

BluMetric Environmental Inc.

Fiscal 2026 Second Quarter Earnings Conference Call

May 28, 2026 — 9:00 a.m. E.T.

Length: 32 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

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

Steve Kammermayer

Clarus Securities — Analyst

Doug Yonson

Private Investor

Bruce Lazenby

National Capital Investors — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the BluMetric Environmental Inc. Q2 Fiscal 2026 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, May 28, 2026.

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

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 second fiscal quarter ended March 31, 2026. 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 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, for the introduction. Welcome, everybody, to our second fiscal quarter for 2026 earnings 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 our details for our financial results.

Firstly, we'd like to start off by giving those new to the story a reminder of what we do. BluMetric creates a better environment for business. And what does that mean? Well, BluMetric is a full-service water technology and environmental sciences and 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 have evolved into a specialized integrator of environmental solutions in the fields of

water, wastewater treatment, and professional 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 fiscal quarter in more detail. The second quarter saw a 15% increase in revenues, due primarily to the acquisition of DS Consultants. This is our seasonally weakest quarter for the fiscal year for our Professional Services division and the next two quarters are where most of the revenues are typically generated. We all saw a longer winter season in Toronto and Ottawa than typical, which pushed out activity much further than typical. As a result, even though we saw a full quarter of contribution from DS Consultants, the majority of their profitability is typically after the winter season, going into the fall.

This revenue growth was offset by a decrease in revenues from our WaterTech USA group, also known as Gemini Water, who are mainly executing on the completion and commissioning phase of several projects where revenue is primarily driven by on-site revenues and lower component and sales revenue. Completing these projects ensured that we would have the resources to effectively commence several new projects in fiscal Q3. This quarter we announced several contracts for our WaterTech USA group, demonstrating our strong pipeline and backfilling our capacity in the facility for the next approximate year. As a result, we're looking at expanding our manufacturing footprint in Gainesville to double its size to 50,000 square feet to allow us to scale with customer demand accordingly.

As we indicated last quarter, we're also actively in discussions for larger-scale municipal-like projects while simultaneously continuing to build the backlog with the smaller to medium-sized projects. These smaller to medium-sized projects are what WaterTech USA has historically delivered on and what

are more numerous in quantity. We believe that the right long-term approach is to have a mix of both large-scale municipal-type projects along with these smaller ones. We also have expanded our operation and maintenance practice with this group and expect this will yield good margins with some of our larger clients moving towards. Having the full production and maintenance capabilities allows us to consider also water-as-a-service offerings in the Caribbean. In addition, we're in the process of installing and commissioning our first Indigenous water treatment system in British Columbia at a remote community. We believe this will be an important project to showcase our capabilities and performance to other Indigenous groups. There's significant market opportunity given the remoteness of these communities, which have been known to be under constant boil water advisories.

We're happy with how we're positioned for the remainder of the fiscal year and we expect this to be our strongest revenue quarters. In our view, our excellence will be determined by our ability to recognize the higher revenue levels at a scale and see operating leverage from the investments we've continued to make in our divisions.

In terms of our markets, the second fiscal quarter saw a 78% increase year over year in revenues from our Military market. This is mainly due to the continued delivery and production of our Rheinmetall systems, which we expect to fully complete and deliver by the end of next fiscal quarter. We've already begun backfilling our capacity, as evidenced by recent WaterTech Canada military contracts once the Rheinmetall contract is fully executed. We're also seeing record quoting levels for Canadian military contracts. As we've always said, they can take slightly longer to convert, but we believe the increased urgency and need for more government spending on military will help us get across the finish line and provide a step change in growth for the business over the coming years. A goal for us in the next year

would be to secure significant long-term value contracts for us to execute. We're in a unique position where our water technologies have a 20-year history of successfully deploying by the Canadian military and have a domestic supply chain and manufacturing presence ready to scale up further. This week, we find ourselves at the CANSEC conference here in Ottawa to showcase our tech to motivated partners and other clients. Additionally, our Government market saw revenue growth of 31% this quarter. We benefited from the absence of government appropriation that impacted activity last year.

