwest described the customer as "one of the largest utilities in North America and a long-term customer."

The March 2019 contract announcements followed a positive press release in October 2018:

- On October 11, 2018, Midwest Energy Emissions announced that **the company's largest current customer extended its supply contract for an additional three years**. Under the multi-million dollar, Midwest Energy Emissions will continue supplying its proprietary Sorbent Enhancement Additive (SEA®) so that the customer can cost-effectively achieve the mercury capture requirements mandated by MATS.

European Licensing Agreement with Cabot Corporation

On April 17, 2018, Midwest Energy Emissions announced that the company has entered into a **multi-year European licensing agreement** with **Cabot Corp**. (NYSE: CBT). Under the agreement, **Cabot has exclusive access to Midwest Energy's patented SEA™ Technologies** for the development of mercury removal solutions for coal-fired EGUs in Europe. Cabot will market and sell Midwest Energy's proven **two-part mercury capture technology** and **proprietary scrubber additive technology** under the licensing agreement. Cabot has a strong presence in Europe and is expected to be a major player in the implementation of mercury emissions solutions that are required to achieve the European standards set forth by the Best Available Techniques (BAT) Reference Document (BREF) under the *Industrial Emissions Directive*. According to Midwest Energy Emissions, Europe's coal market includes a total of 1,384 coal-fired EGUs with 914 of those located in Eastern Europe.

On the May 15th conference call, management mentioned that Cabot is currently re-staffing its team that will address this European opportunity.

Brief European Primer

In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds. In Europe, under the **Industrial Emissions Directive (IED)** of 2010, a BAT (Best Available Technique) Reference (aka BREF) document has been published (the most recent in 2017) to cover the required emission prevention activities on installations rated 50 MW or more. The standards are expected to be fully in force across Europe by mid-2021 with testing activity beginning during mid-2019, **the announcements of the initial contracts in the fall of 2019** and continuing until **full implementation in mid-2021**.

Patent Strategy

In November 2018, Midwest Energy Emissions' licensing program was announced in an effort to capture revenues from the unauthorized use of the company's patented SEA® technologies. Caldwell Cassady & Curry, P.C. was engaged, first to analyze and validate the company's patent portfolio and second to seek fair compensation from the many coal-fired EGUs (the company believes over 100) that have adopted aspects of the patented methods of SEA® technologies, particularly the enhancement of sorbent with a halide-based substance. As an IP (Intellectual Property) law firm, Caldwell Cassady & Curry is now engaged in an effort to offer licenses and other commercial opportunities to these domestic coal-fired utility operations that are using aspects of SEA® technologies to be compliant with MATS. Potential resolutions include a licensing program with Midwest Energy Emissions or a supply contract by which Midwest would become the provider of the sorbent. A relationship with Midwest Energy Emissions also would provide certain other benefits. With a sophisticated understanding of mercury interactions with flue gas constituents and the knowledge of modifying the composition of sorbent based on coal type and the plant configuration, Midwest Energy has the expertise to further improve the operational efficiencies of these coal-fired systems.

CORPORATE OVERVIEW

Headquartered Lewis Center, Ohio, Midwest Energy Emissions Corp. (MEEC) provides patented mercury capture solutions for coal-power plants whose mercury emissions exceed the U.S. Environmental Protection Agency's Mercury and Air Toxic Standards (MATS). **The company has successfully commercialized its Sorbent Enhancement Additive (SEA™) Technology**, which can achieve mercury removal levels that are compliant with MATS at a significantly lower cost than other methods while preserving the quality (and hence the marketability) of fly-ash, a by-product from the coal burning process. The company holds **42 issued patents and patents-pending** related to a mercury removal processes developed by the Energy & Environmental Research Center (EERC) and has a close and mutually beneficial relationship with the EERC Foundation, which aids in the commercialization EERC's research efforts. The company's holistic **cost-competitive solution** for mercury emission control is a proven, effective technology that reduces mercury emissions to MATS-compliant levels over a wide range of plant configurations and coal types.

