

BQE Water – Landmark Year Completed; Revenue Up 61%, Adj. EBITDA Up 47%

Rating
BUY
Unchanged

Target Price
\$108.00
Prev. \$90.00

April 24, 2026

Disseminated on Behalf of BQE Water Inc.

All figures in CAD unless otherwise stated

BQE Water Inc.	BQE:TSXV
Rating	BUY
Target Price	\$108.00
Return to Target	35%

Market Data

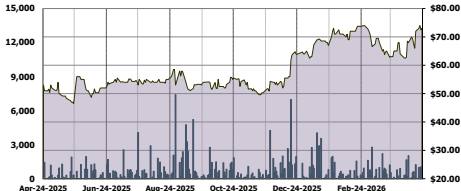
Share Price	\$79.75
Average Daily Volume	710.0
FD ITM Shares (M)	1.3
Market Cap (\$M)	\$105.1
Cash (\$M)	\$19.0
Debt (\$M)	\$2.7
Enterprise Value (\$M)	\$88.9

FYE Dec 31	2025A	2026E	2027E
Proportional Revenue (\$M)	\$39.9	\$45.6	\$50.4
Revenue (\$M)	\$35.5	\$39.8	\$44.3
Gross Margin (%)	43%	46%	47%
Adj. EBITDA (\$M)	\$8.2	\$10.7	\$13.3
Adj. EBITDA Margin (%)	21%	23%	26%
Net Income (\$M)	\$8.1	\$7.7	\$9.2
EPS (Basic)	\$6.23	\$5.94	\$7.05
FCFF (\$M)	\$4.9	\$5.4	\$7.8

Valuation	2025A	2026E	2027E
EV/EBITDA	10.8x	8.3x	6.7x
P/E	12.8x	13.4x	11.3x
FCF Yield (%)	5%	6%	9%
EV/Sales	2.2x	1.9x	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 reported annual financials yesterday that were ahead of our estimates on revenue, gross margin, and net income; however, EBITDA came in below our expectations.
- 2025 prop. revenue came in at \$39.9M (+61% YoY) compared to our estimate of \$38.0M and adjusted EBITDA was \$8.2M (21% margin, +47% YoY) vs. our expected \$9.4M.
- BQE provided a strong outlook for both major segments of the business.

Yesterday, after market close, BQE Water (BQE:TSXV, BTQNF:OTCPK) reported Q4 and 2025 financial results that came in ahead of our estimates on revenue and gross margin, with EBITDA finishing below our expectations. 2025 represented a landmark year for BQE, and we remind readers that the Company has been signing contracts at a record pace, with four new agreements signed since December. BQE remains one of the highest-quality growth stories in our coverage, and we believe that the successful 2025 speaks to the management team's ability. **We are maintaining our BUY rating and increasing our target price to \$108.00/share (previously \$90.00/share) on BQE.**

Key Highlights

- 2025 prop. revenue was \$39.9M (+61% YoY) vs. our \$38.0M, comprising of operations services revenue of \$7.3M (-30% YoY, 18% of revenue), technical services revenue of \$28.3M (+322% YoY), and BQE's share of JV revenue of \$4.4M (-42% YoY). Q4 prop. revenue came in at \$8.4M (+46% YoY) vs. our estimate of \$6.5M.
- Gross margin for 2025 came in at 43% vs. our estimate of 41%, and 49% in 2024. Gross margin for the quarter was 49% vs. our expectation of 41%. The decline YoY was due to the emergence of the technical services segment, which is lower margin.
- Full-year adjusted EBITDA came in at \$8.2M vs. our \$9.4M, representing a 21% EBITDA margin and +47% YoY growth. Adjusted EBITDA in Q4 was \$0.5M vs. our estimate of \$1.7M and breakeven in Q4/24. The miss was due to increasing sales & development costs, which were up 114% YoY.
- BQE's share of JV net income was \$4.4M for 2025 and \$0.9M for Q4.
- 2025 net income was \$8.1M (+68% YoY) or \$6.23/share compared to our \$7.5M or \$5.81/share and \$4.8M or \$3.78/share in 2024. Q4 net income was \$1.6M vs. our \$1.1M. The beat was largely due to a \$1.6M tax recovery for the year. FCFF came in at \$2.0M in Q4 and \$4.9M for 2025.
- BQE ended the quarter with \$19.0M in cash and \$2.7M in debt (leases and interest free loans).

