Arq

Nasdaq: ARQ

Fearnleys Cleantech Conference

December 4, 2024

Disclaimer

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Non-GAAP Financial Measures

Included in this presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") designed to supplement, and not substitute, the Company's financial information presented in accordance with GAAP. The non-GAAP measures as defined by the Company may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that the Company’s future results or leverage will be unaffected by other unusual or non-recurring items. Please see the attached appendix for how we define these non-GAAP measures, a discussion of why we believe they are useful to investors, and certain limitations and reconciliations thereof to the most directly comparable GAAP measures.

Company Overview

Arq is a diversified, environmental technology company producing activated carbon products which reduce or reverse environmental liabilities, including PFAS or “forever chemicals”. Our products enable a cleaner and safer planet.

General applications of our products

Note: PFAS: Per- or poly-fluorinated alkyl substances (PFAS) are a group of industrial chemicals used in everyday products and are often referred to as ‘Forever Chemicals’ because of their extreme persistence in the environment

Arq At a Glance

Producing Activated Carbon Since 2008

Strong asset & customer base; ~175 patents & applications across large & diverse markets

Top 3 Activated Carbon Supplier [1]

Approximately 23%[1] North American market share in activated carbon

Material Environmental Benefits

Utilize purified waste feedstock to remediate other waste

Fully Integrated Domestic Supply Chain

Enables cost control, supply surety and margin enhancement

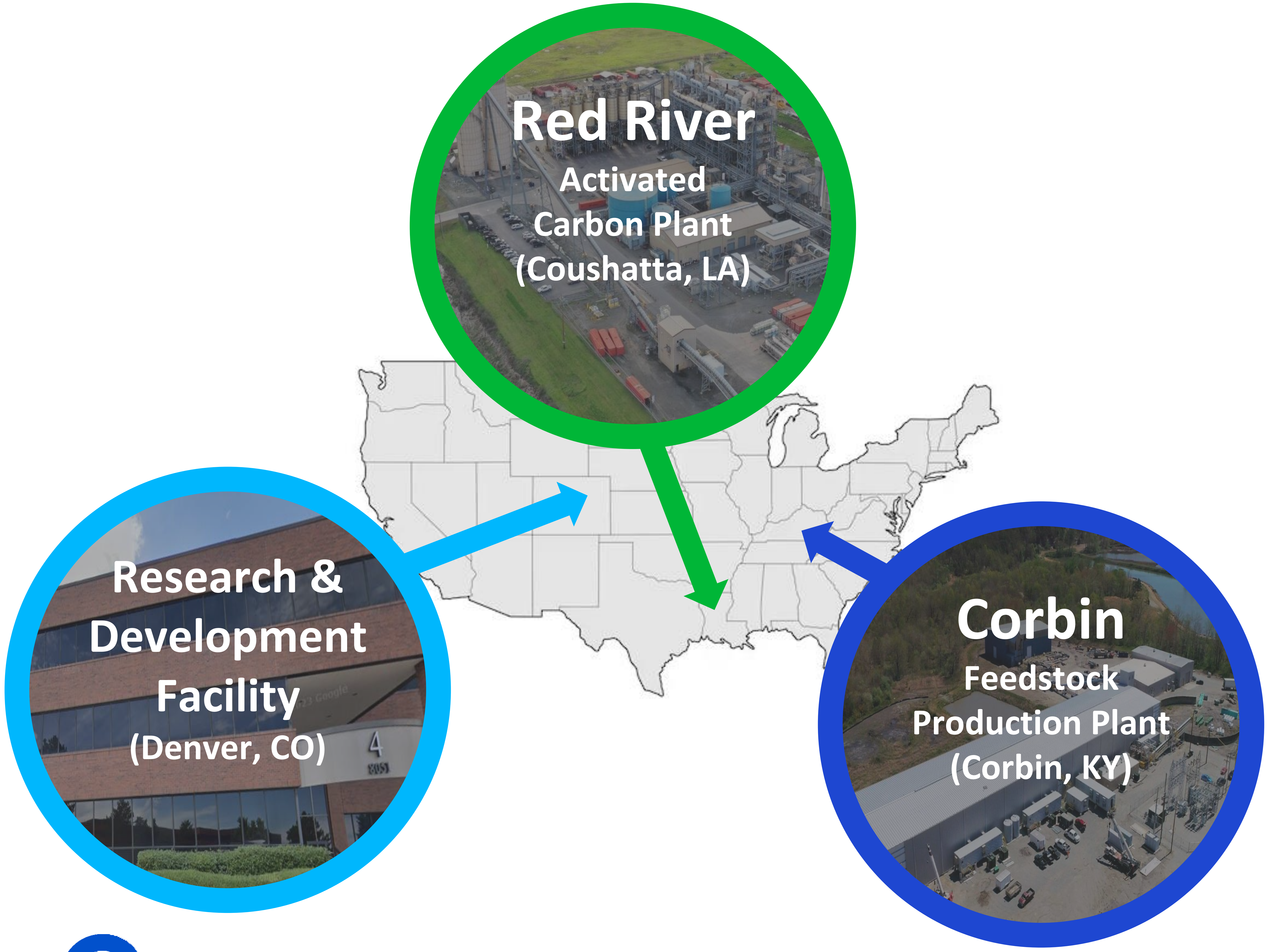
Undergoing Corporate Transformation

Transforming to an environmental tech company from industrial manufacturing

[1] Company and market estimates

Significant and Undervalued Asset Base

Provides springboard for growth into higher margin products



- Estimated replacement value of existing assets **>$500 million**[1]
- Shift towards Granular Activated Carbon ("GAC") production from existing facilities and strategic expansion projects **increases our market breadth and repositions business for growth**
- **Red River** - Foundational infrastructure, sales team, customer relationships and market expertise **mitigate expansion plan risk while providing springboard into higher growth, higher margin products**
- **Corbin** – Asset enables production of **purified waste-derived feedstock**

[1] Based on Company's estimates of potential greenfield projects

What is Activated Carbon?

- Also known as activated charcoal
- Activated carbons are engineered sorbent materials which purify, filter and remove pollutants from air, water and soil
- When activated, able to “adsorb” a wide range of harmful compounds from air, gas & liquids
- “Activation” process makes product more porous (e.g. think kernel of corn and popcorn kernel)

2 Major Types of Activated Carbon

Powder Activated Carbon (PAC)	Granular Activated Carbon (GAC)

Products & Market Applications

GAC from bituminous coal best at remediating PFAS and forever chemicals

Applications

- Potable Water
- PFAS Remediation
- Wastewater Treatment
- Biogas
- Mercury Emissions
- Pharma
- Specialty
- Automotive
- Food & Beverage
- Soil & Groundwater Remediation

Market Focus

Growth Business	Granular Activated Carbon **(GAC)**	**Municipal water, PFAS remediation, soil & groundwater remediation, specialty gas purification**
Foundation Business	Powder Activated Carbon **(PAC)**	**Power generation, industrial and municipal water**

Strong PAC Foundation + Attractive GAC Growth Driver

Cash generating foundational PAC business provides springboard into high growth, high margin GAC business

Powder Activated Carbon (PAC)	Granular Activated Carbon (GAC)
• Arq's **<u>foundational</u>** business • Established leading market position; strong fundamentals for ongoing demand • Penetrating new markets (e.g. water), driving cost reduction, improving product mix and ASP, and eliminating loss-making relationships • Achieving positive cash flow via focus on profitability over volumes • Remains key part of our ongoing strategy and business / net cash contributor in 2024 and beyond	• Arq's **<u>growth</u>** business • Highly attractive investment economics on first phase of production from higher-price, higher-margin products • Unique opportunity to leverage existing asset and portfolio base to drive further differentiation • Compelling macro tailwinds in the U.S. and globally • Significant expansion to potential total addressable market

Recent Financial Highlights Confirm PAC Business Transformation

Q3 2024 [1]

+17%

Revenue growth of +17% YoY in Q3 2024, reflecting strong momentum

+15%

Average sales price **(ASP)** growth of +15%, reflecting ongoing portfolio optimization

+800 bps

~800 bps growth in **gross margins** to 39% YoY due to ongoing cost & profitability initiatives

6th Straight

6th consecutive quarter of double-digit YoY **growth in ASP** (16% avg. increase since Q1 2023)

5th Consecutive

5h consecutive quarter of YoY **Adjusted EBITDA** growth: >$5 million in Q3 2024

$57 million

$57 million of **cash** (including $8.7 million of restricted cash) as of 9/30/2024; financial flexibility

1 Reflect financial results for Q3 2024. YoY comparisons are vs. Q3 2023. See Appendix for additional financial detail and Non-GAAP reconciliations.

