



Advanced Emissions Solutions, Inc.

Advancing Cleaner Energy

Third Quarter 2018 Results Call *November 7, 2018*





SAFE HARBOR

This presentation includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding future cash flows from refined coal ("RC"); potential transactions with tax-equity investors; net cash flow usage; required capital investment to transition existing facilities to operating status; and future amount and timing of production and sale of RC. These statements are based on current expectations, estimates, projections, beliefs and assumptions of our management. Such statements involve significant risks and uncertainties. Actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to, changes and timing in laws, regulations, IRS interpretations or guidance, accounting rules and any pending court decisions, legal challenges to or repeal of them; changes in prices, economic conditions and market demand; the ability of the RC facilities to produce and sell coal that qualifies for tax credits; the timing, terms and changes in contracts for RC facilities, or failure to lease or sell RC facilities; impact of competition; availability, cost of and demand for alternative tax credit vehicles and other technologies; technical, start-up and operational difficulties; availability of raw materials; loss of key personnel; and other factors discussed in greater detail in our filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult our SEC filings for additional risks and uncertainties that may apply to our business and the ownership of our securities. Our forward-looking statements are presented as of the date made, and we disclaim any duty to update such statements unless required by law to do so.



THIRD QUARTER 2018 HIGHLIGHTS

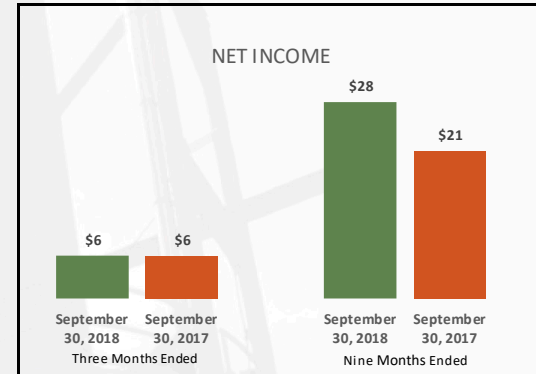
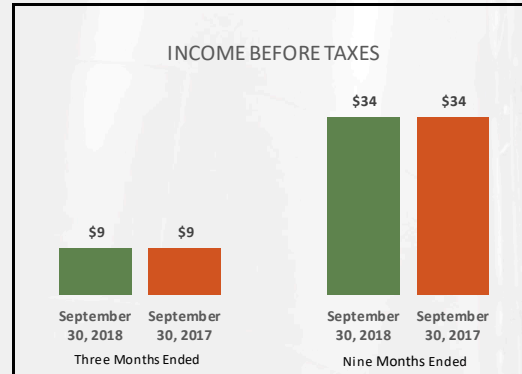
