

BluMetric Environmental Inc.

Third Quarter 2022 Quarterly Earnings Conference Call

Event Date/Time: August 29, 2022 — 1:00 p.m. E.T.

Length: 20 minutes

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CORPORATE PARTICIPANTS

Graham Farrell

Harbor Access — Investor Relations

Scott MacFabe

BluMetric Environmental Inc. — Chief Executive Officer

Vivian Karaikos

Blumetric Environmental Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

John Lewis

Private Investor

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the BluMetric Environmental Earnings for Q3 2022 Conference Call.

This call is being recorded on Monday, August 29, 2022.

I would now like to turn the conference over to Graham Farrell. Please go ahead.

Graham Farrell — Investor Relations, Harbor Access

Thank you, Operator.

Good afternoon and welcome, everyone, to BluMetric Environmental's Quarterly Earnings conference call.

This call will cover BluMetric's financial and operating results for the fiscal third quarter ended June 30, 2022. Following our prepared remarks, we will open the conference call to a question-and-answer session. Our call today will be led by BluMetric's Chief Executive Officer, Scott MacFabe, along with the Company's Chief Financial Officer, Vivian Karaiskos.

Before we begin with our formal remarks, I would like to remind everyone that some of the statements on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the

Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested in any forward-looking statements due to a variety of factors which are discussed in detail in our regulatory filings.

I will now hand the call over to Scott MacFabe. Please go ahead, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Graham.

I'd like to welcome everybody to the inaugural quarterly conference call for BluMetric Environmental.

I'd like to take a moment to acknowledge the hard work of everyone at BluMetric during the last few months, especially coming out of the global pandemic. I'd also like to acknowledge our shareholders that have invested in our Company. Hopefully, you're encouraged by the work we continue to achieve. During this call, I'll give an overview of our business, and then following, our CFO Vivian Karaiskos, will give a more in-depth overview of our financials.

As we've mentioned in our earnings release, we continue to see opportunities in most of our industrial verticals and remain a key provider to the Canadian Military, with BluMetric moving up 10 spots to a year (phon) ranking of 45 in the Top 100 of Canada's Defense Companies. Very proud of our work to the Military partners.

As a Company, we remain driven by our clients' demands as we continue to creatively develop targeted solutions to complex environmental challenges. During the quarter, we did see also an increase in IT costs to support the growth and efficiency of our business, all necessary to operate a resilient business.

This quarter we concluded several large projects that were related to covert services. We expect the last remaining of those projects to be wrapped up by the end of this calendar year. That agile pivot into these projects identified additional opportunities for new areas of business with these new clients and we will continue to explore those opportunities going forward.

Our Mining business remains a focus for us during the coming quarters as we expand our client base in Northern Ontario and Northern Québec. The mining industry as a whole is under considerable pressure to become more environmentally sustainable, and BluMetric is a trusted partner to help companies in this industry to achieve their goals in a cost-effective manner.

Turning our attention to Government contracts. We experienced several small call-ups, and under existing standing orders which were a contributing factor to this quarter's numbers, our relationships with both Provincial, Territorial and Federal governments are strong and our pipeline in this business remains solid.

On the cost side of the ledger, the Company had made a strategic decision to invest both in its sales force and also in IT systems. These initiatives are going to allow our sales process to become more efficient, which should lead to growth in new business.

In addition to these necessary costs, the Company has begun fabrication of its mobile wastewater treatment plant. This system becomes an integral part of BluMetric's future treatment solutions, and in my opinion, forms an exciting blue sky aspect to the Company's prospects moving forward. In addition, we're in the process of developing our mobile potable water drinking system as well. So, again, (audio interference) our mobile agile systems.

On the capital market side of our business, we've taken a few initiatives to enhance the public listing of the securities of the Company. Over the summer, we've hired a strategic investor relations firm to improve our investor communications and outreach. Now the Company's on a path to sustainable growth, we feel it's time to start engaging with new investors and capital markets participants to tell BluMetric's story to a wider audience.

I'll now hand this over to Vivian for an overview of the financials. Please go ahead, Vivian.

Vivian Karaiskos — Chief Financial Officer, Blumetric Environmental Inc.

