

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: May 12, 2022



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. ☐

Item 2.02. Results of Operations and Financial Condition.

On May 12, 2022, the registrant issued a press release with earnings commentary and supplemental information for the three months ended March 31, 2022. The press release is furnished as Exhibit 99.01 to this Current Report on Form 8-K.

The information in this Item 2.02 and Exhibit 99.01 to this Current Report on Form 8-K shall not be deemed “filed” for purposes of Section 18 of 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 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 7.01. Regulation FD Disclosure.

On May 12, 2022, the registrant will present the attached slides online in connection with an earnings conference call. The slides are being furnished as Exhibit 99.02 to this Current Report on Form 8-K.

The information in this Item 7.01 and Exhibit 99.02 to this Current Report on Form 8-K shall not be deemed “filed” for purposes of Section 18 of 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 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits relating to Items 2.02 and 7.01 shall be deemed to be furnished, and not filed:

<u>Exhibit</u>	<u>Description</u>
99.01	Earnings Release dated May 12, 2022 for the three months ended March 31, 2022
99.02	Tecogen Earnings Call Presentation dated May 12, 2022

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

TECOGEN INC.

duly authorized.

May 12, 2022

By: /s/ Benjamin Locke

Benjamin Locke, Chief Executive Officer



Tecogen Announces First Quarter 2022 Results

Revenues of \$ 7.4 million, Positive Income from Operations and Net Income

WALTHAM, Mass., May 12, 2022 - Tecogen Inc. (OTCQX:TGEN), a leading manufacturer of clean energy products, reported revenues of \$7.4 million and net income of \$89 thousand for the quarter ended March 31, 2022 compared to revenues of \$6.1 million, an improvement of \$1.4 million, and a net profit of \$1.8 million in 2021, a decrease of \$1.7 million. The positive net income in Q1 2021 was primarily due to the benefit from the CARES Act payroll support programs. The company generated \$1.9 million in cash from operations during the quarter and ended the quarter with a cash balance of \$5.5 million.

Key Takeaways

Net Income and Earnings Per Share

- Net income in Q1 2022 was \$89 thousand compared to \$1.8 million in Q1 2021, a decrease of \$1.7 million, primarily due to the forgiveness of the PPP loan in Q1 2021. EPS was \$0.00/share and \$0.07/share in Q1 2022 and Q1 2021, respectively.

Income from Operations

- Income from operations for the three months ended March 31, 2022 was \$81 thousand compared to a loss of \$139 thousand for the same period in 2021, an increase of \$220 thousand. Our increased revenues combined with reduced operating costs resulted in positive income from operations.

Revenues

- Revenues for the quarter ended March 31, 2022 were \$7.4 million compared to \$6.1 million for the same period in 2021, a 22.8% increase.
 - Product revenue was \$3.9 million in Q1 2022 compared to \$2.1 million in the same period in 2021, an increase of 85.6%, primarily due to increased cogeneration and chiller unit volume. We continue to see sales into our key market segments including controlled environment agriculture.
 - Services revenue was \$2.9 million in Q1 2022 compared to \$3.3 million in the same period in 2021, a decline of 11.1%, primarily due to reduced lower margin installation activity. Services contract revenue increased 4.8% to \$2.9 million compared to \$2.8 million in the first quarter of 2021.
 - Energy Production revenue decreased 11.0%, to \$582 thousand in Q1 2022 compared to \$653 thousand in the same period in 2021 due to site closures as a result of COVID.
-

Gross Profit

- Gross profit for the first quarter of 2022 was \$3.1 million compared to \$3.0 million in the first quarter of 2021. Gross margin reduced to 41.6% in the first quarter compared to 48.7% for the same period in 2021 due to higher material costs reducing product margin from 44.7% to 32.9%. Services margin remained comparable quarter to quarter.

Operating Expenses

- Operating expenses decreased by 2.6% to \$3.01 million for the first quarter of 2022 compared to \$3.09 million in the same period in 2021 due to reduced external commissions and gains on the disposal of assets and corresponding reversal of the unfavorable contract liability associated with the asset.

Adjusted EBITDA⁽¹⁾ was a positive \$154 thousand for the first quarter of 2022 compared to \$20 thousand for the first quarter of 2021. (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 or gains including abandonment of intangible assets and the extinguishment of debt. See the table following the Condensed Consolidated Statements of Operations for a reconciliation from net income (loss) to Adjusted EBITDA, as well as important disclosures about the company's use of Adjusted EBITDA).

