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SPECIAL ISSUE

THE NEW FAANGS: *THE* INVESTMENT THEME FOR THE NEXT DECADE (AND BEYOND?)



*The following profile/update of **Enterprise Group (TSE-E; OTCQB-ETOLF)** – one of my premier and especially timely “New FAANGs” stories – is excerpted from our Spring, 2023 Special Issue.*

For the COMPLETE issue, e-mail Chris Temple for a FREE copy: at chris@nationalinvestor.com

ENTERPRISE GROUP (TSX-E; OTCQB-ETOLF) – A LEANER COMPANY TO BENEFIT FROM CANADA’S ENERGY RESURGENCE...AND LNG EXPORTS



ENTERPRISE
GROUP, INC.

For the better part of a decade—until the last 12-18 months—the Canadian oil and gas sector had been in the dumps. Much more so than was the case (a less bad one during that time for the most part) here in the U.S.—where a strong domestic energy industry enjoyed policy support especially during the Trump Administration—lots of companies were unable to survive.

For St. Albert, Alberta-based Enterprise—a company I have known and followed *for well over a decade*—it was a tough road. Along the way this consolidator of equipment and entire businesses servicing the construction and energy industries had to do some serious consolidation *of itself* to weather the multi-year energy bear market. **It has successfully done so.** And now a leaner, retooled and refocused Enterprise Group is enjoying a *dramatic* comeback.

One of the many things I have admired especially about Senior V.P. and Director Des O’Kell is that he never overstates the company’s fundamentals. During the lean years when he and I would chat from time to time, he NEVER sugar coated the more subdued environment the company was struggling to navigate. *That’s the kind of straightforward management you look for in any company: small or large.* These days, it’s quite the contrast to hear his renewed exuberance, as Enterprise is now growing anew, logging bottom-line earnings and salivating over perhaps the *next* decade of MUCH better fortunes.

Just a few weeks prior to this release, O’Kell summed up the company and its *accelerating* rebound in an interview with *Investing News Network*; <https://www.youtube.com/watch?v=BNGhr94imB8&t=18s> is where you’ll find it. **It’s a great overview; but still hardly does justice to the story I’ll add more color to below.**

“What you’re seeing with our financial results is a trajectory—every quarter—of revenue increases, and we’ve been able to expand our margins as well.

When you come out of a seven year downturn, what that downturn did to us is it allowed us to refine the business,” O’Kell said at one point. *That’s an understatement.* During this time Enterprise battened down the hatches and downsized where needed...notably added a major component to its arsenal...**and set itself up now to benefit as its customers are back in growth and capital spending mode.**



Through its M&A strategy, Enterprise Group (“Enterprise” or the “Company”) has aggregated a portfolio of resilient companies that provide specialized equipment and services in the build out of infrastructure for energy, pipeline, and construction industries in Canada.

The slide displays two columns of logos. The 'OUR COMPANIES' column includes HART (Infrastructure & Services), Arctic Therm (Heat Generation), Weststar (Infrastructure & Services), and Evolution Power Projects (Power Generation). The 'OUR CLIENTS' column includes LEACOR, Chevron, Canadian Natural, WHITECAP ENERGY INC., SUNCOR, SINOPEC, TOURMALINE, ConocoPhillips Canada, cenovus, and PETRONAS.

Key players among Enterprise’s customers are in the graphic at left. With the global dynamics and long-term supply challenges discussed earlier in this issue for oil and gas—and given the broader, specific upswing for Canada’s energy producers, anchored by one big LNG export project—Enterprise’s reconstituted portfolio of services is in higher demand than ever.

That’s been especially the case with subsidiary Arctic Therm (which you can learn more of at <https://enterprisegrp.ca/artic-therm/>, including a couple neat videos). Servicing as it does E&P companies in oil and gas

in remote and COLD locations for a big chunk of the year, Arctic Therm’s equipment to “warm up” others’ equipment, work sites, pipelines and more is a necessity. Back in January (for the news on this, see <https://enterprisegrp.ca/2023/01/25/enterprise-group-subsiary-awarded-project-to-support-coastal-gas-link-construction/>) this company was awarded a high-profile contract “...to assist in the protective coating application process of a significant section of the Coastal Gas Link Pipeline connecting N.E. British Columbia to the LNG Canada facility in Kitimat, BC.”

Arctic Therm’s equipment, as O’Kell described when we visited on this news, is needed to raise the temperature of the pipes that gas will flow through from inland to Kitimat (an aerial view of this soon-to-be-LNG export port is at right). The engineering- and environmentally-mandated coatings cannot be applied in a setting where the air temperature is often well below freezing.



