

**PRESS RELEASE**  
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**TSX-V: HEO**  
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## H<sub>2</sub>O Innovation reports fiscal year 2015 year-end results: Best financial performance of its history

### Key highlights

- 40% increase of its revenues to \$48.7 million, compared to \$34.8 million in fiscal year 2014;
- Adjusted EBITDA: \$2,548,092, compared to \$77,155 in fiscal year 2014;
- Net earnings: \$272,425 compared to a net loss of (\$1,456,131) in fiscal year 2014;
- Innovation: addition of differentiators which generated growth in 2015: SPMC™, Fiberflex™, Smartrek™;
- Project order backlog: new record high of \$44 million as of August 31, 2015.

*All amounts in Canadian dollars unless otherwise stated.*

**Quebec City, September 22, 2015 –** (TSXV: HEO) – H<sub>2</sub>O Innovation Inc. (“H<sub>2</sub>O Innovation” or the “Corporation”) announces its results for the fourth quarter and 2015 fiscal year ended June 30, 2015. H<sub>2</sub>O Innovation’s fiscal year 2015 results showed revenues of \$48.7 M up from \$34.8 M for fiscal year 2014, a 40% increase over last year. Adjusted EBITDA was \$2,548,092 compared to \$77,155, for fiscal year 2014. For fiscal year 2015, it represents a ratio of 5% adjusted EBITDA over revenues. Net earnings were at \$272,425 compared to a net loss of (\$1,456,131) in fiscal year 2014. “This significant increase in fiscal year 2015 compared to fiscal year 2014 is due to the important growth of revenues derived from water treatment projects. It demonstrates the scalability of the Corporation. Indeed, once the Corporation’s fixed costs are covered, the gross profit directly impacts the adjusted EBITDA. Therefore, volume of revenues coming from project sales matters, which is fueled by the important project order backlog”, **stated Frédéric Dugré, President and Chief Executive Officer of H<sub>2</sub>O Innovation.**

In fiscal year 2015 revenues from water treatment projects increased by 61% at \$28.4 M compared with \$17.6 M in fiscal year 2014, which is a direct result of the conversion of the project order backlog into revenues. On the other end, the 18% organic growth of the specialty products and services, which are mainly recurrent revenues by nature, allowed an improvement of the gross profit margin at 27.9% compared to 26.6% last year. “The increase of revenues from sales of specialty products and services reached \$20.3 M in fiscal year 2015 compared with \$17.2 M in fiscal year 2014. It is the result of our steady efforts aimed at increasing the organic growth associated with our specialty products offering for both maple syrup production and maintenance of membrane systems. Our strategic decisions such as the acquisition of Piedmont Pacific Corporation Inc. in December 2013, which is now fully integrated, and the start-up during the current fiscal year of a new venture in the leasing and operating and maintenance of water treatment systems also contributed to increase our revenues”, **added Frédéric Dugré.**

This strategy for organic growth of revenues from sales of specialty products and services is proven to be winning since it minimizes the impact of revenue volatility associated with revenues derived from water treatment projects, it reinforces long-term relationships with our customers and it maintains a higher gross profit.

CONSOLIDATED RESULTS Selected financial data	Three-month periods ended on June 30, (Unaudited)		Twelve-month periods ended on June 30, (Audited)	
	2015	2014	2015	2014
			\$	\$
Revenues	<b>11,670,028</b>	7,896,401	<b>48,699,860</b>	34,831,514
Gross profit before depreciation and amortization	<b>3,467,768</b>	2,117,494	<b>13,566,370</b>	9,250,488
Gross profit before depreciation and amortization	<b>29.7%</b>	26.8%	<b>27.9%</b>	26.6%
Operating expenses	<b>315,025</b>	204,718	<b>1,030,099</b>	859,483
Selling expenses	<b>1,271,641</b>	1,071,346	<b>4,541,164</b>	4,042,511
Administrative expenses	<b>1,315,396</b>	1,100,644	<b>4,776,986</b>	4,100,167
Research and development expenses – net	<b>91,395</b>	21,497	<b>265,821</b>	220,145
Net earnings (loss)	<b>(284,023)</b>	(269,242)	<b>272,425</b>	(1,456,131)
Basic and diluted earnings (loss) per share	<b>(0.003)</b>	(0.002)	<b>0.013</b>	(0.084)
Adjusted EBITDA	<b>420,590</b>	(201,458)	<b>2,548,092</b>	77,155
Adjusted EBITDA	<b>3.6%</b>	(2.6%)	<b>5.2%</b>	0.2%

As at June 30, 2015, Corporation's project order backlog stands at \$36.5 M compared to \$38.3 M as at June 30, 2014. It increased at \$44 M after the announcement of \$7 M of new bookings on August 31, 2015. Over the last four quarters, the Corporation was able to maintain the pace and deliver its large backlog, while it booked new projects, showing that it can manage growth and higher volume of productivity in water treatment projects activities. The bookings over revenues ratio of the Corporation's stood at 0.9 for fiscal year 2015, compared to 2.4 for fiscal year 2014. Investments in sales force, notably with the addition of new sales resources in United States and investments into innovative initiatives are paying off.

The Corporation's ratio of selling, operating and administrative expenses ("SG&A") as a whole over revenues amounted to 21.3% for fiscal year 2015, down from 25.9% of the previous fiscal year. This decrease is attributable to a higher level of revenues derived from water treatment projects sales. Management is still convinced that focused investments in SG&A expenses are a trigger to generate higher level of revenues. The objective is to keep the SG&A ratio to a level of 20% through a tight monitoring of SG&A expenses and an increase in revenues.

