

## **H<sub>2</sub>O Innovation reports fiscal 2015 first quarter results** **Company records net earnings and strong adjusted EBITDA**

- Revenues of \$11.2 million, up by 35.0% from \$8.3 million for the same period in fiscal year 2014.
- Gross profit before depreciation and amortization increased at 27.0%, compared to 25.8% for the same period in fiscal year 2014.
- Adjusted EBITDA<sup>1</sup> at \$809,827, compared to \$69,670 for the same period in fiscal year 2014.
- Operating, selling and administrative expenses at 18.7% of revenues, down compared to 24.9% for the same period in fiscal year 2014.
- Net earnings of \$282,587, up compared to a net loss of (\$469,994) for the same period in fiscal 2014.
- Order backlog for water treatment projects stands at \$36.1 M as at September 30, 2014, supported by \$5.1 M of new bookings.

*All amounts in Canadian dollars unless otherwise stated.*

**Quebec City, November 11, 2014** – (TSXV: HEO) – H<sub>2</sub>O Innovation Inc. (“H<sub>2</sub>O Innovation” or the “Company”) announces its results for the first quarter of fiscal year 2015. During this quarter, the Company’s revenues increased by 35.0% to \$11.2 M, up from \$8.3 M in the comparable quarter of the previous fiscal year – generating a gross profit of 27.0% compared to 25.8% in the first quarter of fiscal year 2014. The Company returned to positive adjusted EBITDA this quarter after one quarter of negative adjusted EBITDA for the fourth quarter ended June 30, 2014. The order backlog for water treatment projects is still solid at \$36.1 M as at September 30, 2014 compared to \$12.4 M a year ago. “The results of our first quarter of fiscal year 2014 demonstrates the reliability of our business model which is now better supported by the enhancement of our specialty products and services offering and by sufficient revenues from projects, contributing to better gross profit”, **stated Frédéric Dugré, President and Chief Executive Officer of H<sub>2</sub>O Innovation.**

Revenues for the first quarter of fiscal year 2015 totaled \$11.2 M, representing a \$2.9 M or 35.0% increase, as compared with revenues of \$8.3 M for the same quarter of fiscal year 2014. The substantial increase is largely attributable to revenues from projects which reached \$7.3 M compared to \$5.1 M in the corresponding period of the previous fiscal year, representing a 42.8% increase. During the first quarter of fiscal year 2015, several large municipal and industrial projects entered production phase and reached invoicing milestones, contributing to higher invoicing converted into revenues during that period. For the last four quarters, we have aimed our efforts to increase our order backlog which reached its highest level ever – at \$38.3 M as we started this fiscal year. “The investments done in growing our salesforce are now paying off”, **added Frédéric Dugré.** The revenues level achieved during the quarter is a reflection of the projects composing our order backlog, which are moving from their initial design and engineering phases to the higher revenue-generating phase as we progress in fiscal year.

The increase of revenues from projects has been accompanied by an increase of revenues from sales of specialty products and services which reached \$3.9 M in this quarter compared with \$3.2 M in the comparable quarter of the previous fiscal year. This 22.6% increase is in part the result of our integration of Piedmont activities acquired last December. These revenues are recurring in nature. Our efforts deployed throughout last fiscal year to enlarge our specialty chemicals distributors’ network have also contributed to increase revenues from sales of specialty products and services. For the Company, it is still a constant priority to continue to grow the specialty products and services business.

---

<sup>1</sup> The definition of adjusted earnings before interest, tax depreciation and amortization (adjusted EBITDA) does not take into account the Company’s gain on disposal of property, plant and equipment, and stock-based compensation costs. The definition of adjusted EBITDA used by the Company may differ from those used by other companies.

