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Research Note

BQE Water – Another Huge Quarter Driven by Technical Services

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	37%

Market Data	
Share Price	$58.50
Average Daily Volume	570.0
FD ITM Shares (M)	1.3
Market Cap ($M)	$76.8
Cash ($M)	$13.9
Debt ($M)	$2.4
Enterprise Value ($M)	$65.3

FYE Dec 31	**2024A**	**2025E**	**2026E**
Proportional Revenue ($M)	$24.8	$41.1	$44.6
Revenue ($M)	$17.2	$39.8	$0.0
Gross Margin (%)	49%	37%	46%
Adj. EBITDA ($M)	$5.6	$9.2	$11.7
Adj. EBITDA Margin (%)	23%	22%	26%
Net Income ($M)	$4.8	$7.1	$8.4
EPS (Basic)	$3.78	$5.49	$6.47
FCFF ($M)	$2.5	$5.1	$6.4

Valuation	**2024A**	**2025E**	**2026E**
EV/EBITDA	11.7x	7.1x	5.6x
P/E	15.5x	10.7x	9.0x
FCF Yield (%)	4%	8%	10%
EV/Sales	2.6x	1.6x	1.5x

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 Q2 financial results yesterday that massively beat our estimates due to continued growth in the technical services segment.
- Q2 proportional revenue came in at $12.9M (+112% YoY), beating our estimate of $7.2M. Adjusted EBITDA was $2.5M (19% margin, +85% YoY) compared to our estimate of $2.2M (30% margin).
- BQE provided a strong outlook for H2/25, including continued strength and visibility from the technical services segment.

Yesterday after market close, BQE Water (BQE:TSXV, BTQNF:OTC) reported Q2 financials that once again largely beat our expected numbers due to strong performance from the technical services segment. Technical services revenue increased 10-fold YoY, while the other segments declined. BQE noted that it has advanced several projects in Canada, the U.S., and China into the commissioning stage, and it expects further strong results in H2. **We are maintaining our BUY rating and $80.00/share target price on BQE Water.**

Key Highlights

- Q2 proportional revenue came in at $12.9M (+112% YoY) vs. our estimate of $7.2M. This was comprised of $1.1M in operations services revenue (-55% YoY), $10.1M in technical services revenue (vs. $0.9M in Q2/24), and $1.6M in BQE's share of JV revenue (-39% YoY).
- Operations services declined as BQE was not operating at the Minto Mine in 2025 and it reduced the scope of services on its Southwestern U.S. client.
- Gross margin was 33% vs. our estimate of 47% and 47% in Q2/24, due to the lower margin technical services revenue making up a much larger portion of total revenue.
- Adjusted EBITDA for the quarter was $2.5M (+85% YoY) vs. our estimate of $2.2M. This represents a 19% margin compared to 22% in Q2/24.
- BQE's share of JV net income was $0.4M, compared to $1.1M in Q2/24.
- Net income was $1.9M or $1.48/share vs. our estimate of $1.6M or $1.21/share and $0.6M or $0.44/share in Q2 last year.
- The Company ended the quarter with $13.9M in cash after generating $2.7M in OCF. BQE ended the quarter with $2.4M in debt (leases and non-interest-bearing debt).

	Q2/25A	Atrium Est.	YoY
Proportional Revenue ($M)	**$12.9**	$7.2	+112%
GAAP Revenue ($M)	**$11.3**	$5.9	+230%
Gross Margin (%)	**33%**	47%	-1419 bps
Adj. EBITDA ($M)	**$2.5**	$2.2	+85%
Adj. EBITDA Margin (%)	**19%**	30%	-283 bps

Figure 1: Financial Highlights

Outlook

Management highlighted that it worked on seven major projects in H1 within the technical services segment, including completing the construction of a plant as part of a broader tailings remediation project. The scope of this project was not typical and unlikely to be repeated in the near-term. Furthermore, BQE mentioned that the poor performance from the operations services segment is not indicative of long-term trends, and it is developing tools and avenues to support/accelerate growth (including aquatic toxicology services). Management has good visibility on operations contracts and several large technical services contracts, setting up for a strong H2.