Indigenous Band Agreements Across the Coastal GasLink Pipeline Route



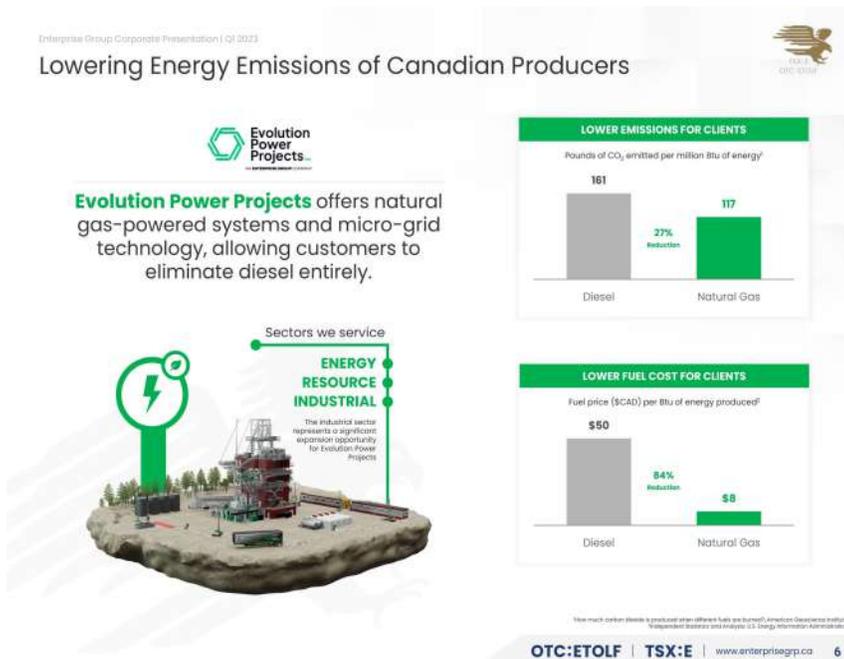
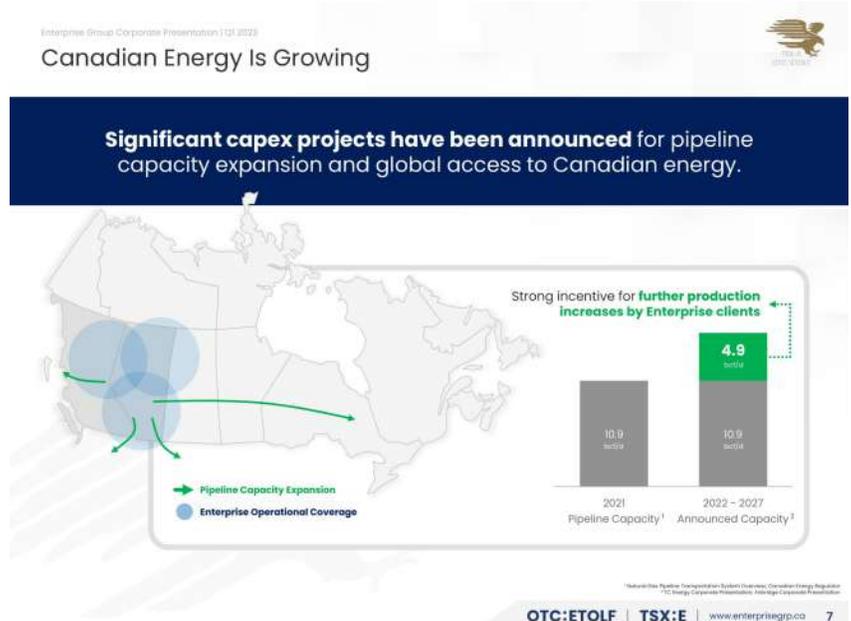
The \$40 billion biggest-ever energy project in Canada’s history is heading to the finish line; and Enterprise is getting a couple other bites at the apple with its support services here, too.

Hobbled along the way by political and policy missteps, the recent past has been “all systems go;” especially with all the various agreements in place with pretty much every indigenous group along the route of the pipeline. As you can read at <https://www.lngcanada.ca/news/lng-canada-countrys-40-billion-second-chance-at-becoming-a-global-lng-leader-takes-shape/>,

the project as of late 2022 was deemed “70% complete” and set to begin first shipments by some time in 2025.

Even apart from LNG Canada and the pipeline project to feed it, though, Canadian energy is enjoying a major resurgence. Capital spending has risen modestly once more over the last couple years and is predicted to be *double* its present rate by about 2030. That has recently allowed Enterprise to raise its prices anew for its various offerings; and as O’Kell recently said, “When you get better activity levels and have a chance to increase some pricing on our equipment rentals, all of a sudden it starts to really collect on the bottom line.”

That, too, is an understatement, as I’ll shortly close discussing.



