

Corporate Presentation

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Building a **remarkable** business

- First quarter integrating O&M activities – Utility Partners acquisition;
- Recurring activities represent 73% of consolidated revenues;
- Sustained revenue growth of 62% to reach \$19.9 M;
- Adjusted EBITDA increases by 42% to reach \$629,015;
- Launched flexMBR™ – immediate traction from the market;
- \$13.3 M of new projects secured in the first 4 months of this new fiscal year;
- Consolidated backlog for projects and O&M contracts stands at \$105 M as at October 24, 2016;
- Launching FRP cartridge filter housings.

Our business model works.

Our Business DNA relies on three pillars



Flagship

Differentiator

Convergence

1st Business Pillar

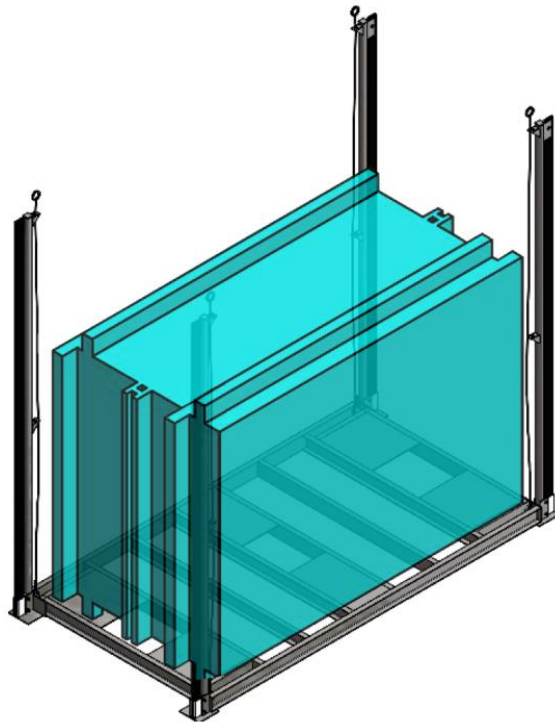
Projects and engineering solutions



- 100% North America, in 2016 – (industrial and municipal);
- New open-source technology for wastewater applications: flexMBR™;
- Growing Pipeline/ Momentum in the wastewater market;
- Current backlog: \$48.9 M (Oct. 23, 2016).

New open-source technology

flexMBR™



- the first membrane bioreactor (MBR) with an **open-source** wastewater design;
- can operate MBR modules from **different** suppliers;
- provides **flexibility** to switch from one membrane to another without having to redesign the treatment plant;
- can be incorporated into an existing wastewater treatment system;
- system owners have the flexibility to **negotiate** the price of their replacement membranes;
- replacement of modules becomes a **competitive process**.

2nd Business Pillar

Specialty products & services (SP&S)



- 30% North America & 70% Worldwide, in 2016
- Most of sales are recurrent in nature



Chemicals

- Antiscalants: phosphate-free, super-concentrated and manufactured in California;
- 27 distributors, covering 40 countries;



Products

- New FRP cartridge filter housing product line;



Softwares

- SCADA™, SPMC™, Clearlogx® (patented technology);



Maple & beverages

- Portfolio of innovative products: High Brix and other small RO systems, Smartrek™;
- Fast growing business unit: above 30% growth/ year over last 8 years;
- Expanding to juice & beer segment.



Fiberglass reinforced polyester cartridge filter housings

- meant for both new and existing water treatment plants;
- included several vertical and horizontal filter styles;
- Included operator focused feature set;
- designed for temperatures up to 90 °C (194 °F) and pressures up to 10 bar (150 psi).



Growing sales from existing sales network





3rd Business Pillar

Operation & Maintenance (O&M)

Acquisition of **Utility Partners**, July 2016

- 36 municipal plants in 6 states, USA: Southeast, Northeast, Gulfcoast & California;
- Recurring nature of revenues provides greater visibility on future revenues (backlog of \$56.2 M);
- Excellent track record of renewal rate;
- Multiple cross-selling opportunities (projects & consumables);
- Well positioned
 - to offer Operations & Maintenance services to project customers;
 - to address the growing market of Design-Build-Operate (DBO);
 - to expand into industrial market & to Canada.



Q1 FY2017 – Financial performance review & update in business

Continuous Improvement

Q1 – FY2017

	Three-month periods ended September 30,		Last twelve months ended September 30,	
	2016	2015	2016	2015
Revenues	\$19.9 M	\$12.3 M	\$58.3 M	\$49.7 M
Projects	\$5.4 M	\$7.2 M	\$21.2 M	\$28.4 M
SP&S	\$5.9 M	\$5.1 M	\$28.5 M	\$21.4 M
O&M	\$8.5 M	-	\$8.5 M	-
Gross profit margin	22.5%	26.1%	28.8%	27.6%
SG&A	\$3.9 M	\$2.7 M	\$13.7 M	\$10.9 M
Net earnings	(\$1.1 M)	\$0.05 M	\$0.9 M	\$0.04 M
Adjusted EBITDA	\$0.6 M	\$0.4 M	\$3.1 M	\$2.6 M
Adjusted EBITDA over Revenues (%)	3.2%	3.6%	5.2%	5.2%

