

June 18, 2013

ENTERPRISE GROUP INC. (E-TSX, \$0.67)

Rating: **BUY**

12-Month Target: **\$2.05**

TRANSFORMATIVE ACQUISITION CLOSES ~ SIGNIFICANT GROWTH EXPECTED Old 12-Month Target: **\$1.30**

ENTERPRISE GROUP, INC.		TSX : E	
<i>(Currency is C\$ unless noted otherwise)</i>			
Closing Price June 17, 2013			\$0.67
12 Month Target Price			\$2.05
Dividend (annual)			\$0.00
Dividend Yield			0.0%
Potential Total Return			206.0%
52 Week Range		\$0.13 -	\$0.74
Average Daily Volume (100-Day)			403,219
MARKET INFO			
Market Cap (millions)			\$56.6
Enterprise Value (millions)			\$64.0
Shares O/S (000's)			70,065
Fully Diluted (000's)			84,535
FYE: DEC 31	2012	2013E	2014E
Revenue (millions)	\$18.5	\$43.5	\$65.3
Revenue Growth (%)	3.5%	135.2%	50.0%
EBITDA (millions)	\$4.4	\$17.3	\$26.9
EBITDA Margin (%)	23.5%	39.8%	41.3%
Fully Diluted EPS	\$0.04	\$0.16	\$0.17
Cash (millions)	\$1.2	\$3.8	\$7.3
Total Debt (millions)	\$13.2	\$12.4	\$7.9
VALUATION			
EV / EBITDA	9.2x	3.7x	2.4x
P/E (tax adjusted basis)	16.1x	5.9x	3.9x
Website: www.enterprisegrp.ca			
DISCLOSURE: 5, 6			
(Please refer to the applicable disclosures that are listed on the back page)			

Source: Thomson One, M Partners

EVENT: Yesterday, Enterprise Group Inc. announced the closing of its previously announced (Letter of Intent signed on February 28, 2013) acquisition of Calgary Tunnelling & Horizontal Augering Ltd.

- Enterprise Group acquired Calgary Tunnelling & Horizontal Augering Ltd. (CTHA) for a **purchase price** of \$12.0 million consisting of \$10.5 million of cash, about \$0.5 million of Enterprise Group shares (at \$0.68 per share) and \$1.0 million vendor take-back financing to be paid back over 2 years. While the deal closed with yesterday's announcement, the effective close date is May 1, 2013.
- Based on a \$12.0 million purchase price, we estimate that **Enterprise Group paid about 2.1x EBITDA for CTHA** on a trailing basis (based on \$5.8 million of EBITDA generated in 2012) and 1.7x EBITDA on a current year basis (based on an estimated \$7.2 million of EBITDA to be generated in 2013). With Enterprise Group trading at 5.4x EBITDA on a current year (2013), pre-acquisition basis, we believe this transaction will be immediately accretive to Enterprise Group.
- Calgary Tunnelling & Horizontal Augering Ltd. was founded in 1984 and is a North American leader in the highly specialized tunnelling field. The company provides services such as laser guided boring & augering, pipe ramming and pipe jacking/tunnel boring.
- Tunnelling is a highly specialized segment of the construction industry and competition is limited. Calgary Tunnelling & Horizontal Augering provides its services from the west coast of Canada through to central Canada across the energy, utility and infrastructure segments, servicing railroads, utilities, pipeline companies and leading infrastructure contractors. Some current projects include the Calgary Airport expansion and providing underground water lines to a major potash producer in Saskatchewan.
- As part of the transaction, the previous owner/manager has agreed to a long-term employment agreement which will assist Enterprise Group in effectively integrating and investing in strategic growth initiatives.
- Enterprise Group is forecasting that CTHA will generate about \$12.0 million in revenue with a 40% EBITDA margin in 2013 (from May 1, 2013). We are modeling \$12.4 million in **revenue**, \$5.0 million of **EBITDA** (40% **EBITDA margin**) and \$0.04 of **fully diluted EPS** in 2013.
- With management having previously indicated that it expects to ramp up the CTHA business to generate \$22 million to \$25 million of revenue within a year, we are forecasting a \$23.6 million revenue contribution in **2014**, generating \$9.5 million of EBITDA (40.5% EBITDA margin) and \$0.07 of fully diluted EPS on an average fully diluted outstanding share count that is 9.5% higher in 2014 versus 2013.
- We believe this acquisition is transformative for Enterprise Group as it has the potential to increase its revenue and EBITDA by about 50% based on our pre-acquisition 2013 estimates for Enterprise Group. As indicated above, management has indicated that with investments it expects to make in the acquired company and with the relationships Enterprise Group has with its existing clients, it believes that CTHA can generate \$22 million to \$25 million of revenue in a year's time; that equates to \$8.8 million to \$10.0 million of EBITDA by applying the same 40% EBITDA margin that management is forecasting for CTHA in 2013.



