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

October 6, 2021

UFAB $3.22 — (NYSE)

	2019A	2020A	2021E	2022E
Revenues (millions)	$152.5	$120.2	$130.7	$160.0
Earnings (loss) per share*	$(0.93)	$(0.58)	$(0.05)	$0.46

52-Week range	$7.51 – $2.31	Fiscal year ends:	December
Common shares out a/o 10/5/21	11.7 million	Revenue per share (TTM)	$13.93
Approximate float	7.4 million	Price/Sales (TTM)	0.2X
Market capitalization	$38 million	Price/Sales (FY2022)E	0.2X
Tangible book value/share	$0.23	Price/Earnings (TTM)	NMF
Price/tangible book value	14X	Price/Earnings (FY2022)E	7X

**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 manufacturing of components for use in the transportation, appliance, medical, and consumer markets. The company's products are comprised of multi-material foam, rubber, and plastic components and are used for noise, vibration and harshness management, and water and air sealing.

Key investment considerations:

Reiterating Speculative Buy rating but lowering our twelve-month price target to $5.00 per share from $5.50 due primarily to our lowered 2022 sales per share projection stemming from an increased share count.

After a slowdown in 1H20 caused by the COVID-19 pandemic, an unexpected surge in consumer demand and vehicle production schedules in 2H20 led to a worldwide semiconductor supply shortage in early 2021. This shortage continued through 2Q21 and resulted in decreased demand for the company's products as automotive OEMs have canceled or reduced planned production.

According to LMC Automotive, North American production decreased to 12.9 million in 2020 from approximately 16.2 million in 2019. Projections are for North American annual vehicle production to begin growing in 2021, reaching 15.3 million in 2021 and approximately 17 million from 2022 to 2024. Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in significant sales growth for UFAB through our forecast horizon.

For 2021, we project an 8.7% increase in revenue to $130.7 million and a loss of $(0.05) per share. We previously forecast revenue of $144.8 million and a loss of $(0.03) per share. The reduction in our forecast primarily reflects 2Q21 results and a reduction in forecasted North American vehicle production rates for 2021.

For 2022, we project a 22.4% increase in revenue to $160 million and EPS of $0.46 driven primarily by growth in North American vehicle production. We previously forecast revenue of $155 million and EPS of $0.48. The increase in our revenue projection is due to stronger vehicle production growth than originally projected. Our reduced EPS projection reflects an increased share count from a September 2021 equity offering.

UFAB reported (on 8/12/21) a loss of $(0.26) per share on an approximate doubling in revenue to $30.9 million. UFAB reported a loss of $(0.44) per share in 2Q20. We projected 2Q21 revenue of $32 million and a loss of $(0.16) per share.

****Please view our disclosures on pages 13 - 15.***

Recommendation and Valuation

Reiterating Speculative Buy rating on Unique Fabricating, Inc. but lowering our twelve-month price target to $5.00 per share from $5.50 due primarily to our lowered 2022 sales per share projection stemming from an increased share count.

The company's product sales and programs are highly correlated with new vehicle production in North America. The adverse impacts of the COVID-19 pandemic led to a significant slowdown in North American vehicle production in the first half of 2020 as many automotive companies idled their facilities or reduced production. Increased consumer demand and vehicle production schedules in the second half of 2020 was unexpected in certain areas of the automotive supply chain. This surge in demand, as well as a significant increase in consumer demand for personal electronics, led to a worldwide semiconductor supply shortage in early 2021 which continued through 2Q21 and resulted in decreased demand for the company's products as automotive OEMs have canceled or reduced planned production.

According to LMC Automotive, North American production decreased to 12.9 million in 2020 from approximately 16.2 million in 2019. Projections are for North American annual vehicle production to begin growing in 2021, reaching 15.3 million in 2021 and approximately 17 million from 2022 to 2024.

Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in significant sales growth for UFAB through our forecast horizon.

UFAB currently trades at a trailing twelve-month P/S multiple of 0.2X. Company peers trade at a multiple of 0.4X (unchanged) trailing twelve-month sales. We believe UFAB'S valuation should improve as sales growth resumes. We applied a multiple of 0.4X (unchanged) to our FY22 sales projection of $13.64 per share ($15.85 per share previously), discounted to account for execution risk, to obtain a year-ahead value of approximately $5.00 per share.

