

Investor Presentation

Acquisition of Genesys Group, a Specialty Chemicals Manufacturer

October 28, 2019



TSXV: HEO



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This presentation may contain forward-looking statements within the meaning of Canadian securities laws. Such statements include, but are not limited to:

- the completion and timing of the Offering, the Concurrent Private Placement and the Acquisition;
- the anticipated benefits of the Acquisition for H₂O Innovation, including the attractiveness of the Acquisition from a financial perspective through a variety of financial metrics, and H₂O Innovation's ability to successfully integrate Genesys' business;
- H₂O Innovation's and Genesys' expected financial performance;
- the realization and timing of any potential cost synergies;
- the expectation that the Acquisition would be immediately accretive to H₂O Innovation on Adjusted EBITDA, net earnings before acquisition costs;
- the financing of the Acquisition, including the new Term Loan under the amended and restated credit agreement of the Corporation and the success of the Offering and the Concurrent Private Placement, including the manner in which those transactions will be financed, the expected sources and uses of funds and the anticipated timing of when those financings will be completed;
- the absence of existing market for the Subscription Receipts and Warrants and the fluctuation of the prices of the Subscription Receipts and of the underlying securities issuable pursuant to the terms of the Subscription Receipts;
- the expectation that H₂O Innovation will leverage its manufacturing, warehousing and freighting costs following the Acquisition with respect to its PWT specialty chemicals business line;
- the expectation that H₂O Innovation will develop and maintain one of the largest distribution networks worldwide for specialty chemicals, by covering both emergent and strategic markets, with a broad offering of specialty chemicals with the strengths of both phosphonate and dendrimer chemistry;
- the potential attrition coming from overlapping of certain distributors throughout the world;
- the unknown consequences of a potential Brexit and the impact of the currency (GBP); and
- the level of estimated expenses to be incurred for the Offering, the Concurrent Private Placement and the Acquisition.

Caution Regarding Forward Looking Statements

The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Corporation's current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation: (i) competitive environment; (ii) operating risks; (iii) reported performance obligations; (iv) fixed price contracts renewal; (v) key personnel and health & safety; (vi) acquisition and expansion; (vii) indebtedness; (viii) impairment; (ix) international operations, global geopolitical climate and foreign exchange risks; (x) liquidity; (xi) capacity to secure performance guarantees; (xii) implementation of a strategic plan; (xiii) current global financial conditions; (xiv) cybersecurity and cyber threats; (xv) litigation; (xvi) intellectual property infringement; (xvii) dependence on third parties; (xviii) credit risk; (xix) market liquidity; (xx) capital investment; (xxi) development of new products; (xxii) additional financing and dilution; (xxiii) interest rate risk; (xxiv) insurance coverage risk; (xxv) technological changes; (xxvi) reputation and regulatory risk; and (xxvii) transfer pricing. Information about the risk factors to which the Corporation is exposed is provided in the Corporation's annual information form dated September 24, 2019 available on SEDAR (www.sedar.com).

The forward-looking statements are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, performance of operating facilities, financial performance of H₂O Innovation and all its business pillars, strength of market conditions, customer demand, satisfaction of all conditions of closing of the acquisition, obtaining consents required under agreements with third parties, and the timing and receipt of regulatory approvals with respect to the offering. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that these expectations and assumptions will prove to be correct.

Should one or more of these risks or uncertainties materialize, or should the assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this presentation and the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law. There is no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Purchasers are cautioned that forward-looking statements are not guarantees of future performance and accordingly purchasers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. New factors emerge from time to time, and it is not possible for management of the Corporation to predict all of these factors or to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Certain of the forward-looking statements included in this presentation may be considered "financial outlook" for purposes of applicable Canadian provincial and territorial securities laws. Financial outlook information contained in this presentation about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information available as of the date of this presentation, which management believes has been presented on a reasonable basis. Readers are cautioned that such financial outlook information contained in this presentation should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

The forward-looking statements contained in this presentation are expressly qualified by the foregoing cautionary statements and are made as of the date of this presentation. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, except as required by applicable securities laws.

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Financial Matters

Non-IFRS Financial Measurements

The Corporation uses both International Financial Reporting Standards ("IFRS") and certain non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. Non-IFRS measurements, as presented herein, include adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA"), net debt, and recurring revenue. The Corporation refers the reader to the "*Non-IFRS Financial Measurement*" section of the Annual MD&A, which is available under the Corporation's profile on SEDAR at www.sedar.com, for the definition, historical reconciliation to the most comparable IFRS measure, where such a measure exists, and a description of the usefulness of each measure as it relates to the Corporation's business.

