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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

July 7, 2020

UFAB $3.29 — (NYSE MKT)

	2018A	2019A	2020E	2021E
Revenues (millions)	$174.9	$152.5	$114.0	$136.0
Earnings (loss) per share*	$0.37	$(0.93)	$(0.76)	$(0.03)

52-Week range	$4.80 – $1.44	Fiscal year ends:	December
Common shares out as of 6/11/20	9.8 million	Revenue per share (TTM)	$15.13
Approximate float	7.2 million	Price/Sales (TTM)	0.2X
Market capitalization	$32 million	Price/Sales (FY2021)E	0.2X
Tangible book value/share	$0.57	Price/Earnings (TTM)	NMF
Price/tangible book value	5.8X	Price/Earnings (FY2021)E	NMF

**2019 includes an estimated $(0.69) per share restructuring/impairment charge. 2020 includes an estimated $(0.09) per share restructuring charge.*

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 Speculative Buy rating and setting a twelve-month price target of $4.00 per share based on our 2021 sales forecast.

The outbreak and subsequent spread of COVID-19 has had an adverse impact on the outlook for North American vehicle production with most vehicle manufacturers having some form of a shutdown at their facilities. This is expected to result in reduced sales for UFAB in 2020. As COVID-19 conditions ease, projections are for North American vehicle production to grow in 2021, reaching 17.2 million in 2023, up from 14.1 million in 2020.

Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should support our 2021 sales growth forecast. Also contributing to sales growth in 2021 should be growing medical market sales (face shields and masks) that is a new revenue stream for the company.

In July 2020, UFAB announced it created a design and received government certification for mass production of N95 masks. In April 2020, UFAB modified its production capabilities to manufacture protective face shields. The company is targeting this market to reach more than 10% of total sales in the midterm (18-24 months).

For FY20, we project a 25.3% decrease in revenue to $114 million and a loss of $(0.76) per share. The decrease in revenue is primarily due to the adverse impact from the COVID-19 pandemic on US vehicle production.

For FY21, we project a 19.3% increase in revenue to $136 million and a net loss of $(0.03) per share. The increase in revenue is primarily due to COVID-19 pandemic conditions easing and increased US vehicle production rates.

UFAB reported (6/26/20) a 1Q20 loss of $(0.12) per share on an 11.4% decrease in revenue to $35 million. The loss in 1Q19 was $(0.02) per share. Excluding restructuring expenses, we estimate the adjusted loss was $(0.02) per share in 1Q20 versus a loss of $(0.01) per share in 1Q19.

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

Recommendation and Valuation

Reiterating Speculative Buy rating on Unique Fabricating, Inc. and setting a twelve-month price target of $4.00 per share based on our 2021 sales forecast.

The company's product sales and programs are highly correlated with new vehicle production in North America. The outbreak and subsequent spread of COVID-19 has had an adverse impact on the outlook for North American vehicle production in the short- to mid-term with most vehicle manufacturers having had some form of a shutdown at their facilities. According to LMC Automotive, North American production is projected to decrease to 14.1 million vehicles in 2020 from approximately 16.3 million vehicles in 2019. As COVID-19 conditions ease, projections are for North American vehicle production to begin growing in 2021, reaching 17.2 million by 2023.

Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should support our 2021 sales growth forecast. Also contributing to sales growth in 2021 should be growing medical market sales (face shields and masks). The company is targeting this market to reach more than 10% of total sales in the midterm (18-24 months).

UFAB started the year trading at a trailing-twelve-month price/sales multiple of 0.3X but has since fallen to 0.2X in the midst of the COVID-19 pandemic. Company peers trade at a multiple of 0.4X. We believe UFAB'S valuation should improve as pandemic conditions ease and sales growth resumes.

We applied a multiple of 0.3X to our FY21 sales projection of $13.91 per share, discounted to account for execution risk, to obtain a year-ahead value of approximately $4.00 per share.

Recent Developments

On July 7, 2020, Unique Fabricating announced it has, in partnership with a major OEM, created a design and received government regulatory certification for mass production of N95 masks.

By employing material and process technologies already known to Unique, the company's engineers successfully developed a heat-sealed and sonic welded respirator. The new design has already been certified by the National Institute for Occupational Safety and Health (NIOSH), a division of the Centers for Disease Control and Protection (CDC).

The face mask construction consists of materials converted by Unique Fabricating, utilizing in-house processes that have sufficient capacity to support the customer's initial demand of one million face masks. UFAB is completing development work on a second face mask design for N95 certification which will utilize more readily available raw materials and will increase daily output.

On April 6, 2020, Unique Fabricating announced it is modifying its production facility in Auburn Hills, MI to produce protection face shield kits and subcomponents.

Unique Fabricating currently is in production to fulfill initial orders for more than one million face shields. Within the first week, the company produced an average of 30,000 face shields per day in Auburn Hills, MI and has confirmed capacity at existing plants in LaFayette, GA and Louisville, KY to increase production to 100,000 per day to meet increasing demand.

