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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
November 14, 2022

UFAB $0.90 — (NYSE)

	2020A	2021A	2022E	2023E
Revenues (millions)	$120.2	$125.7	$135.8	$154.0
Earnings (loss) per share	$(0.58)	$(0.67)	$(2.01)	$0.12

52-Week range	$4.09 – $0.96	Fiscal year ends:	December
Common shares out a/o 10/28/22	11.7 million	Revenue per share (TTM)	$11.50
Approximate float	8.1 million	Price/Sales (TTM)	0.1X
Market capitalization	$9.6 million	Price/Sales (FY2023)E	0.1X
Tangible book value/share	$0.44	Price/Earnings (TTM)	NMF
Price/tangible book value	1.9X	Price/Earnings (FY2023)E	6.8X

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 $2.00 per share from $2.50 due to a reduced revenue forecast.

The company has positioned itself for growth through actions taken to reduce costs and increase financial and operational flexibility.

To build customer confidence UFAB, in early October 2022 completed a $4 million financing and in early November 2022, executed an amendment to its credit agreement that ended its forbearance condition. The company's improved financial conditions are likely to accelerate support for new customer order intake activities.

UFAB's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, North American vehicle production is projected to grow to 14.4 million in 2022 and 15.4 million in 2023 from 12.9 million in 2021.

For 2022, we project an 8.1% increase in revenue to $135.8 million and a loss of $(2.01) per share. We previously forecast revenue of $143.3 million and a loss of $(1.01) per share. Our revised projections reflect 3Q22 results, company guidance, and a $17 million impairment charge recorded in the first nine-months of 2022.

For 2023, we project a 13.4% increase in revenue to $154 million and EPS of $0.12 driven by growth in North American vehicle production. We previously forecast revenue of $172 million and EPS of $0.37 per share. Our revised projections reflect company guidance.

UFAB reported (on 11/8/22) a 3Q22 loss of $(0.90) per share on a 15.4% increase in revenue to $34.5 million. UFAB reported a loss of $(0.19) per share on revenue of $29.9 million in 3Q21. The loss in 3Q22 included a $(0.41) per share impairment charge. We projected 3Q22 revenue of $36 million and a loss of $(0.04) 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 $2.00 per share from $2.50 due to a reduced 2023 revenue forecast.

The company has positioned itself for growth through actions taken to reduce costs and increase financial and operational flexibility. To build customer confidence UFAB, in early October 2022 completed a $4 million financing and in early November 2022, executed an amendment to its credit agreement that ended its forbearance condition. The company's improved financial conditions are likely to accelerate support for new customer order intake activities.

The next step in improving the company's financial flexibility will be completing its comprehensive recapitalization plan by taking additional steps to accomplish a refinancing of its debt by February 2023.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, North American vehicle production is projected to grow to 14.4 million in 2022 and 15.4 million in 2023 from 12.9 million in 2021. 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 trades at a trailing twelve-month P/S multiple of 0.1X (unchanged). Company peers trade at a multiple of 0.3X (unchanged) trailing twelve-month sales. We believe UFAB'S valuation should improve based on our projected revenue growth. We applied a multiple of 0.2X (unchanged) to our FY23 revenue projection of $13.13 (prior was $14.66 per share), discounted to account for execution and refinancing risks, to obtain a year-ahead value of approximately $2.00 per share.

Recent Developments

On October 10, 2022, the company announce it completed a $4 million financing in pay-in-kind 12% notes. Investors will receive warrants for up to an aggregate of 120,000 shares at an exercise price of $0.52 per share and will receive warrants to purchase an additional 280,000 shares of common stock if the notes are not repaid within 12 months. Interest on the notes through the end of 2022 will be convertible at the holders' option into common stock at a price equal to the warrant exercise price. The notes are secured by and will be paid from the expected receipt of the Company's Employee Retention Credits and any proceeds from the sale of a non-operational financial asset.

The proceeds were used to reduce outstanding principal amount bank term loans by nearly $2 million, of which over $1.2 million was treated as a prepayment of UFAB's term loan principal. Also, reduced was the company's revolving line of credit by approximately $2 million.

Taglich Brothers, Inc., acted as placement agent for the financing.