Working capital increased from \$7.4 M as at June 30, 2014 (current ratio of 1.71) to \$8.4 M as at June 30, 2015 (current ratio of 1.75). The increase is attributable to the \$1.0 M, \$0.3 M and 0.03 M \$ increase in accounts receivable, accounts payable and accrued liabilities and costs incurred in excess of billings respectively, and the decrease of \$0.7 M, \$0.08 M and \$0.2 M in inventories, billings in excess of costs incurred and current portion of long-term debt respectively.

The net debt which stood at \$4.1 M as at June 30, 2015 decreased by nearly \$0.1 M compared to \$4.2 M as at June 30, 2014. This decrease is attributable to the reimbursement of a portion of the long-term debt, but subdued by a long-term debt contracted to support the remodeling of our Ham-Nord premises; more specifically our office, our maple store and showroom.

Equity stood at \$26.0 M as at June 30, 2015, compared with \$22.6 M as at June 30, 2014. As at June 30, 2015 the net debt equity ratio was 0.16 whereas it was 0.19 as at June 30, 2014, showing that the Corporation is not over leveraged and has improved its overall financial situation.

Net cash generated by operating activities amounted to \$2,121,544 in fiscal year 2015 compared to (\$2,486,316) of net cash used by operating activities during the previous fiscal year. This improvement is attributable to the significant net earnings in fiscal year 2015 compared to a net loss in fiscal year 2014.

### **Financial results for the fourth quarter of fiscal year 2015**

Revenues for the fourth quarter were up by 48 % to \$11.7 M from \$7.9 M for the same quarter of the previous fiscal year. The increase is explained by the increase of \$3.4 M in revenues from water treatment projects.

For the quarter ended June 30, 2015, the gross profit before depreciation and amortization increased to reach 29.7%, from 26.8% for the same quarter of the previous fiscal year.

The fourth quarter SG&A expenses were somewhat higher than the first three quarters of fiscal year 2015. They stand at \$2.9 M in this current quarter compared to \$2.4 M in the fourth quarter of fiscal year 2014. The increase is mainly due to hiring to support operations, to the increase of selling expenses related to high bidding activities, which includes hiring of resources in our project sales team, and related to commissions recorded for bookings secured during the quarter.

Adjusted EBITDA for the fourth quarter was \$420,590 compared to (\$269,242) last fiscal year. As for the net loss of \$284,023 for this quarter, it is caused by the increase of the SG&A expenses explained in the previous paragraph.

### **Strategic outlook for fiscal year 2016**

"We begin this fiscal year 2016 with confidence as we are presenting the best financial performance of our history and an important projects order backlog to start this coming fiscal year. The current pipeline of water treatment projects remains very rich in opportunities which should allow the Corporation to renew its project order backlog and support its revenue growth. We maintain strong bidding activities and business development mainly in Canada and in United States. The Corporation is notably capturing new bookings in California and Texas where the severe drought and population increase generate massive investments in water treatment infrastructures. The business activity in the United States is exceeding the noticeable slowdown in the Canadian energy market. The strategic investments we have made in 2014 and 2015 are paying off and they will allow us to continue towards this direction." **stated Frédéric Dugré.**

The Corporation shall also benefit from the growth of revenues coming from its specialty products and services. In addition to the growth associated with revenues from the maple syrup production equipment, the specialty chemical products PWT and Piedmont Pacific equipment expected in fiscal year 2016, the Corporation will also benefit from a

complete fiscal year of revenues coming from its new venture in the leasing and operating and maintenance of water treatment systems, and revenues coming from the success of its SPMC™ software. The revenues of specialty products and services are mainly recurrent by nature which stabilizes the gross profit margin and brings predictability in the business model.

The annual financial report is available on [www.h2oinnovation.com](http://www.h2oinnovation.com) and on NYSE Euronext Alternext's site. Additional information on the Corporation is also available on SEDAR ([www.sedar.com](http://www.sedar.com)).

### Prospective disclosures

Certain statements set forth in this press release regarding the operations and the activities of H<sub>2</sub>O Innovation as well as other communications by the Corporation to the public that describe more generally management objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Forward-looking statements concern analysis and other information based on forecast future results, performance and achievements and the estimate of amounts that cannot yet be determined. Forward-looking statements include the use of words such as "anticipate", "if", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should" or "will", and other similar expressions, as well as those usually used in the future and the conditional, notably regarding certain assumptions as to the success of a venture. Those forward-looking statements, based on the current expectations of management, involve a number of risks and uncertainties, known and unknown, which may result in actual and future results, performance and achievements of the Corporation to be materially different than those indicated. Information about the risk factors to which the Corporation is exposed is provided in the Annual Information Form dated September 22, 2015 available on SEDAR ([www.sedar.com](http://www.sedar.com)). Unless required to do so pursuant to applicable securities legislation, H<sub>2</sub>O Innovation assumes no obligation to update or revise forward-looking statements contained in this press release or in other communications as a result of new information, future events and other changes.

### About H<sub>2</sub>O Innovation

H<sub>2</sub>O Innovation designs and provides state-of-the-art, custom-built, and integrated water treatment solutions based on membrane filtration technology to municipal, energy & natural resources end-users. Also, directly and through its affiliates, H<sub>2</sub>O Innovation provides services and products complementary to its membrane filtration and reverse osmosis systems. These products consist of a complete line of specialty chemicals and consumables and a complete line of couplings. For more, visit [www.h2oinnovation.com](http://www.h2oinnovation.com).

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- 30 -

**Source:**

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