“We saw a substantial increase in revenues this quarter and were able to produce positive operating income and net income. However we saw a significant increase in cost of goods due to the inflationary environment we presently find ourselves in. We have instituted price increases and continue to execute on our strategy of focusing on clean cooling in our key market segments including controlled environment agriculture. Our Board has formed a special committee headed by our Board member Prof. Ahmed Ghoniem to determine how Tecogen can help reduce the environmental impact of agricultural food products by expanding the use of our systems in the controlled-environment growing segment” commented Benjamin Locke, Tecogen's Chief Executive Officer.

Conference Call Scheduled for May 12, 2022, at 11:00 am ET

Tecogen will host a conference call on May 12, 2022 to discuss the first quarter results beginning at 11:00 am eastern time. To listen to the call please 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 First Quarter 2022 earnings call. Please begin dialing 10 minutes before the scheduled starting time. The earnings press release will be available on the Company website at 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.

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 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 or contact us for a free [Site Assessment](#).

Tecogen, InVerde e+, Ilios, Tecochill, Tecopower, Tecofrost, Tecopack and Ultera are registered trademarks of Tecogen Inc.

Forward Looking Statements

This press release and any 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, our Quarterly Reports on Form 10-Q and on our Form 8-K, 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 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:

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TECOGEN INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,460,870	\$ 3,614,463
Accounts receivable, net	7,631,611	8,482,286
Employee retention credit	1,276,021	1,276,021
Inventories, net	7,756,737	7,764,989
Unbilled revenue	2,906,931	3,258,189
Prepaid and other current assets	576,787	578,801
Total current assets	25,608,957	24,974,749
Long-term assets:		
Property, plant and equipment, net	1,705,974	1,782,944
Right of use assets	1,716,737	1,869,210
Intangible assets, net	1,140,925	1,181,023
Goodwill	2,406,156	2,406,156
Other assets	185,222	148,140
TOTAL ASSETS	\$ 32,763,971	\$ 32,362,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	4,402,772	3,508,354
Accrued expenses	2,478,523	2,343,728
Deferred revenue	1,446,048	1,957,752
Lease obligations, current	653,176	641,002
Unfavorable contract liability, current	295,065	330,032
Total current liabilities	9,275,584	8,780,868
Long-term liabilities:		
Deferred revenue, net of current portion	215,931	208,456
Lease obligations, net of current portion	1,147,982	1,315,275
Unfavorable contract liability, net of current portion	816,690	929,474
Total liabilities	11,456,187	11,234,073
Stockholders' equity:		
Tecogen Inc. shareholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 24,850,261 issued and outstanding at March 31, 2022 and December 31, 2021	24,850	24,850
Additional paid-in capital	57,112,566	57,016,859
Accumulated deficit	(35,744,212)	(35,833,621)
Total Tecogen Inc. stockholders' equity	21,393,204	21,208,088
Non-controlling interest	(85,420)	(79,939)
Total stockholders' equity	21,307,784	21,128,149
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 32,763,971	\$ 32,362,222

TECOGEN INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenues		
Products	\$ 3,939,481	\$ 2,122,722
Services	2,917,280	3,281,144
Energy production	581,562	653,295
Total revenues	7,438,323	6,057,161
Cost of sales		
Products	2,644,756	1,174,287
Services	1,366,752	1,537,603
Energy production	336,027	394,063
Total cost of sales	4,347,535	3,105,953
Gross profit	3,090,788	2,951,208
Operating expenses		
General and administrative	2,473,903	2,453,853
Selling	501,091	510,203
Research and Development	140,135	126,150
Gain on disposition of assets	(33,945)	—
Gain on termination of unfavorable contract liability	(71,375)	—
Total operating expenses	3,009,809	3,090,206
Income (loss) from operations	80,979	(138,998)
Other income (expense)		
Other income (expense), net	(14,150)	(1,203)
Interest expense	(828)	(4,640)
Gain on extinguishment of debt	—	1,887,859
Gain on sale of investment securities	—	6,046
Unrealized gain on investment securities	37,497	37,497
Total other income (expense), net	22,519	1,925,559
Income before income taxes	103,498	1,786,561
Provision for state income taxes	3,930	8,058
Consolidated net income	99,568	1,778,503
Income attributable to the non-controlling interest	(10,159)	(11,796)
Net income attributable to Tecogen Inc.	\$ 89,409	\$ 1,766,707
Net income per share - basic	\$ 0.00	\$ 0.07
Net income per share - diluted	\$ 0.00	\$ 0.07
Weighted average shares outstanding - basic	24,850,261	24,850,261
Weighted average shares outstanding - diluted	25,028,616	25,122,271

