



NASDAQ: TGEN

FIRST QUARTER 2020

Earnings Call

May 14, 2020

Participants



Benjamin Locke



Chief Executive Officer

Robert Panora



President & Chief Operating Officer

Bonnie Brown



Chief Accounting Officer

Jack Whiting



General Counsel & Secretary

Safe Harbor Statement



This presentation and accompanying documents contain “forward-looking statements” which may describe strategies, goals, outlooks or other non-historical matters, or projected revenues, income, returns or other financial measures, that may include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "project," "target," "potential," "will," "should," "could," "likely," or "may" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements.

In addition to those factors described in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q under “Risk Factors”, among the factors that could cause actual results to differ materially from past and projected future results are the following: fluctuations in demand for our products and services, competing technological developments, issues relating to research and development, the availability of incentives, rebates, and tax benefits relating to our products and services, changes in the regulatory environment relating to our products and services, integration of acquired business operations, and the ability to obtain financing on favorable terms to fund existing operations and anticipated growth.

In addition to GAAP financial measures, this presentation includes certain non-GAAP financial measures, including adjusted EBITDA which excludes certain expenses as described in the presentation. We use Adjusted EBITDA as an internal measure of business operating performance and believe that the presentation of non-GAAP financial measures provides a meaningful perspective of the underlying operating performance of our current business and enables investors to better understand and evaluate our historical and prospective operating performance by eliminating items that vary from period to period without correlation to our core operating performance and highlights trends in our business that may not otherwise be apparent when relying solely on GAAP financial measures.

Earnings Call Agenda



Benjamin Locke

- Tecogen Overview
- Q1 2020 Results Overview

Bonnie Brown

- Q1 2020 Financial Review

Benjamin Locke

- Market Update

Robert Panora

- Emissions & Technology Update

Benjamin Locke

- 2020 Outlook




Q&A



Advanced Modular Cogeneration Systems



Heat, Power, and/or Cooling that is:

-  **Efficient**
Industry leading efficiency and reduced exposure to expensive electricity
-  **Clean**
Proprietary near-zero emissions technology, GHG reductions
-  **Reliable**
Real-time monitoring, blackout protection, and improved grid resiliency

All of Tecogen's equipment is equipped with Tecogen's patented Ultra Emission Control Technology



1st Qtr 2020 Results



\$ in thousands	1Q'20	1Q'19	YoY Change	% Chg
Revenue				
Products	\$ 2,750	\$ 3,025	\$ (274)	
Service	4,461	3,911	550	
Energy Production	751	1,241	(490)	
Total Revenue	7,963	8,177	(214)	-2.6%
Gross Profit				
Products	\$ 1,083	\$ 1,081	\$ 2	
Service	1,443	1,437	6	
Energy Production	266	441	(174)	
Total Gross Profit	2,792	2,959	(167)	-5.6%
Gross Margin: %				
Products	39%	36%	4%	
Service	32%	37%	-4%	
Energy Production	35%	36%	-1%	
Total Gross Margin	35%	36%	-1%	
Operating Expenses				
General & administrative	\$ 2,689	\$ 2,655	\$ 34	1.3%
Selling	856	693	163	23.4%
Research and development	364	345	19	5.6%
Sub-total	3,910	3,694	216	5.8%
Gain on sale of assets	-	(1,081)		
Goodwill impairment	-	3,693		
Net income (loss)	\$ (1,202)	\$ (3,280)	\$ 2,078	
Adjusted EBITDA*	\$ (817)	\$ 678	\$ (1,495)	

*Adjusted EBITDA is defined as net income (loss) attributable to Tecogen Inc, adjusted for interest, depreciation and amortization, stock based compensation expense, unrealized loss on investment securities, non-cash adjustment and goodwill impairment.

