

Q1 2019 Review and Update

October 2018



An Innovative Technology Company Providing Custom Energy and Emission Reduction Solutions

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Forward-looking statements

This presentation includes “forward-looking information”. For example, statements about the opportunities for repeat business; the possibility or expectation of additional orders; growth in existing markets; entry into new markets; order backlog; introduction of new products and services; establishment and growth of new distribution channels; growth opportunities and strategies; conversion of existing orders into revenues; are all forward looking information. Such forward looking information reflects Thermal Energy International’s (“TEI”) current expectations with respect to future events and are based on information currently available to management. Forward-looking information involves significant known and unknown risks, uncertainties and assumptions. For example, existing and new customers may not place orders for any number of reasons; 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 TEI’s control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated; TEI may not be successful in identifying and developing new products and our new or existing products may not result in new orders or gain acceptance in new geographical or industrial markets; we may not be successful in establishing new distribution channels or such new channels may not be successful; our growth strategies may not be successful or result in the anticipated growth and orders received by TEI may not turn into revenue in the time frame anticipated, or at all, due to many factors, some of which are outside of TEI’s control, including but not limited to TEI’s ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. Readers are also referred to the risk factors outlined in our management’s discussion and analysis available at www.SEDAR.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking information contained in this presentation.

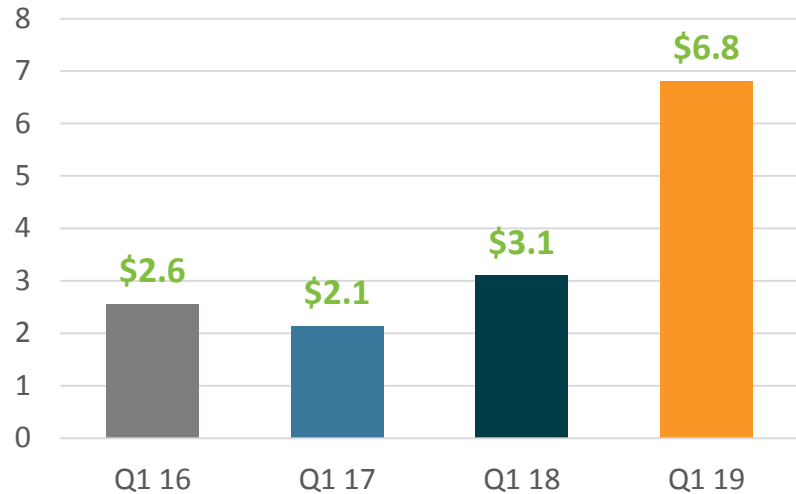
Readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this presentation and TEI does not assume any obligation to update or revise it to reflect new events or circumstances, except as required by law.

The term “EBITDAS” as used in this presentation is not a recognized measure under IFRS, does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. This measure is provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective and should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to our management’s discussion and analysis for the applicable period for a reconciliation of EBITDAS to Net income (loss), the closest IFRS measure.

Revenue

First quarter

(\$ millions)

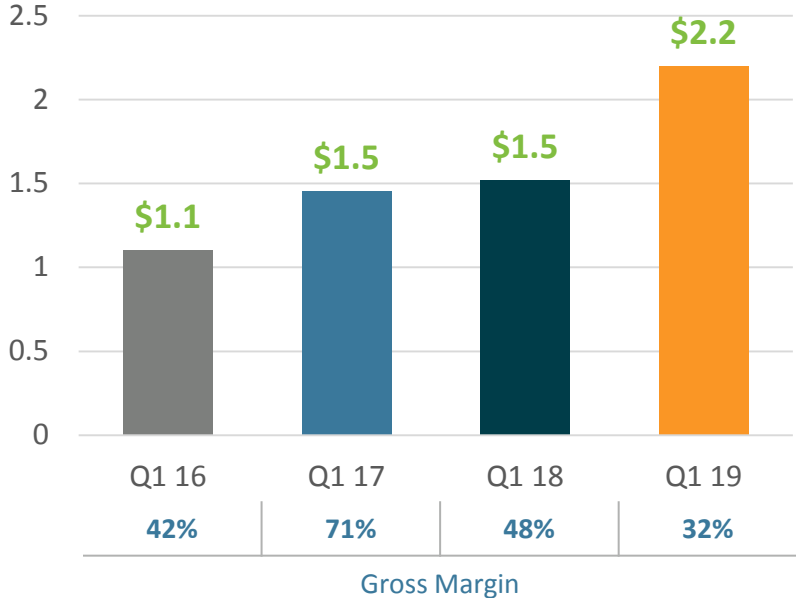


- Revenue increased 120% to \$6.8 million
- Record Q1 revenue for the past two fiscal years
- FY 2019 Includes two months of BEI revenue

