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Impacts of New Revenue Recognition Standard

March 29, 2018

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Statements in this presentation regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, include, without limitation, statements regarding the expected impacts of the adoption of the new accounting requirements, the expectation that such adoption will not impact certain matters, forecasts of future operating results and cash flows, and our future prospects. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in AquaVenture's filings with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, AquaVenture's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. AquaVenture is providing the information in this presentation as of this date and assumes no obligations to update the information included in this presentation or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Impacts to AquaVenture

NO IMPACT to cash flows

NO IMPACT to deal economics

NO IMPACT to Quench financial results

What IS Impacted?

- Seven Seas Water service concession arrangements
  - Timing and amount of revenue recognition
  - Treatment of capital expenditures
- Reclassifications between financial statement line items
- Above changes will also have some impact on margins and non-GAAP metrics

Attractive Investor Value Proposition Remains Unchanged

Water-as-a-Service	The supply of drinking and process water to municipal, industrial and commercial customers under long-term contracts using company-owned facilities and equipment

1. Long-term, contracted and recurring revenue
2. Strong unit economics, margins and cash flow
3. Rapid payback period and attractive rates of return on investment
4. Strong customer retention with opportunity to increase customer lifetime value
5. Highly fragmented market with significant opportunity to grow

ASC 606 Overview

- Adoption on January 1, 2018
  - New model requires allocation of revenues for each obligation identified within a contract
  - Revenues and expenses recognized generally as obligations performed
  - For Seven Seas Water service concession arrangements, typical obligations include:
    - Construction of desalination and related assets
    - Operations and maintenance services
  - Introduction of significant financing component in long-term receivables
- Full retrospective adoption method
  - 2017 and 2016 restated for comparability
  - Financial impacts of adoption prior to 2016 recorded in retained earnings

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Illustrative Example:

Service Concession Arrangements

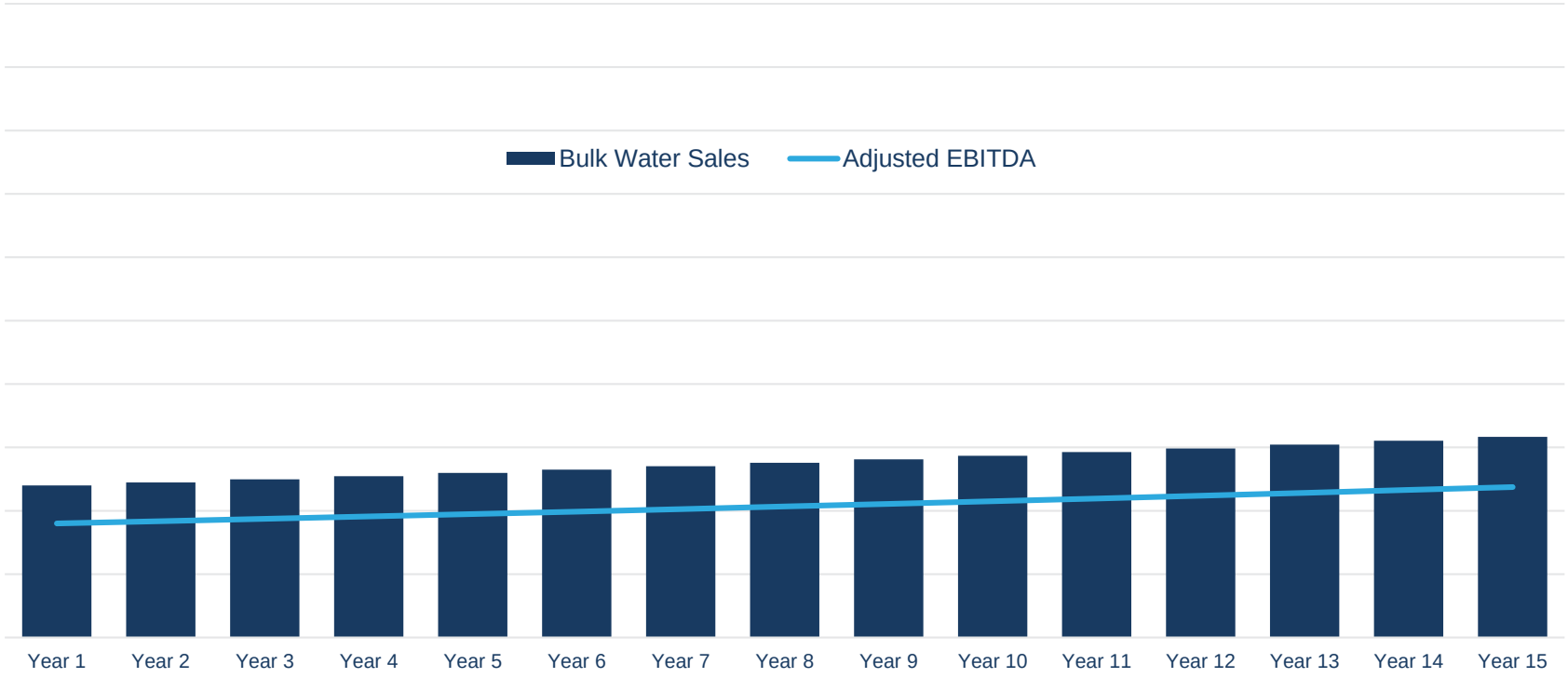
Revenue recognition and other metrics for acquired or future company-built plants may vary significantly from the following illustrative examples. Examples are not forward-looking statements nor a target for future investments.



