PRESS RELEASE
For immediate release

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H_2O Innovation Reports Sustained Revenue Growth for its Second Quarter FY2022

Key Financial Highlights

- Revenue growth of 20.1% reaching $42.0 M for Q2-FY2022 from $35.0 M for Q2-FY2021;
- Adjusted EBITDA[1] reached $3.8 M, or 9.0% of revenues, for Q2-FY2022, compared to $3.6 M, or 10.2% of revenues, for Q2-FY2021;
- Net earnings amounted to $0.8 M or $0.009 per share for Q2-FY2022 compared to net earnings of $0.3 M or $0.003 per share for Q2-FY2021; and
- Acquisition of all the issued and outstanding shares of JCO, Inc. ("JCO") and of Environmental Consultants, L.L.C. ("EC") to complement H_2O Innovation's current business activities in the Northeastern United States and solidify its position in the North American O&M market.

Subsequent Event Highlight

- On January 31, 2022, the Corporation received conditional approval to list on the Toronto Stock Exchange (the "TSX"). The Corporation's common shares are expected to begin trading on the TSX, under symbol HEO, on or about Tuesday, March 22, 2022, which is the World Water Day.

All amounts in Canadian dollars unless otherwise stated.

Quebec City, February 14, 2022 – (TSXV: HEO) – H_2O Innovation Inc. ("H_2O Innovation" or the "Corporation") announces its financial results for the second quarter of fiscal year 2022 ended December 31, 2021.

"Today's report shows we are executing our 3-Year Strategic Plan, announcing 20.1% topline growth and solid net earnings. Despite the lingering negative impacts of the COVID-19 pandemic and associated labour impacts, raw material cost increases and supply chain issues, our team remains focused. We continue to invest in the business to increase sales, grow through disciplined acquisition, and use digital tools to improve our profitability. We are on track to achieve our FY2024 objectives for 10.0% year-over-year organic revenue growth and for EBITDA margin above 11.0%," **stated Frédéric Dugré, President and Chief Executive Officer of H_2O Innovation.**

Second Quarter Results

H_2O Innovation relies on three well-balanced business pillars, which reduces the risk of volatility in the Corporation's revenues. Consolidated revenues from the Corporation's three business pillars, for the three-month period ended on December 31, 2021, increased by $7.0 M, or 20.1%, to reach $42.0 M compared to $35.0 M for the comparable quarter of previous fiscal year. Assuming a constant USD exchange rate between the periods, the consolidated revenues increase would have been $7.9 M, or 22.5%. This overall increase was partially fuelled by the acquisition of Genesys Membrane Products, S.L.U. ("GMP") on February 1, 2021, which contributed $2.5 M in revenues for the three-month period ended on

[1] These non-IFRS measures are presented as additional information and should be used in conjunction with the IFRS financial measurements presented in this press release. Definition of all non-IFRS measures and additional IFRS measures are provided at the end of this press release in section ''Non IFRS financial measurements'' to give the reader a better understanding of the indicators used by management.

December 31, 2021, and by the acquisitions of JCO and EC on December 15, 2021, which contributed $0.7 M in revenues for the three-month period ended on December 31, 2021.

(In thousands of Canadian dollars)	Three-month periods ended December 31,				Six-month periods ended December 31,			
	2021		2020		**2021**		2020	
	$	**%** (a)	$	% (a)	**$**	**%** (a)	$	% (a)
Revenues per business pillar								
WTS	**8,539**	**20.4**	6,944	19.9	**17,550**	**21.8**	13,186	18.9
Specialty Products	**13,794**	**32.8**	10,387	29.7	**25,129**	**31.3**	21,776	31.1
O&M	**19,676**	**46.8**	17,638	50.4	**37,714**	**46.9**	35,003	50.0
Total revenues	**42,009**	**100.0**	34,969	100.0	**80,393**	**100.0**	69,965	100.0
Gross profit margin before depreciation and amortization	**11,096**	**26.4**	9,385	26.8	**22,016**	**27.4**	18,862	27.0
SG&A expenses(b)	**7,526**	**17.9**	5,840	16.7	**14,611**	**18.2**	12,049	17.2
Net earnings for the period	**762**	**1.8**	268	0.8	**1,380**	**1.7**	1,252	1.8
EBITDA[1]	**3,424**	**8.2**	2,827	8.1	**6,700**	**8.3**	5,932	8.5
Adjusted EBITDA[1]	**3,799**	**9.0**	3,562	10.2	**7,817**	**9.7**	7,044	10.1
Adjusted net earnings[1]	**1,996**	**4.8**	1,714	4.9	**4,128**	**5.1**	3,833	5.5
Recurring revenues[1]	**36,562**	**87.0**	31,163	89.1	**69,658**	**86.6**	62,731	89.7

(a) % of total revenues.
(b) Selling, general operating and administrative expenses ("SG&A").