Thank you, Scott.

We're pleased to present to you today BluMetric's quarterly performance for Fiscal Q3 2022. The Company's fiscal year end is September 30, 2022.

BluMetric had quarterly revenues of \$8,353,226 with gross profit representing \$1,958,341 for gross margin of approximately 23 percent. The Company's EBITDA was \$572,652 with net earnings of \$317,862 or \$0.01 per share. Year-over-year we experienced a slight drop in overall revenue due mainly to higher margin COVID-related projects coming to an end.

Overall, the Company's results were in line with the Company's internal expectations.

On June 30, 2022, the Company had a cash and cash equivalents balance of \$5,960,177, an increase of \$1,232,757 or an approximate 26 percent increase from the previous quarter end. The Company remains well-financed to achieve its objectives and maintains a very clean capital structure with minimal debt.

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new \$2 million term loan. The term loan has a closed four-year term and carries an interest rate of 3.28 percent per annum with monthly blended payments of \$44,517 that commenced on May 31, 2021. It matures April 30, 2025, is carried at amortized cost, and is subject to the same covenants as the Company's short-term credit facilities.

As at June 30, 2022, BluMetric had access to approximately \$8,650,000 between its operating line and cash balances, and remained compliant with all its covenants.

With respect to cash flow, cash produced from operating activities was approximately \$2 million in the nine months ended June 30, 2022, compared with cash produced from operating activities of \$2.3 million in the same period in 2021. The decrease was a result of lower revenue and gross profit and higher operating expenses, as well as an increase of approximately \$1 million in working capital.

Investment activities consumed \$74,786 of cash in the first nine months of 2022 compared to cash consumed by investing activities of \$132,391 in the same period for 2021. For the nine months

ended June 30, 2022, cash used in financing activities was \$692,227 compared to cash used by financing activities of \$859,421 in the same period of 2021.

In Q3 2021, the Company made principal payments of \$500,000 on its existing term debt before refinancing the remaining \$2 million to its bank on April 20, 2021. In Q1 2022, \$130,000 of that debt that had been previously postponed in favour of the bank was released and paid off. In addition, stock options exercised provided cash of \$126,060 during the nine months ended June 30, 2022, compared to \$44,200 for the similar period last year.

We will report Fiscal Q4 and Year End 2022 results in January 2023.

I would like to thank you for taking the time to allow us to present our results to you today. We will now take question from call participants.

Q & A

Operator

Thank you.

The first question on the line comes from John Lewis, an Investor. Please go ahead.

John Lewis, Private Investor

Good afternoon, Scott and Vivian.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Hello, John.

John Lewis, Private Investor

Hi. Congrats on another solid quarter, revenue and profit.

I have two questions. The first one is, can you share with us how big your sales pipeline is? Is there an order backlog? Also, some of the financial metrics - revenue, gross profit margin, EBITDA - fell a little this quarter as operating expenses increased, which you covered off. Are there any upcoming catalysts to improve any of these metrics? Is the business seasonal? I'm just curious to see how you feel for the remainder of the year.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Okay. Great question, John. Let me answer it this way.

As we've spoken about historically and currently, our market mix, with our four key markets, gives us a fair amount of diversity which gives us the kind of hopeful leveling we'll see even greater into the future. So, right now, the four markets, when we see, say, two of the four really going strong and a couple either flat or in minor decline, we typically see the kind of results that we're seeing now, and that is, not all four markets are taking off. We see solid—in our Commercial, Industrial business is steady. We see investment, but we've yet to realize the benefit of our investment in our Mining sector, but we expect those things to happen and on. Military, we continue. Those are the longer sales cycle, larger jobs. We have a pipeline of opportunities.

What we're seeing is delays and review and execution of those contracts, but nothing's been canceled. So I think part of our clients coming out of the pandemic into an endemic and then wondering what it looks like for a recession, there's extreme caution, but at the same time we press on. How I would explain this last quarter and even this year is baseball (phon), singles and doubles. We love it when we get grand slams and home runs, but the business is based on singles and doubles.

