Investor Presentation Q4-FY2020

Frédéric Dugré, CEO & President
Marc Blanchet, CFO

September 24, 2020

TSXV: HEO

Forward Looking Statement

- *Certain statements set forth in this presentation regarding the operations and activities of H_2O 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, H_2O 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 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.

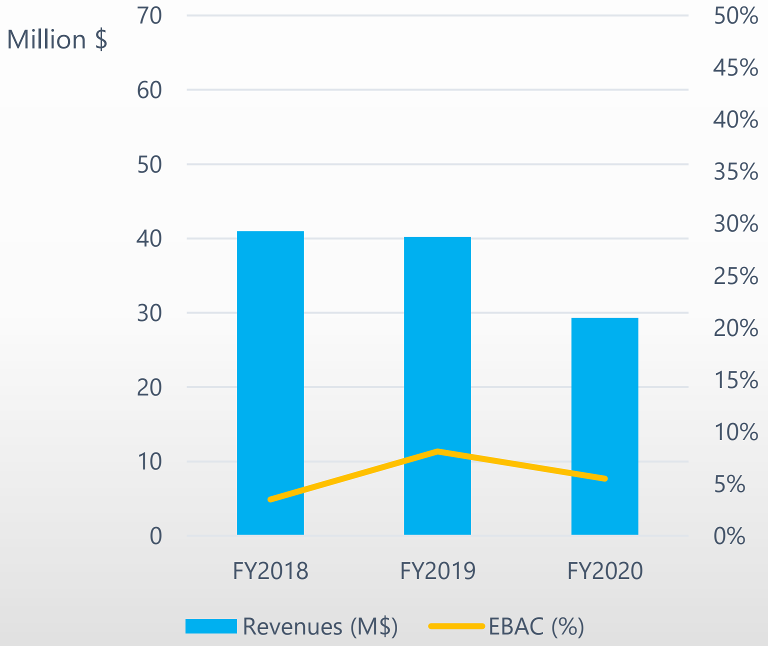
FY2020 Highlights

- Revenues reached $133.6 M, **up 13.3 %** compared to $118.0 M for FY2019;
- **Gross Profit Margin** continued to improve and **reached 26.9 %** compared to 23.0 % last year;
- **Adjusted EBITDA** reached **$12.5 M, or 9.4 %** of revenues, compared to $7.2 M, or 6.1 % in FY2019;
- **Cash flows** from operating activities generated **$12.3 M** in cash, compared to $5.8 M during the previous fiscal year, allowing us to improve our balance sheet;
- Finished the year with a **strong Q4** :
  - **Net Earnings of $0.8 M**, compared to a loss of ($1.2 M) for Q4-FY2019;
  - Earnings before impairment & restructuration costs of $1.2 M;
  - **Adjusted EBITDA of $4.8 M or 13.4 %** of the revenues compared to $2.3 M or 7.4 % in Q4-FY2019.

1st Business Pillar – FY2020 Highlights

Water Technologies and Services (WTS)

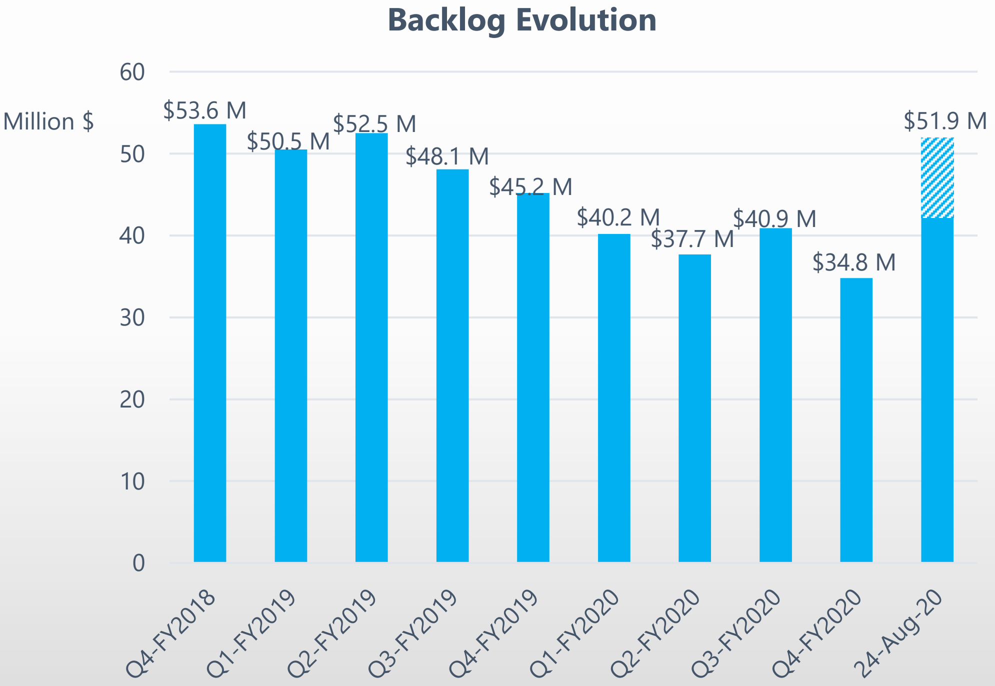
- Reorganization and rebranding of the first business pillar name, going from *Water and Wastewater Projects and Aftermarket* to ***Water Technologies and Services***, in order to;
    - ➢ Maximize and combine the use of resources (one-time restructuration costs of $407 k). Targeted efficiency gain of $700 k per year starting July 1, 2020.
    - ➢ Focus on technologies content (FiberFlex™, flexMBR™, SILO™, etc.) ;
    - ➢ Encourage and maximize customers' retention.



1st Business Pillar – FY2020 Highlights

Water Technologies and Services (WTS)