Gross profit

First quarter

(\$ millions)

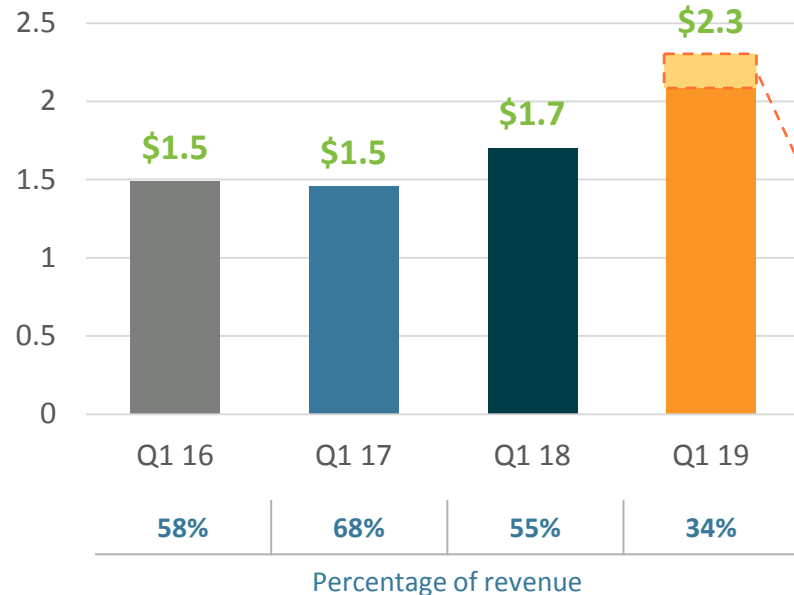


- Gross profit increased 46% to \$2.2 million
- Gross margin impacted by product and project mix

Operating expenses

First quarter

(\$ millions)

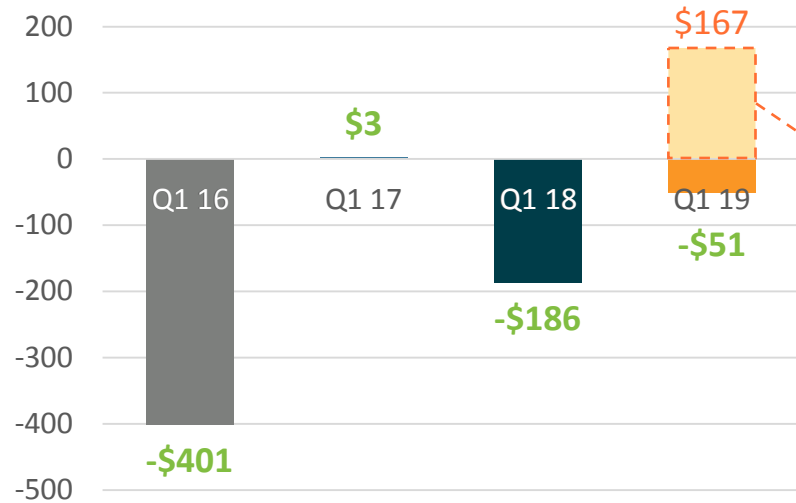


- Operating expenses as a percent of revenue continue to decrease despite continued strategic investments in future growth
- Excluding \$218k in strategic investments in future growth (\$111k in staff additions and \$107k onetime acquisition related expenses), cash operating expenses would have been **\$2.1 million or 31% of revenue**

EBITDAS

First quarter

(\$ millions)

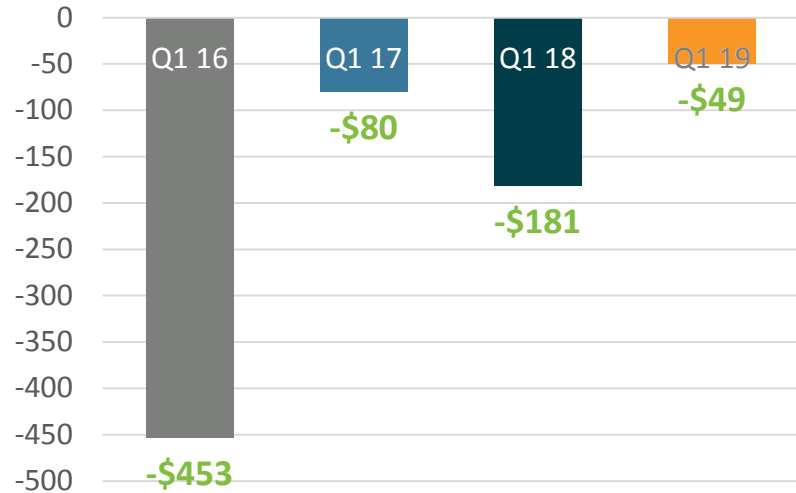


- \$51K represents a \$135K improvement compared to Q1 last year
- Would have been **\$167K** excluding \$218k in strategic growth investments and onetime BEI acquisition costs