WTS' financial performance for the second quarter of fiscal year 2022 was characterized by a 23.0% growth in revenues. Most of the increase came from water treatment system projects, which generally bring lower gross profit margins compared to service activities. Therefore, due to the business mix between service activities and projects, the gross profit margin in % has reduced from 22.4% for the same quarter of last year to 18.8% for the second quarter of fiscal year 2022. The profitability of the WTS business pillar was also affected by the consequences of the COVID-19 pandemic. Delays in equipment deliveries, temporary suspension of construction sites following cases of COVID-19 and the increased cost of materials negatively affected the gross profit margin. Delays in project execution increased the cost of time spent on the execution of many projects and affected the gross profit margin of the projects. Increased cost of materials affected the gross profit margins on projects in WTS because short-term increases in the cost of materials could not be transferred to customers in the course of the project. Where possible, based on contract language and client relationship, the increased cost of materials will be passed through to the customer.

Specialty Products' EBAC[2] increased by 91.3% for the second quarter of fiscal year 2022, driven by a higher proportion of sales coming from specialty chemical products, which are characterized by higher gross profit margins. Notwithstanding the strong financial performance this quarter, Specialty Products also faced significant challenges caused by the COVID-19 pandemic. The Specialty Products business pillar depends on the import and export of goods and had to deal with global supply chain delays and increased costs of materials, which negatively impacted the gross profit margin. In Specialty Products, the delay

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[2] 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. The definition of EBAC used by the Corporation may differ from those used by other companies.

between notification of a cost increase on raw materials and the adjustments to our price lists results in margin dilution.

During the second quarter of fiscal year 2022, the O&M business pillar showed organic growth of 11.3% but was offset by the reduction of the gross profit margin in % due to the consequences of the COVID-19 pandemic. The O&M business pillar was affected by the pressure on employee salaries due to staff shortage and inflation, employee illness related to COVID-19 within the staff and the increases in insurance costs. The O&M business pillar had several staff members on sick leave due to COVID-19 cases, which caused a significant increase of overtime for the remaining employees since the nature of the services provided requires a consistent level of staffing. Overtime costs and increased sick leave affected the gross profit margin negatively. Additionally, commercial insurance and U.S. health insurance premiums have increased significantly during the COVID-19 pandemic, resulting in a lower gross profit margin for the Corporation. O&M was impacted the most out of the Corporation's three business pillars by this increase since over 90.0% of the U.S. employees are working for this business pillar. In the U.S., most of the costs related to health insurance are paid by the employer. In most of the O&M contracts, the Corporation can increase the annual fees to follow CPI (Consumer Price Index) adjustment. Therefore, the impact will be addressed with our customers in the upcoming months as each contract reaches its annual contractual adjustment date.

The Corporation's gross profit margin before depreciation and amortization stood at $11.1 M, or 26.4%, during the second quarter of fiscal year 2022, compared to $9.4 M, or 26.8% for the previous fiscal year, representing an increase of $1.7 M, or 18.2%. The strength of H_2O Innovation's business model allowed it to reduce the volatility on the profitability of the corporation. In the second quarter of fiscal year 2022, the increased gross profit margin of Specialty Products business pillar partly offset the lower gross profit margins of WTS and O&M business pillars, which were the business pillars mostly affected by the COVID-19 pandemic.

The Corporation's SG&A totalled $7.5 M during the second quarter of fiscal year 2022, compared to $5.8 M for the same period of the previous fiscal year, representing an increase of $1.7 M, or 28.9%, while the revenues of the Corporation increased by 20.1%. The acquisition of GMP on February 1, 2021 and the acquisition of JCO and EC on December 15, 2021 contributed $0.4 M of this increase. The remainder of the increase is due to hiring of sales resources, resumption of travel activities, higher professional fees, as well as higher stock-based compensation costs and insurance costs, compared to the same quarter of last fiscal year. On a sequential basis, the Corporation's SG&A increased by $0.4 M, from $7.1 M in the first quarter of this fiscal year.