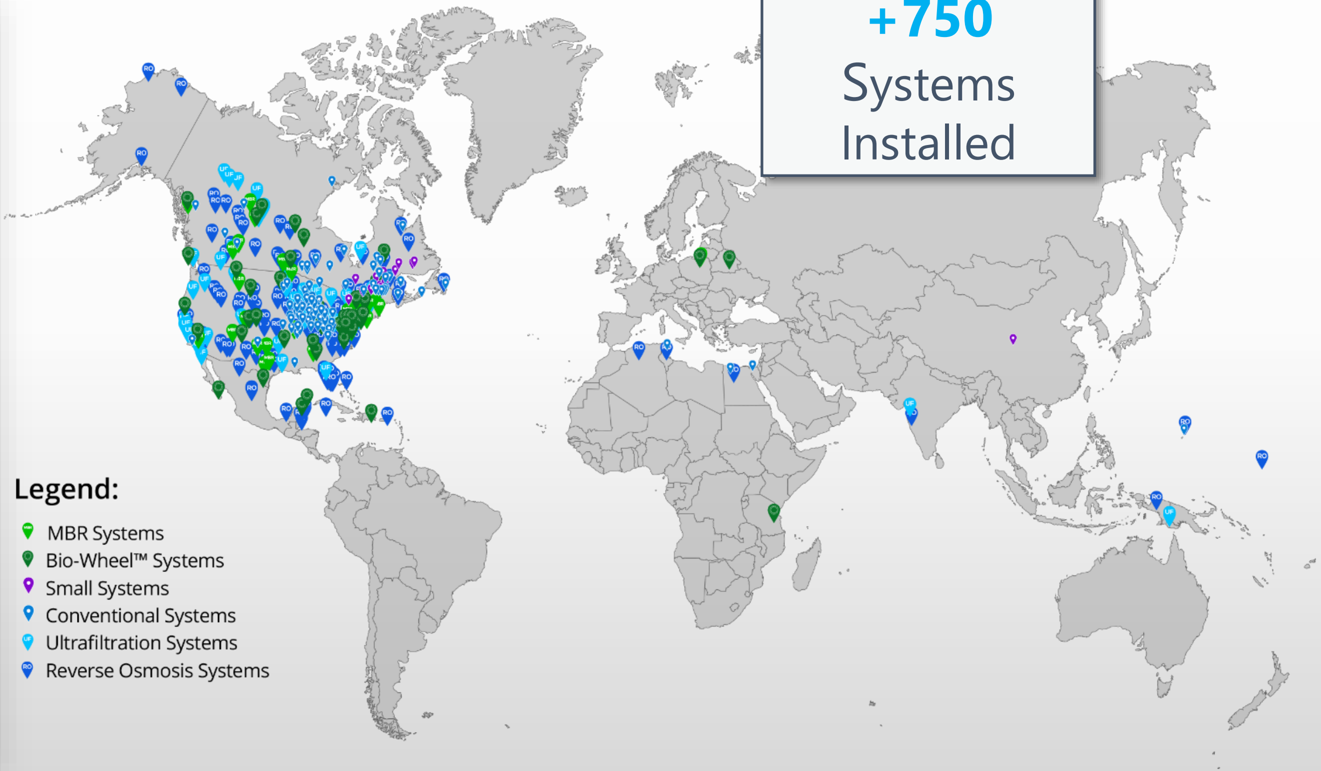
- Won **16** new municipal and industrial projects, totaling **$31.2 M** ($17.8 M signed after year-end);
- Got **one** project cancelled, worth $9.9 M;
- Signed strategic agreement with membrane ceramic supplier, **Nanostone.**



1st Business Pillar

Water Technologies and Services (WTS)

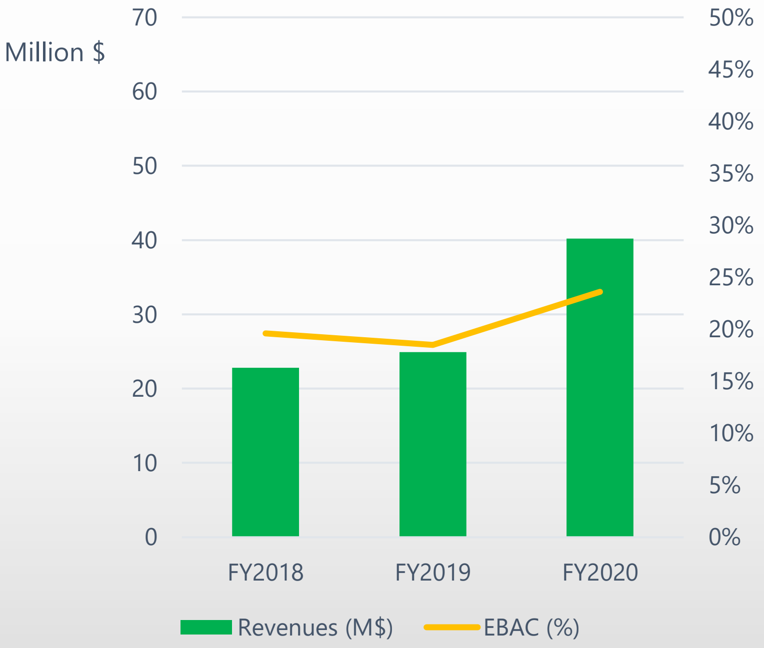
+750
Systems Installed



2nd Business Pillar – FY2020 Highlights

Specialty Products (SP)

- Acquired and integrated **Genesys**;
  - ➢ Building the largest global specialty products distribution network (**+100** distributors located in **+70** countries);
  - ➢ Integration Road Map completed at **65%**.
- Launched **GenMine**, a product range dedicated to mining sector;
- PWT experienced **95%** sales growth in the Middle East & Africa and strengthened its presence in the region by appointing more than 10 new distributors over the last year;
- Maple delivered most of its customers' orders prior to the COVID crisis insuring a solid financial performance in FY2020;
- Piedmont secured several new coupling & FRP filter housing orders, totaling **$3.5 M**, including the **largest** SWRO desalination plant (Taweelah, UAE – **900,000** m^3/day).



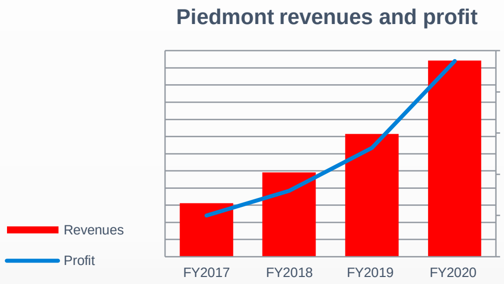
Outperformer in FY2020

Project: Taweelah
Location: UAE
Merit: Largest desal plant in the world

Project: La Chimba
Location: Chile
Merit: First hybrid design filter housing in the world

Project: Satellite plants
Location: Saudi Arabia
Merit: Single largest order of multiple for filter housings

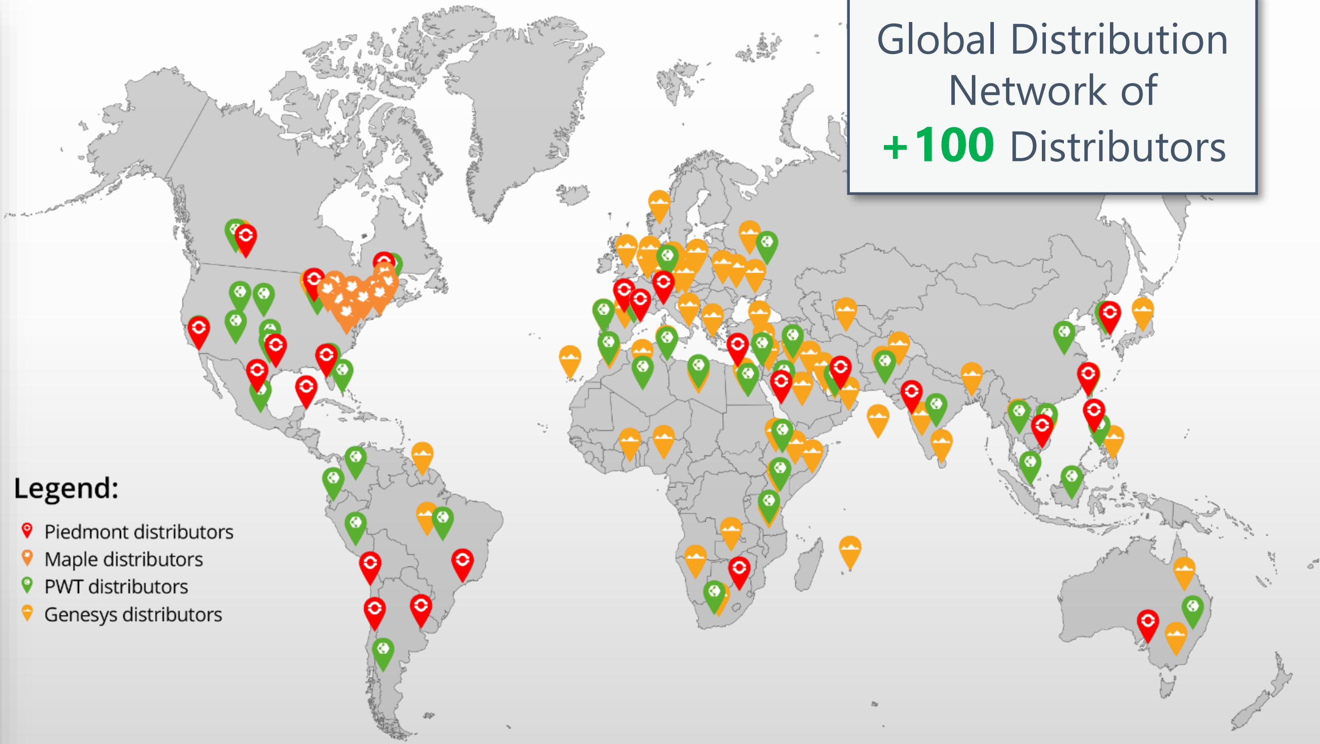
- Strong growth due to **booming desalination market** and successful introduction of **new product** line 4 years ago;



