



Energy Efficiency Reimagined

NASDAQ: TGEN

Year-End 2017 Earnings Review
March 21, 2018

Participants



John Hatsopoulos

🔌 Co-Chief Executive Officer, Director

Benjamin Locke

🔌 Co-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



John Hatsopoulos

Introduction

Benjamin Locke

Why Tecogen

Year-End 2017 Review

Recent Achievements

Market and Regulatory Developments

Robert Panora

Emissions Update

Bonnie Brown

Financial Review

Benjamin Locke

Opportunities and Outlook

Q&A



Advanced Modular Cogeneration Systems



Heat, Power, and/or Cooling that is



Cheaper

Industry leading efficiency



Cleaner

Lower emissions thanks to efficiency and emissions technology



More reliable

Real time monitoring enables prompt service



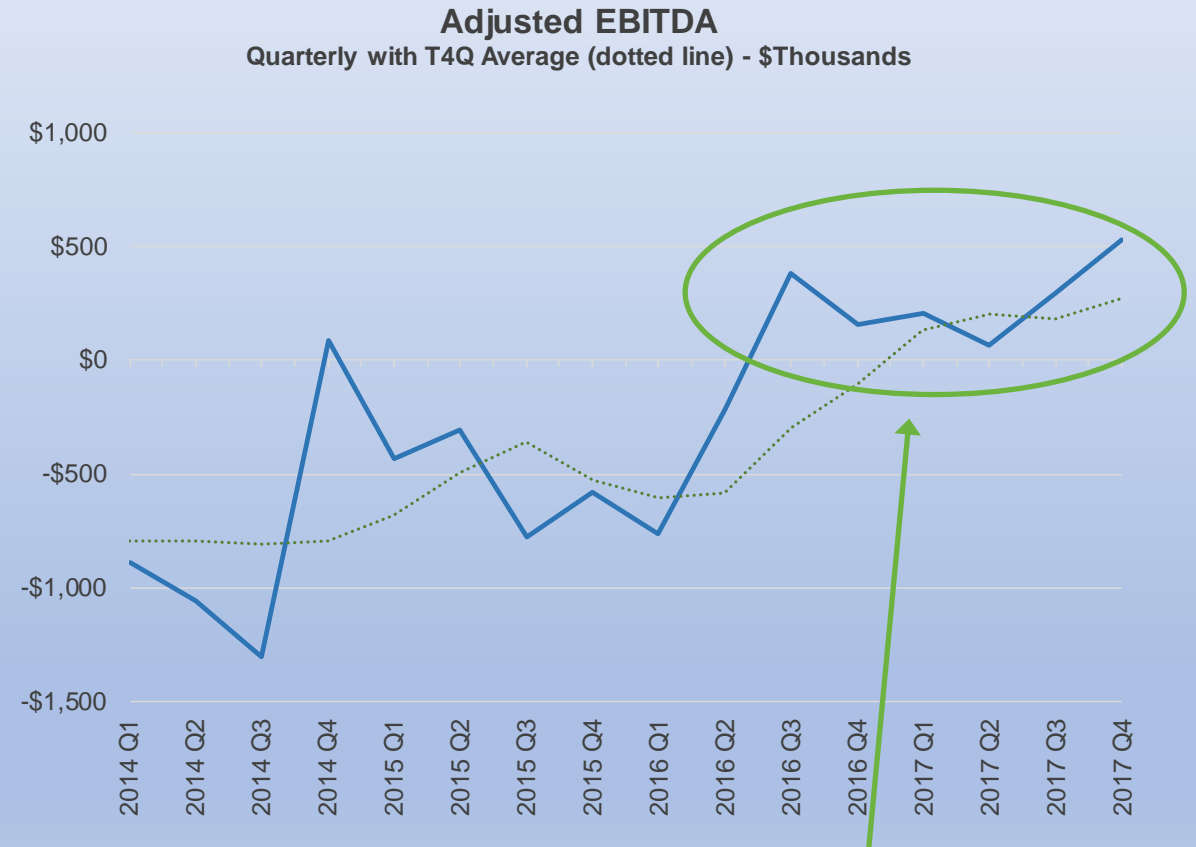
All of Tecogen's equipment is powered by internal combustion engines that use clean, abundant natural gas and is equipped with Tecogen's patented Ultra emissions system

Sustained Positive Financial Results



- Record annual revenue in 2017 of \$33.2 million
- Sustained step change to profitability achieved in 3Q'16
- Six consecutive quarters of positive operational results
- Adjusted EBITDA of \$1.1 million for the year, \$533K in 4Q'17

