Research Report – Update

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

Unique Fabricating, Inc.

Speculative Buy

John Nobile
April 1, 2022

UFAB $1.90 — (NYSE)

	2020A	2021A	2022E	2023E
Revenues (millions)	$120.2	$125.7	$148.5	$174.0
Earnings (loss) per share	$(0.58)	$(0.67)	$(0.20)	$0.39

52-Week range	$6.05 – $1.65	Fiscal year ends:	December
Common shares out a/o 2/22/22	11.7 million	Revenue per share (TTM)	$12.18
Approximate float	9.2 million	Price/Sales (TTM)	0.2X
Market capitalization	$22 million	Price/Sales (FY2023)E	0.1X
Tangible book value/share	$0.76	Price/Earnings (TTM)	NMF
Price/tangible book value	2.5X	Price/Earnings (FY2022)E	4.9X

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 on Unique Fabricating, Inc. but lowering our twelve-month price target to $4.00 per share from $4.50 based on a lower valuation multiple applied to our 2023 sales per share forecast.

UFAB'S 2021 revenue continued to be restrained by the COVID-19 pandemic as a result of decreased demand for the company's products as automotive OEMs cancelled or reduced planned production primarily due to semiconductor and other supply shortages. Supply chain disruptions are likely to continue during 1H22.

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.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, North American production is projected to grow to 15.3 million in 2022, approximately 16.3 million in 2023, and 16.6 million in 2024. Growing North American vehicle production along with the trend of reducing a vehicle's weight should result in sales growth for UFAB through our forecast period.

For 2022, we project an 18.2% increase in revenue to $148.5 million and a loss of $(0.20) per share. We previously forecast revenue of $150.2 million and EPS of $0.10. The significant drop in our EPS projection is primarily due to reduced gross margin expectations stemming from higher manufacturing costs.

For 2023, we project a 17.2% increase in revenue to $174 million and EPS of $0.39 driven primarily by growth in North American vehicle production, pent-up demand, and improving supply chain conditions.

UFAB reported (on 3/24/22) a 4Q21 loss of $(0.13) per share on a 14.2% decrease in revenue to $30.1 million. UFAB reported a loss of $(0.01) per share on revenue of $35 million in 4Q20. We projected 4Q21 revenue of $30 million and a loss of $(0.15) 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 $4.00 per share from $4.50 based on a lower valuation multiple applied to our 2023 sales per share forecast.

UFAB'S 2021 revenue continued to be restrained by the COVID-19 pandemic as a result of decreased demand for the company's products as automotive OEMs cancelled or reduced planned production primarily due to semiconductor and other supply shortages. In 1H22, supply chain disruptions are likely to continue which should adversely impact the North American transportation market, as well as other markets UFAB serves.

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.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, North American production remained flat at 12.9 million in 2021. Projections are for North American annual vehicle production to grow to 15.3 million in 2022, approximately 16.3 million in 2023, and 16.6 million in 2024. Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in sales growth for UFAB through our forecast period.

UFAB currently trades at a trailing twelve-month P/S multiple of 0.2X. Company peers trade at a multiple of 0.3X (0.4X previously) trailing twelve-month sales. We believe UFAB'S valuation should improve based on our projected sales growth. We applied a multiple of 0.3X (0.4X previously) to our FY23 sales projection of $14.83 per share, discounted to account for execution risk, to obtain a year-ahead value of approximately $4.00 per share.

Recent Development

George Taylor Appointed as Chief Operating Officer - On January 27, 2022, Unique Fabricating announced it has named George L. Taylor as Chief Operating Officer, a new position reporting directly to Doug Cain, Unique Fabricating's President and Chief Executive Officer.

Taylor joined Unique Fabricating as Director of Engineering and Operational Excellence in September 2021. Since joining the company, he has played a key role in improving operational efficiency and customer satisfaction while managing the industry-wide supply chain challenges. He joined Unique Fabricating from Mubea Inc. During his 21-year career at Mubea, he served in several positions, most recently as General Manager of Body Division NA, overseeing a team of more than 200 associates with $200 million in annual revenue. Previous positions at Mubea included Sales Manager of Flat Products NA and General Manager of Transmission and Disc Springs. He joined Mubea from Cincinnati Gear Company where he began his career as an applications engineer before being promoted to Industrial Enclosed Drives Sales Manager.