Revenue Recognition Pattern: Pre-ASC 606

Illustrative Plant Assumptions[4]	Initial Plant Investment [1]	Total Contract Term Revenue[3]	Total Contract Term Adjusted EBITDA[2][3]	Total Contract Term Cash Flows
	~$50M	~$205M	~$155M	~$105M

- Revenue recognized ratably over contract period, which is aligned with customer billings
- Initial plant investment capitalized with amortization expense recorded in cost of revenues

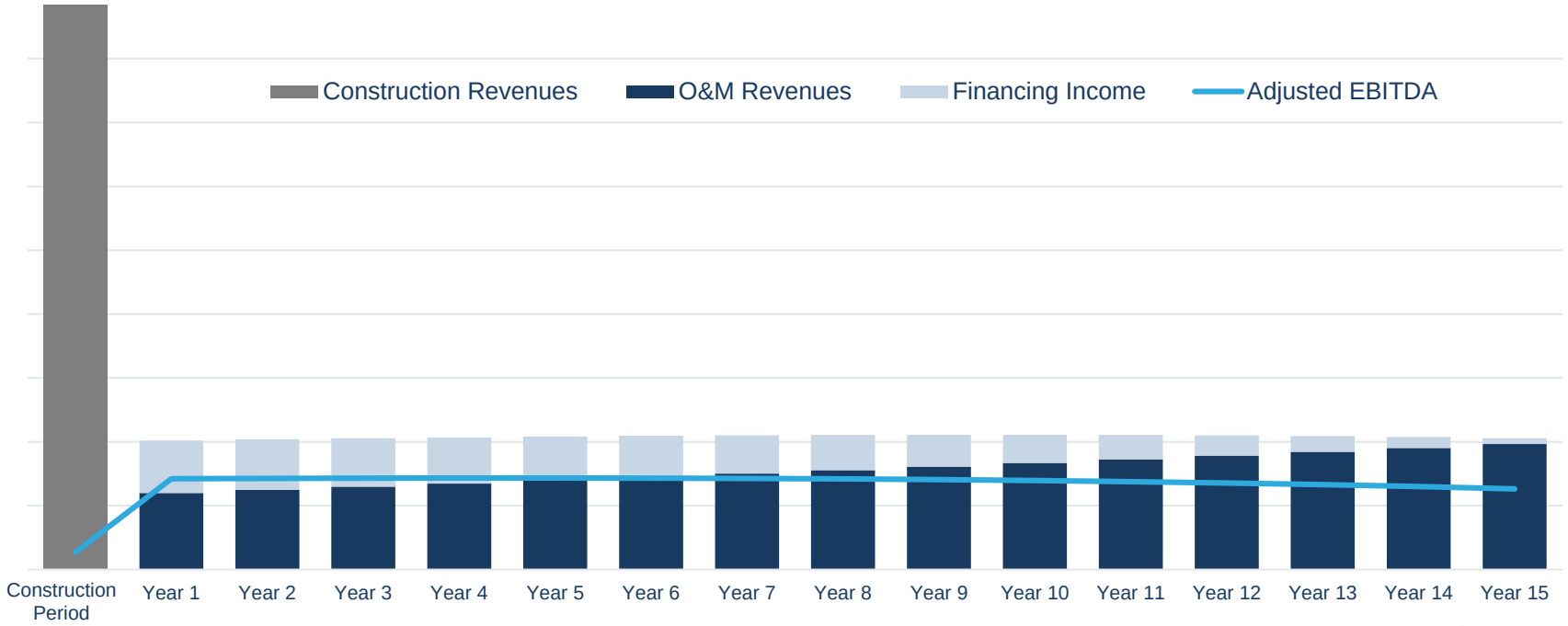


[1] Initial plant investment is defined as the initial cash outflow related to plant capital expenditures and/or long-term contract costs; actual initial plant investments may vary.
[2] Adjusted EBITDA after initial plant investment (year 0) is net income before depreciation and amortization, net interest expense; income tax expense (benefit) and intercompany allocations.
[3] The illustrative model assumes an annual increase for inflation of 2% to both revenues and operating expenditures.
[4] The profile for the illustrative plant is based on a plant that is built, owned and operated by us; the cash flow profile for an acquired plant may differ.

Revenue Recognition Pattern: Post-ASC 606 (Build Scenario)

Illustrative Plant Assumptions[4]	Initial Plant Investment [1]	Total Contract Term Revenue[3]	Total Contract Term Adjusted EBITDA[2][3]	Total Contract Term Cash Flows
	~$50M	~$205M	~$105M	~$105M

- Revenues not aligned with customer billings; construction revenue recognized during construction period
- On-going revenues represent interest income on financed assets and O&M services
- No change to cash flows or to total revenue recorded over the contract term
- Adjusted EBITDA reduced by amount of initial plant investment over contract term

