

Financial Overview & Commentary

Financial Year 2021: Quarter two



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Thermal Energy International

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This presentation includes “forward-looking information”. For example, statements about the opportunities for repeat business; the possibility or expectation of additional orders; growth in existing markets; entry into new markets; order backlog; introduction of new products and services; establishment and growth of new distribution channels; growth opportunities and strategies; conversion of existing orders into revenues; are all forward looking information. Such forward looking information reflects Thermal Energy International’s (“TEI”) current expectations with respect to future events and are based on information currently available to management. Forward-looking information involves significant known and unknown risks, uncertainties and assumptions. For example, existing and new customers may not place orders for any number of reasons; 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 TEI’s control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated; TEI may not be successful in identifying and developing new products and our new or existing products may not result in new orders or gain acceptance in new geographical or industrial markets; we may not be successful in establishing new distribution channels or such new channels may not be successful; our growth strategies may not be successful or result in the anticipated growth and orders received by TEI may not turn into revenue in the time frame anticipated, or at all, due to many factors, some of which are outside of TEI’s control, including but not limited to TEI’s ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. Readers are also referred to the risk factors outlined in our management’s discussion and analysis available at www.SEDAR.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking information contained in this presentation.

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The term “EBITDA” as used in this presentation is not a recognized measure under IFRS, does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. This measure is provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective and should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to our management’s discussion and analysis for the applicable period for a reconciliation of EBITDA to Net income (loss), the closest IFRS measure.

Currency

All financial information in this report is stated in Canadian Dollars, which is both the presentation and functional currency of the Company. Approximately 36% our operations, assets and liabilities are denominated in British Pound Sterling and 26% in US Dollar. As such, foreign currency fluctuations affect the reported values of individual lines on our statement of financial position and income statement. When the Canadian dollar strengthens, the reported values decrease, and the opposite occurs when the Canadian dollar weakens.

All commentary and insights provided by William Crossland, CEO Thermal Energy International

CEO Financial Overview and Commentary

The Q2 financial results are extremely encouraging, with rebounding revenue and profitability and continued strength in order intake.

Highlights:

- Q2 Revenue and profitability rebounds strongly from earlier COVID impacted periods
 - Revenue of \$5 million up 78% compared to Q1
 - Net profit of \$580 thousand, compared to \$218 thousand net loss in Q1
- Strong financial position - quarter-end cash balances of \$4.9 million and working capital of \$4.2 million
- Order intake continues to track significantly ahead of last year – up 103% compared to Q2 last year and up 66% on a year-to-date basis

Quarter two produced stand out results, with revenue significantly ahead of the previous two quarters and with profitability better than the last two quarters and the same quarter last year. This was due, in part, to the build-up of demand during a time where we had limited access to customer sites.

The growth in order intake and revenue demonstrates a growing global commitment to a ‘build back better’ approach as well as our ability as a company to meet surges in demand, as we all continue to navigate these challenging times.

As organizations focus on energy efficiency as a way of not only reducing carbon emissions but of decreasing fuel use, minimizing costs, and maintaining production levels, we are well-positioned to continue to provide our customers with the solutions and support they need to grow their businesses.

- William Crossland, CEO,
Thermal Energy International

Quarterly Analysis

By calculating the average quarterly results for the four quarters ending Feb 29, 2020 we are better able to compare recent results with those pre-COVID.