Business

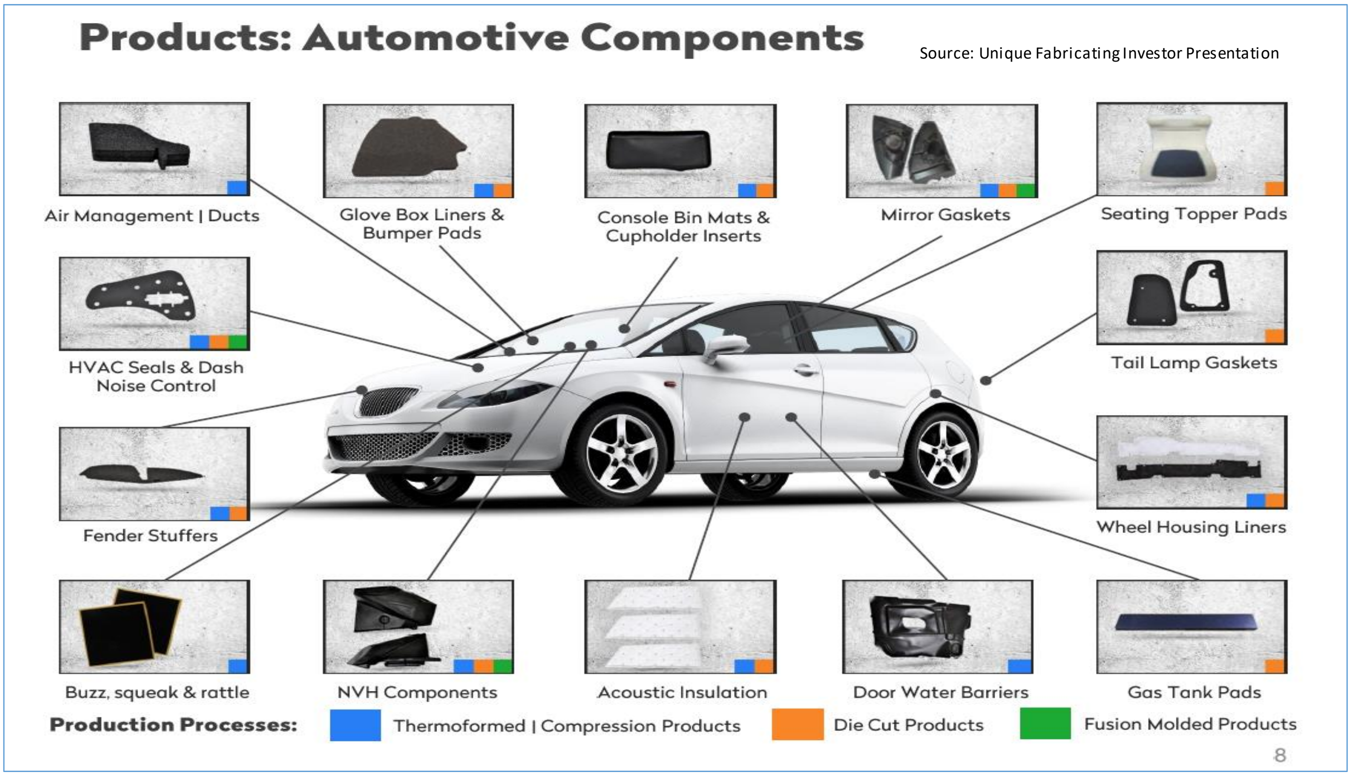
Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacturing of components for use in the transportation, appliance, medical, and consumer markets. The company's products are comprised of multi-material foam, rubber, and plastic components and are used 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 89% of total sales in 2021), 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 below are UFAB's products used by automotive customers.



