

BluMetric Environmental Inc.

Fiscal Year 2026 First Quarter Earnings Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BluMetric Environmental Inc. Fiscal Year 2026 Quarter One 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 Thursday, February 26, 2026.

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

Brandon Chow — Principal & Founder, Panolia Investor Relations Inc.

Thank you, operator. Welcome, everyone, to BluMetric Environmental's quarterly and annual earnings conference call. This call will cover BluMetric's financial and operating results for the 2026 first fiscal quarter ended December 31, 2025. 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, risks, 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

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There may also be references to certain non-IFRS measures such as EBITDA, adjusted 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 compatible 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 the call over to Scott MacFabe. Please go ahead, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Brandon. Welcome, everybody, to our first fiscal quarter 2026 earnings call for BluMetric Environmental. We appreciate all of you taking the time to join us on today's conference call and, as per usual, I'll start off by providing an overview of the quarter and Dan will go into more detail on the financial results.

Firstly, we'd like to start off by giving those who are new to the story a reminder of who we are. BluMetric creates a better environment for business. And what does that mean? Well, BluMetric is a full-service water technology and environmental engineering firm. We design, fabricate, and deliver sustainable solutions to complex water and environmental challenges and have a rich history that spans over 50 years. We've evolved into a specialized integrator of environmental solutions in the fields of

water, wastewater treatment, and professional environmental services for the natural and built environment. We aspire to be the environmental solutions and WaterTech company of choice globally.

Now let's discuss this quarter and first fiscal quarter in more detail. The first fiscal quarter saw a significant increase in revenues of 45% due primarily to the acquisition of DS Consultants, the production and delivery of WaterTech Canada's ASUWPS unit to Rheinmetall, and higher activity in our mining market. Note that the acquisition of DS Consultants closed on December 10th and we did not see a full contribution from them. Revenue growth was offset by a slight decrease from WaterTech USA, also known as Gemini Water, who's transitioning to higher volume, smaller projects after completing the flagship St. Kitts Bird Rock facility. We're still actively in discussions with larger-scale, municipal-like projects and the sweet spot for Gemini Water has historically been on smaller to medium-sized projects, which are more numerous. We're happy with how we started the fiscal year so far considering it was a record revenue quarter before we took into full consideration our largest acquisition to date, DS Consultants. We believe we're at another milestone as we see the key investments we've made in people, sales, and production facilities over the last year to help drive growth.

In terms of our markets, the first fiscal quarter saw an impressive 225% year-over-year increase in revenues for our military market, mainly due to the delivery and production of the Rheinmetall systems, which we expect to fully complete and deliver by the end of the third quarter of this year. An important development in the industry was the announcement of Canada's defence industry strategy, which we believe presents a unique opportunity for BluMetric. There appears to be significant expansion opportunities for small- and medium-sized Canadian defence and dual-use firms, which we likely fall into. Our WaterTech systems have a strong history being used by the Canadian military and are also

unique in their ability to offer dual use for civilian deployments. Additionally, our mining market saw strength as the increase in mining activity in response to better unit economics from higher commodity prices. We expect the momentum to continue in mining throughout the fiscal year.

I'm also happy to report that our Professional Services division has recovered to more normalized utilization levels, showing significant improvements from previous quarters. If you recall, we had run into significantly lower utilization with our Professional Services division last fiscal year, which resulted in both lower revenues and higher relative costs for the segment, but by retaining our talent, we have ourselves up to recover things and are back and as evidenced by the fiscal quarter.

I want to leave off reminding everyone of the acquisition of DS Consultants, who is our largest acquisition to date. They will be an important piece in augmenting our overall Professional Services division in Canada. We're looking forward to seeing the full benefit in the second quarter of 2026 and onward. They strongly complement what it is that we do in the built environment, improve our presence and capabilities in the Greater Toronto Area, and similar to Gemini Water, our goal is to provide the resources and support to help DS Consultants thrive and achieve its targeted growth goals, including progress annual EBITDA targets of \$4.0 million, \$5.0 million, and \$6.0 million over the next three years. Professional Services has always been central to BluMetric's history and long-term success. It's a business which has historically been very profitable and helps fund our higher-growth water initiatives.

