

# Corporate Presentation

## H<sub>2</sub>O Innovation

April 2019

**Presented by :**

Frédéric Dugré, CEO & President  
Marc Blanchet, CFO

h<sub>2</sub>o  
innovation®

TSXV: HEO



# OUR VALUES L'EAU

"french for water"

Whatever our role at H2O Innovation, we're all connected through the same values – we therefore give our clients and partners the best of ourselves in every phase of our business relationship.



LOYALTY

ENTREPRENEURSHIP

ACHIEVEMENT




UNITY

# H<sub>2</sub>O's OFFICES




## Head Office:

- ♦ Québec, QC, CAN 

## Manufacturing Plants:

- ♦ Ham-Nord, QC, CAN 
- ♦ Champlin, MN, USA 
- ♦ Vista, CA USA 







## Engineering & Sales Offices:

- ♦ Burlington, ON, CAN 
- ♦ Calgary, AB, CAN 
- ♦ Bilbao, SP, EUR 

## Other (franchises, stores):

- ♦ Swanton, VT, USA 
- ♦ Saint-Louis-du-Ha!-Ha!, QC, CAN 
- ♦ H2O Mexico, Cancùn, MEX 

## Operations & Maintenance:

- ♦ Gulfport, MS, USA 
- ♦ Claremont, NH, USA 
- ♦ Las Vegas, NV, USA 
- ♦ Forsyth, GA, USA 
- ♦ Kananaskis, AB, CAN 
- ♦ Spring, TX, USA 

Totalling  
675  
employees  
in North  
America &  
Spain



# Our Business Pillars

## 1. Water + Wastewater Projects & Aftermarket



**h<sub>2</sub>O**  
innovation<sup>®</sup>

## 2. Specialty Products



**Piedmont**

**PWT**

**h<sub>2</sub>O**  
innovation<sup>®</sup>

## 3. Operation & Maintenance



**UTILITY  
PARTNERS**

**h<sub>2</sub>O**  
operation & maintenance<sup>®</sup>

**Hays** **UTILITY**  
CORPORATION **South**  
*Serving You Since 1970*

# Our Clients





Acquisition PWT: 2009,  
Acquisition Piedmont: 2013



2000

2001

2002  
to  
2009

2009  
to  
2013

2014  
2015

2016

2017

2018



Growth of the project  
business (in USA since 2006)