The Corporation's adjusted EBITDA increased by $0.2 M, or 6.7%, to reach $3.8 M during the second quarter of fiscal year 2022, from $3.6 M for the comparable period of fiscal year 2021. The adjusted EBITDA % decreased to 9.0% for the second quarter of fiscal year 2022, compared to 10.2% for the same quarter of last fiscal year. The reduction of the adjusted EBITDA % results from the decrease in the Corporation's consolidated gross profit margin and the increase of the SG&A ratio. The Corporation's profitability has been impacted by the current global consequences of the COVID-19 pandemic, as previously discussed.

Net earnings amounted to $0.8 M and $0.009 per share for the second quarter of fiscal year 2022 compared to net earnings of $0.3 M and $0.003 per share for the comparable quarter of fiscal year 2021. The variation was impacted by the increase in the Corporation's consolidated revenues, lower other (gains) losses – net resulting from fluctuations in the foreign exchange rates, lower tax expenses that were compensated by the reduction in gross profit margins and higher depreciation and amortization. Moreover, the SG&A ratio increased from 16.7% to 17.9%.

Six-month results

Revenues stood at $80.4 M, compared to $70.0 M last year; gross margin was $22.0 M, or 27.4%, compared to $18.9 M, or 27.0% last year; adjusted EBITDA was $7.8 M, or 9.7%, compared to $7.0 M, or 10.1% last year; and net earnings were $1.4 M, or $0.016 per share, compared to net earnings of $1.3 M, or $0.016 per share last year, essentially for the same reasons mentioned for the second quarter.

Non-IFRS financial measurements

EBITDA and adjusted EBITDA

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 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.

Reconciliation of net earnings to EBITDA and to adjusted EBITDA

(In thousands of Canadian dollars)	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net earnings for the period	**762**	268	**1,380**	1,252
Finance costs – net	**493**	534	**1,050**	1,113
Income taxes (recovery)	**83**	235	**223**	(61)
Depreciation of property, plant and equipment and right-of-use assets	**886**	789	**1,752**	1,578
Amortization of intangible assets	**1,200**	1,001	**2,295**	2,050
EBITDA	**3,424**	2,827	**6,700**	5,932
Unrealized exchange (gain) loss	**(306)**	428	**(552)**	642
Stock-based compensation costs	**274**	39	**493**	82
Changes in fair value of the contingent considerations	**188**	42	**955**	104
Acquisition and integration costs	**219**	226	**221**	284
Adjusted EBITDA	**3,799**	3,562	**7,817**	7,044

Adjusted net earnings

The definition of adjusted net earnings excludes acquisition and integration costs, amortization of intangible assets from acquisition, unrealized exchange (gain) loss, change in fair value of the contingent considerations and stock-based compensation costs. The reader can establish the link between net earnings and adjusted net earnings with the reconciliation items presented in this report. The definition of adjusted net earnings used by the Corporation may differ from those used by other companies. Adjusted net earnings and adjusted net earnings per share are non-IFRS measure and they are used by management to monitor financial performance and to make strategic decision.

Reconciliation of net earnings to adjusted net earnings

(In thousands of Canadian dollars)	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net earnings for the period	**762**	268	**1,380**	1,252
Acquisition and integration costs	**219**	226	**221**	284
Amortization of intangible assets related to business combinations	**1,115**	936	**2,107**	1,922
Unrealized exchange (gain) loss	**(306)**	428	**(552)**	642
Changes in fair value of the contingent considerations	**188**	42	**955**	104
Stock-based compensation costs	**274**	39	**493**	82
Income taxes related to above items	**(256)**	(225)	**(476)**	(453)
Adjusted net earnings	**1,996**	1,714	**4,128**	3,833

Recurring revenues

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. 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 recurring revenues by nature used by the Corporation may differ from those used by other companies.

H_2O 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 second quarter financial results in further details at 10:00 a.m. Eastern Time on Monday, February 14, 2022.

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.

The second quarter financial report is available on www.h2oinnovation.com and on the NYSE Euronext Growth Paris website. Additional information on the Corporation is also available on SEDAR (www.sedar.com).

Prospective disclosures

Certain statements set forth in this press release regarding the operations and the 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 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. 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, statements regarding the Corporation’s ability to grow its business and to reach specific financial objectives and targets and involve several risks and uncertainties. Those risks and uncertainties include, without limitations, the Corporation’s ability to maintain its financial position and its business improvements and to complete, deliver and execute projects and deliveries, in due time and as expected by the customers, despite the challenges and impacts of the COVID-19 pandemic. 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).

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, H_2O 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 H_2O Innovation
Innovation is in our name, and it is what drives the organization. H_2O 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 –

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