Investor Presentation Q2-FY2021

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TSXV: HEO

Forward Looking Statement

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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 and integration. 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 management as the portion of the Corporation's revenue coming from customers with whom the Corporation has established a long-term relationship and/or coming from a business with a recurring customer sales pattern. However, there is no guarantee that recurring revenues will last indefinitely. The Corporation's recurring revenues are coming from the Specialty Products and O&M business pillars as well as the service activities of the WTS business pillar. This non-IFRS measure is used by management to evaluate the stability of revenues from one year to the other.
- The definition of EBAC means the earnings before depreciation and amortization reduced by the selling and general expenses. EBAC is a non-IFRS measure and it is used by management to monitor financial performance and to make strategic decision.

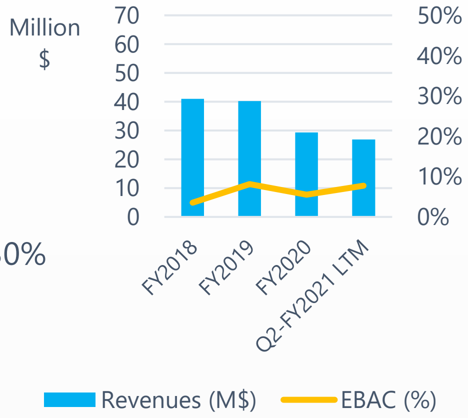
Q2-FY2021 Highlights

- **Gross Profit** and **adjusted EBITDA margins continue to expand** and reach 26.8% and 10.2% respectively;
- **Net earnings** are positive and sustained for a 3rd quarter in a row;
- Balance sheet remains healthy and **not overleveraged** with net debt/adj. EBITDA ratio at 0.92;
- Released our **3-year strategic plan** aligning our long-term vision with key strategic objectives;
- Continue to capture **sales synergies** between business lines in order to encourage customer retention and maintain **high recurring revenues (89%, Q2-FY2021)**;
- Early after Q2-FY2021, we completed **an accretive acquisition to expand our specialty chemicals** capabilities.

Q2-FY2021 Highlights

Water Technologies and Services (WTS)

- Revenues decreased by 6% while EBAC increased by 122% over a 12-month period;
- Secured $3.2 M of new projects for high-profile industrial and municipal customers;
- Backlog is stable at $37.0 M and well-balanced with 35% of industrial projects compared to 30% in previous fiscal year, driving up the gross profit margin;
- Project activity snapshot:



Engineering	Fabrication	Commissioning	Piloting
22	10	9	5


Las Gallinas, WWTP (CA)


Granbury, WTP (TX)

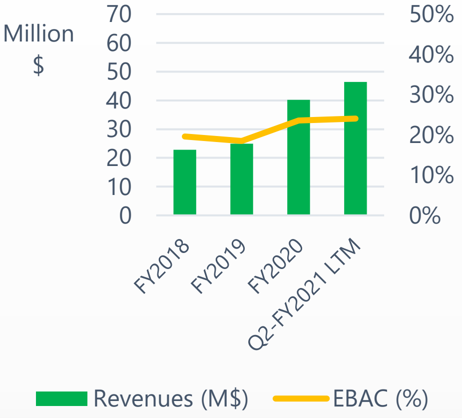
Projects in commissioning and startup phase

Projects under fabrication and assembly in Champlin's facility (MN)

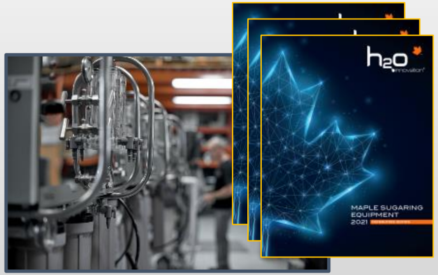
Q2-FY2021 Highlights

Specialty Products (SP)

- Revenues were stable at $10.4 M while EBAC slightly decreased by 7.0% due to products mix and lower volume coming from Piedmont;
- Piedmont secured three large orders for fiber reinforced polyester cartridge filter housings and duplex stainless couplings, totaling $3.3 M;
- Piedmont signed two new distribution agreements in new geographies (Algeria, Israel);
- Piedmont moved its warehousing and logistics from Vista (CA) to Champlain (MN) to free-up space for specialty chemicals growth;
- Launched the 2021 Maple equipment catalogue with ≈ 30 new products and innovation.

