

Corporate & Investors Presentation

H₂O Innovation

June 2020

Presented by :
Frederic Dugré, CEO
Marc Blanchet, CFO



TSXV: HEO



Forward Looking Statement

- *Certain statements set forth in this presentation regarding the operations and 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 and the estimate of amounts that cannot yet be determined. Forward-looking statements include the use of the words such as "anticipate", "if", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should" or "will" and other similar terms as well as those usually used in the future and the conditional, notably regarding certain assumptions as to the success of a venture. Those forward-looking statements involve a number of risks and uncertainties, which may result in actual and future results of the Corporation to be materially different than those indicated. Information about the risk factors to which the Corporation is exposed is provided in the Annual Information Form dated September 24, 2019 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 MD&A or in other communications as a result of new information, future events and other changes.*
- **Cautionary Note Regarding United States Securities Laws**

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 H₂O 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.

Water Investment Thesis

The United Nations estimates that water use is currently six times greater than it was in 1900 and that demand will increase an additional 20% to 30% by 2050.



Population Growth

+ **1 billion** by 2030



Aging Infrastructure

Required investments of **\$9.1 trillion** by 2030 to **\$22.6 trillion** by 2050



Increase of Regulations

More regulations coming from the EPA on **EDCs** (endocrine disrupting chemicals)



Water Scarcity

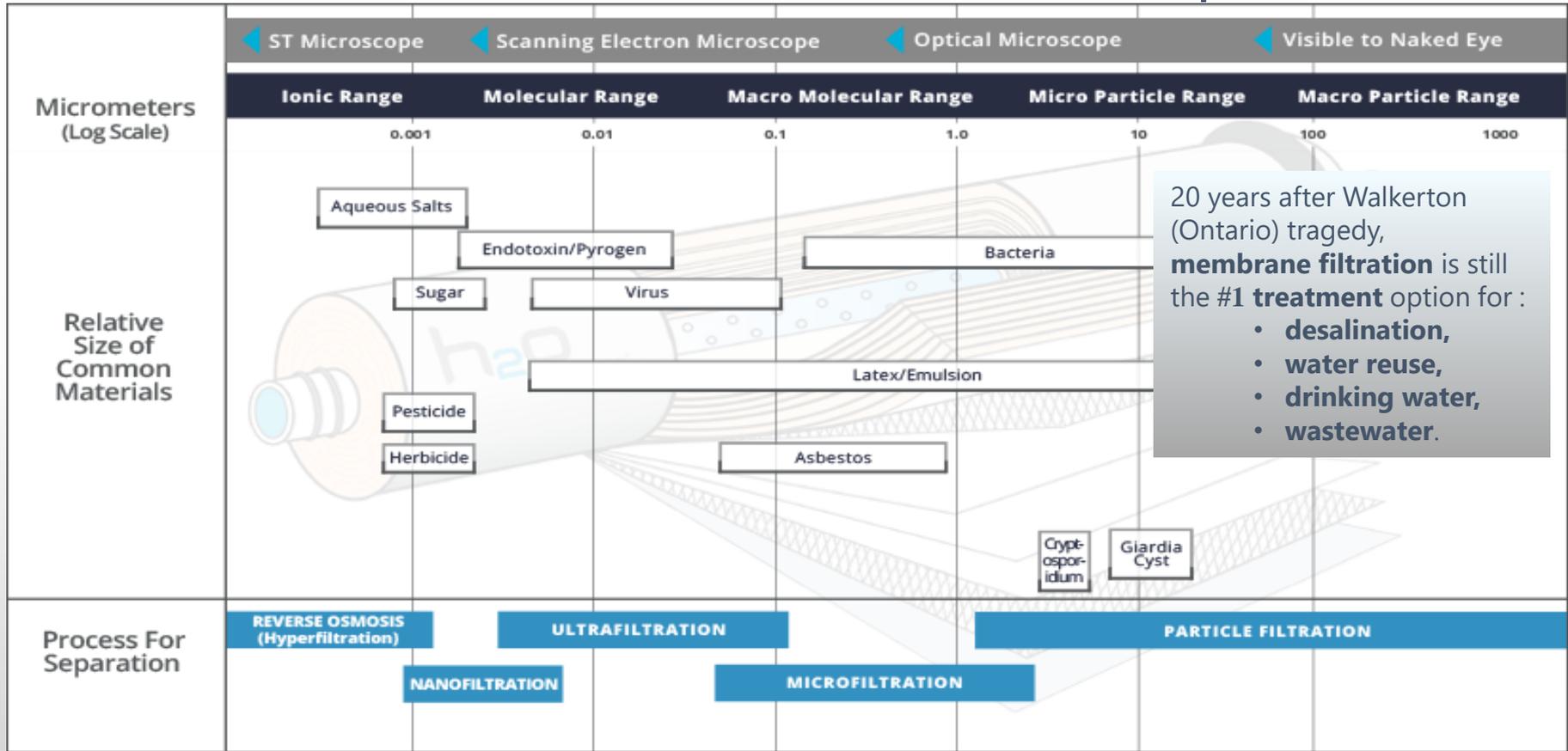
44 countries face levels of water scarcity where on average over **40%** of their available water reserves is withdrawn **every year**



Aging Workforce

By 2026, **40%** of the North American population will be above 55 years of age, creating management challenges for infrastructures