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



Sustained step change
to profitability

Positive Net Income for FY 2017



\$ in thousands	4Q'17	4Q'16	YoY Chg	2017	2016	YoY Chg	Comments
Revenue							
Products	\$ 4,642	\$ 3,196	45.2%	\$ 12,991	\$ 10,722	21.2%	Chiller sales drive record product revenue
Service	4,118	3,915	5.2%	16,377	13,768	19.0%	Gaining traction with turnkey installation
Energy Production	1,504	0	N/A	3,834	0	N/A	Seasonality impacts 4Q results
Total Revenue	10,264	7,111	44.3%	33,203	24,490	35.6%	Record core revenue plus energy production revenue
Gross Profit	3,795	2,704	40.4%	12,954	9,301	39.3%	
Operating Earnings (Loss)	308	46	569.8%	225	(997)	122.6%	Sustainable and growing business model
Adjusted EBITDA	533	160	232.9%	1,103	(503)	319.4%	
Net Income (Loss)	\$ 269	\$ 5	5803.9%	\$ 47	\$ (1,096)	104.3%	Record quarter drives full year to positive net income
Gross Margin: %							
Products and Services	37%	38%		38%	38%		Targeting sustained gross margin of 35-40% Results in-line with long term expectations of ~35%
Energy Production	35%	N/A		47%	N/A		
Total Gross Margin	37%	38%		39%	38%		

