Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Unique Fabricating, Inc.

Speculative Buy

John Nobile
April 9, 2018

UFAB $8.94 — (NYSE MKT)

	2016A	2017A	2018E	2019E
Revenues (millions)	$170.5	$175.3	$183.0	$192.0
Earnings (loss) per share	$0.68	$0.66	$0.75	$1.15

52-Week range	$12.21 – $7.05	Fiscal year ends:	December
Common shares out as of 3/2/18	9.8 million	Revenue per share (TTM)	$17.71
Approximate float	6.8 million	Price/Sales (TTM)	0.5X
Market capitalization	$87 million	Price/Sales (FY2019)E	0.5X
Tangible book value/share	$0.24	Price/Earnings (TTM)	13.5X
Price/tangible book value	37.3X	Price/Earnings (FY2019)E	7.8X
Annual dividend	$0.60	Annual dividend yield	6.7%

Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacture of multi-material foam, rubber, and plastic components. These components are utilized for reducing noise, vibration and harshness, acoustical management, water and air sealing, decorative and other functional applications.

Key investment considerations:

Reiterating our Speculative Buy rating on Unique Fabricating, Inc. and raising our twelve-month price target to $12.00 per share from $11.00 based on strong earnings growth into 2019.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, the level of automobile production in North America is projected to remain relatively flat through 2020 at approximately 17.2 million annually. However, current trends of reducing a vehicle's weight and increasing passenger comfort, and a significant amount of new business (approximately $10 million annually) that is scheduled to launch 4Q18 and ramp in 2019, should allow the company to grow sales through 2019 and beyond.

For FY18, we project 4.4% revenue growth to $183 million (prior was $188 million) and EPS of $0.75 (prior was $0.85) due primarily to a lower than originally anticipated level of production in the North American automotive industry.

For FY19, we project 4.9% revenue growth to $192 million and EPS of $1.15. Our projections should be driven primarily by the new business that was awarded in 2H17 and is expected to ramp into 2019 and improved operating leverage from 2018 plant consolidations.

UFAB reported (3/8/18) 4Q17 EPS of $0.21 on a 4.6% decrease in revenue to $41.7 million. EPS in 4Q16 was $0.17. We projected revenue of $41.4 million and EPS of $0.09.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

Reiterating our Speculative Buy rating on Unique Fabricating, Inc. and raising our twelve-month price target to $12.00 per share from $11.00 based on strong earnings growth into 2019.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, the level of automobile production in North America is projected to remain relatively flat through 2020 at approximately 17.2 million annually. However, current trends of reducing a vehicle's weight and increasing passenger comfort, and a significant amount of new business (approximately $10 million annually) that is scheduled to launch 4Q18 and ramp in 2019, should allow the company to grow sales through 2019 and beyond.

UFAB is undervalued relative to its peers (see chart below) especially when UFAB'S greater projected earnings growth rate is taken into consideration. However, the extreme product diversity of the peer group causes us to not rely too heavily on this metric. Nevertheless, we believe valuation should improve once the above average earnings growth of the company is recognized.

Company	Symbol	Price	Market Cap $M	Trailing P/E	2019 P/E	2019 EPS Growth
Gentherm	THRM	35	1,287	19.7	13.6	11.2%
Fox Factory Holding	FOXF	34.55	1,301	21.9	17.3	13.0%
Standard Motor Products	SMP	48.36	1,087	17.1	12.5	15.2%
Modine Manufacturing	MOD	20.85	1,052	14.4	11.1	20.6%
Motorcar Parts of America	MPAA	21.91	418	12.2	8.5	35.1%
Superior Industries International	SUP	14.4	360	13.8	18.7	71.1%
Tower International	TOWR	28.7	590	7.7	6.9	0.2%
Stoneridge	SRI	28.81	813	18.2	13.5	8.1%
Horizon Global	HZN	8.06	202	8.6	6.9	9.4%
Strattec Security	STRT	36.55	135	NA	NA	NA
Peer Average				**14.8**	**12.1**	**20.5%**
Unique Fabricating	**UFAB**	**8.94**	**87**	**13.5**	**7.8**	**53.3%**
Source: Taglich Brothers estimates, Thomson Reuters						

The company trades at trailing-twelve-month P/E ratio of approximately 13.5X. We applied a multiple of 13X (unchanged from our prior report) to our FY19 EPS projection of $1.15, discounted to account for execution risk, to obtain a year-ahead value of approximately $12.00 per share.

Manufacturing Facility Closures

In February 2018, UFAB announced the decision to close two of its manufacturing facilities in an effort to streamline its operations, improve efficiency, and better position its manufacturing geographically to support growth.

The company's Port Huron manufacturing facility was to close in March 2018 before its lease expired. UFAB plans to transfer the facility's scheduled production to the company's existing manufacturing facilities, including plants located in Auburn Hills, MI, Louisville, KY, and London, ON. In connection with this closure, the company expects to incur charges of approximately $50,000 - $150,000 related to severance costs, and approximately $50,000 - $150,000 related to equipment relocation, and other closing considerations. The potential costs savings related to the close are expected to exceed $200,000 annually.

In June 2018, the company expects to close its Fort Smith manufacturing facility and transfer scheduled production to the company's other existing manufacturing facilities, including plants located in Evansville, IN and Monterrey, MX. In connection with this closure, the company expects to incur charges of approximately $150,000 - $250,000 related to severance costs and approximately $400,000 - $500,000 related to equipment relocation, and other closing costs. The cost savings to be realized as a result of the closure are expected to be approximately $600,000 - $700,000 annually. Following the closure, UFAB expects to put the facility, which currently has a net book value of approximately $700,000, up for sale.

