Frédéric Dugré on why H2O Innovation's Q3 2021 Financial Results were "the best quarter ever announced"

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In a recent InvestorIntel interview, Tracy Weslosky speaks with Frédéric Dugré, President and CEO of H2O Innovation Inc. (TSXV: HEO | OTCQX: HEOFF) about how H2O's Q3 2021 financial results provided "…the best quarter ever announced" and why "…water is the right space to invest in".

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Frédéric also discusses the significance of H2O winning two new projects and four contract renewals in North America and how they are positioned to potentially benefit from President Biden's US$111B water infrastructure plan. Further to his Q3 2021 update, Frédéric provides an update on how H2O has increased efforts in the North American water reuse market and is continuing to expand in Latin America. With 7 financial analysts following H2O, Frédéric shares more on how the ESG investment community benefits from investing in clean water.

To watch the full interview, click here

About H2O Innovation Inc.

H2O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology for municipal, industrial, energy and natural resources end-users. The Corporation's activities rely

on three main pillars. The first one is ***Water Technologies and Services*** and includes all types of projects as well as digital solutions (Intelogx™ and Clearlogx®) to monitor and optimize water treatment plants. H_2O Innovation's second pillar, ***Specialty Products***, includes a complete line of maple equipment and products, specialty chemicals, consumables and specialized products for the water industry, through H_2O Innovation Maple, PWT, Genesys and Piedmont. The Corporation is now exporting his specialty products in more than 75 countries. Finally, H_2O Innovation operates, maintains, and repairs water and wastewater treatment systems, distribution equipment and associated assets for all of its clients and ensures that water quality meets regulatory requirements, through the third pillar – ***Operation and Maintenance***. Together, they employ nearly 470 employees for the operation of more than 275 utilities in two Canadian provinces and twelve US states, mainly on the US Gulf coast, Southeast, Northeast (New England) and the West Coast.

To learn more about H2O Innovation Inc., click here

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If you have any questions surrounding the content of this interview, please email info@investorintel.com.

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: HEO | OTCQX: HEOFF) 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

Innovation in the water

treatment business is in their name.

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As the name states, H2O Innovation Inc. (TSXV: HEO | OTCQX: HEOFF) is an innovator in the water treatment business focused on membrane technology. For the last 20 years the company has designed and fabricated state-of-the-art, integrated water treatment solutions for municipal, energy and natural resource end users, specializing in applications for drinking water, water reuse, wastewater treatment and industrial process water. Developed in-house, their solutions are custom built to adapt to all types of applications.

The company further breaks down their activities into three operating segments: Water Technologies & Services (WTS) which designs and builds custom water, wastewater and water reuse systems, supporting the customer with both site and remote services, as well as digital solutions, to optimize performance and maximize life of the equipment; Specialty Products (SP) utilizes a global network of more than 100 distribution partners to manufacture and delivers specialty chemicals, components, and consumables to end-users with a focus on membrane applications; and Operations and Maintenance (O&M) for contract operations of water, wastewater, and water reuse treatment, collection, and distribution systems, pumping stations, and associated assets for customers throughout North America.

H20 Innovations certainly has positive momentum for itself as a company but also being in a business segment that is becoming a greater focus for the world in general but also the ESG investing community. In their most recent quarterly and year-end results, they posted their fourth consecutive year of revenue

and adjusted EBITDA growth. Additionally, the company has reported positive earnings for the last 3 quarters, which is very impressive for a growing company.

When it comes to growth, one of H2O Innovation's Key Strategic Objectives is M&A. Most recently the company announced on February 1, 2021, that it had acquired Genesys Membrane Products, S.L. located in Madrid, Spain to boost its membrane chemicals capabilities. It positions the company to better access the Latin American membrane chemical market, in particular the mining industry. H2O Innovation has averaged just under one acquisition a year since 2013. There are over 1,200 privately owned businesses active in the water industry with revenues in excess of $50M, but only one larger than $10B. So there is a lot of opportunities to grow the business this way and so far H2O Innovation has had success finding the right fit and successfully integrating these acquisitions.

As for organic growth, the company is focusing on improving gross margins through increased sales, improved operational excellence and via product innovation. Another key is further reduction in SG&A likely to come from acquisition synergies.

By 2023, the stated goal is to increase revenue from $134M (Actual FY 2020) to between $175-250M including 2-4 strategic acquisitions. With only 78M shares outstanding (90M fully diluted) and a paltry $14.1M in debt there is some good upside for shareholders if the company can execute on its goals. Globally there is no shortage of potential acquisitions available to H20 Innovations and a clean balance sheet gives the company the option to fund these with debt or equity, whichever is more accretive.