Management also provided a list of notable trends in its pipeline:

- Selenium management featured strongly in all new early-stage projects
- BQE's leadership and expertise in applying ion exchange (IX) on an industrial scale are being recognized
- The number of SART projects has increased significantly, due to strength in precious metals
- BQE started working on projects in different areas of the mining and extraction market

Our Take

Similar to Q1, BQE's Q2 surprised us to the upside on the back of its technical services segment. Management provided a bullish outlook for the remainder of the year as it strategically expands its offering and plays into the growing metals and mining sector. While our core investment thesis surrounds the recurring operations services segment, BQE has proven that it can generate consistent revenue growth with a diversified revenue mix, where certain segments can make up for declines in other segments; as seen in H1/24 with operations services outperforming technical services and in H1/25, where the reverse occurred. As seen in the figure below, BQE's proportional revenue has grown every year since 2013, aside from 2016, generating a 19% CAGR.

BQE's balance sheet remains in excellent condition, with $12M in net cash, allowing BQE to strategically allocate capital, including the aquatic toxicology expansion and opportunistic M&A. This was the second consecutive quarter of >100% revenue growth, and as such, we have recalibrated our model to boost technical services revenue and dampen operations services revenue going forward. On aggregate, we are expecting another record quarter in Q3 (seasonally strong) followed by a solid Q4 (see Figure 4), albeit with lower margins.

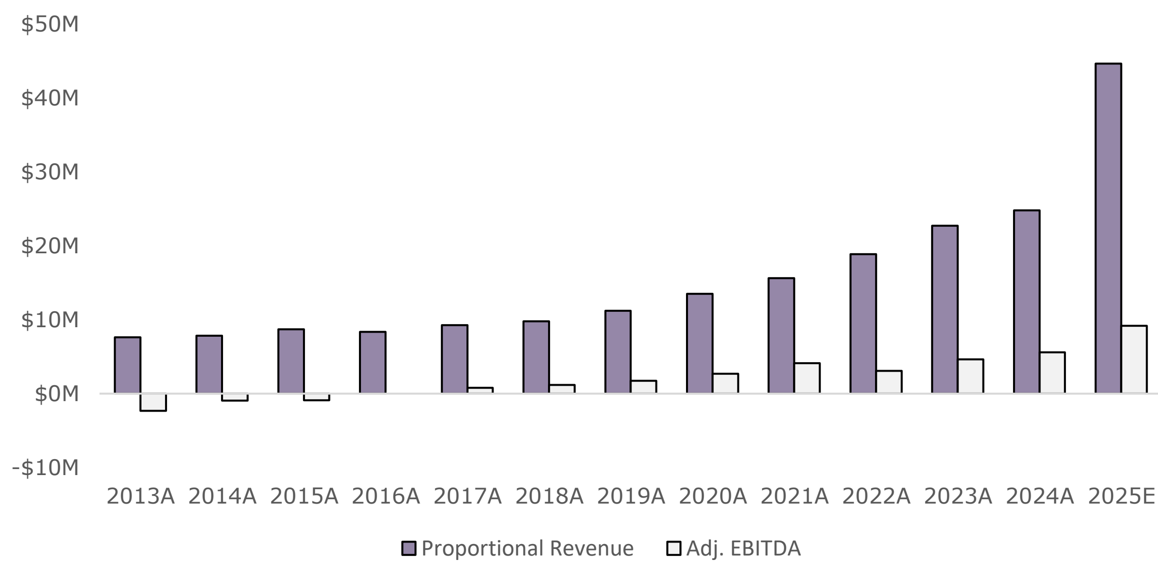

Figure 2: Revenue & EBITDA Growth

Updates

Aquatic Toxicology Expansion

On August 12th, BQE Water announced a strategic expansion into aquatic toxicology services, supported by senior hires, the establishment of an aquatic toxicology laboratory, and the development of in-house resources. The initiative enhances service offerings, reduces client timelines, and strengthens BQE's growth in clean water solutions. Please refer to our research flash on the topic here.