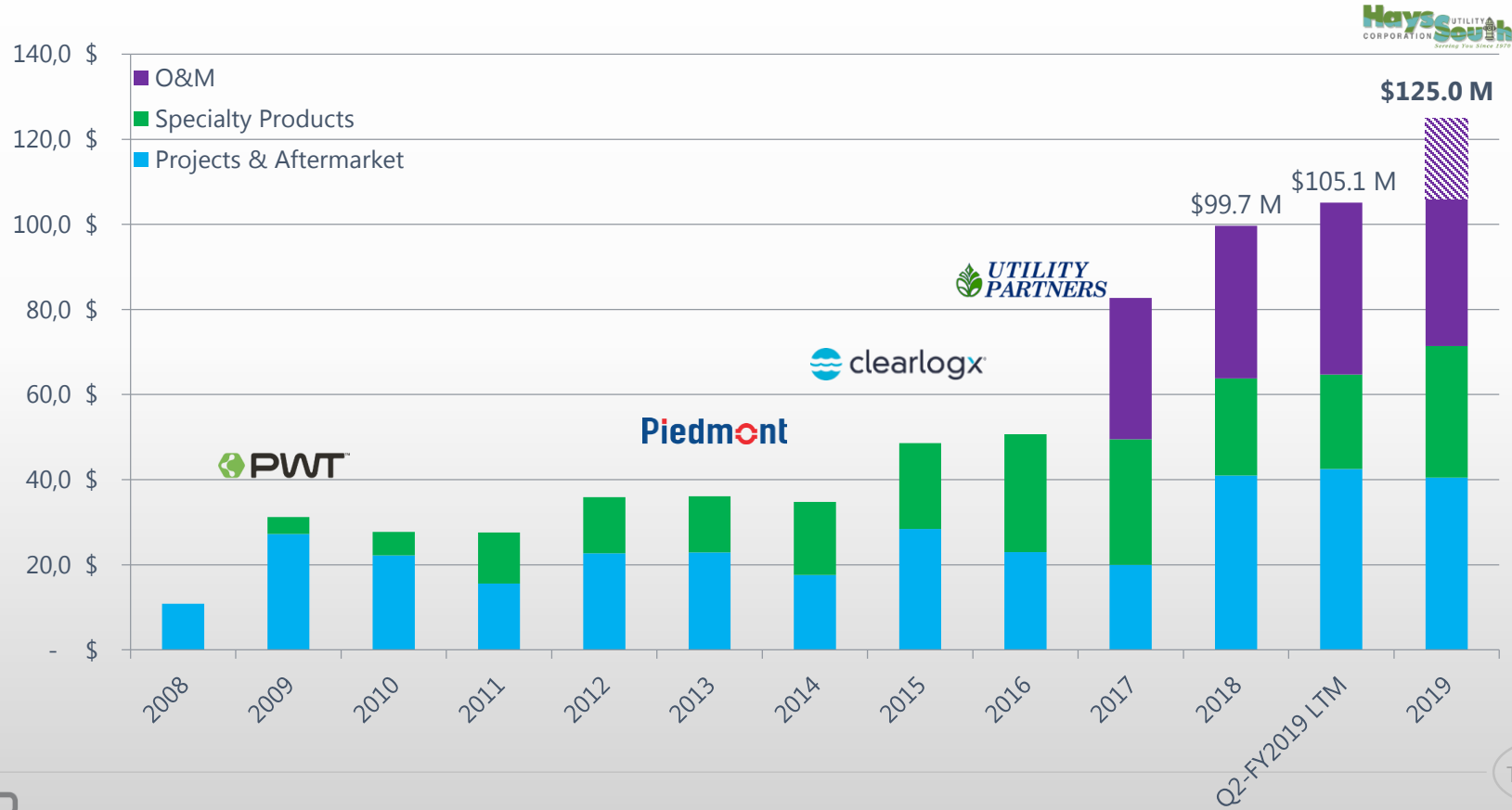
Digital Solutions &  
acquisition of Clearlogx®  
and rebranding of  
Intellogx™



