

November 13, 2014



# Tecogen Announces Third Quarter Earnings

## Quarterly Revenue expands by 44% as compared to the same period in 2013

WALTHAM, Mass., Nov. 13, 2014 /PRNewswire/ -- Tecogen<sup>®</sup> Inc. (NASDAQ: TGEN), a manufacturer and installer of high efficiency, *Ultra*<sup>™</sup> clean combined heat and power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for industrial and commercial use, reported revenues of \$4,175,863 in the three months ended September 30, 2014, compared to \$2,893,240 for the same period in 2013, an increase of 44%.

### Major Highlights:

#### *Financial*

- Product and Installation revenue increased by 148% compared to same period in 2013.
- Service revenue was comparatively flat as the company temporarily diverted service manpower in bringing new service center online in Brooklyn.
- Sales backlog of equipment and installations was \$14.2 million at quarter end, compared to \$12 million at the end of the second quarter.
- Gross profit for the three months ended September 30, 2014 was \$1,089,471 compared to \$1,092,632, respectively for the same period in 2013.
- Gross margins decreased to 26% from 38% for the quarter ended September 30, 2014 compared to the same period in 2013. The margin decrease is attributed to a large chiller order requiring significant design and fabrication upgrades to modernize the model line for this and future sales. These upgrades related to emissions after-treatment and a newer refrigerant. The company also incurred warranty expenses to complete a component exchange in our cogeneration systems to extend its useful service life.
- Research and development expenses for the year and the quarter were \$889,240 and \$329,524, respectively, as the Company continues to expand development of its technology and secure necessary intellectual property.
- Net loss for the three months ended September 30, 2014 was \$1,467,734 compared to \$1,414,517 for the same period in 2013. Our goal is for operations to be profitable by year end.
- Net loss per share was \$0.09 and \$0.11 for the three months ended September 30, 2014 and 2013.

#### *Sales & Operations*

- Orders for gas fired chillers continue to grow with additional sales in the US and Mexico.
- Received our first order for Tecogen Ultra Emission System applied to a renewable gas engine in Southern California.
- Received our first order for Tecogen Ultra Emission System applied in a natural gas emergency generator requiring air permit for extended hours of operation in Southern California.
- Steady growth in orders for Ilios Water Sourced Heat Pumps with backlog of 8 units at quarter end.
- Closed the sale of a tri-generation energy system for a large New Jersey hotel.
- Announced the promotion of Benjamin Locke to Co-Chief Executive Officer.
- Announced the hiring of John Maloney as Manufacturing Manager.

### **Conference Call Scheduled for Today at 12:00 pm ET**

Tecogen will host a conference call today to discuss the third quarter results beginning at 12:00 pm ET. To listen to the call dial (877) 870 4263 within the U.S., (855) 669-9657 from Canada, or (412) 317-0790 from other international locations. Participants should reference Tecogen to access the call. The conference call will be recorded and available for playback one hour after the end of the call through Thursday, December 4<sup>th</sup>.

The earnings conference call will also be webcast live. To register for and listen to the webcast, go to <http://investors.tecogen.com/webcast>. Following the call, the webcast will be archived for 30 days.

### **About Tecogen**

Tecogen manufactures, installs and maintains high efficiency, Ultra-clean Combined Heat and Power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for industrial and commercial use. Tecogen has shipped more than 2,000 units, supported by an established network of engineering, sales, and service personnel across the United States. For more information, please visit [www.tecogen.com](http://www.tecogen.com).

**FORWARD-LOOKING STATEMENTS** This press release contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. Important factors could cause actual results to differ materially from those indicated by such forward-looking statements, as disclosed on the Company's website and in Securities and Exchange Commission filings. The statements in this press release are made as of the date of this press release, even if subsequently made available by the Company on its website or otherwise. The Company does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

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## CONSOLIDATED BALANCE SHEETS

As of September 30, 2014 and December 31, 2013

(unaudited)

|                                    | September<br>30,<br>2014 | December<br>31,<br>2013 |
|------------------------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                      |                          |                         |
| Current assets:                    |                          |                         |
| Cash and cash equivalents          | \$2,446,082              | \$7,713,899             |
| Short-term investments, restricted | 585,038                  | —                       |
| Accounts receivable, net           | 4,519,544                | 3,740,885               |
| Unbilled revenue                   | 125,071                  | 646,398                 |
| Inventory, net                     | 4,907,435                | 3,343,793               |
| Due from related party             | 125,069                  | —                       |
| Deferred financing costs, net      | —                        | 140,433                 |
| Prepaid and other current assets   | 338,257                  | 340,013                 |
| Total current assets               | 13,046,496               | 15,925,421              |
| Property, plant and equipment, net | 631,181                  | 638,026                 |
| Intangible assets, net             | 1,019,944                | 953,327                 |
| Goodwill                           | 40,870                   | 40,870                  |
| Deferred financing costs, net      | 111,843                  | —                       |
| Other assets                       | 53,325                   | 72,425                  |
| <b>TOTAL ASSETS</b>                | <b>\$14,903,659</b>      | <b>\$17,630,069</b>     |

