



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports Q1 2023 Results

May 12, 2023 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces the financial results for the period ended March 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 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 had a strong financial performance in the first quarter of 2023. Compared to Q4 2022, the Fund delivered increased revenue, gross margin, and EBITDA. The results were driven by increased revenue in the drill, truck, parts, and shop tank product lines. Sales volume and backlogs remain strong for most of Foremost's product lines. Worldwide demand for equipment in the mining, construction, and water well sectors continue to be strong, and Foremost is well-positioned to serve customers in these markets.

In Q1 2023, Foremost Mobile Equipment's (FME) revenue was \$33.7 million, a 15% increase from the previous quarter's \$29.4 million. Gross margin for Q1 2023 was \$6.5 million, which was 19% of revenue, an increase from \$4.9 million and 17% in Q4 2022. Strong demand and sales in the Hydrovac, drill, and parts segments drove the increase for FME.

Foremost Energy Equipment (FEE) produced revenues of \$11.7 million in Q1 2023, a 5% increase over the previous quarter, with gross margin for Q1 2023 at \$0.7 million and 6% compared to \$0.5 million and 4% in Q4 2022. Increased sales in shop tanks and the ULC fuel tank product lines were offset by a drop in revenue from the vessel, field, and Ag product lines.

The overview: key measurements for Q1 2023 compared to Q4 2022

Revenue is \$45.3 million, an increase of 7% from the Q4 2022 revenue of \$40.5 million.

Gross margin is \$7.2 million, which represents 16% of revenue, an increase from the previous quarter of \$5.4 million and 13%.

SG&A expenses are 9% of revenue. Total spend in Q1 2023 is \$4.3 million compared to \$3.7 million in Q4 2022.

EBIDTA is \$4.1 million, an increase from the last quarter of \$2.6 million.

2023 outlook

Looking ahead in 2023, Foremost continues to face macroeconomic and supply chain challenges, including global supply chain shortages and instability in commodity markets linked to the Ukraine war however we believe these factors are subsiding. Nonetheless management, operations, and supply chain teams are taking proactive initiatives 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 2023, but steps are being taken to proactively push inflationary impacts through to the market where conditions allow it.

Kevin Johnson, President



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Q1 2023 VS Q1 2022 Highlights

- Revenue for the first quarter of 2023 was \$45.3 million, compared to \$35.3 million for the previous year. More information is in the Segmented Results of Operations section of the MD&A.
- Gross profit for Q1 2023 was \$7.2 million and 16% of revenue, compared to \$4.4 million and 12% of revenue in Q1 2022. More information is in the Segmented Results of Operations section of the MD&A.
- During Q1 2023, administration costs increased to \$4.3 million, up from the \$3.7 million incurred in the same quarter of the previous year. However, the percentage of revenue spent on administrative costs dropped from 10% in Q1 2022 to 9% in Q1 2023. The increase in costs was due to business operations returning back to pre-COVID levels, including travel and attendance at international tradeshows. Additionally, there were increases in personnel and IT infrastructure spending.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$4.1 million for Q1 2023 compared to \$1.8 million in Q1 2022.
- The stated redemption price at May 10, 2023, has been increased to \$6.55.

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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