	Q4/25A	Atrium Est.	YoY
Proportional Revenue (\$M)	\$8.4	\$6.5	+46%
GAAP Revenue (\$M)	\$7.5	\$6.0	+47%
Gross Margin (%)	49%	41%	+874 bps
Adj. EBITDA (\$M)	\$0.5	\$1.7	N/A
Adj. EBITDA Margin (%)	7%	26%	+654 bps

Figure 1: Q4 Financials Summary

Outlook

Management provided a constructive outlook for 2026, pointing to good visibility on technical services contracts in H1/26 and strong growth prospects for operations services driven by recently signed multi-year contracts (see below for more detail). However, management also cautioned that maintaining the same rate of growth experienced over the last two years may prove difficult, as the Eagle Mine emergency response work (which represented nearly half of 2025 technical services revenue) was a one-off project.

2025 was a year of internal reorganization for BQE, as the current structure, which had not been modified since the pandemic, was no longer optimal for the business. The new organizational structure was completed after a company-wide talent assessment was designed to increase productivity, accelerate development, and allow BQE to double in size in three years. With this reorganization, business development capacity doubled and new leadership roles for IP capture and development, talent/performance development, and health and safety were formed, along with the integration of several teams, including team members in Latin America. Management also pointed out that over the last five years, GAAP revenue grew at a 36% CAGR and adjusted EBITDA has grown at a 15% CAGR.

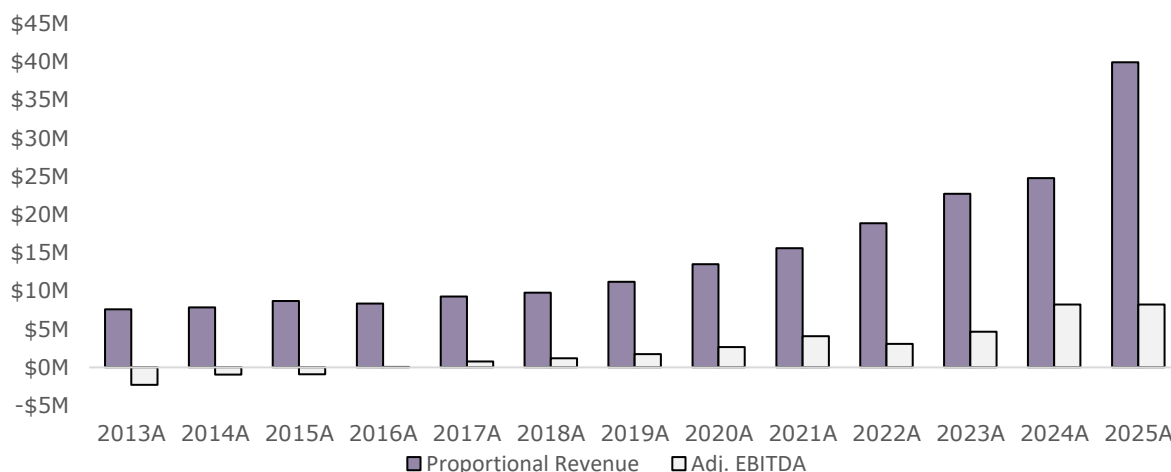


Figure 2: Long-Term Growth

Technical Services

As we mentioned above, BQE has visibility on several larger technical services contracts through the first half of the year. Operations at the Eagle Mine will continue until June 2026 and will remain reported under technical services, given the sub-12-month term. Engineering design for the long-term Eagle Mine treatment system is expected to be completed at the end of Q1. Other technical services work in the pipeline include:

- Engineering, procurement, and commissioning of an ion exchange system at a rhenium recycling facility in Canada (BQE involvement post-completion).
- Detailed engineering and field construction support for SART implementation at the New Britannia mill in Manitoba (BQE involvement post-completion).
- Cyanide destruction and SART integration engineering for a tailings re-processing demonstration facility in Mexico.
- A feasibility study for SART integration at an existing gold-silver mine in Mexico.
- Advisory services across five water management and treatment projects in Canada.

