Investor Presentation Q3-FY2020

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TSXV: HEO

Forward Looking Statement

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  This presentation does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The securities of H_20 Innovation have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons," as such term is defined in Regulation S under the U.S. Securities Act, unless an exemption from such registration is available.

Non-IFRS Financial Measurement

- In this presentation, the Corporation's management uses measurements that are not in accordance with IFRS. The measurements "Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)", "Net debt", "Recurring revenue" and "Earnings before administrative expenses" are not defined by IFRS and cannot be formally presented in consolidated financial statements. These non-IFRS measures are presented as additional information and should be used in conjunction with the IFRS financial measurements presented in this report.
- EBITDA means earnings before finance costs – net, income taxes, depreciation and amortization. The definition of adjusted EBITDA excludes expenses otherwise considered in net earnings (loss) according to Generally Accepted Accounting Principles ("GAAP"), namely the unrealized exchange (gains) losses, the change in fair value of contingent consideration and the stock-based compensation costs. These items are non-cash items and do not have an impact on the operating and financial performance of the Corporation. Management has also elected to exclude the acquisition costs, integration costs and other costs, as they are not directly linked to the operations. The reader can establish the link between adjusted EBITDA and net loss based on the reconciliation presented below. The definition of adjusted EBITDA used by the Corporation may differ from those used by other companies. Even though adjusted EBITDA is a non-IFRS measure, it is used by management to make operational and strategic decisions. Providing this information to the stakeholders, in addition to the GAAP measures, allows them to see the Corporation's results through the eyes of management, and to better understand the financial performance, notwithstanding the impact of GAAP measures.
- The definition of net debt consists of bank loans and long-term debt less cash. The definition of net debt used by the Corporation may differ from those used by other companies.
- Recurring revenue by nature is a non-IFRS measure and is defined by the management as the portion of the Corporation's revenue coming from customers with whom the Corporation has established a long-term relationship and/or has a recurring sales pattern. Corporation's recurring revenues are coming from the following business lines: Aftermarket, Specialty Products and O&M.
- The definition of Earnings before administrative expenses (''EBAC'') means the gross profit before operating costs, depreciation and amortization reduced by the operating and selling expenses. EBAC is a non-IFRS measure and it is used by management to make operational and strategic decisions.
- Earnings (loss) before impairment is defined as the net earnings (loss) before the impairment charges taken following the impairment test performed during the third quarter of fiscal year 2020. This non-IFRS measure is used by management to evaluate the results of the Corporation before this non-recurring item.

Business Highlights

Q3-FY2020

- Revenue growth of 11.6 % reaching $36.1:
  - ➢ Specialty Products presented impressive growth of 60% boosted by Genesys' acquisition and by the sustained organic growth of Piedmont, PWT and Maple Equipment business lines.
- Genesys business line is delivering according to plan:
  - ➢ Genesys integration plan is moving along – 60% completion;
  - ➢ Captured first cost and sales synergies for an amount of ≈$200k.

Business Highlights

Q3-FY2020

- O&M business pillar showed 7.1 % of organic growth :
  - ➢ Scope expansion on multiple existing contracts;
  - ➢ New MUD customers related to Hays South.

- Gross profit margin increased to 28.7 % compared to 23.3 %, supported by strong Specialty Products sales;

- Adjusted EBITDA reached $3.8 M, or 10.5 % of revenues – an historical record-high performance for a single quarter;

- Earnings reached $1.6 M, before impairment of $5.3 M related to Project & Aftermarket business pillar, a non-cash and non-recurring expense.

Evolution of Our Business Model Focused on Recurring Sales and Margin Improvement

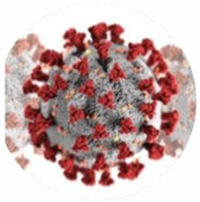
Water & Wastewater Projects, and Services	Specialty Products	Operation & Maintenance
24.8%	60.5%	7.1%
h2o innovation, intelogx, clearlogx	h2o innovation, PWT, Genesys International, Piedmont	Utility Partners, Hays Utility South Corporation

Key Drivers:

1. Acquisition of Genesys;
2. Sustained growth of Piedmont;
3. Come-back from the Maple Equipment;
4. Addition of new PWT's distributors;
5. Organic growth of O&M;
6. Projects impacted by delays and cancellation;
7. Combined backlog remains strong at $136.2 M.