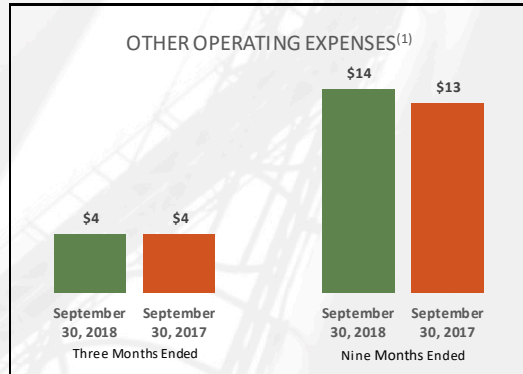
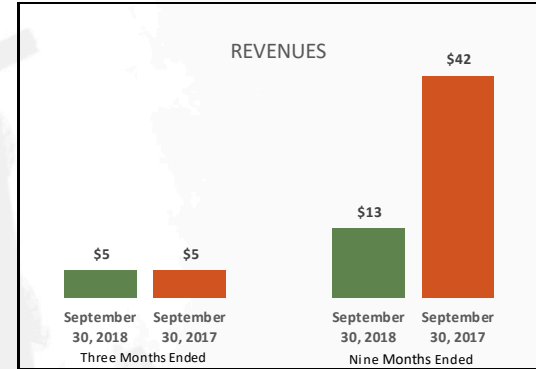
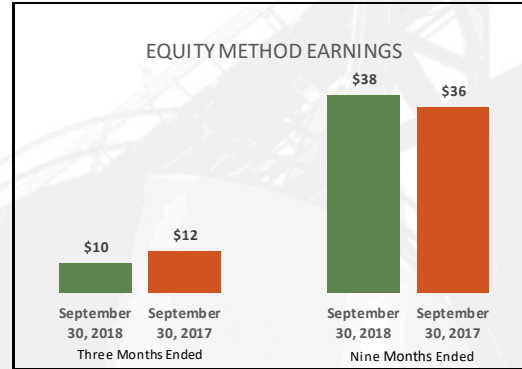
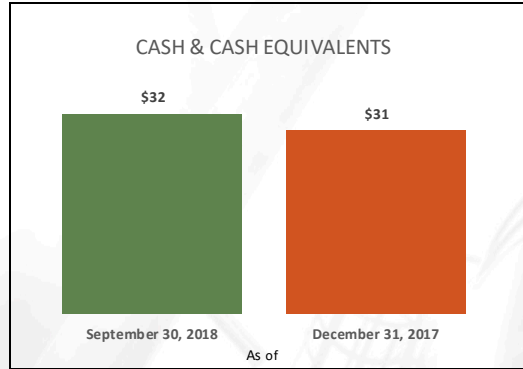
- Returned \$7.1 million and \$26.4 million to shareholders during the three and nine months ended September 30, 2018 through share repurchases and dividends declared;
- Continued quarterly dividend; declared third quarter dividend of \$0.25 per share, paid in September 2018, and declared fourth quarter dividend payable on December 6, 2018 to stockholders of record as of business close on November 20, 2018;
- Tinum distributions to ADES were down slightly and totaled \$9.4 million during the third quarter of 2018, which was a result of costs incurred at Tinum related to the engineering and installation phases of RC facilities; Tinum distributions were \$37.6 million year to date, compared to \$37.0 million during the same period in 2017;
- Other operating expenses remained relatively flat due to restructuring charges of \$1.1 million for the three months ended September 30, 2018 offset by decrease in general and administrative costs;
- Cash position increased by \$1.2 million compared to December 31, 2017, ending with \$31.9 million of unrestricted cash and cash equivalents as of September 30, 2018;
- Net income for the three months ended September 30, 2018 of \$5.5 million or \$0.28 per diluted share;
- Based on 18 invested RC facilities as of September 30, 2018 and cash distributions occurring in the three months ended September 30, 2018, the Company's expected future net RC cash flows to ADES are projected to be between \$225 million and \$250 million through the end of 2021;
- Obtained third party tax equity investor for an RC facility in October 2018 that was previously in installation phase; RC facility is royalty bearing.