Business

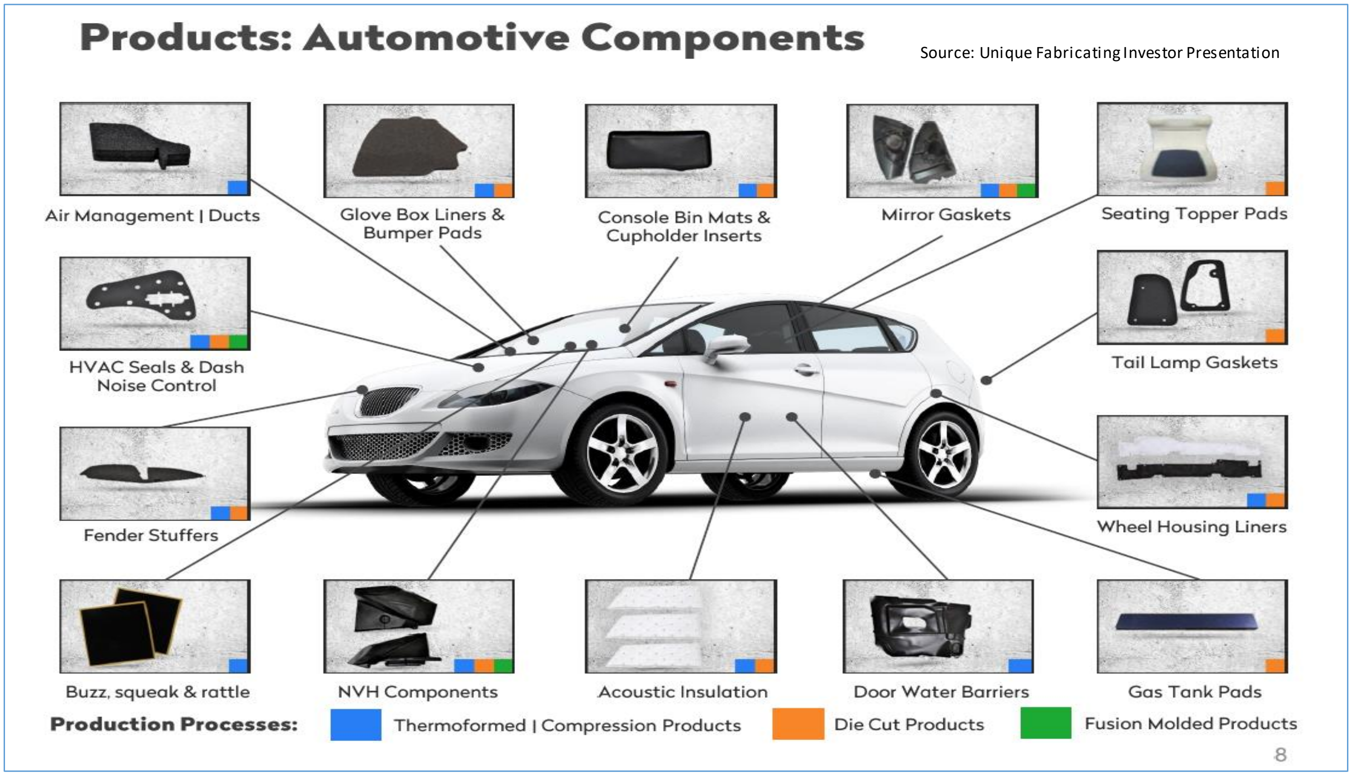
Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacturing of components for use in the transportation, appliance, medical, and consumer markets. The company's products are comprised of multi-material foam, rubber, and plastic components and are used for noise, vibration and harshness management, acoustical management, water and air sealing, decorative and other functional applications.

Unique manufactures air management products, heating ventilating and air conditioning (HVAC) products, seals, fender stuffers, air ducts, acoustical insulation, door water shields, gas tank pads, light gaskets, topper pads, mirror gaskets, glove box liners, personal protection equipment, and packaging.

UFAB's products are sold mainly to the North American transportation market (approximately 88% of total sales in 2020), which includes automotive and heavy-duty trucks. The company also serves the appliance, medical, and consumer markets.

By sealing out air, noise and water intrusion, and by providing sound absorption and blocking, Unique's products improve the interior comfort of a vehicle. Unique's products perform similar functions for appliances, water heaters and HVAC systems, improving thermal characteristics, reducing noise and prolonging equipment life.

Pictured at the top on the next page 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 fall annually by 2.2% to $10.4 billion in 2020 from 2015. This projection includes an estimated decrease of 11.5% in 2020 as the COVID-19 pandemic has disrupted key downstream markets. IBISWorld projects average annual revenue growth of 4.1% to $12.7 billion in 2025. With automotive at 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.

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 estimated North American production decreased to 12.9 million in 2020 from approximately 16.2 million in 2019. Projections are for North American annual vehicle production to begin growing in 2021, reaching 15.3 million in 2021 and approximately 17 million from 2022 to 2024.

