

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report: August 13, 2020



**TECOGEN INC. (OTCQX: TGEN)**  
(Exact Name of Registrant as Specified in Charter)

Delaware  
(State or Other Jurisdiction of Incorporation)

001-36103  
(Commission File Number)

04-3536131  
(IRS Employer Identification No.)

45 First Avenue  
Waltham, Massachusetts  
(Address of Principal Executive Offices)

02451  
(Zip Code)

(781) 466-6400  
(Registrant's telephone number, including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of exchange on which registered

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## **Section 2 - Financial Information**

### **Item 2.02. Results of Operations and Financial Condition.**

On August 13, 2020, the registrant issued a press release with earnings commentary and supplemental information for the three and six months ended June 30, 2020. The press release is furnished as Exhibit 99.01 to this Current Report on Form 8-K.

The information contained in this Item 2.02 and Exhibit 99.1 to this Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

## **Section 7 - Regulation FD**

### **Item 7.01. Regulation FD Disclosure.**

On August 13, 2020, the registrant presented the attached slides online in connection with an earnings conference call. Those slides are being furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The information contained in this Item 7.01 and Exhibit 99.2 to this Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

## **Section 9 - Financial Statements and Exhibits**

### **Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

The following exhibits relating to Items 2.02 and 7.02 are furnished, and not filed, with this Current Report on Form 8-K:

<u>Exhibit</u>	<u>Description</u>
99.1	<a href="#">Press Release dated August 13, 2020 regarding earnings for the period ended June 30, 2020 filed herewith.</a>
99.2	<a href="#">Slide Presentation regarding Second Quarter 2020 Earnings Review - August 13, 2020, filed herewith.</a>

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

TECOGEN INC.

August 13, 2020

By: /s/ Benjamin Locke  
\_\_\_\_\_  
Benjamin Locke, Chief Executive Officer



## **Tecogen Announces Second Quarter 2020 Results**

*Increased Product Sales and Significantly Improved Cash Flow and Cash Balance*

WALTHAM, Mass., August 13, 2020 - Tecogen Inc. (OTCQX: TGEN), a leading manufacturer of clean energy products, reported revenues of \$7.44 million for the quarter ended June 30, 2020 compared to \$7.87 million for the same period in 2019, a 5.5% decrease. Product revenues increased 37% to \$3.34 million compared to \$2.45 million in the same period in 2019. The decrease in revenue was primarily from curtailed installation activity due to the COVID-19 pandemic and reduced energy production revenue due to customer facility closures. Gross profit for the second quarter of 2020 was \$2.91 million compared to \$3.43 million in the second quarter of 2019. Net loss was \$654 thousand for the second quarter of 2020, compared to \$357 thousand for the same period in 2019.

### *Key Takeaways:*

- Cash flow provided by operations of \$2.66 million compared to cash flows used by operations of \$2.10 million for the same period in 2019
- Cash and cash equivalents at the end of the second quarter 2020 of \$2.86 million compared to \$878 thousand at the end of 2019, an increase of 226%
- Operating expenses decreased by 9.4% to \$3.4 million for the second quarter of 2020 compared to the same period of 2019

Adjusted EBITDA<sup>(1)</sup> was negative \$363 thousand for the second quarter of 2020 compared to negative \$205 thousand for the second quarter of 2019. (Adjusted EBITDA is defined as net income or loss attributable to Tecogen, adjusted for interest, income taxes, depreciation and amortization, stock-based compensation expense, unrealized gain or loss on equity securities, goodwill impairment charges and other non-cash non-recurring charges due to the abandonment of certain intangible assets. See table following the statements of operations for a reconciliation from net loss to Adjusted EBITDA as well as important disclosures about the company's use of Adjusted EBITDA).

On April 17, 2020, the Company obtained a Paycheck Protection Program ("PPP") loan of \$1,874,200 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The proceeds were used for payroll, rent and utilities and we anticipate requesting forgiveness of the loan.

