Tecogen®

OTCQX: TGEN

# FOURTH QUARTER & FISCAL 2020 YEAR END

Earnings Call March 11, 2021

# 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
- Key Takeaways
- Q4 and 2020 Results
- Ultera Emissions Update
- Final Comments
- 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*

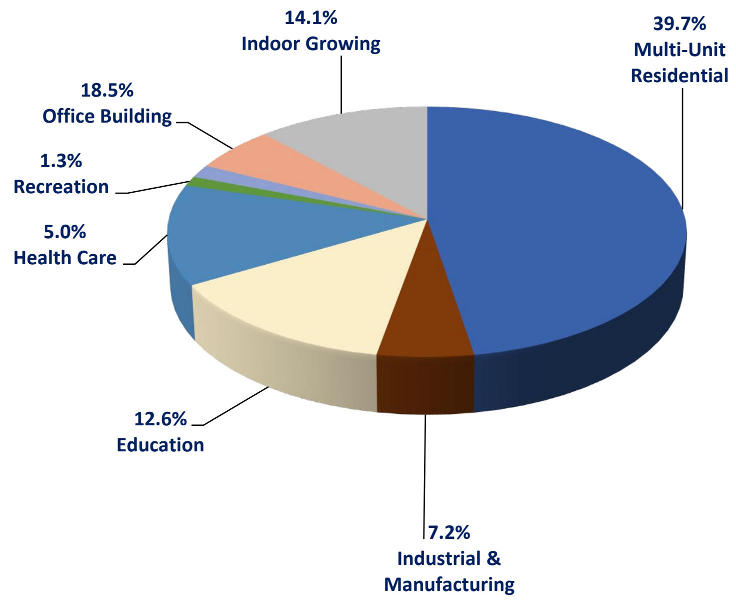
### Proprietary Ultera Emissions Technology

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

# 4Q, FY '20 Earnings Takeaways

- **COVID Challenges to Core Business Segments**
  - Product sales down YoY, Quarter over Quarter
  - Service contracts/parts revenue increased 4% despite COVID closures
  - Installations expected to resume as COVID restrictions dissipate
  - Energy production revenues slower to rebound
- **Increasing Cash Position**
  - Generated $1.4 million cash from operations compared to cash flow used in operations of $4.5 million in 2019
  - Year end cash and equivalent balance of $1.49 million
- **Sustainable Corporate Improvements**
  - Reduced OpEx by 10% YoY, 23% Quarter over Quarter
  - More efficient and streamlined corporate functions
  - PPP loan forgiven in Jan
  - Received $1.9M PPP Second Draw loan in Feb.
- **Current Backlog = $9.3 million**
  - Product backlog = $8.9 million
  - Installation backlog = $0.4 million

**Sales Backlog**



# 4th Quarter 2020 Results

Tecogen

- **Revenue = $5.7 million**
  - Compared to $8.7 million in 4Q’19, 35% decrease
  - Product revenue down 52%
  - Service down 20% due to decreased installation activity.
  - Maintenance contract revenue increased 4%
  - Energy production down 42% due to facility closures
- **Gross Margin = 41%**
- **Op Ex = $3.5 mm**
  - Excluding one-time bad debt provision, reduced OpEx by 23% vs. 4Q’19 **to $2.87mm**
- **Net loss of $4.1 million**
  - Includes $2.88 million Goodwill Impairment
  - Compared to $486 thousand loss in 4Q ’19
- **Adjusted EBITDA = -$929K**
  - Compared to -$331K 4Q ’19

| *$ in thousands* | *4Q'20* | *4Q'19* |
|---|---|---|
| **Revenue** | | |
| Products | $ 1,781 | $ 3,718 |
| Service | 3,435 | 4,304 |
| Energy Production | 441 | 690 |
| Total Revenue | 5,657 | 8,712 |
| **Gross Profit** | | |
| Products | 606 | 1,338 |
| Service | 1,577 | 1,530 |
| Energy Production | 160 | 395 |
| Total Gross Profit | 2,343 | 3,263 |
| **Gross Margin: %** | | |
| Products | 34% | 36% |
| Service | 46% | 36% |
| Energy Production | 36% | 57% |
| Total Gross Margin | 41% | 37% |
| **Operating Expenses** | | |
| General & administrative | 2,834 | 2,707 |
| Selling | 571 | 618 |
| Research and development | 126 | 377 |
| **Sub-total** | 3,531 | 3,702 |
| Gain on sale of assets | (32) | - |
| Long-lived asset impairment | 72 | - |
| Goodwill impairment | 2,876 | - |
| Net loss without impairment | (1,115) | (486) |
| **Adjusted EBITDA** | $ (929) | $ (331) |

