

Q1 FY2021 Review and Update

Last-twelve-months for the first quarter ending August 31, 2020



An Innovative Technology Company Providing Custom Energy and Emission Reduction Solutions

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Forward-looking statements

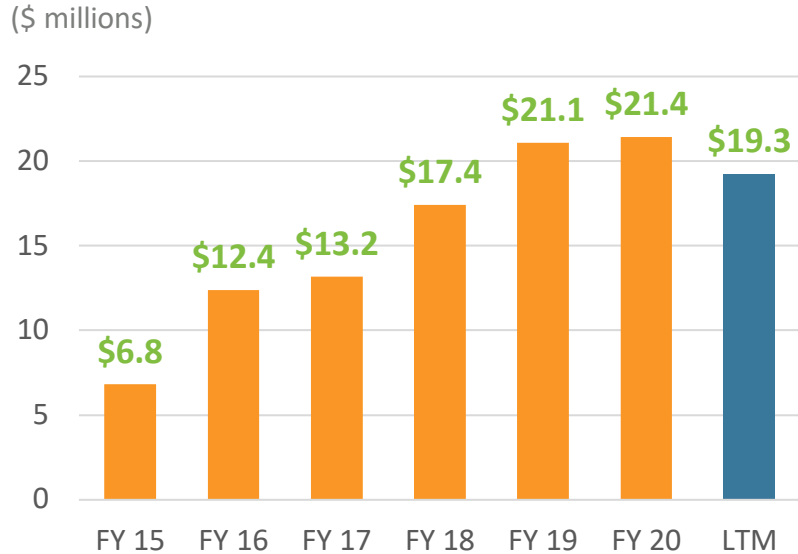
This presentation includes “forward-looking information”. For example, statements about the opportunities for repeat business; the possibility or expectation of additional orders; growth in existing markets; entry into new markets; order backlog; introduction of new products and services; establishment 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.

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The term “EBITDA” 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 EBITDA to Net income (loss), the closest IFRS measure.

Revenue

Annual and last twelve months for the first quarter ending August 31, 2020

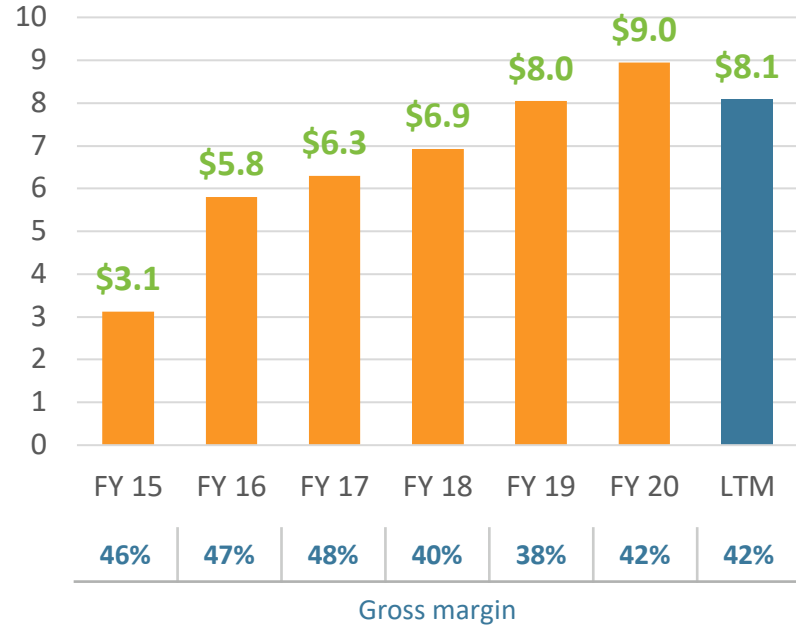


- 31% CAGR prior to COVID-19 global pandemic being declared in March 2020
- FY2020 (May 31) revenue still up despite COVID-19 global pandemic
- LTM revenue impacted by six months of COVID-19 global pandemic

Gross profit

Annual and last twelve months for the first quarter ending August 31, 2020

(\$ millions)