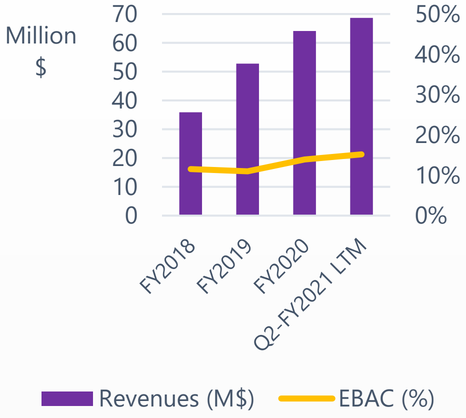



New warehouse & logistics area for Piedmont in Champlain (MN)



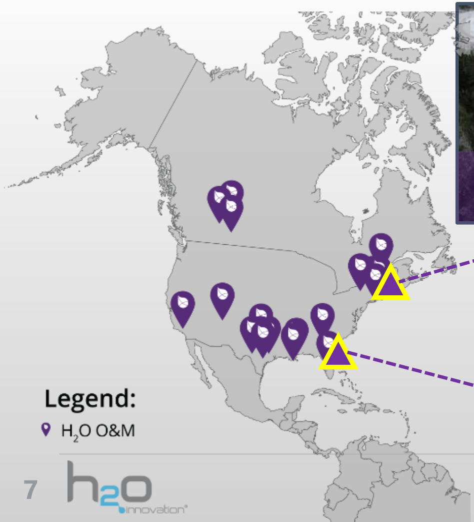
Q1-FY2021 Highlights

Operation & Maintenance (O&M)



- Revenues stood at $17.6 M, representing a 13.2% increase while EBAC improved by 51.7% during the same period;
- The three O&M business lines, Utility Partners, Hays Utility South Corporation and Gulf Utility Service merged to become H2O Innovation;

Trusted Utility Partners



Municipal Water Utility (NH)
Started January 1, 2021

New O&M crew (FL)
Started October 1, 2020

- Secured 2 new O&M long-term contracts in Florida and New Hampshire;
- Continue to optimize operational excellent with the combination of Hays South and GUS, servicing customers within Greater Houston area.

Business Synergies

- **Genesys** distributor in Algeria signs agreement with **Piedmont** to expand and diversify its product offering.

- **WTS** services secured a 1-year contract to supply **Piedmont** cartridge filters for a city in Florida; **Piedmont**'s local distributor will provide logistics support.

