Investor Presentation Q1-FY2022

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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 27, 2021, 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 the 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 interests, income taxes, depreciation and amortization (adjusted EBITDA)", "Net debt", "Recurring revenues" and "Earnings before administrative costs (EBAC)", 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 presentation.
- EBITDA means earnings before finance costs – net, income taxes, depreciation and amortization. The definition of adjusted EBITDA excludes expenses otherwise considered in net earnings according to Generally Accepted Accounting Principles ("GAAP"), namely the unrealized exchange (gains) losses, the change in fair value of contingent considerations 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 and integration costs, as they are not directly linked to the operations. The reader can establish the link between adjusted EBITDA and net earnings based on the reconciliation presented at slide 19. 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 earnings before administrative costs ("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.
- The definition of net debt consists of long-term debt less cash, excluding and/or including contingent considerations. 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 coming from a business with a recurring customer sales pattern. 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.
- Working capital is a non-IFRS measure and is defined by the management as the total of current assets less the total of current liabilities.

Q1-FY2022 Business Highlights

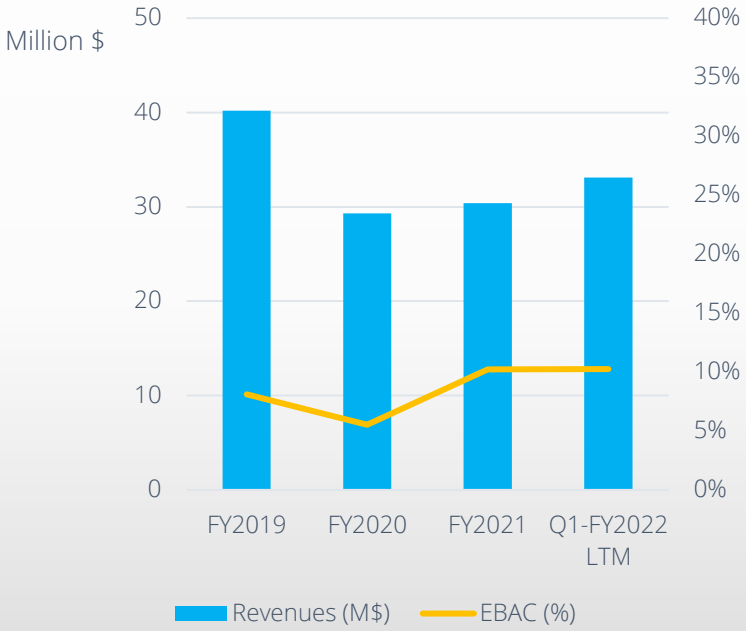
- **Sustained growth** & scalability of our business model clearly shown in Q1-FY2022;
- Q1-FY2022 **revenues** increased by **9.7 %** compared to last year, driven by the organic and acquisition growth;
- **Adjusted EBITDA** evolved from $3.5 M to $4.0 M, representing a **15.4 %** improvement and aligned with our financial targets set in our 3-year strategic plan;
- Net earnings amounted to $0.6 M for Q1-FY2022 compared to net earnings of $1.0 M for Q1-FY2021;
- **Consolidated backlog** (WTS and O&M) reached **$122.8 M**;
- **Strong financial position** with a net debt of **$3.4 M** and a net debt-to-adjusted EBITDA ratio of **0.22**;
- Maintained **high recurring revenues** by nature (**86.2 %**) while maximizing customer retention, capturing cross-selling synergies.

Water Technologies & Services (WTS)

Q1-FY2022 - Highlights

- Awarded 10 new capital equipment projects, totaling $14.7 M;
- Backlog stood at $41.2 M, representing a 12.3% increase YoY;
- Reached substantial completion on several projects;
- Increased by 32.3% our revenues from the services compared to previous year;
- Well-balanced backlog : 32.8% of industrial and 67.2% of municipal projects.

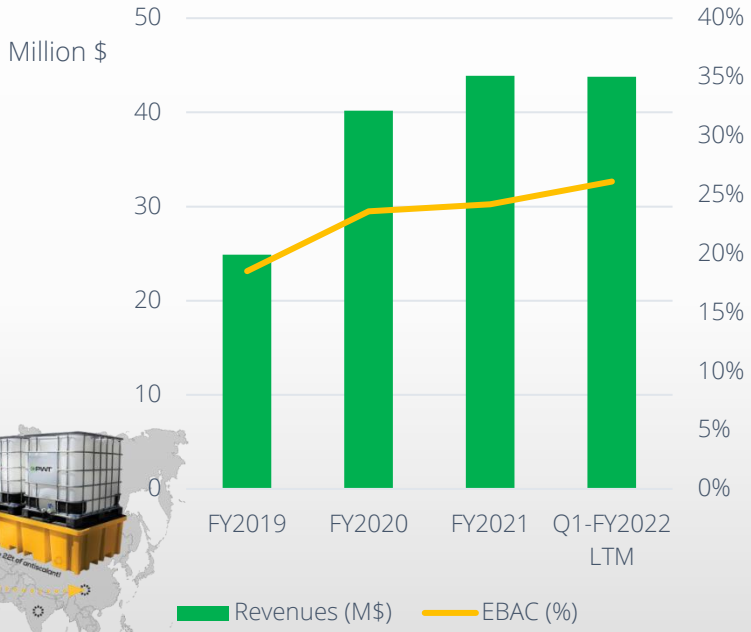
As of Q4-FY2021	34	11	11	4

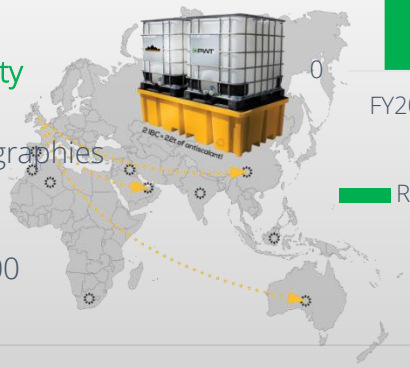


Specialty Products (SP)

