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Research Note

BQE Water – Continuing to Generate Strong Cashflow

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Rating	Target Price
BUY	**$80.00**
Unchanged	*Unchanged*

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Disseminated on Behalf of BQE Water Inc.

All figures in CAD unless otherwise stated

BQE Water Inc.	**BQE:TSXV**
Rating	BUY
Target Price	$80.00
Return to Target	57%

Market Data	
Share Price	$50.90
Average Daily Volume	310.0
FD ITM Shares (M)	1.3
Market Cap ($M)	$66.8
Cash ($M)	$17.0
Debt ($M)	$2.3
Enterprise Value ($M)	$52.1

FYE Dec 31	**2024A**	**2025E**	**2026E**
Proportional Revenue ($M)	$24.8	$38.0	$43.4
Revenue ($M)	$17.2	$34.0	$41.7
Gross Margin (%)	49%	41%	45%
Adj. EBITDA ($M)	$5.6	$9.4	$10.6
Adj. EBITDA Margin (%)	23%	25%	24%
Net Income ($M)	$4.8	$7.5	$7.5
EPS (Basic)	$3.78	$5.81	$5.76
FCFF ($M)	$2.5	$6.7	$5.1

Valuation	**2024A**	**2025E**	**2026E**
EV/EBITDA	9.3x	5.6x	4.9x
P/E	13.5x	8.8x	8.8x
FCF Yield (%)	5%	13%	10%
EV/Sales	2.1x	1.4x	1.2x

Please refer to the applicable disclosures on the back page
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.

What you need to know:

- BQE reported Q3 financial results yesterday that were mixed relative to our expectations, missing on revenue and beating on profitability.
- Q3 proportional revenue came in at $10.7M (+12% YoY), below our estimate of $13.1M. Adjusted EBITDA was $3.3M compared to our estimate of $3.0M.
- The quarter was driven by strong performance from the technical services segment; however, we expect the recurring operations segment to resume growth over the coming quarters.

Yesterday, after market close, BQE Water (BQE:TSXV, BTQNF:OTC) reported Q3 financials that were mixed compared to our expectations, missing on revenue and beating on profitability. Q3 was similar to H1, with technical services leading the charge, resulting in a record $22.6M in revenue through the nine months. While the recurring operations segment's performance has been weak lately, BQE commissioned a new selenium plant in the US and a new SART plant in China, setting up for stronger recurring revenue in Q4. We view this as a material catalyst, and the stagnant share price makes for a great entry price at just 5.6x 2025E EBITDA. **We are maintaining our BUY rating and $80.00/share target price on BQE Water.**

Key Highlights

- Q3 proportional revenue came in at $10.7M (+12% YoY) vs. our estimate of $13.1M. This was comprised of $2.3M in operations services revenue (-40% YoY), $7.0M in technical services revenue (+137% YoY), and $1.3M in BQE's share of JV revenue (-60% YoY).
- Gross margin was 51% vs. our estimate of 36% and 59% in Q3/24.
- Adjusted EBITDA for the quarter was $3.3M (-24% YoY) vs. our estimate of $3.0M. This represents a 31% margin compared to 46% in Q3/24, due to the lower margin technical services representing a larger portion of sales.
- BQE's share of JV net income was $0.3M, compared to $1.6M in Q3/24.
- Net income was $2.8M or $2.15/share vs. our estimate of $2.2M or $1.71/share and $3.5M or $2.91/share in Q3 last year.
- The Company ended the quarter with $17.0M in cash after generating $2.9M in OCF (before WC). BQE ended the quarter with $2.3M in debt (leases and non-interest-bearing debt).
- BQE also ended Q3 with record working capital of $20.5M.

	Q3/25A	Atrium Est.	YoY
Proportional Revenue ($M)	**$10.7**	$13.1	+12%
GAAP Revenue ($M)	**$9.3**	$11.1	+51%
Gross Margin (%)	**51%**	36%	-899 bps
Adj. EBITDA ($M)	**$3.3**	$3.0	-24%
Adj. EBITDA Margin (%)	**31%**	23%	-1453 bps

Figure 1: Financial Highlights

Outlook

Management is expecting a strong Q4 with its two new plants being commissioned and generating recurring revenue. On the technical services side, BQE has two engineering projects coming to completion before the year's end and several new major engineering design projects set to kick off. Each of these projects has the potential to generate new recurring revenue, setting up BQE for long-term success. Management reminded investors to look at the Company on an annual basis rather than a quarter-to-quarter basis, to judge its growth and profitability.

Furthermore, BQE re-stated that its main strategy remains to generate recurring revenue from water treatment plant operations. The operations segment has declined $2.8M in the last nine months, as there was no contribution from the Minto Mine in 2025 and the restructuring of two operating contracts in the U.S., resulting in reduced scope over an extended term. Nevertheless, we should see an improvement in Q4. BQE has been investing in the foundation of its business, including its aquatic toxicology lab and increased headcount, temporarily decreasing margins in the short term before accelerating revenue growth and growing its pipeline.