Membrane Filtration Is Not an Option



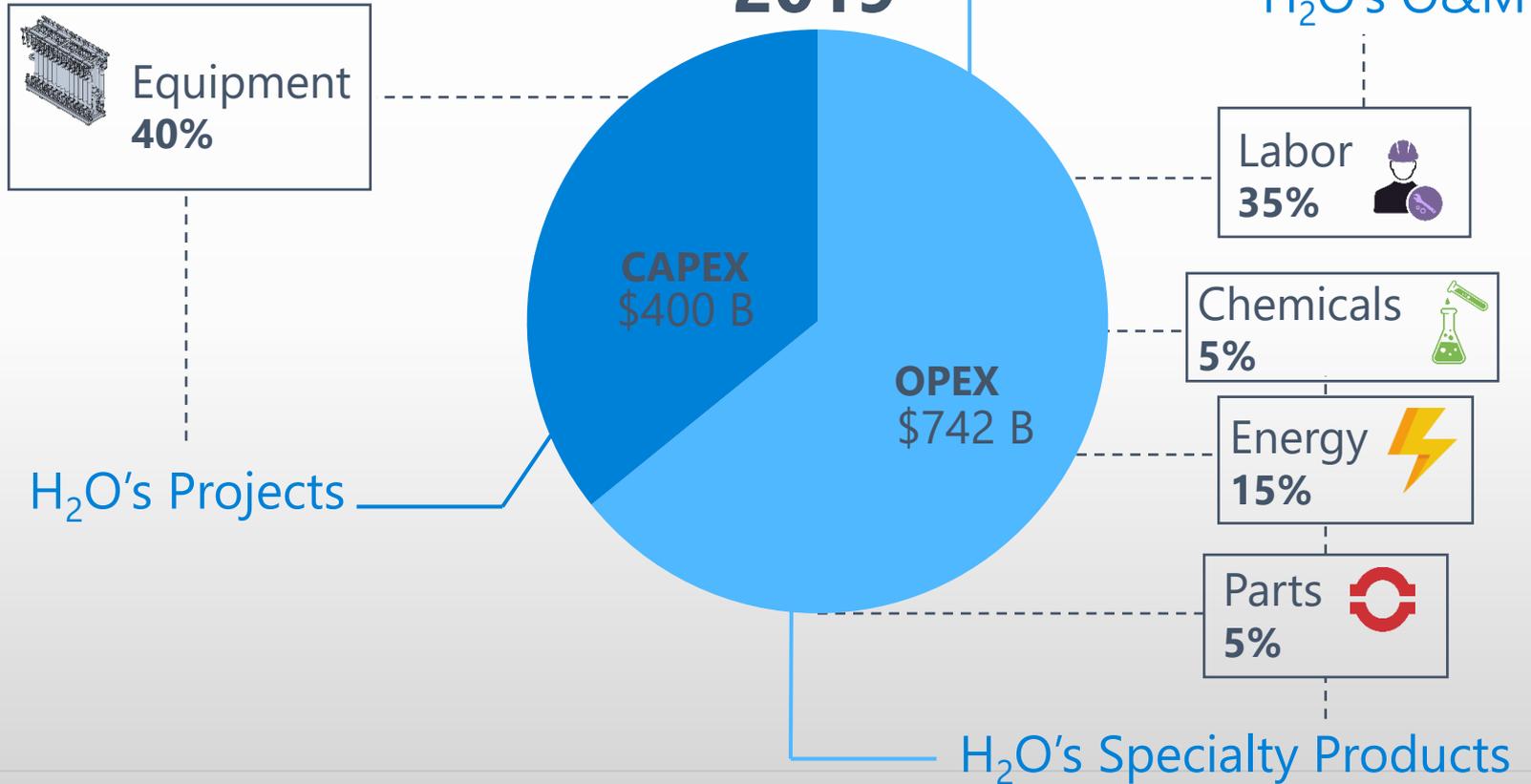
20 years after Walkerton (Ontario) tragedy, **membrane filtration** is still the #1 **treatment** option for :

- **desalination,**
- **water reuse,**
- **drinking water,**
- **wastewater.**

Note: 1 Micron (1×10^{-6} Meters) $\approx 4 \times 10^{-5}$ Inches (0.00004 Inches)
 1 Angstrom Unit = 10^{-10} Meters = 10^{-4} Micrometers (Microns)

Global Addressable Water & Wastewater Market

2019



Why Investing in H₂O Innovation?

