

Corporate Presentation Financial Review and Up-date on Business Q2, FY2017

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February 2017



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Our Business' DNA Relies on Three Pillars



We promote customer retention through every steps of our business offering

Water & Wastewater
Projects

Specialty Products
& Services (SP&S)

Operation &
Maintenance

Flagship

Differentiator

Convergence

Serving the Water Utility



UF, RO, MBR, IFAS,
Systems Assembly

O&M services



Engineering

Software, Data
Acquisition & Monitoring



Components for
Water Plants (couplings,
cartridge filter
 housings)

Specialty chemicals



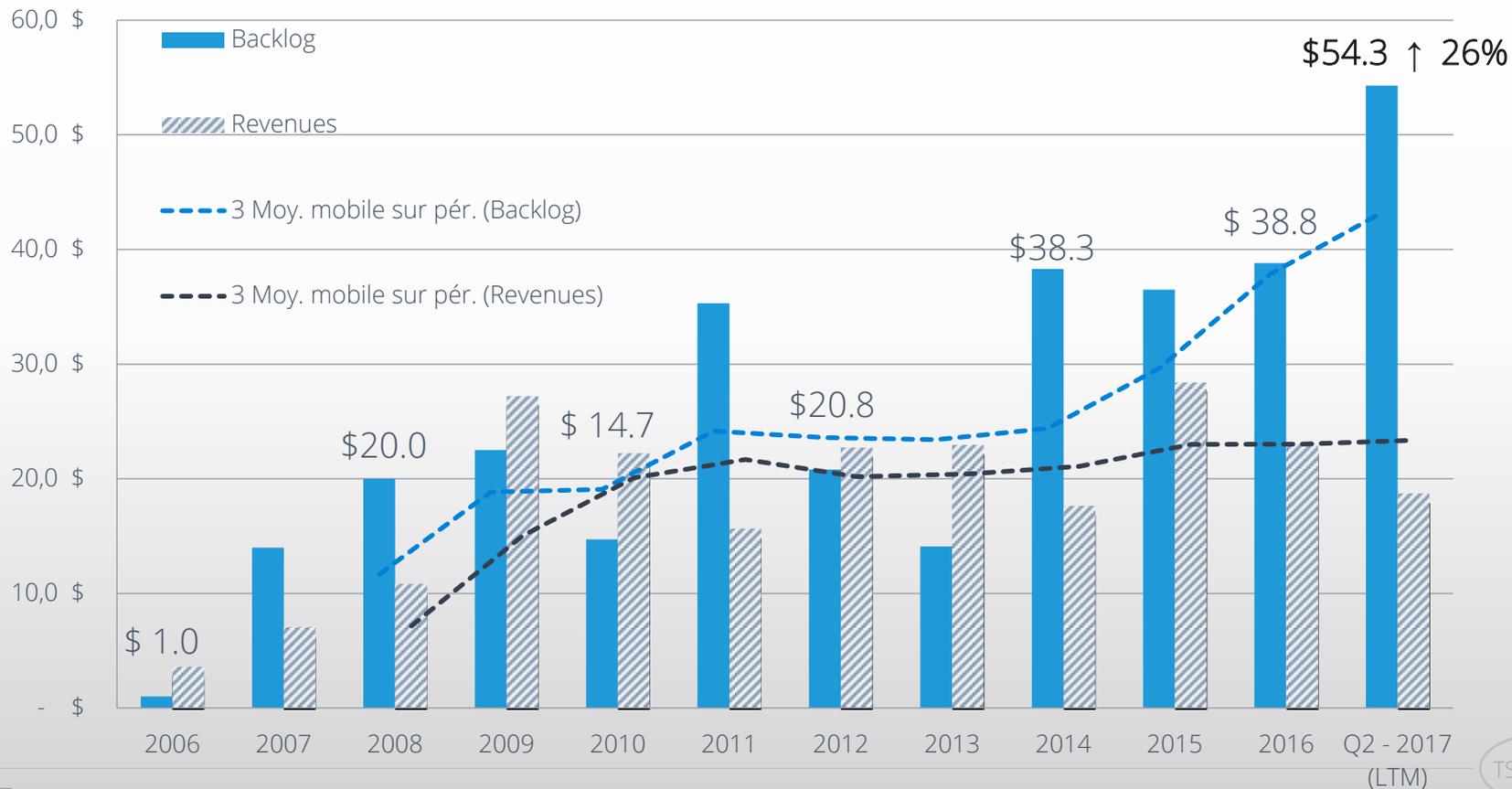
1st Business Pillar

Projects and engineering solutions



- 100% North America – industrial and municipal;
- Differentiator : open-source platforms for membrane (FiberFlex™, flexMBR™);
- For the first 6 months (Q1 + Q2) :
 - ✓ \$20.5 M of new bookings ;
 - ✓ Project average size : \$1.57 M ;
 - ✓ 45% of the new bookings are wastewater projects ;
- Current backlog: \$54.3 M (as of Dec. 31, 2016), up 25.8%;
- Main challenge : repeated shifts in project schedules;
- Well positioned for Design-Build-Operate opportunities emerging from our new business model.