Q1-FY2022 - Highlights

- Revenues remain stable while EBAC increased by 30.4% compared to the same quarter of previous fiscal year;
- Piedmont
  - Secured new orders for FRP cartridge filter housings and couplings, totaling $4.0 M;
  - Signed 5 new distribution agreements in LATAM.
- Maple farming equipment
  - Inventory increase to support growth;
  - Increase of quota production for Quebec producers (7 millions new taps over 3 years);
- PWT-Genesys
  - Combined PWT & Genesys to become H_2O Innovation Specialty Chemicals Group;
  - Increasing sales force with new territory managers in key geographies (South-East Asia, India and KSA);
  - Selected to provide antiscalant to the world's largest SWRO desalination plant, in UAE, with a capacity of 240 MGD (909,000 m^3/day).

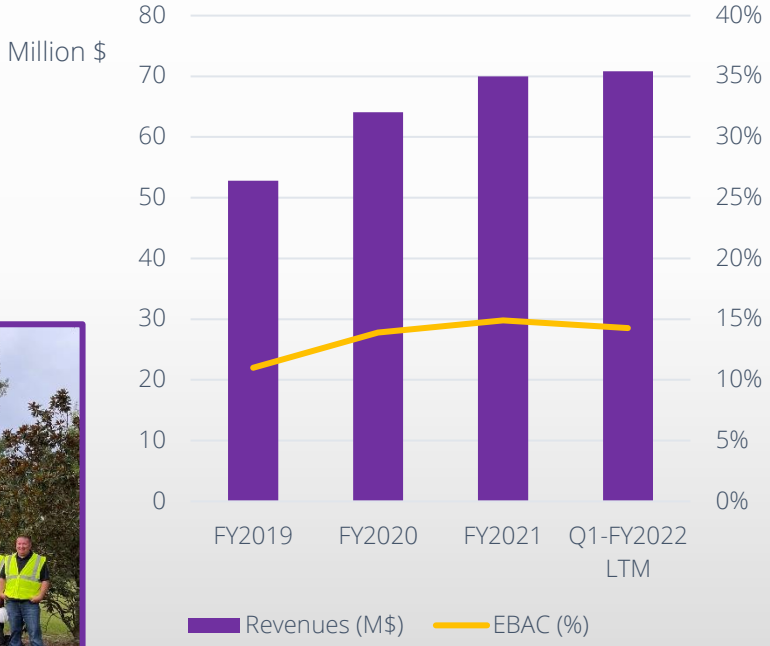




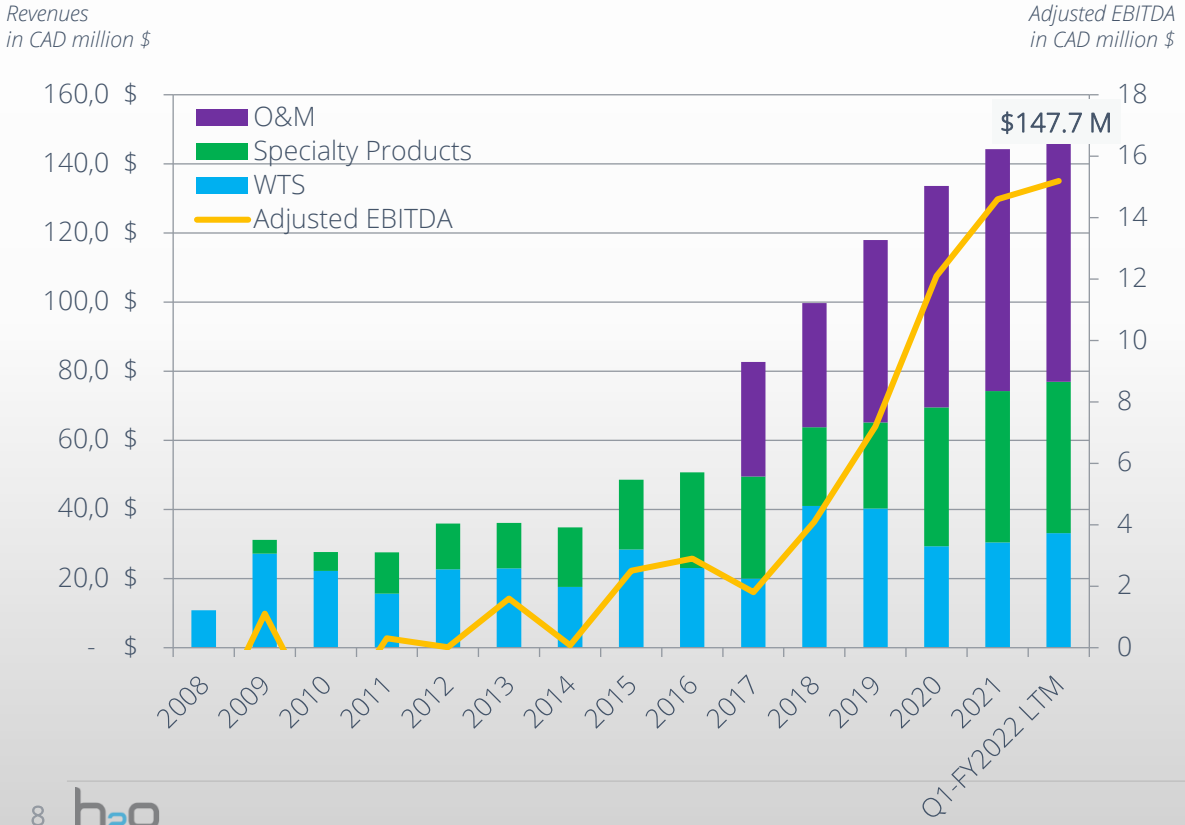
Operation & Maintenance (O&M)