The information contained in this presentation and related to Genesys includes the following non-IFRS measure:

- Genesys' adjusted EBITDA is defined as profit before net finance costs, income taxes, amounts written off investments, divestiture costs and founding management salaries for the twelve-month period ended June 30, 2019. The amortization and depreciation of Genesys in its consolidated financial statements is nil, therefore no adjustments were made to Genesys' Adjusted EBITDA in that regard.

Currency

All dollar figures are in Canadian dollars, except as otherwise noted.

The financial information of Genesys was converted into Canadian dollars, using the following British pound (GBP)/Canadian dollar (CAD) exchange rates:

- The balance sheet figures of Genesys as at June 30, 2019 were converted using an exchange rate of 1GBP=1.6624CAD, which represents the daily exchange rate of the Bank of Canada as at June 30, 2019
- The statement of income figures of Genesys for the twelve-month periods ended December 31, 2017, December 31, 2018 and June 30, 2019, respectively, were converted using exchange rates of 1GBP = 1.6720CAD, 1GBP = 1.7299CAD and 1GBP=1.7135CAD, respectively, which represent, in each case, the average daily exchange rate of the Bank of Canada for the twelve months ended December 31, 2017, December 31, 2018 and June 30, 2019, respectively
- Net assets to be acquired and consideration to be paid were converted using an exchange rate of 1GBP=1.6753CAD which represents the daily exchange rate of the Bank of Canada on October 25, 2019, the day prior to the announcement of the Acquisition

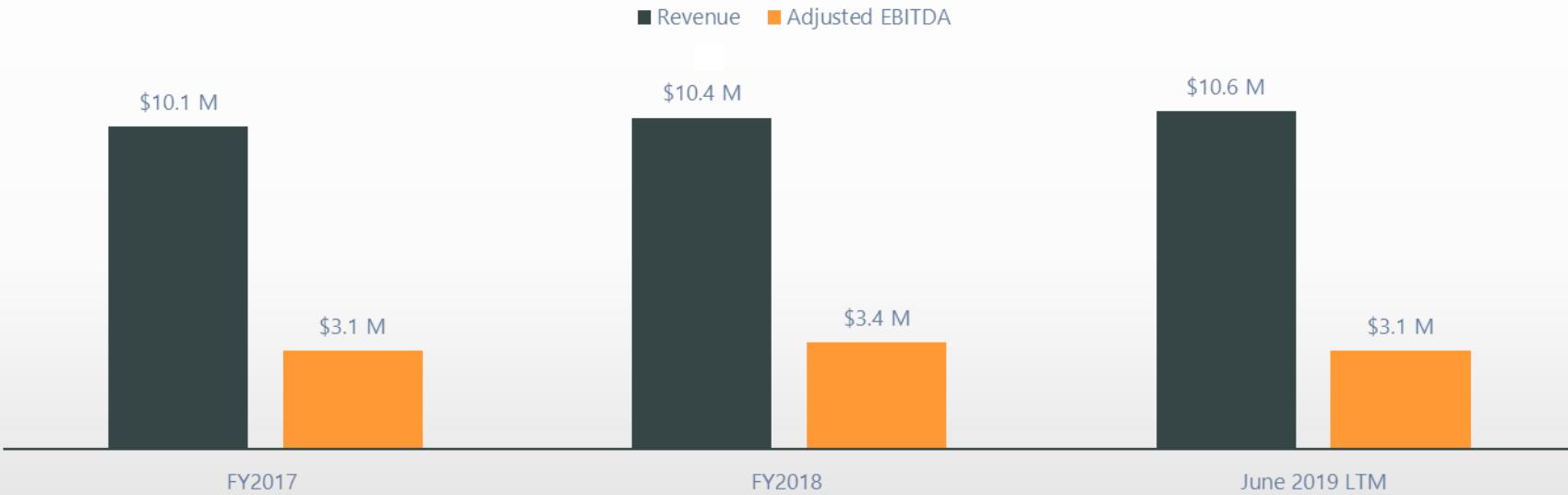
The Genesys Group



TARGET	<ul style="list-style-type: none">▪ Genesys Holdings Limited▪ Genesys International Limited▪ Genesys Manufacturing Limited▪ Genesys North America, LLC ("Genesys")
OWNERSHIP	<ul style="list-style-type: none">▪ Privately Owned
HEADQUARTERS	<ul style="list-style-type: none">▪ U.K.
FOUNDED	<ul style="list-style-type: none">▪ 2001
EMPLOYEES	<ul style="list-style-type: none">▪ 18
SEGMENTS	<ul style="list-style-type: none">▪ Antiscalants (72.2%)▪ Cleaners/Biocides (21.9%)▪ Others (5.9%)
BROAD GEOGRAPHIC FOOTPRINT	<ul style="list-style-type: none">▪ ~70 countries