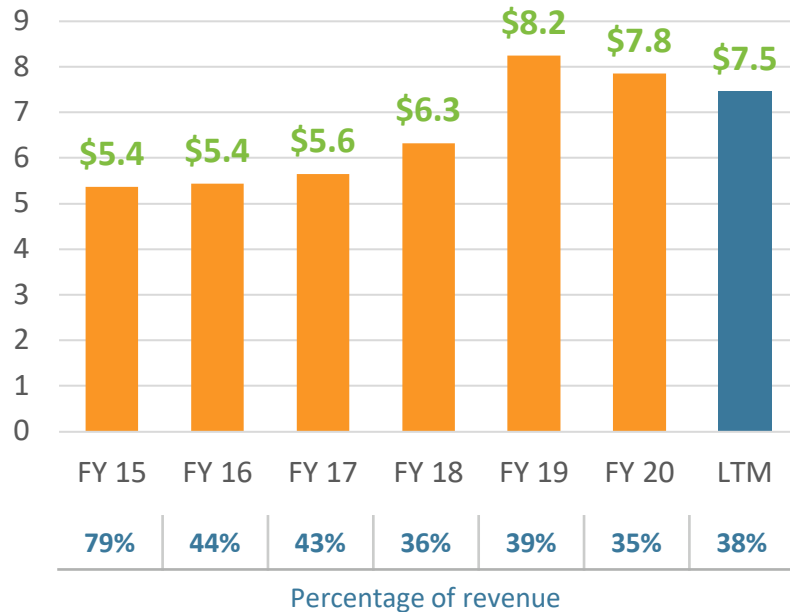


- Last twelve months (LTM) gross profit impacted by COVID-19 global pandemic
- LTM gross margin remained steady at 42%

Operating expenses

Annual and last twelve months for the first quarter ending August 31, 2020

(\$ millions)

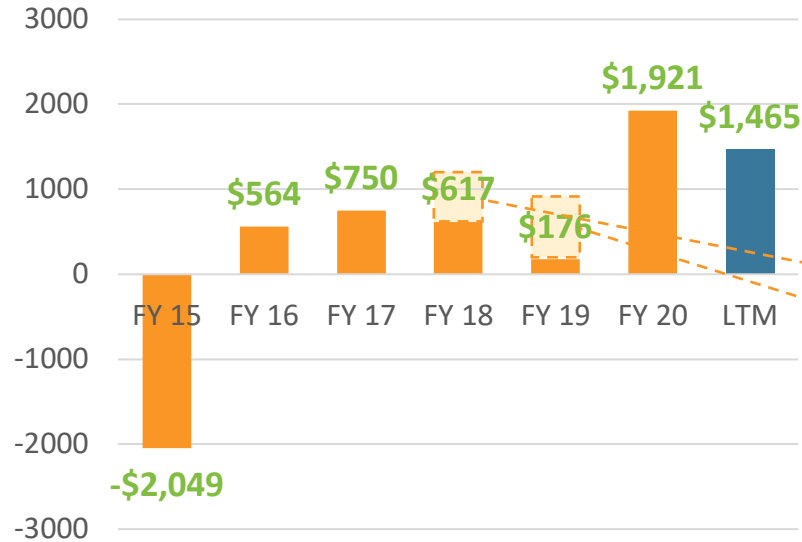


- FY2020 and LTM operating expenses down due to:
 - COVID-19 cost saving measures implemented
 - COVID-19 government wage subsidies
- Despite decreased revenue due to Covid-19, as a percent revenue, FY2020 and LTM operating expenses are less than FY2019

EBITDA

Annual and last twelve months for the first quarter ending August 31, 2020

(\$ thousands)



- After record EBITDA for FY2020, LTM is showing the impact of COVID-19

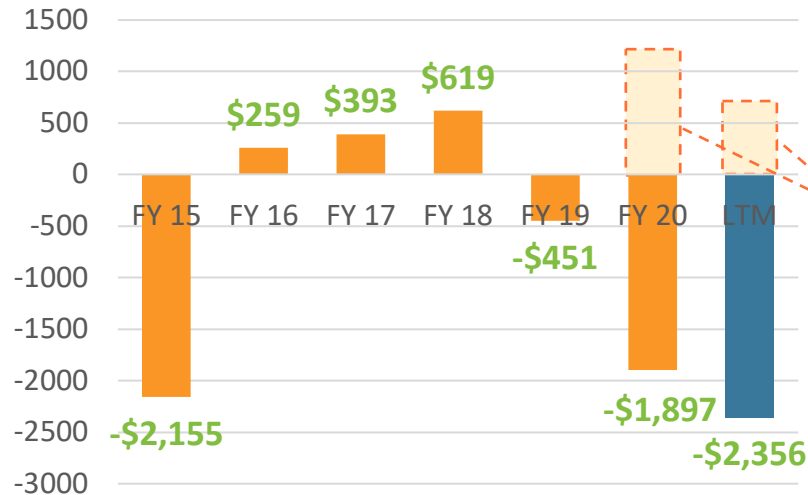
- Excluding the \$1.3 million in strategic growth-oriented investments made during FY2018 & FY2019 EBITDA would have been:

- FY2018: \$1.2 million
- FY2019: \$0.9 million

Net income

Annual and last twelve months for the first quarter ending August 31, 2020

(\$ thousands)

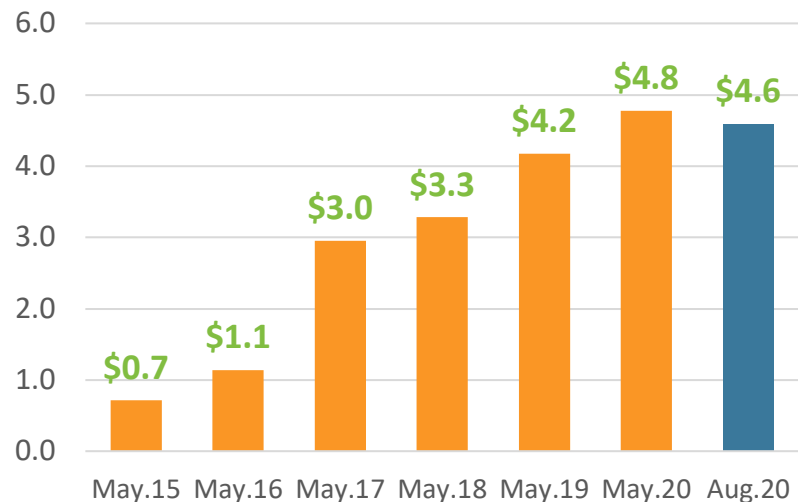


- FY2020 and LTM net loss impacted by a \$3.1 million non-cash write down of goodwill and other intangible assets
- Excluding the \$3.1 million in goodwill and other intangible assets write-offs FY2020 and LTM net income would have been \$1.2 million and \$705 thousand respectively

Cash position

Year end and first quarter ending August 31, 2020

(\$ millions)

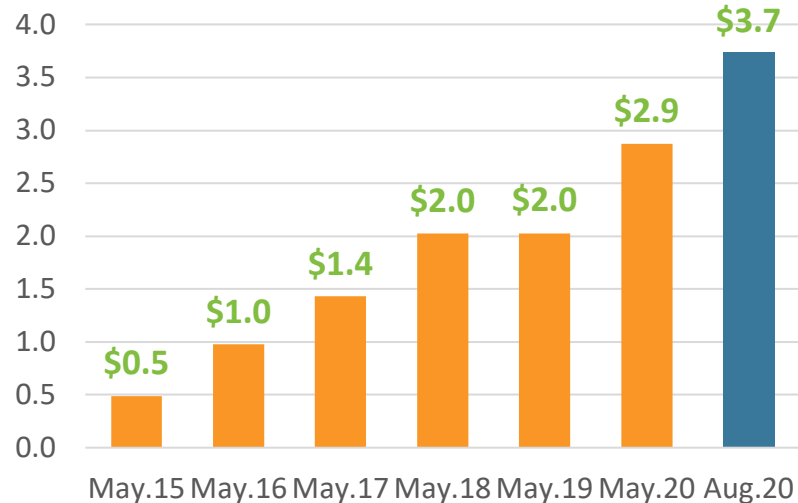


- Cash position remains strong and largely unchanged

Working capital

Year end and first quarter ending August 31, 2020

(\$ millions)

