







**OTCQX: TGEN**

Q1 2022 EARNINGS CALL

MAY 12, 2022

# MANAGEMENT

-  Benjamin Locke - CEO
-  Robert Panora – COO & President
-  Abinand Rangesh – CFO & Treasurer
-  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.

# AGENDA



-  Tecogen Overview
-  1Q 2022 Results
-  Earnings Takeaways
-  Market Update
-  Q&A



3,000+  
Units Shipped

Providing resiliency and energy savings with a cleaner environmental footprint



# DISTRIBUTED GENERATION

3<sup>rd</sup> in number of microgrids installed in North America



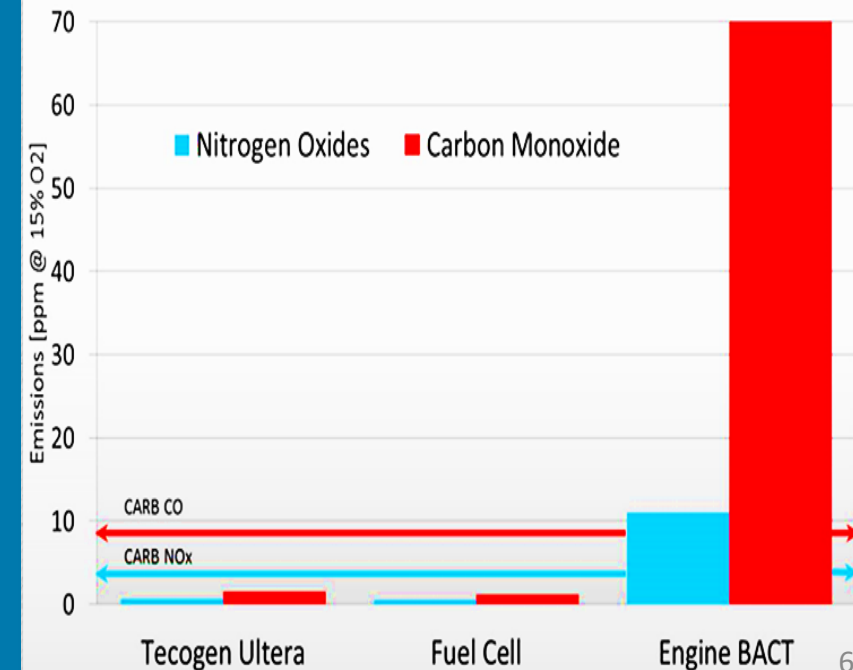
# EMISSIONS

Near zero NOx and CO emissions systems for gasoline, propane and natural gas engines

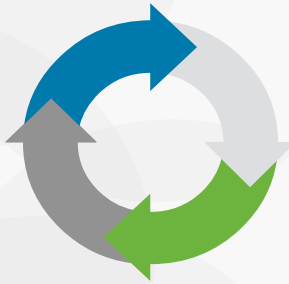


# CLEAN COOLING

Chillers with lower operating cost and lower greenhouse gas footprint compared to an equivalent electric chiller

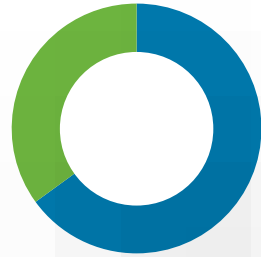


## FACTS ABOUT US



200,000+

METRIC TONS OF CO2  
SAVED



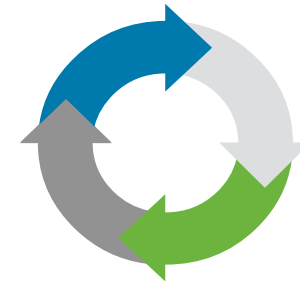
3,000+

DISTRIBUTED  
GENERATION AND  
CHILLERS SHIPPED



2.1M+

KWH GENERATED



52M+

PRODUCT RUN  
HOURS

# REVENUE SEGMENTS

## PRODUCT SALES

Sales of combined heat and power, and clean cooling systems to building owners. Key market segments include multifamily residential, health care and indoor cultivation.

CLEAN, GREEN  
POWER, COOLING  
AND HEAT

## SERVICES

We service most purchased Tecogen equipment in operation through long term maintenance agreements through 11 service centers in North America and perform certain equipment installation work.

## ENERGY SALES

We sell electrical energy and thermal energy produced by our equipment onsite at customer facilities.



