

Thermal Energy Reports Strong Year-to-Date Revenue Growth and a Record Level Order Book

OTTAWA, ONTARIO – April 29, 2019 – Thermal Energy International Inc. (“Thermal Energy or the “Company”) (TSXV: TMG), an innovative cleantech company and global provider of proprietary, energy efficiency and emissions reduction solutions, has announced its third quarter and year-to-date financial results for period ended February 28, 2019. All figures are in Canadian dollars.

Highlights:

- Revenue has increased 50% to \$15.1 million for the first nine months of FY 2019
- Gross profit increased 16% to \$5.8 million for the first nine months of FY 2019
- The Company has an order book (confirmed orders with revenue yet to be recognized) of \$16.6 million as of April 29, 2019 which is the highest in the company’s history

“Our year-to-date figures represent a continuation of our strong growth trajectory with both our revenue and gross profit at record levels.” said William Crossland, CEO of Thermal Energy.

“Over the last three years we have been investing heavily in the future growth of the company, and some large key project wins over the last 12 to 18 months have allowed us to accelerate our strategic growth plans. We have been investing significantly across the business, growing our team and capabilities throughout sales, engineering, operations and marketing, and expanding our geographical footprint to include key markets of Germany and Poland as well as Texas and the US Gulf Coast. And then earlier this year we also acquired Boilerroom Equipment Inc.”

“By taking this approach operating expenses have increased and profitability has been impacted, but at the same time this accelerated investment is already driving results, as evidenced by the strong level of orders received and the resulting record order book for the coming 12 months. And now, with much of our short to medium term strategic growth investments complete we see significant potential to deliver enhanced returns from this investment going forward.”

“At \$16.6 million our order book highlights the robustness of our strategy to grow organically and through acquisition. This can clearly be seen in recently secured projects that have allowed us to expand into new subsectors with customers that represent a global opportunity for our entire product base.”

“The acquisition of Boilerroom Equipment Inc. in June 2018 is operating in line with expectations. It is both a profitable and a welcome addition to our portfolio of products and bank of expertise. The synergistic benefits of Boilerroom’s HeatSponge technology together with Thermal Energy’s expertise has already resulted in a notable \$1.8 million project with a major US dairy group, a project that neither company could have obtained independently.”

“As we look ahead into the next financial year and beyond, we’ll be seeking to further optimize the significant investment we have made in the business over the last few years, maximizing its benefit to strengthen our profit margins and deliver ROI.”

Summary Financial Results:

In thousands except % data	3 months ended Feb. 28, 2019	3 months ended Feb. 28, 2018	9 months ended Feb. 28, 2019	9 months ended Feb. 28, 2018
Revenue	\$3,115	\$3,228	\$15,109	\$10,055
Gross profit	\$1,448	\$1,600	\$5,760	\$4,971
Gross margin	46.5%	49.6%	38.1%	49.4%
Operating expenses	\$2,287	\$1,757	\$6,803	\$5,202
Net (loss)	\$(889)	\$(159)	\$(1,051)	\$(269)
EBITDAS	\$(734)	\$(156)	\$(853)	\$(234)
Order backlog as at April reporting date	\$16,600	\$16,300	\$16,600	\$16,300

Third Quarter and First Nine-Month Financial Review:

Year-to-date revenue increased to \$5.1 million or 50% compared to the first nine months of last year. Gross profit was also up \$788,922 or 16% compared to the same period last year. The decrease in gross margin (i.e. Gross Profit as a percentage of Revenue) for the 9 months ended Feb. 28, 2019 is a result of the impact on product mix represented by the mega project with a Pulp & Paper company announced December 5, 2017 (“Resolute”). With the Resolute project now substantially complete, gross margins for three months ended Feb. 28, 2019 was now more in line with historical levels. A decrease in revenues in the current quarter was due to project timing mainly related to the substantial completion of Resolute project before the booking of substantial revenues from many of the recently received orders. Major contributors to the increased year to date revenue were:

- An energy efficiency project with a Pulp & Paper company announced December 5, 2017 (“Resolute”)
- A heat recovery project with a teaching hospital announced March 26, 2018
- A heat recovery project with a leading Fortune 500 food and beverage company announced June 5, 2018
- The addition of the Boilerroom Equipment Inc. (“BEI”) business effective June 29, 2018

Administration, selling, marketing and business development expenses (“Operating Expenses”) in the quarter ended February 28, 2019 totaled \$2,286,949 compared to \$1,757,387 for the same period last year, an increase of \$529,562, or 30.1%. In the nine months ended February 28, 2019, the Operating Expenses totaled \$6,803,320 compared to \$5,201,620 for the same period last year, an increase of \$1,601,700, or 30.8%. Including BEI, over the last three years Thermal Energy has added 26 talented staff to the Company, 16 the last 12 months alone. Many of these people are not yet fully contributing to results. In this regard, the main increases to Operating Expenses are related to:

1. Strategic growth-oriented investments across the business by adding to our team and enhancing capabilities throughout sales, engineering, operations and marketing;
2. Expanding our geographical footprint to include key markets of Germany and Poland as well as Texas and the US Gulf Coast; and
3. The integration of BEI’s operating expenses into the consolidated results.