Record quarterly
product revenue

Record quarterly
net income

Positive net income
for the full year

Consistently strong
core gross margin

Recent Achievements



Self Sustaining
and growing
cash flow



Enables company to
reinvest in itself to
drive growth

Backlog at record
levels



Primary driver of
revenue growth

Balance sheet
almost entirely
debt free



Provides opportunity
to pursue a working
capital line of credit

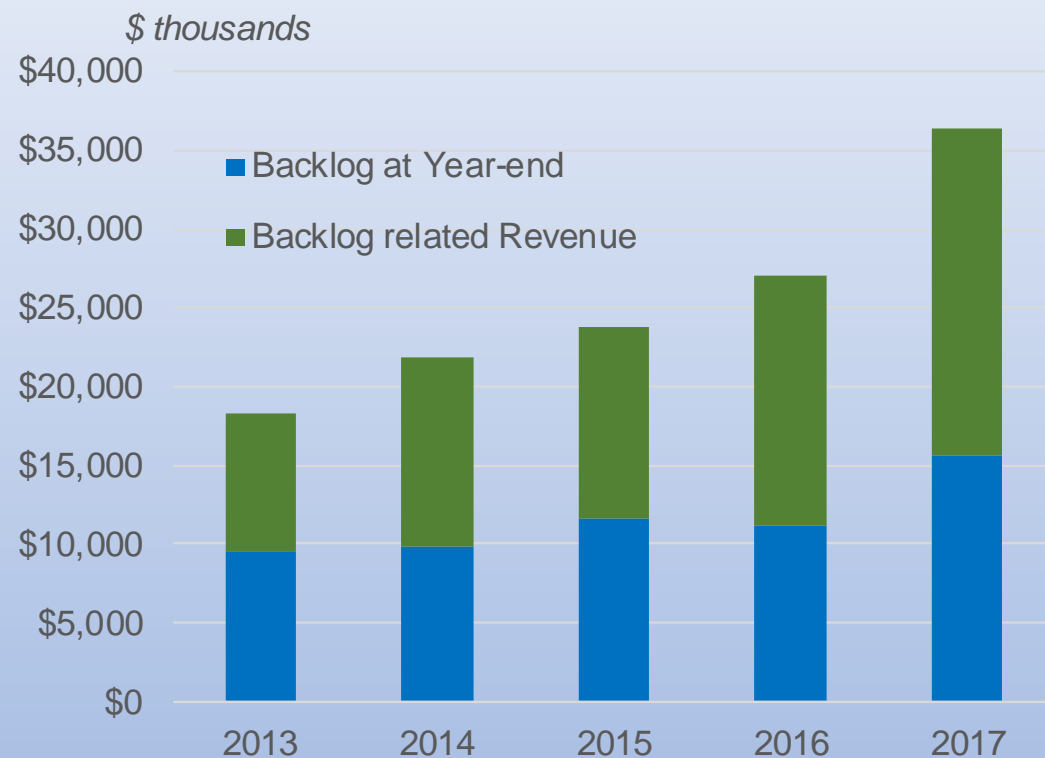
Acquisition of
American DG
Energy



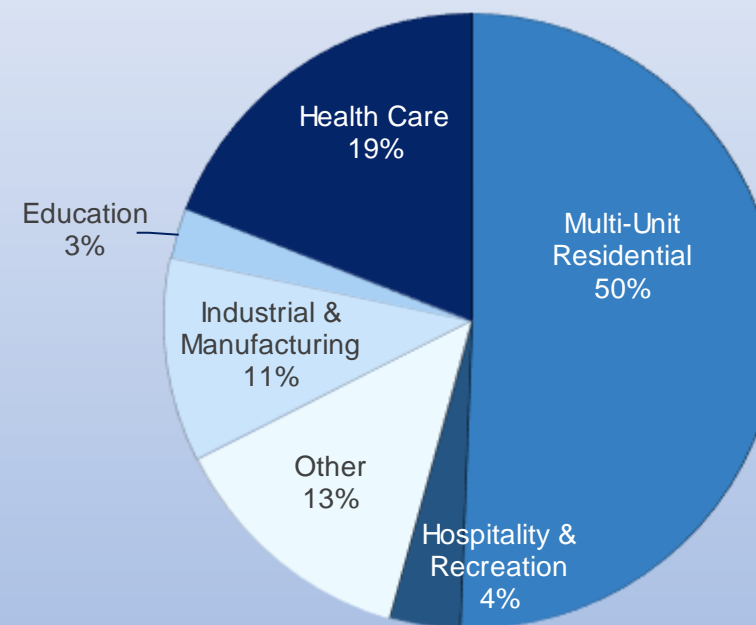
Source of stable high
margin revenue

Over the last 18 months the core company has proven
itself to be a viable, profitable, and scalable business

Product and Installation Backlog



Year-end 2017 Backlog by Customer



Record quarter-end backlog of \$15.7 million on 12/31/17 versus \$11.1 million on 12/31/16. Backlog as of 3/20/18 at \$17.4 million

Market and Regulatory Developments



Market Developments

Indoor agriculture important driver of near term growth

- Exhibiting potential to be a major long term market

Cultivating and deepening sales relationships across industry channels

- ESCOs, building management companies, engineering companies, energy efficiency consultants

Third party interest in undertaking onsite utility projects (OSUs) with Tecogen products

- Low cost of capital
- Ability to take advantage of depreciation tax shield

Increasing focus on microgrids for resiliency

Regulatory Developments

Incentive programs strongly supported

- NYSERDA, NJ SmartStart

Federal tax policy

- Renewal of investment tax credit (ITC) in recent budget bill
- Accelerated depreciation

Utilities improving views of cogeneration

Changing regulations for grid support capability of CHP systems

- Examples: frequency response, demand management, battery storage charging and discharging

SCAQMD declares Ultra-level emissions to be best available control technology (BACT) for stationary non-emergency ICE-powered generators

- Sets an example for other Air Districts to follow

Emissions Update Topics



Topics of Discussion

Fork trucks

Automotive

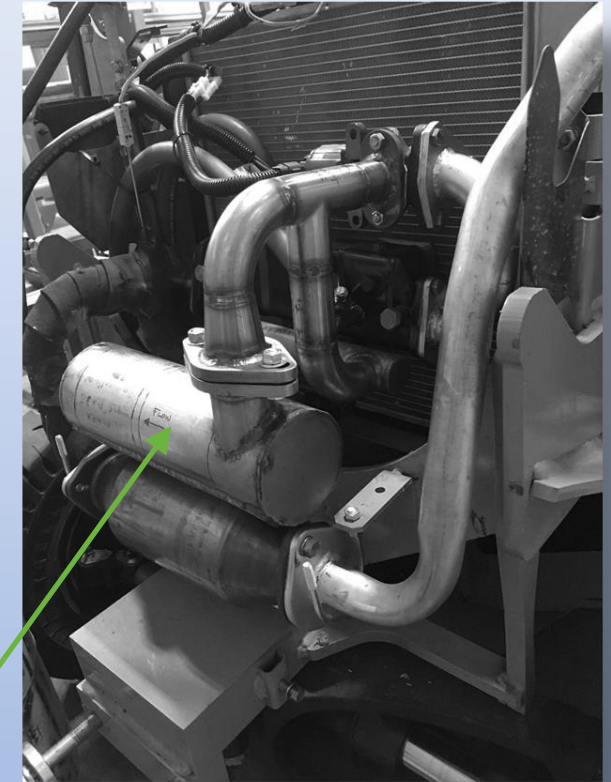
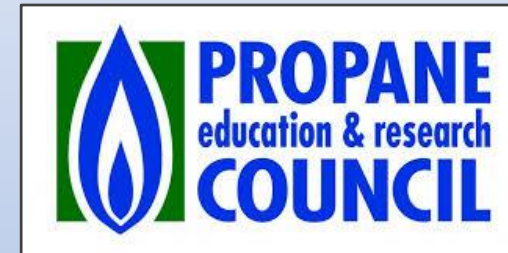
Stationary

