

# Financial Overview & Commentary

---

Financial Year 2021: Quarter three



An Innovative Technology Company Providing Custom Sustainability Solutions  
TSXV: TMG | [investors@thermalenergy.com](mailto:investors@thermalenergy.com) | [www.thermalenergy.com](http://www.thermalenergy.com)

# Thermal Energy International

## 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](http://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 “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

## Third Quarter Results Announce Stand Out Order Intake and Growing Order Backlog

I am very proud of these latest financial results given the ongoing challenges we, like many global businesses, continue to cope with as part of COVID-19.

### 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 178% for the quarter
- **Order backlog:** \$6.1 million up 79% from the previous year

Following the success of Q2, Q3 presented some challenges as several key markets reintroduced stricter COVID-19 mitigation measures and restrictions. While Q3 revenue was less than Q2, it was still well ahead of the quarterly revenues earned in the first half of the pandemic.

As a global business with multiple established routes to market, we've been able to adapt to the change in circumstances on a country-by-country basis.

The measures we introduced during the initial COVID-19 related slowdown improved our connectivity, communication and remote collaboration capabilities so we have been able to allocate resource more efficiently than ever and respond to marketplace changes.

Furthermore, the varied range of complementary and proprietary energy efficiency solutions that we have cultivated over the years, organically and through acquisition, has allowed us to continue to support our customers – whether we are able to attend site or not.

Customers too, have adapted to current pandemic conditions. All of this has resulted in our revenue and profitability in the second half of the pandemic being significantly ahead of that in the first half. It has also enabled us to consistently secure a growth in orders despite the temporary COVID-19 restrictions remaining in some of our key markets.

With the worldwide Build-Back-Better approach and numerous green recovery initiatives driving unprecedented demand for carbon emission reduction, the Company is well-positioned to resume our proven track record of growth and profitability while continuing to provide our customers with the innovative solutions and support they need.

- William Crossland, CEO,  
Thermal Energy International

# Product Mix Provides Revenue Growth & Financial Stability

## Quarterly Analysis

While the Q3 revenue of \$3.7 million was below Q2, it was still 32% ahead of Q1.

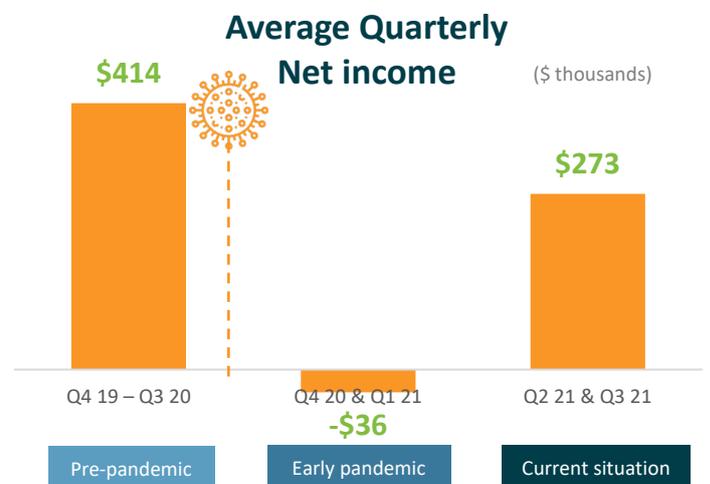
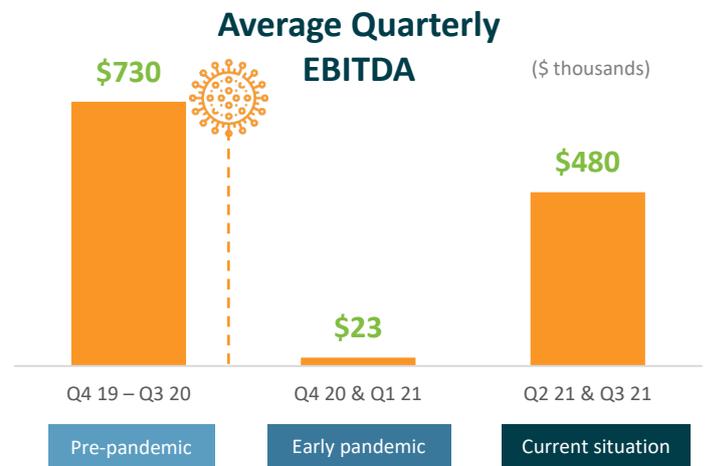
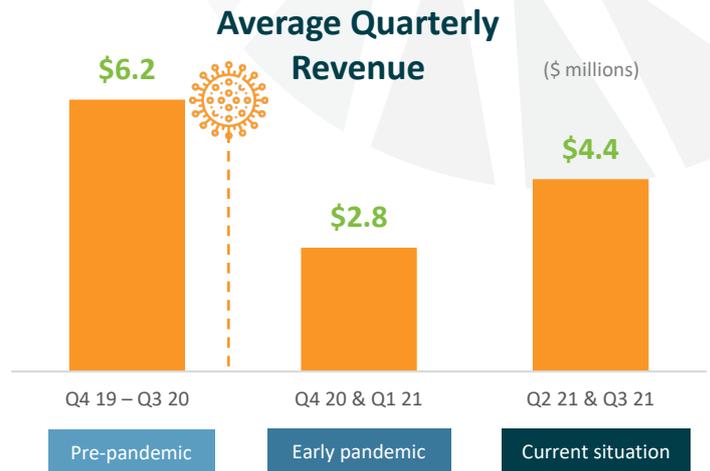
The ongoing COVID-19 mitigation measures are still impacting our business, but the adaptive changes both we and our customers have made since the beginning of the pandemic are beginning to have a positive impact. Revenue and profitability for the two most recent quarters is significantly ahead of the first two quarters of the pandemic.