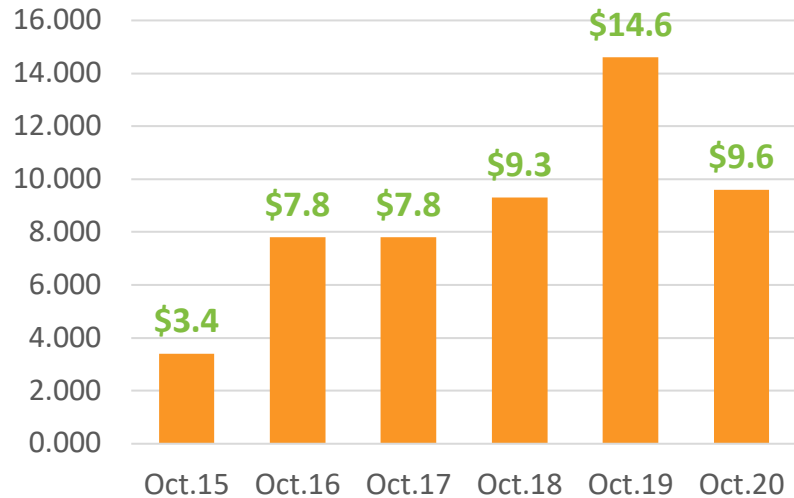


- Working capital position remains strong
- May 31, 2020 working capital was the strongest it had been in over 10 years
- August 31, 2020 working capital further benefited from a low interest government backed COVID-19 working capital loan

Order Book

Order backlog as of reporting date

(\$ millions)



- Order backlog has dropped since last year due to COVID-19 but remains the second-best October order backlog in company history
- While order backlog is lower:
 - Orders received for Q1 this year are
 - 74% higher than Q4 last year and
 - 43% higher than Q1 last year
 - Orders received since the beginning of this fiscal year (June 1) total \$8.7 million and are 64% higher than the same period last year

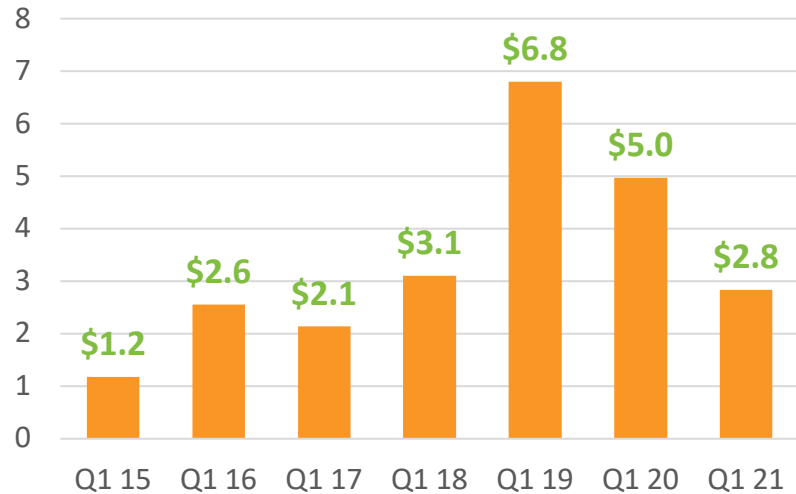
Q1 FY2020 Review and Update

First quarter ending August 31, 2020

Revenue

First quarter

(\$ millions)

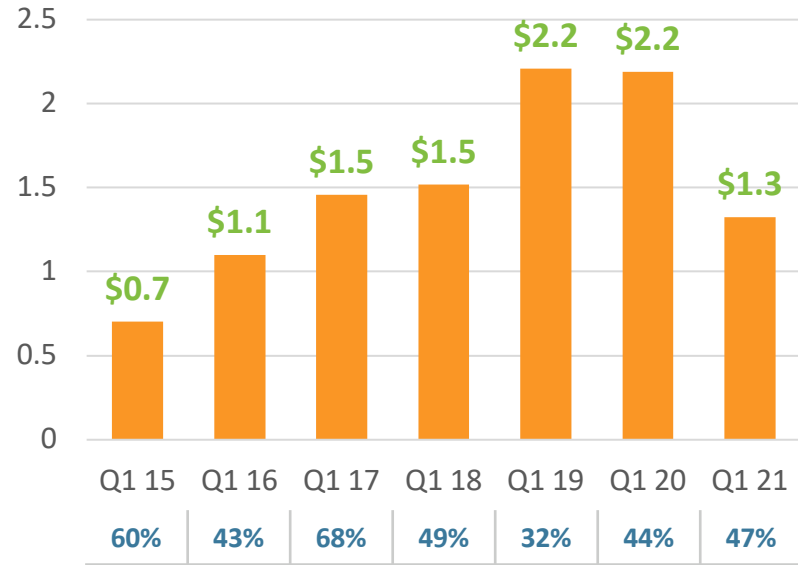


- Revenue down due to COVID-19

Gross profit

First quarter

(\$ millions)



