



PRESS RELEASE
For immediate release

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

H₂O Innovation Announces Two Northeast US Acquisitions Solidifying its Operation & Maintenance Business Line

All amounts in Canadian dollars unless otherwise stated.

Quebec City, December 15, 2021 – (TSXV: HEO) – H₂O Innovation Inc. (“H₂O Innovation” or the “Corporation”) is proud to announce it executed this morning all the documents related to the acquisition of JCO, Inc. (“JCO”) and of Environmental Consultants, L.L.C. (“EC”, and together with JCO, the “Targets”) from arm’s-length third parties. Each of the Targets offers complete operation, maintenance and management (“O&M”) services to municipal and industrial water and wastewater clients from the same region, the Hudson Valley Region in the State of New York.

The acquisition of the Targets, which were owned and operated separately, complements H₂O Innovation’s current business activities in the Northeast of the United States and solidifies its position in the North American O&M market. With more than 70 years of combined experience, H₂O Innovation, JCO and EC position themselves as significant players in the O&M sector in the State of New York with a total of nearly 200 customers.

JCO and EC both operate some sizeable industrial facilities which will grow the industrial customer base of H₂O Innovation’s O&M business line. Industrial streams are often more complex to treat and could lead to opportunities for H₂O Innovation’s WTS business line to offer added value membrane solutions which could ultimately lower the operating expenses for the customers. It is expected that this consolidation will foster synergies as the customers currently served by H₂O Innovation, JCO, and EC will be offered value-added services that should potentially generate new business opportunities, given the Corporation’s global breadth of technology, its operation expertise, and its aftermarket support. Additionally, JCO and EC operate collectively numerous membrane plants that may benefit from the specialty chemicals of H₂O Innovation; which specialty chemicals allow membrane water treatment facility to run longer without cleaning, thus contributing to lower operating expenses.

“These two O&M acquisitions are aligned with our 3-Year Strategic Plan. They will allow us not to only expand our O&M platform in the State of New-York, which is the 4th largest populated state in the USA with 19.3 M inhabitants¹, but also to provide a unique opportunity to deploy our membrane process expertise and our related specialty products to multiple municipal and industrial customers all along the Hudson Valley Region. We foresee multiple sales synergies between our different business lines, including JCO and EC, which will contribute to solidify customer retention, thus recurring revenues. On top of that, we are welcoming with open arms an experienced team of approximately 120 employees within the H₂O Innovation family bringing the total number of employees to nearly 915. Financially, both transactions are expected to be immediately accretive to H₂O Innovation’s net earnings and EBITDA. On a pro-forma basis, these acquisitions are bringing the Corporation one step

¹ As per the website <https://www.statista.com>.



closer to its EBITDA target set in the 3-year Strategic Plan”, **said Frédéric Dugré, President and Chief Executive Officer of H₂O Innovation.**

The purchase price for these acquisitions, which cannot be disclosed for competitive reasons, will be satisfied from cash on hand, the recently amended credit facility and by the issuance of an aggregate of 1,107,733 H₂O Innovation’s common shares, at a price of \$2.375 per share. A contingent consideration is payable twelve (12) months after closing subject to achievement of certain revenue objectives by each of the Targets. The common shares issued are subject to a statutory resale restriction until April 15, 2022. The transactions are completed with minimal dilution for the shareholders, and the shares of H₂O Innovation have been 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.

For the twelve-month period ending on September 30, 2021, the Targets generated an aggregate of US\$13.5 M (\$17.0 M)² in revenues with, on a consolidated basis, net earnings of US\$ 1.1 M (\$1.3 M) and an adjusted EBITDA³ of US\$2.6 M (\$3.3 M).

“I have never been prouder to bring our clients and workforce an incredible opportunity to be part of something bigger. Our small family-owned company has spent over 30 years growing, learning, and servicing our local communities and environment. We all now have the chance to benefit in the vision that H₂O Innovation is bringing to the Hudson Valley. H₂O Innovation’s philosophy on focusing on the individual’s growth, and the client’s level of service, is what allows the culture of our newfound family to remain strong”, **stated Roy Rysinger, Vice President of JCO, Inc.**

“I am really excited about the future opportunities for our employees which will be created as we become part of the H₂O Innovation’s family. I am also excited about the enhanced services and treatment technologies for our customers that H₂O Innovation will bring to the Hudson Valley. H₂O Innovation’s core values and culture are well-aligned with the ideology and values on which Environmental Consultants has been built over time: focusing on the employees is an investment in the business”, **added Steven Mance, Vice President of Environmental Consultants, L.L.C.**

H₂O Innovation Conference Call

Frédéric Dugré, President and Chief Executive Officer, and Marc Blanchet, Chief Financial Officer, will hold an investor conference call to discuss the acquisition of the Targets in further details at 8:45 a.m. Eastern Time on Wednesday, December 15, 2021.

To access the call, please call 1-888-440-2131 or 438-803-0534, 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.

²Exchange rate: 1.2642

³Adjusted EBITDA is a non-IFRS financial measure and is used by the Corporation to measure the performance. 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, 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 definition of adjusted EBITDA may differ from those used by other companies.



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, performance and achievements and the estimate of amounts that cannot yet be determined.

Those forward-looking statements, based on the current expectations of management, involve a number of risks and uncertainties, known and unknown, which may result in actual and future results, performance, and achievements of the Corporation to be materially different than the said forward-looking statements, such as the Corporation's ability to: (i) profitably manage additional businesses, (ii) successfully integrate these new businesses without substantial expenses, delays or other operational or financial difficulties, (iii) achieve expected revenues and earnings, and (iv) generate synergies and cross-selling opportunities. 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).

About H₂O Innovation

Innovation is in our name, and it is what drives the organization. H₂O Innovation is a complete water solutions company focused on providing best-in-class technologies and services to its customers. The Corporation's activities rely on three pillars: (i) Water Technologies & Services (WTS) applies membrane technologies and engineering expertise to deliver equipment and services to municipal and industrial water, wastewater, and water reuse customers, (ii) Specialty Products (SP) is a set of businesses that manufacture and supply a complete line of specialty chemicals, consumables and engineered products for the global water treatment industry, and (iii) Operation & Maintenance (O&M) provides contract operations and associated services for water and wastewater treatment systems. Through innovation, we strive to simplify water. 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.

– 30 –

Source:

H₂O Innovation Inc.
www.h2oinnovation.com

Contact:

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