



Record Revenue Highlights Strong Fiscal 2018 Results for Thermal Energy International

OTTAWA, ONTARIO – September 28, 2018 – [Thermal Energy International Inc.](#) (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), an innovative cleantech company providing proprietary and proven energy efficiency and emissions reduction solutions to the industrial, commercial and institutional sectors worldwide, today announced its financial results for the three- month (“Q4” or the “quarter”) and twelve-month (the “year”) periods ended May 31, 2018. All figures are in Canadian dollars.

Highlights:

- Revenue for the year increased 32.0% to \$17.4 million;
- Three-year compound annual revenue growth of 21%
- Gross profit for the year increased 12.0% to \$8.3 million;
- Higher operating expenses as a result of continued strategic investment in growing the Company plus onetime expenses related to the acquisition of Boilerroom Equipment Inc.
- EBITDAS for the year decreased 17.7% to \$617,000. However, EBITDAS would have been \$1.2 million, up 64%, excluding investments in growth and onetime expenses noted above;
- Net income for the year increased 57.7% to \$619,000;
- The Company had an order backlog of \$12.7 million as at September 26, 2018. Compared to \$9.0 million as at September 22, 2017

“I am proud to report yet another record-breaking fiscal quarter and year due to the hard work and determination of our team in the execution of a well-defined growth strategy.” said William Crossland, CEO of Thermal Energy.

“Over the last three years we have invested significantly in our team and capabilities with staff additions in Ottawa, Bristol, Texas, Poland and Germany. We have also expanded our product offerings and expertise and these investments are now starting to pay off. Growing our sales, marketing and technical capabilities and expanding our portfolio of complimentary energy efficiency solutions are key parts of a strategy that has resulted in our revenue almost tripling over the last three years.

“In June, just after year end, we announced the acquisition of Boilerroom Equipment Inc., adding further to our product portfolio, distribution networks, engineering and project management expertise. The addition of Boilerroom Equipment Inc.’s HeatSponge, Sidekick and Rainmaker technologies to our [GEM™](#), [FLU-ACE®](#), [Dry-Rex®](#), and [CoGen](#), is part of the Company’s strategy to develop a broad portfolio of thermal energy efficiency solutions targeted at the industrial, institutional and commercial markets, and become a unique one-stop-shop for all of our clients’

thermal energy efficiency and heat recovery needs.”

Summary Financial Results

In thousands except % data	3 months ended May 31, 2018	3 months ended May 31, 2017	12 months ended May 31, 2018	12 months ended May 31, 2017
Revenue	\$7,352	\$4,754	\$17,408	\$13,192
Gross profit	\$3,363	\$2,379	\$8,334	\$7,439
Gross margin	45.7%	50.0%	47.9%	56.4%
Operating expenses	\$2,544	\$1,960	\$7,845	\$6,858
EBITDAS	\$850	\$463	\$617	\$750
Net income	\$888	\$354	\$619	\$393

Fiscal Year 2018 Financial Review:

The \$17.4 million revenue for the year was the strongest in the Company's history and up 32.0% over fiscal 2017's record revenue of \$13.2 million. Sales of heat recovery systems increased by \$4.8 million (73.6%), while sales of GEM™ condensate return systems decreased by \$597,000 (-9.0%). While fiscal 2018 results did include revenue from the Company's record Resolute Forest Products contract, announced in December 2017, it is important to note that fiscal 2018 would have been a record revenue year even without the Resolute Forest Products order.

For heat recovery, fiscal 2018 included the substantial completion of installations at two major hospitals and a major food and beverage customer, as announced on July 6, 2017, as well as a partial delivery of the super-efficient cogeneration heat recovery system at a food and beverage customer, as announced August 31, 2017, and the partial delivery of the large heat recovery projects to Resolute Forest Products, as announced December 5, 2017.

GEM™ condensate return systems sales in fiscal 2018 were \$4.9 million compared to \$5.5 in fiscal 2017. GEM™ condensate return system sales for fiscal 2018 included further orders from a leading performance materials company and the order to an existing pulp and paper customer, as announced December 5, 2017.

Gross profit increased 12.0% to a record high of \$8.3 million compared with \$7.4 million the year before. As a percentage of revenue, gross profit decreased to 47.9% from 56.4% in fiscal 2017 primarily due to a higher proportion of heat recovery sales.