Rubber Products Manufacturing
The rubber products manufacturing industry generated sales of approximately $18.5 billion in 2020 (according to IBISWorld), down 3.6% from 2019 as a result of the COVID-19 pandemic. Approximately 25.2% or $4.7 billion of industry revenue is from the automotive segment. IBISWorld projects overall industry revenue growth at an annualized rate of 1.1% reaching $21.4 billion over the five years to 2026. Increased demand for rubber products from key markets and consumers, likely heightened in 2021 and 2022 due to pent-up demand following the

economic slowdown caused by the COVID-19 pandemic, are expected to drive industry growth with the construction and automotive markets expected to rebound and help overall industry growth.

Plastic Products Manufacturing
Revenue for the Plastic Products Miscellaneous Manufacturing industry declined 12.4% to $93.9 billion in 2020 as a result of lower new car sales and the value of construction falling due to COVID-19. IBISWorld projects the overall industry to grow at an annualized rate of 0.9% to $108 billion in 2026 driven by rising demand from the domestic construction and automobile manufacturing markets.

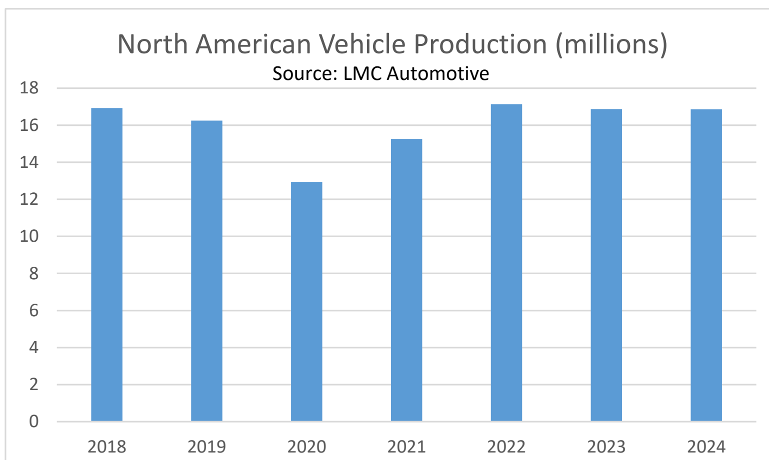
Automotive manufacturers are the industry's largest market segment at 23.3%. Plastic offers automobile manufacturers an inexpensive, lightweight and corrosive-free material that can be used inside and outside the vehicle. While the overall segment has declined over the five years to 2020, plastic product 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 40.4 miles per gallon by 2026 could increase the usage of plastic materials instead of steel in vehicle production.

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 decreased to approximately 12.9 million in 2020 from 16.2 million in 2019. Projections for annual North American vehicle production are for 15.3 million in 2021 and approximately 17 million from 2022 to 2024 (see above chart).

2Q21 and 1H21 Financial Results

<u>*2Q21*</u> – The net loss was $2.5 million or $(0.26) per share on an approximate doubling in revenue to $30.9 million. UFAB reported a loss of $4.3 million or $(0.44) per share on revenue of $15 million in 2Q20. We projected 2Q21 revenue of $32 million and a net loss of $1.5 million or $(0.16) per share.

The increase in revenue was driven by a less severe adverse impact from the COVID-19 pandemic on North American vehicle production volumes as compared to the same period in 2020. Gross profit increased to $4.6 million from $1.8 million with gross margins increasing to 15% from 12.3%. The increase in gross margins was primarily due to greater manufacturing overhead coverage.

SG&A expenses decreased 4.1% to $6.1 million from $6.3 million due primarily to lower amortization expense related to intangible assets that were fully amortized in 1Q21. The operating loss was $1.5 million versus $4.8 million 2Q20. Interest expense increased to $769,000 from $623,000 due to increased borrowing. The company paid $296,000 in taxes versus receiving a $1.1 million tax benefit in 2Q20.

1H21 – The net loss was $3.6 million or $(0.37) per share on a 32.4% increase in revenue to $65.7 million. UFAB reported a loss of $6.6 million or $(0.68) per share in 1H20.

Gross profit increased to $10.5 million from $7.4 million with gross margins increasing to 15.9% from 15%. The increase in gross margins was primarily due to greater manufacturing overhead coverage.