Project Business Evolution



Market Opportunities for New Projects



- Increased infrastructure spending
 - PM Trudeau's 10-year infrastructure plan of \$120 billion
- Wastewater treatment
 - 25% of the existing WWTPs will require replacement or rebuilt (\$20 billion by 2040)



- Unconventional water resourcing
 - Desalination (RO): 215% of growth, from \$150 M in 2016 to \$475 M in 2020
 - Wastewater and Water Reuse (MBR & UF): 25% of increase, from \$8 billion in 2016 to \$10 billion in 2020
- Aging infrastructure
 - EPA estimates to \$660 billion the required investments for drinking water, wastewater and storm water infrastructures over the next 20 years.

Source : GWI, Annual Report 2016 and EPA

2nd Business Pillar

Specialty Products & Services (SP&S)



Speciality chemicals for membrane plants

- Green antiscalants (phosphate-free and super-concentrated);
- Speciality membrane cleaners (liquid or powder);
- Filter aids and coagulants (with the addition of ClearlogX®);
- Manufactured in-house in Vista, California;

Components for desalination industry

- Flexible couplings (plastics, stainless steel, Duplex and SuperDuplex);
- Extensive list of references in the desalination industry;
- Development of a new product line : FRP cartridge filter housings;

Software

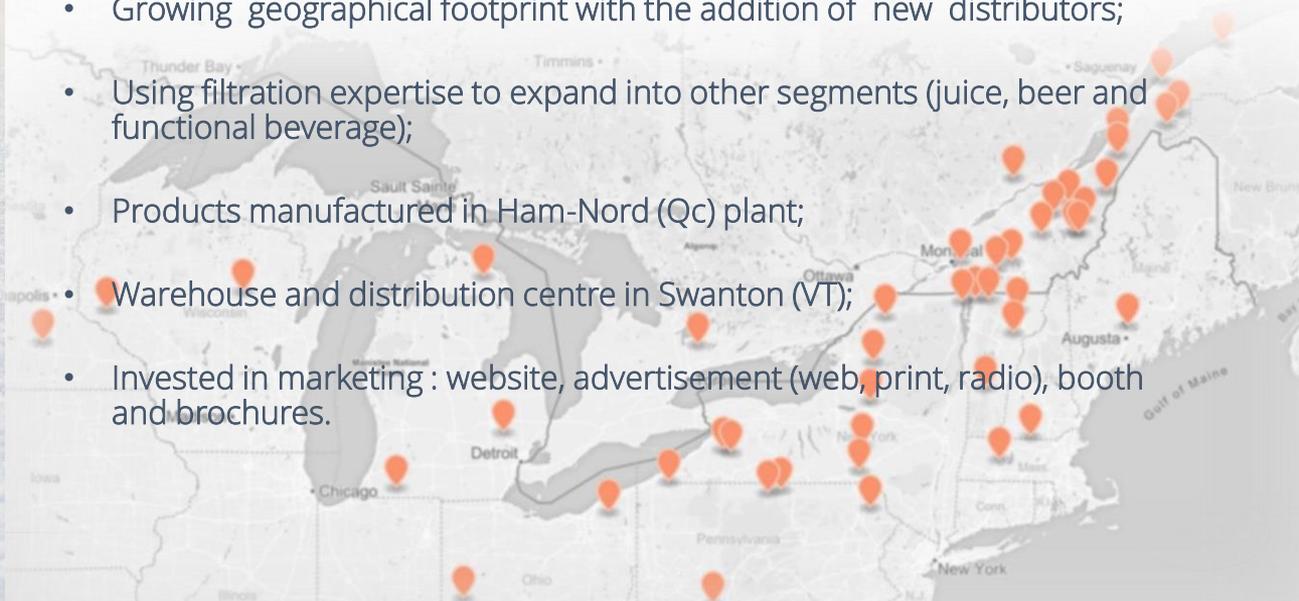
- SCADA™ , SPMCT™, ClearlogX® (patented technology);



Maple Division at a Glance

Driven by innovation, quality and entrepreneurship

- Product innovation : High Brix (patented) RO systems and Smartrek™;
- Fast growing business unit: $\geq 30\%$ growth / year over last 8 years;
- Growing geographical footprint with the addition of new distributors;
- Using filtration expertise to expand into other segments (juice, beer and functional beverage);
- Products manufactured in Ham-Nord (Qc) plant;
- Warehouse and distribution centre in Swanton (VT);
- Invested in marketing : website, advertisement (web, print, radio), booth and brochures.