The EPA's **MATS have created a multi-billion dollar market for mercury remediation solutions**. MATS require that all coal-fired Electric Generating Units (EGUs) larger than 25 megawatts (MW) remove approximately 90% of mercury from their emissions beginning April 16, 2015. On a plant-by plant basis, power plant operators must find an economical feasible method to upgrade existing plants in order to comply with MATS; otherwise, non-compliant plants could be forced to be decommissioned, which will affect the capacity, reliability and supply attributes of the associated electric networks.

The process of commercializing any pollution control technology or method within the utility industry is a lengthy and expensive process, which involves the migration of a technology from the laboratory to commercial-scale demonstrations and then to contract signings, installations, testing and finally commercial operations. SEA Technology has been successfully demonstrated over 50 times at large operating power plants across the United States and in Canada.

Midwest Energy Emissions is deploying what appears to be the industry's most cost-effective solution for coal power plants to comply with MATS. Management and the EERC believe that the SEA Technology process with an optimized blend of sorbents is the most efficient, cost-effective manner to capture mercury. **SEA Technology provides an approach that optimizes the mercury capture process while minimizing the cost of injected materials**. As a result, SEA Technology lessens the total amount of sorbent injected, thereby reducing the cost of MATS compliance. **The technology is also flexible**, allowing Midwest Energy's consumable products to be formulated specifically for a coal-fired unit and its coal-fuel-type. Importantly, the process has less operational impact with minimal corrosion to the plant's equipment and preserving the marketability of fly ash, an important ancillary revenue stream for power plants.

In a **milestone event**, on April 24, 2017, Midwest Energy Emissions closed on the **acquisition of all patents rights and patents pending related to the Sorbent Enhancement Additive** (SEA™) **Technology** from the Energy & Environmental Research Center (EERCF) at University of North Dakota. The purchase price was $2,500,000 and 925,000 shares of MEEC common stock, of which 628,998 shares were issued directly to EERCF and 296,002 shares were issued to the inventors. The cash payment was funded by cash-on-hand, which includes a portion of the net proceeds from the private placement that closed in November 2016.

Midwest Energy Emissions owns the Technology, and therefore no longer is required to pay monthly license maintenance fees of $$25,000 ($300,000 annually) and annual running royalties of $100 per one megawatt (MW) of electronic nameplate capacity and $100 per three MW per hour at systems utilizing licensed products and/or processes.

SEA Technology, the company's **core IP**, provides an operationally-effective and cost-effective mercury emissions solution that is flexible to accommodate a broad range of configurations of coal-fired power plants fueled by varying coal types. Developed by researchers at the Energy & Environmental Research Center (EERC), SEA Technology utilizes the application of sorbent enhancement additives to promote the oxidation of elemental mercury in preparation for adsorption by uniquely formulated blends of sorbent products. Utilizing this Technology, Midwest Energy Emissions is able to offer at lower-cost option to utilities so that their coal-fired units can achieve compliance with MATS while maintaining the marketability of the fly ash by-product.

The portfolio of patents rights and patents pending is composed of **42 patents and patents-pending** related to mercury removal processes developed by the EERC. The patents in the United States include:

- Sorbents and Flue Gas Additives for the Oxidation and Removal of Mercury (7,435,286)
- High-Temperature Halogen Dissociation for Mercury Control in Coal-Fired Systems (7,615,101)
- Multifunctional Abatement of Air Pollutants in Flue Gas (7,628,969)
- Sorbents for the Oxidation and Removal of Mercury (8,168,147)
- Process for Regenerating a Spent Sorbent (8,173,566)
- Mercury Control Using Moderate-Temperature Dissociation of Halogen Compounds (8,312,822)
- Process for Regenerating a Spent Sorbent (Continuation) (8,440,585)
- Sorbents for the Oxidation and Removal of Mercury (Continuation) (8,652,235)

The patent and patents pending portfolio also includes international **blue sky market opportunities** with SEA Technology patents in **Europe, Canada** and **China**. SEA Technology has been successfully demonstrated for a few large utilities in Canada, where raising mercury capture regulations is being contemplated. Since 2012, a nationwide **mercury reduction agreement in Canada** has required a 60% reduction; however, by early 2017, a 91% reduction already had been attained.

