

Q2 FY2020 Review and Update

January 2020



An Innovative Technology Company Providing Custom Energy and Emission Reduction Solutions

TSX-V: TMG | enq@thermalenergy.com | www.thermalenergy.com

Forward-looking statements

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.

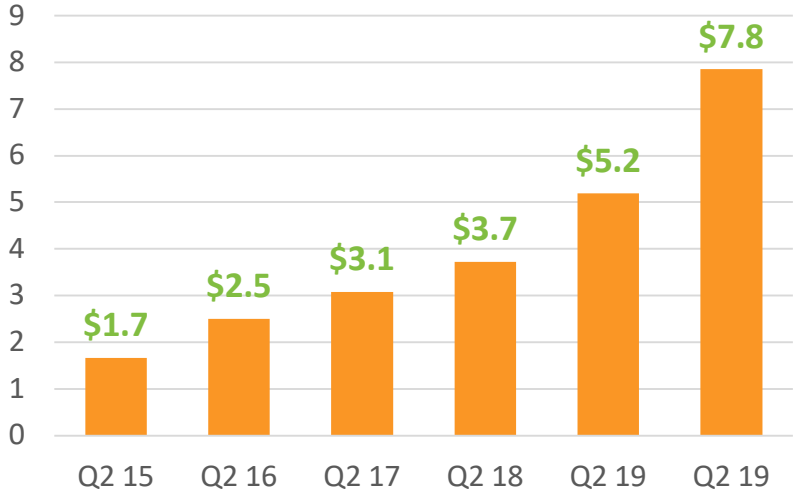
Readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this presentation and TEI does not assume any obligation to update or revise it to reflect new events or circumstances, except as required by law.

The term “EBITDAS” 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 EBITDAS to Net income (loss), the closest IFRS measure.

Revenue

Second quarter

(\$ millions)

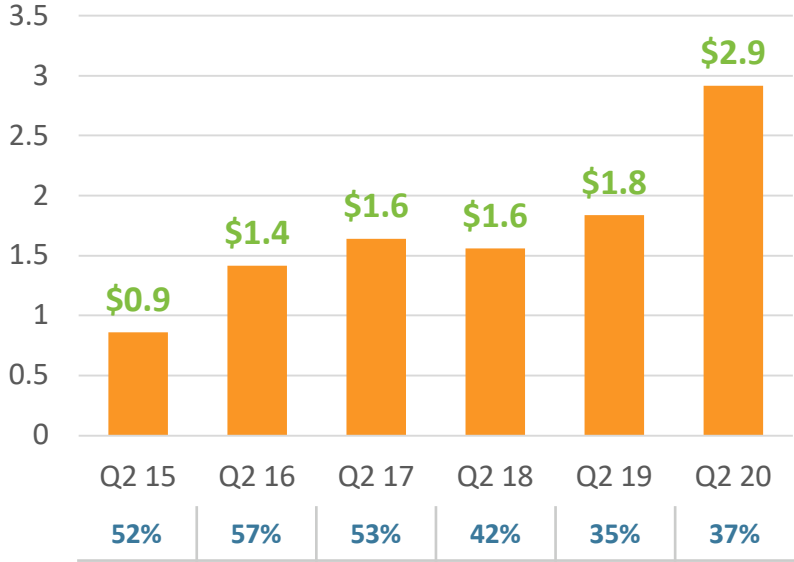


- Highest quarterly revenue in the Company’s history, up \$2.6 million or 51% from last year

Gross profit

Second quarter

(\$ millions)



