Zacks Small-Cap Research

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Enservco Corp. (ENSV- NYSE MKT)

ENSV: Enservco poised to pursue acquisition opportunities in the current "buyer's market."

Current Recommendation	**Buy**
Prior Recommendation	N/A
Date of Last Change	08/07/2013
Current Price (05/27/15)	$1.57
Six- Month Target Price	**$2.60**

OUTLOOK

Enservco Corp. is an oilfield services company providing well enhancement and fluid management services to domestic onshore E&P companies. Through an organic growth strategy of capacity additions and geographic expansion, management has dramatically increased the company's revenue and profit potential. Though the seasonally weaker second and third quarters of 2015 are expected to be lackluster, as in prior years, the company will enter the usually seasonally strong fourth quarter with the full complement of 2014's capacity additions. We maintain our Buy rating.

SUMMARY DATA

52-Week High	**$3.89**
52-Week Low	**$1.36**
One-Year Return (%)	**-44.91**
Beta	**0.08**
Average Daily Volume (shrs.)	**54,577**
Shares Outstanding (million)	**37.65**
Market Capitalization ($ mil.)	**$59.1**
Short Interest Ratio (days)	**2.63**
Institutional Ownership (%)	**22**
Insider Ownership (%)	**37**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**29.7**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**22.4**
P/E using 2015 Estimate	**14.3**
P/E using 2016 Estimate	**9.8**
Zacks Rank	**4**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Oil-Field Services**
Zacks Rank in Industry	**29 of 37**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	18.6 A	7.9 A	4.8 A	15.2 A	46.5 A
2014	25.2 A	7.3 A	5.7 A	18.2 A	56.6 A
2015	19.1 A	8.4 E	6.9 E	22.2 E	56.6 E
2016					67.2 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	$0.11 A	$0.01 A	-$0.03 A	$0.03 A	$0.12 A
2014	$0.11 A	-$0.02 A	-$0.05 A	$0.07 A	$0.10 A
2015	$0.07 A	-$0.02 E	-$0.03 E	$0.10 E	$0.12 E
2016					$0.16 E

Zacks Projected EPS Growth Rate - Next 5 Years % **20**

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KEY POINTS

- Enservco Corp. is an **oilfield services company** that provides well enhancement and fluid management services to domestic onshore E&P companies. The majority of the company's service offerings are reoccurring in nature, justifying a premium valuation multiple.
- Enservco is focused on two segments of the oil & gas services industry: **production-related services** and **hydraulic fracturing**.
  - The company provides the ongoing services for the transportation and disposal of fluids (water hauling) that accompany the process of oil & gas production, along with the recurring, maintenance services (hot oiling and acidizing) undertaken during workovers.
  - Also, Enservco is a prime beneficiary of the megatrend towards developing unconventional oil & gas resources in the U.S. through hydraulic fracturing.
  - Hence, the company benefits from both the megatrend of hydraulic fracturing to develop unconventional oil & gas resources in the U.S. (frac-water heating) and the stability of providing ongoing water hauling services and workover services (hot oiling and acidizing).
- Through its Heat Waves and Dillco subsidiaries, Enservco has a **geographic footprint over multiple basins** and has **strong relationships** (over 100 MSA's) with many operators in the oil and gas industry, including numerous majors.
- An **organic growth strategy** of **capacity additions** (custom-built service trucks) and geographic expansion has dramatically increased the company's revenue potential.
- During 2015, management is poised to aggressively pursue acquisition opportunities. The company is solid financially with record working capital and a substantial revolving credit facility. This period of depressed oil prices should create a buyer's market for well enhancement service assets. With experienced personnel to accurately assess potential acquisitions and equipment, this environment may provide attractive opportunities to buy-and-refurbish rather than build.
- In 2014 Enservco introduced two more efficient and lower-cost platforms: a **mega frac-water heater** and **a liquefied natural gas (LNG) fuel powered frac-water heater.**
- Currently, management does not have any plans to increase capacity through a capital expenditure program but is diligently **investigating the acquisition of capacity in the current "buyer's market" in the oilfield services industry**. However, with incremental hot oiling and acidizing jobs from multiple customers being attained in the Eagle Ford Basin, there is the possibility a capital expenditure program for hot oiling and acidizing units could be announced later in the year.
- The **seasonally weaker second and third quarters of 2015 are expected to be lackluster, as in prior years**. However, the **company will enter the usually seasonally strong fourth quarter with the full complement of 2014's capacity additions**. The tenor of the oil market, as well as weather, will determine capacity utilization and pricing that Enservco will garner.
- When the oil industry resumes normalized exploration activity, initially the demand may be significant due to the **backlog of DUCs** (drilled-but-uncompleted-wells). Estimates for DUCs range from 3,000 to 5,000 wells.
- In the meantime, management has positioned the company to better withstand an environment of lower oil prices. New capacity additions were relatively skewed towards maintenance services (acidizing and hot oiling) while the drilling-related frac water heating additions are competitively positioned as modern, efficient units with bi-fuel capabilities. In addition, management is diligently reducing costs.
- We maintain our Buy rating.