SG&A expenses decreased 2.7% to $11.9 million from $12.2 million due primarily to lower amortization expense related to intangible assets that were fully amortized in 1Q21. The operating loss was $1.4 million versus $6 million 1H20 (included $1.2 million of restructuring expenses). Interest expense decreased to $1.5 million from $2.3 million due primarily to reduced mark-to-market adjustments on the company's interest rate swap partially offset by increased borrowings. The company paid $738,000 in taxes versus a $1.7 million tax benefit in 1H20.

Liquidity - As of June 30, 2021, the company had $924,000 cash, a current ratio of 0.7, $54.5 million of debt (of which is all current) for a debt/equity ratio of 1.8X, and approximately 27% of assets covered by equity.

	6 Months Ended (in thousands $) 6/21A	6/20A
Sales	65,694	49,636
Cost of sales	55,216	42,204
Gross profit	10,478	7,432
Selling, general, and administrative	11,895	12,227
Restructuring / impairment expenses	-	1,193
Operating income	(1,417)	(5,988)
Other income (expense)	39	(6)
Interest expense	(1,462)	(2,289)
Income before income taxes	(2,840)	(8,283)
Income tax (benefit)	738	(1,659)
Net income	(3,578)	(6,624)
EPS	(0.37)	(0.68)
Shares Outstanding	9,780	9,779
Margin Analysis		
Gross margin	15.9%	15.0%
SG&A	18.1%	24.6%
Operating margin	(2.2)%	(12.1)%
Tax rate	26.0%	20.0%
Net margin	(5.4)%	(13.3)%
Year / Year Growth		
Total Revenues	32.4%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

In 1H21, cash used in operations was $913,000 consisting of a cash loss of $630,000 and a $283,000 increase in working capital. The increase in working capital was primarily due to an increase in receivables and inventory, offset in part by a decrease in prepaid expenses and an increase in payables. Cash used in investing activities of $2.2 million consisted primarily of capital expenditures. Cash provided by financing of $3.3 million consisted primarily of a net increase in debt. Cash increased by $164,000 to $924,000 at June 30, 2021.

The company has a $73 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 $38 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 June 30, 2021 was 5.5%.

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 (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress and signed into law on March 27, 2020. The note was 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. The company applied for forgiveness in 4Q20 and in August 2021 received notification that the PPP loan was forgiven. UFAB will recognize a $6.1 million gain related to the PPP loan forgiveness in 3Q21.

On March 31, 2021, UFAB was in violation of certain financial covenants and entered into a forbearance agreement. The agreement commenced on April 9, 2021 and was in effect through June 15, 2021 which allowed the company to borrow on its revolver. On June 14, 2021 UFAB entered into the first amendment to the forbearance agreement which extended the forbearance period from June 15, 2021 to February 28, 2022. During the extended period, the company will be able to borrow under the revolver. However, entering into a forbearance agreement will not alleviate the substantial doubt about the company's ability to continue as a going concern.

As a result of the default, all debt subject to the credit agreement has been classified as current maturities of long-term debt as of June 30, 2021.

On September 21, 2021, UFAB announced it raised approximately $4.4 million through a private offering and sale of public equity of nearly 2 million shares of common stock at a price of $2.25 per share. Taglich Brothers, Inc. acted as placement agent for the offering. The company received net proceeds of approximately $4 million after payment of selling commissions and expenses. Taglich Brothers also received warrants to purchase 156,320 shares of common stock, exercisable for five years at a price per share of $3.12.

The company also entered into a second amendment to its forbearance agreement that, among other things, revises the financial covenants contained within the agreement. The revised financial covenants are reflective of the anticipated impact of the ongoing semiconductor shortage and its impact on demand for the company's products from its automotive customers.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 88% of 2020 sales), the economic outlook for this region should have a direct influence on its sales.

In July 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 6% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2021 is unchanged from its earlier projection (April 2021), the 2022 projection is up from 4.4%. The 2022 upward revision primarily reflects additional fiscal policy support in advanced economies in 2H21 and improved health metrics across the group.

The IMF revised its economic growth estimate for the US to an increase of 7% for 2021 and 4.9% for 2022. In April 2021, the IMF projected US economic growth of 6.4% for 2021 and 3.5% for 2022.

The third estimate of US GDP growth (released on September 30, 2021) showed the US economy increased at an annual rate of 6.7% in 2Q21, up from the 6.3% increase reported in 1Q21. The 2Q21 US GDP estimate primarily reflects increases in consumer spending, business investment, and exports, partially offset by decreases in inventory investment, housing investment, and federal government spending.