Our Business Facing the COVID-19 Crisis

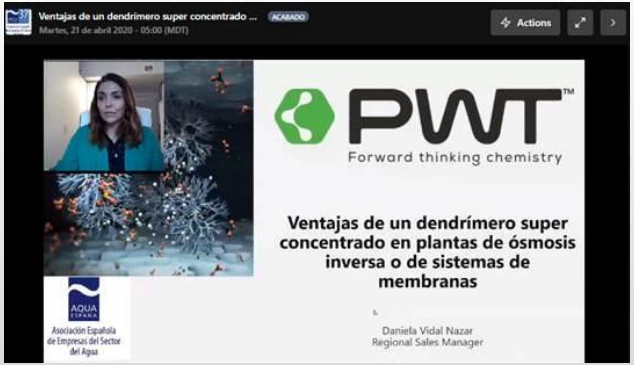
Q3-FY2020



- Water is essential;
- Our business model is resilient and recession-proof with 88.0 % of recurring revenues;
- With pro-active sanitation measures and physical distancing, we have ensured the continuity of all operations since the beginning of the Pandemic:
  - ➢ Only the Projects & Aftermarket business pillar faced a slowdown due to construction sites' suspension.
- Our cash-flow remains positive and sustained;
- All bank covenants are respected.

Continuity of Operations During the Pandemic

PWT (Vista, CA)



(Cheshire, UK) GENESYS INTERNATIONAL

- Manufactured specialty products while maintaining physical distancing;
- Crossed a landmark by synthesizing its **3000th batch** of dendrimer molecule, which equates to over **34 million kg** of ready-for-use antiscalant used globally;
- Processed a **record-high** number of **customers orders** in a single month in Cheshire Plant;
- Conducted multiple webinar sales training to many **water treatment professionals** in the industry.

Continuity of Operations During the Pandemic

- Operation of **200+** water & wastewater utilities;
- MUDs **scope expansions** (Texas):
  - Added new water treatment plant to the district;
  - **24-Hour** coverage by a certified operator.
- Ensured continuity of services to O&M customers impacted by Tornados hitting Georgia and Mississippi in March.

Recurring Revenues

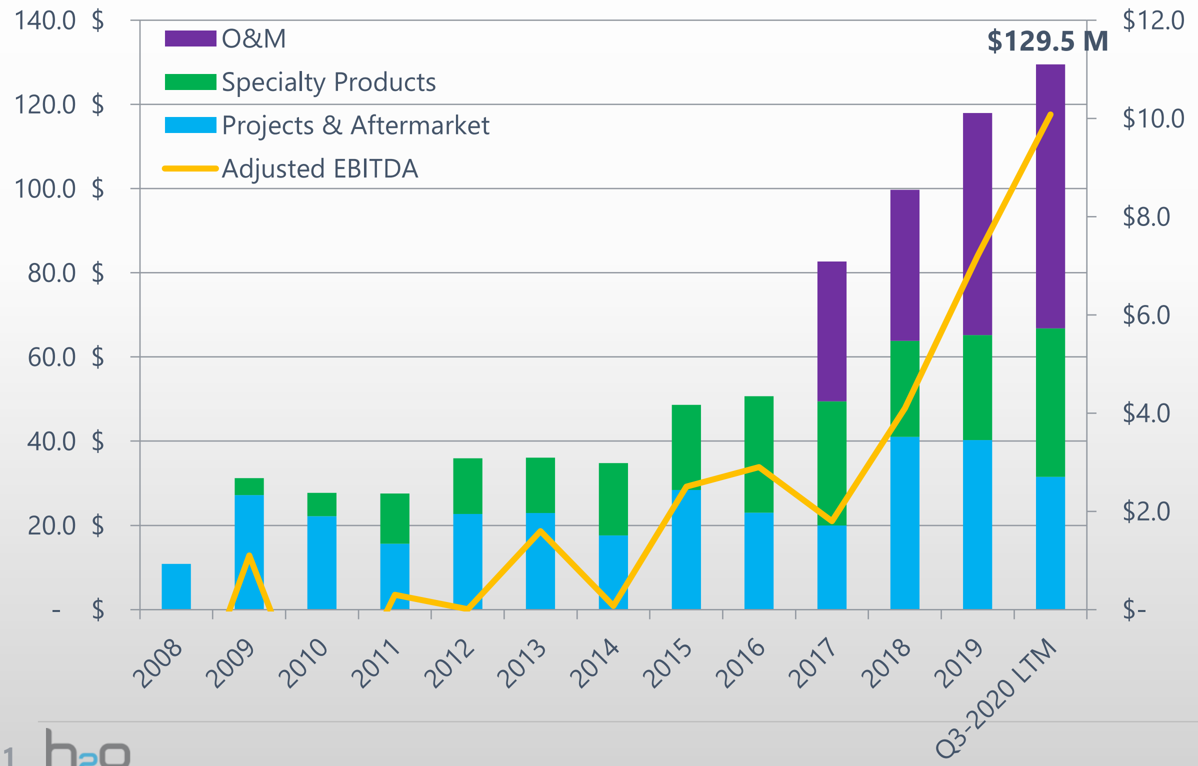
Aftermarket, Specialty Products and O&M

Our business model promotes and encourages **strong customer retention** translating into **high recurring revenues.**