- 🔌 Standby generator program
- 🔌 Best Available Control Technology (BACT) in South Coast Air Quality Management District (SCAQMD)
- 🔌 Potential new SoCal sale

Emissions Update: Fork Truck Integration

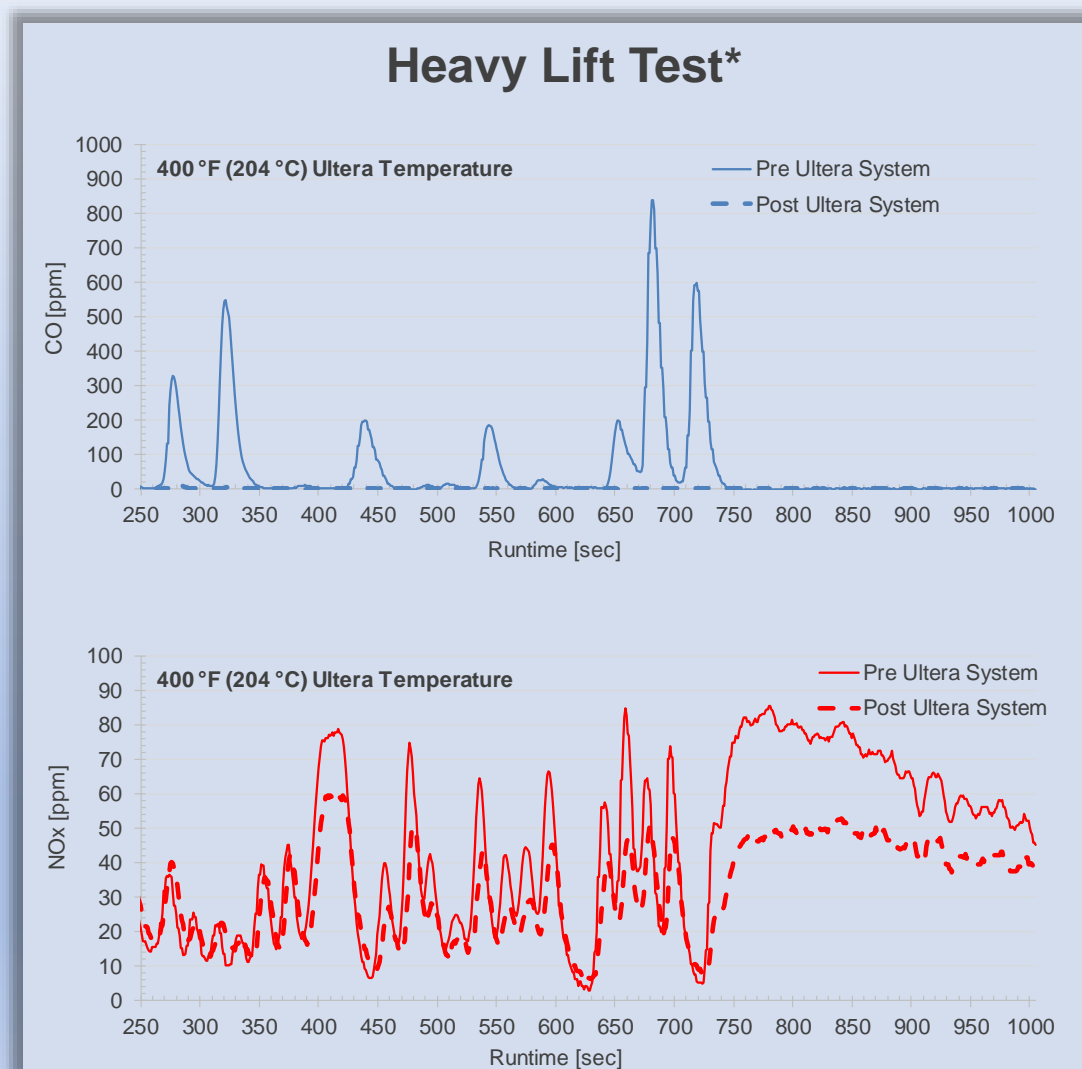


- 🔌 PERC research grant for application of Ultera to propane fork trucks
- 🔌 Integrated under counterweight with existing exhaust components
- 🔌 Exceptional test results
 - 🔌 99% CO reduction
 - 🔌 58% THC reduction
 - 🔌 24% NOx reduction
- 🔌 Near Zero NOx levels achievable with simple engine control tuning (reprogramming)
- 🔌 Visit to Tecogen by manufacturer planned for late April