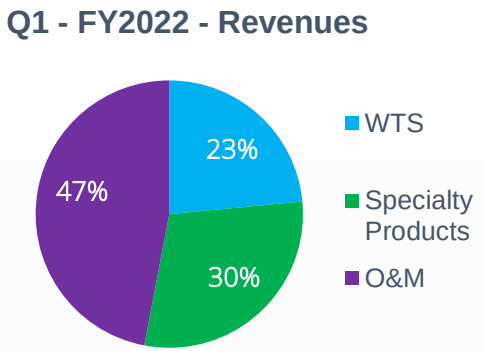
Q1-FY2022 - Highlights

- Awarded and started **2 new O&M contracts** in Q1-FY2022:
  - City of Warren (RI) : operation & maintenance of wastewater treatment plant and pumping stations contract totaling **$5.0 M over 5 years** – addition of **6 new employees**.
  - City of Laurel (MS) : public work services contract totaling **$10.4 M over 4 years** – addition of **33 new employees**.



Revenues, Business Mix and Adjusted EBITDA





- YoY revenue growth of $7.3 M, or 5.2 % ($12.7 M, or 9.1 % without negative impact of USD exchange rate variations);
- 5-year revenue CAGR of 20.4 %;
- YoY adj. EBITDA growth of $0.8 M, or 5.6 %;
- 5-year adj. EBITDA CAGR of 37.4 %;
- **Synergistic** business pillars, **operational excellence**, and **high customer retention** contribute to improve financial performance.

Recurring Revenues

Services, Specialty Products and O&M

- Robust and predictable business model relying on **high recurring revenues;**
- **Resilient** to COVID crisis due to essential nature of services and products offering.

Financial Overview Q1-FY2022

Financial Highlights

Q1-FY2022 vs Q1-FY2021

In CAD million $

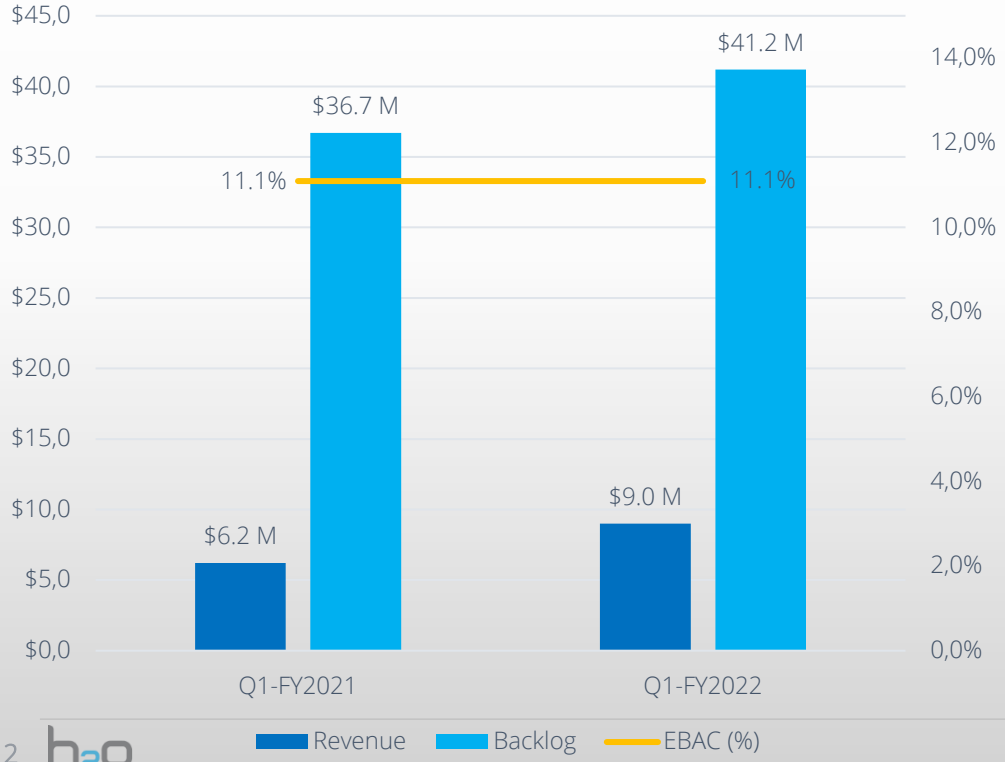
	Q1	
	2022[1]	2021
Revenues	$38.4 M	$35.0 M
Water Technologies & Services	$9.0 M	$6.2 M
Specialty Products	$11.3 M	$11.4 M
Operation & Maintenance	$18.0 M	$17.4 M
Gross profit before depreciation and amortization (%)	28.4 %	27.1 %
SG&A	$7.1 M	$6.2 M
% SG&A	18.5 %	17.7 %
Net earnings	$0.6 M	$1.0 M
Adjusted EBITDA	$4.0 M	$3.5 M
Adjusted EBITDA over revenues (%)	10.5 %	9.9 %

