

Investor Presentation – Acquisition of JCO, Inc. & Environmental Consultants LLC

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Water Technologies and Services



Specialty Products



Operation & Maintenance

TSXV: **HEO**

Caution Regarding Forward Looking Statement

Certain statements contained in this presentation may constitute “forward-looking” statements and forward-looking information (collectively, “**forward-looking statements**”) which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any anticipated or future results, performance or achievements expressed or implied by such forward-looking statements. When used in this presentation, such statements reflect current expectations regarding future events and operating performance and speak only as of the date of this presentation. Forward-looking statements may use such words as “will”, “may”, “could”, “intends”, “potential”, “plans”, “believes”, “expects”, “projects”, “estimates”, “anticipates”, “continue”, “potential”, “predicts” or “should” and other similar terminology. Such forward-looking statements may also include observations concerning the Corporation’s, JCO, Inc.’s or Environmental Consultants, LLC’s anticipated or future financial results and business outlooks and the economies in which they operate. In particular, this presentation contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results.

This presentation may contain forward-looking statements within the meaning of Canadian securities laws. Such statements include, but are not limited to:

- the anticipated benefits of these Acquisitions for H₂O Innovation, including the attractiveness of the Acquisitions from a financial perspective through a variety of financial metrics, and H₂O Innovation’s ability to successfully integrate JCO’s and Environmental Consultants’ businesses;
- H₂O Innovation’s, JCO’ and Environmental Consultants’ expected financial performance;
- the realization and timing of any potential cost synergies;
- the expectation that the Acquisitions would be immediately accretive to H₂O Innovation on BITDA and net earnings before acquisition costs;
- the level of estimated expenses to be incurred for the Acquisitions.

Caution Regarding Forward Looking Statement

The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Corporation's current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation: assumptions about: public health and COVID-19 pandemic; operating risks; reported performance obligations; fixed price contracts and renewal; acquisition and expansion; international operations, global geopolitical climate and foreign exchange risks; current global financial conditions; competitive environment; liquidity; credit risk; indebtedness; capacity to secure performance guarantees; dependence on third parties; cybersecurity and cyber threats; health & safety; key personnel; impairment; market liquidity; additional financing and dilution; litigation; intellectual property infringement; implementation of a strategic plan; capital investment; interest rate risk; insurance coverage risk; technological changes; reputation and regulatory risk; and transfer pricing matters. Information about the risk factors to which the Corporation is exposed is provided in the Corporation's annual information form dated September 27, 2021 available on SEDAR (www.sedar.com).

The forward-looking statements are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, performance of operating facilities, financial performance of H₂O Innovation and all its business pillars, strength of market conditions, customer demand, satisfaction of all conditions of closing of the acquisition, obtaining consents required under agreements with third parties, and the timing and receipt of regulatory approvals with respect to the offering. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that these expectations and assumptions will prove to be correct.

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. These forward-looking statements are made as of the date of this presentation and the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law. There is no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Purchasers are cautioned that forward-looking statements are not guarantees of future performance and accordingly purchasers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. New factors emerge from time to time, and it is not possible for management of the Corporation to predict all of these factors or to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Certain of the forward-looking statements included in this presentation may be considered "financial outlook" for purposes of applicable Canadian provincial and territorial securities laws. Financial outlook information contained in this presentation about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information available as of the date of this presentation, which management believes has been presented on a reasonable basis. Readers are cautioned that such financial outlook information contained in this presentation should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

The forward-looking statements contained in this presentation are expressly qualified by the foregoing cautionary statements and are made as of the date of this presentation. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, except as required by applicable securities laws.

Non-IFRS Financial Measurement

The Corporation uses both International Financial Reporting Standards (“IFRS”) and certain non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. Non-IFRS measurements, as presented herein, include adjusted earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”) and recurring revenues by nature. The Corporation refers the reader to the “Non-IFRS Financial Measurement” section of the Annual MD&A, which is available under the Corporation’s profile on SEDAR at www.sedar.com, for the definition, historical reconciliation to the most comparable IFRS measure, where such a measure exists, and a description of the usefulness of each measure as it relates to the Corporation’s business.

