



# Enservco Corporation

## Initiating Coverage with BUY and \$2.00 Target

*Strong growth as demand for its services increases due to higher oil prices. We believe continued improvement in utilization and profitability makes risks/rewards attractive.*

**Initiating with BUY:** We are initiating coverage of Enservco with a BUY rating. Enservco is an oil field services company providing various services to the U.S. onshore oil and natural gas industry. These include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment (water transfer services); water hauling, fluid disposal, frac tank rental (water hauling services); and, excavating, grading, and dirt hauling services (construction services).

**A play on rising oil prices:** If oil prices remain at current levels (~\$70 per barrel) or go higher, we believe the company can significantly grow revenue and earnings. Enservco's last major positive year was in 2014, when oil prices were above \$100 per barrel and there was significant demand for its services and prices were high.

**Earnings capacity high:** The company believes that if it can return to 2014's metrics, it has the potential for revenues of \$100 million and EBITDA of \$27 million (compared with 2017's revenue of \$41 million and EBITDA of \$3 million) utilizing its current asset base.

**Large market potential:** We believe there is substantial market demand for Enservco's services. Crude prices and the North American rig count (oil and gas) have increased since the low points in 2016. The U.S. rig count bottomed out at ~400 in the spring of 2016, increased to 930 in December 2017, and is up to 1,013 now.

**Recent results positive:** Enservco's recent financial performance reflects significant improvement in its business driven primarily from improved commodity oil prices and an increase in active rigs (drilling activity) in the U.S.. In its Q4 2017 report, the company reported revenue of \$14 million, which is +112% from last year's Q4. EBITDA was \$2.4 million compared with a loss of \$1.2 million last year, while EPS was \$(0.04) compared with \$(0.07) last year.

**Q1 2018 shows continued strong growth:** The company preannounced some key financial metrics for Q1 2018 in mid-April, expecting Q1 revenue of ~\$21 million (+53% y-o-y), and for net income and EBITDA to show strong growth. Management reiterated expectations for continued growth momentum in 2018 as higher activity levels are driving increased demand in all core service areas as well as new year-round water transfer business.

**However, challenges exist:** Enservco operates in a highly competitive environment and competes against a wide range of other companies (many significantly larger than the company). In addition, the company's balance sheet is highly leveraged as it has \$0.4 million in cash and \$30 million in debt as of December 2017.

**Positive high risks versus rewards:** We believe that the current valuation for Enservco has already factored in many of its risks (principally sustained oil prices) but is under valuing its overall growth prospects and product portfolio, resulting in a positive risk versus reward scenario for an investment in Enservco.

**Current valuation attractive:** Our \$2.00 price target is based on a comparable analysis to other publicly traded oil field services companies as well as its estimated near-term earnings growth rate (implying a PEG ratio of ~1 (P/E to growth rate)). This represents significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities.

### Company Description

Based in Denver, CO, Enservco is an oil field services company providing well enhancement, water transfer, water hauling, and construction services to the U.S. onshore oil and natural gas industry.

United States  
Energy

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## COVERAGE INITIATION

### Rating: BUY

Ticker: ENSV

Price: \$1.00

Target: \$2.00

### Stock Data

Exchange:	NYSE
52-week Range:	\$0.21 – 1.20
Shares Outstanding (million):	51
Market cap (\$million):	\$51
EV (\$million):	\$81
Debt (\$million):	\$30
Cash (\$million):	\$0
Avg. Daily Trading Vol. (\$million):	\$0.1
Float (million shares):	26
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2017A</u> <u>(Cur.)</u>	<u>2018E</u> <u>(Cur.)</u>	<u>2019E</u> <u>(Cur.)</u>
Q1 Mar	14A	20E	22E
Q2 Jun	7A	9E	10E
Q3 Sep	6A	8E	8E
Q4 Dec	<u>14A</u>	<u>18E</u>	<u>20E</u>
<b>Total</b>	<b>41A</b>	<b>55E</b>	<b>61E</b>
EV/Revs	2.0x	1.5x	1.3x

### Earnings per Share (pro forma)

	<u>2017A</u> <u>(Cur.)</u>	<u>2018E</u> <u>(Cur.)</u>	<u>2019E</u> <u>(Cur.)</u>
Q1 Mar	0.00A	0.02E	0.04E
Q2 Jun	(0.05)A	(0.03)E	(0.03)E
Q3 Sep	(0.05)A	(0.03)E	(0.03)E
Q4 Dec	<u>(0.04)A</u>	<u>0.01E</u>	<u>0.03E</u>
<b>Total</b>	<b>(0.13)A</b>	<b>(0.02)E</b>	<b>0.01E</b>
P/E	N/A	N/A	100x

### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 18.**

## Exhibit 1: Enservco's Stock Price (5-Years)



Source: Nasdaq.com

## INVESTMENT THESIS

**We are initiating coverage of Enservco with a BUY rating and a 12-month price target of \$2.00.**

Based in Denver, CO, Enservco Corporation is an oil field services company providing various services to the U.S. onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment (water transfer services); water hauling, fluid disposal, frac tank rental (water hauling services); and, excavating, grading, and dirt hauling services (construction services).

The time period from 2014 through 2016 were challenging for Enservco due to declines in drilling, completion and service activities throughout the oil and gas industry. Starting in 2014 and continuing through most of 2016, the rapid decline/low oil and natural gas prices resulted in significantly reduced demand for its services. However, in 2017 as industry conditions improved with increased and stable commodity prices, there has been a significant increase in completion and production activities, which has benefited the company and its financials (+66% y-o-y revenue growth in 2017) and is expected to continue in 2018.

Enservco's recent financial performance reflects significant improvement in its business driven primarily from improved commodity oil prices and an increase in active rigs (drilling activity) in North America. This has resulted in an increase in production activities (and demand for its services) by its customers. While demand and pricing for Enservco's services remain below levels it experienced before the industry downturn that began in the last half of 2014, it believes current activity levels will support continued solid improvements in its business. Crude prices and the North American rig count (oil and gas) have increased since the low points in 2016. The U.S. rig count bottomed out at ~400 in the spring of 2016, increased to 930 in December 2017, and is up to 1,013 now.

**Exhibit 2: Enservco's Investment Highlights (from March 2018 company presentation)**

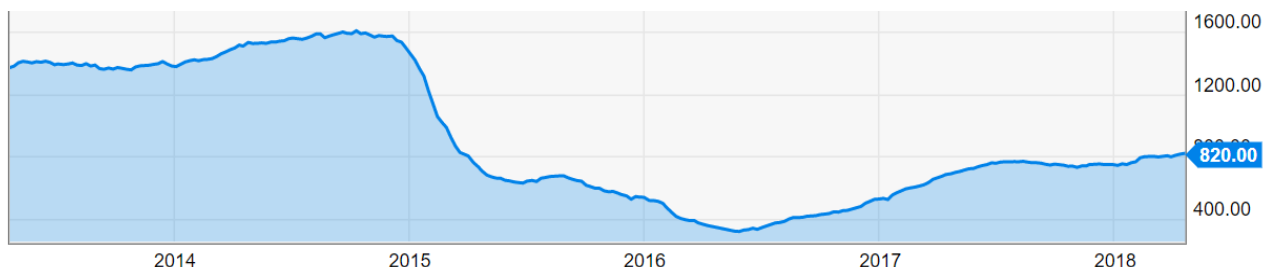
**Investment Highlights**

- National footprint affords exposure to most prolific basins
- Diversified services mix includes recurring maintenance and drill/completion-dependent revenue streams
- Track record of customer-driven expansion into new operating areas
- Successfully compete on a basis of quality and service, earning repeat business and higher margins
- New executive management team in 2017
- New \$30 million credit facility in 2017 strengthens balance sheet
- Renewed revenue and adjusted EBITDA momentum in 2017
- Attractive growth opportunities

Source: Company reports.

