

**BluMetric Environmental Inc.**

**Fiscal 2024 Third Quarter Conference Call**

August 30, 2024 — 1:00 p.m. E.T.

Length: 22 minutes

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## **CORPORATE PARTICIPANTS**

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## **CONFERENCE CALL PARTICIPANTS**

### **John Lewis**

*Private Investor*

## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the BluMetric Environmental Inc. Fiscal 2024 Q3 Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Friday, August 30, 2024.

I would now like to turn the conference over to Brandon Chow. Please go ahead.

**Brandon Chow** — Investor Relations, BluMetric Environmental Inc.

Thank you, operator. Welcome, everyone, to BluMetric Environmental's quarterly earnings conference call. This call will cover BluMetric's financial and operating results for the 2024 third quarter ended June 30, 2024. Following our prepared remarks, we will open the conference call to a Q&A session. Our call today will be led by Scott MacFabe, BluMetric's CEO, and Dan Hilton, the Company's CFO.

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 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.

There may also be references to certain non-IFRS measures such as EBITDA, backlog, working capital, free cash flow, and net cash. These non-IFRS measures are not recognized measures under International Financial Reporting Standards and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Please see our disclosures for further information and reconciliations of these non-IFRS measures.

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

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Brandon, for the introduction. Welcome, everybody, to our third quarter of fiscal year 2024 earnings call for BluMetric Environmental. We appreciate all of you taking the time to join us on this call. As per usual, I'll start off by providing an overview of the third quarter results, and then Dan Hilton, our CFO, will go over the financial results in more detail.

As a reminder, BluMetric is a full-service environmental consulting and cleantech firm. We focus on professional services and providing agile water and wastewater systems. Through a track record that spans over 45 years, BluMetric has evolved into a full-service integrator of environmental solutions in the fields of water and wastewater treatment and professional environmental services. We aspire to be the environmental solutions and water cleantech company of choice globally.

Now let's start the third quarter to discuss the third quarter in more detail. We continue to drive incremental improvements in our overall business performance as we invest in our cleantech expansion and deliver new units from production. Although sales and delivery cycles are longer for cleantech, we

are now preparing for a manufacturing ramp up and building relationships with key partners and customers. Ultimately, we're proud of the new capabilities we've developed with our investments. As a reminder, some of these capabilities include doubling the manufacturing footprint, hiring key sales and technical personnel, creating a new operation and maintenance division, and building up inventory. All these require us to continue to incur higher costs and overhead to invest ahead of time and expect they'll pay off in due time.

For the first time in cleantech, we also sponsored several conferences and groups, worked with new trade groups, and positioning ourselves as a credible player in the growing markets. Another first for us was the First Nation's water contract we recently announced, a first of its kind for us, being a fixed system for a remote community. This was an interesting win for us as it showcases the capabilities of our systems and creates new markets and references for our leading mission-ready water solution.

Diving in deeper to our numbers, our revenues for the quarter were up 17% from the same period in the prior year. Last year's quarter had impacts from the Canadian northern wildfires, which resulted in lower revenue at the time, which we did not experience the same level this year. Despite being in the midst of a transition to a heavier revenue cleantech company and having these growth investments, we continue to maintain our positive net income, EBITDA and, as evidenced by consecutive quarters as such, these capabilities we've built will necessarily or necessary to deliver on the Rheinmetall contract, which will happen in 2025. This contract is in the final stages of field testing of our prototype, after which, when approved, it'll proceed to full production.

I also want to hit home that we think our differentiation within the market really from other cleantech companies who have to operate at a loss for many years until they get enough commercial traction, we fund ourselves. As we transition into the last quarter of the fiscal year, we continue to prepare for a manufacturing ramp up and finish off what is seasonally our strongest quarter. Fiscal 2025 is starting to shape up as we book our work for the next year and aim to deliver on those products and projects. Furthermore, we're pleased that growth margins continued to maintain and are now in the 40% range plus compared to 35% in last year's quarter. This is also reflected in the higher net fee revenues that we generate overall as a business, which, as you may recall from the year to date, has been higher, while overall revenues are lower due to a reduction in third-party subcontract or pass-throughs.

In our key markets, government revenues remained relatively consistent. Our commercial and industrial segment increased due to the commencement of two new projects focused on site assessment, remediation, and environmental auditing. Our military market continues to see an increase in revenues due to the refurbishment of water purification systems for the Canadian Department of National Defence, which is expected to continue into 2024, 2025. Lastly, our mining market saw an increased revenue, mainly due to our shift towards higher-value services and improving our client portfolio, particularly in areas such as Northern Quebec.

While patience has been necessary, we continue to be optimistic about our military market and our cleantech systems as we ramp up production and see potential traction in sales and business development efforts. The global geopolitical tensions are only increasing and forcing countries like Canada to drive increased military spending, which BluMetric continues to be a beneficiary of. These

trends continue to support the Company's goal to expand geographically by integrating its mission-ready water technology into a full-service solution throughout North America and globally with other allied nations.

