







OTCQX: TGEN

EARNINGS CALL MARCH 14, 2024

FY 2023

MANAGEMENT

-  Abinand Rangesh – CEO & CFO
-  Robert Panora – COO & President
-  Roger Deschenes – CAO
-  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



- 🌱 Key Takeaways 2023
 - Market Changes
 - Strategy – What was achieved
 - Strategy – What remains to be achieved
- 🌱 4Q 2023 Results
- 🌱 FY 2023 Results
- 🌱 2024 Plan
- 🌱 Q&A

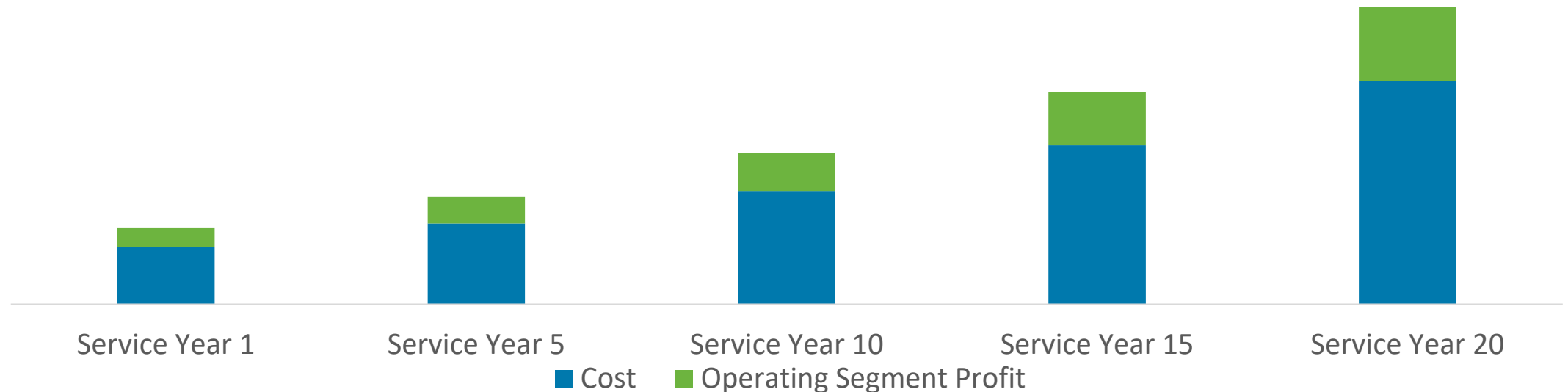


MARKET CHANGES 2023

- 🌱 Headwind - Significant anti-gas sentiment in NY, MA, CA
 - NYC projects, especially in low-income housing cancelled due to anti-gas sentiment
 - Pivoted business to target gas friendly geographies nationwide
- 🌱 Increasing Tailwind - Electrical capacity constraints, and expensive time of day charges, especially for larger facilities

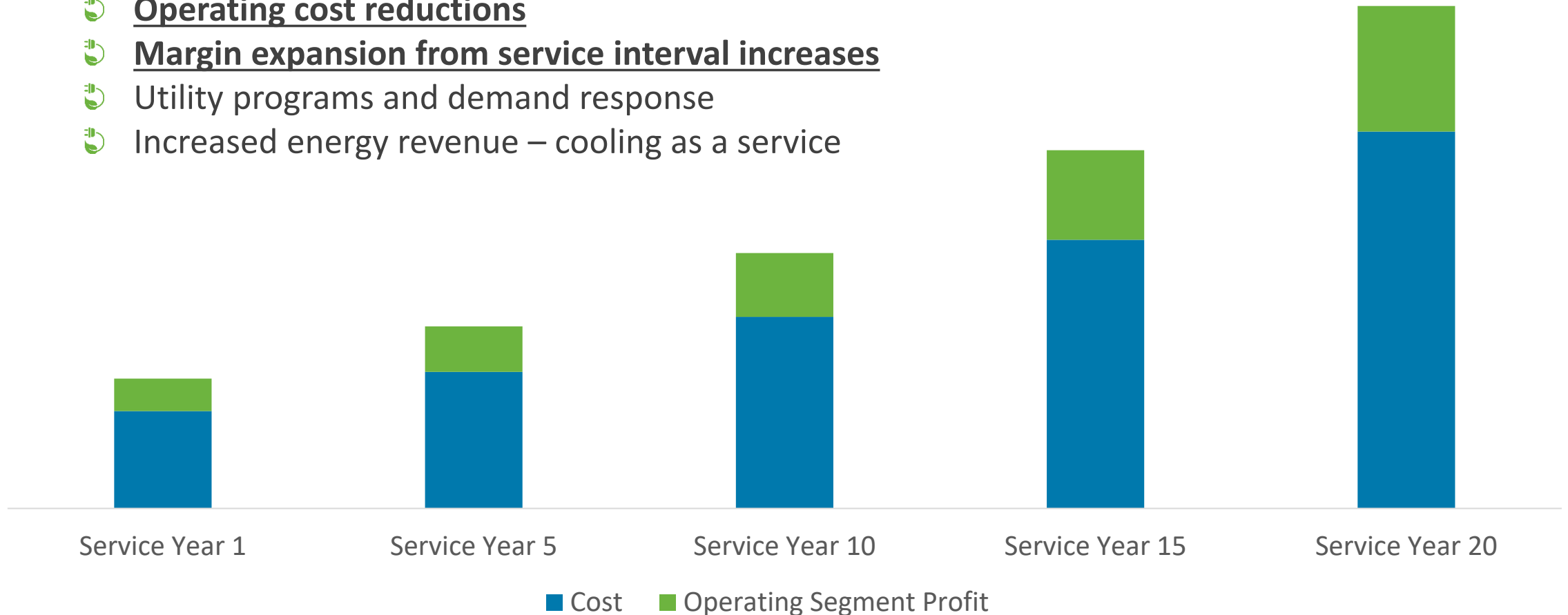
STRATEGY - WHAT WAS ACHIEVED?