- Now global **market leader** for both product lines;
- Colorful and strong **brand recognition**;
- In FY2020, more than 50 projects executed; over 300 filter housing delivered of which more than 100 of **mega size**;
- Perfect platform for future product **investment** in desal market, due to unique business model with large global distributor network.

2nd Business Pillar

Specialty Products (SP)

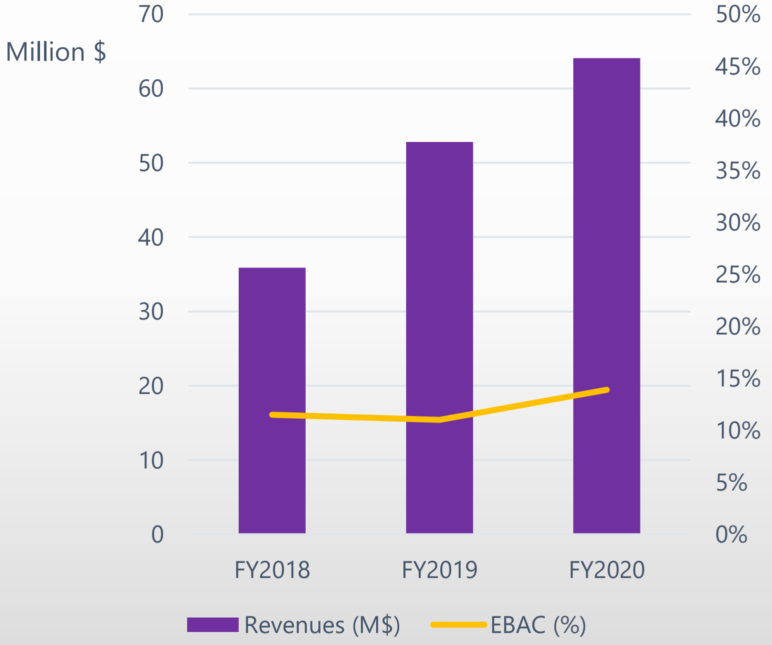


Global Distribution Network of **+100** Distributors

3rd Business Pillar – FY2020 Highlights

Operation & Maintenance (O&M)

- Renewed **8** projects, totaling **$35.7 M**;
- Organic and external growth of **21.5%** YoY;
- Continue the successful integration of Hays South (acquired in December 2018);
- Acquired **Gulf Utility Service** (GUS) – July 2020:
  - Over **20** years of experience in the O&M sector of water and wastewater treatment systems;
  - **40** municipal and private customers, servicing more than **10,000** users;
- Customer base in Texas now amounted to **85** customers.



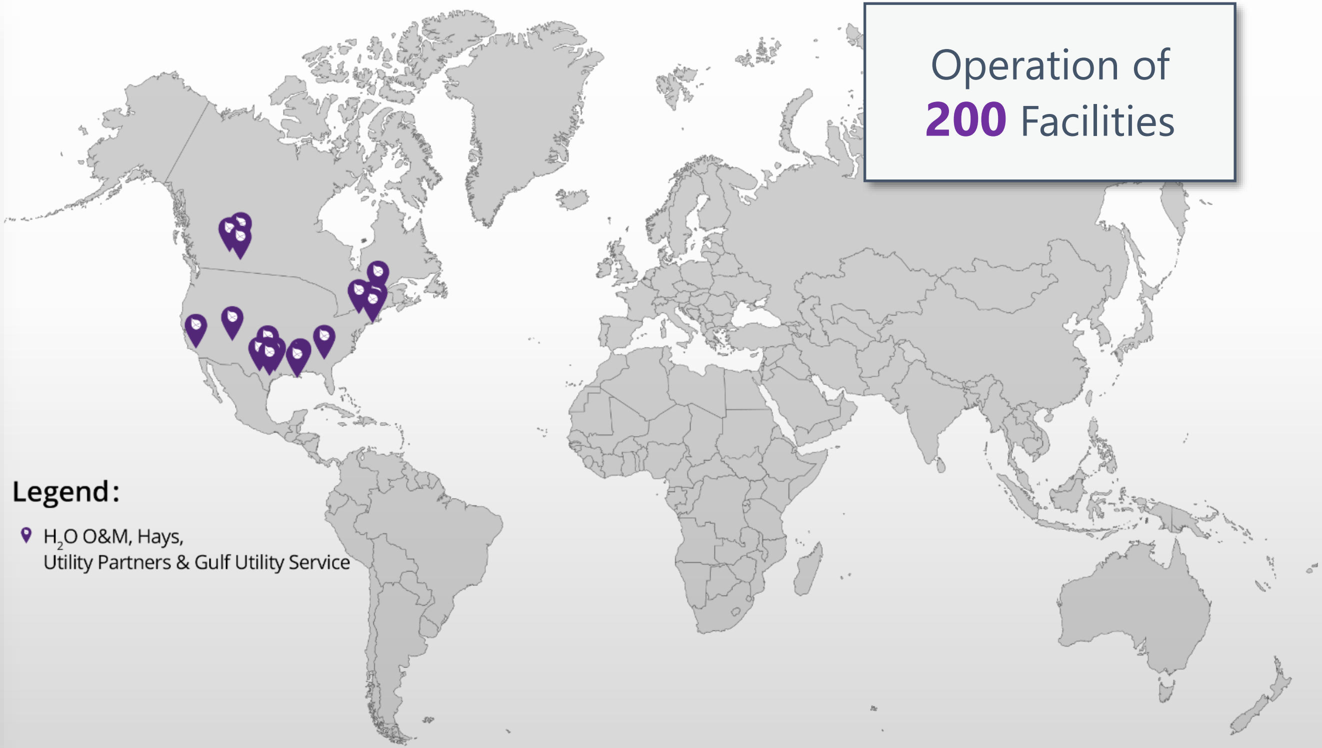
3rd Business Pillar

Operation & Maintenance (O&M)

