

BQE Water – Signs 20-Year Contract with BC Government

Rating
BUY
Unchanged

Target Price
\$80.00
Unchanged

December 18, 2025

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 | 43% |

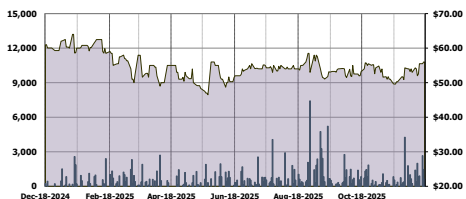
Market Data

| | |
|------------------------|---------|
| Share Price | \$56.00 |
| Average Daily Volume | 1150.0 |
| FD ITM Shares (M) | 1.3 |
| Market Cap (\$M) | \$73.5 |
| Cash (\$M) | \$17.0 |
| Debt (\$M) | \$2.3 |
| Enterprise Value (\$M) | \$58.9 |

| FYE Dec 31 | 2024A | 2025E | 2026E |
|----------------------------|--------|--------|--------|
| Proportional Revenue (\$M) | \$24.8 | \$38.0 | \$44.7 |
| Revenue (\$M) | \$17.2 | \$34.0 | \$43.5 |
| Gross Margin (%) | 49% | 41% | 45% |
| Adj. EBITDA (\$M) | \$5.6 | \$9.4 | \$10.9 |
| Adj. EBITDA Margin (%) | 23% | 25% | 24% |
| Net Income (\$M) | \$4.8 | \$7.5 | \$7.7 |
| EPS (Basic) | \$3.78 | \$5.81 | \$5.94 |
| FCFF (\$M) | \$2.5 | \$6.7 | \$5.2 |

| Valuation | 2024A | 2025E | 2026E |
|---------------|-------|-------|-------|
| EV/EBITDA | 10.5x | 6.3x | 5.4x |
| P/E | 14.8x | 9.6x | 9.4x |
| FCF Yield (%) | 4% | 11% | 9% |
| EV/Sales | 2.4x | 1.6x | 1.3x |

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.

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What you need to know:

- BQE announced that it was awarded a 20-year contract with the BC government for long-term operations and maintenance services for the Britannia Mine Water Treatment Plant. The contract has upside opportunities based on cost savings delivered by BQE.
- This represented the largest contract in BQE's history.
- We view this as a significant catalyst for the stock, as growth will now resume in the operations services segment, while the technical services segment is already growing rapidly.

This morning, BQE Water (BQE:TSXV, BTQNF:OTC) announced that it was awarded a 20-year contract with the BC government to provide long-term operations and maintenance services for the Britannia Mine Water Treatment Plant. We view this as a strong catalyst for the Company, which was struggling to grow its operations services segment in recent quarters. Combining this with other operations projects starting in Q4, BQE is set up for improved growth across the business. We view the current valuation of 5.4x 2026E EBITDA as very cheap relative to BQE's track record of growth and the peer group valuation. **We are maintaining our BUY rating and \$80.00/share target price on BQE Water.**

Britannia Mine Water Treatment Contract

BQE signed the contract following a competitive procurement process administered by Infrastructure BC on behalf of the BC government. This represented the largest contract signed in BQE's history. The Britannia Mine was once the largest copper producer in the British Commonwealth before closing in 1974. The plant is located 50km north of Vancouver, next to the Sea-to-Sky Highway. The existing twenty-year-old facility is a High-Density Sludge (HDS) lime treatment plant that neutralizes acidity and removes heavy metals, primarily copper and zinc, from the mine water. The facility treats on average 4-5M cubic meters per year of mine-impacted water and prevents ~600 tonnes of heavy metal contaminants from entering the marine environment each year. This is in line with several other plants in BQE's portfolio.

BQE will assume the responsibility for all aspects of the plant operation and maintenance as of January 13th, 2026, for a term of 20 years, requiring an on-site team of six, including two supervisors who will be supported by locally based engineers, technicians, and automation specialists. BQE is also implementing a Computerized Maintenance Management System (CMMS) to help reduce life cycle costs and risks, in addition to a series of planned capital projects. The contract includes a provision that would share potential savings with the government on the reduction of the operating costs achieved by BQE Water compared to the baseline.