“The second quarter saw many challenges for our business and our customers as a result of the COVID-19 pandemic,” commented Benjamin Locke, Tecogen's Chief Executive Officer. “We are pleased that our product sales in the second quarter remained strong despite these challenges. Installation revenues decreased as we close out several large construction projects and experienced COVID-19 related delays on other projects, and our energy production revenues decreased primarily due to customer facility closures. We are optimistic that our product revenues will continue strong for the rest of the year, and that closed energy production assets will resume operations as COVID-19 related restrictions are eased. Our cash position is now stronger than it has been for some time. We have also used this opportunity to improve efficiencies and reduce operating expenses so that we have adequate resources to maintain our business through the continuing pandemic and to take advantage of growth opportunities as they arise.”

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## Highlights:

### *Financial*

- Product revenues grew 37% year over year
- Services revenues decreased 21% due to lower installation revenue as several larger construction projects close out and construction activity was curtailed due to COVID-19
- Energy production revenues decreased 52% primarily due to COVID-19 related closures and other facility shutdowns
- Gross margin was 39% compared to 44% for the same period in 2019
- Net loss for the three months ended June 30, 2020 was \$654 thousand compared to \$357 thousand for the same period in 2019, an increase of \$297 thousand year over year
- Net loss per share was \$0.03 for the second quarter of 2020 and \$0.01 for the second quarter of 2019
- Working capital increased by \$575 thousand, a 4% increase since year-end 2019
- Operating expenses decreased by 9.4% to \$3.4 million for the second quarter of 2020 compared to the same period of 2019
- Cash flow provided by operations was \$2.66 million compared to cash flows used in operations of \$2.10 million for the same period in 2019, primarily due to improved collections of accounts receivable
- Cash and cash equivalents at end of second quarter was \$2.86 million (including proceeds from the PPP loan received on April 17, 2020)
- Terminated Credit Agreement with Webster Business Credit Corporation on May 11, 2020

### *Sales & Operations*

- Executed teaming agreement with Ainsworth, a Toronto-based company providing high quality technical trade services, highlighting Tecogen as its preferred CHP partner
- Released a white paper entitled "Building Electrification Policy and Combined Heat and Power Relevance" that provides an in-depth analysis of why electrification policy is generally counterproductive to its carbon reduction goals when compared to combined heat and power (CHP)
- Current sales backlog of equipment and installations as of August 11, 2020 is \$13.1 million, comprised of \$10.4 million of products and \$2.7 million of installation services

### *Emissions Technology*

- Planned work with MCFA (Mitsubishi Caterpillar Forklift America) delayed due to restrictions on travel between Japan and the United States

## **Conference Call Scheduled for Today at 11:00 am ET**

Tecogen will host a conference call today to discuss the first quarter results beginning at 11:00 am eastern time. To listen to the call dial **(877) 407-7186 within the U.S. and Canada, or (201) 689-8052 from other international locations**. Participants should ask to be joined to the Tecogen Second Quarter 2020 earnings call. Please begin dialing 10 minutes before the scheduled starting time. This earnings press release will be available on the Company website at [www.Tecogen.com](http://www.Tecogen.com) in the "News and Events" section under "About Us." The earnings conference call will be webcast live. To view the associated slides, register for and listen to the webcast, go to <https://ir.tecogen.com/ir.calendar>. Following the call, the recording will be archived for 14 days.

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The earnings conference call will be recorded and available for playback one hour after the end of the call. To listen to the playback, dial (877) 660-6853 within the U.S. and Canada, or (201) 612-7415 from other international locations and use Conference Call ID#: 13672659.

## About Tecogen

[Tecogen Inc.](#) designs, manufactures, sells, installs, and maintains high efficiency, ultra-clean, cogeneration products including engine-driven combined heat and power, air conditioning systems, and high-efficiency water heaters for residential, commercial, recreational and industrial use. The company provides cost effective, environmentally friendly and reliable products for energy production that, through patented technology, nearly eliminate criteria pollutants and significantly reduce a customer's carbon footprint.

In business for over 35 years, Tecogen has shipped more than 3,000 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) or contact us for a free [Site Assessment](#).

Tecogen, InVerde e+, Ilios, Tecochill, Tecopower, Tecofrost and Ultra are registered or pending trademarks of Tecogen Inc.

