Tecogen®

NASDAQ: TGEN

FOURTH QUARTER & FISCAL YEAR END

Earnings Call March 12, 2020

Participants

Benjamin Locke	Chief Executive Officer
Robert Panora	President & Chief Operating Officer
Bonnie Brown	Chief Accounting Officer

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
- 2019 Financial Overview
- Strategic Achievements
- Market Update

Bonnie Brown

- Financial Review

Robert Panora

- Emissions & Technology Update

Benjamin Locke

- 2020 Outlook

Q&A

Tecogen®
InVerde e+® Inverter-Based Cogeneration
Tecopower™ The pioneer in CHP
Tecofrost™ Natural Gas Engine Driven Refrigeration
Tecochill® The Driving Force In Cooling
Ultera Emission Control
Ilios® High Efficiency Water Heater
American DG Energy

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 powered by efficient natural gas equipped with Tecogen's patented Ultera Emission Control

4th Qtr 2019 Adjusted EBITDA of $63K

$ in thousands	4Q'19	4Q'18	YoY Change	
Revenue				
Products	$ 3,718	$ 3,703	$ 15	
Service	4,304	3,965	339	
Energy Production	690	1,649	(959)	
Total Revenue	8,712	9,316	(604)	**-6%**
Gross Profit				
Products	$ 1,338	$ 1,501	$ (163)	
Service	1,530	1,534	(3)	
Energy Production	395	676	(282)	
Total Gross Profit	3,263	3,711	(449)	**-12%**
Gross Margin: %				
Products	36.0%	40.5%	-5%	
Service	35.6%	38.7%	-3%	-8%
Energy Production	57.2%	41.0%	16%	
Total Gross Margin	37.5%	39.8%	-2%	-6%
Operating Expenses				
General & administrative	$ 2,707	$ 2,668	$ 39	
Selling	618	759	(141)	
Research and development	377	305	72	
Operating Expenses w/o GW Impairment	3,702	3,731	-30	**-1%**
Goodwill impairment	-	4,391	(4,391)	
Net loss without goodwill impairment	(486)	19	(504)	
Adjusted EBITDA	$ 63	$ 502	$ (439)	

* Adjusted EBITDA is defined as net income (loss) attributable to Tecogen Inc, adjusted for interest, depreciation and amortization, stock based compensation expense, one-time inventory adjustment, goodwill impairment and merger related expenses.

- Revenues = $8.7 million
  - Compared to $9.3 million in 4Q’18, 6% decrease
  - Product revenue flat, Service up 9%
  - Energy production down 58%
- Gross Margin = 37.5%
  - Compared to 39.8% in 4Q’18
  - Product margins improved over Q3 ‘19
  - Service margins gradually improving as turnkey projects close-out
- Op Ex includes one-time $393K inventory write-down
- Net loss of $486K
  - Compared to income of $19K for 4Q ’18 (excluding GW impairment)
- Adjusted EBITDA= $63K
  - Compared to EBITDA of $502K 4Q ‘18

YE 2019 Adjusted EBITDA of $114K

$ in thousands	YE 2019	YE 2018	YoY Change	
Revenue				
Products	$ 12,978	$ 12,625	$ 353	
Service	17,308	16,859	448	
Energy Production	3,141	6,400	(3,259)	
Total Revenue	33,426	35,884	(2,457)	-7%
Gross Profit				
Products	$ 4,592	$ 4,827	$ (235)	
Service	6,500	6,166	333	
Energy Production	1,387	2,598	(1,212)	
Total Gross Profit	12,479	13,592	(1,113)	-8%
Gross Margin: %				
Products	35.4%	38.2%	-3%	
Service	37.6%	36.6%	1%	
Energy Production	44.2%	40.6%	4%	
Total Gross Margin	37.3%	37.9%	-1%	
Operating Expenses				
General & administrative	$ 10,380	$ 10,790	$ (410)	
Selling	2,685	2,651	34	
Research and development	1,460	1,298	162	
Sub-total	14,525	14,739	(214)	-1%
Gain on sale of assets	(1,081)	0	(1,081)	
Goodwill impairment	3,693	4,391	(698)	
Net loss without goodwill impairment	(1,016)	(1,318)	302	
Adjusted EBITDA	$ 114	$ 217	$ (103)	