**Exhibit 3: Historical (5-Years) U.S. Oil Prices and Rig Count (as of April 20, 2018)**

**U.S. Oil Rig Count**



**WTI Crude Oil Price**

**WTI (NYMEX) Price**

End of day Commodity Futures Price Quotes for Crude Oil WTI (NYMEX)



Source: Baker Hughes and NASDAQ.com.

While the past several years have been challenging with its financial results well off from its peak in 2014, the company utilized this time period to invest in its asset base (adding 60 additional well enhancement units and 8 water transfer units to its fleet in 2014 and 2015). This positions the company well in the current environment with rising oil prices and a rebound in U.S. oil exploration, development, and production.

If oil prices remain at current levels (~\$70 per barrel), we believe the company can make significant progress in growing revenue, and then earnings will likely be able to grow significantly as well. Enservco's last major positive year was in 2014, when oil prices were above \$100 per barrel and there was significant demand for its services and prices were high. The company believes that if it can return to those metrics, it has the potential for revenues of \$100 million and EBITDA of \$27 million (compared with 2017's revenue of \$41 million and EBITDA of \$3 million) utilizing its current asset base.

Our investment thesis factors in a possible uncertain and volatile outlook for oil prices and very competitive industry which is offset by the very large potential upside opportunities created from increased asset utilization and a return to demand and pricing from its last peak in 2014. We believe that the current valuation for Enservco has already factored in many of its risks (principally sustained oil prices) but is under valuing its overall growth prospects and product portfolio, resulting in a positive risk versus reward scenario for an investment in Enservco.

**We believe the current valuation is attractive.**

Our \$2.00 price target is based on a comparable analysis to other publicly traded oil field services companies as well as its estimated near-term earnings growth rate (implying a PEG ratio of ~1 (P/E to growth rate)). Based on our expectations and assumptions, we calculate a 12-month price target for shares of Enservco to be \$2.00, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities. We acknowledge that Enservco is still at an early stage in its rebound and is highly leveraged, but we believe key financial milestones and sales traction along with continued improvement in commodity prices in the next year should be positive catalysts for the stock.

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**Exhibit 4: Enservco's Market Opportunity**

## Growth Strategy



- Maximize utilization and operating efficiencies
- Increase capacity of current services via organic expansion or M&A
- Add complementary service lines through strategic M&A
  - ✓ Diversify service mix
  - ✓ Continue to stress balance between recurring revenue and drill/completion-dependent service lines
  - ✓ Reduce seasonal impact on revenue streams
  - ✓ Emphasis on high-margin services
- Increase the number of services provided to each customer through services integration, which lowers costs and streamlines procurement for customers (water transfer has significant upside)
- Continue customer-driven geographic expansion with South Texas first priority

Source: Company reports.

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## INVESTMENT RISKS

### **Commodity Pricing Risks**

Enservco's main products are oil field services (used for the production of crude oil). Crude oil products are subject to commodity pricing risks as these and related products prices tend to fluctuate constantly based on market set pricing (which are often volatile and difficult to predict). When oil prices are high, oil companies (the main customers of Enservco) increase their oil drilling/production. This in turn, drives higher demand for Enservco's oil field services. In 2014, when the price of oil was over \$100/bbl, Enservco's business boomed, but over the next two years when oil went below \$30/bbl, Enservco's business shrank significantly. In general, high crude oil prices are good for Enservco. Although oil prices have climbed steadily over the past year (currently ~\$70 per barrel), there is always the risk that prices may once again collapse.

### **High Level of Competition**

Enservco operates in a highly competitive environment and competes against a wide range of other oil field services companies. The availability and demand for skilled and productive employees specifically is a key competitive concern. Some of these competitors are much larger or have greater resources, and proprietary technology: which could result in lower projected revenue for Enservco's products and higher costs, reduced margins, and lowered profitability for the company.

### **Concentrated Product Line and Customer Base**

The company's main product is well enhancement services for oil producers to produce/extract oil from oil wells in the U.S. This comprises ~70 – 85% of Enservco's revenue. A large portion of the company's business is impacted by weather factors, particularly its frac water heating (~45% of revenues) and hot oiling (~27% of revenues) services which are in much greater demand during cold weather/winter months. Enservco's top five customers accounted for ~43% and ~52% of its total annual revenues for 2017 and 2016, respectively. If Enservco were to experience difficulties with any of its key customers or services, then it would likely have a material negative impact on its business and financials as there may not be any meaningful offsets.

### **Economic Uncertainty**

While energy costs tend to be less correlated with economic activity and income levels due to their nondiscretionary nature, major deterioration in economic conditions tends to result in an overall decline in consumer spending. This was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels and economic conditions have improved significantly since, the global macroeconomic environment can change any time. Further economic weakness may result in depressed consumer spending levels; this may have a negative impact on Enservco, its business partners, and consumers.

### **Capital Markets Risks**

While we estimate that Enservco should have enough cash to fund its operations for the near term, we note that its absolute cash level is low (\$0.4 million versus \$30 million in debt). While the company has historically been able to finance/refinance its debt to fund operations, there is always a risk that it may not be able to do so in the future. The company is also making operational improvements to be cash flow self-sufficient from operations. We note that energy companies' valuations tend to fluctuate widely (particularly micro caps like Enservco), and there is always the chance that market interests and valuations for companies in this industry decline significantly. The relatively low Enservco share price (~\$50 million market capitalization) and high debt levels may also make capital raising more difficult and expensive.

## VALUATION

We are initiating coverage of Enservco with a BUY rating and a 12-month price target of \$2.00, which is based on a forward P/E multiple of ~20x our FY20 EPS estimate of \$0.10. We believe this 20x multiple is reasonable as it is comparable to other publicly traded oil field services companies as well as its estimated near-term earnings growth rate (implying a PEG ratio of ~1 (P/E to growth rate)). Because the company is much smaller than its peers and its heavy customer concentration, we believe traditional valuation

metrics by themselves are not as useful (NPV or comparable multiples). We also note that multiples vary significantly between comparable companies; the variance is likely reflective of current financial performances and future growth expectations. We believe a forward EPS provides a more accurate valuation as it takes into consideration the potential value of its existing and potential service contract pipeline as well as more normalized profitability.

We do acknowledge that this valuation requires a large number of forward assumptions that we have to estimate that may be imprecise and may vary significantly from actual results. However, we believe our assumptions are fair and provide a reasonable basis for our valuation analysis. As the company is likely to make significant progress in growing its revenue and gain a wider customer base over the next several years, we believe this will result in much improved visibility into future cash flows. Based on our valuation analysis, we arrived at our 12-month price target of \$2.00, which we believe appropriately balances out the company's risks with its high growth prospects.

Even with large share price appreciation of ~+60% so far in 2018 (based on share price of \$0.64 on 12/29/17 and \$1.00 currently), we believe that there is still significant upside to the current share price. We expect valuations for Enservco to improve as revenue grows, profitability improves, and visibility into cash flow generation becomes clearer, resulting in significant upside to the current share price.