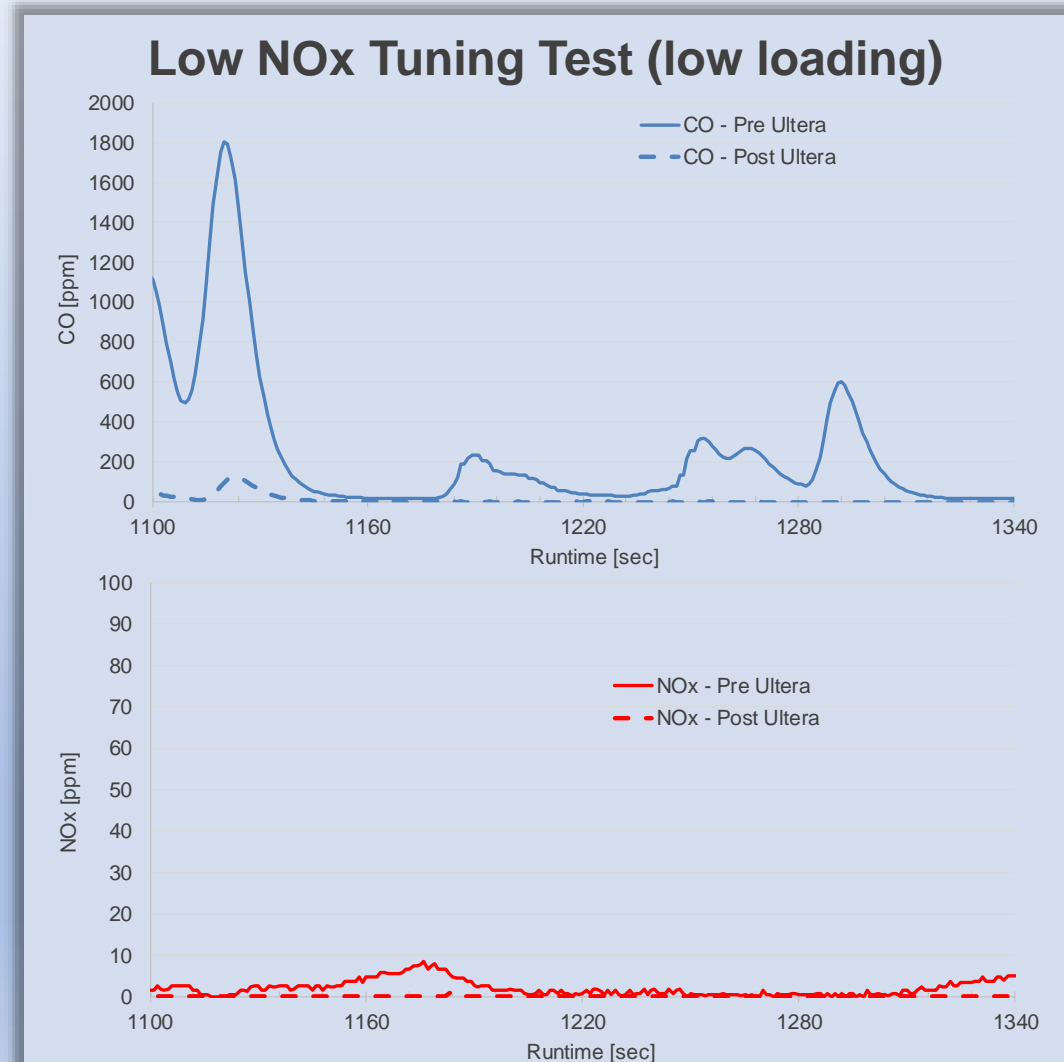
Design fits well within existing architecture and does not require significant reengineering

Emissions Update: Fork Truck Test Results



*Note: THC reduction is 58% based on average concentration

Emissions Update: Fork Truck Test Results



Ultra Emissions Technology



Mobile Emissions Applications

Dissolution of ULTRATEK joint venture is complete

- Tecogen now owns 100% of patents and other intellectual property. Received \$1.6 million in cash

Tecogen self-funding Phase 1 of three-phase program with a major R&D institution

- Testing of advanced catalyst formations
- Four-month project expected to run until April / May

Optimistic about obtaining funds to continue with Phases 2 and 3

- Application underway for government grant (California)
- In discussions with several private sources

Stationary Emissions Applications

Regulatory update in southern California

- New Best Available Control Technology (BACT) standard adopted by South Coast Air Quality Management District (SCAMQD)
- Non-emergency engine-driven generators
- Based on review of Ultra emission system by regulators
- Potential for adoption by other regulatory bodies