RECENT NEWS

Financial Results – 1Q 2015

Enservco was impacted by unseasonably warm weather in the DJ Basin during the first quarter, which contributed the company's top-line declining by 24%. Also, the adoption of its innovative bi-fuel system, which longer-term should permanently raise the company's margins, reduced propane sales, which accounted for $5.9 million of the $6.1 million revenue decline.

The dynamic of introducing bi-fuel capabilities is both a competitive advantage to gain market share and, at the same time, a method to structurally raise the company's margins by, in effect, divesting low margin propane sales by allowing the customer use well gas (or some other alternative fuel source). During the quarter, despite the sales decline, the gross margin increased to 41% from 35% in the comparable quarter last year. This interesting dynamic is expected to significantly enhance the company's valuation multiple during the next up-phase of domestic exploration activities.

The effect of the oil price downturn was mitigated by price concessions (up to 10%) in the frac water heating business, which resulted in increased market share not only from business wins, but also from the contracting market as many E&P companies are leaving wells behind pipe (forgoing completion by fracking after the well has been drilled).

Financial Results – 4Q & YE of 2015

On March 18, 2015, Enservco reported financial results for the fourth quarter and year end of 2014. For the year, revenues increased 21.7% to $56.56 million (a record level) from $46.47 million in 2013, primarily due to the capacity additions to the company's service fleet. Full year adjusted EBITDA increased to $11.5 million (also a company record) from $11.0 million in the prior year. The balance sheet improved significantly with working capital increasing 67.2% to $13.66 million and stockholders' equity increasing 40.5% to $18.04 million. Enservco's capital expenditure/capacity expansion plan will be budgeted in approximately 60 days after management confers with its customers to review their plans for 2015.

Enservco's 2014 capacity expansion program increased frac heating capacity 93% (from 42 to 81 units), hot oil capacity by 118% (from 27 to 59 units) and acidizing capacity 133% (from 3 to 7 units). The estimated annual revenue potential of the entire 2014 capacity expansion program is approximately $35 million. The new frac-water heaters have bi-fuel capabilities, allowing customers to have the option to toggle between using propane or LNG, which is a cleaner-burning fuel source and which can be supplied by the customer or sourced externally. The new fueling system has been a catalyst for winning new business and also for increasing the company's frac water heating market share in the D-J Basin (where share has increased from 50% up to 75%), Marcellus-Utica (where share is now 70%) and Bakken markets. Also, the company's "mega" heaters have twice the capacity of the company's legacy frac-water heating units, and are counted as two units.

During both the fourth quarter and year, Enservco faced certain headwinds and disruptions, and therefore, we have not yet seen the company fire on all cylinders. In the first quarter, a spike in propane prices raised costs and pressured the company's gross margin. The second quarter was impacted by a safety-related stand-down by a large customer in the D-J Basin, while the fourth quarter's revenues were diminished by unseasonably warm temperatures through mid-November. We await a year without unusual circumstances in order to see the full earnings power of Enservco.

OVERVIEW

Headquartered in Denver, Colorado, Enservco Corporation is an oilfield services company that provides well enhancement and fluid management services to domestic onshore exploration and production (E&P) companies. **Well Enhancement Services** (84% of revenues in 2014) is comprised of frac-water heating, hot oiling, acidizing and pressure testing, while **Fluid Management** (15% of revenues) involves water hauling, fluid disposal and frac tank rental. Operations related to Well Site Construction and Roustabout Services were discontinued in 2013, but now "Other" accounts for 1% of revenues. Enservco provides well-site services through two operating subsidiaries: **Heat Waves Hot Oil Service** and **Dillco Fluid Services**.

Enservco's **unique business profile** differs from most oil and gas equipment service companies in that the company's business mix is skewed towards production rather than drilling. Between 40% and 45% of revenues is derived from recurring, maintenance work related to production (hot oiling, freshwater and saltwater hauling, water disposal and acidizing) and 45% of revenues originates from drilling wells (frac heating, frac fluid hauling and frac tank rental). In addition, drilling-related revenues are derived from hydraulic fracturing, a well stimulation technique benefiting from a secular upswing in the U.S. Therefore, Enservco is less susceptible to the traditional cyclicality exhibited by upstream[1] capital spending budgets of oil and gas companies.