Business

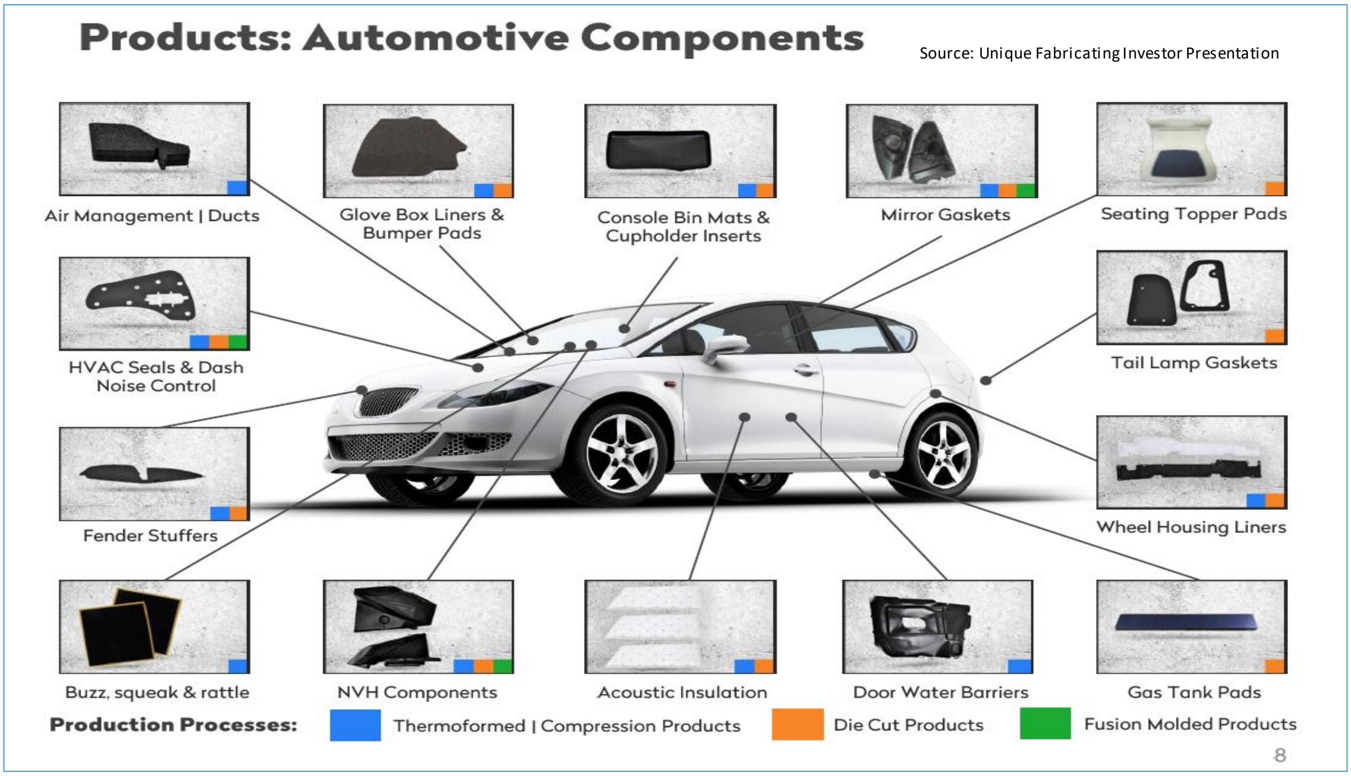
Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacturing of components for use in the transportation, appliance, medical, and consumer markets. The company's products are comprised of multi-material foam, rubber, and plastic components and are used 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 at the top of 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 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 14.4 million in 2022 and approximately 15.4 million in 2023.

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.