Effective April 6, 2020, Unique Fabricating appointed Brian P. Loftus as Chief Financial Officer.

Mr. Loftus brings nearly 15 years of finance and accounting experience including controllership, financial reporting, internal audit and public accounting. For the last 18 months, Mr. Loftus served as the Corporate Controller for Wabash National Corporation, a publicly-traded company in the design and manufacturing of engineered solutions for the transportation, logistics and distribution industries. Prior to Wabash, Mr. Loftus was the Corporate Controller for Horizon Global Corporation, a publicly-traded designer, manufacturer, and distributor of towing and trailering equipment. Mr. Loftus has also held various positions with TriMas Corporation, a diversified industrial manufacturer, including Controller for TriMas' former subsidiary Cequent Performance Products, Inc., Segment Financial Manager, and Corporate Audit Manager.

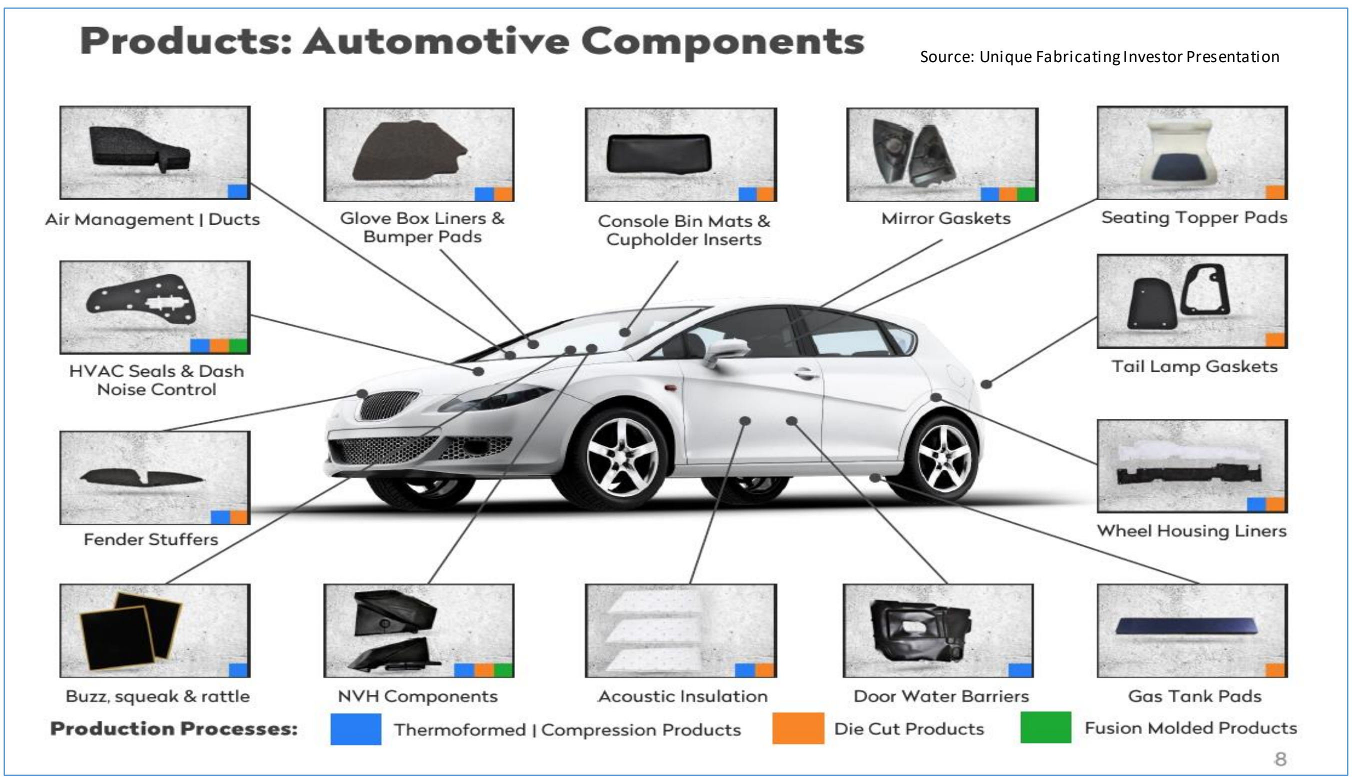
Business

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.

UFAB's products are sold mainly to the North American automotive industry (approximately 85% of total sales in 2019) and are used in industrial applications such as appliances, water heaters, and heating, ventilation, and air conditioning (HVAC) systems (approximately 10% of total sales in 2019).

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 is expected to expand annually by 0.4% reaching $12 billion in 2020 from 2015. This projection has been adjusted downward from 0.6% since the start of the COVID-19 pandemic. IBISWorld projects average annual revenue growth of 1.1% to $12.6 billion in 2025 from $12 billion in 2020. With 11.9% of the total market, this would equate to a $1.5 billion market for automotive and automotive parts manufacturers by 2025 assuming the current percentages hold steady.