- Genesys is a leader in development and manufacturing of specialty chemicals for membrane filtration applications
- Wide range of products with proven chemistry for various applications including mining
- Maintains long-standing relationships with its large customer base of 67 distributors and boasts over 90% recurring revenue ⁽¹⁾
- The company developed innovative scaling prediction software
- Manufacturing facility of 15,000 ft² in the U.K.

Genesys Financial Overview



Note: See "Financial Matters" for the definition of adjusted EBITDA for Genesys and exchange rate conversion information.

Transaction Rationale

*Create a new major supplier of specialty chemicals for membrane treatment plants with one of the **largest distribution networks** in the industry and **global manufacturing capabilities***



Strong Combined Product Line

With strengths of both phosphonate & dendrimer chemistry



One of the Largest Distribution Networks

Supported by an experienced team with regional presence



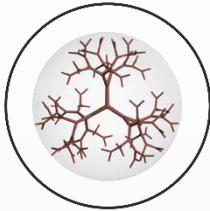
Global Manufacturing Capabilities

Reduce freight costs, delivery time, and tariffs

Strong Combined Product Line

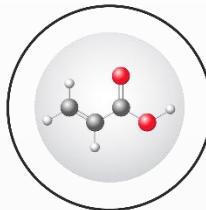


 PWT™

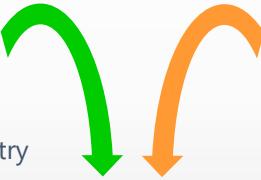


Dendrimer base chemistry
(phosphate-free)

 GENESYS
INTERNATIONAL



Phosphonate
technology



*Broadens the Corporation's range of applications and product lines
Allows for the development of new products*

Large & Complementary Distribution Network of Specialty Chemicals with Local Presence



█ H₂O Innovation (PWT)

█ Genesys

█ Sales & Technical Support

≈ 100 Distributors



Note: Figures represent % of revenue based on the Corporation's year-end results for the year ended June 30, 2019 and Genesys' results (unaudited) for the last twelve months ended June 30, 2019.

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Global Manufacturing Capabilities



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Pro Forma Financial Information

Pro Forma Financial Results



FY2019 Pro Forma⁽¹⁾
H₂O + Genesys



Revenue	\$118.0 M	\$10.6 M	\$128.6 M
Adjusted EBITDA⁽³⁾	\$7.2 M	\$3.1 M	\$10.3 M
Adjusted EBITDA (as a % of revenues)⁽³⁾	6.1%	29.4%	8.0%
Net Debt^{(3) (4)}	\$9.8 M	--	\$18.8 M
Net Debt / Adj. EBITDA⁽³⁾	1.36x	--	1.82x

(1) Genesys financials are based on the last twelve months (LTM) as of June 30, 2019 and have been converted using the daily average exchange rate for the twelve-month period ended June 30, 2019. See "Financial Matters".