- 🔄 **Revenues = \$7.9 million**
 - Compared to \$8.2 million in 1Q'19, 3% decrease
 - Product revenue down 9%, Service up 14%
 - Includes return of (\$655k) chillers shipped in Q4
 - Energy production down 40% from sale of assets

- 🔄 **Gross Margin = 35.1%**
 - Compared to 36.2% in 1Q'19
 - Product margins improved to 39.4% compared to 35.7% in 1Q'19
 - Service margins declined to 32.3% compared to 36.7% in 1Q'19

- 🔄 **Op Ex**
 - Includes a non-cash abandonment of intangible assets of ~ \$180K

- 🔄 **Net loss of \$1.2 million**
 - Compared to \$3.3 million loss for 1Q '19 (1Q '19 included \$3.7 million goodwill impairment)

- 🔄 **Adjusted EBITDA = negative \$817K**
 - Compared to positive \$678K 1Q '19 (1Q '19 included \$1,081K gain on sale of assets)

Q1 2020 Financial Results: Revenues, Margins, and Profitability



- 📈 Increase in combined product and service revenue of 4%
- 📉 Decrease in overall revenue, a result of the \$655K sale return and sale of energy producing assets
- 📈 Four diverse revenue streams
 - 78% growth in cogeneration sales; slowdown in chiller sales
 - Long term service contracts provide steady cash flow, growing 5%
 - Turnkey installation revenue, increased by 28%, facilitating both Product sales and Service revenue
 - Energy Production decreased year over year due to the sale of energy producing assets
- 📈 Maintained 35% overall gross margin

\$ in thousands	Quarter Ended March 31,		YoY Growth	% of Total Rev
	2020	2019		
Revenue				
Cogeneration	\$ 3,236	\$ 1,819	78%	41%
Chiller	(486)	1,205	-140%	-6%
Total Product Revenue	2,750	3,025	-9%	35%
Service Contracts and Parts	2,466	2,355	5%	31%
Installation Services	1,995	1,556	28%	25%
Total Service Revenue	4,461	3,911	14%	56%
Combined Product & Service Revenue	7,211	6,936	4%	91%
Energy Production	751	1,241	-39%	9%
Total Revenue	7,963	8,177	-3%	100%
Cost of Sales				
Products	\$ 1,667	\$ 1,943	-14%	
Services	3,019	2,475	22%	
Energy Production	484	800	-39%	
Total Cost of Sales	\$ 5,171	\$ 5,218	-1%	
Gross Profit	\$ 2,792	\$ 2,959	-6%	35%
Net loss attributable to Tecogen Inc.	\$ (1,202)	\$ (3,280)		
Gross Margin				
Products	39%	36%		
Services	32%	37%		
Aggregate Products and Services	35%	36%		
Energy Production	35%	36%		
Overall	35%	36%		

Product & Services revenue increase of 4% YoY

Strong cogeneration sales; slowdown in chiller sales

Service revenue increase of 14% YoY

Adjusted EBITDA Reconciliation



Reconciliation of Q1 2020 and 2019 Net loss to Adjusted EBITDA

- 🌱 EBITDA: Interest, taxes, depreciation & amortization
- 🌱 Non-cash adjustments
 - Stock based compensation
 - Unrealized loss on investment securities
 - Non-cash abandonment of intangible assets
 - Goodwill impairment

Non-GAAP financial disclosure	Quarter Ended, March 31,	
	2020	2019
Net loss attributable to Tecogen Inc.	\$ (1,202,387)	\$ (3,280,077)
Interest expense, net	48,258	27,494
Depreciation & amortization, net	90,152	168,244
Income tax expense	5,222	(8,169)
EBITDA	(1,058,755)	(3,092,508)
Stock based compensation	42,236	38,035
Unrealized loss on investment securities	19,681	39,361
Non-recurring, non-cash adjustment	179,944	-
Goodwill impairment	-	3,693,198
Adjusted EBITDA*	\$ (816,894)	\$ 678,086

*Adjusted EBITDA is defined as net income (loss) attributable to Tecogen Inc, adjusted for interest, depreciation and amortization, stock based compensation expense, unrealized loss on investment securities, non-cash adjustment and goodwill impairment.

Earnings Takeaways



Core Business is Stable

- Shipped \$3.4 million of Products in Q1 (revenue impacted by product return)
- Service revenue continues to grow as increase Service contracts
- Energy Production assets produce consistent revenues (revenue drop from previous asset sales expected)

Core Business is Stable

2020 Business Planning – COVID update

- COVID pandemic interrupted 2020 business plan, including delays in marketing activities and some sales; we continue to anticipate profitability in 2020
- Product backlog is strong; focus on improving Service margins
- Toronto Service Center will add additional Service revenue
- Corporate cost reductions, eliminated LOC