Enservco is **focused on two unique sub-sectors** of the oil & gas services industry: **production-related services** and **fracking**. Management completely avoids the cyclical oilfield equipment industry, which provides rigs, drill bits, valves, pumps, flow control equipment etc. that are needed for the process of drilling new wells. Rather, Enservco concentrates on services related to the ongoing production of oil & gas resources and the megatrend of fracking to release shale gas.

Oil & natural gas operations use and produce significant quantities of fluids. Enservco provides a variety of services for the transportation, storage and disposal of fluids that are involved during both the production of oil & gas and the development or remediation of wells (drilling, fracking and workovers).

Operators of oil and gas wells desire to optimize the productivity of their wells through production management. There are a variety of methods to optimize well performance, including the implementation of scheduled maintenance services to enhance the flow of production. **Hot oiling** and **acidizing** are two effective stimulation and workover procedures, both of which improve the permeability in production wells: one (hot oiling) for removing paraffin, tar and other organic deposits and the other (acidizing) for dissolving scale precipitation and fines that have migrated and are blocking the movement of hydrocarbons.

The current energy boom in North America is being driven by the development of domestic shale gas resources, which requires horizontal drilling and hydraulic fracturing. The development of unconventional shale plays offer considerable opportunities for Enservco's offerings of frac heating, frac fluid hauling and frac tank rental services, especially in areas of cold weather where frac fluids must be heated during the fracturing process. For example, it is cold or cool up to four months a year in western Pennsylvania (Marcellus shale formation) and up to 10 months a year in North Dakota (Bakken shale formation). Generally, frac fluids must be heated to at least 80 °F at the well site, and advanced techniques require temperatures of at least 90 °F.

Litigation

On October 8, 2014, Heat-On-The-Fly, LLC filed a patent infringement suit against Enservco and Heat Waves Hot Oil Service, LLC in the United States District Court for the Northern District of Texas (Civil

[1] Upstream refers to exploration and production while the downstream segment includes refining and marketing of petroleum products and midstream encompasses transportation, such as pipelines.

Action No. 3:14-cv-03631). The complaint alleges that Heat Waves infringes on two patents held by HOTF (Patents 8,171,993 and 8,739,875, both of which are entitled “Water Heating Apparatus for Continuous Heated Water Flow and Method for Use in Hydraulic Fracturing”).

Heat-On-The-Fly has been litigious with energy companies concerning these patents. Some companies have licensed the patents on a non-exclusive basis. Other energy companies are seeking to invalidate the patents. The United States Patent Office has agreed to reexamine Patent 8,171,993 in its entirety.

Enservco and Heat Waves deny any patent infringement, citing among other points, that Heat Waves has been offering water heating services prior to the filing of these patents. However, during 2015, the company spent $562,486 on Patent litigation and defense expenses.

ORGANIC GROWTH

2014 Capacity Expansion Program

Enservco continued to expand service capacity through the procurement of newly fabricated equipment. The 2014 capital expenditure plan was comprised of two Phases. Announced in May, Phase 1 consists of a **$9.0 million** program for the fabrication of **10 mega frac-water heaters**, **10 hot oiling units** and **two acidizing trucks**. The new mega frac-water heaters have twice the capacity of the company's legacy frac-water heating units, which were termed boxes. Also, a mega heater can be operated by one person versus the two required for double-burner trucks. Along with lower labor costs, the heating unit requires less fuel. The new equipment will have the potential of generating annual revenues of approximately $20 million. The initial phase was funded by internally generated cash flow.

Phase 2 was a $7.0 million program for the fabrication of **eight mega frac-water heaters**, **six hot oiling units** and **two acidizing units**. The annual revenue potential from the second tranche of new equipment is estimated to be at least $15 million, raising the estimated annual revenue potential for the entire $16 million capex plan to more than $35 million. The second tranche was being funded with a new PNC Bank revolving credit facility.

In addition to the mega frac-water heater, Enservco introduced a **new liquefied natural gas (LNG) fueling system** for the frac-water heating units this year. Customers can have the option to toggle between using propane or LNG, which is a cleaner-burning fuel source and which can be supplied by the customer or sourced externally. The new fueling system is available to the company’s entire customer base through an active marketing campaign. The first units were deployed in late September to customers in the D-J Basin, followed with a frac-water heater delivered to the Marcellus later in the year.

Enservco continues to grow capacity organically by serving expanding demand in both existing and new markets. The capex programs target higher-margin businesses: seasonal hot oiling, modestly-seasonal frac-water heating and non-seasonal well maintenance work. The number of acidizing and hot oiling programs in the Rocky Mountain service region continues to expand. In addition, new acidizing programs will be performed in the Texas Panhandle.

