



PRESS RELEASE
For immediate release

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H₂O Innovation Expands Texas O&M Business Platform with Gulf Utility Service, Inc. Acquisition

All amounts are in Canadian dollars unless otherwise stated.

Quebec City, July 2, 2020 – (TSXV: HEO) – H₂O Innovation Inc. (“H₂O Innovation” or the “Corporation”) is proud to announce the acquisition of Gulf Utility Service, Inc. (“GUS”), a company offering complete operation, maintenance and management services to water and wastewater infrastructures for different type of clients such as municipalities, municipal utility districts (commonly known as MUD) and public water systems in the State of Texas (United States). The total purchase price amounts to US\$2.750 M (CA\$3.713 M), equivalent to 5 times GUS’ EBITDA on December 31, 2019. A conference call will be held today at 10:00 a.m. (Eastern Time) to present the rationale of the acquisition to shareholders and analysts.

With over 20 years of experience in the operation and maintenance (“O&M”) sector of water and wastewater treatment systems, GUS offers its services to approximately 40 municipal and private customers, servicing more than 10,000 users. These additional clients and users are added to the Corporation’s O&M customer base in Texas, totaling now 85 customers. On a combined basis, we can now count on 110 employees based in Texas to support our operations and future growth.

“This acquisition consolidates our position as operator of water and wastewater utilities in Texas and will allow us to capture synergies and more efficiency in our operations management, more specifically in the Greater Houston Area. In less than 24 months, we have grown from virtually no revenue coming from Texas to annual revenues of CA\$25.0 M. Over the years, our Projects’ team has delivered a total of 12 water and wastewater treatment systems in Texas, in addition to the recently won project that we announced last week. The State of Texas is still rich in opportunities that we intend to capture with the help of our three business pillars: Projects & Aftermarket, Specialty Products and O&M. With the acquisition of GUS, we will be operating a total of 275 water and wastewater infrastructures in North America”, **said Frédéric Dugré, President and Chief Executive Officer of H₂O Innovation.**

GUS had revenues of approximately US\$5.0 M (CA\$6.750 M) in revenues and earnings of US\$0.6 (CA\$0.816 M) before interest, taxes, depreciation, and amortization (“EBITDA”) for the fiscal year ended on December 31, 2019. H₂O Innovation’s management expects that this acquisition will grow immediately H₂O Innovation’s EBITDA and will also be accretive to its earnings.

The total consideration for this acquisition is US\$2.750 M (CA\$3.713 M), of which US\$1.875 M (CA\$2.531 M) is being paid at the closing, and the balance not exceeding US\$875,000 (CA\$1.181 M) will be paid 18 months after closing subject to the achievement of certain revenue levels by GUS. The Corporation secured an additional long-term debt of CA\$2.1 in order to complete this acquisition. The remaining portion of the purchase price is financed from the working capital of the Corporation.



“The addition of GUS to our O&M business pillar will allow us to make a significant leap forward in operations management. The methodologies and business processes implemented at GUS over the years have made it possible to optimize their processes and eliminate all paper transactions. By implementing those business processes within our O&M business pillar, we are looking for synergies and significant operational gains, and in doing so, maintain closer proximity with our customers. We intend to implement or replicate these processes over an 18-month horizon”, **added Bill Douglass, Vice President & Managing Director of the O&M Business Pillar of H₂O Innovation.**

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 10:00 a.m. Eastern Time on Thursday, July 2, 2020.

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 activities of H₂O Innovation 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. 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 the said forward-looking statements. Information about the risk factors to which the Company is exposed is provided in the Annual Information Form dated September 24, 2019 available on SEDAR (www.sedar.com).

About Gulf Utility Service, Inc.

Gulf Utility Service, Inc. provides cost-effective water and wastewater management solutions for different type of clients such as municipalities, municipal utility districts (MUDs) and public water systems in the State of Texas (United States). For more information, visit www.gulfutility.net.

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 & wastewater projects, and aftermarket services; ii) specialty products, including a complete line of specialty chemicals, consumables and specialized products for the water treatment industry; and iii) operation and maintenance services for water and wastewater treatment systems. For more information, visit www.h2oinnovation.com.

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Source:

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