

Thermal Energy International Announces Annual Financial Results

OTTAWA, ONTARIO – September 22, 2021 – Thermal Energy International Inc. (“[Thermal Energy](#)” or the “Company”) (TSX-V: [TMG](#), OTCQB: [TMGEF](#)), an innovative cleantech company and global provider of energy efficiency and emissions reduction solutions, has announced its financial results for the year ended May 31, 2021. All figures are in Canadian dollars.

Year-end financial highlights:

- **Revenue:** \$15.3 million for the year and \$3.8 million for the quarter, a 35% increase compared to the same quarter last year
- **EBITDA:** \$936 thousand year-to-date, \$(39) thousand for the quarter
- **Net Profit** of \$223 thousand for the year, net loss of \$106 thousand for the quarter.
- **Cash and working capital balances** remain strong at \$4.2 million and \$3.8 million respectively
- **Order intake** tracked well ahead of last year up 87.7% for the year and 88.3% for the quarter
- **Order backlog:** \$7.8 million up 117% from this time last year

“Despite the challenges presented by the global pandemic, we are emerging not only stronger and more refined, but remain tenacious in our approach to ‘build back better’ for TEI and its stakeholders.” Said [William Crossland](#), CEO of Thermal Energy.

“With corporate offices in three countries and employees in seven countries, we took full advantage of the slowdown period to streamline our processes and better align our global capabilities. We are already reaping the benefits of greater connectivity and collaboration as we proceed into the new normal. We also launched an extensive company-wide training and knowledge-sharing program which forms part of our ongoing commitment to upskilling our team. All these initiatives were designed to ensure the Company emerged from this period stronger and ready to respond to marketplace changes.”

“Despite the ongoing global pandemic, our GEM™ and HeatSponge product lines are already performing well ahead of pre-pandemic levels. Order intake this year for the Company’s proprietary GEM™ steam trap technology was the highest in the Company’s history and more than 25% greater than each of the last two years. Meanwhile, order value for HeatSponge products was also a record, 28% ahead of last year and 47% greater than the year before. We also moved into a new administrative, engineering and manufacturing facility in the United States. This new facility, two and half times bigger than the last facility, is designed to facilitate the US growth of all our product lines.

But of course, this year was not without its difficulties. Our turnkey solutions in particular were significantly impacted. Delivering our unique combination of proprietary products and solutions together with onsite engineering, design, and installation is very challenging when COVID-19 mitigation measures that restrict travel and on-site visitation are in place. In addition, given their size and complexity, the sales cycle for turnkey projects is extended as they not only require site specific design and development but must also align with the customers’ capital budgeting and production cycles.”

“However, despite these obstacles, the pipeline of turnkey projects that we are developing continues to track ahead of previous years. In addition, revenue for the fourth quarter was 35% ahead of last year and we have still generated positive net income for the year and EBITDA of almost \$1 million.”

“Overall, our order intake tracked significantly ahead of 2020 levels with quarterly and full year order intake up 88.3% and 87.7% respectively. This has resulted in an order backlog at end of the fourth quarter that is 117% more than this time last year.”

“We also continue to have a very strong financial position with cash and working capital balances of \$4.2 million and \$3.8 million respectively, indicating we are in a strong position to continue growing the business.”

“Given these record results from our BEI and GEM™ product categories, paired with the encouraging pipeline, order entry and order backlog, I am reassured by the combined strength of our diverse product portfolio and its ability to provide our customers with the solutions and support they need.”

“The high-profile and wide-spread demand to drive toward “net-zero” is intensifying pressure on global industries to decarbonize their operations. Governments and corporations alike are readjusting their carbon reduction and net-zero goals as citizens and consumers demand more be done to reduce carbon emissions.”

“Taking care to truly understand our customer’s production cycles and processes has enabled us to confidently deliver our energy savings time and time again, and help our customers achieve their carbon reduction goals. This will allow us to leverage existing customer relationships across a number of global markets, such as the hospitals and healthcare systems across Europe and North America and food and beverage, to name a few.”

“With a European hospital and healthcare customer, our high efficiency, low maintenance [GEM™](#) steam traps are already installed at three of the customer’s sites, and as of October 2020, our heat recovery units are now used at four of the five locations the organization manages. This would not have been possible without our unique understanding of the customer’s 24/7 running schedule and - in some cases - centuries old systems and internal structures.”

“In the case of a multinational food products corporation, just one year on from the installation of our first heat recovery unit, we received a second [FLU-ACE®](#) heat recovery system order reaching a combined project value worth \$2.3 million.”

“Leveraging existing customer relationships remains a key part of our growth strategy.”

Find further details on Thermal Energy’s Fiscal 2021 activities and initiatives by clicking [here](#). To receive all our news directly to your inbox please sign up [here](#).