	Three Months Ended	
	March 31, 2022	March 31, 2021
Non-GAAP financial disclosure (1)		
Net income attributable to Tecogen Inc.	\$ 89,409	\$ 1,766,707
Interest expense, net	828	5,843
Income taxes	3,930	8,058
Depreciation & amortization, net	107,061	124,066
EBITDA	201,228	1,904,674
Gain on extinguishment of debt	—	(1,887,859)
Gain on disposition of assets	(33,945)	—
Gain on termination of unfavorable contract liability	(71,375)	—
Impairment of intangible asset	—	7,400
Stock based compensation	95,707	39,085
Unrealized gain on investment securities	(37,497)	(37,497)
Gain on sale of investment securities	—	(6,046)
Adjusted EBITDA	<u>\$ 154,118</u>	<u>\$ 19,757</u>

(1) Non-GAAP Financial Measures

In addition to reporting net income, a U.S. generally accepted accounting principle (“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 including abandonment of certain intangible assets and extinguishment of debt), 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.

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 99,568	\$ 1,778,503
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	107,061	124,066
Gain on extinguishment of debt	—	(1,887,859)
Stock-based compensation	95,707	39,085
Gain on sale of investment securities	—	(6,046)
Unrealized gain on investment securities	(37,497)	(37,497)
Gain on disposition of assets	(33,945)	—
Gain on termination of unfavorable contract liability	(71,375)	—
Impairment of intangible asset	—	7,400
<i>Changes in operating assets and liabilities</i>		
(Increase) decrease in:		
Accounts receivable	850,674	638,643
Inventory	8,252	326,655
Prepaid assets and other current assets	2,014	17,307
Other assets	152,888	(583,419)
Increase (decrease) in:		
Accounts payable	894,418	(799,615)
Accrued expenses and other current liabilities	134,795	153,225
Deferred revenue	(504,229)	(97,937)
Other liabilities	(155,119)	574,447
Net cash provided by operating activities	1,894,471	369,772
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(80,873)	(16,098)
Proceeds from disposition of assets	64,669	—
Proceeds from the sale of investment securities	—	11,637
Purchases of intangible assets	(16,220)	(5,682)
Distributions to non-controlling interest	(15,640)	(18,176)
Net cash used in investing activities	(48,064)	(28,319)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	—	1,874,269
Net cash provided by financing activities	—	1,874,269
Net increase in cash and cash equivalents	1,846,407	2,215,722
Cash and cash equivalents, beginning of the period	3,614,463	1,490,219
Cash and cash equivalents, end of the period	\$ 5,460,870	\$ 3,705,941



OTCQX: TGEN

Q1 2022 EARNINGS CALL

MAY 12, 2022

MANAGEMENT

- Benjamin Locke - CEO
- Robert Panora – COO & President
- Abinand Rangesh – CFO & Treasurer
- 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.

AGENDA



-  Tecogen Overview
-  1Q 2022 Results
-  Earnings Takeaways
-  Market Update
-  Q&A



100

Clean Energy Solutions

3,000+
Units Shipped



DISTRIBUTED GENERATION

3rd in number of microgrids installed in North America



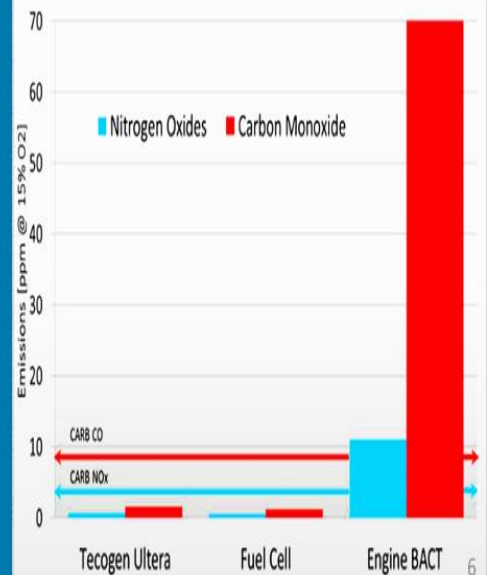
EMISSIONS

Near zero NOx and CO emissions systems for gasoline, propane and natural gas engines