Overall, we had a strong start to the year and hope to carry the momentum into the remaining quarters. Our team has been working hard to lay the foundation for a solid 2026 and we expect that, with our diversified markets approach along with DS Consultants, we'll be able to achieve a balance of

revenues between Professional Services and WaterTech. We have a pathway to achieving our goal of being \$100 million annual revenue plus company and beyond this contingent to our continued execution and making sure that we strive for excellence across all major functions. We're a unique company with unique water technologies and this combined with talented and committed people creates a flywheel for us to become a larger and more dominant player in our markets.

I'd like now to hand it over to Dan for a 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 2026 first fiscal quarter results in more detail.

Revenue for the 2026 first fiscal quarter was \$20.3 million compared to \$14.0 million in the prior year. As Scott mentioned, the revenues for both periods increased primarily due to the acquisition of DS Consultants, who contributed \$1.5 million in revenues this quarter, along with the delivery of the Rheinmetall units and stronger mining market activity. It should be noted that DS Consultants played an exciting but small role in terms of its impact in the period. DS was only part of the BluMetric family for 20 days in the period, of which the holidays consumed nearly a week. We are excited to see this line of our business contribute, as it has historically achieved annualized EBITDA in excess of 10% and their targets are in line with past results. As noted in the acquisition Note 4 in our quarterly financials, had DS been with BluMetric for the entire quarter, their revenue impact would have been \$5.7 million and impact to EBITDA would have been \$550,000.

Across the Company's key markets for the first fiscal quarter, the Commercial and Industrial market saw modest revenue growth due to DS Consultants, which is mainly classified under this market. As Scott mentioned previously, this market was offset by a slightly lower revenue from WaterTech USA as they make their transition from their flagship St. Kitts project to their traditional water and wastewater systems. Our Government market remains a stable pillar with a slight increase in revenue. Our Military market saw significant growth of 225% due to the Rheinmetall contract and we expect to complete manufacturing and all deliveries by the end of this fiscal Q3. Lastly, our Mining market is solid with a 72% revenue increase as we take advantage of the broader mining cycle with higher metal prices.

Our gross margin for the fiscal quarter was 28% compared to 33% for the prior fiscal year. The decrease in gross margin for the fiscal year is mainly attributable to an increase in material and subcontractor costs within our WaterTech segment. Our Professional Services segment remained consistent in gross margin and, on a consolidated basis, we are within our target range.

Operating expenses net of depreciation and amortization increased by \$1.8 million to \$5.2 million compared to the prior year. The increase is driven by operating expenses related primarily to DS Consultants in the amount of \$527,000 along with increased general corporate overhead relating to professional fees and non-cash share-based compensation. Operating expenses also included one-time fees associated with the acquisition of DS Consultants, the concurrent financing, and \$240,000 worth of workforce restructuring costs. These one-time transactions and restructuring costs equated to approximately \$573,000 in the fiscal quarter.

Adjusted EBITDA for the fiscal quarter increased from last quarter to \$0.9 million compared to \$1.3 million for the prior period, the prior year, sorry. The decrease in adjusted EBITDA is primarily attributable to higher operating expenses and lower gross margin.

A net loss of \$67,000 was reported for the fiscal quarter compared to net earnings of \$378,000 in the prior year. I'd like to remind everyone that the Professional Services experiences seasonality with lower revenues in the winter months, our Q1 and Q2. During Q1, the Professional Services segment accounted for 50% of the earnings before administrative costs and we are expecting similar contributions in Q2 from this segment and then stronger performance in Q3 and Q4.

On December 31, 2025, BluMetric had a net cash balance of \$1.8 million compared to a net cash balance of \$3.7 million at December 31, 2024. As at December 31, 2025, the Company had approximately \$5.8 million in cash availability between its operating line and cash balances and is not bound by any debt covenants. Accounts receivable are higher this period due to the acquisition of DS Consultants and the timing of some of the large billings related to our defence contract partner at the end of the period.

