

## Thermal Energy International Announces Strongest First Quarter Profit in Company's History

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OTTAWA, ONTARIO – October 30, 2019 – Thermal Energy International Inc. (“Thermal Energy or the “Company”) (TSXV: [TMG](#)), an innovative cleantech company and global provider of proprietary, energy efficiency and emissions reduction solutions, has announced its financial results for the first quarter ended August 31, 2019. All figures are in Canadian dollars.

### Highlights:

- 13% increase in gross profit to \$2.2 million, compared with the first quarter of FY2019
- Strongest first quarter in Company's history as evidenced by:
  - EBITDAS of \$472 thousand; and,
  - Net income of \$241 thousand
- Record \$12.8 million order backlog – 75% higher than it was at the same period last year

“Record profitability and order backlog, in the first quarter of our new financial year provides encouraging evidence that our strategy, of progressing from a period of investing in future growth, to one of increased revenue and profitability, is working well.” said William Crossland, CEO of Thermal Energy.

“Over the last two years we have invested aggressively in all areas of the business including sales, engineering, operations and marketing. We were also proactive in expanding our geographical footprint to include key markets such as Germany, Poland, Texas and the US Gulf Coast. With these sorts of investments normally expected to take at least one to two years to bear fruit, we are now seeking to fully optimize them and maximize the benefit to further grow revenues, strengthen profit margins and deliver ROI.”

“Due to the nature of our business, quarterly gross profit can be easily impacted by project and product mix. In the first quarter last year, results were greatly influenced by the \$11 million heat recovery project with Resolute Forest Products, announced December 2017. For the first quarter this year, with the Resolute project complete, revenue is lower but gross profit and net income are both up. Not only that, but the order backlog is significantly higher compared to last year, and showcases a much wider variety of projects across sectors and geography. Importantly, this demonstrates our success at diversifying as a means of maintaining our trajectory.”

“As of August 31<sup>st</sup>, our order book stood at \$12.8 million. This value is 75% higher than that of the same period the year prior. Since beginning this quarter, we have secured new orders with an infant milk producer – further cementing a relationship with the multinational umbrella brand; an international household name brewery; and a leading European meat processing facility. Through these projects, as well as others, we've grown the overall value of orders with revenue yet to be recognized to \$14.6 million as of October 24<sup>th</sup>.”

“In a recent independent ranking by Canada's The Globe and Mail, Thermal Energy was listed as one of the country's top growing companies. I see this as further confirmation of how our disciplined strategy and unique offering in an engaging market is driving our revenue and profitability growth.”

## Summary Financial Results:

In thousands except % data	3 months ended Aug 31, 2019	3 months ended Aug 31, 2018
Revenue	\$4,966	\$6,801
Gross profit	\$2,191	\$1,946
Gross margin	44.1%	28.6%
Operating expenses	\$1,836	\$2,032
Net profit (loss)	\$241	\$(49)
EBITDAS	\$472	\$(51)
Order backlog as at:		
August 31	\$12,800	\$7,300

For further details, visit Thermal Energy's First Quarter Fiscal 2020 Financial Summary presentation here: [www.thermalenergy.com/presentations.html](http://www.thermalenergy.com/presentations.html)

## First Quarter of Fiscal 2020 Financial Review:

Quarterly revenue was \$5.0 million delivering a gross profit of \$2.2 million up 13% compared to the first quarter last year. This resulted in a gross margin of 44.1%, an increase of 54% compared to the same period last year. Both revenue and gross profit in the first quarter last year were heavily influenced by the Resolute project. This year revenue and gross profit was delivered by a larger number of diverse projects.

Operating Expenses for the quarter totalled \$1.8 million. This is a decrease of 10%, or \$195,924, compared to the same quarter of FY2019. Excluding the impact of foreign exchange, as well as transaction expenses related to the acquisition of Boilerroom Equipment in the first quarter last year, Operating Expenses were largely unchanged from last year.

Net income for the first quarter this year was \$241,261 compared to a net loss of \$49,458 for the first quarter the year prior, while EBITDAS has been reported at \$471,786 this year compared to a negative \$50,736 last year.

Working capital was increased by \$93,874 to \$2.1 million at August 31, 2019 compared to \$2.0 million at May 31, 2019. The Company's net cash position was \$5.6 million as at August 31, 2019 compared to \$4.2 million at May 31, 2019, representing an increase of \$1.4 million.

## Business Outlook and Order Backlog Summary

The Company ended the quarter with an order backlog of \$12.8 million compared to \$7.3 million last comparable quarter, 75% higher than same time last year.

The Company defines its order book or 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. These include:

- Five separate heat recovery projects within the food and beverage industry, the value of which totals over \$7.7 million, announced between December 2018 and October 2019
- A \$1.4 million project improving efficiency and reducing emissions at an infant milk processing plant, announced August 2019
- A \$2.3 million order to improve energy efficiency for a leading multinational animal nutrition and agricultural products company, announced March 2019
- A \$1.8 million order to implement an extensive HeatSponge heat recovery project for a US dairy group, announced March 2019
- A \$1.3 million order to implement a water recovery system as part of an ongoing sustainability drive for a leading Fortune 500 food and beverage company, announced October 2018
- A \$960,000 order to design and implement a company-wide resource productivity and sustainability initiative for a leading speciality chemicals producer, announced November 19, 2018
- A \$850,000 order to supply a heat recovery system to a top 10 global tissue company, announced April 1<sup>st</sup>, 2019

This order book continues to grow, in terms of both number of orders in and order value. As of October 24<sup>th</sup>, 2019, the order backlog reached a record \$14.6 million.

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 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 also 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](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 and the timing of revenues to be received by the Company. 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 or potential future results of the Company, the Company's ability to grow revenues, strengthen profit margins and deliver ROI, the Company's backlog, 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. Statements about the Company's potential future results and its ability to grow revenues, strengthen profit margins and deliver ROI are based on management's own estimates and assumptions, which are subject to many risks and unknowns. The assumptions underlying management's expectations about future results may turn out to be incorrect and many other factors could cause such results to be worse than anticipated or could prevent the Company from achieving the anticipated results in the time frame anticipated, or at all. 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 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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