



**Strategic Environmental and Energy Resources
Second Quarter 2018 Earnings Conference Call
August 15, 2018**

CORPORATE PARTICIPANTS

John Combs, *Chief Executive Officer and President*

Heidi Anderson, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

James McDonald, *Private Investor*

PRESENTATION

Operator:

Good morning. Welcome to the Strategic Environmental & Energy Resources' Second Quarter 2018 Earnings Conference Call. My name is Derrode (phon) and I will be your Operator today.

Joining us for today's presentation are CEO, John Combs; and CFO, Heidi Anderson. Following their remarks, we will open up the call for your questions. Then before we conclude today's call, I will provide the necessary disclaimers and cautions regarding the forward-looking statements made by Management during this call as well as information about the Company's use of non-GAAP financial information. I would like to remind everyone that this call will be recorded and made available for replay via a link in the Investors section of the Company's website.

Now, I'd like to turn the call over to SEER's Chief Executive Officer, Mr. John Combs. Please proceed.

John Combs:

Thank you, Operator. Thank you, everyone, for joining us on our second quarter 2018 conference call. As you may have seen in our recent 8-K filing, our Chairman, Don Moorehead, resigned this month. What was not in the filing was also that he got married this month and he is reprioritizing his priorities, so to speak. I personally very much enjoyed working with Don, and we've agreed that we will continue working together as projects or opportunities present themselves. We all thank Don for his service and congratulate him on his marriage.

In the same category of events, on behalf of all of us at SEER, we want to welcome Scott Yenser to our Board. Scott has a very extensive and impressive background and invaluable hands on business experience that can be leveraged to benefit SEER and its shareholders.

We believe he will be tremendous asset to Management and help us accomplish our near and long-term growth initiatives. Having known Scott for many years, I am certain he will be presenting new opportunities to bring to market several of our technologies and otherwise add value to the Company.

We published a press release yesterday, which covered the second quarter 2018 results and subsequent events. The press release addresses the financial and operational highlights during and subsequent to the second quarter. As we progress into the third quarter, we are seeing long awaited and tangible progress, particularly in our Paragon rollout efforts, in our MV sales and in our REGS new upcoming manufacturing revenue and contract backlog.

SEER, and in particular Paragon, are also being presented with interesting offers from prospective investment groups and operating partners. It is too early to discuss the specific offers and opportunities that we will continue to carefully evaluate and assess how they may advance our objectives and add value to SEER. We will be making announcements as appropriate.

As I noted in our last conference call, we have achieved a series of significant operational milestones with our Paragon division, one of which includes the commissioning and ramp up of Paragon Southwest Medical Waste, a full-scale waste destruction facility in Anahuac, Texas. Three CoronaLux systems are operating approximately one shift each day with a total daily capacity of 4.5 tons. We have plans to expand to two shifts daily as we capture market share. The facility now represents the first time "bypass" medical waste can be destroyed in the United States on a large scale commercial basis in a manner other than traditional incineration. Of that, we are all very proud.

In addition, our final approval from South Coast Air Quality Management District in California, in December of last year, represented a major milestone in the industry and the waste market in California as Paragon and its partner MWS have become the first and only fully permitted facility to destroy medical waste in the State of California. This has allowed us to increase our usage of the CoronaLux system at Paramount from hours a day to a full-time, five-days-a-week basis. We estimate that the potential for 12 to 16 placements for the CoronaLux systems to exist over the next several years in California alone.

Let's briefly review our strategic operational highlights. As to operations, although our Environmental Solutions division experienced a slight decline in revenue during the second quarter of 2018 due to spiky long-term contract revenue and a lumpy sales cycle, we believe that the potential for a higher growth rate exists over the next several quarters due to the new rental system revenue and increased high margin recurring media sales. All of this is expected to minimize the impact of inevitable periodic lulls in new system sales. Just the existing number of maturing installations nationwide gives us confidence in our ability to create a growing and stable stream of high margin recurring revenue year-after-year.

In addition to receiving the first manufacturing order for Biochar equipment, valued at more than \$1 million, we've realized several exciting new project wins in our REGS division, which, when considered in tandem with our partnership with Biochar Now, this leads us to believe that we have an unprecedented opportunity to create an imminent and real potential to grow this segment over the next few quarters. We look forward to sharing these developments as well as ongoing industrial service project wins in the near future.

