



PRESS RELEASE
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H₂O Innovation Presents its 3-Year Strategic Plan

Quebec City, December 8, 2020 – (TSXV: HEO) – H₂O Innovation Inc. (“H₂O Innovation” or the “Corporation”) is proud to present its first 3-year strategic plan aligning its long-term vision with key strategic objectives. These objectives and their progress over time will be regularly communicated to key stakeholders to ensure proper alignment at all levels within the framework of the 3-year strategic plan.

The current Global Water market is estimated at \$842 B for the year 2020. This market is expected to grow annually between 5 to 14% depending on the sub-market or geography. Fundamental drivers such as population growth, tightening regulations, water scarcity, and growing demand from agriculture and industries are just a few of the multiple factors influencing this expected growth. These market drivers would add pressure on existing infrastructure to become leaner and more efficient with their operations.

To develop the 3-year strategic plan, the Corporation’s executive team, in collaboration with the business line managers, has identified specific sub-markets and sub-segments to determine a current addressable market for H₂O Innovation in the range of \$4.5 B. This addressable market is where the Corporation intends to continue its growth during the next three years, both organically and through mergers and acquisitions. The Corporation intends to build out its businesses in a way that will enhance cross-selling opportunities, maximize customer synergies and retention, and improve its operational efficiency.

By the end of fiscal year 2023, the current goal is to expand H₂O Innovation’s adjusted EBITDA margin above 11%. To reach this objective, focus will be put on improving the gross profit margin, reducing fix costs percentage over revenue, and completing acquisitions. In three years, it is expected to reach \$175 to 250 M in revenues, depending on the number of acquisitions completed.

The Corporation is expecting to reduce its cost of goods sold and improving operational excellence by taking the following measures: leaner business processes in the acquired companies, implementation of comprehensive business intelligence solutions, smart procurement, rebranding & merger of the O&M business pillar, as announced last week, and pro-active health & safety practices.

The Corporation should reduce its fix costs percentage over revenues by leveraging its centralized corporate support services. New innovative products will be developed and taken to market through the Corporation’s large distribution network which will leverage the sales organisation and enable to increase the gross profit margin.

The pipeline of acquisition targets is rich in opportunities and is diversified in size as well as company profile. The Corporation intends to complete between two to four acquisitions within the next 30 months. Based on its current situation and on financial forecasts, the Corporation has the ability and financial capacity to acquire complementary businesses. The intention is to do it without dilution for the shareholders, unless it is required to complete a significant transaction in size, and to remain disciplined in the multiple paid for these transactions. Most importantly, proper integration will be key to maximize sales and costs synergies.



“We believe that our first 3-year strategic plan defines a comprehensive framework which will inspire and guide our managers to develop solid annual budgets and tactical roadmaps to achieve our strategic objectives and our financial targets by the end of fiscal year 2023. But most importantly, this plan will allow us to create a winning and engaging alignment between our employees, customers, and shareholders. Through its execution, we will maintain our focus on long-term goals and respect the need for short-term wins. Our entrepreneurial motivation, driven by our fundamental values and our continuous desire to grow the Corporation will be done with the objective of creating value for all stakeholders, while preserving our company’s strong culture”, **stated Frédéric Dugré, President and Chief Executive Officer of H2O Innovation.**

From H2O Innovation’s Mission and Vision statements, and 10 key strategic objectives come the new Playbook. The H2O Innovation Playbook centers around creating value, allowing the Corporation to compete enthusiastically for customers, talent, and shareholders.

“Our Playbook is comprised of four (4) themes. First, we must delight our customers, continuously seeking higher customer satisfaction to build long-term relationships and increase recurring business. Second, H2O Innovation will retain our customers and gain new ones by pushing for innovation, challenging the status-quo, and delivering world-class solutions through our products and services. Third, by reinventing ourselves and continuously pursuing improvements in the business process, we must relentlessly strive for operational excellence. Operational improvements maximize synergies, better leveraging our cost structure and global sales organization. Finally, to execute this plan and reach these ambitious objectives, team engagement is key; H2O Innovation must create an inspirational and meaningful work environment where people feel safe and have an opportunity to develop talents along their chosen career path”, **added Gregory Madden, Chief Strategic Officer at H2O Innovation.**

Prospective disclosures

Certain statements set forth in this press release regarding the operations and the 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. 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 23, 2020 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 press release or in other communications as a result of new information, future events and other changes.



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 technologies and 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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