Operations Services

BQE is set up for strong operations services growth as the Company has announced three new operations service contracts since December, a level of momentum we have not seen yet from BQE since covering the stock, reflecting its value proposition gaining traction and the mining sector moving in its favour. We would like to highlight that the Nuvumiut and Britannia contracts were won at sites that BQE did not build itself, demonstrating its expertise and know-how.

- 20-year contract with the BC Government for operation and maintenance of the Britannia Mine Water Treatment Plant. This was the largest contract in the Company's history.
- Contract with Hudbay Minerals (HBM:TSX) to progress the detailed engineering design of a SART plant at its mill in Snow Lake, Manitoba. This will be the first SART application in Canada after roughly a dozen plants built globally.
- BQE's JV with Nuvumiut Development signed a 3-year operating agreement with Canadian Royalties Inc. to run five seasonal water treatment systems (May to October) at the Nunavik Nickel Project in Quebec, further expanding the recurring revenue base in Eastern Canada.
- Two-year contract to operate a sulphate removal system at a lead smelter and refinery in Quebec.

Beyond these, management is in active discussions for operations service agreements at four additional Canadian sites. BQE's new aquatic toxicology laboratory is also expected to become operational and begin performing specialized investigative tests in Q2.

Positioning Beyond 2026

BQE has been unaffected by US tariffs to date, though management expects global geopolitical shifts, increasing focus on critical mineral security, and renewed strength in gold markets to act as tailwinds for BQE's business. Unlike prior commodity cycles, the push for secure mineral supply in the Western world may provide a degree of insulation from price and geopolitical volatility. Also, the renewed interest in gold has directly driven increased demand for BQE cyanide recycling and cyanide destruction solutions. Management also noted a meaningful increase in early-stage project proposals and technical work over the past 12 months, many of which are expected to enter permitting within the next two years, supporting medium-term visibility. While governments are shortening permitting timelines and providing financial support to accelerate development, management does not foresee any relaxation in the environmental standards or lessening of the importance of social acceptability criteria applied to new projects.

BQE's pipeline includes about a dozen SART and cyanide destruction projects at varying stages, ranging from preliminary assessments to execution with clients spanning from top-tier producers to junior companies. The pipeline is balanced across environmental compliance, water reuse, and economic recovery projects, and is geographically diversified, with the Americas representing the largest share. This diversification is expected to reduce reliance on China over time. Management also flagged that the strong balance sheet positions BQE to pursue strategic M&A opportunities.

Our Take

2025 represented a landmark year for BQE, posting 61% proportional revenue growth, far above its historical average of ~15%. The results emphasize BQE's barbell approach between operations services and technical services, where growth in one of the two segments always seems to be making up for challenges in the other. The Q4 numbers came in ahead of our expectations on revenue, gross margin, and net income, while EBITDA was below our estimate. As mentioned below, BQE has been on a streak of contract signings over the past few months, setting up 2026 for further growth.

For 2026, we are expecting proportional revenue to grow 14% YoY and gross margins to expand as operations revenue growth resumes. Our revenue estimate for 2026 remains unchanged, while we have increased gross margin expectations and increased operating expenses (see Estimate Revisions below), to coincide with the results reported today and the new organizational structure. This results in our 2026 EBITDA estimate moving from \$11.0M to \$10.7M. We are increasing our target price as we roll forward valuation for 2027 (see below).

As such, the stock trades at only 8.3x/6.7x 2026E/2027E EBITDA; a modest price to pay for a company that has grown prop. revenue at a 18% CAGR since 2013. We would also like to highlight that management has conducted its first conference call since 2022, which is a bullish signal in our view. BQE finished the year with an ROE of 28% and ROIC of 25%, the best in its group by a large margin.

