

BQE Water – Wrapping Up Another Record Year

Rating
BUY
Unchanged

Target Price
\$80.00
Unchanged

April 25, 2025

All figures in CAD unless otherwise stated

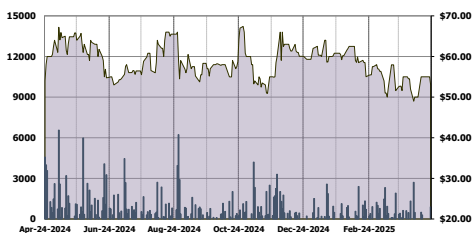
BQE Water Inc.	BQE:TSXV
Rating	BUY
Target Price	\$80.00
Return to Target	51%

Market Data	
Share Price	\$53.00
Average Daily Volume	180.0
FD ITM Shares (M)	1.3
Market Cap (\$M)	\$69.0
Cash (\$M)	\$11.8
Debt (\$M)	\$1.9
Enterprise Value (\$M)	\$59.2

FYE Dec 31	2024A	2025E	2026E
Proportional Revenue (\$M)	\$24.8	\$28.7	\$32.1
Revenue (\$M)	\$17.2	\$25.2	\$0.0
Gross Margin (%)	49%	48%	51%
Adj. EBITDA (\$M)	\$5.6	\$8.2	\$10.1
Adj. EBITDA Margin (%)	23%	28%	32%
Net Income (\$M)	\$4.8	\$5.7	\$7.0
EPS (Basic)	\$3.78	\$4.48	\$5.43
FCFF (\$M)	\$2.5	\$5.1	\$5.8

Valuation	2024A	2025E	2026E
EV/EBITDA	10.6x	7.2x	5.8x
P/E	14.0x	11.8x	9.8x
FCF Yield (%)	4%	9%	10%
EV/Sales	2.4x	2.1x	1.8x

Please refer to the applicable disclosures on the back page
Disseminated on behalf of BQE Water Inc.
Source: Atrium Research, CapitalIQ, Company Documents



BQE Water is a service provider specializing in water treatment and management for mining, smelting, and refining businesses. BQE Water invests in innovation and has developed unique intellectual property through the commercialization of several new technologies at mine sites around the world for organizations including Glencore, Codelco, Jiangxi Copper, Freeport-McMoRan and South32. BQE Water is headquartered in Vancouver, Canada.

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What you need to know:

- BQE reported Q4 and 2024 financial results that were slightly behind our expectations but solid, nevertheless.
- Q4 proportional revenue came in at \$5.8M (+6% YoY) and adjusted EBITDA came in at (\$0.0M) vs. our estimate of \$1.0M.
- 2024 proportional revenue was \$24.8M (+9% YoY) and adjusted EBITDA was \$5.6M (23% margin, +20% YoY.)
- Management provided an insightful update on its operations as it sets up for another record year in 2025.

Yesterday after market close, BQE Water (BQE:TSXV, BTQNF:OTC) reported Q4 and 2024 financials that slightly missed our estimates but still represented another year of steady growth, posting 9% revenue growth and 20% EBITDA growth. We expect growth to accelerate in 2025 with continued margin expansion as BQE's value proposition becomes increasingly important and new mining projects are developed in the current environment. **We are maintaining our BUY rating and \$80.00/share target price on BQE Water.**

Key Highlights

- Q4 prop. revenue came in at \$5.8M (+6% YoY) vs. our estimate of \$6.0M. 2024 prop. revenue was \$24.8M (+9% YoY), comprising of operations services revenue of \$10.5M (+27% YoY, 42% of revenue), technical services revenue of \$6.7M (-32% YoY), and BQE's share of JV revenue of \$7.6M (+66% YoY).
- Gross margin for the quarter of 40% vs. our expectation of 49% and 55% in Q4/23. 2024 gross margin came in at 49% vs. our estimate of 51%.
- Adjusted EBITDA in Q4 of breakeven vs. our estimate of \$1.0M and \$0.5M in Q4/23. Full-year adjusted EBITDA came in at \$5.6M, representing a 23% EBITDA margin and +20% YoY growth.
- BQE's share of JV net income was \$2.5M for the year (compared to \$0.4M last year) and (\$0.6M) for the quarter (similar to Q4/23).
- Net income of \$1.2M in Q4 vs. our estimate of \$0.5M as BQE benefitted from an income tax recovery. Full-year net income was \$4.8M or \$3.78/share compared to our estimate of \$4.3M or \$3.36/share and \$2.7M or \$2.12/share in 2023.
- BQE ended the quarter with \$11.8M in cash and \$1.9M in debt.