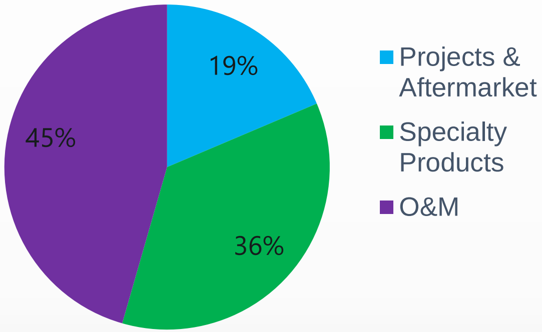
Revenue & Business Mix

Revenue & Adjusted EBITDA

In CAD million $



Q3 - FY2020 - Revenues

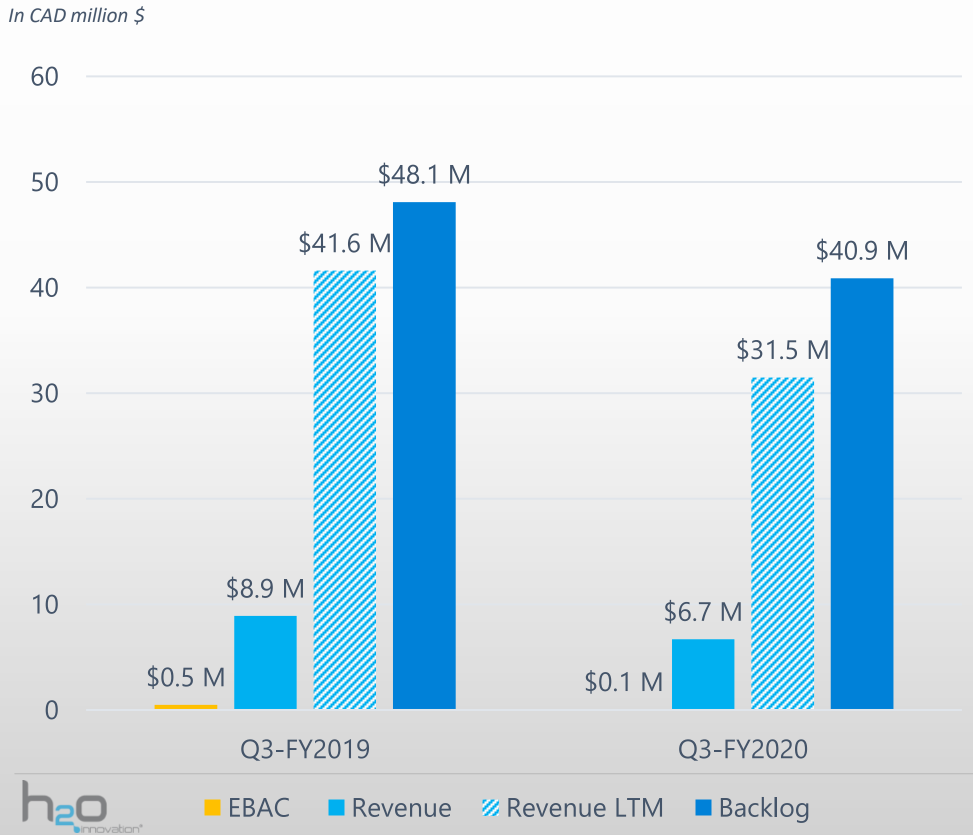


- Business mix & Specialty Products growth are allowing us to improve our adjusted EBITDA and GPM.

