

March 24, 2015



# Tecogen Announces Fourth Quarter and Year End Earnings

WALTHAM, Mass., March 24, 2015 /PRNewswire/ -- Tecogen<sup>®</sup> Inc. (NASDAQ: TGEN), a manufacturer and installer of high efficiency, *Ultra* clean combined heat and power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for industrial and commercial use, reported revenues of \$19,342,664 for the year ended December 2014 compared to \$15,849,869 for the same period in 2013, an increase of 22%. Gross profit increased to \$6,399,064 for 2014 compared to \$5,030,128, an increase of 27%.

## Major Highlights:

### *Financial*

- Tecogen Inc. turned a net profit of \$40,000 in the fourth quarter when excluding the \$71,000 loss in our subsidiary Ilios.
- Gross margin in the fourth quarter of 2014 rose to 40% from 26% in the third quarter of 2014. Gross margin also increased from 33% in the fourth quarter in 2013.
- Sales backlog of equipment and installations was \$12.2 million as of March 21, 2015, compared to \$9.9 million at the end of the fourth quarter of 2014.
- Gross profit for the fourth quarter of 2014 was \$2,534,694 compared to \$2,011,659, for the same period in 2013.
- Consolidated net loss for the three months ended December 31, 2014 was \$30,263 compared to \$110,937 for the same period in 2013.
- Net loss per share was \$0.00 and \$0.01 for the three months ended December 31, 2014 and 2013, respectively.

### *Sales & Operations*

- Tecogen shipped 7 chillers in the fourth quarter. Chiller sales for the year increased by 184% to \$3,260,000.
- Installation revenues for 2014 increased by 35% to \$3,280,000.
- Sold Ultra emissions retrofit kits for new applications.
  - First biofuel application of an emission retrofit kit as a replacement to a decommissioned fuel cell.
  - Gage Canal Company, Riverside, California purchased a retrofit to their natural gas water pumping facility.
  - Successful demonstration of retrofit to commercial 130kW standby natural gas generator.
- Established a sales office in Florida to serve the southeastern United States and the Caribbean.

- Large Ilios order of 7 water source units to a biotechnology laboratory in Florida in early 2015.

### **Conference Call Scheduled for Today at 10:00 am ET**

Tecogen will host a conference call today to discuss the fourth quarter and year end results beginning at 10:00 am ET. To listen to the call dial (888) 349 0103 within the U.S., (855) 669-9657 from Canada, or (412) 902-0129 from other international locations. Participants should ask to be joined to the Tecogen Inc. call. Please begin dialing at least 10 minutes before the scheduled starting time. The earnings press release will be available on the Company website at [www.Tecogen.com](http://www.Tecogen.com) in the "News and Events" section under "About Us." The conference call will be recorded and available for playback one hour after the end of the call. The earnings conference call will also be webcast live. To register for and listen to the webcast, go to <http://investors.tecogen.com/webcast>. Following the call, the webcast will be archived for 30 days.

### **About Tecogen**

Tecogen manufactures, installs, and maintains high efficiency, ultra-clean combined heat and power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for residential, commercial, recreational and industrial use. The company is known for cost efficient, environmentally friendly and reliable products for energy production that, through patented technology, nearly eliminate criteria pollutants and significantly reduce a building's carbon footprint.

In business for over 20 years, Tecogen has shipped more than 2,000 units, supported by an established network of engineering, sales, and service personnel across the United States. For more information, please visit [www.tecogen.com](http://www.tecogen.com).

**FORWARD-LOOKING STATEMENTS** This press release contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. Important factors could cause actual results to differ materially from those indicated by such forward-looking statements, as disclosed on the Company's website and in Securities and Exchange Commission filings. The statements in this press release are made as of the date of this press release, even if subsequently made available by the Company on its website or otherwise. The Company does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

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TECOGEN INC.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2014 and 2013

|                                                        | 2014                | 2013                |
|--------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                          |                     |                     |
| Current assets:                                        |                     |                     |
| Cash and cash equivalents                              | \$1,186,033         | \$7,713,899         |
| Short-term investments, restricted                     | 585,702             | —                   |
| Accounts receivable, net                               | 4,750,437           | 3,740,885           |
| Unbilled revenue                                       | 696,912             | 646,398             |
| Inventory, net                                         | 4,090,221           | 3,343,793           |
| Due from related party                                 | 600,251             | —                   |
| Deferred financing costs                               | 50,201              | 140,433             |
| Prepaid and other current assets                       | 348,868             | 340,013             |
| Total current assets                                   | 12,308,625          | 15,925,421          |
| Property, plant and equipment, net                     | 658,421             | 638,026             |
| Deferred financing costs, net of current portion       | 48,990              | —                   |
| Intangible assets, net                                 | 1,011,300           | 953,327             |
| Goodwill                                               | 40,870              | 40,870              |
| Other assets                                           | 53,325              | 72,425              |
| <b>TOTAL ASSETS</b>                                    | <b>\$14,121,531</b> | <b>\$17,630,069</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>            |                     |                     |
| Current liabilities:                                   |                     |                     |
| Demand notes payable and line of credit, related party | \$—                 | \$2,950,000         |