Our Take

Today's announcement represents a major milestone for BQE, being its largest contract ever, plus upside opportunities. With recurring revenue coming from a stable government-backed agreement, this significantly bolsters long-term visibility and cashflow for BQE. This was exactly what the stock needed to break out of the \$50-55/share range that it has been stuck in. We believe BQE is now firing on all cylinders, across both technical services and operations services, and the current valuation does not reflect that. We are increasing our estimates modestly starting in Q1, but will await further commentary from management. Our target remains unchanged at \$80/share as we continue to value BQE on 9.5x 2025E EBITDA.

Q3 Financials Recap

Q3 came in mixed compared to our estimates, with technical services leading the charge and recurring operations performing weaker than expected. Proportional revenue totalled \$10.7M, growing 12% YoY. 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 margins were a solid 51% and Adj. EBITDA was \$3.3M (31% margin), both ahead of expectations. Net Income totalled \$2.8M for the period, or \$2.15/share, exceeding our estimates. The Company ended the quarter with \$17.0M in cash and equivalents after generating \$2.9M in OCF before working capital. Read the full note [here](#).

Q4 Preview

BQE will be reporting FY25 and Q4/25 results in April 2026. We are expecting the following:

- Q4 proportional revenue of \$6.5M and FY25 proportional revenue of \$38.0M
- Gross margins of 41% for both Q4 and FY25
- Q4 Adj. EBITDA of \$1.7M (26% margin) and FY25 Adj. EBITDA of \$9.4M
- Q4 net income of \$1.1M (\$0.86/share) and FY25 net income of \$7.5M (\$5.81/share)

Renewal of Normal Course Issuer Bid

On December 9th, BQE received approval to renew its normal course issuer bid, allowing it to repurchase up to 64,908 shares (~5% of the float) between December 14th, 2025 and December 13th, 2026. The board believes the stock is undervalued, and buybacks represent an efficient use of capital that will increase remaining shareholders' ownership.

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 that of 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 | \$56.00 |
| Rating | BUY |
| Target Price | \$80.00 |
| Upside | 43% |
| Market Cap (\$M) | \$73.5 |
| Cash (\$M) | \$17.0 |
| Debt (\$M) | \$2.3 |
| EV (\$M) | \$58.9 |

| 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 | 9.2 | 11.2 | 10.2 | 9.0 | 39.5 | 43.5 |
| Proportional Revenue (\$M) | 24.8 | 7.9 | 12.9 | 10.7 | 6.5 | 38.0 | 9.8 | 13.1 | 12.0 | 9.7 | 44.7 | 48.8 |
| % YoY | 9% | 133% | 112% | 12% | 12% | 53% | 23% | 2% | 13% | 50% | 18% | 9% |
| Gross Profit (\$M) | 8.4 | 3.2 | 3.7 | 4.7 | 2.5 | 14.1 | 3.9 | 5.0 | 4.8 | 4.2 | 17.9 | 20.4 |
| 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 | 2.0 | 3.3 | 3.2 | 2.4 | 10.9 | 13.3 |
| 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 | 2.4 | 2.3 | 1.7 | 7.7 | 9.0 |
| EPS (Basic) | 3.78 | 1.34 | 1.48 | 2.15 | 0.86 | 5.81 | 1.02 | 1.83 | 1.79 | 1.29 | 5.94 | 6.93 |
| FCFF (\$M) | 2.5 | (1.0) | 2.6 | 1.2 | 3.6 | 6.7 | (0.2) | 0.8 | 2.3 | 2.3 | 5.2 | 7.8 |

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 | \$6.5 | \$9.8 | \$9.6 | \$38.0 | \$38.0 | \$44.7 | \$43.4 |
| GAAP Revenue (\$M) | \$6.0 | \$6.0 | \$9.2 | \$9.0 | \$34.0 | \$34.0 | \$39.5 | \$38.2 |
| Gross Margin (%) | 41% | 41% | 42% | 42% | 41% | 41% | 45% | 45% |
| Adj. EBITDA (\$M) | \$1.7 | \$1.7 | \$2.0 | \$1.9 | \$9.4 | \$9.4 | \$10.9 | \$10.6 |

Figure 5: Estimate Revisions

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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 | 36 |
| HOLD | 0 |
| SELL | 0 |

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