CLEAN COOLING

Chillers with lower operating cost and lower greenhouse gas footprint compared to an equivalent electric chiller



FACTS ABOUT US



200,000+

METRIC TONS OF CO2
SAVED



3,000+

DISTRIBUTED
GENERATION AND
CHILLERS SHIPPED



2.1M+

KWH GENERATED



52M+

PRODUCT RUN
HOURS

REVENUE SEGMENTS



PRODUCT SALES

Sales of combined heat and power, and clean cooling systems to building owners. Key market segments include multifamily residential, health care and indoor cultivation.

SERVICES

We service most purchased Tecogen equipment in operation through long term maintenance agreements through 11 service centers in North America and perform certain equipment installation work.

CLEAN, GREEN
POWER, COOLING
AND HEAT

ENERGY SALES

We sell electrical energy and thermal energy produced by our equipment onsite at customer facilities.

1Q 2022 RESULTS



Highlights

- Net Income of \$0/share Q1 2022
- Net Income \$89k
- Cash and equivalents balance of \$5.5 million



Revenue = \$7.44 million

- Compared to \$6.06 million in 1Q '21, 23% increase
- Service down due to lower installation activity



Gross Margin of 42% due to higher cost of material



Op Ex = \$3.01 million



Operating Income positive = \$81k

- Vs. loss of \$139k in Q1 '21



Net Income of \$89k

\$ in thousands	1Q' 22	1Q' 21	Change	%
Revenue				
Products	\$ 3,939	\$ 2,123	\$ 1,817	
Service	2,917	3,281	(364)	
Energy Production	582	653	(72)	
Total Revenue	7,438	6,057	1,381	22.8%
Gross Profit				
Products	1,295	948	346	
Service	1,551	1,744	(193)	
Energy Production	246	259	(14)	
Total Gross Profit	3,091	2,951	140	4.7%
Gross Margin: %				
Products	33%	45%	-12%	
Service	53%	53%	0%	
Energy Production	42%	40%	3%	
Total Gross Margin	42%	49%	-7%	
Operating Expenses				
General & administrative	2,474	2,454	20	
Selling	501	510	(9)	
Research and development	140	126	14	
Impairment and other expenses	(105)	-	(105)	
Total operating expenses	3,010	3,090	(80)	-2.6%
Operating profit (loss)	81	(139)	220	158.3%
Net Income	\$ 89	\$ 1,767	\$ (1,677)	-94.9%

1Q 2022 ADJUSTED EBITDA RECONCILIATION



- EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization
- EBITDA and adjusted EBITDA were both positive at \$201k and \$154k respectively

- EBITDA Non-cash adjustments
 - Stock based compensation
 - Unrealized and realized (gain) loss on investment securities
 - Non-recurring asset disposal gains

Non-GAAP financial disclosure (in thousands)	Quarter Ended, March 31	
	2022	2021
Net income (loss) attributable to Tecogen Inc.	\$ 89	\$ 1,767
Interest expense, net	1	6
Income tax expense	4	8
Depreciation & amortization, net	107	124
EBITDA	201	1,905
Gain on extinguishment of debt	-	(1,888)
Stock based compensation	96	39
Unrealized (gain) loss on marketable securities	(37)	(37)
Realized gain on sale of marketable securities	-	(6)
Abandonment of intangible assets	-	7
Gain on disposition of assets	(34)	-
Gain on termination of unfavorable contract liability	(71)	-
Adjusted EBITDA*	\$ 154	\$ 20

*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, goodwill impairment and other non-recurring charges or gains including abandonment of certain intangible assets and extinguishment of debt

1Q 22 PERFORMANCE BY SEGMENT



Product Revenue increased 86% QoQ

- Significant increase in cogeneration revenues
- 10% gain in chiller revenues

Service Revenue declined 11% QoQ

- Installation services down 96% QoQ
- Service contracts (O&M) up 5% QoQ
- Services Gross Margin at 53%

