



PRESS RELEASE
For immediate release

TSXV: HEO
Growth Paris: MNEMO: ALHEO
OTCQX : HEOFF

H₂O Innovation Acquires a Specialty Products Company Boosting its Membrane Chemicals Capabilities

Highlights

- Immediate acquisition of the remaining 76% of GMP.
- Immediately accretive to Corporation's earning per share (EPS).
- Increased the Corporation's EBITDA on a proforma basis by more than 10%.
- Valuation based on a multiple of 6x EBITDA, paid over three years with earn-out based on 2021 and 2022 GMP's EBITDA.
- Transaction paid through the Corporation's existing working capital.
- For the twelve-month period ending December 31, 2020, GMP's revenues were €5.00 M (\$7.75 M)¹.

All amounts are in Canadian dollars unless otherwise stated.

Quebec City, February 1, 2021 – (TSXV: HEO) – H₂O Innovation Inc. (“H₂O Innovation” or the “Corporation”), focusing on the growth of the technical, geographic, and commercial scale of its specialty chemicals business lines, is proud to announce the acquisition, as of today, of the remaining 76% of the issued and outstanding shares of Genesys Membrane Products, S.L. (“GMP”), located in Madrid, Spain, from arm's length sellers. The Corporation had taken a 24% ownership stake in GMP through the acquisition of Genesys in the UK on November 15, 2019.

The valuation of GMP is based on six times earnings before interest, taxes, depreciation, and amortization (“EBITDA”). The purchase price will be paid in cash over the next 3 years and will be based on two times the EBITDA of GMP for each calendar year of 2020, 2021 and 2022, multiplied by 76%. At closing, the Corporation paid out from its working capital an initial amount of €1.54 M (\$2.40 M), which is subject to certain adjustments upon receipt of the 2020 audited financial statements. The earn-out due for 2021 and 2022 will be calculated and paid, using the same formula once the audited financial statements for each of those years will be completed.

For the year ending on December 31, 2020, based on unaudited figures currently available, GMP's revenues stood at approximately €5.00 M (\$7.75 M). Twenty-four percent (24%) of GMP's EBITDA have already been accounted for in the Corporation's financial statements as a share of profit in an associate, using the equity method. As of the closing date, 100% of GMP's results will be consolidated in the Corporation on a going-forward basis, which will increase the Corporation's EBITDA on proforma basis by more than 10%.

GMP began as the technical service partner of Genesys, and over the years it has developed specialized membrane autopsy capabilities in its Madrid, Spain, laboratory. Its business also grew through the sale of specialty chemicals, filters, and complementary products to serve the membrane industry. This unique

¹ These figures are based on non-audited financial results.



expertise is expected to facilitate the technical sales and key account strategy of the Corporation's global chemicals business lines, Genesys® and PWT™.

“The acquisition of GMP should be seen as the next logical step in our goal of developing the world's largest membrane specialty chemicals and associated services supplier sold through a large distribution network. GMP's laboratory is globally recognized as the preeminent membrane autopsy facility in the industry and will support our Genesys and PWT teams in their sales efforts going forward. This laboratory has the experience and expertise of thousands of membrane autopsies performed over the years”, **said Frédéric Dugré, President and Chief Executive Officer of H₂O Innovation.**

GMP's local presence in Santiago, Chile, through its wholly owned subsidiary Genesys Membrane Products Latinoamerica Limitada, also positions the Corporation to better access the Latin American membrane chemical market, in particular the mining industry which is a strategic target for the Corporation's Genmine™ product line. H₂O Innovation looks to build on the success of GMP, which recently won a two-year contract for membrane cleaning chemicals and site services of approximately US\$2.40 M (\$3.00 M) for a large mining customer in Chile.

“We are extremely delighted to become part of the H₂O Innovation family,” **said Juan Shang and Javier Pool, majority owners and co-CEOs of GMP.** “Having had the pleasure of working with the H₂O Innovation team for over a year now, we feel our company cultures are well aligned, and we are convinced that being under the same roof will accelerate our growth. Our employees in Spain and Chile are all excited to be fully a part of this talented global team.”

The addition of GMP is expected to generate more cross-business synergies, a clear focus of H₂O Innovation's 3-Year Strategic Plan. Local support of PWT's distributors in Latin America and collaboration with Piedmont, the Corporation's business line, which is also located in Spain, are two areas where there are opportunities for their businesses to work efficiently together.

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 announcement in further details at 4:15 p.m. Eastern Time on Monday, February 1, 2021.

To access the call, please dial 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

This press release contains forward-looking information under applicable securities law. All information that addresses operations and activities that H₂O Innovation expects to occur in the future is forward-looking information. Forward-looking statements use such words as “believe”, “continue”, “estimate”, “expect”, “intend”, “should” or “will” and other similar terms as well as those usually used in the future and the conditional. Forward-looking statements concern analysis and other information based on forecast future results and the estimate of amounts that cannot yet be determined and are based on the estimates and opinions of management on the date the statements are made.



In this press release, such forward-looking statements include, but are not limited to, the anticipated benefits of this transaction for H₂O Innovation, including the attractiveness of the transaction from a financial perspective through a variety of financial metrics; H₂O Innovation's ability to successfully integrate GMP's business; H₂O Innovation's and GMP's expected financial performance, including for GMP's financial year ended on December 31, 2020 as the figures presented herein are based on unaudited information; the realization and timing of any potential cost synergies; the expectation that the transaction would be immediately accretive to H₂O Innovation's, net earnings before acquisition costs; and the Corporation's ability to generate additional revenues coming from the Latin American membrane chemicals market and the mining industry. Other risk factors are discussed in the Corporation's Annual Information Form dated September 23, 2020 available on SEDAR (www.sedar.com).

Should one or more of these risks or uncertainties materialize, or should the assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. 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 Genesys

Genesys is a UK privately-owned group of companies (including Genesys Membrane Products, S.L.) specializing in the development and manufacturing of specialty chemicals dedicated to water treatment as well as membrane autopsies and laboratory services. Genesys develops, manufactures and distributes specialty reverse osmosis (RO) membrane chemicals, antiscalants, cleaners, flocculants and biocides, and offers, through a large distribution network, a portfolio of over 35 diversified products with unique formulation that are manufactured in its facility located in Cheshire, UK. In addition, Genesys also offers complete laboratory services such as feed water and pre-treatment tests, membrane autopsies and cleaning program design. For more information, visit www.genesysro.com.

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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) nor the NYSE Euronext Growth Paris accepts responsibility for the adequacy or accuracy of this release.



Source:

H2O Innovation Inc.
www.h2oinnovation.com

Contact:

Marc Blanchet
+1 418-688-0170
marc.blanchet@h2oinnovation.com