Business

Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacture of multi-material foam, rubber, and plastic components. These components are utilized to reduce noise, vibration and harshness, acoustical management, water and air sealing, decorative and other functional applications.

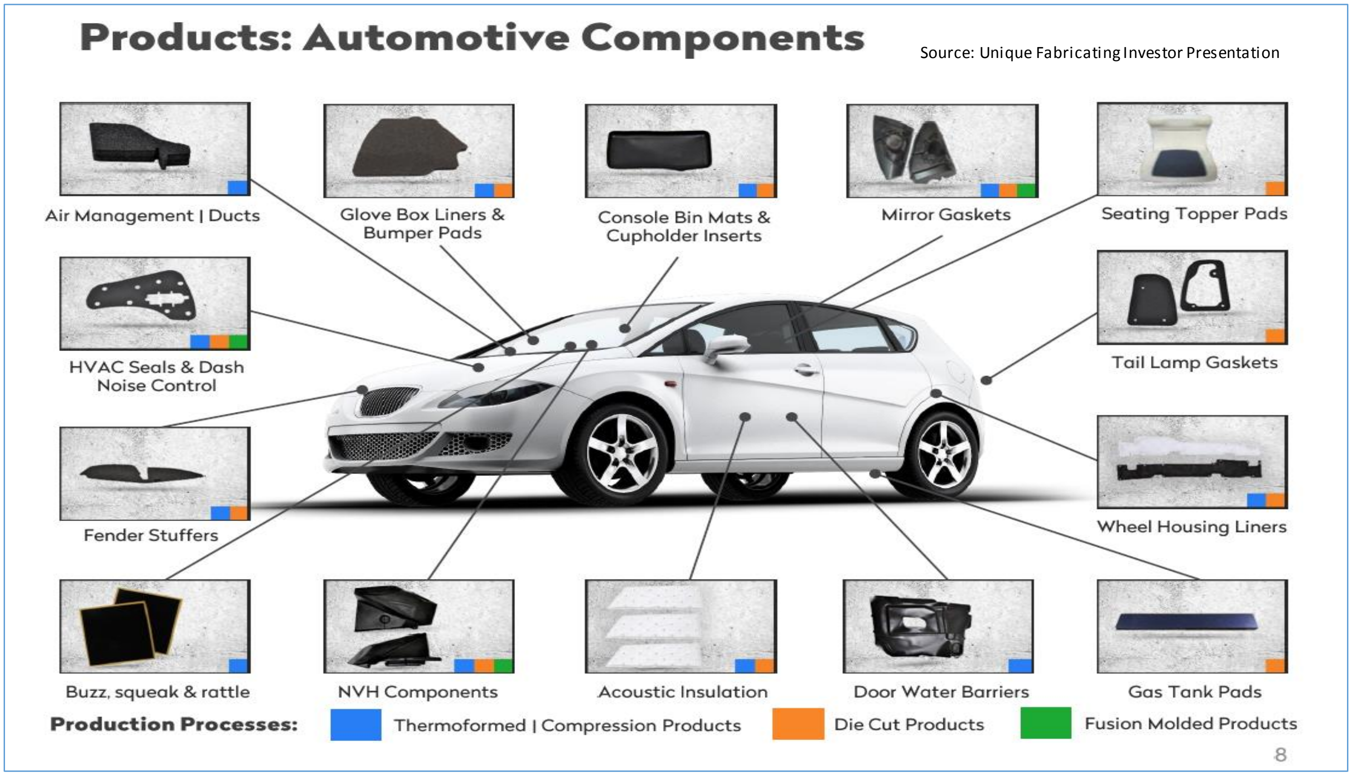
The company was formed through the acquisitions of Prescotech Holdings, Chardan Corporation, Great Lakes Foam Technologies, and Intasco Corporation. A brief description of each acquisition can be seen in the table at the top of page three.

UFAB's products are sold mainly to the North American automotive industry (approximately 83% of total sales in FY17) and are used in industrial applications such as appliances, water heaters, and HVAC systems (approximately 12% of total sales in FY17).

Acquired Company / (acquisition date)	Company Overview
Prescotech Holdings, Inc. / (December 2013)	Prescotech Holdings, Inc., is a designer and manufacturer of foams, adhesives, rubber products, fiberglass insulation products, fiberboards, and sound dampening products.
Chardan Corporation / (February 2014)	Chardan Corporation is a provider of engineered vacuum thermoforming (the forming of plastic sheets into three-dimensional shapes through the application of heat and pressure) and fusion molding (a plastic injection molding process used to mold internal cavities) technologies.
Great Lakes Foam Technologies / (August 2015)	Great Lakes Foam Technologies is a producer of reaction injection molded polyurethane (a manufacturing process for producing parts by injecting thermosetting polymers into a mold) components.
Intasco Corporation / (April 2016)	Intasco Corporation provides material conversion of pressure sensitive products (conversion of raw materials such as foams, plastics, and rubbers, into new products) as well as adhesives and automotive die cuts.

