



2022

ANNUAL
REPORT

A PRIVATE EQUITY INVESTMENT MANAGEMENT COMPANY

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

CURRENT FUNDS UNDER MANAGEMENT



CONVICTION THROUGH UNCERTAINTY

April 5, 2023

Commitment to our proven approach will continue to guide us through future challenges.

2022 was a historic year for PFM and remained an active year for private equity in Canada, characterized by growth, ingenuity, and resiliency.

Much of the momentum from a strong 2021 carried over into the first half of 2022, with deal origination above pre-pandemic averages. However, sentiment turned cautious in the second half of 2022 in the wake of rising inflationary pressures, increasing interest rates, and continued geopolitical uncertainty. PFM remains steadfast in our investment approach and will place capital with conviction when the right opportunities present themselves.

PFM's most recent fiscal year was highlighted by record capital placement and strong liquidity events. Across all funds managed by PFM, we were able to place over \$115M in 2022, with transactions representing a diversified mix of investment activity. This amount included notable new investments in Surface Hair (\$21.0M – Consumer Discretionary), Hunterwood Technologies (\$5.2M – Ag Products & Services), Astara Energy Corporation (\$7.0M – Energy) and closing the year with the largest investment in PFM's history, Sexton Family of Companies (\$54.0M – Industrials). Placement activity in 2022 did not compromise our conservative investment philosophy, as we continue to back companies with experienced management teams and strong underlying fundamentals. Strong deal flow persists throughout Western Canada, and we expect to continue prudent placement of capital throughout the upcoming year in companies and management teams that can withstand economic volatility.

Apex III Investment Fund LP has seen its 5-year commitment period accelerated given the activity in the market, closing the year with 93.9% of committed capital being called by fiscal year end. Given this pace, PFM began fundraising for Apex IV prior to year-end. By virtue of our

strong relationships with new and existing LPs, Apex IV Investment Fund LP posted a successful first close in December of this fiscal year of \$85 million in commitments. Final closing is expected in the summer months.

The past twelve months have brought challenges along with opportunity, and we anticipate a continuation of this in 2023. Managing higher interest rates, higher cost structures, and most recently, macro-economic uncertainty is front of mind. Throughout these hurdles the strength of our partners and the resiliency of our portfolio remain resolute. Our strategic focus on stable long-term capital appreciation, the foundation of our firm, remains unwavering.

2022 was a record-breaking year for PFM. The strongest year of capital placement, coupled with the largest investment in our history. Despite some of the challenges in the broader economy, we look ahead, confidently, to what we see as another encouraging year in 2023. A year in which we plan to have a successful final close of Apex IV Investment Fund LP and work diligently to generate liquidity events for our existing Apex funds.

We thank you for the support you have given PFM in 2022. To our Limited Partners, we thank you for entrusting us with your capital and providing us the opportunity 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 \$2 – \$10 MM and/or enterprise value of \$10 – \$50 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

\$125,646,000

Total number of Investees since inception

10

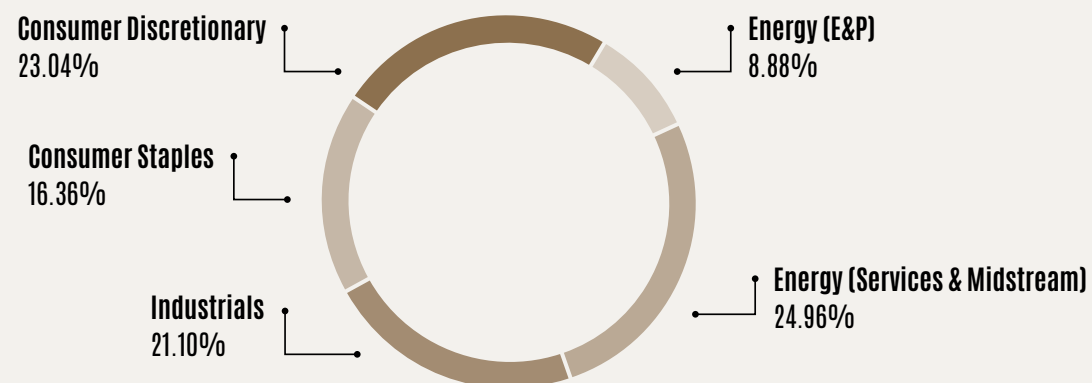
Value of remaining investments at cost

\$91,081,120

Total number of remaining Investees

10

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION



*as at December 31, 2022

APEX II EXIT HIGHLIGHT – SPUR PETROLEUM (PARTIAL EXIT)