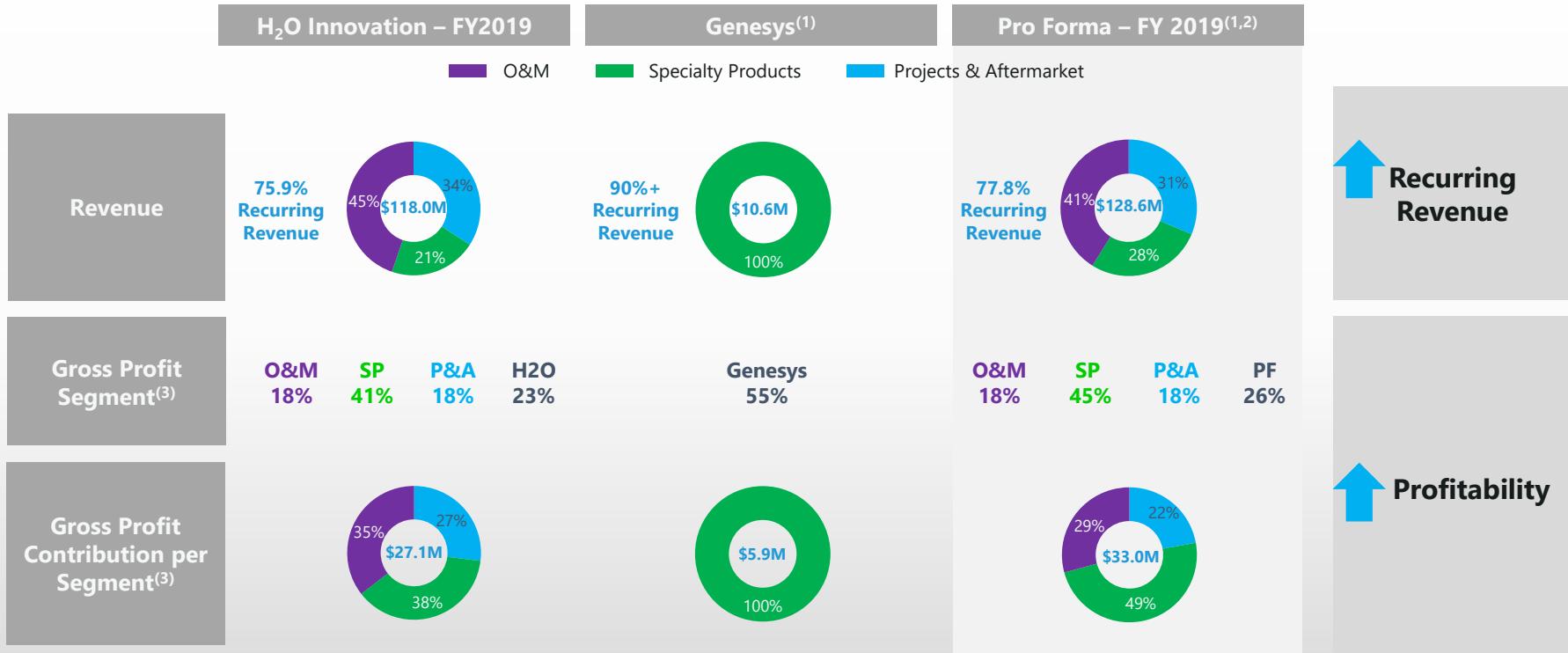
(2) Pro forma financials are based on the Corporation's financial information for the year ended June 30, 2019 and Genesys' financial information for the last twelve months ended June 30, 2019.

(3) See "Financial Matters".

(4) Assuming a new term loan of \$12.0 M, excess cash of \$2.7 M, a purchase price of \$28.4 M and offering of \$22.0 M excluding the over-allotment option.

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Pro Forma Financial Results (Continued)



(1) Genesys financials are based on the last twelve months (LTM) as of June 30, 2019 and have been converted using the daily average exchange rate for the twelve-month period ended June 30, 2019. See "Financial Matters".

(2) Pro forma financials are based on the Corporation's financial information for the year ended June 30, 2019 and Genesys' financial information for the last twelve months ended June 30, 2019.

(3) Gross profit before depreciation and amortization.

Targeted Synergies

Targeted Synergies of \$0.67 M (£0.40 M) within 18 Months

Cost synergies:

Increase gross profit margin⁽¹⁾ with manufacturing cost synergies :

- Using Genesys' manufacturing facility to reduce USA/China tariffs on PWT chemicals
- Begin manufacturing cleaners for the European market in the U.K. at a more affordable cost

Selling, general & administration cost synergies:

- Combination of trade shows and distributor conferences
- Integrate support functions such as IT management, marketing, and accounting services

Revenue synergies:

Future revenue growth to be driven by:

- Sales growth of a specialized product for mining applications using H₂O's strong customer base in North America

Cross-selling synergies:

- Potential cross-selling opportunities with existing H₂O/PWT customers and products

Cross-selling for mega desalination SWRO plants:

- Leverage Piedmont's relationships with the mega plants to drive sales of new specialty chemicals

Conversion of phosphonate chemical (conventional) sales into PWT-dendrimer sales:

- Convert the sales of conventional chemistry into PWT-dendrimer based chemistry, as was done over the four-year period following the acquisition of Itasca

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Transaction Overview

Presents a unique opportunity to strengthen and grow the company's specialty chemicals revenue through product combination, a larger distribution network, and global manufacturing capabilities

