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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

September 12, 2018

UFAB $7.80 — (NYSE MKT)

	2016A	2017A	2018E	2019E
Revenues (millions)	$170.5	$175.3	$182.5	$200.0
Earnings (loss) per share	$0.68	$0.66	$0.76	$1.23

52-Week range	$9.70 – $7.42	Fiscal year ends:	December
Common shares out as of 8/3/18	9.8 million	Revenue per share (TTM)	$17.77
Approximate float	6.8 million	Price/Sales (TTM)	0.4X
Market capitalization	$76 million	Price/Sales (FY2019)E	0.4X
Tangible book value/share	$0.50	Price/Earnings (TTM)	12.8X
Price/tangible book value	15.6X	Price/Earnings (FY2019)E	6.3X
Annual dividend	$0.60	Annual dividend yield	7.7%

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. but reducing our twelve-month price target to $11.00 per share from $12.50 to account for the added risk that tariffs could have on North American vehicle sales.

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 increase slightly through 2021 to approximately 17.3 million annually from 17 million in 2017. Increased production volumes, current trends of reducing a vehicle's weight and increasing passenger comfort, as well as a significant amount of new business (approximately $10 million annually) scheduled to launch in 4Q18 should enable the company to grow sales through 2019 and beyond.

For FY18, we project 4.1% revenue growth to $182.5 million (essentially unchanged) and EPS of $0.76 (prior was $0.70). Our higher EPS forecast is due primarily to lower than originally anticipated SG&A expenses as the company effectively leverages its cost structure.

For FY19, we project 9.6% revenue growth to $200 million and EPS of $1.23, up from our previous revenue projection of $198 million and EPS of $1.21. The increases reflect a slightly improved North American vehicle production growth forecast for 2019.

UFAB reported (8/9/18) 2Q18 EPS of $0.18 on a 2.7% increase in revenue to $45.7 million. EPS in 2Q17 was $0.17. We projected revenue of $48.2 million and EPS of $0.19.

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

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Recommendation and Valuation

Reiterating our Speculative Buy rating on Unique Fabricating, Inc. but reducing our twelve-month price target to $11.00 per share from $12.50 to account for the added risk that tariffs could have on North American vehicle sales.

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 increase slightly through 2021 to approximately 17.3 million annually from 17 million in 2017. Increased production volumes, current trends of reducing a vehicle's weight and increasing passenger comfort, as well as a significant amount of new business (approximately $10 million annually) scheduled to launch in 4Q18 should enable the company to grow sales through 2019 and beyond.

UFAB is undervalued relative to its peers (see chart below) given UFAB'S 2019 EPS growth rate compared to its peers. The company's relative valuation should improve as earnings growth materializes.

Company	Symbol	Price	Market Cap $M	Trailing P/E	2019 P/E	2019 EPS Growth
Gentherm	THRM	47.8	1,743	24.6	18.1	14.3%
Fox Factory Holding	FOXF	70.55	2,668	40.1	29.9	12.9%
Standard Motor Products	SMP	50.86	1,141	20.5	15.1	26.7%
Modine Manufacturing	MOD	16.2	821	10.4	8.3	17.4%
Motorcar Parts of America	MPAA	25.03	473	16.1	10.5	19.0%
Superior Industries International	SUP	18.85	472	24.8	21.7	141.7%
Tower International	TOWR	32.55	671	8.3	7.9	-0.2%
Stoneridge	SRI	28.04	799	15.3	12.5	9.8%
Horizon Global	HZN	7.82	196	25.2	13.7	216.7%
Strattec Security	STRT	32.3	121	NA	NA	NA
Peer Average				**20.6**	**15.3**	**50.9%**
Unique Fabricating	**UFAB**	**7.8**	**76**	**12.8**	**6.3**	**61.8%**
Source: Taglich Brothers estimates, Thomson Reuters						

The company trades at a 2019 multiple of 6.3X based on our forecast of $1.23 per share. The company's peers trade at a forward multiple of 15.3X projected 2019 earnings. We believe UFAB's multiple will approach that of its peers as earnings growth accelerates at a rate greater than its peers. We applied a multiple of 11X (down from 13X due to potential tariff risks) to our FY19 EPS projection of $1.23, discounted to account for execution risk, to obtain a year-ahead value of approximately $11.00 per share.

