

## Thermal Energy International Announces Promising Increase in Order Intake in First Quarter Results

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OTTAWA, ONTARIO – October 29, 2020 – Thermal Energy International Inc. (“Thermal Energy or the “Company”) (TSXV: [TMG](#)), an innovative cleantech company and global provider of energy efficiency and emissions reduction solutions, has announced its financial results for the first quarter ended August 31, 2020. All figures are in Canadian dollars.

### First-quarter financial highlights:

- \$2.8 million in revenue
- 74% increase in orders received compared to the last quarter
- 43% increase in orders received compared to the same quarter of the prior year
- 47% gross margin, an increase of 3% from the same quarter of the prior year (44%)
- Quarter-end cash balances of \$4.6 million and working capital of \$3.7 million

“Our first quarter of this new financial year is representative of the challenge facing many organizations across the world as we all navigate the impact the current global pandemic is having on businesses and the economy,” said William Crossland, CEO of Thermal Energy.

“Like many companies, we anticipated that COVID-19 would, and will continue to, have a negative effect on operations and revenues. This was shown most clearly during the fourth quarter last year and into the first half of this quarter. Since that time, we have seen a rebound in activity and orders.

“Thermal Energy prides itself on providing a tailored, best-in-class product and service, which often relies on detailed site surveys gathered from facility visits. Therefore, during the fourth quarter of last year and the first half of this quarter, when such visits were restricted, our business activity slowed. Many projects, where installation was already underway, were temporarily put on hold and there was also a reduction in the level of new opportunities we could advance without being able to access sites.

“This was particularly the case for turnkey Heat Recovery projects which require onsite engineering, design and installation. However, our other product categories such as [GEM™](#) and traditional [HEATSPONGE](#) equipment sales, which require less site presence to sell and implement, have performed consistently throughout 2020.

“Now, with the easing of travel restrictions, and sites reopening, with social distancing and other mitigation measures in place, we are seeing an influx of orders across all product categories. During the first quarter of FY2021, orders received of \$5.1 million are 74% ahead of the final quarter of FY2020 and 43% higher than the same quarter last year.

“An additional \$3.6 million in orders has been received since August 31, 2020, double the \$1.8 million received during the same period last year. This means that since the beginning of FY2021 we have received \$8.7 million in orders, 64% more than the \$5.3 million received during the same period last year.

“With growing global interest in a “build back better” approach, businesses are looking to energy efficiency as a way of reducing carbon emissions and fuel use, minimizing costs, and maintaining production levels. This, together with an ever-growing demand from both consumers and legislators to limit emissions and safeguard the environment, means we are well positioned to continue providing our customers solutions and support and grow our business.

“Internally, the slowdown provided a unique opportunity for us to improve connectivity, communication capabilities, and remote collaboration, making our team more virtually accessible and streamlining processes. As a multinational company with corporate offices in three countries and employees spread across seven counties, these efficiency enhancements are not only valuable now but will continue to benefit the company going forward. In addition, given the large number of new employees, products and applications added over the last few years, we launched a company-wide training and knowledge-sharing program which forms part of an ongoing commitment to upskill our team. All of these initiatives are designed to ensure the Company emerges from this period stronger and ready to respond to marketplace changes.

“As we enter the next quarter of FY2021, our strategic use of the slowdown has placed us in a strong strategic position going forward. We have quarter-end cash balances of \$4.6 million and working capital of \$3.7 million. In addition, we have an upskilled team, postponed projects are now being restarted and our order intake levels are growing.

“While we are mindful that these are unprecedented and difficult times with much uncertainty ahead, I am confident in Thermal Energy’s ability to continue to provide our customers with the best possible solutions to their energy efficiency and emissions reduction needs.”

