



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports Q3 2023 Results

November 27, 2023 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces the financial results for the period ended September 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 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 had a strong quarter with revenue of \$45.0 million, gross margin at 18%, and EBITDA of \$4.3 million. Financial performance weakened from the previous quarter as revenue and EBITDA were lower but were higher when compared to Q3 2022. Sales volume and production backlogs remain at high levels for most of Foremost's product lines. Worldwide demand for capital equipment and spare parts in the mining, infrastructure, and water well sectors continue to be strong, with Foremost well-positioned to serve customers in these markets.

Foremost Mobile Equipment's (FME) revenue was \$33.6 million, an 11% decrease from the previous quarter's \$37.6 million. Gross margin for Q3 2023 was \$6.7 million, at 20% of revenue, a decrease from \$7.8 million and 21% in Q2 2023. Revenue in the parts segment dropped from a record high revenue in Q2, but demand in the parts segment remains robust with sales at high levels compared to historical averages. Revenue for drill sales decreased due to production slowdowns and material supply issues in the Calgary plant while revenue in the hydrovac segment remained steady. FME plants are currently operating at near full capacity levels though labour shortages are impacting throughput.

Foremost Energy Equipment (FEE) produced revenues of \$11.5 million in Q3 2023, a 12% decrease over the previous quarter, with gross margin for the quarter at \$1.2 million and 10% compared to \$2.1 million and 16% in Q2 2023. This decrease in revenue was driven by a drop in field tank, vessel and ULC fuel tank volumes as projects finished up. Some of the decrease was offset by an increase in Ag bins and shop tank revenue. Sales in the FEE business segment has increased materially year over year driven by new projects and increased spending in the Western Canadian energy sector.

The overview: key measurements for Q3 2023 compared to Q2 2023

Revenue was \$45.0 million, a decrease of 11% from the Q2 2023 revenue of \$50.6 million.

Gross margin was \$7.9 million, which represents 18% of revenue, a decrease of \$2.0 million from the previous quarter. Q2 2023 margin was 20% of revenue.

SG&A expenses were 10% of revenue. Total spend increased slightly from the second quarter to \$4.4 million compared to \$4.3 million.

EBITDA was \$4.3 million, representing 10% of revenue, a decrease of \$2.2 million over the last quarter. EBITDA for the second quarter of 2023 was \$6.5 million and 13% of revenue.

2023 outlook

For the remainder of 2023, 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 impact from these issues. Inflationary pressures on input costs and a tight labor market are expected to continue tempering the forecasted outlook for the remainder of 2023. Still, steps are being taken to proactively push inflationary impacts through to the market where conditions allow.

Kevin Johnson, President

Foremost Income Fund

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Q2 2023 VS Q2 2022 Highlights

- Revenue for the third quarter of 2023 was \$45.0 million, compared to \$42.9 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 Q3 2023 was \$7.9 million and 18% of revenue, compared to \$6.3 million and 15% of revenue in Q3 2022. More information is in the Segmented Results of Operations section of the MD&A.
- During Q3 2023, administration costs were \$4.4 million, up from the \$4.1 million incurred in the same quarter of the previous year.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$4.3 million for Q3 2023 compared to \$2.7 million in Q3 2022.
- The stated redemption price at November 23, 2023, has been increased to \$7.05 from \$6.85 at September 30, 2023.

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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