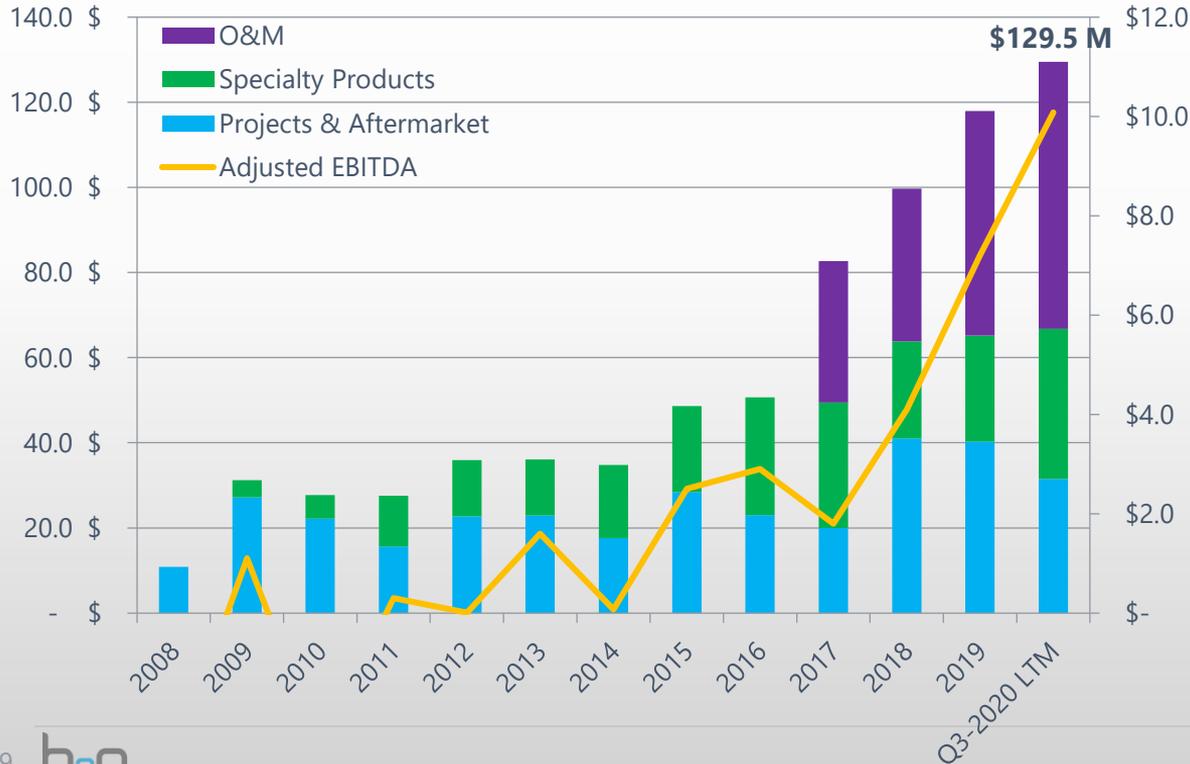


- Revenues of **\$129.5 M** on an LTM basis;
- Combined backlog of **\$136.2 M** (Projects and O&M), as of May 5, 2020;
- **88%** of the revenues are **recurrent** by nature (Aftermarket, Specialty Products and O&M);
- Our business model promotes **sales synergies** among three business pillars and customers' retention.;
- Expanded in new geographies and built the **largest distribution** (more than **70 countries**) network for membrane chemicals and desalination equipment;
- **Manufacturing capabilities** (Canada, USA & UK) reduces exposure to commercial tariffs;
- **675 employees** in Canada, USA, Spain & UK;
- **750 systems** installed in North America;
- Operation & maintenance of **200** utilities, in **2** provinces and **11** US States;
- Sustained **5-year Annual Compound Growth Rate (ACGR) of 16%** organically and **89%** through **acquisitions**.

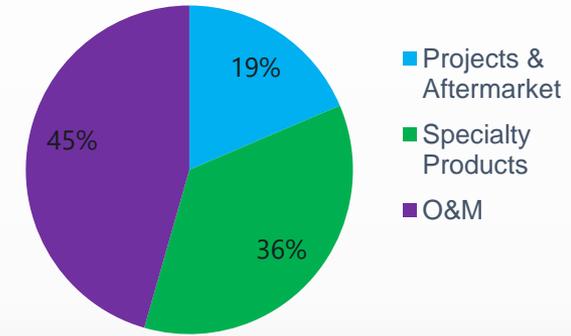
Revenue & Business Mix

Revenue & Adjusted EBITDA

In CAD million \$



Q3 - FY2020 - Revenues



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

From FY2014 to FY2019 :

5-year ACGR (with acquisition): 88.7%

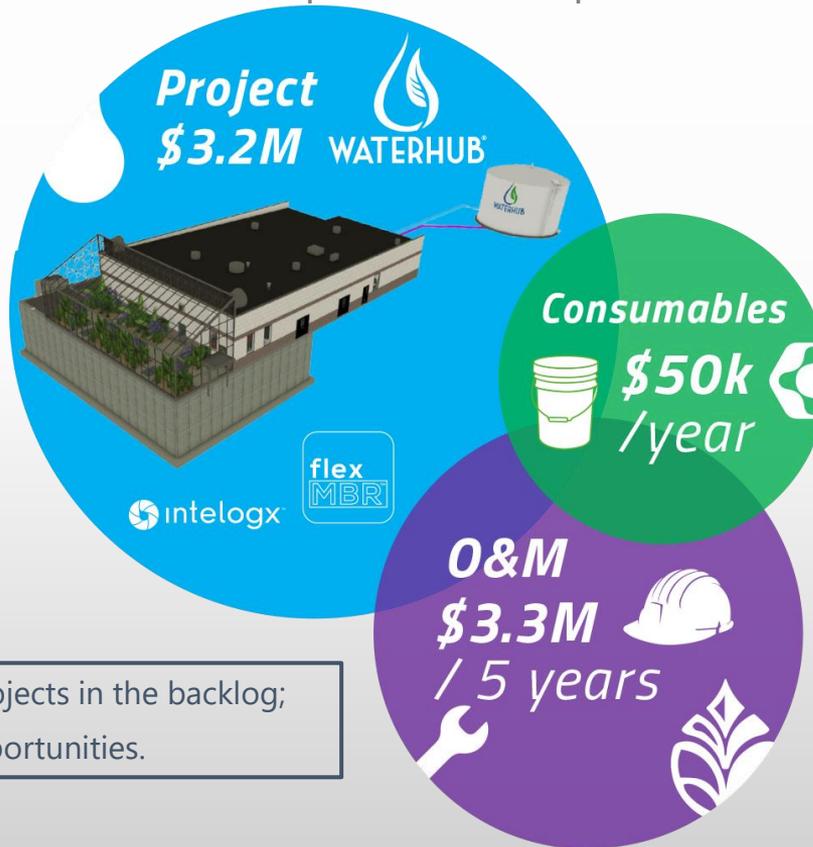
5-year ACGR (organic): 15.9%

13-year ACGR (with acquisition): 26.7%

13-year ACGR (organic): 22.4%

Our Business Model Promotes Synergies and Customer Retention

Example: Partnership with Sustainable Water



Synergies in this project:

- **\$3.2 M** Capital Equipment Project
 - flexMBR™ Technology;
 - RO system;
 - Intelogx™ smart software.
- **\$50 k** / year (for 5 years) of specialty products and consumables;
- **\$3.3 M** for 5 years of O&M.

- 5 other similar projects in the backlog;
- More than **40** opportunities.



Project : Decatur, Arkansas
Capacity : 4.6 MGD
Source : Municipal Wastewater



Project : East Cherry Creek, Colorado
Capacity : 6.7 MGD RO
Source : Colorado River

Project : Workers Camp, Alberta

Capacity : 55 GPM (300 m³/j) / 73 GPM (400 m³/j)