UTILITY PARTNERS

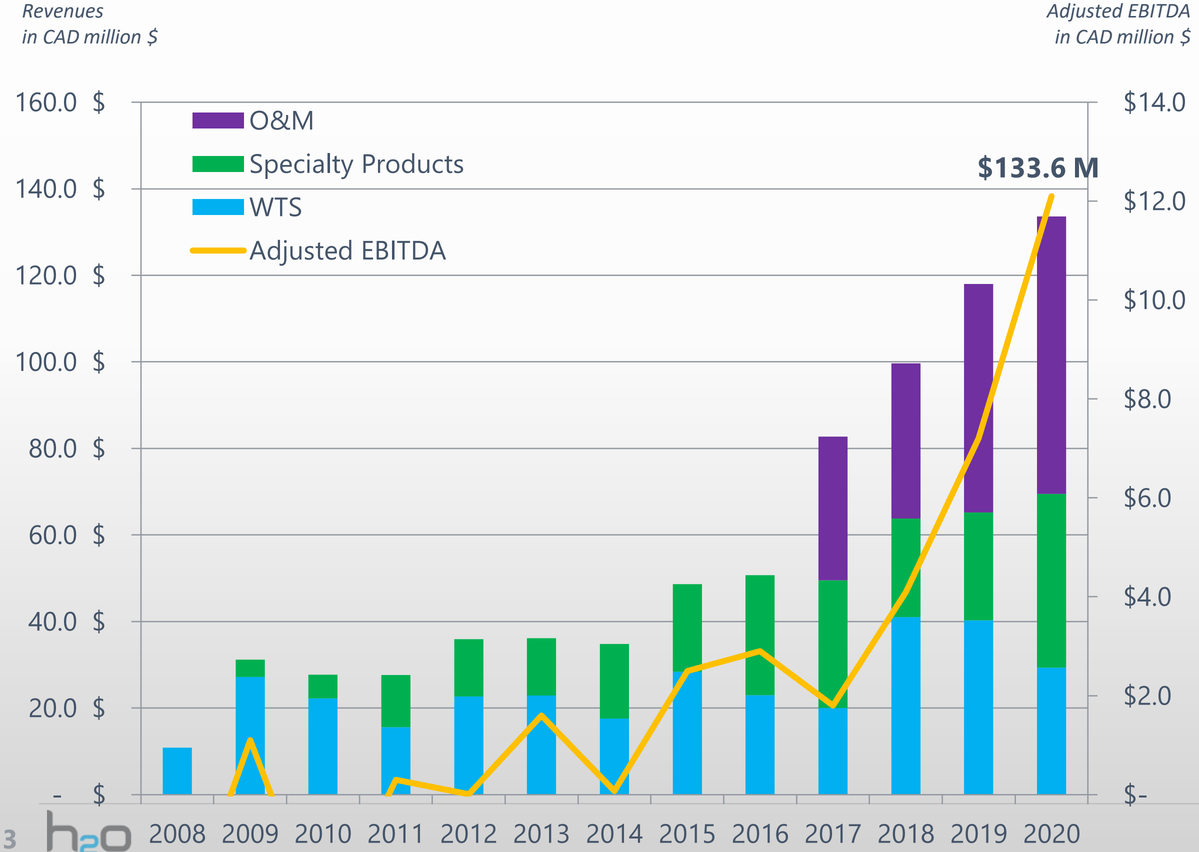
Hays Utility South Corporation — Serving You Since 1970

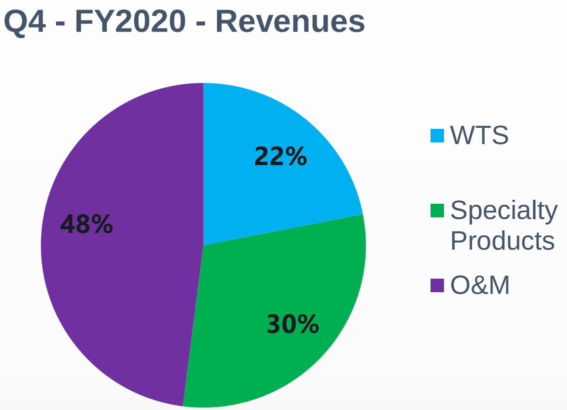
GULF UTILITY SERVICE, INC.



Operation of
200 Facilities

Revenues, Business Mix and Adjusted EBITDA

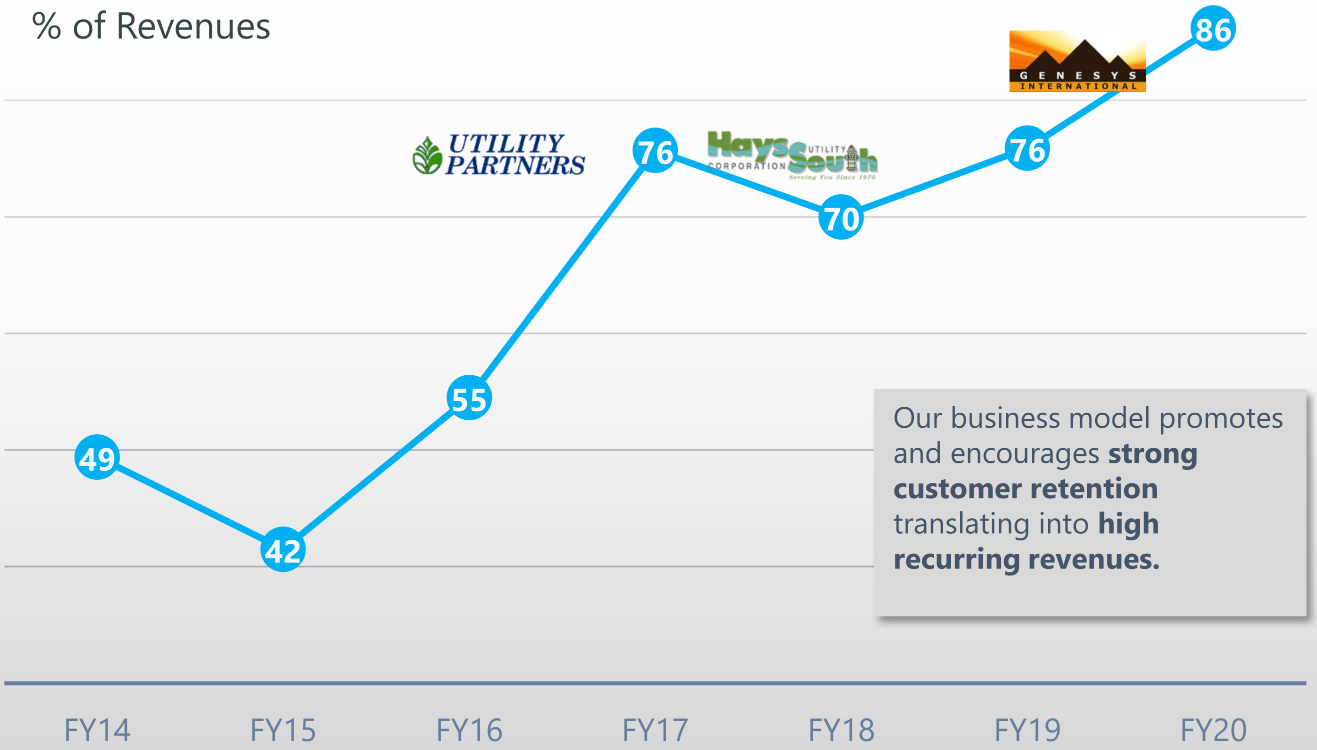




- Business mix & Specialty Products growth are allowing us to improve our adjusted EBITDA and GPM.