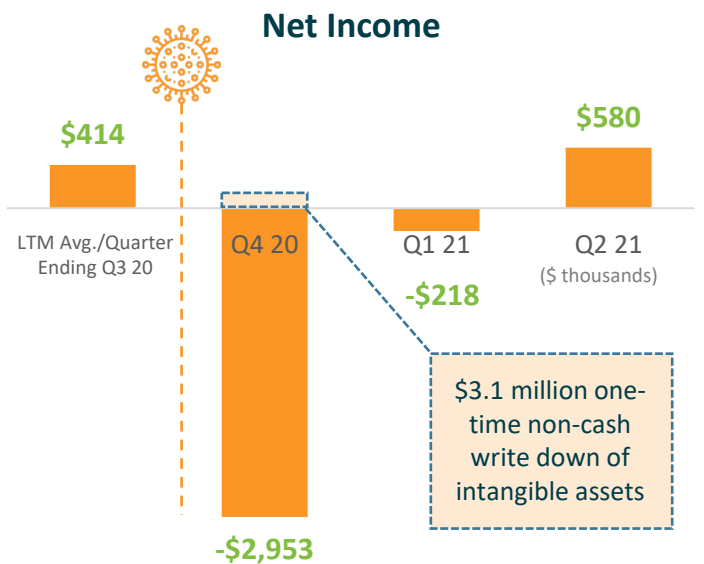
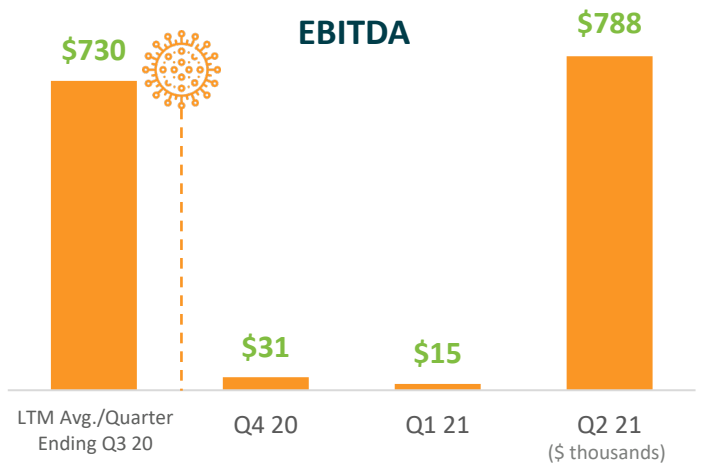
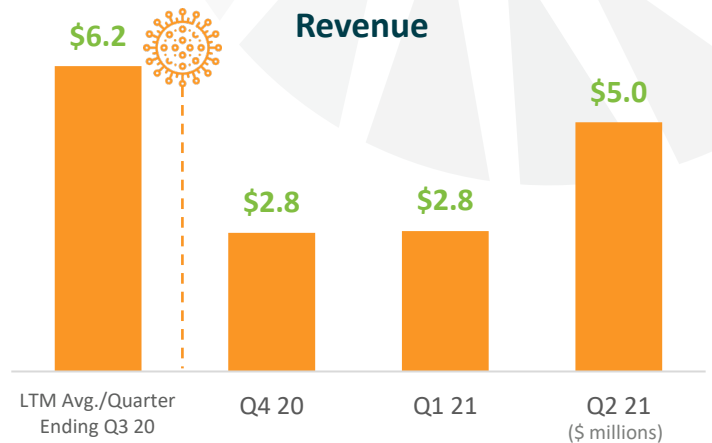
Based on this analysis, we can see that in Q4 F2020 and Q1 F2021 revenue dropped quite significantly due to the impact of the COVID-19 global pandemic. However during Q2 F2021, revenue rebounded strongly approaching pre-pandemic levels while EBITDA and net income actually exceeded pre-pandemic levels.

Highlights:

- Revenue and gross profit have increased compared to Q1, up 78% and 84% respectively.
- EBITDA of \$788 thousand compared to \$15 thousand in Q1
- Net profit of \$580 thousand compared to a net loss of \$218 thousand in Q1

Like many companies, COVID-19 has had an impact on our operations and revenues. Most notably, in the fourth quarter of last year and the first quarter of this year, when many existing projects were temporarily placed on hold and there was a reduction in the level of new opportunities that could be progressed without access to customer sites.

In the second quarter, with the easing of travel restrictions, and sites reopening with social distancing and other mitigation measures in place, we were able to resume delivery of many of the projects that had been put on hold, as well as commence delivery of some of the recently received new orders.



Financial Position

Breakdown and Commentary

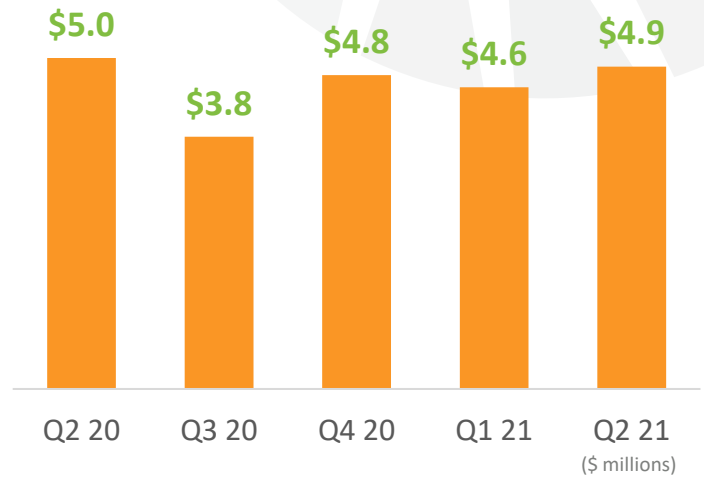
The measures we introduced during the initial COVID-19 related slowdown were focused on:

- I. Conserving cash;
- II. Improving our connectivity, communication and remote collaboration capabilities; and
- III. Ensuring the Company in a strong position to respond to marketplace changes.

