

# H2O Innovation looks set to potentially benefit from President Biden's US\$111B water infrastructure spending plan

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Did you know that globally [1 in 3 people](#) do not have access to safe drinking water? And yes, mostly in the third world; however, there are also problems in the first world. As part of U.S President Biden's American Jobs & Infrastructure Plan, he intends to allocate [US\\$111 billion](#) for water infrastructure. The Biden plan seeks to modernize aging drinking water, stormwater, and wastewater systems in the USA.

The White House Fact Sheet [states](#):

"Across the country, pipes and treatment plants are aging and polluted drinking water is endangering public health...An estimated six to ten million homes still receive drinking water through lead pipes and service lines...President Biden's plan will eliminate all lead pipes and service lines in our drinking water systems, improving the health of our country's children and communities of color."

Water treatment company [H2O Innovation Inc.](#) (TSXV: HE0 | OTCQX: HE0FF) looks to be in the right place at the right time. H2O Innovation has been in the water treatment industry for over 20 years but the future has never looked so good.

H2O Innovation designs and provides state-of-the-art, custom-

built and integrated water treatment solutions based on membrane filtration technology. They provide multiple water solutions in the areas of drinking water, wastewater, water reuse & recycling, desalination, and water solutions. H2O Innovation's customers include those from municipal, energy, and natural resource end users.

## **A summary of H2O Innovation's business**



Source: [Company presentation](#)

## **H2O Innovation to grow their water reuse business**

H2O Innovation is capitalizing on the momentum from the U.S plan to improve water infrastructure by developing a new digital marketing strategy that focuses on its globally recognized expertise in water reuse. The Company [recently hired Alejandro Sturniolo](#) to fulfill the role of Global Head of Water Reuse and Strategic Partnerships. Alejandro has been involved in the water industry for the past 22 years and he currently serves as Vice-President and board member for the International Desalination Association ("IDA") and Latin American Association of Desalination and Water Reuse ("ALADYR").

## **H2O Innovation continues to win new contracts and renew existing ones**

On May 12 they [announced](#): "H2O Innovation wins two new projects and renews four operation and maintenance contracts in North America. These contracts, with a total value of \$3.3 million, bring the O&M backlog to \$77.3 million." The backlog refers to H2O Innovation's backlog of orders for their business and highlights the strength of demand for their services.

Chief Strategy Officer of H2O Innovation, Gregory Madden,

[stated](#): “The contract renewals show a commitment to the H2O Innovation Playbook concept that we win by creating value and delighting our customers. We have great relationship with our customers which is shown in our industry leading contract renewal rates. In Western Canada, we started with our first O&M contract in the region only three years ago, and we are now operating more than 15 facilities.”

## **H2O Innovation is expanding in Latin America**

In news released on May 3, 2021, H2O Innovation [announced](#) that in addition to their acquisition of Genesys Membrane Products, which added an office for the Corporation in Santiago, Chile; H2O Innovation plans to strengthen existing and generate new relationships with original equipment manufacturers in Latin America, a high growth potential market. Their subsidiary, Piedmont, has recently signed Pavax as a new distributor in Brazil, and now has over 20 distributors in Latin America.

## **Growing revenues, margins, and profits**

H2O Innovation’s combined strategy of acquisition and organic growth has resulted in a steady increase in revenues over the past years, to the point where they are forecast to be profitable in 2021. Net profits are forecast to reach [C\\$4 million in 2021](#) (on C\$147 million revenue, 3.03% net margin), C\$5 million in 2022 (on C\$156 million revenue, 3.42% net margin), and C\$7 million in 2023 (on C\$167 million revenue, 4.47% net margin). This equates to a forecast 2021 PE of 43.5 and a 2022 PE of 35.1.

Looking at [the latest financial results](#) from Q3 in the 2021 financial year, where net earnings amounted to C\$2.1 million (up from a net loss of C\$3.1 million YoY), H2O Innovation looks to be on track to exceed the above forecasts. Another nice bonus was that net debt fell to C\$3.3 million at the end of the

quarter, compared to a net debt of C\$10.5 million as at June 30, 2020.

H2O Innovation President & CEO Frédéric Dugré [stated](#): “Once again we are extremely proud to present a strong financial performance for our Q3 results. The sustained free cash generated from our operations combined with constant margin improvement testifies to the work of the last months, even years.”

### **Closing remarks**

H2O Innovation has been successfully growing their business to the point where the company reached profitability last quarter and has also dramatically reduced their debt. Additionally, the company has a huge order backlog of business and rising recurring revenues. A great achievement. Not surprisingly the stock price is up [147%](#) over the past year.

Looking ahead the outlook continues to brighten, notably more so if the Congress passes President Biden’s American Jobs & Infrastructure Plan (containing the water infrastructure US\$111 billion plan). H2O Innovation’s expansion into Latin America should potentially be another winner.

H2O Innovation trades on a market cap of C\$192 million. A great company and having a great year.

### **Appendix**

**President Biden’s plan to ensure clean water and to upgrade wastewater and support clean water infrastructure**



Source: [White House Fact Sheet](#)