Before I discuss additional developments in more detail, I'd like to turn the call over to Heidi Anderson, our CFO, to review the second quarter financial results. Heidi?

Heidi Anderson:

Thank you, John. Total revenue in the second quarter of 2018 decreased 2.6% to \$2.4 million compared to \$2.5 million in the same year ago quarter. This decrease was primarily driven by a \$0.4 million decline in Environmental Solutions revenue caused by a reduction in long-term contract revenue, somewhat offset by an increase of \$0.3 million in Industrial Cleaning revenue. Industrial Cleaning revenue in the second quarter of 2018 increased 43.4% to \$0.8 million versus \$0.5 million in the same year ago quarter. This increase is primarily attributable to a large mobile railcar cleaning contract in 2018.

Environmental Solutions revenue in the second quarter of 2018 was \$1.5 million versus \$1.9 million in the same year ago quarter. Solid Waste revenue in the second quarter of 2018 totaled \$88,000 versus \$74,500 in the same year ago quarter. This increase is attributable to a change in the revenue mix, to include Management services revenue and an elimination of costs paid by the Company on behalf of the MWS joint venture.

Gross margin in the second quarter of 2018 increased to 27.4% from 14% in the same year ago quarter. The increase in gross margin is largely attributable to an increase in margin across each segment. Total operating expenses for the second quarter of 2018 decreased to \$2.9 million compared to \$3.4 million in the same year ago quarter, a reduction of over \$0.5 million. The decrease in operating costs mainly stems from the 17% decrease in Environmental Solutions revenue, which resulted in a 22% reduction in its related costs.

The net loss attributable to SEER was \$1 million for the quarter ended June 30, 2018 compared to a net loss attributable SEER of \$1.3 million for the quarter ended June 30, 2017. The decrease in net loss is primarily due to a decrease in selling, general and administrative expenses. Adjusted EBITDA loss in the second quarter of 2018 was \$0.3 million compared to a loss of \$0.5 million in the same year ago quarter, an improvement of approximately \$0.2 million.

Cash at June 30, 2018 totaled \$0.2 million compared to \$0.3 million at June 30, 2017. That concludes my remarks. I will now turn the call back to our Chief Executive Officer, John Combs, for an operational overview. John?

John Combs:

Thank you, Heidi. While Management readily acknowledges there remains a lot of work to do, we believe the Company is finally arriving at the inflection point where all divisions will be profitable at the same time, and Paragon will be in a position to make demonstrable progress in rolling out its patented and disruptive technology on full commercial scale nationwide.

On the Technology Solutions side, moving forward, we expect our growing base of profitable and recurring media sales to help minimize the impact of periodic loss in new system orders. Refocused promotional activities are underway to help boost the growth rate of both system and media replacement sales as well as new sales efforts targeting high-margin system rental revenue. Additionally, much of the installed base of the MV systems was installed during the last 24 months, which means that media revenue will continue to increase as more of these systems installed throughout North America come due for media replacement.

While not a so-called home run, the existing rental revenue and imminent prospect for growing this recurring high-margin revenue represents a new and valuable opportunity to increase and sustain profitability for MV. Each one box rental system, manufactured in-house by REGS, will generate approximately \$19,000 of monthly revenue between the equipment rental and the ongoing media sales. It is estimated these rental systems will be in place for 6 to 12 months at each site. The capital costs are recouped very quickly and the systems can be redeployed from site-to-site, further increasing the profitability of each system.

In our early stage of this program, MV has already placed several systems in California that are currently generating more than \$60,000 a month. This number is expected to double by year's end.

Meanwhile, we continue to promote the V3RU Technology in Canada and to Western U.S. oil and gas producers. We have discussed the potential of this patented technology to address the very real and

increasing problems in the oil fields with our newly appointed director Scott Yenzler, and he will be instrumental in creating new marketing strategies and seeking the recognition this proven technology deserves.

In summary, SEER's MV division will continue to focus on developing organic growth of its profitable new systems sale and rentals as well as replacement media offerings, while exploring high growth opportunities that leverage our other existing and patented technologies such as the V3RU.