TSXV:HEO

# Revenue Growth: Organic & Acquisitions

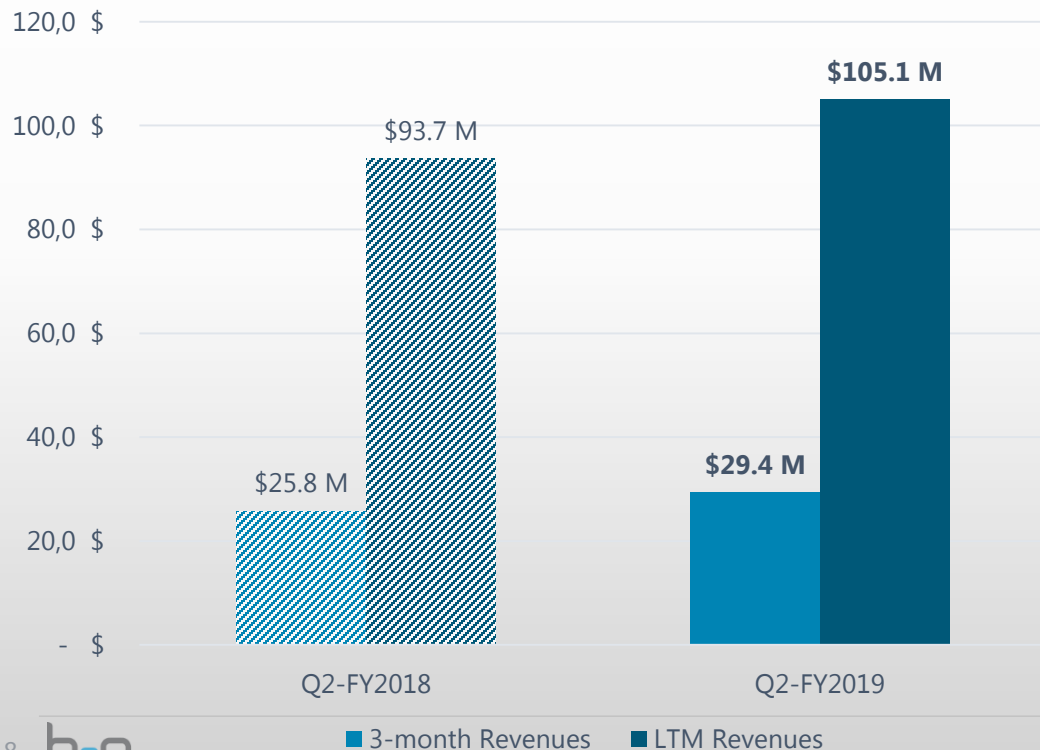
In CAD million \$



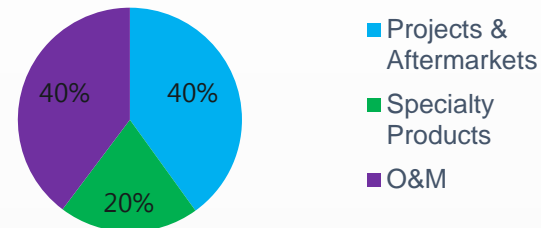
# Revenue Growth

## Revenue Breakdown

In CAD million \$




## Q2 - FY2019 - Revenues



- Revenues reached \$29.4 M, up 13.8% from Q2 in previous year ;
- LTM revenues reached \$105.1 M, up 12.2% from Q2-FY2018 LTM in previous year;
- Gain predictability in our business model with **70.8%** of recurrent revenues;
- Our business model promotes sales synergies between the three business pillars and long-term relationship with customers.

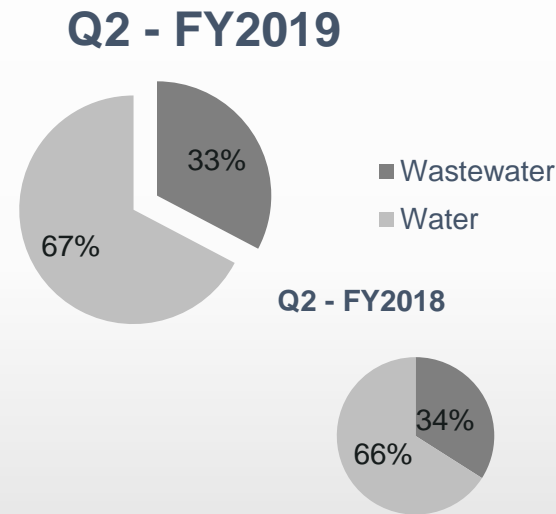
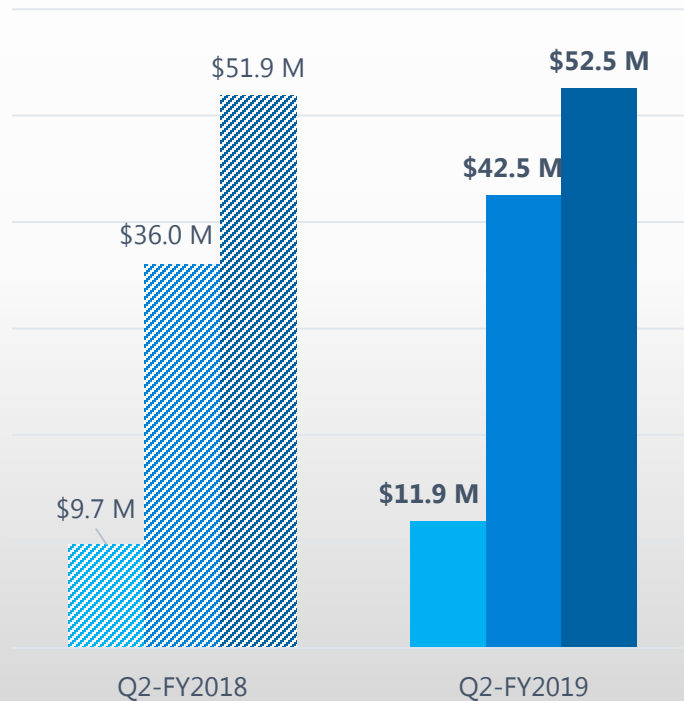
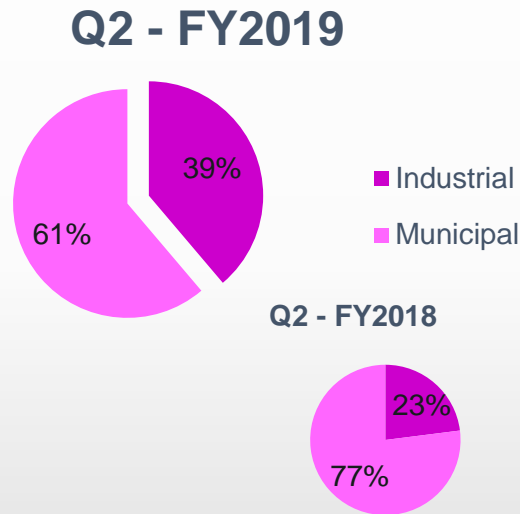