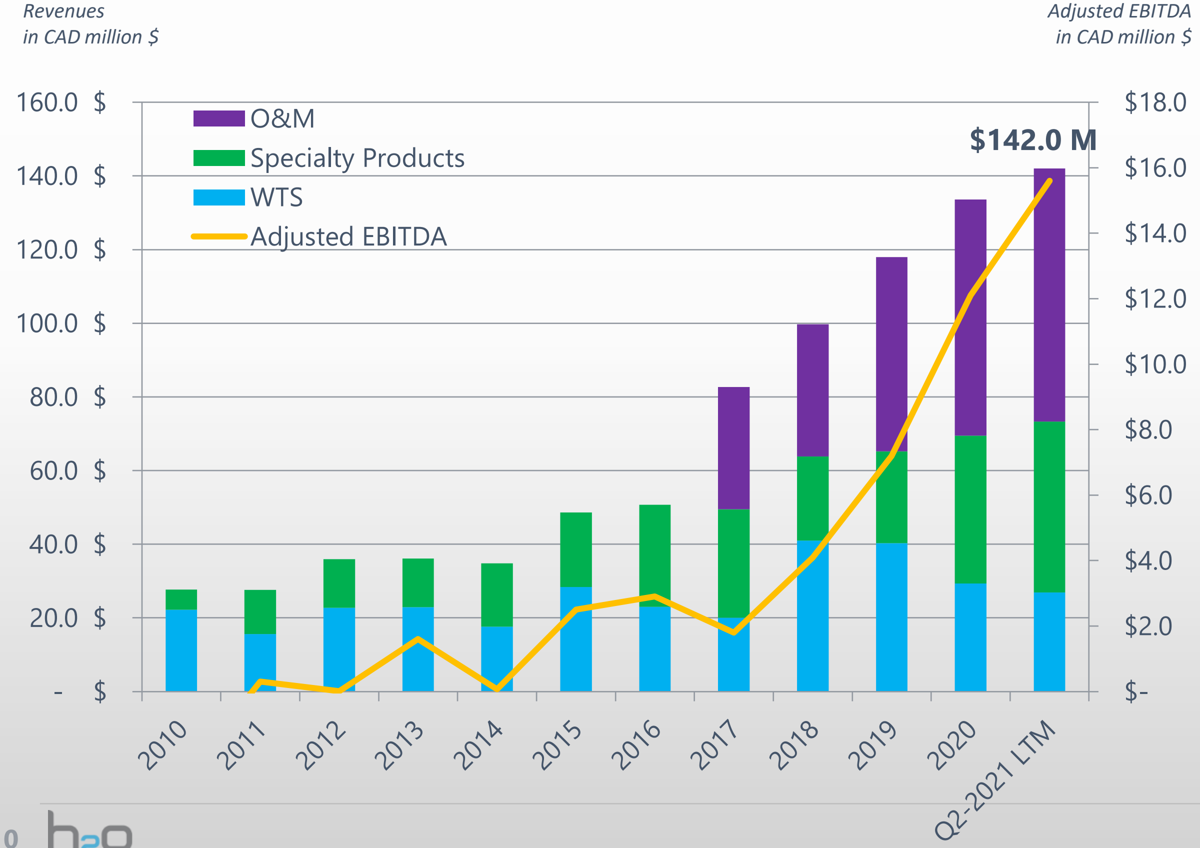
- **WTS** supported by **PWT**, leverage **Genesys**' Genmine chemistry to capture new business at gold mine in Nevada, USA.

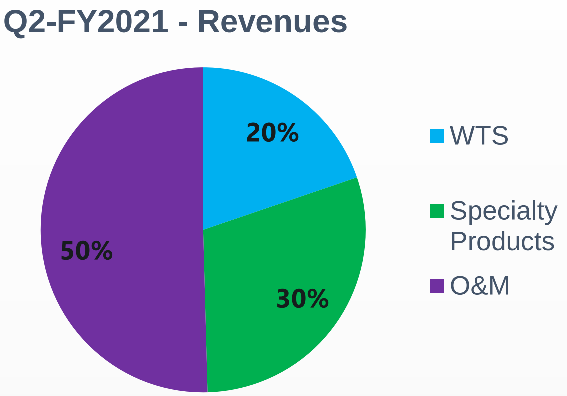
Recurring Revenues

Service activities coming from WTS, Specialty Products and O&M

Our focus to grow recurring revenues promotes **strong customer retention,** encourages **business synergies** and ensures **financial predictability** during the Pandemic.

Revenues, Business Mix and Adjusted EBITDA





On an LTM basis, adjusted EBITDA reached **$15.6 M**, equivalent to **11%** of the revenues at the end of Q2-FY2021.