In this first quarter of fiscal year 2015, the Company was able to generate a 27.0% gross profit before depreciation and amortization, a level higher than the 25.8 % gross profit before depreciation and amortization generated in the first quarter of fiscal year 2014. The revenue mix in this quarter shows that revenues from specialty products and services still represent a significant proportion of total revenues compared to the corresponding period of the previous fiscal year (35.1% in fiscal year 2015 versus 38.6% in fiscal year 2014), even though the volume of revenues has increased substantially. This sustained proportion of revenues derived from specialty products and services is partly explainable by the acquisition of Piedmont, which activities also helped stabilised our gross profit before depreciation and amortization.

CONSOLIDATED RESULTS Selected financial data	Three-month period ended on September 30, (Unaudited)	
	2014	2013
	\$	\$
Revenues	11,219,131	8,311,219
Gross profit before depreciation and amortization	3,032,951	2,141,991
Gross profit before depreciation and amortization	27.0%	25.8%
Operating expenses	200,486	182,586
Selling expenses	906,289	966,669
Administrative expenses	987,796	919,063
Research and development expenses – net	39,922	43,407
Net earnings (loss)	282,587	(469,994)
Basic and diluted earnings (loss) per share	0.003	(0.008)
Adjusted EBITDA	809,827	69,670

The Company secured \$5.1 M in new bookings for water treatment projects over the quarter. These new bookings, combined with the realized revenues from water treatment projects during the quarter, have brought the order backlog for water treatment projects to \$36.1 M as at September 30, 2014 which is significantly more than \$12.4 M as at September 30, 2013. “This level of order backlog gives the Company a fairly good visibility over the coming quarters in terms of volume of revenues”, **added Frédéric Dugré**. Surely, this large order backlog represents an execution challenge for the Company but we are convinced that our people are ready and able to take it up. The Company’s bookings over revenue ratio for projects have remained stable at to 0.7 this quarter compared to the corresponding quarter of fiscal year 2014 even though the revenues from water treatment projects have increased significantly.

The Company’s ratio of selling, operating and administrative expenses (“SG&A”) as a whole over revenues amounted to 18.7% for this quarter, down from 24.9% for the corresponding quarter of the previous fiscal year. This decrease is largely attributable to the enhancement in volume of water treatment projects business and improvement in volume of sales from specialty products and consumables and due to a similar level of SG&A expenses. Management aims to keep the SG&A ratio to a level under 20% through a tight management of SG&A expenses and an increase in revenues.

Adjusted EBITDA for the quarter was recorded at \$809,827, compared with \$69,670 for the same period ended September 30, 2013. The higher revenues recorded during the quarter compared with the corresponding quarter of the previous fiscal year and the similar SG&A expenses also contributed to generating higher adjusted EBITDA. The Company returned to positive adjusted EBITDA this quarter after one quarter of negative adjusted EBITDA for the fourth quarter ended June 30, 2014.

The net earnings (loss) was \$282,587 or \$0.003 per share for the first quarter of fiscal 2015 compared with (\$469,994) or (\$0.008) per share for the first quarter of fiscal 2014. This improvement is primarily due to higher revenues, to an improved gross profit of 27.0% and to a similar level of SG&A expenses.



Operating activities generated \$411,225 in cash for the period ended September 30, 2014, compared with \$494,483 of cash generated during the corresponding period ended September 30, 2013. The decline is mainly attributable to the change in working capital items and is softened by improvement in net earnings in the first quarter of fiscal year 2015.

**The first quarter financial report is available on [www.h2oinnovation.com](http://www.h2oinnovation.com) and on NYSE Euronext Alternext's site. Additional information on the Company 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 Company 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 Company to be materially different than those indicated. Information about the risk factors to which the Company is exposed is provided in the Annual Information Form dated September 22, 2014 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 information, visit [www.h2oinnovation.com](http://www.h2oinnovation.com).

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) nor the Alternext Exchange accepts responsibility for the adequacy or accuracy of this release.*

– 30 –

#### **Source:**

H<sub>2</sub>O Innovation Inc.  
[www.h2oinnovation.com](http://www.h2oinnovation.com)

#### **Contact:**

Marc Blanchet  
+1 418-688-0170  
[marc.blanchet@h2oinnovation.com](mailto:marc.blanchet@h2oinnovation.com)