Standby generator retrofit program

- Retrofitted machines continue to be operational
- Passing weekly / monthly compliance tests

Renewed interest in Ultra at water district

- Increased activity in request for sales quotes



Year-End 2017 Financial Metrics: Revenues, Margins, Growth



- Four diverse revenue streams
 - Record product sales
 - Long term service contracts provide steadily improving cash flow
 - Turnkey installation through Tecogen service operations facilitates both product sales and service revenue
 - Energy production via ADGE sites provides stable and reliable cash flow
- Maintained total gross margin near 40%

Contribution from ADG sites

Record breaking revenues

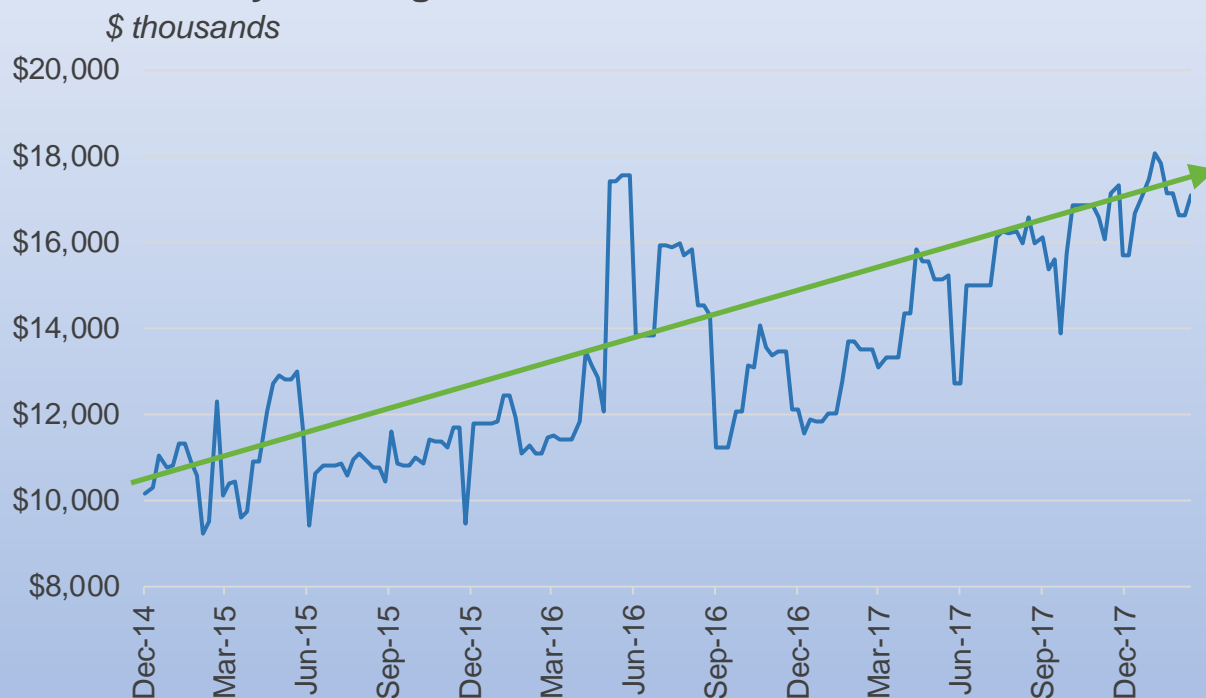
>20% product revenue growth

\$ in thousands	2017	2016	YoY Growth	2017 % of Total Rev
Revenue				
Cogeneration	\$ 8,186	\$ 7,795	5.0%	24.7%
Chiller (includes HEWH)	4,806	2,928	64.1%	14.5%
Total Product Revenue	12,991	10,722	21.2%	39.1%
Service Contracts and Parts	8,697	8,541	1.8%	26.2%
Installation Services	7,680	5,227	46.9%	23.1%
Total Service Revenue	16,377	13,768	19.0%	49.3%
Energy Production	3,834	0	N/A	11.5%
Total Revenue	\$ 33,203	\$ 24,490	35.6%	100.0%
Cost of Sales				
Products	\$ 8,012	\$ 7,189	11.4%	
Services	10,202	8,000	27.5%	
Energy Production	2,035	0	N/A	
Total Cost of Sales	\$ 20,248	\$ 15,190	33.3%	
Gross Profit	\$ 12,954	\$ 9,301	39.3%	
Net Income (Loss) attributable to Tecogen Inc.				
	\$ 47	\$ (1,096)	104.3%	
Gross Margin				
Products	38.3%	33.0%		
Services	37.7%	41.9%		
Aggregate Products and Services	38.0%	38.0%		
Energy Production	46.9%	N/A		
Overall	39.0%	38.0%		