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 to 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 North American vehicle production to decrease to 14.1 million in 2020 from approximately 17 million in 2017. As COVID-19 conditions ease, projections are for North American vehicle production to begin growing in 2021 and reach 17.2 million in 2023.

Rubber Products Manufacturing
The rubber products manufacturing industry is estimated to have generated sales of approximately $18.9 billion in 2019 (according to IBISWorld) with 25.2% or $4.8 billion coming from the automotive segment. IBISWorld projects overall industry revenue growth at an annualized rate of 1.4% reaching $20.2 billion in 2024. However, these projections were made in December 2019, before the onslaught of the coronavirus. We believe the pandemic will result in a decline in sales in 2020 versus the 1% growth IBISWorld originally projected. We believe growth will resume in 2021 as the pandemic conditions ease.

Plastic Products Manufacturing
Revenue for the Plastic Products Miscellaneous Manufacturing industry is projected to decline in 2020 as a result of weakened demand and falling prices from COVID-19. IBISWorld projects the plastic products manufacturing industry to generate approximately $103.4 billion in sales in 2020, down 1.2% from $104.7 billion in 2019. The overall industry is projected to grow at an annualized rate of 0.9% to $108.2 billion in 2025.

Automotive manufacturers are the industry's second-largest market segment (23.8%). Plastic offers automobile manufacturers an inexpensive, lightweight and corrosive-free material that can be used inside and outside the vehicle. While the overall segment has declined over the five years to 2020, plastic product usage in automobiles has expanded as manufacturers have increasingly sought to improve vehicle fuel efficiency.

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.

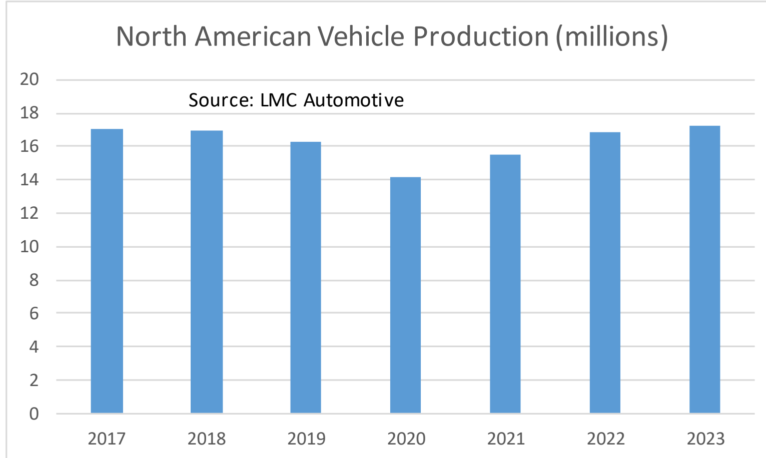
Primary End Market

The automotive parts industry provides components, systems, subsystems and modules to OEMs for the manufacture of new vehicles. 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.

The outbreak and subsequent spread of COVID-19 has had an adverse impact on the outlook for North American vehicle production in the short- to mid-term with most vehicle manufacturers having had some form of a shutdown at their facilities. North American production is projected to decrease to 14.1 million in 2020 from approximately 16.3 million in 2019. As COVID-19 conditions ease, projections for North American vehicle production are 17.2 million by 2023 (see chart at right).



1Q20 and FY 2019 Financial Results

1Q20 – The net loss was $1.1 million or $(0.12) per share on an 11.4% decrease in revenue to $35 million. The net loss in 1Q19 was $189,000 or $(0.02) per share. The net loss for 1Q20 included $920,000 or $(0.09) per share of restructuring expenses versus $91,000 or $(0.01) per share of restructuring charges in 1Q19. Excluding these items, we estimate a $(0.02) loss per share in 1Q20 versus $(0.01) per share in 1Q19.

The decrease in revenue was primarily driven by customer shutdowns related to the COVID-19 pandemic and the loss of business associated with the 2019 Evansville, Indiana plant closure and a slight overall industry decline.

Gross profit decreased to $7.1 million from $8.3 million with gross margins decreasing to 20.2% from 21%. SG&A expenses decreased 19.4% to $5.9 million from $7.3 million. Operating expense margin (excluding restructuring charges) decreased to 16.8% from 18.4%. Operating income was $290,000 versus $937,000 in the year ago period. Interest expense increased to $1.7 million from $1.1 million due primarily to an unfavorable mark-to-market on interest rate swaps. The company received an income tax benefit of $236,000 compared to an expense of 43,000 in 1Q19.

FY 2019 – The net loss was $9.1 million or $(0.93) per share on a 12.8% decrease in revenue to $152.5 million. Net income in 2018 was $3.7 million or $0.37 per share. The net loss for 2019 included a charge of $6.8 million for the impairment of goodwill and $2.8 million of restructuring expenses versus $1.2 million of restructuring charges in 2018. Excluding these items, we estimate adjusted net income of $444,000 or $0.05 per share in 2019 versus adjusted net income of $4.6 million or $0.47 per share in 2018.