	Q4/24A	Atrium Est.	YoY
Proportional Revenue (\$M)	\$5.8	\$6.0	+6%
GAAP Revenue (\$M)	\$5.1	\$5.2	+1%
Gross Margin (%)	40%	49%	+88 bps
Adj. EBITDA (\$M)	(\$0.0)	\$1.0	-100%
Adj. EBITDA Margin (%)	0%	17%	-1000 bps

Figure 1: Q4 Financials Summary

Outlook

Management highlighted that the record year was driven by its increased focus on recurring revenue, making up for the decline in technical services revenue. Management reiterated that the technical services segment is lumpy, due to the unpredictable timing and progression of mining projects. Technical services contracts range from \$30K to \$3M and completing the lower fee work remains crucial for BQE's long-term strategy of building relationships with its clients from an early stage. The team now has visibility on several larger technical services contracts and expects stronger results in H1.

This includes 1) the installation and commissioning of the Valley Tailings plant in the Yukon, 2) the commissioning of the fourth Selen-IX™ plant in the North Central region of the U.S., 3) the detailed design of a sulphate removal plant that will subsequently go into construction in B.C., and 4) the commissioning of the third SART plant for Shandong Gold in China.

Management stated that BQE’s operating contract with the Minto Mine ended in 2024 and will not continue in 2025. The Selkirk First Nation has become the key player in deciding next steps, but no clear direction has been set for the future of this project yet. BQE’s Minto operations team is fully utilized, operating the emergency response water treatment system at the Eagle Gold Mine in the Yukon. This contract is set to conclude in June 2025 but may get extended depending on the water situation at site. BQE stated that it anticipates that the Eagle project will more than offset the revenue loss from Minto in 2025.

Additionally, BQE engaged with its customer in the Southwestern U.S. on the renewal and restructuring of its operating contracts for two plants where the term was set to expire in 12-18 months. Its contract was renewed early for a 5-year term but at a lower monthly fee, as BQE reduced its scope from full operations to operations support. This decreases revenue in the short-term but provides additional longevity for recurring revenue. BQE expects to cover the shortfall in 2025 with revenue from other projects and increase recurring revenue from new sites such as those undergoing commissioning in 2025.

Tariff Impact

Management outlined that there has been no immediate impact from the tariffs since BQE only provides services and does not manufacture goods or generate profits from exporting/importing goods. However, the tariffs create economic uncertainty, which may impact access to funding in the mining sector. As such, there may be a market slowdown especially for junior mining companies, however, in the medium to long-term the shift to self-dependency can boost growth in the sector. Management also mentioned that various governments are attempting to accelerate permitting and are allocating government support for critical minerals and nuclear power, supporting BQE’s tailwinds. BQE’s elite balance sheet will allow it to weather the storm and take advantage of opportunities as they arise.

Our Take

Q4 represented another decent quarter for BQE, although slightly missing our expectations. We remain bullish given the outlook provided by management and the levels of activity we are seeing in the mining sector. We remind readers that it is best to look at BQE on an annual basis, given the quarterly lumpiness; 2024 marked another excellent year, where management executed on its plan. Proportional revenue grew 9% YoY including 27% YoY growth from the operations services segment while EBITDA margins rose to 23% from 20% last year. We expect slightly accelerated growth in 2025, where we are modelling 16% growth in proportional revenue with EBITDA margins rising further to 28%, representing 47% YoY EBITDA growth. We are also introducing our quarterly estimates for 2025, which can be found in Figure 6.