Technical Services

Management indicated that it has been completing technical services for two sites, including the Eagle Mine (see below) and a new operation in Quebec, where it operates a sulphate removal system. These two projects generated a combined $10M in additional technical services revenue YTD. While the nature of these projects are operations at the site, BQE does not consider them operations services since they are not multi-year contracts. However, in both cases, services have been renewed multiple times over the last 12 months, and BQE is optimistic for future renewals given the requirement for water treatment services in 2026. This comes in addition to traditional technical services work, including engineering design and lab testing. The Eagle Mine project also provides opportunities for new revenue sources from water quality monitoring, including aquatic toxicity and supplying equipment to the project.

Technical services were also strong due to the commissioning of its new selenium plant at the Wharf Mine (see below) and a field pilot of Selen-IX at a mine in the Midwest. These projects are sporadic in nature compared to smaller contracts such as preliminary engineering assessments or lab testing.

China JV

The declining revenue and net income from the JCC-BQE JV were due to a lack of metals available for recovery reporting to the treatment plants. The simultaneous drop in recoverable copper and zinc at all three plants that treat water from different sources indicates this was weather-related rather than an irreversible depletion of recoverable metals. Management expects lower Q4/25 results from the JV due to the seasonally dry season. BQE received its annual dividend of $1.7M from the JV.

Our Take

BQE reported a solid quarter, with 12% revenue growth and strong cash generation. We believe the Company is executing well on its various segments, setting up its foundation for continued long-term growth. It seems that the pipeline is in a great position, with the two new plants being commissioned and more opportunities ahead. BQE's balance sheet ($17M in cash) allows it to continue investing in growth engines, including its aquatic toxicology division and overall staff. We continue to believe the valuation of BQE at 5.6x/4.9x 2025E/2026E EBITDA is incredibly cheap for a Company that has grown revenue at a 19% CAGR for over a decade.

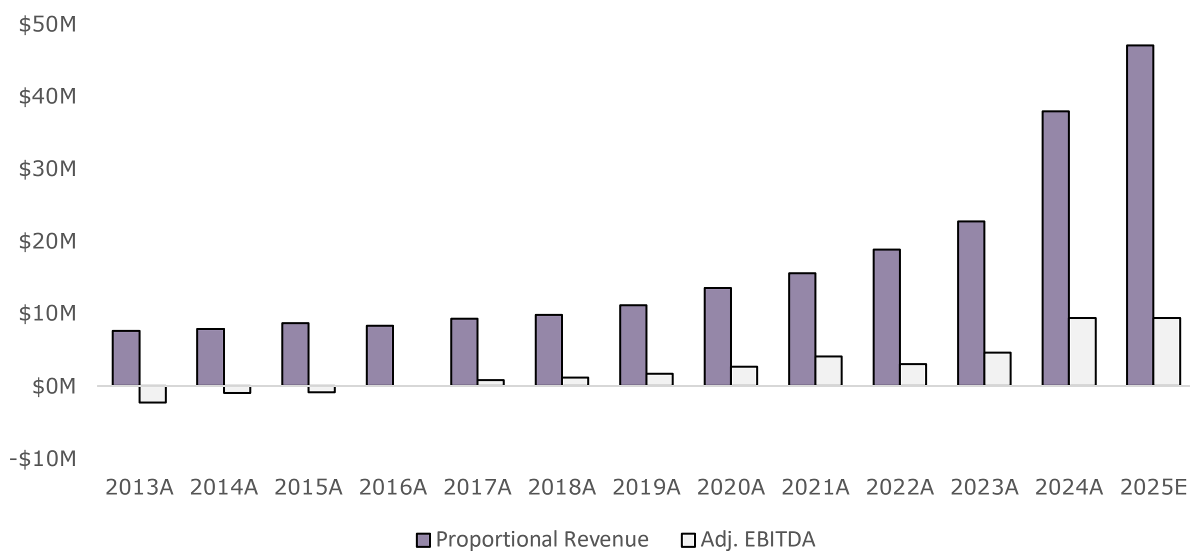

Figure 2: Long-Term Revenue & EBITDA Growth

Recent Updates

Eagle Gold Mine Water Treatment Services Update

On November 19th, BQE reported an update on the Eagle Gold Mine Project. Following the 2024 heap leach failure, BQE designed and operated an emergency water treatment plant at the mine, safely discharging more than 1.0M m³ of clean water under the oversight of the court-appointed receiver. With contaminated water volumes now largely reduced, treatment and discharge are expected to conclude by November 2025, followed by winterization and demobilization by December 15.

The Company has also submitted a proposal for the design and implementation of a long-term water treatment solution at the mine and was later selected to carry out the first phase of engineering with a contract entered on November 4th. The first phase is anticipated to be complete by mid-Q1/26. Due to the complexity of water composition and to support all possible project scenarios, the long-term treatment plant will combine multiple new processes, including the removal of cobalt-cyanide complexes to trace levels using ion exchange. The process was developed and pilot tested by BQE Water at Eagle Mine during the 2025 operation season. The long-term treatment design also includes the use of BQE Water's direct electro-reduction of selenium to be deployed if/when required.