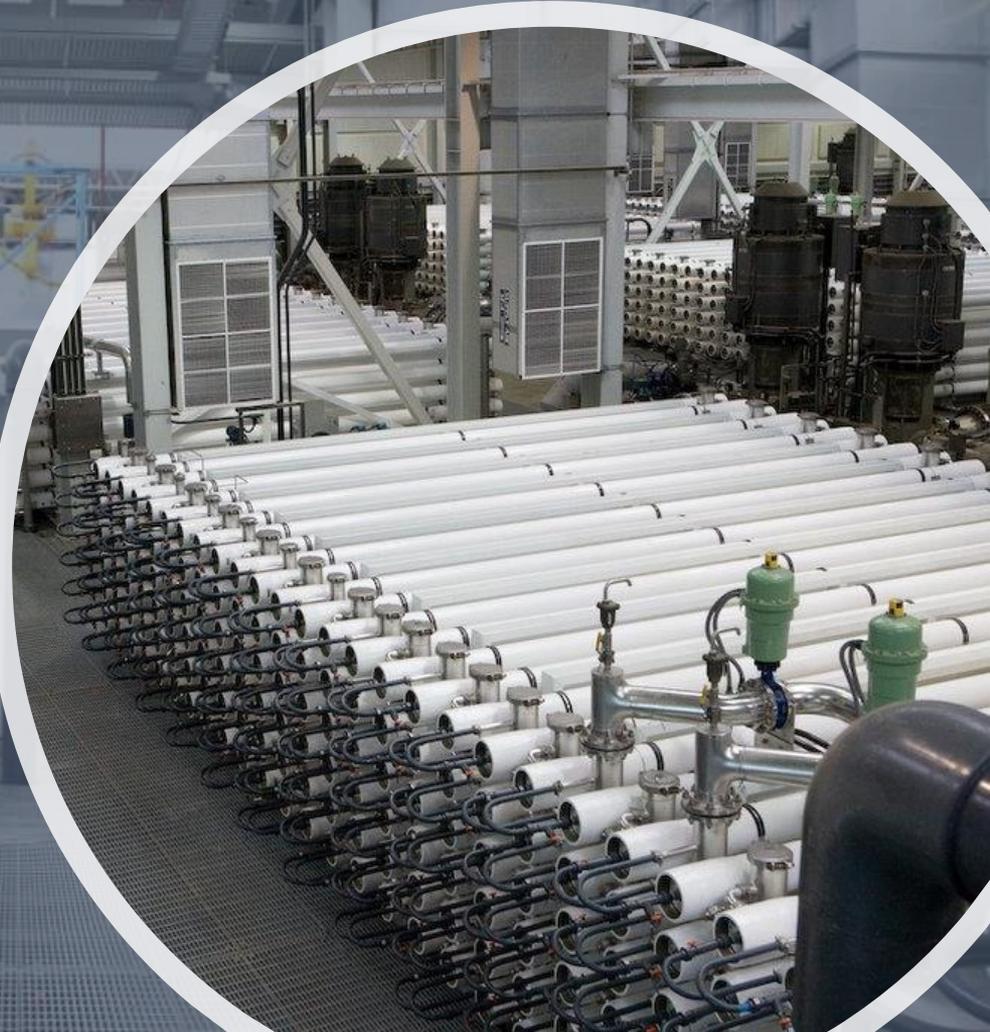
Source : Ground water and sanitary Wastewater



Project : Orange County, California, USA

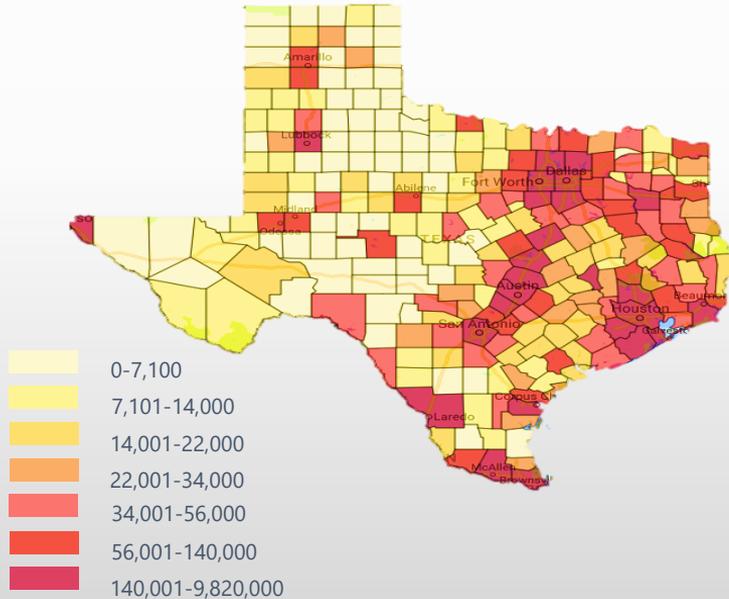
Capacity : 75 MGD (283 905 m³/d)

Source : Effluent of biological secondary treatment
(water reuse)

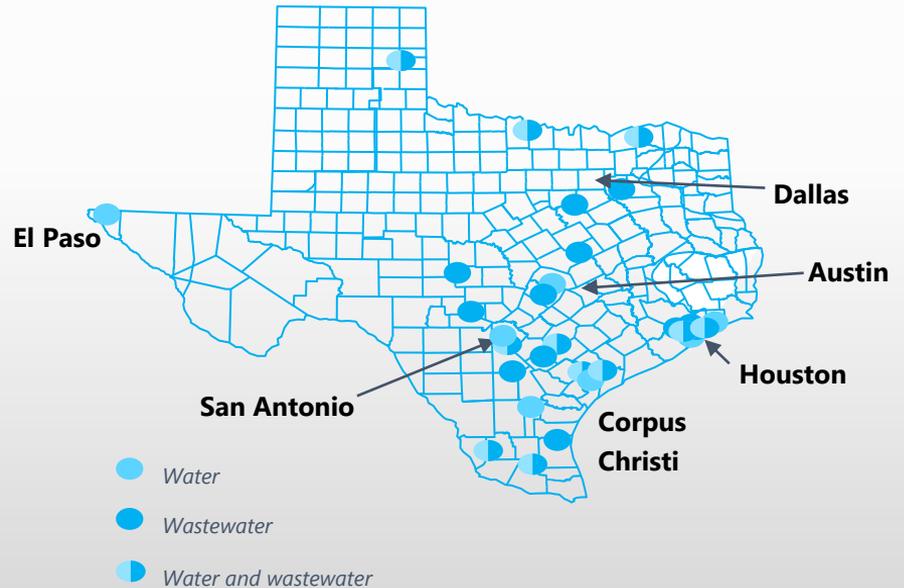


The O&M market is mainly concentrated in the South East region of Texas, in line with the population density

Population density in Texas



Locations of all* contracts awarded since 2008



Specialty Products



PWT and **Genesys** focuses on chemical manufacturing and supply for the membrane industry.



Piedmont is a global leader in corrosion resistant equipment for desalination plants.



H₂O Innovation Maple offers a complete line of equipment dedicated to maple syrup production.



