

Dong Capital Research - Closed Investment Memo (LONG) 24 September 2025  
EOS Energy Enterprises (EOSE) Initial Entry: \$11.11

Position Closed: 10 February 2026

Final Exit Price: \$12.82

*Position sizing: 10% AUM*

## EXECUTIVE SUMMARY

Eos Energy Enterprises is a speculative long duration energy storage company focused on zinc-based battery systems for grid-scale storage. The company is not profitable and should not be valued on current earnings. The investment case is based on execution: scaling manufacturing, converting backlog into revenue, improving unit economics, and benefiting from rising demand for domestic energy storage.

As of Q2 2025, Eos had record quarterly revenue of \$15.2M, reaffirmed 2025 revenue guidance of \$150M-\$190M, reported \$672.5M of backlog, and had \$183.2M of total cash including restricted cash. The company also closed \$336M of concurrent equity and convertible note offerings earlier in 2025.

I am LONG because Eos sits at the intersection of grid storage, domestic manufacturing, renewable reliability, AI/data center power demand and non-lithium battery alternatives.

## INVESTMENT THESIS

### 1) Long duration storage is becoming more important

The grid is becoming more complex. Renewable energy, data centers, AI power demand and electrification all increase the need for reliable storage. Lithium-ion batteries dominate shorter duration storage, but longer duration applications may require different chemistries.

Eos is positioned as a domestic zinc based alternative for long duration storage. If the market increasingly values safer non-lithium, U.S. manufactured storage systems, Eos could become strategically important.

### 2) Revenue is finally scaling

The main reason this is interesting is that Eos is no longer only a backlog story. Q2 2025 revenue reached \$15.2M, up materially from prior periods and nearly equal to full-year 2024 revenue. Management also reaffirmed full-year 2025 revenue guidance of \$150M-\$190M.

The thesis depends on this ramp continuing. If revenue acceleration is real, the company may be moving toward commercial scale.

**3) Backlog and pipeline show demand exists**

Eos reported \$672.5M of backlog and an \$18.8B commercial pipeline as of Q2 2025. Backlog does not equal revenue, but it gives the company visibility. The issue is not whether customers are interested. The issue is whether Eos can manufacture, deliver and collect cash at acceptable margins.

**4) Domestic manufacturing could become a real advantage**

Eos' project AMAZE and DOE-backed manufacturing expansion are important because the company is trying to build U.S. based battery storage capacity. Its DOE loan facility was intended to support expansion toward 8 GWh of manufacturing capacity by 2027.

This matters because energy storage is increasingly tied to energy security, supply chains, and domestic manufacturing policy.

## **RISKS**

**1) Execution risk**

This is the biggest risk. Eos must scale production, reduce costs, improve quality, and deliver backlog on time.

**2) Margin risk**

Eos remains gross margin negative. Q2 2025 gross loss was \$31.0M, meaning the business still loses money before operating expenses.

**3) Backlog conversion risk**

Backlog only matters if it converts into revenue and cash. Delays, cancellations, repricing, or poor project economics could weaken the thesis.

**4) Valuation Risk**

Even without a valuation section, valuation risk still matters. The stock was already pricing in a major turnaround. If execution slows, the downside could be significant.

### **POSITION MANAGEMENT (RETROSPECTIVE)**

The original entry at \$11.11 was not the main mistake. The thesis was reasonable: Eos had improving revenue, a large backlog, better liquidity and exposure to long duration storage and AI/data center power demand.

The mistake was position management. Rather than trimming when the stock moved higher, I averaged up. By February 2026, Eos had shown more evidence of growth, including Q3 2025 revenue of \$30.5M, double Q2 revenue, and later strengthened liquidity through additional financing.

The risk/reward no longer felt clean. The company was still unprofitable, still capital intensive, still exposed to dilution and still dependent on backlog conversion. I sold early because I had turned a speculative but good entry into a worse trade by averaging up instead of managing risk.

I ultimately closed for a realized loss of approximately -1.7%. The lesson is simple; with volatile execution stories, trimming matters. Averaging up without discipline can turn a good thesis into a bad position.