Industry

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

<u>Urethane Foam Products Manufacturing</u>
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 fell annually by an estimated 0.1% to $11.8 billion in 2021 from 2016. This projection includes an estimated decrease of 4.3% in 2020 as the COVID-19 pandemic disrupted key downstream markets. IBISWorld projects average annual revenue growth of 1.4% to $12.6 billion in 2026. With automotive at 11.6% of the total market, this would equate to a $1.5 billion market for automotive and automotive parts manufacturers by 2026 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. According to LMC Automotive, North American production remained flat at 12.9 million in 2021. Projections are for North American annual vehicle production to grow to 15.3 million in 2022, approximately 16.3 million in 2023, and 16.6 million in 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.

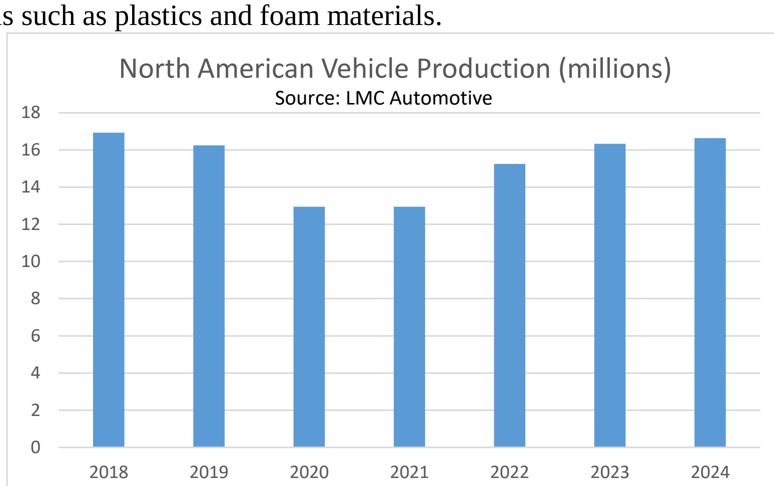
Primary End Market

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 had an adverse impact on North American vehicle production with most vehicle manufacturers having had some form of a shutdown at their facilities. According to LMC Automotive, North American production remained flat at 12.9 million in 2021. Projections are for North American annual vehicle production to grow to 15.3 million in 2022, approximately 16.3 million in 2023, and 16.6 million in 2024 (see chart at right).



4Q and FY2021 Financial Results

<u>*4Q21*</u> – The net loss was $1.5 million or $(0.13) per share on a 14.2% decrease in revenue to $30.1 million. UFAB reported a net loss of $82,000 or $(0.01) per share on revenue of $35 million in 4Q20. We projected 4Q21 revenue of $30 million and a net loss of $1.8 million or $(0.15) per share.

The decrease in revenue was driven by the adverse impact COVID-19 had on the supply chain and semiconductor supply shortages, which resulted in canceled or reduced planned production schedules by UFAB's customers in the North American automotive market. Also contributing to the reduction in revenue were $700,000 in N95 face mask sales in 4Q20 which did not occur in 4Q21.

Gross profit decreased to $3 million from $5 million with gross margins decreasing to 9.8% from 14.4%. The decrease in gross margins was primarily due to reduced operating inefficiencies as a result of supply chain constraints and semiconductor chip shortages, as well as higher input costs including raw material, freight, and labor costs.

SG&A expenses decreased 28.3% to $4.9 million from $6.9 million due primarily to a reduction in salaries and benefits, bad debt expense, and lower amortization expense as certain intangible assets became fully amortized since 4Q20. The operating loss was $2 million versus $1.9 million in 4Q20.

Interest expense increased to $701,000 from $608,000 due to increased borrowing and higher interest rates. The company received a $1.1 million tax benefit versus a benefit of $2.3 million in 4Q20 driven by the company's foreign subsidiaries.

<u>*FY2021*</u> – The net loss was $7 million or $(0.67) per share on a 4.5% increase in revenue to $125.7 million. UFAB reported a loss of $5.7 million or $(0.58) per share in 2020. The loss in 2021 included a $6.1 million or $0.62 per share gain on the forgiveness of PPP loans and a $5.1 million or $(0.52) per share goodwill impairment charge. Excluding these items, the company would have reported a net loss of $8 million or $(0.77) per share.