Overall, the total 2014 capital expenditure plan significantly expanded the capacity of the company’s current equipment fleet. All units were anticipated to be delivered in 2014 with the exception of six hot oil units, which are scheduled for delivery in the first two months of 2015. In addition, the acquisition in North Dakota added 13 units to the field. The combination of increased capacity through the fabrication of units and the acquisition is anticipated to be capable of increasing the annual revenue base by $41 million.

Acquisition of Assets (Bakken Shale Region)

On October 31st, Enservco closed on the acquisition of a package of oilfield service assets, including 12 hot oil trucks, a frac water heating unit and a 6-acre operating yard near Tioga, North Dakota. The acquisition allows Enservco to economically serve the northern Bakken Shale Region of the Williston Basin. The total purchase price was $3.7 million.

Management anticipates that the assets have the potential to add over $6 million in incremental revenues annually. Prospective customers for the hot oiling and frac water heating services include both those had been served by the prior owner of the assets and Enservco's existing customers with operations in the northern Bakken Shale area.

The closing on the operating yard (which contains a maintenance shop and office facility), is contingent on a successful environmental Phase 1 review. Enservco will lease the property until the real estate transaction closes. Of the 13 units, six hot oilers and the frac water heating unit are currently in the field, three are undergoing maintenance to bring them up to Enservco's standards and three require the hiring of operators before they can be deployed.

GEOGRAPHIC EXPANSION

Enservco currently provides well-site services to numerous companies in four major, proven, oil and gas basins: **Denver-Julesburg** (targeting Niobrara shale formation in CO and WY), **Hugoton** (Mississippi Lime in KS and OK), **Appalachian** (Marcellus shale in PA and WV and Utica shale in OH) and **Williston** (Bakken shale in ND).

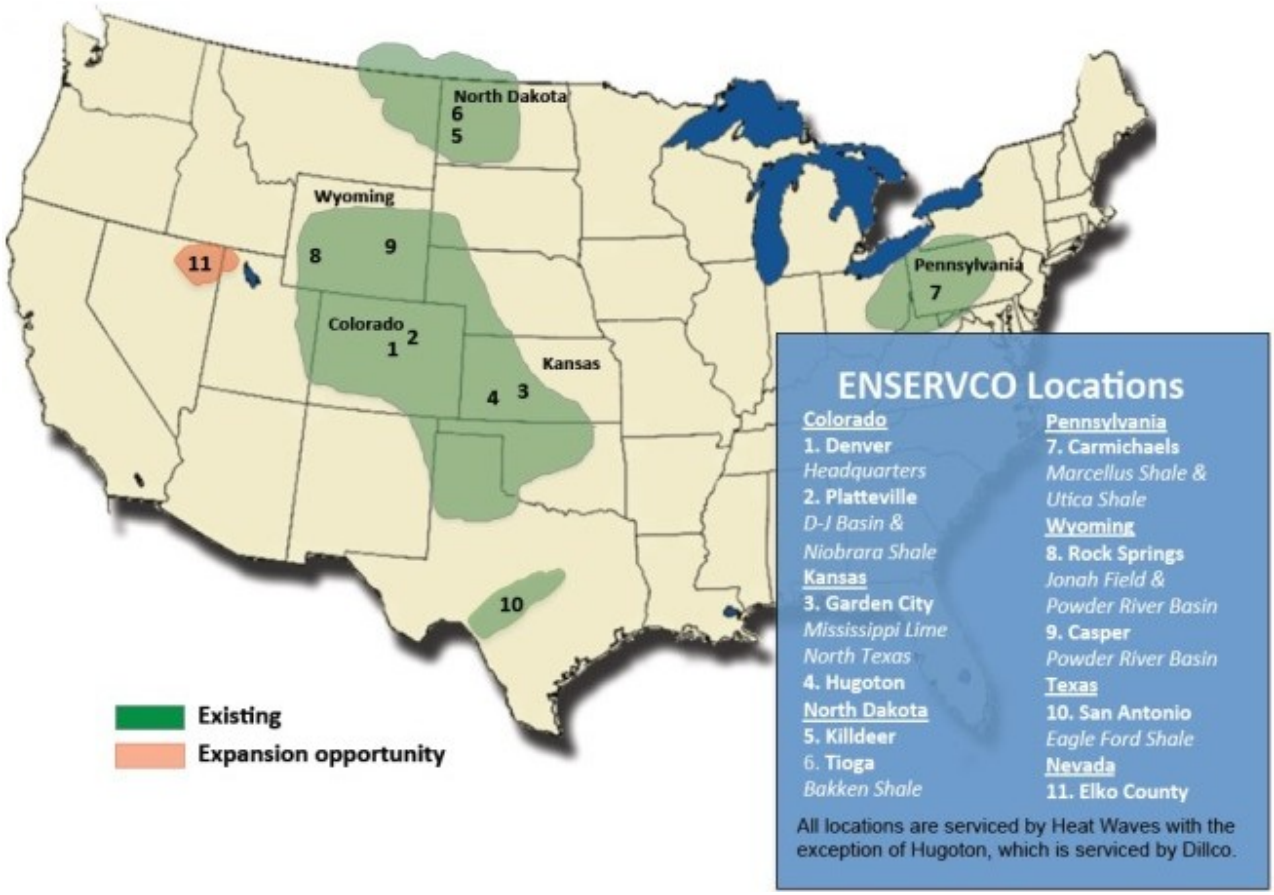
Michael Herman (former COB and CEO) began the formative process of Enservco when he acquired a majority interest in Heat Waves Hot Oil Service LLC in March 2006. At the time, Heat Waves provided hot oiling, frac heating acidizing, pressure testing and water hauling services in eastern **Colorado** and western **Kansas**. The next year, Enservco acquired Dillco Fluid Services, which provided primarily water hauling services in the Hugoton gas field in southwestern **Kansas** and later expanded into nearby areas in adjoining states (northwestern Oklahoma, the Texas panhandle and northern New Mexico). The primary operations centers of Heat Waves and Dillco are in Garden City, KS and Hugoton, KS, respectively.