Financial Overview Q3-FY2020

1st Business Pillar

Water & Wastewater Projects, and Services (Projects & Aftermarket)

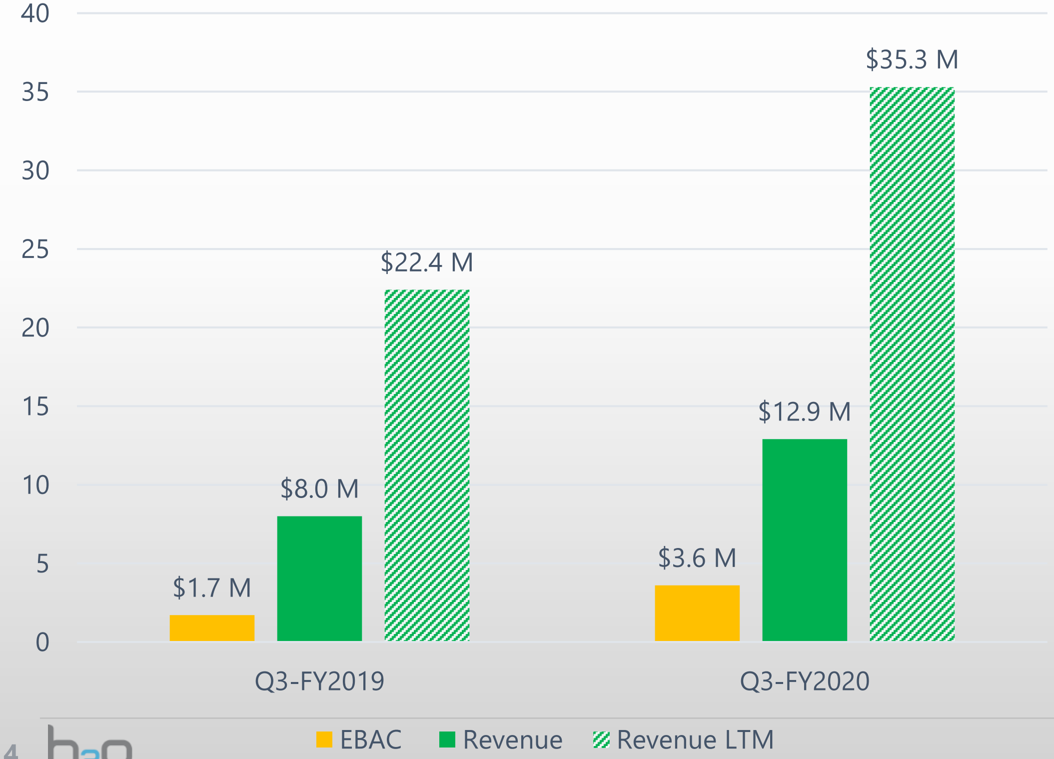


- Revenues: $6.7 M, compared to $8.9 M for Q3-FY2019, representing a $2.2 M, or 24.8 % decrease. This decrease is mainly due to:
  - the strategy of improving the GPM of this business pillar, as management is being selective on projects bids prior to growing the volume of revenues;
  - delays on some specific contracts.
- GPM: $1.3 M, or 18.6 %, compared with $1.4 M, or 16.0 % for Q3-FY2019, representing an improvement of the gross profit margin in % over revenues.
- Operating and Selling: $1.2 M, compared to $1.0 M, for Q3-FY2019, representing an increase of $0.2 M. This increase in the expenses is driven by the addition of salesmen in Aftermarket and process engineers to support the growth of the wastewater activity.
- Earning before admin costs (“EBAC”): $0.1 M Q3-FY2020, compared to $0.5 M Q3-FY2019, representing a decrease of $0.4 M, or 88.3 %. The decrease is due to the lower level of revenues recognized during the quarter, compared to Q3-FY2019, although the cost structure remained the same.