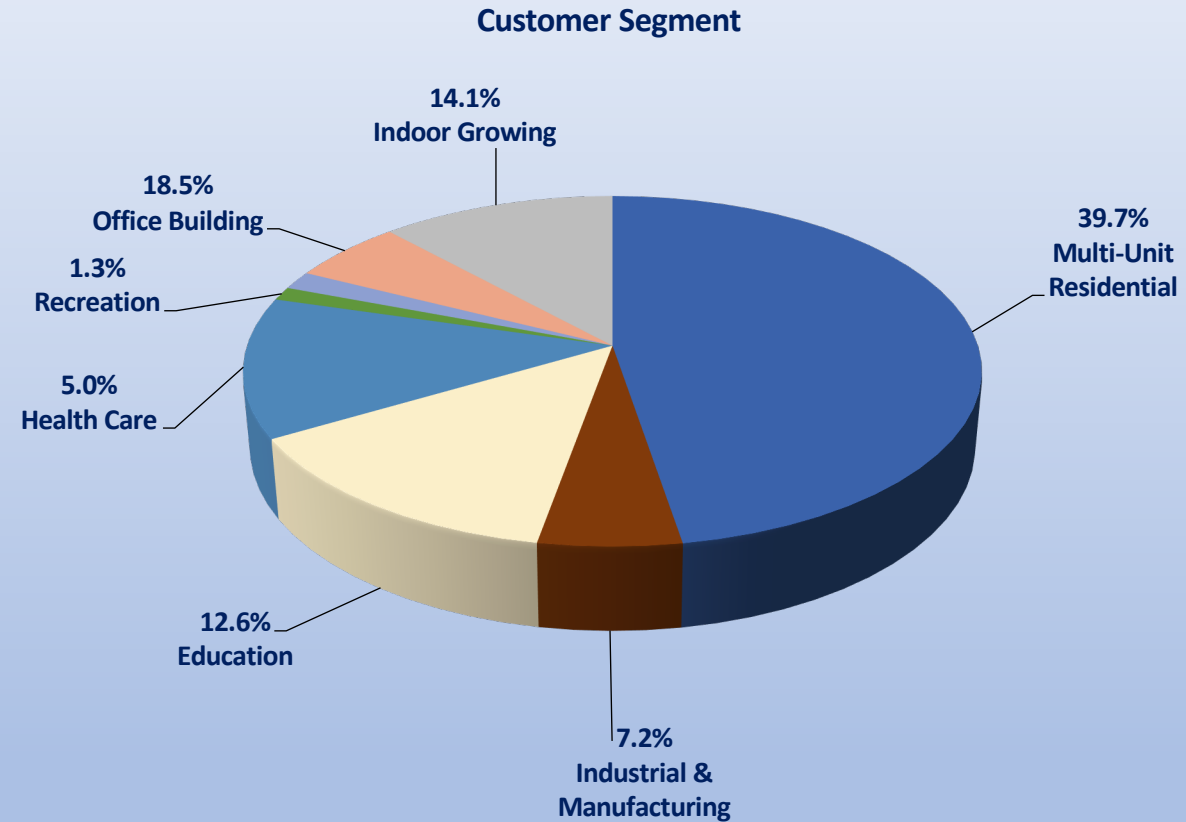
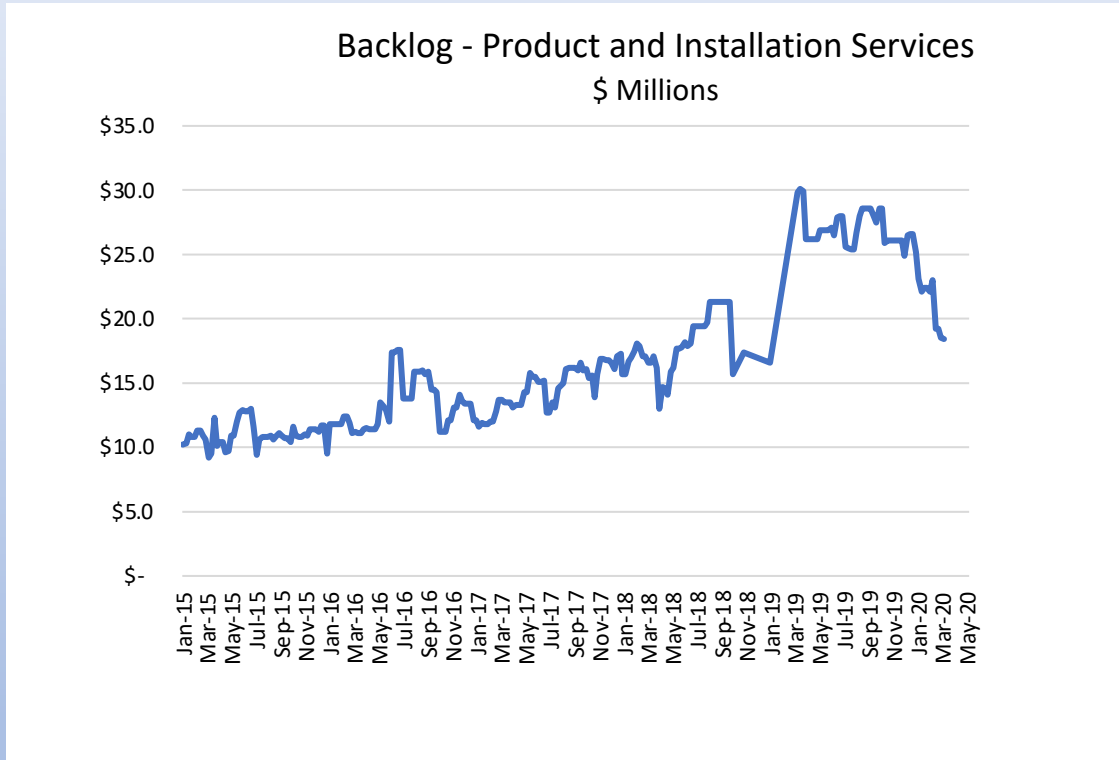
Overcoming COVID Challenges

