

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Research Update and Allocation Increase



Enterprise Group, Inc.

(OTC:ETOLF, TSX: E.TO)

Report Date: 05/27/26

12- 24 month Price Target: US\$3.25

Allocation: *6

Closing Stock Price at Initiation (Closing Px: 08/02/24): US\$.99

Closing Stock Price at Allocation Increase and Price Target Decrease (Closing Px: 03/31/25): US\$.98

Closing Stock Price at this Allocation Increase (Closing Px: 05/27/26): US\$.93

(Share price data is in U.S. Dollars. The attached Projected Operating Model is in Canadian Dollars)

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Disclosure: Portions of this report are excerpted from Enterprise Group's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We initiated coverage of Enterprise Group (“EG”) in August 2024. Our thesis at the time was that we believed the Company would benefit directly from the coming startup of Canada’s first LNG facility: LNG Canada. More specifically, we believed then and we believe today, that because of Canada’s entrée into the LNG (export) market, Canada is poised to become a bigger exporter, and by extension a bigger producer of natural gas. Moreover, beyond LNG Canada, there are two facilities under construction (Woodfibre LNG and Cedar LNG, both in British Columbia) as well some others in the permitting phase. Again, by extension, more production will likely require more development activity, which should increase demand for the services Enterprise Group delivers. With that noted, since our initiation the Company has faced some challenges that we did not see coming, but certainly impacted their numbers and we think led largely to some of our revenue miscalculations.

First, at the time of our initiation, Q1F24 was in the books and we were waiting for 2QF24 results. Those revenue results came in considerably better than we were estimating (\$8.4 million vs. \$6.5 million). Keep in mind, Q2 is generally the Company’s weakest quarter due to spring thawing, which typically creates some problems getting heavy equipment into drilling projects. The first half of F24 reflected 34% revenue growth over 1HF23, so we, and we think most following the Company, were optimistic about 2HF24 as well. Again, looking back, much of that optimism emanated from the notion that producers were likely to step up development in advance of the anticipated mid-2025 startup at LNG Canada. Ostensibly, that did not happen as 2HF24, fell off the “proverbial cliff”. For reference, since 2019, and with the obvious exception of the initial pandemic year (2020), 2024 was the only year the Company’s 2nd half results were lower than their 1st half results, and they were not only lower, *they were over 30% lower*. Granted, some of that variance was related to the extraordinary results in the first half, but that is not what we, and we suspect others were anticipating. That brings us to “why?”.

As we have since learned from management, in mid-2024 the Company (along with other vendors) received notice from one of their larger customers, that they were delaying/pushing some of their development work from the second half of 2024 into 2025. Apparently, this customer is also one of the owners of LNG Canada. As we also know today (looking back), the timeline around the launch of LNG Canada had some delays along the way, as well as some challenges following the first shipments, so it is unclear to us if their customer(s)’ delay(s) of new projects were related to anticipated timing around the LNG Canada start and subsequent ramp. From another perspective, we know for instance that there has been some consolidation or similar events that likely impacted development decisions through 2025 and we think the net result was a general ebb in demand for field related services provided by companies like EG. Specifically, many of the metrics that reflect the cadence of drilling/development activity in the field (rig counts for instance) generally reflect that the first half of F24 was particularly robust, and year-over-year F25 was more subdued. Again, we are not sure we fully understand all the data points that led to a weaker F25 for the industry and by extension EG, but that seems to be the overall theme.

The above noted, the outlook for F26 and beyond appears to be normalizing. That is, LNG Canada appears to be operating near capacity, and Canada looks poised to (continue to) set new natural gas production records. With respect to EG, as we understand it, it looks like delays amongst legacy customers appear to be behind them. They also indicate that they have been adding notable new customers, in part as a result of more aggressive sales efforts aimed at the C-Suites of producers. We think those efforts have also led to new orders and associated deployments of FlexEnergy gas turbines. To edify, capex and/or additions to plant and equipment are data points we have focused on for much of our modeling. That is, our assumption is that the Company will be able to utilize equipment at relatively consistent levels (adjusting for seasonality) so we base our revenue assessments in part on that historic utilization across available equipment levels. Granted, that approach has had some flaws (ala 2HF24 and part of F25), but generally, we are sticking to the notion that if they are adding assets, it is because they anticipate being able to deploy/utilize them.