Spur Petroleum is a prominent player in the oil and gas industry, specializing in the exploration, development, and acquisition of oil and gas properties in central Alberta's Clearwater Medium Fairway. The Clearwater is amongst the fastest growing plays in the Western Canadian Sedimentary Basin and is consistently ranked as one of, if not the most economic oil plays in North America. With a well-respected reputation for operating efficiency, Spur Petroleum has established itself as a leading producer in the region, boasting a significant land ownership and production portfolio. From a modest initial financing in 2017, Spur Petroleum is now one of the most valuable private Canadian energy companies. Prior to Spur Petroleum, the management team had a track record of generating strong returns, with the previous iteration, Spur Resources, being sold to Tamarack Valley in 2017 generating a positive return during challenging market conditions.

Recently, Apex II Investment Fund announced its exit from Spur Petroleum, having sold 50% of its position for a MOIC (Multiple on Invested Capital) of 12.4x and an XIRR (Internal Rate of Return) of approximately 57%. This successful exit serves as a testament to Spur Petroleum's strong performance, potential for growth, and resilient business plan.



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, manufactures 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 over 55 retail boutique pet stores located across Canada. Based out of Kelowna, BC, the Company also owns and operates four corporate locations, two in Fort McMurray and two in Grand Prairie.



Certarus Ltd. is a privately held Calgary-based provider of integrated compressed natural gas ("CNG") services to North American commercial, industrial and energy markets. Certarus has demonstrated the ability to successfully displace diesel and propane projects by offering a more cost effective and environmentally sustainable solution.



Established in 1994 in Cochrane, Alberta, Hunterwood is the original and preeminent player in the hay compression industry. Hunterwood designs, fabricates, and manufactures equipment to compress baled and loose hay into mid to high density bales. Hunterwood hay presses are designed for export and domestic processors to optimize the storage and transportation of forages.



Lift Auto Group is a Kelowna-based consolidator of automotive collision repair centres across Canada. The Company currently has 24 locations across British Columbia, Alberta, Saskatchewan, and Ontario. Lift is well-positioned to become a leading player in a highly fragmented industry and Apex III's investment will help accelerate the company's growth by providing the financing for future acquisitions.



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, 2022, approximately 94% of the total committed capital has been placed.

APEX III INVESTEE HIGHLIGHT – HUNTERWOOD TECHNOLOGIES INC.

Hunterwood Technologies Inc. is a leading industrial fabrication and agricultural equipment manufacturer with over 25 years of experience in the hay compression industry. Established in 1994 in Cochrane, Alberta, Hunterwood is recognized as the original and preeminent player in this industry, providing innovative and reliable equipment to clients around the world.

Hunterwood's automated hay compression systems are designed to compress baled and loose hay into mid to high density bales, optimizing the storage and transportation of forages for domestic and export processors. The company's state-of-the-art technology and innovative designs have helped reduce transportation costs while preserving the quality of the hay.

Hunterwood has a proven track record of delivering mission-critical equipment to clients facing high-capacity compression challenges. With a commitment to quality, reliability, and innovation, the company has succeeded in providing clients with optimal custom solutions that achieve production targets and generate clear competitive advantages.

In the summer of 2022, Apex III acquired an equity interest in Hunterwood, helping set up the company with the necessary resources to continue innovating and expanding its operations. With a focus on quality guarantee, superior service and technical support, and advantageous proximity, Hunterwood Technologies is poised to maintain its position as a market leader in the hay compression industry for years to come.



Total value invested at cost since inception

\$93,641,114

Total number of Investees since inception

27

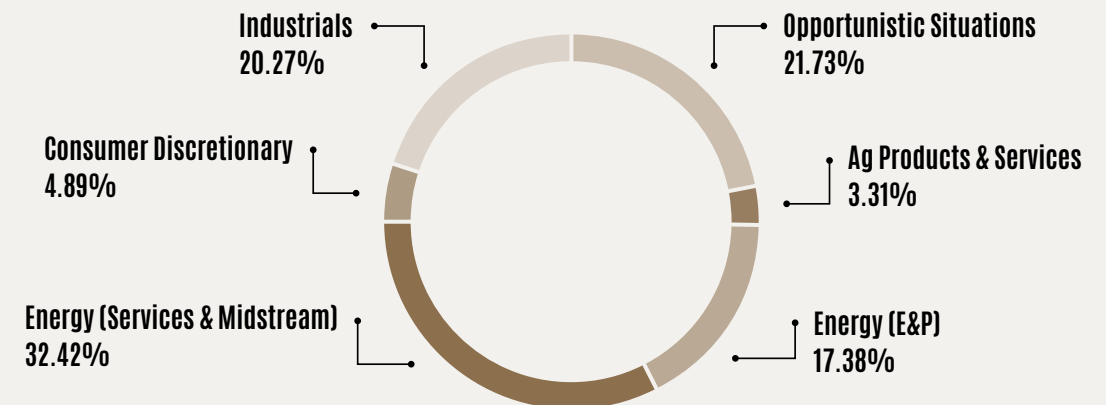
Value of remaining investments at cost

\$70,788,023

Total number of remaining Investees

21

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION



*as at December 31, 2022

APEX II EXIT HIGHLIGHT – CERTARUS LTD. (EXIT)

