

# Q3 FY2020 Review and Update

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Last-twelve-months for the third quarter ending February 29, 2020



An Innovative Technology Company Providing Custom Energy and Emission Reduction Solutions

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# Forward-looking statements

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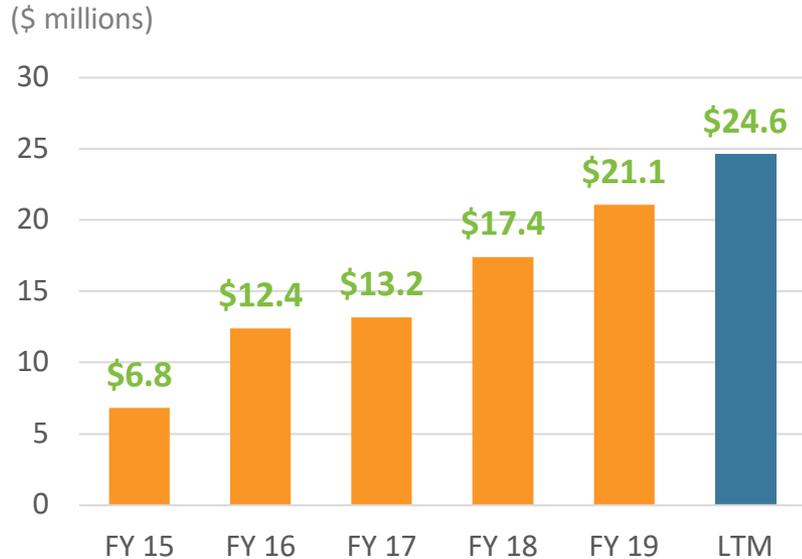
This presentation includes “forward-looking information”. For example, statements about the opportunities for repeat business; the possibility or expectation of additional orders; growth in existing markets; entry into new markets; order backlog; introduction of new products and services; establishment 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](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 “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

Annual and last twelve months for the third quarter ending February 29, 2020

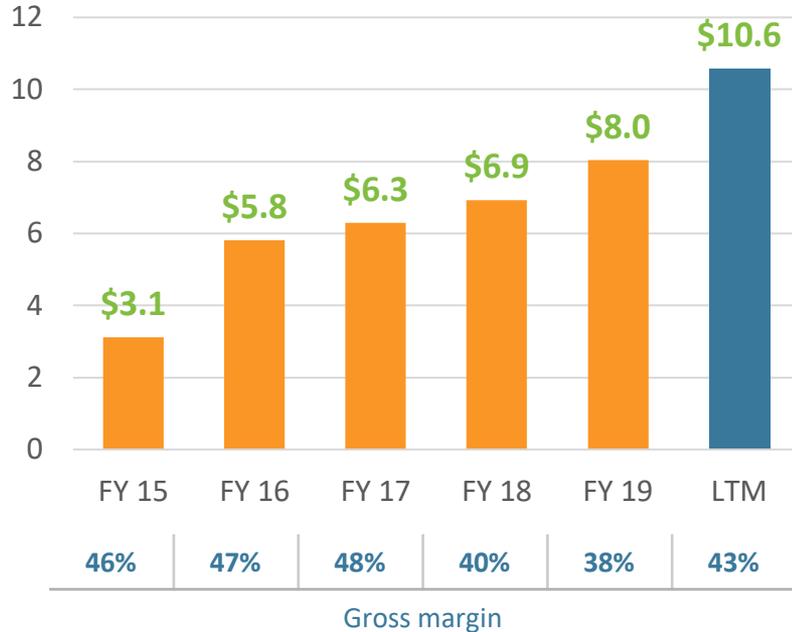


- Q3 2020 year-to-date revenue is up \$3.5 million or 23% compared to Q3 2019 year-to-date
- Last-twelve-months revenue up \$3.5 million or 17% compared to the previous fiscal year ending May 2019
- Last-twelve-months revenue of \$24.6 million is the highest ever reported