COMPANY DESCRIPTION

Enterprise Group Inc. (E-TSX) is a diversified construction, utilities and oilfield services company with 3 operational business segments: TC Backhoe & Directional Drilling, Artic Therm and E One Limited. Enterprise Group operates in western Canada with most of their revenue derived from the Province of Alberta. Enterprise Group is also a consolidator of similar businesses in western Canada which adds a growth by acquisition aspect to its organic growth strategy.

IMPACT OF THE CTHA ACQUISITION

Our estimates (in the form of an Income Statement) detailing what we believe the CTHA acquisition will add is shown in Appendix A.

Enterprise Group's 2013 capital expenditure program was recently increased from \$3.0 million to \$11.0 million and will be used to aggressively grow Enterprise Group's

businesses to meet end user demand. We highlight that management plans to grow the newly acquired CTHA business such that it increases its annual revenue to \$22 to \$25 million within a year, up from \$14.9 million generated in 2012.

With the acquisition having an effective closing date of May 1, 2013, we are estimating CTHA will add \$12.4 million of revenue, \$5.0 million of EBITDA (margin of 40.0%) and \$0.04 of fully diluted EPS in 2013 (for two-thirds of the year). Our 2013 estimates assume that management immediately starts to ramp up the CTHA business towards their stated \$22 million to \$25 million revenue goal.

In 2014, we believe management will be able to effectively leverage its current relationships to grow the CTHA business and will have invested in CTHA through the balance of 2013 to facilitate this growth. Thus in 2014, we are modelling revenue of \$23.6 million, EBITDA of \$9.5 million (margin of 40.5%) and fully diluted EPS of \$0.07 on a fully diluted average shares outstanding that is 9.5% higher versus 2013. Thus our 2014 estimates assume that management will be successful in ramping up the CTHA business to its targeted range.

CHANGES TO OUR ESTIMATES

In addition, management has indicated that it plans to acquire six additional 1.5 million to 3.0 million BTU heater trucks for its Artic Therm business, all of which should be in place by the start of Q4/13. These initiatives are expected to drive significant growth in 2014.

Thus, we have made changes to our model and are introducing our new **2013** and **2014 estimates** to reflect the closing of the CTHA acquisition.

In **2013**, we are now expecting \$43.5 million of revenue (previously \$29.9 million), \$17.3 million (previously \$12.4 million) of EBITDA, EBITDA margin of 39.8% (previously 41.3%), and fully diluted EPS of \$0.16 (previously \$0.12), mainly reflecting the addition of CTHA but also factoring in some additional strength from its existing businesses.

(in C\$ thousands, except for EPS)	Old 2013 Estimate	New 2013 Estimate	Old 2014 Estimate	New 2014 Estimate
Revenue	29,919.3	43,515.6	42,834.8	65,256.6
Gross Profit	16,325.7	23,646.5	23,178.5	36,407.8
<i>Gross Profit Margin</i>	<i>54.6%</i>	<i>54.3%</i>	<i>54.1%</i>	<i>55.8%</i>
EBITDA	12,355.7	17,313.0	17,494.8	26,943.7
<i>EBITDA Margin</i>	<i>41.3%</i>	<i>39.8%</i>	<i>40.8%</i>	<i>41.3%</i>
EBIT	10,310.1	14,398.6	14,156.7	22,907.6
Net Income	9,355.6	13,175.7	9,311.8	15,174.5
EPS - fully diluted, adjusted	\$ 0.12	\$ 0.16	\$ 0.11	\$ 0.17

Source: M Partners

In **2014**, we are now expecting \$65.3 million of revenue (previously \$42.8 million), \$26.9 million (previously \$17.5 million) of EBITDA, EBITDA margin of 41.3% (previously 40.8%), and fully diluted EPS of \$0.17 (previously \$0.11).

Enterprise Group will have used up all of its tax loss carry forwards in 2H/13; thus in 2014, Enterprise Group will be fully taxable for the entire year. As a result, the small increase in full diluted EPS in 2014 (versus 2013) reflects the taxes Enterprise Group will pay in 2014.

POTENTIAL UPSIDE TO OUR ESTIMATES

With the acquisitions made by Enterprise Group over the last 12 months (Artic Therm and Calgary Tunnelling & Horizontal Augering Ltd.), we believe the company is well positioned to benefit from major pipeline expansion projects that are currently being contemplated. According to the Canadian Association of Petroleum Producers (CAPP), over the next five years, there are 15 to 20 pipeline projects in North America that would add about 17,500 kms of pipeline that would carry various types of oil products.