- FY '19 revenues = $33.4 million
  - Compared to $35.9 million in FY'18, 7% decrease
  - Product revenue up 3%, Service revenue up 3%
  - Energy Production revenue down 51%
- FY '19 Gross Margin = 37.3%
  - Compared to 37.9% in FY'18
  - Product margins decreased 3%
  - Service margins increased 1%
  - Energy Production margins increased 4%
- FY '19 Net loss of $1.0 mm (excluding GW impairment)
  - Compared to loss of $1.3 mm for FY '18
- FY '19 Adjusted EBITDA= $114K
  - Compared to FY '18 EBITDA of $217K

Decline in revenue due to sale of energy producing assets

Product and Service Revenue Growth

Goodwill impairment losses, 2018 & 2019

Earnings Takeaways

Core Business is Stable

- YoY Product and Service Revenue increasing
- Energy Production revenue drop due to sale of ADG assets, remaining assets producing high margins
- Installation revenue decreasing as close out large turnkey projects

Growth in Core Business

2020 Profitability Goal by Improving Margins

- Improved efficiencies in all parts of the business – Parts, Manufacturing, Purchasing, Operations, G&A
- Improve, expand service center profitability – 11th Service Center established in Toronto, Canada
- Remaining turnkey portfolio will focus on cost-effective installations

