



Worldwide Experts in Water Treatment

## PRESS RELEASE

# Ovivo releases its results for the second quarter of fiscal 2016

### Highlights – Fiscal 2016 Q2

- Revenues of \$83.4 million, up 6% compared with the same quarter of the previous fiscal year, including a 26% increase in Upgrading, Parts and Services revenues
- Adjusted EBITDA<sup>(1)</sup> of \$3.7 million, comparable with the same quarter of the previous fiscal year
- Net earnings attributable to shareholders of \$1.1 million or \$0.03 per share, returning to profitability
- Backlog of \$263.9 million as at September 30, 2015, up \$6.7 million compared with the June 30, 2015 level
- Net debt of \$16.6 million as at September 30, 2015, down \$7.2 million from the June 30, 2015 level
- Completion of the sale of our North African subsidiary
- Strategic Partnership with Microdyn-Nadir to Accelerate Growth in the U.S. MBR Market
- Creation of a Technology Advisory Committee made up of external experts to support the Corporation to develop its growth and innovation strategy

### **Montréal, Canada, November 12, 2015 –**

*(All amounts are in Canadian dollars)*

Ovivo Inc. (“Ovivo” or the “Corporation”) reported net earnings attributable to shareholders for the second quarter of fiscal 2016 of \$1.1 million or \$0.03 per share, basic and diluted. The return to profitability was driven by revenues and adjusted EBITDA<sup>(1)</sup> of \$83.4 million and \$3.7 million, respectively, both up from \$79.1 million and \$3.6 million, respectively, for the same quarter of the previous fiscal year. The Corporation also benefited from a favourable foreign exchange effect during the second quarter.

“We continued to improve our operating profitability during the second quarter through the sustained quality of the backlog and the successful performance of contracts in progress and growth in the Upgrading, Parts and Services revenues. As planned, we reduced our net debt significantly during the second quarter and we are well positioned to sustain Ovivo’s growth due to the improvement in our financial flexibility,” stated President and Chief Executive Officer Marc Barbeau.

During the second quarter of fiscal 2016, revenues rose 6% from the same period of the previous fiscal year (marking an organic change at constant exchange rates of -7%<sup>(1)</sup>) mostly due to growth in the Municipal North America market and 13% organic growth in the Upgrading, Parts and Services market in our three geographic regions, which accounts for over 30% of consolidated revenues in the second quarter of fiscal 2016. This growth

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(1) This is a non-IFRS measure. See Section 12, “Reconciliation of non-IFRS financial measures” of the Corporation’s management’s discussion and analysis for the quarter ended September 30, 2015

was partly offset by lower new equipment sales in the Electronics market in North America, as revenues in that market for the second quarter of fiscal 2015 were particularly high due to the performance of large contracts in the United States.

The Corporation's adjusted EBITDA<sup>(1)</sup> for the three-month period ended September 30, 2015 was up slightly from the same period of the previous fiscal year. Overall profitability was bolstered by the favourable foreign exchange effect combined with satisfactory operating performance in the Energy market and the decrease in head office costs, offset by the unfavourable volume effect in the Electronics market in North America.

### **Backlog**

The backlog amounted to \$263.9 million as at September 30, 2015, up from \$257.2 million as at June 30, 2015 and \$254.8 million as at March 31, 2015. The weakening of Canada's currency against the Corporation's main currencies had a \$16.6 million favourable effect compared with the combined backlog as at June 30, 2015.

Apart from the foreign exchange effect, this growth in backlog was driven primarily by the Energy market in Europe and North America following a favourable level of order taking in the past three quarters. These increases were however partly offset by the decline in backlog in the Electronics market in North America. Backlogs in the Municipal North America market and the Upgrading, Parts and Services market in our three geographic regions remain high and comparable to the June 30, 2015 level.

### **Outlook and objectives**

Ovivo underwent a major transformation during 2015 and is now a simplified business exclusively dedicated to water treatment. With our transformation nearly completed, all efforts can now be focused on driving business growth.

Growth in the Municipal North America market is supported by growing infrastructure replacement and modernization needs, the challenges faced in water-stressed regions and increasingly stringent legislation governing wastewater disposal. These conditions are also conducive to the Corporation, which has developed a competitive edge through the modern and advanced wastewater treatment technologies it sells, such as Membrane Bio-Reactor ("MBR") systems, a market in which Ovivo is an important player.

Also, the recently announced signing of a partnership with Microdyn-Nadir has paved the way for accelerated development in this market over the coming years. Combining Ovivo's systems integration expertise with Microdyn-Nadir's manufacturing know-how in membrane fabrication will be a major innovation and quality driver, while reducing costs and delivery times. For further information, please refer to the press release to this effect issued last October 13, 2015.

We have also developed globally recognized water treatment expertise in the Electronics sector. The fabrication of semiconductor devices requires large volumes of ultra-pure water. To meet stringent industry requirements, we offer a range of state-of-the-art technology solutions. Ovivo is part of a select group of companies that are collaboratively developing the next generation of silicon wafers: the Facility 450 Consortium (F450C). With our expertise and global platform, we are poised to seize on growth opportunities in this market for both new projects as well as for upgrading, parts and services. Although the backlog for large projects is not being renewed as quickly as hoped, we can maintain a favourable level of operations and generate reasonable operating performance with our service centre platform. The number of requests for proposals remains satisfactory and we are confident about growing the backlog over the coming months.

