

BQE Water – Expanded Service Offering to Support Growth Strategy

Rating
BUY
Unchanged

Target Price
\$80.00
Unchanged

August 13, 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	47%

Market Data

Share Price	\$54.50
Average Daily Volume	630.0
FD ITM Shares (M)	1.3
Market Cap (\$M)	\$71.5
Cash (\$M)	\$11.1
Debt (\$M)	\$2.2
Enterprise Value (\$M)	\$62.6

FYE Dec 31	2024A	2025E	2026E
Proportional Revenue (\$M)	\$24.8	\$30.6	\$34.1
Revenue (\$M)	\$17.2	\$29.9	\$0.0
Gross Margin (%)	49%	46%	51%
Adj. EBITDA (\$M)	\$5.6	\$9.1	\$10.5
Adj. EBITDA Margin (%)	23%	30%	31%
Net Income (\$M)	\$4.8	\$7.0	\$7.4
EPS (Basic)	\$3.78	\$5.39	\$5.71
FCFF (\$M)	\$2.5	\$6.7	\$6.1

Valuation	2024A	2025E	2026E
EV/EBITDA	11.2x	6.9x	6.0x
P/E	14.4x	10.1x	9.6x
FCF Yield (%)	4%	11%	10%
EV/Sales	2.5x	2.0x	1.8x

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 a strategic expansion of its service offering into aquatic toxicology. This includes key hiring decisions, the establishment of a new laboratory, and the development of in-house resources.
- The added services will allow BQE to build relationships with new clients, which will also require water treatment services (recurring revenue).
- BQE will be reporting Q2 financials at month end. We are expecting proportional revenue of \$7.2M (+19% YoY) and adjusted EBITDA of \$2.2M (30% margin, +64% YoY).

Yesterday after market close, BQE Water (BQE:TSXV, BTQNF:OTC) announced that it is making a strategic investment into the integration of aquatic toxicology services into its existing suite of core competencies. This involves key hiring decisions, the establishment of an aquatic toxicology laboratory, and the development of in-house resources. We view the announcement as a strong positive, given that it will open the doors to new clients and projects which can eventually become operations services clients. **We are maintaining our BUY rating and \$80.00/share target price on BQE Water.**

The expansion is underpinned by a team of senior aquatic toxicologists, including James Elphick, Dr. Ebrahim (Ebi) Lari, and Josh Baker. James Elphick has spent 30 years performing applied research and testing to advance the science of aquatic toxicology and help clients gain an understanding of the causes of toxicity and the interaction of toxicants with water quality conditions.

The investment will improve BQE's service offering by 1) reducing timelines and costs associated with implementing remedies to toxicity by having an in-house multidisciplinary team to perform all testing and design remedies, 2) consider establishment of science-based site-specific water quality benchmarks holistically, and 3) uniquely position the Company to provide guarantees to clients for effluent toxicity as part of plant operations services. The services are not only complementary to the existing technical services but also offer potential for accelerated growth in the water treatment business via new relationships. The laboratory is expected to be fully accredited, but also support the water treatment business and focus on investigative work rather than processing samples.

While toxicity has always been regulated, it has not been enforced rigorously; that is changing now due to social acceptability and ESG. Most competitors in the space do not have a full-service offering, while BQE will now offer identification, testing, and the expertise to generate remedies. This will also allow BQE to target mines in the earlier stages of development, supporting them to advance through permitting. We have not changed our forward estimates for BQE as of yet, but we will look to make updates on the back of the Q2 financials.

Eagle Gold Mine

On July 31st, BQE announced its contract at the Eagle Gold Mine has been extended to October 2025, with operations expected to wind down in Q3. BQE discharged 600,000m³ of treated water at the mine under emergency response after Victoria Gold's heap leach failure. This comprehensive and adaptive approach speaks to the strength of BQE's technical leadership and reinforces our conviction in its ability to deliver in complex environments. Please refer to our note on the announcement [here](#).

Q2 Financials Preview

BQE will be reporting Q2 financials by the end of August, where we are expecting another quarter of strong growth and margin expansion. Our estimates remain unchanged at:

- Proportional Revenue of \$7.2M (+19% YoY)
- Gross Margin of 47% (flat YoY)
- Adjusted EBITDA of \$2.2M (30% margin, +64% YoY)
- Net Income of \$1.6M or \$1.21/share

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		Capital Structure	
Ticker	BQE:TSXV	Basic Shares Outstanding (M)	1.3
Stock Price	\$54.50	Warrants (M)	0.0
Rating	BUY	Options (M)	0.0
Target Price	\$80.00	FD Shares (M)	1.3
Upside	47%	FD ITM Shares (M)	1.3
Market Cap (\$M)	\$71.5	Ownership	
Cash (\$M)	\$11.1	Management & Board	27%
Debt (\$M)	\$2.2	Other Insiders	27%
EV (\$M)	\$62.6	Retail	47%

Financial Estimates												
	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25A	Q2/25E	Q3/25E	Q4/25E	2025E	2026E
Revenue (\$M)	18.1	2.5	3.4	6.2	5.1	17.2	7.4	5.9	8.1	5.2	26.6	29.9
Proportional Revenue (\$M)	22.7	3.4	6.1	9.5	5.8	24.8	7.9	7.2	9.8	5.7	30.6	34.1
% YoY	20%	-4%	5%	20%	6%	9%	133%	19%	2%	-1%	24%	11%
Gross Profit (\$M)	8.3	1.1	1.6	3.7	2.0	8.4	3.2	2.8	3.8	2.6	12.3	15.3
Gross Margin	46%	44%	47%	59%	40%	49%	43%	47%	47%	49%	46%	51%
Adj. EBITDA (\$M)	4.7	(0.1)	1.3	4.4	(0.0)	5.6	1.9	2.2	3.1	1.9	9.1	10.5
Adj. EBITDA Margin	20%	-4%	22%	46%	0%	23%	24%	30%	32%	33%	30%	31%
Net Income (\$M)	1.9	(0.5)	0.6	3.5	1.2	4.8	1.7	1.6	2.4	1.3	7.0	7.4
EPS (Basic)	2.12	(0.39)	0.44	2.91	0.96	3.78	1.34	1.21	1.82	1.01	5.39	5.71
FCFF (\$M)	0.5	0.3	(1.9)	3.3	0.8	2.5	(1.0)	1.9	3.6	2.3	6.7	6.1

Figure 1: Tear Sheet

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

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RATING	COVERED COMPANIES
BUY	25
HOLD	0
SELL	0

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