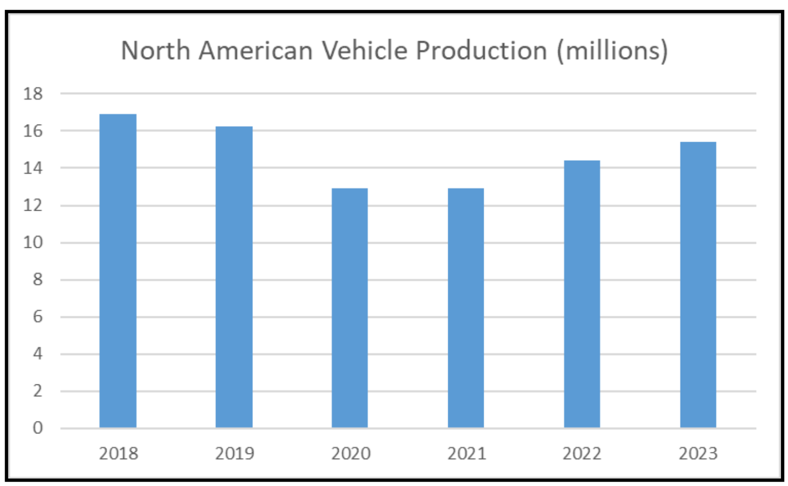
Primary End Market

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. In September 2022, LMC's revised projections calls for North American annual vehicle production of 14.4 million (prior was 15.3 million) in 2022 and approximately 15.4 million (prior was 16.3 million) in 2023 (see chart at right from data as of September 2, 2022).



3Q22 and 9M22 Financial Results

3Q22 – The net loss was $10.6 million or $(0.90) per share on a 15.4% increase in revenue to $34.5 million. UFAB reported a net loss of $1.9 million or $(0.19) per share on revenue of $29.9 million in 3Q21. The net loss in 3Q22 included a $4.8 million impairment charge and $4.2 million higher income tax expense related to establishing valuation allowances for deferred tax assets in Mexico and Canada. The year-ago period included a $5.1 million impairment charge. We projected 3Q22 revenue of $36 million and a net loss of $459,000 or $(0.04) per share.

The increase in revenue was primarily driven by increased demand for UFAB's products from transportation customers as a result of higher North American light vehicle production and increased cost recovery efforts to pass higher manufacturing costs to its customers. Also, the increase in sales volume and new business awards was partly offset by the end of certain customer programs. Gross profit decreased to $3 million from $3.3 million due primarily to gross margin contracting to 8.8% from 11% in 3Q21. Gross margin contraction reflects higher raw material costs compared to the year-ago period.

SG&A expenses decreased 22.8% to $4.4 million from $5.7 million due primarily to lower salary expense as a result of 2021 cost reduction activities, and lower intangible asset amortization as certain assets reached the end of their useful lives. In the current period the company recorded goodwill impairment charge of $4.8 million compared to $5.1 million in 3Q21.

The operating loss was $6.2 million versus $7.6 million in 3Q21. Interest expense decreased to $789,000 from $843,000 in the year-ago period. Other income was $176,000 compared to $6 million in the year-ago period. 3Q21 included a gain on debt extinguishment due to the forgiveness of the company's PPP loan.

9M22 – The net loss was $21.8 million or $(1.86) per share on a 9.7% increase in revenue to $104.8 million. UFAB reported a net loss of $5.4 million or $(0.55) per share on revenue of $95.6 million in the year-ago period. The net loss in the current period included a $17 million goodwill impairment charge compared to $5.1 million last year. The current period also included $4.2 million higher income tax expense related to establishing valuation allowances for deferred tax assets in Mexico and Canada.

Revenue growth was primarily driven by increased demand for UFAB's products from transportation customers as a result of higher North American light vehicle production and increased cost recovery efforts to pass higher manufacturing costs to its customers. Gross profit decreased to $13.1 million from $13.8 million with gross margins decreasing to 12.5% from 14.4% driven by higher raw material and freight costs.

SG&A expenses decreased 22.6% to $13.6 million from $17.6 million due primarily to lower salary expense as a result of 2021 cost reduction activities, a $500,000 benefit from an Employee Retention Credit, and lower intangible asset amortization as certain assets reached the end of their useful lives. The operating loss was $17.6 million versus $9 million in 9M21.