H2O Innovation's Frédéric Dugré on the $800B+ water market they are 'tapping' into

written by InvestorNews | May 25, 2021

In a recent InvestorIntel interview, Tracy Weslosky speaks with Frédéric Dugré President and CEO of H2O Innovation Inc. (TSXV: HEO | OTCQX: HEOFF) about H2O Innovation's recent news about securing an engineering contract from the largest electric vehicle manufacturer in the US, a 90% reoccurring revenue model and rising interest from the market in water treatment technologies.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Frédéric said, "It provides us the opportunity to design a new equipment that we are going to deliver them. This first purchase order is actually just for the engineering portion of the work." He continued, "A customer of this profile will lead us to additional opportunities…"

Frédéric also provided an update on the Company's 3-year strategic plan aligning its long-term vision with key strategic objectives. "Not only we are going to grow the business, but we are going to move the EBITDA performance from a 9.4% to above 11% in the next few years," Frédéric said. Speaking on the competitive advantages of H2O Innovation, Frédéric commented, "We are the only and the largest Canadian pure water play on the TSXV. We have built a business where we have 90% of our sales that are recurring in nature. Not only we are in the right

space, but we also have the right business model."

To watch the full interview, click here

About H_2O Innovation

H_2O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology for municipal, industrial, energy and natural resources end-users. The Corporation's activities rely on three pillars which are i) water technologies and services; ii) specialty products, including a complete line of specialty chemicals, consumables and specialized products for the water treatment industry; and iii) operation and maintenance services for water and wastewater treatment systems.

To learn more about H2O Innovation Inc., click here

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H2O Innovation awarded more contracts on the heels of record FY2020 fourth quarter results

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In a news just released last week H2O Innovation Inc.'s (TSXV: HEO | OTCQX: HEOFF) ('H_2O Innovation') subsidiary, Utility

Partners, was awarded a new 3 year operation and maintenance ('O&M') contract in Florida and a 1 year renewal of an existing contract in New York State. Equally as significant is that these contracts, with a total value of C$5.1m, bring the O&M backlog to C$84.9m. That's a rather impressive sign of demand, especially relative to the size of H_2O Innovation, which achieved C$133.6 million in FY 2020 revenue.

Utility Partners is US-based and specializes in the operation of water and wastewater plants operating more than 200 utilities in two Canadian provinces and twelve US states, for all of its municipal customers. H_2O Innovation acquired Utility Partners in 2016 for C$22.5m. Over the years H_2O Innovation has delivered more than 15 membrane filtration projects to Florida, but this is the very first O&M contract. Utility Partners services include operations, maintenance, and management of public works, water, wastewater, and utility billing systems. On December 1, 2020, Utility Partners will change name to H_2O Innovation. Although the name of the operator will change, the organization and staff will remain the same.

VP of Operations Bill Douglass said:

"We are very proud to have been awarded this major contract in Florida. In addition to entering a new territory, we will also be able to take advantage of **cross-selling opportunities and synergies** with the projects carried out in this State, by H_2O Innovation, over the past few years."

H_2O Innovation specializes in all types of water treatment with a focus on North America

Source

And who is H2O Innovation Inc.? H_2O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology. H_2O Innovation provides multiple water solutions in the areas of drinking water, wastewater, water reuse and recycling, desalination, and water solutions for the oil & gas industry.

H_2O Innovation's financials and forecast financials

Source

As we all know water, food and air are our three most valuable commodities. Water in particular is in short supply in many countries and regions around the world. This means H_2O Innovation has plenty of runway for potential growth ahead.

The world has an ever growing demand for clean water

Source

The company's just released results for fiscal 2020 (June 30 year-end) showed significant revenue growth, with "top-line revenue of $133.6 million was up more than $15 million from $118 million the previous fiscal year." H_2O Innovation offers cleantech and technology driven investors exposure to the growing water treatment sector.

Dugré on H2O Innovation FY2020 Results, $133.6M in Revenue and a 20th Anniversary

written by InvestorNews | May 25, 2021

InvestorIntel's Peter Clausi speaks with Frédéric Dugré, President and CEO of H2O Innovation Inc. (TSXV: HEO | OTCQX: HEOFF), about H2O Innovation's record FY2020 fourth quarter results.

In an InvestorIntel interview that can also be viewed on our InvestorIntel YouTube channel, Peter and Frédéric discussed H2O Innovation's recently announced financial results which reported $133.6 million in revenues. "85% of our sales rely on recurring revenues," Frédéric explains, and with a backlog of orders at $125 million, he said it adds "predictability to our business." He also explains the unique aspects of the company's business model that have allowed it to navigate through the COVID-19 crisis in a "remarkable way" and have helped strengthen its balance sheet through acquisitions and organic growth.

To watch this interview, click here

To learn more about H2O Innovation Inc., click here

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