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.

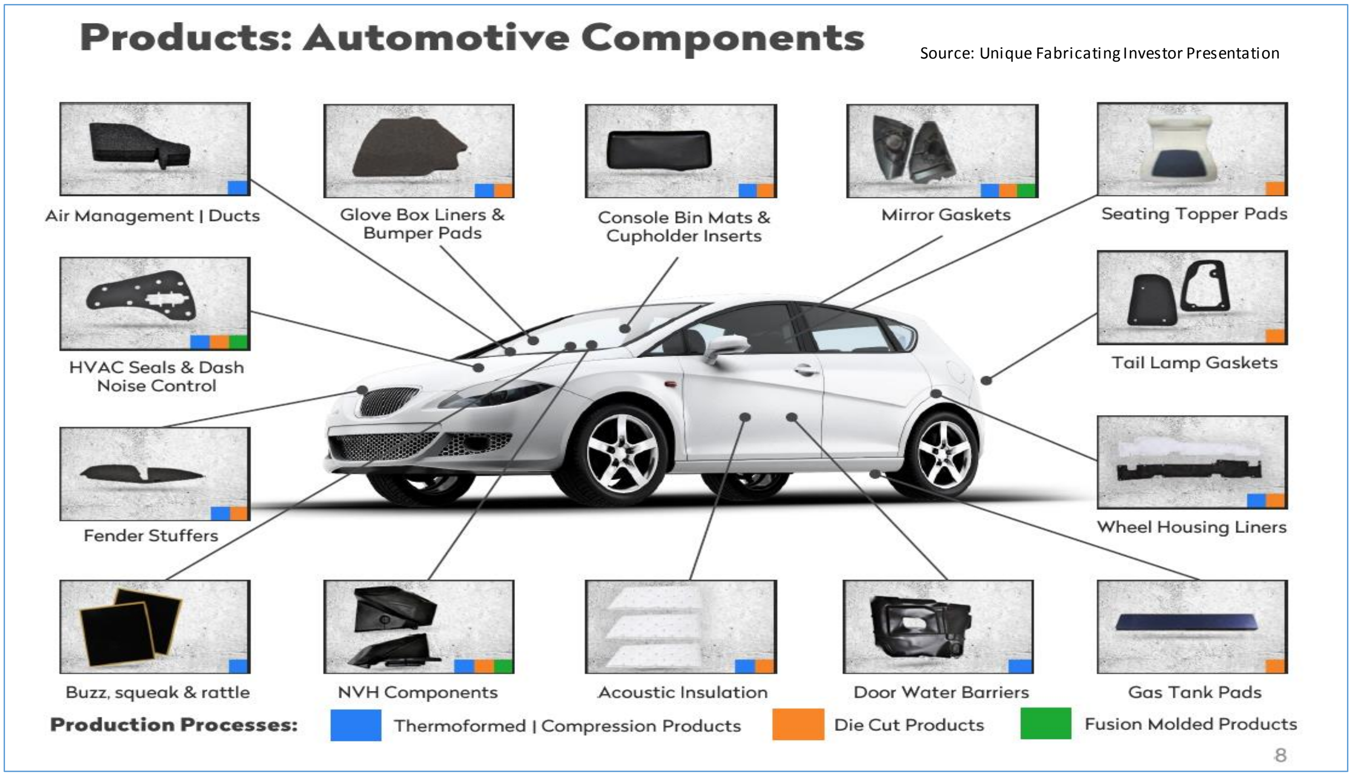
The company was formed through the acquisitions of Prescotech Holdings, Chardan Corporation, Great Lakes Foam Technologies, and Intasco Corporation. A brief description of each acquisition can be seen in the table at the top of page three.

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 heating, ventilation, and air conditioning (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% reaching $11.6 billion in 2017 from 2013. 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 increase slightly through 2021 to approximately 17.3 million annually from 17 million in 2017.

Rubber Products Manufacturing

The rubber products manufacturing industry is projected to generate sales of approximately $20.6 billion in 2018 (according to IBISWorld) with 23.9% or $4.9 billion coming from the automotive segment. IBISWorld projects overall industry revenue growth at an annualized rate of 1.3% reaching $22.2 billion in 2024. Driving growth will be increased demand for automobiles.