Piedmont

LEADER IN DESALINATION EQUIPMENT & COMPONENTS



COUPLINGS



DISC & SCREEN FILTERS



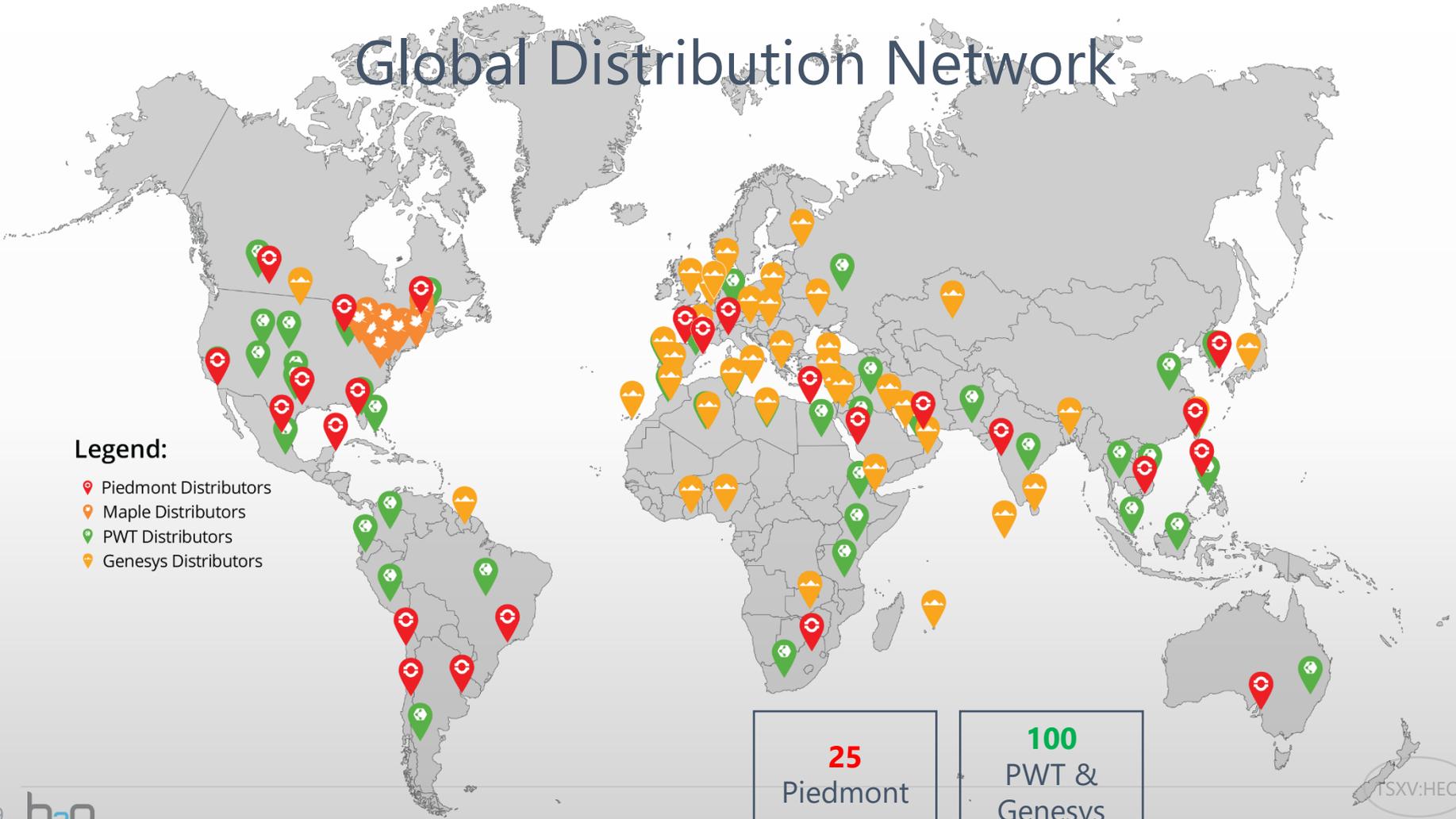
Certified to
NSF/ANSI 61-G & 372

**FRP
CARTRIDGE FILTER
HOUSINGS**

Global Distribution Network

Legend:

-  Piedmont Distributors
-  Maple Distributors
-  PWT Distributors
-  Genesys Distributors