Unique's primary products are identified by their manufacturing processes, die cut products, thermoformed/compression molded products (includes reaction injection molding), and fusion molded products. Die cut products are utilized in applications such as air and water sealing, insulation, NVH (noise, vibration, and harshness) performance and BSR (buzz, squeak, rattle) conditions. Thermoformed and compression molded products include HVAC air ducts, door water shields, evaporator liners, console bin mats and fender insulators, among others. Fusion molded products include exterior mirror seals, cowl-to-hood seals, cowl-to-fender seals, and other NVH management and sealing applications like fillers, spacers and gaskets.

Pictured below are UFAB's products used by automotive customers.



Industry

UFAB engineers and manufactures multi-material foam, rubber, and plastic components.

Urethane Foam Products Manufacturing
Products made with this type of foam are used to insulate objects, reduce shock in packaging, seat cushioning, carpet cushioning, car interiors, fluid filtration systems, and anti-noise and vibration systems.

The Urethane Foam Manufacturing industry has expanded annually by 2% from 2013 to 2017 reaching $11.6 billion in 2017. IBISWorld projects average annual revenue growth of 0.9% to $12.1 billion in 2024 from 2017. With 11.9% of the total market, this would equate to a $1.4 billion market for automotive and automotive parts manufacturers by 2024 assuming the current percentages hold steady.

Improving economic conditions have sustained increased demand from major downstream markets. The state of the US automotive industry, including domestic production volumes, affects demand for foam products. The automotive industry uses polyurethane foam in car seats and insulation applications with demand directly correlated automobile production levels. When more vehicles are manufactured, more foam products will be purchased by the automotive industry for inputs into their vehicles and their components. A greater focus on fuel efficiency will result in more prevalent use of foam in automobile production, given its light weight. LMC Automotive projects the level of automobile production in North America to remain relatively flat through 2020 at approximately 17.2 million annually.

Rubber Products Manufacturing
The rubber products manufacturing industry is projected to have generated sales of approximately $20.8 billion in 2017 (according to IBISWorld) with 23.9% or $5 billion coming from the automotive segment. IBISWorld projects the overall market to grow steadily with industry revenue growth projected at an annualized rate of 1.8% reaching $23.1 billion in 2023. Growth reflects the performance of downstream rubber products buyers that include a host of manufacturing industries including automotive and industrial product manufacturers.

Since 2012, revenue derived from automotive rubber parts has steadily increased. Growing demand from automobile manufacturers has been driven primarily by a strengthening economy and strong demand for lighter, more fuel-efficient cars, as well as increased demand for SUVs and light trucks.

Automotive rubber products account for the largest segment of the industry's products, and demand for rubber products associated with automobile and other manufactured goods will increase as manufacturing activity gains momentum.

Plastic Products Manufacturing
IBISWorld projects the 2017 plastic products manufacturing industry to generate approximately $99.8 billion in sales with 26.7% or $26.6 billion coming from automobile manufacturers that use plastic in vehicle interiors and in some engine components. IBISWorld projects the overall industry to grow at an annualized rate of 2.5% to $112.9 billion to 2022. Driving growth will be demand from downstream markets that includes the car and automobile manufacturing industry, one of the largest markets for plastic product manufacturers.

Federal regulations requiring cars to have an average fuel economy of 54.5 miles per gallon by 2025 could boost automotive manufacturing moving forward. A simple way for car manufacturers to increase fuel efficiency is to produce lighter cars by using plastic materials instead of steel.

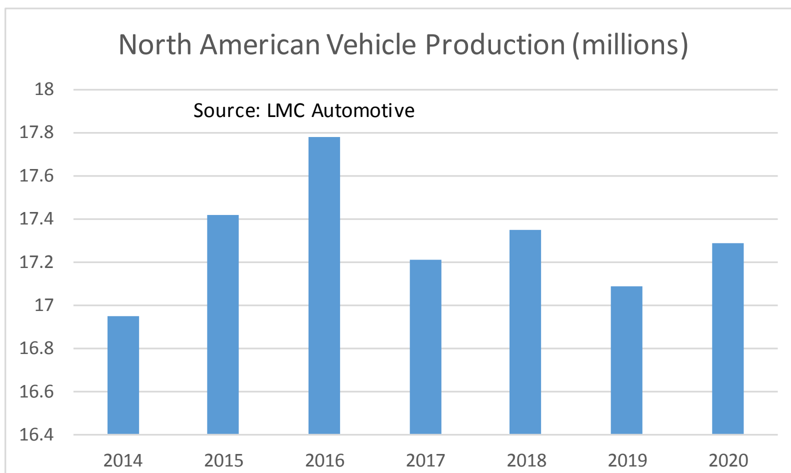
End Markets

Automotive
The automotive parts industry provides components, systems, subsystems and modules to OEMs for the manufacture of new vehicles. In 2017, Dun & Bradstreet reported the North American automotive supplier market had revenue of approximately $250 billion. Within the automotive parts industry, North America is UFAB's core market.

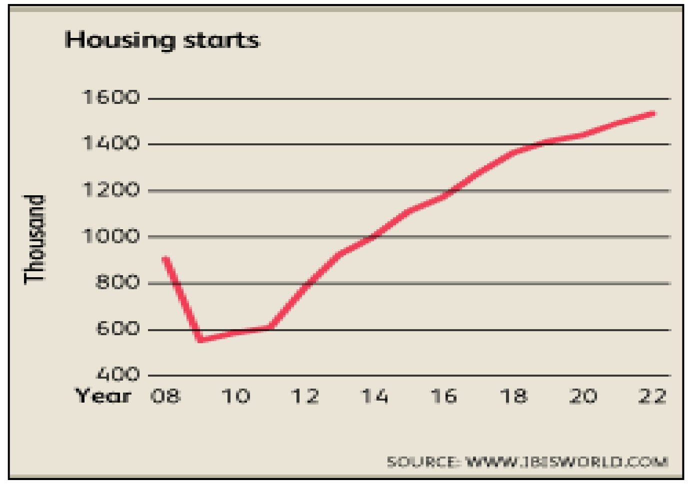
Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced. Although OEM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle. We believe that the current trend of increasing fuel efficiency and lowering vehicle weight should help drive increased usage of parts produced by UFAB.