3-Year Plan
Growth Objectives

ACTUAL FY 2020

Revenue $134 M

Adjusted EBITDA 9.4%

IMPROVE
GROSS MARGIN $

- **Increase Sales**
- **Operational Excellence** ✓
- **Product Innovation**

REDUCE SG&S%

2-4 STRATEGIC ACQUISITIONS ✓

TARGET FY 2023

Revenue $175-250 M

✓ **Adjusted EBITDA >11%**

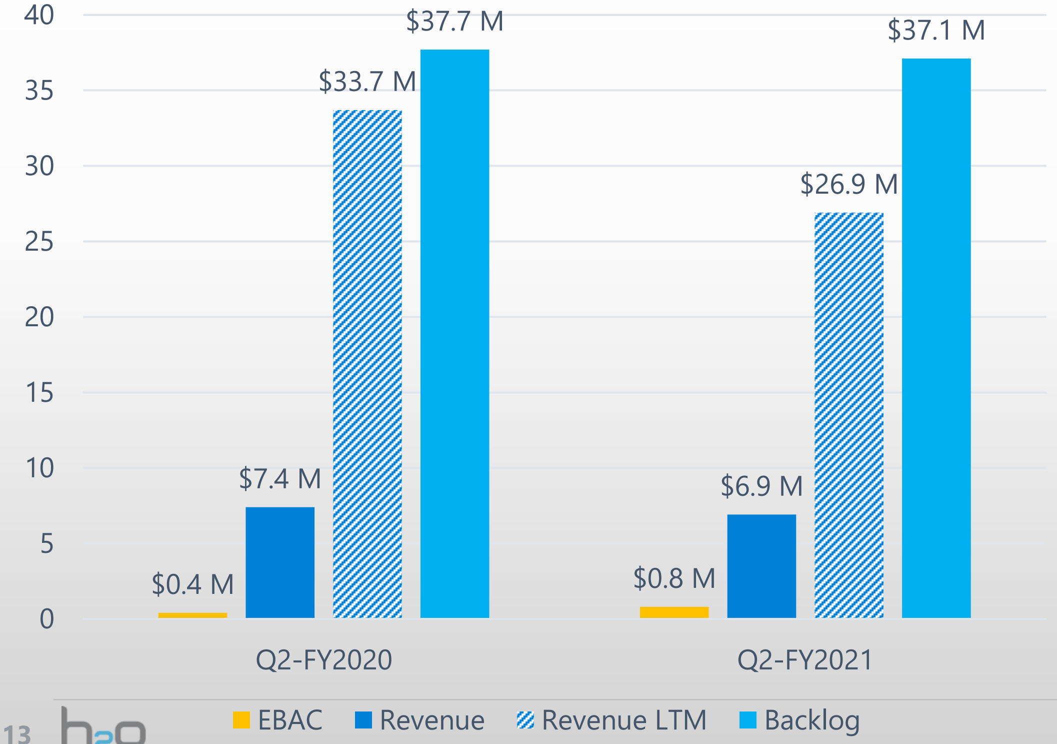
➢ Align to **achieve** our **targets** for FY2023

Financial Overview Q2-FY2021

1st Business Pillar

Water Technologies and Services (WTS)

