

## Thermal Energy International Announces First Quarter Financial Results

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**Strong order intake, record Custom Equipment<sup>iii</sup> revenue, and record Turn-key Project development indicate strong, growing demand from customers. Quarterly results reflect residual pandemic impact on the longer sales cycle Turn-key Project orders.**

OTTAWA, ONTARIO – October 25, 2022 – Thermal Energy International Inc. (“[Thermal Energy](#)” or the “Company”) (TSX-V: [TMG](#), OTCQB: [TMGEF](#)), an innovative cleantech company and global provider of proprietary energy and carbon emissions reduction solutions to some of the world’s largest corporations, has announced its financial results for the quarter ended August 31, 2022. All figures are in Canadian dollars.

### Highlights:

- **Revenue:** \$3.1 million for the quarter
- **EBITDA<sup>i</sup>:** \$(230) thousand for the quarter
- **Net loss** of \$(509) thousand for the quarter
- **Cash and working capital balances** is at \$2.3 million and \$2.1 million respectively
- **Order backlog<sup>ii</sup>:** \$6.0 million as at August 31, 2022
- **Order intake:** Year-to-date order intake to September 30 of \$9.8 million, 151% ahead of the same period last year.

### Overview

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“The results for this first quarter are largely as expected and reflect the Company’s ongoing strategy to emerge from the pandemic stronger than ever by continuing to invest in the business despite the pandemic related slowdown”, said William Crossland, CEO of Thermal Energy.

“Much like our [financial results](#) for the year ending May 31, 2022, the first quarter has seen continued strong Custom Equipment<sup>iii</sup> revenue and order intake growth as well as record levels of Turn-key Project development. More recently we have also seen strong Turn-key Project order intake. In summary, our Custom Equipment business is thriving, and our Turn-key Project success is closely following with record Project Development Agreements (PDA), and strong recent order intake. The final element to exceed pre-pandemic records will be recognising revenue from the recent growing demand for Turn-key Projects.”

“We are seeing unprecedented customer engagement and demand, with year-to-date order intake (as of 30<sup>th</sup> September) of \$9.8 million, 133% higher than the pre-pandemic level of \$4.2 million in Fiscal 2019. With an order backlog of \$12.3 million as of October 20, 2022 and record levels of PDAs reaching 300% growth since pre-pandemic F2019 we’re not only marking the end of the pandemic impact, but returning

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<sup>i</sup> EBITDA represents earnings before interest, taxation, depreciation, amortization, impairment of intangible assets, and share-based compensation expense. See note below about non-IFRS measures.

<sup>ii</sup> Order backlog represents any purchase orders that have been received by the Company but have not yet been reflected as revenue in the Company’s published financial statements. See note below about non-IFRS measures.

<sup>iii</sup> Custom equipment refers to indirect contact heat recovery solutions (HEATSponge and SIDEKICK), and condensate return system solutions (GEM<sup>TM</sup> steam traps). Turn-key solution refers to direct contact heat recovery solutions (e.g., FLU-ACE<sup>®</sup>).

to levels much higher than even pre-pandemic. This is testament to our perseverance in maintaining key customer relationships and retaining staff to capitalize on the significant recent market improvements.”

“Thermal Energy has truly entered an exciting time as global organisations and governments advocate for energy efficiency as the quickest and most cost-effective way to lower carbon emissions and reduce energy bills. The continued push for more ambitious energy efficiency targets is having an influence on our global customers, particularly those with operations in Europe and as a result we are working with our customers to develop and implement Thermal Energy’s proven technology and projects at record pace.”

“Globally our teams are determined to bring Thermal Energy’s solutions to the forefront of our customer’s sustainability plans, and I’m excited for the and future growth of the Company.”