Recurring Revenues

Aftermarket, Specialty Products and O&M

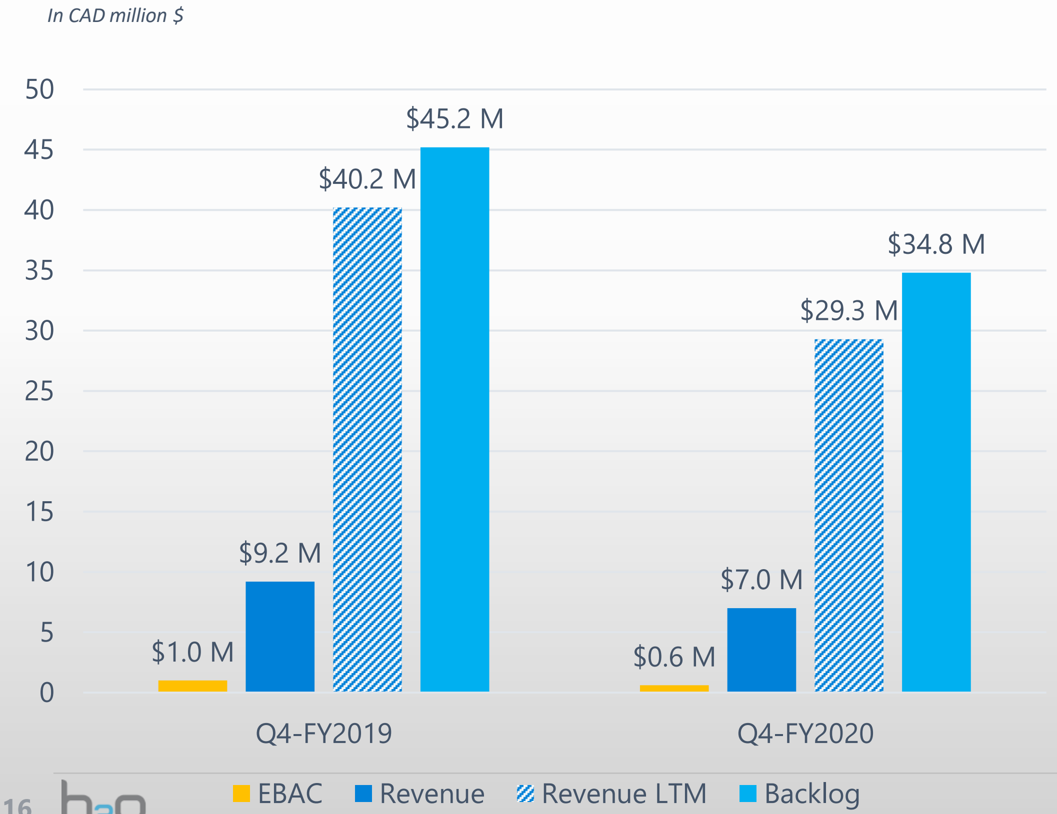


Our business model promotes and encourages **strong customer retention** translating into **high recurring revenues.**

Financial Overview Q4-FY2020

1st Business Pillar

Water Technologies and Services (WTS)

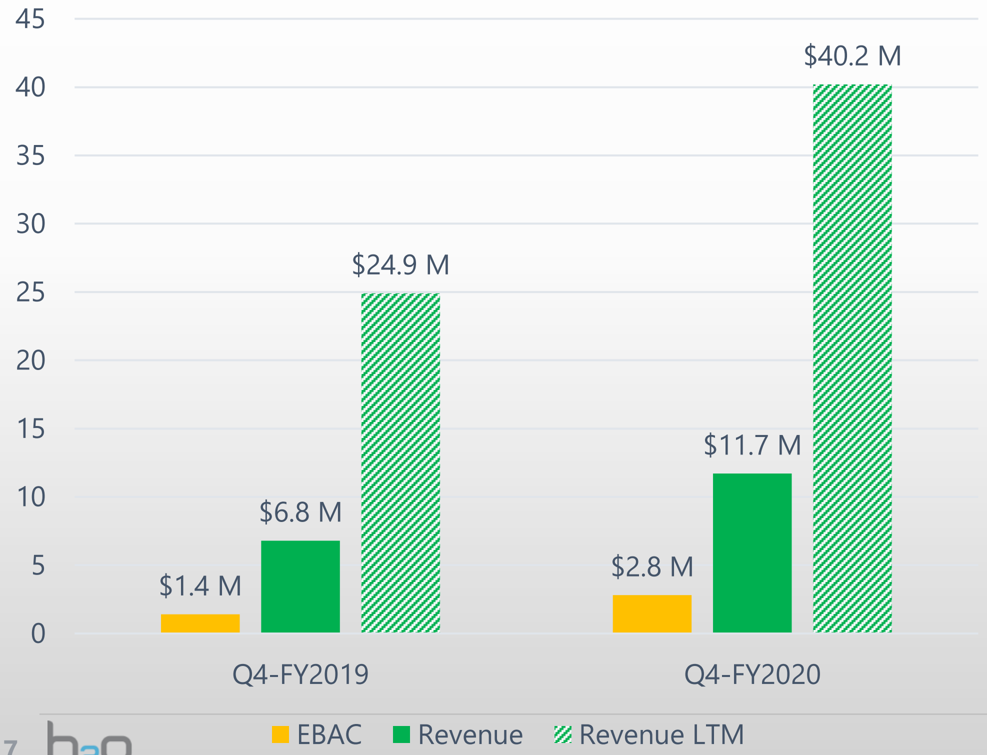


- Q4 Revenues: $7.0 M, compared to $9.2 M for Q4-FY2019, representing a $2.2 M, or 23.8 % decrease.
- FY2020 Revenues: $29.3 M for FY2020, compared to $40.2 M for FY2019, representing a decrease of $10.9 M, or 27.2 %.
    - ➢ A $9.9 M project was cancelled due to the denial of the permit for the desalination project.
- Q4 EBAC: $0.6 M, compared to $1.0 M for Q4-FY2019, representing a decrease of $0.4 M, or 44.4 %, due to:
    - ➢ The lower level of revenues recognized during Q4-FY2020, compared to Q4-FY2019, although the cost structure remained the same.
- FY2020 EBAC: $1.6 M, compared to $3.3 M for FY2019, representing a decrease of $1.7 M, or 50.7 %.