## Forward Looking Statements

*This press release and accompanying documents contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. For example, statements in this press release regarding the potential future impact of the COVID-19 pandemic on the Company's business and results of operations are forward-looking statements. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Such forward-looking statements include, among other things, 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. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented, and Part II, Item 1A of the Company's Form 10-Q for the quarter ended June 30, 2020 ("Second Quarter Form 10-Q"), in each case under the heading "Risk Factors." The following discussion should be read in conjunction with the Second Quarter Form 10-Q filed with the Securities and Exchange Commission ("SEC") and the unaudited condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of the Second Quarter Form 10-Q. Any forward-looking statement in this release speaks only as of the date on which it is made. Except as required by law, the company assumes no obligation to update or revise any forward-looking statements.*

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*In addition to GAAP financial measures, this press release 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.*

**Tecogen Media & Investor Relations Contact Information:**

Benjamin Locke

P: 781-466-6402

E: Benjamin.Locke@tecogen.com

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**TECOGEN INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited)

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,859,922	\$ 877,676
Accounts receivable, net	8,163,461	14,569,397
Unbilled revenue	4,883,779	5,421,811
Inventory, net	7,296,097	6,405,229
Prepaid and other current assets	641,415	635,034
<b>Total current assets</b>	<b>23,844,674</b>	<b>27,909,147</b>
Property, plant and equipment, net	3,167,604	3,465,948
Right of use assets	1,908,084	2,173,951
Intangible assets, net	1,475,794	1,593,781
Goodwill	5,281,867	5,281,867
Other assets	195,430	691,941
<b>TOTAL ASSETS</b>	<b>\$ 35,873,453</b>	<b>\$ 41,116,635</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving line of credit, bank	\$ —	\$ 2,402,384
Note payable, current portion	208,939	—
Accounts payable	4,074,180	5,271,756
Accrued expenses	2,896,530	2,599,366
Deferred revenue	1,103,067	2,635,619
Lease obligations, current	523,784	536,443
<b>Total current liabilities</b>	<b>8,806,500</b>	<b>13,445,568</b>
Long-term liabilities:		
Deferred revenue, net of current portion	128,304	145,464
Note payable, net of current portion	1,665,261	—
Lease obligations, long-term	1,384,299	1,637,508
Unfavorable contract liability, net	2,315,140	2,534,818
<b>Total liabilities</b>	<b>14,299,504</b>	<b>17,763,358</b>
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Tecogen Inc. stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 24,850,261 and 24,849,261 issued and outstanding at June 30, 2020 and December 31, 2019, respectively	24,850	24,849
Additional paid-in capital	56,704,412	56,622,285
Accumulated deficit	(35,235,389)	(33,379,114)
<b>Total Tecogen Inc. stockholders' equity</b>	<b>21,493,873</b>	<b>23,268,020</b>
Noncontrolling interest	80,076	85,257
<b>Total stockholders' equity</b>	<b>21,573,949</b>	<b>23,353,277</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 35,873,453</b>	<b>\$ 41,116,635</b>

**TECOGEN INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Three Months Ended</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Revenues		
Products	\$ 3,342,794	\$ 2,445,448
Services	3,815,923	4,843,649
Energy production	276,341	578,299
Total revenues	7,435,058	7,867,396
Cost of sales		
Products	2,037,786	1,546,752
Services	2,285,405	2,530,175
Energy production	205,876	364,554
Total cost of sales	4,529,067	4,441,481
Gross profit	2,905,991	3,425,915
Operating expenses		
General and administrative	2,637,479	2,683,252
Selling	602,383	704,700
Research and development	166,027	372,545
Total operating expenses	3,405,889	3,760,497
Loss from operations	(499,898)	(334,582)
Other income (expense)		
Interest income	238	66
Interest expense	(56,253)	(17,005)
Unrealized gain (loss) on investment securities	(78,723)	19,681
Total other income (expense), net	(134,738)	2,742
Loss before provision for state income taxes	(634,636)	(331,840)
Provision for state income taxes	13,171	15,955
Consolidated net loss	(647,807)	(347,795)
Income attributable to the noncontrolling interest	(6,081)	(9,334)
Net loss attributable to Tecogen Inc.	\$ (653,888)	\$ (357,129)
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.01)
Weighted average shares outstanding - basic and diluted	24,850,261	24,826,311