Gross margin percentages

- Gross profit increased by 59% compared to Q2 2019

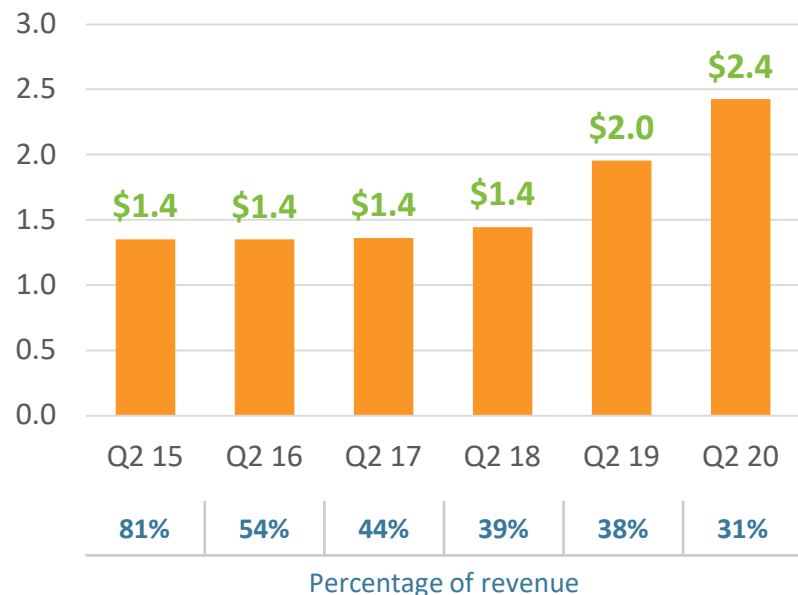
Certain figures from prior periods have been adjusted to conform to the current period presentation.



Operating expenses (excluding R&D)

Second quarter

(\$ millions)



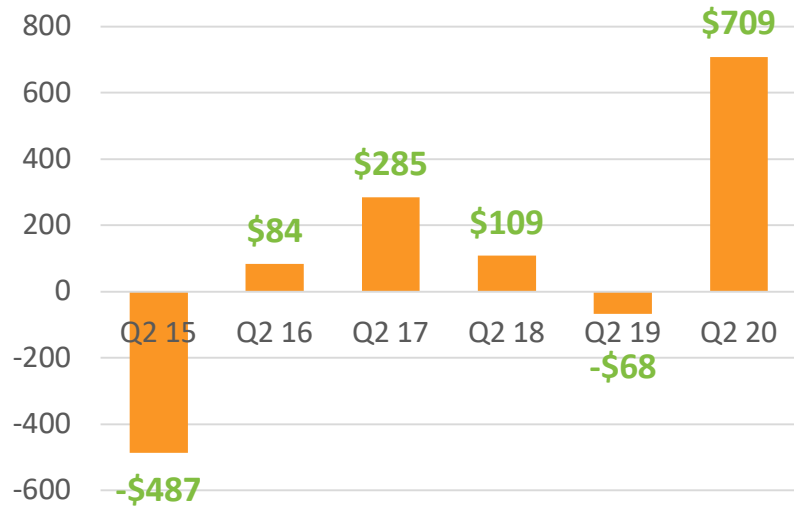
- Operating expenses increased by 25% compared to Q2 2019, primarily due to:
 - \$198k increased loss on foreign exchange
 - \$148k as a one time loss due to the Company's only lessee customer being granted protection under the Companies' Creditors Arrangement Act
- Despite these increases operating expenses as a percent of revenue dropped to 31%

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

EBITDAS

Second quarter

(\$ thousands)

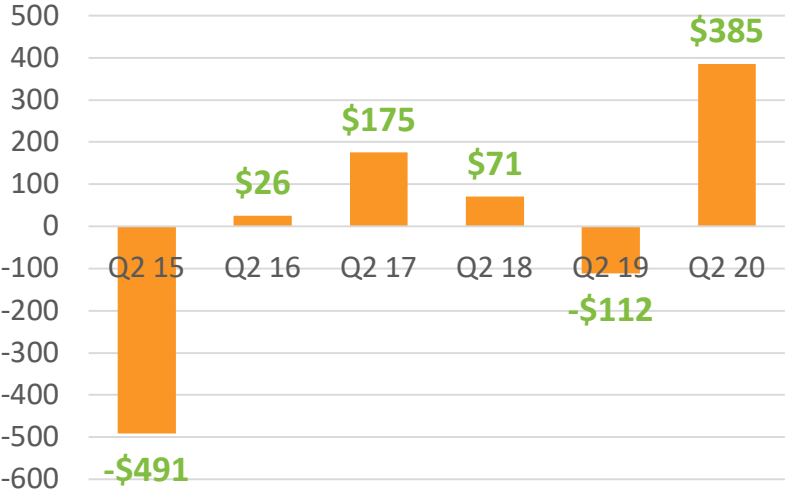


- EBITDAS increased \$777 thousand compared to Q2 2019
- Highest second quarter EBITDA in the Company's history

Net income (post tax)