	9 Months Ended (in thousands $)	
	9/22A	9/21A
Sales	104,847	95,603
Cost of sales	91,777	81,845
Gross profit	13,070	13,758
Selling, general, and administrative	13,646	17,636
Restructuring / impairment expenses	16,996	5,115
Operating income (loss)	(17,572)	(8,993)
Other income (expense)	206	6,080
Interest expense	(1,952)	(2,305)
Income before income taxes	(19,318)	(5,218)
Income tax (benefit)	2,514	216
Net income	(21,832)	(5,434)
EPS	(1.86)	(0.55)
Shares Outstanding	11,733	9,920
Margin Analysis		
Gross margin	12.5%	14.4%
SG&A	13.0%	18.4%
Operating margin	(16.8)%	(9.4)%
Tax rate	(13.0)%	(4.1)%
Net margin	(20.8)%	(5.7)%
Year / Year Growth		
Total Revenues	9.7%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

Interest expense decreased to $2 million from $2.3 million due to favorable mark-to-market adjustments on the company's interest rate swap.

Liquidity - As of September 30, 2022, the company had $480,000 cash and $47.7 million of debt (of which is all current) for a debt/equity ratio of 5.1X, and approximately 11.1% of assets covered by equity.

In 9M22, cash provided by operations was $1.8 million consisting of $288,000 in cash earnings and $1.5 million decrease in working captial. Cash used in investing activities of $1.1 million consisted primarily of capital expenditures. Cash used in financing of $978,000 consisted primarily repayment of debt. Cash decreased by $262,000 to $480,000 at September 30, 2022.

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.

On November 7, 2022, Unique Fabricating announced it has entered into a waiver and Ninth Amendment to the credit agreement with its lenders and Citizens Bank, NA the Administrative Agent for the lenders. As a result of the new credit agreement amendment, the company is no longer in forbearance. This represents the second step of a more comprehensive recapitalization and the Ninth Amendment requires that UFAB take certain steps by specified dates to accomplish a refinancing of the debt to the lenders and to repay the debt by February 2023.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 89% of 2021 sales), the economic outlook for this region should have a direct influence on its sales.

In October 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.2% for 2022 and 2.7% for 2023, down from its July 2022 projection calling for 3.2% growth in 2022 and 2.9% growth in 2023. The forecast reflects worldwide inflation that triggered tighter financial conditions (i.e. higher interest rates), an economic slowdown in China, as well as negative effects from the war in Ukraine.

The IMF revised its economic growth estimate for the US to an increase of 1.6% for 2022 and 1% for 2023. In July 2022, the IMF projected US economic growth of 2.3% and 1% for 2022 and 2023, respectively.

The advanced estimate of US GDP growth (released on October 27, 2022) showed the US economy increased at an annual rate of 2.6% in 3Q22, up from the 0.6% decrease reported in 2Q22. The 3Q22 US GDP estimate reflects increases in exports, consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending, partly offset by decreases in residential fixed investment and private inventory investment.

Projections

In 2022, the company is experiencing supply chain issues, increasing raw material costs, and limited labor availability. In 2023, supply chain issues and raw material costs should abate. In response to the conditions within the within the global automotive industry, UFAB was proactive in taking actions to reduce costs and increase financial and operational flexibility which include actively managing and reducing 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 14.4 million (prior was 15.3 million) in 2022 and approximately 15.4 million (prior was 16.3 million) in 2023. Within the construct of the revised vehicle production forecast, the company anticipates 2023 revenue of at least $154 million up to $162 million with non-gap EBITDA of between $9 million and $11 million.

FY22 - We project an 8.1% increase in revenue to $135.8 million and a net loss of $11.9 million $(2.01) per share. We previously forecast revenue of $143.3 million and a net loss of $11.9 million or $(1.01) per share. Our revised projections reflect 3Q22 results, company guidance, and a $17 million impairment charge recorded in 2Q22 and 3Q22. Our forecast also reflects an approximately $4.2 million charge related to an increase in the company's valuation allowances for its deferred tax assets in Mexico and Canada.

We project gross profit decreasing to $15.8 million from $16.7 million due primarily to gross margin contracting to 11.6% from 13.3% on higher input costs, partly offset by revenue growth.

SG&A expenses are projected to decrease to $18 million from $22.6 million as the company's cost cutting efforts continue. SG&A margins should decrease to 13.3% from 18%. Operating loss is projected to narrow to $2.2 million from a loss of $5.8 million in 2021 (excludes goodwill impairment charges of $17 million and $5.1 million in 2022 and 2021, respectively).

We project interest expense decreasing to $2.7 million from $3 million as the company pays down debt. The company should recognize a $1.9 million tax expense (due primarily to the $4.2 million valuation allowance charge) compared to a benefit of $852,000 in 2021.

We project UFAB should generate $2.9 million cash from operations on cash loss of $737,000 and a $3.6 million decrease in working capital. Cash from operations and $4 million in proceeds from the issuance of debt is likely to cover projected capital expenditures and repayment of term and revolving debt, increasing cash by $796,000 to $1.5 million at December 31, 2022.

FY23 - We project a 13.4% increase in revenue to $154 million and net income of $1.4 million $0.12 per share driven primarily by growth in North American vehicle production, pent-up demand, and improving supply chain conditions. We previously forecast revenue of $172 million and net income of $4.3 million or $0.37 per share. Our revised projections reflect company guidance.

We project gross profit increasing 47.4% to $23.3 million due primarily to revenue growth and gross margin expansion to 15.1% from an estimated 11.6% in 2022 on greater overhead coverage and easing of input costs.

SG&A expenses are projected to increase to $18.8 million from $18 million to support sales growth. SG&A margins should decrease to 12.2% from 13.3%. Operating income is projected to increase to $4.5 million from an estimated operating loss of $2.2 million in 2022 (excludes $17 million goodwill impairment charge)

We project interest expense decreasing $67,000 to $2.6 million. We project a 26% tax rate.

We project UFAB should generate $5.9 million cash from operations on cash earnings of $6.4 million and a $446,000 increase in working capital. Cash from operations is unlikely to cover projected capital expenditures and repayment of debt, decreasing cash by $1.1 million to $445,000 at December 31, 2023.

Risks

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

Substantial debt level, going concern - As of September 30, 2022, UFAB had approximately $47.7 million of debt outstanding which has been classified as current due to certain financial covenant defaults. The company does not have sufficient cash or available liquidity to repay such debt through the next twelve months which raises substantial doubt about its ability to continue as a going concern. However, the company is in the process of refinancing its debt, the outcome of which should be known in February 2023.

Pandemic concerns – 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 8.1 million shares in the float and the average daily volume is approximately 92,000 shares over the three month period ending November 11, 2022.

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 $)

	FY19A	FY20A	FY21A	9/22A	FY22E	FY23E
Cash	650	760	742	480	1,538	445
Accounts receivable	24,701	23,759	23,469	25,437	24,528	25,667
Inventory	13,047	11,951	13,770	12,521	12,005	11,883
Prepaid expenses and other	4,160	9,670	7,008	8,039	7,700	8,268
Total current assets	42,558	46,140	44,989	46,477	45,771	46,263
Property, plant and equipment	23,415	22,383	22,567	21,062	21,065	18,390
Goodwill	22,111	22,111	16,996	-	-	-
Intangible assets	11,625	7,605	5,161	4,208	3,856	2,877
Other assets	1,959	12,941	13,964	12,374	12,374	16,340
Total assets	**101,668**	**111,180**	**103,677**	**84,121**	**83,066**	**83,870**
Accounts payable	9,324	10,892	10,056	13,310	13,506	14,524
Current portion of long-term debt	2,847	35,864	28,884	25,398	23,420	20,420
Income taxes payable	-	204	303	46	-	-
Revolver - current portion	-	11,494	19,541	22,343	20,321	17,321
Accrued compensation	1,225	792	1,149	1,516	1,516	1,637
Other accrued liabilites	1,979	4,551	3,478	3,258	3,258	3,258
Total current liabilities	15,375	63,797	63,411	65,871	62,021	57,160
Long-term debt	33,220	2,999	-	-	-	-
Line of credit	11,418	-	-	-	-	-
Other liabilities	2,195	10,519	9,139	8,830	8,856	8,856
Total liabilities	**62,208**	**77,315**	**72,550**	**74,701**	**70,877**	**66,016**
Total stockholders' equity	**39,460**	**33,865**	**31,127**	**9,420**	**12,189**	**17,854**
Total liabilities & stockholders' equity	**101,668**	**111,180**	**103,677**	**84,121**	**83,066**	**83,870**