- Continuing to execute on strategy to increase recurring cashflow to cover fixed costs and for profit to be generated irrespective of product fluctuations
 - Service gross margin recovered to >50% in Q4
 - Generated \$200k cash in Q4
 - Invested in site improvements for both service and energy segments to increase run hours
 - Invested in product improvements to increase oil change intervals and cylinder head life



WHAT REMAINS TO BE DONE

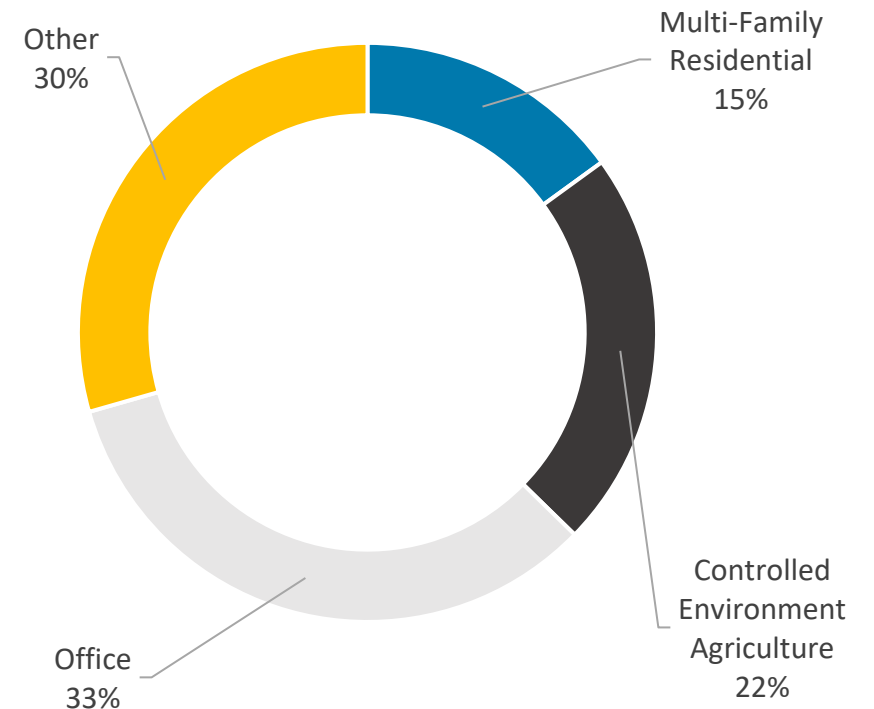
- Need to close the large product orders we are specified on
- Lower rent costs after factory move in Q2
- Operating cost reductions**
- Margin expansion from service interval increases**
- Utility programs and demand response
- Increased energy revenue – cooling as a service