Summary Financial Results

In thousand except % data	Three months ended May 31, 2021	Three months ended May 31, 2020	Twelve months ended May 31, 2021	Twelve months ended May 31, 2020
Revenue	\$3,766	\$2,791	\$15,349	\$21,416
Gross profit	\$1,352	\$1,428	\$6,751	\$8,954
Gross margin	35.9%	51.2%	44.0%	41.8%
Operating expenses	\$1,653	\$1,631	\$6,502	\$7,848
Net income (loss)	\$(106)	\$(2,953)	\$223	\$(1,897)
EBITDAS	(\$39)	\$31	\$936	\$1,921
Cash position	\$4,241	\$4,774	\$4,241	\$4,774
Working Capital	\$3,809	\$2,872	\$3,809	\$2,872
Orders received	\$5,451	\$2,895	\$18,840	\$10,038
Order backlog as of May 31	\$7,800	\$3,600	\$7,800	\$3,600

Fourth Quarter and Fiscal 2021 Financial Review

Quarterly revenue of \$3.8 million, up 35% from last year, delivered a gross profit of \$1.4 million. This resulted in a gross margin of 36%, compared to 51% for the same quarter prior year. Operating expenses incurred for the fourth quarter amounted to \$1.7 million. A net loss of \$106 thousand was incurred for the fourth quarter and EBITDA was \$(39) thousand.

Twelve months revenue was \$15.3 million, a 28% decrease compared to last year due to the ongoing global pandemic. Revenue from turnkey heat recovery systems, in particular has been negatively impacted by COVID-19 restrictions and mitigation measures and the resulting inability to visit customer sites. The increased gross margin of 44% this year, compared to 42% last year, is due to the change in product mix. Operating expenses decreased \$1.3 million, mainly due to \$1.2 million in government wage subsidies and support programs as well as other temporary cost saving measures. Despite the COVID-19 related reduction in revenue, the Company still generated positive EBITDA of \$936 thousand.

Working capital increased by \$0.9 million to \$3.8 million on May 31, 2021, compared to \$2.9 million on May 31, 2020. The increase in working capital is partially attributed to the receipt of a \$1 million COVID-19 related working capital loan during the first quarter, with a current interest rate of 3.45%, as well as the Company's positive operating cash flow before working capital changes. The Company's cash position remains strong at \$4.2 million as of May 31, 2021.

Business Outlook and Order Summary

The Company ended the year with an order backlog of \$7.8 million, compared to \$3.6 million in the previous year, order intake continues to be strong. Orders received during this year are 87.7% higher than orders received in the last year, and during the fourth quarter of this fiscal year we received 88.3% more orders than the same period last year.

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

A selection of recent orders includes:

1. \$900,000 equipment order for a Heat Recovery from a multinational food products corporation, announced September 14, 2021.
2. \$500,000 equipment order for a Heat Recovery biogas application from a leading global brewer in Russia, announced April 15, 2021
3. \$1,180,000 heat recovery project with a major US dairy group to reduce site's natural gas usage by 13% as well cut its annual CO² emissions by over 730 tonnes, announced March 17, 2021
4. \$1,000,000 heat recovery system for a multinational brewery, announced February 24, 2021.
5. \$770,000 heat recovery equipment order for a North American Hospital, announced January 19, 2021
6. \$1,530,000 heat recovery equipment and extension order for a large publicly funded European healthcare provider as announced October 27, 2020
7. \$840 thousand turnkey, energy-saving heat recovery system for a multinational food products corporation as announced on October 5, 2020
8. \$920,000 heat recovery system for one of Europe's largest food and drink groups as announced on August 18, 2020
9. \$950,000 energy efficient equipment and engineering for a plant upgrade project for a leading consumer protein company as announced on June 10, 2020.

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.html.

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Notes to editors

About Thermal Energy International Inc.

Thermal Energy International Inc., ranked as one of [Canada's Top Growing Companies](#) in 2020 and 2019, 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 many Fortune 500 and other leading multinational companies across a wide range of industry sectors.

Thermal Energy is 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 can 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, [HEATSPONGE](#) – Indirect contact condensing heat recovery systems, and [DRY-REX™](#) - Low temperature biomass drying systems.

Thermal Energy has engineering offices in Ottawa, Canada, Pittsburgh, USA, as well as Bristol, UK, with sales offices in Canada, UK, USA, 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 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, the timing of revenues to be received by the Company, the anticipated effects of COVID-19 on the business, backlog and revenue, the expectation that orders in backlog will become revenue and the anticipated benefits of the Company's current efforts at training and business improvement efforts. Information as to the amount of 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. 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. Any customer's willingness to purchase additional products from the Company and whether orders in the Company's backlog as described above will turn into revenue 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 Company disclaims any obligation to publicly update or revise any such statements except as required by law. 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.

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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