Net income

First quarter

(\$ millions)

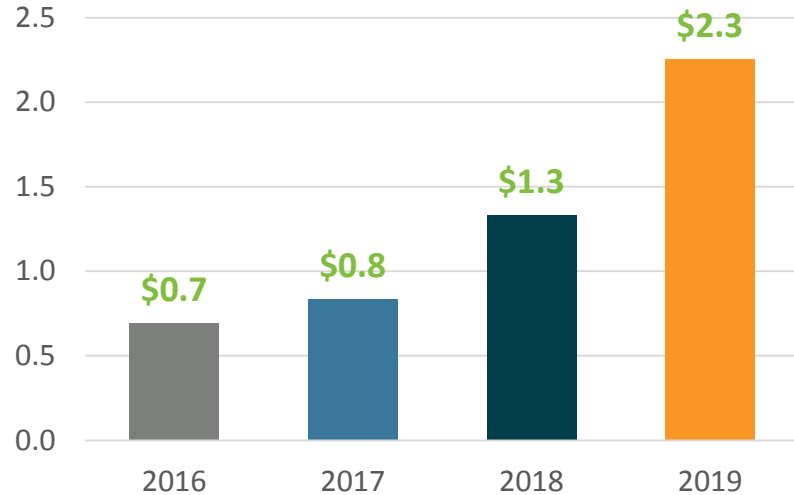


- \$132K improvement compared to last year
- Includes \$218k in expenses related to strategic investments on future growth

First quarter end cash position

August 31, 2016 - 2018

(\$ millions)

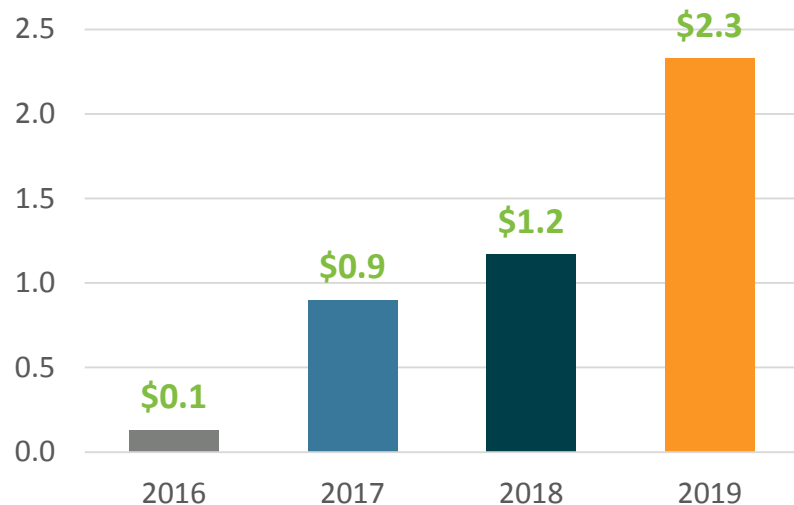


- Steady year over year increases
- Cash position up \$1.6 million since Q1 2016

First quarter end working capital

August 31, 2016 - 2018

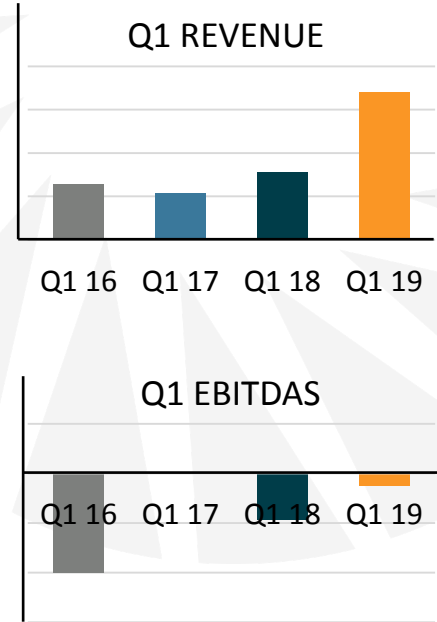
(\$ millions)