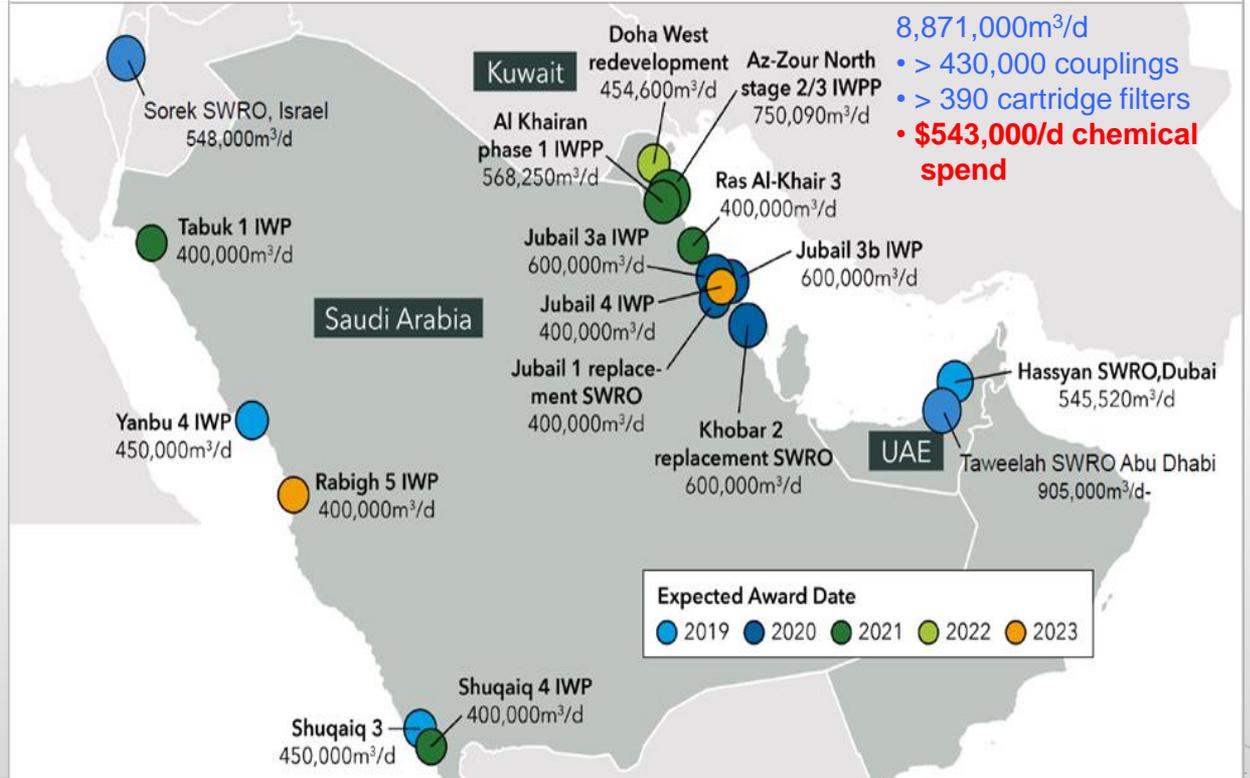
25
Piedmont

100
PWT &
Genesys

Middle East – Investment Opportunities

Middle East (SWRO) Market

- Desalination plants in the Middle East and North Africa (MENA) produce **48%** of the world's desalinated water;
- According to the GWI, the MENA region desalination market will reach **US\$4.3 billion by 2022**;
- A study by International Energy Agency has found that the six biggest users of desalination in MENA are Algeria, **Kuwait**, Libya, **Qatar**, **Saudi Arabia** and the **UAE**;
- Over 8 800 000 m³/d** of new developments are expected to be awarded in the next 5 years to respond to the **increasing demand** in these regions;

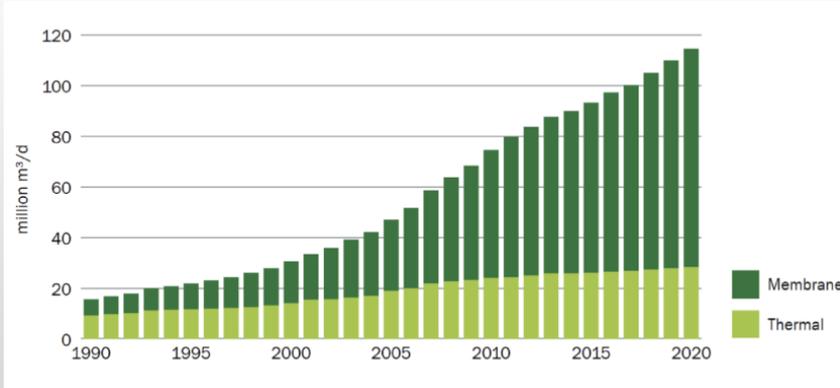


Source: MENA Desalination Market, Onsite ventures

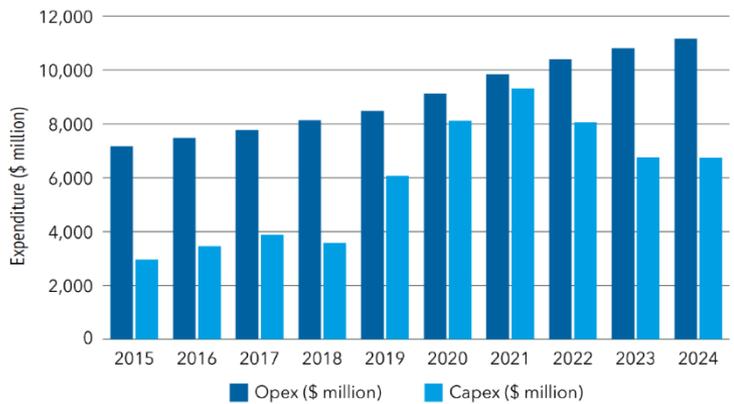
Projected Growth – Desalination Capacity, CapEx & OpEx

Global Desalination Capacity 1990-2020

- Global desalination capacity has grown **by more than 5x** over the period from 1990 to today, **mostly in the membrane market**;
- In 2019, the seawater desalination market is set to experience **its most dynamic year** since the late 2000s
- Rising demand** for clean water, **decreasing** CapEx and OpEx costs and the **need to replace** older facilities with energy-efficient processes are some of the numerous factors driving the surge in desalination projects.



Global Desal. Market CapEx & OpEx 2015-2024



Source: IRI

- Projected CapEx for the global desalination market is **expected to burst** in the next few years, reflecting the will of operators to replace older facilities with new energy-efficient ones;
- CapEx are expected to **slightly decrease** after 2021;
- Projected OpEx is expected to maintain a **constant slight growth** over the next few years;

Synergies within the Specialty Product Business Pillar

Piedmont

**SPECIALTY
CHEMICALS**



YEAR 1

YEAR 3



Update Q3-FY2020

Key Highlights of Q3-FY2020



- **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.

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



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.