As we enter the remaining fiscal year, we remain focused on executing what's expected to be our next two highest revenue quarters. We want to deliver improved profitability and continue to showcase the investments in growth and recurring revenue like O&M. Our markets, particularly in the Military, Mining, and the Caribbean through WaterTech USA, are very strong and we strive for excellence across all of our major functions.

We find ourselves currently navigating growth, integration, and the drive for profitability. We find ourselves also in a position that's stronger than in our history. We're a unique company with unique water technologies and this combination of talented and committed people creates a flywheel for us to become a larger and more dominant player in our markets.

I'd now like to hand this 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 second quarter results in more detail.

Revenue for the 2026 second quarter was \$18.3 million compared to \$15.9 million in the prior year. As Scott mentioned, the revenues for the period increased primarily due to the acquisition of DS Consultants, who contributed \$3.9 million of revenue this quarter. As I reminded everyone last quarter, our Professional Services division experiences seasonality, with lower revenues in the winter months, which is our fiscal Q1 and Q2, with Q2 usually being the weakest. As a result, we expect significantly higher revenue generation from the Professional Services division in subsequent quarters, Q3 and Q4. This will also help profitability as we benefit from the potential operating leverage of more revenues over a similar cost structure.

Across the Company's key markets, the Commercial and Industrial market was down slightly, mainly due to lower revenue from WaterTech USA, who, as Scott MacFabe mentioned, were in the project commissioning and completion phase for several projects, which typically see lower revenue recognition during that period. This was offset by the acquisition of DS Consultants, which are mainly classified under this same market. WaterTech USA has also transitioned back to smaller-scale projects which they're accustomed to and have executed on well. We have a backlog already secured to execute for the balance of this year. Q3 has already seen the commencement of manufacturing for several water and wastewater facilities and this will help us see potentially better margins and more predictable revenue recognition as we enter the next batch of projects. Our Government market remains a stable pillar, with no material changes in revenue. Our Military market saw significant growth of 78% due to the Rheinmetall contract and our Mining market saw a modest 16% revenue increase as we continue to take advantage of the broader mining cycle with higher metal prices.

Our gross margin for the fiscal quarter was 31% compared to 27% for the prior fiscal year. The increase is mainly attributed to revenue mix, with more revenues being recognized from the higher-margin Professional Services. This margin improvement was expected and we remain well within our target range and continue to aim to improve our gross margin over time.

Operating expenses net of depreciation and amortization increased by \$2.7 million to \$6.5 million compared to the prior year. The increase is primarily attributable to operating expenses of \$1.848 million related to the DS Consultants activity, lower utilization due to a longer winter season adding indirect labour costs, investments in recurring O&M services at WaterTech USA, and a higher general corporate overhead associated with increased business development, professional fees, and non-cash share-based compensation.

Adjusted EBITDA for the fiscal quarter decreased from last quarter to a loss of \$0.6 million compared to a positive \$0.6 million from the prior year. Despite higher revenues and a stronger gross margin, the decrease in Adjusted EBITDA is primarily attributable to the off-season results of DS Consultants, coupled with lower than anticipated margins with WaterTech USA as they closed out several smaller projects to free up time and space to commence water and wastewater systems in Q3. The higher overhead costs discussed earlier associated with business development and the continued expansion of our operations and maintenance team are expected to support stronger revenues in future quarters.

A net loss of \$1.1 million was recorded for the fiscal quarter compared to a net loss of \$60,000 in the prior year. On March 31, 2026, BluMetric had a net cash balance of \$2.9 million compared to a net

cash balance of \$2.2 million at March 31, 2025. As at March 31, 2026, the Company had approximately \$6.9 million in cash availability between its operating line and cash balances and was not bound by any debt covenants. Working capital remains supportive of our growth strategy at \$9.9 million. This fiscal quarter was seasonally weaker on revenues, but gives us a foundation to finish this fiscal year strong.

With what we expect to be our highest revenue quarters to date, we continue to believe that our diversified approach and traction in markets with significant tailwinds position us well for our overall revenue growth and earnings goals. We have a lot to manage, but remain focused on the necessary work needed to successfully integrate DS Consultants, ensure we capitalize on potential larger-scale commitments in the Military market, ride the mining cycle, and keep our traction in the Caribbean and the Southern United States with WaterTech USA. We have the capabilities of a much larger enterprise now and we will be continuing to work towards unlocking that potential in the coming quarters. We're committed to delivering more predictable positive EBITDA as we continue to integrate our most recent acquisitions.

