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Research Note

BQE Water – Solid Quarter Given Tough Comparable Period; Positive Outlook

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Rating	Target Price
BUY	**$108.00**
Unchanged	*Unchanged*

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Disseminated on Behalf of BQE Water

All figures in CAD unless otherwise stated

BQE Water Inc.	**BQE:TSXV**
Rating	BUY
Target Price	$108.0
Return to Target	54%

Market Data	
Share Price	$70.00
Average Daily TSXV Volume	340.0
FD ITM Shares (M)	1.3
Market Cap ($M)	$92.1
Cash & Marketable Securities ($M)	$16.6
Debt ($M)	$3.2
Enterprise Value ($M)	$78.6

FYE Dec 31	**2025A**	**2026E**	**2027E**
Proportional Revenue ($M)	$39.9	$41.4	$48.2
Revenue ($M)	$35.5	$35.5	$42.0
Gross Margin (%)	43%	44%	48%
Adj. EBITDA ($M)	$8.2	$7.6	$13.0
Adj. EBITDA Margin (%)	21%	18%	27%
Net Income ($M)	$8.1	$5.1	$8.7
EPS (Basic)	$6.23	$3.95	$6.67
FCFF ($M)	$4.9	$2.1	$6.7

Valuation	**2025A**	**2026E**	**2027E**
EV/EBITDA	9.5x	10.4x	6.1x
P/E	11.2x	17.7x	10.5x
FCF Yield (%)	6%	3%	9%
EV/Sales	2.0x	1.9x	1.6x

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 including prop. revenue of $11.3M (-13% YoY) compared to our estimate of $13.1M and adjusted EBITDA of $2.4M (flat YoY, 22% margin) vs. our expected $3.3M.
- The key standout of the quarter was operations services revenue which was up 167% YoY, representing 27% of revenue.
- Management presently has a highly positive outlook for the remainder of the year, expecting growth across its segments.

Yesterday, after market close, BQE Water (BQE:TSXV, BTQNF:OTCPK) reported Q2 financial results that were below our estimates. While revenue declined 13% YoY, adjusted EBITDA and net income were flat as the recurring and high-margin operations segment showed 167% YoY growth. **We are maintaining our BUY rating and target price of $108.00/share on BQE.**

Key Highlights

- Q2 prop. revenue was $11.3M (-13% YoY) vs. our estimate of $13.1M. Q2/25 was an exceptionally strong quarter including a large one-time equipment sale to ERDC, making it a tough comparable and the numbers reported were solid. The decline was almost entirely attributed to this and the site became a short-term operations client in Q2/26.
- Prop. revenue was comprised of operations services revenue of $3.1M (+167% YoY, 27% of revenue), short-term operations services revenue of $4.2M (+16% YoY), advisory and design technical services revenue of $1.9M (-70% YoY), and BQE's share of JV revenue of $2.0M (+25% YoY).
- BQE achieved multiple operational milestones this quarter such as remobilizing its operations teams at Minto, initiating its 3-year contract with Nunavik, and adding five long-term operational contracts and three short-term operations contracts YoY.
- Gross margin for the quarter was 46%, hitting our expectation of 46%. This improves from the 33% in Q2/25, with gross profit dollars up 15% YoY.
- Q2 adjusted EBITDA came in at $2.4M (22% margin) compared to $2.5M in Q2/25 and our $3.3M. This miss was driven by the lower revenue but also by G&A being up 24% QoQ and sales & development being up 23% QoQ.
- Q2 net income was $1.8M vs. our estimate of $2.4M. OCF was ($1.3M) and FCFF was ($1.4M) as A/R increased $3.4M QoQ.
- BQE ended the quarter with $16.6M in cash, $3.2M in debt (leases and interest-free loans), and $21.0M in working capital.