This fiscal quarter gave us a strong start to the fiscal year, coming off the back of a transformative 2025. While there will always be challenges, we believe our diversified approach, along with operating in markets with significant tailwinds, position us well for our overall revenue growth and earnings goals. There's a lot to work toward this fiscal year, including the successful integration of DS Consultants, ensuring we capitalize on potential larger scale commitments in the military market, ride the stronger wave happening in mining, and keep our traction in the Caribbean with WaterTech USA.

We have the capabilities of becoming a significantly larger enterprise and we'll be working towards unlocking that potential in the coming quarters ahead as we continue to drive efficiency as we implement initiatives to strengthen our EBITDA.

We are a world-class environmental consulting and water technologies firm delivered by world-class people who do meaningful work every day. Water is ever scarcer and the environmental concerns of our clients continue to require our world-class assistance.

I'd 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.

Thanks, Dan. That was a great update and I echo the excitement surrounding the opportunities that lie ahead of us this year. At this point, we'll take questions from call participants and we'll pass it back over to the operator.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the number 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 the star followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for our first question.

Our first question comes from Steve Kammermayer of Clarus Securities. Please go ahead.

Steve Kammermayer — Analyst, Clarus Securities

Hello? Can you hear me?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah, Steve. How are you? Good to hear from you.

Steve Kammermayer — Analyst, Clarus Securities

Good. Good. The first question on DS here. Now that you've had it for a few months, how comfortable are you guys now with the EBITDA targets they've set for the next few years?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

I think it's hard to gauge year two and year three, but certainly the target that's been set for 2026, they look to be comfortably in line to achieve that target. Last year they realized about \$3.8 million in EBITDA, so we don't feel that \$4.0 million is a stretch. I think for them, this year is about broadening their scope of services as retail housing slowed in the Toronto market a little bit. They're having a lot of success in doing that. And in fact, they have as many responses to proposals out this year as they did at the same time last year. So they're pivoting well to larger municipal projects and things that are not reliant on the commercial real estate market and I think that will really set us up for growth in the long term. Depending on when we start to see improvements in retail in Toronto, that will only fuel rapid growth, because they'll already have now a broader platform upon which to grow.

I think that, in addition to that, we are starting, in fact, they're in Ottawa today with our team looking at cross-selling opportunities and the ability to expand into the Ottawa market where the real estate market continues to be strong. So I think that they're very well positioned for 2026. 2027 and 2028, there's no doubt they will continue to grow, but at what pace will be a little bit dependent upon the recovery of the retail space.

Steve Kammermayer — Analyst, Clarus Securities

Okay. Good. Okay. And then maybe turning to the military, so good growth there on the Rheinmetall contract. You mentioned you should be through that through the end of Q3. You've mentioned in the past that there's the opportunity maybe to add additional units to that contract. Do you have any updates on that?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah, as of today, we haven't heard yet for another tranche. What we are hearing, though, is that there's an appetite for perhaps expansion into other areas within water for the military. And so, from the standpoint of positioning ourselves to continuing to grow that part of our business, I think the opportunities are quite right. So, from the standpoint of the ASUWPS unit is a key piece of the invest in Canada and growth in the military investments, but we're also seeing others as larger or larger that are starting to develop that we need to really stay focused on as well, Steve. So procurement right now within the military continues to be a bit challenging in that we know our clients want us to immediately act on what it is that we can provide them while at the same time the federal government is pushing hard on their own cuts. And so, in terms of the speed to getting ink on new contracts, it's improved

significantly, but we're still working with that dynamic. And we don't want to overstate it, but at the same time, the pipeline for the work that we're doing, especially for Canada and military, is very, very strong.

The other side of this, too, is we always see these aspects of workflow within not just Professional Services but within WaterTech. We're leveraging a lot of our skill base up here in Canada to many other projects all through the Caribbean. We do a lot of people sharing. We have invested in a design system that is very specific to what it is that we do. Now we've got everybody on that same system. We can do design work up here and share that with the work we do in the Caribbean and the US. So that's all part of the integration, is to do what we can to smooth out those aspects of workflow and make sure everybody stays busy and profitable.

