PRESS RELEASE **TSX: HEO**
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H_2O Innovation Reports Fiscal Year 2023 Results
Maintained Growth Momentum and Strenghtened Financial Position

Key Financial Highlights

(All comparisons are relative to the year ended June 30, 2022, unless otherwise stated)

- Revenue growth of 37.4% reaching $253.3 M from $184.4 M;
- Organic revenue growth[1] of 20.1%, compared to 17.7%, with recurring revenues by nature[1] of 88.5%;
- Adjusted EBITDA[1] of $21.4 M, compared to $18.1 M;
- Net loss of $1.3 M, compared to net earnings of $5.1 M which were positively impacted by a deferred tax recovery of $4.6 M;
- Adjusted net earnings[1] of $7.8 M, compared to $8.8 M;
- Consolidated backlog[1] of $189.6 M up by 16.3%; and
- Net cash flows generated from operating activities of $28.9 M, compared to $6.3 M of cash flows used last year.

All amounts are in Canadian dollars unless otherwise stated.

Quebec City, September 27, 2023 – (TSX: HEO) – H_2O Innovation Inc. ("H_2O Innovation" or the "Corporation") announces its financial results for the fourth quarter and fiscal year ended June 30, 2023.

"Our growth momentum remained strong during our fiscal year 2023 and is among the best in the industry, with an organic revenue growth above the industry average in all our business pillars. The strategy to expand the sales of our Specialty Products in key locations with the addition of strategic sales resources and distributors, combined with our focus on industrial opportunities for the Water Technologies and Services (WTS) business pillar has really paid off. We also directed our efforts towards the development of the Corporation's O&M customer base through scope of work expansions. Meanwhile, the pressure on gross profit margins represented our main challenge for FY2023, notably in the Maple business line as previously mentioned in September 19, 2023 press release. After managing constant price increases in our supply chain and high inflation in the labor market, we now see more stability on the horizon. We have implemented initiatives to recover and improve our gross profit margin profile in the coming quarters, such as amongst others, price increase programs, CPI adjustments on O&M contracts and the insourcing of some of our manufactured products. With an improvement of cash flow generated from operating activities resulting into a reduction of our net debt level, we look into the future with confidence in maintaining the sustained organic revenue growth and improved margin profile as per our Three-Year Strategic Plan. The Corporation's financial position, more favorable market conditions and our disciplined approach for mergers and acquisitions (M&A) should enable us to capture new organic and acquisition growth opportunities. Overall, we remain committed to our 3-Year Strategic Plan and objectives," **stated Frédéric Dugré, President, Chief Executive Officer and co-Founder of H_2O Innovation.**

[1] Non-IFRS measures are presented as additional information and should be used in conjunction with the IFRS financial measurements presented in this press release. A definition of all non-IFRS measures and additional IFRS measures are provided in the MD&A in the section ''Non-IFRS financial measurements'' to give the reader a better understanding of the indicators used by management. Quantitative reconciliations of non-IFRS financial measures are presented below under the section "Non-IFRS financial measurements."

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Financial results for fiscal year 2023

With three strong and complementary business pillars, the Corporation is well balanced and not dependent on a single source of revenue, enabling it to generate a sustained revenue growth for the fiscal year ended on June 30, 2023. Consolidated revenues coming from the Corporation's three business pillars, for fiscal year ended on June 30, 2023, increased by $68.9 M, or 37.4%, to reach $253.3 M compared to $184.4 M for the comparable period of the previous fiscal year. This increase mainly came from an organic revenue growth[1] of $37.1 M, or 20.1%, and an acquisition growth[1] of $24.3 M, or 13.2%, combined with a favorable exchange rate impact of $7.6 M, or 4.1%.