In CAD million $

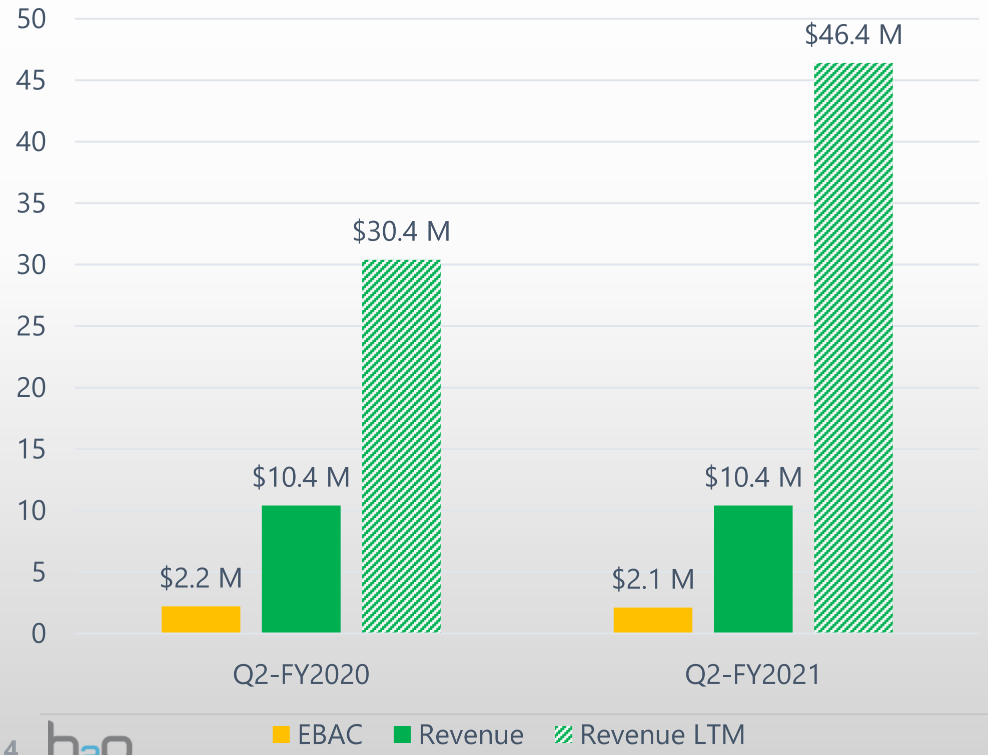


- Q2-FY2021 Revenues: $6.9 M, compared to $7.4 M for Q2-FY2020, representing a $0.5 M, or 6.0 % decrease:
  - ➢ COVID-19 pandemic impacted the progress of some projects;
  - ➢ Still in line with the expectations following the Corporation's strategic change.
- Q2-FY2021 EBAC: $0.8 M, compared to $0.4 M for Q2-FY2020, representing an increase of $0.4 M, or 121.9 %, due to:
  - ➢ The improvement of the gross profit margin in % and the reduction of the cost structure, which will generate anticipated savings of about $0.7 M on an annual basis.

2nd Business Pillar

Specialty Products (SP)

In CAD million $



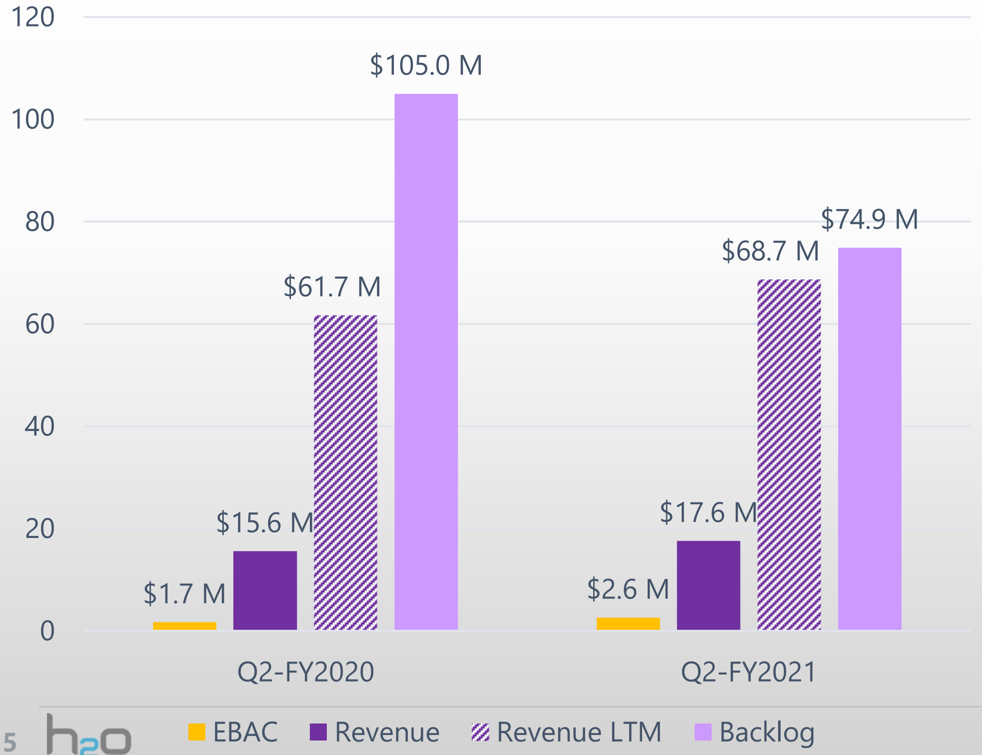
- Q2-FY2021 Revenues: $10.4 M, compared to $10.4 M for Q2-FY2020:
  - ➢ The acquisition of Genesys on November 15, 2019 contributed to increase SP revenues by $1.4 M this quarter;
  - ➢ Timing and business mix is affecting specialty products revenues in Q2-FY2021. Q1-FY2021 was strong with several large-scale orders. It has the effect of having a smaller amount of orders delivered in the second quarter.
- Q2-FY2021 EBAC: $2.1 M, compared to $2.2 M for Q2-FY2020, representing a decrease of $0.1 M, or 7.2 %, due to:
  - ➢ The lower level of revenues recognized during the quarter in Piedmont's business line, compared to the same quarter of the previous fiscal year, although the cost structure remained the same.