Key Drivers of Arq's Corporate Transformation

What We're Doing

Red River Project

- **Adding production of GAC + expanding plant to deliver incremental 25 million pounds of GAC product**
- Entered into supply contracts for 60% of nameplate capacity at attractive pricing vs PAC products
- Reiterating 2024 capex forecast of $60-70 million
- In advanced contract negotiations for remaining nameplate capacity; expected by time run-rate production achieved (Q1 '25)
- Identified potential to increase Red River's 25 million pounds. nameplate capacity by 10-20% with no anticipated additional capex required

Corbin Project

- **Utilizing bituminous coal waste from Corbin to serve as feedstock for Red River**
- Unique patent-protected process
- Development on time & within budget; production-ready
- Production of initial product for quality control & specification testing commenced; will ramp ahead of first production at Red River

What it Delivers

- ✓ Targeted payback of ~3 years
- ✓ Expanded products and solutions portfolio
- ✓ Expansion into rapidly growing markets
- ✓ Differentiated feedstock source with cost & sustainability benefits
- ✓ Generate strong additional GAC cash flow to PAC foundation
- ✓ Continue transformation to environmental tech company

Red River Phase 1 GAC Development Update

Development remains on time & on budget; potential upsize announced

- Following several key recent hires, all aspects of construction process at Red River brought in-house
- Leveraging of strong in-house capabilities expected to reduce capital requirements and provide potential for expedited timeline
- Project completion timelines and budgets remain on track with previous guidance; expect first deliveries in Q1 2025
- Modular commissioning of GAC plant expansion already underway
- Identified potential to increase Red River's 25 million pound nameplate capacity by 10-20% with no additional capex expected; upsized production run-rate achievable by Q3 2025

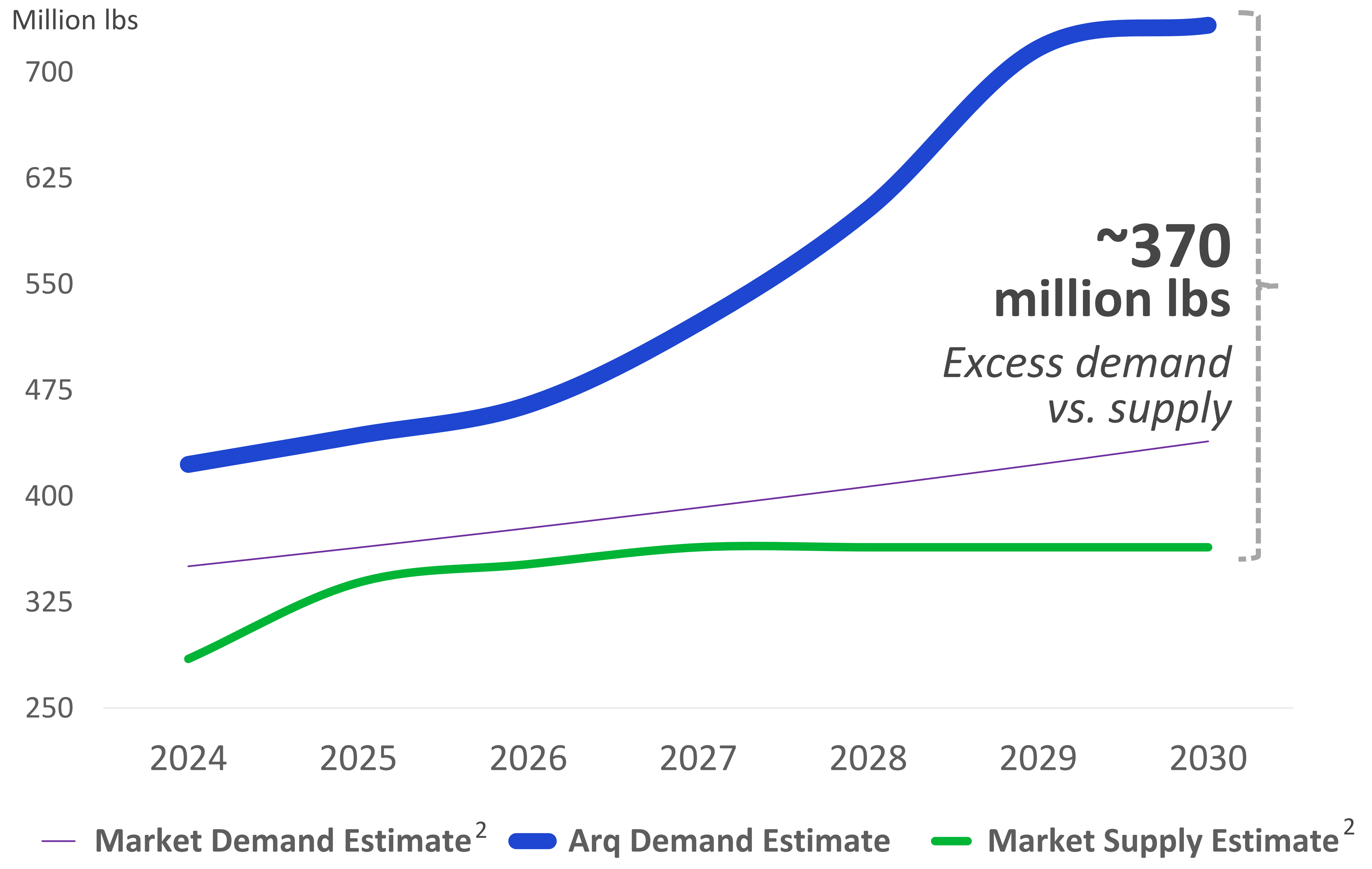
New GAC line under construction

Note: Photo above as of October 2024

Strong North American GAC Market Fundamentals

Data suggest demand outpacing supply – Arq anticipates a 3-5x increase in demand over next 5 years not accounting for potential incremental demand growth from other sectors (e.g., biogas)

- **Arq expects annual GAC market to grow ~75% to >700mm lbs[1]**
- **Would result in ~370mm lbs supply shortfall by 2030[1]**
- **New supply limited by capital, feedstock, permits**



~35%

Of the ~153,000 public water systems in the U.S. estimated to require PFAS treatment facilities by 2030 (vs. 10% in 2023)[3]

$2 billion

Estimated market size of U.S. drinking water PFAS treatment market by 2030 (~10x growth vs. 2023)[3]

~80%

Estimated market penetration rate of GAC for PFAS treatment by 2030, driven by GAC advantages vs. alternative solutions[3]

2-4x increase

Replacement cycle for PFAS removal equipment estimated to increase ~2x (groundwater) and 4x (surface water) vs. historic usage[3]

~5% per year

Estimated annual increase in GAC prices (2025-2027)[3]

[1] Reflects company estimates. Note: Arq estimates 10% increase on previous market data in 2024 & YoY through 2026; a 50% increase YoY in 2027 through 2029 – i.e. accelerating into final stages of compliance with new EPA regulations. Excludes any new entrants.

[2] Source: IHS. Note: Estimates based on 2022 data, and therefore compiled prior to latest EPA regulatory changes.

[3] Goldman Sachs Research published on July 31, 2024.

Our Key GAC Differentiators

Activated carbon is a technical sale – our unique products, process and supply chain are key differentiators

We will be the only GAC producer:

…with a vertically integrated domestic supply chain…

…using bituminous coal waste feedstock, enabling significant environmental benefits…

…and with estimated lower Scope 1 & 2 CO2e emissions (vs virgin coal-based GAC)

***Financial advantages* to our approach:**

- ✓ ***Arq's own bituminous coal waste used as feedstock supply***
- ✓ ***Drives competitive sourcing vs. traditionally mined coal***
- ✓ ***Lowers operating costs by generating net positive power***
- ✓ ***Avoids negative import factors (freight, tariffs and duties)***