#### Exhibit 5: Leading U.S. Publicly Traded Oil Field Services Companies

Company	Ticker	Market Cap. (blns)	Annual Revenues (blns)	Market Cap. / Revenues	Closing Price (as of 4/24/18)	Forward EPS	P/E
Baker Hughes, a GE company	BHGE	\$ 38.6	\$ 17.3	2.2x	\$ 34.63	\$ 0.77	45.0x
Halliburton Company	HAL	\$ 45.5	\$ 20.6	2.2x	\$ 51.37	\$ 2.46	20.9x
Schlumberger Limited	SLB	\$ 96.0	\$ 30.4	3.2x	\$ 68.28	\$ 2.13	32.1x
Transocean Ltd.	RIG	\$ 5.7	\$ 2.8	2.0x	\$ 12.45	\$ (0.74)	-16.8x
Weatherford International plc	WFT	\$ 2.6	\$ 5.7	0.5x	\$ 2.76	\$ (0.68)	-4.1x
			Average	2.0x		Average	15.4x
			Median	2.2x		Median	20.9x

Source: Yahoo! Finance, company reports, and Ascendant Capital Markets estimates

## COMPANY

Based in Denver, CO, Enservco Corporation is an oil field services company providing various services to the U.S. onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment (water transfer services); water hauling, fluid disposal, frac tank rental (water hauling services); and, excavating, grading, and dirt hauling services (construction services).

Enservco was originally incorporated as Aspen Exploration Corporation in 1980 primarily for acquiring, exploring and developing oil and natural gas and other mineral properties. During 2009, Aspen disposed of its oil and natural gas producing assets and was no longer engaged in active business operations. In 2010, Dillco Fluid Service, Inc. completed a "reverse merger" with Aspen. Aspen



changed its name to Enservco Corporation and its new business was the prior oil field services business of Dillco. As of February 28, 2018, the company had 249 employees.

**Exhibit 6: Enservco's Businesses**

**ENSERVCO is a leading provider of well stimulation and fluid management services to domestic onshore conventional and unconventional oil and gas customers.**

**Operating Subsidiaries**



	<b>HEAT WAVES Hot Oil Service, LLC</b>	<b>DILCO FLUID SERVICE INC. MADISON, MO</b>	<b>HEAT WAVES Water Management, LLC</b>
<b>% of 2017 Revenue</b>	▪ 86%	▪ 9%	▪ 5%
<b>Primary Services</b>	<ul style="list-style-type: none"> <li>▪ Frac water heating</li> <li>▪ Hot oiling</li> <li>▪ Acidizing</li> <li>▪ Pressure testing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fluid hauling</li> <li>▪ Fluid disposal</li> <li>▪ Frac tank rental</li> <li>▪ Well-site construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Water transfer</li> <li>▪ Bacteria and scaling treatment - HydroFLOW®</li> </ul>
<b>Service Areas</b>	<ul style="list-style-type: none"> <li>▪ Colorado, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, West Virginia, Wyoming</li> </ul>	<ul style="list-style-type: none"> <li>▪ Colorado, Kansas, Oklahoma, Texas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Colorado, New Mexico, North Dakota, Montana, Wyoming, Kansas, Oklahoma Texas</li> </ul>







Source: Company reports.

**MANAGEMENT TEAM**

**Ian Dickinson, age 44, President and Chief Executive Officer.** Mr. Dickinson was appointed as President and CEO and as a Director since May 2017. Mr. Dickinson joined from Caddis Capital Investments, an actively managed private equity firm, where he has been a partner since July, 2016. Previously, Mr. Dickinson served as President and CEO of Premier Oilfield Equipment Company from its acquisition by Altira Group in February, 2012, until July, 2016. Mr. Dickinson's previous experience includes CFO and corporate development roles at several private equity and venture capital backed companies as well as Quest Communications (acquired by CenturyLink), Nextel (acquired by Sprint), and ADT Security Services. Mr. Dickinson is a graduate of Fort Lewis College in Durango, Colorado.

**Dustin Bradford, age 36, Chief Financial Officer.** Mr. Bradford was appointed CFO in January 2018. Prior to becoming CFO, he served as Chief Accounting Officer and Controller. Mr. Bradford is a seasoned CPA who has served in various financial management roles across multiple industries, including TapInfluence, Inc., a venture-backed SaaS technology company, and Dividend Capital Diversified Property Fund and Sun Microsystems. Mr. Bradford began his career as an auditor with KPMG, LLP. Mr. Bradford earned a BA in Accounting from Fort Lewis College.

## Exhibit 7: Enservco History

2017	<ul style="list-style-type: none"> <li>➤ New CEO hired</li> <li>➤ New \$30 million credit facility signed with East West Bank</li> <li>➤ Water Management revenues begin to ramp</li> <li>➤ Expansion into Austin Chalk formation</li> </ul>	
2016	<ul style="list-style-type: none"> <li>➤ Named 2016 Oilfield Services Company of the Year for Texas Region</li> <li>➤ Launched Heat Waves Water Management Division</li> </ul>	 
2015	<ul style="list-style-type: none"> <li>➤ Completion of fleet expansion: fleet size and revenue capacity doubles</li> <li>➤ Expansion into Eagle Ford Basin in Texas</li> </ul>	
2014	<ul style="list-style-type: none"> <li>➤ Record revenue of \$56.6M and adjusted EBITDA of \$11.5M</li> <li>➤ \$16 million Capex program facilitating major expansion of service fleet</li> <li>➤ \$3.7 million asset acquisition expands fleet &amp; footprint into northern Bakken Shale</li> <li>➤ Commercializes LNG, CNG and well-gas fueling options for frac water heating units</li> <li>➤ Named Rocky Mountain Region's Service Company of the Year for 2013</li> </ul>	
2013	<ul style="list-style-type: none"> <li>➤ Service territory expanded into Wyoming's Jonah Field, Powder River &amp; Green River Basins</li> </ul>	
2012	<ul style="list-style-type: none"> <li>➤ Service territory expanded into Utica Shale and Mississippi Lime regions</li> </ul>	
2011	<ul style="list-style-type: none"> <li>➤ Opens major operation centers in southern Bakken Shale and Niobrara Shale fields</li> </ul>	
2010	<ul style="list-style-type: none"> <li>➤ Became publicly traded company</li> <li>➤ Commenced operations in Marcellus Shale region</li> </ul>	
2007	<ul style="list-style-type: none"> <li>➤ Acquired 35-year-old Dillco Fluid Services, the leading provider of water hauling, fluid disposal, frac tank rental, and well-site construction services in the Hugoton Basin</li> </ul>	
2006	<ul style="list-style-type: none"> <li>➤ Acquisition of Heat Waves Hot Oil Service</li> </ul>	

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Source: Company reports.

## PRODUCT PIPELINE

Enservco provides oil field services to the U.S. onshore oil and natural gas industry. These include well enhancement services (~85% of revenues), water transfer services (~5% of revenues), water hauling services (~9% of revenues), and construction services (~1% of revenues). The company owns and operates a fleet of over 630 specialized trucks, trailers, frac tanks and other well-site related equipment. Enservco's principal subsidiaries are Heat Waves, HWWM, and Dillco, and operates in the following geographic regions: Rocky Mountain Region (~63% of revenues), Central U.S.A. (~33% of revenues), and Eastern U.S.A. (~4% of revenues).

Enservco serves customers in several major domestic oil and gas fields including the DJ Basin/Niobrara area in Colorado, the Bakken area in North Dakota, the Marcellus and Utica Shale area in Pennsylvania and Ohio, the Jonah Field, Green River and Powder River Basins in Wyoming, the Eagle Ford Shale and Austin Chalk in Texas, the Mississippi Lime and Hugoton field area in Kansas and the Stack and Scoop plays in the Anadarko Basin in Oklahoma.

Enservco's customers include a wide range of oil exploration and production companies. The company attempts to differentiate itself from its competition (primarily small and large regional or local contractors) through its range and quality of services. Competition is influenced by factors such as price (a major factor), capacity, the quality/safety-record/availability of equipment and work crews, and the reputation and experience of the service provider. The demand for its services fluctuates primarily in relation to the domestic commodity price (or anticipated price) of oil and natural gas which, in turn, is largely driven by the domestic and worldwide supply of, and demand for, oil and natural gas, political events, macroeconomic outlook, and financial speculation.