	Q2/26A	Atrium Est.	YoY
Proportional Revenue ($M)	**$11.3**	$13.1	-13%
GAAP Revenue ($M)	**$9.2**	$11.2	-18%
Gross Margin (%)	**46%**	46%	+1323 bps
Adj. EBITDA ($M)	**$2.4**	$3.3	-2%
Adj. EBITDA Margin (%)	**22%**	25%	+234 bps

Figure 1: Q2 Financials Summary

Outlook

The team remains positive for its outlook with the resumption of seasonal operations at Kemess as well as other strong operational services across ten sites. The operations group initiated services at five new sites in 2026, contributing $1.9M in revenue YoY. BQE's projects group also reached increased utilization QoQ, matching the utilization from Q2/25 due to new advisory services and engineering design projects. The aquatic toxicology lab became fully operational in Q2, working on projects and investigative work; requirements for regulatory compliance is expected over the coming months.

Specifically for the operations services segment, management expects an increase in the number of sites compared to 2025, increasing full-year revenue YoY. Short-term operations is expected to increase YoY in both Q3 and Q4 from Kemess, Minto, Bell, and Eagle. Lastly, for advisory and design services, the team anticipates several larger engineering studies in H2 and are preparing for the commissioning of two planets currently under construction.

Management also recognized the increased costs regarding its staff including resource allocation, business development, human resources, and accounting. These efforts are in the early stages of implementation and will support the forecasted growth in sales.

Our Take

The quarter was below our expectations, but in our view, BQE still has the potential to grow YoY, above the massive record 2025. 2025 had a few one-off items such as the $6.5M equipment sale for EDRC in Q2/25, making it a tough comparable period, and highly impressive if BQE can surpass the $39.9M in proportional revenue generated. This will be largely determined by the back-half where all segments are expected to grow nicely.

BQE utilized H1 to grow its headcount in anticipation for future growth, which is already starting to show with the operations services segment, which grew at 167% YoY. This segment is core to BQE's fundamentals and attractiveness as an investment. It takes time for the new employees to onboard and train before generating revenue, so naturally expenses will rise ahead of revenue. Operations services took a backseat in 2025 due to the large volume of technical services work, but it appears to be ramping up again; supported by the strong mining market and pipeline.

As such, our thesis in BQE is unchanged; the Company can continue to post growth on an annual basis and should not be analyzed on quarterly numbers. Over the last five years, BQE has grown proportional revenue at a 24% CAGR and adjusted EBITDA at a 25% CAGR, accelerating to 28% and 39% respectively over the last three years. We have slightly lowered our estimates for Q4 and 2027, but our target price remains unchanged.

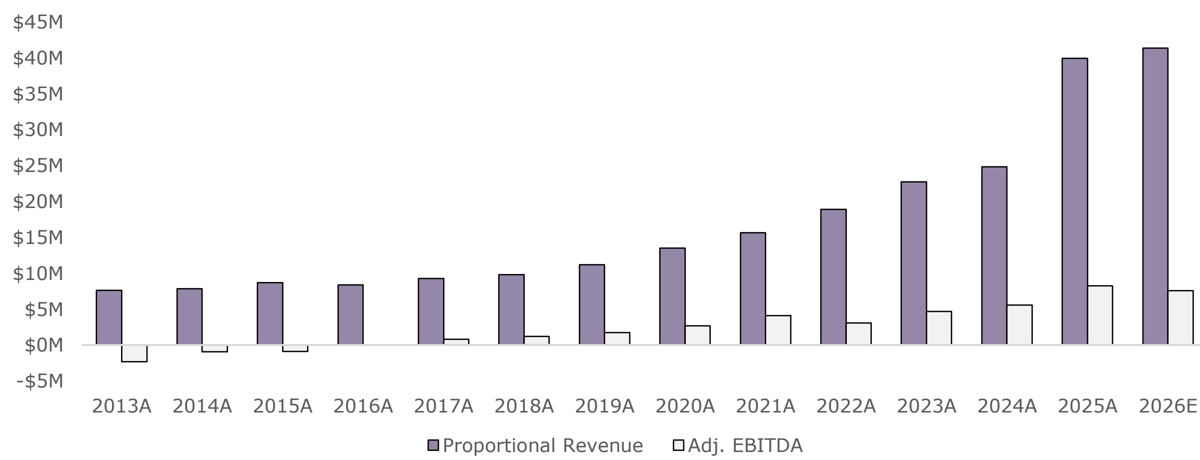

Figure 2: Long-Term Growth

Seabridge Credit Facility to Support Ongoing Activities at KSM

On July 20th, Seabridge Gold (SEA:TSX, SA:NYSE) announced the execution of an unsecured, short-term loan agreement with a strategic investor for up to US$100M. The financing will support the investments Seabridge is making in its summer season work at the 100% owned KSM Project, including building roads and the collection of geotechnical, metallurgical and environmental data to support KSM's feasibility-level design and engineering activities.