China has promulgated emission regulations, but has yet to implement mercury reductions. In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds. Long-term, there is **blue sky potential** for international demand for the company's mercury remediation solutions.

Midwest Energy Emissions has demonstrated a **technical competitive advantage** by bringing EGUs to MATS compliance in a cost-effective manner. As many coal-fired utilities are having difficulties, ranging from encountering prohibitive costs in achieving a 90% reduction in mercury emissions to having to de-rate (lower the capacity of) boilers to attain compliance, management is focused on further penetrating the fleets of existing customers as well as securing new clients (electric utilities) which are challenged and are seeking an economical solution to comply with MATS.

Midwest Energy Emissions is unique in that it has a singular focus (the mercury emissions control market), holds the patents on processes, has achieved market penetration through the commercialization of SEA™ Technology and is positioned to take advantage of further opportunities afforded by the implementation of MATS.

VALUATION

The valuation methodology for pollution control/environmental remediation companies usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation. However, if a company is experiencing negative profitability, either due to adverse fundamental circumstances or being in the early phases of the company's life cycle, **the applicable valuation metric becomes Price-to-Sales (P/S)**.

Finding comparable companies to Midwest Energy Emissions is challenging. The company is unique in that it has a singular focus (the mercury emissions control market), holds the patents to SEA Technology processes, has achieved market penetration through the commercialization of SEA Technology and is positioned to take advantage of further growth opportunities afforded by the implementation of MATS. Many companies involved in the air pollution control industry range from companies that provide commodity chemicals and/or equipment to divisions of large, diversified companies where emission controls is just a small part of total operations. These types of companies are generally valued in the lower-to-middle portions of the valuation continuum rather than in the higher-end of the spectrum where highly-focused companies with patented treatment processes tend to trade.

For example, competing mercury emission control technologies are largely being commercialized by subsidiaries of large, diversified firms where mercury emission remediation is a small part of the total company. For example, TOXECON™ is being brought to market by Hamon Research-Cottrell, a subsidiary of Hamon & Cie International SA (aka Hamon Group), a publicly-traded Belgium-based engineering, procurement and contracting company (HAMO.BR) while Mer-Cure™ is being offered by US Power Plant Laboratories and URS Group, both subsidiaries of Alstom SA (ALO.PA and ALSMY OTC Pink), a publicly-traded France-based power generation, power transmission and rail infrastructure company. Also, the Air Pollution Control business unit of FMC Environmental Solutions, a division of FMC Corp. (FMC: NYSE), offers methods of mercury emission control as an adjunct to its use of hydrogen peroxide- and sodium bicarbonate-based methods to prevent or remediate contamination of air by power utility and manufacturing industries. FMC Corp. is a diversified chemical company. Mitsubishi Hitachi Power Systems, a merger of thermal power generation businesses of Mitsubishi Heavy Industries, Ltd. (7011) and Hitachi, Ltd. (HTHIF), is dedicated to the engineering, design and service of SCR systems for the control of NOx and SO2, and its SCR system solutions also have mercury oxidation capabilities.

We believe that the **valuation comparables** of Midwest Energy Emissions should Albemarle (ALB), Cabot Corp. (CBT), CECO Environmental (CECE) and IDEX (IEX). For example, CECO Environmental provides engineering, manufacturing and construction services. Also, comparable pollution control and value-added specialty chemical companies have comparable business models to Midwest Energy Emissions and achieve higher-than-average gross margins, generally in the 30% range, which is management's targeted margin for fully functional contracts.

The appropriate valuation methodology for Midwest Energy Emissions is based on price-to-sales (P/S) due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with an expected sales profile that should grow and expand as the company's SEA Technology processes are deployed within the coal-fired utility industry and the company's patent-protected sorbent is sold into the operating customer base. Ultimately, the growing revenue stream should manifest itself into positive EBITDA and later, positive earnings when the break-even point is surpassed.