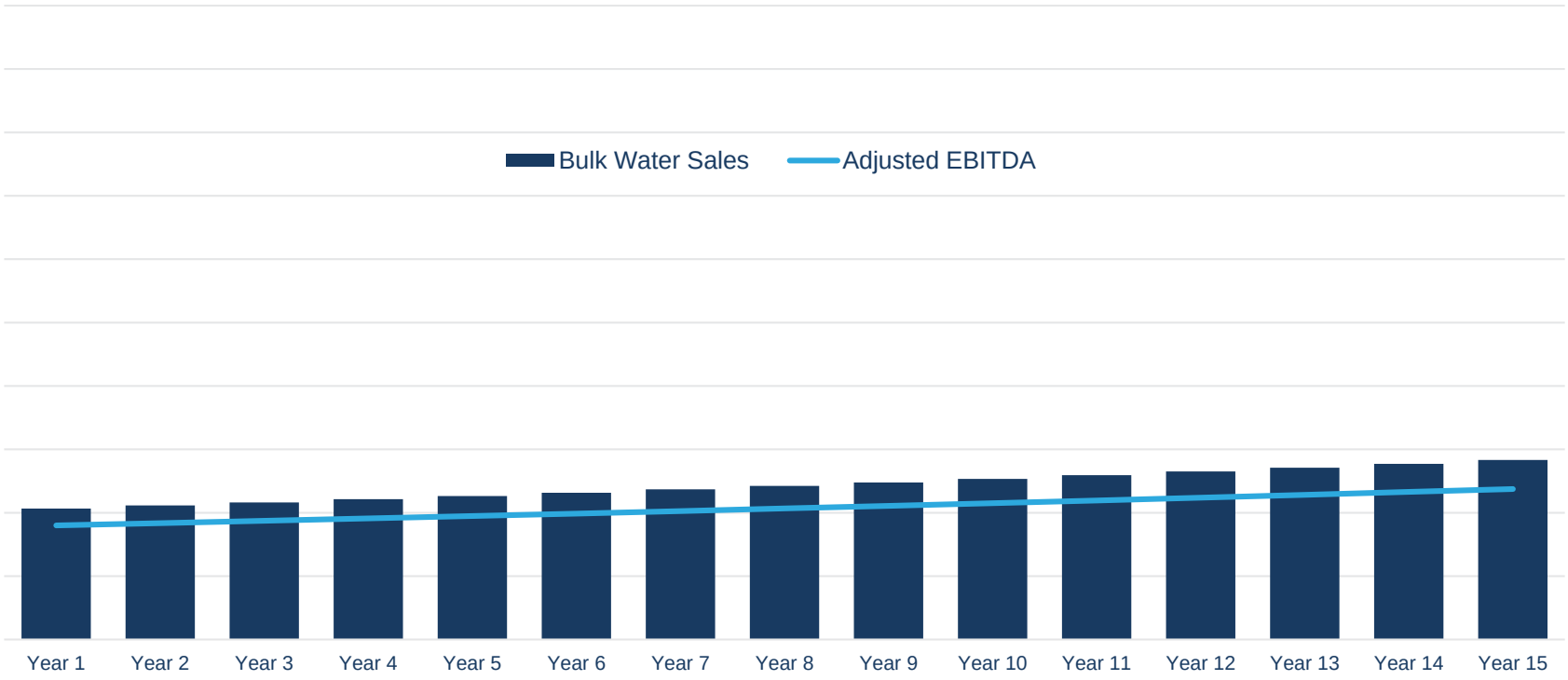


[1] Initial plant investment is defined as the initial cash outflow related to plant capital expenditures and/or long-term contract costs; actual initial plant investments may vary.
[2] Adjusted EBITDA after initial plant investment (year 0) is net income before depreciation and amortization, net interest expense; income tax expense (benefit) and intercompany allocations.
[3] The illustrative model assumes an annual increase for inflation of 2% to both revenues and operating expenditures.
[4] The profile for the illustrative plant is based on a plant that is built, owned and operated by us; the cash flow profile for an acquired plant may differ.

Revenue Recognition Pattern: Post-ASC 606 (Acquire Scenario)

Illustrative Plant Assumptions[4]	Plant Acquisition Price [1]	Total Contract Term Revenue[3]	Total Contract Term Adjusted EBITDA[2][3]	Total Contract Term Cash Flows
	~$50M	~$180M	~$155M	~$105M

- Revenues represent on-going O&M services, non-O&M value included as non-cash amortization
- Adjusted EBITDA is not impacted by changes in revenue recognition



[1] Plant acquisition price is defined as the initial cash outflow related to purchase of the plant and/or long-term contract costs; actual plant acquisition prices may vary.
[2] Adjusted EBITDA after initial plant investment (year 0) is net income before depreciation and amortization, net interest expense; income tax expense (benefit) and intercompany allocations.
[3] The illustrative model assumes an annual increase for inflation of 2% to both revenues and operating expenditures.
[4] The profile for the illustrative plant is based on an acquired plant; the cash flow profile for a plant that is built, owned and operated may differ.

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Consolidated AquaVenture Holdings

Full Year 2017 Results: Pre- and Post-ASC 606

