



News Release

Foremost Income Fund...for Immediate Release

Foremost Income Fund Reports Q2 2024 Results

August 15, 2024 – Calgary, Alberta – Foremost Income Fund ("Foremost" or the "Fund") announces its financial results for the period ended June 30, 2024.

Overview

The Fund is an unincorporated open end mutual fund trust conducting its business through three operating segments, FEE, 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 Q2 2024

The Fund closed the second quarter of 2024 with a revenue of \$54.6 million, marking a \$7.2 million increase over Q1 2024. Revenue growth was recorded in both Foremost Energy Equipment (FEE) and Foremost Mobile Equipment (FME). The Fund's gross margin improved over the previous quarter as margins strengthened in both FEE and FME. Earnings before income tax, depreciation, and amortization (EBITDA) for the quarter was \$7.0 million, bolstered by \$0.3 million of insurance proceeds. When normalized for this, EBITDA increased by \$3.0 million over the previous quarter's figure of \$3.8 million. The Fund's robust bottom-line performance was driven by higher margins and lower administrative costs. Three of Foremost's four operating plants are running at near capacity, with strong demand for Foremost products.

Foremost Mobile Equipment

Revenue: \$39.5 million in Q2 2024, a 14% increase from the previous quarter's \$34.7 million.

Gross Margin: \$8.5 million, representing 21% of revenue, up from \$6.7 million and 19% in Q1 2024.

FME Q2 revenue increased from Q1, with strong demand for vacuum trucks, water well drills, and parts. Capital spending in the infrastructure market segments supported continued strong sales of vacuum trucks in the US and Canada. Operational efficiencies in the Stettler plant increased production capacity, helping deliver 65 trucks in the quarter, the highest quarterly production level since the introduction of the vacuum truck product line. The Calgary plant maintained a strong capital sales backlog exceeding 18 months, supported by spending in the infrastructure, mining and water well sectors in North and South America.

Foremost Energy Equipment

Revenue: \$15.3 million in Q2 2024, a significant 18% increase from the previous quarter.

Gross Margin: Improved to \$2.0 million, or 13% of revenue, up from \$1.3 million, or 10% of revenue, in Q1 2024.

FEE recorded good revenue growth as product lines have seen increasing demand over the last 12 months. This is due to rising activity in the Peace River region (Montney formation), driving orders for shop tanks for facilities. Additionally, the Lloydminster plant is generating higher revenues from pressure vessel and shop tank work as a large order for petrochemical pressure vessels progresses through the plant.

Summary of Key Fund Metrics for Q2 2024 Compared to Q1 2024

- **Revenue:** Increased to \$54.6 million, a 15% increase from \$47.5 million.
- **Gross Margin:** \$10.5 million, representing 19% of revenue, an increase from 17% of revenue in the previous quarter.
- **SG&A Expenses:** Accounted for 9% of revenue, with Q2 2024 spending at \$4.9 million compared to \$5.0 million in Q1 2024.
- **EBITDA:** Remained consistent at \$7.0 million, representing 13% of revenue down from 15% of revenue, in Q1 2024.
- **Adjusted EBITDA** (*refer to page 13 of the Fund's MD&A): After removing one-time income items related to insurance proceeds and the collection of a legal judgement, the adjusted EBITDA increased from \$3.8 million in Q1 2024 to \$6.7 million in Q2 2024.

2024 Outlook

Most of the factors that caused instability in business operations over the past few years, such as supply chain disruptions and input cost uncertainties, have now stabilized. Management remains focused on monitoring evolving market conditions to strengthen the Fund's revenue and profit performance.

Kevin Johnson, President

Q2 2024 VS Q2 2023 Highlights

- Revenue for the second quarter of 2024 was \$54.6 million, compared to \$50.6 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 2024 was \$10.5 million and 19% of revenue, compared to \$9.9 million and 20% of revenue in Q2 2023. More information is in the Segmented Results of Operations section of the MD&A.
- Administration costs were \$4.9 million in Q2 2024, up from \$4.3 million incurred in the same quarter of the previous year. Most of this increase was due to personnel spending. Additionally, because of a change in capital asset policy, IT infrastructure expense increased as this equipment no longer meets the capital threshold and is therefore expensed.
- The Fund received a payment in the amount of \$0.3 million as part of an insurance claim included in other income, which relates to the fires that occurred in August 2022 at the Calgary facility and in March 2024 at the Lloydminster facility.
- Adjusted EBITDA (defined on page 13 of the Fund's MD&A) was \$6.6 million for Q2 2024 compared to \$6.5 million in Q2 2023. Note that the one-time items have been removed for purposes of adjusted EBITDA.
- The stated redemption price on August 15, 2024, increased to \$7.70 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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