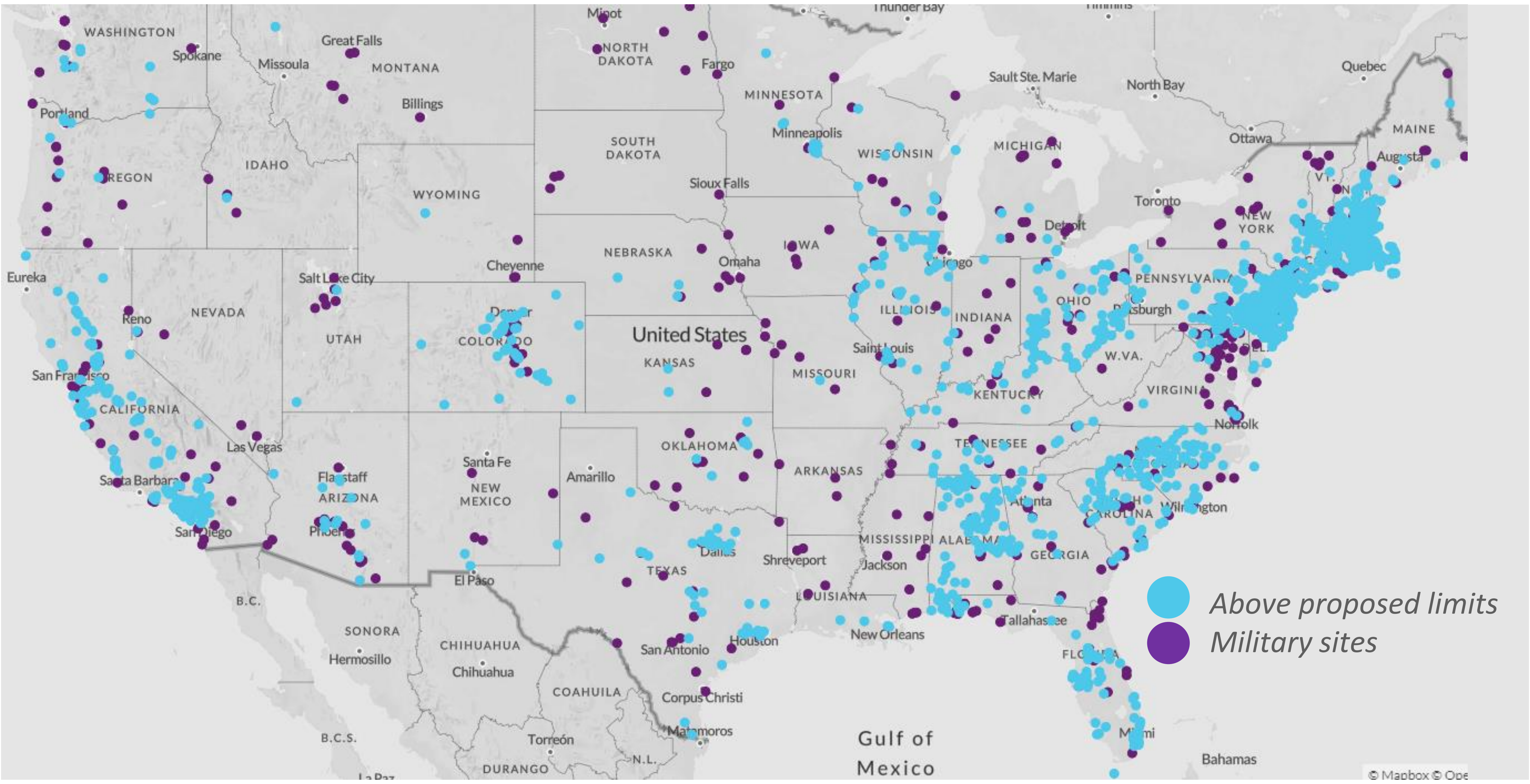
Ongoing GAC Contract Wins Validate Products and Strategy

60% of nameplate capacity contracted at attractive pricing; expect to be fully contracted prior to production

Ongoing contract wins demonstrate

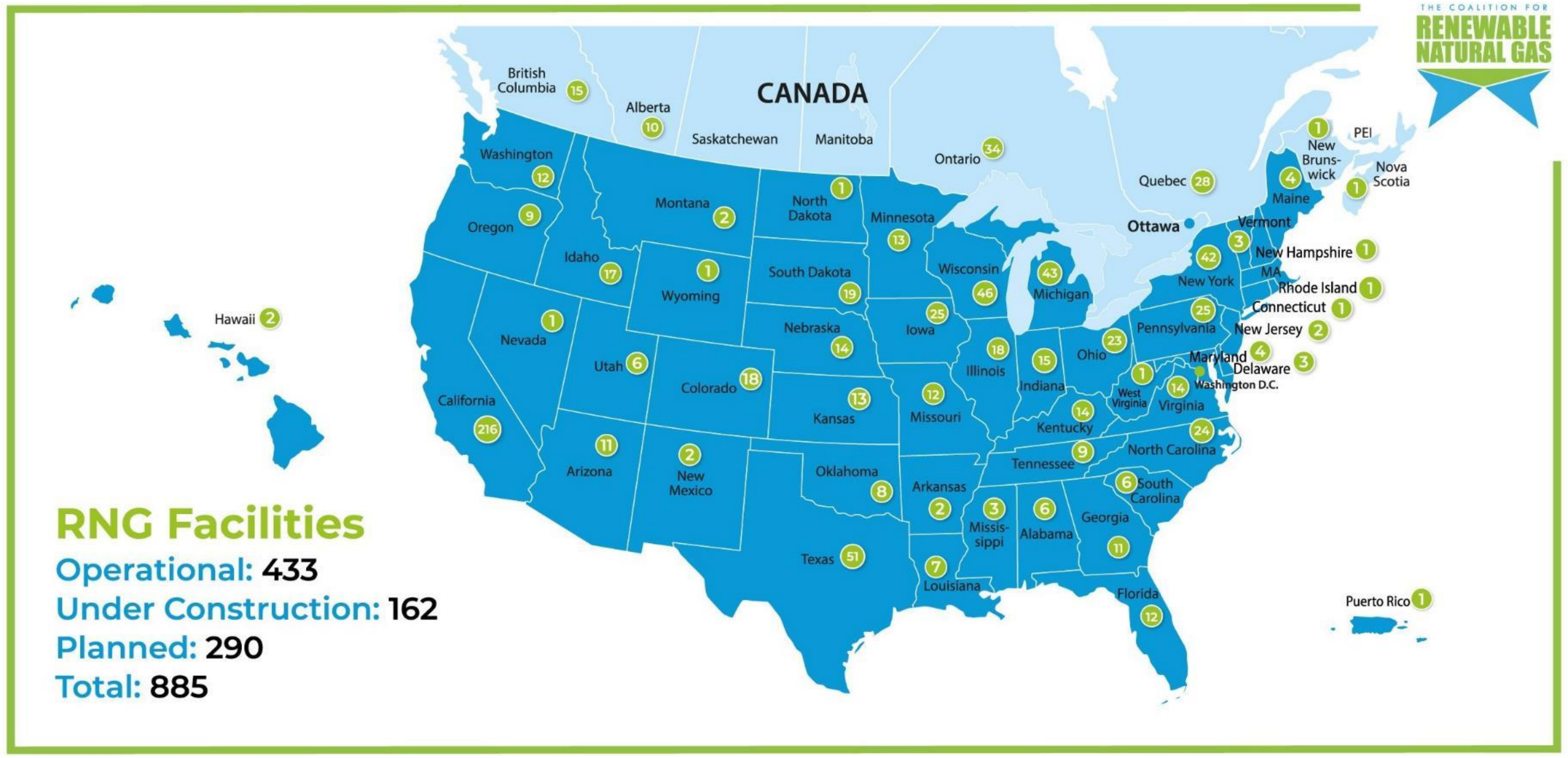
- **Technical viability of Arq products**
- **Robust, growing market, limited available supply**
- **Diverse end-market demand for GAC** *(water, PFAS, biogas, air filtration, etc.)*
- **Attractive economics of GAC products**
- **Validity of strategic investment in growth GAC business**

PFAS Contamination in the U.S. (February 2024)



Source – The Environmental Working Group

Biogas/RNG Facilities in the U.S. (July 2024)