About half of the proposed 17,500 kms of pipeline will be laid in the western Canadian Sedimentary Basin, transporting oil to various points across North America including Canada's west coast, into eastern Canada, south into the US and south to the US Gulf Coast. The Canadian portion of these proposed pipelines would increase the current capacity of crude oil being transported by pipelines by 40% to 45%. The Canadian pipeline projects highlighted in the table below would add 2.8 million to 3.1 million barrels a day of crude oil capacity to the current, existing capacity of 3.7 million barrels a day.

We believe Enterprise Group is well positioned to compete for and win mandates for some of these projects which we believe would generate significant revenue and earnings for the company. We currently have not modelled any amounts for these projects and as such, they provide upside potential to our estimates.

Artic Therm, TC Backhoe and the newly acquired Calgary Tunnelling & Horizontal Augering Ltd. are the various business segments of Enterprise Group that we believe can bid on portions of the contracts related to the build out of the proposed pipelines. We believe the ability to package the services of all three business segments or two of the three business segments (depending on the scope of the project) in bids for pipeline work will ultimately make for stronger bids from the Enterprise Group, placing the company in a position of strength when pipeline contracts are awarded.

Pipeline Project	Capacity ('000s bbl/day)	Target in-Service Date	Length of Pipeline
Out of Western Canadian Sedimentary Basin			
Enbridge Alberta Clipper Expansion	120	Q3/2014	1,078 kms in Canada
Enbridge Alberta Clipper Expansion	230	Q1/2016	
Trans Mountain Expansion	590	Q4/2017	1,152 kms in Canada
TransCanada Keystone XL	830	2015	1,897 kms in Canada & USA
Enbridge Northern Gateway	525	Q4/2017	1,177 kms in Canada
TransCanada Energy East	525 to 850	Q4/2017	4,400 kms in Canada
Additional Capacity	2,820 to 3,145		
To the U.S. Midwest			
Enbridge Mainline Southern Access Expansion	160	Q3/2014	731 kms in Canada & USA
Enbridge Mainline Southern Access Expansion	640	Q1/2015	
Enbridge Spearhead North Expansion	105	Q4/2013	175 kms in USA
Enbridge Spearhead North Twin	570	Q3/2015	175 kms in USA
Enbridge Flanagan South	585	Q3/2014	966 kms in USA
Additional Capacity	2,060		
To the U.S. Gulf Coast			
Seaway Twin Line	450	Q1/2014	805 kms in USA
Enbridge/Energy Transfer Eastern Gulf Crude Access	420 to 660	mid 2015	1,127 kms in USA
Additional Capacity	870 to 1,100		
To Eastern Canada			
Enbridge Line 9 Reversal (9A and 9B)	300	Q3/2013 and Q3/2014	n/a
Additional Capacity	300		
Diluent Pipelines			
Enbridge Southern Lights Expansion	95	TBD	2,673 kms in Canada & USA
Enbridge Northern Gateway	193	Q4/2017	1,177 kms in Canada
Kinder Morgan Cochin Conversion	95	Q3/2014	n/a
TransCanada Grand Rapids	330	2017	500 kms in Canada
Additional Capacity	713		

Source: Canadian Association of Petroleum Producers & M Partners

RECOMMENDATION

We believe this acquisition reinforces our thesis that Enterprise Group will continue with its transformation as it grows through acquisitions that complement its core competencies while expanding the services offered to a larger base of customers and leveraging the synergies available through Enterprise's existing operations.

We are maintaining our BUY recommendation and are increasing our 12-month target price on Enterprise Group to \$2.05 (previously \$1.30).

Our valuation is based on a 12.0x P/E multiple applied to our newly introduced 2014 EPS of \$0.17 which translates into a 7.0x EV/2014 EBITDA multiple.

We are not applying a micro-cap discount to our valuation multiples as we believe Enterprise Group will cross the \$100 million market capitalization threshold in the short-term as it proves out both the CTHA acquisition as well as the Arctic Therm acquisition and the subsequent expansion of that business. Thus we are using the same valuation multiples to value Enterprise Group as we are using to value the other infrastructure companies in our research coverage universe.

With Enterprise Group trading at 3.9x on a 2014 P/E basis and 2.4x on a EV/2014 EBITDA basis, we continue to believe that **Enterprise Group is trading at a deep valuation discount compared to its peers** as the current valuation does not, in our opinion, accurately reflect the CTHA acquisition, the organic growth expected in 2013 and 2014, the Arctic Therm acquisition and the investment made (and being made) in Arctic Therm.