# Our Business Model Promotes Synergies and Customer Retention

	Projects & Aftermarket	Specialty Products	O&M
<b>Philip Morris USA</b> an Altria Company			
THE RIVER CITY <b>MOSS POINT</b> MISSISSIPPI			
<b>Cummins</b>			
<b>POET</b>			
			
			
			

# 1<sup>st</sup> Business Pillar - Backlog Diversification

## Water & Wastewater Projects, and Aftermarket



# 1<sup>st</sup> Business Pillar

## Water & Wastewater Treatment Projects

- > 750 systems installed
- Strong membrane expertise
- Feed the aftermarket sales with recurring consumables

### Legend:

- H<sub>2</sub>O offices / plants
- Small Systems
- Conventional Systems
- Wastewater
- Ultrafiltration Systems
- Reverse Osmosis Systems



Montevina, (CA)  
Drinking Water  
(30.0 MGD)



Data Center, (OR)  
Process & Water Reuse  
(1.7 MGD)



Decatur, (AR)  
Wastewater  
(4.6 MGD)



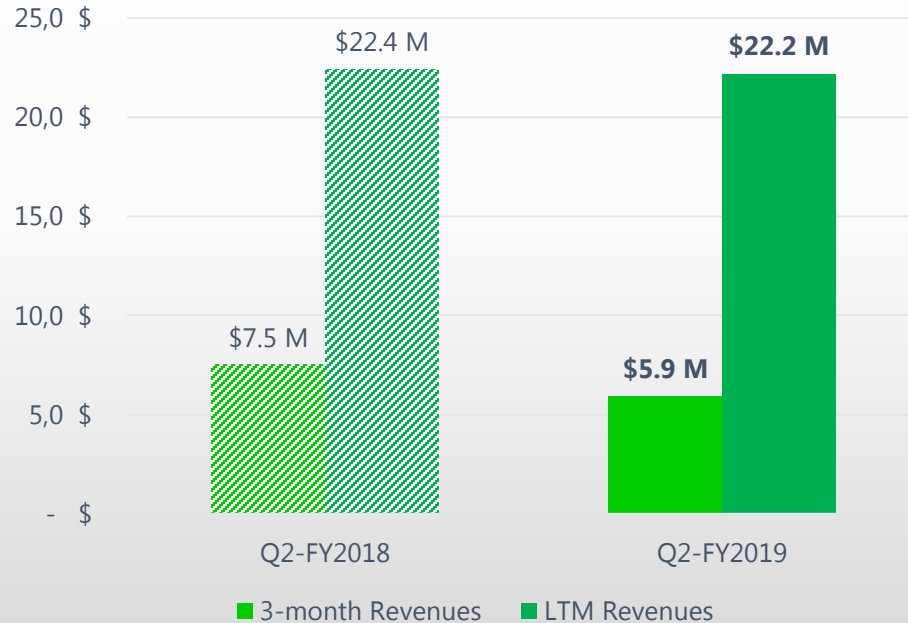
Sherman, (TX)  
Drinking Water  
(5.0 MGD)