Timeline of Geographic Expansion

•	March 2006	Invest in Heat Waves working in Denver-Julesburg Basin in CO and WY
•	December 2007	Add Hugoton Basin (KS) operations by acquiring Dillco Fluid Services
•	Mid-2008	Heat Waves enters Uintah Basin (UT and WY)
•	January 2010	Expand to Appalachian Basin (PA & WV) with facility in Carmichaels, PA
•	September 2011	Enter Williston Basin (Bakken formation) in ND and MT
•	September 2011	Expands in D-J Basin (Niobrara formation) - new facility in Cheyenne, WY
•	May 2012	Offer water hauling & acidizing services for Mississippi Lime in KS
•	August 2012	Exit operations in Uintah Basin due to irrational pricing by competitor
•	December 2012	Began operations through MSA agreements for Utica shale formation (OH)
•	November 2013	Commissioned for year-round hot oiling work in Green River Basin (WY)
•	Mid- 2014	Opened additional service yard in Rock Springs, WY
•	October 2014	Acquire yard & 12 hot oil trucks to serve northern Williston Basin (ND)

In mid-2008, Heat Waves began serving customers operating in the Uintah Basin in northeastern **Utah** by providing frac heating, hot oiling, water hauling and acidizing services out of an operations center located in Roosevelt, Utah. However, during 2012, a local mom-and-pop company began offering oil & gas services at cost, and management decided to terminate operations in the Uintah Basin due to the

irrational pricing practices by a competitor. The facilities in Roosevelt were sold and Heat Waves' equipment was redeployed to more stable and active operations centers.



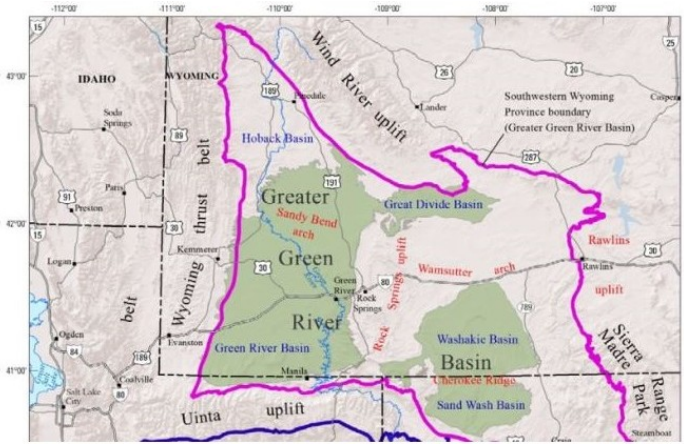
In early 2010, Heat Waves expanded into the Appalachian Basin through the request of a large, longtime customer to provide frac-heating services for the development of the Marcellus formation in southwestern **Pennsylvania** and northern **West Virginia**. Heat Waves opened an operations center in Carmichaels, PA in January 2010. Within a year, frac heating, hot oiling and water hauling services were being provided to 12 major exploration and production companies in the region. At the present time, four of the five largest operators developing the Marcellus in southwestern Pennsylvania are customers of Enservco. In December 2012, Enservco entered into master service agreements (MSAs) with five major E&P companies which are targeting the Utica shale formation in eastern **Ohio**, where fracking techniques require higher fluid temperatures than in the Marcellus. Therefore, demand for frac fluid heating services in Ohio should extend throughout most of the year. In the first quarter of 2013, revenues generated from the Eastern USA region increased just over $3.0 million due, in part, to the company's expansion into the Utica.