Source – The Coalition For Renewable Natural Gas

GAC Growth Beyond Red River Phase I

Key Triggers Needed to Pursue Phase II

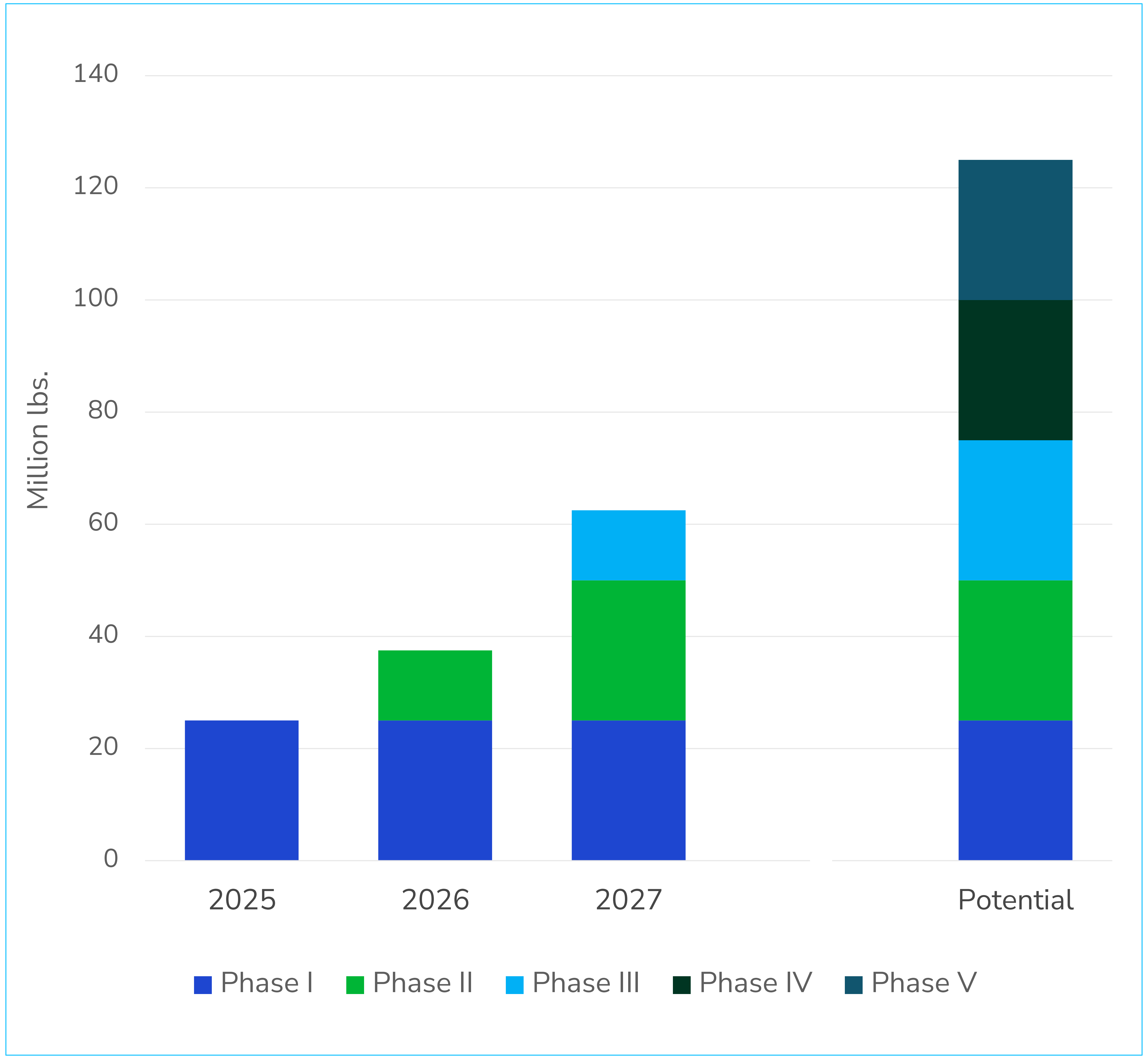
- Successful commissioning of Red River Phase I
- Achieving Phase I annual nameplate production levels of 25 million pounds (or better)
- Visibility on contract demand supporting investment return and evidencing continued competitive positioning

Other Notable Points

- Permitting already in place for Phase II
- Potential to expand to a total of 125 million lbs GAC at Red River
- Potential targeted groundbreaking for Phase II as early as Q3 2025 (in-service in mid-2026)
- Phase II construction timeline forecast of 12-months or less
- Phase II capex expectations roughly equivalent to Phase I at ~$3/lb of annual production (assuming 25 million lbs. annual production) – likely efficiency gains offset by anticipated inflation

Illustrative Red River GAC Buildout

Assumes Phases I & II are built ~1-year apart; potential of 125 million lbs.



Growth Beyond Activated Carbon – Asphalt Opportunity

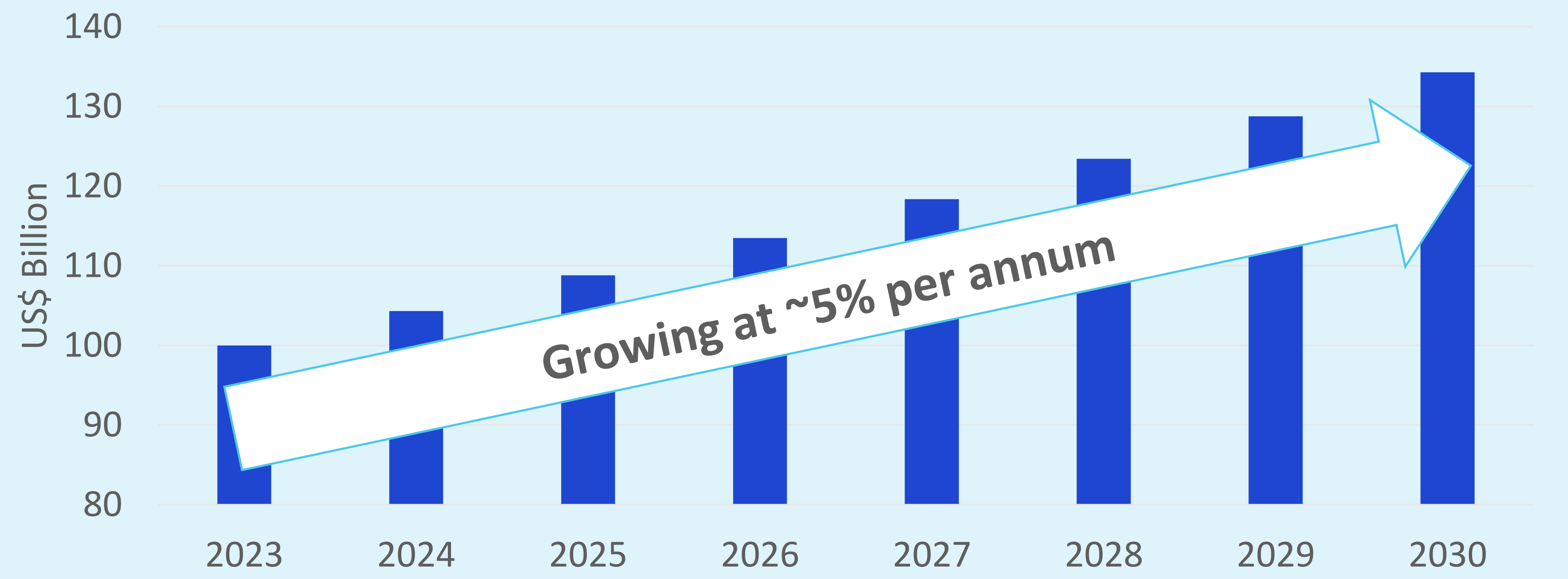
Asphalt opportunity offers prospect to add an incremental product line in uncorrelated markets, with economics having potential to equal or surpass the GAC business

- The end-product of Arq's proprietary process at Corbin, using bituminous coal waste, is a fine low-ash particle which could be ideal as a blending component for asphalt emulsions
- Product testing is already underway, with earliest potential commercialization in 2026
- Potentially saleable direct from Corbin to third parties

Product has potential to:

- Increases strength, versatility and durability of asphalt products
- Reduce degradation as part of seasonal freeze-thaw cycle
- Act as a functional extender for asphalt binder, reducing asphalt binder requirements without loss of performance
- Lower estimated greenhouse gas emissions of overall asphalt blend, compared to refiner-sourced asphalt

Asphalt Emulsions Market Size Forecast



Source: https://www.verifiedmarketreports.com/product/asphalt-emulsions-market/

Key Near Term Objectives

1 PAC Optimization

- Drive additional market penetration (i.e. adjacent sectors)
- Continue improving foundational PAC business
- Improve product mix and drive higher ASP

2 GAC Customers

- Continue active dialogue with new and existing GAC customers
- Contract 25 million lbs of nameplate capacity by initial run-rate production

3 Corbin Facility

- Run at steady-state capacity
- Stockpile bituminous waste feedstock
- Deliver feedstock to Red River GAC facility upon commissioning

4 Red River GAC Facility

- Achieve first GAC deliveries in Q1 2025
- Achieve nameplate capacity and upsize potential
- Explore potential for expanding Red River nameplate capacity further

Arq Investment Conclusions

Vertically Integrated
The only vertically integrated domestic activated carbon supply chain

Growth-Focused
Legacy PAC assets provide infrastructure for expansion to high-growth GAC

Environmentally Beneficial
Uniquely use waste to remediate other waste and lower overall carbon footprint

