



Record Revenue and Gross Profit Highlight Strong Fiscal 2017 Results for Thermal Energy International

OTTAWA, ONTARIO – September 25, 2017 – [Thermal Energy International Inc.](#) (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), a global provider of proprietary energy efficiency solutions to the industrial, commercial and institutional sectors, today announced its financial results for the three-month (“Q4” or the “quarter”) and twelve-month (the “year”) periods ended May 31, 2017. All figures are in Canadian dollars.

Highlights:

- Revenue for the year increased 6.4% to \$13.2 million;
- Gross profit for the year increased 9.5% to \$7.4 million;
- EBITDAS for the year increased 32.9% to \$750 thousand;
- Net income for the year increased 51.7% to \$393 thousand;
- The Company had an order backlog of \$9.0 million as at September 22, 2017.

“Our record highs in revenue and gross profit in fiscal 2017 are the result of the successful execution of our strategy on multiple fronts,” said William Crossland, CEO of Thermal Energy. *“We gained new customers; sold more to existing customers; and continued to develop our corporate accounts. We also launched our new ‘Super-Efficient Cogeneration™’ service offering during the year, subsequently announcing our first project under this offering at the end of August. Importantly, this provides us with another complementary service to sell to both existing and prospective customers. We look to build on our momentum and capitalize on the very favourable market conditions we have been witnessing around the world for emission reduction and energy efficiency solutions.”*

Summary Financial Results

In thousands except % data	3 months ended May 31, 2017	3 months ended May 31, 2016	12 months ended May 31, 2017	12 months ended May 31, 2016
Revenue	\$4,754	\$4,123	\$13,192	\$12,402
Gross profit	\$2,379	\$2,048	\$7,439	\$6,794
Gross margin	50.0%	49.7%	56.4%	54.8%
Operating expenses	\$1,960	\$1,728	\$6,858	\$6,463
EBITDAS	\$463	\$377	\$750	\$564
Net income	\$354	\$268	\$393	\$259

Q4 2017 Financial Review:

Revenue for the quarter increased 15.3% to \$4.8 million compared with \$4.1 million for the fourth quarter of the year before. Heat recovery revenue was up 1.2% and included the substantial completion of an installation at a major hospital (announced November 2, 2016), and the partial delivery of a system to a leading producer of industrial and fuel alcohols (announced September 28, 2016).

Revenue from GEM condensate return systems increased 35.4%, mainly due to sales to a leading chemical producer as well as the fulfilment of orders from a further three sites of the Fortune 500 food and beverage company, which has already had a number of site conversions to GEM.

Gross profit increased 16.2% to \$2.4 million compared with \$2.0 million for the same quarter a year earlier. As a percentage of revenue, gross profit was 50.0% for the quarter compared with 49.7% for the same period last year. The increases both in dollar terms and as a percentage of revenue were due primarily to the strong increase in GEM revenues for the quarter.

Operating expenses were just under \$2.0 million compared with \$1.7 million for the fourth quarter of the year before. Despite additional costs associated with new technical and sales staff needed to grow the business, as well as increased advertising and promotional activities, operating expenses as a percentage of revenue were lower at 41.2% compared with 41.9% for the same period a year ago.

EBITDAS for the quarter increased 22.8% to \$463 thousand compared with \$377 thousand for the same period year earlier. Net income for the quarter increased 32.0% to \$354 thousand, up from \$268 thousand for the fourth quarter of fiscal 2016.

Fiscal Year 2017 Financial Review:

The Company had record high revenue for the fiscal year 2017. Revenue for the year was \$13.2 million, representing an increase of 6.4% over revenue of \$12.4 million for fiscal 2016. While heat recovery revenue was down 9.4%, GEM revenue increased 28.6% for the year.

Heat recovery revenue for the year included the substantial completion of installations at two major hospitals as well as the substantial completion of an extension project at another major hospital. Other projects included an installation at a global brewing company (announced August 8, 2016), an installation at a leading food products business (announced May 3, 2016), and a second equipment sale to a global mining company. In addition, an equipment sale to a leading producer of industrial and fuel alcohols (announced September 28, 2016) was partially complete by year end.

Higher GEM revenue for the year included an increase in orders from a leading performance materials company, orders from an international textiles manufacturer and a multinational biotech company (as reported in the press release dated September 20, 2016), plus two hospitals.

Gross profit increased 9.5% to a record high \$7.4 million compared with \$6.8 million the year before. As a percentage of revenue, gross profit increased to 56.4% from 54.8% in fiscal 2016. The higher gross profit and gross profit percentage were due primarily to the higher proportion of GEM sales during the period.

Operating expenses were \$6.9 million compared to \$6.5 million in fiscal 2016. Despite additional costs associated with new staff and marketing activities mentioned earlier, operating expenses as a percentage of revenue were essentially unchanged at 52.0% for the year, compared to 52.1% a year earlier.

EBITDAS increased 32.9% to \$750 thousand compared with \$564 thousand in the prior year. Net income increased 51.7% to \$393 thousand compared with \$259 thousand in the prior year.

Cash Resources and Working Capital:

As at May 31, 2017, the Company had working capital of \$1.4 million compared to just under \$1.0 million as at May 31, 2016. The Company's net cash position (cash and cash equivalents less bank loans) increased to approximately \$3.0 million from \$1.1 million as at May 31, 2016. In addition to its net cash balance, the Company also had an estimated \$435 thousand of unused borrowing capacity under its bank loans at the end of fiscal 2017.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on www.SEDAR.com and www.thermalenergy.com.

Recent Order and Backlog Summary:

Subsequent to year end, the Company had received orders totaling \$3.28 million from a leading Fortune 500 food and beverage customer, including a \$1.82 million heat recovery order (announced [July 6, 2017](#)) and a \$1.46 million "Super-Efficient Cogeneration™" project (announced [August 31, 2017](#)).

Also subsequent to year end, the Company had received \$244 thousand in GEM orders representing repeat business from a leading performance materials company. These orders had not been previously announced.

Including the above mentioned recent orders, the Company had an order backlog of approximately \$9.0 million as at September 22, 2017, compared to \$7.3 million when it reported fiscal 2016 results a year earlier. The Company includes in "order backlog" the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company's published quarterly financial statements.

About Thermal Energy International Inc.

Thermal Energy International Inc. is an established global supplier of proprietary, proven energy efficiency and emissions reduction solutions to the industrial 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, and [Dry-Rex®](#) - Low temperature biomass drying systems.

Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Germany, Italy and China. The Company'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, estimates and projections, the anticipated effectiveness of the Company's products and services and the timing of revenues to be received by the Company. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products and statements about the expected environmental effects and cost savings associated with the Company's products are forward looking statements. 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. 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. Additional heat recovery and GEM™ steam trap projects being developed by the Company may not result in orders for the Company's products. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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