During September 2011**,** Enservco dramatically expanded its footprint in the Rocky Mountain region. In the north, a new operations center was opened in Killdeer, **North Dakota** to serve operators in the Bakken shale play with a service fleet of frac heaters and hot oilers. In the central Rockies, the company augmented its base of operations addressing Niobrara play in western Colorado and southeastern **Wyoming**. The opening of an operations center in Cheyenne, WY supplemented the company's initial foray into northern Colorado and eastern Wyoming when the yard in Platteville, Colorado opened its doors prior to 2010.

Enservco continues to expand geographically. During the third quarter of 2013, at the request of several existing customers, the company's service territory **expanded to Wyoming's Powder River** and **Green River Basins.** Enservco was commissioned for year-round hot oiling work in the Green River Basin by one of the region's largest operators; this hot oiling program alone potentially could add annual

incremental revenue annually of more than $4 million. During 2014, Enservco opened a new service yard in Rock Springs, Wyoming, which will initially serve approximately 10 new and existing customers in the region. Enservco located a hot oiler and an acidizing truck to serve new business opportunities in Texas during the second half of 2014. In October 2014, management opportunistically acquired a package of oilfield service assets, including 12 hot oil trucks, a frac water heating unit and a 6-acre operating yard near Tioga, North Dakota in order to serve the **northern Bakken Shale Region** of the Williston Basin.





Currently, Enservco's most significant territories are the Denver-Julesburg (D-J) Basin in Colorado and Wyoming and the Hugoton gas field in Kansas and Oklahoma, the latter being the service area of Dillco Fluid Services.

SEASONALITY

Historically, Enservco's businesses have experienced seasonality, primarily due to the climate-based demand changes for the services of frac heating and hot oiling that are offered by Heat Waves. The colder weather months of October through March generate a substantial percentage of the company's annual revenues, on average about 66% over the last four years. During the colder months, successful fracturing requires that large amounts of water be heated to properly prepare the frac slurry. Frac heating trucks are also used to heat water flow lines in order to prevent freezing. Incremental demand for hot oiling arises during cold weather periods from services such as heating oil in storage tanks to reduce its viscosity for ease of handling and transport.

Typically, less frac heating and hot oiling are required during the summer season. Consequently, the warmer weather months of April through September have generated only 36% of the company's annual sales. Water hauling from producing wells (primarily Dillco in the mid-West) is not as seasonal since operating wells in the lower 48 produce water regardless of weather conditions.

Management is striving towards moderating the company's seasonality. Efforts to expand into regions that have less variation in demand during the year are being pursued. For example, Enservco entered the service area of the Utica formation in Ohio where demand for frac-water heating extends over most of the year, specifically during nine-to-ten months annually. Furthermore, relatively-new advanced techniques for hydraulic fracturing necessitate higher downhole temperatures and are extending the frac heating season for Heat Waves in Colorado and Wyoming. Lastly, management is working towards expanding services that tend to be schedules during non-winter months, such as acidizing. Through a multi-prong effort, management is attempting to mitigate the seasonality of the company's revenue base.

VALUATION

The appropriate security valuation methodology for Enservco is comparative analysis of similar oil service companies. Enservco's mix is relatively unique among public oil services companies, since the majority of revenues are derived from services provided during the hydraulic fracturing process or well site work overs. Therefore, the industry comparables should be carefully chosen such that a significant portion of their revenues are derived from similar services since the character of reoccurring revenues and the related profitability are usually assigned higher valuation multiples. Accordingly, Oil Services & Equipment and E&P companies ought to be avoided.

The applicable valuation parameters for Enservco are price-to-sales (P/S) and enterprise value-to-EBITDA (EV/EBITDA) due the character of the company's enterprise, namely a small-capitalization company with a rapidly growing revenue profile that should continue to expand over time as management invests in the underlying businesses, deepens the company's presence in existing markets and expands into new service territories. **Price-to-sales** valuation incorporates a company's ability to generate revenues and cash flow. The classic valuation parameter for large-cap companies, such as Schlumberger and Halliburton, is **EV/EBITDA**, which is known to be the highest correlated metric and relatively reliable determinant of stock price in the Oil Services & Equipment company universe. Though the risks associated with newer, smaller companies, such as Enservco, are greater than that for more established companies with longer track records, in our view, so are the growth prospects.

