



2023 ANNUAL REPORT

A PRIVATE EQUITY INVESTMENT MANAGEMENT COMPANY

CURRENT FUNDS UNDER MANAGEMENT



PFM Capital Inc. was established to provide a home grown solution to the lack of capital available for Saskatchewan businesses, aiming to provide companies with the resources required to execute their strategic goals while adding long-term value to the benefit of all stakeholders.

We hold all of our partners and investees in the highest regard and personally invest in all of the funds that we manage. We make it a point to align our interests with those of our partners and are committed to building long-term mutually-beneficial relationships.

Randy Beattie

Founding Partner, President

PATIENCE IN A CAUTIOUS MARKET

► April 4, 2024

Our patience and dedication to our established investment methods will continue to guide us.

2023 was a year characterized by cautious optimism in the private markets, marked by a strategic approach to investment seen throughout Canada.

The sentiment of caution seen throughout the second half of 2022 carried over into 2023, with the total private equity deal count and dollars placed in Canada down over 30% according to Canadian Venture Capital Association data. Market participants continue to be patient amid higher cost of capital, reduced access to debt financing and lower economic growth projections. However, PFM continues to approach capital placement opportunities with the patience and conviction cultivated through over three decades of experience.

The slowdown in investments throughout the country was felt within PFM as well, with fiscal 2023 being a quiet year for placement activity. Targeted investments were made in companies that we believe offer strong sustainable risk adjusted returns including Woodland Development Corp. (\$20 million – Energy) and Caltex Trilogy (\$2.5 million – Energy). Despite a year of lower placement activity, we continue to see elevated levels of deal flow, with over \$800 million in deals reviewed during 2023 across a diverse mix of sectors and geographies. We believe that placement activity will increase as buyer and seller expectations begin to converge in 2024 and remain confident in the portfolio of companies we continue to support.

Apex IV Investment Fund LP saw its successful final close in 2023, with over \$135M in committed capital despite a challenging fundraising environment. We are pleased to welcome many new LPs and are grateful for the continued support of many long-term LPs. 2023 brought PFM's partnership with the Manitoba First

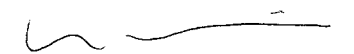
Fund, who committed \$15M to Apex IV Investment Fund LP for Manitoba based businesses. PFM opened a Winnipeg office to support this partnership and to strengthen our relationships with the current portfolio companies based in Manitoba.

This past year brought with it a complex set of challenges in the investment environment. Higher interest rates and continuously changing cost structures remain a theme across many industries. Despite challenges, our confidence in our portfolio and belief in our investment process is consistent, and our focus on stable long-term capital appreciation remains steadfast. PFM looks ahead to 2024 with optimism, a year in which we will work towards successful liquidity events across our funds, rewarding our investors for entrusting us with their capital.

We thank you for the support you have given PFM in 2023. To our Limited Partners, we thank you for trusting our approach to capital placement and to invest on your behalf. To our portfolio companies, we look forward to continuing to cultivate our relationships and to grow with you in the coming years.



Randy Beattie
Founding Partner, President



Rob Duguid
Founding Partner, Chief Executive Officer

OUR STRATEGY

PFM Capital invests in mid-market businesses, with the objective of achieving long-term capital appreciation.

By strategically focusing on both yield and growth, we are able to structure our investments in a way that suits both our investors and our portfolio companies. We use a broad range of securities, from common equity to subordinated debt, which ensures that our investees are able to grow and execute on their business plan without ever impeding the balance sheet.

Our Typical Investment

At PFM we are able to structure our transactions using a variety of instruments and ownership stakes to match the needs of our investee companies. While our flexibility allows us to invest in a wide range of companies and industries, our business partners typically exhibit the following attributes:

- ▶ Well-aligned, experienced management teams,
- ▶ Market segments with growth potential,
- ▶ 5-8 year investment timeframe,
- ▶ A clear identifiable exit opportunity,
- ▶ EBITDA of \$3 – \$10 MM and/or enterprise value of \$15 – 75 MM.

