

Thermal Energy International Announces Stand Out Order Intake and Growing Order Backlog in Third Quarter Results

OTTAWA, ONTARIO – April 19, 2021 – 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 28, 2021. All figures are in Canadian dollars.

Third-quarter financial highlights:

- **Revenue:** \$11.6 million year-to-date, \$3.7 million for the quarter
- **EBITDA:** \$975 thousand year-to-date, \$172 thousand for the quarter
- **Net income:** \$329 thousand year-to-date, net loss of \$34 thousand for the quarter
- **Cash and working capital balances** remain strong at \$4.4 million and \$4.2 million respectively
- **Order intake** continues to track well ahead of last year up 87% year-to-date and 171% for the quarter
- **Order backlog:** \$6.1 million up 79% from the previous year

“I am very proud of these latest financial results given the ongoing challenges we, like many global businesses, continue to cope with as a result of COVID-19,” said [William Crossland](#), CEO of Thermal Energy.

“Year-to-date revenue from our BEI and GEM product categories continues to track well ahead of last year, but revenue from turnkey Heat Recovery projects was once again temporarily impacted in the third quarter when some key markets reintroduced stricter COVID-19 mitigation measures.

“Such measures impact our high revenue turnkey Heat Recovery projects, because of the customers’ preference for onsite engineering, design, and installation. However, the growing global demand to reduce carbon emissions and build-back-better, together with our diverse range of proprietary energy efficiency solutions and geographically varied global presence, has enabled us to consistently secure a growing level of orders despite the temporary and varied COVID-19 restrictions in some of our key markets.

“Despite COVID-19 we have still generated positive year-to-date EBITDA and net income of \$975 thousand and \$329 thousand respectively.

“Orders received during the quarter have also more than doubled compared to the same period last year. Overall, our order intake continues to track significantly ahead of 2020 levels with quarterly and year to date order intake are up 171% and 87% respectively. This has resulted in an order backlog at quarter end that is 79% more than this time last year.

“We also continue to have a very strong financial position with cash and working capital balances of \$4.4 million and \$4.2 million respectively, indicating we are in a strong position to continue growing the business.

“A large amount of our growth is the result of harnessing our established network of large multinational customers and applying our client-specific expertise across multiple global sites. By way of example, GEM orders totalled \$386,000 received recently around quarter end from a leading multinational cereal company marks \$1 million in orders received to date from this customer. Thermal

Energy has developed six projects with the manufacturer over the last 12 months alone, which highlights the importance and success of this key growth strategy.

“As noted, with a worldwide Build-Back-Better approach driving unprecedented demand for carbon emission reduction and fuelling the growth in our order intake, the Company is well-positioned to continue to provide our customers with the solutions and support they need.”

Summary Financial Results

In thousand except % data	Three months ended Feb 28, 2021	Three months ended Feb 29, 2020	Nine months ended Feb 28, 2021	Nine months ended Feb 29, 2020
Revenue	\$3,736	\$5,812	\$11,584	\$18,626
Gross profit	\$1,644	\$2,417	\$5,399	\$7,526
Gross margin	44%	42%	47%	40%
Operating expenses	\$1,621	\$1,942	\$4,849	\$6,217
Net income (loss)	(\$34)	\$430	\$329	\$1,056
EBITDAS	\$172	\$709	\$975	\$1,890
Cash position	\$4,455	\$3,837	\$4,455	\$3,837
Working Capital	\$4,203	\$2,787	\$4,203	\$2,787
Orders received	\$3,993	\$1,474	\$13,389	\$7,142
Order backlog as at February 28/29	\$6,100	\$3,400	\$6,100	\$3,400

For further details, visit Thermal Energy’s Third Quarter Fiscal 2021 Financial Overview and Commentary here: www.thermalenergy.com/financial-reports.html

Third Quarter and Year to Date Fiscal 2021 Financial Review

Quarterly revenue of \$3.7 million delivered a gross profit of \$1.6 million. This resulted in a gross margin of 44%, compared to 42% for the same quarter prior year. Operating expenses incurred for the quarter-end amounted to \$1.6 million. This decrease was mainly due to the cost savings achieved through cost control measures and the government wage subsidies of \$247 thousand recognized as a reduction to operating expenses in Q3 2021. A net loss of \$34 thousand was incurred for the quarter ended February 28, 2021 and EBITDA was \$172 thousand.

Nine-month year-to-date revenue was \$11.6 million, representing a 38% decrease compared to last year. While GEM and BEI revenue was ahead of last year, revenue from turnkey heat recovery systems has been negatively impacted by temporary COVID-19 restrictions and mitigation measures and the resulting inability to visit customer sites. The increased gross margin of 47% this year, compared to 40% last year, is due to the change in product mix. Operating expenses decreased \$1.4 million, mainly

due to \$868 thousand in government wage subsidies and support programs as well as other temporary cost saving measures. Despite the COVID-19 related reduction in revenue, the Company still generated positive EBITDA and net income of \$975 thousand and \$329 thousand respectively.

Working capital increased by \$1.3 million to \$4.2 million at February 28, 2021, compared to \$2.9 million at May 31, 2020. The increase in working capital is partially attributed to the receipt of a \$1 million COVID-19 related working capital loan during the first quarter, with a current interest rate of 3.45%, as well as the Company's positive operating cash flow before working capital changes. The Company's cash position remains strong at \$4.4 million as of February 28, 2021, compared to \$4.8 million at May 31, 2020.

Business Outlook and Order Summary

The Company ended the quarter with an order backlog of \$6.1 million, compared to \$3.4 million for the same quarter in previous year, order intake continues to be strong. Orders received during the third quarter this year are more than double the orders received during the same time last year, and during the nine months of this fiscal year we received 87% more orders 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. \$500,000 equipment order for a Heat Recovery biogas application from a leading global brewer in Russia, announced April 15, 2021
2. \$1,180,000 heat recovery project with a major US dairy group to reduce site's natural gas usage by 13% as well cut its annual CO² emissions by over 730 tonnes, announced March 17, 2021
3. \$1,000,000 heat recovery system for a multinational brewery, announced February 24, 2021.
4. \$770,000 heat recovery equipment order for a North American Hospital, announced January 19, 2021
5. \$1,530,000 heat recovery equipment and extension order for a large publicly funded European healthcare provider as announced October 27, 2020
6. \$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
7. \$129,531 site survey and failed steam trap GEM™ replacement project for a multinational pharmaceutical and biopharmaceutical company
8. \$236,000 GEM™ steam trap order from a major fruit products processor
9. \$386,000 order for low maintenance GEM™ steam traps from a major grain and cereal processor
10. \$262,000 GEM™ steam trap order from a multi-national pharmaceutical company

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 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 can 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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