3rd Business Pillar

Operation & Maintenance (O&M)

- Acquisition of Utility Partners completed in July 2016 (Impact 100% of FY2017);
- Operation contracts with 36 municipal water and wastewater plants in 6 states (VT, NH, MA, GA, MS, and CA);
- Backlog (signed contracts) of \$58.2 M (as of Feb. 13, 2017);
- Update on integration:
 - ✓ Change in UP's leadership was completed as planned;
 - ✓ Secured 100% of the contracts that were up for renewal;
 - ✓ Finance (payables, receivables, invoicing and budgeting) and HR (payroll & benefits) functions have been integrated to existing teams;
- Opportunities (short and mid-term):
 - ✓ Expand scope of work within existing projects (36);
 - ✓ Create value for customers by leveraging procurements;
 - ✓ Look for cross-sales opportunities (consumables, project expansion);
 - ✓ Hire (next fiscal year) a dedicated "Business Development" resource;
 - ✓ Develop O&M business in Canada.

Building a **remarkable** business

- Diversified revenues from 3 distinct and complementary pillars;
- Second quarter integrating O&M activities – Utility Partners acquisition;
- Revenues from O&M and SP&S represents 82.7% of consolidated revenues, which are recurring in nature;
- Sustained revenue growth of 51.6% to reach \$19.9 M in Q2 FY2017;
- Adjusted EBITDA reached \$809,626, or 4.1% of revenues ;
- Cash flow stands at \$1.1 M, boosted by Utility Partners;
- \$12.7 M of new projects secured in the second quarter;
- Consolidated backlog for projects and O&M contracts stands at \$111.3 M (as of February 13, 2017).

Our business model works.

TSXV:H2O



Q2 FY2017 Financial Performance Review & Update on Business

Continuous Improvement

Q2 – FY2017

	Three-month period ended December 31,		Last twelve months ended December 31,	
	2016	2015	2016	2015
Revenues	\$19.9 M	\$13.2 M	\$65.1 M	\$49.2 M
Projects	\$3.4 M	\$5.9 M	\$18.7 M	\$25.6 M
SP&S	\$7.7 M	\$7.2 M	\$28.9 M	\$23.7 M
O&M	\$8.8 M	-	\$17.3 M	-
Gross profit margin	24.2%	31.3%	26.9%	29.9%
SG&A	\$4.2 M	\$3.1 M	\$14.9 M	\$11.7 M
Net earnings	(\$1.1 M)	\$0.2 M	(\$2.2) M	\$0.1 M
Cash flows	\$1.1 M	\$0.1 M	\$2.1 M	(\$0.1 M)
Adjusted EBITDA	\$0.8 M	\$1.0 M	\$2.8 M	\$2.9 M
Adjusted EBITDA over Revenues (%)	4.1%	7.8%	4.4%	6.0%