# 1Q 2022 RESULTS



## Highlights

- Net Income of \$0/share Q1 2022
- Net Income \$89k
- Cash and equivalents balance of \$5.5 million



## Revenue = \$7.44 million

- Compared to \$6.06 million in 1Q '21, 23% increase
- Service down due to lower installation activity



## Gross Margin of 42% due to higher cost of material



## Op Ex = \$3.01 million



## Operating Income positive = \$81k

- Vs. loss of \$139k in Q1 '21



## Net Income of \$89k

<i>\$ in thousands</i>	1Q' 22	1Q' 21	Change	%
<b>Revenue</b>				
Products	\$ 3,939	\$ 2,123	\$ 1,817	
Service	2,917	3,281	(364)	
Energy Production	582	653	(72)	
<b>Total Revenue</b>	<b>7,438</b>	<b>6,057</b>	<b>1,381</b>	<b>22.8%</b>
<b>Gross Profit</b>				
Products	1,295	948	346	
Service	1,551	1,744	(193)	
Energy Production	246	259	(14)	
<b>Total Gross Profit</b>	<b>3,091</b>	<b>2,951</b>	<b>140</b>	<b>4.7%</b>
<b>Gross Margin: %</b>				
Products	33%	45%	-12%	
Service	53%	53%	0%	
Energy Production	42%	40%	3%	
<b>Total Gross Margin</b>	<b>42%</b>	<b>49%</b>	<b>-7%</b>	
<b>Operating Expenses</b>				
General & administrative	2,474	2,454	20	
Selling	501	510	(9)	
Research and development	140	126	14	
Impairment and other expenses	(105)	-	(105)	
<b>Total operating expenses</b>	<b>3,010</b>	<b>3,090</b>	<b>(80)</b>	<b>-2.6%</b>
<b>Operating profit (loss)</b>	<b>81</b>	<b>(139)</b>	<b>220</b>	<b>158.3%</b>
<b>Net Income</b>	<b>\$ 89</b>	<b>\$ 1,767</b>	<b>\$ (1,677)</b>	<b>-94.9%</b>

# 1Q 2022 ADJUSTED EBITDA RECONCILIATION

- EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization
  - EBITDA and adjusted EBITDA were both positive at \$201k and \$154k respectively

- EBITDA Non-cash adjustments
  - Stock based compensation
  - Unrealized and realized (gain) loss on investment securities
  - Non-recurring asset disposal gains

Non-GAAP financial disclosure (in thousands)	Quarter Ended, March 31	
	2022	2021
Net income (loss) attributable to Tecogen Inc.	\$ 89	\$ 1,767
Interest expense, net	1	6
Income tax expense	4	8
Depreciation & amortization, net	107	124
<b>EBITDA</b>	<b>201</b>	<b>1,905</b>
Gain on extinguishment of debt	-	(1,888)
Stock based compensation	96	39
Unrealized (gain) loss on marketable securities	(37)	(37)
Realized gain on sale of marketable securities	-	(6)
Abandonment of intangible assets	-	7
Gain on disposition of assets	(34)	-
Gain on termination of unfavorable contract liability	(71)	-
<b>Adjusted EBITDA*</b>	<b>\$ 154</b>	<b>\$ 20</b>

\*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, goodwill impairment and other non-recurring charges or gains including abandonment of certain intangible assets and extinguishment of debt

# 1Q 22 PERFORMANCE BY SEGMENT

- 🔄 **Product Revenue** increased 86% QoQ
  - Significant increase in cogeneration revenues
  - 10% gain in chiller revenues
  
- 🔄 **Service Revenue** declined 11% QoQ
  - Installation services down 96% QoQ
  - Service contracts (O&M) up 5% QoQ
  - Services Gross Margin at 53%
  
- 🔄 **Energy Production Revenue** decreased 11% QoQ
  
- 🔄 **Gross Margin** 42%

1Q 2022 Revenues (\$ thousands)	1Q' 2022	1Q' 2021	Change %
<b>Revenues</b>			
Cogeneration	\$ 2,174	\$ 47	4526%
Chiller	1,607	1,457	10%
Engineered accessories	158	619	-74%
<b>Total Product Revenues</b>	<b>3,939</b>	<b>2,123</b>	<b>86%</b>
Service Contracts	2,897	2,763	5%
Installation Services	20	518	-96%
<b>Total Service Revenues</b>	<b>2,917</b>	<b>3,281</b>	<b>-11%</b>
Energy Production	582	653	-11%
<b>Total Revenues</b>	<b>7,438</b>	<b>6,057</b>	<b>23%</b>
<b>Cost of Sales</b>			
Products	2,645	1,174	125%
Services	1,367	1,538	-11%
Energy Production	336	394	-15%
<b>Total Cost of Sales</b>	<b>4,348</b>	<b>3,106</b>	<b>40%</b>
<b>Gross Profit</b>	<b>3,091</b>	<b>2,951</b>	<b>5%</b>
Net income (loss)	\$ 89	\$ 1,767	
<b>Gross Margin</b>			
Products	33%	45%	
Services	53%	53%	
Energy Production	42%	40%	
Overall	42%	49%	

Gross Margin	2022	2021	Target
Overall	42%	49%	>40%

# 1Q' 22 EARNINGS TAKEAWAYS

## 🌱 Business Segments Recovering from COVID Challenges

- Q1 Product Revenue \$3.9 mm
- Q1 ending backlog of \$9.4 million. Current backlog at \$9.2 million
- Continued penetration into cannabis and controlled environment agriculture markets
- Signed up new reps and sales partnership agreements for chillers to focus on key cooling market segments

## 🌱 Consistent Growth in Service O&M Segment

- Service O&M up 5% QoQ
- Q1' 22 Service Gross Margin 53%

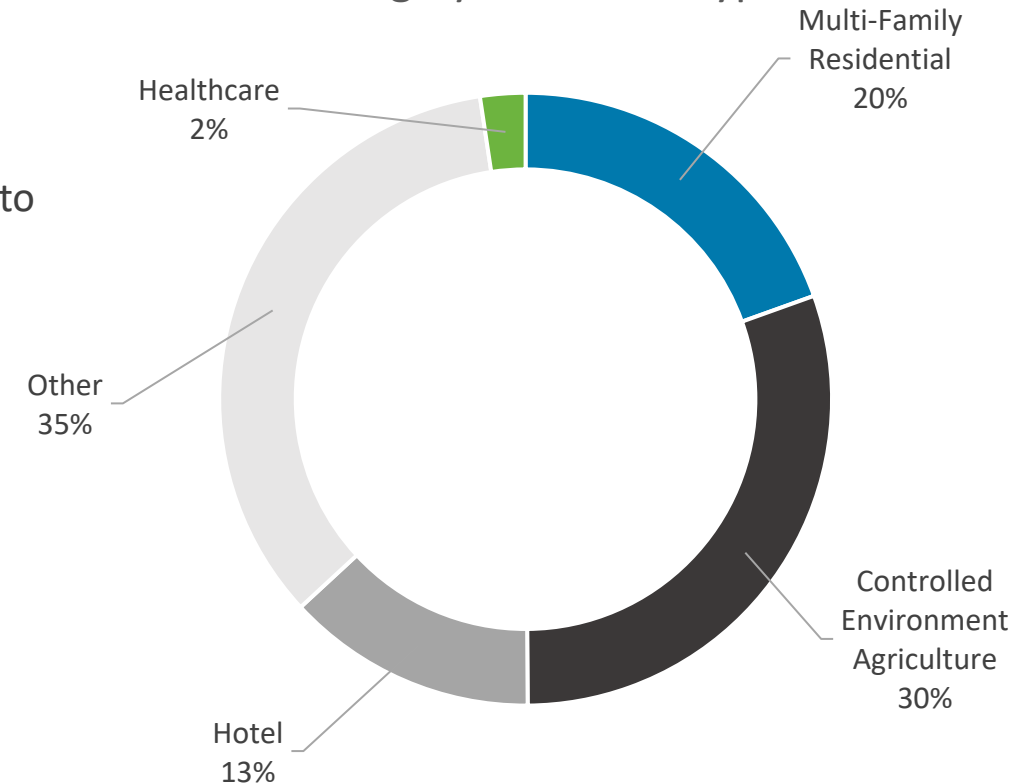
## 🌱 Sustainable Corporate Improvements

- Continue to focus on improvements in supply chain and cost of materials

## 🌱 Strong Cash Position

- Quarter-end cash and equivalent balance of \$5.5 million
- Expect ERC cash (\$564k received in April, \$712k in process)

