DIRTT Environmental Solutions Ltd. (DRTTF)

Investment Thesis

DIRTT offers a unique opportunity to participate in the transformation of interior construction by industrializing and digitizing modular interiors—positioning itself as a high-growth alternative to traditional construction methods.

Company Overview

DIRTT Environmental Solutions Ltd. ("DIRTT") is a Calgary, Alberta based company that designs, manufactures and installs highly customizable and adaptable interior construction systems (walls, partitions, interiors) using a combination of proprietary digital design tools and modular manufacturing. Its mission is to "do it right this time" by reducing waste, accelerating timelines, and enabling flexible spaces for clients in healthcare, education, workplace and public sectors.

The Problem & The Solution

The Problem

Traditional interior construction is often slow, expensive, inflexible and waste-intensive. Clients with evolving space needs (workplace re-configurations, healthcare expansions, education facility upgrades) demand faster, more modular, adaptable solutions.

The Solution

DIRTT's system combines digital design ("ICE" 3D platform) with modular manufacturing and a national Construction Partner network — delivering interiors that can be built faster, re-configured easily, and with less waste.

Market Opportunity

The company addresses the large interior construction market in North America (commercial workplaces, healthcare, education, government). For example:

- In 2024, DIRTT reported about US $174.3 million in revenue with ~89% of revenue deriving from the United States.
- The global market for modular/interior construction solutions is large and growing due to cost pressure, sustainability mandates and demand for flexible space.

While DIRTT's 2024 revenue was modest in the context of a multi-hundred-billion-dollar global construction market, its niche positioning in modular interiors suggests sizeable upside if it can capture a few percent of its addressable market.

Business Model

- **Revenue Streams:** Sale of modular interior construction products (walls, partitions, interiors), licensing fees from Construction Partners, and in some cases installation/design services.
- **Key Customers & Verticals:** Commercial offices, healthcare facilities, education campuses, government/public-sector facilities.
- **Delivery Model:** DIRTT manufactures components and relies on a network of "Construction Partners" to install and service. This gives scalability without entirely owning all installation operations.

Competitive Positioning

- DIRTT's "secret sauce" lies in the integration of its digital design tools (ICE), modular manufacturing, and network of Construction Partners — enabling faster build times, lower waste and adaptability.
- It is positioned as a differentiated alternative to traditional stick-built interiors. That gives it a niche moat in a market looking for flexibility and sustainability.
- The company also emphasizes sustainability and future-proof spaces, which adds to its appeal in markets such as healthcare and education.
- Being a smaller microcap gives potential upside if the concept scales, though it also implies higher risk compared to large incumbents.

Financial Snapshot & Traction

- **Revenue (FY 2024)**
  - US $174.3 million, down ~4% from US $181.9 million in 2023.
- **Margins**
  - In 2024, gross profit was US $65.0 million (≈ 36.9% margin) and Adjusted Gross Profit was US $68.3 million (≈ 39.2% margin) – reflecting margin improvement measures.
- **Recent Quarter (Q3 2025)**
  - Revenue of US $37.72 million, down ~13% year-over-year from Q3 2024. Earnings per share loss of US $0.02 versus loss of US $0.03 expected.
- **Balance Sheet / Liquidity**
  - In its 2024 Annual Report, DIRTT reported that cash exceeded long-term debt at year end, and debt was reduced by more than 50% during the year.
- **Pipeline & Contracts:**
  - Recent press release noted new project wins of over US $7 million across five clients in healthcare, workplace & aviation, and 12-month forward project pipeline increase.
- **Key KPI**
  - Number of Construction Partners (71 in 2024) servicing multiple locations.

Investment Highlights

DIRTT occupies a disruptive niche in the large, traditional interior construction market — offering modular, digitised solutions that resonate with cost, time and sustainability pressures.

Margin improvement visible via 2024 results, signaling operational leverage and cost rationalisation beginning to pay off.

Strong balance sheet discipline — reduction in debt, cash exceeding debt at year end — giving runway for growth.

Visible project wins and pipeline expansion in multiple sectors (healthcare, workplace, aviation) suggest ability to scale.

Microcap size means potential for high upside if execution accelerates and market adoption expands — while still being under-the-radar relative to large construction peers.

The Vision

Looking ahead, DIRTT aims to become the go-to platform for modular interior construction across North America (and potentially beyond). By continuing to expand its Construction Partner network, accelerate sales of repeatable commercial solutions, and leverage its digital design/manufacturing advantage, the company expects to capture a growing share of the interior space market — moving from a US$174 million revenue base toward hundreds of millions over time. With margin expansion, improved manufacturing scale, and steady pipeline growth, DIRTT envisions becoming a sustainable, high-growth microcap poised for the next leg of modular construction adoption.