Second quarter

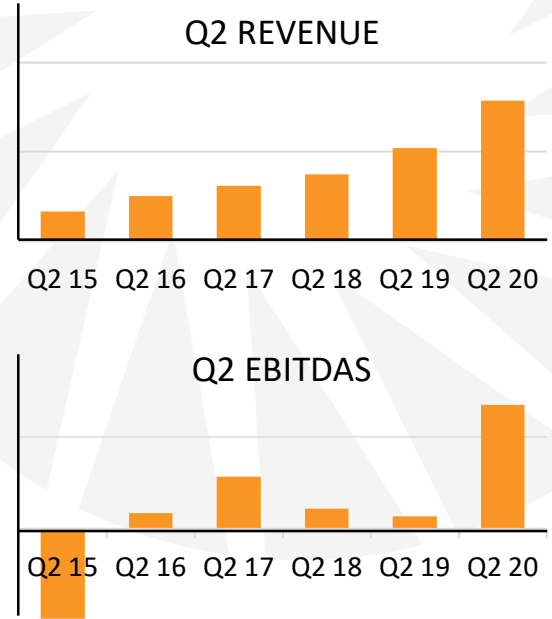
(\$ thousands)



- Net income increased \$497 thousand compared to Q2 2019

Q2 financial summary

- Highest quarterly revenue in Company's history, up \$2.6 million or 51% from last year
- Highest second quarter EBITDAS in Company's history, up \$777k compared to Q2 2019
- Gross profit increased by 59% compared to Q2 2019
- Operating expenses decreased to 31% of revenue compared to 38% Q2 2019
- Record Q2 net income of \$385k



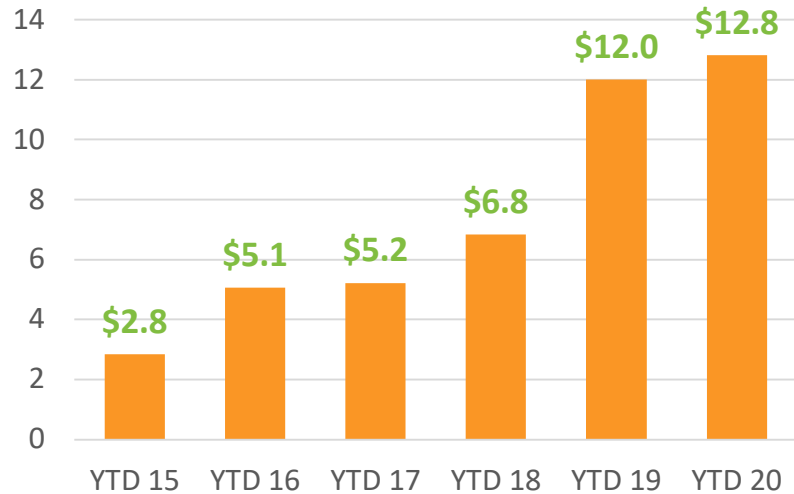
First Half Update

Year-to-date 2020

First half revenue

June 1 – November 30, 2015 - 2020

(\$ millions)

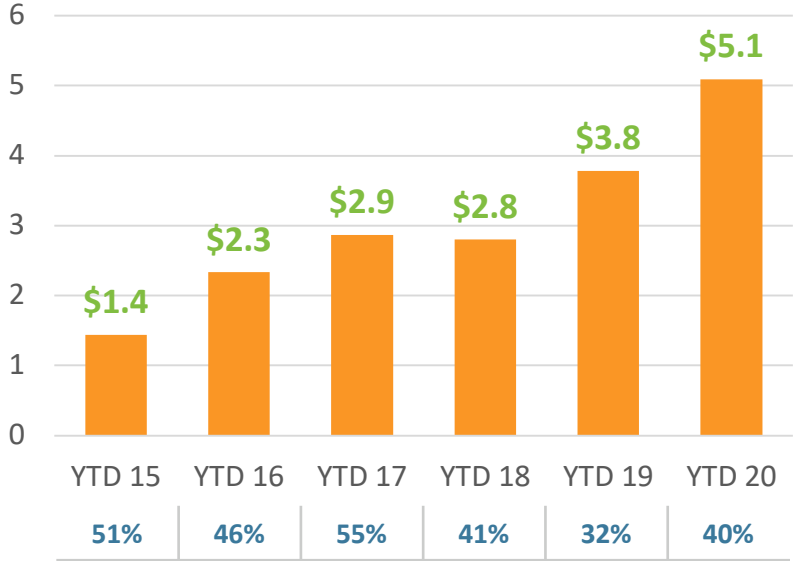


- Highest 1H revenue in Company's history, up \$820k or 7% from last year
- But 1H last year included \$6.6 million in revenue from Resolute, excluding Resolute, 1H 20 revenue is up \$7.4 million or 139%