# YE 2020 Results

- **Revenue = $28.3 million**
  - Compared to $33.4 million in 2020, 15% decrease
  - Product revenue down 19%
  - Service down 8% due to decreased installation activity.
  - Maintenance contract revenue increased 3%
  - Energy production down 42% due to facility closures
- **Gross Margin improved to 38%**
- **Op Ex = $13.7 mm**
  - Excluding bad debt provision, reduced OpEx by 10% vs. 2019
- **Net loss of $6.2 million**
  - Compared to $4.7 million loss in 2019
- **Adjusted EBITDA = negative $2.2M**
  - Compared to negative $181K 2020

| *$ in thousands* | YE 2020 | YE 2019 |
|---|---|---|
| **Revenue** | | |
| Products | $ 10,534 | $ 12,978 |
| Service | 15,883 | 17,308 |
| Energy Production | 1,837 | 3,141 |
| Total Revenue | 28,255 | 33,426 |
| **Gross Profit** | | |
| Products | $ 4,060 | $ 4,592 |
| Service | 6,100 | 6,500 |
| Energy Production | 668 | 1,387 |
| Total Gross Profit | 10,828 | 12,479 |
| **Gross Margin: %** | | |
| Products | 38.5% | 35.4% |
| Service | 38.4% | 37.6% |
| Energy Production | 36.3% | 44.2% |
| Total Gross Margin | 38.3% | 37.3% |
| **Operating Expenses** | | |
| General & administrative | $ 10,311 | $ 10,380 |
| Selling | 2,593 | 2,685 |
| Research and development | 767 | 1,460 |
| **Sub-total** | 13,672 | 14,525 |
| Gain on sale of assets | (11) | (1,081) |
| Long-lived asset impairment | 252 | 0 |
| Goodwill impairment | 2,876 | 3,693 |
| Net loss without goodwill impairment | (2,366) | (1,016) |
| **Adjusted EBITDA** | $ (2,163) | $ (181) |

# Adjusted EBITDA Reconciliation

## Reconciliation of Q4 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
  - Long-lived asset impairment
  - Goodwill impairment

| | Quarter Ended, December 31, | |
|---|---|---|
| Non-GAAP financial disclosure | 2020 | 2019 |
| Net loss attributable to Tecogen Inc. | $ (4,062,313) | $ (485,564) |
| Interest expense, net | 4,741 | 38,161 |
| Depreciation & amortization, net | 120,186 | 74,254 |
| Income tax expense | 2,380 | (473) |
| **EBITDA** | (3,935,006) | (373,622) |
| Stock based compensation | 58,632 | 42,860 |
| Long-lived asset impairment | 71,963 | - |
| Goodwill impairment | 2,875,711 | - |
| Adjusted EBITDA* | $ (928,700) | $ (330,762) |

**Adjusted EBITDA impacted by lower sales and one-time charges, continue to eliminate costs**

- OpEx spending (excluding one-time charges) decreased 23% YOY
- Lower interest expense due to Webster LOC Termination

*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.

# YTD Adjusted EBITDA Reconciliation

## Reconciliation of 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
  - Long-lived asset impairment
  - Goodwill impairment

| | Year Ended, December 31, | |
|---|---|---|
| Non-GAAP financial disclosure | 2020 | 2019 |
| Net loss attributable to Tecogen Inc. | $ (6,150,507) | $ (4,709,019) |
| Interest expense, net | 125,824 | 100,918 |
| Depreciation & amortization, net | 414,127 | 437,102 |
| Income tax expense | 30,171 | 15,194 |
| **EBITDA** | (5,580,385) | (4,155,805) |
| Stock based compensation | 190,944 | 163,464 |
| Unrealized loss on marketable securities | 98,404 | 118,084 |
| Long-lived asset impairment | 251,906 | - |
| Goodwill impairment | 2,875,711 | 3,693,198 |
| Adjusted EBITDA* | $ (2,163,420) | $ (181,059) |

