



OCTQX: TGEN

SECOND QUARTER 2020

Earnings Call

August 13, 2020

Participants



Benjamin Locke

 Chief Executive Officer

Robert Panora

 President & Chief Operating 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



Agenda:

Tecogen Overview

Q2 2020 Results

Earnings Takeaways

- *Product sales increase 37% YoY*
- *Reduced OpEx 9.4% YoY*
- *Cash inflow from operations of \$2.7 million vs. cash outflow of \$2.1 million YoY*
- *Cash and equivalents balance 6/30/20 of \$2.86 million vs. \$878 thousand 12/31/19*

Q&A



Tecogen Overview



Clean and Efficient Energy Systems

Leader in Distributed Generation Technology

- *Unmatched efficiency of air-conditioning and cooling systems*
- *Ultera technology ensures emissions compliance in most stringent US districts*
- *Enable black-start and off-grid power generation*
- *Ranked 3rd in quantity of microgrids deployed in US*

Positioned For Low Carbon Future

- *High efficiency enables significant carbon reductions compared to heating and cooling systems dependent on grid*

Proprietary Ultera Emissions Technology

- *Demonstrated success across range of engine brands and sizes*
- *Considering options to expand commercialization*



2nd Quarter 2020 Results



Revenue = \$7.44 million

- Compared to \$7.87 million in 2Q'19, 5.5% decrease
- Product revenue up 37%
- Service down 21% due to decreased installation activity
- Energy production down 52% due to facility closures

Gross Margin = 39%

Op Ex = \$3.4 mm

- Reduced OpEx by 9% vs. 2Q'19

Net loss of \$654 thousand

- Compared to \$357 thousand loss in 2Q '19

Adjusted EBITDA = negative \$363K

- Compared to negative \$205K 2Q '19

<i>\$ in thousands</i>	2Q'20	2Q'19	YoY Change
Revenue			
Products	\$ 3,343	\$ 2,445	\$ 897
Service	3,816	4,844	(1,028)
Energy Production	276	578	(302)
Total Revenue	7,435	7,867	(432)
Gross Profit			
Products	1,305	899	406
Service	1,531	2,313	(783)
Energy Production	70	214	(143)
Total Gross Profit	2,906	3,426	(520)
Gross Margin: %			
Products	39%	37%	2%
Service	40%	48%	-8%
Energy Production	25%	37%	-11%
Total Gross Margin	39%	44%	-4%
Operating Expenses			
General & administrative	2,637	2,683	(46)
Selling	602	705	(102)
Research and development	166	373	(207)
Total operating expenses	3,406	3,760	-355
Net income (loss)	\$ (654)	\$ (357)	\$ (297)
Adjusted EBITDA (see reconciliation)	\$ (363)	\$ (205)	\$ (158)

*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 abandonment of intangible assets and goodwill impairment.

Adjusted EBITDA Reconciliation



Reconciliation of Q2 2020 and 2019 Net loss to Adjusted EBITDA

EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization

EBITDA 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, June 30,	
	2020	2019
Net loss attributable to Tecogen Inc.	\$ (653,888)	\$ (357,129)
Interest expense, net	56,015	16,939
Depreciation & amortization, net	103,485	98,988
Income tax expense	13,171	15,955
EBITDA	(481,217)	(225,247)
Stock based compensation	39,494	39,898
Unrealized loss on investment securities	78,723	(19,681)
Non-recurring, non-cash adjustment	-	-
Goodwill impairment	-	-
	-	-
Adjusted EBITDA*	\$ (363,000)	\$ (205,030)

Despite negative adjusted EBITDA, positive cash flows in the quarter

- Generated \$2.66 million cash from operations
- Cash and cash equivalents balance of \$2.86 million at the end of the quarter

2Q '20 Performance by Segment



Product Sales Remain Strong Led by Cogeneration

Service Contracts/Parts Expected to Recover Q3

Energy Production Revenue Slowed by COVID

Product revenue increased 37% YoY

- Driven by cogeneration sales
- Reduced chiller sales mainly timing
- Product backlog remains strong

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Cogeneration	\$ 3,108	\$ 1,414	120%	42%
Chiller	235	1,032	-77%	3%
Total Product Revenue	3,343	2,445	37%	45%

Service revenue declined 21% YoY

- Service contracts/parts down 4% YoY
- Installation services down 41% YoY

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Service Contracts and Parts	2,455	2,553	-4%	33%
Installation Services	1,361	2,291	-41%	18%
Total Service Revenue	3,816	4,844	-21%	51%

Energy Production declined 52% YoY

- COVID-19 setbacks and facility closures

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Energy Production	276	578	-52%	4%

Gross Margins on target at 39%

Q2 Gross Margin	2020	2019	Target
Overall	39%	44%	35-40%

2Q '20 Earnings Takeaways



Core Business Segments Performed Well Despite COVID

Challenges

- Product sales up YoY, Quarter over Quarter
- Service contracts/parts revenue down only 4% despite COVID closures
- Installations resuming as COVID restrictions dissipate
- Energy production revenues slower to rebound

Strong Cash Position

- \$2.66 million cash provided by operations in quarter vs. \$2.10 million used by operations in 2Q'19
- Quarter-end cash and equivalent balance of \$2.86 million

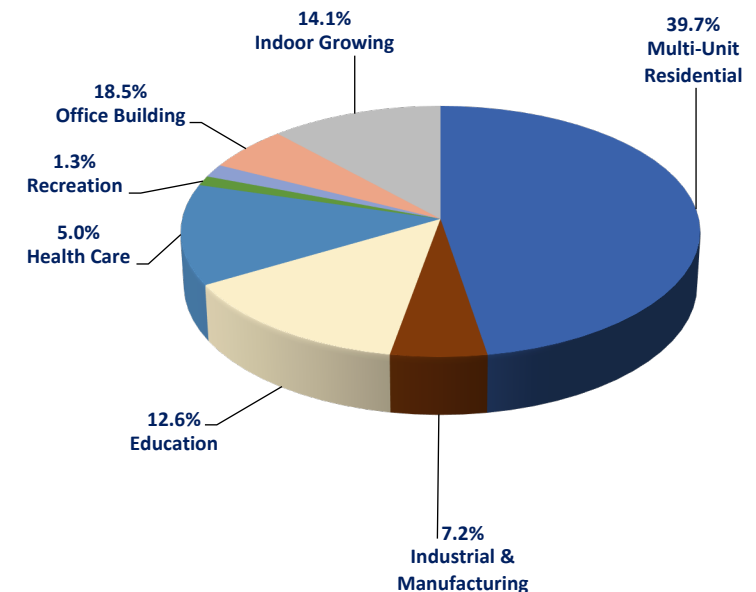
Sustainable Corporate Improvements

- Reduced OpEx by 9% YoY, 13% Quarter over Quarter
- Improved AR collections, payment schedules, vendor terms
- More efficient and streamlined corporate functions

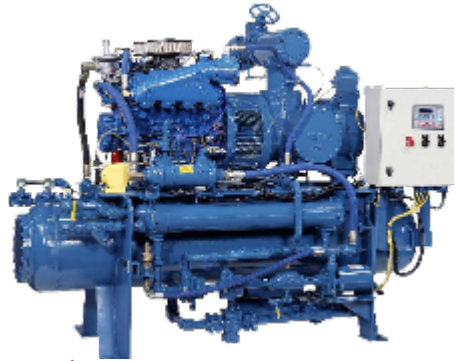
Current Backlog = \$13.1 million

- Product backlog = \$10.4 million
- Installation backlog = \$2.7 million

Sales Backlog



Q&A



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