First half gross profit (adjusted)

June 1 – November 30, 2015 - 2020

(\$ millions)



Gross margin percentages

- Gross profit increased by 35% compared to six months FY2019

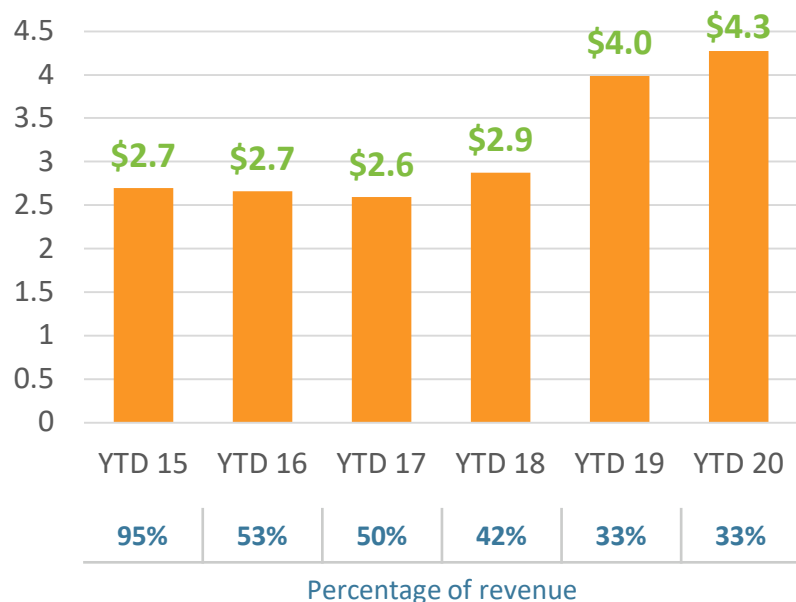
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First half operating expenses (excluding R&D)

June 1 – November 30, 2015 - 2020

(\$ millions)

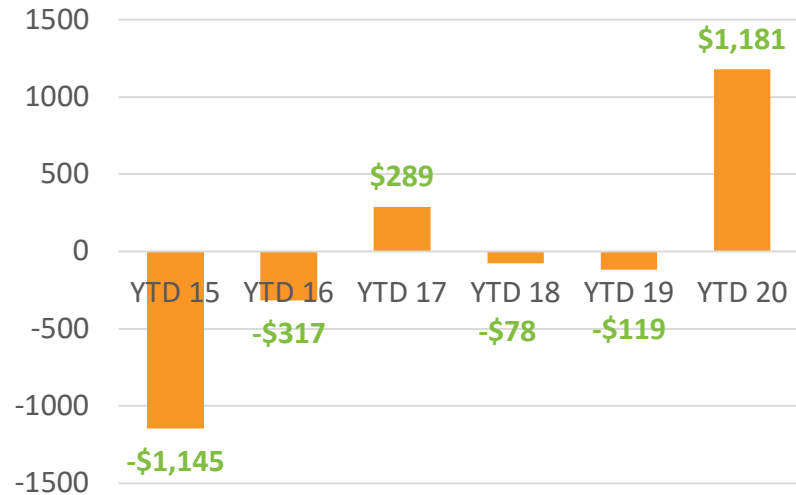


- Operating expenses increased by \$290k or 7.3%
- Despite the increases, the Operating Expenses as a percent of revenue remained unchanged

First half EBITDAS

June 1 – November 30, 2015 - 2020

(\$ thousands)