APPENDIX A – IMPACT OF THE CTHA ACQUISITION

	Q1/13 E	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 E
Revenue	\$ 3,538,750	\$ 4,470,000	\$ 4,656,250	\$ 5,960,000	\$ 18,625,000	\$ 23,560,625
COGS	1,769,375	2,235,000	2,328,125	2,980,000	9,312,500	11,780,313
Gross Profit	\$ 1,769,375	\$ 2,235,000	\$ 2,328,125	\$ 2,980,000	\$ 9,312,500	\$ 11,780,313
<i>Gross Margin</i>	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
SG&A	382,174	455,895	455,847	568,584	1,862,500	2,238,259
EBITDA	\$ 1,387,201	\$ 1,779,105	\$ 1,872,278	\$ 2,411,416	\$ 7,450,000.0	\$ 9,542,053
<i>EBITDA Margin</i>	39.2%	39.8%	40.2%	40.5%	40.0%	40.5%
Depreciation & Amortization	115,009	145,275	151,328	193,700	605,313	765,720
EBIT	\$ 1,272,191	\$ 1,633,830	\$ 1,720,950	\$ 2,217,716	\$ 6,844,688	\$ 8,776,333
<i>EBIT Margin</i>	36.0%	36.6%	37.0%	37.2%	36.8%	37.3%
Interest Expense	-	100,000	127,500	105,000	332,500	180,000
EBT	\$ 1,272,191	\$ 1,533,830	\$ 1,593,450	\$ 2,112,716	\$ 6,512,188	\$ 8,596,333
<i>EBT Margin</i>	36.0%	34.3%	34.2%	35.4%	35.0%	36.5%
Taxes	381,657	460,149	478,035	633,815	1,953,656	2,578,900
Net Income	\$ 890,534	\$ 1,073,681	\$ 1,115,415	\$ 1,478,901	\$ 4,558,531	\$ 6,017,433
EPS - basic	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.08
EPS - fully diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.06	\$ 0.07
Basic Shares Outstanding - Enterprise	59,538,178	70,065,029	74,356,695	74,356,695	69,579,149	74,356,695
Fully Diluted Shares Outstanding - Enterprise	61,874,616	84,535,027	88,570,027	88,570,027	80,887,424	88,570,027

Source: M Partners Estimates

Note: The income statement above shows what Calgary Tunnelling & Horizontal Augering Ltd. (CTHA) will generate in 2013 and 2014 on a full year basis, however in 2013, Enterprise Group will only capture revenue and earnings starting May 1, 2013.