|                                                                                                                                                              |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Senior convertible promissory note, related party                                                                                                            | —                   | 3,000,000           |
| Accounts payable                                                                                                                                             | 2,416,313           | 2,338,046           |
| Accrued expenses                                                                                                                                             | 1,008,153           | 1,139,554           |
| Deferred revenue                                                                                                                                             | 1,666,576           | 613,915             |
| Due to related party                                                                                                                                         | —                   | 119,667             |
| Interest payable, related party                                                                                                                              | —                   | 198,450             |
| Total current liabilities                                                                                                                                    | 5,091,042           | 10,359,632          |
| Long-term liabilities:                                                                                                                                       |                     |                     |
| Deferred revenue, net of current portion                                                                                                                     | 207,153             | 204,544             |
| Senior convertible promissory note, related party                                                                                                            | 3,000,000           | —                   |
| Total liabilities                                                                                                                                            | 8,298,195           | 10,564,176          |
| Commitments and contingencies (Note 8)                                                                                                                       | —                   | —                   |
| Stockholders' equity:                                                                                                                                        |                     |                     |
| Tecogen Inc. stockholders' equity:                                                                                                                           |                     |                     |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 15,905,881 and 15,155,200 issued and outstanding at December 31, 2014 and 2013, respectively | 15,906              | 15,155              |
| Additional paid-in capital                                                                                                                                   | 25,088,213          | 22,463,996          |
| Accumulated deficit                                                                                                                                          | (18,955,023)        | (15,209,212)        |
| Total Tecogen Inc. stockholders' equity                                                                                                                      | 6,149,096           | 7,269,939           |
| Noncontrolling interest                                                                                                                                      | (325,760)           | (204,046)           |
| Total stockholders' equity                                                                                                                                   | 5,823,336           | 7,065,893           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                            | <b>\$14,121,531</b> | <b>\$17,630,069</b> |

TECOGEN INC.

# CONSOLIDATED STATEMENTS OF OPERATIONS

For The Three Months Ended

(Unaudited)

|                            | December 31,<br>2014 | September 30,<br>2014 | June 30, 2014 | March 31,<br>2014 |
|----------------------------|----------------------|-----------------------|---------------|-------------------|
| Revenues                   |                      |                       |               |                   |
| Products                   | \$3,577,803          | \$1,094,529           | \$2,007,926   | \$1,944,776       |
| Services                   | 2,833,384            | 3,081,334             | 2,531,931     | 2,270,981         |
| Total revenues             | 6,411,187            | 4,175,863             | 4,539,857     | 4,215,757         |
| Cost of sales              |                      |                       |               |                   |
| Products                   | 2,303,800            | 1,052,199             | 1,587,145     | 1,404,439         |
| Services                   | 1,572,693            | 2,034,193             | 1,604,039     | 1,385,092         |
| Total cost of sales        | 3,876,493            | 3,086,392             | 3,191,184     | 2,789,531         |
| Gross profit               | 2,534,694            | 1,089,471             | 1,348,673     | 1,426,226         |
| Operating expenses         |                      |                       |               |                   |
| General and administrative | 1,840,487            | 1,751,080             | 1,929,071     | 1,743,992         |
| Selling                    | 492,939              | 476,601               | 405,108       | 421,620           |
| Research and development   | 152,243              | 329,524               | 251,582       | 308,134           |
| Total operating expenses   | 2,485,669            | 2,557,205             | 2,585,761     | 2,473,746         |
| Loss from operations       | 49,025               | (1,467,734)           | (1,237,088)   | (1,047,520)       |
| Other income (expense)     |                      |                       |               |                   |
| Interest and other income  | 831                  | 17,763                | 15,079        | 3,085             |
| Interest expense           | (81,576)             | (30,666)              | (57,382)      | (34,770)          |
| Total other expense, net   | (80,745)             | (12,903)              | (42,303)      | (31,685)          |

|                                                         |            |               |               |               |
|---------------------------------------------------------|------------|---------------|---------------|---------------|
| Loss before income taxes                                | (31,720)   | (1,480,637)   | (1,279,391)   | (1,079,205)   |
| Consolidated net loss                                   | (31,720)   | (1,480,637)   | (1,279,391)   | (1,079,205)   |
| Less: Loss attributable to the noncontrolling interest  | 1,457      | 32,839        | 31,684        | 59,160        |
| Net loss attributable to Tecogen Inc.                   | \$(30,263) | \$(1,447,798) | \$(1,247,707) | \$(1,020,045) |
| Net loss per share - basic and diluted                  | \$—        | \$(0.09)      | \$(0.08)      | \$(0.07)      |
| Weighted average shares outstanding - basic and diluted | 15,863,915 | 15,447,726    | 15,227,079    | 14,796,413    |

TECOGEN INC.

# CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2014 and 2013

|                            | 2014        | 2013        |
|----------------------------|-------------|-------------|
| Revenues                   |             |             |
| Products                   | \$8,625,034 | \$6,346,050 |
| Services                   | 10,717,630  | 9,503,819   |
| Total revenues             | 19,342,664  | 15,849,869  |
| Cost of sales              |             |             |
| Products                   | 6,347,583   | 4,709,767   |
| Services                   | 6,596,017   | 6,109,974   |
| Total cost of sales        | 12,943,600  | 10,819,741  |
| Gross profit               | 6,399,064   | 5,030,128   |
| Operating expenses         |             |             |
| General and administrative | 7,264,630   | 5,931,144   |

|                                                         |               |               |
|---------------------------------------------------------|---------------|---------------|
| Selling                                                 | 1,796,268     | 1,423,587     |
| Research and development                                | 1,041,483     | 1,086,989     |
| Aborted public offering costs                           | —             | 258,512       |
| Total operating expenses                                | 10,102,381    | 8,700,232     |
| Loss from operations                                    | (3,703,317)   | (3,670,104)   |
| Other income (expense)                                  |               |               |
| Interest and other income                               | 9,710         | 3,958         |
| Interest expense                                        | (177,345)     | (141,065)     |
| Total other expense, net                                | (167,635)     | (137,107)     |
| Loss before income taxes                                | (3,870,952)   | (3,807,211)   |
| Consolidated net loss                                   | (3,870,952)   | (3,807,211)   |
| Less: Loss attributable to the noncontrolling interest  | 125,140       | 357,722       |
| Net loss attributable to Tecogen Inc.                   | \$(3,745,812) | \$(3,449,489) |
| Net loss per share - basic and diluted                  | \$(0.24)      | \$(0.26)      |
| Weighted average shares outstanding - basic and diluted | 15,607,897    | 13,385,155    |

TECOGEN INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

2014      2013

### CASH FLOWS FROM OPERATING ACTIVITIES:

|          |               |               |
|----------|---------------|---------------|
| Net loss | \$(3,870,952) | \$(3,807,211) |
|----------|---------------|---------------|

*Adjustments to reconcile net loss to net cash provided by (used in) operating activities:*

|                                             |         |          |
|---------------------------------------------|---------|----------|
| Depreciation and amortization               | 278,865 | 256,459  |
| Loss on Disposal of Asset                   | 1,209   | —        |
| Provision for losses on accounts receivable | 53,800  | 50,600   |
| Provision (recovery) for inventory reserve  | —       | (32,000) |
| Stock-based compensation                    | 126,936 | 18,367   |
| Non-cash interest expense                   | 50,910  | —        |

*Changes in operating assets (increase) decrease in:*

|                                           |             |             |
|-------------------------------------------|-------------|-------------|
| Short-term investments, restricted        | (1,303)     | (202)       |
| Accounts receivable                       | (1,063,352) | (1,091,242) |
| Inventory                                 | (746,428)   | 62,229      |
| Unbilled revenue                          | (50,514)    | (646,398)   |
| Due from related party                    | (600,251)   | 55,837      |
| Prepaid expenses and other current assets | (8,855)     | 62,833      |
| Other assets                              | 19,100      | (33,000)    |

*Changes in operating liabilities increase (decrease) in:*

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Accounts payable                      | 78,267      | 1,187,036   |
| Accrued expenses                      | (131,401)   | 331,632     |
| Deferred revenue                      | 1,055,270   | (2,186)     |
| Interest payable, related party       | (198,450)   | 83,560      |
| Due to related party                  | (119,667)   | 119,667     |
| Net cash used in operating activities | (5,126,816) | (3,384,019) |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Purchases of property and equipment | (223,574) | (202,700) |
| Disposal of property and equipment  | 7,092     | —         |
| Purchases of intangible assets      | (141,959) | (397,950) |



|                                                                                  |             |             |
|----------------------------------------------------------------------------------|-------------|-------------|
| Cash paid for asset acquisition                                                  | —           | (497,800)   |
| Purchases of short-term investments                                              | (584,400)   | —           |
| Maturities of short-term investments                                             | —           | 182,061     |
| Net cash used in investing activities                                            | (942,841)   | (916,389)   |
| CASH FLOWS FROM FINANCING ACTIVITIES:                                            |             |             |
| Payments made on demand notes payable, related party                             | (2,950,000) | (37,500)    |
| Proceeds from issuance of demand notes payable and line of credit, related party | —           | 1,650,000   |
| Proceeds from sale of common stock, net of costs                                 | 2,340,194   | 5,966,805   |
| Proceeds from exercise of stock options                                          | 161,265     | 3,000       |
| Proceeds from issuance of senior convertible promissory note                     | —           | 3,000,000   |
| Payments for debt issuance costs                                                 | (9,668)     | (140,433)   |
| Purchase of restricted stock                                                     | —           | (350)       |
| Net cash (used in) provided by financing activities                              | (458,209)   | 10,441,522  |
| Net increase (decrease) in cash and cash equivalents                             | (6,527,866) | 6,141,114   |
| Cash and cash equivalents, beginning of the year                                 | 7,713,899   | 1,572,785   |
| Cash and cash equivalents, end of the year                                       | \$1,186,033 | \$7,713,899 |

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/tecogen-announces-fourth-quarter-and-year-end-earnings-300055035.html>

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