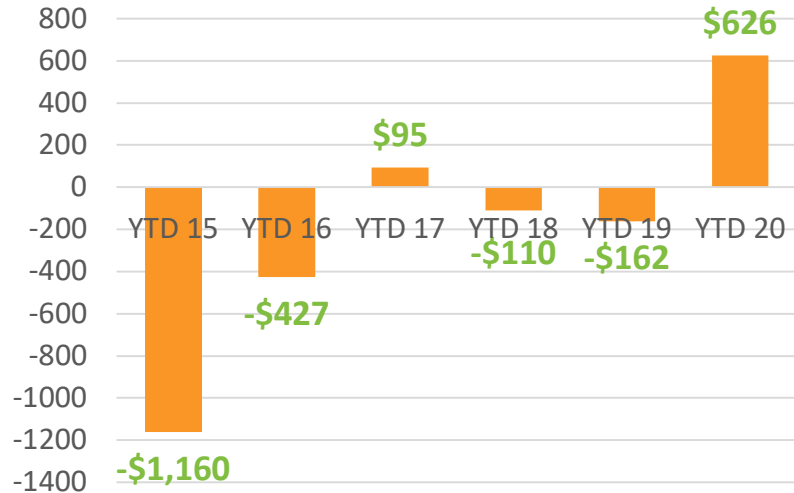


- 1H EBITDAS is \$1.2 million compared to (\$119k) last year
- Highest EBITDAS in the Company's history exceeding the even the annual EBITDAS record of \$750k

First half net income

June 1 – November 30, 2015 - 2020

(\$ thousands)

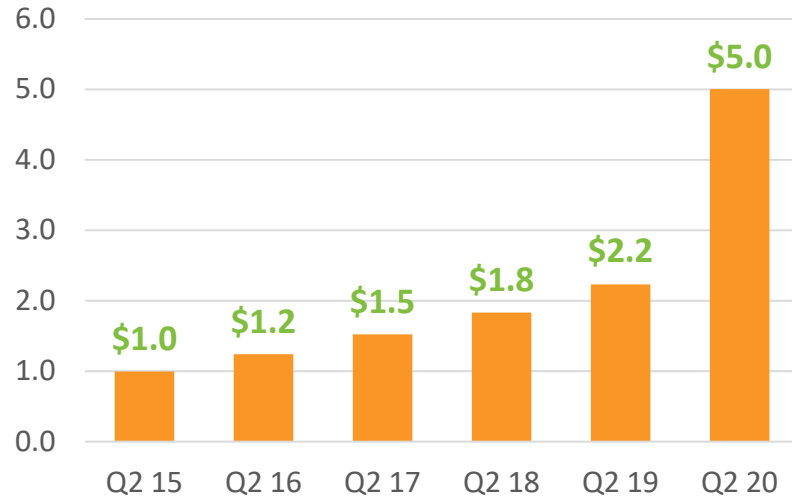


- 1H net income is \$626k compared to a loss of \$162k last year
- Highest 1H net income in the Company's history exceeding even the Company's annual net income record of \$619k

Second quarter end cash position

November 30, 2015 - 2020

(\$ millions)

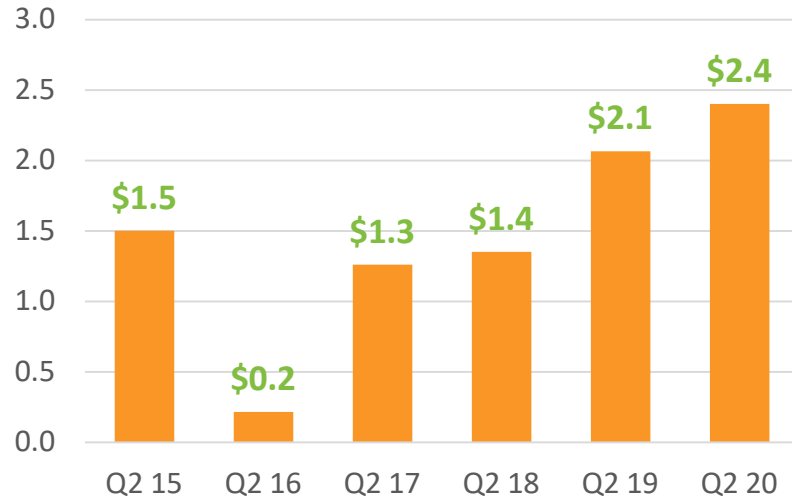


- Steady year over year increases
- Cash position up \$2.8 million or 124% since Q2 2019

Second quarter end working capital

November 30, 2015 - 2020

(\$ millions)