# Gross profit

Annual and last twelve months for the third quarter ending February 29, 2020

(\$ millions)

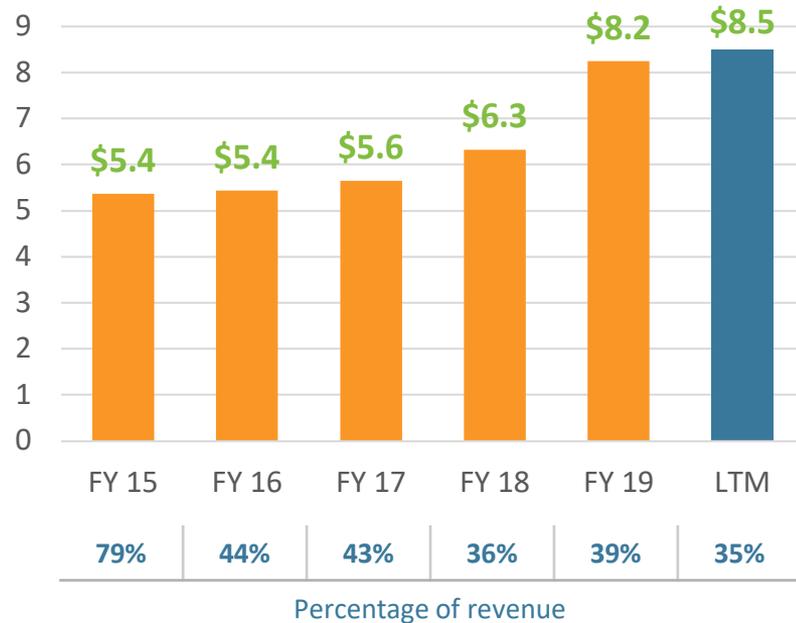


- Q3 2020 year-to-date gross profit increased \$2.6 million or 53% compared to Q3 2019 year-to-date
- Last-twelve-months gross profit up \$2.6 million 33% compared to the previous fiscal year ending May 2019
- LTM gross margin increased to 40% compared to 33% for FY2019

# Operating expenses

Annual and last twelve months for the third quarter ending February 29, 2020

(\$ millions)



- Last-twelve-months operating expenses are up 4% compared to the previous fiscal year ending May 2019
- As a percent of revenue, last-twelve-months operating expenses decreased to 35% compared to 39% for the previous fiscal year ending May 2019

# EBITDA

Annual and last twelve months for the third quarter ending February 29, 2020

(\$ thousands)



- Excluding the \$1.3 million in strategic growth-oriented investments made during FY2018 & FY2019 EBITDA would have been:
  - FY2018: \$1.2 million
  - FY2019: \$0.9 million
- Last-twelve-months EBITDA of \$2.9 million is the highest ever reported
- Strategic growth-oriented investments made during FY2018 & FY2019 are paying off

# Net income

Annual and last twelve months for the third quarter ending February 29, 2020

(\$ thousands)