APPENDIX B – INCOME STATEMENT

For the Fiscal Period Ending December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 E
Revenues															
Revenues	39,761,680	27,699,442	15,623,490	17,883,710	3,631,355	3,891,514	4,333,529	6,647,631	18,504,028	8,904,381	8,629,129	11,311,342	14,670,719	43,515,570	65,256,604
Expenses															
Direct Expenses (Cost of Sales)	(29,691,300)	(25,564,226)	(13,833,130)	(13,173,450)	(2,405,223)	(2,422,958)	(2,761,877)	(3,251,773)	(10,841,831)	(3,702,411)	(5,372,721)	(6,488,126)	(4,305,821)	(19,869,079)	(28,848,795)
General and Administrative	(5,304,425)	(3,782,484)	(3,315,375)	(3,148,533)	(697,771)	(796,378)	(711,348)	(890,823)	(3,096,320)	(1,303,760)	(1,589,316)	(1,671,079)	(1,769,369)	(6,333,524)	(9,464,100)
Depreciation of Property, Plant and Equipment	0	0	(1,424,839)	(1,113,752)	(267,884)	(269,555)	(329,674)	(432,286)	(1,299,399)	(476,262)	(647,458)	(732,405)	(812,327)	(2,668,453)	(3,790,190)
Amortization of Intangible Assets	(2,571,697)	(1,845,809)	(145,500)	(145,500)	(36,375)	(36,375)	(36,375)	(55,887)	(165,012)	(61,490)	(61,490)	(61,490)	(61,490)	(245,960)	(245,960)
Impairment Losses of Property, Plant and Equipment	0	0	0	(73,038)	0	0	0	0	0	0	0	0	0	0	0
Goodwill Write-down	(15,107,933)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Expenses / Interest	(395,669)	(528,576)	(202,564)	(808,065)	(67,733)	20,247	(135,426)	(228,378)	(411,290)	(183,568)	(171,433)	(176,264)	(133,318)	(664,583)	(554,190)
Fair Value Adjustments	0	0	0	121,221	7,128	29,953	(29,716)	(115,846)	(108,481)	0	(16,500)	(16,500)	(16,500)	(49,500)	(66,000)
Interest and Other Income / (Loss)	30,741	(43,492)	21,945	590,879	210	328	(3,434)	11,155	8,259	2,279	7,107	10,725	14,629	34,739	28,084
Gain/loss on Sales of Property, Plant and Equipment	(308,873)	(1,748,153)	(188,444)	(54,598)	5,000	0	0	(5,000)	0	0	0	0	0	0	0
Loss on Sales of Property, Plant, and Equipment	0	0	0	0	0	0	(55,931)	(135,918)	(191,849)	(12,287)	0	0	0	(12,287)	0
Acquisition Costs	0	0	0	0	0	0	(199,397)	(59,286)	(259,183)	0	0	0	0	0	0
Earnings before Taxes	(13,587,476)	(5,813,298)	(3,464,418)	78,874	168,707	416,776	70,351	1,483,089	2,138,922	3,166,882	777,318	2,176,202	7,586,522	13,706,924	22,315,452
Taxes and Other Expenses															
Income Tax	141,991	806,168	(2,099,700)	(1,216,000)	(44,700)	(110,400)	(18,700)	523,466	349,666	0	(217,649)	(609,336)	(2,124,226)	(2,951,212)	(7,140,945)
Provision for Income Tax (deferred)	1,176,245	479,300	0	1,216,000	44,700	110,400	18,700	(173,800)	0	0	217,649	609,336	1,593,170	2,420,155	0
Net Income (Loss)	(12,269,240)	(4,527,830)	(5,564,118)	78,874	168,707	416,776	70,351	1,832,755	2,488,588	3,166,882	777,318	2,176,202	7,055,466	13,175,867	15,174,507
Unrealized loss on marketable securities	0	0	0	0	0	0	0	(12,000)	(12,000)	0	0	0	0	0	0
Net Income and Comprehensive Income (Loss)					168,707	416,776	70,351	1,820,755	2,476,588						
Basic EPS - Continuing Operations	(0.30)	(0.06)	(0.11)	0.00	0.00	0.01	0.00	0.03	0.04	0.05	0.01	0.03	0.09	0.19	0.20
Diluted EPS - Continuing Operations	0.00	0.00	(0.11)	0.00	0.00	0.01	0.00	0.03	0.04	0.05	0.01	0.02	0.08	0.16	0.17
Basic Weighted Shares Outstanding	41,637,250	42,192,600	48,681,700	51,515,810	54,766,700	54,766,700	55,114,520	57,163,495	55,452,854	59,538,178	70,065,029	74,356,695	74,356,695	69,579,149	74,356,695
Diluted Weighted Shares Outstanding	41,637,250	42,192,600	48,681,700	51,515,810	54,985,600	55,430,380	58,465,950	55,862,818	56,186,187	61,874,616	84,535,027	88,570,027	88,570,027	80,887,424	88,570,027
Gross Profit / Loss	10,070,380	2,135,216	1,790,360	4,710,260	1,226,132	1,468,556	1,571,652	3,395,858	7,662,197	5,201,970	3,256,408	4,823,216	10,364,898	23,646,492	36,407,809
Gross Profit Margin	25.3%	7.7%	11.5%	26.3%	33.8%	37.7%	36.3%	51.1%	41.4%	58.4%	37.7%	42.6%	70.7%	54.3%	55.8%
EBITDA	4,765,955	(1,647,268)	(1,525,016)	1,561,727	528,361	672,178	860,304	2,295,701	4,356,543	3,898,210	1,667,092	3,152,137	8,595,529	17,312,968	26,943,709
EBITDA Margin	12.0%	-5.9%	-9.8%	8.7%	14.5%	17.3%	19.9%	34.5%	23.5%	43.8%	19.3%	27.9%	58.6%	39.8%	41.3%
EBIT	2,194,258	(3,493,077)	(3,095,355)	302,475	224,102	366,248	494,255	2,016,862	3,101,466	3,360,458	958,144	2,358,241	7,721,711	14,398,555	22,907,558
EBIT Margin	5.5%	-12.6%	-19.8%	1.7%	6.2%	9.4%	11.4%	30.3%	16.8%	37.7%	11.1%	20.8%	52.6%	33.1%	35.1%