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 2018 plastic products manufacturing industry to generate approximately $100 billion in sales with 26.7% or $26.7 billion coming from automobile manufacturers that use plastic in vehicle interiors and in some engine components. The overall industry is projected to grow at an annualized rate of 0.6% to $103.4 billion to 2024. 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.

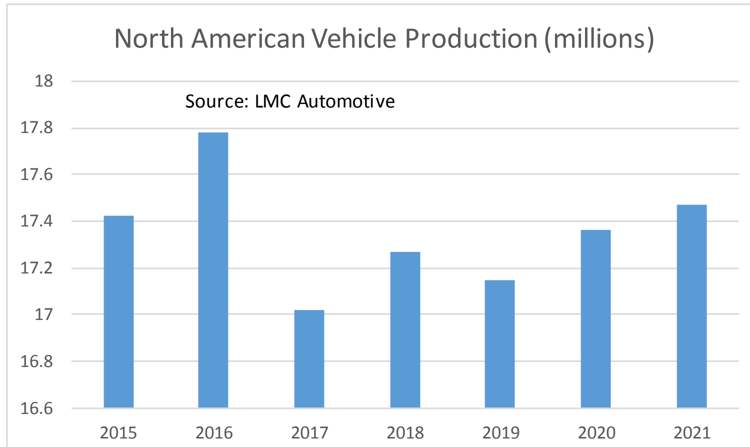
Federal regulations requiring cars to have an average fuel economy of 54.5 miles per gallon by 2025 could boost automotive manufacturing moving forward. However, in April 2018, the Trump administration released a proposal that would freeze the average at the 2020 goal of around 42 MPG. A simple way for 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.

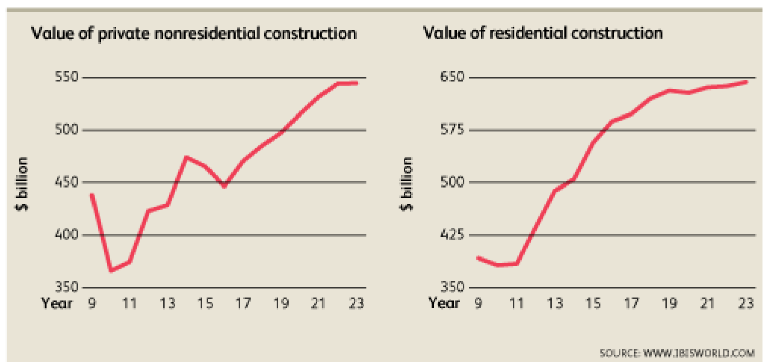
Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced. Although OEM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle. We believe 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 plateaued in 2016 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 17.3 million annually through 2021 (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 construction industry. IBISWorld projects the value of private nonresidential construction to grow from approximately $450 billion in 2016 to approximately $550 billion in 2023. The value of residential construction is projected to grow from approximately $600 billion in 2016 to approximately $650 billion in 2023 (see chart at right). A growing construction market should bode well for sales of the company's products to the appliance, HVAC, and water heater industries.

The US heating, ventilation and air conditioning (HVAC) industry is forecast to show modest growth through 2024, driven mostly by nonresidential growth. IBISWorld projects industry revenue to increase at an average annual rate of 1.6% to reach approximately $51.5 billion in the six years to 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.

2Q18 and 1H18 Financial Results

2Q18 - Net income increased to $1.8 million or $0.18 per share on a 2.7% increase in revenue to $45.7 million. Net income in 2Q17 was $1.7 million or $0.17 per share. We projected revenue of $48.2 million and net income of $1.9 million or $0.19 per share.

The increase in revenue was primarily due to increased market penetration partially offset by a 2.9% decrease in North American vehicle production. 2Q18 sales were impacted by a fire at a supplier that adversely impacted sales by approximately $2 million. The company anticipates recouping that lost volume in 2H18.

Gross profit increased to $11.2 million from $10.7 million with gross margins increasing to 24.5% from 24% due primarily to lower material costs as a percentage of sales and greater manufacturing overhead coverage.