It continues to be a crucial time for us to make sure we develop and deliver products on cost, on time, while continuing to build our sales momentum going into the last part of the next fiscal year. We continue to believe BluMetric's strong financial position provides us the flexibility to execute on its long-term strategy to scale cleantech products and services, expand geographically, and execute on potential mergers and acquisitions. I look forward to updating you more as things progress.

I'd now like to hand this over to Dan Hilton for a more detailed overview of the quarterly financials. Please go ahead, Dan.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Thank you, Scott. Today I'll be presenting BluMetric's 2024 fiscal third quarter results in more detail.

Revenue for the fiscal third quarter was \$8.1 million compared to \$6.9 million in the prior year. As Scott mentioned, revenues were higher as we did not incur the same level of disruption this year from northern wildfires. Our gross margin was 44% for the third quarter compared to 35% in the prior year. The increase in gross margin is mainly attributable to lower subcontractor usage in fiscal 2024 compared to 2023 as well as an increase in billing rates and billable hours. Operating expenses for the third quarter came in at \$3.4 million compared to \$3.3 million in the prior year. The increase in

operating expenses, while marginal, is primarily attributable to investments in business development activities expected to fuel top-line growth moving forward. EBITDA for the third quarter was \$0.3 million compared to a loss of \$0.7 million in the prior year. The increase in EBITDA for Q3 2024 is mainly due to the previously mentioned increase in revenue and gross margins. In addition, last year's quarter also had additional one-time operating costs which also negatively impacted EBITDA in the prior year and did not repeat in the current year. Net earnings for the third quarter were \$26,000 compared to a net loss of \$729,000 in the prior year.

On June 30, 2024, BluMetric had a net cash balance of \$2.2 million compared to a net cash balance of \$3 million at the beginning of the fiscal year. The net cash balance decreased due to expected movement in working capital accounts. Overall, however, BluMetric remains well financed to achieve our long-term strategic plan as we maintain a clean capital structure with minimal debt and a strong working capital position of \$11.3 million, up from \$10.4 million at the same time last year. This financial position affords us the ability to continue investing in our cleantech scale up, expand geographically, and execute on potential acquisitions. As at June 30, 2024, the Company had approximately \$4.8 million in immediate cash availability between its operating line and existing cash balances.

That concludes my update on the financials. I would now like to thank everyone for taking the time to allow us to present our results today and I'll hand it back over to Scott.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Dan. Much appreciated.



Lastly, before we open up the floor to questions, I want to make sure everybody is aware that we'll be presenting at the Planet MicroCap Conference next month on September 25<sup>th</sup> in Vancouver. The presentation will also be live streamed and a press release will be sent out with connection details. If anyone is interested in meeting with us, we'll be available at the conference in downtown Vancouver on the 25<sup>th</sup> and the 26<sup>th</sup> of September. Please reach out to Brandon if you would like to book a meeting.

We'll now take questions from all participants and we'll pass it back over to the operator.

## Q & A

### Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one. If you would like to withdraw your question, press star two. Again, to ask a question, press star one. One moment please for your first question.

Your first question comes from John Lewis, private investor. Please go ahead.

### John Lewis — Private Investor

Gentlemen, congratulations. Nice, solid quarter and, as you said, incremental improvements, so very nice to see. Got a couple of questions on behalf of myself and a couple of other folks who can't make the call today. One was in regard with Rheinmetall. You said 2025, if everything goes well. Is that like first half? Second half? If things go well, what are your expectations?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Well, John, first of all, nice to hear your voice, as always, and best to everybody that I know is associated with you and the group.

In terms of the Rheinmetall contract, the way it lays out is we have a prototype that we have developed, it's done, and it is in deep assessment in terms of water challenges and then also physical challenges to make sure that it meets all of the specifications of the contract that we've signed up for. And so we're almost finished all of those challenges. Most of the water challenges are done. They put our brand-new unit on a trailer and they drag it across the country and try to abuse it as much as they can and then make sure that it still operates, because these have to be simple, resilient systems, right? So we're right in the midst of that, almost done, and then, once approved, then we get directly into our main production, which is, I believe, 5 units per tranche with a total of 20 plus 1 for the unit that's being tested. So we've got 21 of these to deliver. And most, if not all, of that production needs to happen next year. So it'll preoccupy a lot of our shop space, it'll preoccupy a lot of our production staff, but the hope would be that that would kick right off into the start of next fiscal year, maybe the early to end the first quarter, no later than, I would expect, this early second quarter, but definitely most of it has to happen next year.

**John Lewis** — Private Investor

And can you remind me, what was the total number, the dollar number?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Dan, you can correct me if I'm wrong, but I think it was just south of \$12 million.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah, the original prototype unit, which is about \$1 million of investment that we've made and we've recorded that revenue, has already been delivered, as Scott mentioned, is going through the final testing, and then the balance of the contract will be about \$11 million.