Source: Company Reports and M Partners Estimates

APPENDIX C – BALANCE SHEET

For the Fiscal Period Ended December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 E
Current Assets															
Cash and Cash Equivalents	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	1,151,616	1,151,616	1,178,991	1,838,207	2,773,987	3,783,849	3,783,849	7,264,338
Deposit & Prepaid Expenses	0	357,442	216,030	304,860	237,464	228,370	195,784	659,417	659,417	627,227	506,393	511,034	1,455,274	1,455,274	2,182,350
Accounts Receivables	10,916,390	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade and Other Receivables	0	4,011,810	2,729,006	4,817,204	3,800,280	3,153,190	3,932,278	6,076,583	6,076,583	6,365,564	6,991,954	10,264,000	13,410,468	13,410,468	20,110,539
Unbilled Revenues	0	0	196,320	938,234	448,150	626,721	1,076,090	414,498	414,498	1,928,228	1,389,705	2,808,801	914,759	914,759	1,371,787
Income' taxes Refundable	140,535	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	737,596	706,155	714,846	1,035,451	635,042	512,601	744,395	591,206	591,206	520,649	1,136,653	1,943,014	1,304,738	1,304,738	1,956,605
Prepaid Expenses	393,675	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	12,795,493	6,742,965	4,248,245	7,452,963	5,876,769	5,062,631	7,836,641	8,893,320	8,893,320	10,620,659	11,862,912	18,300,836	20,869,088	20,869,088	32,885,619
Non Current Assets															
Property, Plant and Equipment	14,805,290	11,121,510	9,531,420	8,429,189	8,797,008	9,415,366	14,840,430	15,899,329	15,899,329	16,968,796	28,846,338	29,163,933	28,876,605	28,876,605	27,086,415
Marketable Securities	0	32,000	40,000	28,000	64,000	24,000	28,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Portfolio Investment	28,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	932,600	2,099,700	0	0	0	0	0	869,468	869,468	869,468	869,468	869,468	869,468	869,468	869,468
Goodwill	0	0	0	0	0	0	0	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530
Intangible Assets	1,200,375	1,054,875	909,375	763,875	727,500	691,125	1,794,889	1,213,785	1,213,785	1,152,294	1,090,804	1,029,314	967,824	967,824	721,864
Total Assets	29,761,758	21,051,050	14,729,040	16,674,027	15,465,277	15,193,122	24,499,960	28,450,432	28,450,432	31,185,747	44,244,052	50,938,081	53,157,515	53,157,515	63,137,897
Current Liabilities															
Trade and Other Payables	1,909,814	2,277,882	1,265,155	2,575,341	1,375,059	881,542	1,670,304	1,528,819	1,528,819	2,569,465	1,954,751	4,359,814	3,373,965	3,373,965	2,059,649
Bank Indebtedness	6,526,900	3,363,530	0	962,200	894,883	614,671	0	0	0	0	0	0	0	0	0
Other Loans Payable	0	0	1,048,482	405,009	381,689	331,467	335,088	0	0	0	0	0	0	0	0
Bank Loan Facility	0	1,518,647	0	1,611,295	1,525,663	1,440,000	0	0	0	0	0	0	0	0	0
Current Portion of Long-term Loans and Borrowings	3,249,975	0	3,599,023	301,458	303,184	306,195	0	0	0	0	0	0	0	0	0
Current Portion of Mortgage Facilities	0	412,304	0	384,525	390,000	27,333	27,465	27,465	21,466	21,466	21,466	21,466	21,466	21,466	21,466
Current Portion of Finance Lease Liabilities	0	274,850	229,596	275,111	253,090	215,905	64,082	97,177	97,177	173,503	173,503	173,503	173,503	173,503	173,503
Income Taxes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Portion of Vendor Take-back Loan	0	0	0	0	0	0	500,000	502,918	502,918	509,231	0	500,000	500,000	500,000	500,000
Current Portion of Other & Term Loan Facility	0	0	0	0	88,705	87,365	297,241	297,241	218,470	218,470	218,470	218,470	218,470	218,470	218,470
Total Current Liabilities	11,686,689	7,847,213	6,142,256	6,514,939	5,123,568	4,268,485	2,684,172	2,453,620	2,453,620	3,492,135	2,368,190	5,273,253	4,287,404	4,287,404	2,473,088
Non Current Liabilities															
Long-term Loans and Borrowings	2,206,621	116,440	828,655	1,254,221	1,179,484	1,346,807	11,663,600	12,371,887	12,371,887	9,727,071	15,727,071	15,677,071	11,677,071	11,677,071	7,677,071
Future Income Taxes	0	0	0	0	0	0	0	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212
Shareholders' Equity															
Common Stock - Par Value	24,032,800	24,945,960	24,945,960	25,577,890	25,577,890	25,577,890	26,077,890	25,921,249	25,921,249	26,658,236	33,875,235	35,345,235	35,345,235	35,345,235	35,345,235
Additional Paid in Capital	1,085,717	1,364,017	1,621,078	1,803,096	1,855,747	1,894,576	1,894,576	2,106,922	2,106,922	2,096,422	2,096,422	2,096,422	2,096,422	2,096,422	2,096,422
Retained Earnings (Deficit)	(9,243,865)	(13,300,600)	(18,864,720)	(18,785,840)	(18,617,140)	(18,200,360)	(18,130,000)	(16,297,255)	(16,297,255)	(13,130,373)	(12,165,122)	(9,796,157)	(2,590,873)	(2,590,873)	13,203,825
Accumulated Other Comprehensive Income (Loss)	(54,000)	11	8,015	(3,989)	32,018	(7,986)	(3,988)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Warrants	47,796	78,009	47,796	313,710	313,710	313,710	313,710	310,797	310,797	759,044	759,044	759,044	759,044	759,044	759,044
Total Shareholders Equity	15,868,448	13,087,397	7,758,129	8,904,867	9,162,225	9,577,830	10,152,188	12,025,713	12,025,713	16,367,329	24,549,579	28,388,545	35,593,828	35,593,828	51,388,526
Total Liabilities & Shareholders Equity	29,761,758	21,051,050	14,729,040	16,674,027	15,465,277	15,193,122	24,499,960	28,450,432	28,450,432	31,185,747	44,244,052	50,938,081	53,157,515	53,157,515	63,137,897