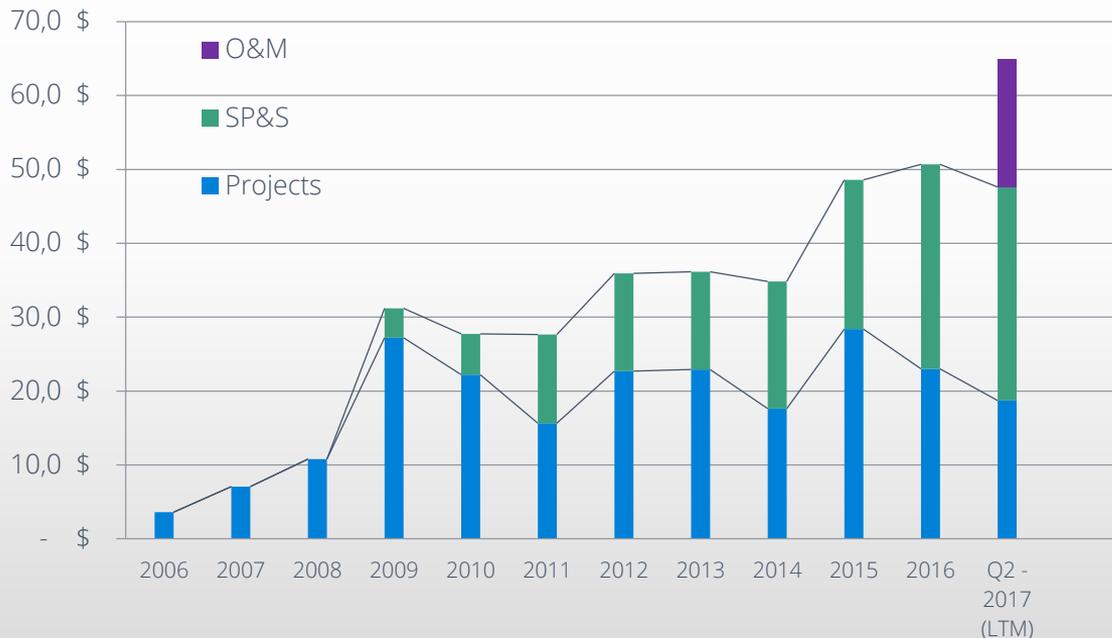
Q2 results:

- ✓ 51.6 % increase of revenues largely attributable to the acquisition of UP;
- ✓ New business mix: 82.7% of the revenues are coming from O&M and SP&S (recurrent in nature);
- ✓ Gross profit margin of 24.2% for the quarter: expected with the acquisition & integration of UP;
- ✓ SG&A : 21.2% down from 23.7% last year;
- ✓ Adjusted EBITDA impacted by:
 - Lower volume of projects
 - Shift in product mix
 - Addition of Utility Partners results

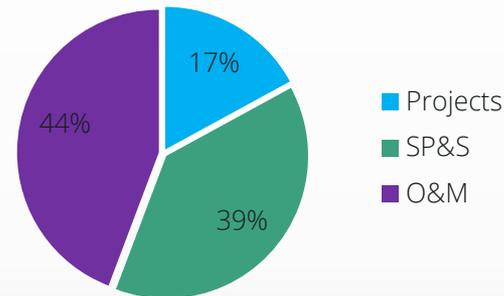
Business Mix : Projects vs SP&S vs O&M

Revenue Breakdown

In US\$ millions



Q2 - FY2017 Revenues



Growth vehicle :

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



Financial Position

2017-Q2 Review

(in Canadian dollars, except for ratios)	Period ended Dec. 31, 2016	Period ended June 30, 2016
Working capital	\$12.9 M	\$8.3 M
Working capital ratio	1.65	1.55
Net debt	\$11.5 M	\$6.3 M
Equity	\$47.6 M	\$26.6 M
Net debt to equity ratio	0.24	0.24

Working capital ratio reached 1.65 :

- Inventories increased by \$1.0 M to \$5.4 M due to maple equipment and speciality chemicals manufacturing in order to face growing demand from customers and expedite deliveries;
- Receivables stood at \$4.6 M, attributable to the acquisition of Utility Partners.

Maintain same debt ratio while doubling sales

- Net debt increased by \$5.2M, following the acquisition of UP
- Working capital ratio improved to 1.65
- Reimbursement of a portion of the long-term debt and the cash left to support the Corporation's working capital activities;
- Monthly capital reimbursement starting in February, at \$180 k.

(in Canadian dollars)	Period ended Dec. 31, 2016	Period ended Dec 31, 2015
Cash flows from operating activities	\$1.1 M	\$0.1 M