2nd Business Pillar

Specialty Products

In CAD million $

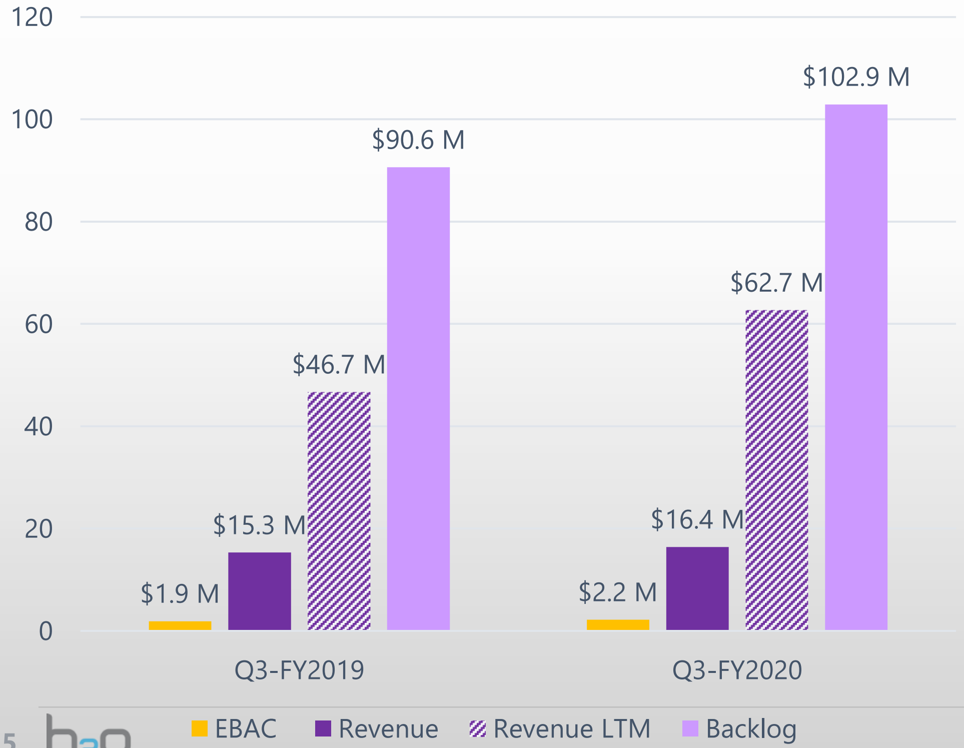


- Revenues: $12.9 M, compared to $8.0 M for Q3-FY2019, representing an increase of $4.9 M, or 60.5 %.
  - Of this $4.9 M revenue increase, $3.1 M is attributable to the acquisition of Genesys;
  - This increase in revenues for this business pillar is also supported by significant orders delivered during this quarter for our Piedmont's business line.
- GPM: $5.9 M, or 45.4 %, compared with $3.1 M, or 38.8 % for Q3-FY2019, representing an increase of $2.8 M in dollar, as well as an increase of the GPM in %. The GPM increased by 88.0% while the revenues increased by 60.5 %;
- Operating and Selling: $2.3 M, compared to $1.5 M, for Q3-FY2019. The acquisition of Genesys contributed to $0.6 M of this increase;
- EBAC: $3.6 M, compared to $1.7 M for Q3-FY2019, representing an increase of $1.9 M, or 114.6 %.

3rd Business Pillar

Operation & Maintenance (O&M)

In CAD million $



- Revenues : $16.4 M, compared to $15.3 M for Q3-FY2019, representing an increase of $1.1 M, or 7.1 %. This increase is due to organic growth seen in both Utility Partners and Hays;
- GPM: $3.2 M, or 19.6 %, compared with $3.0 M, or 19.5 % for Q3-FY2019, representing an increase of $0.2 M, or 7.6 %;
- Operating and Selling: $1.0 M, compared to $1.1 M, for Q3-FY2019, representing a decrease of $0.1 M;
- EBAC: $2.2 M, compared to $1.9 M for Q3-FY2019, representing an increase of $0.3 M, or 15.4 %.

Financial Highlights

Q3-FY2020 vs Q3-FY2019

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2020	2019	**2020**	2019
Revenues	**$36.1 M**	$32.3 M	**$97.6 M**	$86.1 M
Projects & Aftermarket	**$6.7 M**	$8.9 M	**$22.3 M**	$31.1 M
Specialty Products	**$12.9 M**	$8.0 M	**$28.5 M**	$18.1 M
Operation & Maintenance	**$16.4 M**	$15.3 M	**$46.8 M**	$36.9 M
Gross profit before depreciation and amortization (%)	**28.7%**	23.3%	**25.9%**	22.4%
SG&A	**$6.8 M**	$5.5 M	**$17.7 M**	$14.8 M
% SG&A	**18.8%**	17.0%	**18.2%**	17.2%
Earnings (loss) before impairment	**$1.6 M**	$0.5 M	**($0.3 M)**	($1.0 M)
Net earnings (loss)	**($3.1 M)**	$0.5 M	**($5.0 M)**	($1.0 M)
Adjusted EBITDA	**$3.8 M**	$2.2 M	**$7.7 M**	$4.8 M
Adjusted EBITDA over revenues (%)	**10.5%**	6.8%	**7.9%**	5.6%

Reconciliation of net earnings (loss) to earnings (loss) before impairment	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2020	2019	2020	2019
	$	$	$	$
Net earnings (loss) for the period	**($3.1 M)**	$0.5 M	($5.0 M)	($1.0 M)
Impairment of intangible assets and goodwill	**$5.3 M**	-	$5.3 M	-
Deferred tax impact on impairment	**($0.6 M)**	-	($0.6 M)	-
Earnings (loss) before impairment	**$1.6 M**	$0.5 M	($0.3 M)	($1.0 M)