The newest and most interesting of Enterprise’s “parts” is **Evolution Power Projects**. Kicked off exactly a year ago as of this writing (see <https://enterprisegrp.ca/2022/04/20/enterprise-group-announces-launch-of-subsi-dary-evolution-power-projects/> for the original news announcement and https://www.youtube.com/watch?v=GKh_DVLb6o for the company’s introductory webinar on this dynamic new subsidiary) **Evolution is out to help energy and other remote industries, work sites and whatnot break free of diesel fuel.**

As O’Kell described in the above-linked *INN* interview, such remote work sites can go through several thousand liters of diesel fuel daily to do everything from run equipment, lights, heat remote bunk houses and offices, etc. But retooling everything to run on cleaner natural gas saves a ton of money, carbon emissions, noise *and stink*. Specifically, as he adds, Enterprise’s Tier one clients are constrained and incentivized alike by the Canadian government to demonstrate that they are reducing emissions. This offering is a big reason for Enterprise’s increasing trajectory of revenue and earnings gains, pretty much quarter to quarter now for the last year or so.

Most recently—in its March 20 announcement of Q4 and full-year 2022 results, which can be viewed at <https://enterprisegrp.ca/2023/03/20/enterprise-group-announces-results-for-fourth->

[quarter-and-full-year-2022/](#) --Enterprise reported a slate of results which on every financial metric down to even net earnings *blew away* the prior quarter/year results.

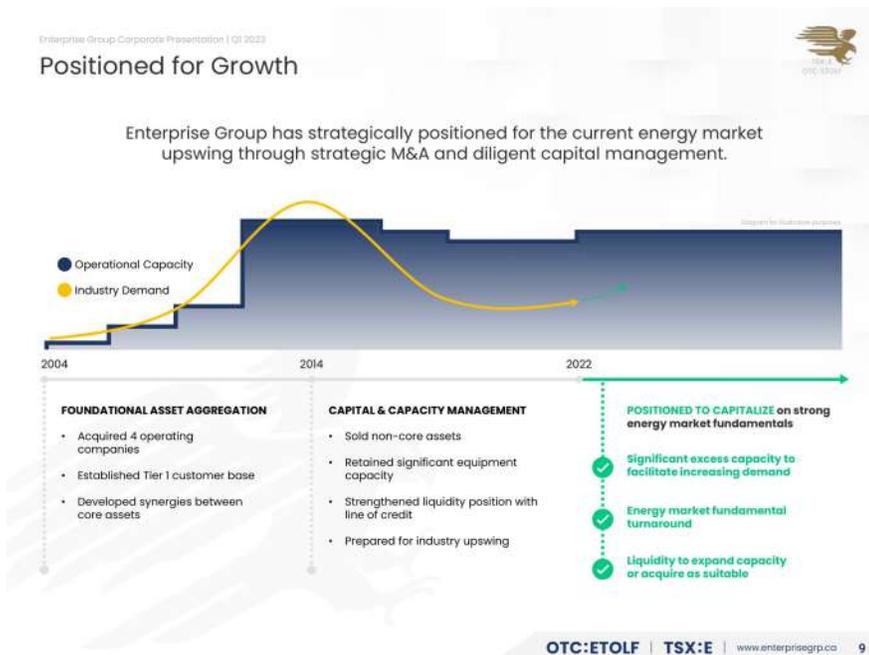
Further, Enterprise's continued repurchase of its shares, with the great performance, **had its book value recently at C68 cents/share**; two-thirds *above* its still-depressed market price at last look. How much longer this ridiculous situation lasts, I cannot say; but another quarter or two of progress such as we've seen, I must believe, will at last cause the market to take greater notice *soon*.

The company and its management sure notice; and that is yet another piece of one of the most fundamentally solid stories you can find among any energy-centric company. Along with the company itself continually redeeming and canceling shares, **management keeps buying**; and the management team led by President/C.E.O. Len Jaroszuk now is up to a 40% ownership of the outstanding shares.

This all ratifies O'Kell's growing exuberance and Jaroszuk's recent confident Letter to Shareholders alike. At <https://enterprisegrp.ca/2023/03/09/enterprise-group-inc-announces-letter-to-shareholders-from-president-ceo-leonard-d-jaroszuk/> you can peruse the latter; and then ask yourself how it can be that E's shares continue to sell for (by my estimation) *a third* of what they should be. (Indeed, Fundamental Research Corp., in its updated report on the company after its 2022 numbers came



out and looking ahead to another strong year, has a "fair value" price of C\$1.02.)



and all the fundamentals I've described have us all set as investors for a BIG winner.

Make sure to follow Enterprise on Twitter at @EnterpriseGrp; learn *much* more as well via its website at <https://enterprisegrp.ca/>.

Don't forget that those of you so inclined can follow my thoughts, focus, occasional news on covered companies AND MORE pretty much *daily* !!!

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