**Exhibit 8: Enservco's Service Products**

**Service Line: Hot Oiling**  **Service Line: Frac Water Heating** 

**Service Overview**

- Heating and circulating oil down a well bore or transfer line to dissolve and dislodge paraffin and other hydrocarbon deposits to maintain or increase production
- Used to melt ice and/or eliminate water and other soluble waste within oil storage tanks; helps maximize operator's revenue at the refinery
- Recurring, maintenance-related service performed throughout the life of a well
- ENSERVCO's hot oilers are capable of generating up to 12 million BTUs, and are also used in pressure testing applications

**Key Highlights**

- 27% of 2017 revenue
- 57 hot oil trucks
- 11 locations served



**Service Overview**

- Process of heating the water used to hydraulically fracture oil and natural gas wells
- Ensures fluid temperatures meet the requirements of the customer's frac design
- Half of ENSERVCO's burner boxes are bi-fuel and can be fueled with propane, liquefied natural gas, compressed natural gas, or dry well gas
- Bi-fuel capability is a competitive advantage, offering customers a "green" alternative and lower operating costs
- Trucks come configured as single burners (bobtail), double burners, and mega heaters

**Key Highlights**

- 45% of 2017 revenue
- 80 burner boxes<sup>(1)</sup>
- 8 locations served
- Single burner: 25M BTU
- Double burner and mega heaters: 50M BTU



**Service Line: Acidizing**  **Service Line: Water Transfer**  **Service Line: Water Hauling** 

**Service Overview**

- Involves pumping specially formulated acids and/or chemicals into a well to dissolve materials blocking the flow of oil or natural gas
- Used for increasing permeability throughout the formation, cleaning formation damage near the wellbore and removing the buildup of materials restricting the flow in the formation
- Recurring, maintenance-related service, and can be performed throughout the life of a producing well

**Key Highlights**

- 9% of 2016 revenue
- 7 acid transports
- 7 locations served



**Service Overview**

- Provides safe, uninterrupted water flow for hydraulic fracturing
- Experienced team of safety-minded operators to ensure the highest service quality
- 12", 10" and 8" no-leak, lay-flat hose and aluminum pipe
- High capacity with rapid deployment systems
- Pump rates up to 120 BPM

**Key Highlights**

- 5% of 2017 revenue
- 8 water transfer "packages/crews"<sup>(1)</sup>
- 3 locations served
- Offsets seasonality of the frac water heating business



**Service Overview**

- Transport water to fill frac tanks and reservoirs at well locations
- Transport production water to disposal wells
- Move drilling and completion fluids to and from well locations
- Transport flowback fluids from well site to disposal wells
- Utilized during both completion and production life of a well

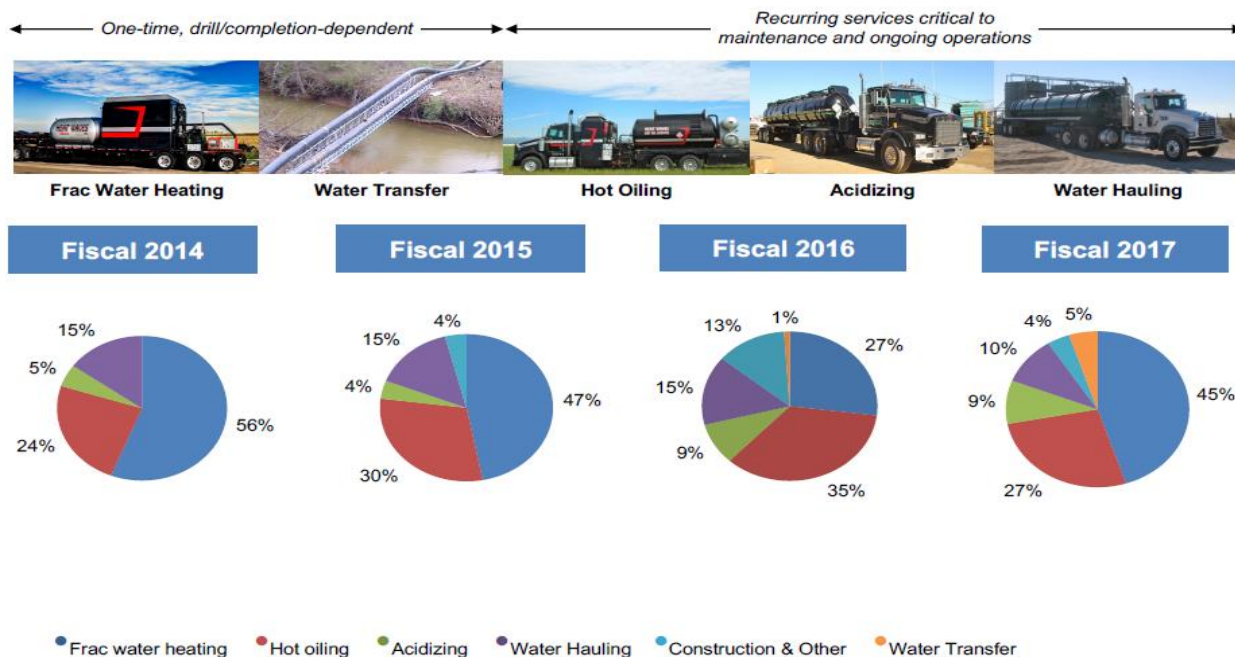
**Key Highlights**

- 10% of 2017 revenue
- 67 water hauling trucks
- 8 basins served



Source: Company reports.

### Exhibit 9: Enservco's Revenue By Product



Source: Company reports.

### Exhibit 10: Enservco's Service Area

## Leading National Provider

- National provider with broad service offerings
- Operations in 10 highly active oil and gas fields
- Mobile equipment fleet enables Company to address customer demand shifts quickly
- Ability to enter new geographies supported by embedded growth within existing customer base
- Nationwide customer base is generally large cap/ blue chip companies



	Frac Water Heating	Hot Oiling	Acidizing	Water Hauling	Water Transfer
<b>Colorado</b>					
1. Denver Headquarters	✓	✓		✓	✓
2. Platteville D-J Basin & Niobrara Shale & San Juan Basin	✓	✓		✓	✓
<b>Kansas</b>					
3. Garden City Mississippi Lime North Texas	✓	✓	✓	✓	
4. Hugoton Hugoton Gas Field	✓	✓	✓	✓	
<b>North Dakota</b>					
5. Killdeer Bakken Shale	✓	✓	✓	✓	✓
<b>Pennsylvania</b>					
6. Carmichaels Marcellus Shale & Utica Shale	✓	✓		✓	✓
<b>Wyoming</b>					
7. Rock Springs Jonah Field & Powder River Basin	✓	✓	✓	✓	✓
<b>Texas</b>					
8. Jourdanon, TX Eagle Ford Shale		✓	✓		✓
9. College Station Austin Chalk Formation		✓	✓		✓
<b>Oklahoma</b>					
10. Okarche Stack/Scoop – Anadarko Basin	✓	✓	✓	✓	✓

Source: Company reports.

**Exhibit 11: Enservco's Customers**

**ENSERVCO serves 360+ customers nationwide, including 145+ under Master Service Agreements. Below is a representative sampling.**



Source: Company reports.

**Exhibit 12: Enservco's Competitive Advantage**

**Competitive Landscape**

- Primarily ‘mom and pop’ and regionally focused providers
- Industry consolidation trend is opportunity to increase market share
- ENSERVCO’s competitive advantages
  - ✓ Diversified services portfolio enables convenience and competitive one-stop-shop for customers
  - ✓ Modern equipment fleet
  - ✓ MSAs & strong relationships with leading E&Ps throughout the U.S.
  - ✓ Low employee turnover
  - ✓ Provides safe, quality services across multiple basins and service lines to both current customers (creating economies of scale for our clients) and new customers

Source: Company reports.



