

BQE Water – Looking Past the Q1 Financials; 2026 Outlook Still Strong

Rating
BUY
Unchanged

Target Price
\$108.00
Unchanged

May 29, 2026

Disseminated on Behalf of BQE Water Inc.

All figures in CAD unless otherwise stated

BQE Water Inc.	BQE:TSXV
Rating	BUY
Target Price	\$108.0
Return to Target	33%

Market Data

Share Price	\$81.40
Average Daily Volume	580.0
FD ITM Shares (M)	1.3
Market Cap (\$M)	\$107.2
Cash (\$M)	\$17.7
Debt (\$M)	\$3.0
Enterprise Value (\$M)	\$92.5

FYE Dec 31	2025A	2026E	2027E
Proportional Revenue (\$M)	\$39.9	\$43.8	\$49.2
Revenue (\$M)	\$35.5	\$38.0	\$43.2
Gross Margin (%)	43%	44%	48%
Adj. EBITDA (\$M)	\$8.2	\$8.6	\$13.2
Adj. EBITDA Margin (%)	21%	20%	27%
Net Income (\$M)	\$8.1	\$5.8	\$8.9
EPS (Basic)	\$6.23	\$4.49	\$6.83
FCFF (\$M)	\$4.9	\$3.2	\$7.1

Valuation	2025A	2026E	2027E
EV/EBITDA	11.2x	10.8x	7.0x
P/E	13.1x	18.1x	11.9x
FCF Yield (%)	5%	3%	8%
EV/Sales	2.3x	2.1x	1.9x

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 Q1 financials yesterday that missed our estimates with prop. revenue of \$5.3M (-33% YoY) compared to our estimate of \$7.2M. Adjusted EBITDA was (\$1.1M) vs. our expected \$0.4M.
- The decline was due to the absence of the Eagle Mine emergency contract, which largely supported Q1/25 financials. Q1 is usually seasonally weak.
- We remain bullish on BQE for the remainder of the year, leaving our estimates largely unchanged. BQE ended Q1 with \$17.7M in cash.

Yesterday, after market close, BQE Water (BQE:TSXV, BTQNF:OTCPK) reported Q1 financial results that were below our estimates. Given that BQE is subject to lumpiness via contract timing, we do not view the quarter as anything indicative of a slowdown in its business, further evident through its recent contract signings. We continue to expect most of the growth in 2026 to come in H2. **We are maintaining our BUY rating and target price of \$108.00/share on BQE.**

Key Highlights

- Q1 prop. revenue was \$5.3M (-33% YoY) vs. our revised estimate of \$7.2M. Q1/25 was driven by BQE's response to the emergency at the Eagle Mine, making a tough comparable and explaining most of the decline. We remind investors that Q1 is a seasonally weak quarter as many of its projects are in the winter or dry season.
- Proportional revenue was comprised of operations services revenue of \$2.0M (+1% YoY, 38% of revenue), short-term operations technical services revenue of \$0.9M (-73% YoY due to the absence of the Eagle contract), advisory and design technical services revenue of \$1.9M (-7% YoY), and BQE's share of JV revenue of \$0.5M (flat YoY).
 - BQE began breaking out its technical services revenue into the two segments above, providing further clarity for investors.
- Gross margin for the quarter was 25% vs. our expectation of 41%. The decreased figure was due to lower productivity from new employees and one-time expenses for taking over the Britannia Mine treatment facility, such as personnel, travel, and rental equipment.
- Q1 adjusted EBITDA came in at (\$1.1M) vs. our \$0.4M, driven by the lower revenue and gross margins. G&A was flat QoQ while S&D decreased 13%.
- Q1 net income was (\$1.3M) vs. our \$0.1M. Management noted that positive net income has only been recorded twice in Q1 in its history. The Britannia mine had a \$100K net loss in the quarter, despite starting to generate long-term recurring revenue. OCF was (\$1.3M), and FCFF was (\$2.0M).
- BQE ended the quarter with \$17.7M in cash and \$3.0M in debt (leases and interest-free loans).

	Q1/26A	Atrium Est.	YoY
Proportional Revenue (\$M)	\$5.3	\$7.2	-33%
GAAP Revenue (\$M)	\$4.8	\$6.5	-36%
Gross Margin (%)	25%	41%	-1850 bps
Adj. EBITDA (\$M)	(\$1.1)	\$0.4	N/A
Adj. EBITDA Margin (%)	-20%	6%	-4386 bps

Figure 1: Q1 Financials Summary

Outlook

Management remains positive on 2026, where they anticipate continuing its long-term operations at nine sites, opening new short-term operations in Western Canada, and steadily increasing technical advisory work. Two new operations contracts are ramping up, plus the Britannia contract, which will all contribute to 2026 financials. BQE disclosed that it is in the advanced stages for three sites in Western Canada for its short-term operations segment.

The team remains bullish on the sector, observing an increase in business activity with permitting, pre-feasibility, and feasibility studies for major projects being initiated across all key regions. BQE believes this is indicative of the early stages of an upswing in capital spending in the sector, providing tailwinds for BQE and its value proposition.

Amongst other technical work in the quarter, BQE reported that its aquatic toxicology team worked on the testing of water quality on early life stages of trout for a client in BC and the development of nitrate guidelines for a client in Alberta, demonstrating early success for the new division.