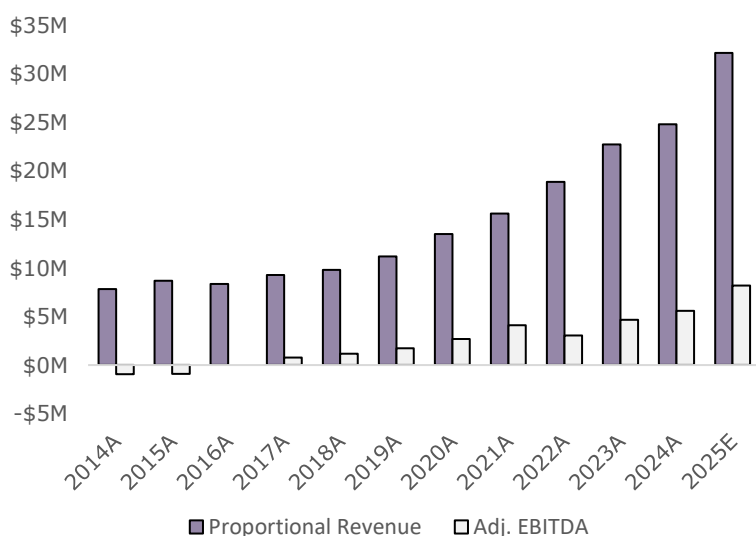


Figure 2: Revenue & EBITDA Growth

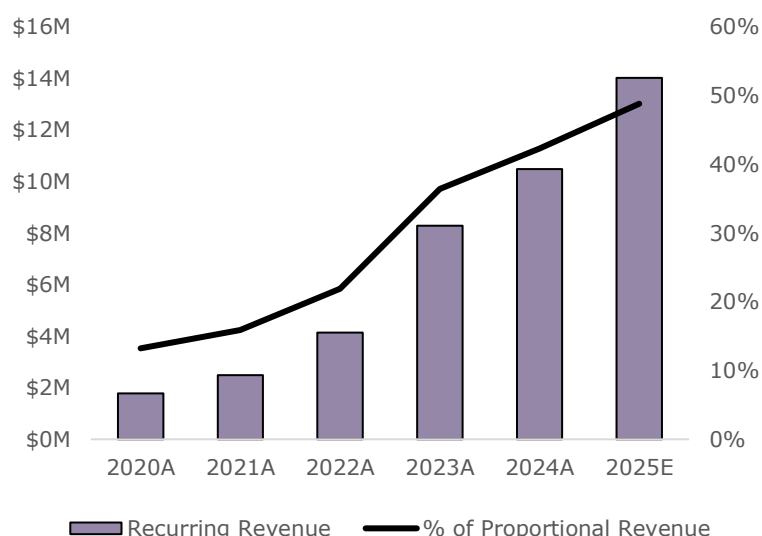


Figure 3: Recurring Revenue Improvement

Evaluating the Blue-Sky Scenario

On February 12th, 2025, our team published a note outlining a blue sky scenario for BQE. The note included accounting for various factors that are not accounted for in our model including company maker projects, new applications of its IP, the mining bull cycle, capital allocation, geographic expansion, trust in management, and multiple expansion. To read the full note, click [here](#).

One of the points mentioned in our note was the developing mining bull cycle, which has advanced further since the report. Spot gold prices are up 27% YTD, reaching new ATHs while silver is up 16% YTD and copper is up 23% YTD. We will reiterate that many new projects are being financed in the current commodity price environment with the gas on the fire being politicians globally shifting their stance towards mining; please refer to a panel discussion we conducted on this topic [here](#). This includes Donald Trump's two executive orders aimed at fast-tracking the approval and development of resource projects. This is all happening in the new age of ESG, where mining firms have a continued focus on water treatment, playing into BQE's favour. We are closely monitoring Seabridge's KSM Project (one of BQE's company maker projects) as it looks to advance its project after closing a US\$100M bought deal in late February.

Valuation

BQE now trades at 7.2x/5.8x 2025E/2026E EBITDA assuming solid growth in 2025 and 2026. This compares to engineering service firms at 13.6x/11.0x and water treatment firms at 10.0x/8.2x (almost all of which have lower growth and margins). We remind readers that we are not modelling any "Company Maker" projects being signed, which can drastically transform BQE's financials. This includes Seabridge's KSM project which received environmental approvals specifically using BQE's water treatment technology (including selenium). We continue to value BQE at \$80.00/share based on 11.5x 2025E EBITDA or 9.5x 2026E EBITDA.

Company	Ticker	Mkt Cap (\$C)	EV (\$C)	Sales CAGR (2022A-2026E)	EBITDA CAGR (2022A-2026E)	EBITDA Margin 2024A	EV/EBITDA		
							2024A	2025E	2026E
Engineering Services									
WSP Global Inc.	WSP	\$33,070	\$38,238	6%	25%	11%	21.6x	15.0x	13.7x
Stantec Inc.	STN	\$13,936	\$15,744	13%	21%	14%	19.4x	14.2x	12.9x
Atkinsrealis Group Inc.	ATRL	\$11,965	\$13,499	10%	33%	8%	17.9x	13.2x	11.5x
BluMetric Environmental Inc.	BLM	\$45	\$45	18%	44%	3%	47.3x	11.8x	5.8x
Average				12%	31%	9%	26.5x	13.6x	11.0x
Water & Wastewater Treatment									
Veolia Environnement SA	VIE	\$36,168	\$63,789	5%	11%	12%	7.3x	5.7x	5.6x
Xylem Inc.	XYL	\$38,977	\$40,810	12%	23%	20%	17.5x	15.6x	14.2x
Kemira Oyj	KEMIRA	\$4,857	\$5,317	-3%	5%	18%	6.5x	5.8x	5.8x
Consolidated Water Co. Ltd.	CWCO	\$526	\$393	10%	10%	19%	11.4x	12.7x	7.1x
Average				6%	12%	17%	10.7x	10.0x	8.2x
BQE Water Inc.	BQE	\$69	\$59	20%	35%	23%	10.6x	7.2x	5.8x