## FINANCIALS

Enservco's fiscal year ends on December 31. We expect its next earnings report (for Q1 2018) to be in mid-May. Due to its heat related oil field services, the company's business is seasonally stronger in the winter months (in 2017, ~69% of revenue was from Q1 and Q4).

### Exhibit 13: Enservco's Historical Financials (5-Years)

FYE December 31					
(in millions except EPS)	2013A	2014A	2015A	2016A	2017A
<b>Total Revenue</b>	<b>46.5</b>	<b>56.6</b>	<b>38.8</b>	<b>24.6</b>	<b>40.8</b>
Growth % (y/y)	48%	22%	-31%	-37%	66%
<b>Operating income (loss)</b>	<b>8.2</b>	<b>6.9</b>	<b>(0.6)</b>	<b>(11.0)</b>	<b>(4.7)</b>
<b>Net income</b>	<b>4.3</b>	<b>4.0</b>	<b>(1.3)</b>	<b>(8.6)</b>	<b>(6.9)</b>
<b>EBITDA</b>	<b>11.0</b>	<b>11.5</b>	<b>6.3</b>	<b>(3.3)</b>	<b>3.4</b>
<b>EPS</b>	<b>\$ 0.12</b>	<b>\$ 0.10</b>	<b>\$ (0.03)</b>	<b>\$ (0.22)</b>	<b>\$ (0.13)</b>

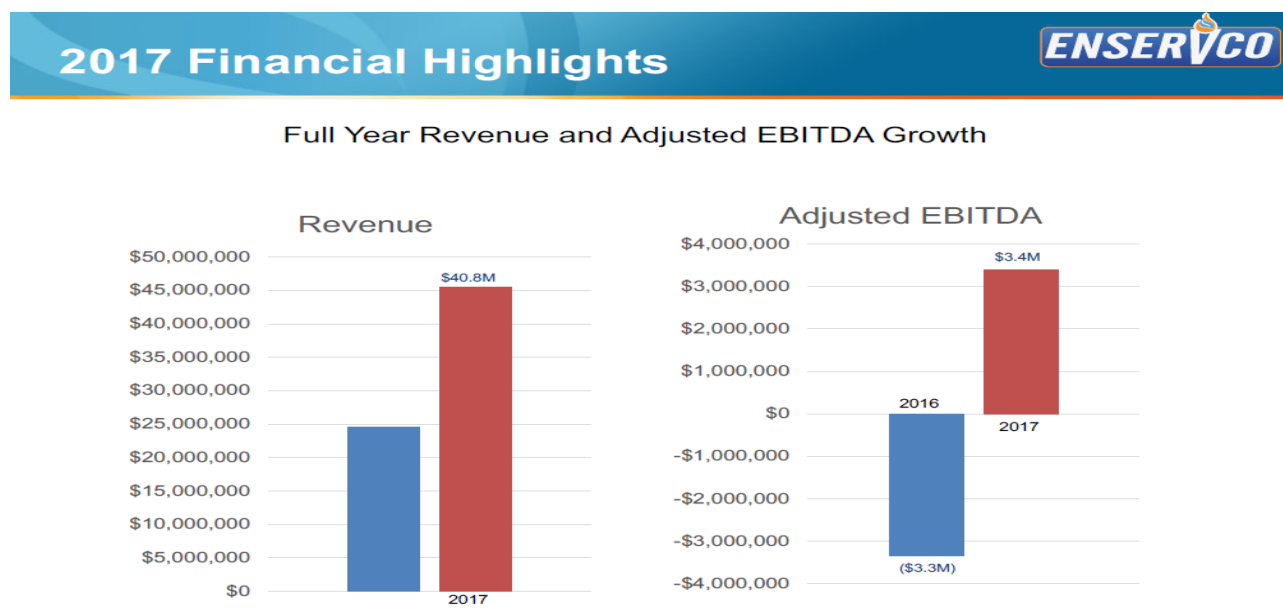
Source: Company reports and Ascendant Capital Markets estimates.

### Recent Results (fiscal Q4 ending December 2017)

Enservco's recent financial performance reflects significant improvement in its business driven primarily from improved commodity oil prices and an increase in active rigs (drilling activity) in North America. This has resulted in an increase in production activities (and demand for its services) by its customers. While demand and pricing for Enservco's services remain below levels it experienced before the industry downturn that began in the last half of 2014, it believes current activity levels will support continued solid improvements in its business. Crude prices and the North American rig count (oil and gas) have increased since the low points in 2016. The U.S. rig count bottomed out at ~400 in the spring of 2016, increased to 930 in December 2017, and is up to 1,013 now.

In its Q4 2017 report (on March 22, 2018), the company reported revenue of \$14 million, which is +112% from last year's Q4. EBITDA was \$2.4 million compared with a loss of \$1.2 million last year, while EPS was \$(0.04) compared with \$(0.07) last year. Revenue growth (y-o-y) was strong as the company benefited from increased rig activity from its customers. Operating expenses were \$2.9 million, about flat with \$3.1 million last year, reflecting much improved asset utilization and growing operating leverage.

For 2017, revenue was \$41 million, up 66% from 2016, while EBITDA was \$3.4 million, up from a loss of \$3.3 million in 2016. The company typically does not provide specific forward guidance, but has preannounced some key financial metrics for Q1 2018 in mid-April. The company expects Q1 revenue of ~\$21 million (+53% y-o-y), and for net income and EBITDA to show strong growth. Management reiterated expectations for continued growth momentum in 2018 as higher activity levels are driving increased demand in all core service areas as well as its new year-round water transfer business.

**Exhibit 14: Enservco's Recent Results**


Source: Company reports and Ascendant Capital Markets estimates.

We believe that the biggest potential variable in our financial model is the ability of the company to continue to benefit from increased oil exploration and production activities from its customers. We acknowledge that much of this increase in activity in the past year has been due to improved commodity prices, which are always difficult to predict. However, we believe that the near term outlook for oil and gas is to remain steady and positive.

**Exhibit 15: Consensus Expectations**

	Revenue (mil)			EPS	
	2018E	2019E		2018E	2019E
Q1 Mar	\$21E		Q1 Mar	\$0.04E	
Q2 Jun	\$9E		Q2 Jun	\$(0.03)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$53E	\$68E	Total	\$(0.03)E	\$0.07E

*\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.*

Source: Company report, Thomson Reuters, and Ascendant Capital Markets estimates

If oil prices remain at current levels or go higher, we believe the company can make significant progress in growing revenue, and then earnings will likely be able to grow significantly as well. Enservco's last major positive year was in 2014, when oil prices were above \$100 per barrel and there was significant demand for its services and prices were high. The company believes that if it can return to those metrics, it has the potential for revenues of \$100 million and EBITDA of \$27 million (compared with 2017's revenue

of \$41 million and EBITDA of \$3 million) utilizing its current asset base. However, if commodity prices decline or the company has difficulties, then revenue and earnings will likely grow at a more moderate rate or even decline. We estimate that the company can return to annual profitability in 2019.

The company's balance sheet is highly leveraged as it has \$0.4 million in cash and \$30 million in debt as of December 2017. We believe the company has enough cash to fund its operations for the near term, with support largely through a \$30 million credit line (recently acquired in August 2017). Enservco's last major capital raise was in 2016 when it raised \$5 million in shares sales (11.3 million shares at \$0.40 per share). As of December 31, 2017, Enservco had U.S. federal NOLs of \$20 million, so it will likely not pay any material cash taxes anytime soon.