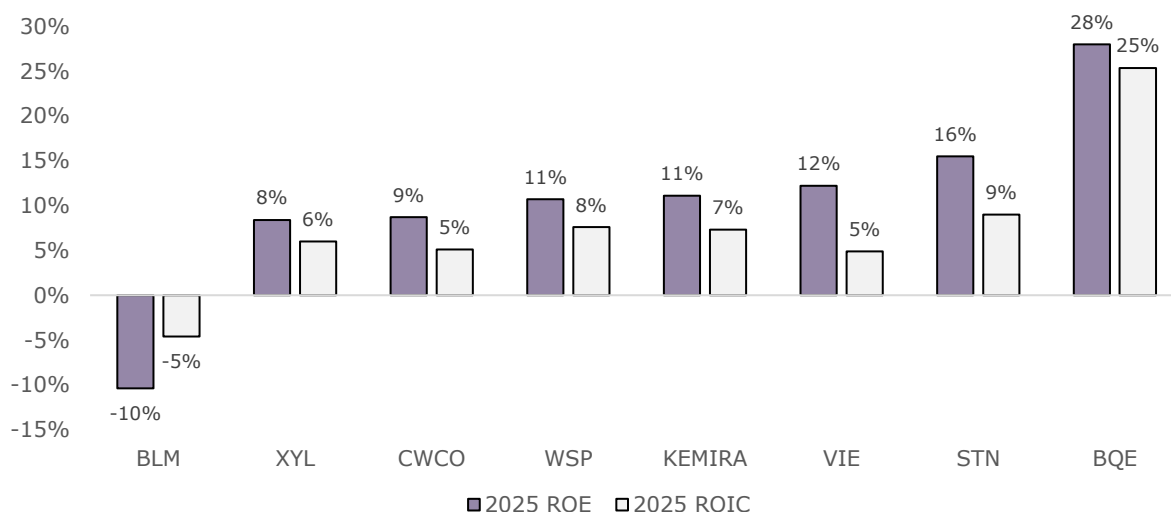


Figure 3: ROE & ROIC Peer Comparison (Source: CapitalIQ)

Conference Call Notes

- The field operations team tripled compared to one year ago. The operations group is now the largest group within the Company.
- Excited about the aquatic toxicology lab, which is starting to test with fish over the coming weeks. BQE is already receiving interest from existing clients for advisory services and lab testing work.
- There are some one-time costs included in the sales and development expenses to build out the aquatic toxicology lab. The Company has onboarded more business development capacity, but sales and development expenses likely will not increase from here.
- BQE has a backlog of engineering services work that has never been seen in history. The nature of the technical services work has shifted. Last year, it was smaller stage technical services work for exploration, this year it is more development projects for PEAs, PFSs, etc.
- Reiterated that in 2024, the team stated that revenue will double over the next few years, and the Company is on pace to achieve that. There will be balanced growth across the business in 2026, as the Company is firing on all cylinders. 2025 is a tough comparable period for technical services, but BQE can surpass it because there is stronger utilization on these later-stage technical services.
- There is an opportunity to insert itself into plants built by other firms (similar to Britannia and Canadian Royalties). This leverages its expertise and systems in place. Britannia vaulted the Company into another tier.
- Starting to work on more rare earth minerals assets, two projects advancing.

Valuation

We are rolling forward our valuation year to 2027 while utilizing the same 9.5x multiple. We are projecting revenue to increase a modest 11% in 2027 and margins to rise slightly, resulting in adjusted EBITDA of \$13.3M. This results in an EV of \$126.8M, which we adjust for the large net cash position to achieve our target equity valuation of \$143.0M or \$108/share (previously \$90/share). The new target price is equivalent to 13.7x 2027E earnings and a 6.2% 2027E FCF yield.