Recurring Revenues

Aftermarket, Specialty Products and O&M



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

1st Business Pillar

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

In CAD million \$



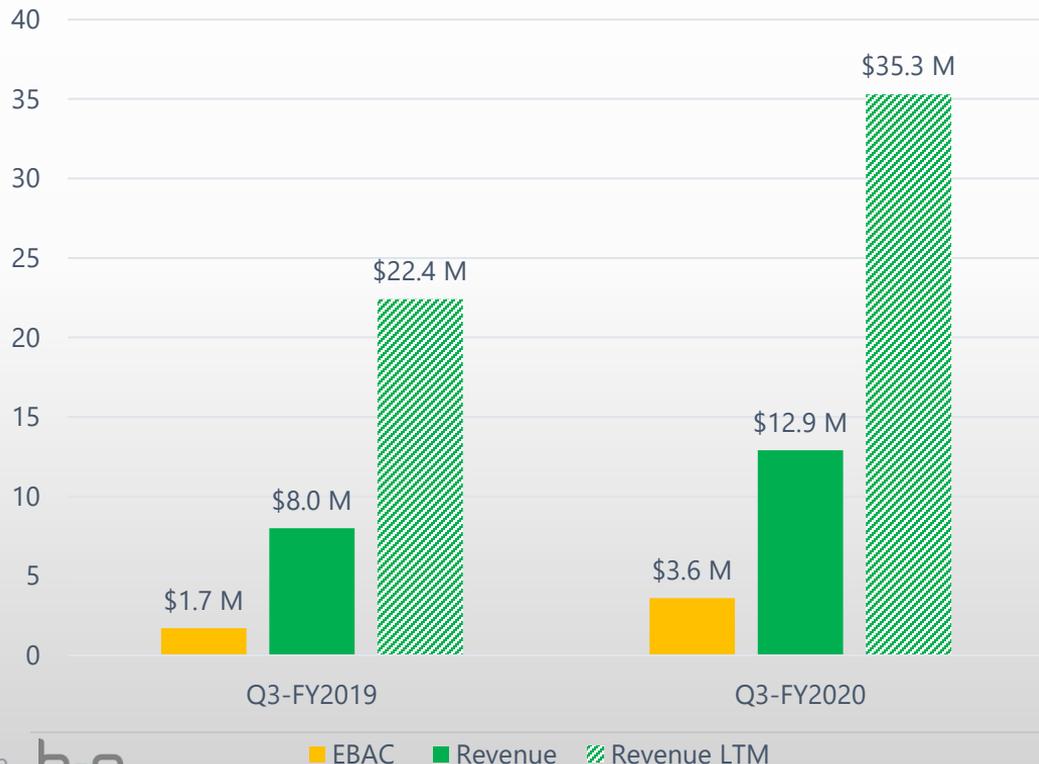
- Revenues: \$6.7 M, compared to \$8.9 M for Q3-FY2019, representing a \$2.2 M, or 24.8 % decrease. This decrease is mainly due to:
 - the strategy of improving the GPM of this business pillar, as management is being selective on projects bids prior to growing the volume of revenues;
 - delays on some 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

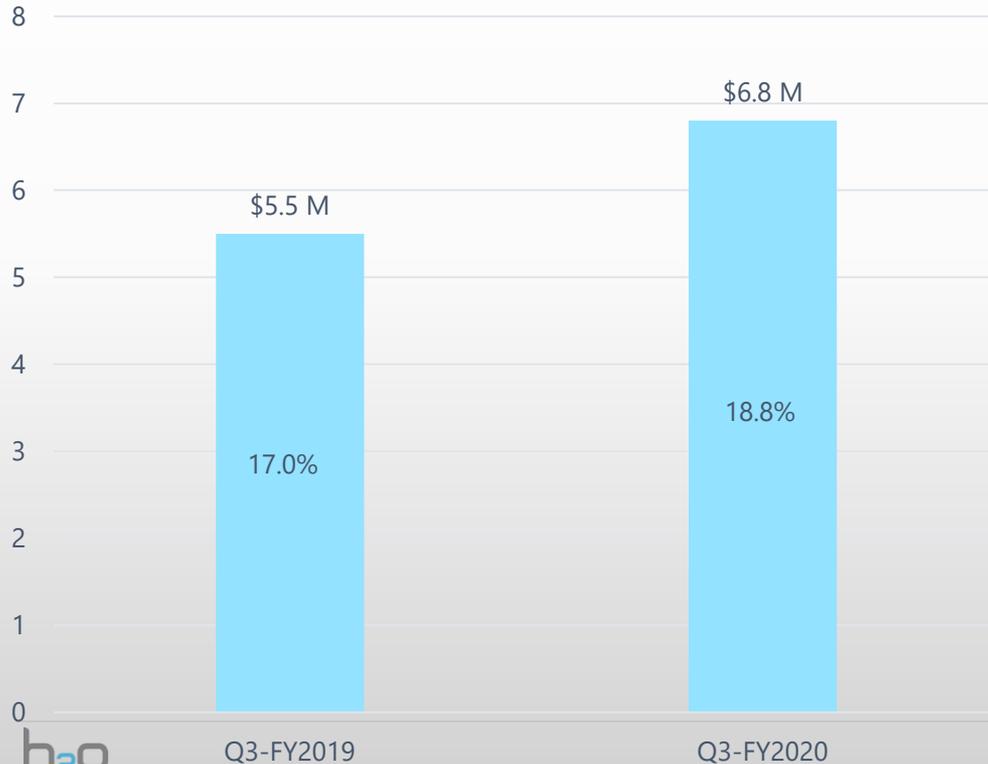
Q3-FY2020 vs Q3-FY2019

	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

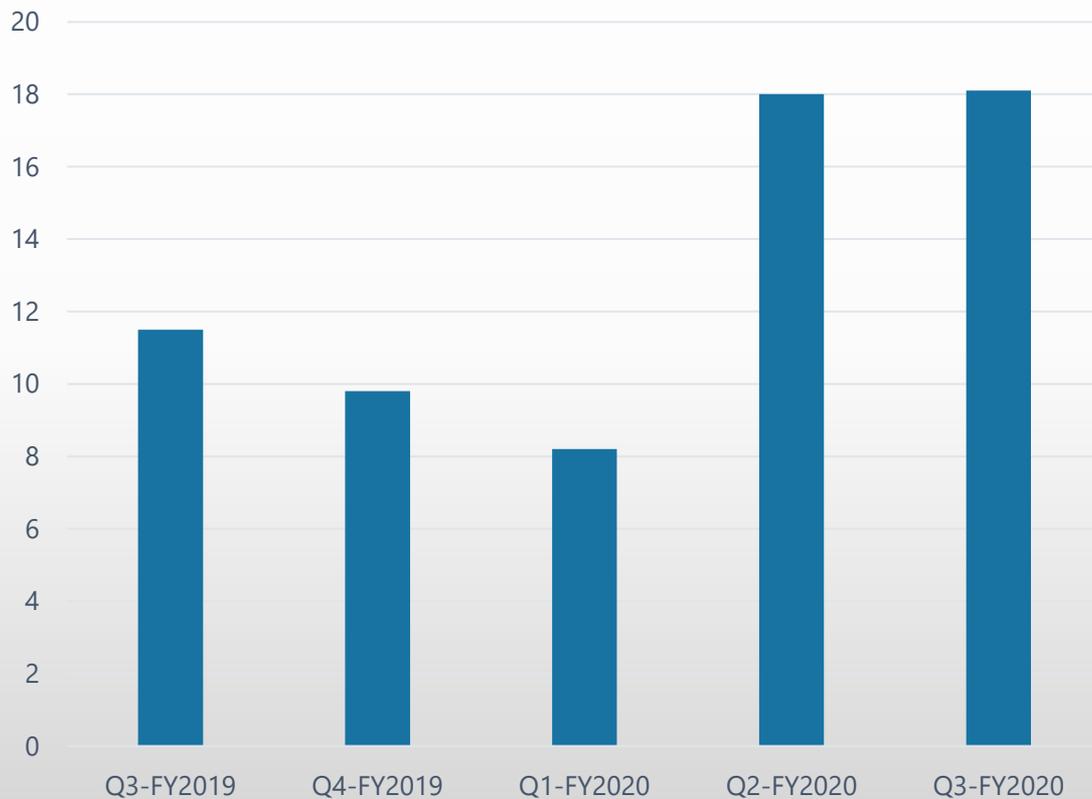
In CAD million \$



- 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.