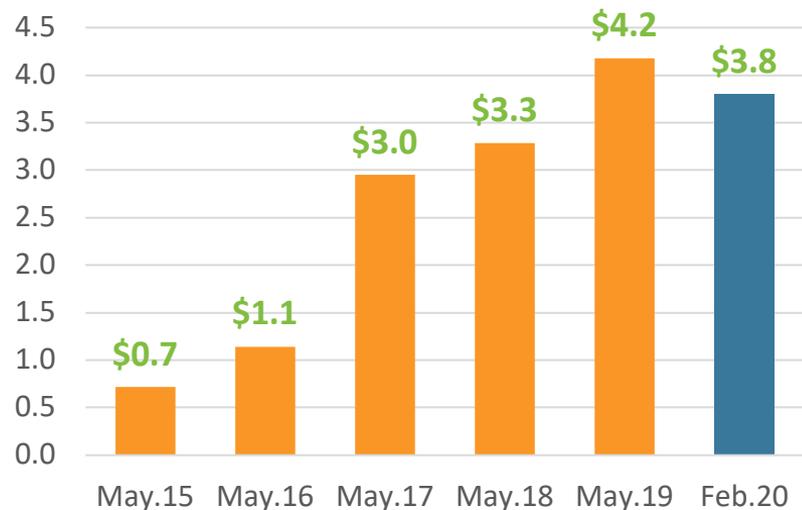


- Last-twelve-months net income is \$2.1 million higher than the previous fiscal year ending May 2019
- Last-twelve-months net income of \$1.7 million is more than double the previous twelve-month record

# Cash position

Year end and third quarter ending February 29, 2020

(\$ millions)

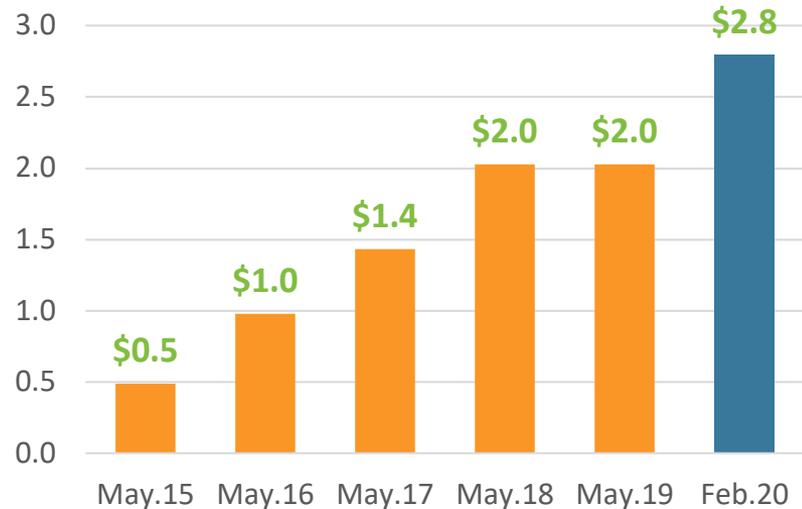


- Net cash position was \$3.8 million as of February 29, 2020, compared to \$4.2 million at May 31, 2019

# Working capital

Year end and third quarter ending February 29, 2020

(\$ millions)



- Working capital as of February 29, 2020 is up \$800,000 since fiscal year end May 31, 2019.
- February 29, 2020 working capital of \$2.8 million is the highest it has been in over ten years

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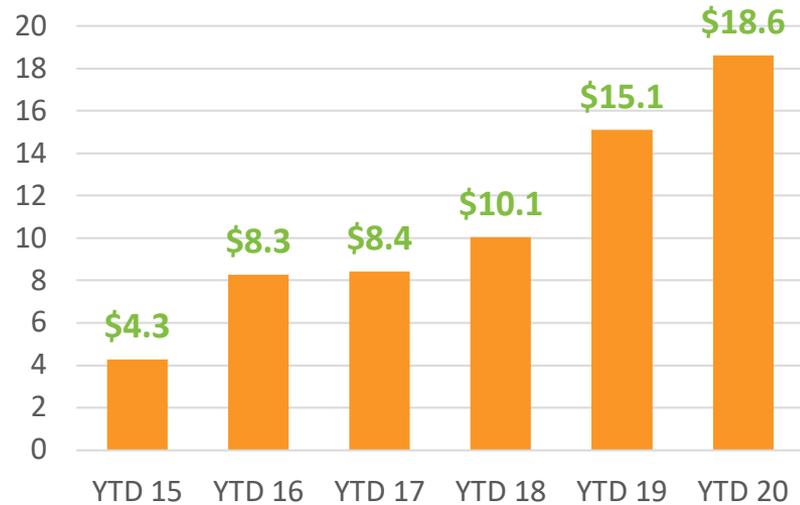
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Year-to-date for the third quarter ending February 29, 2020