I'd like to thank everyone for taking the time to allow us to present our results to you today and I'll now hand the time back over to Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Dan. That was a great update. And I echo the excitement surrounding around the opportunities that lie in front of us for the balance of the year. We continue to make investments in our future through business development initiatives, infrastructure improvements, and a commitment to the efficient delivery of our products and services to the market.

We look forward to our next call and we'll now take questions from the call participants and we'll pass it back over to the operator.

Q & A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. To ask a question, simply press star followed by one on your telephone keypad. If you would like to withdraw your question, simply press tar followed by two. Again, that'll be star one on your telephone keypad to ask a question.

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

Steve Kammermayer — Analyst, Clarus Securities

Good morning, guys.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Hi, Steve.

Steve Kammermayer — Analyst, Clarus Securities

Just wanted to touch on the doubling of capacity in the US. How close are you to signing that new lease and how long would you expect it would take to ramp up and fill that facility?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Thanks, Steve. Happy to answer that. I think as we've mentioned in prior calls, the additional space that we're looking to add, it's an additional 25,000 square feet, is the remaining portion of the same building that we moved that team into last year. They've completely filled the 25,000 square feet and we actually are using the outside space of the building for storage at the moment. So there is an immediate need. We have negotiated terms with the landlord. We expect to be closing that transaction in June. Great terms, I think, on the facility, and that will see us capture the entire building. I think it does a number of things for us. It allows us to certainly operate in a safe way. As you know, this is large equipment moving in large spaces and going in and out of the building on a regular basis is not ideal. This gives us the ability to work year-round, regardless of the weather conditions, in an environmentally managed facility.

In terms of capacity, we don't anticipate needing the entirety of the 50,000 square feet this year; however, we do think we'll be expanding into three quarters of the entire building, so an additional 12,500 square feet of manufacturing space deployed by, I would say August/September timeframe it'll be available to us. And we definitely have the pipeline to accommodate that level of production at the moment. We have backlog in that group going well into next year. I think the concern for us, we have a number of larger transactions that we're hoping to negotiate down there, and should any of those land, we will definitely be short on space. This is, I think, timely for us. It gives us the space we need, allows us to operate safely, and doesn't overdrive our headlights and gives us the capacity should any of these larger contracts that we're negotiating come through.

Steve Kammermayer — Analyst, Clarus Securities

Okay. No, that's great. And then on the G&A, it was up sequentially here, obviously, from the DS acquisition. I think, taking out your stock-based comp, it was just over \$7 million. Is that a good number to use going forward for G&A?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

For the quarter? I think it is. We do have a higher rate now that we incur for audit fees, professional service fees on all fronts, as we're a larger company now. In terms of one-time expenses, there are some investments that we've committed to that I think probably increase that number by about \$200,000. But, to be fair, once we commit to the new building, although that won't hit EBITDA, the way leasing is measured today under IFRS, from a cash flow perspective we'll probably replace those one-time charges with the additional costs related to the manufacturing facility in the States. However, obviously, we would hope that that would be offset by an increase in commensurate revenue that'll be generated from those facilities.

Steve Kammermayer — Analyst, Clarus Securities

Right. Okay. No, that's great. Maybe just one more if I can. When we look at EBITDA margins here, obviously fiscal Q2 weak, winter season, getting better through the remainder of the year. How is it progressing through the first couple of months here of fiscal Q3? I know you guys don't give guidance, but just curious if you think you're going to surpass your prior year's EBITDA margins.