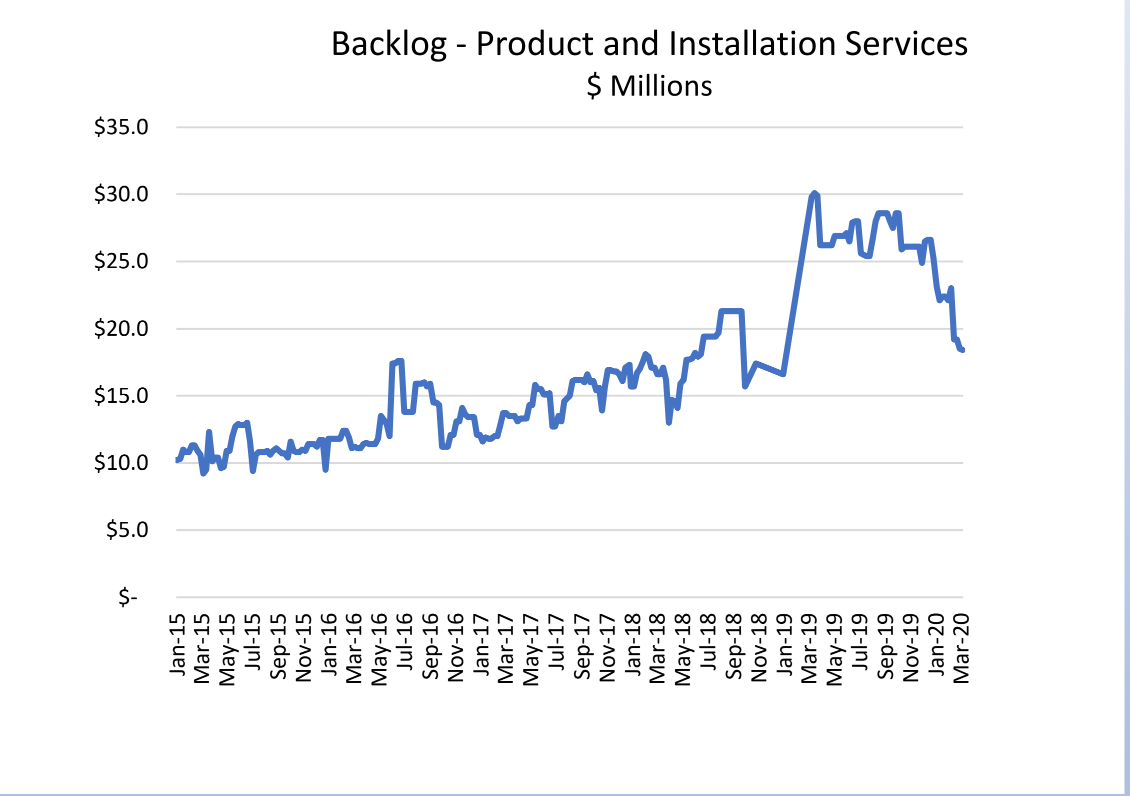
Improve Margins
Reduce G&A

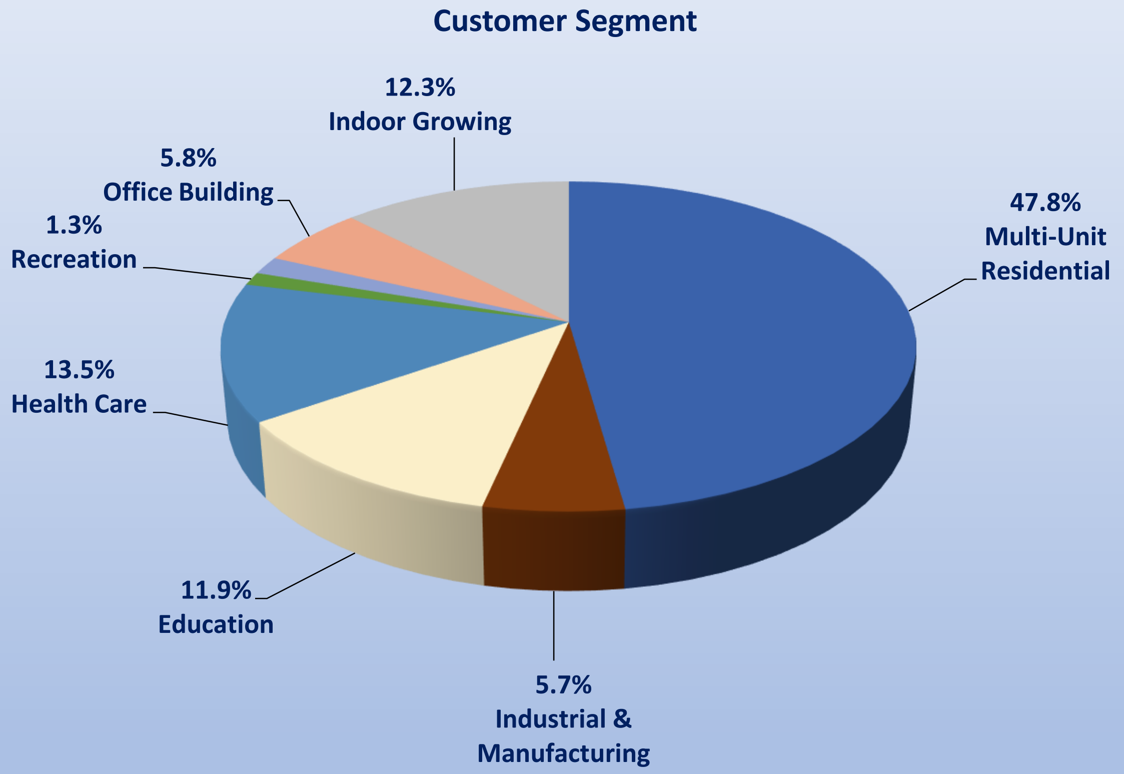
Several Opportunities for Growth

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

Prospects For Growth

Product and Installation Backlog





Current Backlog of $18.4 mm
Product backlog: $14.4 mm, Installation backlog $4.0 mm

Market Update

- **Continue demonstrating benefits of Mechanical CHP**
  - Renewed interest by gas companies to increase gas sales
  - Compelling economic advantages over electric chillers
  - Substantial growth opportunity both in US and International
  - Partnership opportunities with existing chiller manufacturers
- **Expanding functionality of Inverde e+**
  - Alternative DC configuration for DC Microgrids
  - Integrated battery option to cover maintenance downtime
  - UL 1741 SA “Smart Inverter” certifications on-going
- **Toronto Expansion creates new opportunities**
  - Experienced territory manager in place, already exploring new projects
  - Local factory service instills customer confidence
  - Increased service revenues as units become operational late 2020 into 2021