This increase in revenue was primarily the result of cost recovery efforts to pass input cost increases to UFAB's customers by increasing selling prices.

Gross profit decreased to $16.7 million from $20.7 million with gross margins decreasing to 13.3% from 17.2%. The decrease in gross margins was primarily due to supply chain constraints and semiconductor chip shortages, as well as higher material and labor costs.

SG&A expenses decreased 11.5% to $22.6 million from $25.5 million due primarily to lower amortization expense. The operating loss was $11 million versus $6 million in 2020 (included $1.2 million of restructuring expenses). Interest expense decreased to $3 million from $3.6 million due primarily to reduced mark-to-market adjustments on the company's interest rate swap partially offset by increased borrowings and higher interest rates. The company received an $852,000 tax benefit versus a $3.8 million benefit in 2020.

<u>*Liquidity*</u> - As of December 31, 2021, the company had $742,000 cash, a current ratio of 0.7, $48.4 million of debt (of which is all current) for a debt/equity ratio of 1.6X, and approximately 30% of assets covered by equity.

In 2021, cash used in operations was $3.7 million consisting of a cash loss of $4 million and a $304,000 decrease in working capital. Cash used in investing activities of $3.3 million consisted primarily of capital expenditures. Cash provided by financing of $7 million consisted primarily of a net increase in debt and proceeds from the issuance of common stock and warrants. Cash decreased by $18,000 to $742,000 at December 31, 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 December 31, 2021 was 5.5%.

As of December 31, 2021, the company was in violation of its financial covenants. As a result, UFAB entered into an amendment to the forbearance agreement where the lenders agreed to waive the minimum liquidity covenant violation. UFAB achieved the required minimum liquidity by the conclusion of the first week of 2022. In February 2022, the company entered into a fifth amendment to the forbearance agreement which extends the forbearance period from February 28, 2022, to March 11, 2022. On March 11, 2022, UFAB entered into a sixth amendment to the forbearance agreement which extends the forbearance period from March 11, 2022, to May 30, 2022.

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 January 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 4.4% for 2022 and 3.8% for 2023. While the IMF's growth projection for 2022 is down from its earlier projection calling for 4.9% growth (October 2021), the 2023 projection is up from 3.6%. The 2022 downward revision primarily reflects lower growth assumptions for the US and China. The upward revision for 2023 largely reflects a pickup in economic activity after the impediments to growth dissipate in 2H22.

The IMF revised its economic growth estimate for the US to an increase of 4% for 2022 and 2.6% for 2023. In October 2021, the IMF projected US economic growth of 5.2% and 2.2% for 2022 and 2023, respectively.

The second estimate of US GDP growth (released on February 24, 2022) showed the US economy increased at an annual rate of 7% in 4Q21, up from the 2.3% increase reported in 3Q21. The 4Q21 US GDP estimate primarily reflects increases in inventory investment, exports, consumer spending, and business investment, partially offset by decreases in both federal and state and local government spending.

Projections

UFAB'S 2021 revenue continued to be restrained by the COVID-19 pandemic as a result of decreased demand for the company's products as automotive OEMs cancelled or reduced planned production primarily due to semiconductor and other supply shortages. Throughout 2020 and 2021, the company worked with its supply chain to minimize the impact to its customers. This included improving the suppliers' visibility of UFAB's future demand requirements, utilizing substitutions when possible, and incurring additional freight costs to expedite the delivery of materials from suppliers and product to customers. These additional costs cannot always be passed on to customers. In 1H22, supply chain disruptions are likely to continue which should adversely impact the North American transportation market, as well as other markets UFAB serves.

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.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, North American production remained flat at 12.9 million in 2021. Projections are for North American annual vehicle production to grow to 15.3 million in 2022, approximately 16.3 million in 2023, and 16.6 million in 2024. Growing North American vehicle production along with the trend of reducing a vehicle's weight and increasing passenger comfort should result in sales growth for UFAB through our forecast period.