**Non-GAAP financial disclosure <sup>(1)</sup>**

Net loss attributable to Tecogen Inc.	\$ (653,888)	\$ (357,129)
Interest expense, net	56,015	16,939
Income taxes	13,171	15,955
Depreciation & amortization, net	103,485	98,988
EBITDA	(481,217)	(225,247)
Stock based compensation	39,494	39,898
Unrealized (gain) loss on investment securities	78,723	(19,681)
Adjusted EBITDA	\$ (363,000)	\$ (205,030)



**TECOGEN INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Six Months Ended</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Revenues		
Products	\$ 6,093,273	\$ 5,469,974
Services	8,277,294	8,754,945
Energy production	1,027,191	1,819,108
Total revenues	15,397,758	16,044,027
Cost of sales		
Products	3,705,250	3,490,214
Services	5,304,070	5,004,708
Energy production	690,280	1,164,431
Total cost of sales	9,699,600	9,659,353
Gross profit	5,698,158	6,384,674
Operating expenses		
General and administrative	5,326,941	5,338,663
Selling	1,458,170	1,397,954
Research and development	530,363	717,627
Gain on sale of assets	—	(1,081,049)
Goodwill impairment	—	3,693,198
Total operating expenses	7,315,474	10,066,393
Loss from operations	(1,617,316)	(3,681,719)
Other income (expense)		
Interest income	11,965	598
Interest expense	(116,238)	(45,031)
Unrealized loss on investment securities	(98,404)	(19,680)
Total other expense, net	(202,677)	(64,113)
Loss before provision for state income taxes	(1,819,993)	(3,745,832)
Provision for state income taxes	18,393	7,786
Consolidated net loss	(1,838,386)	(3,753,618)
(Income) loss attributable to the noncontrolling interest	(17,889)	116,412
Net loss attributable to Tecogen Inc.	\$ (1,856,275)	\$ (3,637,206)
Net loss per share - basic and diluted	\$ (0.07)	\$ (0.15)
Weighted average shares outstanding - basic and diluted	24,850,256	24,822,555

**Non-GAAP financial disclosure<sup>(1)</sup>**

Net loss attributable to Tecogen Inc.	\$ (1,856,275)	\$ (3,637,206)
Interest & other expense, net	104,273	44,433
Income taxes	18,393	7,786
Depreciation & amortization, net	193,637	267,232
EBITDA	(1,539,972)	(3,317,755)
Stock based compensation	81,730	77,933
Unrealized loss on marketable securities	98,404	19,680
Non-cash abandonment of intangible assets	179,944	—
Goodwill impairment	—	3,693,198
Adjusted EBITDA	\$ (1,179,894)	\$ 473,056

**TECOGEN INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	<b>Six Months Ended</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated net loss	\$ (1,838,386)	\$ (3,753,618)
<i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i>		
Depreciation, accretion and amortization, net	193,637	267,232
Stock-based compensation	81,730	77,933
Goodwill impairment	—	3,693,198
Gain on sale of assets	—	(1,081,049)
Provision for losses on accounts receivable	—	29,849
Abandonment of intangible assets	179,944	—
Non-cash interest expense	50,775	12,087
<i>Changes in operating assets and liabilities, net of effects of acquisitions</i>		
(Increase) decrease in:		
Accounts receivable	6,405,936	2,517,901
Unbilled revenue	538,032	(936,106)
Inventory	(890,868)	(695,835)
Due from related party	—	9,405
Prepaid expenses and other current assets	(6,382)	(15,282)
Other non-current assets	532,293	40,003
Increase (decrease) in:		
Accounts payable	(1,197,576)	(918,484)
Accrued expenses and other current liabilities	284,506	(380,351)
Deferred revenue	(1,671,239)	(966,776)
Net cash provided by (used in) operating activities	<u>2,662,402</u>	<u>(2,099,893)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(53,674)	(52,444)
Proceeds from sale of assets	—	5,000,000
Purchases of intangible assets	(123,254)	(22,738)
Unrealized loss on investment securities	98,403	19,680
Payment of stock issuance costs	(802)	(1,011)
Distributions to noncontrolling interest	(23,070)	(27,413)
Net cash provided by (used in) investing activities	<u>(102,397)</u>	<u>4,916,074</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds (payments) on revolving line of credit, net	(2,453,159)	(2,021,519)
Proceeds from note payable	1,874,200	—
Proceeds from the exercise of stock options	1,200	20,756
Net cash used in financing activities	<u>(577,759)</u>	<u>(2,000,763)</u>
Change in cash and cash equivalents	1,982,246	815,418
Cash and cash equivalents, beginning of the period	877,676	272,552
Cash and cash equivalents, end of the period	<u>\$ 2,859,922</u>	<u>\$ 1,087,970</u>
<b>Supplemental disclosures of cash flows information:</b>		
Cash paid for interest	\$ 36,326	\$ 23,551
Cash paid for taxes	\$ 5,222	\$ 28,524

