



PRESS RELEASE
For immediate release

TSXV: HEO
Alternext: MNEMO: ALHEO
OTCQX : HEOFF

H₂O Innovation Announces Completion of the Acquisition of Hays Utility South Corporation Made Possible through the Closing of a Bought Deal Private Placement for \$13.0 M

- NOT FOR DISSEMINATION IN THE UNITED STATES OR TO UNITED STATES NEWSWIRE SERVICES. -

All amounts in Canadian dollars unless otherwise stated.

Quebec City, November 30, 2018 – (TSXV: HEO) – H₂O Innovation Inc. (“H₂O Innovation” or the “Corporation”) is pleased to report the completion of the previously announced acquisition of all the issued and outstanding shares of Hays Utility South Corporation (“Hays”), a privately-owned provider of water and wastewater asset management services (the “Acquisition”) for municipal utility districts in Texas, United States, for a total consideration of US\$6.7 M (CA\$8.9 M)¹.

Hays is providing operation and maintenance (“O&M”) services to forty-one (41) clients, ranging in size from commercial to large utilities, in addition to the billing and collection services of over 34,000 customers each month. Founded in 1970, Hays has a staff of more than seventy (70) employees, including plant operators, plumbers, electricians, construction and repair crews, a customer service call center, field service representatives, client relations managers and other support staff. This acquisition should allow H₂O Innovation to expand its business activities in Texas, creating more synergies and cross-selling opportunities between its different business lines. When adding the contracts of Utility Partners, LLC, the Corporation’s O&M business pillar will now have a total of 78 operation and maintenance contracts throughout the United States and Canada.

Non-audited revenues of Hays for its fiscal year ended on September 30, 2018 amounted to \$19.0 M, compared to \$17.1 M for the previous fiscal year. The EBITDA, excluding the non-recurring expenses related to the former owner², reached \$1.7 M for the year ended September 30, 2018, compared to \$1.6 M for last year. The net income of Hays was at \$1.2 M, compared to \$0.9 M for fiscal year ended on September 30, 2017. Furthermore, the total value of Hays’ assets amounted to \$4.2 M, compared to \$3.1 M in 2017. Total liabilities and equity reached respectively \$1.5 M and \$2.7 M in 2018, compared to \$1.2 M and \$1.9 M in previous fiscal year.³

“Thanks to the successful integration of Utility Partners into our business model two years ago, our team is now well-equipped and ready to repeat this success with Hays. Our operation and maintenance business pillar is now well established, which will facilitate Hays’ integration process. Its addition will also allow the Corporation to further establish itself in Texas, one of the fastest growing markets for water related infrastructures in North America”, **stated Frédéric Dugré, President & CEO of H₂O Innovation.**

¹ The total consideration related to the acquisition has been converted using the foreign exchange rate as of the date hereof.

² Non-recurring expenses are related to the former owner salaries and insurances, auto expenses, and acquisition-related legal and professional fees.

³ All financial information of Hays is denominated in USD, converted in CAD. Income statements items have been converted using the 12-month average rate for the years ended September 30, 2018 and 2017, respectively 1.2835 and 1.2982. Balance sheet information has been converted using the exchange rate as of September 30, 2018 and 2017, respectively 1.2919 and 1.2480.

“When I first met H₂O Innovation’s management group, it became clear to me that H₂O Innovation and Hays’ culture and values regarding employees and customer retention were aligned. My father started this company more than 40 years ago and he cared deeply for his team. Our employees and their futures were my greatest concern, and today, I feel that H₂O Innovation will ensure continuity and provide growth opportunities”, **added Donald J. Hays, President of Hays Utility South Corporation.**

Offering Private Placement Financing

The acquisition consideration was financed through the previously announced bought deal private placement of subscription receipts (the “subscription receipts”) of the Corporation (“the Offering”). Given the closing of the Acquisition occurred concurrently with the closing of the Offering, common shares of the Corporation (the “Common Shares”) were issued directly to the subscribers instead of the subscription receipts.

As a result of the partial exercise by the Underwriters (as hereinafter defined) of the over-allotment option under the Offering, a total of 15,745,775 Common Shares were issued at a price of \$0.83 per Common Share for total gross proceeds to the Corporation of approximately \$13,068,994.

The Offering was conducted by a syndicate of underwriters led by Haywood Securities Inc. and including Beacon Securities Limited and Canaccord Genuity Corp (collectively, the “Underwriters”).

In connection with the Offering, the Corporation paid to the Underwriters an aggregate cash commission of 5.0% (reduced to 3.0% in the case of one subscriber) and issued an aggregate of 642,710 non-transferable warrants to the Underwriters (the “Broker Warrants”). Each Broker Warrant entitling its holder to purchase one Common Share at a price of \$0.83 until November 30, 2020.

The securities issued and issuable to the Offering are subject to a statutory resale restriction until March 31, 2019.

BDC Capital Inc. (“BDC”) was a lead investor in the private placement and acted as a true catalyst to make this transaction possible. “BDC is pleased to partner with a team of Quebec-based entrepreneurs that are competing head on with the majors in the water treatment space on the global scene. H₂O Innovation has been expanding at double-digit growth for the last 8 years both organically and through acquisitions and as the bank devoted exclusively to entrepreneurs, we’re committed to helping build globally competitive cleantech firms at all stages of development”, **said Susan Rohac, Vice President, Cleantech Practice at BDC.**

Existing shareholders, Caisse de depot et placement du Québec and Investissement Québec, along with certain directors and officers of H₂O Innovation have also participated in the Offering.

The participation of insiders of the Corporation in the Offering constitutes “related party transactions” as defined under *Regulation 61-101* respecting *Protection of Minority Security Holders in Special Transactions* (“Regulation 61-101”). The issuance of the Common Shares to insiders is exempt from the formal valuation and minority shareholder approval requirements of Regulation 61-101 as neither the fair market value of securities issued to insiders nor the consideration paid by insiders exceeds 25% of the Corporation’s market capitalization. The Corporation did not file a material change report twenty-one (21) days prior to the closing of the Offering as the details of the participation of the related parties of the Corporation had not been confirmed at that time.



The Corporation intends to use the net proceeds of the Offering to finance the Acquisition, to pay the costs associated with the Acquisition and the Offering and allocate the balance for working capital purposes.

The securities offered pursuant to the Offering have not and will not be registered under the U.S. Securities Act of 1933 (the “Act”), as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Act. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Prospective disclosures

Certain statements set forth in this press release regarding the Acquisition, the Corporation’s anticipated use of proceeds under the Offering, the expected synergies and benefits of the Acquisition and the operations and the activities of H₂O 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. 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. Factors that could cause or contribute to such differences include, but are not limited to, those risk factors discussed in the Annual Information Form of the Corporation dated September 25, 2018 available on SEDAR (www.sedar.com). Unless required to do so pursuant to applicable securities legislation, H₂O 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 H₂O Innovation

H₂O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology for municipal, industrial, energy and natural resources end-users. The Corporation’s activities rely on three pillars which are i) water and wastewater projects and aftermarket services; ii) specialty products, which include a complete line of maple equipment and products, specialty chemicals, consumables and specialized products for the water treatment industry; and iii) operation and maintenance services for water and wastewater treatment systems and utilities. For more information, visit 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:

H₂O Innovation Inc.
www.h2oinnovation.com

Contact:

Marc Blanchet
+1 418-688-0170
marc.blanchet@h2oinnovation.com