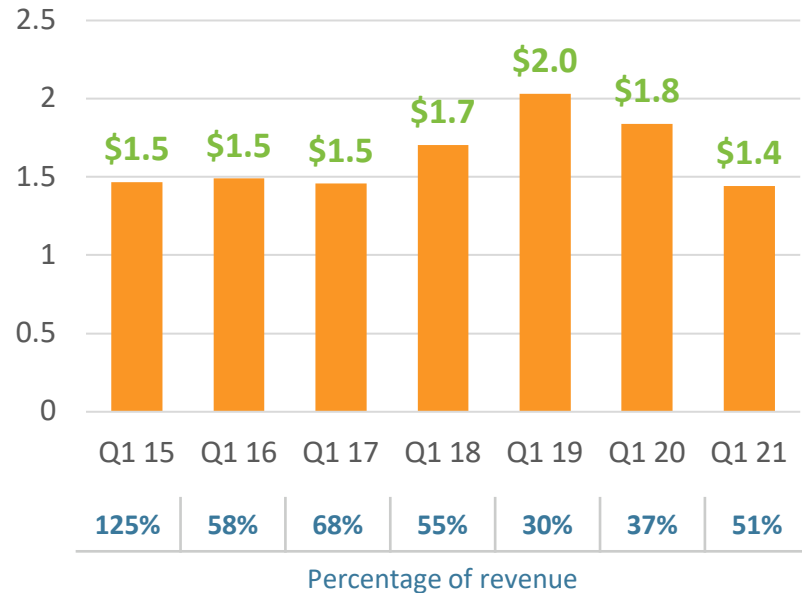
Gross margin percentages

- Gross profit down due to COVID-19
- Gross margin stable despite COVID-19

Operating expenses

First quarter

(\$ millions)

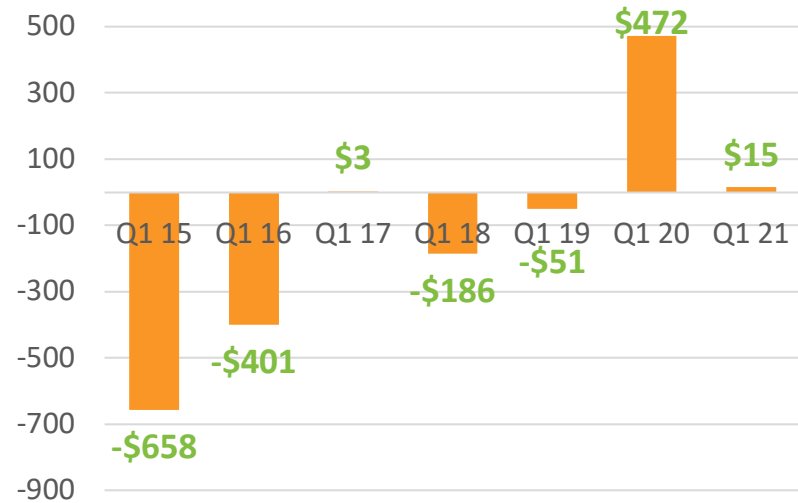


- Operating expenses down due to:
 - COVID-19 cost saving measures implemented
 - COVID-19 government wage subsidies

EBITDA

First quarter

(\$ millions)

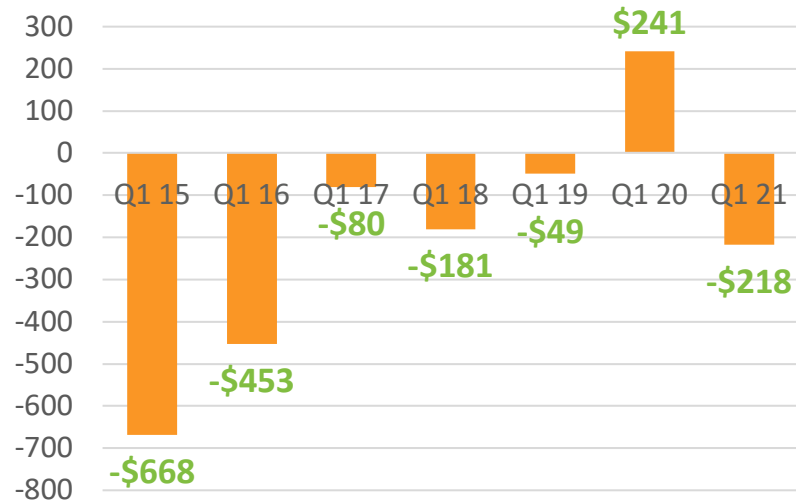


- EBITDA still positive despite COVID-19

Net income

First quarter

(\$ millions)



- Net income down due to COVID-19

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