Comparable companies trade in a P/S valuation range between 0.74 and 4.61.

Industry Comparables	**Pr Chg YTD**		**P/E CFY**	**EPS Gr 5Yr Est**	**Gross Margin**	**Price/ Book**	**Price/ Sales**	**Price/ CF**
MIDWEST ENERGY EMISSIONS	16.7		N/M	7.0	27.3	N/M	1.7	N/M
Industry Mean	11.2		16.5	12.7	34.3	2.8	2.1	12.9
Industry Median	9.2		14.8	12.8	34.8	2.0	1.5	11.5
S&P 500	14.3		17.2	10.8	N/A	15.0	4.3	16.9
ALBEMARLE CORP.	-12.1		10.9	15.4	36.5	1.9	2.1	9.0
CABOT CORP.	-1.3		10.3	10.5	22.5	2.0	0.7	5.3
CECO ENVIRONMENTAL	38.5		18.7	15.0	33.1	1.8	0.9	13.9
IDEX CORP.	19.6		26.0	10.0	45.2	5.6	4.6	23.2
Recent Industry Acquisition		**Acquiror**						
CALGON CARBON		Kuraray		16.0	30.0	2.7	1.8	17.1
CYTEC INDUSTRIES INC.		Solvay SA		16.0	30.0	3.6	2.6	14.4
PALL CORP.		Danaher		12.5	50.2	8.3	4.8	19.3

Also, as a reference,

- Cytec Industries was acquired by Solvay SA at 2.6 times TTM revenues (19.7 EV/EBITDA)
- Pall Corp. was acquired by Danaher (DHR) at 4.8 times TTM revenues (20.3 EV/EBITDA) and
- Calgon Carbon was acquired by Kuraray SA at 1.8 times TTM revenues (16.1 EV/EBITDA).

Utilizing a second quartile industry average P/S ratio of 3.36 on TTM sales through 1Q-2019 of $12.96 million, our **share price target is $0.57**.

We are optimistic the ultimate success of Midwest Energy Emissions. The company should experience increases in revenues over the next few years as the coal-fired plants (both in North America and Europe) utilize Midwest Energy's SEA Technology to control mercury emissions in order to become compliant with the EPA's mercury emissions reduction regulations.

RISKS

- The industry addressing the reduction of mercury emissions is a market driven by governmental regulation. Any reduction in the EPA's regulations concerning mercury emissions or the timing of enforcement would significantly impact the demand for the company's products and services.
- Investors should be aware of the potential dilution from options, warrants and convertible notes as the company becomes profitable. The fully diluted share count is higher than the 76,246,113 shares outstanding (as of March 31, 2019) with an additional 8,526,510 shares exercisable through options, 4,105,398 shares exercisable through warrants and 3,700,000 shares for the conversion of the company's convertible debt.
- During 2018, the demand for SEA Technology waned as company-initiated optimization efforts at each EGU improved operating efficiencies and resulted in less-than-expected product (sorbent) usage. In addition, some customers lowered capacity factors, reducing the amount of product needed to achieve MATS compliance. Also, some client EGUs were shut down as a result of competitive disadvantages versus other EGUs in their service areas. However, the first quarter of 2019 indicates that the challenging situation has dramatically improved with additional EGUs under contract and cost cutting efforts resulting in an improved gross margin.