Let's now review a few of the operational accomplishments that occurred in our service segment during the fourth quarter of 2017, another accomplishment continuing into 2018. Although not immediately apparent, REGS is seeing an uptick in its pipeline of large long-term projects. Since the close of the first quarter, we have realized several new project wins including tank cleaning for an energy firm in Kansas, a Western-based asphalt firm, a pipeline Company in Colorado as well as a chemical cleaning project in Oklahoma, and several smaller projects throughout the front range and Western slope regions.

We anticipate the REGS segment will continue its upward trend both in revenue and income during the second half of 2018 and into 2019, as we begin to collect and book our new revenue. REGS continues to leverage its well-established background and oil field services and will work closely with our new Management to support efforts to bring our patented V3RU oil field through to heavy machine capture system to market.

Of major importance, we have significantly expanded and diversified REGS' market opportunity in our partnership with Biochar Now. As we have announced, REGS just received its first order to manufacture kiln sets for Biochar Now. This order, valued at more than \$1 million, is the first of what we anticipate to be many as we see the demand for this product increasing at impressive rates.

Indeed, BCN and REGS have already visited the site in the South Eastern U.S. to assist one of the world's largest chemical companies and its outside engineers and its federally-mandated river remediation and clean-up project. REGS was engaged as a manufacturer of specially designed delivery systems to deploy the Biochar product into the river and water color and deliver these custom designed systems to the site. The next phase of this large project has already begun and the equipment manufactured by REGS is performing in line with expectations.

REGS has already realized several new water remediation project wins in Texas as well, where we demonstrated that the patented BCN product outperformed alternatives in removing excess nitrogen and phosphorous, while successfully destroying invasive algae.

REGS continues to work with BCN, and leading water experts and service companies to leverage the success and expedite the deployment of its technology with both the water treatment market and in the mining industry. The addressable market for Biochar is very significant, growing rapidly and fits perfectly into SEER's business portfolio. This presents an exciting and eminent revenue growth opportunity for SEER. Joint marketing opportunities between MV and Biochar now in the landfill market are also ongoing and include a range of players on the East Coast and in South Florida, including discussions with two large municipal solid waste operators and government agencies that are currently addressing the huge problem with algae in Lake Okeechobee and surrounding areas that you may be seeing in the national news lately. These opportunities are all in addition to REGS being licensed to manufacture the kilns required to fulfill BCN increasing demand for Biochar.

We believe that returning REGS to the profitability that experienced in the recent past and leveraging REGS reputation and experience is a notable driver of the short and long-term growth of SEER.

Let's now address Paragon. As noted earlier, Paragon has recently achieved several major milestones. We have already outlined the successful operational ramp of the JV operations in Texas. Let me reiterate that the Texas joint venture is an extremely important operational development for Paragon as it marks the immediate term commencement of a large-scale commercial operation of our CoronaLux technology at a formerly operating medical waste incineration facility. This positions SEER and Paragon to capture a large portion of the medical waste disposable market and significantly grow Paragon's revenue.

This facility has been audited by all three major waste collection companies in the medical waste business and two very large industrial service companies. Volume has been ramping up, we are operating three CoronaLux systems at 4.5 tons a day capacity with a plan to add a second shift to ramp up capacity to 9 tons a day as soon as appropriate. It is worthy of repeating that this facility now represents the first time "bypass" medical waste is being destroyed anywhere in the United States on a large-scale commercial basis in a manner other than traditional incineration. The Paragon Southwest joint venture is also the first time when an established incinerator operator has idled its operation in favor of adopting the CoronaLux technology.

The partnership is leveraging its existing industry experience and implementing an aggressive marketing program to secure waste from the entire Southwest region. The new venture has purchased three existing CoronaLux systems for \$1.5 million and currently owes Paragon \$900,000 on a priority-payback basis.

Subject to the joint venture meeting certain performance metrics, expansion to the five neighboring states is a real and lucrative possibility, and the joint venture is committed to purchasing an additional six systems at a minimum of \$500,000 each over the next five years to maintain the contractual exclusivity.