3rd Business Pillar

Operation & Maintenance (O&M)

Trusted Utility Partners

In CAD million $



- Q2-FY2021 Revenues: $17.6 M, compared to $15.6 M for Q2-FY2020, representing an increase of $2.0 M, or 13.2 %:
  - Primarily due to the acquisition of GUS on July 1, 2020, which contributed $1.7 M to the revenues of this business pillar during the quarter and by the organic growth.
- Q2-FY2021 EBAC: $2.6 M, compared to $1.7 M for Q2-FY2020, representing an increase of $0.9 M, or 51.7%, due to:
  - The acquisition of GUS contributed to improve O&M's EBAC;
  - Operational efficiencies improvements.

Financial Highlights

Q2-FY2021 vs Q2-FY2020

	Three-month periods ended December 31,	
	2020	2019
Revenues	**$35.0 M**	$33.3 M
WTS	**$6.9 M**	$7.4 M
Specialty Products	**$10.4 M**	$10.4 M
O&M	**$17.6 M**	$15.6 M
Gross profit before depreciation and amortization (%)	**26.8%**	24.8%
SG&A	**$5.8 M**	$5.9 M
% SG&A	**16.7%**	17.7%
Net earnings (loss)	**$0.3 M**	($0.9 M)
Adjusted EBITDA	**$3.6 M**	$2.3 M
Adjusted EBITDA over revenues (%)	**10.2%**	6.9%

- Revenues increase of $1.7 M, or 4.9 %;
- GPM for Q2-FY2021: 26.8 %, compared to 24.8 % for Q2-FY2020, due to:
  - ➢ Business mix of SP, with more sales coming from Genesys, characterized with higher GPM's products;
  - ➢ An improvement of WTS' & O&M's GPM in %, in line with the Corporation's strategy.
- Net earnings for Q2-FY2021 : $0.3 M compared to a net loss of ($0.9 M) for Q2-FY2020.
- FX impact :
  - ➢ Based on average FX rate during the quarter;
  - ➢ Q2-FY2020 the average rate was at 1.3026 while it was at 1.32 last year. The impact on revenues : $350k and EBITDA: $21k;
  - ➢ Each cent of FX fluctuation = $200k of revenues and $12k EBITDA;
  - ➢ Average for Q3-FY2020 : 1.34; average for January 2021: 1.27.

Adjusted EBITDA

	Three-month periods ended December 31,	
	2020	2019
Net earnings (loss) for the period	**$0.3 M**	($0.9 M)
Finance costs – net	**$0.5 M**	$0.6 M
Income taxes	**$0.2 M**	($0.3 M)
Depreciation of property, plant and equipment and right-of-use assets	**$0.8 M**	$0.7 M
Amortization of intangible assets	**$1.0 M**	$1.0 M
EBITDA	**$2.8 M**	$1.1 M
Unrealized exchange (gain) loss	**$0.4 M**	($0.2 M)
Stock-based compensation costs	**$0.04 M**	$0.05 M
Change in fair value of contingent considerations	**$0.04 M**	$0.1 M
Acquisition and integration costs	**$0.2 M**	$1.3 M
Adjusted EBITDA	**$3.6 M**	$2.3 M

- Q2-FY2021 adjusted EBITDA: $3.6 M, increased by $1.3 M, or 54.0 %, compared to $2.3 M for Q2-FY2020;
    - Improvement of the adjusted EBITDA was driven by revenues increase, by the improvement of gross profit margins and the decrease of SG&A ratio.
- Q2-FY2021 adjusted EBITDA %: 10.2 %, compared to 6.9 % for Q2-FY2020;