SG&A expenses decreased to $7.4 million from $7.6 million due primarily to the company effectively leveraging its cost structure. Operating expense margin (excluding restructuring expenses of $538,000 in 2Q18) decreased to 16.1% from 17.1%. Operating income increased 6.6% to $3.3 million or 7.2% of sales versus operating income of $3.1 million or 6.9% of sales in the year ago period. Interest expense increased to $861,000 from $703,000 due primarily to higher interest rates and a higher average debt balance. The company paid $632,000 in taxes or a 26.5% tax rate compared to $729,000 or a 30.4% tax rate in the year ago period.

1H18 - Net income decreased to $3.3 million or $0.33 per share on a 0.7% increase in revenue to $93 million. Net income in 1H17 was $3.7 million or $0.38 per share.

Gross profit increased to $22.3 million from $21.8 million with gross margins increasing to 23.9% from 23.6% due primarily to lower material costs as a percentage of sales and greater manufacturing overhead coverage.

SG&A expenses increased to $15.3 million from $15.2 million due primarily to costs associated with the implementation of a new ERP system. Operating expense margin (excluding restructuring expenses of $980,000 in 1H18) increased to 16.5% from 16.4%. Operating income decreased 9.8% to $5.9 million or 6.4% of sales versus operating income of $6.6 million or 7.1% of sales in the year ago period. Interest expense increased to $1.6 million from $1.3 million due primarily to higher interest rates and a higher average debt balance. The company's tax rate decreased to 23.8% from 30.1% in 1H17.

Liquidity - As of July 1, 2018, the company had $981,000 cash, a current ratio of 2.4 versus 1.4 for the car parts industry, $55.4 million of debt (of which $4.6 million is current) for a debt/equity ratio of 1.0X versus 0.6X for the industry, and approximately 40% of assets are covered by equity.

	6 Months Ended	
	7/1/18A	7/2/17A
Sales	93,046	92,375
Cost of sales	70,777	70,602
Gross profit	22,269	21,773
Selling, general, and administrative	15,346	15,187
Restructuring expenses	980	-
Operating income	5,943	6,586
Other income (expense)	(64)	44
Interest expense	(1,597)	(1,319)
Income before income taxes	4,282	5,311
Income tax	1,019	1,596
Net income	3,263	3,715
EPS	0.33	0.38
Shares Outstanding	9,915	9,505
Margin Analysis		
Gross margin	23.9%	23.6%
SG&A	16.5%	16.4%
Operating margin	6.4%	7.1%
Tax rate	23.8%	30.1%
Net margin	3.5%	4.0%
Year / Year Growth		
Total Revenues	0.7%	
Net Income	(12.2)%	
EPS	(13.4)%	
Source: Company filings		

In 1H18, cash provided by operations was approximately $4.4 million consisting of cash earnings of $6.7 million and a $2.4 million increase in working capital. The increase in working capital was primarily due to increased receivables offset in part by increased payables. Cash used in investing activities consisted primarily of $3.4 million of capital expenditures. Cash used in financing of $1.5 million consisted primarily of dividend payments offset in part by increased debt. Cash decreased by $450,000 to $981,000 at June 30, 2018.

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 2.75%, or LIBOR plus a margin ranging from 2.75% to 3.75%, based on senior leverage ratio thresholds measured quarterly. The effective interest rate as of July 1, 2018 was approximately 5.73%.

The company must comply with a minimum debt service financial covenant and a senior funded indebtedness to EBITDA covenant. As of July 1, 2018, 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 July 2018, the IMF kept its global economic growth estimate at 3.9% for both 2018 and 2019, unchanged from April 2018. The growth estimates assume gradual monetary tightening but still favorable financial conditions. Domestic demand growth is expected to continue at a strong pace even as overall output growth slows.

The IMF kept its economic growth estimate for the US at 2.9% in 2018 and 2.7% in 2019, unchanged from its April 2018 forecast. The IMF said that substantial fiscal stimulus together with already robust private demand should lift output and lower the unemployment rate below levels to 50 year lows. Imports are set to pick up with stronger domestic demand.

The second estimate of US GDP growth (released on August 29, 2018) showed the US economy grew at an annual rate of 4.2% in 2Q18, up from 2.2% in 1Q18. The 2Q18 US GDP growth estimate primarily reflects increases in consumer spending, exports, business investment, and government spending.