Growth Opportunities Strong, although Delayed

- Ultera Forklift Program
- Expand Cooling Product Segment / Partnership Opportunities
- Expand to New Geographies

Prospects For Growth

Product and Installation Backlog



Current Backlog of \$12.7 million
Product backlog: \$10.2 million, Installation backlog \$2.5 million

Emissions Technology Update



- 🔧 MCFA (Mitsubishi Caterpillar Forklift America) Program
 - 🔧 Precertification Testing of MCFA engine was planned for mid-May by SwRI (Southwest Research Institute)
 - 🔧 Objective was to demonstrate revised Ultra engine tuning in certification test cycle
 - 🔧 Project remains on hold until travel restrictions lifted from Japan to United States
 - 🔧 Mitsubishi engineer oversight required
 - 🔧 PERC (Propane Education and Research Council) funding commitment remains
- 🔧 Municipal water pumping order (California)
 - 🔧 Project proceeding
 - 🔧 Installation contractors bidding project with our latest pricing
 - 🔧 Order anticipated in August
- 🔧 Ultra IP
 - 🔧 Core Ultra patent confirmed in 19 EU countries including United Kingdom, Germany and France
 - 🔧 Some Overseas Ultra-related patent applications abandoned
 - 🔧 Further pursuit costly, not of significant value
 - 🔧 Continue effort with most in the US



2020 Business Outlook



Growth in Product Revenue

- Steady demand for Tecogen products despite COVID pandemic
- Expanding sales geography in North America (e.g. Toronto)
- Expanding sales of chiller products through partnerships (e.g. Vilter)
- Maintain strong product margins

Growth in Service Revenues

- Service center expansion leads to revenue growth
- Improved remote monitoring helps increase unit runtime, revenues

Scaling back large turnkey installation projects

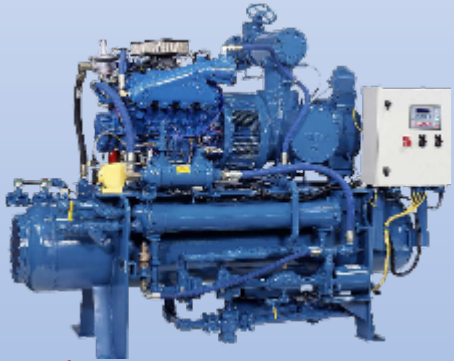
- Gradually winding down large turnkey jobs
- Product backlog continues to increase, install decrease

Resume Ultera development

- Resume work with Mitsubishi to certify a near-zero emission engine for forklifts using Ultera
- Develop additional opportunities for Ultera retrofits



Q&A



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