

**BluMetric Environmental Inc.**

**First Quarter 2025 Earnings Conference Call**

February 28, 2025 — 1:00 p.m. E.T.

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## **CORPORATE PARTICIPANTS**

### **Brandon Chow**

*Panolia Investor Relations Inc. — Principal & Founder*

### **Scott MacFabe**

*BluMetric Environmental Inc. — Chief Executive Officer*

### **Dan Hilton**

*BluMetric Environmental Inc. — Chief Financial Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Tom Burke**

*Canaccord — Analyst*

## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the BluMetric Environmental Inc. FY 2025 Q1 Conference Call. At this time, all lines are in a 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, February 28, 2025.

I would now like to turn the conference over to Brandon Chow, Principal at Panolia Investor Relations Inc. Please go ahead.

**Brandon Chow** — Principal & Founder, Panolia Investor Relations 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 2025 first fiscal quarter ended December 31, 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 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.

There may also be references to 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 will now hand over the call to Scott MacFabe. Please go ahead, Scott.

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

Thank you, Brandon. Welcome, everybody, to our first quarter 2025 earnings call for BluMetric Environmental. We appreciate all of you for taking the time to join us today on today's conference call. As per usual, I'll start off by providing an overview of the quarter and Dan will go over our financial results in more detail thereafter.

Firstly, we'd like to start off by giving those new to our story a reminder of who we are and what we do. BluMetric creates a better environment for business. What does that mean? Well, BluMetric is a full-service engineering WaterTech and environmental consulting firm. We focus on agile water and wastewater systems and professional services. Through a track record that spans over 45 years, we've 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 WaterTech company of choice globally.

Now let's discuss the quarter in a little more detail. This quarter saw a significant increase in revenues, in part due to a full quarter of revenue contribution from Gemini. In addition, Gemini's revenues in the quarter were accelerated to help mitigate some of the political and trade uncertainties in the supply chain that we're facing. This resulted in faster than expected hardware deliveries on key projects. Gemini continues to deliver strong results, and as previously disclosed, we've expanded the team, are working on building the manufacturing capacity footprint significantly, and we also look forward to our new operation and maintenance division playing a key role in helping drive more recurring revenue for the aftermarket parts, consumables, and overall management of our installations. This was previously not an area Gemini capitalized on prior to their acquisition.

Beyond Gemini, we continue to see good activity in our military market. As I'd mentioned last quarterly call, while the sales and delivery cycles continue to be a bit longer than expected for WaterTech, we've made sure that the production excellence, capacity, and business development investments are in place to ensure continued growth. There is a growing emphasis for countries like Canada to spend more on military and we see water playing a potentially important role.

Our success in this market will hinge on our continued ability to form key relationships within the main target markets in Canada, Europe, and the United States. These are all areas where we feel relationships have deepened and we have actively submitted proposals for our systems. We continue to make good progress for our manufacturing ramp up in our Canadian facilities and we're still waiting for

final approvals from Rheinmetall partner to start volume production on the agile mission-ready systems for the military contract. As you saw, EBITDA for the quarter also improved, as we're starting to see some of our WaterTech investments pay off. We will need to be diligent as we ramp up on delivering on our record order book and strive for manufacturing excellence.

Turning to professional services. We're proud to announce that we are now Partnership Accreditation in Indigenous Relations Committed. This is an important milestone as it demonstrates relationship with Indigenous partners where we recently were chosen for \$0.8 million contract by one of our First Nation governments to plan and carry out environmental cleanup of abandoned sites that pose potential health risks to their community. We see our deepening work with First Nations communities in Canada being an important area for us as we increase the scope of our work alongside local communities and help them develop sustainable approaches to their ecosystems. As a reminder, we also announced the WaterTech system contract last year to provide portable water to a First Nations community which is also making good progress. We also see improvements for our business development within professional services and see opportunities to grow our Toronto area practice, along with potential mergers and acquisition tuck-in targets. Professional service is a key and profitable foundation for us and we don't want to lose sight of that as we strive for more organic growth across the board.

Across the Company's key markets for the fiscal year, the commercial and industrial markets revenues increased year over year, mostly as a result of the acquisition of Gemini. The government market has slightly decreased due to the timing of some work performed on some of the key projects. The military market decreased slightly in anticipation of receiving the final government approvals for

Rheinmetall contract. Our mining market decreased slightly due to a shift forward towards higher-value services and improving the client portfolio in such areas of Northern Quebec. We expect to see fluctuations in our core markets as we can continue executing and some will make up for others, depending on the quarter.

In conclusion, the balance of fiscal 2025 will be critical for execution within the goals to drive excellence in sales, business development, and manufacturing, as we are supported by a record order book. We believe demand is strong for our water technologies, prompting the moves to continue increasing our capacity, service capabilities, and sales and business development efforts. We continue to believe that the combination of our unique water technologies and growing demand for resilient and decentralized water solutions will uniquely position the Company.

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

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

Thank you, Scott. Today I'll be presenting BluMetric's 2025 fiscal first quarter results in a little more detail.

Revenue for the fiscal year was \$14 million compared to \$8.5 million in the prior year. As Scott mentioned, the revenues increased in part due to a full quarter's contribution from Gemini. In addition, the revenue recognition was accelerated as a precaution given all of the political and trade uncertainties that we're seeing around the globe.