- Continued growth in working capital
- Up \$1.1 million since last year and \$2.2 million since Q1 2016

Financial Summary

- Consistent year over year growth
- Record revenue and gross profit for Q1 FY 2019
- Operating expenses as a percent of revenue continue to decrease despite continued discretionary strategic investments in the future growth of the company
- Profitability continues to increase despite continued discretionary strategic investments in the future growth of the company
- Continued growth in cash and working capital



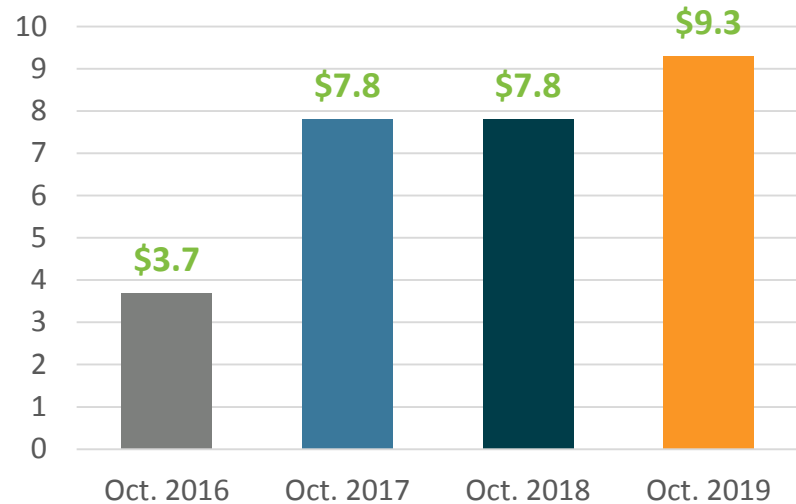
Order Book

Confirmed projects, revenue yet to be recognized

Order Book

Order backlog reported with Q1 results

(\$ millions)



- October order backlog up 19% to \$9.3 million

Since then...

- \$960k Flu-Ace and HeatSponge heat recovery project for global chemical company
- \$300k to integrate a Flu-Ace heat recovery system into a solar thermal system for a global beverage company

Recent Orders

Customers include leading global companies across many sectors



- > \$300K order from a global **beverage** company
- > Integrate heat recovery with **solar thermal water heating**



- > Order from major **petrochemical** company
- > Innovative **water** and heat recovery project



- > \$960K order from a leading **chemical** producer
- > Turnkey project to combine **Flu-Ace and HeatSponge**



- > \$1.3M order from Fortune 500 **food & beverage** customer
- > **Water recovery** system as part of sustainability drive

Three recent orders expand products and capabilities beyond energy efficiency to the broader sustainability market including water recovery and solar energy

Recent Orders

Customers include leading global companies across many sectors



- > \$690K **heat recovery** order for hospital
- > New Canadian customer



- > \$1.2M in multiple **GEM** orders
- > leading **chemical** manufacturer



- > \$1.2M order from a leading **food & beverage** customer
- > Further **Flu-Ace heat recovery** system