Industry Comparables	**% Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Price/ Book**	**Price/ Sales**	**EV/ EBITDA**
ENSERVCO CORP.	-6.2	12.6	20.0	2.7	1.0	8.5
S&P 500	2.2	17.5	10.8	9.1	3.4	15.3
Industry Mean	-6.5	42.5	10.8	3.6	1.3	8.0
Industry Median	-2.8	25.4	10.2	1.8	1.2	7.0
RPC INC.	9.3	37.4	13.0	2.9	1.4	5.6
WESTERN ENERGY SVC.	1.5	8.3	15.0	0.8	1.1	4.7
C&J ENERGY SVCS.	16.5	81.8	19.5	0.6	1.1	13.3
FLOTEK INDUSTRIES	-35.8	N/M	10.0	3.0	1.5	8.4

The average P/S multiple of the industry comparables is 1.3 versus ENSV's current multiple of 1.0; the average EV/EBITDA multiple is 8.0 versus ENSV's 8.5. Due to recent pressure on oil service stocks from the decline in the price of oil, Enservco's stock is now trading at a premium to the industry's average EV/EBITDA multiple, but at a discount to the industry's P/S multiple. Given management's aggressive growth plan and its successful implementation, we believe that Enservco stock should be valued in the top decile of comparable companies. Based on evaluating the current price-to-sales and EV/EBITDA of comparable companies, our top decile **target for Enservco stock is $2.60**.

BALANCE SHEET & INCOME STATEMENT

ENSERVCO CORP.

Year ending December 31	2010 (12/31/2010)	2011 (12/31/2011)	2012 (12/31/2012)	2013 (12/31/2013)	2014 (12/31/2014)
ASSETS					
Cash and cash equivalents	1,637,807	417,005	533,627	1,868,190	954,058
Accounts receivable, net	4,101,331	4,505,254	7,791,342	11,685,866	14,679,858
Marketable securities	365,786	150,793	-	-	
Prepaid expenses and other current assets	315,521	593,291	802,020	923,758	1,540,667
Inventories	300,527	549,432	273,103	315,004	390,081
Income taxes receivable	634,941	-		-	1,776,035
Deferred tax asset	20,041	187,170	153,466	336,561	135,055
Total current assets	**7,375,954**	**6,402,945**	**9,553,558**	**15,129,379**	**19,475,754**
Property and Equipment, net	14,452,298	14,759,039	15,020,890	17,425,828	27,856,726
Fixed Assets Held for Sale, net	-	412,831	304,429	0	0
Non-Competition Agreements, net	420,000	180,000	30,000	0	0
Goodwill	301,087	301,087	301,087	301,087	301,087
Long-term portion of interest rate swap	-	0	16,171	18,616	2,407
Other Assets	71,537	64,770	630,891	547,338	717,274
TOTAL ASSETS	**22,620,876**	**22,120,672**	**25,857,026**	**33,422,248**	**48,353,248**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	2,066,353	2,954,687	3,585,785	3,102,912	5,462,268
Income taxes payable	0	0	0	1,278,599	0
Line of credit borrowings	1,050,000	2,263,227	2,151,052	0	0
Current portion of long-term debt	3,107,122	3,867,658	2,236,343	2,562,141	340,520
Current portion of interest rate swap	0	0	24,048	11,966	9,895
Total current liabilities	**6,223,475**	**9,085,572**	**7,997,228**	**6,955,618**	**5,812,683**
Long-Term Liabilities					
Deferred rent payable	-	22,044	20,860	0	0
Senior revolving credit facility	-			-	28,634,037
Subordinated debt - related party	1,700,000	1,477,760	0	0	0
Long-term debt, less current portion	8,657,675	8,020,435	10,570,928	11,200,048	801,968
Deferred income taxes, net	1,434,282	387,487	451,662	2,421,466	4,992,681
Total long-term liabilities	**11,791,957**	**9,907,726**	**11,043,450**	**13,621,514**	**34,428,686**
Total liabilities	**18,015,432**	**18,993,298**	**19,040,678**	**20,577,132**	**40,241,369**
Stockholders' Equity					
Common stock	108,894	108,894	159,127	174,113	185,282
Additional paid-in-capital	5,489,823	6,112,674	9,864,363	11,568,033	12,751,389
Accumulated earnings (deficit)	(1,150,011)	(3,117,267	(3,202,337	1,098,900	5,104,641
Accumulated other comprehensive income	156,738	23,073	(4,805)	4,070	0
Total stockholders' equity	**4,605,444**	**3,127,374**	**6,816,348**	12,845,116	18,041,312
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**22,620,876**	**22,120,672**	**25,857,026**	**33,422,248**	**58,282,681**
Shares outstanding	21,778,866	21,778,866	31,825,294	34,822,536	37,056,215