The decrease in revenue was primarily driven by the loss of business associated with the 2018 Ft. Smith, Arkansas and 2019 Evansville, Indiana plant closures, the end of several substantial programs, a decrease in North American auto production, and other commercial losses.

Gross profit decreased to $31.5 million from $39.3 million with gross margins decreasing to 20.7% from 22.5%. The decrease in gross margins was primarily due to a $1.7 million increase in inventory allowance, higher material costs, and lower manufacturing overhead coverage. SG&A expenses decreased 10.2% to $26.8 million from $29.8 million. Operating expense margin (excluding restructuring and impairment charges) increased to 17.5% from 17%. The operating loss was $4.8 million versus operating income of $8.4 million in the year ago period. Interest expense increased to $4.3 million from $3.8 million due primarily to higher interest rates and an unfavorable mark-to-market on interest rate swaps. The company paid income tax of $37,000 compared to $862,000 in 2018.

<u>Liquidity</u> - As of March 31, 2020, the company had $1.8 million cash, a current ratio of 2.2, $46.4 million of debt (of which $2.8 million is current) for a debt/equity ratio of 1.2X versus, and approximately 33% of assets are covered by equity.

In 1Q20, cash provided by operations was approximately $2.8 million consisting of cash earnings of $1.1 million and a $1.8 million decrease in working capital. The decrease in working capital was primarily due to an increase in payables offset in part by an increase in inventory. Cash used in investing activities of $291,000 consisted primarily of capital expenditures. Cash used in financing of $1.4 million consisted primarily of a net decrease in debt. Cash increased by $1.1 million to $1.8 million at March 31, 2020.

The company has a $61 million credit agreement with Citizens Bank, NA. The credit agreement consists of a revolving line of credit of up to $30 million, term loans totaling $26 million, and a two year $5 million line of credit dedicated to capital expenditures. The revolver and term loans mature on November 7, 2023 and bear interest at the greater of the prime rate or the federal funds rate plus a margin ranging from 1.75% to 3.25%, or LIBOR plus a margin ranging from 2.75% to 4.25%, based on senior leverage ratio thresholds measured quarterly. The effective interest rate as of March 31, 2020 was approximately 5.9%.

As of March 31, 2020, the company was in compliance with its financial covenants. However, due to the impact of the COVID-19 pandemic on the company and the global automotive industry, UFAB anticipated that it would not being in compliance with its financial covenants on June 30, 2020. In response to the anticipated impact of COVID-19, on April 24, 2020, Unique Fabricating entered into a Promissory Note for approximately $6 million with Citizens Bank, NA pursuant to the US Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress and signed into law on March 27, 2020. The Note is unsecured, bears interest at an annual rate of 1% with principal and interest payments deferred for the first six months, and matures in two years.

On April 23, 2020, in advance of entering into the Note, Unique Fabricating entered into the Seventh Amendment to the Credit Agreement which, among other things, permits additional indebtedness in the form of unsecured loans authorized pursuant to and in compliance with the CARES Act in an amount not to exceed $6 million and defers the June 30, 2020 principal payments on the US Term Loan, CA Term Loan, and CAPEX Loan, with the deferred principal amounts payable at the existing maturity dates. The amendment also waives the requirement to test Maximum Total Leverage Ratio, Minimum Debt Service Coverage Ratio and Minimum Unadjusted Consolidated EBITDA for the fiscal quarter ending June 30, 2020 and adds a 1% LIBOR Floor and 2% Base Rate Floor.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 85% of FY19 sales), the economic outlook for this region should have a direct influence on its sales.

In June 2020, the International Monetary Fund (IMF) changed its global economic growth estimates to a decline of 4.9% for 2020 and growth of 5.4% for 2021, down from its April 2020 estimates calling for a decline of 3% for 2020 and growth of 5.8% for 2021. The revisions primarily reflect a more negative impact of the COVID-19 pandemic in 1H20 than originally anticipated and a more gradual recovery than previously forecast.

The IMF changed its economic growth estimate for the US to a decline of 8% for 2020 and growth of 4.5% for 2021. In April 2020, the IMF projected a decline in US growth of 5.9% for 2020 and growth of 4.7% for 2021.

The third estimate of US GDP growth (released on June 25, 2020) showed the US economy decreased at an annual rate of 5% in 1Q20, down from the 2.1% growth reported in 4Q19. The 1Q20 US GDP estimate primarily reflects decreases in consumer spending, inventory investment, exports, and business investment, partially offset by increases in housing investment and government spending.

Projections

The company's product sales and programs are highly correlated with new vehicle production in North America. The outbreak and subsequent spread of COVID-19 has had an adverse impact on the outlook for North American vehicle production in the short- to mid-term with most vehicle manufacturers having had some form of a shutdown at their facilities. According to LMC Automotive, North American production is projected to decrease to 14.1 million in 2020 from approximately 16.3 million in 2019. As COVID-19 conditions ease, projections are for North American vehicle production to begin growing in 2021, reaching 17.2 million by 2023.

Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in UFAB's sales growth outpacing vehicle production rates in 2021. Also contributing to our sales growth forecast in 2021 should be medical market sales (face shields and masks) that is a new revenue stream. The company is targeting medical market sales reaching more than 10% of total sales in the next 18-24 months.

FY20 - We project a 25.3% decrease in revenue to $114 million and a net loss of $7.4 million or $(0.76) per share. The decrease in revenue is primarily due to the adverse impact from the COVID-19 pandemic on vehicle production rates.

We project gross profit decreasing 37.4% to $19.7 million due primarily to the reduction in revenue and gross margin compression to 17.3% from 20.7% on reduced overhead coverage. Helping to offset the gross margin compression should be a full year of cost savings from the closing of UFAB'S Evansville, Indiana facility in September 2019, and the Bryan, Ohio facility closing in January 2020.

SG&A expenses should decrease to $23.7 million from $26.8 million due primarily to cost reduction efforts. SG&A margins should increase to 20.8% from 17.5%.

We project interest expense increasing to $4.5 million from $4.3 million due primarily to the adverse effect of an interest rate swap. Our tax rate estimate is 25%.

We project UFAB will generate $11.1 million cash from operations on $2,000 of cash earnings and an $11.1 million decrease in working capital. The decrease in working capital should come primarily from a decrease in receivables and inventory and an increase in payables. Cash from operations should cover projected capital expenditures and repayment of debt, increasing cash by $688,000 to $1.3 million at December 31, 2020.

FY21 - We project a 19.3% increase in revenue to $136 million and a net loss of $320,000 or $(0.03) per share. The increase in revenue is primarily due to COVID-19 pandemic conditions easing and increased vehicle production rates.

We project gross profit increasing 37.6% to $27.1 million due primarily to the increase in revenue and gross margin expansion to 20% from 17.3% on greater overhead coverage.

SG&A expenses should increase to $24 million from $23.7 million as the company continues to control costs. SG&A margins should decrease to 17.6% from 20.8%. Operating income is projected to increase to $3.1 million from an operating loss of $5.3 million in 2020.

We project interest expense decreasing to $3.6 million from $4.5 million as the company reduces its debt levels. Our tax rate estimate is 26%.

We project UFAB will generate $2 million cash from operations on $5.2 million of cash earnings and a $3.3 million increase in working capital. The increase in working capital should come primarily from an increase in receivables. Cash from operations is unlikely to cover projected capital expenditures and repayment of debt, decreasing cash by $1 million to $317,000 at December 31, 2021.

Risks

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

Pandemic concerns – The outbreak of COVID-19 and any other outbreaks of contagious diseases could have a material adverse effect on UFAB's business. COVID-19 has significantly impacted economic activity and markets worldwide, and could continue to negatively affect the company's business. These effects could include, but are not limited to, disruptions or restrictions on UFAB's employees' ability to work effectively due to illness, travel bans, quarantines, shelter-in-place orders or other limitations. Temporary closures of the company's facilities or the facilities of its customers or suppliers could affect UFABs ability to timely meet its customer's orders and negatively impact its supply chain.

A substantial portion of 1H20 was affected by the shutdown of manufacturing operations in North America by General Motors Company (GM), Fiat Chrysler Automobiles (FCA) and Ford Motor Company (Ford). Direct and indirect sales through Tier I suppliers, to GM, FCA, and Ford represented approximately 51%, of UFAB's net sales for FY19. The closures of customers' operations has had a substantial adverse effect on UFAB's business.

Going concern - While the company's most recent credit amendment waives the requirement to test certain financial ratios and EBITDA levels for the second quarter of 2020, it does not waive these requirements for subsequent periods. Bank EBITDA for the twelve months ended September 30, 2020, December 31, 2020, and March 31, 2021 is likely to result in the company not being in compliance with its financial covenants, as these periods will include the financial results of the second quarter of 2020 which will be materially impacted by the COVID-19 pandemic. Absent an amendment or waiver, failure to be in compliance with the company's financial covenants would constitute a default when reported. Such a default, if not cured or waived, would allow the lenders to accelerate the maturity of the debt, making it due and payable at that time. This condition raises substantial doubt about the company's ability to continue as a going concern.

UFAB believes it is probable that it will obtain an amendment modifying the covenant terms prior to triggering a default which could alleviate the substantial doubt about the company's ability to continue as a going concern.

Substantial debt level – As of March 31, 2020, UFAB had approximately $46.4 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 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.

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. A potential disruption of US economic conditions lies in the global spread of the coronavirus that is likely to cause supply chain and demand issues which could adversely impact corporate operating results.

Potential impact of tariffs – The current US administration has taken steps to apply or consider applying tariffs on automobiles, parts, and other products and materials which could have the potential to disrupt existing supply chains and impose additional costs on UFAB's business.