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	135,847	154,000
Cost of sales	120,981	99,543	108,950	120,049	130,713
Gross profit	31,507	20,671	16,719	15,798	23,288
Selling, general, and administrative	26,751	25,484	22,566	18,046	18,800
Restructuring / impairment expenses	9,512	1,230	5,115	16,996	-
Operating income (loss)	(4,755)	(6,043)	(10,962)	(19,244)	4,488
Other income (expense)	11	157	6,153	206	-
Interest expense	(4,287)	(3,608)	(3,006)	(2,677)	(2,610)
Income before income taxes	(9,031)	(9,494)	(7,815)	(21,715)	1,878
Income tax (benefit)	37	(3,784)	(852)	1,891	488
Net income	(9,068)	(5,710)	(6,963)	(23,606)	1,389
EPS	(0.93)	(0.58)	(0.67)	(2.01)	0.12
Shares Outstanding	9,779	9,780	10,316	11,733	11,733
EBITDA	2,119	1,199	790	3,686	9,072
Margin Analysis					
Gross margin	20.7%	17.2%	13.3%	11.6%	15.1%
SG&A	17.5%	21.2%	18.0%	13.3%	12.2%
Operating margin	(3.1)%	(5.0)%	(8.7)%	(14.2)%	2.9%
Tax rate	(0.4)%	39.9%	NMF	NMF	26.0%
Net margin	(5.9)%	(4.7)%	(5.5)%	(17.4)%	0.9%
Year / Year Growth					
Total Revenues	(12.8)%	(21.2)%	4.5%	8.1%	13.4%

Source: Company filings and Taglich Brothers' estimates

	3/21A	6/21A	9/21A	12/21A	2021A	3/22A	6/22A	9/22A	12/22E	2022E	3/23E	6/23E	9/23E	12/23E	2023E
Sales	34,798	30,896	29,909	30,066	125,669	35,312	35,032	34,503	31,000	135,847	33,000	37,500	43,000	40,500	154,000
Cost of sales	28,936	26,280	26,629	27,105	108,950	30,534	29,789	31,454	28,272	120,049	29,370	32,063	35,260	34,020	130,713
Gross profit	5,862	4,616	3,280	2,961	16,719	4,778	5,243	3,049	2,728	15,798	3,630	5,438	7,740	6,480	23,288
Selling, general, and administrative	5,814	6,081	5,741	4,930	22,566	4,972	4,241	4,433	4,400	18,046	4,450	4,550	4,950	4,850	18,800
Restructuring / impairment expenses	-	-	5,115	-	5,115	-	12,163	4,833	-	16,996	-	-	-	-	-
Operating income (loss)	48	(1,465)	(7,576)	(1,969)	(10,962)	(194)	(11,161)	(6,217)	(1,672)	(19,244)	(820)	888	2,790	1,630	4,488
Other income (expense)	18	21	6,041	73	6,153	(59)	89	176	-	206	-	-	-	-	-
Interest expense	(693)	(769)	(843)	(701)	(3,006)	(481)	(682)	(789)	(725)	(2,677)	(700)	(675)	(635)	(600)	(2,610)
Income before income taxes	(627)	(2,213)	(2,378)	(2,597)	(7,815)	(734)	(11,754)	(6,830)	(2,397)	(21,715)	(1,520)	213	2,155	1,030	1,878
Income tax (benefit)	442	296	(522)	(1,068)	(852)	(165)	(1,043)	3,722	(623)	1,891	(395)	55	560	268	488
Net income	(1,069)	(2,509)	(1,856)	(1,529)	(6,963)	(569)	(10,711)	(10,552)	(1,774)	(23,606)	(1,125)	157	1,595	762	1,389
EPS	(0.11)	(0.26)	(0.19)	(0.13)	(0.67)	(0.05)	(0.91)	(0.90)	(0.15)	(2.01)	(0.10)	0.01	0.14	0.06	0.12
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					3,686					9,072
Margin Analysis															
Gross margin	16.8%	14.9%	11.0%	9.8%	13.3%	13.5%	15.0%	8.8%	8.8%	11.6%	11.0%	14.5%	18.0%	16.0%	15.1%
SG&A	16.7%	19.7%	19.2%	16.4%	18.0%	14.1%	19.8%	12.8%	14.2%	13.3%	13.5%	19.8%	11.5%	12.0%	12.2%
Operating margin	0.1%	(4.7)%	(25.3)%	(6.5)%	(8.7)%	(0.5)%	(31.9)%	(18.0)%	(5.4)%	(14.2)%	(2.5)%	2.4%	6.5%	4.0%	2.9%
Tax rate	(70.5)%	(13.4)%	22.0%	41.1%	NMF	22.5%	8.9%	(54.5%)	26.0%	NMF	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	(3.1)%	(8.1)%	(6.2)%	(5.1)%	(5.5)%	(1.6)%	(30.6)%	(30.6)%	(5.7)%	(17.4)%	(3.4)%	(0.4)%	3.7%	1.9%	0.9%
Year / Year Growth															
Total Revenues	0.4%	106.3%	(15.9)%	(14.2)%	4.5%	1.5%	13.4%	15.4%	3.1%	8.1%	-6.5%	7.0%	24.6%	30.6%	13.4%