Competitively Advantaged
First-mover position combined with differentiated product quality, cost and CO2 advantage

Appendix

Recent Financial Highlights & Business Updates

Ongoing PAC portfolio optimization drives significant gross margin, net income and Adjusted EBITDA improvement; Red River GAC expansion remains on time & budget; Red River capacity upside potential

Q3 2024 Financial Update

- **Continued growth:** Revenue +17% and ASP +15% YoY
- **Improved profitability:** Gross margin up ~800 basis points YoY
- **Generated strong Adjusted EBITDA[1]:** $5.1 million vs. $0.9 million YoY
- **Strong momentum:** 5th straight quarter YoY Adj. EBITDA growth; 6th consecutive quarter double digit % ASP increase YoY

Business & Market

- **GAC contracting:** 60% of Red River nameplate capacity contracted at attractive pricing. In advanced negotiations for remaining contracts by time run-rate production achieved (Q1 '25)
- **PAC pricing:** Continue to prioritize profitability over volume; expanding efforts in water market (higher ASP)
- **PAC visibility:** Strong visibility in contract renewals through 2025 and beyond extends performance sustainability

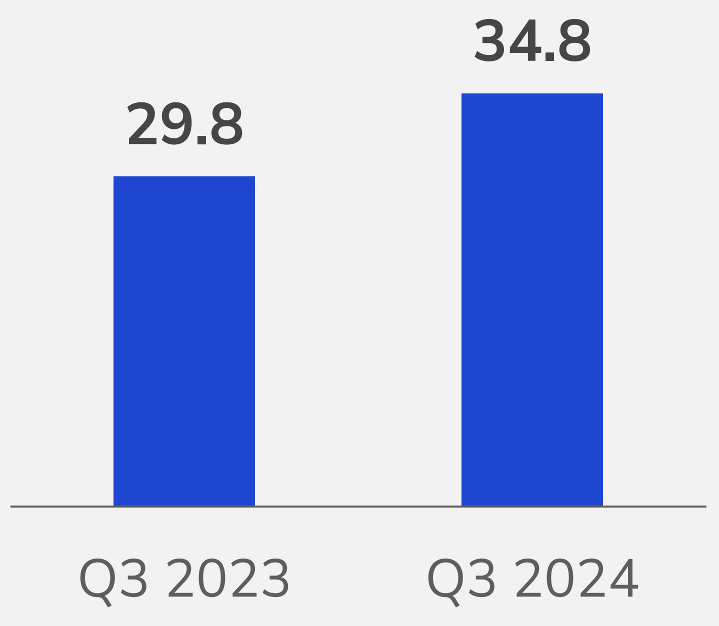
Strategic Growth Projects

- **GAC facility:** On target for first deliveries in Q1 '25; run-rate of 25mm pounds targeted by end of Q1 '25
- **GAC upsize:** Identified potential to increase Red River's 25mm lbs. nameplate capacity by 10-20% with no additional capex; expected to be achievable by Q3 '25
- **FY 2024 capex:** Reiterating $60-70 million
- **Funding & Capital:** Raised ~$27 million, net proceeds in Sep. 2024; strong participation by high-quality institutional investors

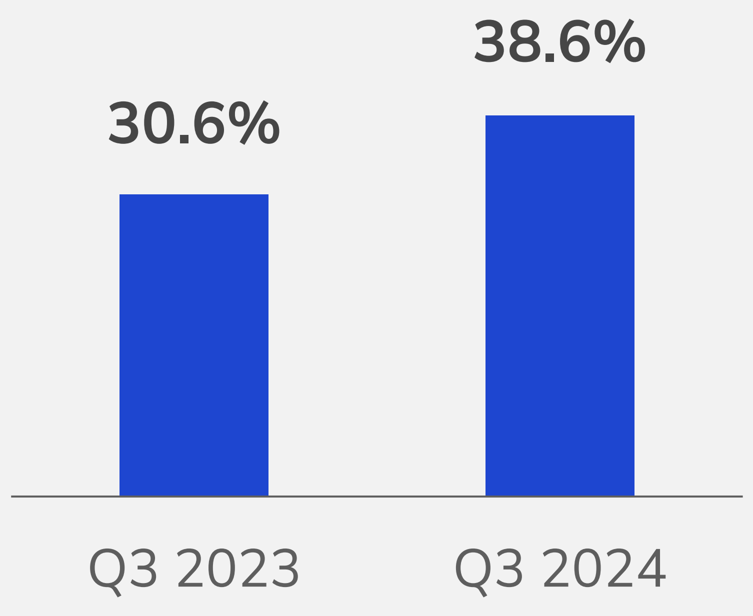
(1) Adjusted EBITDA is a non-GAAP measure. Please see "Note on Non-GAAP Financial Measures" slides for reconciliation information .

Q3 2024 Financial Highlights

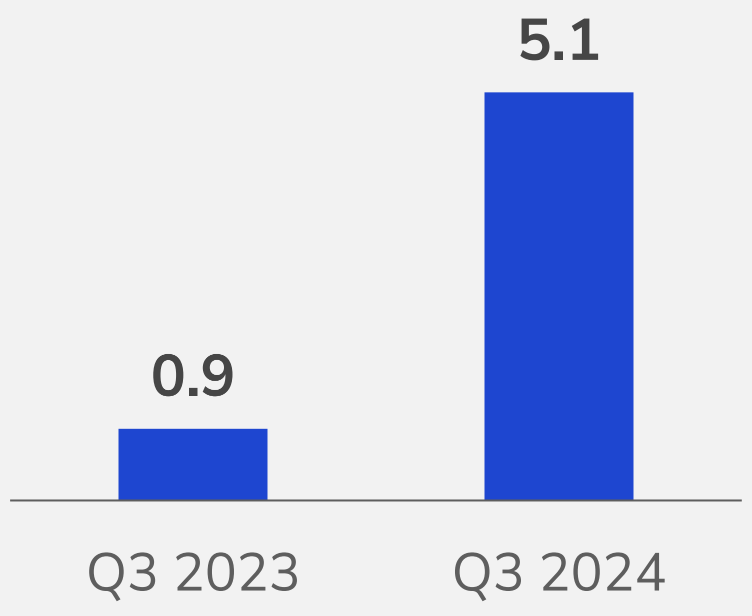
Revenue



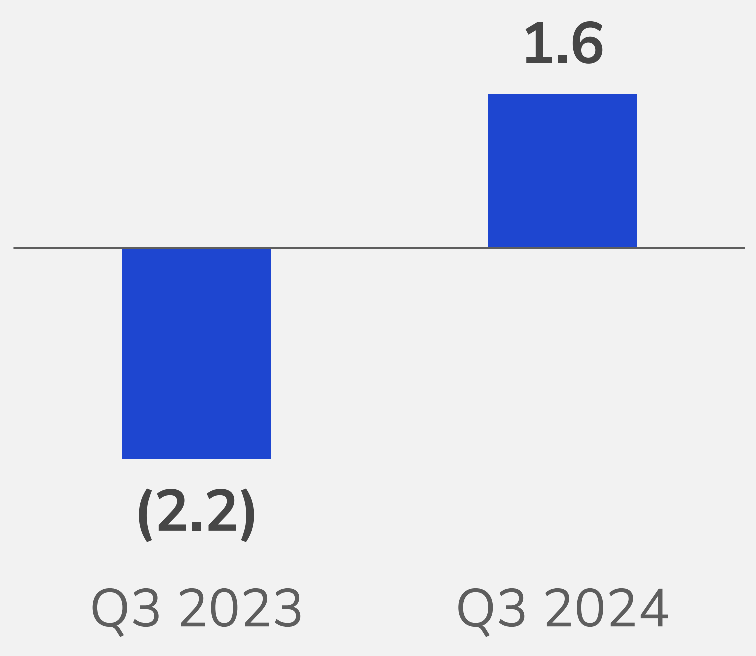
Gross Margin (%)