Financial Position

Working capital

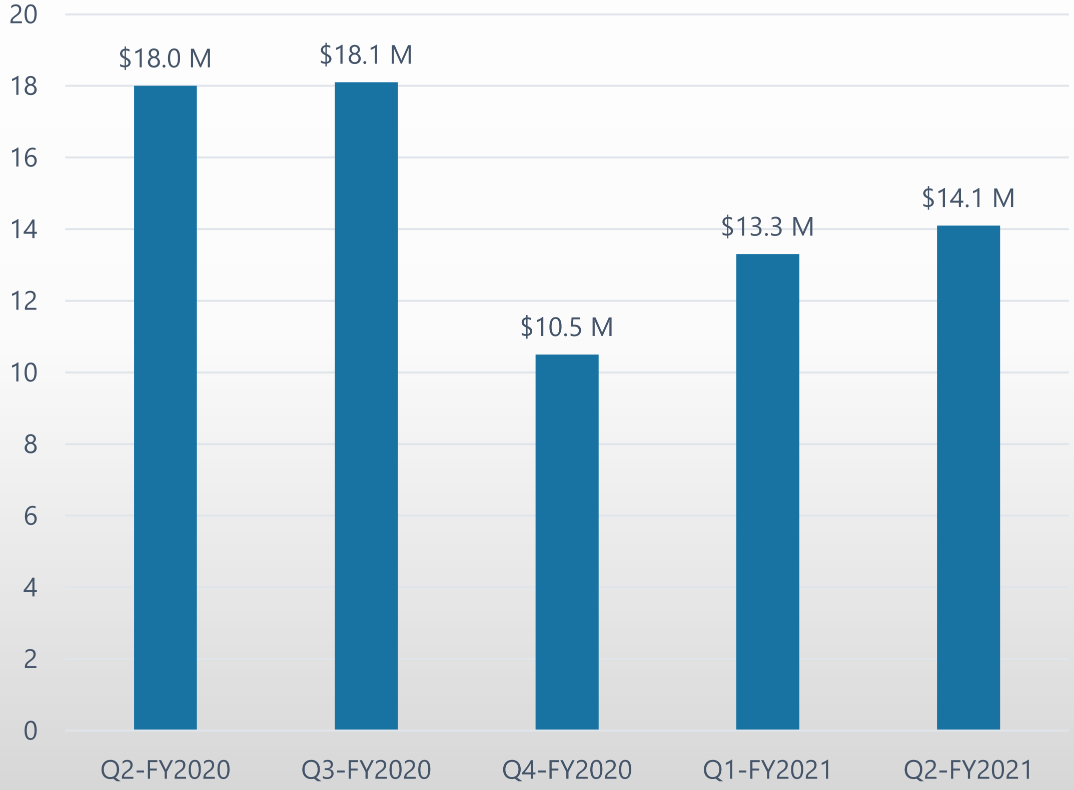
Increased from $17.6 M to $20.5 M:

Financial Position	Period ended December 31, 2020	Year ended June 30, 2020
Cash and Guaranteed Deposit Certificate	**$7.1 M**	$9.4 M
Receivables	**$23.2 M**	$19.3 M
Inventories	**$7.9 M**	$7.9 M
Contract assets	**$6.7 M**	$8.6 M
Payables	**$12.3 M**	$15.9 M
Bank loans	**$3.9 M**	$3.4 M
Long-term debt	**$17.3 M**	$16.5 M
Contract liabilities	**$4.3 M**	$3.2 M

- **Receivables** increased by $4.0 M, or 20.5 %, due to:
    - ➢ Significant invoicing in WTS and Piedmont and increase of activities in Maple;
    - ➢ GUS' acquisition added $0.9 M in accounts receivables.
- **Inventories** increased by $0.05 M, or 0.6 %, due to:
    - ➢ GUS' acquisition added $0.1 M in inventories;
    - ➢ Increase of Maple activities.
- **Payables** decreased by $3.7 M, or 23.0 %, due to:
    - ➢ The timing of the payments and purchases, with significant purchase orders standing in the accounts payable as at June 30, 2020 compared to December 31, 2020.