# Revenue

Year-to-date third quarter ending February 28/29, 2015 - 2020

(\$ millions)

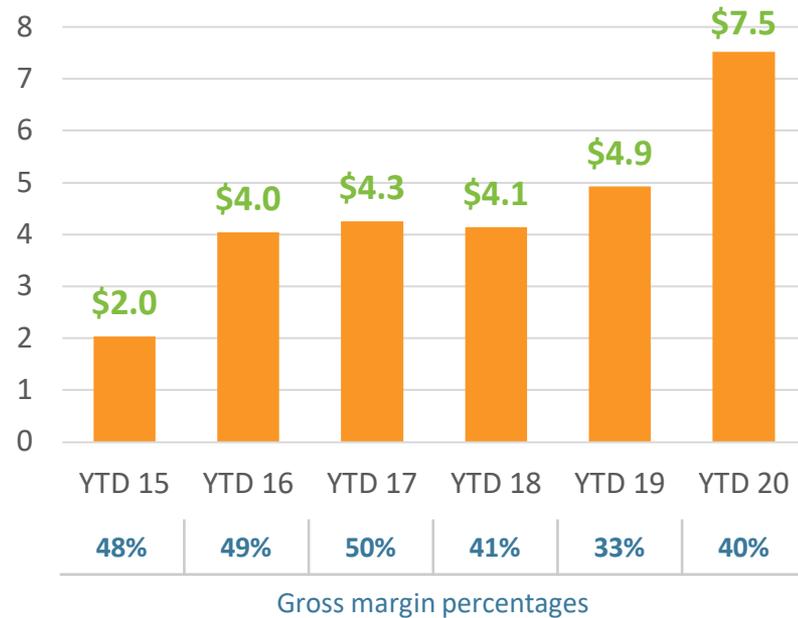


- Year-to-date revenue is \$18.6 million, up \$3.5 million or 23% from the year prior, to record level

# Gross profit

Year-to-date third quarter ending February 28/29, 2015 - 2020

(\$ millions)



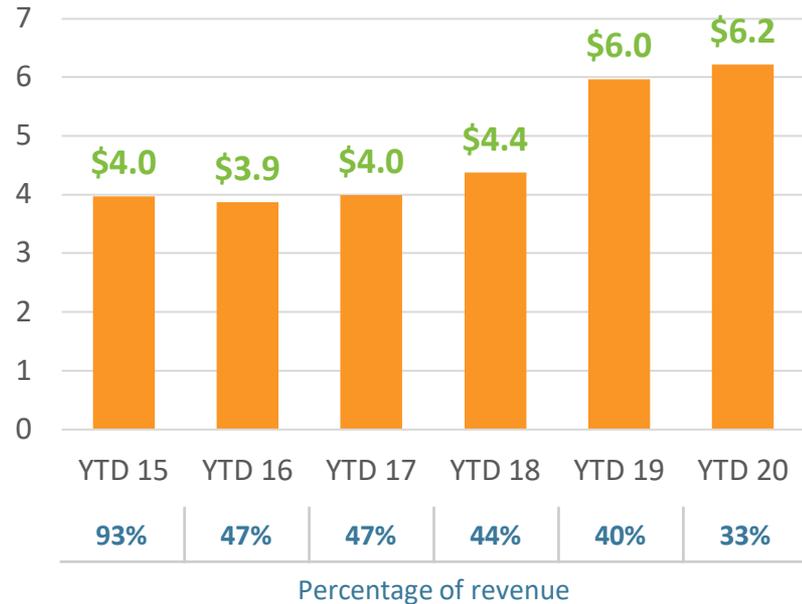
- Year-to-date gross profit increased by 53% (\$2.6 million) compared to nine months FY 2019
- Gross margin increased to 40% compared to 33% last year