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**Exhibit 16: Enservco's Key Financial Metrics**

Recent Share Price (4/24/18)	\$ 0.99
52-Weeks Share Price (Low - High)	\$0.21 - 1.20
Shares Outstanding	51 million
Market Capitalization	\$50 million
Enterprise Value	\$80 million
Net Cash (12/31/17)	\$0.4 million
Debt (12/31/17)	\$30 million
2017 Revenue	\$41 million
2017 EBITDA	\$3 million
2017 EPS	\$ (0.13)
2014 Revenue	\$57 million
2014 EBITDA	\$11 million
2014 EPS	\$ 0.10

Source: Company reports and Ascendant Capital Markets estimates.

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## FINANCIAL MODEL

### Enservco Corp.

Income Statement (\$ mils)	2015	Mar-16	Jun-16	Sep-16	Dec-16	2016	Mar-17	Jun-17	Sep-17	Dec-17	2017	Mar-18	Jun-18	Sep-18	Dec-18	2018	Mar-19	Jun-19	Sep-19	Dec-19	2019
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	<b>38.8</b>	<b>8.3</b>	<b>4.1</b>	<b>5.5</b>	<b>6.7</b>	<b>24.6</b>	<b>13.8</b>	<b>7.1</b>	<b>5.7</b>	<b>14.1</b>	<b>40.8</b>	<b>20.4</b>	<b>9.2</b>	<b>7.5</b>	<b>17.8</b>	<b>54.9</b>	<b>22.4</b>	<b>10.2</b>	<b>8.2</b>	<b>19.8</b>	<b>60.6</b>
Cost of Revenues	28.0	6.6	4.8	5.8	6.9	24.1	10.2	6.2	5.8	10.6	32.8	15.1	7.4	6.0	13.4	41.8	16.1	8.1	6.6	14.2	45.1
Gross Profit	10.7	1.7	(0.6)	(0.3)	(0.3)	0.5	3.6	0.9	(0.0)	3.5	8.0	5.3	1.8	1.5	4.5	13.1	6.3	2.0	1.6	5.5	15.5
Functional support	0.8	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.8	0.4	0.2	0.1	0.4	1.1	0.4	0.2	0.2	0.4	1.2
General and administrative	4.3	1.0	0.9	1.0	0.9	3.8	1.0	1.3	1.1	1.0	4.5	1.4	1.6	1.3	1.2	5.5	1.6	1.7	1.4	1.4	6.1
Patent litigation and defense	0.5	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.3	0.1	0.1	0.0	0.1	0.3
Depreciation and amortization	5.8	1.7	1.6	1.6	1.9	6.9	1.6	1.7	1.6	1.6	6.5	1.5	1.5	1.5	1.5	6.0	1.5	1.5	1.5	1.5	6.0
Restructuring and other						0.0		0.8	0.0	(0.0)	0.8					0.0					0.0
Total operating expenses	11.4	3.0	2.7	2.8	3.1	11.5	2.8	4.0	3.0	2.9	12.7	3.4	3.3	3.0	3.2	12.9	3.6	3.5	3.1	3.4	13.6
<b>Operating income (loss)</b>	<b>(0.6)</b>	<b>(1.3)</b>	<b>(3.4)</b>	<b>(3.1)</b>	<b>(3.3)</b>	<b>(11.0)</b>	<b>0.8</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>0.7</b>	<b>(4.7)</b>	<b>1.9</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>1.3</b>	<b>0.2</b>	<b>2.6</b>	<b>(1.4)</b>	<b>(1.5)</b>	<b>2.2</b>	<b>1.9</b>
Interest income (expense)	(1.1)	(0.4)	(0.5)	(0.6)	(0.3)	(1.8)	(0.7)	(0.5)	(0.6)	(0.5)	(2.3)	(0.5)	(0.5)	(0.5)	(0.5)	(2.1)	(0.5)	(0.5)	(0.5)	(0.5)	(2.1)
Other income (expense)	0.1	0.0	0.2	0.0	0.0	0.3	0.0	0.0	(0.3)	(0.3)	(0.5)					0.0					0.0
Income before income taxes	(1.7)	(1.6)	(3.6)	(3.6)	(3.6)	(12.5)	0.1	(3.5)	(3.9)	(0.1)	(7.5)	1.3	(2.0)	(2.0)	0.7	(1.9)	2.1	(2.0)	(2.0)	1.6	(0.2)
Income taxes	(0.4)	(0.6)	(1.2)	(1.3)	(0.9)	(3.9)	0.0	(1.0)	(1.4)	1.8	(0.6)	0.1	(0.4)	(0.4)	0.0	(0.7)	0.1	(0.4)	(0.4)	0.1	(0.6)
Net income (loss)	(1.3)	(1.1)	(2.4)	(2.4)	(2.7)	(8.6)	0.1	(2.5)	(2.5)	(1.9)	(6.9)	1.3	(1.6)	(1.6)	0.7	(1.2)	2.0	(1.6)	(1.6)	1.5	0.4
Nonrecurring/noncash adjustments						0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>(1.3)</b>	<b>(1.1)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.7)</b>	<b>(8.6)</b>	<b>0.1</b>	<b>(2.5)</b>	<b>(2.5)</b>	<b>(1.9)</b>	<b>(6.9)</b>	<b>1.3</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>0.7</b>	<b>(1.2)</b>	<b>2.0</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>1.5</b>	<b>0.4</b>
EBITDA	6.3	0.7	(1.5)	(1.2)	(1.2)	(3.3)	2.5	(0.3)	(1.3)	2.4	3.4	3.6	0.2	0.2	3.0	7.0	4.3	0.3	0.2	3.9	8.7
Shares, Basic	37.8	38.1	38.1	38.1	41.7	39.1	51.1	51.1	51.1	51.1	51.1	51.5	51.6	51.8	51.9	51.7	52.0	52.1	52.3	52.4	52.2
Shares, Diluted	37.8	38.1	38.1	38.1	41.7	39.1	51.1	51.1	51.1	51.1	51.1	51.5	51.6	51.8	51.9	51.7	52.0	52.1	52.3	52.4	52.2
EPS Basic (Pro forma)	(\$0.03)	(\$0.03)	(\$0.06)	(\$0.06)	(\$0.07)	(\$0.22)	\$0.00	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.13)	\$0.02	(\$0.03)	(\$0.03)	\$0.01	(\$0.02)	\$0.04	(\$0.03)	(\$0.03)	\$0.03	\$0.01
EPS Diluted (Pro forma)	(\$0.03)	(\$0.03)	(\$0.06)	(\$0.06)	(\$0.07)	(\$0.22)	\$0.00	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.13)	\$0.02	(\$0.03)	(\$0.03)	\$0.01	(\$0.02)	\$0.04	(\$0.03)	(\$0.03)	\$0.03	\$0.01
<b>Margins</b>																					
Gross margin	27.7%	20.5%	-14.9%	-5.2%	-4.0%	2.2%	26.1%	12.7%	-0.8%	25.0%	19.6%	26.0%	20.0%	20.0%	25.0%	23.8%	28.0%	20.0%	20.0%	28.0%	25.6%
Functional support	2.0%	2.0%	4.4%	3.1%	3.4%	3.0%	1.4%	3.3%	3.8%	1.4%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
General and administrative	11.0%	12.4%	21.8%	17.6%	13.3%	15.4%	7.2%	18.1%	19.8%	7.3%	10.9%	7.0%	17.0%	17.0%	7.0%	10.0%	7.0%	17.0%	17.0%	7.0%	10.0%
Patent litigation and defense	1.4%	0.4%	1.0%	0.6%	0.6%	0.6%	0.3%	0.3%	0.5%	0.2%	0.3%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating margin	-1.6%	-15.3%	-81.1%	-55.6%	-49.8%	-44.7%	5.7%	-43.4%	-53.3%	4.6%	-11.6%	9.1%	-15.7%	-19.6%	7.1%	0.4%	11.8%	-14.3%	-17.8%	10.9%	3.1%
Tax rate, GAAP	24.9%	34.6%	34.2%	34.7%	24.3%	31.5%	35.0%	28.7%	36.1%	-3064.2%	7.5%	5.0%	20.0%	20.0%	5.0%	36.3%	5.0%	20.0%	20.0%	5.0%	#####
Net margin	-3.3%	-12.9%	-57.5%	-42.8%	-41.1%	-34.7%	0.4%	-35.6%	-43.7%	-13.5%	-16.9%	6.3%	-17.2%	-21.4%	3.9%	-2.2%	9.0%	-15.6%	-19.4%	7.8%	0.6%
<b>YY % change</b>																					
Total Revenue						-37%	66%	72%	4%	112%	66%	48%	30%	30%	26%	35%	10%	10%	10%	11%	10%
Gross margin						-95%	111%	-247%	-85%	-1442%	1391%	47%	104%	-3539%	26%	64%	18%	10%	10%	24%	18%
Functional support						-3%	20%	26%	26%	-13%	13%	107%	-20%	-31%	78%	30%	10%	10%	10%	11%	10%
General and administrative						-11%	-3%	43%	18%	17%	18%	43%	22%	11%	20%	24%	10%	10%	10%	11%	10%
Patent litigation and defense costs						-72%	18%	-38%	-14%	-21%	-15%	139%	88%	31%	167%	113%	10%	10%	10%	11%	10%
Operating income (loss)						1675%	-161%	-8%	0%	-120%	-57%	138%	-53%	-52%	94%	-104%	42%	0%	0%	71%	817%
Net income (loss)						578%	-105%	6%	6%	-30%	-19%	2435%	-37%	-36%	-136%	-82%	57%	0%	0%	123%	-131%
EPS Diluted (Pro forma)						556%	-103%	-21%	-21%	-43%	-38%	2414%	-38%	-37%	-136%	-83%	56%	-1%	-1%	121%	-131%