The evolution of materials utilized in vehicles is moving away from conventional steel and is expected to be increasingly replaced by lighter weight materials such as plastics and foam materials.

North American demand has plateaued but is projected to remain at a relatively high level. According to LMC Automotive, the level of car production in North America is projected to average approximately 17.2 million annually through 2020 (see chart at right).



Industrial (Appliance/Water Heater/ HVAC)



Demand for the company's products in industrial applications is largely driven by the health of the housing sector. IBISWorld projects new housing starts to grow from approximately 1 million units in 2014 to a little over 1.5 million in 2022 (see chart at right). A growing housing market should bode well for sales of the company's products to the appliance, HVAC, and water heater industries.

The US major household appliance industry, which includes water heaters, is forecast to show modest growth through 2022, driven by an increase in housing starts, homeownership, and product development. IBISWorld projects industry revenue to grow at an average annual rate of 1.1% to reach approximately $20.2 billion in the six years to 2023. The US HVAC industry is also poised to benefit from the positive outlook in the housing market. IBISWorld projects HVAC industry sales to grow at an average annual growth rate of 1.6% reaching approximately $51.5 billion in 2024.

Unique estimates the market for its core business for multi-material foam, rubber and plastic components utilized for noise, vibration and harshness (NVH) reduction, air and water sealing, and functional and decorative applications to be approximately $600 million in North America.

4Q and 2017 Financial Results

4Q17 - Net income increased to $2.1 million or $0.21 per share on a 4.6% decrease in revenue to $41.7 million. Net income in 4Q16 was $1.7 million or $0.17 per share. We projected revenue of $41.4 million and net income of $943,000 or $0.09 per share.

The decrease in revenue was primarily due to a 5% decline in North American vehicle production partially offset by increased market penetration.

Gross profit decreased to $9.3 million from $9.6 million with gross margins increasing to 22.3% from 22% due primarily to a favorable product mix.

SG&A expenses increased to $7.3 million from $6.9 million. Operating expense margin increased to 17.5% from 15.7%. Operating income decreased 27.4% to $2 million or 4.8% of sales versus operating income of $2.7 million or 6.3% of sales in the year ago period. Interest expense increased to $657,000 from $396,000. The company had a $724,000 tax benefit related to the re-measurement of tax liabilities associated with the December 2017 tax reform law. UFAB paid taxes of $737,000 in 4Q16.

2017 - Net income increased to $6.5 million or $0.66 per share on a 2.8% increase in revenue to $175.3 million. Net income in 2016 was $6.7 million or $0.68 per share.

Revenue growth was primarily due to increased market penetration, increased content per vehicle, new product introductions, and a full year of sales from the April 2016 acquisition of Intasco.

Gross profit increased to $40.1 million from $39.5 million with gross margins decreasing to 22.9% from 23.2% due primarily to higher direct labor costs and decreased manufacturing overhead coverage.

SG&A expenses increased to $29.8 million from $27.5 million primarily due to one-time consulting and licensing costs associated with the implementation of a new ERP system. Operating expense margin increased to 17% from 16.1%. Operating income decreased 14.2% to $10.3 million or 5.9% of sales versus operating income of $12 million or 7% of sales in the year ago period. Interest expense increased to $2.7 million from $2.1 million due primarily to higher interest rates and a higher average debt level. The company paid $1.1 million in taxes for a 14.9% tax rate versus $3.3 million for a 32.8% tax rate in 2016.

Liquidity - As of December 31, 2017, the company had $1.4 million cash, a current ratio of 2.5 versus 1.4 for the car parts industry, $53.6 million of debt (of which $3.8 million is categorized as current) for a debt/equity ratio of 1.1X versus 0.6X for the industry, and approximately 41% of assets are covered by equity.

In 2017, cash provided by operations was approximately $7.8 million consisting of cash earnings of $11.5 million and a $3.7 million increase in working capital. The increase in working capital was primarily due to decreased payables and increased prepaid expenses. Cash used in investing activities consisted primarily of $4.1 million of capital expenditures. Cash used in financing of $3 million consisted primarily of dividend payments offset in part by increased debt. Cash increased by $725,000 to $1.4 million at December 31, 2017.

The company has a $62 million credit agreement with Citizens Bank, NA. The credit agreement consists of a revolving line of credit of up to $30 million and two term loans totaling $32 million. The revolver and term loans mature on April 28, 2021 and bear interest at the greater of the prime rate or the federal funds rate plus a margin ranging from 1.75% to 2.50%, or LIBOR plus a margin ranging from 1.75% to 3.75%, based on senior leverage ratio thresholds measured quarterly. The effective interest rate as of December 31, 2017 was approximately 5.1%.

The company must comply with a minimum debt service financial covenant and a senior funded indebtedness to EBITDA covenant. As of December 31, 2017, UFAB was in compliance with all loan covenants.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 83% of FY17 sales), the economic outlook for this region should have a direct influence on its sales.