EBITDA Multiple Valuation	
2027E EBITDA (\$M)	\$13.3
EV/EBITDA Multiple	9.5x
Enterprise Value	\$126.8
(+) Cash	\$19.0
(-) Debt	\$2.7
Equity Value	\$143.0
Target Price (Rounded)	\$108.00
Upside	35%

Figure 4: Target Price Derivation

		2027E EBITDA Multiple				
		7.5x	8.5x	9.5x	10.5x	11.5x
2027E EBITDA	\$11M	\$76.00	\$86.00	\$94.00	\$102.00	\$110.00
	\$12M	\$82.00	\$92.00	\$100.00	\$110.00	\$120.00
	\$13M	\$88.00	\$98.00	\$108.00	\$118.00	\$128.00
	\$14M	\$94.00	\$104.00	\$116.00	\$126.00	\$138.00
	\$15M	\$100.00	\$110.00	\$122.00	\$134.00	\$146.00

Figure 5: Target Price Sensitivity Analysis

Why We Like BQE

- BQE has a growing stream of recurring revenue (operational services) and technical services revenue. This barbell approach has led to decades of strong revenue growth.
- 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 21% in 2025. 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 – Ongoing
- Share Repurchases & Acquisitions – 2026

Tear Sheet

Market Data						Capital Structure							
Ticker	BQE:TSXV					Basic Shares Outstanding (M)							1.3
Stock Price	\$79.75					Warrants (M)							0.0
Rating	BUY					Options (M)							0.0
Target Price	\$108.00					FD Shares (M)							1.3
Upside	35%					FD ITM Shares (M)							1.3
Market Cap (\$M) \$105.1 Cash (\$M) \$19.0 Debt (\$M) \$2.7 EV (\$M) \$88.9						Ownership							
						Management & Board							27%
						Other Insiders							26%
						Retail							47%
Financial Estimates													
	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25A	2025A	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	2027E	
Revenue (\$M)	17.2	7.4	11.3	9.3	7.5	35.5	9.4	11.2	10.7	8.5	39.8	44.3	
Proportional Revenue (\$M)	24.8	7.9	12.9	10.7	8.4	39.9	10.0	13.1	12.6	9.9	45.6	50.4	
% YoY	9%	133%	112%	12%	46%	61%	26%	2%	18%	17%	14%	11%	
Gross Profit (\$M)	8.4	3.2	3.7	4.7	3.7	15.3	4.1	5.1	5.1	4.0	18.4	20.6	
Gross Margin	49%	43%	33%	51%	49%	43%	44%	46%	48%	47%	46%	47%	
Adj. EBITDA (\$M)	5.6	1.9	2.5	3.3	0.5	8.2	1.8	3.3	3.4	2.2	10.7	13.3	
Adj. EBITDA Margin	23%	24%	19%	31%	7%	21%	18%	25%	27%	22%	23%	26%	
Net Income (\$M)	4.8	1.7	1.9	2.8	1.6	8.1	1.2	2.4	2.5	1.5	7.7	9.2	
EPS (Basic)	3.78	1.34	1.48	2.15	1.27	6.23	0.95	1.87	1.92	1.19	5.94	7.05	
FCFF (\$M)	2.5	(1.0)	2.6	1.3	2.0	4.9	1.9	1.9	1.0	0.6	5.4	7.8	

Figure 6: Tear Sheet

Estimate Revisions

	Q1/26E		Q2/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue (\$M)	\$10.0	\$10.0	\$13.1	\$13.1	\$45.6	\$45.6	\$50.4	\$50.0
GAAP Revenue (\$M)	\$9.4	\$9.4	\$11.2	\$11.2	\$39.8	\$40.4	\$44.3	\$44.7
Gross Margin (%)	44%	42%	46%	45%	46%	45%	47%	47%
Adj. EBITDA (\$M)	\$1.8	\$2.0	\$3.3	\$3.3	\$10.7	\$11.0	\$13.3	\$13.1

Figure 7: Estimate Revisions

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RATING	COVERED COMPANIES
BUY	47
HOLD	0
SELL	0

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