Source: Company reports and Ascendant Capital Markets estimates.

**Enservco Corp.**

Balance Sheet (\$ mils)	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Fiscal Year End: December 31	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																	
Cash and cash equivalents	0.8	1.6	0.6	0.8	0.6	0.1	0.6	0.5	0.4	6.4	8.9	8.9	8.2	10.4	13.1	13.3	13.1
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	7.0	3.8	2.7	3.4	4.8	10.0	4.0	3.9	11.8	13.6	6.2	5.0	11.9	15.0	6.8	5.5	13.2
Inventory	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.8	0.4	0.3	0.7	0.8	0.4	0.3	0.7
Deferred income taxes	0.2	0.2	0.2	0.2	0.2				0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Prepaid expenses and other	1.2	1.1	1.1	0.9	1.0	0.9	0.8	0.9	0.9	1.0	0.5	0.4	0.9	1.1	0.5	0.4	1.0
<b>Total current assets</b>	<b>9.6</b>	<b>6.9</b>	<b>5.0</b>	<b>5.7</b>	<b>7.0</b>	<b>11.4</b>	<b>5.8</b>	<b>5.7</b>	<b>13.7</b>	<b>21.8</b>	<b>15.9</b>	<b>14.6</b>	<b>21.7</b>	<b>27.3</b>	<b>20.9</b>	<b>19.5</b>	<b>28.0</b>
Long term securities/investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipment, net	36.5	39.3	37.6	36.2	34.6	33.7	32.3	30.9	29.4	28.3	27.2	26.2	25.2	24.1	23.0	22.0	21.0
Intangibles, net		0.3	0.3	0.3						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax							0.5	2.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.9	0.2	0.2	0.2	0.7	0.5	0.5	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
<b>Total assets</b>	<b>47.0</b>	<b>46.7</b>	<b>43.1</b>	<b>42.4</b>	<b>42.4</b>	<b>45.5</b>	<b>39.1</b>	<b>39.9</b>	<b>44.3</b>	<b>51.3</b>	<b>44.3</b>	<b>42.0</b>	<b>48.1</b>	<b>52.6</b>	<b>45.1</b>	<b>42.7</b>	<b>50.2</b>
<b>Liabilities and stockholders' equity</b>																	
Accounts payable	3.0	2.4	2.2	2.8	3.7	4.1	3.3	3.1	5.5	10.2	4.6	3.7	8.9	11.2	5.1	4.1	9.9
Accrued expenses										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	0.3	0.4	0.4	0.3	0.3	0.2	0.2	23.7	0.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total current liabilities</b>	<b>3.4</b>	<b>2.8</b>	<b>2.5</b>	<b>3.1</b>	<b>4.0</b>	<b>4.3</b>	<b>3.5</b>	<b>26.8</b>	<b>5.6</b>	<b>11.2</b>	<b>5.6</b>	<b>4.7</b>	<b>9.9</b>	<b>12.2</b>	<b>6.1</b>	<b>5.1</b>	<b>10.9</b>
Deferred income taxes						4.4	3.8	2.6	1.3	0.5							
Other long term liabilities										0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Long term debt	21.3	23.1	23.2	25.3	23.5	26.2	22.9	2.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
<b>Total other liabilities</b>	<b>25.7</b>	<b>26.9</b>	<b>25.8</b>	<b>26.7</b>	<b>24.0</b>	<b>26.7</b>	<b>23.2</b>	<b>3.1</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>
Preferred stock																	
Common stock	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.5	0.7	0.9	1.1	1.3	1.5	1.7	1.9
Additional paid-in capital	13.9	14.0	14.2	14.3	18.9	19.0	19.3	19.4	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Treasury stock										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	3.8	2.8	0.4	(2.0)	(4.7)	(4.7)	(7.2)	(9.7)	(11.6)	(10.3)	(11.9)	(13.5)	(12.8)	(10.8)	(12.4)	(14.0)	(12.4)
Accumulated other comprehensive income										0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other																	
<b>Total stockholders' equity</b>	<b>17.9</b>	<b>17.0</b>	<b>14.7</b>	<b>12.6</b>	<b>14.4</b>	<b>14.6</b>	<b>12.4</b>	<b>10.0</b>	<b>8.2</b>	<b>9.7</b>	<b>8.3</b>	<b>6.9</b>	<b>7.8</b>	<b>10.0</b>	<b>8.6</b>	<b>7.2</b>	<b>9.0</b>
<b>Total stockholders' equity and liabili</b>	<b>47.0</b>	<b>46.7</b>	<b>43.1</b>	<b>42.4</b>	<b>42.4</b>	<b>45.5</b>	<b>39.1</b>	<b>39.9</b>	<b>44.3</b>	<b>51.3</b>	<b>44.3</b>	<b>42.0</b>	<b>48.1</b>	<b>52.6</b>	<b>45.1</b>	<b>42.7</b>	<b>50.2</b>

**Balance Sheet Drivers**

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	3%	13%	27%	17%	15%	6%	11%	16%	6%	5%	5%	5%	5%	5%	5%	5%	5%
Accounts payable as % of total rev	8%	29%	52%	51%	55%	30%	46%	54%	39%	50%	50%	50%	50%	50%	50%	50%	50%
Inventories as % of cost of rev	1%	4%	8%	6%	6%	4%	7%	7%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Accrued expenses as % of total rev	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Activity Ratios</b>																	
A/R Days Sales Outstanding	16	41	59	55	65	65	50	61	75	60	60	60	60	60	60	60	60
Inventory Turnover	363.7x	89.3x	53.1x	63.9x	68.0x	99.5x	60.5x	53.6x	73.5x	80.0x	80.0x	80.0x	80.0x	80.0x	80.0x	80.0x	80.0x
A/P Days Payable	10	33	41	43	48	36	48	48	46	61	56	56	60	63	56	56	63
<b>Book &amp; Cash Value (per share)</b>																	
Book Value per Share (diluted)	\$0.47	\$0.44	\$0.39	\$0.33	\$0.35	\$0.29	\$0.24	\$0.20	\$0.16	\$0.19	\$0.16	\$0.13	\$0.15	\$0.19	\$0.17	\$0.14	\$0.17
Cash per Share (diluted)	\$0.02	\$0.04	\$0.01	\$0.02	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.12	\$0.17	\$0.17	\$0.16	\$0.20	\$0.25	\$0.25	\$0.25
Net cash per Share (diluted)	-\$0.55	-\$0.57	-\$0.60	-\$0.65	-\$0.56	-\$0.51	-\$0.44	-\$0.50	-\$0.59	-\$0.47	-\$0.42	-\$0.42	-\$0.43	-\$0.39	-\$0.33	-\$0.33	-\$0.33