If a company matches our investment criteria, we would typically invest \$5 – \$25 MM in a single financing. We will invest more or less than our typical transaction amount depending on the circumstances of the particular investment opportunity.



APEX SERIES

The Apex Series of Funds offer institutional and accredited investors exposure to a professionally managed, diversified portfolio of private companies. Building on the success of Apex Investment Fund Limited Partnership, Apex II and Apex III, Apex IV targets mature companies with established operations that can provide high growth and/or yield potential across different sectors. Sector exposure includes, but is not limited to the following:

- ▶ Industrials & Manufacturing
- ▶ Consumer Discretionary & Staples
- ▶ Energy Production & Midstream
- ▶ Ag Products & Services





FUND STATISTICS*

Total value invested at cost since inception

\$10,000,000

Total number of Investees since inception

1

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION

Energy (E&P)
100%



*as at December 31, 2023



Apex IV Investment Fund provides institutional and accredited investors with access to participate in equity, near-equity or subordinated debt investments in mid-market private Western Canadian based companies that offer the potential for substantial capital appreciation or income generation. Apex IV is the fourth iteration of PFM's diverse private equity fund.

APEX IV HIGHLIGHT – WOODLAND DEVELOPMENT CORP.

Woodland Development Corp. became a portfolio company in March 2023, when Funds managed by PFM were lead investors in a syndicated financing arrangement. The financing was completed to fund an asset acquisition in SE Saskatchewan from an intermediate oil and gas producer. They have an enviable management team with extensive experience throughout southeast Saskatchewan and beyond. The Fund Manager believes the investment offers a good risk-adjusted return based on the strength of the management team, attractive entry price, and industry and asset fundamentals.



Apex IV completed its final close on December 22, 2023 with total committed capital of \$136.3 million. Apex IV has maintained consistency with Apex I, II and III's mid-market investment philosophy. Information above includes Apex IV Limited Partnership (LP I) and Apex IV Limited Partnership II (Apex IV LP II). When consolidated, the information will reference 'Total Fund Statistics'.



FUND STATISTICS*

Total value invested at cost since inception

\$95,190,484

Total number of Investees since inception

11

Value of remaining investments at cost

\$81,027,900

Total number of remaining Investees

9

Cash Returned to Limited Partners

\$12,461,876

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION

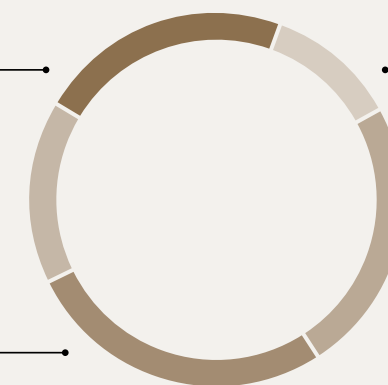
Consumer Discretionary
22.19%

Consumer Staples
15.76%

Industrials
26.84%

Energy (E&P)
11.19%

Energy (Services & Midstream)
24.03%



*as at December 31, 2023

APEX III HIGHLIGHT – SEXTON FAMILY OF COMPANIES

Founded in 1967 in Regina, Saskatchewan, Sexton Family of Companies offers an integrated distribution, buying and transportation platform in the building materials industry across its five business lines: Sexton Group, Kenroc Building Materials, Builders Choice, Sexton Transport and Tage Davidsen. With headquarters in Winnipeg, Manitoba, the SFOC is widely recognized for its innovative and consumer-centric approach, as well as its unwavering commitment to quality.



Apex III Investment Fund provides institutional and accredited investors with access to participate in equity, near-equity or subordinated debt investments in mid-market private Western Canadian based companies that offer the potential for substantial capital appreciation or income generation. Apex III is the third iteration of PFM’s diversified private equity fund.



All-Fab Group designs, manufacturers and distributes structural wood building components for residential, commercial and agricultural applications as well as ready-to-move homes and buildings in Canada and the United States. The company operates under five brands: All-Fab, Olympic, Nu-Fab, Pacific and Littfin, with manufacturing facilities in Canada and the United States.