Net Debt

In CAD million \$

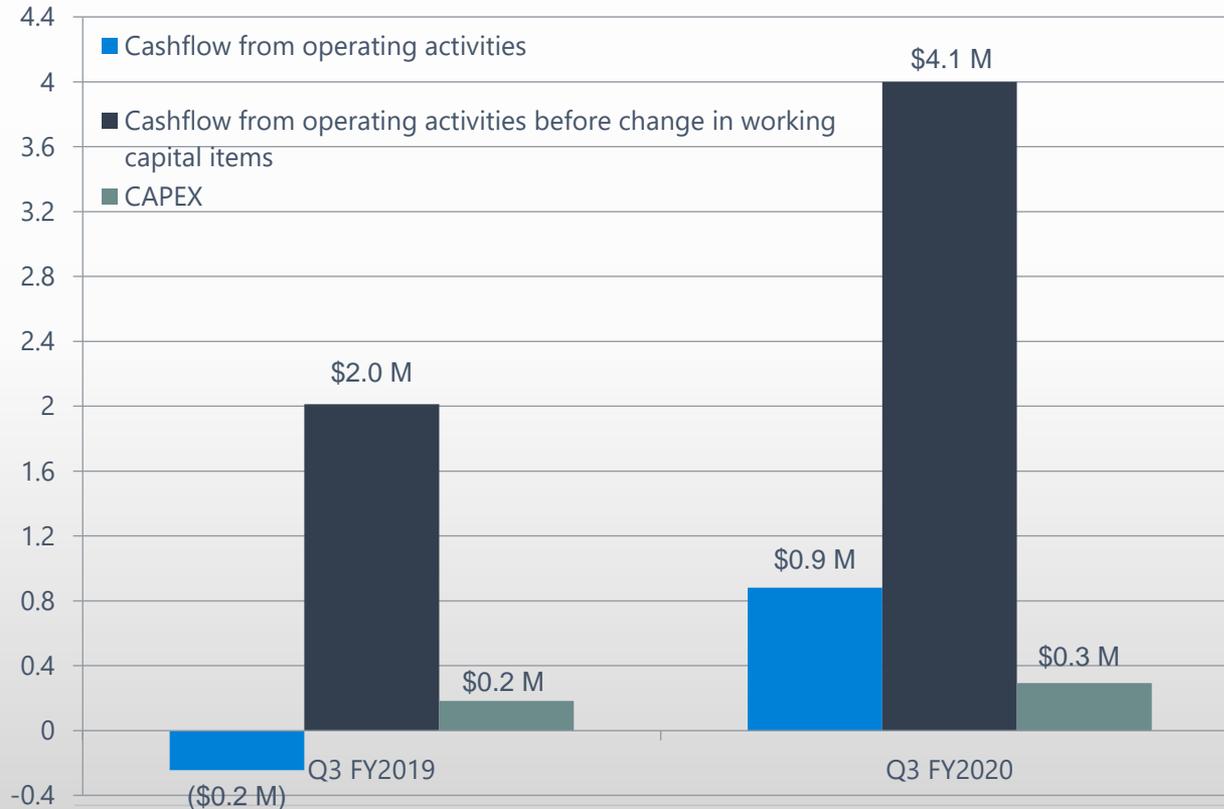


- As at March 31, 2020, the net debt stood at \$18.1 M, compared with \$9.8 M as at June 30, 2019, representing a \$8.3 M increase, or 85.2 %.
 - This increase : new term loan of \$12.0 M for the acquisition of Genesys on November 15, 2019, offset by the reimbursement of \$0.3 M in bank loans;
 - IFRS 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

In CAD million \$



- 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.

Corporate Information

TSX Venture : HEO / OTCQX : HEOFF

Board of Directors :

Lisa Henthorne, Chair

CTO Water Standard, Former IDA Chairman

Richard Hoel, Director & Vice Chairman

Lawyer, Founding partner of Winthrop & Weinstine

Frédéric Dugré, President & CEO

Mechanical Engineer, Founder

Stéphane Guérin, Director

Former President and CFO of Hewitt Equipment Limited

René Vachon, Director

Former CFO of Miranda Technologies

Pierre Côté, Director

Former CTO of Zenon / GE

Robert Comeau, Director

Former CFO of Lumen Pulse

Advisors to the Board :

Elisa M. Speranza

Former Senior VP and Corporate Director, CH2M Hill OMI

Leonard Graziano

Former President and CEO, Severn Trent Services, Inc.

Outstanding Common Shares (after closing of the Offerings): 76,872,608

Warrants: 10,491,310

Stock Options: 2,554,334

Officers and Directors: 6,3%

Main Institutional Shareholders (after closing of the Offerings:

IQ (15,55%) / BDC (12.81%) / CDPQ (11.03%) / Walter (7.11%)

Officers :

Frédéric Dugré, President & CEO

Marc Blanchet, CFO

Guillaume Claret, COO

Management :

Greg Madden, Vice President & Managing Director of Aftermarket

Denis Guibert, Vice President & Managing Director of Projects

Rock Gaulin, Vice President & Managing Director of Maple

William Douglass, Vice President & Managing Director of O&M

Ties Venema, Managing Director of Piedmont

Ryan Furukawa, Managing Director of PWT

Steve Chesters, Managing Director of Genesys

TSXV:HEO



H₂O Innovation

Unique smart **water** player

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