Projections

The company's product sales and programs are highly correlated with new vehicle production in North America. The adverse impacts of the COVID-19 pandemic led to a significant slowdown in North American vehicle production in the first half of 2020 as many automotive companies idled their facilities or reduced production. Increased consumer demand and vehicle production schedules in the second half of 2020 was unexpected in certain areas of the automotive supply chain. This surge in demand, as well as a significant increase in consumer demand for personal electronics led to a worldwide semiconductor supply shortage in 1H21that resulted in decreased demand for the company's products as automotive OEMs have canceled or reduced planned production.

UFAB has experienced longer lead-times, higher costs, and delays in procuring raw materials due to shortages because of extreme weather patterns in 2021 that impacted petroleum refining operations in Texas. As a result, the company is currently experiencing incremental costs relating to these supply chain related disruptions and is continuing to work closely with its suppliers and customers in order to minimize the potential adverse impact.

In response to the unprecedented uncertainty related to the impact the COVID-19 pandemic is having on the global automotive industry, UFAB has taken actions to reduce costs and increase financial flexibility which include actively managing costs, capital expenditures, and working capital.

According to LMC Automotive, North American production decreased to 12.9 million in 2020 from approximately 16.2 million in 2019. Projections are for North American annual vehicle production to begin growing in 2021, reaching 15.3 million in 2021 and approximately 17 million from 2022 to 2024. Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in significant sales growth for UFAB through our forecast horizon.

<u>*FY21*</u> - We project an 8.7% increase in revenue to $130.7 million and a net loss of $545,000 or $(0.05) per share. We previously forecast revenue of $144.8 million and a net loss of $324,000 or $(0.03) per share. The reduction in our forecast primarily reflects 2Q21 results and a reduction in forecasted North American vehicle production rates for 2021.

We project gross profit increasing 4.3% to $21.6 million due primarily to the increase in revenue offset in part by gross margin contraction to 16.5% from 17.2% due to higher material costs.

SG&A expenses should decrease to $23.8 million from $25.5 million as the company focuses on managing costs combined with lower amortization expense related to certain intangible assets that were fully amortized by 2Q21. SG&A margins should decrease to 18.2% from 21.2%. The operating loss is projected to narrow to $2.2 million from $4.8 million in 2020 (excludes a $1.2 million restructuring charge).

We project interest expense decreasing to $2.6 million from $3.6 million as the company reduces its debt levels.

We project UFAB will use $456,000 cash from operations from a cash loss of $697,000, offset in part by a $241,000 decrease in working capital. Cash used in operations and projected capital expenditures should be more than offset by proceeds from the sale of common stock and a net increase in borrowings on the revolver (although the forgiveness of the PPP loan will result in reduced total debt), increasing cash by $300,000 to $1.1 million at December 31, 2021.

<u>*FY22*</u> - We project a 22.4% increase in revenue to $160 million and net income of $5.4 million $0.46 per share driven primarily by growth in North American vehicle production. We previously forecast revenue of $155 million and net income of $4.8 million or $0.48 per share. The increase in our revenue projection is due to stronger vehicle production growth than originally projected. While our net income projection increased due primarily to lower SG&A expenses than originally projected, our EPS projection is lower due to an increased number of shares outstanding from the September 2021 equity offering.

We project gross profit increasing 63.4% to $35.2 million due primarily to the increase in revenue and gross margin expansion to 22% from 16.5% on greater overhead coverage.

SG&A expenses are projected to increase 7.2% to $25.5 million to support sales growth. SG&A margins should decrease to 15.9% from 18.2%. Operating income is projected to increase to $9.7 million from a loss of $2.2 million in 2021.

We project interest expense decreasing to $2.4 million from $2.6 million as the company pays down debt. Our tax rate estimate is 26%.

We project UFAB will generate $7 million cash from operations on cash earnings of $10.6 million offset in part by a $3.6 million increase in working capital. The increase in working capital should be due primarily to an increase in receivables and inventory, offset in part by an increase in payables. Cash from operations should cover projected capital expenditures and repayment of debt, leaving cash unchanged at $1.1 million at December 31, 2022.

Risks

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

Substantial debt level, going concern - As of June 30, 2021, UFAB had approximately $54.5 million of debt outstanding. The company was in violation of certain financial covenants and has entered into a forbearance agreement. These events and conditions raise substantial doubt about the company's ability to continue as a going concern.

Pandemic concerns – The ongoing outbreak of COVID-19 has had, and could continue to have, a material adverse effect on UFAB's business, financial condition and results of operations.

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.

