



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports Q1 2024 Results

May 10, 2024 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces its financial results for the period ended March 31, 2024.

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

Summary of Q1 2024

The Fund started 2024 with revenue of \$47.5 million in Q1, a slight increase over Q4 2023. Revenue growth in FEE was offset by a marginal decline in FME. The Fund's gross margin improved over the previous quarter as margins rose in FEE, and FME margins remained stable. Earnings before income tax, depreciation, and amortization (EBITDA) for the quarter, at \$7.0 million, was very strong, bolstered by some one-time events: collection of a recent legal judgement and insurance claim proceeds. When normalized for these events, EBITDA declined marginally over the previous quarter, this decline was due to higher administrative costs and losses booked on foreign exchange contracts. Three of the four active plants of the Fund are operating at near capacity and demand for Foremost products remains strong.

Foremost Mobile Equipment

Revenue: \$34.6 million in Q1 2024, a decrease of 4% from the previous quarter's \$36.2 million.

Gross Margin: Increased to \$6.7 million, representing 19% of revenue, up from \$6.3 million and 17% in Q4 2023.

FME experienced a softening in parts and mining tool sales due to elevated interest rates and commodity price fluctuations which slowed activity in the mining and water well markets. However, demand for water well drills and vacuum trucks remained robust, with a sold backlog extending beyond FY2024.

Foremost Energy Equipment

Revenue: \$12.9 million in Q1 2024, a significant 17% increase from the previous quarter.

Gross Margin: Improved to \$1.3 million, or 10% of revenue, up from \$0.7 million, or 6% of revenue, in Q4 2023.

The increase in FEE gross margin was due to improved sales volumes and margins in the Western Canadian energy sector, supported by steady sales and a strengthening backlog. Sentiment in the energy sector strengthened as oil prices improved and the new Transmountain pipeline filling operations began.

Summary of Key Fund Metrics for Q1 2024 Compared to Q4 2023

- **Revenue:** Increased slightly to \$47.5 million, up 1% from \$47.1 million.
- **Gross Margin:** Rose to \$8.0 million, representing 17% of revenue, an increase from 15% in the previous quarter.
- **SG&A Expenses:** Accounted for 11% of revenue, with Q1 2024 spending at \$5.0 million compared to \$4.5 million in Q4 2023.
- **EBITDA:** Significantly increased to \$7.0 million, representing 15% of revenue from \$4.4 million, or 9% of revenue, in Q4 2023.
- **Adjusted EBITDA** (*refer to page 13 of MD&A for definition): After removing the one-time income items discussed above, the adjusted EBITDA dropped from \$4.4 million in Q4 2023 to \$3.8 million in Q1 2024.



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2024 Outlook

Foremost continues to navigate macroeconomic and supply chain challenges, including the global impacts of the Ukraine war and other instabilities. However, these factors are believed to be subsiding. Operations and supply chain teams are proactively working to mitigate these impacts. Inflationary pressures on input costs and a tight labor market are expected to continue, but steps are being taken to pass these inflationary impacts through to the market where possible. Management is focused on monitoring changing market conditions to increase the resilience of the Fund's revenue and profit performance.

Kevin Johnson, President

Q1 2024 VS Q1 2023 Highlights

- Revenue for the first quarter of 2024 was \$47.5 million, compared to \$45.3 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 Q1 2024 was \$8.0 million and 17% of revenue, compared to \$7.2 million and 16% of revenue in Q1 2023. More information is in the Segmented Results of Operations section of the MD&A.
- Administration costs were \$5.0 million in Q1 2024, up from \$4.3 million incurred in the same quarter of the previous year. The increase was due to increased personnel spending and legal fees. Additionally, there was an increase in spending on IT infrastructure.
- The Fund received a payment as part of a legal judgement in the amount of \$1.6 million, which was included in other income for the quarter. There was also a \$1.9 million insurance claim included in other income, which relates to the fire that occurred back in August 2022 at the Calgary facility.
- Adjusted EBITDA (defined on page 13 of the MD&A) was \$3.8 million for Q1 2024 compared to \$4.1 million in Q1 2023. Note that the one-time items have been removed for purposes of Adjusted EBITDA.
- During the first quarter of 2024, the Fund paid an annual distribution of \$8.9 million related to the Fund's 2023 taxable income. A redemption of Trust Units for a cash payment of \$14.0 million was also processed.
- The stated redemption price at May 9, 2024, increased to \$7.35 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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