2nd Business Pillar

Specialty Products (SP)

In CAD million $

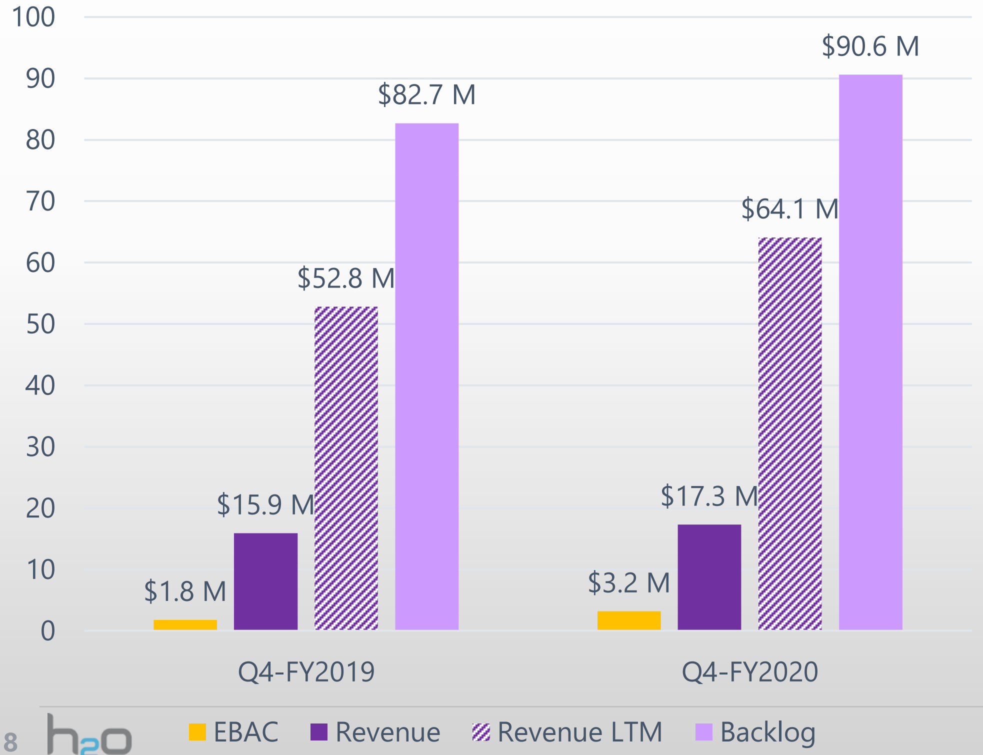


- Q4 Revenues: $11.7 M, compared to $6.8 M for Q4-FY2019, representing an increase of $4.9 M, or 71.5 %.
  - $2.5 M is attributable to the acquisition of Genesys, effective November 15, 2019. The increase is also supported by significant Piedmont orders delivered during Q4.
- FY2020 Revenues: $40.2 M, compared to $24.9 M for FY2019, representing an increase of $15.3 M, or 61.1 %.
  - $7.2 M is attributable to the acquisition of Genesys and is representing 7.5 months of revenues following Genesys' acquisition. The increase is also supported by significant sales from Piedmont and Maple.
- Q4 EBAC: $2.8 M, compared to $1.4 M for Q4-FY2019, representing an increase of $1.4 M, or 97.2 %.
- FY2020 EBAC: $9.6 M, compared to $4.6 M for FY2019, representing an increase of $5.0 M, or 107.5 %.

3rd Business Pillar

Operation & Maintenance (O&M)

In CAD million $



- Q4 Revenues: $17.3 M, compared to $15.9 M for Q4-FY2019, representing an increase of $1.4 M, or 8.8 %, due to:
  - Organic growth seen in both Utility Partners and Hays.
- FY2020 Revenues: $64.1 M, compared to $52.8 M for FY2019, representing an increase of $11.3 M, or 21.5 %.
  - Hays, which was acquired during Q2-FY2019, contributed $22.6 M to the revenues, compared to $12.3 M for FY2019.
- Q4 EBAC: $3.2 M, compared to $1.8 M for Q4-FY2019, representing an increase of $1.4 M, or 83.1 %.
- FY2020 EBAC: $9.1 M, compared to $5.8 M for FY2019, representing an increase of $3.3 M, or 55.9 %.

TSXV:HEO

Financial Highlights

Q4-FY2020 & FY2020

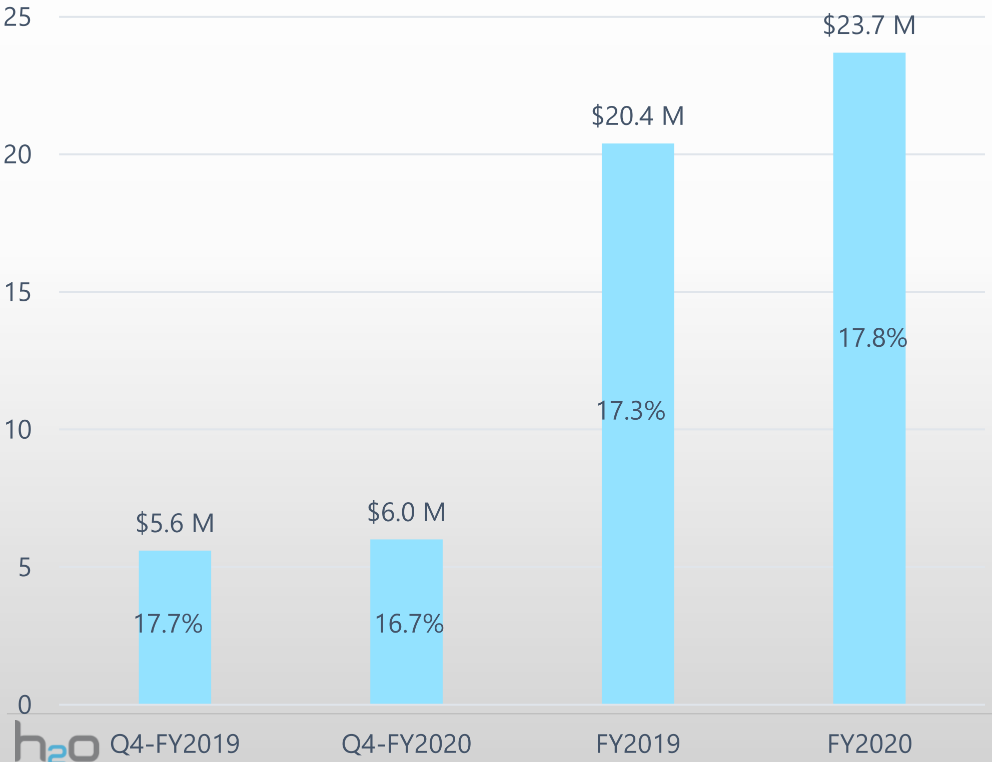
	Three-month periods ended June 30,		Years ended June 30	
	2020	2019	**2020**	2019
Revenues	**$36.0 M**	$31.9 M	**$133.6 M**	$118.0 M
Projects & Aftermarket	**$7.0 M**	$9.2 M	**$29.3 M**	$40.2 M
Specialty Products	**$11.7 M**	$6.8 M	**$40.2 M**	$24.9 M
Operation & Maintenance	**$17.3 M**	$15.9 M	**$64.1 M**	$52.8 M
Gross profit before depreciation and amortization (%)	**29.5%**	24.5%	**26.9%**	23.0%
SG&A	**$6.0 M**	$5.6 M	**$23.7 M**	$20.4 M
% SG&A	**16.7%**	17.7%	**17.8%**	17.3%
Earnings (loss) before impairment & restructuring costs	**$1.2 M**	($1.2 M)	**$0.9 M**	($2.2 M)
Net earnings (loss)	**$0.8 M**	($1.2 M)	**($4.2 M)**	($2.2 M)
Adjusted EBITDA	**$4.8 M**	$2.3 M	**$12.5 M**	$7.2 M
Adjusted EBITDA over revenues (%)	**13.4%**	7.4%	**9.4%**	6.1%