**John Lewis** — Private Investor

Super. So would it be safe to say then, I mean everybody is kind of watching this, how it progresses, how it rolls out, and if it works as we think it will, et cetera, would that get Rheinmetall more interested to maybe present it to other clients, this sort of thing, or how would we look at that?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Well, I think that, you know, I can't speak directly for Rheinmetall, but they're certainly quite happy, as I'm aware. We meet with their CEO for Canada every once in a while, and did recently, and they seem quite happy with the relationship and the unit we've produced. It is a beautiful piece of equipment. I mean I'm a little biased, but I have seen it in operation in our shop and it's just beautiful. And we're dying to see, not just with Rheinmetall, but there's plenty of other places that we're already promoting its use, and not just with Rheinmetall and their clients, but many other markets are quite interested in this particular piece of kit. So yes, number one, we would expect Rheinmetall would want

to roll this out as part of a growth strategy. But we're not relying just on Rheinmetall. This particular piece of equipment is purpose built to be the size that it is but maintaining the same level of resiliency and ease of use for a broader market. So it really has a great application and we've had, for instance, we're just getting back from Denmark, we were invited there for one of their industry showcases to promote BluMetric. The word's getting out around the world, not just even in our own backyard, to make sure that we're not just reliant on Canadian procurement. We want to make sure that we have global opportunities in front of us. So we're working it hard and the expectation would be that there should be high demand for this particular piece of equipment.

**John Lewis** — Private Investor

Amazing. That sounds excellent. Thank you. The last question. I'm interested in this First Nations contract, the mission-ready contract. I'm wondering how big the need is in the north for that piece of equipment. Is this just like a one-off who needs it and that's it or are there other applications or uses or...?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Sure. Great question, and I'm glad you asked it. We feel, in our business, one of the things that we promote culturally and professionally and from a business standpoint at BluMetric is the work that we do is meaningful work and that meaningful work has to have great value. And it's hard to believe even to this day in Canada that there's many places where boil bans still exist, especially with First Nations in remote areas. And I think that historically, perhaps, others have approached it that anything can be solved with technology, but I think what's been missing is what we've experienced, because we

have a wealth of experience working north of 60 in remote areas, that you can have the best of equipment, but if it's not operating or if it's too complicated, it's worthless, especially in a remote area. So the systems that we've developed, are developing and selling, should address the issues of boil bans, should address the issues that in these areas you can't have complicated equipment but it has to be sophisticated, resilient, and to deliver the necessary outcomes in terms of water quality. It also has to be hooked up with telemetry, so if something doesn't go right, we can support it. And so you can well imagine a lot of these communities are isolated. They're remote. It's not like you're going to find a qualified water operator unless you're lucky. We can't find many qualified operators in the GTA.

So the whole purpose of this is, number one, make it so that it is easy to use. We train, we support, it's resilient, it solves the problem. And that can be repeated over and over and over again, because, believe me, there's more than one of these situations. And so this is a critical piece of equipment we have to deliver and I'd say over deliver. And I believe that, as we promote it and it becomes known, what we've been doing for the military all these years could be an excellent solution for remote communities, especially First Nations, or mining sites, to be able to have a piece of equipment that is going to consistently produce clean water, potable water.

We also have mobile wastewater systems too and those are deployed, but really I think, right now, to come up with something that solves the boil ban issue in Canada or other places, really is the key focus of ours. So we're excited about it and we think the demand is quite broad. It's certainly more than one community that's faced with this challenge and we believe that we have something that'll solve that problem.

**John Lewis** — Private Investor

That's awesome, because I really struggle with, you know, that there's still this potable water issue up there. I just can't fathom it. But it is what it is. Lastly, phenomenal that you're actually doing a small cap investor conference. I actually was sent that invitation and I believe it's September 25<sup>th</sup>?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

That's correct.

**John Lewis** — Private Investor

Yeah, there's a great lineup. I probably own about eight companies, including BluMetric, there. There are some solid companies there. And I think you will make some good relationships there, because there's some really great value companies like BluMetric, so I think you're well spotted in that. So, well done and all the best and have a great long weekend and then, you know, back to work.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, John. I appreciate it. And we are really excited about it too. Dan and I will be there. I really, I think the time really is now to tell our story well. It's always been a good and a developing story, but I really feel like we're at a point right now where our message is clear, our strategy is clear, we're executing on what we say we're going to do, and we're going to prove it in fact, not conjecture, and we want to make sure that as we're represented there. I do my best to make sure that the Company is

properly represented, because there are a lot of hard-working people here that really believe in what we're doing and they're really delivering on that promise.

**John Lewis** — Private Investor

Well, it translates through your presentation these days, so I'm feeling great about the Company.

Thank you, operator. I'm good. I'll pass it over.

**Operator**

Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one.

There are no further questions at this time. I will turn the call back over to Scott for closing remarks.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Excellent. Thank you, operator. Again, everybody, thank you for joining the call. We really appreciate your participation. Certainly there's lots of ways to get a hold of us if you need further information, certainly through Brandon Chow, or just check on our webpage. Most of the materials are there for you for your review, if need be. We're delighted where the Company is going and we really appreciate your questions and certainly your support. We wish everybody a safe and happy long weekend. Enjoy your time. And until next time, everybody, we look forward to having our discussions yet again. Thank you.

## Operator

This concludes today's conference call. You may now disconnect. Thank you.