**<sup>(1)</sup> Non-GAAP Financial Measures**

*In addition to reporting net income, a U.S. generally accepted accounting principles ("GAAP") measure, this news release contains information about Adjusted EBITDA (net income (loss) attributable to Tecogen Inc adjusted for interest, income taxes, depreciation and amortization, stock based compensation expense, unrealized gain or loss on investment securities, goodwill impairment charges and other non-cash non-recurring charges due to abandonment of certain intangible assets), which is a non-GAAP measure. The Company believes Adjusted EBITDA allows investors to view its performance in a manner similar to the methods used by management and provides additional insight into its operating results. Adjusted EBITDA is not calculated through the application of GAAP. Accordingly, it should not be considered as a substitute for the GAAP measure of net income and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. The use of any non-GAAP measure may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.*

The logo for Tecogen:ii features the word "Tecogen" in a blue serif font, followed by "ii" in a green sans-serif font. A green leaf-like graphic is positioned below the "ii".

Tecogen:ii<sup>®</sup>

OCTQX: TGEN

SECOND QUARTER 2020

Earnings Call

August 13, 2020

# 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

Tecogen

## Agenda:

- 🌱 Tecogen Overview
- 🌱 Q2 2020 Results
- 🌱 Earnings Takeaways
  - Product sales increase 37% YoY
  - Reduced OpEx 9.4% YoY
  - Cash inflow from operations of \$2.7 million vs. cash outflow of \$2.1 million YoY
  - Cash and equivalents balance 6/30/20 of \$2.86 million vs. \$878 thousand 12/31/19
- 🌱 Q&A



# Tecogen Overview



## Clean and Efficient Energy Systems

### Leader in Distributed Generation Technology

- *Unmatched efficiency of air-conditioning and cooling systems*
- *Ultra technology ensures emissions compliance in most stringent US districts*
- *Enable black-start and off-grid power generation*
- *Ranked 3<sup>rd</sup> 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 Ultra Emissions Technology

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





# 2nd Quarter 2020 Results



## Revenue = \$7.44 million

- Compared to \$7.87 million in 2Q'19, 5.5% decrease
- Product revenue up 37%
- Service down 21% due to decreased installation activity
- Energy production down 52% due to facility closures

## Gross Margin = 39%

## Op Ex = \$3.4 mm

- Reduced OpEx by 9% vs. 2Q'19

## Net loss of \$654 thousand

- Compared to \$357 thousand loss in 2Q '19

## Adjusted EBITDA = negative \$363K

- Compared to negative \$205K 2Q '19

\$ in thousands	2Q'20	2Q'19	YoY Change
Revenue			
Products	\$ 3,343	\$ 2,445	\$ 897
Service	3,816	4,844	(1,028)
Energy Production	276	578	(302)
<b>Total Revenue</b>	<b>7,435</b>	<b>7,867</b>	<b>(432)</b>
Gross Profit			
Products	1,305	899	406
Service	1,531	2,313	(783)
Energy Production	70	214	(143)
<b>Total Gross Profit</b>	<b>2,906</b>	<b>3,426</b>	<b>(520)</b>
Gross Margin: %			
Products	39%	37%	2%
Service	40%	48%	-8%
Energy Production	25%	37%	-11%
<b>Total Gross Margin</b>	<b>39%</b>	<b>44%</b>	<b>-4%</b>
Operating Expenses			
General & administrative	2,637	2,683	(46)
Selling	602	705	(102)
Research and development	166	373	(207)
<b>Total operating expenses</b>	<b>3,406</b>	<b>3,760</b>	<b>-355</b>
<b>Net income (loss)</b>	<b>\$ (654)</b>	<b>\$ (357)</b>	<b>\$ (297)</b>
<b>Adjusted EBITDA (see reconciliation)</b>	<b>\$ (363)</b>	<b>\$ (205)</b>	<b>\$ (158)</b>

\*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.