Operating expenses were \$7.8 million compared to \$6.9 million in fiscal 2017. Despite an additional \$613,000 in costs associated with new staff and marketing activities and one-time costs related to the acquisition of Boilerroom Equipment Inc. operating expenses as a percentage of revenue decreased to 45.1% for the year, compared to 52.0% a year earlier.

EBITDAS decreased 17.7% to \$617,000 compared with \$750,000 in the prior year however EBITDAS would have been \$1.2 million, up 64%, excluding investments in growth and onetime acquisition related expenses. Net income increased 57.7% to \$619,000 compared with \$393,000 in the prior year.

Q4 2018 Financial Review:

With revenue of \$7.4 million, Q4 2018 was the strongest quarter in the Company's history and up approximately 55% over Q4 2017's record revenue of \$4.8 million. Revenue from heat recovery projects in the current quarter included the substantial completion of a hospital project as announced October 12, 2017, the partial delivery of a cogeneration project at a food and beverage customer, as announced August 31, 2017, and the partial delivery of a heat recovery project to Resolute Forest Products, as announced December 5, 2017.

GEM™ condensate return system sales for the final quarter of fiscal 2018 included further orders from a leading performance materials company and the order to an existing pulp and paper customer, as announced December 5, 2017. The final quarter of fiscal 2017 included the fulfillment of sales to a leading chemical producer as well as the fulfillment of orders from a further three sites of the Fortune 500 food and beverage company.

Gross profit increased 41.4% to \$3.4 million compared with \$2.4 million for the same quarter a year earlier. As a percentage of revenue, gross profit was 45.7% for the quarter compared with 50.0% for the same period last year. The increase in gross profit was due primarily to the strong increase in heat recovery revenues for the quarter and the change in margin was due to a higher proportion of revenue from heat recovery.

Operating expenses were just over \$2.5 million compared with \$2.0 million for the fourth quarter of the year before primarily due to additional costs associated with new technical and sales staff hired to grow the business, as well as increased advertising and promotional activities and the one-time expenses related to the acquisition of Boilerroom Equipment Inc. Operating expenses as a percentage of revenue however, were lower at 34.2% compared with 41.2% for the same period a year ago.

EBITDAS for the quarter increased 83.6% to \$850,000 compared with \$463,000 for the same period year earlier. Net income for the quarter increased 150.8% to \$888,000, up from \$354,000 for the fourth quarter of fiscal 2017.

Cash Resources and Working Capital:

As at May 31, 2018, the Company had working capital of \$2.0 million compared to just over \$1.4 million as at May 31, 2017. The Company's net cash position (cash and cash equivalents less bank loans) increased to approximately \$3.3 million from \$3.0 million as at May 31, 2017. In addition to

its net cash balance, the Company also had an estimated \$157 thousand of unused borrowing capacity under its bank loans at the end of fiscal 2018.

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.

Recent Order and Backlog Summary:

Subsequent to year end, the Company had received an order totaling \$1.2 million from a leading Fortune 500 food and beverage customer for a heat recovery system (announced in June 2018).

The Company had an order backlog of approximately \$12.7 million as at September 26, 2018, compared to \$9.0 million when it reported fiscal 2017 results a year earlier. The Company includes in "order backlog" the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company's published quarterly financial statements.

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About Thermal Energy International Inc.

Thermal Energy International Inc. is an innovative cleantech company providing proprietary and proven energy efficiency and emissions reduction solutions to the industrial, commercial and institutional sectors worldwide. We save our customers money and improve their bottom line by reducing their fuel use and cutting their carbon emissions. Our customers include a large number of Fortune 500 and other leading multinational companies across a wide range of industry sectors.

Thermal Energy is also 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 is able to 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, [Dry-Rex®](#) - Low temperature biomass drying systems, HeatSponge - indirect heat recovery units.

Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Germany, Italy and China. The Company'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, follow us on Twitter at

<http://twitter.com/GoThermalEnergy>, and on LinkedIn at
<https://www.linkedin.com/company/thermal-energy-international/>

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The terms EBITDAS and backlog as used in this news release do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable to similar measures presented by other issuers who may define such term differently (see further discussion of non-IFRS measure in the Company's MD&A for the fiscal year ended May 31, 2018).

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 and the timing of revenues to be received by the Company. Statements relating to anticipated future sales performance of the Company, the Company's backlog, the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products and statements about the expected environmental effects and cost savings associated with the Company's products 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. Steps taken by the Company to obtain sales may not be successful. 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. Additional heat recovery and GEMTM steam trap projects being developed by the Company may not result in orders for the Company's products. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications 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.

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