As a refresher, KSM has a P&P resource of 47.3Moz Au and 7.3Blb Cu, with an expected 52-year mine life. Per its 2022 PFS, BQE was included as the water treatment provider and the selenium water treatment will cost Seabridge US$19.6M/year across the life of the mine. Additionally, it is likely that KSM will have multiple plants through its construction and operational stages. Although we don't include this project in our model, we believe this is a feasible possibility which could transform BQE's revenue profile.

Catalysts

- Quarterly Financial Results & Increasing Recurring Revenue – Ongoing
- New Contract Announcements – Ongoing
- Share Repurchases & Acquisitions – 2026/2027

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 insiders collectively own 44% of shares.
- BQE's valuation is cheaper than that of water treatment and engineering service firms.

Tear Sheet

Market Data	
Ticker	BQE:TSXV
Stock Price	$70.00
Rating	BUY
Target Price	$108.00
Upside	54%
Market Cap ($M)	$92.1
Cash ($M)	$16.6
Debt ($M)	$3.2
EV ($M)	$78.6

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	9%
Other Insiders	35%
Retail & Institutions	56%

Financial Estimates	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25A	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	2027E
Revenue ($M)	**17.2**	**7.4**	**11.3**	**9.3**	**7.5**	**35.5**	**4.8**	**9.2**	**11.7**	**9.7**	**35.5**	**42.0**
Proportional Revenue ($M)	**24.8**	**7.9**	**12.9**	**10.7**	**8.4**	**39.9**	**5.3**	**11.3**	**13.5**	**11.2**	**41.4**	**48.2**
% YoY	*9%*	*133%*	*112%*	*12%*	*46%*	*61%*	*-33%*	*-13%*	*27%*	*33%*	*4%*	*16%*
Gross Profit ($M)	**8.4**	**3.2**	**3.7**	**4.7**	**3.7**	**15.3**	**1.2**	**4.3**	**5.6**	**4.6**	**15.6**	**20.1**
Gross Margin	*49%*	*43%*	*33%*	*51%*	*49%*	*43%*	*25%*	*46%*	*48%*	*47%*	*44%*	*48%*
Adj. EBITDA ($M)	**5.6**	**1.9**	**2.5**	**3.3**	**0.5**	**8.2**	**(1.1)**	**2.4**	**3.6**	**2.6**	**7.6**	**13.0**
Adj. EBITDA Margin	*23%*	*24%*	*19%*	*31%*	*7%*	*21%*	*-20%*	*22%*	*27%*	*23%*	*18%*	*27%*
Net Income ($M)	4.8	1.7	1.9	2.8	1.6	8.1	(1.3)	1.8	2.7	1.9	5.1	8.7
EPS (Basic)	3.78	1.34	1.48	2.15	1.27	6.23	(0.98)	1.42	2.07	1.43	3.95	6.67
FCFF ($M)	2.5	(1.0)	2.6	1.3	2.0	4.9	(2.0)	(1.4)	4.1	1.3	2.1	6.7

Figure 3: Tear Sheet

Estimate Revisions

	Q3/26E		Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Prop. Revenue ($M)	**$13.5**	$13.5	**$11.2**	$11.9	**$41.4**	$43.8	**$48.2**	$49.2
GAAP Revenue ($M)	**$11.7**	$11.7	**$9.7**	$10.4	**$35.5**	$38.0	**$42.0**	$43.2
Gross Margin (%)	**48%**	48%	**47%**	47%	**44%**	44%	**48%**	48%
Adj. EBITDA ($M)	**$3.6**	$3.6	**$2.6**	$2.7	**$7.6**	$8.6	**$13.0**	$13.2

Figure 4: Estimate Revisions

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