Our Take

As mentioned in our Q1 preview note (read [here](#)), BQE was expected to suffer from contract timing issues leading to the YoY decline, while we left our 2026 assumptions largely unchanged. In our view, the quarter is not indicative of any slowdown in BQE's business, evident from its recent contract signings. We encourage investors to look past Q1 and analyze BQE on an annual basis (Figure 2) as its business is project-driven and can be lumpy when looking at the quarters. The Company is also coming across other challenging comparable periods given the record technical services in 2025; however, we expect 10% YoY growth for the year, mostly weighted to H2. Given its stellar balance sheet position with \$17.7M in cash, BQE can effectively weather softer quarters while focusing on the long-term. Our estimates remain largely unchanged and we continue to value BQE on 9.5x 2027E EBITDA.

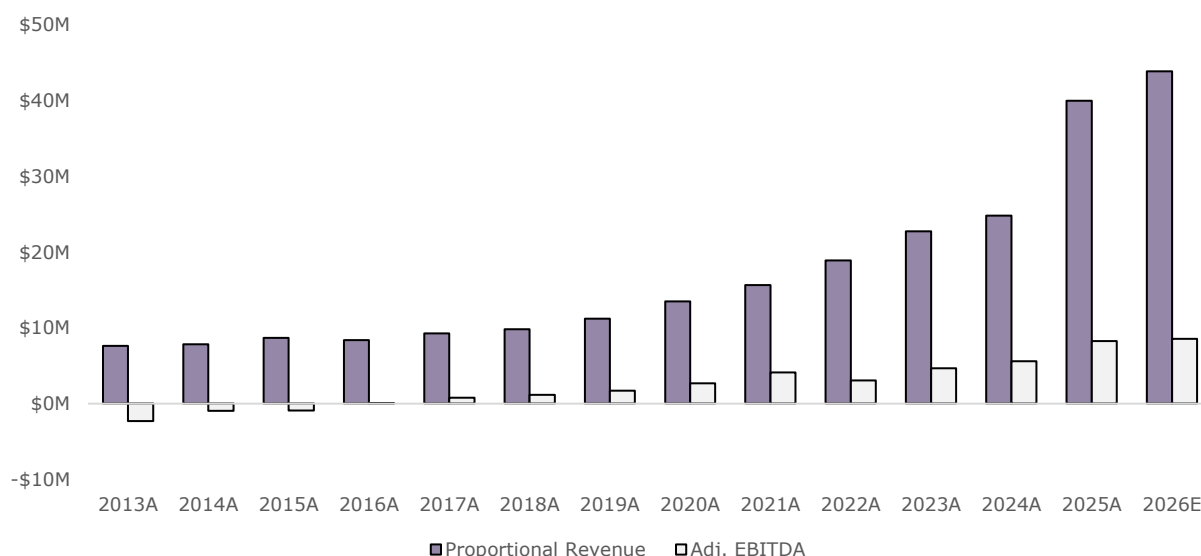


Figure 2: Long-Term Growth Metrics

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	\$81.40	Warrants (M)	0.0
Rating	BUY	Options (M)	0.0
Target Price	\$108.00	FD Shares (M)	1.3
Upside	33%	FD ITM Shares (M)	1.3
Market Cap (\$M)		Ownership	
Cash (\$M)	\$17.7	Management & Board	27%
Debt (\$M)	\$3.0	Other Insiders	26%
EV (\$M)	\$92.5	Retail	47%

Financial Estimates												
	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25A	2025A	Q1/26A	Q2/26E	Q3/26E	Q4/26E	2026E	2027E
Revenue (\$M)	17.2	7.4	11.3	9.3	7.5	35.5	4.8	11.2	11.7	10.4	38.0	43.2
Proportional Revenue (\$M)	24.8	7.9	12.9	10.7	8.4	39.9	5.3	13.1	13.5	11.9	43.8	49.2
% YoY	9%	133%	112%	12%	46%	61%	-33%	2%	27%	41%	10%	12%
Gross Profit (\$M)	8.4	3.2	3.7	4.7	3.7	15.3	1.2	5.1	5.6	4.9	16.8	20.7
Gross Margin	49%	43%	33%	51%	49%	43%	25%	46%	48%	47%	44%	48%
Adj. EBITDA (\$M)	5.6	1.9	2.5	3.3	0.5	8.2	(1.1)	3.3	3.6	2.7	8.6	13.2
Adj. EBITDA Margin	23%	24%	19%	31%	7%	21%	-20%	25%	27%	23%	20%	27%
Net Income (\$M)	4.8	1.7	1.9	2.8	1.6	8.1	(1.3)	2.4	2.7	2.0	5.8	8.9
EPS (Basic)	3.78	1.34	1.48	2.15	1.27	6.23	(0.98)	1.87	2.07	1.52	4.49	6.83
FCFF (\$M)	2.5	(1.0)	2.6	1.3	2.0	4.9	(2.0)	1.8	2.0	1.1	3.2	7.1

Figure 3: Tear Sheet

	Q2/26E		Q3/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue (\$M)	\$13.1	\$13.1	\$13.5	\$13.5	\$43.8	\$45.7	\$49.2	\$50.4
GAAP Revenue (\$M)	\$11.2	\$11.2	\$11.7	\$11.7	\$38.0	\$39.8	\$43.2	\$44.3
Gross Margin (%)	46%	46%	48%	48%	44%	46%	48%	47%
Adj. EBITDA (\$M)	\$3.3	\$3.3	\$3.6	\$3.6	\$8.6	\$10.0	\$13.2	\$13.3

Figure 4: Estimate Revisions

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RATING	COVERED COMPANIES
BUY	48
HOLD	0
SELL	0

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