Consistent Financial Progress



Weekly Backlog Data: Product and Installation Services



Steady growth in the backlog translates directly to revenue and bottom-line growth

Year Ended December 31

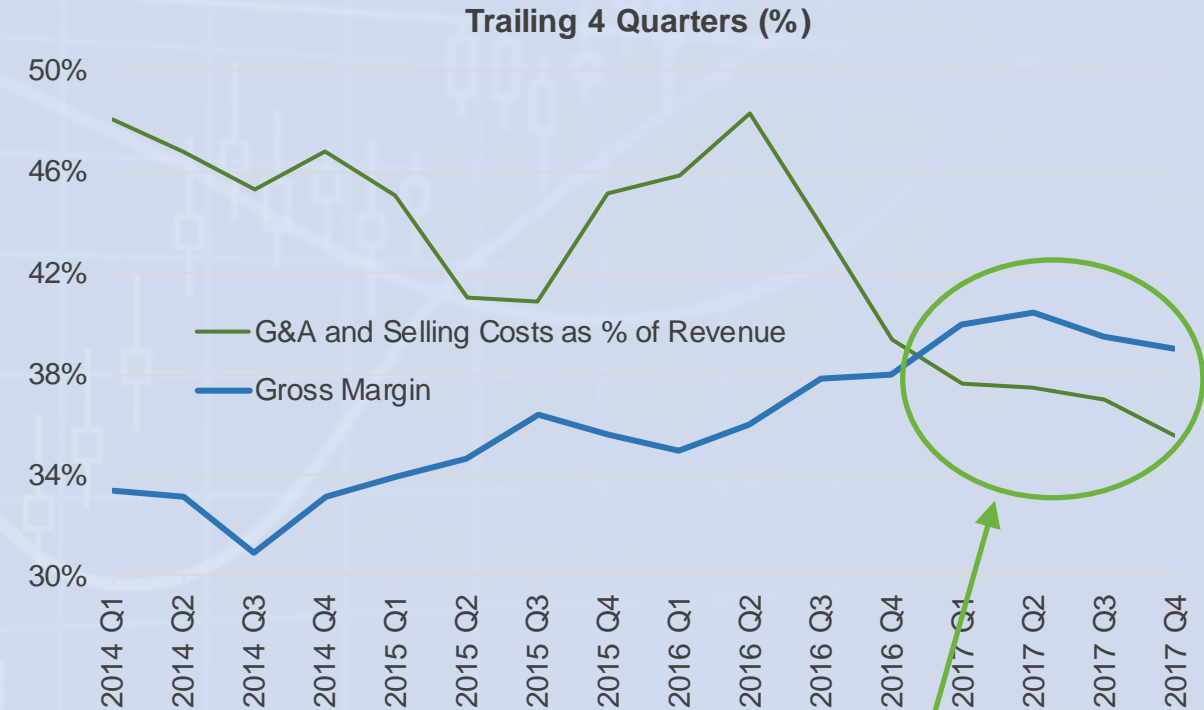
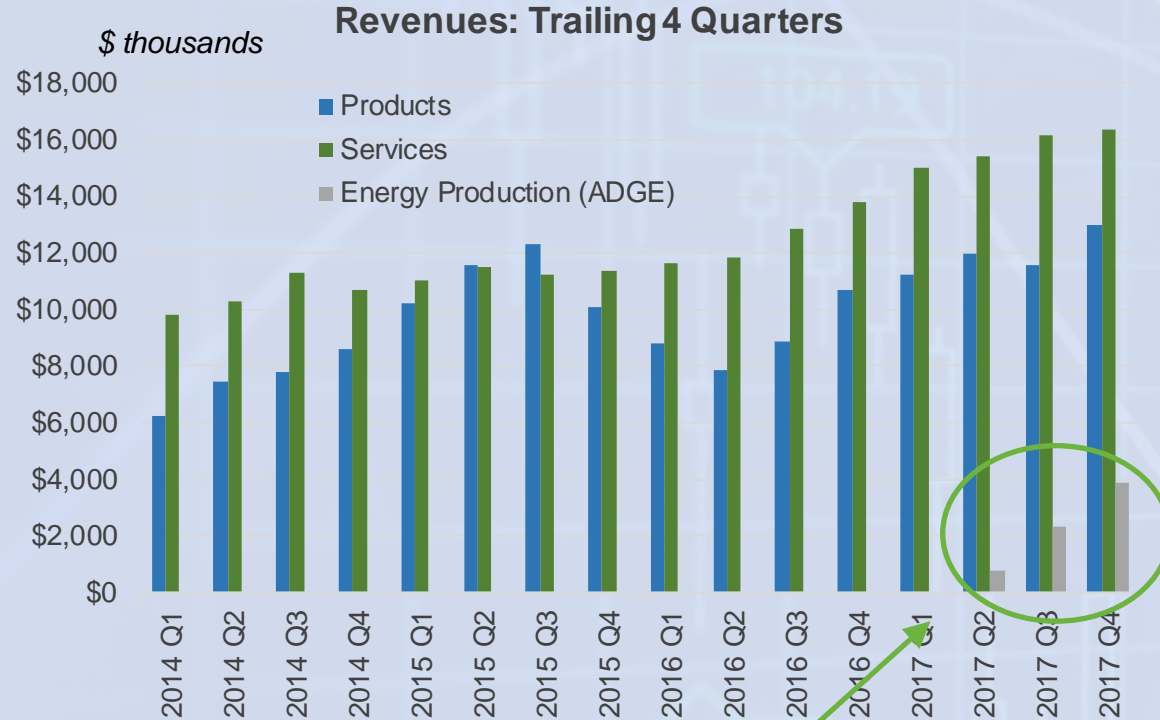
\$ in thousands	2017	2016
Non-GAAP financial disclosure		
Net income (loss) attributable to Tecogen Inc.	\$ 47	\$ (1,096)
Interest expense, net	127	164
Depreciation & amortization, net	588	264
EBITDA	763	(668)
Stock based compensation	184	166
Merger related expenses	156	0
Adjusted EBITDA*	\$ 1,103	\$ (503)