Consolidated Full Year 2017 – Pre- and Post-ASC 606

(in thousands)	For the Year Ended December 31, 2017		
	Pre-ASC 606	Post-ASC 606	Change
Revenues:			
Bulk water	$ 58,358	$ 53,436	$ (4,922)
Rental	52,997	52,997	—
Other	9,796	9,796	—
Financing Income	—	4,534	4,534
Total revenues	121,151	120,763	(388)
Cost of revenues:			
Bulk water	34,617	27,145	(7,472)
Rental	23,484	23,484	—
Other	5,779	5,779	—
Total cost of revenues	63,880	56,408	(7,472)
Gross profit	57,271	64,355	7,084
Selling, general and administrative expenses	69,648	72,421	2,773
Loss from operations	(12,377)	(8,066)	4,311
Other expense:			
Interest expense, net	7,945	11,537	3,592
Other expense, net	1,850	1,850	—
Loss before income tax expense	(22,172)	(21,453)	719
Income tax expense	3,622	3,441	(181)
Net loss	$ (25,794)	$ (24,894)	$ 900
Loss per share - basic and diluted	$ (0.98)	$ (0.94)	$ 0.04

Categories of revenues and cost of revenues presented above is for purposes of this presentation only and may differ from results reported in our quarterly filings.

Consolidated Full Year 2017 – Pre- and Post-ASC 606

($ in thousands)	For the Year Ended December 31, 2017		
	Pre-ASC 606	Post-ASC 606	Change
Revenues	$ 121,151	$ 120,763	$ (388)
Gross Profit	$ 57,271	$ 64,355	$ 7,084
Gross Margin	47.3%	53.3%	6.0%
Adjusted EBITDA	$ 38,113	$ 39,236	$ 1,123
Adjusted EBITDA Margin	31.5%	32.5%	1.0%
Cash / Principal* collected on Peru construction contract	$ 8,105	$ 4,513	$ (3,592)
Adjusted EBITDA plus cash / principal* collected on Peru construction contract	$ 46,218	$ 43,749	$ (2,469)

* Prior to the adoption of ASC 606, the balance represents the cash collected, both principal and interest, on the Peru construction contract. After the adoption of ASC 606, the balance represents the principal collected on the Peru construction contract, as the interest is recorded in revenues and included in the calculation of Adjusted EBITDA.