Material weaknesses in internal control over financial reporting – As of March 31, 2020, the company identified a material weakness, primarily related to limited staffing levels that are not commensurate with its financial accounting and reporting requirements. If UFAB is unable to successfully remediate this material weakness, its financial statements could contain material misstatements.

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 7.2 million shares in the float and the average daily volume is approximately 11,000 shares.

Miscellaneous risk - The company's ability to maintain its dividend and its 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 $)

	FY17A	FY18A	FY19A	3/20A	FY20E	FY21E
Cash	1,431	1,410	650	1,759	1,338	317
Accounts receivable	27,204	30,831	24,701	24,806	17,413	20,778
Inventory	16,330	16,285	13,047	15,259	10,165	11,740
Prepaid expenses and other	4,608	3,495	4,160	5,505	5,505	5,505
Total current assets	49,573	52,021	42,558	47,329	34,421	38,340
Property, plant and equipment	22,975	25,078	23,415	23,096	23,057	22,691
Goodwill	28,871	28,871	22,111	22,111	22,111	22,111
Intangible assets	19,636	15,568	11,625	10,639	7,711	5,255
Other assets	1,750	1,749	1,959	13,380	13,380	13,380
Total assets	**122,805**	**123,287**	**101,668**	**116,555**	**100,680**	**101,777**
Accounts payable	11,708	11,465	9,324	14,956	11,782	13,608
Current portion of long-term debt	3,800	3,350	2,847	2,847	2,847	2,847
Income taxes payable	349	41	-	-	-	-
Accrued compensation	2,841	2,848	1,225	764	764	764
Other accrued liabilites	1,027	1,432	1,979	3,403	3,403	3,403
Other liabilites	-	-	-	-	-	-
Total current liabilities	19,725	19,136	15,375	21,970	18,796	20,622
Long-term debt	27,289	34,668	33,220	31,819	25,319	24,819
Line of credit	22,476	17,905	11,418	11,750	11,750	11,750
Other liabilities	2,433	2,690	2,195	12,670	12,670	12,670
Total liabilities	**71,923**	**74,399**	**62,208**	**78,209**	**68,535**	**69,861**
Total stockholders' equity	**50,882**	**48,888**	**39,460**	**38,346**	**32,145**	**31,916**
Total liabilities & stockholders' equity	**122,805**	**123,287**	**101,668**	**116,555**	**100,680**	**101,777**

Source: Company filings and Taglich Brothers' estimates

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

	2017A	2018A	2019A	2020E	2021E
Sales	175,288	174,910	152,489	113,976	136,000
Cost of sales	135,234	135,575	120,981	94,257	108,863
Gross profit	40,054	39,335	31,507	19,719	27,137
Selling, general, and administrative	29,767	29,781	26,751	23,715	24,000
Restructuring / impairment expenses	-	1,156	9,512	1,320	-
Operating income	10,287	8,398	(4,755)	(5,316)	3,137
Other income (expense)	78	(59)	11	(24)	-
Interest expense	(2,745)	(3,778)	(4,287)	(4,533)	(3,570)
Income before income taxes	7,620	4,561	(9,031)	(9,873)	(433)
Income tax (benefit)	1,133	862	37	(2,466)	(113)
Net income	6,487	3,699	(9,068)	(7,407)	(320)
EPS	0.66	0.37	(0.93)	(0.76)	(0.03)
Shares Outstanding	9,899	9,909	9,779	9,780	9,780
EBITDA		14,969	2,119	1,440	8,459
Margin Analysis					
Gross margin	22.9%	22.5%	20.7%	17.3%	20.0%
SG&A	17.0%	17.0%	17.5%	20.8%	17.6%
Operating margin	5.9%	4.8%	(3.1)%	(4.7)%	2.3%
Tax rate	14.9%	18.9%	(0.4)%	25.0%	26.0%
Net margin	3.7%	2.1%	(5.9)%	(6.5)%	(0.2)%
Year / Year Growth					
Total Revenues	2.8%	(0.2)%	(12.8)%	(25.3)%	19.3%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2019A to 2021E
(in thousands $)

