

UGE Investor Newsletter

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Good morning,

This morning we released our [2020 Q2 financial results](#), which are available on SEDAR and our [website](#).

Despite the COVID-19 pandemic, we made great progress last quarter by focusing on our project development business, in which we develop, build, own, and operate most of our projects.

Highlights from second the quarter are as follows:

- Our project backlog grew from US\$72 million at the end of Q1 2020 to over US\$83 million by the end of Q2 2020. When fully deployed, the backlog represents US\$14.9 million of upfront revenue and over \$8 million of annual recurring revenue over the project lifetimes (usually over 20 years).
- Despite impacts of the COVID-19 pandemic, which obstructed project deployment from March through May, revenue from our ongoing business units (US, Philippines, and consulting) grew 140% in the first half of 2020 versus the same six-month period in 2019.
- Gross margins of 58% were the highest in the Company's history, aided by one-time factors. We continue to benefit from our shift to higher margin revenue after the discontinuation of the lower margin EPC services business, which we expect should continue to produce gross margins in excess of 23%, on average.
- Temporary cost-saving measures due to the COVID-19 pandemic saw SG&A expenses decrease 29% in Q2 2020 versus Q1 2020. As our business progressively returns to normal and projects continue to come online, we expect to gradually return to pre-COVID spending levels by year-end.

We strengthened our balance sheet, subsequent to quarter-end:

- We negotiated a full release from the former lender to our UGE Canada RE business unit, which represents the EPC services business we have wound down. The outstanding debt obligation of approximately US\$1.2 million on our June 30, 2020 balance sheet was settled in full for approximately US\$137,000.

Webinar registration details:

This afternoon, our CFO, Paul Kania, and I will host a webinar to provide a summary of the financial results and to answer your questions. You can register for the webinar and submit your questions below:

Date: Tuesday, August 25, 2020

Time: 2:00pm EDT

Register: www.ugei.com/register

Thanks as always for your thoughts and questions. We look forward to sharing our continued progress with you in the upcoming quarters.

Kind regards,

Nick



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 Forward

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