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Appendix:

Supplemental Information and Reconciliations

ASC 606 Impact: FY 2017 by Quarter

Seven Seas Water

($ in thousands)	Pre-ASC 606 Fiscal Year 2017					Post-ASC 606 Fiscal Year 2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues	14,215	14,817	14,206	15,120	58,358	14,148	14,764	14,090	14,968	57,970
Gross profit	5,391	5,642	6,302	6,406	23,741	7,102	7,370	8,115	8,238	30,825
Gross margin	*37.9%*	*38.1%*	*44.4%*	*42.4%*	*40.7%*	*50.2%*	*49.9%*	*57.6%*	*55.0%*	*53.2%*
Selling, general and administrative expenses	6,154	5,931	6,607	6,966	25,658	6,852	6,613	7,303	7,663	28,431
Other expense, net	1,258	1,117	1,764	1,942	6,081	2,191	2,026	2,651	2,805	9,673
Income tax expense	859	775	790	1,003	3,427	814	675	741	1,016	3,246
Net loss	(2,880)	(2,181)	(2,859)	(3,505)	(11,425)	(2,755)	(1,944)	(2,580)	(3,246)	(10,525)
Adjusted EBITDA	5,607	6,145	6,883	6,737	25,372	5,861	6,367	7,199	7,068	26,495
Adjusted EBITDA Margin	*39.4%*	*41.5%*	*48.5%*	*44.6%*	*43.5%*	*41.4%*	*43.1%*	*51.1%*	*47.2%*	*45.7%*
Cash / Principal collected on Peru construction contract	2,026	2,027	2,025	2,027	8,105	1,094	1,117	1,138	1,164	4,513
Adjusted EBITDA plus cash collected on Peru construction contract	7,633	8,172	8,908	8,764	33,477	6,955	7,484	8,337	8,232	31,008

ASC 606 Impact: FY 2017 by Quarter

Consolidated AquaVenture Holdings

($ in thousands)	Pre-ASC 606					Post-ASC 606				
	Fiscal Year 2017					Fiscal Year 2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues	29,008	29,893	29,893	32,357	121,151	28,941	29,840	29,777	32,205	120,763
Gross profit	13,294	13,876	14,521	15,580	57,271	15,005	15,604	16,334	17,412	64,355
Gross margin	*45.8%*	*46.4%*	*48.6%*	*48.2%*	*47.3%*	*51.8%*	*52.3%*	*54.9%*	*54.1%*	*53.3%*
Selling, general and administrative expenses	16,488	16,742	17,734	18,684	69,648	17,186	17,424	18,430	19,381	72,421
Other expense, net	1,997	1,797	3,508	2,493	9,795	2,930	2,706	4,395	3,356	13,387
Income tax expense	935	864	846	977	3,622	890	764	797	990	3,441
Net loss	(6,126)	(5,527)	(7,567)	(6,574)	(25,794)	(6,001)	(5,290)	(7,288)	(6,315)	(24,894)
Adjusted EBITDA	8,529	9,382	9,701	10,501	38,113	8,783	9,604	10,017	10,832	39,236
Adjusted EBITDA Margin	*29.4%*	*31.4%*	*32.5%*	*32.5%*	*31.5%*	*30.3%*	*32.2%*	*33.6%*	*33.6%*	*32.5%*
Cash / Principal collected on Peru construction contract	2,026	2,027	2,025	2,027	8,105	1,094	1,117	1,138	1,164	4,513
Adjusted EBITDA plus cash collected on Peru construction contract	10,555	11,409	11,726	12,528	46,218	9,877	10,721	11,155	11,996	43,749
Loss per share - basic and diluted	(0.23)	(0.21)	(0.29)	(0.25)	(0.98)	(0.23)	(0.20)	(0.28)	(0.24)	(0.94)

