



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports 2022 Results

March 24, 2023 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces the financial results for the year ended December 31, 2022.

Overview

The Fund is an unincorporated open end mutual fund trust conducting its business through three operating segments, Foremost Energy Equipment (FEE), Foremost Mobile Equipment (FME), and Corporate. FEE, with its focus on the oil and gas industry in Western Canada, consists of three active manufacturing and service locations across Alberta. The locations manufacture oil-treating systems, shop tanks, field tanks, agriculture equipment, oil and gas process-treating equipment, and gas separators. FME manufactures and services hydrovac and vacuum trucks and equipment; off-highway, large-wheeled and tracked vehicles; and equipment for the custom drilling, construction, water well, and mining sectors. FME focuses on custom-built vehicles for its global clientele whom it serves through two manufacturing and service locations across Alberta.

Message to Unitholders

Foremost finished 2022 with increased revenue and gross margin compared to 2021. This was despite significant challenges caused by inflation impacting most direct costs. Additionally, raw material supply interruptions to various degrees impacted every product line. 2022 adjusted EBITDA was \$8.2 million, lower than the 2021 results of \$9.1 million.

FME revenue was \$102.2 million vs \$102.8 million in 2021, a 1% decrease. Gross margin was \$18.5 million vs \$19.9 million in 2021, a 7% decrease. Hydrovac production was severely affected by a chassis shortage in the first half of 2022, as major suppliers of chassis cut deliveries to all customers due to the world-wide electronics chip shortage. Demand for Dual Rotary Drills and Hydrovacs remained high, and sales into the mining, construction, and water-well sectors were robust.

FEE produced revenues of \$51.3 million vs \$32.4 million in 2021, a 58% increase. Gross margin was \$2.0 million vs negative \$1.6 million in 2021. All product lines in FEE, except Agriculture Bins, had a year over year revenue increase as activity increased in the Western Canadian energy sector. Compared to 2021, Agriculture Bin sales decreased as high material costs led to higher unit prices, affecting sales volume.

The Fund's balance sheet remains strong, with a cash balance of \$35.8 million at the end of 2022. This is lower than the balance at the end of 2021 of \$53.2 million primarily due to the strategic purchase of inventory and a distribution payment to Unitholders during the year.

The overview: key measurements for 2022 compared to 2021

Revenue is \$153.1 million, an increase of 14% from \$134.8 million.

Gross margin is \$20.5 million, which represents 13% of revenue, up from \$18.3 million.

SG&A expenses remain at 10% of revenue. Total spend was \$15.5 million compared to \$13.1 million.

Adjusted EBITDA is \$8.2 million, a decrease of \$0.9 million in the previous year.

2023 outlook

Foremost continues to face macroeconomic and supply chain challenges outside its control, including global supply chain shortages, and instability in commodity markets linked to the Ukraine war. Management, operations, and supply chain teams are engaged in proactive initiatives to reduce the impact of these issues. Inflationary pressures on input costs and a tight labour market are expected to continue tempering the forecasted outlook for 2023, however Management is working proactively to push inflationary impacts through to our customers where market conditions allow it.

Kevin Johnson, President



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2022 VS 2021 Highlights

- Revenue for 2022 was \$153.1 million, compared to \$134.8 million for the previous year. More information is in the Segmented Results of Operations section of the MD&A.
- Gross profit for 2022 was \$20.5 million and 13% of revenue, compared to \$18.3 million and 14% of revenue in 2021. More information is in the Segmented Results of Operations section of the MD&A.
- Administration costs increased to \$15.5 million and 10% of revenue in 2022, up from the \$13.1 million incurred during 2021. Part of this increase is a result of business operations returning back to pre-COVID levels. Other areas of increase were personnel, as headcount increased, and legal fees.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$8.2 million for 2022 compared to \$9.1 million in 2021.
- As announced on February 24, 2023, the Fund will pay a cash distribution of \$0.30 per trust unit in respect of the 2022 fiscal year.
- The stated redemption price at March 23, 2022, remains at \$6.35 per trust unit.

FORWARD-LOOKING STATEMENT

Certain statements in this news release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this news release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this news release. These forward-looking statements involve a number of risks and uncertainties, including: the impact of general economic conditions, industry conditions, changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates and stock market volatility.

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