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

# Operating expenses

Year-to-date third quarter ending February 28/29, 2015 - 2020

(\$ millions)



- Operating expenses for the year-to-date period are up 3%
- As a percent of revenue, year-to-date operating expenses decreased to 33% compared to 40% for the previous fiscal year ending May 2019

# EBITDA

Year-to-date third quarter ending February 28/29, 2015 - 2020

(\$ thousands)



- Year-to-date EBITDA is \$2.8 million higher than the same period last year
- Year-to-date EBITDA of \$1.9 million is at a record level

# Net income

Year-to-date third quarter ending February 28/29, 2015 - 2020

(\$ thousands)



- Year-to-date net income is over \$1 million, up \$2.1 million compared to YTD 2019

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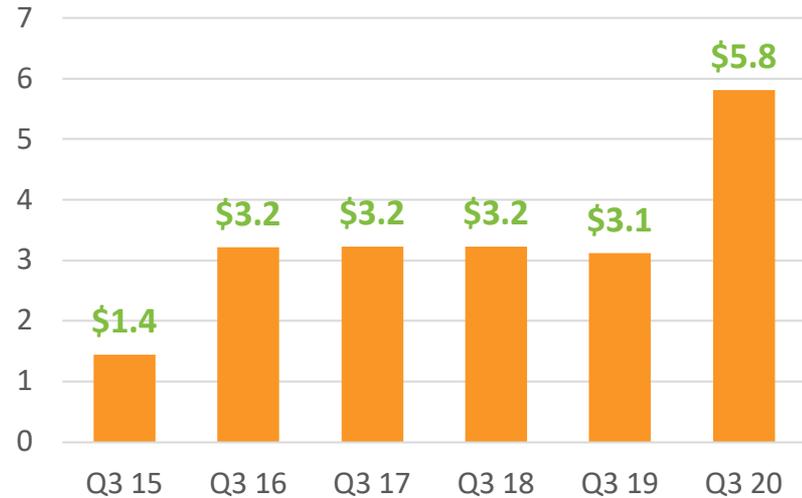
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Third quarter ending February 29, 2020

# Revenue

Third quarter ending February 28/29, 2015 - 2020

(\$ millions)

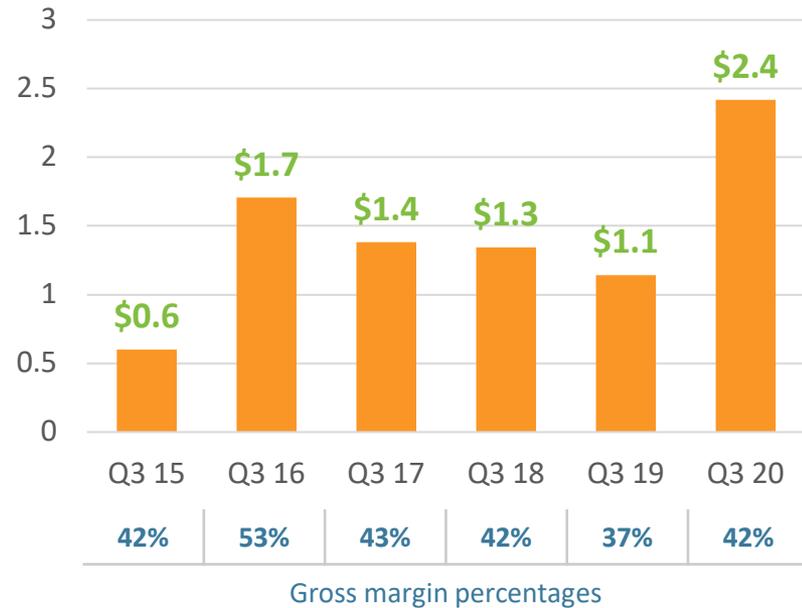


- Quarterly revenue increased by 87% (\$2.7 million) compared to Q3 2019

# Gross profit

Third quarter ending February 28/29, 2015 - 2020

(\$ millions)