Domino Building, Brooklyn, NY

Q4 2019 Financial Results: Revenues, Margins and Profitability

Tecogen

- Decrease in overall revenue, a result of the sale of energy producing assets
- Four diverse revenue streams
  - 191% growth in cogeneration sales
  - Long term service contracts provide steady cash flow, growing 10%
  - Turnkey installation revenue, increased by 7%, facilitates both product sales and service revenue
  - Energy production provided 57% gross margin in the quarter
- Maintained 37% overall gross margin

$ in thousands	*Quarter Ended December 31,* 2019	2018	YoY Growth	% of Total Rev
Revenue				
Cogeneration	$ 2,185	$ 750	191%	25%
Chiller	1,533	2,952	-48%	18%
Total Product Revenue	3,718	3,703	0%	43%
Service Contracts and Parts	2,440	2,218	10%	28%
Installation Services	1,864	1,747	7%	21%
Total Service Revenue	4,304	3,965	9%	49%
Energy Production	690	1,649	-58%	8%
Total Revenue	**$ 8,712**	**$ 9,316**	**-6%**	**100%**
Cost of Sales				
Products	$ 2,380	$ 2,201	8%	
Services	2,774	2,431	14%	
Energy Production	296	973	-70%	
Total Cost of Sales	**$ 5,449**	**$ 5,605**	**-3%**	
Gross Profit	**$ 3,263**	**$ 3,711**	**-12%**	**37%**
Net loss	$ (486)	$ (4,372)		
Net income (loss) excluding GW impairment	**$ (486)**	**$ 19**		
Gross Margin				
Products	36%	41%		
Services	36%	39%		
Aggregate Products and Services	36%	40%		
Energy Production	57%	41%		
Overall	37%	40%		

Decline in overall revenues due to sale of energy producing assets

Product revenues flat year over year

Service revenues increase 9% year over year

Year End 2019 Financial Results: Revenues, Margins and Profitability

Tecogen

- Four diverse revenue streams
  - Product sales growth of 3%
  - Long term service contracts provide steadily improving cash flow, representing 29% of revenue and 12% growth
  - Turnkey installation activities declined 7% in the year
  - Energy production revenue declined 51% due to sale of assets
- Maintained total gross margin of 37%

	Year Ended December 31,			
$ in thousands	**2019**	**2018**	**YoY Growth**	**2019 % of Total Rev**
Revenue				
Cogeneration	$ 7,073	$ 5,467	29%	21%
Chiller	5,905	7,158	-18%	18%
Total Product Revenue	12,978	12,625	3%	39%
Service Contracts and Parts	9,802	8,762	12%	29%
Installation Services	7,506	8,097	-7%	22%
Total Service Revenue	17,308	16,859	3%	52%
Enery Production	3,141	6,400	-51%	9%
Total Revenue	**$ 33,427**	**$ 35,884**	**-7%**	**100%**
Cost of Sales				
Products	$ 8,386	$ 7,798	8%	
Services	10,808	10,693	1%	
Energy Production	1,754	3,801	-54%	
Total Cost of Sales	**$ 20,948**	**$ 22,292**	**-6%**	
Gross Profit	**$ 12,479**	**$ 13,592**	**-8%**	**37%**
Net loss	$ (4,709)	$ (5,709)		
Net loss excluding GW Impairment	**$ (1,016)**	**$ (1,318)**		
Gross Margin				
Products	35%	38%		
Services	38%	37%		
Aggregate Products and Services	37%	37%		
Energy Production	44%	41%		
Overall	37%	38%		

Revenue growth of 3% for both Product and Service

Decline in overall revenues due to sale of energy producing assets

Adjusted EBITDA Reconciliation

Adjusted EBITDA positive for the year and 4th quarter

Tecogen

Q4 and YE Comparative Net loss to Adjusted EBITDA Reconciliation

- EBITDA: Interest, taxes, depreciation & amortization
- Non-cash adjustments
  - Stock based compensation
  - Unrealized loss on investment securities
  - One-time inventory adjustment
  - Goodwill impairment
- Non-recurring expenses
  - Merger related expenses