Eagle Gold Contract Extended

On July 30th, BQE Water reported the discharge of over 600,000m^3 of treated water under its emergency response program at the Eagle Gold Mine. With the contract extended until October 31st, 2025, BQE will also prepare decommissioning and winterization plans. Refer to our research flash on the announcement here.

Valuation

BQE trades at 7.1x/5.6x 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. 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 16.2x/13.0x and wastewater treatment firms at 12.5x/9.8x. Our target price remains unchanged at $80.00/share as we lower our target multiple to 10.0x to 10.5x due to the changing revenue mix. The target price is equivalent to a 5.5% FCF yield and 13.1x 2025E earnings.

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

Tear Sheet

Market Data	
Ticker	BQE:TSXV
Stock Price	$58.50
Rating	BUY
Target Price	$80.00
Upside	37%
Market Cap ($M)	$76.8
Cash ($M)	$13.9
Debt ($M)	$2.4
EV ($M)	$65.3

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	27%
Retail	47%

Financial Estimates	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25E	2025E	2026E
Revenue ($M)	**18.1**	**2.5**	**3.4**	**6.2**	**5.1**	**17.2**	**7.4**	**11.3**	**11.1**	**6.6**	**36.4**	**39.8**
Proportional Revenue ($M)	**22.7**	**3.4**	**6.1**	**9.5**	**5.8**	**24.8**	**7.9**	**12.9**	**13.1**	**7.1**	**41.1**	**44.6**
% YoY	*20%*	*-4%*	*5%*	*20%*	*6%*	*9%*	*133%*	*112%*	*37%*	*23%*	*66%*	*9%*
Gross Profit ($M)	**8.3**	**1.1**	**1.6**	**3.7**	**2.0**	**8.4**	**3.2**	**3.7**	**4.0**	**2.7**	**13.6**	**18.3**
Gross Margin	*46%*	*44%*	*47%*	*59%*	*40%*	*49%*	*43%*	*33%*	*36%*	*41%*	*37%*	*46%*
Adj. EBITDA ($M)	**4.7**	**(0.1)**	**1.3**	**4.4**	**(0.0)**	**5.6**	**1.9**	**2.5**	**3.0**	**1.8**	**9.2**	**11.7**
Adj. EBITDA Margin	*20%*	*-4%*	*22%*	*46%*	*0%*	*23%*	*24%*	*19%*	*23%*	*26%*	*22%*	*26%*
Net Income ($M)	1.9	(0.5)	0.6	3.5	1.2	4.8	1.7	1.9	2.2	1.3	7.1	8.4
EPS (Basic)	2.12	(0.39)	0.44	2.91	0.96	3.78	1.34	1.48	1.71	0.97	5.49	6.47
FCFF ($M)	0.5	0.3	(1.9)	3.3	0.8	2.5	(1.0)	2.6	1.1	2.5	5.1	6.4

Figure 3: Tear Sheet

Estimate Revisions

	Q3/25E		Q4/25E		2025E		2026E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue ($M)	**$13.1**	$9.8	**$7.1**	$5.7	**$41.1**	$30.6	**$44.6**	$34.1
GAAP Revenue ($M)	**$11.1**	$8.1	**$6.6**	$5.2	**$36.4**	$26.6	**$39.8**	$29.9
Gross Margin (%)	**36%**	47%	**41%**	49%	**37%**	46%	**46%**	51%
Adj. EBITDA ($M)	**$3.0**	$3.1	**$1.8**	$1.9	**$9.2**	$9.1	**$11.7**	$10.5

Figure 4: Estimate Revisions

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RATING	COVERED COMPANIES
BUY	28
HOLD	0
SELL	0

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