This year, Operating Expenses also include some onetime costs related to the acquisition of BEI as well as additional depreciation and amortization expense on the intangibles and fixed assets acquired from BEI.

Business Update and Order Backlog Summary

As of April 29, 2019, the Company had a record order backlog of approximately \$16.6 million. This is compared to \$16.3 million (which included \$11 million from the Resolute mega order alone) when it reported third quarter results for FY 2018.

The Company defines order backlog as the value of projects for which purchase orders have been received, but have not yet been fully reflected as revenue in the Company’s published quarterly financial statements. These include:

- A \$1.3 million order to install a water recovery system for a major food and beverage company, announced October 25, 2018
- A \$960,000 order to design, manufacture and install a turnkey heat recovery project for leading speciality chemicals producer, announced November 19, 2018
- A \$300k order to integrate a Flu-Ace heat recovery system with a solar thermal water heating system for a major food and beverage company, announced November 26, 2018
- A \$2.4 million order to add a second FLU-ACE® to a major food and beverage company’s existing Thermal Energy heat recovery system, announced December 13, 2018
- A \$2.4 million order to install an innovative heat recovery system for a leading food ingredient company, announced January 29, 2019
- A \$1.8 million order to install a HEATSPONGE heat recovery system and implement a number of boiler room and steam system upgrades for a major dairy group, announced March 11, 2019

- A \$2.3 million order to install two FLU-ACE heat recovery systems for a leading animal nutrition company, announced March 27, 2019
- A \$850,000 order to supply a heat recovery system to a top 10 global tissue company, announced April 1, 2019

In addition to these announced orders, the Company also received a number of orders totalling \$436,169 from a leading hospitality company to install high-efficiency GEM™ steam traps, a \$275,000 order from a petro-chemical company to implement a heat recovery system as well as a large number of lower volume GEM™ trap orders.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on www.SEDAR.com and <http://www.thermalenergy.com/financial-reports.html>.

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Notes to editors:

About Thermal Energy International Inc.

Thermal Energy International Inc. is an established global supplier of proprietary and proven energy efficiency, emissions reduction and sustainability solutions to the industrial, commercial and institutional sectors. We save our customers money and improve their bottom line by reducing their fuel use and cutting their carbon emissions. Our customers include a large number of Fortune 500 and other leading multinational companies across a wide range of industry sectors.

Thermal Energy is also a fully accredited professional engineering firm and by providing a unique mix of proprietary products together with process, energy and, environmental engineering expertise, Thermal Energy is able to deliver unique turnkey projects with significant financial and environmental benefits for our customers.



Thermal Energy's proprietary products include; [GEM™](#) - Steam Traps, [FLU-ACE®](#) - Direct contact condensing heat recovery, Heat-Sponge SIDEKICK and RAINMAKER – Indirect contact condensing heat recovery systems, and [Dry-Rex®](#) - Low temperature biomass drying systems.

Thermal Energy has offices in Ottawa, Canada, Pittsburgh, USA, as well as Bristol, U.K., Germany, Poland, Italy and China. TEI's common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol TMG.

For more information, visit our website at www.thermalenergy.com and follow us on Twitter at <http://twitter.com/GoThermalEnergy>.

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This press release contains forward-looking statements relating to, and amongst other things, based on management's expectations, backlog, estimates and projections, the anticipated effectiveness of the Company's products and services, the timing of revenues to be received by the Company, the benefits to be received by the Company in the future from its acquisition of Boilerroom Equipment Inc. and the Company's future cash flows and potential profitability. Information as to the amount of water savings, heat recovered, energy savings and payback period associated with Thermal Energy International's products are based on the Company's own testing and average customer results to date. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products, statements about the expected environmental effects and cost savings associated with the Company's products and statements about the Company's ability to cross-sell its products and sell to more sites are forward looking statements. Statements about the Company's future cash flows and potential profitability are based on management's own estimates and assumptions, which are subject to many risks and unknowns. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, some of which are outside of the Company's control, could cause events and results to differ materially from those stated. Backlog may not convert to revenue, fulfilment of orders, installation of product and activation of product could all be delayed for a number of reasons, some of which are outside of the Company's control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated. Actions taken by the Company's customers and factors inherent in the customer's facilities but not anticipated by the Company can have a negative impact on the expected effectiveness and lifespan of the Company's products and on the expected environmental effects and cost savings expected from the Company's products. Any customer's willingness to purchase additional products from the Company is dependent on many factors, some of which are outside of the Company's control, including but not limited to the customer's perceived needs and the continuing financial viability of the customer. The assumptions underlying management's expectations about future cash flows and profitability may turn out to be incorrect and many

other factors could cause cash flows to be worse than anticipated or could prevent the Company from achieving profitability in the time frame anticipated, or at all. The anticipated benefits to be received by the Company resulting from its acquisition of Boilerroom Equipment Inc. are generally subject to the same risks that the Company's business is subject to. Readers are referred to the risk factors associated with the Company's business as described in the Company's most recent Management's Discussion and Analysis available at www.SEDAR.com. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

EBITDAS and backlog are non-IFRS financial measures, do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable to similar measures presented by other companies. Please refer to the Company's most recent Management's Discussion and Analysis available at www.SEDAR.com for more details about these non-IFRS financial measures.

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