FY22 - We project an 18.2% increase in revenue to $148.5 million and a net loss of $2.4 million $(0.20) per share. We previously forecast revenue of $150.2 million and net income of $1.2 million or $0.10 per share. The significant drop in our earnings projection is primarily due to reduced gross margin expectations stemming from higher manufacturing costs.

We project gross profit increasing 21.4% to $20.3 million due primarily to revenue growth and gross margin expansion to 13.7% from 13.3% on greater overhead coverage offset in part by higher material costs.

SG&A expenses are projected to decrease to $20 million from $22.6 million as the company's cost cutting efforts continue. SG&A margins should decrease to 13.5% from 18%. Operating income is projected to increase to $293,000 from a loss of $5.8 million in 2021 (excludes $5.1 million impairment charge).

We project interest expense decreasing to $2.6 million from $3 million as the company pays down debt. We project the company paying minimal taxes.

We project UFAB should generate $3.8 million cash from operations on cash earnings of $3.3 million and a $517,000 decrease in working capital. Cash from operations is unlikely to cover projected capital expenditures and repayment of debt, reducing cash by $175,000 to $567,000 at December 31, 2022.

FY23 - We project a 17.2% increase in revenue to $174 million and net income of $4.6 million $0.39 per share driven primarily by growth in North American vehicle production, pent-up demand, and improving supply chain conditions.

We project gross profit increasing 46% to $29.6 million due primarily to revenue growth and gross margin expansion to 17% from 13.7% on greater overhead coverage.

SG&A expenses are projected to increase to $21 million from $20 million to support sales growth. SG&A margins should decrease to 12.1% from 13.5%. Operating income is projected to increase to $8.6 million from an estimated $293,000 in 2022.

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

We project UFAB should generate $6.9 million cash from operations on cash earnings of $9 million and a $2.1 million increase in working capital. Cash from operations is unlikely to cover projected capital expenditures and repayment of debt, reducing cash by $111,000 to $456,000 at December 31, 2023.

Risks

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

Substantial debt level, going concern - As of December 31, 2021, UFAB had approximately $48.4 million of debt outstanding and was in violation of certain financial covenants. 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.

Supply chain risks – The company's reliance on suppliers to secure raw materials exposes UFAB to volatility in the prices and availability of raw materials and components. A disruption in deliveries from suppliers could have a material adverse effect on the company's ability to meet its commitments to customers or could increase its operating costs.

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.

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 9 million shares in the float and the average daily volume is approximately 960,000 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.

Unique Fabricating, Inc.

Consolidated Balance Sheets
(in thousands $)

	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	650	760	742	567	456
Accounts receivable	24,701	23,759	23,469	24,750	26,583
Inventory	13,047	11,951	13,770	14,736	16,594
Prepaid expenses and other	4,160	9,670	7,008	7,008	7,008
Total current assets	42,558	46,140	44,989	47,061	50,641
Property, plant and equipment	23,415	22,383	22,567	21,807	21,153
Goodwill	22,111	22,111	16,996	16,996	16,996
Intangible assets	11,625	7,605	5,161	3,856	2,877
Other assets	1,959	12,941	13,964	13,964	13,964
Total assets	**101,668**	**111,180**	**103,677**	**103,684**	**105,631**
Accounts payable	9,324	10,892	10,056	12,821	14,437
Current portion of long-term debt	2,847	35,864	28,884	24,684	20,484
Income taxes payable	-	204	303	303	303
Revolver - current portion	-	11,494	19,541	22,041	21,541
Accrued compensation	1,225	792	1,149	1,149	1,149
Other accrued liabilites	1,979	4,551	3,478	3,478	3,478
Total current liabilities	15,375	63,797	63,411	64,476	61,392
Long-term debt	33,220	2,999	-	-	-
Line of credit	11,418	-	-	-	-
Other liabilities	2,195	10,519	9,139	9,987	9,987
Total liabilities	**62,208**	**77,315**	**72,550**	**74,463**	**71,379**
Total stockholders' equity	**39,460**	**33,865**	**31,127**	**29,222**	**34,252**
Total liabilities & stockholders' equity	**101,668**	**111,180**	**103,677**	**103,684**	**105,631**