Consolidated Non-GAAP Reconciliation

Consolidated AquaVenture Holdings

($ in thousands)	For the Year Ended December 31, 2017		
	Pre-ASC 606	Post-ASC 606	Change
Net loss	$ (25,794)	$ (24,894)	$ 900
Depreciation and amortization	32,395	29,648	(2,747)
Interest expense, net	7,945	11,537	3,592
Income tax expense	3,622	3,441	(181)
Share-based compensation expense	12,120	12,120	—
Loss on disposal of assets	1,468	1,468	—
Acquisition-related expenses	1,915	1,915	—
Changes in deferred revenue related to our bulk water business	901	460	(441)
ERP implementation charges for a SAAS solution	2,152	2,152	—
Loss on debt extinguishment	1,389	1,389	—
Adjusted EBITDA	$ 38,113	$ 39,236	$ 1,123

Adjusted EBITDA, a non-GAAP financial measure, is defined as earnings (loss) before net interest expense, income taxes, depreciation and amortization as well as adjusting for the following items: share-based compensation expense, gain or loss on disposal of assets, acquisition-related expenses, changes in deferred revenue related to our bulk water business, enterprise resource planning ("ERP") system implementation charges for a software-as-a-service ("SAAS") solution, initial public offering costs, gains (losses) on extinguishment of debt and certain adjustments recorded in connection with purchase accounting for acquisitions. Adjusted EBITDA should not be considered a measure of financial performance under GAAP. Management believes that the use of Adjusted EBITDA, which is used by management as a key metric to assess performance, provides consistency and comparability with our past financial performance, and facilitates period-to-period comparisons of operations. Management believes that it is useful to exclude certain charges, such as depreciation and amortization, and non-core operational charges, from Adjusted EBITDA because (1) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (2) such expenses can vary significantly between periods as a result of the timing of acquisitions or restructurings.

Consolidated Non-GAAP Reconciliation

Seven Seas Water

($ in thousands)	Pre-ASC 606					Post-ASC 606				
	Fiscal Year 2017					Fiscal Year 2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Net loss	$ (2,880)	$ (2,181)	$ (2,859)	$ (3,505)	$ (11,425)	$ (2,755)	$ (1,944)	$ (2,580)	$ (3,246)	$ (10,525)
Depreciation and amortization	4,272	4,221	4,278	4,282	17,053	3,594	3,533	3,589	3,590	14,306
Interest expense, net	1,076	1,024	880	1,819	4,799	2,009	1,933	1,767	2,682	8,391
Income tax expense	859	775	790	1,003	3,427	814	675	741	1,016	3,246
Share-based compensation expense	2,000	2,036	2,048	1,966	8,050	2,000	2,036	2,048	1,966	8,050
Loss (gain) on disposal of assets	—	—	(22)	3	(19)	—	—	(22)	3	(19)
Acquisition-related expenses	—	63	738	965	1,766	—	63	738	965	1,766
Changes in deferred revenue related to our bulk water business	280	207	210	204	901	199	71	98	92	460
Loss on debt extinguishment	—	—	820	—	820	—	—	820	—	820
Adjusted EBITDA	$ 5,607	$ 6,145	$ 6,883	$ 6,737	$ 25,372	$ 5,861	$ 6,367	$ 7,199	$ 7,068	$ 26,495

Consolidated AquaVenture Holdings

($ in thousands)	Pre-ASC 606					Post-ASC 606				
	Fiscal Year 2017					Fiscal Year 2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Net loss	$ (6,126)	$ (5,527)	$ (7,567)	$ (6,574)	$ (25,794)	$ (6,001)	$ (5,290)	$ (7,288)	$ (6,315)	$ (24,894)
Depreciation and amortization	7,807	7,890	8,134	8,564	32,395	7,129	7,202	7,445	7,872	29,648
Interest expense, net	1,815	1,704	2,055	2,371	7,945	2,748	2,613	2,942	3,234	11,537
Income tax expense	935	864	846	977	3,622	890	764	797	990	3,441
Share-based compensation expense	2,854	3,056	3,142	3,068	12,120	2,854	3,056	3,142	3,068	12,120
Loss on disposal of assets	268	374	242	584	1,468	268	374	242	584	1,468
Acquisition-related expenses	—	63	877	975	1,915	—	63	877	975	1,915
Changes in deferred revenue related to our bulk water business	280	207	210	204	901	199	71	98	92	460
ERP implementation charges for a SAAS solution	696	751	373	332	2,152	696	751	373	332	2,152
Loss on debt extinguishment	—	—	1,389	—	1,389	—	—	1,389	—	1,389
Adjusted EBITDA	$ 8,529	$ 9,382	$ 9,701	$ 10,501	$ 38,113	$ 8,783	$ 9,604	$ 10,017	$ 10,832	$ 39,236