



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports 2023 Results

March 15, 2024 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces the financial results for the year ended December 31, 2023.

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 two 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 ended 2023 with revenue of \$188.0 million, an increase of 23% from \$152.8 million in 2022. Gross margins rose from 13% in 2022 to 17% for the year as plant utilization increased and higher demand drove an increase in selling prices. Sales volumes and production backlogs have risen to high levels for most of Foremost's product lines. Worldwide demand for capital equipment and spare parts in the mining, energy, infrastructure, and water well sectors continues to be strong, with Foremost well-positioned to serve customers in these markets.

Foremost Mobile Equipment's (FME) revenue was \$141.1 million in 2023, a 38% increase from the previous year's \$102.2 million. Gross margin for 2023 was \$27.5 million, 19% of revenue, an increase from \$18.4 million and 18% in 2022. FME plants are operating near full capacity, though labour shortages negatively impact throughput. Vacuum truck sales and deliveries into Canada and the US hit the highest annual numbers in the product line history with Foremost. This was due to robust demand for infrastructure-related equipment and the market enthusiasm for Foremost's industry-leading product portfolio. Water well and mining drills continue to show strong demand as water well drilling and metals mining remain high-activity sectors worldwide. FME also sold the highest annual volume of spare parts and mining tooling in its history in support of its worldwide customer base.

Foremost Energy Equipment (FEE) revenue was \$47.5 million in 2023, a 7% decrease from the previous year. This decrease was mainly driven by Ag bin volumes that were adversely affected by the drought conditions in parts of Western Canada. Despite this drop in revenue, FEE gross margin for the year was \$4.6 million compared to \$1.8 million in 2022. During the latter half of 2023, the demand for FEE products increased materially, driven by new projects and increased spending in the Western Canadian energy sector, driving up the backlog. This increased demand pushed prices up and increased gross margins for FEE products. FEE backlogs for energy products have recovered from the lows experienced during COVID.

The overview: key measurements for 2023 compared to 2022

Revenue was \$188.0 million, an increase of 23% from \$152.8 million in 2022.

Gross margin was \$32.0 million, which represents 17% of revenue, an increase of \$11.9 million from the previous year. The 2022 margin was 13% of revenue.

SG&A expenses were 9% of revenue. Total spend increased year over year to \$17.4 million compared to \$15.5 million in 2022.

EBITDA was \$19.4 million, representing 10% of revenue, an increase of \$11.2 million over 2022. EBITDA for 2022 was \$8.2 million and 5% of revenue.



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2024 outlook

Foremost continues to face macroeconomic and supply chain challenges, including global supply chain challenges and lingering instability in commodity markets linked to the Ukraine war; however, we believe these factors are subsiding. Nonetheless, operations and supply chain teams are taking proactive steps to reduce the impact of these issues. Inflationary pressures on input costs and a tight labor market are expected to continue tempering the forecasted outlook for 2024. Still, steps are being taken to proactively push inflationary impacts through to the market where conditions allow.

Kevin Johnson, President

2023 VS 2022 Highlights

- Revenue for 2023 was \$188.0 million, compared to \$152.8 million for the previous year. More information is in the Segmented Results of Operations section of the MD&A.
- Gross profit for 2023 was \$32.0 million and 17% of revenue, compared to \$20.2 million and 13% of revenue in 2022. More information is in the Segmented Results of Operations section of the MD&A.
- During 2023, administration costs were \$17.4 million, up from the \$15.5 million incurred in the previous year. All categories within administration rose as a result of the increase in business activity, with the payroll category making up for more than half of the increase. The Fund also incurred expenses related to recruiting temporary foreign workers into all plants, including consulting fees, travel costs and spend related to housing.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$19.4 million for 2023 compared to \$8.5 million in 2022.
- As announced on February 24th, 2024, the Fund will pay a cash distribution of \$0.50 per trust unit in respect of the 2023 fiscal year.
- The stated redemption price at March 14, 2023, increased to \$6.85 per trust unit.
- On March 7, 2024 the Fund approved and processed a Unitholder redemption request for 2,141,103 units representing \$14.0 million. Despite the predefined monthly cash limit of \$0.35 million, the Trustees retained the authority to use their discretion in approving redemptions, considering the Fund's cash balance and overall working capital position.

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.

For further Investor Relations information please contact:

Jackie Schenn, CA

Tel: (403) 295-5800 or toll free 1-800-661-9190 (Canada/US) - Fax: (403) 295-5832 E-mail: investorrelations@foremost.ca - Website: www.foremost.ca

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1225 64th Avenue NE – Calgary, AB T2E 8P9 - Tel: (403) 295-5800 - Fax: (403) 295-5832