PURCHASE PRICE	<ul style="list-style-type: none">▪ \$28.39 M (£16.95 M), representing 9.3x the LTM June FY2019 adjusted EBITDA⁽¹⁾ of \$3.1 M (£1.8 M)▪ Considering the "Targeted Synergies" of £0.40 M (\$0.67 M), the £16.95 M purchase price is equivalent to 7.6x the LTM June FY2019 adjusted EBITDA of Genesys
PAYMENT	<ul style="list-style-type: none">▪ \$28.39 M (£16.95 M) Cash at Closing
NON-COMPETITION & NON-SOLICITATION AGREEMENT	<ul style="list-style-type: none">▪ 3 years for the 2 main shareholders
KEY EMPLOYEE AGREEMENTS	<ul style="list-style-type: none">▪ 1 Managing Director, 1 Production Manager and 1 Sales Manager
IDENTIFIED ASSETS	<ul style="list-style-type: none">▪ Tangible assets: manufacturing facility (~£1.0 M), inventory (~£0.3 M)⁽²⁾▪ Intangible assets: patents, trademarks and proprietary software
FINANCING	<ul style="list-style-type: none">▪ At least \$22.0 M in subscription receipts including private placements with institutional investors and an underwritten marketed offering (the "Offering") prior to the exercise of the over-allotment option granted to the underwriters (the "Over-Allotment Option")▪ \$12.0 M term loan ("Term Loan") draw under H₂O Innovation's restated and amended credit agreement

(1) Based on an independent quality of earnings report prepared by an independent third party in respect of the Acquisition. See "Financial Matters".

(2) Based on Corporation estimates and internal valuations.

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Equity Offering

ISSUER	<ul style="list-style-type: none"> ▪ H₂O Innovation Inc.
PUBLIC OFFERING DESCRIPTION	<ul style="list-style-type: none"> • subscription receipts of the Corporation for gross proceeds of at least \$14.0 M before giving effect to the Over-Allotment Option, on an underwritten marketed basis ▪ Each subscription receipt (the "Subscription Receipts") will entitle the holder to receive one unit of the Corporation ("Unit") comprised of one common share and ½ warrant, anticipated to be exercisable at \$1.40, of the Corporation, for a term of 24-month after Closing of the Offering
AMOUNT	<ul style="list-style-type: none"> ▪ At least \$22.0 M, inclusive of the Public Offering and the Concurrent Private Placement but prior to the exercise of the Over-Allotment Option
ISSUE PRICE	<ul style="list-style-type: none"> ▪ Anticipated at \$1.05 per Subscription Receipt (the "Issue Price")
OVER-ALLOTMENT OPTION	<ul style="list-style-type: none"> ▪ The Underwriters will have an option to purchase up to an additional \$1.0 M of the securities issued under the Public Offering at the Issue Price at any time for a period of 30 days after Closing of the Offering
CONCURRENT PRIVATE PLACEMENT	<ul style="list-style-type: none"> ▪ Concurrent with the Public Offering, the Corporation will issue at the Offering Price, Subscription Receipts from treasury on a private placement basis to certain institutional investors for aggregate gross proceeds of \$8.0 M
USE OF PROCEEDS	<ul style="list-style-type: none"> ▪ The net proceeds from the Offerings will be used by the Corporation to fund the Genesys Acquisition
LISTING	<ul style="list-style-type: none"> ▪ The common shares of the Corporation are listed on the TSXV under the symbol "HEO". The Corporation will apply to list the Subscription Receipts, the common shares underlying the Units issuable on conversion of the Subscription Receipts, as well as the common shares to be issued upon exercise of the warrants underlying the Units. Subject to satisfying minimum distribution requirements for the Warrants, H₂O may also apply to list the warrants on the TSXV
OFFERING BASIS	<ul style="list-style-type: none"> ▪ Overnight marketed public offering, eligible for sale in all provinces of Canada and Private Placement to the U.S. via Rule 144a
BOOKRUNNERS	<ul style="list-style-type: none"> ▪ Desjardins Capital Markets & Canaccord Genuity Corp.
CLOSING DATE	<ul style="list-style-type: none"> ▪ On or about November 12, 2019 or such other date as the parties may agree (the "Closing")

Note: It is currently anticipated that the terms of the Offerings will be as described herein, subject to the final terms being agreed at the time of entering into an underwriting agreement with respect to the Offering.

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Transaction Benefits

- ▶ H₂O to become one of the largest networks of distributors for membrane specialty chemicals, with US and UK manufacturing capabilities
- ▶ Enter new geographies and deliver a broader suite of products and solutions
- ▶ Increase recurring revenues & improve gross profit margin before depreciation and amortization
- ▶ Deliver immediate accretion to adjusted EBITDA and net earnings before acquisition costs



H₂O Innovation

Unique smart **water** player

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