Aside from its 35% equity ownership in the partnership, Paragon is also providing ongoing managerial services in return for annual compensation. This opportunity has launched in earnest our patented technology at scale into the multi-billion-dollar medical waste market.

We are excited and optimistic about the opportunities that currently are being presented to Paragon as a result of recent successes in rollout and expect to soon be making further announcements regarding these developments.

While the second quarter numbers don't yet showed the momentum that the Company is currently trading, we are on an exciting growth trajectory to create shareholder value in 2018 on the back of: 1) Paragon's recent successes and increasing revenues; 2) opportunities being presented to Paragon by prospective funding and operational partners; 3) REGS's immediate opportunity to generate significant high margin manufacturing revenue in its recent service contracts towards; and 4) MV's new rental revenues as its growing and recurring high margin environmental solutions to media sales.

We also intend to continue enhancing management at the executive level with the focus on practical and proven industry experience, particularly in the specific medical waste, engineering, and oil and gas sectors. With this growth and opportunity as the backdrop, we acknowledge our cash flow constraints and SEER is keenly focused on immediately improving the situation, but not at the cost of selling all or most of the assets that represents our long-term value.

As I remarked earlier, we are entertaining several options that will result into significant cash infusion in the Company while insisting we preserve what we have all worked so hard to achieve. As we evaluate these options, we will continue to work toward achieving self-sustaining and profitable operations across all divisions. In the long run, it is these fundamentals that will create a strong Company. We expect to have a comprehensive update in the weeks to come, upon the progression of our conversations with key perspective partners and investors.

I want to deviate now from concluding with the standard business terms and phrases and end with a more human side of the business. I personally interact with many of you shareholders. I have the pleasure of visiting with some of you during my travel and speak with many of you from time-to-time.

I am well aware of the frustration many of you are feeling with the passage of time. I hear you all and acknowledge your frustration. We, too, are feeling the same emotion at times. I know I am. With that said, I say to you all now, what I remind myself of and say to the team here: We are not selling mundane or fungible off-the-shelf products into traditional, common-place markets. We are striving to bring new truly innovative and disruptive technologies into very established and old school markets and that takes commitment and perseverance.

In a sense, the entire medical waste consideration market is threatened by our CoronaLux technology. It is being proven to be cleaner, safer, better and cheaper. To think it will be embraced or adopted overnight would be unrealistic. SEER's overall mission is and has always been to disrupt large markets with better, cleaner, safer and more efficient technologies and we are doing just that.

This is where real upside and success can be found, and I believe that is why you are all here. I know it's why we are here and none of us will ever waiver from our commitment to make this happen. Over the last four years, we have accomplished many things that industry experts said we could never do. We've had a thermal destruction technology deemed to be non-incineration by the EPA, the first time a viable alternative to the centuries-old incineration has been designated as such.

We receive not only one but several patents covering this technology when many said not even one would ever be issued. In addition to being permitted in Florida, Texas and North Carolina, we just recently received our full and final permit to thermally destroy medical waste in the State of California. Arguably one of the most, if not the most stringent air quality regions in the world and in a state that has banned all incineration and land filling of medical waste for almost two decades, we are now operating five days a week. Again, we were told such permits would never be issued and that we would never be destroying medical waste in California, especially not in Southern California, yet there we are.

We have taken a virtually zero revenue, start-up operation with new technology and built MV into a profitable Company with more than \$5 million in revenue last year, and growing. Indeed, MV is now a nationally recognized biogas capture and conditioning Company with 70 installations nationwide accounting.

Our Company is now service some of the nation's leading companies: Cargill, ConAgra, Simplot, Budweiser, MillerCoors, Molson Coors, Coca-Cola, Waste Management, DuPont and many others. We have set high goals and objectives, and so far have accomplished each and every one of them. Yes, it's taken longer than any of us would like, but all the naysayers and experts have been wrong about our technologies and what we can and have accomplished. All our technologies are being proven to be better for the environment, to be safer, to be more profitable.

In the end, this is what will bring value to our Company. It hasn't always been easy and it is taking time, we acknowledge that. But traditional multi-billion dollar markets are not disrupted easily or quickly. But know this, all of us at SEER didn't come this far just to come this far, and we're all committed to the proposition and still believe that these markets can and will be disrupted, and therein, will be found the true value for SEER.

