

## Thermal Energy International Announces Strong Second Quarter Results

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OTTAWA, ONTARIO – January 26, 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 second quarter ended November 30, 2020. All figures are in Canadian dollars.

### Second-quarter financial highlights:

- \$5.0 million in revenue, a 77% increase compared to Q1
- \$2.4 million gross profit, up 84% compared to Q1
- 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
- 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

“These latest financial results from our second quarter are extremely encouraging, with a rebound in revenue and profitability and continued strength in order intake,” said [William Crossland](#), CEO of Thermal Energy.

“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. This was particularly the case for turnkey Heat Recovery projects, which require onsite engineering, design, and installation.

“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.

“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.

“We continue to have a very strong financial position with positive cash and working capital balances of \$4.9 million and working capital of \$4.2 million respectively. Furthermore, the measures which we were able to introduce during the initial COVID-19 related slowdown have improved our connectivity, communication capabilities, and remote collaboration, making it possible to deliver these new orders as effectively as possible, and ensuring the Company is ready to respond to marketplace changes.”

## Summary Financial Results

In thousand except % data	Three months ended Nov 30, 2020	Three months ended Nov 30, 2019	Six months ended Nov 30, 2020	Six months ended Nov 30, 2019
Revenue	\$5,020	\$7,848	\$7,848	\$12,814
Gross profit	\$2,430	\$2,918	\$3,754	\$5,109
Gross margin	48.4%	37.2%	47.8%	39.9%
Operating expenses	\$1,787	\$2,439	\$3,229	\$4,275
Net profit (loss)	\$580	\$385	\$362	\$ 626
EBITDAS	\$788	\$709	\$803	\$1,181
Orders received	\$4,346	\$2,145	\$9,396	\$5,669
Order backlog as at November 30	\$5,500	\$8,200	\$5,500	\$8,200

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

For further details, visit Thermal Energy's Second Quarter Fiscal 2021 Financial Summary presentation here: [www.thermalenergy.com/presentations.html](http://www.thermalenergy.com/presentations.html)

## Second Quarter and Fiscal 2021 Financial Review

Quarterly revenue of \$5.02 million, delivered a gross profit of \$2.43 million. This resulted in a gross margin of 48.4%, compared to 37.2% for the same quarter prior year. Operating Expenses incurred for the quarter-end amounted to \$1.8 million. This decrease was mainly due to the cost savings achieved through cost control measures and the government wage subsidies of \$212,109 recognized as a reduction to operating expenses in Q2 2021.

A net profit of \$580 thousand was incurred for the quarter ended November 30, 2020, compared to a net profit of \$385 thousand for the quarter ended November 30, 2019.

Reported quarterly EBITDA is \$788 thousand this quarter, compared to \$709 thousand for the same quarter last year.

Working capital increased by \$1.3 million to \$4.2 million at November 30, 2020, compared to \$2.9 million at May 31, 2020. The Company's net cash position was \$4.9 million as of November 30, 2020, compared to \$4.8 million at May 31, 2020. The increase in working capital is 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%, and the Company's positive operating cash flow.

## Business Outlook and Order Summary

While the Company ended the quarter with an order backlog of \$5.5 million, compared to \$8.2 million for the same quarter in previous year, order intake continues to be strong. Orders received during the second quarter this year are more than double the orders received during the same time last year and

during the first six months of this fiscal year we received 66% more orders than the same period last year.

While COVID-19 cases have increased again in all our key markets, this time our customers seem more determined to ensure business and projects continue as usual.

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:

- \$770,000 heat recovery equipment order for a North American Hospital, announced January 19, 2021
- \$1,530,000 heat recovery equipment and extension order for a large publicly funded European healthcare provider as announced October 27, 2020
- \$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
- \$307,298 heat recovery equipment order for a Canadian Hospital
- \$146,555 heat recovery equipment order for a family-owned American lumber company
- \$112,981 order for GEM™ steam traps from a international Tires producer
- \$129,531 site survey and failed steam trap GEM™ replacement project for a multinational pharmaceutical and biopharmaceutical company
- \$101,000 GEM™ steam trap order from leading supplier of yarns
- \$840,000 heat recovery equipment order from a multinational food products corporation, announced October 6, 2020
- \$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

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 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](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, 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](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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