In January 2018, the IMF raised its global economic growth estimate to 3.9% for both 2018 and 2019, up from 3.7% in October 2017. The upward revision reflects increased global economic growth momentum and the positive impact expected from approved US tax policy changes in 2017 that go into effect in 2018.

The IMF raised its economic growth estimate for the US to 2.7% in 2018 and 2.5% in 2019, up from its earlier (October 2017) growth forecast of 2.3% for 2018 and 1.9% for 2019. The upward revision reflects stronger than expected US economic activity in 2017, higher projected external demand, and the positive economic impact from 2018 tax policy changes, in particular the reduction in corporate tax rates and the temporary allowance for full expensing of investments.

The third estimate of US GDP growth (released on March 28, 2018) showed the US economy grew at an annual rate of 2.9% in 4Q17, down from 3.2% growth in 3Q17. The 4Q17 US GDP growth estimate primarily reflects increases in consumer spending, business investment, exports, housing investment, and government spending. These contributions were partly offset by declines in private inventory investment.

Projections

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, the level of automobile production in North America is projected to remain relatively flat through 2020 at approximately 17.2 million annually. However, current trends of reducing a vehicle's weight and increasing passenger comfort should support sales growth for UFAB through 2019.

Our projections should be supported by a significant amount of new business that was booked in 2H17. The company was awarded $10 million in annualized business with new customers with much of that business consisting of higher margin molded products. The new business is scheduled to launch in 4Q18 and ramp in 1Q19 with the full run rate expected in 2019.

Further growth could also come from the company's TwinShape duct programs where decisions from customers are expected in 2018. UFAB has ongoing development and prototype programs for these products with four additional OEMs and their Tier 1 suppliers for potential inclusion in future vehicle launches.

FY18 - We project 4.4% revenue growth to $183 million (prior was $188 million) and net income of $7.4 million or $0.75 per share (prior was $8.4 million or $0.85 per share) due primarily to a lower than originally anticipated level of production in the North American automotive industry.

We project gross profit of $43.9 million, up from $40.1 million, as gross margins increase to 24% from 22.9% on greater overhead coverage and show a full year benefit from 2018 plant consolidations.

SG&A expenses should increase to $30.8 million from $29.8 million in 2017 due to increased cash compensation and new product marketing costs. SG&A margins should decrease to 16.8% from 17%.

We project interest expense decreasing to $2.6 million from $2.7 million due to lower average debt levels. Our tax rate estimate is 24%.

We project UFAB will generate cash of $14.1 million from operations as $15.4 million cash earnings are partly offset by a $1.3 million increase in working capital. The increase in working capital should come primarily from an increase in receivables. Cash from operations should not cover our projected capital expenditures, repayment of debt, and dividend payments, decreasing cash by $834,000 to $597,000 at December 31, 2018.

FY19 - We project 4.9% revenue growth to $192 million and net income of $11.4 million or $1.15 per share. Our projections should be driven primarily by the new business that was awarded in 2H17 and is expected to ramp into 2019 and improved operating leverage from 2018 plant consolidations.

We project gross profit of $48 million, up from $43.9 million, as gross margins increase to 25% from 24% on greater overhead coverage.

SG&A expenses should remain at $30.8 million as the expenses associated with the implementation of a new ERP system should not be present as they were in 2017. SG&A margins should decrease to 16% from 16.8%.

We project interest expense decreasing to $2.3 million from $2.6 million due to lower average debt levels. Our tax rate estimate is 24%.

We project UFAB will generate cash of $16.7 million from operations as $18.2 million cash earnings are partly offset by a $1.6 million increase in working capital. The increase in working capital should come primarily from an increase in receivables. Cash from operations should cover projected capital expenditures, repayment of debt, and dividend payments, increasing cash by $457,000 to $1.1 million at December 31, 2018.

Risks

In our view, these are the principal risks underlying the stock.

Substantial debt level – As of December 31, 2017, UFAB had approximately $53.6 million of debt outstanding. If the company were to default on paying its debt or fail to comply with the covenants, its lenders could take action that could lead to stockholders losing their current dividend and ultimately their entire investment.

Major customers may exert significant influence - The vehicle component supply industry is highly fragmented and serves a limited number of large OEMs that have a significant amount of leverage over their suppliers. The company's contracts with major OEM and Tier 1 customers frequently provide for annual productivity cost reductions which UFAB has been able to offset through product design changes, increased productivity and similar programs with its suppliers. If UFAB is unable to generate sufficient production cost savings to offset price reductions, its gross margins and profitability would be adversely affected.

Dependency on a few major customers – UFAB's three largest customers accounted for approximately 18.5% of net sales in FY17. The loss or insolvency of any of the company's major customers would adversely affect future results.

Competition – The vehicle component supply industry is highly competitive. UFAB'S products primarily compete on the basis of price, breadth of product offerings, product quality, technical expertise and development capability, product delivery and product service. Increased competition may lead to price reductions resulting in reduced gross margins and loss of market share.

Exchange rate risks – UFAB has two manufacturing facilities in Mexico and one in Canada. Because a portion of the company's manufacturing costs are incurred in Mexican pesos and Canadian dollars, fluctuations in the US dollar/Mexican peso, and US dollar/Canadian dollar exchange rates, may have a material effect on profitability, cash flows, and financial position.

Cyclical nature of business - The demand for the company's products is largely dependent on North American production of automobiles. UFAB's business is cyclical in nature as new vehicle demand is dependent on, among other things, consumer spending, which is closely tied to the overall strength of the economy. A weakening economy would likely lead to declines in vehicle production and adversely impact the company's financial condition.