Source: Company filings and Taglich Brothers' estimates

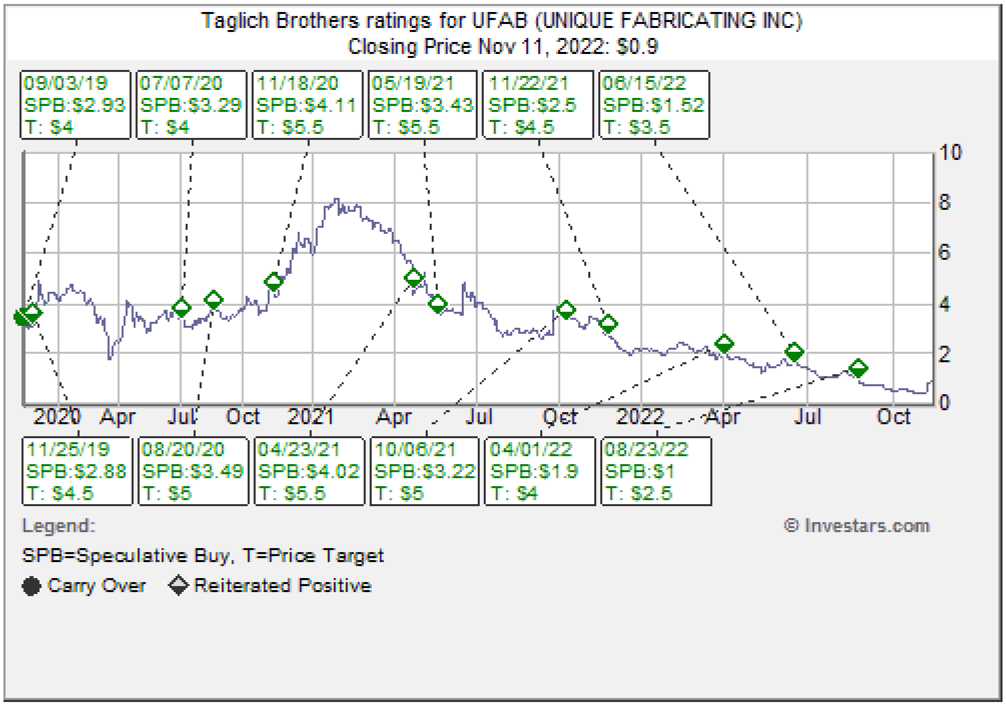
Unique Fabricating, Inc.