BALANCE SHEET

Midwest Energy Emissions Corp.						
Year ending December 31st	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	3/31/2019
ASSETS						
Cash and cash equivalents	7,212,114	1,083,280	7,751,557	2,418,427	584,877	611,547
Accounts receivable	410,950	1,150,602	3,553,096	2,931,353	1,642,126	968,165
Inventory	5,784,905	2,715,913	609,072	659,579	509,416	526,377
Customer acquisition costs	-	-	-	137,866	34,467	-
Prepaid expenses and other assets	140,559	161,813	199,495	210,535	136,628	116,499
Total Current Assets	**13,548,528**	**5,111,608**	**12,113,220**	**6,357,760**	**2,907,514**	**2,222,588**
Property and Equipment, net	255,330	1,243,450	2,569,354	2,728,993	2,397,691	2,315,094
Right of use asset						1,245,216
Deferred tax asset	-	-	500,000	-	-	-
Patents & patent rights, net	64,707	58,825	52,945	2,934,862	2,733,662	2,683,362
Prepaid expenses and other assets	13,799	4,058	-	-	-	-
Debt issuance costs, net	2,285,696	-	-	-	-	-
Customer acquisition costs	1,156,521	897,428	642,203	34,467	-	-
TOTAL ASSETS	**17,324,581**	**7,315,369**	**15,877,722**	**12,056,082**	**8,038,867**	**8,466,260**
Liabilities and Stockholders' Equity						
Accounts payable and accrued expenses	688,730	1,235,162	4,363,553	1,795,703	1,858,326	1,987,242
Accrued legal and consulting fees	86,304	-	-	-	-	-
Accrued salaries and benefits	399,487	-	-	-	555,877	676,877
Deferred revenue	5,808,301	2,281,760	-	517,060	-	-
Customer credits	936,500	936,500	590,206	167,000	167,000	167,000
Current portion of equipment notes payable	-	-	39,499	61,177	63,424	64,857
Current portion of operating lease liability	-	-	-	-	-	381,245
Other current liabilities	250,000	-	-	-	-	-
Accrued interest	-	-	-	-	96,902	51,365
Advances payable - related party	-	-	78,750	77,500	-	-
Convertible note payable	-	-	-	1,461,417	-	-
Notes payable	3,080,376	2,497,114	1,500,000	2,500,000	-	-
Current liabilities of discontinued operations	-	-	-	-	-	-
Note payable - related party of disc. ops.	-	-	-	-	-	-
Total Current Liabilities	**11,249,698**	**6,950,536**	**6,572,008**	**6,579,857**	**2,741,529**	**3,328,586**
Notes payable	-	-	11,678,669	9,733,361	13,814,208	-
Operating lease liability						943,814
Convertible notes payable	4,724,598	3,175,085	1,142,154	-	-	1,765,470
Secured note payable						271,686
Unsecured note payable						8,403,968
Warrant liability	5,597,011	9,854,400	-	-	-	-
Accrued interest	337,999	169,202	-	-	-	-
Equipment note payable	-	111,144	143,135	167,650	104,226	87,901
TOTAL LIABILITIES	**21,909,306**	**20,260,367**	**19,535,966**	**16,480,868**	**16,659,963**	**14,801,425**
Common stock	40,228	47,194	73,510	76,246	76,246	76,246
Additional paid-in-capital	19,113,724	25,008,016	49,838,469	42,165,620	42,785,990	42,785,990
Accumulated deficit	(23,738,677)	(38,000,208)	(54,883,223)	(46,666,652)	(51,483,332)	(49,197,401)
Total Stockholders' Equity	**(4,584,725)**	**(12,944,998)**	**(4,971,244)**	**(4,424,786)**	**(8,621,096)**	**(6,335,165)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**17,324,581**	**7,315,369**	**14,564,722**	**12,056,082**	**8,038,867**	**8,466,260**
Shares outstanding	40,228,123	47,194,118	73,509,663	76,246,113	76,246,113	76,246,113

PROJECTED INCOME STATEMENT

Midwest Energy Emissions Corp.