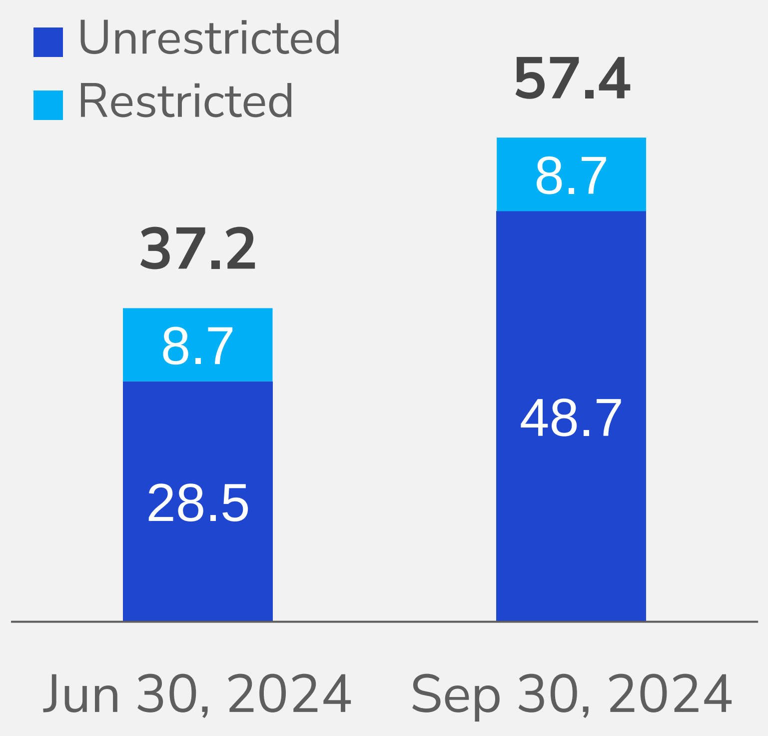
Adjusted EBITDA[1]



Net Income



Cash



Continued Revenue Growth YoY

- **Revenue** +17% to $34.8 million
- Higher ASP, positive changes in product mix and slightly higher volumes

Expanding Gross Margins YoY

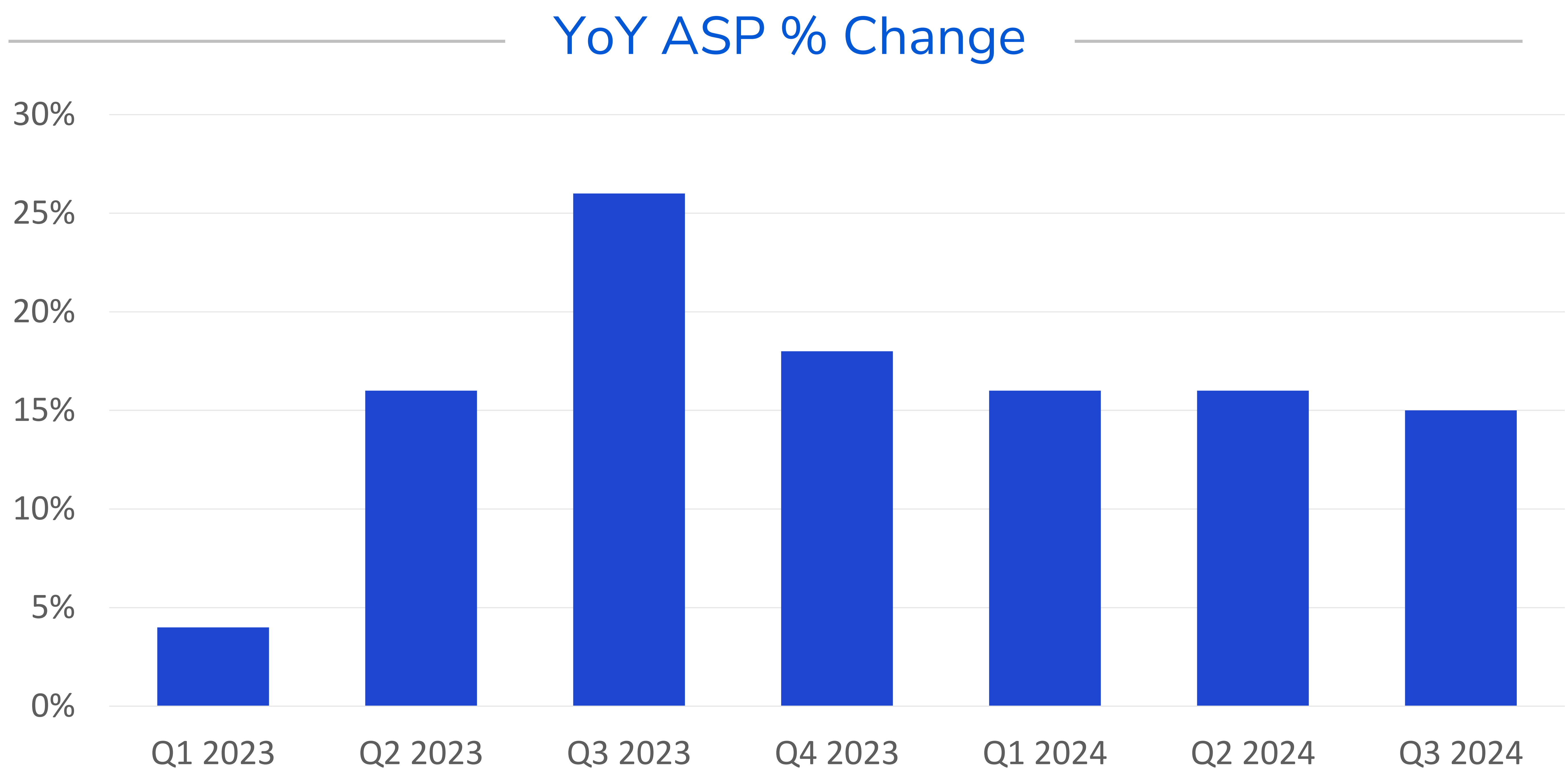
- **Gross margin** of 38.6%, up ~800 bps vs. 30.6% YoY
- **SG&A** reduced by 3% to $8.1 million (vs. $8.3 million)
- **Adjusted EBITDA** [1] of $5.1 million vs. $0.9 million YoY, demonstrating sustained improvement in PAC business
- Improvements driven by continued focus on profitability over volume, cost management, positive changes in product mix. Reflects improvement towards annualized cash generation

Cash & Balance Sheet Flexibility

- **Cash** totaled $57.4 million as of September 30, 2024; includes $8.7 million restricted cash
- Total **debt**, inclusive of financing leases, of $20.0 million

1) Adjusted EBITDA is a non-GAAP measure. Please see "Note on Non-GAAP Financial Measures" slides for reconciliation information.

Steady Price Increases Underpin Sustainable PAC Business Performance



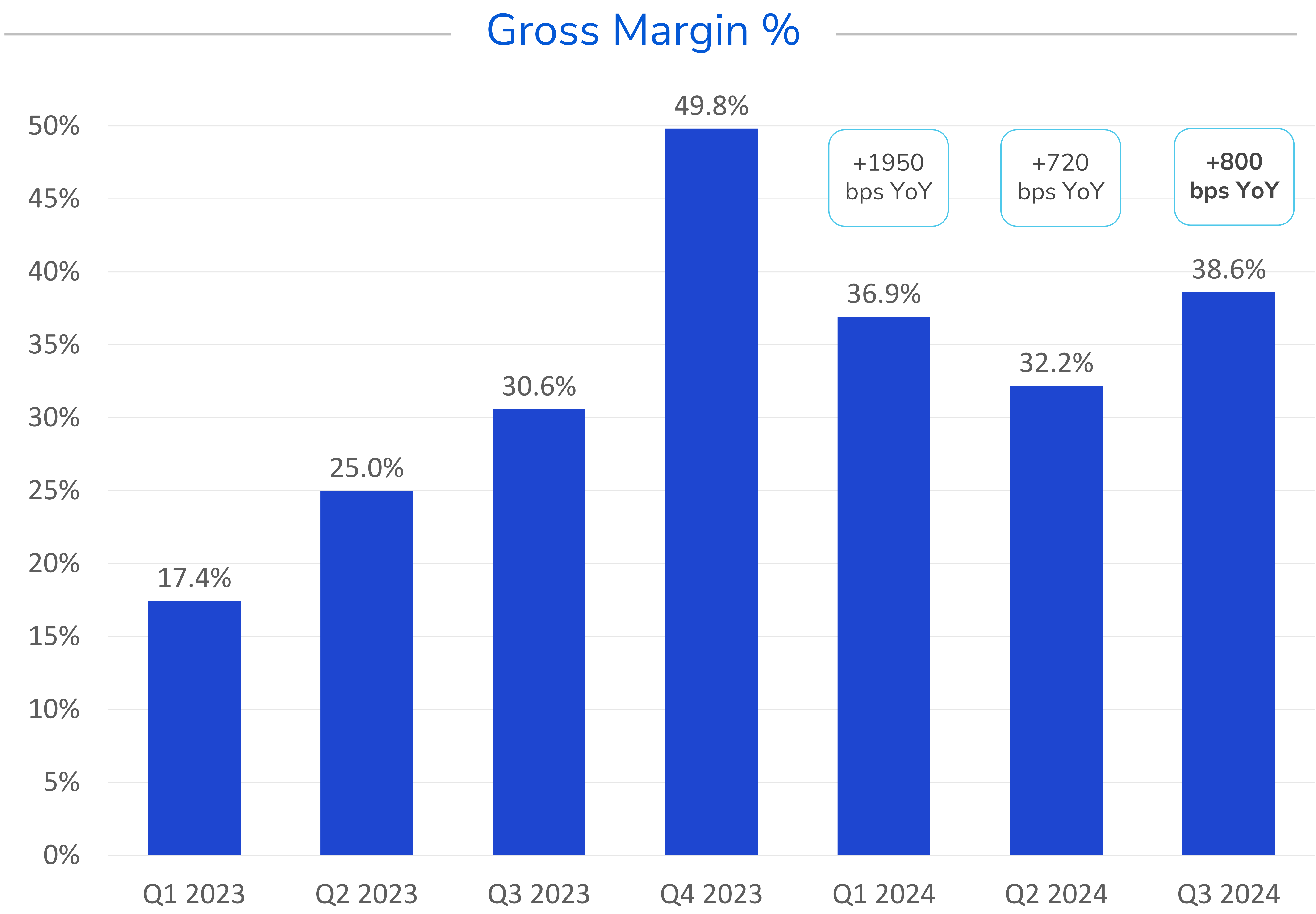
Q3 2024:

- 6th consecutive quarter of double digit % ASP YoY increase
- 15% ASP increase YoY (16% average increase since Q1 2023)
- In Q3 2024, amended sole remaining loss-making contract which will now be a net contributor in 2025

Strong visibility in PAC contract renewals extends runway and sustainability in 2025 and beyond

Attractive & Consistent Growth in Gross Margin

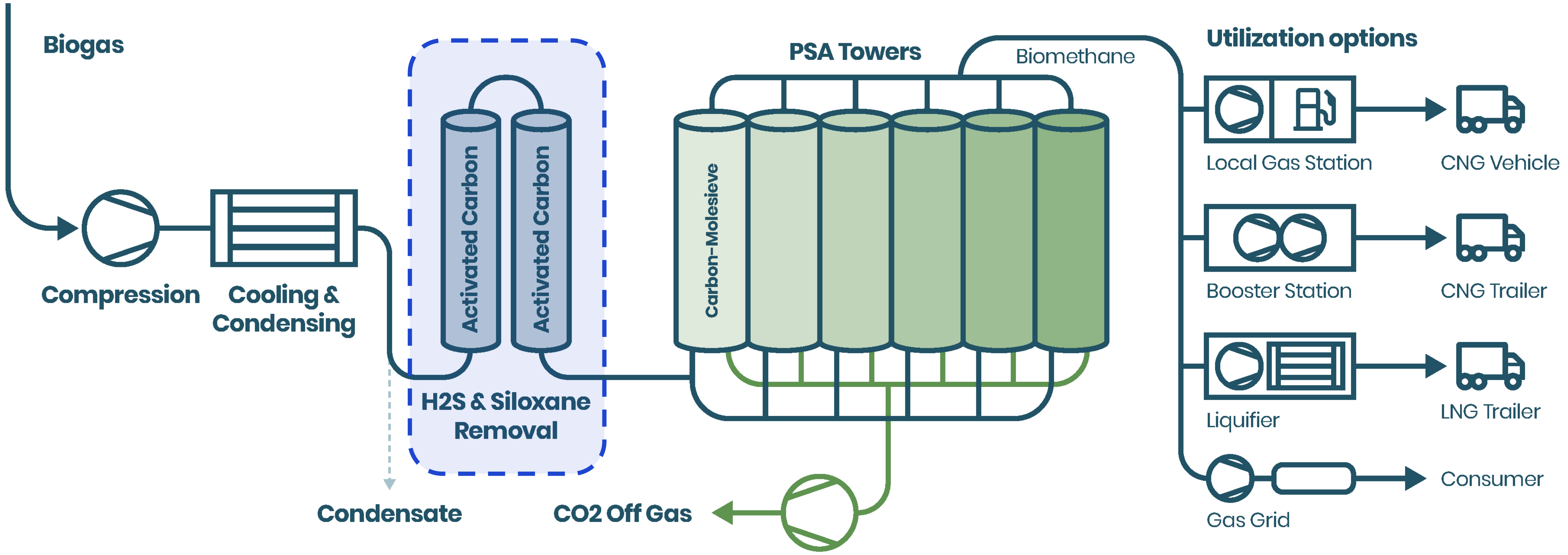
Material and consistent gross margin improvement due to ASP growth and focused cost cutting initiatives



- Gross margin improved ~800 basis points YoY (from 30.6% to 38.6%)
- Gross margin expansion driven by reduced opex costs and increased ASP
- Q2 2023 and Q2 2024 gross margin include impact of plant turnaround maintenance costs
- Q4 2023 gross margin include $4.7 million associated with contractual take-or-pay revenue

Biogas & Renewable Natural Gas Purification

- Biogas is produced when organic material decomposes in anaerobic conditions. Biogas can be processed to remove impurities – such as CO_2, H_2S and Siloxane – to produce high-quality Renewable Natural Gas (RNG)
- Sources of biogas for potential RNG production include landfill wastes, animal manure, separated organic waste, and wastewater treatment sludge
- GAC's role is as part of a larger biogas treatment system for purifying RNG by removing carbon dioxide, hydrogen sulfide, nitrogen, volatile organic compounds and moisture
- The RNG is passed directly through a GAC column to achieve this purification
- System typically located near or on the RNG production site
- Arq has agreed to conduct real-world testing programs at multiple RNG sites once in commercial production in 2025
- RNG applications for GAC provide two benefits to Arq: diversification of GAC revenue stream; a natural hedge against the coal-fired power focus of the PAC portfolio
- GAC pricing for RNG applications is typically more attractive than many other GAC applications



PFAS – “Forever Chemicals” Awareness Gathering Pace

Public understanding now catching up with corporate awareness

- Per- or poly-fluorinated alkyl substances (PFAS) are a group of industrial chemicals typically used in everyday products to make them non-stick, waterproof or stain resistant
- Often referred to as ‘Forever Chemicals’ because of their extreme persistence in the environment
- 98% of US population estimated to have some form of negative PFAS exposure*
- High levels of exposure have been linked to cancer, liver and kidney damage**
- In 2023, EPA set new legal limits for PFOS and PFOA of 4 parts per trillion (ppt), near the limit of detection for both chemicals
- 4 ppt is approximately equivalent to 4 grains of sand in an Olympic-size swimming pool. This was a reduction from previous advisory health limit of 70 ppt ***

Investors raise pressure over ‘forever chemicals’ amid growing litigation

Personal injury claims could reach $66bn in crisis akin to asbestos liabilities

Source – Financial Times [1]

US Food Faces PFAS Challenge as European Rules, Policies Expand

Source – Bloomberg Law [2]

At least 60% of US population may face ‘forever chemicals’ in tap water, tests suggest

Source – The Guardian [4]

EPA proposes some ‘forever chemicals’ be considered hazardous

Source – CNN [5]

3M to Pay Up to $12.5 Billion to Settle Forever-Chemicals Lawsuits

Source – Bloomberg [3]

* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7879379/
** https://www.atsdr.cdc.gov/pfas/health-effects/index.html
*** https://www.epa.gov/sdwa/questions-and-answers-drinking-water-health-advisories-pfoa-pfos-genx-chemicals-and-pfbs
1 – LINK. 2 – LINK. 3 – LINK. 4 – LINK. 5 - LINK

EPA Releases Critical PFAS Regulations

On April 10, 2024, EPA announced new National Primary Drinking Water Regulations to reduce PFAS in municipal drinking water over the next 5 years

- **Arq estimates EPA's regulations potentially increases municipal water market demand by 3-5x vs. existing ~170 million pound per year**
- **Expected to serve as significant catalyst for greater demand of Arq products and potentially exacerbating shortages of supply**
- PFAS regulations set at a 4 parts per trillion ("ppt") Maximum Contaminant Level ("MCL"), for certain PFAS compounds
- Allowable levels down from previous advisory limit of 70ppt[1]
- 4 ppt is approximately equivalent to 4 grains of sand in an Olympic-size swimming pool
- Other jurisdictions, including the EU, are expected to pursue a similar path, serving as further global macro tailwind
- $1bn is available to assist public water utility companies to meet the new drinking water standards; a total of $9bn is authorized under the 2021 Bipartisan Infrastructure Law (BIL) to assist communities impacted by PFAS Contamination; an additional $12bn funding is available in the BIL to improve public water infrastructure