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

I definitely think the next two quarters will be our strongest EBITDA. We are trending very well. There's a couple metrics I can share. Certainly, DS Consultants, through this last quarter, actually experienced a loss, which they had done historically as well, but we had to bear that and that's the challenge of the seasonal nature of that business. And so the historic revenues that they've generated in EBITDA have always come through the warmer summer months and we would expect them to be doing well. We know that, as a data point, they have approximately 50 nuclear density gauges that they use out in the field to help with their geotechnical work and they're all deployed at the moment in the field. We're seeing strong utilization from that group. We know that April this year versus April last year, real estate development is up in Toronto. Not to the levels it was at a couple of years ago, but we're certainly seeing that turn a corner, which is great news for that business, where a significant part of their revenues do come from working with developers in that region. We're seeing similar trends for utilization in the balance of our Ontario markets in our [Inaudible] Science and Engineering group, where we're seeing utilization up over 60% now, raw standard utilization, which is great for this time of year for us.

WaterTech USA, I think I mentioned that part of the challenge we experienced with them was they had four or five projects that were nearing completion and they decided, I think rightfully, just so it wouldn't be a distraction for the business, to send teams out into the islands to complete all of those projects and finalize the commissioning so that in Q3, which is the quarter we're in right now, they'd be fully into the new wastewater projects. And for them, wastewater is a little bit more generous from a margin perspective and the early phases of a contract tend to be the highest revenue-generating phases

because that's when all the equipment is procured so that our team can start manufacturing these facilities.

Then we have WaterTech Canada, which still continues to benefit from the Rheinmetall contract throughout the balance of this quarter, and we have a number of really exciting opportunities with the Canadian military we hope to be in a position to announce.

So I think, by all accounts, all four of our groups, if I can frame it that way, seem to be running well at the moment and Q3 should be lining up to be probably our best Q3, I would suggest at the moment.

Steve Kammermayer — Analyst, Clarus Securities

Okay. That's great. That's all I had. Thanks, guys.

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Thank you.

Operator

Your next question comes from Doug Janssen. Please go ahead.

Doug Yonson — Private Investor

Hello. I had a couple of questions. Bearing in mind that the stock is at its 52-week low, why is that based on your discussions with investors and analysts, et cetera?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you for the question. The feedback that we are getting from a number of locations, specifically the investment community but also investment bankers we've worked with, is that, number one, the geopolitical backdrop globally right now has created a tremendous amount of uncertainty and so there's been a flight from small and micro-cap stocks in general, up to 40% they're seeing. And so we're not immune to that impact, number one.

Number two, we've heard from, certainly in professional services side of the business from some of the bigger players that we either partner with or communicate with, like the WSPs and Stantecs and others, that there's this impression that there's a huge negative impact on our business from the influence of AI and the introduction of AI. And I think that's starting to correct where people are realizing that AI is a great tool to improve efficiency, but I don't see it, most don't see it replacing the industry. So, if you look at how their stocks are tracking too, very similar trends, maybe not as deep as ours because they're bigger, but same trends downward as we're experiencing. Nobody appreciates where the stock currently sits and our ambition is to see it improve and I think really, for us, that comes down to taking what we have in front of us and really driving a better EBITDA and blacker bottom line with what we have in hand.

Doug Yonson — Private Investor

Second question. I've been looking for profits for a while and certainly this term, this quarter was disappointing in terms of profits. You're talking about some best quarters ever in the next term. When can a shareholder look for actual profits?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Definitely we believe Q3 and Q4 will be profitable EBITDA quarters. We carry the Professional Services team during the slow seasons when the winter months are upon us and we did have a long winter this year, but all sides of the business are now, I would say, running at full tilt and so we definitely expect profitability. We have, as you'll know from looking historically, generated profits in the past during those quarters and we would anticipate the same this year. We're excited about Q3 and Q4.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

I'd also add there's been a little bit more or a deeper effort on austerity as we integrate. We have, we're working very quickly to integrate our Toronto businesses. We had an operation in Scarborough. We're shutting that down and integrating the team into the larger, more established DS facilities and enterprise in Vaughan. We've made some strategic trimming of that workforce relative to balancing it more effectively to what current market demands are and backlog is. So we've been trimming and adjusting that and we should hope to see the benefit of those cost reductions as well.

Doug Yonson — Private Investor

Thank you. Last question. I raised the issue of the need for a lead independent director at the annual shareholder meeting. What progress has been made on that?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you for that suggestion and happy to report, after yesterday's board meeting, that Mohsen Mortada has been identified and has accepted that role now and into the future.