# 2<sup>nd</sup> Business Pillar

## Specialty Products



In CAD million \$

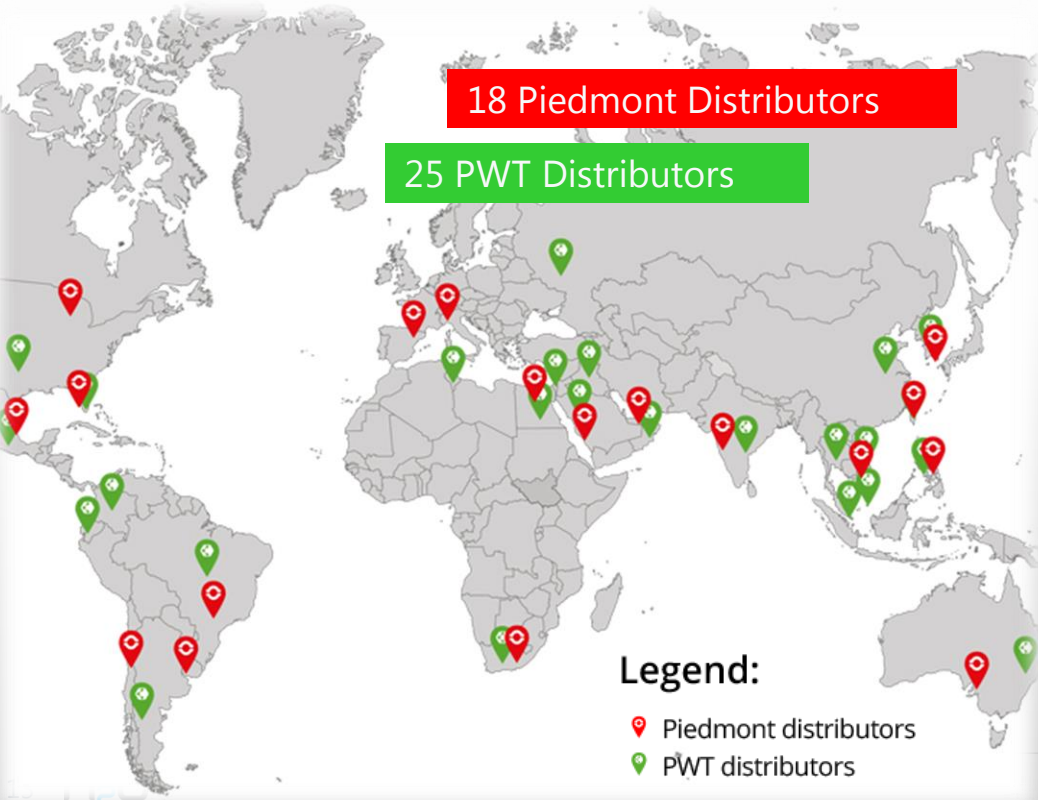


- Specialty products revenues stood at \$5.9 M, from \$7.5 M for Q2-FY2018, representing a \$1.6 M, or 21.4% decrease;
- This decrease is attributable to:
  - Timing of significant orders related to Piedmont, which were delayed by the customers;
  - General slowdown in the maple industry, due to adverse weather conditions during last maple syrup season.
- Expanded distribution network:
  - new distributors for PWT & Piedmont (Russia, Singapore, Australia) placed stocking orders;
- Piedmont secured 19 new projects (couplings & FRP housings), totaling \$3.3 M
- Obtained NSF certification on FRP Housings
- New Piedmont products under development.



# 2<sup>nd</sup> Business Pillar

## Specialty Products





# 2<sup>nd</sup> Business Pillar - Maple

## Specialty Products

50 Maple Distributors

Legend:  
📍 Maple distributors



Provided all the farming maple equipment to a new **200,000-tap** maple syrup production.