Income Statement

	2014	2015	2016	2017	2018	2019 E
Period ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Revenues	**2,794,206**	**12,631,919**	**32,345,540**	**27,499,080**	**12,295,862**	**18,925,512**
Costs and operating expenses:						
Cost of goods sold	1,483,379	8,629,570	23,030,404	19,016,932	9,147,745	13,460,721
Operating expenses	904,914	1,812,355	-	-	-	-
License maintenance fees	300,000	300,000	-	-	-	-
Marketing and development	-	-	-	-	-	-
Selling, general & administrative exp.	2,208,546	2,967,146	5,185,828	5,585,083	4,607,511	4,508,034
Settlement charges	-	1,335,394	-	-	-	-
Depreciation and amortization	387,123	390,828	913,000	1,354,000	796,000	-
Professional fees	678,725	672,269	-	-	-	-
Stock-based compensation	3,318,759	213,273	1,158,617	1,532,013	491,000	-
Impairment of fixed assets	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-
Total operating expenses	**9,281,446**	**16,320,835**	**30,287,849**	**27,488,028**	**15,042,256**	**17,968,755**
Operating gain (loss)	**(6,487,240)**	**(3,688,916)**	**2,057,691**	**11,052**	**(2,746,394)**	**956,757**
Other income (expense):						
Interest (expense)	(2,724,506)	(6,213,897)	(3,816,855)	(2,154,570)	(1,975,097)	(2,120,000)
Letter of credit (fees)	-	-	(226,000)	(219,333)	(29,000)	(209,193)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	0
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	0
Gain (loss) on debt restructuring	-	-	(14,105,076)	-	(44,036)	3,412,204
Change in value of warrant liability	4,204,189	(3,194,189)	-	-	-	0
Debt conversion costs	-	(1,123,380)	-	-	-	0
Other income (expense)	-	-	-	-	-	0
Total other income (expense)	**1,479,683**	**(10,531,466)**	**(18,147,931)**	**(2,373,903)**	**(2,048,133)**	**1,083,011**
Net loss before taxes	**(5,007,557)**	**(14,220,382)**	**(16,090,240)**	**(2,362,851)**	**(4,794,527)**	**2,039,768**
Income tax benefit (expense)	-	(41,149)	472,669	(540,422)	(22,153)	(50,000)
Net Gain (Loss) from Continuing Ops.	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(4,816,680)**	**1,989,768**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(4,816,680)**	**1,989,768**
Net loss per share:						
Diluted loss per share	**(0.13)**	**(0.32)**	**(0.31)**	**(0.04)**	**(0.06)**	**0.03**
Diluted op. EPS before non-reoccuring items	**(0.13)**	**(0.32)**	**(0.03)**	**(0.04)**	**(0.06)**	**(0.02)**
Wgted avg. shares - basic	39,140,243	44,160,298	50,646,328	75,061,800	76,137,894	76,246,113
Wgted avg. shares - diluted	39,140,243	44,160,298	50,646,328	75,061,800	76,137,894	76,444,515
Adjusted EBITDA	**N/A**	**(1,200,000)**	**4,129,000**	**2,897,000**	**(1,504,000)**	**2,004,757**

Midwest Energy Emissions Corp.

Income Statement		1Q	2Q	3Q	4Q	
	2017	2018	2018	2018	2018	2018
Period ending	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	12/31/2018
Revenues:						
Product sales	26,050,032	2,059,819	2,414,951	4,113,890	3,526,202	12,114,862
Equipment sales	794,206	9,146	0	28,252	11,602	49,000
Demonstration and consulting services	654,842	52,147	36,600	66,950	(23,697)	132,000
Total revenues	**27,499,080**	**2,121,112**	**2,451,551**	**4,209,092**	**3,514,107**	**12,295,862**
Costs and operating expenses:						
Cost of goods sold	19,016,932	1,708,315	1,882,612	3,009,656	2,547,162	9,147,745
Selling, general & administrative expenses	8,471,096	1,781,368	1,709,763	1,364,312	1,039,068	5,894,511
Settlement charges	-	-	-	-	-	-
Total operating expenses	**27,488,028**	**3,489,683**	**3,592,375**	**4,373,968**	**3,586,230**	**15,042,256**
Operating gain (loss)	**11,052**	**(1,368,571)**	**(1,140,824)**	**(164,876)**	**(72,123)**	**(2,746,394)**
Other income (expense):						
Interest (expense)	(2,154,570)	(513,501)	(516,082)	(471,086)	(474,428)	(1,975,097)
Letter of credit fees	(219,333)	(29,000)	-	-	-	(29,000)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	-
Gain (loss) on debt restructuring	-	-	(44,036)	-	-	(44,036)
Change in value of warrant liability	-	-	-	-	-	-
Debt conversion costs	-	-	-	-	-	-
Gain on legal settlements	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(2,373,903)**	**(542,501)**	**(560,118)**	**(471,086)**	**(474,428)**	**(2,048,133)**
Net loss before taxes	**(2,362,851)**	**(1,911,072)**	**(1,700,942)**	**(635,962)**	**(546,551)**	**(4,794,527)**
Income tax benefit (expense)	(540,422)	0	0	0	(22,153)	(22,153)
Net Income (Loss)	**(2,903,273)**	**(1,911,072)**	**(1,700,942)**	**(635,962)**	**(568,704)**	**(4,816,680)**
Net loss per share:						
Basic and diluted loss per share	**(0.04)**	**(0.03)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.06)**
Wgted avg. shares - basic & diluted	75,061,800	76,246,113	76,246,113	76,246,113	76,246,113	76,137,894
Adjusted EBITDA	**2,897,000**	**(847,000)**	**(908,000)**	**97,000**	**154,000**	**(1,504,000)**