Source: Company filings and Taglich Brothers' estimates

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

	2019A	2020A	2021A	2022E	2023E
Sales	152,489	120,214	125,669	148,500	174,000
Cost of sales	120,981	99,543	108,950	128,208	144,370
Gross profit	31,507	20,671	16,719	20,293	29,630
Selling, general, and administrative	26,751	25,484	22,566	20,000	21,000
Restructuring / impairment expenses	9,512	1,230	5,115	-	-
Operating income (loss)	(4,755)	(6,043)	(10,962)	293	8,630
Other income (expense)	11	157	6,153	-	-
Interest expense	(4,287)	(3,608)	(3,006)	(2,620)	(2,440)
Income before income taxes	(9,031)	(9,494)	(7,815)	(2,328)	6,190
Income tax (benefit)	37	(3,784)	(852)	29	1,609
Net income	(9,068)	(5,710)	(6,963)	(2,356)	4,581
EPS	(0.93)	(0.58)	(0.67)	(0.20)	0.39
Shares Outstanding	9,779	9,780	10,316	11,733	11,733
EBITDA	2,119	1,199	790	4,658	8,630
Margin Analysis					
Gross margin	20.7%	17.2%	13.3%	13.7%	17.0%
SG&A	17.5%	21.2%	18.0%	13.5%	12.1%
Operating margin	(3.1)%	(5.0)%	(8.7)%	0.2%	5.0%
Tax rate	(0.4)%	39.9%	NMF	(1.2)%	26.0%
Net margin	(5.9)%	(4.7)%	(5.5)%	(1.6)%	2.6%
Year / Year Growth					
Total Revenues	(12.8)%	(21.2)%	4.5%	18.2%	17.2%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2021A to 2023E
(in thousands $)

	3/21A	6/21A	9/21A	12/21A	2021A	3/22E	6/22E	9/22E	12/22E	2022E	3/23E	6/23E	9/23E	12/23E	2023E
Sales	34,798	30,896	29,909	30,066	125,669	34,500	37,000	38,000	39,000	148,500	45,000	44,000	43,000	42,000	174,000
Cost of sales	28,936	26,280	26,629	27,105	108,950	30,188	32,190	32,680	33,150	128,208	36,675	36,300	35,905	35,490	144,370
Gross profit	5,862	4,616	3,280	2,961	16,719	4,313	4,810	5,320	5,850	20,293	8,325	7,700	7,095	6,510	29,630
Selling, general, and administrative	5,814	6,081	5,741	4,930	22,566	4,900	5,000	5,000	5,100	20,000	5,400	5,300	5,200	5,100	21,000
Restructuring / impairment expenses	-	-	5,115	-	5,115	-	-	-	-	-	-	-	-	-	-
Operating income (loss)	48	(1,465)	(7,576)	(1,969)	(10,962)	(588)	(190)	320	750	293	2,925	2,400	1,895	1,410	8,630
Other income (expense)	18	21	6,041	73	6,153	-	-	-	-	-	-	-	-	-	-
Interest expense	(693)	(769)	(843)	(701)	(3,006)	(670)	(660)	(650)	(640)	(2,620)	(625)	(615)	(605)	(595)	(2,440)
Income before income taxes	(627)	(2,213)	(2,378)	(2,597)	(7,815)	(1,258)	(850)	(330)	110	(2,328)	2,300	1,785	1,290	815	6,190
Income tax (benefit)	442	296	(522)	(1,068)	(852)	-	-	-	29	29	598	464	335	212	1,609
Net income	(1,069)	(2,509)	(1,856)	(1,529)	(6,963)	(1,258)	(850)	(330)	81	(2,356)	1,702	1,321	955	603	4,581
EPS	(0.11)	(0.26)	(0.19)	(0.13)	(0.67)	(0.11)	(0.07)	(0.03)	0.01	(0.20)	0.15	0.11	0.08	0.05	0.39
Shares Outstanding	9,780	9,780	9,970	11,733	10,316	11,733	11,733	11,733	11,733	11,733	11,733	11,733	11,733	11,733	11,733
EBITDA					790					4,658					8,630
Margin Analysis															
Gross margin	16.8%	14.9%	11.0%	9.8%	13.3%	12.5%	13.0%	14.0%	15.0%	13.7%	18.5%	17.5%	16.5%	15.5%	17.0%
SG&A	16.7%	19.7%	19.2%	16.4%	18.0%	14.2%	19.8%	13.2%	13.1%	13.5%	12.0%	19.8%	12.1%	12.1%	12.1%
Operating margin	0.1%	(4.7)%	(25.3)%	(6.5)%	(8.7)%	(1.7)%	-0.5%	0.8%	1.9%	0.2%	6.5%	5.5%	4.4%	3.4%	5.0%
Tax rate	(70.5)%	(13.4)%	22.0%	41.1%	NMF	26.0%	26.0%	26.0%	26.0%	(1.2)%	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	(3.1)%	(8.1)%	(6.2)%	(5.1)%	(5.5)%	(3.6)%	(2.3)%	(0.9)%	0.2%	(1.6)%	3.8%	3.0%	2.2%	1.4%	2.6%
Year / Year Growth															
Total Revenues	0.4%	106.3%	(15.9)%	(14.2)%	4.5%	(0.9)%	19.8%	27.1%	29.7%	18.2%	30.4%	18.9%	13.2%	7.7%	17.2%