In Q3 however, revenue from Turnkey Heat Recovery projects was once again temporarily impacted by some key markets reintroducing stricter COVID-19 related travel restrictions and site access restrictions.

Again, this is an area where our global presence, diversified product portfolio and multiple routes to market has benefitted us.

Our BEI and GEM product offerings require less engineering analysis and site attendance than our Turnkey Heat Recovery projects. As a result, both BEI and GEM product lines continue to perform well, with YTD revenue 10% - 20% ahead of last year.

These product lines also tend to generate higher margins. As a result, average quarterly EBITDA and Net Income for the last two quarters is \$480 thousand and \$273 thousand, respectively. For the first nine months of the year, YTD EBITDA and Net Income are \$975 thousand and \$329 thousand, respectively.



Adjusted Q4 20 includes \$3.1M in one-time non-cash write down of intangible assets

# Stand Out Order Intake and Growing Order Backlog

## Breakdown and Commentary

### Highlights

- Despite the pandemic, order intake continues to track well ahead of last year up 87% year-to-date and 178% for the quarter
- Order backlog: \$6.1 million up 79% increase compared to the previous year

The ability to access site not only affects the Company's ability to deliver existing orders, it can also impact the development of new projects and subsequent order intake.

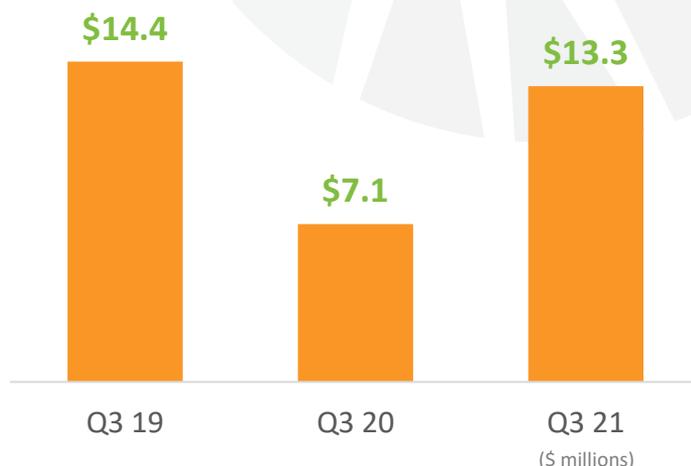
COVID-19 related travel restrictions and site lock-downs, particularly impact our high revenue Turnkey Heat Recovery projects, because of customer preference for onsite engineering, design, and installation.

Nonetheless, total orders received during the third quarter this year are more than double the orders received during the same period last year. During the nine months of this fiscal year we received 87% more orders than the same period last year.

Even more encouraging, is the fact our 2021 order intake level is almost on a par with levels for 2019. Not only was this 'pre-pandemic', it was also our highest order intake year on record. It was that level of orders that resulted in twelve-month revenue of \$25 million, EBITDA of \$2.9 million and net income of \$1.7 million.

Based on this comparison, I am confident that the orders achieved this year will support the Company's continued growth and profitability regardless of the outcome of the pandemic.

### YTD Order Intake



### Order Backlog



# Strong Financial Position

Consistently cash positive

Our ability to maintain a positive cash flow and healthy cash position throughout the last year is a testament to the resilience of our established and proven business model.

We 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.

## Highlights

- **Cash position** of \$4.4 million
- **Working capital balances** remain strong at \$4.2 million

### Q3 End Cash Position



### Working Capital



# Sustainability that pays for itself

A global provider of proprietary and proven energy and water efficiency and emission reduction products and solutions to the industrial, commercial, and institutional markets. The Company is headquartered in Ottawa, Canada, with offices in the U.K., Italy, Germany, and U.S.

Thermal Energy engages clients through a unique mix of process, energy, environmental and financial expertise to save our customers money and improve their bottom lines by reducing their fuel use and carbon emissions. The Company's award-winning products have an excellent track record of longevity, proven reliability and performance and have been shown to provide: significant energy savings; improved water efficiency; reduced greenhouse gas emissions; lowered maintenance costs; improved product quality; and increased production efficiency. Thermal Energy's products are effective in a wide range of industries and applications.

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.

## A compelling investment opportunity



Fast-growing global market with strong fundamentals

- *Build Back Better*
- *New global aggressive carbon emission reduction targets*



Established Company with proven track record of growth & profitability

- *Impressive multinational client base*
- *30% 5-year revenue CAGR*



Compelling valuation and investment opportunity

- *1.1X revenue*