Doug Yonson — Private Investor

Thank you.

Operator

Again, if you would like to ask a question, simply press star one on your telephone keypad. Your next question comes from Bruce Lazenby from National Capital Investors. Please go ahead.

Bruce Lazenby — Analyst, National Capital Investors

Hi, guys. Great presentation. Thank you. I'm kind of used to looking at companies as a product company or a services company because the way that company's managed and supported financially are different. Margins are typically different. I'm used to seeing higher margins in a technology-based company, product company. But you're reporting all the revenues in a single line. Can you give us some colour as to what that distribution might look like? What the margins are in the tech sector, the tech side of the business versus the services side of the business? And would you consider reporting them independently so we can get a better idea of which part of the business is driving profitability and growth?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Yeah, absolutely, Bruce. Pleasure and thanks for being on the call. So we do, in the notes of the financials and in the MD&A, split out WaterTech separate from Professional Services, but I'm happy to highlight some of the numbers here for you.

In Q2, our Professional Services team had revenues of \$4.1 million and year to date they're at \$10.9 million. And the margin in that group that was generated is, on fee revenue is 49%, but overall was 42%. 41%. Sorry, my eyes are failing me. On the WaterTech side of the business, results in—sorry, that was just BluMetric. If I include DS Consultants for Professional Services, the revenues were \$8 million and margin was 38% and 50% just on fee revenue.

For WaterTech, the actual results on the revenue side were \$10.2 million and the margin was about 25%. Normally, our margins are slightly higher. The margins that we experienced in the Gemini Group down in the States were only 14% for the quarter. That's not traditionally where they would land. They'd normally be up quite a bit higher than that. But because they were commissioning, finalizing of probably four to five different projects, the margins on those projects were smaller. They just happened to all land at the same time. As I mentioned, going into Q3, as we ramp up production for a number of wastewater facilities, those margins will go up probably about 5% for that group.

Happy to share those numbers, and if you do look in the notes to the financials, we break out the segments. And then we also break out our four groups that we market into, so Commercial, Industrial, Mining, Military, and Government. Hopefully that'll provide the segmentation that you need.

Bruce Lazenby — Analyst, National Capital Investors

Okay, that's great. Thank you. And from a growth point of view, you're seeing more growth in the technology side of things or in the services side of things?

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

I think... Oh, go ahead, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

The pipeline for military water is very robust. It's to a position where we have to be careful how we communicate it, but the opportunities there are substantial. The opportunities or the pipeline that we see down in the US, especially southern US and the Caribbean, are equally so. The difference is, I think down in the States there seems to be a higher demand for the wastewater products that Gemini produces as well, not just the clean water products. As Dan mentioned, they're even more profitable. The backlog for Gemini, as Dan mentioned, is very strong and the opportunity to grow there is definitely in place. That's why we're confident about dealing with an expansion or executing an expansion. WaterTech definitely has a lot going on and has a great pipeline and we expect to close on that and execute on it.

The Professional Services side of the business is steady on and, as Dan mentioned, the margins are much higher, and so the complement of that business with the technology side gives us some diversity in how we generate our revenue. The growth there is going to be mostly organic. We don't anticipate adding more to that roster. I think that business is well represented and I think right now it's

just deep into deployment. The more we deploy and the deeper we deploy in Professional Services, then the more EBITDA we can generate, and so really that, I wouldn't expect step change growth in Professional Services, but I would hope to see a big lift in their ability to generate positive EBITDA.

Bruce Lazenby — Analyst, National Capital Investors

That's great. Thank you. And continue great success.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Bruce. Nice to hear from you.

Operator

If you'd like to ask a question, simply press star one on your telephone keypad.

There are no further questions at this time. I'll turn the call back over to Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, operator. And again, thank you for everybody for joining the call with us today. We appreciate your attendance and your support. Definitely know that BluMetric right now is at the confluence of an opportunity for us to execute on and we're keenly aware of what our goals and objectives are to achieve them and we're very confident in that. Again, thank you for your patience and your investment and do know we're working hard at executing in the second half of the year, which we intend to show excellent results. Thank you.

Operator

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