BACKLOG AND CASH

- Backlog is presently \$5.25m. Although we have POs for another \$3.5m, we feel the projects have a financing risk (cannabis) and have removed it from backlog.
- Additional \$4.5m project not presently in backlog. Tecogen flat specified on project. Expect to close in June or July
- Specified on other multiple large projects that we expect to close Q2/Q3
- Cash position \$1.35m at quarter end and \$1.5m presently
- \$500k drawn under credit line and have \$1m available
- Likely to see product revenue disruption Q1 and Q2 due to factory move

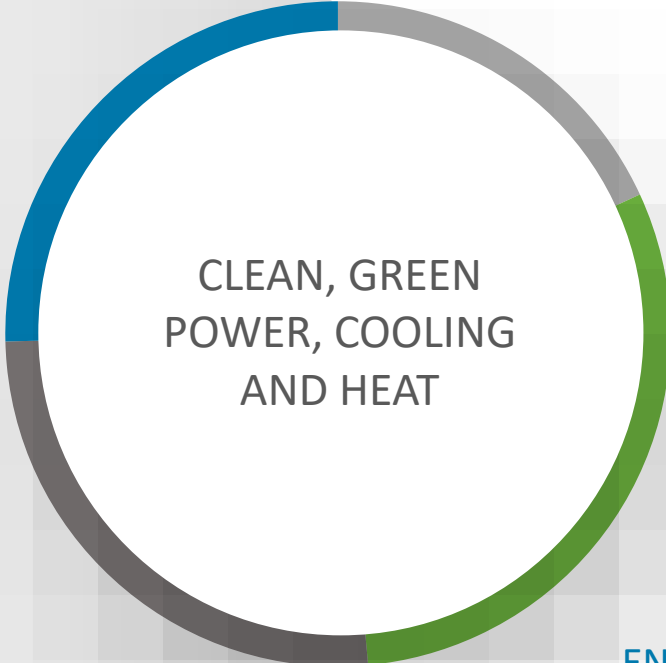
Backlog by Customer Type



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.

4Q 2023 RESULTS



Key Points

- Revenue = \$5.9 million up 30%
- Net loss of \$0.07/share Q4 2023
- Net loss \$1.85m
 - Includes \$403k obsolete inventory
 - \$744k bad debt provision for old installation receivables
- Opex \$4.16m due to increased bad debt
 - \$3.4m Opex without bad debt
- Gross Margin would have been 46% without obsolete inventory write down
- Cash and equivalents balance of \$1.35 million

<i>\$ in thousands</i>	4Q'23	4Q'22	QoQ Change	%
Revenue				
Products	\$ 1,765	\$ 1,000	\$ 766	
Services	3,591	3,015	577	
Energy Production	542	517	24	
Total Revenue	5,898	4,532	1,367	30.2%
Gross Profit				
Products	343	321	22	
Services	1,842	1,812	30	
Energy Production	164	247	(82)	
Total Gross Profit	2,349	2,379	(30)	-1.3%
Gross Margin: %				
Products	19%	32%	-13%	
Services	51%	60%	-9%	
Energy Production	30%	48%	-17%	
Total Gross Margin	40%	53%	-13%	
Operating Expenses				
General & administrative	3,462	3,267	195	
Selling	505	239	266	
Research and development	214	196	19	
Impairment and other expenses	(16)	76	(92)	
Total operating expenses	4,165	3,778	387	10.2%
Operating loss	(1,815)	(1,398)	(417)	
Net loss	\$ (1,846)	\$ (1,424)	\$ (422)	

YE 2023 RESULTS

- Key Points**
- Revenue = \$25.1 million
 - Net loss of \$0.19/share YE 2023
 - Net loss of \$4.6m
 - Service revenue increased 20% due to increased number of service contracts
 - Gross Margin of 41%
 - Op Ex = \$14.6m due to increased bad debt provision, increased depreciation, and amortization expenses and increased admin

<i>\$ in thousands</i>	YE 23	YE 22	YoY Change	%
Revenue				
Products	\$ 8,860	\$ 11,156	\$ (2,296)	
Services	14,523	12,060	2,463	
Energy Production	1,756	1,786	(29)	
Total Revenue	25,139	25,002	138	0.6%
Gross Profit				
Products	2,937	3,743	(806)	
Services	6,614	6,535	79	
Energy Production	651	789	(138)	
Total Gross Profit	10,202	11,066	(865)	-7.8%
Gross Margin: %				
Products	33%	34%	0%	
Services	46%	54%	-9%	
Energy Production	37%	44%	-7%	
Total Gross Margin	41%	44%	-4%	
Operating Expenses				
General & administrative	11,880	10,909	971	
Selling	1,931	1,811	120	
Research and development	840	733	107	
Impairment and other expenses	(36)	(37)	1	
Total operating expenses	14,615	13,416	1,201	8.9%
Operating loss	(4,414)	(2,349)	(2,065)	-87.9%
Net loss	\$ (4,598)	\$ (2,448)	\$ (2,150)	-87.8%

