

UGE Investor Newsletter

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Good morning,

Yesterday we [reported our Q2 results](#); below are highlights alongside other business updates.

Since late last year, we have been heads-down, realizing our transition away from lower margin EPC work and towards developing our own projects in more lucrative markets. Here is a short list of actions we took:

- Downsized less profitable business units; resulted in 2018 goodwill write-off
- Strengthened balance sheet by converting US\$5.4m of debt to equity; resulted in gain on conversion
- Worked to wrap up EPC projects from Canadian entities, including Peterborough portfolio
- Accelerated development of new projects in higher margin, higher growth regions; moved them through development and commenced deployment

These transitions take time, especially in an industry where projects take a year or more to develop and deploy. We've been diligently completing our turnaround, resulting in costs, margins, and revenues at levels designed to generate sustainably profitable results going forward. I believe our Q2 numbers indicate our emergence from this transition:

- SG&A is down 34% year over year and net finance expense is down 88%, both of which substantially increase our ability to reach near-term profitability
- The entire 15-site Peterborough project reached final completion in June, as we almost completely wrap up our past EPC portfolios
- 25 new self-developed projects are underway (14 in the US, 11 in the Philippines) as traction takes hold in our growth markets

stages of deployment. However, the second half of the year should see revenue ramp back up based on the 25 new projects underway. The 92% increase in contracted backlog since the beginning of the year also shows progress in converting new projects to revenue; total backlog was US\$27.4 million as of June 30.

Company-wide, our backlog is complemented by a robust and rapidly growing pipeline. Our project financing efforts, including an innovative green bond retail investment product, continue to fuel further upside for the business.

With a lower cost base and stronger margins, we believe positive EBITDA can be reached at revenue results as low as US\$4 million per quarter, a mark we've averaged well above for the past 2 ½ years. Our gross margins were 30% through the first six months of this year, well above our 23% target and the 14% achieved in the same period last year, while SG&A has averaged US\$0.8 million per quarter, which we expect to sustain in coming quarters.

Lastly, our share price has been crushed and I'd be remiss not to touch on that. First and foremost, I am sorry - we owe you a return for your faith and investment and have fallen short. However, what I know for certain is that at approximately US\$2.6 million our market capitalization doesn't reflect the value in the company. The best way to achieve a fair valuation is to build the best company possible, which means healthy, growing, and profitable. **That is our sole focus**, and we look forward to stronger results going forward, and to returning our valuation to where we believe it should be.

Thank you for your interest and support. As always, please don't hesitate to reach out at any time with thoughts or questions.

Kind regards,



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CEO, UGE International



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[05/15/2019: UGE Announces Project Updates, Including Completion of Key Milestones](#)

[04/15/2019: UGE Signs Three Solar Projects With Repeat Philippines Client; Expects Additional Sites to be Added](#)

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