Steve Kammermayer — Analyst, Clarus Securities

Okay. Good. That's great. Maybe just one more question, if I may. In the MD&A you guys talked about growing your fabrication facilities to take advantage of opportunities, Canada, the US, and the Caribbean. Do you have a sense of the size of expansion you're looking at? Would this be imminent or is this down the road you're looking at this expansion?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

I think there's, ah, I can talk to both aspects. In the United States, the market remains very strong. We just came off the St. Kitts project. We're using that as a showcase in May at the largest reverse osmosis conference, which is being held in Grand Cayman, and I think that will give us an

opportunity to really showcase what we did there and get more of these larger-scale water facilities in place. And the advantage of building these big units, and these are 40-year assets and we sign O&M contracts associated with them, and so it's pivotal to the long-term growth of our business that we land some of those contracts.

That being said, the Gemini solution that's been provided for water and wastewater has typically been at a smaller scale, but in much higher volume for private resorts that are run by private island owners like Disney and Carnival and so on, and so we continue to see massive opportunity there. The pipeline for Gemini has never been stronger than it is today with those smaller-scale water facilities and so we see that continuing to expand. In fact, we have a group from our Ottawa team going down to assist in August when they have a very challenging workflow period.

The opportunity in the States, we have another 25,000 square feet of contiguous space to where we are now, which is a 25,000 square foot facility, so that would essentially double our footprint in the US. We are in discussions with the landlord today to negotiate pricing on that. We believe the demand is there. And that's a decision that will be made in the current quarter, but I would say there's a high probability that we'll be materially increasing our footprint in Florida based on the demand that we're seeing.

In Canada, as you know, we've got the strong military tailwinds, and we certainly don't want to commit ahead of putting ink on contracts but the pipeline and the opportunities that we're seeing have never been stronger and so we are trying to plan for that. We currently, in Canada, build out of three facilities in the west end of Ottawa. We have plans to consolidate that space in the end of, the beginning

of 2027 is what we're looking for. Today that's about 27,000 square feet of space and I think we're looking for opportunities to move into something in the 40,000 to 50,000 square foot range.

So we're definitely confident that we will land some of these contracts, but certainly nothing we can announce before we get ink, so hopefully the scale of the square footage increase gives you a sense of our expectations for what we can produce out of those facilities. And it is relatively linear. Our limitations as we grow are really due to the square footage and the capacity we can produce in a footprint. So square footage and access to labour are the drivers. We believe we've got strong workforce in both areas and access to the right people. And so, I think, when you see announcements for increases in square footage, you should assume that that's a strong indication by management that we believe there's going to be growth in those sectors.

Steve Kammermayer — Analyst, Clarus Securities

Great. That's all my questions. Thanks, guys.

Operator

Thank you. Our next question comes from Doug Yonson. Please go ahead.

Doug Yonson — Private Investor

Hello. My name is Doug Yonson. I'm a private shareholder. I live in Ottawa and I first invested in BluMetric without a lot of information, basically what your website had to say and, A, it was an Ottawa company, which I try to encourage, and B, it sounded like your products were for clear social good,

unlike a lot of investments we might invest in, so I appreciate the access to the management now. I had also three questions. I'd like to get a bit of clarity on the restructuring. It sounds like a fairly modest restructuring, but what part of the Company and why? For example, after merging with whatever, did it find there was excess capacity in some part?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Okay. Well, I'll do my best to answer that first question. When you look at the various aspects of our business and markets we're in, the one place that we felt that we needed to adjust immediately, and this was almost a year ago, was in our professional services side of the business. The margins there are enviable, they're high, and we weren't seeing the efficiencies in terms of deployment and sales in that part of the business. And so you'll see some restructuring costs that have hit our numbers this quarter, this last quarter, has to do with making a change out in terms of who is, in fact, leading the operations of that business.