The background is a low-angle, grayscale photograph of an industrial facility, likely a refinery or chemical plant. It features large cylindrical storage tanks, complex piping, and structural steel beams against a cloudy sky. A semi-transparent logo, consisting of three overlapping curved shapes, is positioned to the left of the main text.

FINANCIALS



FINANCIAL HIGHLIGHTS



(1) Other operating expenses represents Total operating expenses, exclusive of cost of revenue, as presented on the Condensed Consolidated Financial Statements.



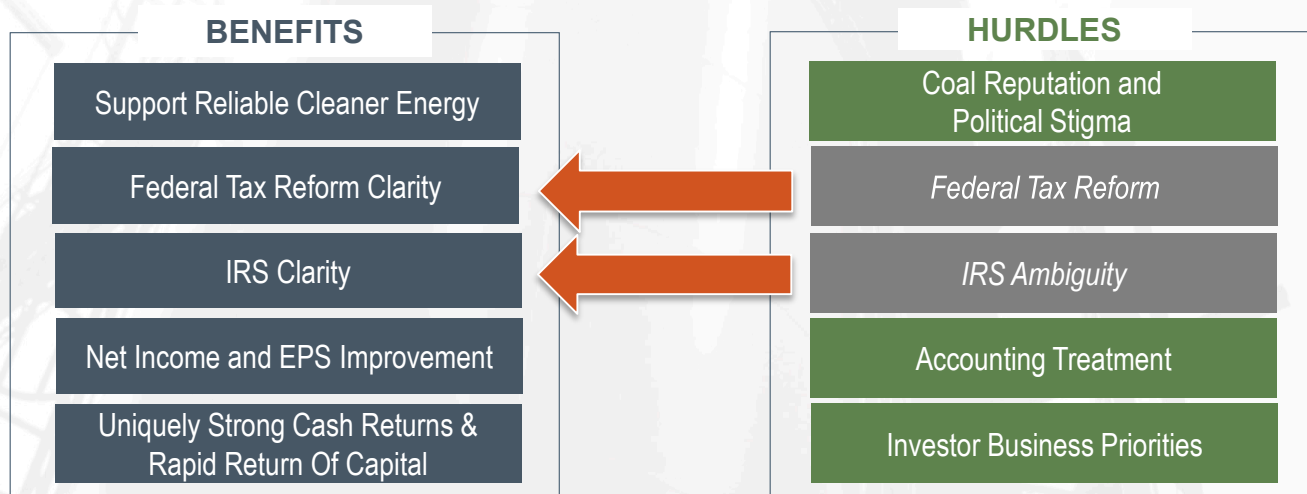
REFINED COAL

REFINED COAL ENVIRONMENT

The refined coal business is proven and yields many benefits to utilities, investors and the environment, and while the outlook is improving, there remain hurdles to overcome

A significant number of major public and private companies have invested in RC Tax Equity since its inception

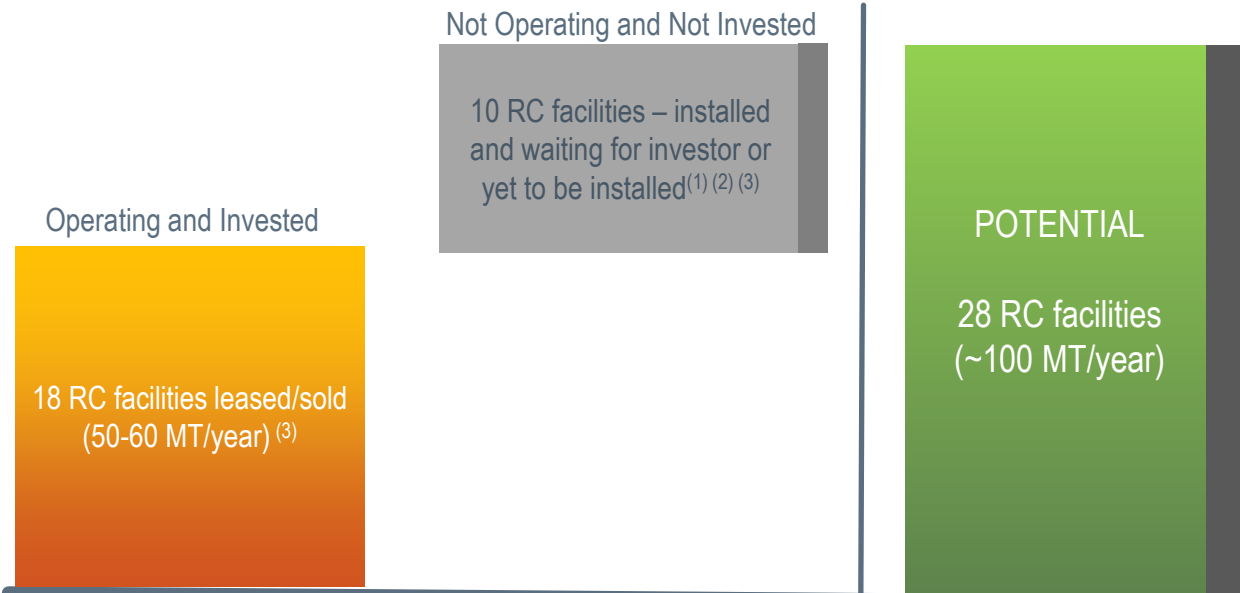
There are benefits *if* hurdles can be overcome