Astara Energy Corp. is comprised of the same senior management team from Astra Oil Corp. which was one of few private E&P companies to generate a positive MOIC from 2014 - 2021. Astara was capitalized in 2022 and consolidated a number of assets in Central and East Central Alberta.



Bone & Biscuit Co. Holdings Inc. is the franchisor of 59 retail boutique pet stores located across Canada. Based out of Kelowna, BC, the Company also owns and operates five corporate locations, three in Fort McMurray and two in Grand Prairie.



Caltex Trilogi is a private E&P company that commenced operations in August 2022 and completed its first external raise in August 2023. The company has raised over \$80 million since inception and its assets are concentrated near Lindbergh in NE Alberta. Caltex Trilogi is comprised of the same management team from Caltex Resources which was sold to Strathcona in 2021 for \$561 million and a blended ~3.0x MOIC for funds managed by PFM.



Lift Auto Group is a platform company for the purpose of consolidating collision repair shops within Canada. Operating in the collision repair industry, Lift provides repair related services including replacement parts and paint services. Based out of Kelowna, BC, the Company currently has 46 locations across BC, AB, SK and ON.



Founded in 1967 and based in Regina, SFOC offers an integrated distribution, buying and transportation platform in the building materials industry across its five business lines: Sexton Group, Kenroc Building Materials, Builders Choice, Sexton Transport and Tage Davidsen.



Spur Petroleum Ltd. is a private oil & gas company focused on the development, exploration and acquisition of oil & gas properties in central Alberta (Clearwater Medium Fairway). Spur Petroleum has become a dominant land owner and producer in the region with a well regarded reputation for operating efficiency. The previous iteration, Spur Resources, which was sold to Tamarack Valley in January 2017, was one of few producers to generate strong returns during the downturn and achieve a successful liquidity event.



Steel Reef is a privately held Calgary-based midstream company. They are focused on the business of gathering, processing, transporting and storing oil, natural gas and other associated products in the Western Canadian Sedimentary Basin and Bakken resource play. Their asset base and expertise provide customers with a vertically integrated infrastructure offering and generates superior returns for shareholders.



Founded in 2008, Surface Hair develops and sells a complete portfolio of high-performance hair care products for salons and stylists. Surface Hair carries over 200 products, comprised of shampoo and conditioner, styling products, oil treatment and colouring products. Inspired by salon owner and international hair stylist Wayne Grund, Surface was founded on the principle of respecting personal health and the Earth. Surface Hair offers a culture of education, guest service and technical expertise.

Apex III completed its final close on November 1, 2019 with total committed capital of \$103.4 million. Apex III has maintained consistency with Apex I and Apex II’s mid-market investment philosophy. As at December 31, 2023, 100% of the total committed capital has been placed.

APEX II PARTIAL EXIT HIGHLIGHT – SPUR PETROLEUM LTD.

Spur Petroleum Ltd. Is a private oil & gas company focused on the development, exploration, and acquisition of oil & gas properties in central Alberta (Clearwater Medium Fairway). Spur Petroleum has become a dominant landowner and a producer in the region with a well-regarded reputation for capital efficiency. From capital raises totalling \$80 million, Spur has grown its production base from 600 boe/d at inception to 42,000 boe/d and has an implied market cap of \$3.5 billion at the time of writing. This growth and efficiency are unparalleled in the WCSB. The previous iteration of this management team, Supr Resources, which was sold to Tamarack Valley in January 2017, was one of few producers to generate strong returns during the downturn and achieve a successful liquidity event

Apex II partially liquidated its position in Spur Petroleum in 2023 in the secondary market. Including dividends, share sales and current carrying value, Spur has generated a MOIC of > 14.0x and an XIRR > 50%. Dividends and share sales have resulted in a realized MOIC of 9.6x.