Material weaknesses in internal control over financial reporting – As of June 30, 2021, the company identified a material weakness, primarily related to limited finance 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 7.4 million shares in the float and the average daily volume is approximately 946,000 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 $)

	FY18A	FY19A	FY20A	6/21A	FY21E	FY22E
Cash	1,410	650	760	924	1,060	1,055
Accounts receivable	30,831	24,701	23,759	25,643	25,776	28,889
Inventory	16,285	13,047	11,951	15,300	15,591	17,824
Prepaid expenses and other	3,495	4,160	9,670	7,229	7,229	7,229
Total current assets	52,021	42,558	46,140	49,096	49,655	54,997
Property, plant and equipment	25,078	23,415	22,383	23,100	23,230	23,097
Goodwill	28,871	22,111	22,111	22,111	22,111	22,111
Intangible assets	15,568	11,625	7,605	6,175	5,149	3,844
Other assets	1,749	1,959	12,941	11,719	11,719	11,719
Total assets	**123,287**	**101,668**	**111,180**	**112,201**	**111,864**	**115,768**
Accounts payable	11,465	9,324	10,892	12,329	13,339	15,249
Current portion of long-term debt	3,350	2,847	35,864	36,943	28,955	24,977
Income taxes payable	41	-	204	451	451	451
Revolver - current portion	-	-	11,494	17,537	16,833	16,833
Accrued compensation	2,848	1,225	792	1,396	1,396	1,396
Other accrued liabilites	1,432	1,979	4,551	3,936	3,936	3,936
Total current liabilities	19,136	15,375	63,797	72,592	64,910	62,842
Long-term debt	34,668	33,220	2,999	-	-	-
Line of credit	17,905	11,418	-	-	-	-
Other liabilities	2,690	2,195	10,519	9,039	9,039	9,039
Total liabilities	**74,399**	**62,208**	**77,315**	**81,631**	**73,949**	**71,881**
Total stockholders' equity	**48,888**	**39,460**	**33,865**	**30,570**	**37,915**	**43,887**
Total liabilities & stockholders' equity	**123,287**	**101,668**	**111,180**	**112,201**	**111,864**	**115,768**

Source: Company filings and Taglich Brothers' estimates

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

	2018A	2019A	2020A	2021E	2022E
Sales	174,910	152,489	120,214	130,694	160,000
Cost of sales	135,575	120,981	99,543	109,136	124,765
Gross profit	39,335	31,507	20,671	21,558	35,235
Selling, general, and administrative	29,781	26,751	25,484	23,795	25,500
Restructuring / impairment expenses	1,156	9,512	1,230	-	-
Operating income (loss)	8,398	(4,755)	(6,043)	(2,237)	9,735
Other income (expense)	(59)	11	157	6,139	-
Interest expense	(3,778)	(4,287)	(3,608)	(2,644)	(2,409)
Income before income taxes	4,561	(9,031)	(9,494)	1,258	7,326
Income tax (benefit)	862	37	(3,784)	1,803	1,905
Net income	3,699	(9,068)	(5,710)	(545)	5,421
EPS	0.37	(0.93)	(0.58)	(0.05)	0.46
Shares Outstanding	9,909	9,779	9,780	10,350	11,734
EBITDA	14,969	2,119	1,199	9,511	14,173
Margin Analysis					
Gross margin	22.5%	20.7%	17.2%	16.5%	22.0%
SG&A	17.0%	17.5%	21.2%	18.2%	15.9%
Operating margin	4.8%	(3.1)%	(5.0)%	(1.7)%	6.1%
Tax rate	18.9%	(0.4)%	39.9%	NMF	26.0%
Net margin	2.1%	(5.9)%	(4.7)%	(0.4)%	3.4%
Year / Year Growth					
Total Revenues	(0.2)%	(12.8)%	(21.2)%	8.7%	22.4%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2020A to 2022E
(in thousands $)