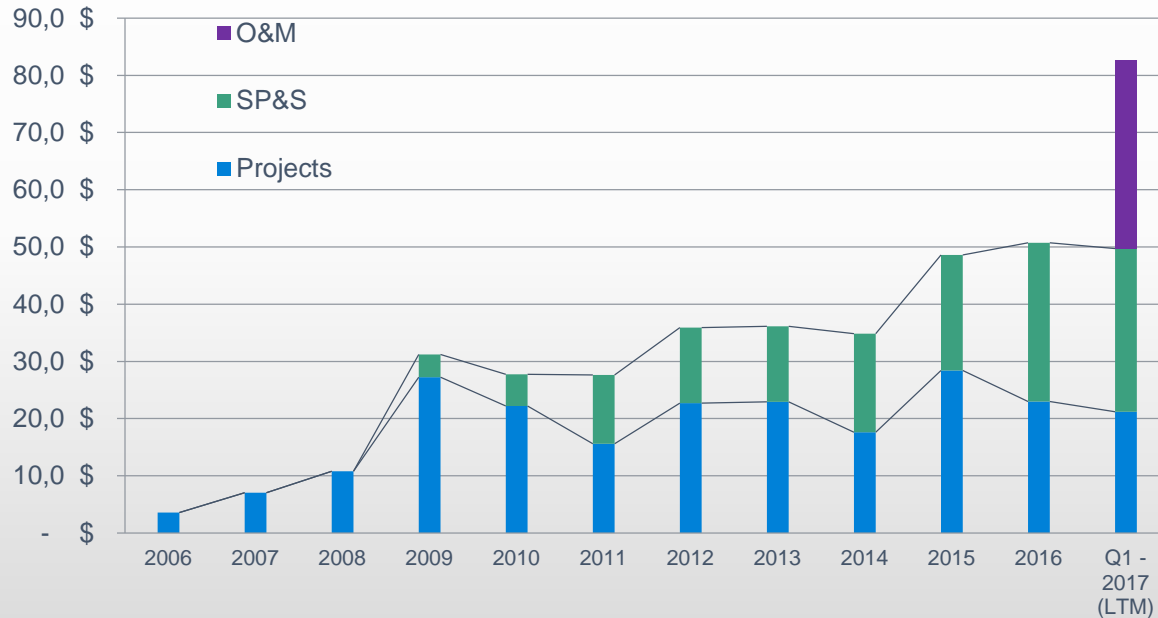
Q1 results:

- ✓ 62 % increase of revenues boosted by acquisition of UP;
- ✓ New business mix: 73% of the revenues are recurrent;
- ✓ Gross profit margin of 22.5% for the quarter: expected with the acquisition of UP;
- ✓ SG&A : 19.6% down from 22.3% last year;
- ✓ Adjusted EBITDA impacted by lower volume of projects.