With that, we're ready to open the call for your questions. Operator?

Operator:

Thank you. Ladies and gentlemen, if you would like to ask a question at this time, please signal on your telephone by pressing star, and then one. Please make sure the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, if you would like to ask a question, please press star, then one.

We can now take our first question from James McDonald, a Private Investor.

James McDonald:

Hi, John, anyway, very good presentation and summary of the way things were for the quarter and I am glad that you are all optimistic there. I think there are plenty of opportunities for the Company's various products and divisions. You're talking about the blue-green algae there in Florida, in the Lake; in addition, of course, even worse is the red tide that's destroyed the West Coast of Florida basically. I am sure you've seen it. You wouldn't put your hand in the water, never mind go swimming in it. I was there in December, two years ago; there were nothing but dead fish and vultures on the beach. When people's home value starts plunging as a result of this, and I am sure that's already begun, people start screaming. Could you—is there a way with the Biochar then for the red tide too?

John Combs:

Yes. It truly is, and it's a little premature, Jim, to be discussing the scope of it, but it was on national news yesterday and the entire Coast of Florida, Central Okeechobee are literally becoming hazard, basically non-functional, wild life is dying in an unprecedented amount. They're already talking about a state of emergency. We, meaning Biochar and SEER, have been in contact with several government agencies, including the army core of engineer. They are becoming so desperate. They're pondering, literally draining and dredging Lake Okeechobee, which would take years and billions and billions of dollars. It is an emergency. We are confident we can and have proven that the Biochar product can remove the nitrogen and phosphorous which is at the core of the problem. We have deployed that product here in Colorado, in the City of Denver, in Texas. We're talking to Los Angeles Water District and others, including our project in the Southeast. We're very confident it can be achieved. Again, we cannot be naïve and think it's an overnight contract. When you're dealing with governments and states, it takes time. We know we can be part of the solution. We think it's in a very emergent issue down there. What normally takes very long might take less time because of the emergent situation, but we know the product can and will solve this situation. The scale of it is enormous and we, SEER and REGS, plan to be right in the middle of it.

James McDonald:

Okay. Great. Thanks. Go get them.

John Combs:

Thank you.

Operator:

As a reminder, if you would like to ask a question, please press star, and then one.

As there are no further questions, I would now turn the call back over to John Combs for his closing remarks.

John Combs:

As always, all of us here at SEER thank each of you as our shareholders for your trust and continued support. We look forward to continuing the momentum we're now enjoying and we look forward to upcoming calls in the coming weeks and certainly our quarterly call at the end of third quarter. Thank you, all.

Operator:

Before we conclude today's call, I would like to provide SEER's Safe Harbor statement. That includes important cautions regarding forward-looking statements made during this call, as well as the statements regarding the Company's use of non-GAAP financial information. Examples of forward-looking statements on this call include statements related to our new strategic focus, product verticals, anticipated revenue, and profitability. Such matters involve risks and uncertainties that may cause actual results to differ materially including the following: changes in economic conditions, general competitive factors, acceptance of the Company's products in the market, the Company's success in obtaining new customers, the Company's success in technology and product development, the Company's ability to execute its business model and strategic plan, the Company's success in integrating acquired entities and assets, and all the risks and related information described from time-to-time in the Company's filings with the Securities and Exchange Commission, including the financial statements and related information contained in the Company's annual report on Form 10-K, and interim quality report on Form 10-Q.

The Company assumes no obligation to update the cautionary information in this presentation. Today's presentation also included financial measures defined as non-GAAP financial measures by the SEC. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the Generally Accepted Accounting Principles accepted in the U.S., otherwise referred to as GAAP. Please refer to a more detailed discussion about the Company's use of non-GAAP measures and their reconciliation to the nearest GAAP measures in today's earnings press release, which is available on the Company's website at www.seer-corp.com.

Finally, I would like to remind everyone that a recording of today's call will be available for replay immediately after the call and through October 15, 2018. Please refer to today's press release for dial-in instructions.

Thank you for joining us today for our presentation. You may now disconnect.