- Revenues : $36.1 M, compared to $32.3 M for the Q3-FY2019, representing an increase of $3.8 M, or 11.6 %.
  - Acquisition of Genesys during the Q2-FY2020, contributed to $3.1 M in revenues during this quarter;
  - Organic growth of $1.8 M from Specialty Products and $1.1 M from O&M, partly offset by the decrease in revenues of $2.2 M from the Projects;
  - In line with our business plan to grow the Specialty Products and O&M, as well as prioritize projects with higher profit margins.
- GPM: 28.7%, compare to 23.3% Q3-FY2019:
  - Revenue increase of the Specialty Products, characterized with higher GPM;
  - Improvement of the GPM coming from the Projects & Aftermarket;
  - IFRS 16 – Leases resulting in a decrease of the COGS expenses of $0.1 M for the Q3-FY2020.
- Earnings (loss) before impairment is defined as the net earnings (loss) before the impairment charges taken following the impairment test performed during the third quarter of fiscal year 2020. This non-IFRS measure is used by management to evaluate the results of the Corporation before this non-cash and non-recurring item.

SG&A Expenses

- SG&A : $6.8 M, compared to $5.5 M for Q3-2019, increase of $1.3 M, or 23.2 %.
  - Acquisition of Genesys in Q2-2020 contributed to $0.7 M, or 50% of this increase;
  - Sales costs: hiring in Piedmont and Aftermarket;
  - Administrative expenses : $2.3 M during Q3-FY2020, compared to $2.0 M for the previous fiscal year, representing an increase of $0.3 M, or 14.2 % coming from hiring and professional fees;
  - IFRS 16 – Leases resulted in a decrease of the SG&A expenses of $0.2 M for Q3-FY2020, as lease expenses were reclassified to depreciation and amortization.

Adjusted EBITDA

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2020	2019	**2020**	2019
Net earnings (loss) for the period	**($3.1 M)**	$0.5 M	**($5.0 M)**	($1.0 M)
Finance costs – net	**$0.5 M**	$0.4 M	**$1.5 M**	$1.9 M
Income taxes	**($0.6 M)**	($0.2 M)	**($0.9 M)**	($0.2 M)
Depreciation of property, plant and equipment	**$0.7 M**	$0.3 M	**$2.1M**	$0.9 M
Amortization of intangible assets	**$1.1 M**	$1.0 M	**$3.1 M**	$2.5 M
Impairment of intangible assets and goodwill	**$5.3 M**	-	**$5.3 M**	-
EBITDA before impairment	**$3.9 M**	$1.9 M	**$6.0 M**	$4.0 M
Unrealized exchange (gain) loss	**($0.3 M)**	($0.05 M)	**($0.6 M)**	$0.1 M
Stock-based compensation costs	**$0.06 M**	$0.08 M	**$0.2 M**	$0.2M
Change in fair value of contingent consideration	**$0.06 M**	-	**$0.3 M**	-
Acquisition-related costs, integration costs and other costs	**$0.05 M**	$0.1 M	**$1.8 M**	$0.6 M
Adjusted EBITDA	**$3.8 M**	$2.2 M	**$7.7 M**	$4.8 M

- **Adjusted EBITDA : $3.8 M**, increased by $1.6 M, or 71.9 %, compare to $2.2 M on Q3-FY2019;
- **Adjusted EBITDA % reached 10.5 %** for the Q3-FY2020, compared to 6.8 % for Q3-FY2019;
- **9 months Adjusted EBITDA % reached 7.9 %**, compared to 5.6 % for 9 months in 2019;
- Improvement of the adjusted EBITDA was driven by the:
  - Increase of revenues and by the improvement in GPMs, partly offset by the increase in SG&A;
  - Acquisition of Genesys, which contributed to $0.9 M of EBITDA;
  - IFRS 16 – Leases, which contributed to reduce by $0.4 M the operating lease expenses for the quarter. Excluding the adjustment from IFRS 16 - Leases, the adjusted EBITDA would have been 9.4 %.