ENSERVCO CORP. Years ending December 31	2009	2010	2011	2012	2013	2014	2015 E
Revenues	**15,388,746**	**18,641,286**	**23,904,384**	**31,497,787**	**46,473,902**	**56,563,944**	**56,550,000**
Cost of Revenue	13,489,099	14,422,412	17,828,834	23,286,561	31,944,279	41,061,754	39,019,500
Gross Profit	**1,899,647**	**4,218,874**	**6,075,550**	**8,211,226**	**14,529,623**	**15,502,190**	**17,530,500**
Operating Expenses							
General and administrative expenses	1,486,124	2,540,859	3,515,213	3,550,438	4,070,884	4,768,774	4,500,000
Depreciation and amortization	4,423,934	3,992,367	4,188,052	2,960,153	2,088,767	3,402,329	3,600,000
Total operating expenses	5,910,058	6,533,226	7,703,265	6,510,591	6,159,651	8,553,782	8,100,000
Income (Loss) from Operations	**(4,010,411)**	**(2,314,352)**	**(1,627,715)**	**1,700,635**	**8,369,972**	**6,948,408**	**9,430,500**
Other Income (Expense)							
Interest expense	(699,125)	(728,241	(699,230)	(902,152)	(1,072,912)	(791,159)	(750,000)
Gain (loss) on sale and disposal of equipment	(79,785)	(71,003)	(119,023)	(5,739)	169,194	179,902	0
Gain (loss) on sale of investments	0	188,186	0	24,653	0	0	0
Unrealized derivative gain (loss)	(140,733)	0	0	0	0	0	0
Other	7,472	153,557	(49,765)	10,870	36,383	40,470	0
Total other income (expense)	(912,171)	(457,501	(868,018)	(872,368)	(867,335)	(570,787)	(750,000)
Income (Loss) From Continuing Ops Before Tax	(4,922,582)	(2,771,853)	(2,495,733)	828,267	7,383,218	6,377,621	8,680,500
Income Tax (Expense) Benefit	(972,882)	926,188	897,923	(426,779)	(3,080,059)	(2,371,879	(3,774,120
Income (Loss) From Continuing Operations	**(5,895,464)**	**(1,845,665)**	**(1,597,810)**	**401,488**	**4,375,700**	**4,005,742**	**4,906,380**
Discontinued Operations							
Loss from discontinued operations	0	0	(605,650)	(797,636)	(122,070)	0	0
Income tax benefit	0	0	236,204	311,078	47,607	0	0
Loss on discontinued operations, net of tax	0	0	(369,446)	(486,558)	(74,463)	0	0
Net Income	**(5,895,464)**	**(1,845,665)**	**(1,967,256)**	**(85,070)**	**4,301,237**	**4,005,742**	**4,906,380**
Other Comprehensive Gain (Loss)							
Unrealized gain (loss) on available-for-sale securities	0	156,738	(133,665)	17,506	0	0	0
Unrealized gain (loss) on interest rate swap, net	0	0	0	(4,805)	8,875	(7,025)	0
Settlements - interest rate swap	0	0	0	0	27,331	19,369	0
Reclassification into earnings, net of tax	0	0	0	(40,579)	(27,331)	(16,414)	0
Total other comprehensive gain (loss)	0	156,738	(133,665)	(27,878)	8,875	(4,070)	0
Comprehensive Income / Loss	**(5,895,464)**	**(1,688,927**	**(2,100,921**	**(112,948)**	**4,310,112**	**4,001,672**	**4,906,380**
Earnings (Loss) per Common Share - Basic							
Income from continuing operations ($ per share)	-0.41	-0.10	-0.07	0.02	0.13	0.11	0.12
Discontinued operations ($ per share)	0.00	0.00	-0.02	-0.02	0.00	0.00	0.00
Net Income ($ per share)	-0.41	-0.10	-0.09	0.00	0.13	0.11	0.12
Earnings (Loss) per Common Share - Diluted							
Income from continuing operations ($ per share)	-0.41	-0.10	-0.07	0.02	0.12	0.10	0.12
Discontinued operations ($ per share)	0.00	0.00	-0.02	-0.02	0.00	0.00	0.00
Net Income ($ per share)	-0.41	-0.10	-0.09	0.00	0.12	0.10	0.12
Basic weighted average shares outstanding	14,519,214	17,641,876	21,778,866	23,389,151	32,454,965	36,529,906	40,029,906
Diluted weight average shares outstanding	14,519,214	17,641,876	21,778,866	24,316,869	37,113,017	38,999,005	42,499,005
Gross Margin	12.3%	22.6%	25.4%	26.1%	31.3%	27.4%	31.0%

HISTORICAL ZACKS RECOMMENDATIONS



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