Quite frankly, I was not seeing the kind of results that I think that were appropriate and so we changed leadership and operations and the individual who is leading that now I work with on a near daily basis, making sure that we are advancing the business to improve EBITDA, to improve profitability, reduce write-offs, all the aspects of running base-hit baseball business where we're producing a better outcome. So that's come a long way in a short period of time. And then that applies to the rest of the organization, making sure that we're driving deeper discipline on the business aspects of the business. It takes a little time to produce those results, but at the same time, we are seeing, as noted, a very strong top line.

We understand clearly that with the top line that we're producing that we need to start seeing a better improvement on the bottom line. So when you're seeing restructuring, really it comes down to more surgical adjustments within our workforce to put better individuals with more business discipline in place to be able to deliver what I think, we think, are more appropriate results. You often hear from us our stated ambition is to be a \$100 million top-line company and 10% EBITDA. That's very achievable. Three years ago we were \$35 million top line. Last year we closed out at \$62 million. Now we're closing in on \$80 million. It's a lot harder to grow the top line than it is necessarily to tighten up and produce a better bottom line, but it doesn't say that that's easy. So what I appreciate from the question is, really coming back to it, is the restructuring really is surgical adjustments within our workforce to develop or to put people in place with a higher sense of confidence to produce a better business outcome.

Doug Yonson — Private Investor

Thank you. Your comments lead me to my second question, profit versus growth. Obviously, they're both desirable. Profits have been hard to achieve the last little while, last few years or really forever, which is not necessarily a bad thing. As I say, I understand there's an interest, obviously, in growth too. To what extent can we see a significant existence of profit in the next while?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, the short answer to that is it can't happen fast enough for us, number one, while at the same time we have to have one foot on the gas, one foot on the brake, because we can't choke off our investments that are going to produce the future we need. So I think the best way to answer this is it's not one or the other. It's both we need. And the companies that we're bringing in and integrating,

they're used to being operated as private enterprises, of course, and in order to bring them into the fold, we're operating as a public entity, that takes a little time for them to get supported. We have the back office to do that. And so really, we have to grow in such a way that the costs associated with the back office to operate a publicly traded company becomes less of an impact. So, as we grow, the expectation is that we'll integrate, we'll improve our profitability, but we're also going to scale up to be able to match the back office we need to operate as an integrated company that's publicly traded.

Doug Yonson — Private Investor

Thank you. My last question is relating to the management information circular forthcoming. It turned out last year I discovered at the meeting that a small employee group owns about 35% of the Company and also has the right to appoint one board member. Now neither of those were in the MIC last year, which to me, those too are critical pieces of information. Are you considering providing that information in the forthcoming MIC?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Certainly, there is no... Thank you for the question. There's no obligation to provide a board seat to that group. There is an individual who does represent that group who has been on the board and is standing for re-election, but there's no requirement to have that group represented at the board level.

Doug Yonson — Private Investor

That was not my understanding at the annual meeting. I'm sorry. The representative of the group specifically stated we appreciate the opportunity to have a board member. Maybe that's the same thing,

but I think that is relevant to the approach that that person is being nominated on behalf of or representing this major ownership group.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

I think maybe a little more clarity on that, we have some founders that are still substantial shareholders in the Company that are also employees and I believe it's our position that we want to make sure that that is, their and other employees' interests, are well represented on the board and brought to our attention beyond my purview. And so, as Dan mentioned, we have one fellow, he's been with the Company 40 years, he's highly respected, and he not only provides that perspective but other aspects of the business that really is a valuable piece of how we operate in our governance. But as Dan mentioned, it's not a requirement. In many ways, it's an accommodation, we think, is a good aspect of our governance.

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

I would add as well that we do have an independent board despite that. So, Scott and that one individual would be the only two that are employees of the Company and the balance of the board are all independent.

Doug Yonson — Private Investor

All right. Thank you.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you for your questions.

Operator

Thank you. Our next question comes from George Doumet, a private investor as well. Please go ahead.

George Doumet — Private Investor

Good morning, guys.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Hi, George.