Source: Company reports and Ascendant Capital Markets estimates

**Enservco Corp.**

Cash Flow Statement (\$ mils)	2015	Mar-16	Jun-16	Sep-16	Dec-16	2016	Mar-17	Jun-17	Sep-17	Dec-17	2017	Mar-18	Jun-18	Sep-18	Dec-18	2018	Mar-19	Jun-19	Sep-19	Dec-19	2019	
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																						
Net income	(1.3)	(1.1)	(2.4)	(2.4)	(2.7)	(8.6)	0.1	(2.5)	(2.5)	(1.9)	(6.9)	1.3	(1.6)	(1.6)	0.7	(1.2)	2.0	(1.6)	(1.6)	1.5	0.4	
Depreciation	5.8	1.7	1.6	1.6	1.9	6.9	1.6	1.7	1.6	1.6	6.5	1.5	1.5	1.5	1.5	6.0	1.5	1.5	1.5	1.5	6.0	
Amortization						0.0					0.0					0.0					0.0	
Stock comp	0.6	0.2	0.2	0.2	0.2	0.7	0.1	0.3	0.1	0.1	0.7	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	
Provision for bad debts	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.0	(0.1)	0.0					0.0					0.0	
Deferred income taxes	(0.4)	(0.6)	(1.2)	(1.3)	(0.9)	(3.9)	0.1	(1.0)	(1.4)	2.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Debt related amortization exper	0.1	0.0	0.0	0.0	0.0	0.2	0.3	0.0	0.2	0.0	0.5					0.0					0.0	
Change in fair value of warrant liability						0.0			0.3	0.2	0.5					0.0					0.0	
Writedowns and impairments						0.0					0.0					0.0					0.0	
Other gains/losses	0.0		(0.2)		(0.0)	(0.2)					0.0					0.0					0.0	
Other						0.0					0.0					0.0					0.0	
<b>Changes in operating assets and liabilities:</b>																						
Accounts receivable	7.5	3.2	1.0	(0.7)	(1.5)	2.1	(5.2)	5.9	0.0	(7.8)	(7.1)	(1.8)	7.4	1.2	(6.9)	(0.1)	(3.1)	8.2	1.3	(7.7)	(1.3)	
Inventory	0.1	0.0	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.2)	0.4	0.1	(0.4)	(0.1)	(0.1)	0.4	0.1	(0.4)	(0.0)	
Prepaid expenses & other curre	0.4	0.0	(0.0)	0.2	0.1	0.3	0.1	0.1	(0.1)	0.0	0.1	(0.2)	0.6	0.1	(0.5)	(0.0)	(0.2)	0.6	0.1	(0.6)	(0.1)	
Income tax	1.6	(0.0)	0.0	0.0	0.0	(0.0)	0.2	0.0	0.0	(0.1)	0.1					0.0					0.0	
Other assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.6)	0.2	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(2.4)	(0.6)	0.3	1.2	(0.3)	0.6	0.4	(0.1)	(0.2)	2.4	2.4	4.7	(5.6)	(0.9)	5.2	3.4	2.3	(6.1)	(1.0)	5.8	1.0	
Accrued expenses						0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred revenue						0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other liabilities						0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Net cash (used in) provided by</b>	<b>12.1</b>	<b>2.9</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(3.1)</b>	<b>(2.0)</b>	<b>(2.4)</b>	<b>4.4</b>	<b>(2.6)</b>	<b>(3.4)</b>	<b>(4.0)</b>	<b>5.5</b>	<b>2.9</b>	<b>0.6</b>	<b>(0.2)</b>	<b>8.8</b>	<b>2.6</b>	<b>3.2</b>	<b>0.6</b>	<b>0.4</b>	<b>6.7</b>	
<b>Cash flow from investing activities</b>																						
Purchases of property and equi	(4.5)	(4.5)	(0.1)	(0.2)	(0.4)	(5.2)	(0.6)	(0.3)	(0.3)	(0.5)	(1.8)	(0.4)	(0.4)	(0.5)	(0.5)	(1.8)	(0.4)	(0.4)	(0.5)	(0.5)	(1.8)	
Purchases of short-term investments						0.0					0.0					0.0					0.0	
Acquisitions						0.0					0.0					0.0					0.0	
Other	0.0		0.3		0.1	0.4		0.1		0.3	0.5					0.0					0.0	
<b>Net cash used in investing activ</b>	<b>(4.5)</b>	<b>(4.5)</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(4.7)</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(1.8)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(1.8)</b>	
<b>Cash flow from financing activities</b>																						
Issuance of debt	16.8	5.8	(3.9)	1.6	(1.7)	1.7	3.8	(2.8)	0.8	3.5	5.3	0.8	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(25.0)	(3.4)	3.4	(0.1)	(0.2)	(0.3)	(1.3)	(0.9)	2.0	(0.0)	(0.2)					0.0					0.0	
Issuance of stock					5.2	5.2				(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repurchase of common stock						0.0					0.0					0.0					0.0	
Proceeds from stock option exe	0.5					0.0					0.0					0.0					0.0	
Other						0.0			0.0		0.0					0.0					0.0	
Dividends and distributions						0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</b>	<b>(7.8)</b>	<b>2.4</b>	<b>(0.5)</b>	<b>1.5</b>	<b>3.3</b>	<b>6.6</b>	<b>2.5</b>	<b>(3.7)</b>	<b>2.7</b>	<b>3.5</b>	<b>5.1</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash						0.0					0.0					0.0					0.0	
<b>Net increase (decrease) in cash</b>	<b>(0.1)</b>	<b>0.8</b>	<b>(1.0)</b>	<b>0.2</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>0.5</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>6.0</b>	<b>2.5</b>	<b>0.1</b>	<b>(0.7)</b>	<b>7.8</b>	<b>2.2</b>	<b>2.8</b>	<b>0.1</b>	<b>(0.1)</b>	<b>4.9</b>	
<b>Beginning cash and equivalents</b>	<b>1.0</b>	<b>0.8</b>	<b>1.6</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>	<b>0.1</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>6.4</b>	<b>8.9</b>	<b>8.9</b>	<b>0.4</b>	<b>8.2</b>	<b>10.4</b>	<b>13.1</b>	<b>13.3</b>	<b>8.2</b>	
<b>Ending cash and equivalents</b>	<b>0.8</b>	<b>1.6</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>0.1</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>6.4</b>	<b>8.9</b>	<b>8.9</b>	<b>8.2</b>	<b>8.2</b>	<b>10.4</b>	<b>13.1</b>	<b>13.3</b>	<b>13.1</b>	<b>13.1</b>	

Source: Company reports and Ascendant Capital Markets estimates

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## Enservco Corporation

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Rating System

*Prior to January 31, 2014, ASCM used the following rating system:*

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**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of April 13, 2018)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	38	95%	1	3%
Hold	2	5%	0	0%
Sell	0	0%	0	0%
Total	40	100%	1	3%

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