4Q 2023 ADJUSTED EBITDA RECONCILIATION

EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization

- EBITDA and adjusted EBITDA loss was \$1.7m and \$527k respectively

EBITDA Non-cash adjustments

- Stock based compensation
- Unrealized and realized (gain) loss on investment securities
- Non-recurring charges

Non-GAAP financial disclosure (in thousands)	Quarter Ended, Dec 31	
	2023	2022
Net income (loss) attributable to Tecogen Inc.	\$ (1,846)	\$ (1,424)
Interest expense, net	7	-
Income tax expense	0	-
Depreciation & amortization, net	108	103
EBITDA	(1,731)	(1,321)
Stock based compensation	76	79
Unrealized loss on marketable securities	(19)	19
Long lived asset impairment	-	76
Installation bad debt provision	744	-
Obsolete inventory provision	403	-
Adjusted EBITDA*	\$ (527)	\$ (1,146)

*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

YE 2023 ADJUSTED EBITDA RECONCILIATION

EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization

- EBITDA and adjusted EBITDA loss of \$4m and \$2.6m respectively

EBITDA Non-cash adjustments

- Stock based compensation
- Unrealized and realized (gain) loss on investment securities
- Non-recurring charges

Non-GAAP financial disclosure (in thousands)	FY Ended, Dec 31	
	2023	2022
Net income (loss) attributable to Tecogen Inc.	\$ (4,598)	\$ (2,448)
Interest expense, net	16	16
Income tax expense	32	16
Depreciation & amortization, net	568	428
EBITDA	(3,982)	(1,987)
Stock based compensation	250	334
Unrealized loss (gain) on marketable securities	-	(19)
Long lived asset impairment	-	5
Installation bad debt provision	744	
Obsolete inventory provision	403	-
Adjusted EBITDA*	\$ (2,584)	\$ (1,667)

*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

4Q 23 PERFORMANCE BY SEGMENT

- Product revenue increased 77% QoQ
 - Gross margin impacted by \$319k inventory adjustment
 - Without inventory adjustment gross margin 38%

- Service revenue increased 19% QoQ
 - No longer providing installation services
 - Service contracts (O&M) up 18% QoQ
 - Services Gross Margin 51%
 - Inventory adjustment \$84K
 - Without inventory adjustment 53%

- Energy Production revenue increased 5% QoQ

- Gross Margin 40%
 - Gross Margin would have been 46% without obsolete inventory

4Q Revenues (\$ thousands)	2023	2022	YoY Growth
Revenues			
Cogeneration	\$ 892	\$ 604	48%
Chiller	612	47	1211%
Engineered accessories	262	349	-25%
Total Product Revenues	1,765	1,000	77%
Service Contracts	3,591	3,034	18%
Installation Services	-	(20)	-100%
Total Service Revenues	3,591	3,015	19%
Energy Production	542	517	5%
Total Revenues	5,898	4,532	30%
Cost of Sales			
Products	1,422	679	110%
Services	1,749	1,203	45%
Energy Production	377	271	39%
Total Cost of Sales	3,549	2,152	65%
Gross Profit	2,349	2,379	-1%
Gross Margin			
Products	19%	32%	
Services	51%	60%	
Energy Production	30%	48%	
Overall	40%	53%	

QTD Gross Margin	2023	2022	Target
Overall	40%	53%	>40%

YE 23 PERFORMANCE BY SEGMENT

- 📌 Product revenue decreased 21% YoY
 - 5% increase in chiller shipments
 - 48% decrease in cogeneration
 - Margin impacted by \$319k inventory provision. Product margin would have been 38% without.