- **Revenues increased by $3.4 M, or 9.7 %**: $38.4 M for Q1-FY2022, compared to $35.0 M for Q1-FY2021:
  - Assuming a constant USD exchange rate between the periods, the consolidated revenues increase would have been 13.4 %, or $4.7 M;
  - Partially fueled by the acquisition of Genesys Membrane Products on February 1, 2021, which contributed $2.4 M in revenues for Q1-FY2022.
- **GPM**: 28.4 % for Q1-FY2022, compared to 27.1 % for Q1-FY2021.
  - Driven by improved GPMs in SP, which are characterized with higher GPM's product;
- **Net earnings of $0.6 M** for Q1-FY2022, compared to $1.0 M for Q1-FY2021:
  - higher tax expenses ;
  - Higher contingent consideration due to a better performance of GMP acquisition.
- **Adjusted EBITDA of 10.5 %** for Q1-FY2022, compared to 9.9 % for FY2020.

1.The sum may differ from the addition of total numbers due to rounding.

Water Technologies & Services (WTS)

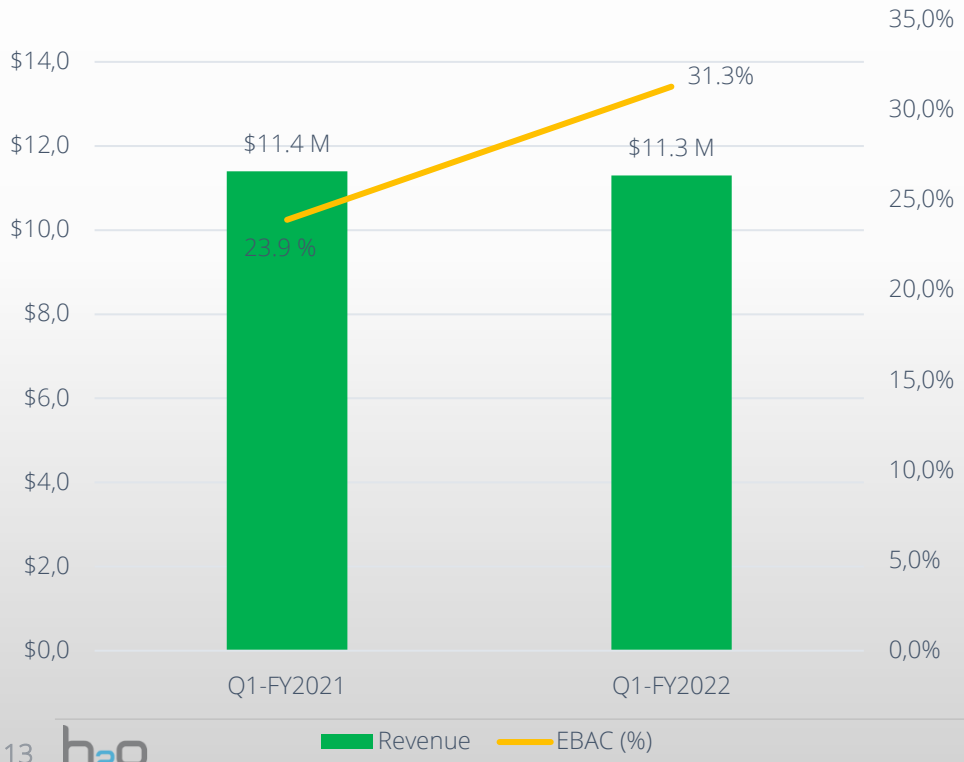
In CAD million $



- **Revenues ↑ 44.4 %:** $9.0 M compared to $6.2 M for Q1-FY2021;
- **EBAC** stood at $1.0 M (11.1 %) compared to $0.7 M (11.1 %) in Q1-FY2021, attributable to:
  - ➢ Improvement of revenues.
- **Backlog**: $41.2 M, compared to $36.7 M last year, showing an increase of 12.3 %, while being a healthier backlog with better projects diversification.