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 increase slightly through 2021 to approximately 17.3 million annually from 17 million in 2017. Increased production volumes and 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. The new business will consist primarily of higher margin molded products scheduled to launch in 4Q18 with the full run rate expected in 2019.

FY18 **-** We project 4.1% revenue growth to $182.5 million (essentially unchanged) and net income of $7.5 million or $0.76 per share (prior was $7 million or $0.70 per share). Our higher EPS forecast is due primarily to lower than originally anticipated SG&A expenses as the company effectively leverages its cost structure.

We project gross profit of $44 million, up from $40.1 million, as gross margins increase to 24.1% from 22.9% on greater overhead coverage and the company realizes benefits from the 2018 plant consolidations. In February 2018, UFAB announced the decision to close its Port Huron and Fort Smith manufacturing facilities and transfer production to the company's other existing manufacturing facilities in an effort to streamline operations, improve efficiency, and better position its manufacturing geographically to support growth. Pretax cost savings are expected to be in excess of $800,000 annually beginning in 3Q18.

SG&A expenses should increase to $29.9 million from $29.8 million in 2017 due to increased cash compensation and costs associated with the implementation of a new ERP system. SG&A margins should decrease to 16.4% from 17%.

We project interest expense increasing to $3 million from $2.7 million due to higher average debt levels. Our tax rate estimate is 23.9%.

We project UFAB will generate cash of $14.7 million from operations primarily from cash earnings. Cash from operations is unlikely to cover our projected capital expenditures, repayment of debt, and dividend payments, decreasing cash by $350,000 to $1.1 million at December 31, 2018.

FY19 - We project 9.6% revenue growth to $200 million and net income of $12.2 million or $1.23 per share, up from our previous revenue projection of $198 million and net income forecast of $12 million or $1.21 per share. The increases reflect a slightly improved North American vehicle production growth forecast (LMC Automotive projects a 0.7% decline in 2019 production versus a 1.9% decline projected previously).

We project gross profit of $50.1 million, up from $44 million, as gross margins increase to 25.1% from 24.1% on greater overhead coverage and a full year's benefit from the 2018 plant consolidations.

SG&A expenses should increase to $31.4 million from $29.9 million due to increased cash compensation. SG&A margins should decrease to 15.7% from 16.4%.

We project interest expense decreasing to $2.7 million from $3 million due to lower average debt levels. Our tax rate estimate is 24%.

We project UFAB will generate cash of $16 million from operations from $19.1 million cash earnings being partly offset by a $3.1 million increase in working capital. The increase in working capital should come primarily from an increase in receivables and inventory. Cash from operations should cover our projected capital expenditures, repayment of debt, and dividend payments, increasing cash by $169,000 to $1.3 million at December 31, 2019.

Risks

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

Substantial debt level – As of July 1, 2018, UFAB had approximately $55.4 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 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.

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.

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 8,000 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.

Unique Fabricating, Inc.

Consolidated Balance Sheets
(in thousands $)

	FY15A	FY16A	FY17A	6/18A	FY18E	FY19E
Cash	727	706	1,431	981	1,081	1,250
Accounts receivable	20,480	26,888	27,204	32,120	28,330	31,039
Inventory	14,586	16,731	16,330	16,741	16,733	18,101
Prepaid expenses and other	4,647	2,870	4,608	4,579	4,579	4,579
Total current assets	40,440	47,195	49,573	54,421	50,723	54,969
Property, plant and equipment	18,761	21,198	22,975	24,362	24,416	26,668
Goodwill	19,214	28,871	28,871	28,871	28,871	28,871
Intangible assets	20,139	23,759	19,636	17,575	15,566	11,621
Other assets	1,175	1,514	1,750	1,692	1,692	1,692
Total assets	**99,729**	**122,537**	**122,805**	**126,921**	**121,268**	**123,821**
Accounts payable	11,431	13,452	11,708	13,616	11,997	12,977
Current portion of long-term debt	2,519	2,405	3,800	4,606	4,606	4,606
Income taxes payable	-	611	349	124	124	124
Accrued compensation	2,284	2,734	2,841	3,205	3,205	3,205
Other accrued liabilites	1,159	1,066	1,027	824	824	824
Other liabilites	-	169	-	-	-	-
Total current liabilities	17,393	20,437	19,725	22,375	20,756	21,736
Long-term debt	13,907	28,029	27,289	24,719	21,969	19,469
Line of credit	14,595	20,176	22,476	26,059	23,309	20,809
Other liabilities	5,821	3,836	2,433	2,453	2,453	2,453
Total liabilities	**51,716**	**72,478**	**71,923**	**75,606**	**68,487**	**64,467**
Total stockholders' equity	**48,013**	**50,059**	**50,882**	**51,315**	**52,781**	**59,353**
Total liabilities & stockholders' equity	**99,729**	**122,537**	**122,805**	**126,921**	**121,268**	**123,821**

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	182,546	200,000
Cost of sales	109,488	130,919	135,234	138,573	149,897
Gross profit	33,821	39,544	40,054	43,973	50,103
Selling, general, and administrative	23,372	27,524	29,767	29,946	31,400
Restructuring expenses	374	35	-	1,130	-
Operating income	10,075	11,985	10,287	12,897	18,703
Other income (expense)	23	92	78	(24)	80
Interest expense	(2,755)	(2,135)	(2,745)	(2,964)	(2,715)
Income before income taxes	7,343	9,942	7,620	9,909	16,068
Income tax	2,314	3,258	1,133	2,369	3,856
Net income	5,029	6,684	6,487	7,539	12,212
EPS	0.60	0.68	0.66	0.76	1.23
Shares Outstanding	8,427	9,896	9,899	9,916	9,917
Margin Analysis					
Gross margin	23.6%	23.2%	22.9%	24.1%	25.1%
SG&A	16.3%	16.1%	17.0%	16.4%	15.7%
Operating margin	7.0%	7.0%	5.9%	7.1%	9.4%
Tax rate	31.5%	32.8%	14.9%	23.9%	24.0%
Net margin	3.5%	3.9%	3.7%	4.1%	6.1%
Year / Year Growth					
Total Revenues		18.9%	2.8%	4.1%	9.6%
Net Income		32.9%	(2.9)%	16.2%	62.0%
EPS		13.2%	(3.0)%	16.0%	62.0%

Source: Company filings and Taglich Brothers' estimates

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

	3/17A	6/17A	9/17A	12/17A	2017A	3/18A	6/18A	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	47,304	45,742	44,800	44,700	182,546	52,000	52,800	47,700	47,500	200,000
Cost of sales	36,750	33,852	32,256	32,376	135,234	36,224	34,553	33,936	33,860	138,573	38,870	39,389	35,894	35,744	149,897
Gross profit	11,107	10,666	8,975	9,305	40,054	11,080	11,189	10,864	10,840	43,973	13,130	13,411	11,806	11,756	50,103
Selling, general, and administrative	7,592	7,595	7,269	7,311	29,767	7,967	7,379	7,350	7,250	29,946	8,150	8,300	7,500	7,450	31,400
Restructuring expenses	-	-	-	-	-	442	538	150	-	1,130	-	-	-	-	-
Operating income	3,515	3,071	1,706	1,994	10,287	2,671	3,272	3,364	3,590	12,897	4,980	5,111	4,306	4,306	18,703
Other income (expense)	14	29	40	(5)	78	(36)	(28)	20	20	(24)	20	20	20	20	80
Interest expense	(615)	(703)	(770)	(657)	(2,745)	(736)	(861)	(685)	(682)	(2,964)	(681)	(679)	(678)	(677)	(2,715)
Income before income taxes	2,914	2,397	976	1,332	7,620	1,899	2,383	2,699	2,928	9,909	4,319	4,452	3,648	3,649	16,068
Income tax	867	729	261	(724)	1,133	387	632	648	703	2,369	1,037	1,069	875	876	3,856
Net income	2,047	1,668	715	2,056	6,487	1,512	1,751	2,051	2,225	7,539	3,282	3,384	2,772	2,773	12,212
EPS	0.21	0.17	0.07	0.21	0.66	0.15	0.18	0.21	0.22	0.76	0.33	0.34	0.28	0.28	1.23
Shares Outstanding	9,917	9,910	9,898	9,888	9,899	9,912	9,917	9,917	9,917	9,916	9,917	9,917	9,917	9,917	9,917
Margin Analysis															
Gross margin	23.2%	24.0%	21.8%	22.3%	22.9%	23.4%	24.5%	24.3%	24.3%	24.1%	25.3%	25.4%	24.8%	24.8%	25.1%
SG&A	15.9%	17.1%	17.6%	17.5%	17.0%	16.8%	16.1%	16.4%	16.2%	16.4%	15.7%	15.7%	15.7%	15.7%	15.7%
Operating margin	7.3%	6.9%	4.1%	4.8%	5.9%	5.6%	7.2%	7.5%	8.0%	7.1%	9.6%	9.7%	9.0%	9.1%	9.4%
Tax rate	29.8%	30.4%	26.7%	(54.4)%	14.9%	20.4%	26.5%	24.0%	24.0%	23.9%	24.0%	24.0%	24.0%	24.0%	24.0%
Net margin	4.3%	3.7%	1.7%	4.9%	3.7%	3.2%	3.8%	4.6%	5.0%	4.1%	6.3%	6.4%	5.8%	5.8%	6.1%
Year / Year Growth															
Total Revenues	19.7%	5.9%	(7.9)%	(4.6)%	2.8%	(1.2)%	2.7%	8.7%	7.2%	4.1%	9.9%	15.4%	6.5%	6.3%	9.6%
Net Income	11.7%	178.5%	(71.6)%	18.8%	(2.9)%	(26.1)%	5.0%	186.9%	-8.2%	16.2%	117.1%	93.2%	35.2%	24.6%	62.0%
EPS	10.7%	178.4%	(71.6)%	19.3%	(3.0)%	(26.1)%	4.9%	186.3%	-7.9%	16.0%	117.0%	93.2%	35.2%	24.6%	62.0%

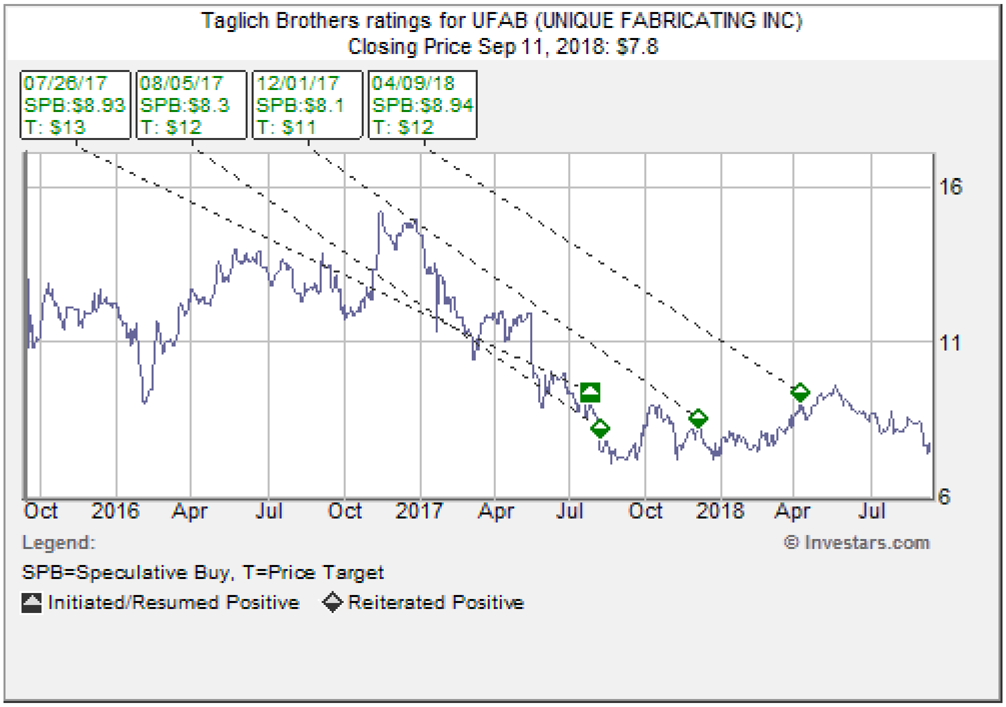
Source: Company filings and Taglich Brothers' estimates

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

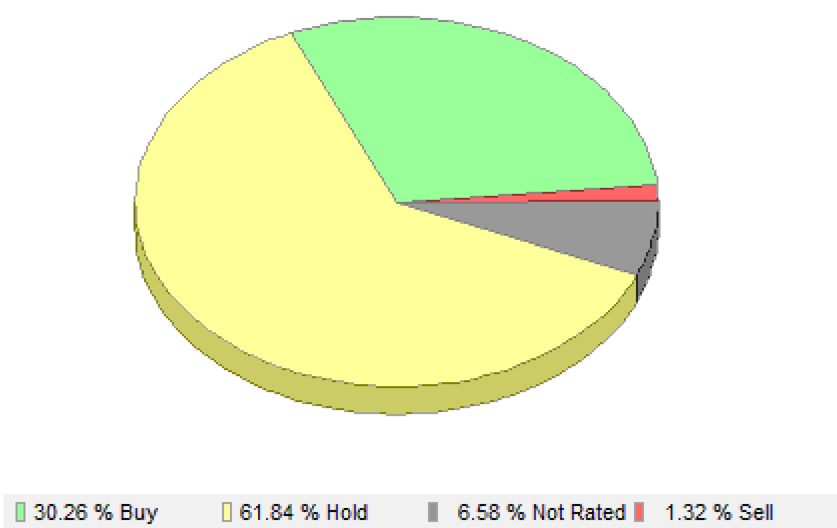
	FY15A	FY16A	FY17A	6m18A	FY18E	FY19E
Net income	5,029	6,684	6,487	3,263	7,539	12,212
Depreciation and amortization	3,903	5,502	6,320	3,286	6,570	6,693
Amortization of debt issuance costs	270	128	149	71	150	150
(Gain) loss on sale of assets	48	(127)	63	12	12	-
Loss on extinguishment of debt	387	60	-	-	-	-
Bad debt adjustment	(37)	(274)	128	126	126	-
Loss (gain) on derivative instruments	(40)	22	(228)	(25)	(25)	-
Stock option expense	206	166	150	66	150	150
Deferred taxes	(496)	(1,166)	(1,552)	(56)	(56)	(150)
Cash earnings (loss)	9,270	10,995	11,517	6,743	14,466	19,055
Changes in assets and liabilities						
Accounts receivable	(695)	(3,987)	(444)	(5,042)	(1,126)	(2,709)
Inventory	(2,982)	340	402	(411)	(403)	(1,367)
Prepaid expenses and other assets	6	(1,292)	(1,766)	921	1,097	-
Accounts payable	(158)	1,330	(1,706)	2,214	289	980
Accrued and other liabilities	(360)	375	(194)	(64)	364	-
(Increase) decrease in working capital	(4,189)	(3,234)	(3,708)	(2,382)	220	(3,096)
Net cash provided by (used in) operations	**5,081**	**7,761**	**7,809**	**4,361**	**14,687**	**15,959**
Purchase of property and equipment	(3,566)	(3,362)	(4,140)	(3,368)	(5,200)	(5,000)
Proceeds from sale of property and equipment	74	2,187	52	12	12	-
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)**	**(3,356)**	**(5,188)**	**(5,000)**
Net change in bank overdraft	660	549	(38)	(306)	(306)	-
Proceeds from debt	-	32,000	-	-	-	-
Payments on term loans	(15,151)	(2,444)	(3,375)	(1,800)	(7,300)	(5,000)
Proceeds from revolving facilities	5,835	5,690	6,231	3,547	3,547	-
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	34	70	70
Distribution of cash dividends	(2,878)	(5,812)	(5,850)	(2,930)	(5,860)	(5,860)
Net cash provided by (used in) financing	**10,329**	**14,210**	**(2,995)**	**(1,455)**	**(9,849)**	**(10,790)**
Net change in cash	**(29)**	**(21)**	**725**	**(450)**	**(350)**	**169**
Cash - beginning of period	**756**	**727**	**706**	**1,431**	**1,431**	**1,081**
Cash - end of period	**727**	**706**	**1,431**	**981**	**1,081**	**1,250**

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	**1**	**50**

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 4,500 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. own or have controlling interests in 73,409 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.

Public companies mentioned in this report:

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.