Net Debt

In CAD million $

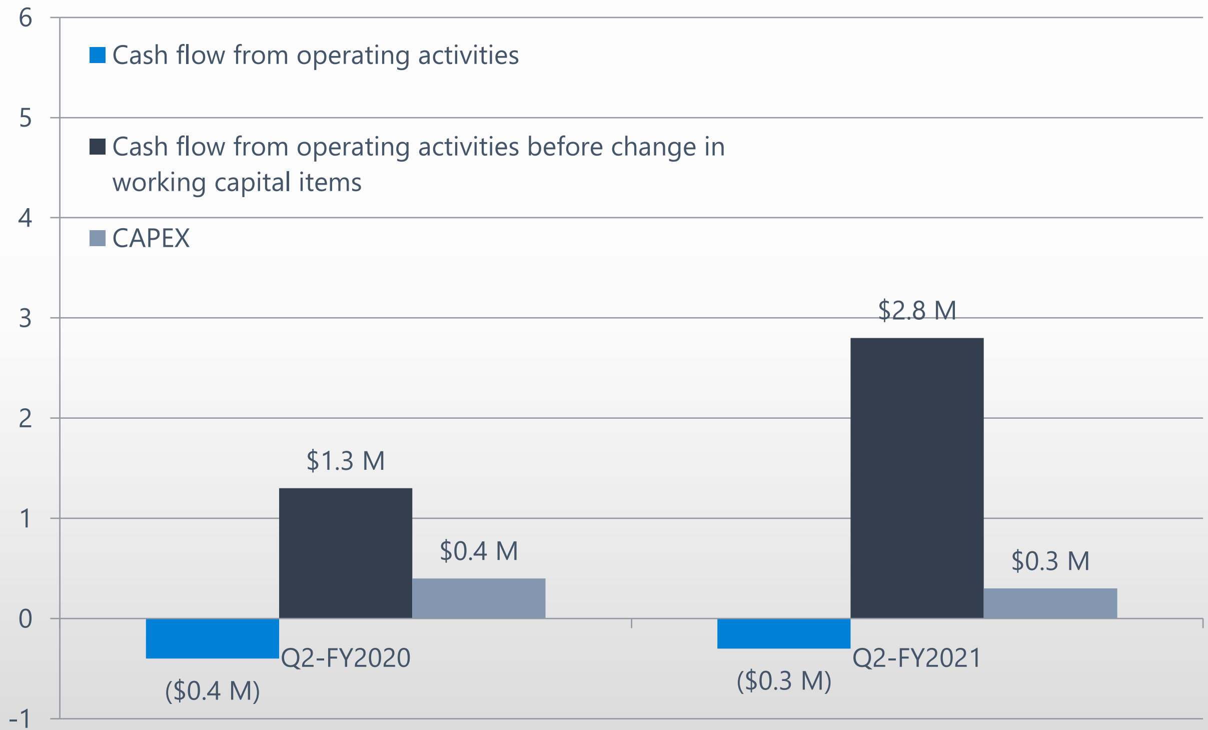


- $14.1 M, compared with $10.5 M on June 30, 2020, representing a $3.6 M increase, or 33.7 %.
- Ratio Net debt/Adj. EBITDA: 0.92
- This increase is mainly due to:
  - The term loan of $2.1 M contracted financed the acquisition of GUS on July 1, 2020;
  - The use of bank loans of $0.5 M;
  - The decrease in cash available of $2.3 M, offset by the reimbursement of $1.6 M in long-term debt.

	December 30, 2020	**June 30, 2020**
Bank loans	$3.9 M	$3.4 M
Current portion of long-term debt	$3.5 M	$2.8 M
Long-term debt	$13.8 M	$13.8 M
Less: Cash	($7.1 M)	($9.4 M)
Net debt	**$14.1 M**	**$10.5 M**

Cash Flows from Operating Activities

In CAD million $



- Cash flows from operating activities used ($0.3 M) for Q2-FY2021, compared to ($0.4 M) for Q2-FY2020.
- For Q2-FY2021, cash flows from operating activities resulted primarily from the net earnings of $0.3 M, plus $2.5 M of non-cash adjustments to the net earnings and $3.1 M in unfavorable changes in working capital items.
- For Q2-FY2020, cash flows from operating activities resulted primarily from the net loss of $0.9 M, plus $2.2 M of non-cash adjustments to the net loss and $1.7 M in unfavorable changes in working capital items.

Takeaways on Q2-FY2021

- **Gross Profit** and **adjusted EBITDA margins** continue to **expand**;
- **Net earnings** are positive and sustained for a third consecutive quarter;
- Our business model promotes multiple sales synergies between business lines which encourages customer retention, thus recurring revenues (89%, Q2-FY2021);
- Early after Q2-FY2021, we completed **an accretive acquisition** with the goal of developing the **world's largest membrane specialty chemicals and** associated **services** supplier sold through distribution. This transaction allow us to:
  - ✓ Add laboratory capabilities beyond what we have in USA and UK;
  - ✓ Support Latin American distributors (PWT & Genesys) and end-users more effectively;
  - ✓ Grow sales in the mining industry by leveraging the Genmine™ specialty chemical;
  - ✓ Increase our adjusted EBITDA by approximately 10% on a pro forma consolidated basis.
- Execution and performance is well aligned with our 3-year strategic plan.

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ANNIVERSARY

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