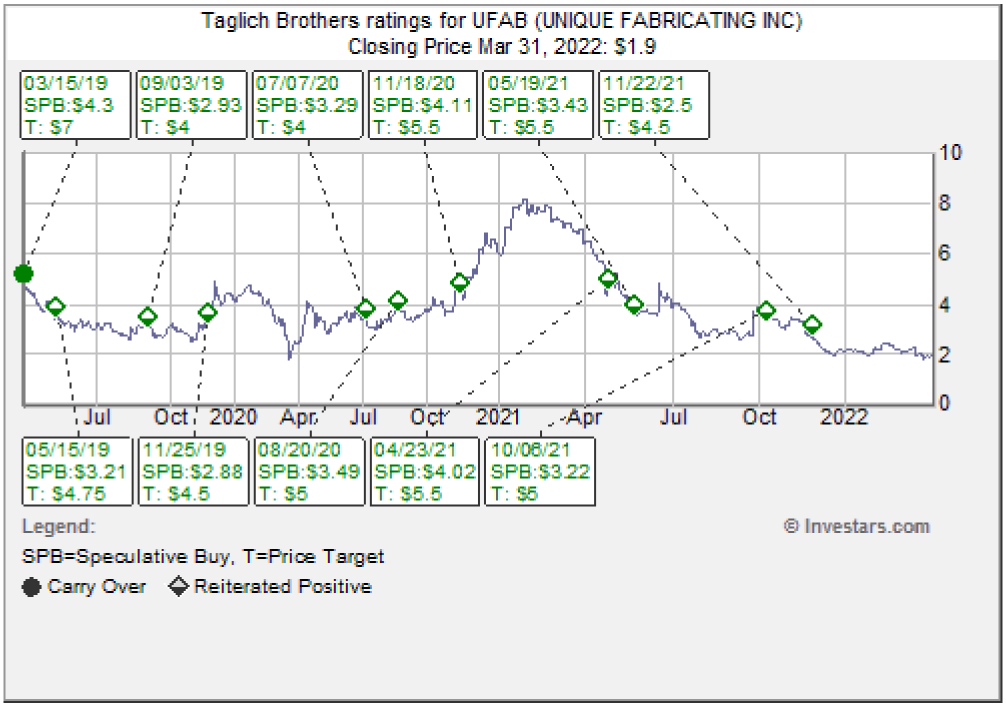
Source: Company filings and Taglich Brothers' estimates