Consistently reaching positive levels of adjusted EBITDA

Non-GAAP financial disclosure	4Q 2019	4Q 2018
Net loss attributable to Tecogen Inc.	$ (485,564)	$(4,371,904)
Interest expense, net	38,161	63,716
Depreciation & amortization, net	74,254	202,934
Income tax expense	(473)	(9,931)
EBITDA	(373,622)	(4,115,185)
Stock based compensation	42,860	47,380
Unrealized loss on investment securities	-	59,042
Non-recurring inventory adjustment	393,449	-
Merger related expenses	-	120,333
Goodwill impairment	-	4,390,590
Adjusted EBITDA*	$ 62,687	$ 502,160
Non-GAAP financial disclosure	**YE 2019**	**YE 2018**
Net loss attributable to Tecogen Inc.	$ (4,709,019)	$(5,708,532)
Interest expense, net	100,918	111,985
Depreciation & amortization, net	437,102	789,123
Income tax expense	15,194	32,748
EBITDA	(4,155,805)	(4,774,676)
Stock based compensation	163,464	181,188
Unrealized loss on investment securities	19,680	118,084
Merger related expenses	-	302,268
Non-recurring inventory adjustment	393,449	-
Goodwill impairment	3,693,198	4,390,590
Adjusted EBITDA*	$ 113,986	$ 217,454

*Adjusted EBITDA is defined as net income (loss) attributable to Tecogen Inc, adjusted for interest, depreciation and amortization, stock based compensation expense, one-time inventory adjustment, goodwill impairment and merger related expenses.

Emissions Technology Update

Forklift Update

- Forklift testing Successfully Concluded
  - CARB “Near Zero "certification attainable based on projection of test results
- MCFA has arranged dyno certification test trial in May at Southwest Research Institute
- Continued support from PERC
  - Invited Tecogen/MCFA to two propane industry summits and MODEX tradeshow
  - Providing funding support for certification expenses

	NOx +THC [g/kw-hr]	CO [g/kw-hr]
Requirements for Optional “Near Zero” Target Certification	0.1	20.6
Requirements for StandardCertification	0.8	20.6
Certification Test Results of MCFAEngine (reported from archive)	0.4	5.6
Projected Certification Test Result of Ultera-Equipped MCFA Engine(from Tecogen driving tests)[1]	0.05	0.88

[1] *Extrapolation includes the following:*

Drive cycle correction factor of 0.24
Assumed engine efficiency of 28%
THC estimation from previous source test

Forklift Update

- MODEX Leading tradeshow for material handling technology
  - Forklift suppliers' major exhibitors
  - March 9-12 Atlanta, Georgia
- MCFA Prototype featured in PERC booth
- First opportunity to expose technology to potential customers
  - Feedback positive
  - Interviewed by six reporters
  - Low emissions for improved air quality central issue for propane trucks

Other Emissions Activity

- Concluded Phase 1 of catalyst development program
- Test results promising
  - potential for improved NOx reduction
  - Evaluating next steps with research subcontractor
- Anticipate order for two large Ultera systems (800 hp)
  - Municipal water pumping
  - Design funded by water district
  - Provided quotation to second municipality

2020 Core Business Outlook

- **Maintain Growth in Product Revenue**
  - Very low gas prices creating new opportunities in US
  - Canada expansion will drive additional product sales
  - New functionality for Inverde e+ systems
  - Tecofrost backlog growing in new business segments
  - Increased awareness of mechanical CHP driving growth
  - Focus on improved product margins
- **Maintain 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
- **Enable manufacturing partnerships**
  - Tecogen/Vilter manufacturing/sales partnership for Tecofrost
  - Potential chiller manufacturing/sales partnership for Tecochill

Q&A

AMERICAN DG ENERGY

Ultera
EMISSION CONTROL

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