	3/19A	6/19A	9/19A	12/19A	2019A	3/20A	6/20E	9/20E	12/20E	2020E	3/21E	6/21E	9/21E	12/21E	2021E
Sales	39,467	38,889	38,550	35,583	152,489	34,976	14,000	32,000	33,000	113,976	34,750	34,250	33,750	33,250	136,000
Cost of sales	31,167	30,677	31,375	27,762	120,981	27,901	14,000	25,824	26,532	94,257	27,696	27,400	27,068	26,700	108,863
Gross profit	8,300	8,212	7,174	7,821	31,507	7,075	-	6,176	6,468	19,719	7,054	6,850	6,683	6,550	27,137
Selling, general, and administrative	7,273	7,424	6,538	5,516	26,751	5,865	5,900	5,950	6,000	23,715	6,000	6,000	6,000	6,000	24,000
Restructuring / impairment expenses	90	7,494	991	937	9,512	920	400	-	-	1,320	-	-	-	-	-
Operating income	937	(6,706)	(354)	1,368	(4,755)	290	(6,300)	226	468	(5,316)	1,054	850	683	550	3,137
Other income (expense)	17	25	(13)	(18)	11	(24)	-	-	-	(24)	-	-	-	-	-
Interest expense	(1,100)	(1,331)	(1,149)	(707)	(4,287)	(1,666)	(972)	(955)	(940)	(4,533)	(925)	(905)	(880)	(860)	(3,570)
Income before income taxes	(146)	(8,012)	(1,516)	643	(9,031)	(1,400)	(7,272)	(729)	(472)	(9,873)	129	(55)	(198)	(310)	(433)
Income tax (benefit)	43	(389)	(252)	635	37	(263)	(1,891)	(190)	(123)	(2,466)	34	(14)	(51)	(81)	(113)
Net income	(189)	(7,623)	(1,264)	8	(9,068)	(1,137)	(5,381)	(539)	(349)	(7,407)	96	(41)	(146)	(229)	(320)
EPS	(0.02)	(0.78)	(0.13)	0.00	(0.93)	(0.12)	(0.55)	(0.06)	(0.04)	(0.76)	0.01	(0.00)	(0.01)	(0.02)	(0.03)
Shares Outstanding	9,779	9,779	9,779	9,779	9,779	9,780	9,780	9,780	9,780	9,780	9,780	9,780	9,780	9,780	9,780
EBITDA					2,119					1,440					8,459
Margin Analysis															
Gross margin	21.0%	21.1%	18.6%	23.0%	20.7%	20.2%	0.0%	19.3%	19.6%	17.3%	20.3%	20.0%	19.8%	19.7%	20.0%
SG&A	18.4%	19.1%	17.0%	15.5%	17.5%	16.8%	42.1%	18.6%	18.2%	20.8%	17.3%	19.8%	17.8%	18.0%	17.6%
Operating margin	2.4%	(17.2)%	(0.9)%	3.8%	(3.1)%	0.8%	(45.0)%	0.7%	1.4%	(4.7)%	3.0%	2.5%	2.0%	1.7%	2.3%
Tax rate	NMF	NMF	NMF	26.0%	(0.4)%	18.8%	26.0%	26.0%	26.0%	25.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	(0.5)%	(19.6)%	(3.3)%	0.0%	(5.9)%	(3.3)%	(38.4)%	(1.7)%	(1.1)%	(6.5)%	-0.3%	(0.1)%	(0.4)%	(0.7)%	(0.2)%
Year / Year Growth															
Total Revenues	(16.6)%	(15.0)%	(8.3)%	(10.6)%	(12.8)%	(11.4)%	(64.0)%	(17.0)%	(7.3)%	(25.3)%	(0.6)%	144.6%	5.5%	0.8%	19.3%

Source: Company filings and Taglich Brothers' estimates

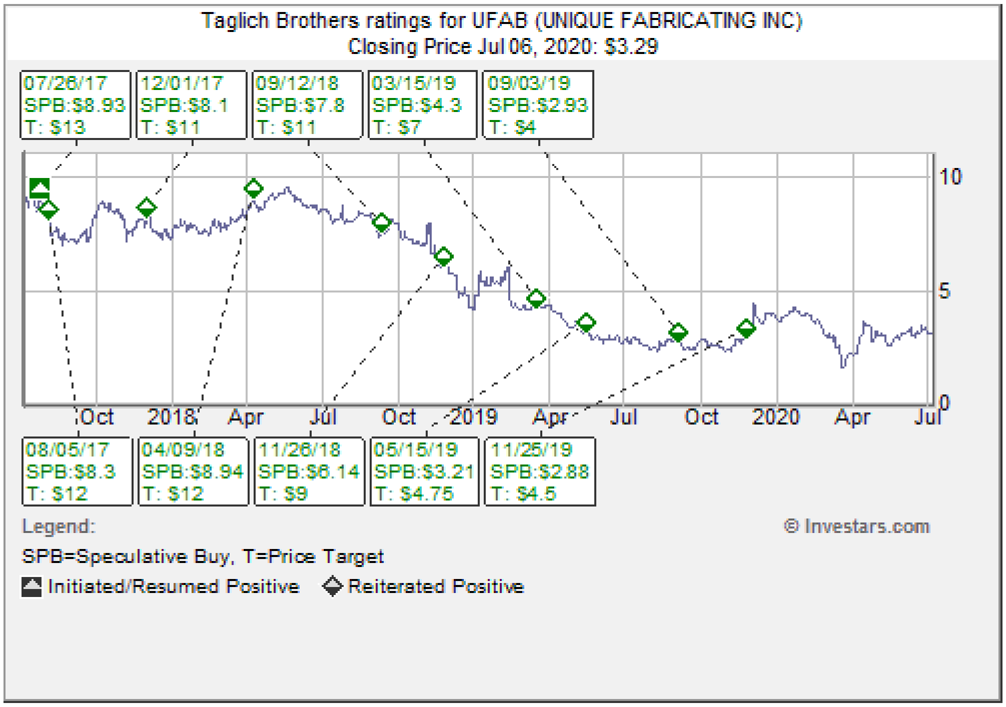
Unique Fabricating, Inc.