# Adjusted EBITDA Reconciliation



## Reconciliation of Q2 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
  - Non-cash abandonment of intangible assets
  - Goodwill impairment

Non-GAAP financial disclosure	Quarter Ended, June 30,	
	2020	2019
Net loss attributable to Tecogen Inc.	\$ (653,888)	\$ (357,129)
Interest expense, net	56,015	16,939
Depreciation & amortization, net	103,485	98,988
Income tax expense	13,171	15,955
<b>EBITDA</b>	<b>(481,217)</b>	<b>(225,247)</b>
Stock based compensation	39,494	39,898
Unrealized loss on investment securities	78,723	(19,681)
Non-recurring, non-cash adjustment	-	-
Goodwill impairment	-	-
	-	-
<b>Adjusted EBITDA*</b>	<b>\$ (363,000)</b>	<b>\$ (205,030)</b>

### Despite negative adjusted EBITDA, positive cash flows in the quarter

- Generated \$2.66 million cash from operations
- Cash and cash equivalents balance of \$2.86 million at the end of the quarter

# 2Q '20 Performance by Segment



Product Sales Remain Strong  
Led by Cogeneration

Service Contracts/Parts  
Expected to Recover Q3

Energy Production  
Revenue Slowed by COVID

- Product revenue increased 37% YoY
  - Driven by cogeneration sales
  - Reduced chiller sales mainly timing
  - Product backlog remains strong

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Cogeneration	\$ 3,108	\$ 1,414	120%	42%
Chiller	235	1,032	-77%	3%
Total Product Revenue	3,343	2,445	37%	45%

- Service revenue declined 21% YoY
  - Service contracts/parts down 4% YoY
  - Installation services down 41% YoY

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Service Contracts and Parts	2,455	2,553	-4%	33%
Installation Services	1,361	2,291	-41%	18%
Total Service Revenue	3,816	4,844	-21%	51%

- Energy Production declined 52% YoY
  - COVID-19 setbacks and facility closures

Q2 Revenue (\$k)	2020	2019	% YoY	% Tot. Rev
Energy Production	276	578	-52%	4%

- Gross Margins on target at 39%

Q2 Gross Margin	2020	2019	Target
Overall	39%	44%	35-40%

# 2Q '20 Earnings Takeaways

Tecogen

## Core Business Segments Performed Well Despite COVID Challenges

- Product sales up YoY, Quarter over Quarter
- Service contracts/parts revenue down only 4% despite COVID closures
- Installations resuming as COVID restrictions dissipate
- Energy production revenues slower to rebound

## Strong Cash Position

- \$2.66 million cash provided by operations in quarter vs. \$2.10 million used by operations in 2Q'19
- Quarter-end cash and equivalent balance of \$2.86 million

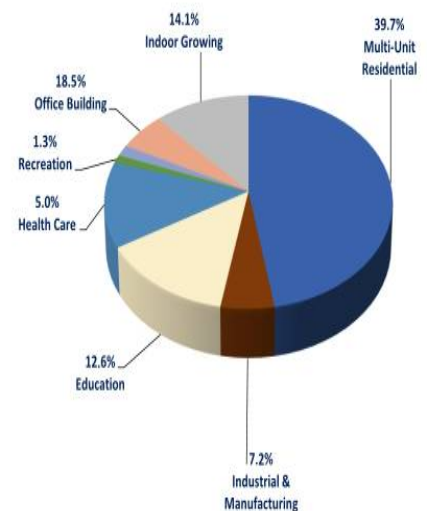
## Sustainable Corporate Improvements

- Reduced OpEx by 9% YoY, 13% Quarter over Quarter
- Improved AR collections, payment schedules, vendor terms
- More efficient and streamlined corporate functions

## Current Backlog = \$13.1 million

- Product backlog = \$10.4 million
- Installation backlog = \$2.7 million

Sales Backlog



# Q&A



## Company Information

Tecogen, Inc  
45 First Ave  
Waltham, MA 02451  
[www.Tecogen.com](http://www.Tecogen.com)

## Contact information

Benjamin Locke, CEO  
781.466.6402  
[Benjamin.Locke@Tecogen.com](mailto:Benjamin.Locke@Tecogen.com)