Quarter Ended December 31

\$ in thousands	2017	2016
Non-GAAP financial disclosure		
Net income attributable to Tecogen Inc.	\$ 269	\$ 5
Interest expense, net	33	41
Depreciation & amortization, net	185	65
EBITDA	487	111
Stock based compensation	45	49
Merger related expenses	0	0
Adjusted EBITDA*	\$ 533	\$ 160

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

Consistent Financial Progress



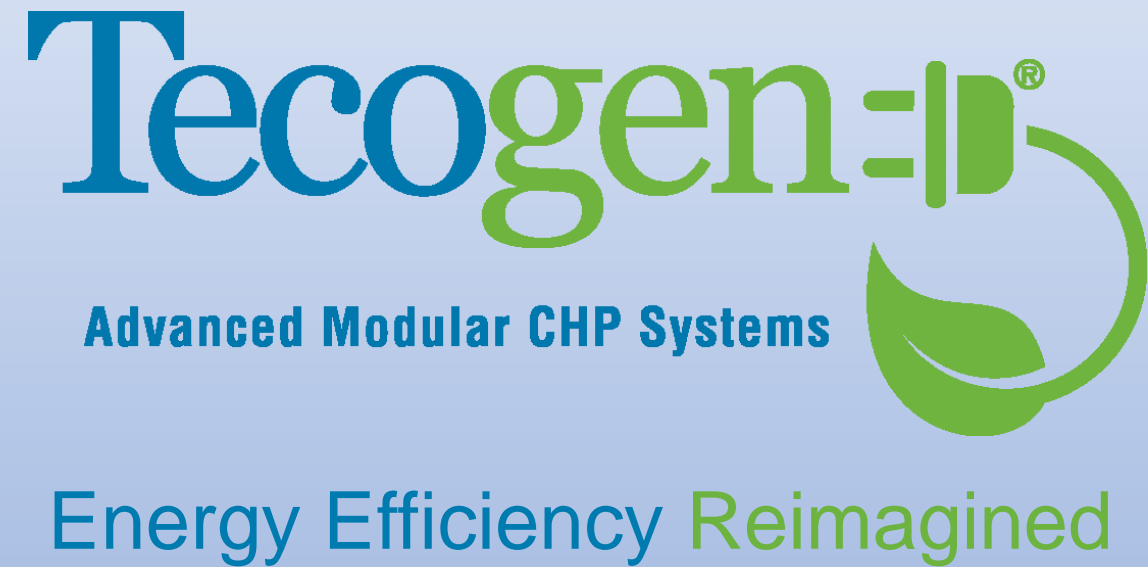
Energy production revenue acquired in May, 2017

Declining operating costs as a percent of revenue demonstrates scalability with revenue growth

2018 Outlook



- 🔌 Continue to reinvest cash flow in the core business to drive revenue and gross profit growth
- 🔌 Consider various financing opportunities to accelerate growth
- 🔌 Move forward with development of Ultera technology, focusing initially on fork trucks
- 🔌 Open to opportunistic acquisitions
- 🔌 Take proactive advantage of evolving utility environment



Q&A



**AMERICAN
DG ENERGY**



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