



PRESS RELEASE
For immediate release

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OTCQX: HEOFF
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H₂O Innovation Announces Acquisition of an Operation & Maintenance Company in Texas and a Bought Deal Private Placement of \$13.0 M

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Key Highlights

- Acquisition of a leading Texas privately-owned company specializing in the water and wastewater asset management services for municipal utilities;
- Strengthens H₂O Innovation's operation and maintenance ("O&M") business pillar with an enhanced presence in Texas creating more synergies and cross-selling opportunities;
- The transaction is expected to be immediately accretive to earnings and EBITDA; and
- The acquisition is expected to add, on an annual basis, \$17.1 M in revenues and nearly \$1.4 M in EBITDA to H₂O Innovation as well as the creation of synergies within the range of \$175,000.

All amounts are in Canadian dollars unless otherwise stated.

Quebec City, November 14, 2018 – (TSXV: HEO) – H₂O Innovation Inc. ("H₂O Innovation" or the "Corporation"), announces it has entered into a binding agreement pursuant to which H₂O Innovation will acquire, from arm's-length third parties, a privately-owned provider of water and wastewater asset management services (the "Target") for municipal utilities in Texas, United States (the "Acquisition"). The Target provides services to forty-one (41) clients, ranging in size from commercial to large utilities, in addition to the billing & collection services of over 34,000 customers each month. This transaction is expected to allow H₂O Innovation to expand its business activities in Texas, one of the fastest growing markets for water related infrastructures in North America, and solidify its O&M business pillar. The Corporation believes this Acquisition will then become a growth vehicle and a catalyst for synergies with the other Corporation's business lines.

Following extensive due diligence, the purchase price was established at US\$6.71 M (the "Purchase Price"), on a cash-free, debt-free basis. The Purchase Price will be paid in multiple installments, being 67% in cash on the closing date and the balance will be paid over a two (2) year earn-out period, and will be financed as described below. The Purchase Price is subject to customary working capital adjustments as of the closing date.

"This Acquisition follows the addition of Utility Partners to our business model in July 2016 and will enhance our operation and maintenance offering in the United States. Furthermore, establishing ourselves with O&M activities in Texas will allow us to further develop our synergies with H₂O Innovation's projects team, already active in this State with several systems delivered over the years. We expect this Acquisition to create several cross-selling opportunities between our business lines", **said Frédéric Dugré, President and Chief Executive Officer of H₂O Innovation.**

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Audited revenues of the Target for its fiscal year ended on September 30, 2017 amounted to \$17.1 M (US\$ 13.2 M) with an EBITDA of \$1.4 M (US\$1.1 M). In addition, for the same period, the total value of the Target's assets amounted to \$3.1 M (US\$2.5 M) and total liabilities and equity were \$1.2 M (US\$ 1.0 M) and \$1.9 M (US\$1.5 M), respectively. The net income of the Target was \$862,152 (US\$ 664,113) for its fiscal year ended on September 30, 2017. As per the unaudited financial statements for the period of ten months ended on July 31, 2018, the Target's revenues reached US\$12.3 M, total assets amounted to US\$2.5 M and total liabilities and equity were US\$1.0 M and US\$1.5 M, respectively. The net income of the Target was US\$ 780,660 and the EBITDA reached US\$ 1.1 M for the period of ten months ending on July 31, 2018.

The Acquisition is expected to close on or about November 30, 2018, with an effective date as of December 1, 2018, and is subject to customary conditions.

Offering

H₂O Innovation also announces that it has entered into a bought deal private placement financing agreement to sell 15,663,000 subscription receipts of the Corporation (the "Subscription Receipts") at a price of \$0.83 per Subscription Receipt (the "Offering Price"), for aggregate gross proceeds of approximately \$13 M (the "Offering").

The Offering will be conducted by a syndicate of underwriters led by Haywood Securities Inc. and including Beacon Securities Limited and Canaccord Genuity Group Inc. (the "Underwriters"). The Corporation has granted the Underwriters an option to purchase up to an additional 2,350,000 Subscription Receipts at the same price, exercisable at any time prior to 48 hours before the closing of the Offering, for additional gross proceeds of up to approximately \$2 M (the "Option"). If the Option is exercised in full, the total gross proceeds to H₂O Innovation from the sale of Subscription Receipts will be approximately \$15 M.

The gross proceeds of the Offering less 50% of the commission payable to the Underwriters and the expenses of the Underwriters incurred in connection with the Offering (the "Escrowed Proceeds") will be held in escrow pending confirmation from the Corporation (the "Release Notice") that all closing conditions of the Acquisition have been satisfied (or waived), except for the payment of the Purchase Price (the "Escrow Release Conditions"). Upon delivery of the Release Notice, the Subscription Receipts will be automatically exchanged for common shares of the Corporation ("Common Shares") and the Escrowed Proceeds, less the balance of the commission payable to the Underwriters, will be released to the Corporation. If the Release Notice is not provided on or before December 15, 2018 or such other date as the Corporation and the Underwriters may agree upon (the "Termination Time"), or the Corporation, prior to the Termination Time, advises the Underwriters or the public that it does not intend to proceed with the Acquisition, each Subscription Receipt will be automatically cancelled without any further action. Holders of the Subscription Receipts will be entitled to receive a repayment of an amount equal to the Offering Price multiplied by the number of Subscription Receipts held by such holder.

The Company 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 the balance for working capital purposes. The Offering is expected to close on or about November 30, 2018 and is subject to customary conditions, including the approval of the TSX Venture Exchange. If the closing of the Acquisition occurs concurrently



with the closing of the Offering, the Corporation will deliver Common Shares instead of Subscription Receipts to investors in the Offering.

Certain insiders of H₂O Innovation have indicated their intention to participate in the Offering, which participation constitutes “related party transaction” as defined under *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* (“Regulation 61-101”). The Offering will be exempt from the formal valuation and minority shareholder approval requirements of Regulation 61-101 as neither the fair market value of securities being issued to insiders nor the consideration being paid by insiders will exceed 25% of the Corporation’s market capitalization.

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.

H₂O Innovation Conference Call

Frédéric Dugré, President and Chief Executive Officer and Marc Blanchet, Chief Financial Officer, will hold a conference call to discuss this announce in further details at 4:30 p.m. Eastern Standard Time on Wednesday, November 14, 2018.

To access the call, please call 1 (877) 223-4471 or 1 (647) 788-4922, five to ten minutes prior to the start time. Presentation slides for the conference call will be made available on the Corporate Presentations page of the Investors section of the Corporation’s website.

Prospective disclosures

Certain statements set forth in this press release regarding the Acquisition, the terms of the Offering, the successful completion of the Acquisition, the successful completion of the Offering, the Corporation’s anticipated use of proceeds under the Offering, the expected timing for closing of the Acquisition, the expected timing for closing of 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, failure to obtain TSX Venture Exchange approval of the Offering, failure to satisfy the Escrow Release Conditions prior to the Termination Time and 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 policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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