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

|                                                        |           |             |
|--------------------------------------------------------|-----------|-------------|
| Demand notes payable and line of credit, related party | \$—       | \$2,950,000 |
| Senior convertible promissory note, related party      | —         | 3,000,000   |
| Accounts payable                                       | 3,085,856 | 2,338,046   |
| Accrued expenses                                       | 990,084   | 1,139,554   |
| Deferred revenue                                       | 1,949,522 | 613,915     |
| Due to related party                                   | —         | 119,667     |
| Interest payable, related party                        | —         | 198,450     |
| Total current liabilities                              | 6,025,462 | 10,359,632  |

Long-term liabilities:

|                                                   |           |            |
|---------------------------------------------------|-----------|------------|
| Deferred revenue, net of current portion          | 184,371   | 204,544    |
| Senior convertible promissory note, related party | 3,000,000 | —          |
| Total liabilities                                 | 9,209,833 | 10,564,176 |

Commitments and contingencies (Note 5)

Stockholders' equity:

Tecogen Inc. shareholders' equity:

|                                                                                                                                                                            |                     |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 15,809,306 and 15,155,200 issued and outstanding at September 30, 2014 and December 31, 2013, respectively | 15,809              | 15,155              |
| Additional paid-in capital                                                                                                                                                 | 24,927,880          | 22,463,996          |
| Accumulated deficit                                                                                                                                                        | (18,924,762)        | (15,209,212)        |
| Total Tecogen Inc. stockholders' equity                                                                                                                                    | 6,018,927           | 7,269,939           |
| Noncontrolling interest                                                                                                                                                    | (325,101)           | (204,046)           |
| Total stockholders' equity                                                                                                                                                 | 5,693,826           | 7,065,893           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                          | <b>\$14,903,659</b> | <b>\$17,630,069</b> |

# CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2014 and 2013

(unaudited)

|                               | Three months ended September 30, |             | Nine months ended September 30, |             |
|-------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                               | 2014                             | 2013        | 2014                            | 2013        |
| Revenues                      |                                  |             |                                 |             |
| Products                      | \$1,094,529                      | \$779,455   | \$5,047,231                     | \$3,639,974 |
| Services                      | 3,081,334                        | 2,113,785   | 7,884,246                       | 6,103,044   |
| Total revenues                | 4,175,863                        | 2,893,240   | 12,931,477                      | 9,743,018   |
| Cost of sales                 |                                  |             |                                 |             |
| Products                      | 1,052,199                        | 571,803     | 4,043,783                       | 2,793,743   |
| Services                      | 2,034,193                        | 1,228,805   | 5,023,324                       | 3,930,806   |
| Total cost of sales           | 3,086,392                        | 1,800,608   | 9,067,107                       | 6,724,549   |
| Gross profit                  | 1,089,471                        | 1,092,632   | 3,864,370                       | 3,018,469   |
| Operating expenses            |                                  |             |                                 |             |
| General and administrative    | 1,751,080                        | 1,437,068   | 5,424,143                       | 4,358,569   |
| Aborted public offering costs | —                                | 320,924     | —                               | 320,924     |
| Selling                       | 476,601                          | 488,895     | 1,303,329                       | 1,054,366   |
| Research and development      | 329,524                          | 260,262     | 889,240                         | 809,746     |
| Total operating expenses      | 2,557,205                        | 2,507,149   | 7,616,712                       | 6,543,605   |
| Loss from operations          | (1,467,734)                      | (1,414,517) | (3,752,342)                     | (3,525,136) |
| Other income (expense)        |                                  |             |                                 |             |
| Interest and other income     | 17,763                           | 7,256       | 35,927                          | 13,793      |

|                                                         |               |               |               |               |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|
| Interest expense                                        | (30,666)      | (45,072)      | (122,818)     | (104,836)     |
| Total other expense, net                                | (12,903)      | (37,816)      | (86,891)      | (91,043)      |
| Consolidated net loss                                   | (1,480,637)   | (1,452,333)   | (3,839,233)   | (3,616,179)   |
| Less: Loss attributable to the noncontrolling interest  | 32,839        | 64,654        | 123,683       | 277,627       |
| Net loss attributable to Tecogen Inc.                   | \$(1,447,798) | \$(1,387,679) | \$(3,715,550) | \$(3,338,552) |
| Net loss per share - basic and diluted                  | \$(0.09)      | \$(0.11)      | \$(0.25)      | \$(0.25)      |
| Weighted average shares outstanding - basic and diluted | 15,447,726    | 13,212,894    | 15,160,041    | 13,212,894    |