George Doumet — Private Investor

Hey. Good morning. Congrats on the strong top line. I just wanted to ask a little bit more on the margin side. Just to confirm, I think you guys on the last conference call mentioned high single digit kind of margin, so I'm wondering if you could kind of walk me through that, how you expect that margin expansion to unfold. Is it mainly going to be back-half weighted? Are we going to see a pick up in Q3 or is it more Q2? Just maybe the evolution of that margin as we go through the year, please. Thanks.

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Sure. So let me just talk to seasonality a little bit and then I'll talk to some of the specific levers that we have to improve EBITDA.

I think the first thing, just to remind everyone, is that Q1 and Q2 are typically our softer periods overall as a business. While WaterTech is somewhat protected from the seasonal climate issues that we face in Canada, the Professional Services team does experience slower revenues during the winter months. So March, we're just getting into March right now, this is when field opportunities typically open up and all of our Professional Services team become fully deployed again. So Q3 and Q4 will likely be the strongest quarters in the history of the business, certainly based on the size and the scale of our recent acquisitions, so those will be exciting quarters for us to talk through.

In terms of the major lever that we have, there's certainly a number of initiatives that we're looking at to tighten up costs and ensure that we can drop a little bit more to EBITDA. And we do know that our peers can achieve 10% in scale, so we know it's an achievable target for our industry. There's nothing that would preclude us to get there other than running efficiently. In the quarter that just ended, we had just over \$2 million of indirect labour that we carried on the books. We always carry indirect labour. We can't expect the team that we have to deliver 100% billable utilization. We have a phenomenal group of Professional Services and WaterTech employees that work hard and I think it's on us as a management team to ensure that they're deployed efficiently. But that is the pool from which we will be driving more profitability. So that \$2 million, if you can imagine, even a 10% improvement in that would result in an \$800,000 increase in EBITDA. I think that's the number that we're focused on and

that's the mandate of the new head of operations is to ensure that we're creating an environment where our people are load balanced, fully deployed, and billable to our clients. There's lots of work out there and we need to ensure that everybody is deployed efficiently and that's our primary objective to drive EBITDA.

George Doumet — Private Investor

Okay. So, by my math, it looks like you guys are targeting kind of \$5 million to \$6 million EBITDA contribution in the second half. Is that right?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

In the second half. Well, I think from a pro forma perspective we're going to be somewhere in the mid-\$80 million top line, you know, just based on the straight math of adding together all the last year's activity of all the entities that we've acquired. We know that by the time we get to \$100 million we can achieve 10%. We've done a lot of analysis on that front. I think it's a path to get there. We've not really provided guidance on EBITDA, but we would hope definitely to be high single digits for sure this calendar year. I don't know that we'll achieve 10%, but certainly we have a path to improve the current EBITDA.

George Doumet — Private Investor

Okay. And last question I had for me on the working capital. Quite a large drag in the quarter. I think you called out receivables. Can you talk a little bit about when you expect that to convert to cash?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Sure. Just the timing of the contract with Rheinmetall. We had a \$3 million payment that was required after a milestone that was achieved just at the end of the quarter, so we billed for that. So we have a \$3 million receivable through Rheinmetall and the Government of Canada tied to a deliverable in that contract. Usually, they're pretty good with paying in sort of 45- to 60-day terms, so that should be collected imminently.

George Doumet — Private Investor

Great. Thanks.

Operator

Thank you. Our next question comes from Bruce Lazenby of National Capital Investors. Please go ahead.

Bruce Lazenby — National Capital Investors

Hi, guys. Great presentation.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Good morning, Bruce.