(In thousands of Canadian dollars)	Three-month periods ended June 30,				Twelve-month periods ended June 30,			
	2023		2022		**2023**		2022	
	$	**% (a)**	$	% (a)	**$**	**% (a)**	$	% (a)
Revenues per business pillar								
WTS	**15,057**	**23.2**	12,997	25.0	**50,138**	**19.8**	42,440	23.0
Specialty Products	**18,987**	**29.2**	13,360	25.7	**85,527**	**33.8**	54,397	29.5
O&M	**30,916**	**47.6**	25,689	49.4	**117,654**	**46.4**	87,519	47.5
Total revenues	**64,960**	**100.0**	52,046	100.0	**253,319**	**100.0**	184,356	100.0
Gross profit margin before depreciation and amortization	**15,287**	**23.5**	13,464	25.9	**63,755**	**25.2**	49,607	26.9
SG&A expenses(b)	**12,511**	**19.3**	9,667	18.6	**44,211**	**17.5**	33,376	18.1
Net earnings (loss) for the period	**(2,289)**	**(3.5)**	2,445	4.7	**(1,296)**	**(0.5)**	5,107	2.8
EBITDA[1]	**1,999**	**3.1**	1,999	3.8	**17,445**	**6.9**	13,079	7.1
Adjusted EBITDA[1]	**3,126**	**4.8**	4,754	9.1	**21,404**	**8.4**	18,101	9.8
Adjusted net earnings (loss)[1]	**(176)**	**(0.3)**	1,627	3.1	**7,796**	**3.1**	8,848	4.8
Recurring revenues[1]	**57,272**	**88.2**	43,543	83.7	**224,278**	**88.5**	156,511	84.9

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

WTS's revenues for the year ended June 30, 2023 increased by $7.7 M, or 18.1%, coming from organic revenue growth related to service activities and water treatment systems projects combined with a favorable foreign exchange impact. WTS' EBAC[2] increased by $0.7 M or 17.1%, representing an increase in dollars, but a slight decrease in percentage over revenues. The increase of WTS's EBAC in dollars is mainly attributable to improved project performance, but the decrease in percentage over revenues is due to higher selling and general expenses to support sales important growth.

Specialty Products' revenues stood at $85.5 M for the year ended June 30, 2023, compared to $54.4 M for the previous fiscal year, representing an increase of $31.1 M, or 57.2%. This increase was driven by strong sales and an efficient marketing strategy execution combined with the addition of strategic sales resources. Specialty Products' business pillar delivered components and consumables to large desalination plants and penetrated strategic regions in the Middle East during the third quarter of fiscal year 2023. This momentum was sustained during the fourth quarter of fiscal year 2023 with a breakthrough in the Israeli market. Furthermore, enhanced sales synergies between the Corporation's various product lines were achieved, combined with a growth of $12.1 M from the acquisition of Leader, which led to a significant revenue growth. Specialty Products' EBAC[2] increased by $3.1 M, or 20.4%, representing an increase in dollars, but a

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[2] The definition of EBAC means the earnings before administrative costs and other items in note 25 of the consolidated financial statements. EBAC is a non-IFRS measure, and it is used by management to monitor financial performance and to make strategic decisions. The definition of EBAC used by the Corporation may differ from those used by other companies.

decrease in percentage over revenues. Even if Specialty Products' EBAC was positively impacted by strong sales growth, pressure on gross margin and business mix between specialty chemicals, components, consumables, and maple farming equipment negatively affected the ratios.

O&M's revenues stood at $117.7 M for the year ended June 30, 2023, compared to $87.5 M for the same period of last fiscal year, representing an increase of $30.2 M, or 34.4%. The O&M business pillar showed organic growth of $12.7 M, or 14.5%, coming from important scope expansions and new projects secured in previous quarters. The acquisitions of JCO and EC contributed to an acquisition growth for the year ended June 30, 2023, of $12.1 M, or 13.9%, combined with a favorable foreign exchange rate impact of $5.3 M.

The gross profit margin before depreciation and amortization stood at $63.8 M, or 25.2% for the year ended June 30, 2023, compared to $49.6 M, or 26.9% for the same period of last fiscal year, representing an increase of $14.2 M, or 28.5%, while the revenues of the Corporation increased by 37.4%. The decrease in percentage for the year ended June 30, 2023 is explained by high inflation of material costs, pressure on salaries, business mix within the Specialty Products business pillar combined with the most challenging maple syrup harvest season in many years due to unseasonable weather conditions.

The Corporation's SG&A reached $44.2 M for the year ended June 30, 2023, compared to $33.4 M for the same period of the previous fiscal year, representing an increase of $10.8 M, or 32.5%, while the revenues of the Corporation increased by 37.4%. Those increases are due to the pressure on salaries, the hiring of additional resources as well as higher stock-based compensation costs. Despite the increase in SG&A expenses, the percentage of SG&A expenses over revenues (SG&A ratio) for the twelve-month period decreased by 0.6%, showing the scalability of our business model as revenues continue to grow. Investments made in sales and business development are paying off since revenues are growing faster than the SG&A ratio.