## Summary Financial Results

In thousands except % data	3 months ended August 31, 2020	3 months ended Aug 31, 2019
Revenue	\$2,828	\$4,966
Gross profit	\$1,324	\$2,191
Gross margin	46.8%	44.1%
Operating expenses	\$1,442	\$1,836
Net profit (loss)	(\$218)	\$241
EBITDA	\$15	\$472
Orders received	\$5,050	\$3,524
Order backlog as at August 31:	\$ 6,000	\$12,800

(Certain figures from prior periods have been adjusted to conform to the current period presentation.)

For further details, visit Thermal Energy’s First Quarter Fiscal 2021 Financial Summary presentation here: [www.thermalenergy.com/presentations.html](http://www.thermalenergy.com/presentations.html)

## First Quarter and Fiscal 2021 Financial Review

Quarterly revenue was \$2.8 million, delivering a gross profit of \$1.3 million – reduced by 40%, compared to the same quarter last year. This resulted in a gross margin of 46.8%, compared to 44.1% for the same quarter prior year. Operating Expenses incurred for the quarter-end amounted to \$1.4 million. This decrease was mainly due to the cost savings achieved through cost control measures and the government wage subsidies of \$408,563 recognized as a reduction to operating expenses in Q1 2021.

A net loss of \$218 thousand was incurred for the quarter ended August 31, 2020, compared to a net profit of \$241 thousand for the quarter ended August 31, 2019.

Reported quarterly EBITDA is \$15 thousand this quarter, compared to \$472 thousand last year for the same quarter last year.

Working capital increased by \$0.8 million to \$3.7 million at August 31, 2020, compared to \$2.9 million at May 31, 2020. The Company's net cash position was \$4.6 million as of August 31, 2020, compared to \$4.8 million at May 31, 2020. The increase in working capital is largely attributed to the receipt of a \$1 million Covid related working capital loan during the quarter, with a current interest rate of 3.45%.

## Business Outlook and Order Summary

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While the Company ended the quarter with an order backlog of \$6 million, compared to \$12.8 million for the same quarter in previous year, since quarter end the Company has received an additional \$3.6 million in new orders and orders received since the beginning of this fiscal year now total \$8.7 million, 64% more 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:

- \$1,530,000 heat recovery equipment and extension order for a large publicly funded European healthcare provider
- \$105,119 paid engineering study for a leading provider of environmental, energy and industrial services in North America
- \$115,689 GEM™ steam traps order for a gas processing plant in United Arab Emirates to help the site continue to reduce its maintenance requirement
- \$307,298 heat recovery equipment order for a Canadian Hospital
- \$146,555 heat recovery equipment order for a family-owned American lumber company
- \$112,981 order for GEM™ steam traps from a international Tires producer
- \$129,531 site survey and failed steam trap GEM™ replacement project for a multinational pharmaceutical and biopharmaceutical company
- \$101,000 GEM™ steam trap order from leading supplier of yarns
- \$840,000 heat recovery equipment order from a multinational food products corporation, announced October 6, 2020
- \$236,000 GEM™ steam trap order from a major fruit products processor
- \$242,000 order for low maintenance GEM™ steam traps from a major grain and cereal processor
- \$118,000 follow up GEM™ steam trap order from a globally recognized Tire Manufacturer
- \$920,000 "Bolt-on" CHP FLU-ACE® heat recovery solution for a leading Food Group, announced August 18, 2020
- \$262,000 GEM™ steam trap order from a multi-national pharmaceutical company
- \$121,000 HEATSPONGE order from a major hospital chain
- \$181,000 HEATSPONGE order from a US government organization
- \$950,000 heat recovery equipment order from a consumer protein company, announced June 10, 2020
- \$195,000 HEATSPONGE order from a leading national research university

Full financial results including Management’s Discussion and Analysis and accompanying notes to the financial results, are available on [www.SEDAR.com](http://www.SEDAR.com) and [www.thermalenergy.com/financial-reports.html](http://www.thermalenergy.com/financial-reports.html).

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## Notes to editors

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### 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 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, [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](http://www.thermalenergy.com) and follow us on Twitter at [twitter.com/GoThermalEnergy](https://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](http://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](http://www.SEDAR.com) for more details about these non-IFRS financial measures.

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