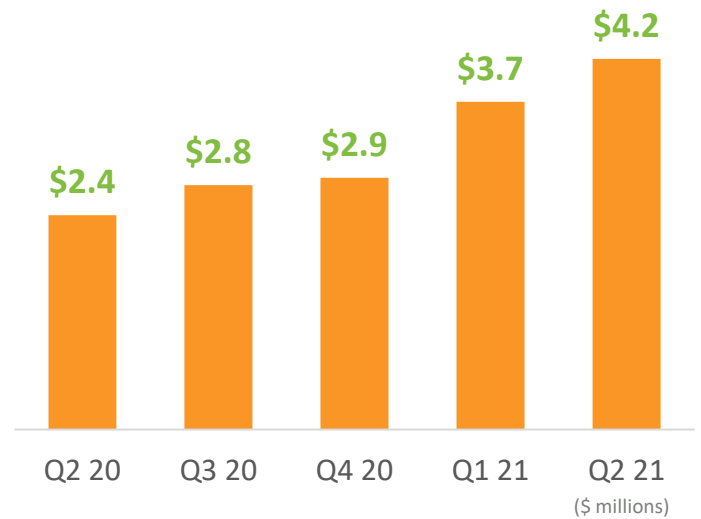
Highlights

- Working capital and cash position at \$4.2 million and \$4.9 million respectively remain strong and continue to grow

Q2 End Cash Position



Working Capital



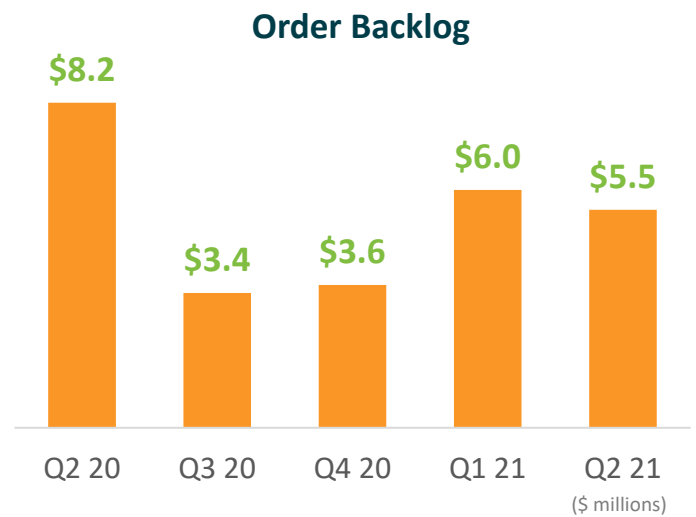
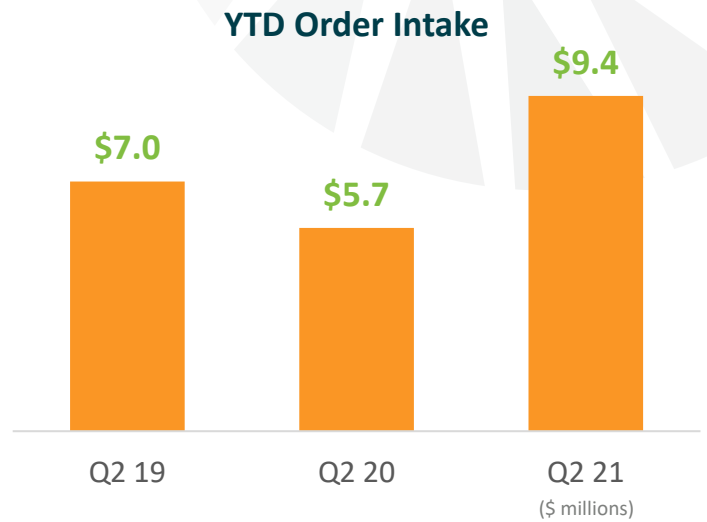
Order Intake and Order Backlog

Breakdown and Commentary

Despite COVID-19 related travel restrictions and site lock-downs, order intake for the first 6 months of the year was the strongest it had ever been, and the order backlog is starting to build back from the low levels at the beginning of the pandemic.

Highlights

- Q2 order intake of 103% compared to last year
- Q2 YTD order intake of \$9.4 million up 66% compared to same period last year



Sustainability that pays for itself

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- *New aggressive carbon emission reduction targets*



Strong track record of growth and profitability

- *Profitable with 30% 5-year revenue CAGR*



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