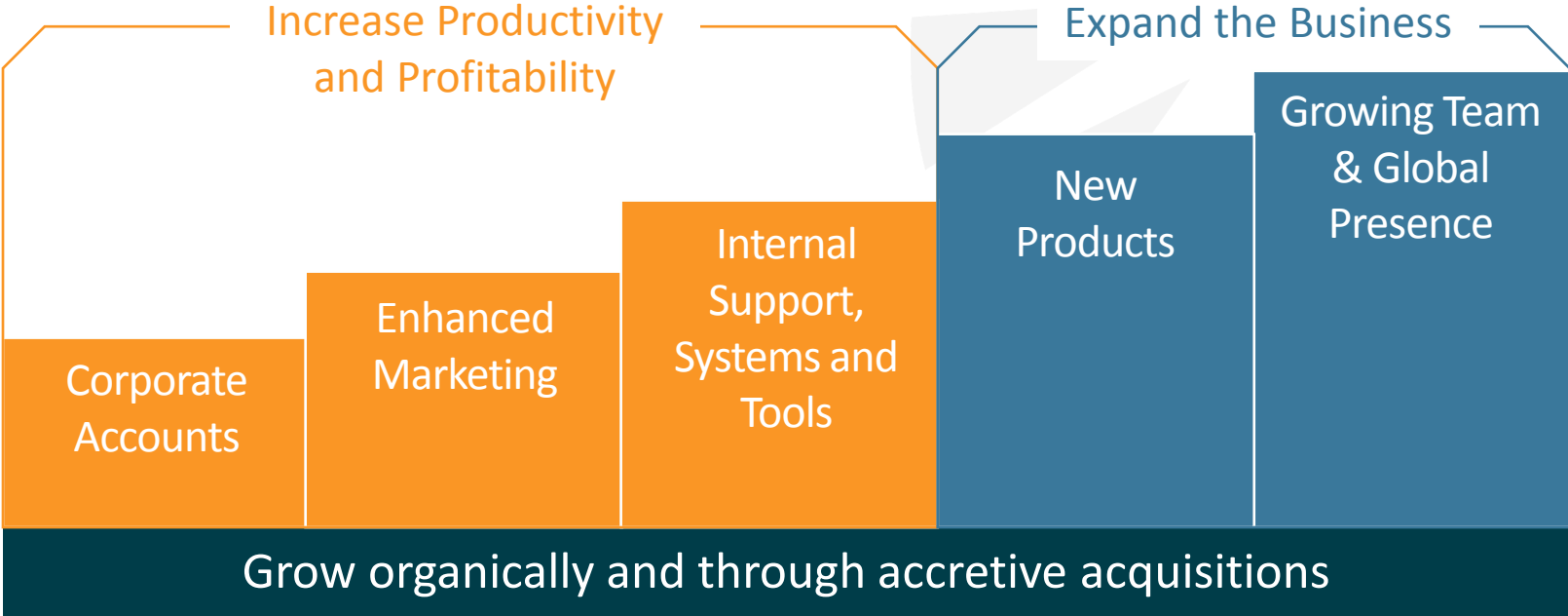
- > \$820K order from a **teaching hospital**
- > **Flu-Ace heat recovery** project

Growth Strategy


Increasing productivity & expanding the business

Growth Strategy


Increasing productivity & expanding the business




New products

Product Line	Product	Status
 CoGeneration <i>Combined Heat and Power</i>	Super-Efficient Cogeneration™ heat recovery system	<ul style="list-style-type: none">• \$1.46M order received• Two paid engineering studies received
Dry-Rex™ <i>LOW TEMP BIOMASS DRYING</i>	Dry-Rex™ low temperature biomass drying system	<ul style="list-style-type: none">• Multiple customers interested• Dry-Rex lab engineer contracted• Established biomass testing lab

New products

Product Line	Product	Status
	<p>HEATSPONGE® indirect contact water and heat recovery</p> <p>RAINMAKER indirect hydronic boiler water and heat recovery</p>	<ul style="list-style-type: none">• Developing integrated heat recovery offering strategy and promotional material

New products

Product Line	Product	Status
 <p data-bbox="276 363 548 459">Sustainability Products</p>	<p data-bbox="639 336 1155 426">Developing Flu-Ace for water recovery</p> <p data-bbox="639 452 1060 542">Turnkey water recovery projects</p> <p data-bbox="639 567 1136 658">Integrating TEI products into renewable energy</p>	<ul data-bbox="1246 336 1783 421" style="list-style-type: none"><li data-bbox="1246 336 1783 421">• One order already received in each area

Expanding our team & Global Presence

Added

- Latin America sales person (Apr 2016)
- Ontario / CoGen sales person (May 2016)
- CoGen Engineer (Jul 2016)
- Junior Engineer (Nov 2016)
- South Germany sales person (Jan 2017)
- NA Marketing Manager (May 2017)
- **EU Sales Director (Jul 2017)**
- **Senior engineer (Oct 2017)**
- **Operational Systems Manager (Jan 2018)**
- **EU marketing manager (Apr 2018)**
- **Texas sales person (Feb 2018)**
- **North Germany sales person (Apr 2018)**
- **Poland sales person (Jul 2018)**
- **NA to EU Cross training engineer (Sep 2018)**

Longer term: Moving from energy efficiency to sustainability

Developing a portfolio of sustainable solutions

Businesses around the world are increasingly seeking to:

- Improve **sustainability**, energy, and water **efficiency**
- Reduce **GHG** and **operating costs**

TEI is increasingly able to:

- Identify,
- Recommend, and
- Implement

the most advantageous energy efficiency, water recovery and sustainability solutions!

Growth Strategy & Outlook

Highlights

1. Enormous, fast-growing market
2. Experienced and established North American and European sales platform
3. Proprietary products sold to leading companies in many sectors and geographies
4. Growing team, global presence and product offerings
5. Poised to continue strong track record of growth



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