Doing Business in USA

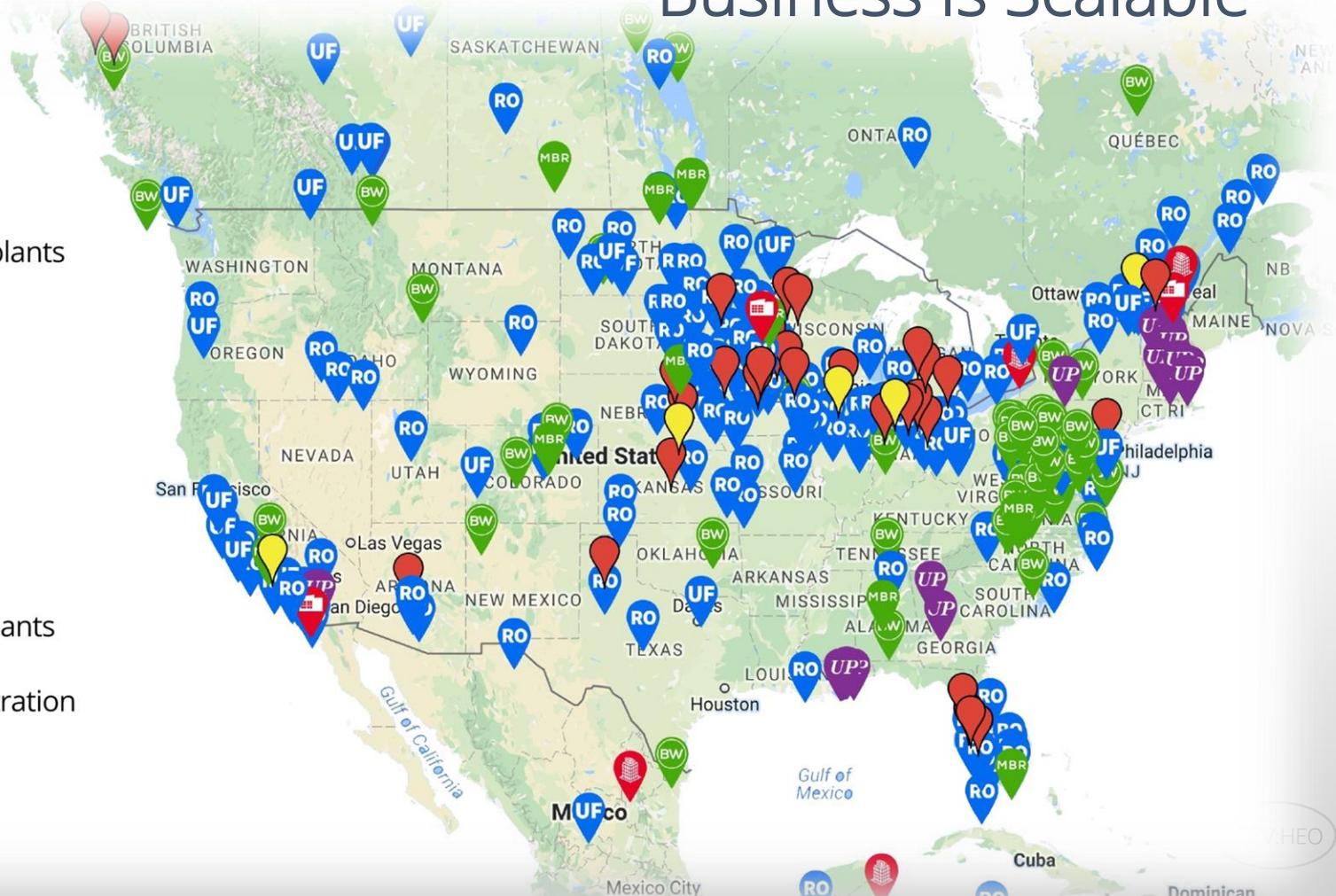
- Active in USA since 2006;
- Completed 7 acquisitions in 10 years;
- 5 affiliates are incorporated in USA;
- 415 American employees working in 9 states;
- Operating 36 American municipal plants in 6 states;
- Products are engineered and manufacturing in USA:
 - ❖ Vista (CA) - for speciality chemicals
 - ❖ Minneapolis (MN) – for systems

- Compliant with Buy-American provision;
- Nation wide operations with experimented local representation and services;
- US-based customers are dealing with our American employees;
- Most of our suppliers are American corporations and procurement is done in US currency;



Business Is Scalable

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



Robust Business Model

- \$111.3 M of combined backlog (projects and O&M) as of February 13, 2017
 - 83% of the revenues are recurring by nature

Growth platform on 3 pillars

Projects



- Project sales backlog: \$54.3 M ;
- Growing pipeline driven by large infrastructure investments;
- Building momentum in wastewater with recent wins;
- Customer recognition for our open-source platforms (FiberFlex™ and FlexMBR™)

SP&S



- Product innovation is driving growth;
- Expanding sales network with new distributors and agents;
- Sales (or customers) are recurring by nature;
- Mergers & acquisitions opportunities

O&M



- Backlog of \$58.2 M for operating and maintenance contracts (as of Feb. 13, 2017);
- Integration of UP is on target with new leadership in place;
- Multiple cross selling opportunities between the three pillars;
- Looking for organic growth and DBO opportunities;
- O&M is fragmented, thus ideal for mergers & acquisitions.

“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.”

GWI – Global Water Awards, Feb. 2016



H₂O Innovation

Unique smart **water** player

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