Specialty Products (SP)

In CAD million $

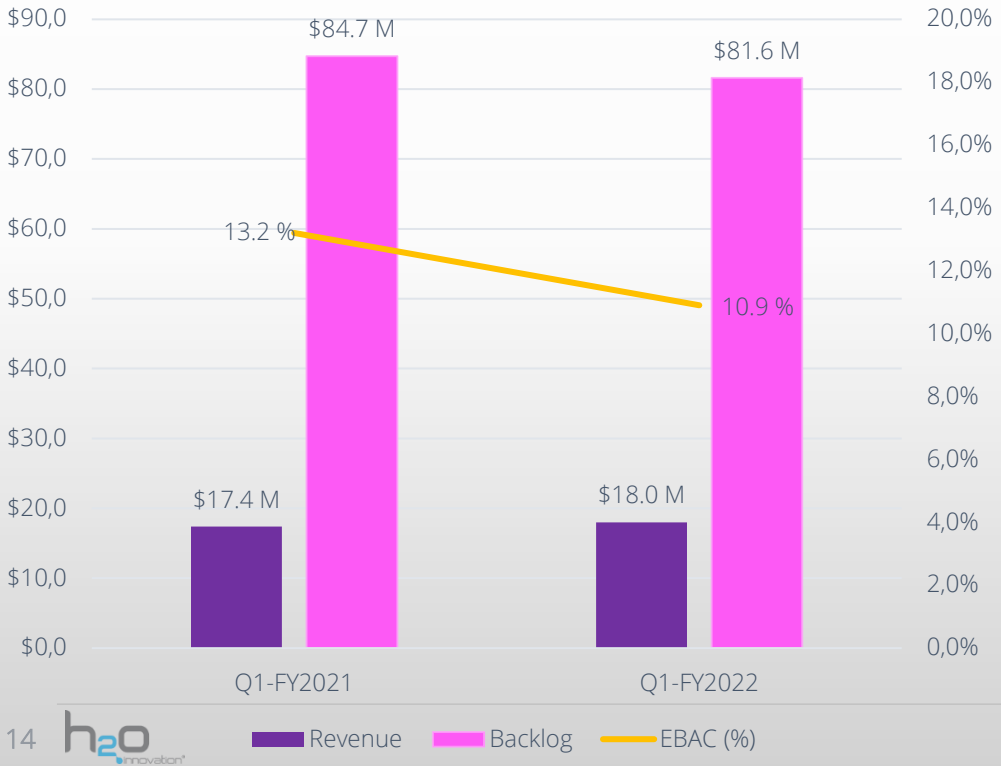


- Revenues ↓ 0.5 % : $11.3 M compared to $11.4 M for Q1-FY2021;
- EBAC ↑ 30.4 % : $3.6 M (31.3 %) compared to $2.7 M (23.9 %) in Q1-FY2021, due to:
  - Higher proportion of sales coming from specialty chemicals;
  - Acquisition of GMP.

Operation & Maintenance (O&M)

Trusted Utility Partners

In CAD million $



- **Revenues ↑ 3.9 %** : $18.0 M compared to $17.4 M for Q1-FY2021;
  - Fx rate impact: $1M. Without Fx impact the growth would have been 9.2%.
- **EBAC** stood at $2.0 M (10.9 %) compared to $2.3 M (13.2 %) in Q1-FY2021, due primarily to:
  - The reduction in GPM and higher selling and general expenses.
- **Backlog:** $81.6 M, compared to the $84.7 M, representing a decrease of 3.7 %, due to:
  - FX rate impact : $4.1 M.
  - Significant contract renewal coming up.

Financial Position for Selected Information

Working capital[1]

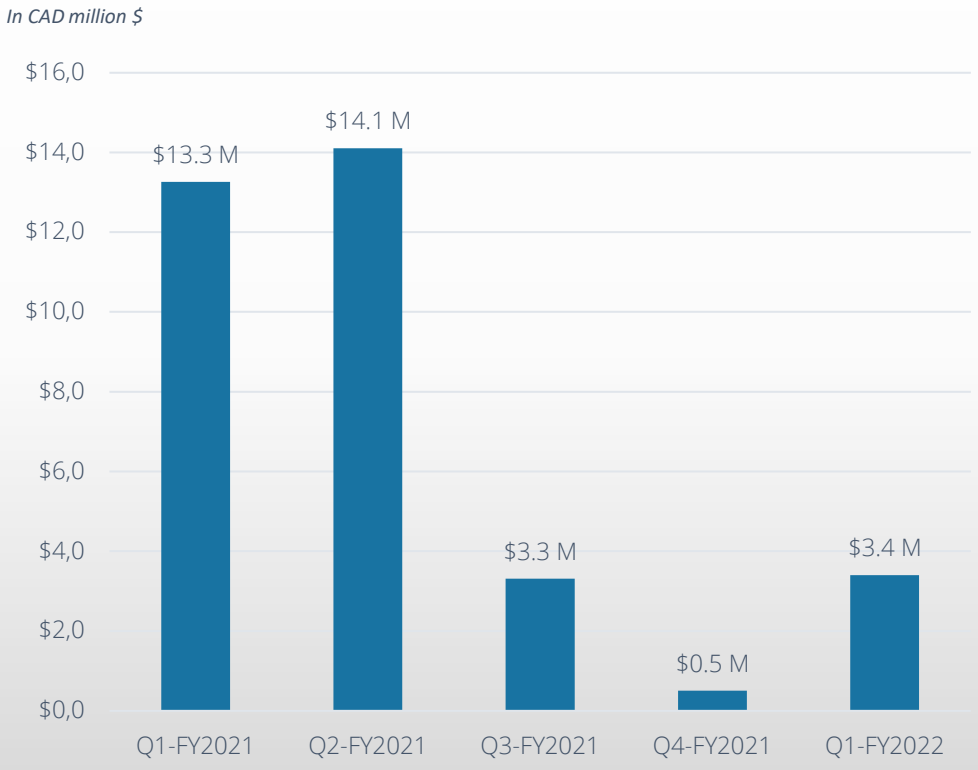
Increased from $27.9 M to $29.3 M:

In CAD million $	As at September 30, 2021	As at June 30, 2021
Cash	**$11.8 M**	$15.4 M
Accounts receivables	**$22.8 M**	$22.1 M
Inventories	**$11.6 M**	$8.5 M
Contract assets	**$10.0 M**	$7.6 M
Accounts payables and accrued liabilities	**$16.3 M**	$15.5 M
Contract liabilities	**$3.2 M**	$3.3 M
Contingent considerations, including current portion	**$7.5 M**	$6.7 M

- **Cash:** the $3.6 M, or 23.6 % decrease is primarily due to increase in inventories.
- **Receivables:** the $0.6 M, or 2.9 % increase is mostly attributable to higher revenues and foreign exchange rate impact.
- **Inventories:** the $3.1 M, or 37.1 %, increase in inventory is due to proactive measures to maintain a higher level of inventory and thus respond to current supply chain matters as well as the Maple business line which is preparing for the upcoming maple season.
- **Contract assets:** the $2.4 M, or 31.7 % increase is mostly attributable to growth in WTS business pillar's activities.
- **Payables:** the $0.8 M, or 5.1 % increase is mostly attributable to growth of the Corporation's activities and foreign exchange rate impact.
- **Contract liabilities:** the ($0.1 M), or (3.7 %) decrease is attributable to the difference between project advancement and project invoicing schedules.
- **Contingent considerations:** the $0.8 M, or 11.7 % increase is due to the changes in fair value of the contingent considerations and foreign exchange rate impact.

1. Working capital is a non-IFRS measure. See reconciliation at slide 23.

Net Debt



- As at September 30, 2021, the net debt stood at $3.4 M, compared with $0.5 M as at June 30, 2021, representing a $2.9 M increase. This increase is mainly attributable to:
  - The cash flows used in operating activities.

	September 30, 2021	June 30, 2021
Current portion of long-term debt	$3.0 M	$3.0 M
Long-term debt	$12.2 M	$12.9 M
Contingent considerations	$7.5 M	$6.7 M
Less: Cash	($11.8 M)	($15.4 M)
Net debt including contingent considerations	**$10.9 M**	**$7.2 M**
Contingent considerations	$7.5 M	$6.7 M
Net debt excluding contingent considerations ("Net debt")	**$3.4 M**	**$0.5 M**
Adjusted EBITDA	**$15.2 M**	**$14.6 M**
Net debt-to-adjusted-EBITDA ratio	0.22	0.03

Takeaways

- Strong financial basis supported by sustained business drivers:
  - Growing capital equipment backlog;
  - Sales network expansion with new distributors and account managers;
  - Start-up of new O&M projects in Rhode Island and Mississippi; and
  - Continuous recurrent revenues at high margins.

- Increasing number of business synergies, operational efficiency and acquisitions opportunities, allowing us to expand the adjusted EBITDA margin at 10.5 %;

- Financial position remains strong and not over-leverage, allowing us to execute with confidence our business plan and reach the objectives set in the FY2023 3-year plan:
  - Grow the business to $175 M to $250 M organically and through acquisitions (2 to 4);
  - Grow the adjusted EBITDA margin above 11 %.

- Water investment thesis remain very attractive with key fundamental drivers (water scarcity, regulations, aging infrastructures, population growth).

Appendix

Reconciliation of Net Earnings to EBITDA and to Adjusted EBITDA

In CAD million $	Three-month periods ended September 30,	
	2021[1]	2020
Net earnings for the period	$0.6 M	$1.0 M
Finance costs – net	$0.6 M	$0.6 M
Income taxes (recovery)	$0.1 M	($0.3 M)
Depreciation of property, plant and equipment and right-of-use assets	$0.9 M	$0.8 M
Amortization of intangible assets	$1.1 M	$1.0 M
EBITDA	$3.3 M	$3.1 M
Unrealized exchange (gain) loss	($0.2 M)	$0.2 M
Stock-based compensation costs	$0.2 M	$0.04 M
Changes in fair value of contingent considerations	$0.8 M	$0.06 M
Acquisition and integration costs	-	$0.06 M
Adjusted EBITDA	$4.0 M	$3.5 M

- Adjusted EBITDA: $4.0 M, increased by $0.5 M, or 15.4 %, compared to $3.5 M for Q1-FY2021;
- Adjusted EBITDA %: 10.5 %, compared to 9.9 % for Q1-FY2021. The improvement of the adjusted EBITDA was driven by:
  - The increase in the Corporation's consolidated revenues; and
  - The improvement in GPMs, partly offset by the increase of the SG&A ratio.