Midwest Energy Emissions Corp.

Income Statement	2018	1Q 2019	2Q E 2019	3Q E 2019	4Q E 2019	Estimate 2019
Period ending	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	12/31/2019
Revenues:						
Product sales	12,114,862	2,758,321	4,202,975	6,753,924	5,010,291	18,725,512
Equipment sales	49,000	0	0	35,000	15,000	50,000
Demonstration and consulting services	132,000	29,000	25,000	81,000	15,000	150,000
Total revenues	**12,295,862**	**2,787,321**	**4,227,975**	**6,869,924**	**5,040,291**	**18,925,512**
Costs and operating expenses:						
Cost of goods sold	9,147,745	2,166,340	3,022,549	4,668,042	3,603,789	13,460,721
Selling, general & administrative expenses	5,894,511	1,140,195	1,174,401	1,209,633	983,806	4,508,034
Settlement charges	-	-	-	-	-	-
Total operating expenses	**15,042,256**	**3,306,535**	**4,196,950**	**5,877,675**	**4,587,595**	**17,968,755**
Operating gain (loss)	**(2,746,394)**	**(519,214)**	**31,025**	**992,250**	**452,696**	**956,757**
Other income (expense):						
Interest (expense)	(1,975,097)	(320,000)	(600,000)	(600,000)	(600,000)	(2,120,000)
Letter of credit fees	(29,000)	(209,193)	-	-	-	(209,193)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	-
Gain (loss) on debt restructuring	(44,036)	3,412,204	-	-	-	3,412,204
Change in value of warrant liability	-	-	-	-	-	-
Debt conversion costs	-	-	-	-	-	-
Gain on legal settlements	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(2,048,133)**	**2,883,011**	**(600,000)**	**(600,000)**	**(600,000)**	**1,083,011**
Net loss before taxes	**(4,794,527)**	**2,363,797**	**(568,975)**	**392,250**	**(147,304)**	**2,039,768**
Income tax benefit (expense)	(22,153)	0	0	0	0	0
Net Gain (Loss)	**(4,816,680)**	**2,363,797**	**(568,975)**	**392,250**	**(147,304)**	**2,039,768**
Net loss per share:						
Reported diluted earnings per share	**(0.06)**	**0.03**	**(0.01)**	**0.01**	**(0.00)**	**0.03**
Diluted op. EPS before non-reoccuring items	**(0.06)**	**(0.01)**	**(0.01)**	**0.01**	**(0.00)**	**(0.02)**
Wgted avg. shares - basic	76,137,894	76,246,113	76,246,113	76,246,113	76,246,113	76,246,113
Wgted avg. shares - diluted	76,137,894	76,334,167	76,481,297	76,481,297	76,481,297	76,444,515
Adjusted EBITDA	**(1,504,000)**	**(257,214)**	**293,025**	**1,254,250**	**714,696**	**2,004,757**

HISTORICAL STOCK PRICE

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