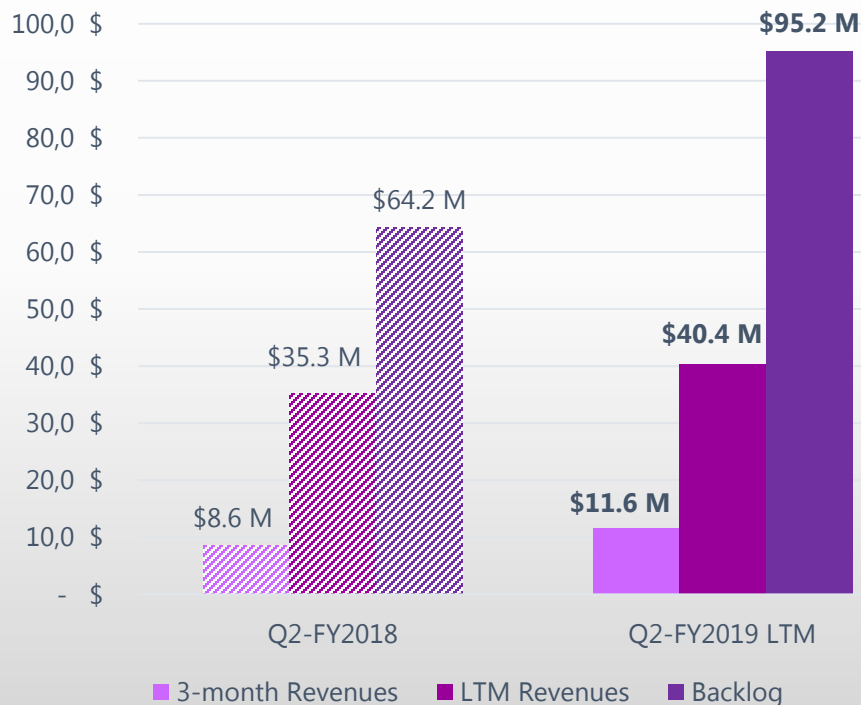


# 3<sup>rd</sup> Business Pillar

## Operation & Maintenance (O&M)



In CAD million \$



- O&M recurring revenues of \$11.6 M for Q2-FY2019, compared with \$8.6 M for Q2-FY2018, representing an increase of \$3.0 M, or 35%
  - \$1.5 M is attributable to the acquisition of Hays;
  - \$1.5 M is coming from organic growth on existing O&M contracts (scope expansions, annual consumer price index ("CPI") adjustments).
- Hays' integration is moving as planned:
  - Customers are supportive of the acquisition;
  - Cost synergies have been identified and will impact partially FY2019;
  - Sales synergies are currently taking place and will remain.
- O&M backlog stands at \$95.2 M as at December 31, 2018, compared with \$64.2 M in previous year, a 48.3% increase.

# Latest Acquisition - Hays Overview



Services	<ul style="list-style-type: none"><li>• Water &amp; Wastewater Operations;</li><li>• Billing &amp; Collection Services;</li><li>• Repair, Maintenance &amp; Construction Services.</li></ul>
Clients	<ul style="list-style-type: none"><li>• <b>41 Municipal Utility Districts (MUD) &amp; private utilities;</b></li><li>• Served its customer base for more than 20 year.</li><li>• Sustained clients retention (&gt;90%);</li></ul>
Business Model	<ul style="list-style-type: none"><li>• O&amp;M evergreen contracts with MUDs (non-expiring);</li><li>• <b>Highly recurrent with 95% rate of repeat business.</b></li></ul>
Personnel	<ul style="list-style-type: none"><li>• 70 Full time employees.</li></ul>
Financials	<ul style="list-style-type: none"><li>• 40+ year of track record of profitability and growth.</li></ul>
Location	<ul style="list-style-type: none"><li>• Houston Metropolitan, Texas.</li></ul>



# 3<sup>rd</sup> Business Pillar

## Operation & Maintenance (O&M)



### 37 O&M Projects

- 2 in Canada (2 Provinces)
- 35 in USA (9 States)

### 41 from Hays

- 35 MUDs
- 6 private utilities

### Legend:

📍 H<sub>2</sub>O O&M



Since the acquisition in 2016 :  
+ 2 new states (Texas, NY)  
+ 1 new province (Alberta)  
+ 100% renewal on O&M contracts



## **H<sub>2</sub>O Innovation**

Unique smart **water** player

Headquarters  
330 rue St-Vallier Est, suite 340  
Quebec City, QC  
G1K 9C5 Canada

1-418-688-0170  
[info@h2oinnovation.com](mailto:info@h2oinnovation.com)  
[www.h2oinnovation.com](http://www.h2oinnovation.com)