	3/20A*	6/20A*	9/20A*	12/20A	2020A	3/21A	6/21A	9/21E	12/21E	2021E	3/22E	6/22E	9/22E	12/22E	2022E
Sales	34,661	14,975	35,550	35,028	120,214	34,798	30,896	31,000	34,000	130,694	37,000	39,000	41,000	43,000	160,000
Cost of sales	29,070	13,134	27,342	29,997	99,543	28,936	26,280	26,040	27,880	109,136	29,045	30,518	31,878	33,325	124,765
Gross profit	5,591	1,841	8,208	5,031	20,671	5,862	4,616	4,960	6,120	21,558	7,955	8,483	9,123	9,675	35,235
Selling, general, and administrative	5,884	6,343	6,381	6,876	25,484	5,814	6,081	6,100	5,800	23,795	6,300	6,350	6,400	6,450	25,500
Restructuring / impairment expenses	920	273	-	37	1,230	-	-	-	-	-	-	-	-	-	-
Operating income (loss)	(1,213)	(4,775)	1,827	(1,882)	(6,043)	48	(1,465)	(1,140)	320	(2,237)	1,655	2,133	2,723	3,225	9,735
Other income (expense)	(24)	18	32	131	157	18	21	6,100	-	6,139	-	-	-	-	-
Interest expense	(1,666)	(623)	(711)	(608)	(3,608)	(693)	(769)	(600)	(582)	(2,644)	(609)	(605)	(600)	(595)	(2,409)
Income before income taxes	(2,903)	(5,380)	1,148	(2,359)	(9,494)	(627)	(2,213)	4,360	(262)	1,258	1,046	1,528	2,123	2,630	7,326
Income tax (benefit)	(601)	(1,058)	152	(2,277)	(3,784)	442	296	1,134	(68)	1,803	272	397	552	684	1,905
Net income	(2,302)	(4,322)	996	(82)	(5,710)	(1,069)	(2,509)	3,226	(194)	(545)	774	1,130	1,571	1,946	5,421
EPS	(0.24)	(0.44)	0.10	(0.01)	(0.58)	(0.11)	(0.26)	0.32	(0.02)	(0.05)	0.07	0.10	0.13	0.17	0.46
Shares Outstanding	9,780	9,780	9,780	9,780	9,780	9,780	9,780	10,105	11,734	10,350	11,734	11,734	11,734	11,734	11,734
EBITDA					1,199					9,511					14,173
Margin Analysis															
Gross margin	16.1%	12.3%	23.1%	14.4%	17.2%	16.8%	15.0%	16.0%	18.0%	16.5%	21.5%	21.8%	22.3%	22.5%	22.0%
SG&A	17.0%	42.4%	17.9%	19.6%	21.2%	16.7%	19.7%	19.7%	17.1%	18.2%	17.0%	19.8%	15.6%	15.0%	15.9%
Operating margin	(3.5)%	(31.9)%	5.1%	(5.4)%	(5.0)%	0.1%	(4.7)%	(3.7)%	0.9%	(1.7)%	4.5%	5.5%	6.6%	7.5%	6.1%
Tax rate	20.7%	19.7%	13.2%	96.5%	39.9%	(70.5)%	(13.4)%	26.0%	26.0%	NMF	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	(6.6)%	(28.9)%	2.8%	(0.2)%	(4.7)%	(3.1)%	(8.1)%	10.4%	(0.6)%	(0.4)%	2.1%	2.9%	3.8%	4.5%	3.4%
Year / Year Growth															
Total Revenues	(12.2)%	(61.5)%	(7.8)%	(1.6)%	(21.2)%	0.4%	106.3%	(12.8)%	(2.9)%	8.7%	6.3%	26.2%	32.3%	26.5%	22.4%

*Restated as of April 15, 2021
Source: Company filings and Taglich Brothers' estimates

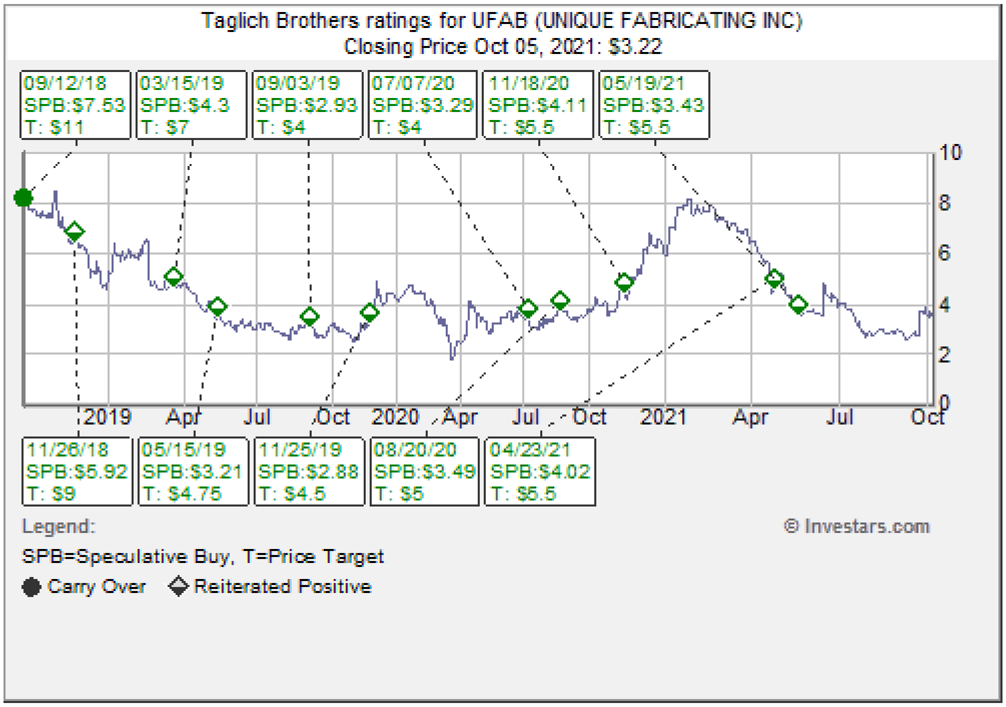
Unique Fabricating, Inc.