Financial Position

Working capital

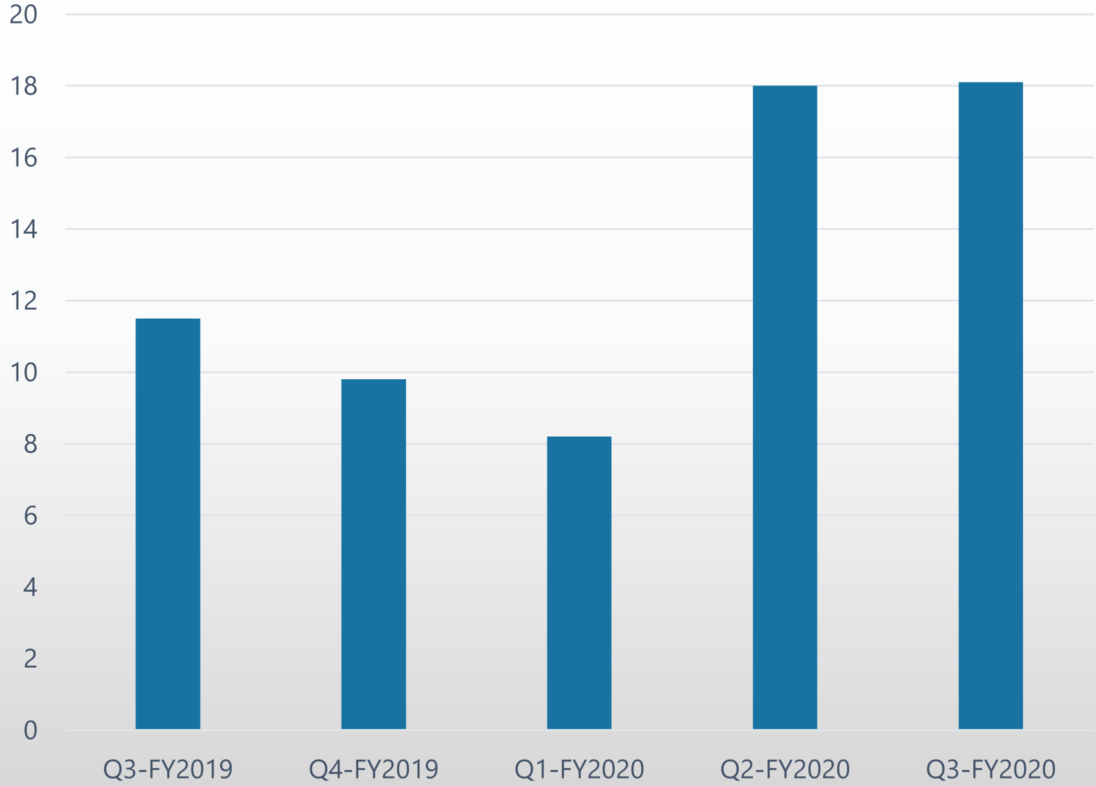
Increased from $12.8 M to $16.8 M:

Financial Position	Period ended March 31, 2020	Period ended June 30, 2019
Cash and Guaranteed Deposit Certificate	$6.6 M	**$6.2 M**
Receivables	$27.0 M	**$19.4 M**
Inventories	$7.0 M	**$6.7 M**
Contract assets	$6.1 M	**$5.9 M**
Payables	$14.4 M	**$12.3 M**
Bank loans	$7.2 M	**$7.5 M**
Long-term debt	$17.6 M	**$8.4 M**
Contract liabilities	$4.2 M	**$3.1 M**

- **Receivables**: increased by $7.6 M, or 39.2 %, mostly attributable to:
  - ➢ The integration of Genesys;
  - ➢ Significant growth in Piedmont's business line.
- **Inventories**: increased by $0.3 M, or 4.5 %, due to:
  - ➢ The integration of Genesys;
  - ➢ Decrease of Maple inventory level.
- **Payables**: increased by $2.1 M, or 17.1 %:
  - ➢ The integration of Genesys;
  - ➢ Working capital adjustment payable of $1.0 M.