Energy Production Revenue decreased 11% QoQ

Gross Margin 42%

1Q 2022 Revenues (\$ thousands)	1Q' 2022	1Q' 2021	Change %
Revenues			
Cogeneration	\$ 2,174	\$ 47	4526%
Chiller	1,607	1,457	10%
Engineered accessories	158	619	-74%
Total Product Revenues	3,939	2,123	86%
Service Contracts	2,897	2,763	5%
Installation Services	20	518	-96%
Total Service Revenues	2,917	3,281	-11%
Energy Production	582	653	-11%
Total Revenues	7,438	6,057	23%
Cost of Sales			
Products	2,645	1,174	125%
Services	1,367	1,538	-11%
Energy Production	336	394	-15%
Total Cost of Sales	4,348	3,106	40%
Gross Profit	3,091	2,951	5%
Net income (loss)	\$ 89	\$ 1,767	
Gross Margin			
Products	33%	45%	
Services	53%	53%	
Energy Production	42%	40%	
Overall	42%	49%	

Gross Margin	2022	2021	Target
Overall	42%	49%	>40%

1Q' 22 EARNINGS TAKEAWAYS

Business Segments Recovering from COVID Challenges

- Q1 Product Revenue \$3.9 mm
- Q1 ending backlog of \$9.4 million. Current backlog at \$9.2 million
- Continued penetration into cannabis and controlled environment agriculture markets
- Signed up new reps and sales partnership agreements for chillers to focus on key cooling market segments

Consistent Growth in Service O&M Segment

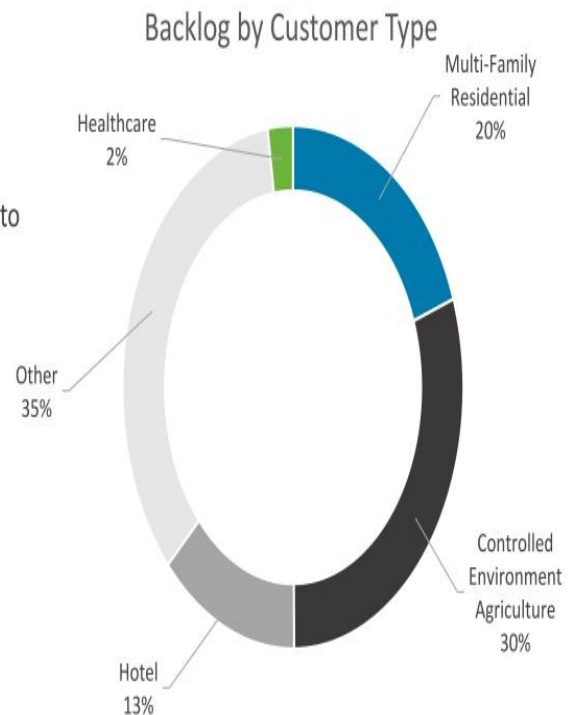
- Service O&M up 5% QoQ
- Q1' 22 Service Gross Margin 53%

Sustainable Corporate Improvements

- Continue to focus on improvements in supply chain and cost of materials

Strong Cash Position

- Quarter-end cash and equivalent balance of \$5.5 million
- Expect ERC cash (\$564k received in April, \$712k in process)



MARKET UPDATE: IMPACT OF GAS PRICES

Electrical Capacity Constraints Nationwide

Improved ROI as electricity prices increase

- Electrical production predominantly fossil fuel based in USA so as gas prices rise, electricity prices rise
- Presently we have seen electricity prices rise 20% or more in CA, NY and some key markets



PATHWAY TO GROWTH



Special Board Committee formed to investigate expanded business opportunities for Controlled Environment Agriculture.

Clean Microgrids using CHP in combination with other energy technologies including solar and battery

Tecochill Hybrid Drive Air-Cooled Chiller to be launched at AHR in Feb 2023. This addresses a gap in our Tecochill offering as air-cooled chillers are typically sold in larger volumes compared to water cooled chillers in our size range.

Focus on Clean Cooling applications where there is a simultaneous cooling and dehumidification load. Continue to increase market share in regional cannabis markets including New England, Mid-Atlantic and Florida with a goal to have a minimum of 30% market share per state in facilities > 10,000 sq feet.

Q&A



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