[1] https://www.epa.gov/sdwa/questions-and-answers-drinking-water-health-advisories-pfoa-pfos-genx-chemicals-and-pfbs

Condensed Consolidated Balance Sheet[1]

(in thousands, except share data)	As of September 30, 2024	As of December 31, 2023
ASSETS		
Current assets:		
Cash	$ 48,662	$ 45,361
Receivables, net	16,590	16,192
Inventories, net	18,487	19,693
Prepaid expenses and other current assets	3,530	5,215
Total current assets	87,269	86,461
Restricted cash, long-term	8,718	8,792
Property, plant and equipment, net of accumulated depreciation of $25,146 and $19,293, respectively	139,137	94,649
Other long-term assets, net	44,841	45,600
Total Assets	$ 279,965	$ 235,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 20,191	$ 14,603
Current portion of debt obligations	2,324	2,653
Other current liabilities	7,671	5,792
Total current liabilities	30,186	23,048
Long-term debt obligations, net of current portion	17,634	18,274
Other long-term liabilities	14,029	15,780
Total Liabilities	61,849	57,102
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value of $0.001 per share, 50,000,000 shares authorized, none issued or outstanding	—	—
Common stock: par value of $0.001 per share, 100,000,000 shares authorized, 46,652,061 and 37,791,084 shares issued, and 42,033,915 and 33,172,938 shares outstanding at September 30, 2024 and December 31, 2023, respectively	47	38
Treasury stock, at cost: 4,618,146 and 4,618,146 shares as of September 30, 2024 and December 31, 2023, respectively	(47,692)	(47,692)
Additional paid-in capital	197,988	154,511
Retained earnings	67,773	71,543
Total Stockholders' Equity	218,116	178,400
Total Liabilities and Stockholders' Equity	$ 279,965	$ 235,502

(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, 2024.

Condensed Consolidated Statements of Operations[1]

(in thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue	$ 34,774	$ 29,829	$ 81,919	$ 71,079
Cost of revenue, exclusive of depreciation and amortization	21,339	20,707	52,279	53,218
Operating expenses:				
Selling, general and administrative	8,058	8,297	22,735	27,574
Research and development	787	639	3,341	2,145
Depreciation, amortization, depletion and accretion	2,716	2,711	6,090	7,276
Gain on sale of assets	(154)	—	(154)	(2,695)
Total operating expenses	11,407	11,647	32,012	34,300
Operating income (loss)	2,028	(2,525)	(2,372)	(16,439)
Other (expense) income:				
Earnings from equity method investments	127	412	127	1,512
Interest expense	(806)	(787)	(2,426)	(2,155)
Other	268	725	931	1,510
Total other (expense) income	(411)	350	(1,368)	867
Income (loss) before income taxes	1,617	(2,175)	(3,740)	(15,572)
Income tax (expense) benefit	—	—	(30)	33
Net income (loss)	$ 1,617	$ (2,175)	$ (3,770)	$ (15,539)
Income (loss) per common share:				
Basic	$ 0.04	$ (0.07)	$ (0.11)	$ (0.56)
Diluted	$ 0.04	$ (0.07)	$ (0.11)	$ (0.56)
Weighted-average number of common shares outstanding:				
Basic	36,124	31,807	34,085	27,894
Diluted	37,442	31,807	34,085	27,894

(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, 2024.

Condensed Consolidated Statements of Cash Flows[1]

	Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**
Cash flows from operating activities		
Net loss	$ (3,770)	$ (15,539)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization, depletion and accretion	6,090	7,276
Stock-based compensation expense	2,185	1,810
Operating lease expense	1,518	2,061
Amortization of debt discount and debt issuance costs	450	395
Gain on sale of assets	(154)	(2,695)
Earnings from equity method investments	(127)	(1,512)
Other non-cash items, net	(113)	—
Changes in operating assets and liabilities:		
Receivables and related party receivables	(399)	(359)
Prepaid expenses and other assets	1,812	3,595
Inventories, net	2,486	(811)
Other long-term assets, net	(1,366)	(3,646)
Accounts payable and accrued expenses	(2,611)	(12,033)
Other current liabilities	1,467	148
Operating lease liabilities	(1,255)	(140)
Other long-term liabilities	(945)	305
Net cash provided by (used in) operating activities	$ 5,268	$ (21,145)

(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, 2024.

Condensed Consolidated Statements of Cash Flows[1] - Cont.

(in thousands)	Nine Months Ended September 30, 2024	2023
Cash flows from investing activities		
Acquisition of property, plant, equipment, and intangible assets, net	$ (42,210)	$ (17,008)
Acquisition of mine development costs	(167)	(1,856)
Proceeds from sale of property and equipment	150	—
Distributions from equity method investees in excess of cumulative earnings	127	1,512
Cash and restricted cash acquired in business acquisition	—	2,225
Payment for disposal of Marshall Mine, LLC	—	(2,177)
Net cash used in investing activities	(42,100)	(17,304)
Cash flows from financing activities		
Net proceeds from common stock issued in public offering	26,659	—
Net proceeds from common stock issued in private placement transactions	14,951	15,220
Repurchase of common stock to satisfy tax withholdings	(1,109)	(208)
Principal payments on finance lease obligations	(838)	(855)
Net proceeds from common stock issued to related party	800	1,000
Principal payments on notes payable	(404)	(341)
Net proceeds from CFG Loan, related party, net of discount and issuance costs	—	8,522
Net cash provided by financing activities	40,059	23,338
Increase (decrease) in Cash and Restricted Cash	3,227	(15,111)
Cash and Restricted Cash, beginning of period	54,153	76,432
Cash and Restricted Cash, end of period	57,380	61,321
Supplemental disclosure of non-cash investing and financing activities:		
Change in accrued purchases for property and equipment	8,199	255
Purchase of property and equipment through note payable	258	—
Equity issued as consideration for acquisition of business	—	31,206
Paid-in-kind dividend on Series A Preferred Stock	—	157

(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, 2024.

Note on Non-GAAP Financial Measures

To supplement our financial information presented in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), we provide certain supplemental financial measures, including EBITDA and Adjusted EBITDA, which are measurements that are not calculated in accordance with U.S. GAAP. EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA is defined as EBITDA reduced by the non-cash impact of equity earnings from equity method investments and other non-cash gains, increased by cash distributions from equity method investments and other non-cash losses. EBITDA and Adjusted EBITDA should be considered in addition to, and not as a substitute for, net income (loss) in accordance with U.S. GAAP as a measure of performance. See below for a reconciliation from net income (loss), the nearest U.S. GAAP financial measure, to EBITDA and Adjusted EBITDA.

We believe that the EBITDA and Adjusted EBITDA measures are less susceptible to variances that affect our operating performance. We include these non-GAAP measures because management uses them in the evaluation of our operating performance, and believe they help to facilitate comparison of operating results between periods. We believe the non-GAAP measures provide useful information to both management and users of the financial statements by excluding certain expenses, gains, and losses which can vary widely across different industries or among companies within the same industry and may not be indicative of core operating results and business outlook.

EBITDA and Adjusted EBITDA:

The following table reconciles net income (loss), our most directly comparable as-reported financial measure calculated in accordance with U.S. GAAP, to EBITDA (loss) and Adjusted EBITDA (loss).

Adjusted EBITDA (Loss) Reconciliation to Net Loss

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income (loss) [1]	$ 1,617	$ (2,175)	$ (3,770)	$ (15,539)
Depreciation, amortization, depletion and accretion	2,716	2,711	6,090	7,276
Amortization of Upfront Customer Consideration	127	127	381	381
Interest expense, net	600	224	1,638	822
Income tax expense (benefit)	—	—	30	(33)
EBITDA (loss)	5,060	887	4,369	(7,093)
Cash distributions from equity method investees	127	412	127	1,512
Equity earnings	(127)	(412)	(127)	(1,512)
Gain on sale of assets	(154)	—	(154)	(2,695)
Financing costs	228	—	228	—
Adjusted EBITDA (loss)	$ 5,134	$ 887	$ 4,443	$ (9,788)

[1] Included in Net loss for the three and nine months ended September 30, 2023 are zero and $4.9 million, respectively of transaction and integration costs incurred related to the Arq Acquisition. Additionally, for the three and nine months ended September 30, 2023, Net loss included $2.5 million and $4.2 million of Legacy Arq payroll and benefit costs. Further included in Net Loss for the three and nine months ended September 30, 2023 is $1.3 million of severance expense related to two executive employees.

Arq Investor Relations

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