The Corporation's adjusted EBITDA[1] increased by $3.3 M, or 18.2%, to reach $21.4 M for the year ended June 30, 2023, from $18.1 M for the previous fiscal year. The adjusted EBITDA % decreased by 1.4% and reached 8.4% for the year ended June 30, 2023, compared to 9.8% for the same period last year. Those variations are mostly explained by a decrease in the Corporation's consolidated gross profit margin, considering that the Corporation's profitability has been impacted by ongoing macroeconomic trends on the supply chain, higher inflation, increased wages and the most challenging maple season in a decade.

Net loss amounted to $1.3 M and $0.014 per share for fiscal year ended June 30, 2023, compared to net earnings of $5.1 M and $0.058 per share for the previous fiscal year. The variation was explained by the reduction in gross profit margins, higher depreciation and amortization, higher finance costs, higher tax expense, partially offset by other gains related to the debt extinguishment.

As at June 30, 2023, the combined backlog of secured contracts between WTS and O&M reached $189.6 M compared to $163.0 M as at June 30, 2022, which is an increase of 16.3%. This combined backlog provides good visibility on revenues for the upcoming quarters of fiscal year 2024 and beyond.

The net debt including contingent considerations[1] stood at $39.9 M, compared to $50.3 M as at June 30, 2022, representing a $10.4 M decrease attributable to a higher cash balance.

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Non-IFRS financial measurements

Certain indicators used by the Corporation to analyze and evaluate its results, which are listed below, are non-IFRS financial measures or ratios, supplementary financial measures, or non-financial information. Consequently, they do not have a standardized meaning as prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. These non-IFRS measures are presented as additional information and should be used in conjunction with the IFRS financial measurements presented in consolidated financial statements. Even though these measures are non-IFRS measures, they are used by management to make operational and strategic decisions. Providing this information to the stakeholders, in addition to the Generally Accepted Accounting Principles ("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. However, these measures should not be viewed as a substitute for related financial information prepared in accordance with IFRS.

The following non-IFRS indicators are used by management to measure the performance and liquidity of the Corporation: Earnings before interests, income taxes, depreciation and amortization ("EBITDA"), adjusted earnings before interests, income taxes, depreciation and amortization ("Adjusted EBITDA"), adjusted EBITDA over revenues, earnings before administrative costs and other items ("EBAC"), EBAC over revenues, adjusted net earnings (loss), adjusted net earnings (loss) per share ("Adjusted EPS"), organic revenue, organic revenue growth, acquisition revenue growth, net debt including and excluding contingent considerations, net debt-to-Adjusted EBITDA ratio, recurring revenues by nature, O&M contracts renewal rate, and backlog.

Additional details for these non-IFRS and other financial measures can be found in section "Non-IFRS financial measurements" of the Corporation's MD&A for the year ended June 30, 2023, which is available on the Corporation's website www.h2oinnovation.com and filed on SEDAR+ at www.sedarplus.ca. Reconciliations of non-IFRS financial measures and ratios to the most directly comparable IFRS measures are provided below.

Reconciliation of Net Earnings (loss) to EBITDA and to Adjusted EBITDA

(In thousands of Canadian dollars)	Three-month periods ended June 30, 2023	Three-month periods ended June 30, 2022	Years ended June 30, 2023	Years ended June 30, 2022
	$	$	**$**	$
Net earnings (loss) for the period	**(2,289)**	2,445	**(1,296)**	5,107
Finance costs – net	**1,563**	753	**5,749**	2,359
Income taxes (recovery)	**(505)**	(3,927)	**750**	(3,618)
Depreciation of property, plant and equipment and right-of-use assets	**1,622**	1,122	**5,814**	3,812
Amortization of intangible assets	**1,608**	1,606	**6,428**	5,419
EBITDA	**1,999**	1,999	**17,445**	13,079
Gain on debt extinguishment	**-**	-	**(1,029)**	-
Unrealized exchange (gain) loss	**219**	484	**532**	(181)
Stock-based compensation costs	**428**	480	**2,180**	1,303
Changes in fair value of the contingent considerations	**148**	1,114	**1,090**	2,565
Acquisition and integration costs	**332**	677	**1,186**	1,135
Uplisting fees	**-**	-	**-**	200
Adjusted EBITDA	**3,126**	4,754	**21,404**	18,101
Revenues	**64,960**	52,046	**253,319**	184,356
Adjusted EBITDA over revenues	**4.8%**	9.1%	**8.4%**	9.8%