Bruce Lazenby — National Capital Investors

Good morning. My question comes down to the approach. I mean first of all, it's a great time to be in anything water-related for sure, the question is how to capitalize on that. And I think conventional wisdom, especially for smaller companies, is either you're in the product business or you're in the services business. And managing a product company versus a service company is different marketing, different hiring, different financing, different everything. And I had the impression you were leaning towards becoming a technology provider, in other words a product company, and then the acquisition of DS surprised me a little bit. So how are you thinking about managing that so that you can really capitalize? Because if you're getting into residential and commercial and Caribbean and WaterTech and consulting, that sounds like a pretty difficult beast to manage, especially in a small footprint.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, it's a good question, Bruce. Let me back up a little bit and say that part of our success has been making sure that we service what we sell. And we've driven a lot of the competition, certainly in Canada, away because the clients come back to us and they ultimately help us design our business because that's who we cater to. Have said that in the past they've purchased technology from some bigger companies. Once it fails, it just sits on the shelf and it's an expensive boat anchor. And as a result, we have to design a business that actually is a lucrative side of the technology business and that's operation and maintenance. So, for the military, we have field service representatives, most of them are ex-military and the clients love it. When something pops up, and there's always something in

technology, we're there immediately, we make sure it's up and running. That's how we have 20 years' worth of deployment without failure.

And in terms of what goes on in the Caribbean with the systems that they install, the same thing. They used to just focus on the technology side, which actually has a lower margin. The higher margins is really in the operation and maintenance side of the business that, for instance, as Dan mentioned, for St. Kitts, that's a 40-year asset and that has to run for 40 years to produce the water that people are paying for. So we need to have a staff, we do have a staff, we need to have a program that's in place, and now we have a long, steady tail on this project that gives us nice reliable revenue.

As far as DS is concerned, that was the third leg of the stool. Everything relates to, one way or another, some kind of development or improvement. That's why we need water. That's why we need the assessment to be able to support and understanding of how to develop it without impacting the environment. Well, DS Consulting brings to us the built environment. So, whenever our clients come to us for the most part and say, here's our plans to name the development, we can do the front-end assessment with our classic consulting, we can do the design and support the design and execution of the build, and then we can put in the infrastructure to support it independently.

So it may sound a little confusing, and I should apologize if it is, maybe I should do a better job of communicating it, but what we have right now is a suite of services and technologies to deliver on full services to those clients and have a way to improve our margins long term by maintaining and operating it.

Bruce Lazenby — National Capital Investors

So do I understand fundamentally then that the services is either a lead into the product opportunity or support to existing product deployments?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

It can, yes.

Bruce Lazenby — National Capital Investors

So it's fundamentally a product play, the question is whether you're using services to either create the opportunity or support the delivery.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah, one of the things we—no, go ahead.

Bruce Lazenby — National Capital Investors

So primarily a product company.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

I wouldn't say that. I'd say it's a key piece of what we do, Bruce. The solutions that we offer require typically some involvement with technology. But the advisory, the consultancy is the assessment of the impact of executing a project, the built environment is how it becomes executed and realized, and

then the technology supports its operation into the future for water, wastewater, what have you. We have a flywheel approach that we deploy where we're very close with our clients to understand their biggest issues or their ambitions, their business ambitions, and as a result of that, we hear directly from those clients the problems they have and then we have to solve them. And that not only improves our consultancy, but it improves our technology.

Bruce Lazenby — National Capital Investors

Okay. That's great. On a personal level, I'm way overweight on BLM, so I'm looking forward to some great progress. Congratulations, guys, and I think it's a very promising future.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you so much. Great to hear from you, Bruce.

Operator

Thank you. There are no further questions at this time. I would now like to turn the call back over to Scott for his closing remarks. Please go ahead.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, operator. To all on the call, I really appreciate, we really appreciate you calling in. We really appreciate the commentary, the questions. We hope that you take away from this call that we are laser-focused on what we know we're all needing to focus on and that is really the EBITDA of the Company. While at the same time achieving these great top-line results, it has to produce a bottom line

that we're all proud of and that is part of the plan. Back to our stated ambition of \$100 million top line, 10% EBITDA, I remind everybody, we're not at \$100 million yet, but we're well on our way. And as we scale up and as we make surgical adjustments in restructuring, as we put deeper discipline, business discipline into the business, better systems and such, we expect to see those results happen.

So, with that, we appreciate your investment, your time today, and we look forward to our next call next quarter. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.