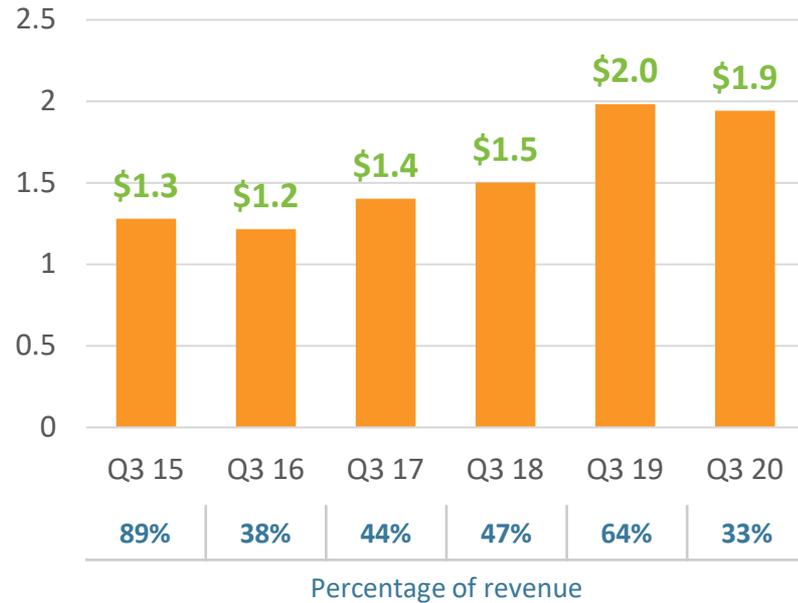
- Gross profit increased by 111% (\$1.2 million) compared to Q3 2019
- Resulted in a gross margin of 42% up from 37% for Q3 2019

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

# Operating expenses

Third quarter ending February 28/29, 2015 - 2020

(\$ millions)



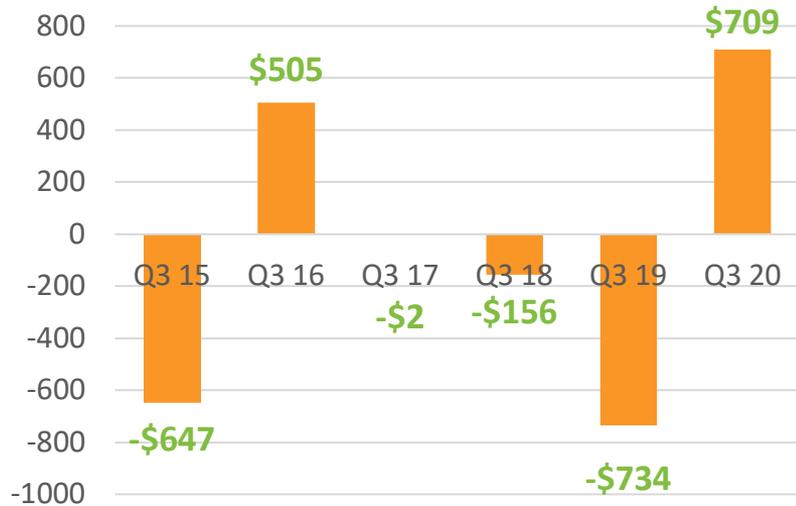
- Operating expenses decreased by 2% (\$40 thousand) compared to Q3 2019
- Reducing to 33% of revenue

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

# EBITDA

Third quarter ending February 28/29, 2015 - 2020

(\$ thousands)



- Quarterly EBITDA is reported at \$709 thousand this year compared to a negative \$734 thousand last year
- EBITDA up \$1.4 million compared to last year

# Net income

Third quarter ending February 28/29, 2015 - 2020

(\$ thousands)



- Quarterly net income is reported at \$430 thousand this year compared to a negative \$889 thousand last year
- Net income up \$1.3 million compared to last year

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