Reconciliation of Net Earnings (loss) to Adjusted Net Earnings

(In thousands of Canadian dollars)	Three-month periods ended June 30, 2023	2022	Years ended June 30, 2023	2022
	$	$	**$**	$
Net earnings (loss) for the period	**(2,289)**	2,445	**(1,296)**	5,107
Acquisition and integration costs	**332**	677	**1,186**	1,135
Amortization of intangible assets related to business combinations	**1,382**	1,477	**5,719**	5,026
Unrealized exchange (gain) loss	**219**	484	**532**	(181)
Changes in fair value of the contingent considerations	**148**	1,114	**1,090**	2,565
Stock-based compensation costs	**428**	480	**2,180**	1,303
Realized net gain on interest rate swap termination	**-**	-	**-**	(237)
Deferred tax recovery	**-**	(4,570)	**-**	(4,570)
Income taxes related to above items	**(396)**	(480)	**(1,615)**	(1,300)
Adjusted net earnings (loss)	**(176)**	1,627	**7,796**	8,848

Revenue Growth

(In thousands of Canadian dollars)	Years ended June 30, 2023	2022	Variation		Foreign exchange impact		Acquisitions revenue growth		Organic revenue growth	
	$	$	$	%	$	%	$	%	$	%
Revenues per business pillar										
WTS	**50,138**	42,440	7,698	18.1	2,258	5.3	-	-	5,440	12.8
Specialty products	**85,527**	54,397	31,130	57.2	25	0.0	12,158	22.4	18,947	34.8
O&M	**117,654**	87,519	30,135	34.4	5,295	6.0	12,149	13.9	12,691	14.5
Total revenues	**253,319**	184,356	68,963	37.4	7,578	4.1	24,307	13.2	37,078	20.1

Net Debt

(In thousands of Canadian dollars)	**June 30, 2023**	June 30, 2022	Variation	
	$	$	$	%
Bank loans	**51,274**	45,562	5,712	12.5
Current portion of long-term debt	**243**	1,563	(1,320)	(84.5)
Long-term debt	**299**	510	(211)	(41.4)
Contingent considerations	**5,144**	10,017	(4,873)	(48.6)
Less: Cash	**(17,071)**	(7,382)	9,689	131.3
Net debt including contingent considerations	**39,889**	50,270	(10,381)	(20.7)
Contingent considerations	**5,144**	10,017	(4,873)	(48.6)
Net debt excluding contingent considerations (“Net debt”)	**34,745**	40,253	(5,508)	(13.7)
Adjusted EBITDA	**21,404**	18,101	3,303	18.2

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 fourth quarter and full fiscal year 2023 financial results in further details at 10:00 a.m. Eastern Time on Wednesday, September 27, 2023.

To access the call, please call 1-888-396-8049 or 1-416-764-8646, 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 annual 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.sedarplus.ca).

Forward-Looking Statements
Certain information and statements contained in this press release and in other Corporation's oral and written public communications regarding the Corporation's business and activities and/or describing management's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of the applicable securities legislation. Forward-looking statements include the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "if," "intend," "may," "plan," "potential," "predict," "project," "should" or "will," and other similar expressions, as well as those usually used in the future and the conditional, although not all forward-looking statements include such words. H_2O Innovation would like to point out that forward-looking statements involve a number of uncertainties, known and unknown risks and other factors which may cause the actual results, performance or achievements of the Corporation, or of its industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Major factors that may lead to a material difference between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, without limitation, statements regarding future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness and financial position; business and management strategies; expansion and growth of the Corporation's operations; the Corporation's backlog, the execution of such backlog and the timing of new and existing projects and contracts; the Corporation's ability to deliver projects and contracts in due time, without additional costs, considering labor shortage and the global impact on the supply chain; the Corporation's ability to generate future cash flows; the Corporation's ability to capitalize on future growth opportunities; anticipated trends in the Corporation's revenue streams and business mix; expectations of customers' needs; customers' acceptance of and confidence in the Corporation's existing technologies and product innovation; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions and results and such other risks as described in the Corporation's Annual Information Form dated September 27, 2023, which is available on SEDAR+ (www.sedarplus.ca). The forward-looking information contained in this press release is based on information available as of the date of the release and is subject to change after this date. Unless otherwise required by the applicable securities laws, H_2O Innovation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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.

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