In light of satisfactory order taking in the Energy market over the past three quarters, despite current conditions in the oil and gas market, we expect the Energy segment to improve its operating performance in the second half of fiscal 2016. We continue to optimize our global operational structure by streamlining our practices and standards and through better sharing of resources, thereby increasing productivity. Whether for power stations or the oil and

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gas markets, our water treatment systems meet the highest international standards. In addition, our international platform allows for the possibility of supporting clients anywhere in the world, regardless of where their projects are based. We see a positive outlook for future business volumes across all our geographic regions.

At the same time, we will continue to develop our Upgrading, Parts and Services market, a key growth driver for the Corporation, by leveraging our products' Total Life Cycle approach and Ovivo brand recognition. We are taking actions in the Middle East and Southeast Asia to better capitalize on opportunities arising from our sizable pool of equipment in operation in these markets. Revenues for twelve-month periods have been growing steadily since the implementation of this business strategy.

Lastly, the pace of investment in innovation across the Corporation will continue to accelerate to expand our line of state-of-the-art products and services as a competitive differentiator and a source of recurring revenue. The recent creation of a Technology Advisory Committee made up of external experts will provide significant assistance in identifying and prioritizing our innovation projects.

Based on our current outlook and backlog, assuming exchange rates remain stable at current levels, revenues from continuing operations should range from \$300 million to \$325 million for the fiscal year ending March 31, 2016. The quality of our backlog arising from strategic decisions, following Ovivo's strategic refocusing and the growth of our Upgrading, Parts and Services segment, is expected to favourably impact our operating performance for the fiscal year ending March 31, 2016. Moreover, although the backlog in the Electronics market is not being renewed as quickly as we hoped, we expect an improvement in operating performance in the second half of fiscal 2016 given the expected performance of contracts in the Energy market backlog which has been growing over the past three quarters.

We will continue our efforts to achieve our objectives for fiscal 2016 which can be summarized as follows:

- (i) Grow our Electronics and Energy backlogs;
- (ii) Improve our operating performance;
- (iii) Complete the divestment of non-core businesses;
- (iv) Continue growing revenues in the Upgrading, Parts and Services segment;
- (v) Reduce our net debt level; and
- (vi) Continue investing in innovation.

## Supplementary information

This press release discusses the highlights for the second quarter ended September 30, 2015. For a detailed analysis, see the interim management's discussion and analysis and unaudited interim condensed consolidated financial statements, filed today on the websites of SEDAR ([www.sedar.com](http://www.sedar.com)) and the Corporation ([www.ovivowater.com](http://www.ovivowater.com)). Note that non-IFRS financial measures were used to analyze performance, as management considers that they provide useful information for investors seeking to assess the Corporation's performance and financial position.

## About Ovivo Inc.

Ovivo Inc. is a global pure-play water and wastewater treatment company. It offers comprehensive technological solutions, as well as services and equipment tailored to specific client needs. Ovivo operates in over 15 countries with approximately 800 employees. Ovivo Inc. is a public company whose shares trade on the Toronto Stock Exchange under the ticker symbols OVI.A and OVI.B. ([www.ovivowater.com](http://www.ovivowater.com))

## Notice regarding forward-looking statements

Certain statements in this press release regarding management's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are recognized by the use of terms such as "forecast," "project," "could," "plan," "aim," "estimate" and other similar terms, possibly used in the future or conditional, particularly with regard to certain assumptions. The management of Ovivo would like to point out that forward-looking statements involve a number of uncertainties and known and unknown risks such that the actual and future results of Ovivo could differ considerably from those stated. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. The forward-looking statements included in this press release were made as at the date hereof, and unless required to do so pursuant to applicable securities legislation, management of Ovivo assumes no obligation to update them.

Information about the risk factors to which Ovivo Inc. is exposed is provided under section 12, "Risks and uncertainties," of the management discussion and analysis for the fiscal year ended March 31, 2015 available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Corporation's website ([www.ovivowater.com](http://www.ovivowater.com)).

### **CONFERENCE CALL**

<b>Date and time:</b>	<b>Thursday, November 12, 2015 at 4:30 p.m. (ET)</b>
<b>Dial-in number:</b>	<b>1-888-231-8191 (North America)</b> <b>1-647-427-7450 (International)</b>
<b>Webcast:</b>	<b><a href="http://www.ovivowater.com/en/investors">www.ovivowater.com/en/investors</a></b>

An audio recording will be accessible on demand from 7:30 p.m. (ET), Thursday, November 12, 2015 until 11:59 p.m. (ET) Thursday, November 19, 2015 at 1-416-849-0833 or 1-855-859-2056 (toll-free), access code: 62184804#.

## FOR INFORMATION

### **Marc Barbeau**

President and Chief Executive Officer  
Tel.: 514 284-4238

### **Pierre-Marc Sarrazin**

Director, Corporate Finance and Treasury  
Tel.: 514 284-7208  
[pierre-marc.sarrazin@ovivowater.com](mailto:pierre-marc.sarrazin@ovivowater.com)