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2014 and 2013

(unaudited)

September 30,

2014      2013

#### CASH FLOWS FROM OPERATING ACTIVITIES:

|                       |               |               |
|-----------------------|---------------|---------------|
| Consolidated net loss | \$(3,839,233) | \$(3,616,179) |
|-----------------------|---------------|---------------|

*Adjustments to reconcile net loss to net cash used in operating activities:*

|                               |         |         |
|-------------------------------|---------|---------|
| Depreciation and amortization | 250,655 | 194,260 |
|-------------------------------|---------|---------|

|                                                          |        |          |
|----------------------------------------------------------|--------|----------|
| Change in provision for allowance on accounts receivable | 18,000 | (34,700) |
|----------------------------------------------------------|--------|----------|

|                          |         |         |
|--------------------------|---------|---------|
| Stock-based compensation | 120,972 | (8,105) |
|--------------------------|---------|---------|

*Changes in operating assets and liabilities*

(Increase) decrease in:

|                     |           |         |
|---------------------|-----------|---------|
| Accounts receivable | (796,659) | 433,931 |
|---------------------|-----------|---------|

|                  |         |           |
|------------------|---------|-----------|
| Unbilled revenue | 521,327 | (140,081) |
|------------------|---------|-----------|

|                                                                           |             |             |
|---------------------------------------------------------------------------|-------------|-------------|
| Inventory, net                                                            | (1,563,642) | (961,185)   |
| Due from related party                                                    | (125,069)   | 55,837      |
| Prepaid expenses and other current assets                                 | 1,756       | (127,673)   |
| Other assets                                                              | 19,100      | (33,000)    |
| Increase (decrease) in:                                                   |             |             |
| Accounts payable                                                          | 747,810     | 1,746,631   |
| Accrued expenses                                                          | (149,470)   | 283,355     |
| Deferred revenue                                                          | 1,315,434   | 270,954     |
| Due to related party                                                      | (119,667)   | 396,328     |
| Interest payable, related party                                           | (198,450)   | 72,553      |
| Net cash used in operating activities                                     | (3,797,136) | (1,467,074) |
| CASH FLOWS FROM INVESTING ACTIVITIES:                                     |             |             |
| Purchases of property and equipment                                       | (148,833)   | (163,824)   |
| Disposal of property and equipment                                        | 7,569       | —           |
| Purchases of intangible assets                                            | (130,905)   | (332,862)   |
| Cash paid for asset acquisition                                           | —           | (497,800)   |
| Purchases of short-term investments, restricted                           | (585,038)   | (202)       |
| Maturities of short-term investments, restricted                          | —           | 182,061     |
| Net cash used in investing activities                                     | (857,207)   | (812,627)   |
| CASH FLOWS FROM FINANCING ACTIVITIES:                                     |             |             |
| Payments for debt issuance costs                                          | (9,668)     | —           |
| Payments made on demand notes payable and line of credit to related party | (2,950,000) | 1,200,000   |
| Proceeds from sale of common stock and restricted common stock, net       | 2,340,194   | —           |
| Proceeds from the exercise of stock options                               | 6,000       | —           |
| Purchase of unvested restricted stock                                     | —           | (350)       |
| Net cash (used in) provided by financing activities                       | (613,474)   | 1,199,650   |

|                                                    |             |             |
|----------------------------------------------------|-------------|-------------|
| Net decrease in cash and cash equivalents          | (5,267,817) | (1,080,051) |
| Cash and cash equivalents, beginning of the period | 7,713,899   | 1,572,785   |
| Cash and cash equivalents, end of the period       | \$2,446,082 | \$492,734   |

**Supplemental disclosures of cash flows information:**

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Cash paid for interest           | \$294,219 | \$7,235   |
| Cash paid for asset acquisition: |           |           |
| Inventory                        | \$—       | \$17,400  |
| Property and equipment           | \$—       | \$199,530 |
| Intangible assets                | \$—       | \$240,000 |
| Goodwill                         | \$—       | \$40,870  |

SOURCE Tecogen Inc.