**Adjusted EBITDA impacted by lower sales and one-time charges, continue to eliminate costs**

- OpEx spending, excluding one-time charges decreased 10% YOY
- Lower interest expense due to Webster LOC Termination

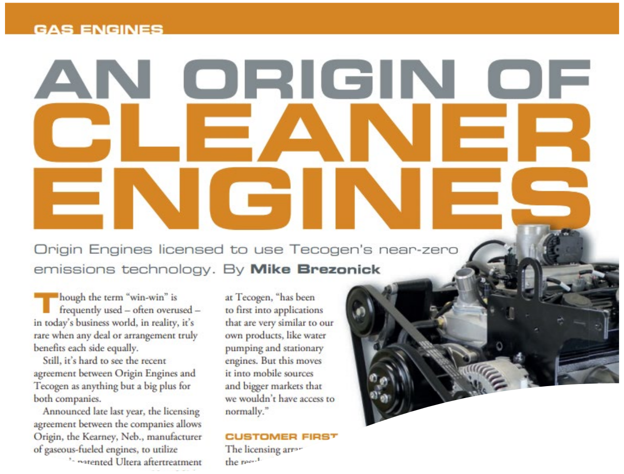
# Origin Engine Ultera Agreement

- Origin Engines
  - Domestic engine manufacturer
  - Innovative, fast growing supplier in industrial markets
    - ✓ Access to a wide range of industrial engine customers
    - ✓ Aware of growing value of low emissions to customers
  - Tecogen supplier for our CHP products

- Tecogen/Origin License Agreement (November 2020)
  - Engines 80 to 280 bhp (no conflict with MCFA)
  - Propane, Natural gas, others
  - Multiple markets covered
    - ✓ Oil and gas, power generation
    - ✓ lift trucks, forestry, and distributed energy systems.

See also Feb 2021 article in Diesel Progress

https://lnkd.in/efzs_B9


GAS ENGINES

AN ORIGIN OF CLEANER ENGINES

Origin Engines licensed to use Tecogen's near-zero emissions technology. By **Mike Brezonick**

Though the term "win-win" is frequently used – often overused – in today's business world, in reality, it's rare when any deal or arrangement truly benefits each side equally.

Still, it's hard to see the recent agreement between Origin Engines and Tecogen as anything but a big plus for both companies.

Announced late last year, the licensing agreement between the companies allows Origin, the Kearney, Neb., manufacturer of gaseous-fueled engines, to utilize

at Tecogen, "has been to first into applications that are very similar to our own products, like water pumping and stationary engines. But this moves it into mobile sources and bigger markets that we wouldn't have access to normally."

CUSTOMER FIRST

# Ultera Emissions Update

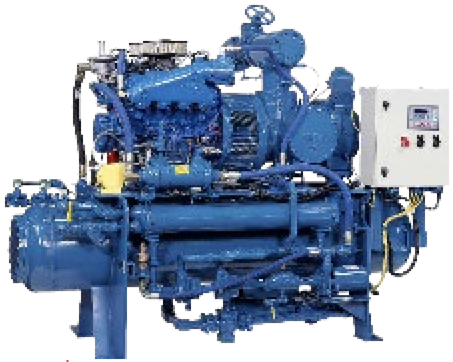
- **MCFA program -** now Mitsubishi Logisnext Americas Inc. (MLA)
  - Remains on hold
- **Origin agreement very positive outlook**
  - Strong potential to expand Ultera
    - ✓ Other lift manufacturers and other markets
  - Aggressive schedule for implementation
- **Ongoing catalyst research**
  - Third party contracted by Tecogen to investigate improved second stage formulations
  - Opportunity for innovation because of low temp environment
  - Laboratory testing has identified more active formulation
  - Important to pursue
    - ✓ Patentable
    - ✓ Tangible component of Ultera that could become Tecogen product
    - ✓ Potential for lower cost

# Final Comments

- 2021 annual OpEx expected <$12 million, $2.5 million improvement over 2019
- Cash position strengthened by improved cash management, PPP funds
- Product focus on resiliency becoming more widely embraced
- GHG reduction benefits of all Tecogen systems an important factor in driving new sales
- Agreement with Origin expands potential commercial applications for Ultera

# Q&A







AMERICAN DG ENERGY

Ultera
EMISSION CONTROL

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