The long-term plan emphasizes a smooth transition from the emergency system to a permanent system ahead of the 2026 spring freshet, with the ability to add treatment stages for cobalt-cyanide, nitrogen species, and selenium as needed. We will reiterate how impressive it is that BQE was selected to work on such a high-profile case.

Selen-IX Plant Commissioned at Wharf Mine

On November 12th, BQE announced that its new full-scale Selen-IX™ plant at Coeur Mining's (CDE:NYSE) Wharf Mine in South Dakota has passed performance testing and commenced routine operations in record time, only 20 months from design to discharge. The plan is designed to treat between 150 and 400 gallons of influent water per minute, removing selenium to a discharge limit of less than 5 ppb.

The plant's successful launch reinforces the growing adoption of BQE's patented selenium removal technology, highlighting its reliability and efficiency in meeting strict environmental standards. The plant has now entered routine operations under long-term support from BQE to ensure that the plant continues to perform and comply with regulatory requirements, aligning with the upcoming return to growth in the operations segment. This achievement further strengthens BQE's reputation as a leading partner for sustainable water management solutions among the largest players in the mining industry.

Figure 3: Selen-IX Plant at Wharf Mine (Source: Company Documents)

Valuation

BQE trades at 5.6x/4.9x 2025E/2026E EBITDA, which we believe to be objectively cheap for a company that has grown revenue at a 19% CAGR for over a decade. We will reiterate that while the revenue mix in 2025 is more weighted to the lower-multiple technical services segment, this still comes at a major discount to engineering services firms at 15.4x/12.1x and wastewater treatment firms at 12.8x/10.0x. Our target price remains unchanged at $80.00/share, which is based on 9.5x 2025E EBITDA. The target price is equivalent to a 7.4% FCF yield and 12.0x 2025E earnings. We are also introducing our quarterly estimates for 2026. Please refer to Figure 4.

Why We Like BQE

- BQE has a growing stream of recurring revenue (operational 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

Tear Sheet

Market Data	
Ticker	BQE:TSXV
Stock Price	$50.90
Rating	BUY
Target Price	$80.00
Upside	57%
Market Cap ($M)	$66.8
Cash ($M)	$17.0
Debt ($M)	$2.3
EV ($M)	$52.1

Capital Structure	
Basic Shares Outstanding (M)	1.3
Warrants (M)	0.0
Options (M)	0.0
FD Shares (M)	1.3
FD ITM Shares (M)	1.3

Ownership	
Management & Board	27%
Other Insiders	26%
Retail	47%

Financial Estimates	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	2027E
Revenue ($M)	**17.2**	**7.4**	**11.3**	**9.3**	**6.0**	**34.0**	**9.0**	**10.7**	**9.7**	**8.8**	**38.2**	**41.7**
Proportional Revenue ($M)	**24.8**	**7.9**	**12.9**	**10.7**	**6.5**	**38.0**	**9.6**	**12.7**	**11.6**	**9.5**	**43.4**	**47.0**
% YoY	*9%*	*133%*	*112%*	*12%*	*12%*	*53%*	*21%*	*-2%*	*9%*	*48%*	*14%*	*8%*
Gross Profit ($M)	**8.4**	**3.2**	**3.7**	**4.7**	**2.5**	**14.1**	**3.8**	**4.8**	**4.6**	**4.2**	**17.3**	**19.6**
Gross Margin	*49%*	*43%*	*33%*	*51%*	*41%*	*41%*	*42%*	*45%*	*47%*	*47%*	*45%*	*47%*
Adj. EBITDA ($M)	**5.6**	**1.9**	**2.5**	**3.3**	**1.7**	**9.4**	**1.9**	**3.2**	**3.1**	**2.4**	**10.6**	**12.8**
Adj. EBITDA Margin	*23%*	*24%*	*19%*	*31%*	*26%*	*25%*	*20%*	*25%*	*27%*	*25%*	*24%*	*27%*
Net Income ($M)	4.8	1.7	1.9	2.8	1.1	7.5	1.3	2.3	2.2	1.7	7.5	8.7
EPS (Basic)	3.78	1.34	1.48	2.15	0.86	5.81	1.00	1.77	1.72	1.27	5.76	6.66
FCFF ($M)	2.5	(1.0)	2.6	1.2	3.6	6.7	(0.2)	0.8	2.3	2.1	5.1	7.6

Figure 4: Tear Sheet

Estimate Revisions

	Q4/25E		Q1/26E		2025E		2026E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue ($M)	**$6.5**	$7.1	**$9.6**	N/A	**$38.0**	$41.1	**$43.4**	$44.6
GAAP Revenue ($M)	**$6.0**	$6.6	**$9.0**	N/A	**$34.0**	$36.4	**$38.2**	$39.8
Gross Margin (%)	**41%**	41%	**42%**	N/A	**41%**	37%	**45%**	46%
Adj. EBITDA ($M)	**$1.7**	$1.8	**$1.9**	N/A	**$9.4**	$9.2	**$10.6**	$11.7

Figure 5: Estimate Revisions

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RATING	COVERED COMPANIES
BUY	37
HOLD	0
SELL	0

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