Certarus is the North American leader in providing low carbon energy solutions through a fully integrated compressed natural gas, RNG and hydrogen platform. Certarus safely delivers clean burning fuels to energy, utility, agricultural and industrial customers not connected to a pipeline.

Ceratus' entire fleet is completely interchangeable between compressed natural gas (CNG) and renewable natural gas (RNG), resulting in no additional capital requirements to transport RNG from a production facility to a sales pipeline. RNG can have carbon intensity ranging from half that of conventional natural gas, to negative in the case of some agricultural projects.

In December of 2022 it was announced that Certarus is being acquired by Superior Plus Corp for \$1.05B. This acquisition will represent a successful exit for PFM in both Apex II and Apex III Investment Funds. The transaction is expected to close in Q3 2023.



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.



Certarus is the North American leader in providing low carbon energy solutions through a fully integrated compressed natural gas, RNG and hydrogen platform. Certarus safely delivers clean burning fuels to energy, utility, agricultural and industrial customers not connected to a pipeline. By displacing more carbon intensive fuels, Certarus is leading the energy transition and helping customers lower operating costs and improve environmental performance.



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 27 investee companies.



FUND STATISTICS*

Total value invested at cost since inception

\$91,328,476

Total number of Investees since inception

33

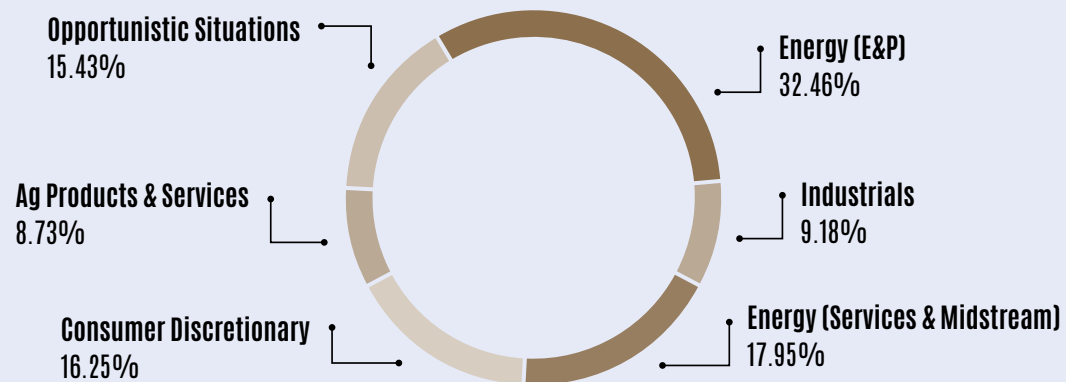
Value of remaining investments at cost

\$2,508,008

Total number of remaining Investees

2

PORTFOLIO ACTIVITY BY SECTOR AT COST SINCE INCEPTION



*as at December 31, 2022

APEX II INVESTEE HIGHLIGHT – ALL-FAB BUILDING COMPONENTS INC.

All-Fab Building Components 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. Headquartered in Winnipeg, MB, the Company operates under seven brands: All-Fab, Olympic, Nu-Fab, Pacific, Alliance, Tamlin and Littfin.

Since being acquired by PFM Capital in 2018, All-Fab Building Components has executed on a growth strategy that has seen the company expand its operations significantly. The Company has added new locations in Minnesota and British Columbia, while Olympic Homes has expanded its operations from Manitoba to Saskatchewan. This expansion has been accompanied by considerable growth in EBITDA, reflecting the company's success in meeting the needs of its customers and the strength of its management team. All-Fab's commitment to quality, innovation, and customer service positions it well for continued growth and success in the building components industry.



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 31 of 33 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.



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.