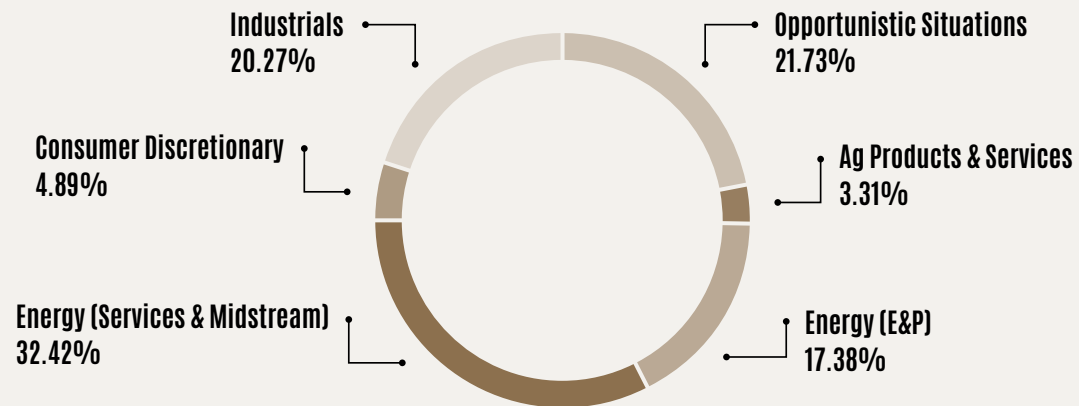




FUND STATISTICS*

Total value invested at cost since inception	Total number of Investees since inception	Value of remaining investments at cost	Total number of remaining Investees	Cash Returned to Limited Partners
\$93,641,114	21	\$61,101,993	15	\$75,158,231

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION



*as at December 31, 2023

APEX II HIGHLIGHT – STEEL REEF INFRASTRUCTURE CORP.

Steel Reef is a privately held Calgary-based midstream company. They are focused on the business of gathering, processing, transporting and storing oil, natural gas and other associated products in the Western Canadian Sedimentary Basin and Bakken resource play. Their asset base and expertise provide customers with a vertically integrated infrastructure offering and generates superior returns for shareholders.



Building on the success of Apex Investment Fund Limited Partnership, Apex II targets mature companies with established operations that can provide high growth and/or yield potential in the energy, value-added agriculture, real estate, consumer discretionary, industrials and manufacturing sectors.



All-Fab Group designs, manufacturers and distributes structural wood building components for residential, commercial and agricultural applications as well as ready-to-move homes and buildings in Canada and the United States. The company operates under five brands: All-Fab, Olympic, Nu-Fab, Pacific and Littfin, with manufacturing facilities in Canada and the United States.



Aureus Energy Services provides water management services across North America. They provide technical solutions throughout the life cycle of water management which are designed to lower emissions, conserve water and create cost saving for clients.



Burgess Creek is a junior oil and natural gas exploration company that primarily focuses on lower risk conventional drilling prospects. The Burgess Creek management team has generated strong returns in two prior companies across a variety of commodity cycles. The company raised capital for the start-up and growth of a Southeastern Saskatchewan focused E&P company.



CORE Linepipe is a manufacturing and service company that specializes in the development, manufacturing and installation of a proprietary corrosion resistant pipeline system. CORE developed and manufactures a liner which is inserted into conventional steel pipe, and developed and manufactures a mechanical pipe joining system.

FOUNDATION DEVELOPMENTS

Foundation Developments consists of a portfolio of four commercial buildings with a total of 159,111 square feet of office space in Regina, Saskatchewan. The buildings have a low vacancy rate, are secured with long-term leases by high-quality tenants, and were purchased opportunistically.



Hi-Tec Profiles LP is a Regina-based still processing company with an additional location in Saskatoon. Hi-Tec was established in 1995 and provides steel cutting, bending and materials used in the production of agricultural equipment, mining equipment, electrical transformers and numerous miscellaneous items.



Harbour Landing Village is a greenfield senior housing development located in south Regina. The offering consists of independent, assisted and supportive senior living as well as childcare services. Additional amenities include an onsite restaurant and coffee shop open to the public, home care services, wellness activities and social events.