Net Debt

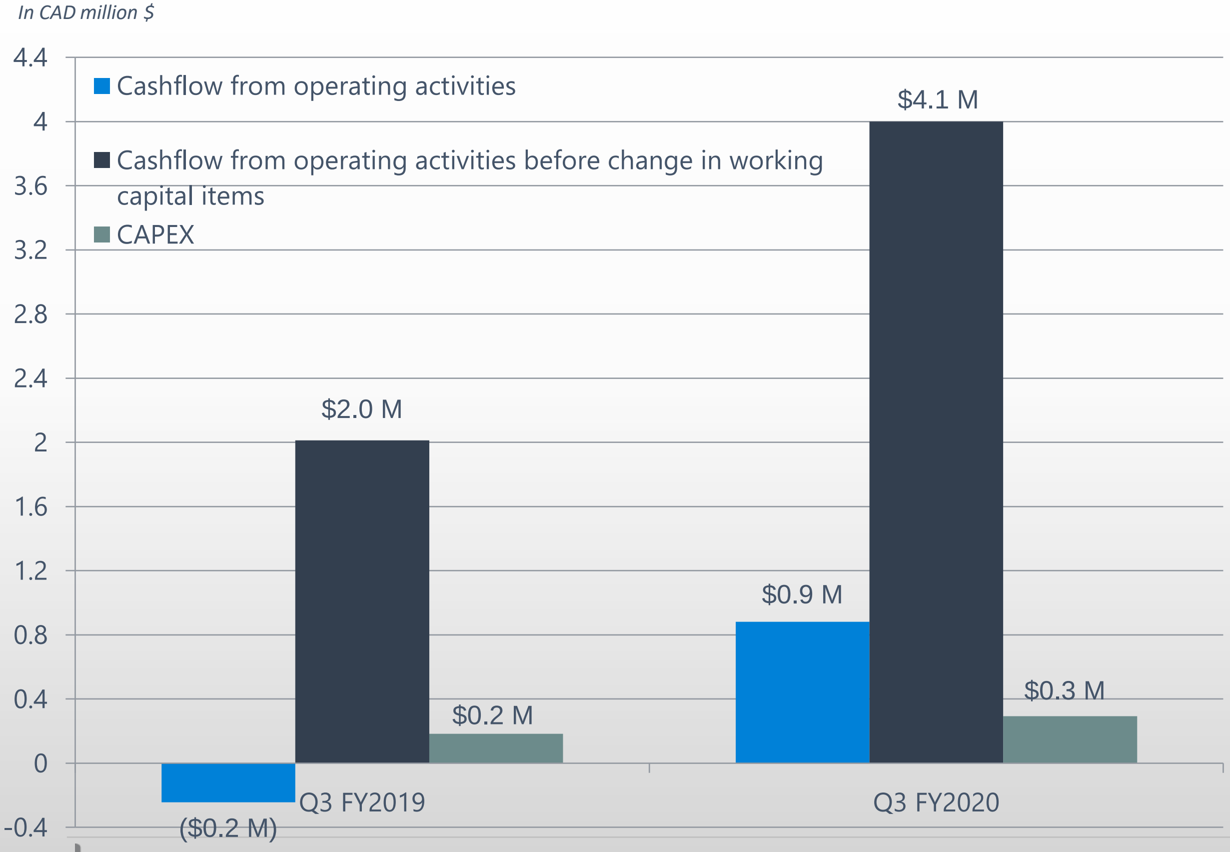
In CAD million $



- As at March 31, 2020, the net debt stood at $18.1 M, compared with $9.8 M as at June 30, 2019, representing a $8.3 M increase, or 85.2 %.
    - ➢ This increase : new term loan of $12.0 M for the acquisition of Genesys on November 15, 2019, offset by the reimbursement of $0.3 M in bank loans;
    - ➢ IFRS 16 – Leases contributed to reduce $0.6 M the net debt since obligations under finance lease has been reclassified to the lease liabilities.

	March 31, 2020	June 30, 2019
Bank loans	$7.2 M	$7.5 M
Current portion of long-term debt	$2.8 M	$1.9 M
Long-term debt	$14.8 M	$6.6 M
Less: Cash	($6.7 M)	($6.2 M)
Net debt	**$18.1 M**	**$9.8 M**

Cash Flows from Operating Activities



- Cash flows from operating activities: $0.9 M, compared to ($0.2 M) Q3-FY2019;
- The increase in the cash flows from operating activities is coming from the improvement of the earnings before income taxes and impairment charges.

Business Opportunities Post COVID-19

Projects & Aftermarket :

- Well positioned to capture Governmental infrastructure investments to up-grade aging and inadequate water & wastewater infrastructures;

Specialty Products :

- Our large distribution network can better cope with the Pandemic and lockdowns (local inventory, proximity with their domestic market, risk is diversified);

Operation & Maintenance :

- Contract operators can better manage water and wastewater assets to ensure a greater continuity of operations, compliance and safety in the services provided to rate payers. Could become the best alternative to mitigate risk.

Takeaways

- **Revenue growth of 11.6 %**;
- **Proven and solid business model with 88.0 %** of revenues recurrent by nature (Aftermarket, Specialty Products and O&M);
- Our "one-stop-shop" model promotes multiple sales synergies and high customer retention;
- **Best adjusted EBITDA** performance announced on a single quarter : $3.8 M, up 71.9 % compared to $2.2 M in Q3-FY2019;
- Our combined backlog remains high at $136.2 M, giving great visibility for the coming quarters;
- **Water is essential - Continuity** of operations during the pandemic;
- Balance sheet is healthy and not over-leveraged;
- Nominated as **Water Company of the Year**, by GWI – for its 20th anniversary.

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ANNIVERSARY

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Unique smart water player

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