Source: Company Reports and M Partners Estimates

APPENDIX D – CASH FLOW STATEMENT

For the Fiscal Period Ending December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 E
Operating Activities															
Net Income	(12,269,240)	(4,527,830)	(5,564,118)	78,874	168,707	416,776	70,351	1,483,089	2,138,922	3,166,882	777,318	2,176,202	7,055,466	13,175,867	15,174,507
Depreciation of Property, Plant and Equipment	0	0	1,424,839	1,113,752	267,884	269,556	329,673	432,286	1,299,399	476,262	647,458	732,405	812,327	2,668,453	3,790,190
Amortization of Property, Plant, and Equipment	2,241,754	1,700,308	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of Intangible Assets	329,943	145,500	145,500	145,500	36,375	36,375	36,375	55,887	165,012	61,490	61,490	61,490	61,490	245,960	245,960
Loss on Sale of Property, Plant and Equipment	0	0	188,444	54,598	0	0	0	0	0	0	0	0	0	0	0
Gain/loss on Sale of Property, Plant and Equipment	308,873	1,748,154	0	0	0	0	50,931	140,918	191,849	12,287	0	0	0	12,287	0
Unrealized Loss on Available for Sale Portfolio Investment, Net of Future Income Tax	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment Losses of Property, Plant and Equipment	0	0	0	73,038	0	0	0	0	0	0	0	0	0	0	0
Goodwill Write-down	15,107,940	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock based Compensation	96,175	229,090	0	0	0	0	0	0	0	0	0	0	0	0	0
Share Based Payments	0	0	226,848	182,018	52,651	38,829	0	53,856	145,336	17,400	0	0	0	17,400	0
Deferred Tax Expense	0	0	2,099,700	0	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Expense (Recovery)	(1,176,245)	(1,286,100)	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Expense	0	0	202,564	808,065	67,733	67,401	171,417	104,739	411,291	183,568	171,433	176,264	133,318	664,583	554,190
Fair Value Adjustments	0	0	0	(121,215)	(7,128)	(29,953)	29,716	115,846	108,481	0	16,500	16,500	16,500	49,500	66,000
Insurance Proceeds from Loss of Inventories	0	0	0	(100,000)	0	0	0	0	0	0	0	0	0	0	0
Change in Non-cash Working Capital Related to Operating Activities	(2,786,414)	7,480,864	206,478	(1,829,361)	340,590	106,537	(354,892)	(2,634,517)	(2,542,282)	(659,318)	(1,197,750)	(3,097,081)	(2,544,239)	(7,498,389)	(9,850,359)
Gains on Sale of Property, Plant and Equipment	0	0	0	0	(5,000)	0	5,000	0	0	0	0	0	0	0	0
Deferred Income Tax Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow from Operating Activities	1,852,786	5,539,986	(1,069,745)	405,269	921,812	905,521	338,571	(247,896)	1,918,008	3,258,571	476,448	65,780	5,534,862	9,335,661	9,980,489
Investing Activities															
Purchase of Property Plant, and Equipment	(584,444)	(1,032,874)	(882,821)	(638,117)	(201,762)	(887,914)	(1,283,535)	(852,350)	(3,225,561)	(1,558,016)	(525,000)	(1,050,000)	(525,000)	(3,658,016)	(2,000,000)
Proceeds on Sale of Property, Plant and Equipment	0	0	859,630	498,960	5,000	0	147,411	105,429	257,840	0	0	0	0	0	0
Proceeds on Dispositions of Property, Plant and Equipment	540,332	1,896,286	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of Business	0	0	0	0	0	0	351,307	(4,949,898)	(4,598,591)	0	(12,000,000)	0	0	(12,000,000)	0
