

Thermal Energy International Announces Record Revenue and Profit

OTTAWA, ONTARIO – May 27, 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 third quarter ended February 29, 2020. All figures are in Canadian dollars.

Third quarter and year-to-date highlights:

- Quarterly revenue increased 87% (\$2.7 million) compared to last year
- Year to Date revenue is \$18.6 million, up 23% from year prior, to record level
- Year to Date EBITDA and net profit of \$1.9 million and \$1.1 million are also at record levels and more than \$2 million higher than last year
- Last twelve months revenue, EBITDA and net income, at \$24.6 million, \$2.9 million and \$1.7 million respectively, are the highest ever reported by the Company
- Cash balances are \$3.8 million and working capital at \$2.8 million is the highest it has been in over ten years

“The third quarter was an extremely encouraging and exciting quarter for Thermal Energy. After our previous record breaking results, quarter three has further demonstrated how our growth strategy and investments across the business have delivered results – achieving the highest Year to Date and Last Twelve Months revenue and profit in the Company’s history” said William Crossland, CEO of Thermal Energy.

“These quarterly figures have contributed to our standout Year to Date results, with both revenue and profitability up significantly. Revenue continued to grow in the third quarter, giving the Company a Year to Date figure of \$ 18.6 million – up \$3.5 million (23%) compared to the nine month point of FY2019. In terms of profit, Year to Date net income was \$1.1 million with EBITDAS at \$1.9 million. These figures are more than \$2 million higher than last year for the same time period and have helped the Company accumulate working capital of \$2.8 million – a ten year high.”

“Looking at the Last Twelve Months, revenue at the end of the third quarter was the highest it has ever been, and EBITDA and net income are more than double the previous twelve-month record.”

“Our positive results for the quarter are particularly reassuring now that we are in the midst of a period of uncertainty caused by the Covid-19 pandemic. While most of our clients are essential businesses and continue to operate, travel restrictions, social distancing, and other mitigation measures are having an impact on order backlog and revenue.”

“Thermal Energy prides itself on providing a tailored, best-in-class product and service which often relies on detailed site surveys and facility visits. Therefore, during a time when such visits are restricted, our business activity has slowed and many of the projects have been delayed.”

“Despite the Covid-19 slowdown we are continuing to fully support our staff, customers, and suppliers. We have maintained our pre-pandemic staff levels, full product production, and our project development capabilities. After three years of strong revenue growth and staff additions, we are using the current slowdown as a unique opportunity to look inward at systems, processes, and initiatives designed to increase our longer-term productivity and profitability. This includes an extensive company-wide upskilling and training plan, technology upgrades, and various R&D projects. The

recent events have acted as a catalyst to improve connectivity, communication capabilities, and remote collaboration. We have accelerated plans to implement new systems designed to make our team more virtually accessible. By enhancing in this way, we are not only responding to the current circumstances, but also preparing for an altered state of business in the future.”

“This approach will ensure the Company emerges from this challenging period in as strong a position as possible to be able to meet any accumulated demand for increased energy efficiency. As our latest results show, from a financial standpoint we entered the final quarter in a strong position with solid cash reserves, and by taking these initiatives now, we have a clear roadmap forward.”

Summary Financial Results

In thousand except % data	Three months ended Feb 29, 2020	Three months ended Feb 28, 2019	Nine months ended Feb 29, 2020	Nine months ended Feb 28, 2019
Revenue	\$5,812	\$3,115	\$18,626	\$15,109
Gross profit	\$2,417	\$1,143	\$7,526	\$4,924
Gross margin	41.6%	36.7%	40.4%	32.6%
Operating expenses	\$1,942	\$1,982	\$6,217	\$5,967
Net profit (loss)	\$430	(\$889)	\$1,056	(\$1,051)
EBITDA	\$709	(\$734)	\$1,890	(\$853)
Order backlog as at:				
February 29/28	\$3,400	\$10,600	\$3,400	\$10,600

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

For further details, visit Thermal Energy’s Third Quarter and Year to Date Fiscal 2020 Financial Summary presentation here: www.thermalenergy.com/presentations.html

Third Quarter and Year to Date Fiscal 2020 Financial Review

Quarterly revenue was \$5.8 million, delivering a gross profit of \$2.4 million - up 111% compared to the same quarter last year. This resulted in a gross margin of 41.6%. Quarterly EBITDA is reported at \$709 thousand this year compared to a negative \$734 thousand last year, an increase of \$1.4 million.

Net income for the nine months ending February 29, 2020 was \$1.1 million, compared to a net loss of \$1.1 million for the same period the year prior. Operating Expenses for the Year to Date total \$6.2 million.

Working capital increased by \$759 thousand to \$2.8 million at February 29, 2020 compared to \$2.0 million at May 31, 2019. The Company’s net cash position was \$3.8 million as of February 29, 2020, compared to \$4.2 million at May 31, 2019.

Business Outlook and Order Backlog Summary

The Company ended the quarter with an order backlog of \$3.4 million compared to \$10.6 million 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.

Given the Covid-19 pandemic, many of our projects under development and some of those already in progress have been delayed. Projects already in progress that have been delayed include:

- A project to improve energy efficiency for a leading multinational animal nutrition and agricultural products company, announced in March 2019;
- A project to implement an extensive HeatSponge heat recovery project for a US dairy group, announced in March 2019; and
- A project to install a high-efficiency heat recovery system for a leading European brewer announced August 2019.

Also, on October 16, 2019, the Company announced a \$738,000 order from a meat processing company. After work started on the project the customer decided to make some major modifications to its boiler plant which made the planned project with Thermal Energy not practical at this time. As a result, the customer elected to cancel the order, paying Thermal Energy for the work done to date. This order has therefore been removed from the order backlog, but the Company continues to work with the customer to develop alternate projects.

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 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 a large number of 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, U.K., 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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