### Summary Financial Results

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In thousand except % data	Three months ended August 31, 2022	Three months ended August 31, 2021
Revenue	\$3,122	\$3,879
Gross profit	\$1,349	\$1,644
Gross margin	43%	42%
Operating expenses	\$ 1,729	\$1,722
Net (loss) income	\$(509)	\$(154)
EBITDA <sup>i</sup>	\$(230)	\$81
Cash position	\$2,321	\$4,233
Working capital	\$2,073	\$3,255
Orders received	\$3,660	\$2,154
Order backlog <sup>ii</sup> as of August 31	\$6,000	\$6,300

### First Quarter 2023 Financial Review

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Quarterly revenue was \$3.1 million, down 19.5% from last year. The decrease of revenue was due to the decreased revenues from Turn-key heat recovery projects as a result of the pandemic related slowdown on Turn-key Project orders. Alternatively, Custom Equipment orders and revenue continue to show steady growth with first quarter revenue up 21% compared to the same period last year and more than double the pre-pandemic levels in fiscal 2019. Gross profit for the quarter was \$1.3 million as compared to \$1.6 million from the prior year. The decrease in gross profit was mainly due to the decreased revenues from Turn-key heat recovery projects. Operating expenses incurred for the quarter amounted to \$1.7 million which was comparable to the same period of the previous year. A net loss of \$509 thousand was incurred for the quarter and EBITDA<sup>i</sup> was negative \$230 thousand.

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<sup>ii</sup> Order backlog represents any purchase orders that have been received by the Company but have not yet been reflected as revenue in the Company’s published financial statements.

Current assets decreased by \$729,288 to \$6,284,671 at August 31, 2022, compared to \$7,013,959 at May 31, 2022. This decrease was mainly due to the decrease in cash and cash equivalents of \$310,785, and trade and other receivables of \$367,936. Current liabilities slightly decreased by \$25,233 to \$4,211,907.

Working capital decreased by \$704,055 to \$2,072,764 at August 31, 2022, compared to \$2,776,819 at May 31, 2022. The decrease was mainly due to the decrease in cash and cash equivalents of \$310,785, and trade and other receivables of \$367,936.

### Business Outlook and Order Summary

Orders received during the first quarter are 70% higher than orders received during the same quarter of last year. The Company ended the quarter with a total order backlog of \$6.0 million, down 5% from the \$6.3 million in same quarter of last year, and with the Custom Equipment order backlog 0.8% higher than last year.

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 financial statements.

The Company has received \$6.3 million in new orders subsequent to the August 31, 2022 quarter-end bringing the current order backlog to \$12.3 million as of October 20, 2022. A selection of recent order highlights includes:

1. \$2,800,000 order for a Turn-key heat recovery and GEM™ project from a Premium Beer Producer, announced September 30, 2022. The project is to recover waste energy from the boiler exhausts and use the captured energy to reduce overall steam and fuel consumption on site, and the GEM™ trap, a premium venturi orifice steam trap designed to minimize ongoing steam trap maintenance and maximise energy savings in the steam system.
2. \$1,400,000 order for a Turn-key heat recovery project from a Global Nutrition Company, announced September 29, 2022. This is the fourth consecutive project from the Company to recover waste energy from the dryer burner exhaust.
3. \$800,000 order for a Turn-key heat recovery project from a leading European meat producer, announced September 7, 2022. This is the second project for this specific application where the technology has been applied to a new innovative heat source.
4. \$350,000 order from a leading textile manufacturer for a waste water heat recovery system, and GEM™ steam traps taking the total for this customer to \$900,000. Announced September 13, 2022 this is the first RBT system outside North America and illustrates a milestone in our Sofame acquisition strategy.
5. During the first three and half months of the current fiscal year (FY23), GEM™ orders are more than double the amount received during the same period last year with more than \$1.5 million GEM steam trap orders received in only a few weeks.

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 2021, 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, and Italy. 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, the anticipated benefits of the Company's current efforts at training and business improvement efforts, opportunities for growth, the Company's belief that it can capitalize on opportunities, the size of markets and opportunities open to the Company and expectations that order intake will bounce back.. 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).

EBITDA 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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