Our gross margin was 33% for the fiscal quarter compared to 42% in the prior year. The decrease in gross margin is mainly attributable to the lower margin hardware revenues from Gemini that were procured ahead of schedule to avoid any service delivery disruptions in our supply chain. Higher margins are typically realized in the later phases of production when labour forms a higher component of the project execution during the install and commissioning assistance.

Operating expenses for the fiscal quarter came in at \$3.8 million compared to \$3.1 million in the prior year. The increase is mainly due to the operating costs attributable to Gemini, which are proportionately lower than the accretive revenue growth producing economies of scale.

Adjusted EBITDA for the fiscal quarter increased to \$1.3 million compared to \$0.7 million for the prior year. The increase is mainly due to the strengthening in the WaterTech segment as a result of accelerated revenue recognition associated with the delivery of hardware on larger Gemini projects coupled with minimal increases in total corporate overhead.

Net earnings for the fiscal quarter were \$378,000 compared to net earnings of \$241,000 in the prior year. On December 31, 2024, BluMetric on a net cash balance of \$3.7 million compared to a net cash balance of \$757,000 at September 30, 2024. The change in net cash was a result of the proceeds from the successful and oversubscribed equity raise completed during the quarter, which was used to pay down all of the line of credit immediately after quarter end related to the acquisition of Gemini Water. This raise allowed us to target a broader and more diverse institutional ownership base.

As at December 31, 2024 the Company had approximately \$7.9 million in cash availability between its operating line and cash balances and is not bound by any debt covenants.



Overall, we continue to see fiscal 2025 as a critical year as we strategically invest in professional service opportunities while we expand our production capacity in Canada and the United States. There are complementary administrative initiatives underway as well, such as our investment in the new ERP system this calendar year. This will ensure that better decisions can be made by our frontline and strengthen our infrastructure for the long term for client success and an improved bottom line. We are world-class environmental consulting and water technologies delivered by a world-class people who do meaningful work every day. We believe that 2025 is an inflection point for the business. Water is ever scarcer and the environmental concerns of our clients continue to require our world-class assistance.

Thank you, everyone, for taking the time to allow us to present our results. I'll now hand it back over to Scott.

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

Thank you, Dan. I think, operator, now it's time for us to take some Q&A.

## Q & A

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please.

Your first question comes from Tom Burke with Canaccord. Your line is now open.

**Tom Burke** — Analyst, Canaccord

Hey, guys. Congratulations on the quarter.

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

Thank you, Tom. Appreciate it.

**Tom Burke** — Analyst, Canaccord

So you talk about, in the release, pulling forward, and obviously there's no doubt been some, I guess, some rush to get things done before any type of maybe tariff uncertainty comes around, and I was wondering if you could sort of characterize, if we are pulling forward some revenues, does this sort of make it a bit more challenging for the balance of the year or is this a type of situation where quarter in, quarter out it won't be a lumpy journey, that there'll be a smooth evolution as we play out through the balance of the year?

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

Well, that's a great question, Tom. We want to make sure we're really clear about how we're representing it. Dan, maybe it would be best if you give a little more detailed explanation of what we've done and what we can expect going forward on this.

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

Absolutely. So certainly today there are no additional tariffs or concerns in the immediate short term; however, as everyone is acutely aware, this is a risk that seems to be pushed off one month at a time. So, in the sense of simply being responsible, where we can, accelerate the order placement for some of the key components where there could be tariff impact. Those would include large motors that come from a number of distributors, some of the metals, aluminum in particular. And so, for the projects that we have in hand and where we have been able to accelerate procurement, we've done that.

I think this will continue into the current quarter as well and I think what we're suggesting is that there's probably \$1 million last quarter and \$1 million in this upcoming quarter that will get moved earlier on into the process and that's putting a little bit of downward margin pressure on the company, only because of the markup on, from a revenue recognition perspective, the markup on the hardware is lower than the markup that we typically recognize on the service delivery and installation component or the labour component of the delivery.

So I think that top line, it would be inappropriate to simply take our Gemini revenues and multiply them by four and assume that's the number that we're going to achieve. I do think, from a top-line perspective, we're probably a little ahead of schedule on a little bit of revenue recognition in the order of perhaps \$1 million per quarter; however, from an EBITDA perspective, we don't think that things will be lumpy. We do believe that EBITDA will pull throughout the season. The lost top-line revenue, I think, will be made up for in a higher margin in future quarters because we'll be moving in

some more labour-intensive components of service of the installation. Hopefully, that helps frame it up for you.

**Operator**

Ladies and gentlemen, as a reminder, should you have a question, please press star one.

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

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

Thank you, operator. Much appreciated. I wanted to thank everybody for joining us on the first call of the year. We're very excited about where we've landed, some record numbers for the company. We're very optimistic about our future, but we're also cautious in managing our business in a very rational, very agile, and proactive way. Dan's recent response to the question, I think, is a great example of that. So we're delighted that you can share in our story. We look forward to our next call in the next quarter. And so, with that, I wish you all an excellent day and thanks again for joining us.

**Operator**

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