REFINED COAL FACILITIES TODAY AND TOMORROW

FULL-TIME OPERATIONS ROADMAP

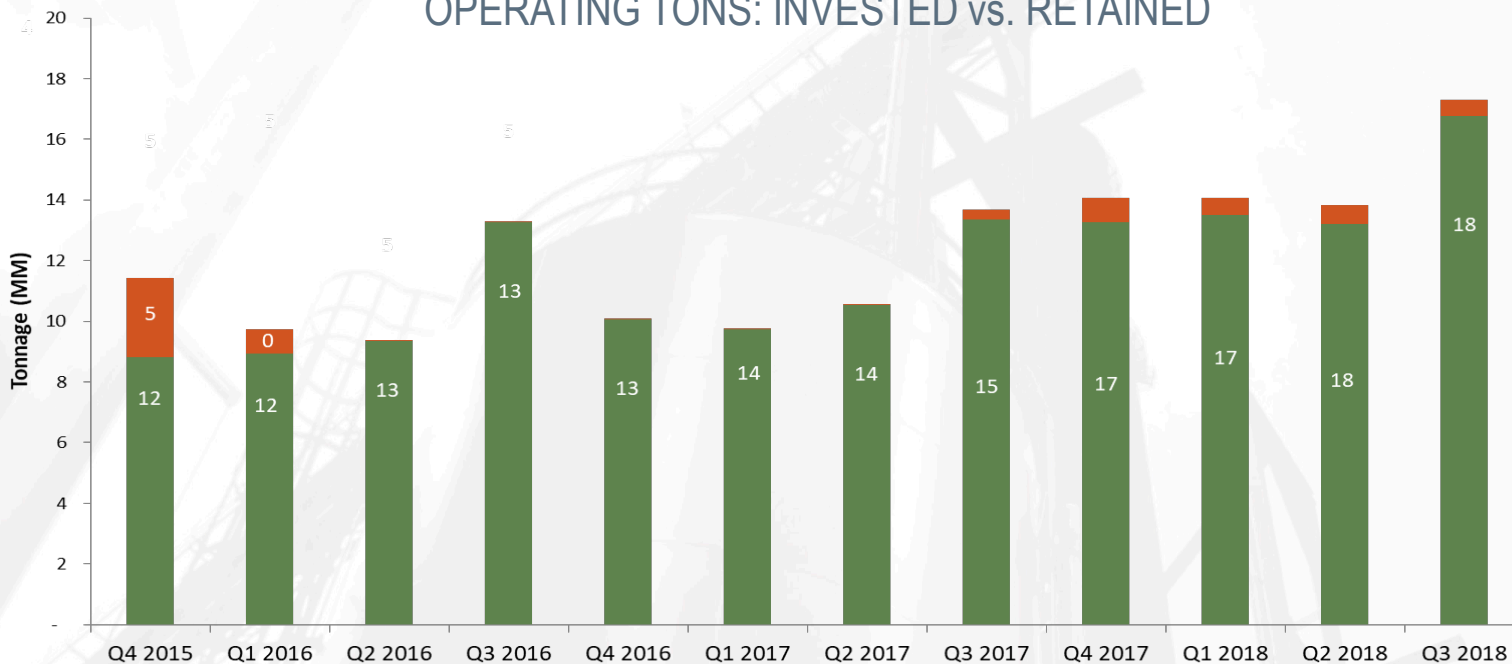


RC Facility information as of September 30, 2018

2018 - 2021

- (1) Certain facilities would require capital investment to transition to operating status
- (2) Two facilities are in the engineering and construction phase
- (3) Two facilities were placed in service in 2009 and available Section 45 tax credit generation ability for these facilities will expire during the year ended 2019

OPERATING TONS: INVESTED vs. RETAINED



Three Month Ended September 30, 2018	Invested	Retained	QTD - Total
Tonnage ⁽¹⁾	16,762	549	17,312
Count (#) ⁽²⁾	18	-	18

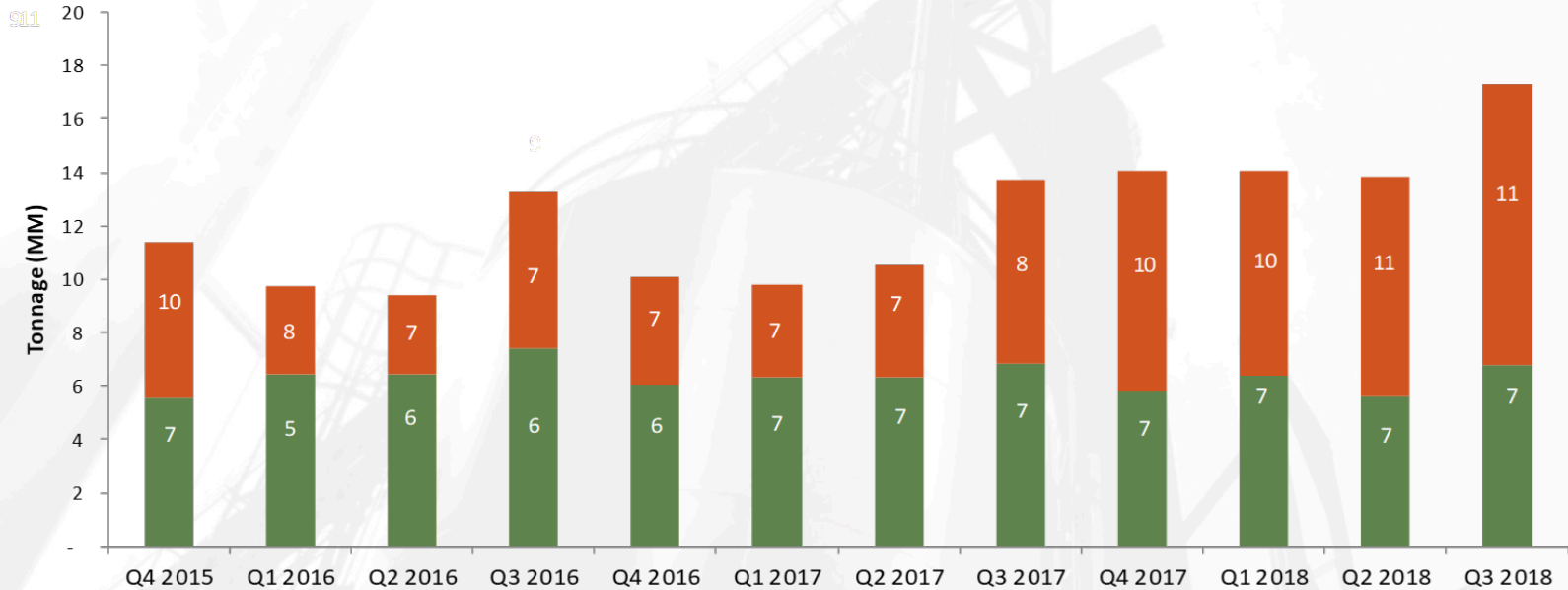
Nine Months Ended September 30, 2018	Invested	Retained	YTD - Total
Tonnage ⁽¹⁾	43,461	1,755	45,216
Count (#) ⁽²⁾	18	-	18

Note: Numbers within bar graph represent the number of facilities per category as of the end of each quarter presented

(1) Tonnage information is based upon RC production for the three and nine months ended September 30, 2018 (in thousands)

(2) During Q3 2017, an RC facility became approximately 50% invested with an independent 3rd party. The remaining ~50% is retained by Tinuum Group, NexGen and the Company; the Company benefits from the tax credits attained.

OPERATING TONS: ROYALTY VS. NON-ROYALTY



Three Month Ended September 30, 2018	Operating Tons		QTD - Total
	Royalty	Non-Royalty	
Tonnage ⁽¹⁾	10,535	6,777	17,312
Count (#) ⁽²⁾	11	7	18

Nine Months Ended September 30, 2018	Operating Tons		YTD - Total
	Royalty	Non-Royalty	
Tonnage ⁽¹⁾	26,419	18,797	45,216
Count (#) ⁽²⁾	11	7	18

Note: Numbers within bar graph represent the number of facilities per category as of the end of each quarter presented

(1) Tonnage information is based upon RC production for the three and nine months ended September 30, 2018 (in thousands)

(2) Counts are based upon the number of facilities of which a royalty has been earned during the period

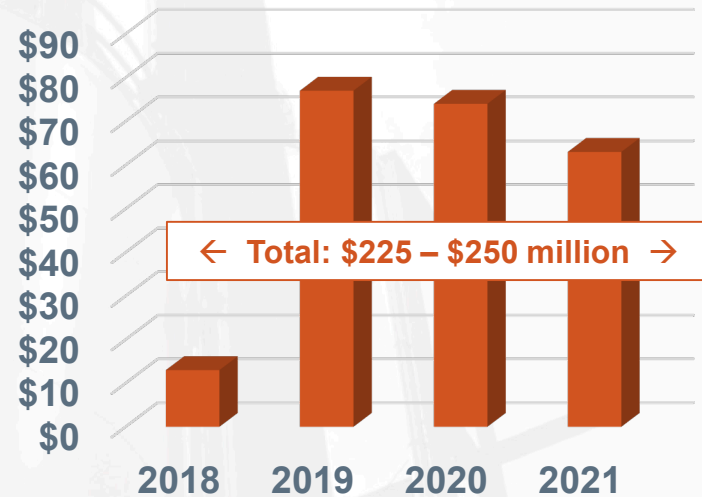


Future Cash Flows for ADES & 2018 Priorities

EXPECTED FUTURE CASH FLOWS

EXPECTED FUTURE CASH FLOWS FROM RC BUSINESS ⁽¹⁾ *(in millions)*

- Based on 18 invested facilities as of September 30, 2018 and includes all net RC cash flows of ADES ⁽¹⁾
- Results in expected future net RC cash flows of \$225M to \$250M to ADES in total through 2021 ⁽²⁾
- Each additional refined coal facility could add between \$5-7 million annually to ADES ⁽³⁾
- Additionally, net cash flow usage from Corporate, offset by EC segment contributions, are estimated to range from \$8-10 million annually on a run rate basis ⁽⁴⁾
- Subsequent to September 30, 2018, obtained third party tax equity investor for an additional RC facility in October 2018

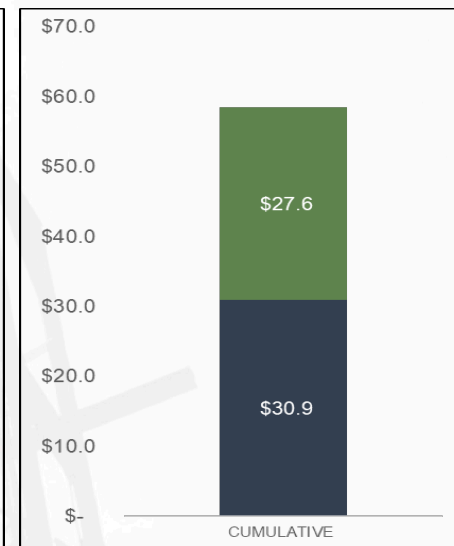
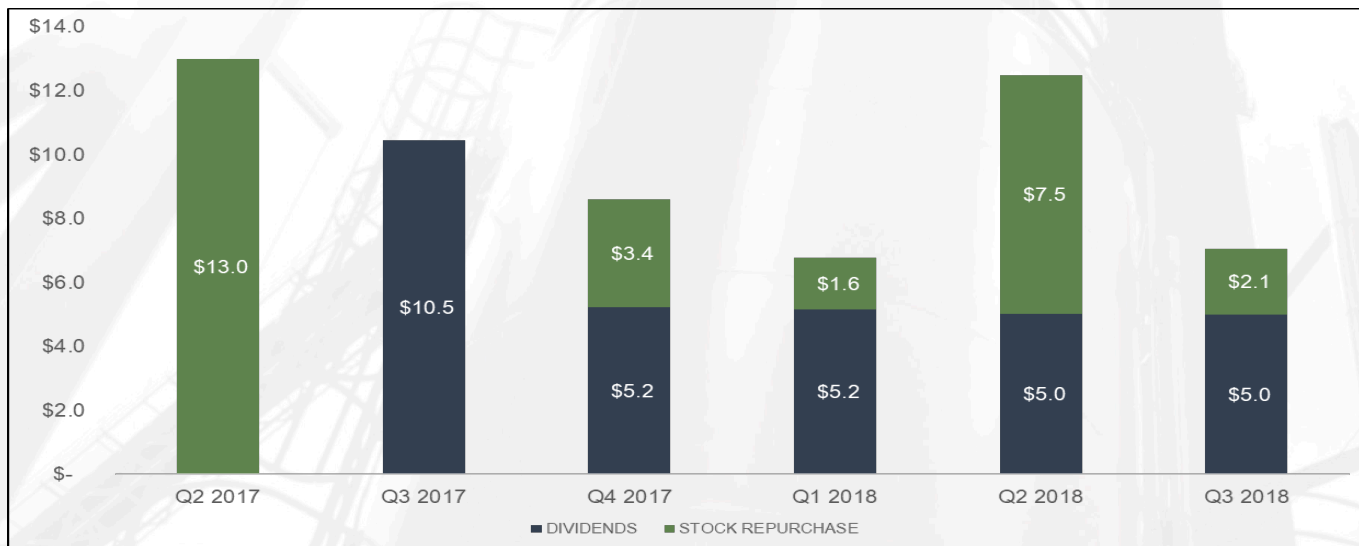


- (1) Net projected RC cash flows include the impact of all expected Tinuum distributions and royalty payments offset by the Company's federal and state tax payments as well as interest payments
- (2) The expectation is based on the following four key assumptions: 1) Tinuum Group continues to not operate retained facilities; 2) Tinuum Group does not have material CapEx or unusual operating expenses; 3) tax equity lease renewals are not terminated or repriced; and 4) coal-fired generation remains consistent
- (3) Estimates based on coal-fired utility that burns 4.0 million tons per year
- (4) Net cash flow usage does not include payment of potential quarterly dividends or share repurchases and is after additional cost adjustments



RETURN OF CAPITAL

- 1 Since the start of the Capital Allocation program ⁽¹⁾, the Company has paid \$30.9 million in dividends and utilized capital of \$27.6 million to repurchase shares
- 2 Since March 31, 2017, the Company has returned approximately \$2.65 per share to its shareholders⁽²⁾; the stock price for the same period has increased from \$9.54 as of March 31, 2017 to \$11.96 as of September 30, 2018
- 3 As of September 30, 2018, dividend yield was ~8% on an annualized basis



(1) The Company started its current Capital Allocation program in the second quarter of 2017.

(2) Return was calculated based on shares outstanding as of March 31, 2017.



2018 PRIORITIES



INCREASE AND OPTIMIZE REFINED COAL NET CASH FLOWS:

Add Investors:

- Nurture current & add additional sales channels
- Leverage improving refined coal tax equity market and investor clarity as a result of tax reform

Optimization:

- Maximize operational performance to produce RC and further develop customer relationships to ensure retention of RC customers
- Optimize resources at ADES to support Tinuum and public platform while also reducing expenses



RETURN CAPITAL TO SHAREHOLDERS:

Evaluate options and execute on continued progress for additional return of capital to shareholders, including:

- Stock repurchases (open market and/or one-time tender offers)
- Dividends (one-time and/or incremental recurring)



EVALUATE ALTERNATIVE OPTIONS:

Evaluate options, including:

- Monetization of current or future tax assets
- Look to build upon current public platform
- Properly position for market transformation



APPENDIX

Appendix A: 10-Q Balance Sheet⁽¹⁾

<i>(in thousands, except share data)</i>	As of	
	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,914	\$ 30,693
Receivables, net	817	1,113
Receivables, related parties, net	4,104	3,247
Prepaid expenses and other assets	2,631	1,835
Total current assets	<u>39,466</u>	<u>36,888</u>
Property and equipment, net of accumulated depreciation of \$1,126 and \$1,486, respectively	229	410
Equity method investments	5,383	4,351
Deferred tax assets	36,008	38,661
Other long-term assets	2,070	2,308
Total Assets	<u>\$ 83,156</u>	<u>\$ 82,618</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 660	\$ 1,000
Accrued payroll and related liabilities	1,970	1,384
Billings in excess of costs on uncompleted contracts	—	1,830
Other current liabilities	627	2,664
Total current liabilities	<u>3,257</u>	<u>6,878</u>
Other long-term liabilities	295	2,285
Total Liabilities	<u>3,552</u>	<u>9,163</u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock: par value of \$.001 per share, 50,000,000 shares authorized, none outstanding	—	—
Common stock: par value of \$.001 per share, 100,000,000 shares authorized, 22,646,524 and 22,465,821 shares issued, and 19,921,128 and 20,752,055 shares outstanding at September 30, 2018 and December 31, 2017, respectively	23	22
Treasury stock, at cost: 2,725,396 and 1,713,766 shares as of September 30, 2018 and December 31, 2017, respectively	(27,566)	(16,397)
Additional paid-in capital	96,251	105,308
Retained earnings (deficit)	10,896	(15,478)
Total stockholders' equity	<u>79,604</u>	<u>73,455</u>
Total Liabilities and Stockholders' Equity	<u>\$ 83,156</u>	<u>\$ 82,618</u>

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2018.

