

Thermal Energy International Announces Record Revenue, EBITDA, and Cash Flow for the Year

OTTAWA, ONTARIO – September 23, 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 year ended May 31, 2020. All figures are in Canadian dollars.

Year-end financial highlights:

- \$21.4 million revenue, 2% increase from year prior (26% CAGR since 2015)
- 11% increase in gross profit (24% CAGR since 2015)
- Gross margin increased to 42% from 38% last year
- EBITDA of \$1.9 million was an improvement of \$1.7 million compared to \$176 thousand last year
- Net loss for the year was \$1.9 million due to a \$3.1 million non-cash write-down of goodwill and other intangible assets
- Net income excluding the 3.1 million non-cash write-down was \$1.2 million, a \$1.6 million improvement over last year
- Net cash provided by operating activities before changes in working capital totalled \$1.5 million, up \$1.5 million compared to \$9 thousand last year
- Year-end cash balances of \$4.8 million and working capital of \$2.9 million represent the highest year-end levels in over ten years

“The last 12 months have been unprecedented in company history. Several consecutive quarters of record-breaking results allowed us to enter the final and most challenging quarter in the strongest possible position.” said William Crossland, CEO of Thermal Energy.

“Like many companies, we anticipated that the COVID-19 pandemic would, and will continue to, have a negative impact on revenues and order backlog. This is shown most clearly by the fourth quarter of the year delivering reduced revenue of \$2.8 million, a decrease of 53% compared to same quarter last year.”

“While the final quarter dipped below normal expectations, the Company ended the financial year with revenue of \$21.4 million, delivering growth of 2% from the year prior. Gross profit has also increased by 11%, despite recent challenges in the economy. These figures from our latest fiscal year are a significant reminder of the robust nature of the industry and overall value attributed to cleantech solutions.”

“Given the period of uncertainty caused by the COVID-19 pandemic, a \$3.1 million non-cash write-down of intangible assets and goodwill was taken in the quarter. Excluding the \$3.1 million non-cash write-down, net income would have been \$1.2 million for the year, a significant record for the company.”

“Although some uncertainty continues, travel restrictions have eased and many sites are opening back up with social distancing, and other mitigation measures in place. 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 slowed with some projects delayed.”

“However, with businesses coming under increasing pressure to weather these difficult times, a growing number are looking to energy efficiency as a way of reducing fuel usage, minimizing costs, and maintaining production levels. Partnered with an ever-present demand from both consumers and legislators to limit emissions and safeguard the environment, this presents an opportunity for cleantech providers, like Thermal Energy.”

“This trend is reflected in our total orders received since the beginning of the new fiscal year, June 1, 2020, of \$5.7 million – significantly better than the same period in each of the last two years. Furthermore, in recent weeks we have received orders totalling more than \$900 thousand for our high efficiency, low maintenance [GEM™](#) steam traps for various facilities across the globe.”

“Internally, we utilized the slowdown as a unique opportunity to improve connectivity, communication capabilities, and remote collaboration to make our team more virtually accessible and streamline processes. We also accelerated plans to improve our systems by integrating new technologies which allow our business to operate more efficiently. In addition, we launched a company-wide training and knowledge-sharing program which forms part of an ongoing commitment of upskilling our team. All of these initiatives are designed to improve the efficiency and scalability of the business and ensure the Company emerges from this period stronger than ever and ready to respond to any changes in the marketplace.”

“As we enter the next financial year, we have a clear roadmap forward. With year-end cash balances of \$4.8 million and working capital of \$2.9 million, each of which represent the highest year-end levels in over 10 years, we are strategically positioned to emerge from this challenging period in a strong position.”

Summary Financial Results

In thousands except % data	3 months ended May 31, 2020	3 months ended May 31, 2019	12 months ended May 31, 2020	12 months ended May 31, 2019
Revenue	\$2,791	\$5,975	\$21,416	\$21,083
Gross profit	\$1,428	\$3,117	\$8,954	\$8,041
Gross margin	51.2%	52.2%	41.8%	38.1%
Operating expenses	\$1,631	\$2,280	\$7,848	\$8,247
Net profit (loss)	\$(2,953)	\$600	\$(1,897)	\$(451)
EBITDAS	\$31	\$1,029	\$1,921	\$176
Order backlog as at:				
May 31	\$3,600	\$14,000	\$3,600	\$14,000

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

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

Fourth Quarter and Fiscal 2020 Financial Review

Quarterly revenue was \$2.8 million, delivering a gross profit of \$1.4 million – reduced by 53% compared to the same quarter last year. This resulted in a gross margin of 51.2% which was reduced

by 1% compared to same quarter in prior year. Reported quarterly EBITDA is \$31 thousand this year compared to \$1 million last year for the same quarter.

A net loss of \$1.9 million was incurred for the year ended May 31, 2020, compared to a net loss of \$0.5 million for the prior year. Operating Expenses incurred for the year-end amounted to \$7.8 million.

Working capital increased by \$844 thousand to \$2.9 million at May 31, 2020 compared to \$2.0 million at May 31, 2019. The Company's net cash position was \$4.8 million as of May 31, 2020, compared to \$4.2 million at May 31, 2019.

Business Outlook and Order Summary

The Company ended the year with an order backlog of \$3.6 million compared to \$14 million last year, however since year end the Company has received \$5.7 million in new orders, 35.7% higher 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:

- \$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
- \$482,000 GEM™ steam trap order to improve reliability at a globally recognized Tire Manufacturer, announced November 18, 2019

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 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 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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