NAFTA uncertainty - A significant portion of UFAB's business is conducted in Mexico. The current US President has made comments suggesting that he was not supportive of certain existing international trade agreements, including the North American Free Trade Agreement (NAFTA). While it remains unclear what actions will be taken if the US were to withdraw from or materially modify NAFTA or certain other international trade agreements, UFAB's business, financial condition and results of operations could be adversely affected.

Liquidity risk - Shares of Unique Fabricating have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 6.8 million shares in the float and the average daily volume is approximately 14,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	FY15A	FY16A	FY17A	FY18E	FY19E
Cash	727	706	1,431	597	1,055
Accounts receivable	20,480	26,888	27,204	28,401	29,798
Inventory	14,586	16,731	16,330	16,793	17,389
Prepaid expenses and other	4,647	2,870	4,608	4,608	4,608
Total current assets	40,440	47,195	49,573	50,399	52,849
Property, plant and equipment	18,761	21,198	22,975	24,461	26,934
Goodwill	19,214	28,871	28,871	28,871	28,871
Intangible assets	20,139	23,759	19,636	15,566	11,621
Other assets	1,175	1,514	1,750	1,750	1,750
Total assets	**99,729**	**122,537**	**122,805**	**121,047**	**122,025**
Accounts payable	11,431	13,452	11,708	12,040	12,467
Current portion of long-term debt	2,519	2,405	3,800	3,800	3,800
Income taxes payable	-	611	349	349	349
Accrued compensation	2,284	2,734	2,841	2,841	2,841
Other accrued liabilites	1,159	1,066	1,027	1,027	1,027
Other liabilites	-	169	-	-	-
Total current liabilities	17,393	20,437	19,725	20,057	20,484
Long-term debt	13,907	28,029	27,289	23,489	18,389
Line of credit	14,595	20,176	22,476	22,476	22,476
Other liabilities	5,821	3,836	2,433	2,433	2,433
Total liabilities	**51,716**	**72,478**	**71,923**	**68,455**	**63,782**
Total stockholders' equity	**48,013**	**50,059**	**50,882**	**52,592**	**58,243**
Total liabilities & stockholders' equity	**99,729**	**122,537**	**122,805**	**121,047**	**122,025**

Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	FY15A	FY16A	2017A	2018E	2019E
Sales	143,309	170,463	175,288	183,000	192,000
Cost of sales	109,488	130,919	135,234	139,068	144,000
Gross profit	33,821	39,544	40,054	43,933	48,000
Selling, general, and administrative	23,372	27,524	29,767	30,800	30,800
Restructuring expenses	374	35	-	850	-
Operating income	10,075	11,985	10,287	12,283	17,200
Other income	23	92	78	80	80
Interest expense	(2,755)	(2,135)	(2,745)	(2,612)	(2,344)
Income before income taxes	7,343	9,942	7,620	9,751	14,936
Income tax	2,314	3,258	1,133	2,340	3,585
Net income	5,029	6,684	6,487	7,410	11,351
EPS	0.60	0.68	0.66	0.75	1.15
Shares Outstanding	8,427	9,896	9,899	9,900	9,900
Margin Analysis					
Gross margin	23.6%	23.2%	22.9%	24.0%	25.0%
SG&A	16.3%	16.1%	17.0%	16.8%	16.0%
Operating margin	7.0%	7.0%	5.9%	6.7%	9.0%
Tax rate	31.5%	32.8%	14.9%	24.0%	24.0%
Net margin	3.5%	3.9%	3.7%	4.0%	5.9%
Year / Year Growth					
Total Revenues		18.9%	2.8%	4.4%	4.9%
Net Income		32.9%	(2.9)%	14.2%	53.2%
EPS		13.2%	(3.0)%	14.2%	53.2%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2017A to 2019E
(in thousands $)