Appendix B: 10-Q Income Statement⁽¹⁾

<i>(in thousands, except per share data and percentages)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Chemicals	\$ 1,043	\$ 717	\$ 2,390	\$ 3,844
License royalties, related party	4,104	2,804	10,857	6,425
Equipment sales	—	1,577	72	31,304
Total revenues	5,147	5,098	13,319	41,573
Operating expenses:				
Chemicals cost of revenue, exclusive of depreciation and amortization	954	574	2,567	2,977
Equipment sales cost of revenue, exclusive of depreciation and amortization	—	1,467	(346)	28,260
Payroll and benefits	2,555	1,679	7,528	5,894
Rent and occupancy	250	255	766	555
Legal and professional fees	698	1,062	3,459	3,316
General and administrative	584	1,114	2,332	2,964
Depreciation and amortization	74	87	262	687
Total operating expenses	5,115	6,238	16,568	44,653
Operating income (loss)	32	(1,140)	(3,249)	(3,080)
Other income (expense):				
Earnings from equity method investments	9,715	12,120	37,857	36,089
Interest expense	(399)	(678)	(1,147)	(1,999)
Other	86	(924)	146	2,492
Total other income	\$ 9,402	\$ 10,518	\$ 36,856	\$ 36,582
Income before income tax expense	9,434	9,378	33,607	33,502
Income tax expense	3,931	3,586	5,151	12,614
Net income	\$ 5,503	\$ 5,792	\$ 28,456	\$ 20,888
Earnings per common share (Note 1):				
Basic	\$ 0.28	\$ 0.28	\$ 1.41	\$ 0.96
Diluted	\$ 0.28	\$ 0.28	\$ 1.40	\$ 0.96
Weighted-average number of common shares outstanding:				
Basic	19,726	20,808	20,090	21,569
Diluted	19,876	20,854	20,228	21,598
Cash dividends declared per common share outstanding:	\$ 0.25	\$ 0.25	\$ 0.75	\$ 0.50

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2018.

Appendix C: 10-Q Cash Flow⁽¹⁾

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 28,456	\$ 20,888
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred tax expense from change in valuation allowance	2,731	—
Depreciation and amortization	262	687
Debt prepayment penalty and amortization of debt issuance costs	—	109
Impairment of cost method investment	—	464
Provision for bad debt expense	153	—
Stock-based compensation expense	1,929	1,648
Earnings from equity method investments	(37,857)	(36,089)
Other non-cash items, net	37	436
Changes in operating assets and liabilities:		
Receivables	482	7,027
Related party receivables	(857)	(869)
Prepaid expenses and other assets	(797)	(513)
Costs incurred on uncompleted contracts	15,945	27,081
Deferred tax assets, net	(966)	11,086
Other long-term assets	—	(766)
Accounts payable	(340)	(603)
Accrued payroll and related liabilities	587	(825)
Other current liabilities	(1,974)	(917)
Billings on uncompleted contracts	(15,945)	(30,140)
Other long-term liabilities	(157)	147
Legal settlements and accruals	—	(11,606)
Distributions from equity method investees, return on investment	4,000	3,675
Net cash used in operating activities	(4,311)	(9,080)

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2018.

Appendix D: 10-Q Cash Flow (continued)⁽¹⁾

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2018	2017
Cash flows from investing activities		
Distributions from equity method investees in excess of cumulative earnings	33,575	33,363
Acquisition of property, equipment and intangibles, net	(191)	(343)
Purchases of and contributions to equity method investees	(750)	(61)
Net cash provided by investing activities	32,634	32,959
Cash flows from financing activities		
Dividends paid	(15,226)	(10,458)
Repurchase of common shares	(11,169)	(13,024)
Repurchase of common shares to satisfy tax withholdings	(707)	(518)
Borrowings on Line of Credit	—	808
Repayments on Line of Credit	—	(808)
Net cash used in financing activities	(27,102)	(24,000)
Increase (decrease) in Cash and Cash Equivalents and Restricted Cash	1,221	(121)
Cash and Cash Equivalents and Restricted Cash, beginning of period	30,693	26,944
Cash and Cash Equivalents and Restricted Cash, end of period	\$ 31,914	\$ 26,823
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,020	\$ 2,391
Cash paid for income taxes	\$ 4,756	\$ 1,160
Supplemental disclosure of non-cash investing and financing activities:		
Dividends declared, not paid	\$ 85	\$ 93

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2018.