



**ENTERPRISE GROUP, INC. TSX: E**

## **#TSX #Mining Company, Enterprise Group, Inc. [TSX: \$E] Shareholder Letter**

### **WESTERN CANADA RESOURCE GROWTH PROXY: A Canary in the Coal Mine?**

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**FEBRUARY 9, 2017 - ST. ALBERT, ALBERTA, CANADA** – Enterprise Group, Inc. (“Enterprise,” or “the Company”) [ TSX: E ], a consolidator of services to the energy sector focused primarily on construction services and specialized equipment rental, today released an in-depth corporate Letter to Shareholders from CEO Leonard D. Jaroszuk.

#### **My Fellow Shareholders and Investors;**

My purpose is not to regale shareholders with stories concluding that all the rubble has been cleared away from the Alberta resource carnage that began in June 2014. Nor will I bore you with a lot of historical statistics.

Enterprise management has significant skin in the game. Prior to the 2014 resource downturn, the group owned 3.7 million shares (6.7%-consolidation adjusted). Acting on the confidence in the Company’s long term prospects for growth, management now owns 10.3 million shares (18.4%).

#### **Throughout the downturn, management significantly increased direct investment by 275%.**

What I will do is impart to you our resource sector intel that, from our unique perspective as a premier supplier of resource infrastructure services, appears to have turned and is steadily improving. Some salient points:

- With zero being the bottom of the resource sector decline, it appears to be tracking at roughly a three out of ten;
- Incoming business inquiries have and continue to increase steadily over the past several months;
- Billions of dollars in Western Pipeline, LNG projects—most undertaken by previous and current clients—are beginning to crystalize.

- Resource development budgets are up for 2017; in some individual cases more than double 2016
- Sector has seen several company closings and a significant rise in M&A activity
- Canadian resource company 2016 O&G M&A activity highest since 2007; \$277.6 billion versus \$314.7 billion
- Oil was at well over US\$120 in 2007 and is about 40% of that price now

A major boost to the growth discussion is the new resource-friendly direction the US administration appears to be signaling for the years ahead.

## Navigating an Ugly Market

Enterprise's management adjustments were simple; employ direct and aggressive price discounts, improve service, and cut costs to pay for those discounts. As well, we continued our pre-decline plan to sell our TC Backhoe Division in June, 2016 for terms totaling approximately C\$20 million. The sale allowed us to retire a significant portion of our then-\$40 million in debt. TC was an exceptional investment vehicle as it satisfied our mandate to provide specialized or exclusive services to clients, from a global tier-one to the smallest independent company.

The acquisition of this great company in 2007 for \$12 million was immediately accretive. During our 9.5 years of ownership, TC generated roughly 13-fold (\$154 million) the purchase price in revenues and extended our reputation as the premier (and frankly the only) 'One Stop Source' for virtually every critical resource construction service.

The most important current information for both companies and investors is to understand how corporate managements dealt with the sector decline and what plans are in place to not just participate as the sector hardens, but to be a valued partner as clients need help and advice to navigate the new environment.



## Enterprise as the Canary in the (Resource) Coal Mine.

Due to our unique position in the resource sector, Enterprise could analogously be considered a 'canary in the coal mine'. By gauging the activities of our clientele, suppliers, and the sector in general, we could well be considered a useful measure of its health and growth prospects.

As we have just completed Q4 2016, we experienced a continued improvement in the sector outlook. Interestingly, in Q3 2016, while revenues were down from \$10.4 million same period in 2015 to \$6.7, we posted a \$0.01 cent profit versus a \$0.01 loss. The first nine months' revenues of 2016 totaled \$21 million, down from \$32 million for the same period in 2015.

From our Q3 discussion:

*“...the Company is committed to certain service standards for its existing clients which management believes to be critical for fostering the Company’s longer-term growth. As the Company better understands the economic outlook for 2017 and the likely level of demand for its services, it will adjust its internal infrastructure accordingly.”*

That, along with our ongoing cost analyses, streamlining and the specialized nature of our service offerings, I believe Enterprise will continue to grow and weather this malaise stronger than before.

## **Why Enterprise? Because Infrastructure Always Leads the Recovery.**

As a company consolidator, we are not slowing down. We frequently see and are proposed deals as others scramble to either return to profitability or just survive.

Enterprise is in an excellent position to vet and realistically pick and choose those assets and/or companies of interest that will add the most value and consistent shareholder value.

We are aggressively looking for businesses that fit our mix and will be immediately accretive. There is a myriad of great fits out there, both incremental and some companies much larger than Enterprise.

During the decline, Enterprise has carefully lowered prices (2-3 times) and worked closely with clients to accomplish their goals. While we are seeing decent price stability, the sector is still too brittle for any excessive price increases. Enterprise felt it was more important to accommodate lower budgets etc. where possible for both revenue reasons and to deepen relationships with existing clients and add new ones.

Already, we are finding that as the sector improves we are stretched. We are working directly to make the right hires to deal with our expanding business.

## **So Far, So Good.**

We are involved or plan to be with the major western projects, be it pipelines, including Kinder Morgan, BC Hydro, Alta Gas, Fortis or any of several other major resource projects.

While we see consistent growth from here, there is the possibility of the sector gapping higher depending on oil’s price direction. We have seen discussion of further production cuts to help pricing. Certainly, the current base of \$50 oil and \$3 gas will help the intermediate to long-term buoyancy of the sector and revenue growth.



## Don't Believe the Consensus.

Consensus rarely makes investors any money.

Just as we didn't see the highly touted \$200-barrel oil spike a few years ago, espousing a further price collapse now is likely at just as long odds.

*The U.S. Energy Information Administration's January Short-Term Energy Outlook (STEO) forecasts benchmark North Sea Brent and West Texas Intermediate (WTI) crude oil prices to average \$53 per barrel (b) and \$52/b, respectively, in 2017, close to their levels during the last three weeks of 2016. These prices are expected to rise to \$56/b and \$55/b, respectively, in 2018.*

In January of 2014, Enterprise was trading north of \$3 a share. Currently and perhaps ironically, while the sector continues to wring its hands, good stories such as ours tend to get overlooked.

I further believe that Enterprise is the strongest swimmer in a very small competitive pool and the only infrastructure company that is strong enough to scale up as warranted.

As I write, I firmly believe that Enterprise is a stronger company than in 2014 and has exceptional growth plans.

Just as virtually no one saw the declines that decimated the industry, cautious optimism is currently the most prudent strategy both for companies and investors.

To our experienced management team, the current markets are strongly like those seen in 2004-5. From \$50 in 2005, oil peaked at north of \$120 in late 2008. After the 2008 economic decline, oil dropped to \$40 and increased again to \$120 by 2011. You know the rest.

We feel the price and sector growth are underway and should become increasingly compelling for those who tend to move ahead of the herd.

At Enterprise, we appreciate your continued support and know that we are working every day to deliver shareholder value, no matter the market condition.

Sincerely,



**Leonard D. Jaroszuk**  
President and CEO  
Enterprise Group, Inc.

**About Enterprise Group, Inc.** Enterprise Group, Inc. is a consolidator of construction services companies operating in the energy, utility and transportation infrastructure industries. The Company's focus is primarily construction services and specialized equipment rental. The Company's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management, and human resources to support continued growth.

More information is available at the Company's website [www.enterprisegrp.ca](http://www.enterprisegrp.ca). Corporate filings can be found on [www.sedar.com](http://www.sedar.com)

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