In summary, we submit our forecasts to this point have been poor. Specifically, 2HF24 threw us off and frankly, gave us pause around visibility in general for some time thereafter. We think the uncertainties around the progress of LNG Canada played a large role in the volatility, but there were other items as well. Setting aside the challenges of 2HF24 through 1HF25, our numbers for 2026 look to be shaping up close to those we had originally anticipated for 2025. Again, we think the dust is settling here, and the drivers of our original thesis remain intact:

- Increased activity in the Canadian gas industry around new and anticipated future LNG export capacity.
- Gains in EG's posture (in a fragmented industry) largely as a result of their success exclusively procuring and deploying highly competitive FlexEnergy turbine solutions.
- Management's successful track record across the industry generating both growth... and cash.

As a result, while we submit, we remain cautious on energy prices going forward (we are inclined to believe they will be notably lower in the coming months than they are today), we remain constructive on Enterprise Group's (soon to be renamed "Evolution PowerX Corp.") prospects and we continue to view the shares as markedly undervalued. With respect to that view, we would add that over the past 5 quarters through March 2026, we believe the Company repurchased 1,266,500 shares under their Normal Course Issuer Bid ("NCIB") at an average price of C\$1.31/share or about US\$.95/share, so apparently the Company agrees with our assessment. As a result, we are for now, reiterating our 12-24 month price target of US\$3.25, and we are raising our allocation from 5 to *6, based on our "markedly undervalued" view.

Projected Operating Model

Enterprise Group, Inc.						
Projected Operating Statement						
(Expressed in CAD)						
By: Trickle Research						
	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	<u>3/31/2026</u>	<u>6/30/2026</u>	<u>9/30/2026</u>	<u>12/31/2026</u>	<u>Fiscal 2026</u>	<u>Fiscal 2027</u>
Revenues	\$ 12,003,053	\$ 7,930,951	\$ 12,458,191	\$ 13,623,728	\$ 46,015,923	\$ 52,880,711
Direct Expenses	\$ 5,908,300	\$ 5,607,934	\$ 6,353,880	\$ 6,542,764	\$ 24,412,878	\$ 26,701,538
Gross Margin	\$ 6,094,754	\$ 2,323,017	\$ 6,104,311	\$ 7,080,964	\$ 21,603,045	\$ 26,179,173
					\$ -	\$ -
General & Admin. Expenses	\$ 667,464	\$ 629,310	\$ 674,582	\$ 686,237	\$ 2,657,593	\$ 2,728,807
Depreciation - PP&E	\$ 1,192,815	\$ 1,267,953	\$ 1,292,028	\$ 1,316,103	\$ 5,068,899	\$ 5,518,973
Depreciation - Right of Use Assets	\$ 291,403	\$ 216,108	\$ 217,944	\$ 219,797	\$ 945,252	\$ 898,030
Share Based Payments	\$ 183,647	\$ 50,000	\$ 50,000	\$ 50,000	\$ 333,647	\$ 200,000
Amortization of Intangibles	\$ 43,549	\$ 12,500	\$ 12,500	\$ 12,500	\$ 81,049	\$ 50,000
Acquisition Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain/(Loss) on Sale of Assets	\$ (30,556)	\$ -	\$ -	\$ -	\$ (30,556)	\$ -
					\$ -	\$ -
Total Operating Expenses	\$ 2,348,322	\$ 2,175,870	\$ 2,247,054	\$ 2,284,637	\$ 9,055,883	\$ 9,395,810
					\$ -	\$ -
Income Before Financing and Taxes	\$ 3,746,432	\$ 147,147	\$ 3,857,257	\$ 4,796,327	\$ 12,547,162	\$ 16,783,362
					\$ -	\$ -
Finance Expense	\$ 597,871	\$ 789,833	\$ 789,769	\$ 788,081	\$ 2,965,555	\$ 3,134,546
Gain on Settlement of Debt						
Impairments of PP&E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						\$ -
Income Before Taxes	\$ 3,148,561	\$ (642,686)	\$ 3,067,488	\$ 4,008,245	\$ 9,581,607	\$ 13,648,816
					\$ -	\$ -
Income Tax Expense	\$ 739,836	\$ -	\$ -	\$ -	\$ 739,836	\$ -
					\$ -	\$ -
Net Income	\$ 2,408,725	\$ (642,686)	\$ 3,067,488	\$ 4,008,245	\$ 8,841,771	\$ 13,648,816
Income Per Share- Basic	\$ 0.03	\$ (0.01)	\$ 0.04	\$ 0.05	\$ 0.11	\$ 0.17
Income Per Share-Diluted	\$ 0.03	\$ (0.01)	\$ 0.04	\$ 0.05	\$ 0.11	\$ 0.17
Basic Shares Outstanding	80,737,906	80,787,906	80,837,906	80,887,906	80,812,906	81,012,906
Diluted Shares Outstanding	81,670,684	81,795,906	81,895,906	81,993,525	81,839,005	82,226,632

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.