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

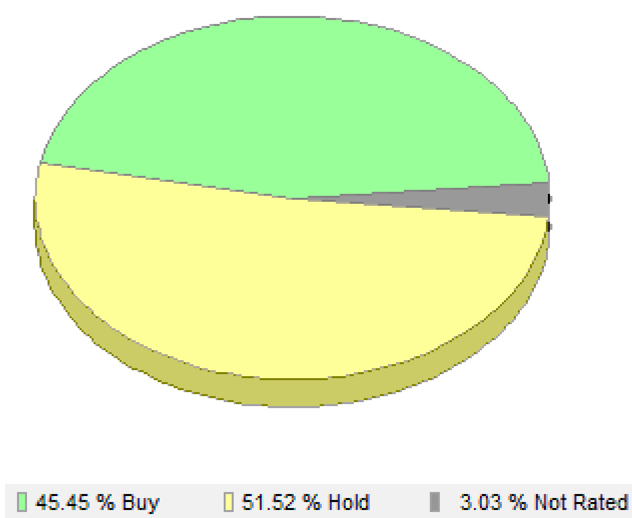
	FY17A	FY18A	FY19A	3M20A	FY20E	FY21E
Net income (loss)	6,487	3,699	(9,068)	(1,137)	(7,407)	(320)
Impairment of goodwill	-	-	6,760	-	-	-
Inventory allowance	-	-	1,742	-	-	-
Depreciation and amortization	6,320	6,630	6,863	1,751	6,780	5,322
Amortization of debt issuance costs	149	147	177	37	148	148
(Gain) loss on sale of assets	63	(138)	68	12	12	-
Loss on extinguishment of debt	-	59	-	-	-	-
Bad debt adjustment	128	13	243	213	213	-
Loss (gain) on derivative instruments	(228)	452	578	614	614	-
Stock option expense	150	131	130	23	92	92
Deferred taxes	(1,552)	(291)	(1,153)	(450)	(450)	-
Cash earnings (loss)	11,517	10,702	6,340	1,063	2	5,242
Changes in assets and liabilities						
Accounts receivable	(444)	(3,641)	5,888	(318)	7,288	(3,365)
Inventory	402	45	2,584	(2,266)	2,882	(1,575)
Prepaid expenses and other assets	(1,766)	1,212	(570)	(1,344)	(1,038)	(148)
Accounts payable	(1,706)	1,008	(1,104)	5,968	2,458	1,826
Accrued and other liabilities	(194)	104	(1,117)	(255)	(461)	-
(Increase) decrease in working capital	(3,708)	(1,272)	5,681	1,785	11,129	(3,262)
Net cash provided by (used in) operations	**7,809**	**9,430**	**12,021**	**2,848**	**11,131**	**1,979**
Purchase of property and equipment	(4,140)	(5,394)	(2,759)	(296)	(2,500)	(2,500)
Proceeds from sale of property and equipment	52	904	119	5	5	-
Acquisition of Intasco	-	-	-	-	-	-
Net cash provided by (used in) investing	**(4,088)**	**(4,490)**	**(2,640)**	**(291)**	**(2,495)**	**(2,500)**
Net change in bank overdraft	(38)	(1,251)	(1,036)	(335)	(335)	-
Proceeds from debt	-	10,132	1,300	-	6,000	-
Payments on term loans	(3,375)	(2,962)	(3,350)	(1,425)	(13,925)	(5,000)
Proceeds from (payments on) revolving facilities	6,231	(4,422)	(6,565)	312	312	4,500
Debt issuance costs	-	(634)	-	-	-	-
Pay-off of old senior credit facility	-	-	-	-	-	-
Proceeds from exercise of stock options and warrants	37	38	-	-	-	-
Distribution of cash dividends	(5,850)	(5,862)	(490)	-	-	-
Net cash provided by (used in) financing	**(2,995)**	**(4,961)**	**(10,141)**	**(1,448)**	**(7,948)**	**(500)**
Net change in cash	**725**	**(21)**	**(760)**	**1,109**	**688**	**(1,021)**
Cash - beginning of period	**706**	**1,431**	**1,410**	**650**	**650**	**1,338**
Cash - end of period	**1,431**	**1,410**	**650**	**1,759**	**1,338**	**317**

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	**2**	**11**
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 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 7,500 shares subject to exercisable options. Robert Schroeder, Vice President – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 14,100 warrants. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 3,700 warrants. Other employees at Taglich Brothers, Inc. own or have controlling interests in 23,100 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.

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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.

Public companies mentioned in this report:

Fiat Chrysler Automobiles (NYSE: FCAU)
Ford Motor Company (NYSE: F)
General Motors, Inc. (NYSE: GM)

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.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes 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.