APEX III INVESTEE HIGHLIGHT – SEXTON FAMILY OF COMPANIES

The Sexton Family of Companies is an integrated distribution, buying group and transportation business in the building materials industry. Founded by Ken Sexton in 1967, the company has grown over the years through strategic acquisitions and organic growth, expanding across Western Canada. Today, the Sexton Family of Companies is widely recognized for its innovative and customer-centric approach, as well as its unwavering commitment to quality.

The Sexton Family of Companies comprises five main businesses, each with its unique strengths and capabilities. Kenroc Building Materials is a leading supplier of construction materials, including drywall, insulation, steel studs, and ceiling systems, serving the construction sector with a focus on the Western Canada market. Tage Davidsen is a gypsum dealer, offering high-quality products and solutions to the construction industry in Calgary and the surrounding area. Builders Choice specializes in providing tools, hardware, and accessories for specialized trade contractors, complementing the products from Kenroc Building Materials and Tage Davidsen. Sexton Transport is a long-haul trucking company that provides transportation and delivery services throughout Canada to various customers in the building materials space. Finally, the Sexton Group is a buying group that arranges bulk purchases of building products for its members throughout Canada, including building materials dealers, hardware retailers, specialty dealers, and manufactured structure specialists. Together, these businesses form a unique and dynamic company that enables the Sexton Family of Companies to serve the needs of customers across various sectors, positioning it for continued growth and success.



OUR RESULTS

AS AT DECEMBER 31, 2022, PFM HAD:

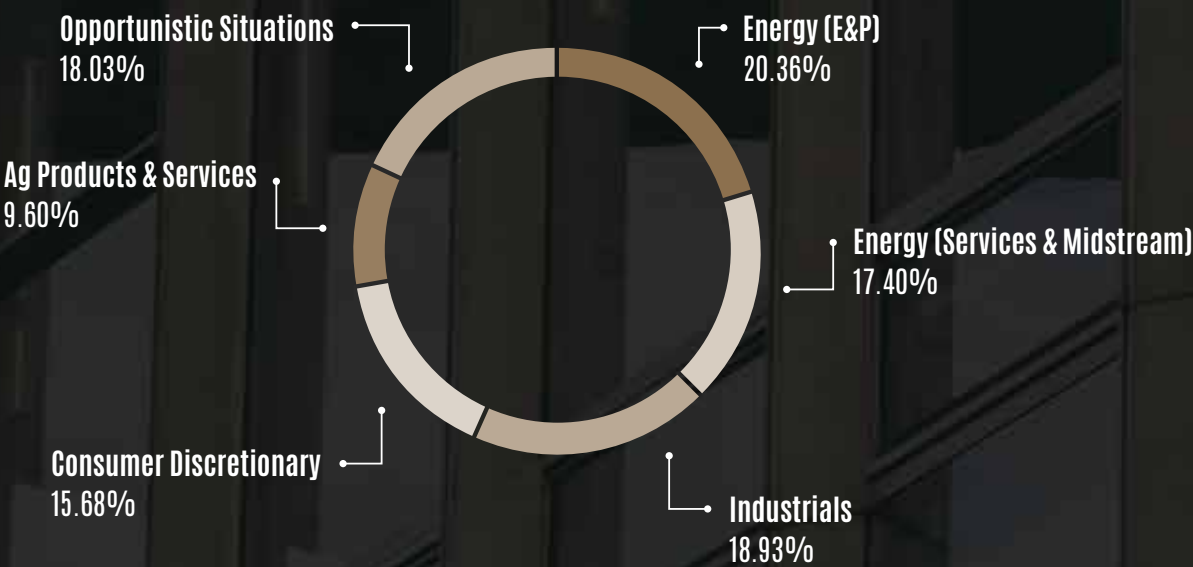
Raised more than
\$1,046 million
of capital

Invested
\$1,114 million
in 139 portfolio companies

Exited 83 companies for
\$583 million
in realized gains

OUR ACTIVITY

PFM disbursed since inception (as at December 31, 2022)



OUR TEAM



Randy Beattie
Founding Partner,
President



Rob Duguid
Founding Partner,
Chief Executive Officer



Mike Merth
Special Advisor



Jeff Linner
Partner, Chief
Investment Officer



Johanna Salloum
Partner, Senior
Director – Investments



Jason Moser
Partner, Senior
Director – Investments



Shayne Barrie
Director - Investments



Janice Brunas
Chief Financial
Officer



Ghalib Hemnani
Director - Investments



Adam Laprairie
Director - Investments



Dilan Elgert
Investment Associate



Noah Picton
Compliance &
Investment Analyst



Claire Hanson
Office Manager



Marga Bos
Controller



Austin Bentz
Investor Relations
Associate



Madison Wickenheiser
Investor Relations
Analyst

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.



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