Reconciliation of net earnings (loss) to earnings (loss) before impairment	**Three-month periods ended June 30,**		**Years ended June 30,**	
	2020	2019	2020	2019
	$	$	$	$
Net earnings (loss) for the period	**$0.8 M**	($1.2 M)	**($4.2 M)**	($2.2 M)
Impairment of intangible assets and goodwill	-	-	**$5.3 M**	-
Restructuring costs	**$0.4 M**	**-**	**$0.4 M**	**-**
Deferred tax impact on impairment	-	-	**($0.6 M)**	-
Earnings (loss) before impairment	**$1.2 M**	($1.2 M)	**$0.9 M**	($2.2 M)

- Revenues for FY2020: $133.6 M, compared to $118.0 M for FY2019, representing an increase of $15.6 M, or 13.3 %.
- GPM for Q4 2020 for FY2020: 26.9%, compared to 23% last year.
- GPM for Q4 2020 : 29.5%, compared to 24.5% for Q4-FY2019, representing an increase of $2.7 M, or 34.2 %, due to:
  - ➢ The increase in revenues coming from SP business pillar, characterized with higher GPM;
  - ➢ The adoption of IFRS 16 – Leases resulted in a decrease of the cost of goods sold (COGS) expenses of $0.1 M Q4-FY2020.
- Net Earning for Q4 2020 : 29.5%, compared to 24.5% for Q4-FY2019,.
- Earnings (loss) before impairment & restructuring costs 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 and restructuring costs. 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 Q4-2020 : $6.0 M or 16.7% compared to $5.6 M or 17.7% for Q4-2019, increase of $0.4 M, or 6.6 %, while the revenues of the Corporation increased by 12.8 %.
  - The acquisition of Genesys in Q2-FY2020 contributed $0.6 M.
  - The adoption of IFRS 16 – Leases resulted in a decrease of the SG&A expenses of $0.2 M for Q4-FY2020, as lease expenses were reclassified to depreciation and amortization.

- SG&A FY2020 : $23.7 M, compared to $20.4 M for FY2019, increase of $3.3 M, or 16.3 %, while the revenues of the Corporation increased by 13.3 %.
- The general increase of SG&A of FY2020 grew faster than revenues, mainly due to the WTS business pillar, which was restructured.

Adjusted EBITDA

	Three-month periods ended June 30,		Years ended June 30,	
	2020	2019	**2020**	2019
Net earnings (loss) for the period	**$0.8 M**	($1.2 M)	**($4.2 M)**	($2.2 M)
Finance costs – net	**$0.5 M**	$0.2 M	**$2.0 M**	$2.1 M
Income taxes	**$0.6 M**	$0.7 M	**($0.3 M)**	$0.4 M
Depreciation of property, plant and equipment	**$0.8 M**	$0.5 M	**$2.9 M**	$1.3 M
Amortization of intangible assets	**$1.2 M**	$1.5 M	**$4.3 M**	$4.0 M
Impairment of intangible assets and goodwill	**-**	-	**$5.3 M**	-
EBITDA before impairment	**$3.9 M**	$1.7 M	**$10.0 M**	$5.6 M
Unrealized exchange (gain) loss	**$0.3 M**	$0.1 M	**($0.3 M)**	$0.2 M
Stock-based compensation costs	**$0.05 M**	$0.08 M	**$0.2 M**	$0.3 M
Change in fair value of contingent consideration	**$0.06 M**	$0.2 M	**$0.3 M**	$0.3 M
Acquisition-related costs, integration costs and other costs	**$0.09 M**	$0.2 M	**$1.9 M**	$0.8 M
Restructuring costs	**$0.4 M**	-	**$0.4 M**	-
Adjusted EBITDA	**$4.8 M**	$2.3 M	**$12.5 M**	$7.2 M

- Adjusted EBITDA: $4.8 M, increased by $2.5 M, or 103.5 %, compared to $2.4 M for Q4-FY2019;
- Adjusted EBITDA %: 13.4 %, compared to 7.4 % for Q4-FY2019;
- Improvement of the adjusted EBITDA was driven by the:
  - Increase of revenues and by the improvement in GPMs;
  - Adoption on July 1, 2019 of IFRS 16 - Leases contributed to reduce by $1.3 M the operating lease expenses for FY2020. Excluding the adjustment from IFRS 16 - Leases, the adjusted EBITDA would have been 8.4 %.
- Adjusted EBITDA % for FY2020: 9.4 %, compared to 6.1 % for FY2019.

Financial Position

Working capital

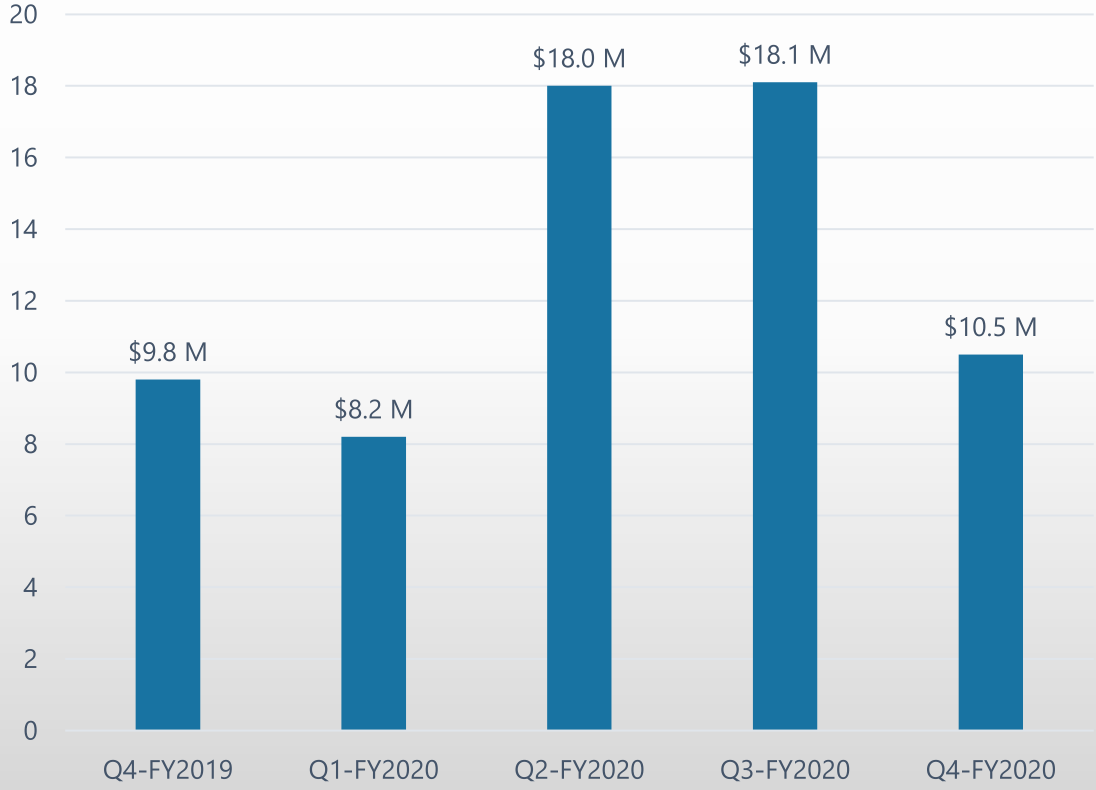
Increased from $12.8 M to $17.6 M:

Financial Position	Year ended June 30, 2020	Year ended June 30, 2019
Cash and Guaranteed Deposit Certificate	$9.4 M	**$6.2 M**
Receivables	$19.3 M	**$19.4 M**
Inventories	$7.9 M	**$6.7 M**
Contract assets	$8.6 M	**$5.9 M**
Payables	$15.9 M	**$12.3 M**
Bank loans	$3.4 M	**$7.5 M**
Long-term debt	$16.5 M	**$8.4 M**
Contract liabilities	$3.2 M	**$3.1 M**

- **Receivables** similar than FY2019 even though Genesys added $2.2 M in AR.
- **Inventories** increased by $1.2 M, or 16.8 %, due to:
  - Genesys contributed $0.7 M of this increase;
  - Significant projects in Piedmont business line delivered after June 30, 2020.
- **Payables** increased by $3.6 M, or 29.8 %, due to:
  - Genesys, adding $0.6 M of accounts payable and accrued liabilities;
  - The timing of the payments and purchases for FY2020, with significant purchase orders standing in the accounts payable at period end.

Net Debt

In CAD million $

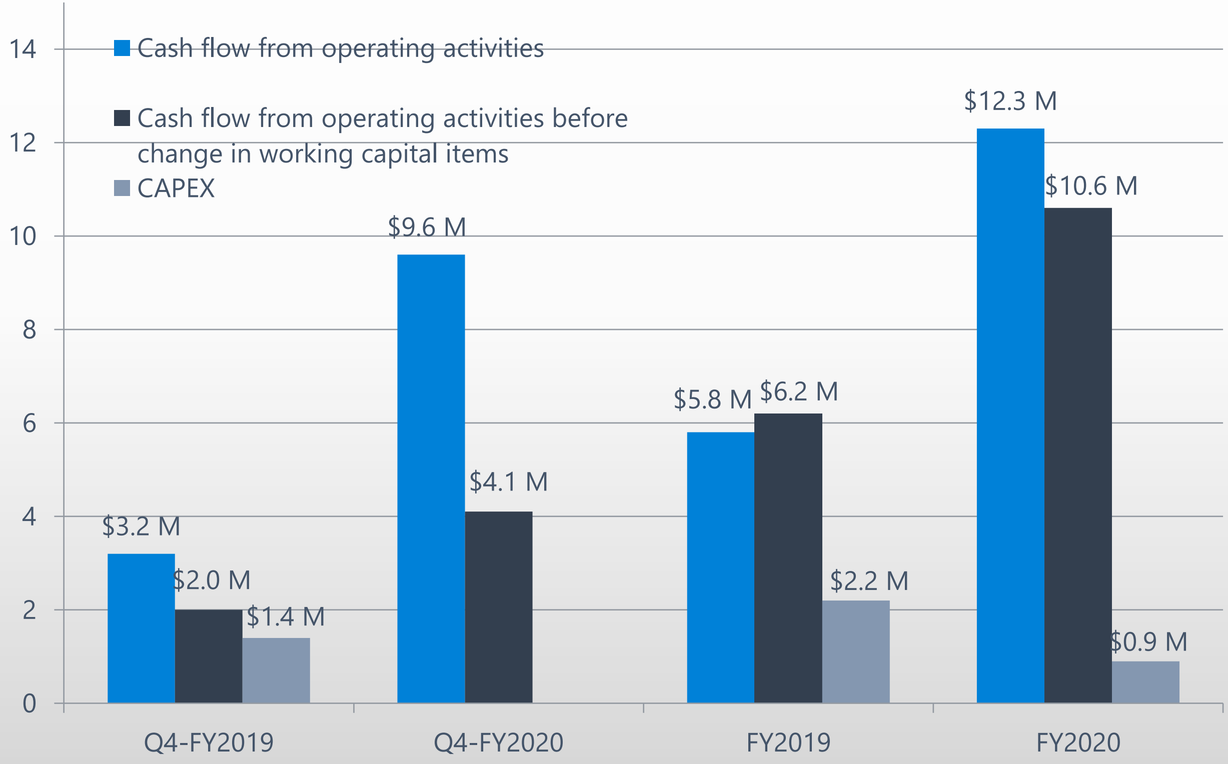


- As at June 30, 2020, the net debt stood at $10.5 M, compared with $9.8 M as at June 30, 2019, representing a $0.7 M increase, or 7.8 %.
  - ➢ This increase is mainly attributable to the term loan of $12.0 M contracted to partially financed the acquisition of Genesys, offset by the reimbursement of $4.1 M in bank loans and the increase in cash available of $3.2 M;
  - ➢ The adoption of IFRS 16 – Leases also contributed to reduce $1.3 M the net debt.

	June 30, 2020	June 30, 2019
Bank loans	$3.4 M	$7.5 M
Current portion of long-term debt	$2.7 M	$1.9 M
Long-term debt	$13.8 M	$6.6 M
Less: Cash	($9.4 M)	($6.2 M)
Net debt	**$10.5 M**	**$9.8 M**

Cash Flows from Operating Activities

In CAD million $



- Cash flows from operating activities generated $9.6 M for Q4-FY2020, compared to $3.2 M during Q4-FY2019;
- Cash flows from operating activities generated **$12.3 M for FY2020**, compared to $5.8 M during FY2019.
  - ➢ These increases are coming from the improvement of the earnings before income taxes and impairment charges and from the change in working capital items.

Takeaways

- **Revenue growth of 13.3 %**;
- **Proven and solid business model with 86.2 %** of revenues recurrent by nature (Aftermarket, Specialty Products and O&M);
- Our “one-stop-shop” model promotes multiple sales synergies and high customer retention;
- **Generated $12.3 M in cash** from our operation;
- Balance sheet is healthy and not over-leveraged;
- **Best adjusted EBITDA** performance for FY2020: $12.5 M, up 73.6 % compared to $7.2 M in FY2019;
- Our combined backlog remains high at $125.4 M, giving great visibility for the coming quarters;
- **Water is essential - Continuity** of operations during the pandemic;
- Nominated as **Water Company of the Year**, by GWI – for its 20th anniversary.

20
ANNIVERSARY

H_2O 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
www.h2oinnovation.com