1.The sum may differ from the addition of total numbers due to rounding.

Earnings Before Administrative Costs ("EBAC")

Water Technologies & Services (WTS)

(In thousands of Canadian dollars)	Three-month periods ended September 30, 2021	2020
	$	$
Revenues from WTS	9,011	6,242
Cost of goods sold	6,942	4,690
Gross profit margins[1]	2,069	1,552
Gross profit margins (%)[1]	23.0 %	24.9 %
Selling and general expenses	1,066	857
EBAC from WTS	1,003	695
EBAC[2] in % of revenues from WTS	11.1 %	11.1 %

1. Gross profit margins presented before depreciation and amortization.
2. Refer to the section "Non-IFRS financial measurements" at page 23 of the MD&A for detailed information about non-IFRS measures.

Earnings Before Administrative Costs ("EBAC")

Specialty Products (SP)

(In thousands of Canadian dollars)	Three-month periods ended September 30, 2021	2020
	$	$
Revenues from Specialty Products	11,335	11,389
Cost of goods sold	5,370	6,597
Gross profit margins[1]	5,965	4,792
Gross profit margins (%)[1]	52.6 %	42.1 %
Selling and general expenses	2,413	2,068
EBAC from Specialty Products	3,552	2,724
EBAC[2] in % of revenues from Specialty Products	31.3 %	23.9 %

1. Gross profit margins presented before depreciation and amortization.
2. Refer to the section "Non-IFRS financial measurements" at page 23 of the MD&A for detailed information about non-IFRS measures.

Earnings Before Administrative Costs ("EBAC")

Operation & Maintenance (O&M)

(In thousands of Canadian dollars)	Three-month periods ended September 30, 2021	2020
	$	$
Revenues from O&M	18,038	17,365
Cost of goods sold	15,152	14,232
Gross profit margins[1]	2,886	3,133
Gross profit margins (%)[1]	16.0 %	18.0 %
Selling and general expenses	928	846
EBAC from O&M	1,958	2,287
EBAC[2] in % of revenues from O&M	10.9 %	13.2 %

1. Gross profit margins presented before depreciation and amortization.
2. Refer to the section "Non-IFRS financial measurements" at page 23 of the MD&A for detailed information about non-IFRS measures.