Insurance Proceeds Relating to Property, Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow from Investing Activities	(44,112)	863,412	(23,191)	(139,157)	(196,762)	(887,914)	(784,817)	(5,696,819)	(7,566,312)	(1,558,016)	(12,525,000)	(1,050,000)	(525,000)	(15,658,016)	(2,000,000)
Financing Activities															
Proceeds from Long-term Debts	0	1,177,139	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Long-term Debt	(3,379,187)	(4,311,494)	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Term Loan Facility	0	0	3,599,023	1,500,000	0	0	0	1,501,100	1,501,100	0	0	0	0	0	0
Repayments of Term Loan Facility	0	0	0	(3,738,500)	(75,657)	(76,693)	(1,299,994)	0	(1,452,344)	(59,529)	0	0	0	(59,529)	0
Proceeds from Finance Lease Liabilities	0	0	719,997	211,050	62,321	0	122,808	(185,129)	0	0	0	0	0	0	0
Repayment of Finance Lease Liabilities	0	0	(584,074)	(262,766)	(67,052)	(68,840)	(261,103)	(21,295)	(418,290)	(23,798)	0	0	0	(23,798)	0
Proceeds of Mortgage Facility	0	0	531,038	0	0	0	0	390,000	0	0	0	0	0	0	0
Repayment of Mortgage Facility	0	0	(412,304)	(169,000)	0	0	(394,996)	(6,952)	(401,948)	(7,054)	0	0	0	(7,054)	0
Repayments of Other Loans Payable	0	0	1,048,482	(643,472)	(23,320)	(50,222)	3,621	(335,088)	(405,009)	0	0	0	0	0	0
Changes in Bank Indebtedness	1,575,912	(3,163,370)	(3,363,530)	962,200	(67,317)	(280,212)	(614,671)	0	(962,200)	0	0	0	0	0	0
Proceeds from Bank Loan Facility	0	0	0	1,800,000	0	0	5,706,019	4,951,410	10,657,429	0	6,000,000	0	0	6,000,000	0
Repayment of Bank Loan Facility	0	0	(1,518,647)	(180,000)	(90,000)	(90,000)	(1,440,000)	0	(1,620,000)	(2,558,876)	0	(50,000)	(4,000,000)	(6,608,876)	(4,000,000)
Proceeds from Issue of Common Shares, Net of Share Issue Costs	160,500	0	0	912,749	0	0	0	28,333	28,333	1,157,334	7,216,999	1,470,000	0	9,844,333	0
Share Repurchase	(68,516)	(18,912)	0	0	0	0	0	0	0	0	0	0	0	0	0
Share Issue Cost	0	973,500	0	(14,903)	0	0	0	0	0	0	0	0	0	0	0
Interest Paid on Loans and Borrowings	0	0	(202,564)	(678,299)	(65,406)	(68,800)	(397,463)	(292,210)	(823,879)	(181,257)	0	0	0	(181,257)	0
Proceeds of Other Terms Loan Facility & Vendor Take Back Financing	0	0	0	0	0	410,000	0	(410,000)	0	0	0	500,000	0	500,000	0
Repayment of Other Term Loan Facility & Vendor Take Back Financing	0	0	0	0	0	(6,924)	(21,630)	(21,920)	(50,474)	0	(509,231)	0	0	(509,231)	0
Cash Flow from Financing Activities	(1,711,291)	(5,343,137)	(182,579)	(300,941)	(326,431)	(231,691)	1,792,591	5,208,249	6,442,718	(1,673,180)	12,707,768	1,920,000	(4,000,000)	8,954,588	(4,500,000)
Cash Flow Net Changes in Cash	97,383	1,060,261	(1,275,515)	(34,829)	398,619	(214,084)	1,346,345	(736,466)	794,414	27,375	659,216	935,780	1,009,862	2,632,233	3,480,489
Previous Cash Balance	509,914	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,082	357,202	1,151,616	1,178,991	1,838,207	2,773,987	1,151,616	3,783,849
Ending Cash Balance	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	1,151,616	1,151,616	1,178,991	1,838,207	2,773,987	3,783,849	3,783,849	7,264,338

Source: Company Reports and M Partners Estimates

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Sell:	Price is inflated and expected to decrease
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Summary of Recommendations (as of March 31, 2013)		
Buy	55	93%
Hold	3	5%
Sell	1	2%
Total	58	100%