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Interviews & News!

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H2O Innovation Is A Canadian Expert In The Design Of Drinking Water And Wastewater Treatment Using Environmentally Friendly Technologies Created To Meet The Needs Of Small To Midsized Municipalities



Water Products
Sewage and Industrial Process Water
(HEO-TSXV)

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Guy Goulet
President and CEO

BIO:

In 1986, Guy Goulet graduated with an engineering degree in geology from l'École Polytechnique de Montréal. In 1994 he founded *Hebron Fjord Resources* which would later become *H2O Innovation* in November 2000. In the last ten years, Mr. Goulet has sat on the board of

directors for both public and private companies. His extensive network of contacts in the corporate and financial worlds contributes to the rapid development of projects undertaken by the company.

Company Profile:

H2O's mission is to develop, manufacture and market innovative, environmentally friendly products, intended for production of drinking water and treatment of sewage and industrial process water.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Goulet, what was your vision when you founded the concept of H2O Innovation and where are you today?

Mr. Goulet: "In Canada in the year 2000, a very sad event happened in a little municipality in Ontario named Warkenton where the water treatment system was contaminated by the ecoli bacteria and it resulted in the death of seven people including kids, something impossible in Canada where you have eighty times more water per capita than the average person in the world. The Ministers of environment of all provinces in Canada decided to review the water treatment systems for small and medium municipalities. Only in Quebec, the Minister has identified 180 Municipalities that were not meeting the standards. There are big players in the water treatment business but not that many looking for municipalities ranging from 10,000 to 30,000 people. A big water company will go to the municipality of Sao Paulo, Boston, or Montreal, but for small and medium municipalities there was no real player in Quebec. At that time, we decided to cre-

ate H2O Innovation. What we are is a Canadian expert in the design of drinking water and wastewater treatment using environmentally friendly technologies."

CEOCFO: What do you provide to the municipalities?

Mr. Goulet: "We do the diagnosis of the problem; after we find the solution, we do the design, we manufacture the system; we do the installation and the maintenance."

CEOCFO: Does this become a long-term contract for you?

Mr. Goulet: "Most of the time we are selling a system and equipment, but we also sell the maintenance contract with it."

CEOCFO: How is your system different?

Mr. Goulet: "The problems with water vary with time. Here in Quebec we treat water with membrane, which is a physical barrier. The membrane is capricious; we have to pre-treat the water before we send it to the membrane so the it can digest it and produce drinking water. Here the water varies from 4 degrees C to 25 degrees C. There are four seasons, color, THM, organic contains vary over the year. What we have to handle is the change of the type of water during the year."

CEOCFO: You say environmentally-friendly solutions; are not most of the solutions today concerned with the environment or is that still something that only specific companies like yours focus on?

Mr. Goulet: "For producing drinking water, the conventional processes are physico-chemical systems, so what they

do is add coagulant chemicals to get rid of the organic contents in the water, after that you have to get rid of what you have picked up there. Therefore, we do a physical barrier; we take a polyamid, kind of a geotextile, and push the water with pressure through the membrane and the pores of the membrane blocks the contaminants. On the other hand, we also treat wastewater; we put bacteria on support and the bacteria eat the organic content and transforms themselves into more bacteria. When we do pro-environmental technologies, this is what we are doing compared with conventional technologies that use physico-chemical systems.”

CEOCFO: What is an example of a typical contract for you?

Mr. Goulet: “Municipalities in Canada or United States generally get water from the wells. This water often contains salts. A recent contract, Cape Coral with 160,000 people is a typical contract for H2O Innovation. Desalination is a huge market that grows 25% a year. This is where we are going at the moment.”

CEOCFO: Do you do much business in the US?

Mr. Goulet: “We do 85% of our business in the United States. This started after we did the acquisition of Membranes Corporation from San Diego, California in 2006.”

CEOCFO: What is the competitive landscape today, are there still companies targeting the smaller municipalities?

Mr. Goulet: “There are not that many company focusing on small municipali-

ties, there are a lot of large companies that wants to go as I have mentioned earlier for the big municipalities. For municipalities of a hundred thousand to five hundred thousand people, we are quite a competitor.”

CEOCFO: Nice niche!

Mr. Goulet: “Nice for us.”

CEOCFO: What is the financial picture like today?

Mr. Goulet: “Revenus wise we are heading for 15 million for the oncoming year. We have done five acquisitions in the past six years. We will do more acquisitions and increase these revenues. We have \$18 million cash or cash equivalent, and we have no long-term debt.”

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CEOCFO: How do you get new business?

Mr. Goulet: “We do internal growth; we are penetrating the largest market in the world, which is the market of the United States of America. We want to enlarge our presence in North America; we want to do a further development in the industrial sector. We are trying to team up with distributors in specific areas like North Africa, central Europe. We will do more

acquisitions; we have several targets already identified, we have a strong cash position and a line of credit with our Dutch financial partner, so we can get a lot of cash from them if we want to do more acquisition to complete our portfolio of technology.”

CEOCFO: Once you do a system for a municipality, do they tend to stay with you?

Mr. Goulet: “The system is good for twenty years, we generally attach a maintenance contract. We also sell systems to the native communities. When we sell a system to a community, one thing is sure, we are going to sell more systems in the same neighborhood.”

CEOCFO: Why should potential investors be interested and what might they miss when they first look at the company that they should recognize?

Mr. Goulet: “Maybe the character of what we have done over the past six years. We did five acquisitions in six years, four of them were good technologies except the companies were technically into bankruptcy and we turned that around. We are increasing

sales, and increasing our presence in North America. We are a small player but we are aggressive.”

CEOCFO: What should people take away when they read this interview about H2O Innovation?

Mr. Goulet: “They see a new oncoming star in the business. We are a company that has grown more than anyone in this business over the past two years.”