Karve Energy is an E&P company operating in east central Alberta that Apex II initially gained exposure to in July 2014 through an equity raise. The company was recapitalized in June 2016 when a new management team was brought in.



The Parkside Townhomes investment was used for the development and construction of 80 townhouse rental units in the Evergreen subdivision of Saskatoon with Innovative Residential Inc.



Prairie Soil Services provides a variety of value-added services to farming operations in the Yorkton/Canora area, working alongside producers to streamline their input purchases and establish efficiencies in accounting and seeding processes.



Spur Petroleum Ltd. is a private oil & gas company focused on the development, exploration and acquisition of oil & gas properties in central Alberta (Clearwater Medium Fairway). Spur Petroleum has become a dominant land owner and producer in the region with a well regarded reputation for operating efficiency. The previous iteration, Spur Resources, which was sold to Tamarack Valley in January 2017, was one of few producers to generate strong returns during the downturn and achieve a successful liquidity event.



Steel Reef is a privately held Calgary-based midstream company. They are focused on the business of gathering, processing, transporting and storing oil, natural gas and other associated products in the Western Canadian Sedimentary Basin and Bakken resource play. Their asset base and expertise provide customers with a vertically integrated infrastructure offering and generates superior returns for shareholders.



Founded in 2004 and based in Saskatoon, Saskatchewan, with satellite offices in Whitby, Ontario; Vancouver, British Columbia; Paducah, Kentucky; Chester, England; and New Delhi, India, TAM is a global freight forwarder focused on providing a full scope of logistics solutions for Class 7 and other specialized material around the world.



Urban Heights was established for the development and construction of 62 townhouse rental units in the Evergreen subdivision of Saskatoon with Innovative Residential Inc.



WindRiver's focus is on developing and operating commercial wind power generation and run-of-river hydro generation projects. WindRiver is currently developing projects in Alberta and British Columbia and is committed to the communities that host the generation facilities.

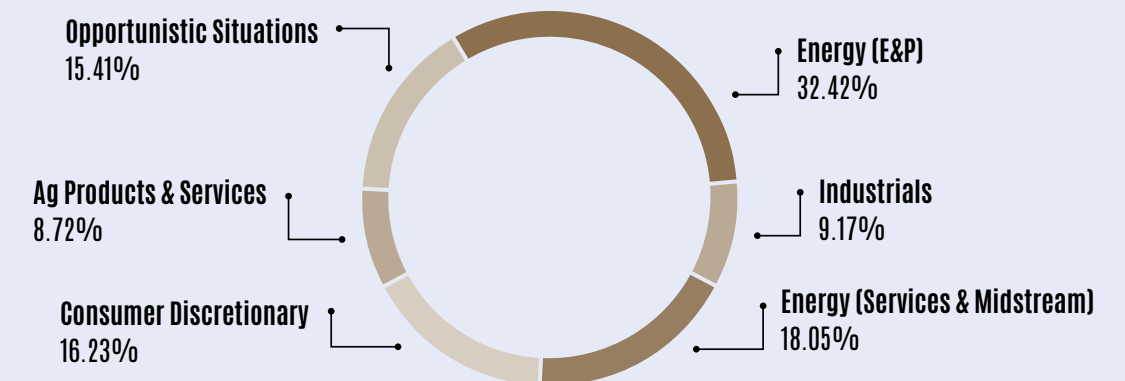
Apex II completed its final close on June 19, 2014 with total committed capital of \$88 million. The fund was fully drawn as at June 30, 2019 and has successfully exited 6 of 21 investees as of December 31, 2023.



FUND STATISTICS*

Total value invested at cost since inception	Total number of Investees since inception	Value of remaining investments at cost	Total number of remaining Investees	Cash Returned to Limited Partners
\$91,438,413	34	\$2,507,991	1	\$180,074,751

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION



*as at December 31, 2023



Apex is the first iteration of PFM's diversified private equity fund. A non-brokered raise in 2007 resulted in committed capital of \$95.3 million. The Apex Investment Fund has been fully drawn as at December 31, 2015 and to date, Apex has successfully exited 33 of 34 Investees.