Figure 4: Peer Group Analysis (Source: Capital IQ)

Why We Like BQE

- BQE has a growing stream of recurring revenue (operation services). Recurring revenue represented 13% of proportional revenue in 2020 and has grown to 42% in 2024.
- The Company has strong tailwinds in increasingly strict government regulations for water discharge and increasing mining capex globally.
- BQE Water has been steadily increasing its EBITDA margins from negative levels a decade ago to 23% in 2024. Given its asset-light business model, we expect this to continue scaling up.
- BQE has a clean balance sheet with a large cash position and no interest-bearing debt. The Company has not raised equity since 2018 and has three private investors owning 46%.
- BQE's valuation is cheaper than water treatment and engineering service firms.

Catalysts

- Quarterly Financial Results & Increasing Recurring Revenue – Ongoing
- New Contract Announcements (Including “Company Maker” Projects) – Ongoing
- Share Repurchases & Acquisitions – 2025

Estimate Revisions

	Q1/25E		Q2/25E		2025E		2026E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue (\$M)	\$3.9	N/A	\$5.8	N/A	\$28.7	\$29.1	\$32.1	\$31.5
GAAP Revenue (\$M)	\$3.1	N/A	\$5.1	N/A	\$22.0	\$20.8	\$25.2	\$22.9
Gross Margin (%)	44%	N/A	49%	N/A	48%	51%	51%	51%
Adj. EBITDA (\$M)	(\$0.0)	N/A	(\$0.0)	N/A	\$8.2	\$8.4	\$10.1	\$9.2

Figure 5: Estimate Revisions

Tear Sheet

Market Data						Capital Structure						
Ticker	BQE:TSXV					Basic Shares Outstanding (M)	1.3					
Stock Price	\$53.00					Warrants (M)	0.0					
Rating	BUY					Options (M)	0.0					
Target Price	\$80.00					FD Shares (M)	1.3					
Upside	51%					FD ITM Shares (M)	1.3					
Market Cap (\$M)	\$69.0					Ownership						
Cash (\$M)	\$11.8					Management & Board	8%					
Debt (\$M)	\$1.9					Other Insiders	46%					
EV (\$M)	\$59.2					Retail	46%					
Financial Estimates												
	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E	2026E
Revenue (\$M)	18.1	2.5	3.4	6.2	5.1	17.2	3.1	4.7	8.5	5.7	22.0	25.2
Proportional Revenue (\$M)	22.7	3.4	6.1	9.5	5.8	24.8	3.9	7.1	11.5	6.3	28.7	32.1
% YoY	20%	-4%	5%	20%	6%	9%	14%	17%	20%	9%	16%	12%
Gross Profit (\$M)	8.3	1.1	1.6	3.7	2.0	8.4	1.4	2.2	4.0	2.9	10.5	12.9
Gross Margin	46%	44%	47%	59%	40%	49%	44%	47%	47%	51%	48%	51%
Adj. EBITDA (\$M)	4.7	(0.1)	1.3	4.4	(0.0)	5.6	(0.0)	2.2	3.7	2.2	8.2	10.1
Adj. EBITDA Margin	20%	-4%	22%	46%	0%	23%	0%	32%	33%	35%	28%	32%
Net Income (\$M)	1.9	(0.5)	0.6	3.5	1.2	4.8	(0.3)	1.6	2.9	1.6	5.7	7.0
EPS (Basic)	2.12	(0.39)	0.44	2.91	0.96	3.78	(0.25)	1.25	2.24	1.23	4.48	5.43
FCFF (\$M)	0.5	0.3	(1.9)	3.3	0.8	2.5	0.5	(0.1)	2.4	2.3	5.1	5.8

Figure 6: Tear Sheet

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HOLD: The stock is expected to generate returns of 0-20% over the next 24 months.

SELL: The stock is expected to generate negative returns over the next 24 months.

NOT RATED (N/R): Atrium does not provide research coverage on the respective company.

RATING	COVERED COMPANIES
BUY	22
HOLD	0
SELL	0

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