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

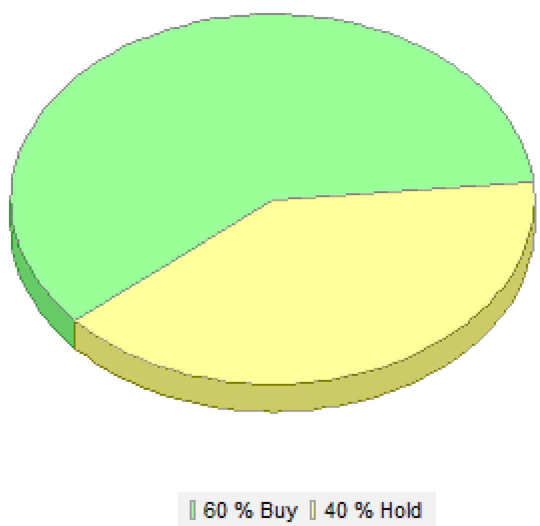
	FY19A	FY20A	FY21A	FY22E	FY23E
Net income (loss)	(9,068)	(5,710)	(6,963)	(2,356)	4,581
Impairment of goodwill	6,760	-	5,115	-	-
Inventory allowance	1,742	-	-	-	-
Depreciation and amortization	6,863	7,085	5,599	4,365	3,933
Amortization of debt issuance costs	177	189	214	214	214
(Gain) loss on sale of assets	68	464	(12)	-	-
Bad debt adjustment	243	740	(307)	-	-
Loss (gain) on derivative instruments	578	329	(625)	-	-
Gain on foregiveness of debt	-	-	(6,000)		
Stock option expense	130	115	388	450	450
Accrued in-kind interest on long-term debt	-	-	121	-	-
Deferred taxes	(1,153)	(1,539)	(1,486)	635	(214)
Cash earnings (loss)	6,340	1,673	(3,956)	3,308	8,964
Changes in assets and liabilities					
Accounts receivable	5,888	202	597	(1,281)	(1,833)
Inventory	2,584	1,096	(1,819)	(966)	(1,858)
Prepaid expenses and other assets	(570)	(6,864)	2,486	-	-
Accounts payable	(1,104)	1,236	(25)	2,765	1,616
Other liabilities	(1,117)	1,287	(935)	-	-
(Increase) decrease in working capital	5,681	(3,043)	304	517	(2,075)
Net cash provided by (used in) operations	**12,021**	**(1,370)**	**(3,652)**	**3,825**	**6,889**
Purchase of property and equipment	(2,759)	(2,425)	(3,429)	(2,300)	(2,300)
Proceeds from sale of property and equipment	119	889	100	-	-
Net cash provided by (used in) investing	**(2,640)**	**(1,536)**	**(3,329)**	**(2,300)**	**(2,300)**
Net change in bank overdraft	(1,036)	332	(811)	-	-
Proceeds from debt	1,300	-	-	-	-
Payments on term loans	(3,350)	(3,161)	(4,200)	(4,200)	(4,200)
Proceeds from (payments on) revolving facilities	(6,565)	(3)	7,930	2,500	(500)
Debt issuance costs	-	(151)	-	-	-
Proceeds from the issuance of stock and warrants	-	-	4,044	-	-
Proceeds from PPP loan	-	5,999	-	-	-
Distribution of cash dividends	(490)	-	-	-	-
Net cash provided by (used in) financing	**(10,141)**	**3,016**	**6,963**	**(1,700)**	**(4,700)**
Net change in cash	**(760)**	**110**	**(18)**	**(175)**	**(111)**
Cash - beginning of period	**1,410**	**650**	**760**	**742**	**567**
Cash - end of period	**650**	**760**	**742**	**567**	**456**

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	**5**	**25**
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 1,026,236 shares of UFAB common stock (includes restricted stock). Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 655,245 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 Cooke, Vice President – Investment Banking at Taglich Brothers, Inc. and a Director at Unique Fabricating, owns or has a controlling interest in 54,0422 shares of UFAB common stock and 15,632 shares upon the conversion of warrants. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 9,000 shares of UFAB common stock. Other employees at Taglich Brothers, Inc. own or have controlling interests in 2,800 shares of UFAB common 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 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:

Ford Motor Company (NYSE: F)
General Motors Company (NYSE: GM)
Stellantis N.V. (NYSE: STLA)

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.