Avalon Oil and Gas is a heavy oil-focused exploration and production company with operations in the Lloydminster area. Avalon's principals have extensive sector-specific experience and have created value for shareholders through their two previous entities.

OUR RESULTS

AS AT DECEMBER 31, 2023, PFM HAD:

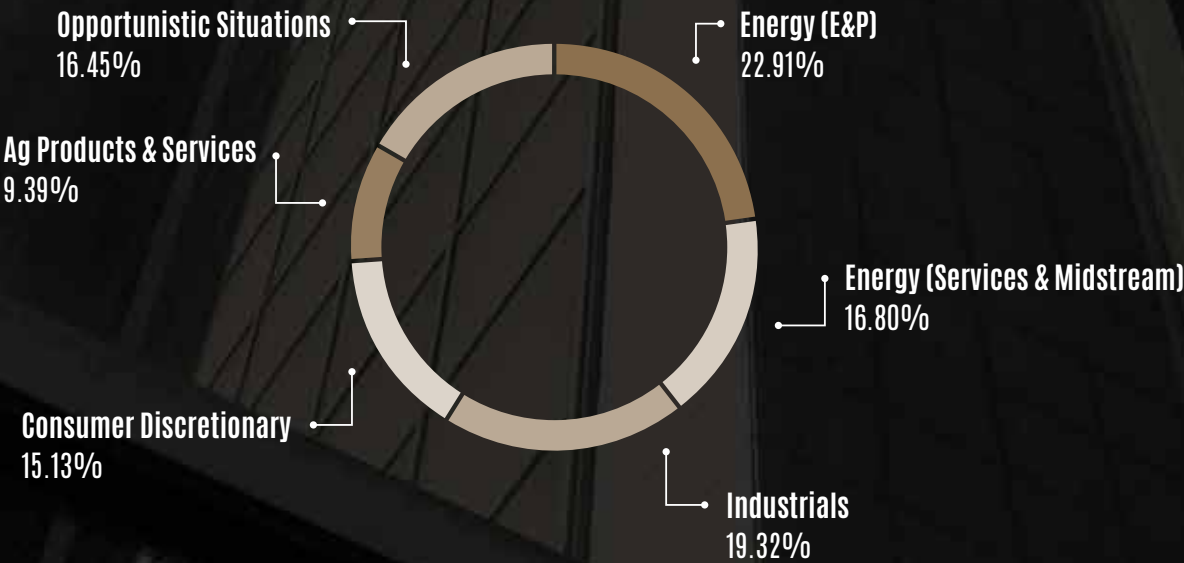
Raised more than
\$1,201 million
of capital

Invested
\$1,143 million
in 143 portfolio companies

Realized an aggregate
2.3x MOIC
on exited investments

OUR ACTIVITY

MOIC: Multiple on Invested Capital
PFM disbursed since inception (as at December 31, 2023)



OUR TEAM

PFM Capital Inc. is an employee-owned investment firm. Founded in 1989 as a corporate finance company, PFM has been managing private equity and venture capital funds since 1993. With more than 15 years of experience each and 12+ years of working together in Private Equity fund management, our senior management team has been active in our network for years and has experience in all major industries that drive growth in the prairies.



Randy Beattie
Founding Partner,
President



Rob Duguid
Founding Partner,
Chief Executive Officer



Jeff Linner
Partner, Chief
Investment Officer



Johanna Salloum
Partner, Senior
Director – Investments



Jason Moser
Partner, Senior
Director – Investments



Janice Brunas
Chief Financial Officer



Shayne Barrie
Director - Investments



Ghalib Hemnani
Director - Investments



Dilan Elgert
Investment Associate



Noah Picton
Compliance &
Investment Analyst



Anthony Hinzmann
Investment Analyst



Julia Frain
Investment Associate

OUR TEAM

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