



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports Q2 2023 Results

August 23, 2023 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces the financial results for the period ended June 30, 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 quarter with the highest quarterly revenue since 2015. Compared to Q1 2023, the Fund delivered increased revenue, gross margin, and EBITDA. The Q2 2023 EBITDA of \$6.5 million is the highest the Fund has generated in over 10 years. Strong demand in the drill, truck, parts, shop tank, and field tank product lines increased revenue and margins for the quarter. Sales volume and backlogs remain at high levels for most of Foremost's product lines. Worldwide demand for capital equipment and spare parts in the mining, construction, and water well sectors continue to be robust, with Foremost well-positioned to serve customers in these markets.

Foremost Mobile Equipment's (FME) revenue was \$37.6 million, an 11% increase from the previous quarter's \$33.7 million. The gross margin for Q2 2023 was \$7.8 million, at 21% of revenue, an increase from \$6.5 million and 19% in Q1 2023. Strong demand and sales in the hydrovac, drill, and parts segments drove the increase for FME. Foremost plants are currently operating near capacity in this business segment.

Foremost Energy Equipment (FEE) produced revenues of \$13.1 million in Q2 2023, a 12% increase over the previous quarter, with gross margin for the quarter at \$2.1 million and 16% compared to \$0.7 million and 6% in Q1 2023. This increase in revenue was driven by the completion of a large field project and increased sales volumes in the ULC (fuel tank) and vessel product lines, which were offset by lower revenue in the shop tank and Ag product lines.

The overview: key measurements for Q2 2023 compared to Q1 2023

Revenue was \$50.6 million, an increase of 12% from the Q1 2023 revenue of \$45.3 million.

Gross margin was \$9.9 million, which represents 20% of revenue, an increase of \$2.7 million from the previous quarter. Q1 2023 margin was 16% of revenue.

SG&A expenses were 8% of revenue a decline from 9% in the previous quarter. Total SG&A spend remained consistent with the first quarter of \$4.3 million.

EBITDA was \$6.5 million, representing 13% of revenue, an increase of \$2.4 million over the last quarter. EBITDA for the first quarter of 2023 was \$4.1 million or 9% of revenue.

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. Still, steps are being taken to proactively push inflationary impacts through to the market where conditions allow it.

Kevin Johnson, President

Foremost Income Fund

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Q2 2023 VS Q2 2022 Highlights

- Revenue for the second quarter of 2023 was \$50.6 million, compared to \$34.5 million for the same period in the previous year. More information is in the Segmented Results of Operations section of the MD&A.
- Gross profit for Q2 2023 was \$9.9 million and 20% of revenue, compared to \$4.5 million and 13% of revenue in Q2 2022. More information is in the Segmented Results of Operations section of the MD&A.
- During Q2 2023, administration costs were \$4.3 million, down from the \$4.5 million incurred in the same quarter of the previous year. In 2022, there were higher than average legal expenses incurred as part of an ongoing litigation.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$6.5 million for Q2 2023 compared to \$1.2 million in Q2 2022.
- The stated redemption price at August 23, 2023, has been increased to \$6.85.

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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