- Continued growth in working capital
- Up \$379 thousand since Q2 2019

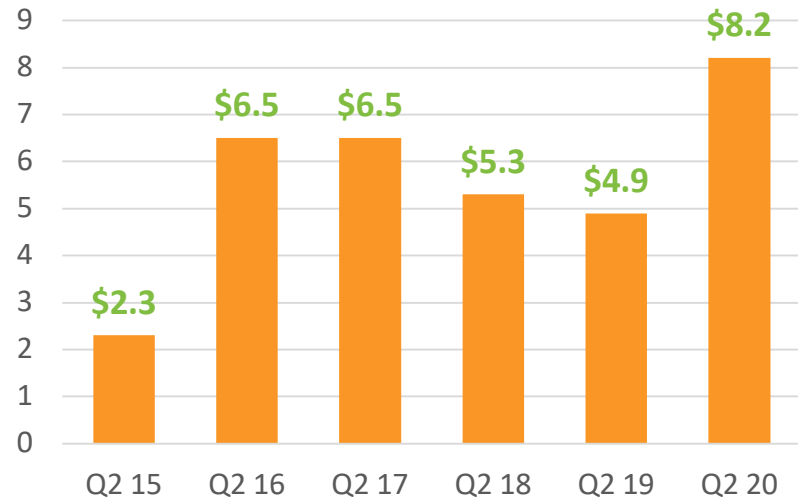
Order Book

Confirmed projects, revenue yet to be recognized

Order book

Order backlog reported with Q2 results

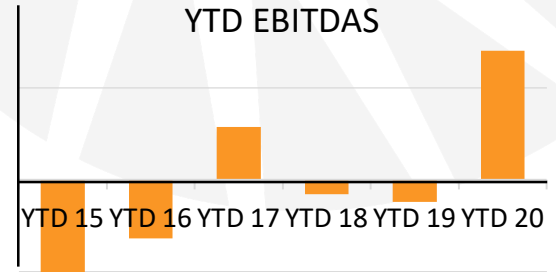
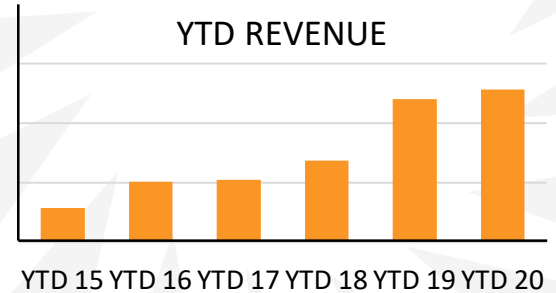
(\$ millions)



- Order backlog at the end of the quarter was \$8.2 million, up \$3.3 million or 67% higher than the same time last year

YTD financial summary

- Highest 1H revenue in company's history, up \$820k or 7% from last year
- 1H last year included \$6.6 million in revenue from Resolute, excluding Resolute, 1H 20 revenue is up \$7.4 million or 139%
- 1H 20 also has the highest profit (both Net income and EBITDAS) in the company's history
- Order backlog at the end of the quarter was \$8.2 million, up \$3.3 million or 67% higher than the same time last year
- Exceptionally strong and growing cash and working capital
- Evidence that our strategy is working
- Revenue growth in Germany and Poland
- Growth in the number of HR projects especially in the EU
- Effective integration of the BEI products in some of our projects



Recent orders

Customers include leading global companies across many sectors



\$482K **GEM steam trap** order from a top 5 multinational **tire manufacturing** company



\$738K **FLU-ACE® heat recovery system** order from leading European **meat processing** company



\$1.4M order to supply a **heat recovery** system to a multinational **specialty nutrition** corporation



\$650K high-efficiency **heat recovery** system order from a leading European **brewer**

Recent order examples

Date	Order Value	Customer
Nov 2019	\$482,000	Leading Tire Manufacturing company
Oct 2019	\$738,000	Leading European meat processing company
Aug 2019	\$1,400,000	Multinational speciality nutrition corporation
Aug 2019	\$650,000	Leading European brewer
May 2019	\$1,500,000	Leading snack food producer
Apr 2019	\$850,000	Top 10 global tissue producer
Mar 2019	\$2,300,000	Leading animal nutrition company
Mar 2019	\$1,800,000	Major milk processing company
Jan 2019	\$2,400,000	Leading food ingredients company

One of Canada's fastest growing companies



- Named one of Canada's Top Growing Companies, in the Globe and Mail, Report on Business's inaugural ranking of Canadian companies
- Based on our three-year revenue growth of 156% from 2015 to 2018

Growth Strategy & Outlook

Highlights

1. Enormous, fast-growing market
2. Experienced and established North American and European sales platform
3. Proprietary products sold to leading companies in many sectors and geographies
4. Growing team, global presence and product offerings
5. Poised to continue strong track record of growth



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