- 📌 Service revenue increased 20% YoY
 - Investments in engines and site improvements temporarily drove down gross profit margins
 - Margin impact by \$84K provision

- 📌 Energy Production Revenue decreased 2% YoY

- 📌 Gross Margin decreased to 41% due to service engine replacements and inventory provision

YE 2023 Revenues (\$ thousands)	2023	2022	YoY Growth
Revenues			
Cogeneration	2,762	5,280	-48%
Chiller	5,304	5,035	5%
Engineered accessories	794	842	-6%
Total Product Revenues	8,860	11,156	-21%
Service Contracts	14,523	12,060	20%
Installation Services	0	0	0%
Total Service Revenues	14,523	12,060	20%
Energy Production	1,756	1,786	-2%
Total Revenues	25,140	25,002	1%
Cost of Sales			
Products	5,923	7,413	-20%
Services	7,909	5,525	43%
Energy Production	1,106	997	11%
Total Cost of Sales	14,938	13,935	7%
Gross Profit	10,202	11,067	-8%
Gross Margin			
Products	33%	34%	
Services	46%	54%	
Energy Production	37%	44%	
Overall	41%	44%	

Gross Margin	2023	2022	Target
Overall	41%	44%	>40%

Tecogen 2024 Plan

January
2024

- Phase 1 – Increase recurring service revenue and establish sales channels relationships
- 🔄 Increased recurring service revenue by assuming service agreements for 200+ cogeneration units
 - 🔄 Continuing to add additional service contracts
 - 🔄 Established multiple new sales channel relationships with project developers in core markets such as Indoor Agriculture - Sales pipeline has increased >15% YoY

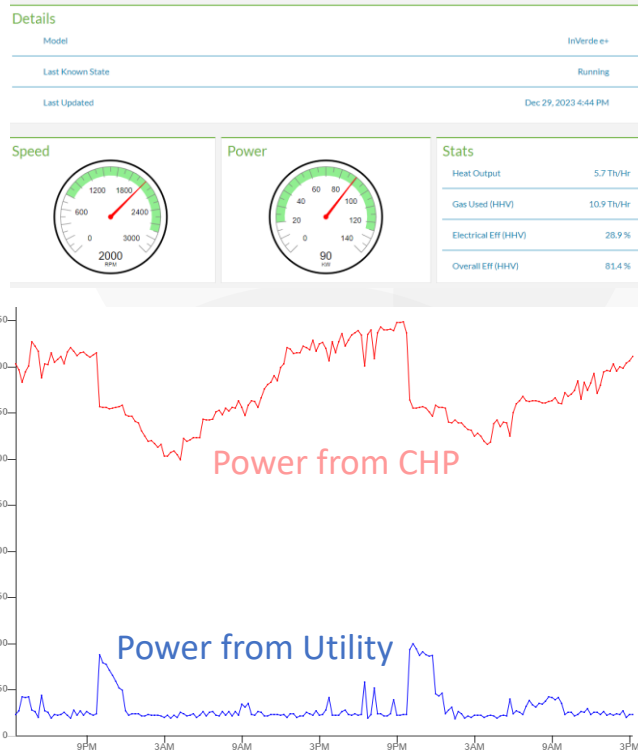
July 2024

- Phase 2 – Operational Cost Reductions & Generate Upside from Existing Revenue
- 🔄 Lower rent after factory move and Opex reductions post move
 - 🔄 Utility demand response using cogeneration software

October
2024

- Phase 3 – Product Growth and Cooling as a Service
- 🔄 Cooling and Heating as a Service – Provides a way for building owners to upgrade a chiller or boiler plant without upfront capital investment.
 - 🔄 Combines project financing and ongoing maintenance into a single predictable monthly payment, so customers pay for the upgrade from the savings.

SELF LEARNING INTELLIGENT CONTROL OF COGENERATION AND CHILLERS



Based on our remote monitoring platform CHPInsight[®]

Increases equipment run hours and savings

- Learns from building load profile to optimize operations (output from CHPInsight Dashboard shown on left)

Utility Demand Response Payments

- Centralized control of multiple units
- Can aggregate excess capacity from multiple cogeneration systems when utility is capacity constrained and be paid by the utility

Arbitrage of natural gas vs electric

- Can control hybrid chiller plants to choose power source mix
- Can optimize for greenhouse gas reduction and economics

Cooling as a Service



- Targeted at buildings that need to upgrade their chiller or boiler plant
- In retrofit applications, buildings may have competing uses for capital, especially in a high interest rate environment.
- Buildings are likely to defer upgrades or choose systems that have a lower first cost but lower efficiency and higher ongoing costs
- Chillers can be upgraded to Tecochill or High Efficiency electric solutions depending on application
- Customers pay for the cooling and heating as a service that includes all maintenance and the capital recovery as a flat monthly fee

SUMMARY AND Q&A

- 🌱 Continuing to focus on cashflow
- 🌱 Pivoting to adapt to changing market
- 🌱 Continuing to grow service division
- 🌱 Continuing to expand margin on service
- 🌱 Opex reduction post factory move
- 🌱 Close the larger projects

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