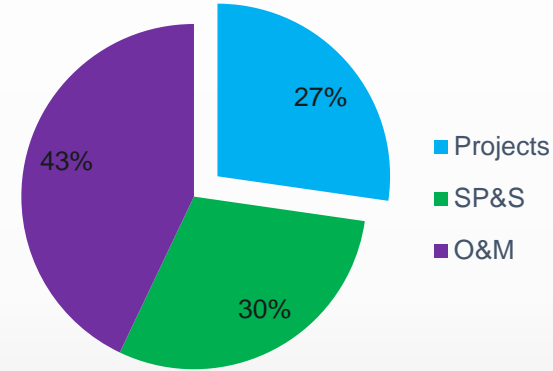
Business Mix : Projects vs SP&S vs O&M

Revenue Breakdown

In US\$ millions



Q1 - FY2017 Revenues



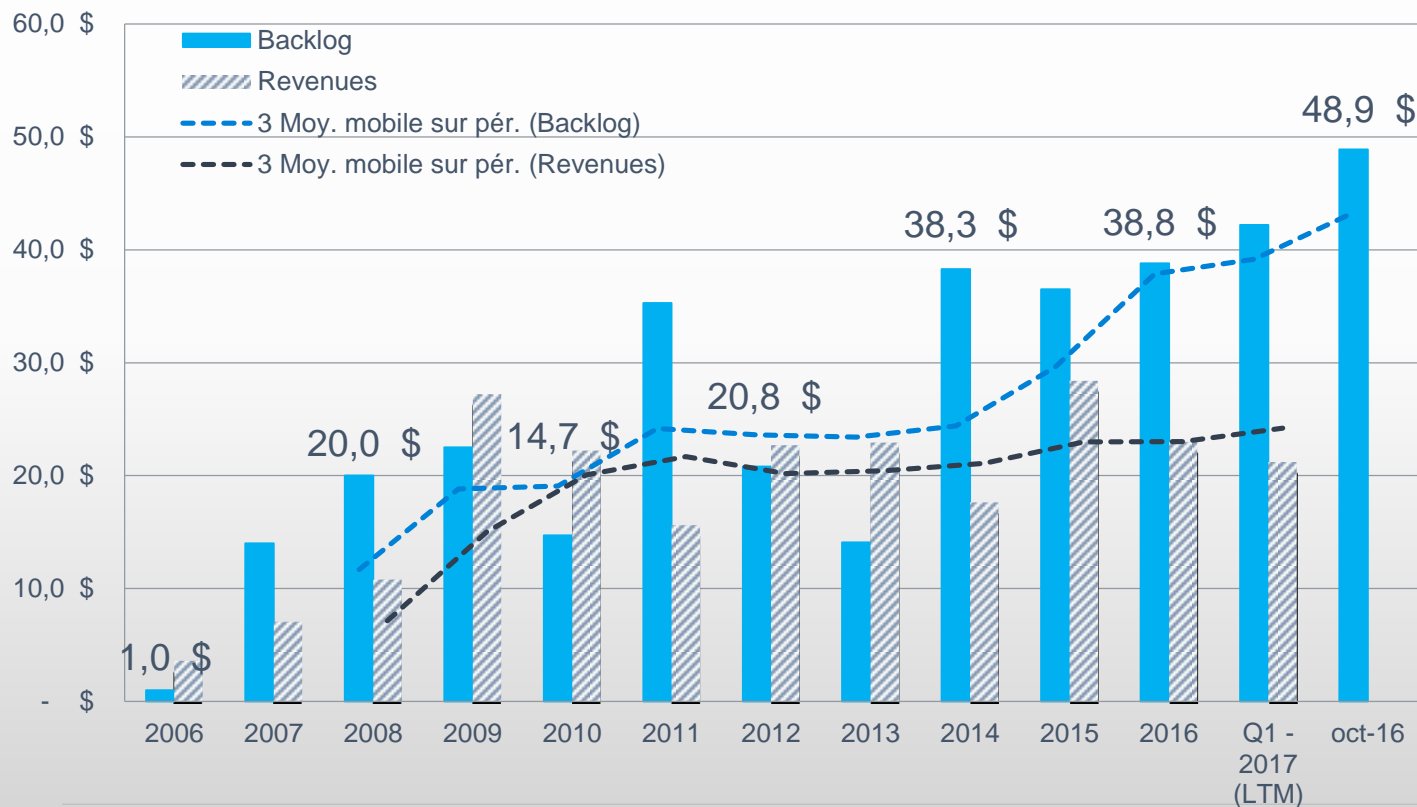
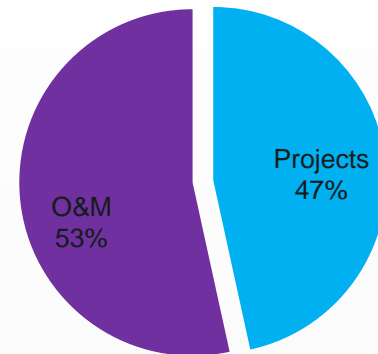
Growth vehicle :

- ✓ Gain predictability in our business model;
- ✓ Secure long-term relationship with customers.



Projects Business Evolution

Consolidated Backlog \$105 M



Financial Position

2017-Q1 Review

(in Canadian dollars, except for ratios)	Period ended September 30, 2016	Period ended June 30, 2016
Working capital	\$14,351,781	\$8,342,714
Working capital ratio	1.72	1.55
Net debt	\$10,676,085	\$6,278,343
Equity	\$47,868,439	\$26,645,406
Net debt to equity ratio	0.22	0.24










Working capital ratio reached 1.72:

- Inventories increased by \$0.7 M to \$5.1 M due to maple syrup production season and manufacturing of specialty chemicals to better respond to demand from customers and expedite deliveries;
- Receivables stood at \$13.6 M, attributable to the acquisition of Utility Partners.

Increased the net debt by \$4.4 M, mostly for an acquisition:

- Increase of bank loans;
- Acquisition of Utility Partners;
- Reimbursement of a portion of the long-term debt and the cash left to support the Corporation's working capital activities.

Business is highly scalable!

-  Main offices
-  Manufacturing plants
-  UF
-  NF/RO
-  MBR
-  Bio-Wheel
-  Less common plants
-  Conventional filtration
-  Utility Partners



Unique predictable business model

- \$105 M of combined backlog (projects and O&M) to be recognized in the coming years
- 2/3 of the revenues are recurring by nature

Growth platform



- Projects sales backlog: \$48.9 M
- Growing Pipeline
- Great momentum in wastewater
- Great momentum for our open-source platforms



- Product development
- Expanded sales network
- Recurrent revenues
- Mergers & acquisitions opportunities



- Backlog of \$56.2 M for operating and maintenance contracts
- Multiple cross selling opportunities between the three pillars
- Design-Build-Operate opportunities
- Mergers & acquisitions opportunities

“Large companies have tried and failed to bring together the roles of systems integrator and chemical supplier. H2O Innovation has used **smart technologies** to bridge the two disciplines, creating a virtuous circle based on **greater understanding of the customer experience.**”

GWJ – Global Water Awards, Feb. 2016



H₂O Innovation

Unique smart **water** player

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