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

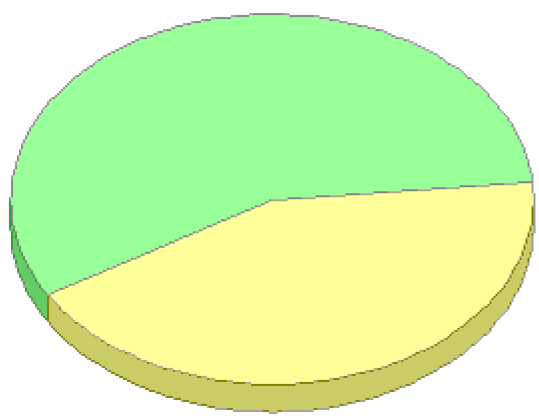
	FY19A	FY20A	FY21A	9M22A	FY22E	FY23E
Net income (loss)	(9,068)	(5,710)	(6,963)	(21,832)	(23,606)	1,389
Impairment of goodwill	6,760	-	5,115	16,996	16,996	-
Inventory allowance	1,742	-	-	-	-	-
Depreciation and amortization	6,863	7,085	5,599	3,433	4,678	3,983
Amortization of debt issuance costs	177	189	214	169	300	300
(Gain) loss on sale of assets	68	464	(12)	-	-	-
Bad debt adjustment	243	740	(307)	(47)	(47)	-
Loss (gain) on derivative instruments	578	329	(625)	(736)	(736)	-
Gain on foregiveness of debt	-	-	(6,000)	-		
Stock option expense	130	115	388	125	450	600
Accrued in-kind interest on long-term debt	-	-	121	152	200	300
Deferred taxes	(1,153)	(1,539)	(1,486)	2,028	1,028	(219)
Cash earnings (loss)	6,340	1,673	(3,956)	288	(737)	6,353
Changes in assets and liabilities						
Accounts receivable	5,888	202	597	(1,921)	(1,059)	(1,139)
Inventory	2,584	1,096	(1,819)	1,249	1,765	122
Prepaid expenses and other assets	(570)	(6,864)	2,486	(1,177)	(692)	(568)
Accounts payable	(1,104)	1,236	(25)	3,300	3,450	1,018
Other liabilities	(1,117)	1,287	(935)	25	147	121
(Increase) decrease in working capital	5,681	(3,043)	304	1,476	3,611	(446)
Net cash provided by (used in) operations	**12,021**	**(1,370)**	**(3,652)**	**1,764**	**2,874**	**5,908**
Purchase of property and equipment	(2,759)	(2,425)	(3,429)	(1,048)	(1,100)	(1,000)
Proceeds from sale of property and equipment	119	889	100	-	-	-
Net cash provided by (used in) investing	**(2,640)**	**(1,536)**	**(3,329)**	**(1,048)**	**(1,100)**	**(1,000)**
Net change in bank overdraft	(1,036)	332	(811)	27	27	-
Proceeds from debt	1,300	-	-	-	4,000	-
Payments on term loans	(3,350)	(3,161)	(4,200)	(3,684)	(5,662)	(3,000)
Proceeds from (payments on) revolving facilities	(6,565)	(3)	7,930	2,679	657	(3,000)
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**	**(978)**	**(978)**	**(6,000)**
Net change in cash	**(760)**	**110**	**(18)**	**(262)**	**796**	**(1,092)**
Cash - beginning of period	**1,410**	**650**	**760**	**742**	**742**	**1,538**
Cash - end of period	**650**	**760**	**742**	**480**	**1,538**	**445**

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**	**26**
Hold		
Sell		
Not Rated		

Important Disclosures

As of November 11, 2022, 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 1,040,448 shares and 285,900, respectively of UFAB common stock and restricted common stock, as well as warrants to purchase 27,054 shares of UFAB common stock and debt of $350,000. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 877,592 shares of UFAB common stock and warrants to purchase 27,054 shares of UFAB common stock, as well as debt of $250,000. Doug Hailey, Managing Director – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 124,821 shares of UFAB common stock and warrants to purchase 19,540 shares of UFAB common stock. William Cooke, Vice President – Investment Banking at Taglich Brothers, Inc. and a Director at Unique Fabricating, owns or has a controlling interest in 54,042 shares of UFAB common and restricted common stock and warrants and options of 23,132 shares of UFAB common stock. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 9,000 shares of UFAB common stock and warrants to purchase 10,000 shares of UFAB common stock. Other employees at Taglich Brothers, Inc. own or have controlling interests in 3,300 shares of UFAB common stock and warrants to purchase 38,500 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. In October 2022, Taglich Brothers, Inc. acted as placement agent for a $4 million private debt financing, receiving 192,308 shares of the company's 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

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Axos Clearing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

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.