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

	FY18A	FY19A	FY20A	6M21A	FY21E	FY22E
Net income (loss)	3,699	(9,068)	(5,710)	(3,578)	(545)	5,421
Impairment of goodwill	-	6,760	-	-	-	-
Inventory allowance	-	1,742	-	-	-	-
Depreciation and amortization	6,630	6,863	7,085	2,953	5,609	4,438
Amortization of debt issuance costs	147	177	189	103	180	180
(Gain) loss on sale of assets	(138)	68	464	(12)	(12)	-
Loss on extinguishment of debt	59	-	-	-	-	-
Bad debt adjustment	13	243	740	(194)	(194)	-
Loss (gain) on derivative instruments	452	578	329	(185)	(185)	-
Stock option expense	131	130	115	283	550	550
Foregiveness of notes payable - PPP loan	-	-	-	-	(6,100)	
Deferred taxes	(291)	(1,153)	(1,539)	-	-	-
Cash earnings (loss)	10,702	6,340	1,673	(630)	(697)	10,589
Changes in assets and liabilities						
Accounts receivable	(3,641)	5,888	202	(1,690)	(2,017)	(3,113)
Inventory	45	2,584	1,096	(3,349)	(3,640)	(2,233)
Prepaid expenses and other assets	1,212	(570)	(6,864)	2,520	2,847	(180)
Accounts payable	1,008	(1,104)	1,236	2,148	2,447	1,910
Accrued and other liabilities	104	(1,117)	1,287	88	604	-
(Increase) decrease in working capital	(1,272)	5,681	(3,043)	(283)	241	(3,616)
Net cash provided by (used in) operations	**9,430**	**12,021**	**(1,370)**	**(913)**	**(456)**	**6,974**
Purchase of property and equipment	(5,394)	(2,759)	(2,425)	(2,327)	(4,000)	(3,000)
Proceeds from sale of property and equipment	904	119	889	100	100	-
Net cash provided by (used in) investing	**(4,490)**	**(2,640)**	**(1,536)**	**(2,227)**	**(3,900)**	**(3,000)**
Net change in bank overdraft	(1,251)	(1,036)	332	(711)	(711)	-
Proceeds from debt	10,132	1,300	-	-	-	-
Payments on term loans	(2,962)	(3,350)	(3,161)	(1,989)	(3,978)	(3,978)
Proceeds from (payments on) revolving facilities	(4,422)	(6,565)	(3)	6,004	5,300	-
Debt issuance costs	(634)	-	(151)	-	-	-
Proceeds from exercise of stock options and warrants	38	-	-	-	-	-
Proceeds from PPP loan	-	-	5,999	-	-	-
Proceeds from the sale of stock	-	-	-	-	4,045	-
Distribution of cash dividends	(5,862)	(490)	-	-	-	-
Net cash provided by (used in) financing	**(4,961)**	**(10,141)**	**3,016**	**3,304**	**4,656**	**(3,978)**
Net change in cash	**(21)**	**(760)**	**110**	**164**	**300**	**(4)**
Cash - beginning of period	**1,431**	**1,410**	**650**	**760**	**760**	**1,060**
Cash - end of period	**1,410**	**650**	**760**	**924**	**1,060**	**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	**4**	**19**
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 824,094 shares of UFAB common stock (includes restricted stock). Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 637,070 shares of UFAB common stock (includes restricted stock). Doug Hailey, Managing Director – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 124,821 shares of UFAB common stock (includes restricted stock). William Cook, Vice President – Investment Banking at Taglich Brothers, Inc. and a Director at Unique Fabricating, owns or has a controlling interest in 54,042 shares of UFAB common stock (includes restricted stock). Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 51,600 shares of UFAB common stock (includes restricted stock). Other employees at Taglich Brothers, Inc. own or have controlling interests in 7,745 shares of UFAB common stock (includes restricted stock). 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. In September 2021, Taglich Brothers, Inc. acted as placement agent for a private offering of common stock.

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:

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.