The information contained in this presentation and related to JCO, inc. and Environmental Consultants LLC includes the following non-IFRS measures:

- JCO and Environmental Consultants adjusted EBITDA is defined as earnings before finance costs - net, income taxes, depreciation and amortization;
- JCO and Environmental Consultants recurring revenues by nature is defined as the portion of the 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.

Transaction Overview

Acquisition of two O&M companies based in NY state:
JCO, Inc. & Environmental Consultants, LLC.



Business activities :

- Provides full-service operation, maintenance, management, and consulting services to municipal, private and industrial (food & beverage, pharmaceutical) customers in the Hudson Valley (NY);
- Primary services offered :
 - Daily water & wastewater facilities management and their auxiliary equipment;
 - Minor mechanical repairs;
 - Logging and record keeping of essential plant activities and data;
 - Filing and reporting to local, state, and federal regulatory agencies;
 - 24-hour on-call personnel.
- Mainly evergreen contracts;
- Mainly active in New-York (NY) State, with few O&M projects in Pennsylvania (PA) Commonwealth.

On a combined basis (JCO + EC) :

+200
Customers

+325
O&M Utilities

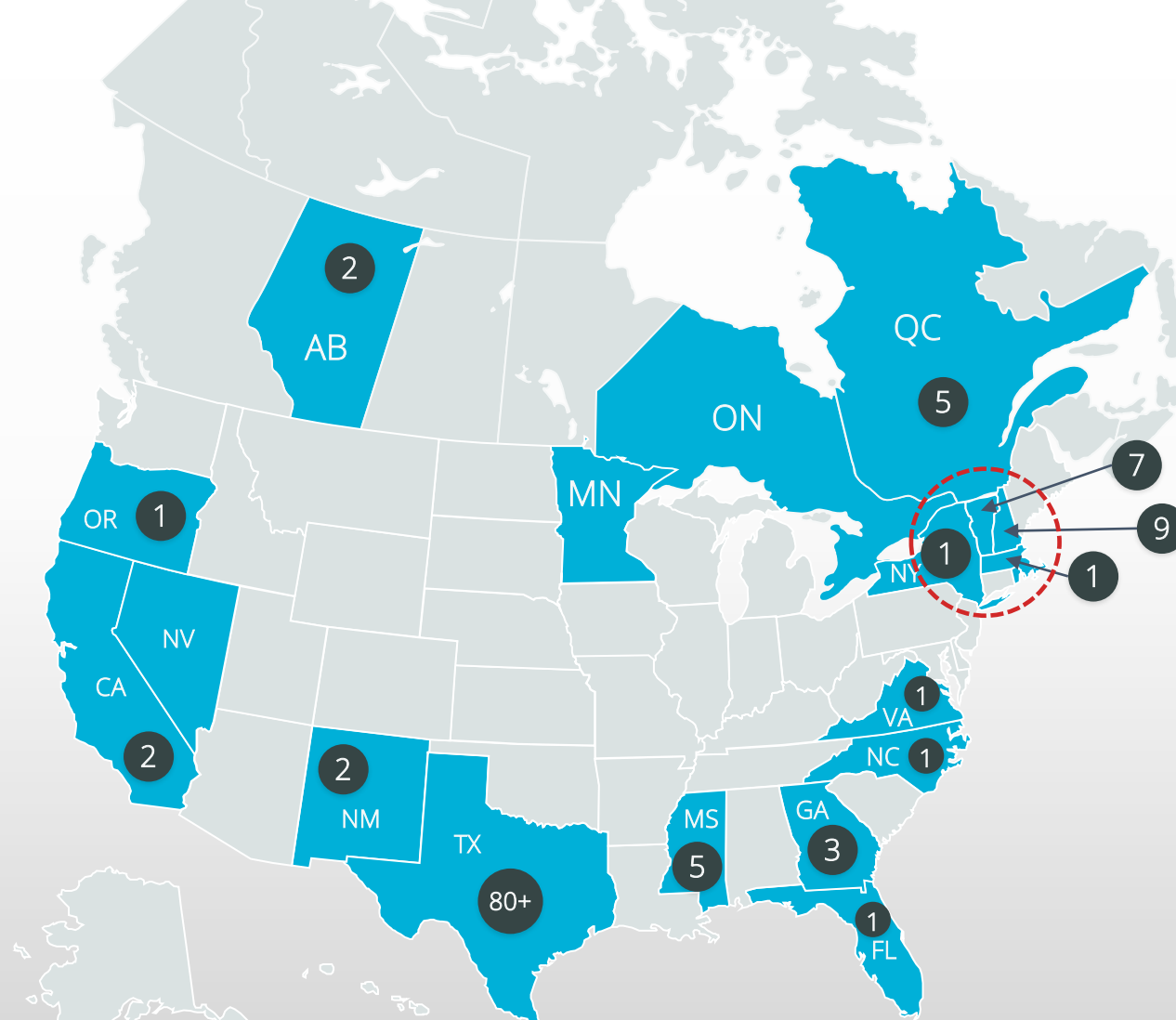
+120
Employees

US\$13.5 M
Revenues
LTM 09.30.2021

US\$2.6 M
Adjusted EBITDA
LTM 09.30.2021

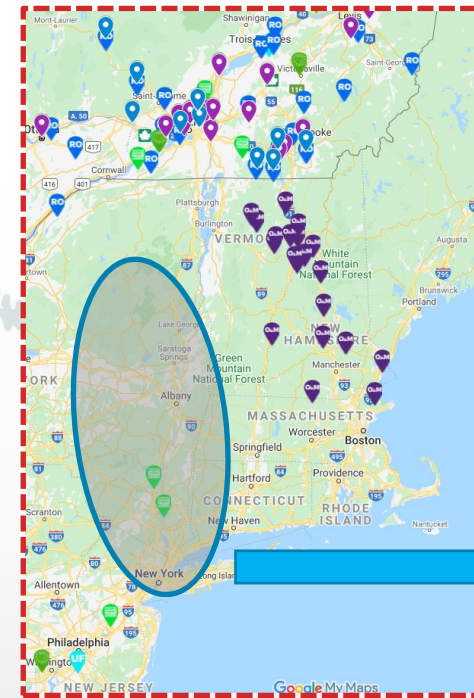
US\$1.1 M
Net Earnings
LTM 09.30.2021

Strategic Geographical Expansion in the Northeast

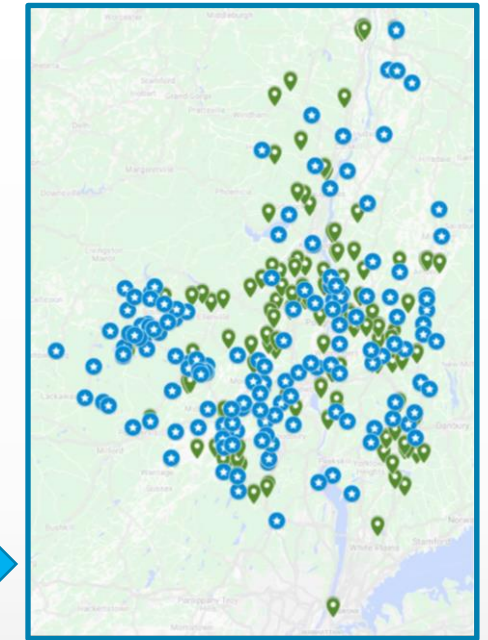


States & Provinces with offices and manufacturing plants

Number of contracts in each state



Current Map of H₂O installed based and O&M sites in the Northeast



Overlap of JCO and EC operated facilities in NY state

- Become #1 O&M service provider in the State of New-York;
- Enter the 4th largest populated state in USA;
- Friendly state for O&M services;
- High concentration of industrial customers in need of advance water treatment solutions.

Business Platform Post Transaction



**WE BUILD
PARTNERSHIPS**

With the addition of JCO & Environmental Consultants, we now have:

- +200 new customers in the State of New York;
- Multiple membrane plants under O&M contracts, creating more business synergies with other business pillars;
- +900 employees worldwide;
- +600 water & wastewater systems under our operation in North America;
- 14 States & 2 Provinces we operate in;
- +\$88 M CAD of revenues from O&M business pillar;
- > 85% recurring revenues by nature combining O&M, Specialty Revenues and parts & services revenues.



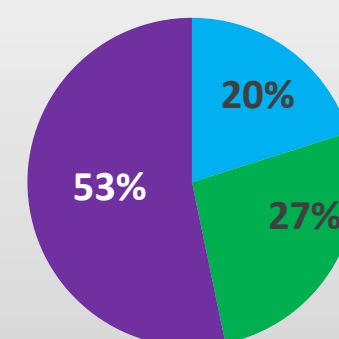
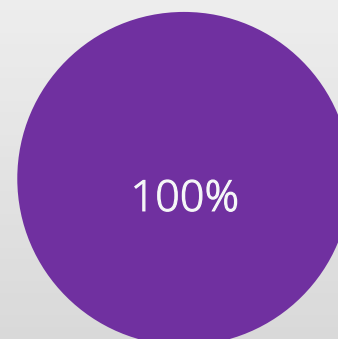
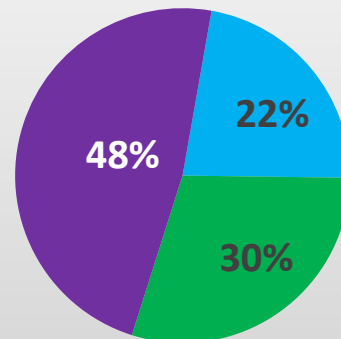
Transaction Rationale for the Acquisition of JCO & Environment Consultants

- Expand H₂O Innovation's geographical presence in the Northeast region of the USA;
- Enhance H₂O Innovation's presence with industrial customers (food & beverage and pharmaceutical companies);
- Build a synergistical business platform between O&M and WTS business lines, for New York municipal, private and industrial customers with the vision of capturing multiple cross-selling opportunities for capital expenditure projects, ongoing chemical requirements and scope expansions;
- The entities will rely on an experienced management team motivated to maintain and grow the business.

Pro Forma

In millions of CAD \$	Pro Forma - LTM Sept 30, 2021			
	H ₂ O Innovation	Hudson Valley (JCO & EC) ¹	Pro forma	Growth %
Revenues	\$147.7 M	\$17.0 M	\$164.7 M	↑ 11.5 %
Adjusted EBITDA	\$15.2 M	\$3.3 M	\$18.5 M	↑ 21.7 %
Net Earnings	\$2.8 M	\$1.3 M	\$4.1 M	↑ 46.4 %

Business Mix on Revenues



1. Average USD/CAD FX rate from October 1st 2020 to September 30, 2021 as per Bank of Canada: 1.2642.

Financial Highlights

Acquisition of JCO & Environment Consultants

- Attractive valuation: EBITDA multiple in line with previous transactions;
- Pro forma adjusted EBITDA accretion: 22%;
- Immediately accretive to H₂O Innovation's earning per share (EPS);
- Purchase price is paid using the credit facility, issuance of H₂O Innovation's common shares and deferred amount;
- Post-transaction, the Net-Debt to EBITDA ratio is maintained below 2x;
- Transactions are completed concurrently, with minimum dilution for the shareholders, and H₂O Innovation common shares are issued to facilitate the integration of the Sellers and create an alignment with the business plan of the Corporation, which is to maximize sales synergies and leverage the sales organization;
- Transactions are aligned with our 3-Year Strategic Plan objectives.

3-Year Plan Vision 2024

Growth Objectives

Actual FY2021

Revenues \$144 M

Adjusted EBITDA 10.1%



Reach double digit organic growth

- Maximize sales synergies
- Leverage the distributor and sales org.
- Product Innovation

Maintain double digit EBITDA

Complete non-dilutive acquisitions



Target FY2024

Revenues \$220-300 M

Adjusted EBITDA >11%

Organic growth >10%

JCO & EC acquisitions
position H₂O to
exceed the lower-end
of FY2024 revenue
and adjusted EBITDA
targets





H₂O Innovation

Unique smart **water** player

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