	3/17A	6/17A	9/17A	12/17A	2017A	3/18E	6/18E	9/18E	12/18E	2018E	3/19E	6/19E	9/19E	12/19E	2019E
Sales	47,857	44,518	41,231	41,681	175,288	45,000	45,500	46,000	46,500	183,000	47,000	47,500	48,500	49,000	192,000
Cost of sales	36,750	33,852	32,256	32,376	135,234	34,538	34,694	34,845	34,991	139,068	35,250	35,625	36,375	36,750	144,000
Gross profit	11,107	10,666	8,975	9,305	40,054	10,463	10,806	11,155	11,509	43,933	11,750	11,875	12,125	12,250	48,000
Selling, general, and administrative	7,592	7,595	7,269	7,311	29,767	7,750	7,750	7,650	7,650	30,800	7,700	7,700	7,700	7,700	30,800
Restructuring expenses	-	-	-	-	-	200	650	-	-	850	-	-	-	-	-
Operating income	3,515	3,071	1,706	1,994	10,287	2,513	2,406	3,505	3,859	12,283	4,050	4,175	4,425	4,550	17,200
Other income	14	29	40	(5)	78	20	20	20	20	80	20	20	20	20	80
Interest expense	(615)	(703)	(770)	(657)	(2,745)	(677)	(661)	(645)	(629)	(2,612)	(610)	(594)	(578)	(562)	(2,344)
Income before income taxes	2,914	2,397	976	1,332	7,620	1,856	1,765	2,880	3,250	9,751	3,460	3,601	3,867	4,008	14,936
Income tax	867	729	261	(724)	1,133	445	424	691	780	2,340	830	864	928	962	3,585
Net income	2,047	1,668	715	2,056	6,487	1,410	1,342	2,189	2,470	7,410	2,630	2,737	2,939	3,046	11,351
EPS	0.21	0.17	0.07	0.21	0.66	0.14	0.14	0.22	0.25	0.75	0.27	0.28	0.30	0.31	1.15
Shares Outstanding	9,917	9,910	9,898	9,888	9,899	9,900	9,900	9,900	9,900	9,900	9,900	9,900	9,900	9,900	9,900
Margin Analysis															
Gross margin	23.2%	24.0%	21.8%	22.3%	22.9%	23.3%	23.8%	24.3%	24.8%	24.0%	25.0%	25.0%	25.0%	25.0%	25.0%
SG&A	15.9%	17.1%	17.6%	17.5%	17.0%	17.2%	17.0%	16.6%	16.5%	16.8%	16.4%	16.2%	15.9%	15.7%	16.0%
Operating margin	7.3%	6.9%	4.1%	4.8%	5.9%	5.6%	5.3%	7.6%	8.3%	6.7%	8.6%	8.8%	9.1%	9.3%	9.0%
Tax rate	29.8%	30.4%	26.7%	(54.4)%	14.9%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Net margin	4.3%	3.7%	1.7%	4.9%	3.7%	3.1%	2.9%	4.8%	5.3%	4.0%	5.6%	5.8%	6.1%	6.2%	5.9%
Year / Year Growth															
Total Revenues	19.7%	5.9%	(7.9)%	(4.6)%	2.8%	(6.0)%	2.2%	11.6%	11.6%	4.4%	4.4%	4.4%	5.4%	5.4%	4.9%
Net Income	11.7%	178.5%	(71.6)%	18.8%	(2.9)%	(31.1)%	(19.6)%	206.1%	20.1%	14.2%	86.5%	104.0%	34.3%	23.3%	53.2%
EPS	10.7%	178.4%	(71.6)%	19.3%	(3.0)%	(31.0)%	(19.5)%	206.1%	20.0%	14.2%	86.5%	104.0%	34.3%	23.3%	53.2%

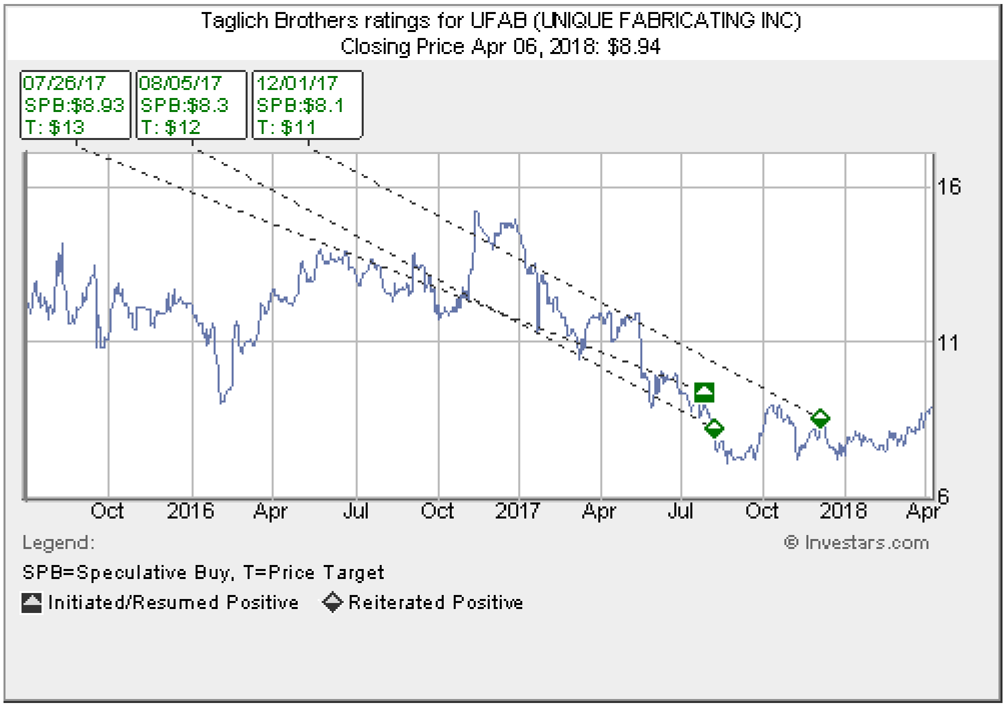
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