Backlog by Customer Type

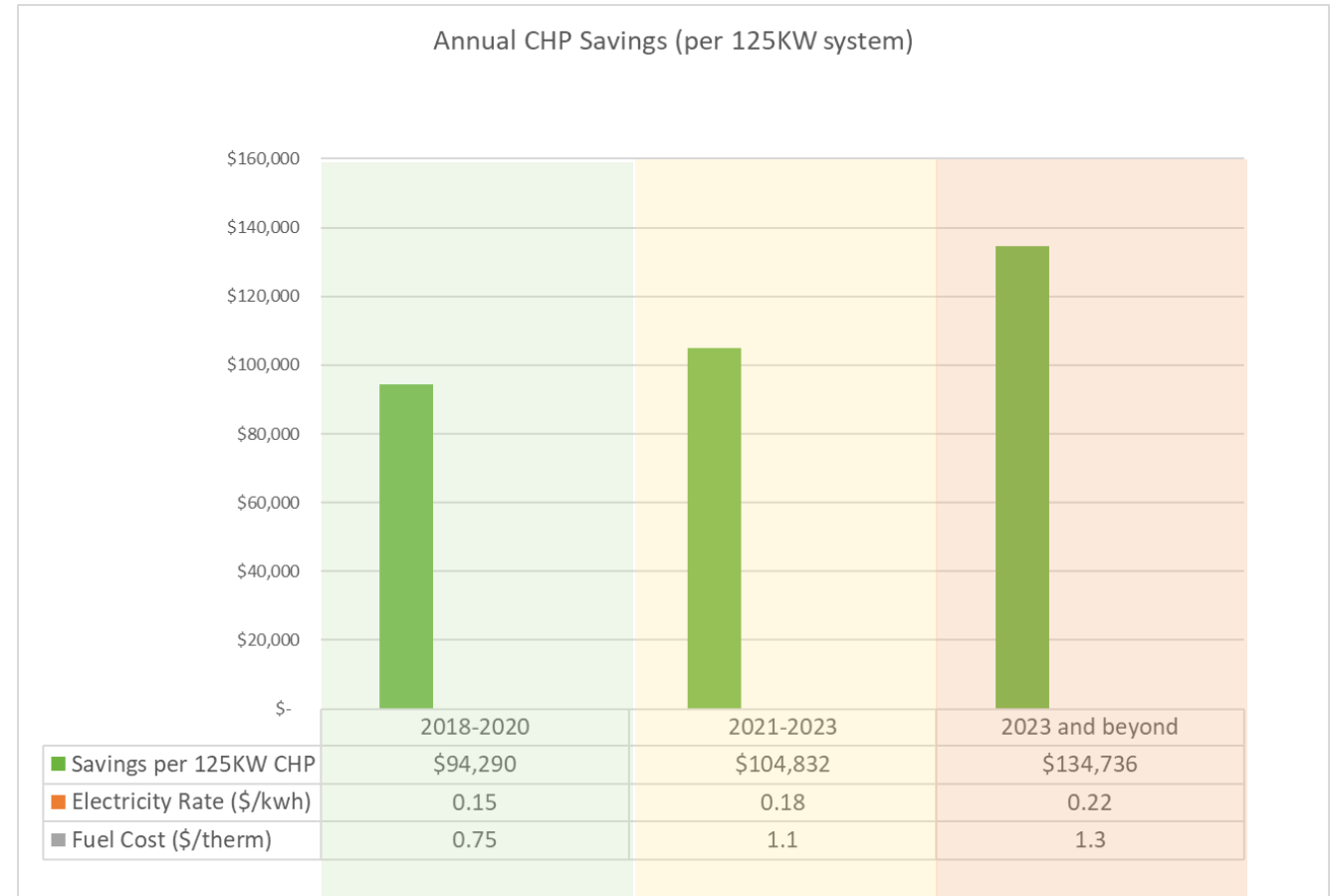


# MARKET UPDATE: IMPACT OF GAS PRICES

## Electrical Capacity Constraints Nationwide

## Improved ROI as electricity prices increase

- Electrical production predominantly fossil fuel based in USA so as gas prices rise, electricity prices rise
- Presently we have seen electricity prices rise 20% or more in CA, NY and some key markets



# PATHWAY TO GROWTH

Special Board Committee formed to investigate expanded business opportunities for Controlled Environment Agriculture.

Clean Microgrids using **CHP** in combination with other energy technologies including solar and battery

**Tecochill Hybrid Drive Air-Cooled Chiller to be launched at AHR in Feb 2023.** This addresses a gap in our Tecochill offering as air-cooled chillers are typically sold in larger volumes compared to water cooled chillers in our size range.

Focus on Clean Cooling applications where there is a simultaneous cooling and dehumidification load. Continue to increase market share in regional cannabis markets including New England, Mid-Atlantic and Florida with a goal to have a minimum of 30% market share per state in facilities > 10,000 sq feet.

# Q&A



## Company Information

Tecogen, Inc  
45 First Ave  
Waltham, MA 02451  
[www.Tecogen.com](http://www.Tecogen.com)

## Contact information

Benjamin Locke, CEO  
781.466.6402  
[Benjamin.Locke@Tecogen.com](mailto:Benjamin.Locke@Tecogen.com)