Working Capital

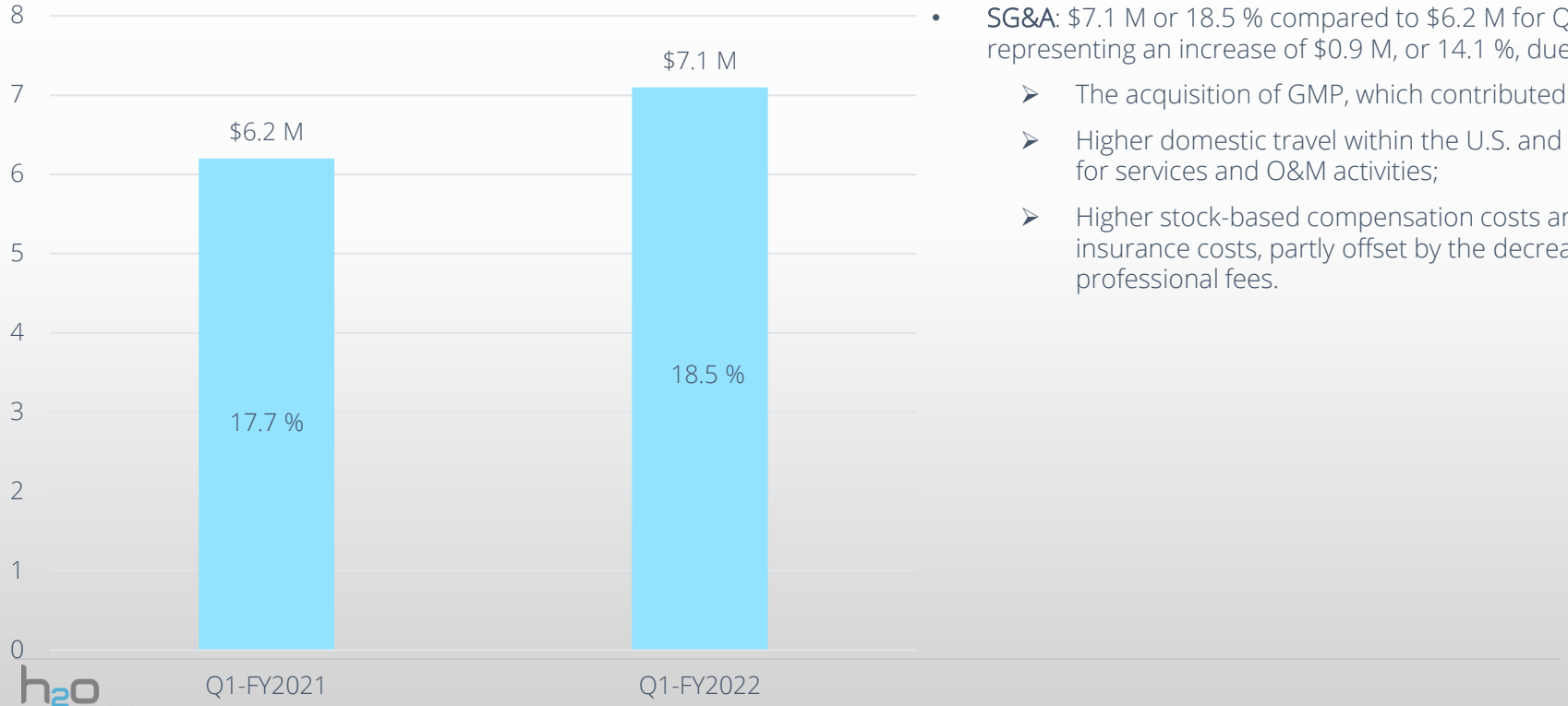
In CAD million $

Working capital	As at September 30, 2021	As at June 30, 2021[1]
Cash	**$11.8 M**	$15.4 M
Accounts receivables	**$22.8 M**	$22.1 M
Inventories	**$11.6 M**	$8.5 M
Contract assets	**$10.0 M**	$7.6 M
Prepaid expenses and deposits	**$2.8 M**	$2.9 M
Less:		
Accounts payable and accrued liabilities	**$16.3 M**	$15.5 M
Income taxes payable	**$0.3 M**	$0.5 M
Provisions	**$0.5 M**	$0.6 M
Contract liabilities	**$3.2 M**	$3.3 M
Contingent considerations	**$4.8 M**	$4.0 M
Current portion of long-term debt	**$3.0 M**	$3.0 M
Current portion of lease liabilities	**$1.6 M**	$1.6 M
	$29.3 M	$27.9 M

1.The sum may differ from the addition of total numbers due to rounding.

SG&A Expenses

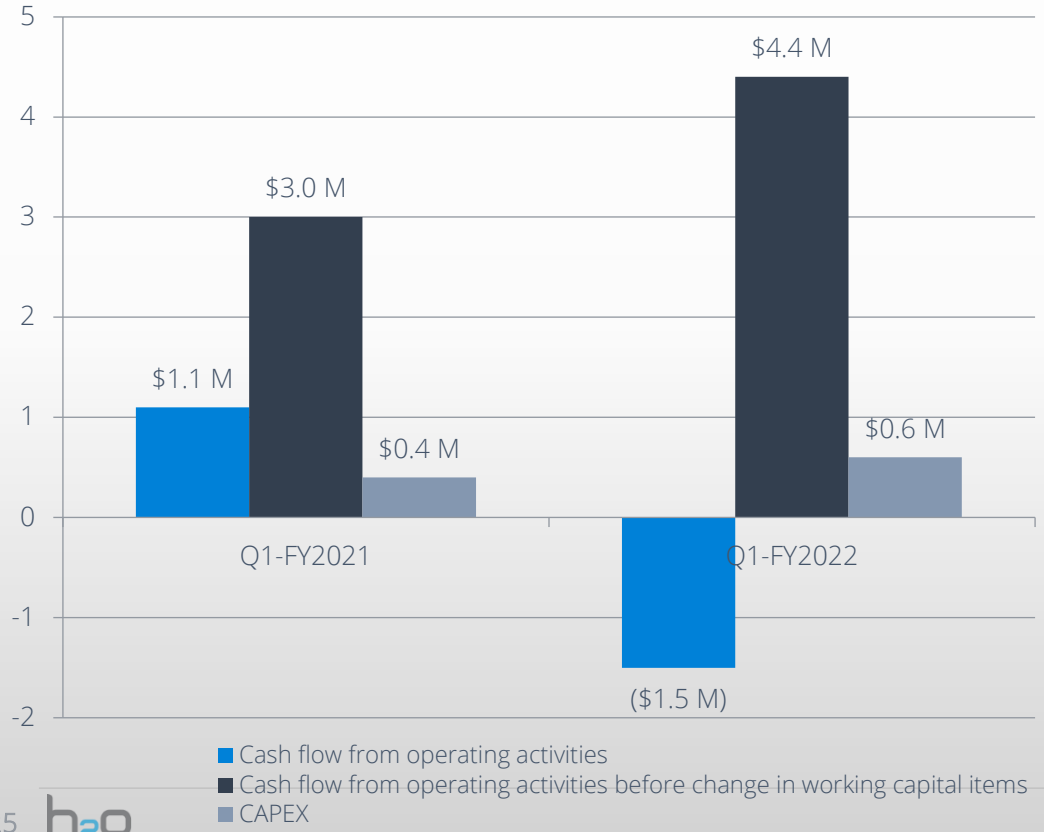
In CAD million $



- SG&A: $7.1 M or 18.5 % compared to $6.2 M for Q1-FY2021, representing an increase of $0.9 M, or 14.1 %, due to:
  - The acquisition of GMP, which contributed $0.4 M;
  - Higher domestic travel within the U.S. and Canada for services and O&M activities;
  - Higher stock-based compensation costs and insurance costs, partly offset by the decrease in professional fees.

Cash Flows from Operating Activities

In CAD million $



- Cash flows from operating activities used ($1.5 M) for Q1-FY2022, compared to $1.1 M of cash flows generated during Q1-FY2021:
  - The variation is mainly explained by the unfavorable changes in working capital items, mostly coming from the increase in inventories and contract assets.

20 ANNIVERSARY

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