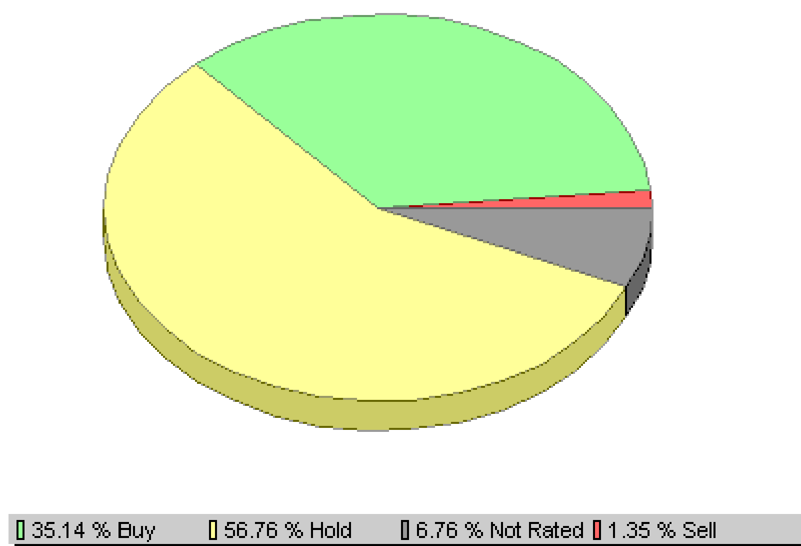
	FY15A	FY16A	FY17A	FY18E	FY19E
Net income	5,029	6,684	6,487	7,410	11,351
Depreciation and amortization	3,903	5,502	6,320	6,575	6,722
Amortization of debt issuance costs	270	128	149	150	150
(Gain) loss on sale of assets	48	(127)	63	-	-
Loss on extinguishment of debt	387	60	-	-	-
Bad debt adjustment	(37)	(274)	128	-	-
Loss (gain) on derivative instruments	(40)	22	(228)	-	-
Stock option expense	206	166	150	150	150
Deferred taxes	(496)	(1,166)	(1,552)	1,109	(151)
Cash earnings (loss)	9,270	10,995	11,517	15,394	18,222
Changes in assets and liabilities					
Accounts receivable	(695)	(3,987)	(444)	(1,197)	(1,397)
Inventory	(2,982)	340	402	(463)	(596)
Prepaid expenses and other assets	6	(1,292)	(1,766)	-	-
Accounts payable	(158)	1,330	(1,706)	332	427
Accrued and other liabilities	(360)	375	(194)	-	-
(Increase) decrease in working capital	(4,189)	(3,234)	(3,708)	(1,328)	(1,565)
Net cash provided by (used in) operations	**5,081**	**7,761**	**7,809**	**14,066**	**16,657**
Purchase of property and equipment	(3,566)	(3,362)	(4,140)	(5,250)	(5,250)
Proceeds from sale of property and equipment	74	2,187	52	-	-
Acquisition of Intasco	-	(21,031)	-	-	-
Working capital adjustment related to Intasco	-	213	-	-	-
Acquisition of Great Lakes Foam Technologies	(11,820)	-	-	-	-
Working capital adjustment related to Great Lakes Foam	(127)	-	-	-	-
Net cash provided by (used in) investing	**(15,439)**	**(21,993)**	**(4,088)**	**(5,250)**	**(5,250)**
Net change in bank overdraft	660	549	(38)	-	-
Proceeds from debt	-	32,000	-	-	-
Payments on term loans	(15,151)	(2,444)	(3,375)	(3,800)	(5,100)
Proceeds from revolving facilities	5,835	5,690	6,231	-	-
Debt issuance costs	-	(514)	-	-	-
Pay-off of old senior credit facility	-	(15,375)	-	-	-
Post acquisition payments for Unique Fabricating	(755)	-	-	-	-
Proceeds from issuance of common stock	25,674	-	-	-	-
Payment of initial public offering costs	(3,453)	-	-	-	-
Proceeds from exercise of stock options and warrants	397	116	37	-	-
Distribution of cash dividends	(2,878)	(5,812)	(5,850)	(5,850)	(5,850)
Net cash provided by (used in) financing	**10,329**	**14,210**	**(2,995)**	**(9,650)**	**(10,950)**
Net change in cash	**(29)**	**(21)**	**725**	**(834)**	**457**
Cash - beginning of period	**756**	**727**	**706**	**1,431**	**597**
Cash - end of period	**727**	**706**	**1,431**	**597**	**1,055**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**3**	**12**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Taglich Brothers, Inc. and/or its affiliates, own more than 1% of UFAB common stock. Michael Taglich, President of Taglich Brothers, Inc., owns or has a controlling interest in 476,467 shares of UFAB common stock and 10,587 warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 494,694 shares of UFAB common stock and 8,663 warrants. Doug Hailey, Managing Director – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 24,821 shares of UFAB common stock and 7,050 warrants. William Cook, Vice President – Investment Banking at Taglich Brothers, Inc. and a Director at Unique Fabricating, owns or has a controlling interest in 45,142 shares of UFAB common stock and 3,000 shares subject to exercisable options. Robert Schroeder, Vice President – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 10,353 shares of UFAB common stock and 14,100 warrants. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 51,600 shares of UFAB common stock and 3,700 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 75,039 shares of UFAB common stock and 26,400 warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In March 2013, Taglich Brothers, Inc. arranged the equity financing for the Management Buyout of Unique Fabricating, Inc. In December 2013, Taglich Brothers, Inc. arranged the equity financing for UFAB's acquisition of Prescotech Industries, Inc. In July 2015, Taglich Brothers, Inc. served as the Joint Book Running Manager in the Initial Public Offering of common stock for the company.

All research issued by Taglich Brothers, Inc. is based on public information. Unique Fabricating, Inc. does not pay Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

<u>Public companies mentioned in this report:</u>

Fox Factory Holding (NASDAQ: FOXF)
Gentherm (NASDAQ: THRM)
Horizon Global (NYSE: HZN)
Modine Manufacturing (NYSE: MOD)
Motorcar Parts of America (NASDAQ: MPAA)
Standard Motor Products (NYSE: SMP)
Stoneridge (NYSE: SRI)
Strattec Security (NASDAQ: STRT)
Superior Industries International (NYSE: SUP)
Tower International (NASDAQ: TOWR)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.