



Thermal Energy Reports Record First Quarter Revenue with Growth of 45% and a Strong Order Backlog of \$7.8 million

OTTAWA, ONTARIO – October 23, 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 period ended August 31, 2017. All figures are in Canadian dollars.

Highlights:

- First quarter revenue increased 45.1% to \$3.1 million compared with \$2.1 million for the same quarter a year earlier;
- Gross profit for the quarter increased 4.3% to \$1.5 million compared to the first quarter last year;
- Net loss for the quarter was \$181 thousand versus a loss of \$80 thousand for the same period last year;
- The Company had an order backlog of \$7.8 million as at October 19, 2017.

“Following our record revenue for all of fiscal year 2017, we achieved record revenue again for the first quarter of fiscal 2018 with growth of 45.1%,” said William Crossland, CEO of Thermal Energy. *“Four hospital projects and the early stages of a project for our leading Fortune 500 food and beverage customer contributed to a strong increase in heat recovery revenue during the quarter. Also of significance during the quarter, we announced a \$1.46 million ‘[Super-Efficient Cogeneration™](#)’ heat recovery project with the same Fortune 500 food and beverage customer. Our order backlog remains strong at \$7.8 million, and we remain focused on executing our business plan, growing the company and capitalizing on the positive market outlook for industrial energy efficiency and emissions reduction solutions worldwide.”*

Summary Financial Results

In thousands except % data	3 months ended August 31, 2017	3 months ended August 31, 2016
Revenue	\$3,098	\$2,135
Gross profit	\$1,518	\$1,456
Gross margin	49.0%	68.2%
Operating expenses	\$1,738	\$1,491
EBITDAS	\$(186)	\$3
Net income (loss)	\$(181)	\$(80)

Q1 2018 Financial Review:

Revenue for the quarter increased 45.1% to \$3.1 million compared to \$2.1 million for the first quarter of last year. The increase was due to higher heat recovery systems revenue, which was up 168.6% for the quarter, and included the partial delivery of a system to a leading producer of industrial and fuel alcohols (announced September 28, 2016); the substantial completion of installations at four major hospitals; and the early stages of a project at a sixth site of a leading Fortune 500 food and beverage producer (announced July 6, 2017). While GEM revenue was down 19.0% for the quarter, it still represented the second best first quarter GEM revenue in the Company's history following last year's exceptionally strong first quarter during which GEM sales were up 57% over the prior year. GEM revenue for the most recent quarter included further orders from a leading performance materials company as well as the conversion of a site of a major pharmaceutical company.

Gross profit for the quarter increased 4.3% to just over 1.5 million. However, with a much higher proportion of revenue coming from heat recovery systems, gross profit as a percentage of sales fell to 49.0% from 68.2% for the same quarter a year ago.

Operating expenses for the quarter were \$1.7 million versus \$1.5 million for the same period last year. Approximately half of the increase relates to new sales and technical staff. Other factors contributing to the increase included, higher commissions payable due to the higher revenue; costs related to strategic growth initiatives; and, lower foreign exchange gains experienced in the quarter, due to a weaker pound sterling against the dollar. Despite these factors, operating expenses as a percentage of revenue fell to 56% for the quarter compared to 70% for the same period last year.

EBITDAS for the quarter was negative \$186 thousand, compared with EBITDAS of \$3 thousand in the first quarter of last year. The Company incurred a net loss of \$181 thousand for the quarter versus a loss of \$80 a year earlier.

Cash Resources and Working Capital

The Company had working capital of \$1.2 million as at August 31, 2017 compared to \$1.4 million as at May 31, 2017. The Company's net cash position (cash and cash equivalents less bank loans) was \$1.3 million as at August 31, 2017 compared to just under \$3.0 million as at May 31, 2017. In addition to its net cash balance, the Company also had an estimated \$220 thousand of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$1.5 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in fiscal 2018.

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/financial-reports.

Order and Backlog Summary

During the quarter, the Company 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](#)). While the Company received revenue during the first quarter for the early stages of the July 6th heat

recovery order, the remainder of the revenue for these two projects is expected to be earned during the current fiscal year.

Subsequent to quarter end, on [October 12, 2017](#), the Company announced that it had received a \$1.32 million heat recovery order from an existing hospital group customer. The revenue from this project is also expected to be earned during the current fiscal year.

The following notable GEM orders were also received during the quarter or subsequent to quarter end:

- \$351 thousand in repeat business from a leading performance materials company;
- \$189 thousand in repeat business from a leading vacation destination company;
- \$100 thousand from an industrial processor and packager of vegetable products.

Including the above mentioned orders, the Company had an order backlog of approximately \$7.8 million as at October 19, 2017, compared to \$7.8 million at the same time last year. 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 news 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 term "backlog" as used in this news release has the meaning given to it above and the Company's use of such term may not be comparable to "backlog" presented by other issuers who may define such term differently. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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