We do have some good things in the pipeline that we hope to close on. That would probably be a little premature for me to discuss those at this point. But to answer your question on the pipeline and the size of it, we are now in the process, with our new CRM systems, of being able to quantify those things a little better. From the standpoint of what we think the future looks like, again, I see it as a solid picture. I'm not at liberty to give dollars and cents out in terms of how we develop the pipeline, a factored number, or anything like that yet, but we're moving in that direction.

So, hopefully, what you see as we continue to move forward, the Company is on good, solid ground. We've come a long way in the last four or five years, and we continue to build off of that. So, we're pretty happy with where we're at but we're never satisfied.

Hopefully that answers your question.

John Lewis, Private Investor

Yes, it does. Thank you.

The mobile wastewater treatment plant and also there's another—I think there's—it sounds like there's a couple of products, the second one, are there ready-made sales available? Do you have an idea

what that marketplace would look like? You're in a competition with the DND. If you've got that or won that, whoever wins that, are there orders in behind that, or how should we look at that?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

What I would say is there's two aspects to it. One, SNC-Lavalin asked us to participate as their partner in the Pop Up City competition, so that's good news. That definitely is. That competition was developed for a reason. The government needs to know that there's at-the-ready designs to be able to execute if needed. No commitment yet, but that was the whole purpose of the competition. So, the hope would be that after we get through that, that the outcome is positive for us.

The other aspect that we're really looking at is taking what we're very good at. You've probably seen it in our numbers and our communications and our releases that the firm is operating on the basis of discipline and focus, and we've really taken a hard look at what we're really good at in terms of our water Water Cleantech, especially with the Department of National Defense, but what we're seeing on a global basis and global interest, not just in Canada, is to be able to deliver on agile mobile water treatment systems, both potable and wastewater, but mostly potable as well.

So, we're in the process of building the final design prototype of a potable agile water treatment system for resilient backup. So that could be if a town has a boil ban or if a First Nations community has a boil ban, you could roll it in. It's the same level of design in that it is a military-grade system but it's easy to use and it operates efficiently. It takes very little training to operate.

So, we hear, with current world conditions overseas, we're well aware with the impacts of climate change and pressure on the grid and network, to be able to have a system like this at the ready is really a valuable asset. That system is sitting in our fabrication shop about half done and the goal would be to have it trotted out and ready to go so we can do more hands-on demonstrations and promote that system.

So we see growth in our Water Cleantech business as something real, based on those kind of products.

John Lewis, Private Investor

Excellent. That sounds great.

Sorry to dominate the time, but last question is about Corporate and Board alignment with shareholders. In my humble opinion, the number one way to be aligned with your shareholder base is through stock ownership. Another is implementing an issuer bid if it's deemed to be good capital allocation. Have you looked into an issuer bid, and do you or any of your Board members intend to buy stock during this period or in the near future?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Excellent question.

First of all, let me address your first question, and that is internal ownership. One of the challenges that we have as a result of our prudence in running the business ethically is, both Vivian and

myself are the ultimate insiders in how we operate, and when I say that, we are a C-suite that is deeply involved with the operations and the sales of the business and so it's very difficult for us not to be in a blackout period, but it's not impossible. It happens from time to time, and yes, it's definitely of interest. We look at where the stock is now and I would like to see it where it's been and far beyond that. There's great opportunity there, so the goal would be to invest.

In terms of an issuer bid, I think given the firm's cash position, it's definitely within our reach and something that we would definitely consider. At this point, I would say it's on the table and certainly a topic of conversation, but there's been no final commitment made to that yet, John. But it is, I believe, the right thing to do and I think it would have the necessary positive effect to all of our current shareholders.

John Lewis, Private Investor

Awesome.

Listen, I appreciate you have initiated these quarterly conference calls, and speaking on behalf of a lot of shareholders, I wish you every success, and I will be on the next call and looking forward to it. Thank you for your time today.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

You're very welcome, John. Thank you for your questions.

Operator

Thank you.

There are no further questions. I will now turn the call back over to Scott MacFabe for closing remarks.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well thank you, everybody, for attending our first call and for the insightful questions, John. I wish everyone else the same opportunity as we advance the business together. We're appreciative of all who have been a part of and will continue to be a part of BluMetric's imminent success. We wish you all the best until our next call and look forward to that conversation. Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines.