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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
March 15, 2019

UFAB $4.30 — (NYSE MKT)

	2017A	2018A	2019E	2020E
Revenues (millions)	$175.3	$174.9	$169.5	$178.5
Earnings (loss) per share	$0.66	$0.37	$0.47	$0.84

52-Week range	$9.70 – $4.10	Fiscal year ends:	December
Common shares out as of 3/1/19	9.8 million	Revenue per share (TTM)	$17.65
Approximate float	6.8 million	Price/Sales (TTM)	0.2X
Market capitalization	$42 million	Price/Sales (FY2020)E	0.2X
Tangible book value/share	$0.45	Price/Earnings (TTM)	11.6X
Price/tangible book value	9.6X	Price/Earnings (FY2020)E	5.1X
Annual dividend	$0.20	Annual dividend yield	4.7%

Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacture of multi-material foam, rubber, and plastic components. These components are utilized for reducing noise, vibration and harshness, acoustical management, water and air sealing, decorative and other functional applications.

Key investment considerations:

Reiterating our Speculative Buy rating on Unique Fabricating, Inc. but reducing our twelve-month price target to $7.00 per share from $9.00 based primarily on a relatively flat North American vehicle production forecast.

In February 2019, the company made the strategic decision to reduce its quarterly dividend to $0.05 per share from $0.15 in an effort to pay down debt. Investors should view this decision as prudent given the forecast for relatively flat North American vehicle production over the next two years against steadily increasing interest rates. We estimate the company should pay down $16 million in debt over the next two years.

While North American production volumes are projected to remain relatively flat, the current trend of reducing a vehicle's weight and increasing passenger comfort should support sales growth in 2020. The loss of business at two of the company's non-automotive customers late in 2018 and the reduction of customer vehicle inventory levels should have an adverse impact on sales in 2019.

Our forecast for 2020 reflects a return to growth as the trend of reducing a vehicle's weight continues and a shift to higher content SUVs and light trucks should bode well for UFAB's sales.

For FY19, we project a 3.1% decline in revenue to $169.5 million and EPS of $0.47, down from our previous revenue projection of $192 million and EPS forecast of $1.10.

For FY20, we project a 5.3% increase in revenue to $178.5 million and EPS of $0.84 due primarily to sales growth and gross margin expansion to 24% from an estimated 22.2% in 2019.

UFAB reported (3/7/19) a 4Q18 loss of $(0.02) per share on a 4.5% decrease in sales to $39.8 million. EPS in 4Q17 was $0.21. The loss in 4Q18 included a non-cash mark-to-market loss of $(0.03) per share related to an interest rate swap. We projected revenue of $40 million and EPS of $0.02.

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

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Recommendation and Valuation

Reiterating our Speculative Buy rating on Unique Fabricating, Inc. but reducing our twelve-month price target to $7.00 per share from $9.00 based primarily on a relatively flat North American vehicle production forecast over the next two years.

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, the level of automobile production in North America is projected to increase less than 1% over the two years to 2020. While production volumes are projected to remain relatively flat, the current trend of reducing a vehicle's weight and increasing passenger comfort should support sales growth for UFAB in 2020. The loss of business at two of the company's non-automotive customers late in 2018 and the reduction of customer vehicle inventory levels should have an adverse impact on sales in 2019.

Our forecast for 2020 reflects a return to the company's growth outpacing vehicle production rates as the trend to reduce a vehicle's weight and increase passenger comfort continues. The shift to higher content SUVs and light trucks also bodes well for UFAB's sales.

UFAB is undervalued relative to its peers (see chart below) given UFAB'S 2020 EPS growth rate compared to its peers. The company's relative valuation should improve as earnings growth resumes.

Company	Symbol	Price	Market Cap $M	Trailing P/E	2020 P/E	2020 EPS Growth
Gentherm	THRM	38.43	1,345	18.1	13.7	27.9%
Fox Factory Holding	FOXF	63.57	2,415	28.6	22.5	11.5%
Standard Motor Products	SMP	47.75	1,071	18.7	14.3	10.6%
Modine Manufacturing	MOD	14.16	717	8.7	7.9	14.0%
Motorcar Parts of America	MPAA	19.73	371	11.9	9.3	28.5%
Superior Industries International	SUP	5.44	136	NMF	77.7	-30.0%
Tower International	TOWR	23.5	484	6.3	6.9	36.4%
Stoneridge	SRI	28.37	808	14.3	13.5	19.3%
Horizon Global	HZN	2.48	62	NA	NA	NA
Strattec Security	STRT	29.25	112	NA	NA	NA
Peer Average				**15.2**	**20.7**	**14.8%**
Unique Fabricating	**UFAB**	**4.3**	**42**	**11.6**	**5.1**	**78.7%**
Source: Taglich Brothers estimates, Thomson Reuters						

The company trades at a 2020 multiple of 5.1X earnings based on our forecast of $0.84 per share. The company's peers trade at a projected 2020 earnings multiple of 20.7X. Investors could accord UFAB a multiple approaching that of its peers based on our projected EPS growth in 2020 of 78.7% compared to 14.8% for its peers. We applied a multiple of 9X (down from 10X previously due to diminished valuation) to our FY20 EPS projection of $0.84, discounted to account for execution risk, to obtain a year-ahead value of approximately $7.00 per share.

Business

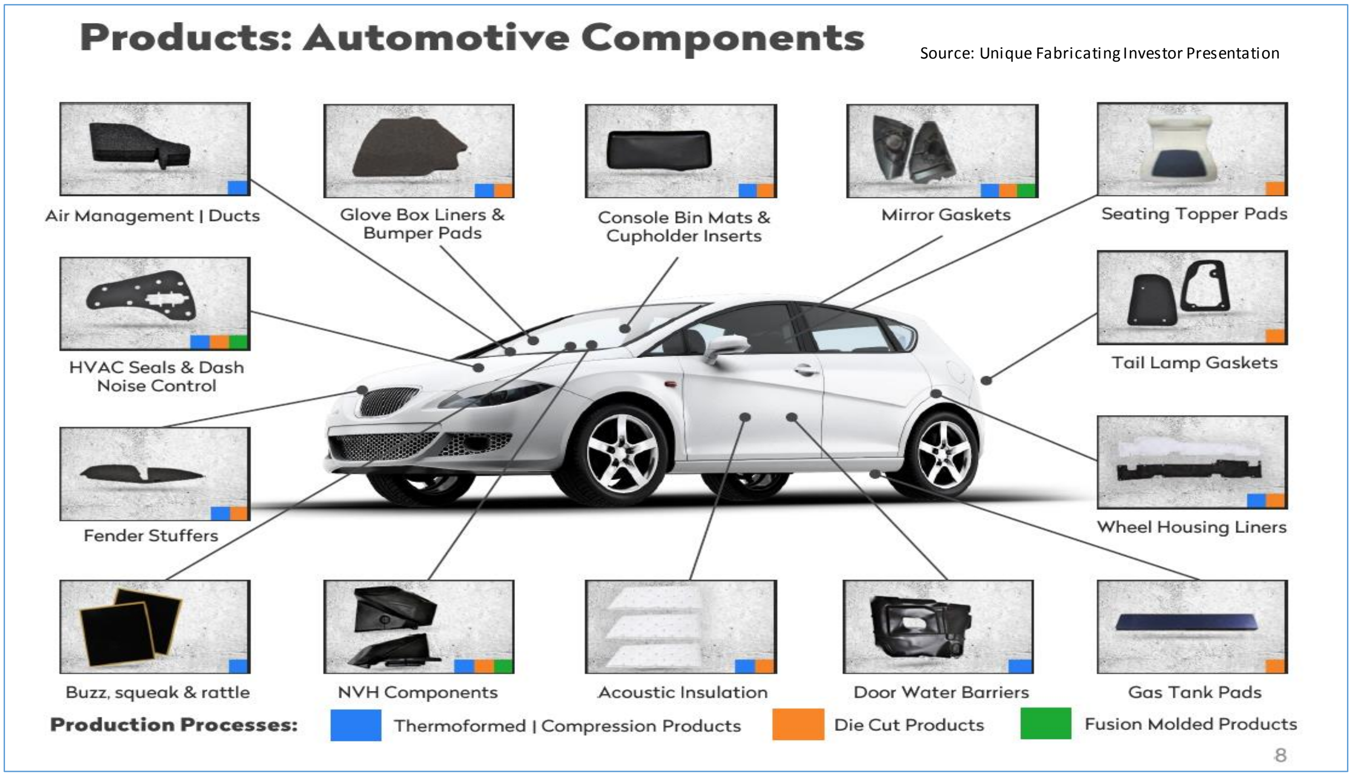
Headquartered in Auburn Hills, MI, Unique Fabricating (UFAB) is engaged in the engineering and manufacture of multi-material foam, rubber, and plastic components. These components are utilized to reduce noise, vibration and harshness, acoustical management, water and air sealing, decorative and other functional applications.

UFAB's products are sold mainly to the North American automotive industry (approximately 85% of total sales in 2018) and are used in industrial applications such as appliances, water heaters, and heating, ventilation, and air conditioning (HVAC) systems (approximately 10% of total sales in 2018).

Unique's primary products are identified by their manufacturing processes, die cut products, thermoformed/compression molded products (includes reaction injection molding), and fusion molded products.

Die cut products are utilized in applications such as air and water sealing, insulation, NVH (noise, vibration, and harshness) performance and BSR (buzz, squeak, rattle) conditions. Thermoformed and compression molded products include HVAC air ducts, door water shields, evaporator liners, console bin mats and fender insulators, among others. Fusion molded products include exterior mirror seals, cowl-to-hood seals, cowl-to-fender seals, and other NVH management and sealing applications like fillers, spacers and gaskets.

Pictured below are UFAB's products used by automotive customers.



Industry

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

Urethane Foam Products Manufacturing

Products made with this type of foam are used to insulate objects, reduce shock in packaging, seat cushioning, carpet cushioning, car interiors, fluid filtration systems, and anti-noise and vibration systems.

The Urethane Foam Manufacturing industry has expanded annually by 2% reaching $11.6 billion in 2017 from 2013. IBISWorld projects average annual revenue growth of 0.9% to $12.1 billion in 2024 from 2017. With 11.9% of the total market, this would equate to a $1.4 billion market for automotive and automotive parts manufacturers by 2024 assuming the current percentages hold steady.

Improving economic conditions have sustained increased demand from major downstream markets. The state of the US automotive industry, including domestic production volumes, affects demand for foam products. The automotive industry uses polyurethane foam in car seats and insulation applications with demand directly correlated to automobile production levels. When more vehicles are manufactured, more foam products will be purchased by the automotive industry for inputs into their vehicles and their components. A greater focus on fuel efficiency will result in more prevalent use of foam in automobile production, given its light weight. LMC Automotive projects the level of automobile production in North America to increase slightly through 2021 to approximately 17.3 million annually from 17 million in 2018.

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

Since 2012, revenue derived from automotive rubber parts has steadily increased. Growing demand from automobile manufacturers has been driven primarily by a strengthening economy and strong demand for lighter, more fuel-efficient cars, as well as increased demand for SUVs and light trucks.

Automotive rubber products account for the largest segment of the industry's products, and demand for rubber products associated with automobile and other manufactured goods will increase as manufacturing activity gains momentum.

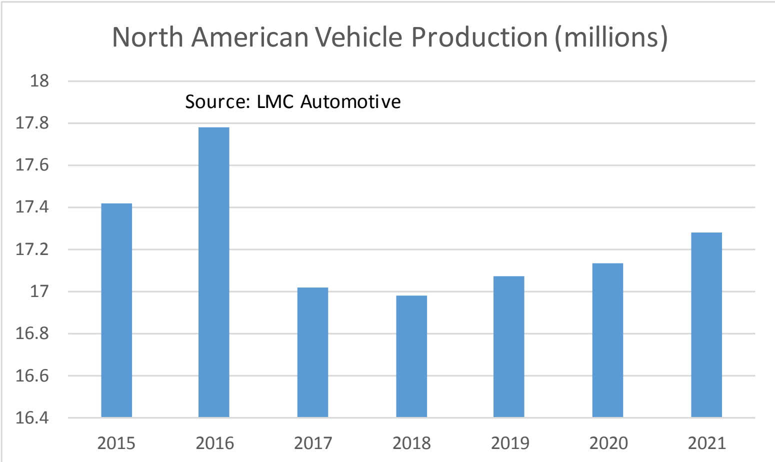
Plastic Products Manufacturing
IBISWorld projects the 2019 plastic products manufacturing industry to generate approximately $105.6 billion in sales with 24.1% or $25.4 billion coming from automobile manufacturers that use plastic in vehicle interiors and in some engine components. The overall industry is projected to grow at an annualized rate of 0.4% to $108.3 billion in 2025. Driving growth should be demand from downstream markets that includes the car and automobile manufacturing industry, one of the largest markets for plastic product manufacturers.

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

End Markets

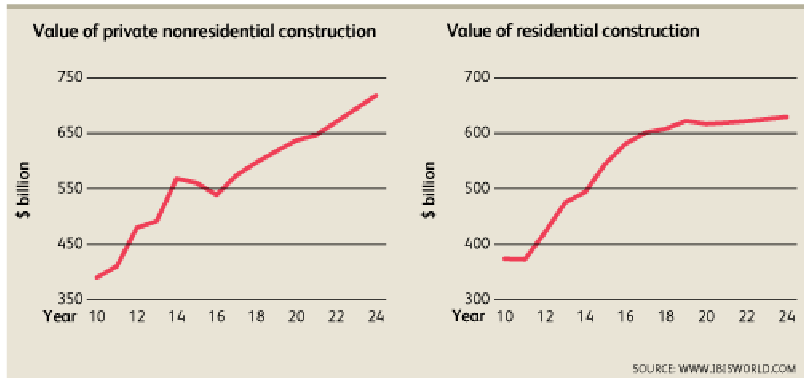
Automotive
The automotive parts industry provides components, systems, subsystems and modules to OEMs for the manufacture of new vehicles. Within the automotive parts industry, North America is UFAB's core market.

Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced. Although OEM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle. We believe that the current trend of increasing fuel efficiency and lowering vehicle weight should help drive increased usage of parts produced by UFAB.



The evolution of materials utilized in vehicles is moving away from conventional steel and is expected to be increasingly replaced by lighter weight materials such as plastics and foam materials.

North American production plateaued in 2016 at approximately 17.8 million vehicles and remained relatively flat in 2017 and 2018 at approximately 17 million, but is projected to increase slightly from 2019 through 2021. According to LMC Automotive, the level of car production in North America is projected to average approximately 17.2 million annually from 2019 through 2021 (see chart above).



<u>*Industrial (Appliance/Water Heater/ HVAC)*</u>
Demand for the company's products in industrial applications is largely driven by the health of the construction industry. IBISWorld projects the value of private nonresidential construction to grow from approximately $600 billion in 2018 to approximately $725 billion in 2024. The value of residential construction is projected to remain at approximately $620 billion from 2018 through 2014 (see chart at right). Continued growth in the nonresidential construction market should bode well for sales of the company's products to the appliance, HVAC, and water heater industries. However, the loss of a major customer in this segment should constrain the company's growth in our forecast horizon.

The US heating, ventilation and air conditioning (HVAC) industry is forecast to show modest growth through 2024, driven mostly by nonresidential growth. IBISWorld projects industry revenue to increase at an average annual rate of 1% to reach approximately $49.5 billion in the six years to 2024.

Unique estimates the market for its core business for multi-material foam, rubber and plastic components utilized for noise, vibration and harshness (NVH) reduction, air and water sealing, and functional and decorative applications to be approximately $600 million in North America.

4Q18 and FY2018 Financial Results

<u>*4Q18*</u> – The net loss was $191,000 or $(0.02) per share on a 4.5% decrease in revenue to $39.8 million. Net income in 4Q17 was $2.1 million or $0.21 per share. In 2018, the net loss included a non-cash mark-to-market loss of $(0.03) per share related to an interest rate swap. Excluding this item, 4Q18 EPS would have been $0.01 per share. We projected revenue of $40 million and net income of $228,000 or $0.02 per share.

The decrease in revenue was primarily due to the loss of business from two major non-automotive customers as a result of UFAB's decision to close its Ft. Smith facility. Revenue was also impacted by extended automotive plant holiday shutdowns by some of UFAB's customers to reduce vehicle inventory levels.

Gross profit decreased to $8.5 million from $9.3 million with gross margins decreasing to 20.5% from 22.3%. SG&A expenses decreased to $7.2 million from $7.3 million. Operating expense margin increased to 18.1% from 17.5%. Operating income decreased 33.1% to $1.3 million or 3.3% of sales versus operating income of $2 million or 4.8% of sales in the year ago period. Interest expense increased to $1.3 million from $657,000 due primarily to higher interest rates and a higher average debt balance, as well as a non-cash mark-to-market impact of $(0.03) per share related to an interest rate swap. The company paid $164,000 of income tax compared to receiving a benefit of $724,000 in the year ago period.

<u>*FY2018*</u> - Net income decreased to $3.7 million or $0.37 per share on relatively flat revenue of $174.9 million. Net income in 2017 was $6.5 million or $0.66 per share.

Gross profit decreased 1.8% to $39.3 million with gross margins decreasing to 22.5% from 22.9% due primarily to operational inefficiencies experienced from moving its manufacturing facilities from Ft. Smith, Arkansas to other existing manufacturing facilities during 3Q18. This was partially offset by plant closure savings completed during 2018.

SG&A expenses remained flat at $29.8 million. Restructuring expense for 2018 was $1.2 million related to the manufacturing facility closures in Port Huron, Michigan and Fort Smith, Arkansas. There were no restructuring chargers in 2017. Operating expense margin (excluding restructuring expenses of $1.2 million in 2018) remained flat at 17%. Operating income decreased 18.4% to $8.4 million or 4.8% of sales versus operating income of $10.3 million or 5.9% of sales in 2017.

Interest expense increased to $3.8 million from $2.7 million due primarily to higher interest rates and a higher average debt balance, as well as a non-cash mark-to-market impact of $(0.03) per share related to an interest rate swap. The company's tax rate increased to 18.9% from 14.9% in 2017.

Liquidity - As of December 31, 2018, the company had $1.4 million cash, a current ratio of 2.7 versus 1.4 for the car parts industry, $55.9 million of debt (of which $3.4 million is current) for a debt/equity ratio of 1.1X versus 0.6X for the industry, and approximately 40% of assets are covered by equity.

In 2018, cash provided by operations was approximately $9.4 million consisting of cash earnings of $10.7 million and a $1.3 million increase in working capital. The increase in working capital was primarily due to increased receivables and inventory offset in part by increased payables and prepaid expenses. Cash used in investing activities consisted primarily of $5.4 million of capital expenditures offset in part by $904,000 proceeds from the sale of property and equipment. Cash used in financing of $5 million consisted primarily of dividend payments offset in part by a net increase in debt. Cash decreased by $21,000 to $1.4 million at December 31, 2018.

The company has a $62 million credit agreement with Citizens Bank, NA. The credit agreement consists of a revolving line of credit of up to $30 million, a term loan totaling $26 million, and a two year $5 million line of credit dedicated to capital expenditures. The revolver and term loans mature on November 7, 2023 and bear interest at the greater of the prime rate or the federal funds rate plus a margin ranging from 1.75% to 2.75%, or LIBOR plus a margin ranging from 2.75% to 3.75%, based on senior leverage ratio thresholds measured quarterly. The effective interest rate as of December 31, 2018 was approximately 6.27%.

The company must comply with a minimum debt service financial covenant and a senior funded indebtedness to EBITDA covenant. As of December 31, 2018, UFAB was in compliance with all loan covenants.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 83% of FY17 sales), the economic outlook for this region should have a direct influence on its sales.

In January 2019, the IMF lowered its global economic growth estimate to 3.5% for 2019 and 3.6% for 2020, down from its October 2018 estimate of 3.7% for both 2019 and 2020. The downward revision was due to a weakening global expansion. Weakening financial market sentiment, trade policy uncertainty, and concerns about China's outlook continue to weigh on the global economy.

The IMF kept its economic growth estimate for the US at 2.5% for 2019 and 1.8% for 2020. The softening in 2020 is due to the unwinding of fiscal stimulus.

The initial estimate of US GDP growth (released on February 28, 2019) showed the US economy grew at an annual rate of 2.6% in 4Q18, down from 3.4% in 3Q18. The 4Q18 US GDP growth estimate primarily reflects increases in consumer spending, business investment, exports, and inventory investment, partly offset by a decline in housing investment.

Projections

The company's product sales and programs are highly correlated with new vehicle production in North America. According to LMC Automotive, the level of automobile production in North America is projected to increase less than 1% over the two years to 2020. While production volumes are projected to remain relatively flat, the current trend of reducing a vehicle's weight and increasing passenger comfort should support sales growth for UFAB in 2020. The loss of business at two of the company's non-automotive customers late in 2018 and the reduction of customer vehicle inventory levels are likely to have an adverse impact on sales in 2019.

Customers have been reducing their inventories of sedans in response to a shift in consumer demand towards crossovers, SUVs and light trucks. This shift in demand, while temporarily reducing sedan vehicle inventories, should result in a greater sales in the foreseeable future for UFAB as crossovers, SUVs and light trucks require a higher content per vehicle for its offerings than sedans.

FY19 - We project a 3.1% decline in revenue to $169.5 million and net income of $4.6 million or $0.47 per share, down from our previous revenue projection of $192 million and net income forecast of $10.9 million or $1.10 per share. The decrease reflects the loss of business at two of the company's non-automotive customers late in 2018 and the reduction of customer vehicle inventory levels.

We project gross profit of $37.6 million, down from $39.3 million, as gross margins contract to 22.2% from 22.5% on reduced overhead coverage offset in part by a full year's benefit from the 2018 plant consolidations. In 2018, UFAB closed its Port Huron and Fort Smith manufacturing facilities and transferred production to the company's other existing manufacturing facilities in an effort to streamline operations, improve efficiency, and better position its manufacturing geographically to support growth. Pretax cost savings are expected to be in excess of $800,000 annually beginning in 2H18.

SG&A expenses should decrease to $28.4 million from $29.8 million due to reduced cash compensation. SG&A margins should decrease to 16.8% from 17%.

We project interest expense decreasing to $2.9 million from $3.8 million due to lower average debt levels, offset in part by higher interest rates. Our tax rate estimate is 26%.

We project UFAB will generate $12.5 million cash from operations from $11.3 million cash earnings and a $1.2 million decrease in working capital. The decrease in working capital should come primarily from a decrease in receivables and inventory. Cash from operations should not cover our projected capital expenditures, repayment of debt, and dividend payments, decreasing cash by $673,000 to $737,000 at December 31, 2019.

FY20 - We project a 5.3% increase in revenue to $178.5 million and net income of $8.3 million or $0.84 per share. Our forecast reflects a return to the company's growth outpacing vehicle production rates as the trend to reduce a vehicle's weight and increase passenger comfort continues. The shift to higher content SUVs and light trucks also bodes well for UFAB's sales.

We project gross profit of $42.8 million, up from our projected $37.6 million in 2019. Gross margins averaged 24% in 1H18, before the shift from sedans to crossovers, SUV's, and light trucks, and the operational inefficiencies experienced from moving manufacturing to other facilities adversely impacted sales and gross margins in 2H18. We believe with the vehicle preference shift completed, and the costs savings from plant consolidations completed in 2018, gross margins could average 24% in 2020.

SG&A expenses should increase to $29.1 million from $28.4 million due to increased compensation costs. SG&A margins should decrease to 16.3% from 16.8%.

We project interest expense decreasing to $2.5 million from $2.9 million as the company continues to pay down debt. Our tax rate estimate is 26%.

We project UFAB will generate $13.4 million cash from operations from $14.9 million cash earnings and a $1.6 million increase in working capital. The increase in working capital should come primarily from an increase in receivables. Cash from operations should cover our projected capital expenditures, repayment of debt, and dividend payments, increasing cash by $204,000 to $941,000 at December 31, 2020.

Risks

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

Substantial debt level – As of December 31, 2018, UFAB had approximately $55.9 million of debt outstanding. If the company were to default on paying its debt or fail to comply with the covenants, its lenders could take action that could lead to stockholders losing their current dividend and ultimately their entire investment.

Major customers may exert significant influence - The vehicle component supply industry is highly fragmented and serves a limited number of large OEMs that have a significant amount of leverage over their suppliers. The company's contracts with major OEM and Tier 1 customers frequently provide for annual productivity cost reductions which UFAB has been able to offset through product design changes, increased productivity and similar programs with its suppliers. If UFAB is unable to generate sufficient production cost savings to offset price reductions, its gross margins and profitability would be adversely affected.

Dependency on a few major customers – UFAB's three largest customers accounted for approximately 19.6% of net sales in 2018. The loss or insolvency of any of the company's major customers would adversely affect future results.

Competition – The vehicle component supply industry is highly competitive. UFAB'S products primarily compete on the basis of price, breadth of product offerings, product quality, technical expertise and development capability, product delivery and product service. Increased competition may lead to price reductions resulting in reduced gross margins and loss of market share.

Exchange rate risks – UFAB has two manufacturing facilities in Mexico and one in Canada. Because a portion of the company's manufacturing costs are incurred in Mexican pesos and Canadian dollars, fluctuations in the US dollar/Mexican peso, and US dollar/Canadian dollar exchange rates, may have a material effect on profitability, cash flows, and financial position.

Cyclical nature of business - The demand for the company's products is largely dependent on North American production of automobiles. UFAB's business is cyclical in nature as new vehicle demand is dependent on, among other things, consumer spending, which is closely tied to the overall strength of the economy. A weakening economy would likely lead to declines in vehicle production and adversely impact the company's financial condition.

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

Liquidity risk - Shares of Unique Fabricating have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 6.8 million shares in the float and the average daily volume is approximately 20,000 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 $)

	FY16A	FY17A	FY18A	FY19E	FY20E
Cash	706	1,431	1,410	737	941
Accounts receivable	26,888	27,204	30,831	29,877	31,464
Inventory	16,731	16,330	16,285	15,842	16,299
Prepaid expenses and other	2,870	4,608	3,495	3,495	3,495
Total current assets	47,195	49,573	52,021	49,951	52,199
Property, plant and equipment	21,198	22,975	25,078	25,635	26,137
Goodwill	28,871	28,871	28,871	28,871	28,871
Intangible assets	23,759	19,636	15,568	11,623	7,709
Other assets	1,514	1,750	1,749	1,749	1,749
Total assets	**122,537**	**122,805**	**123,287**	**117,829**	**116,665**
Accounts payable	13,452	11,708	11,465	11,153	11,475
Current portion of long-term debt	2,405	3,800	3,350	3,350	3,350
Income taxes payable	611	349	41	41	41
Accrued compensation	2,734	2,841	2,848	2,848	2,848
Other accrued liabilites	1,066	1,027	1,432	1,432	1,432
Other liabilites	169	-	-	-	-
Total current liabilities	20,437	19,725	19,136	18,824	19,146
Long-term debt	28,029	27,289	34,668	30,668	26,668
Line of credit	20,176	22,476	17,905	13,905	9,905
Other liabilities	3,836	2,433	2,690	2,690	2,690
Total liabilities	**72,478**	**71,923**	**74,399**	**66,087**	**58,409**
Total stockholders' equity	**50,059**	**50,882**	**48,888**	**51,742**	**58,256**
Total liabilities & stockholders' equity	**122,537**	**122,805**	**123,287**	**117,829**	**116,665**

Source: Company filings and Taglich Brothers' estimates

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

	FY16A	2017A	2018A	2019E	2020E
Sales	170,463	175,288	174,910	169,500	178,500
Cost of sales	130,919	135,234	135,575	131,889	135,691
Gross profit	39,544	40,054	39,335	37,611	42,809
Selling, general, and administrative	27,524	29,767	29,781	28,400	29,100
Restructuring expenses	35	-	1,156	-	-
Operating income	11,985	10,287	8,398	9,211	13,709
Other income (expense)	92	78	(59)	(60)	(60)
Interest expense	(2,135)	(2,745)	(3,778)	(2,908)	(2,460)
Income before income taxes	9,942	7,620	4,561	6,243	11,189
Income tax (benefit)	3,258	1,133	862	1,623	2,909
Net income	6,684	6,487	3,699	4,620	8,280
EPS	0.68	0.66	0.37	0.47	0.84
Shares Outstanding	9,896	9,899	9,909	9,880	9,880
Margin Analysis					
Gross margin	23.2%	22.9%	22.5%	22.2%	24.0%
SG&A	16.1%	17.0%	17.0%	16.8%	16.3%
Operating margin	7.0%	5.9%	4.8%	5.4%	7.7%
Tax rate	32.8%	14.9%	18.9%	26.0%	26.0%
Net margin	3.9%	3.7%	2.1%	2.7%	4.6%
Year / Year Growth					
Total Revenues	18.9%	2.8%	(0.2)%	(3.1)%	5.3%
Net Income	32.9%	(2.9)%	(43.0)%	24.9%	79.2%
EPS	13.2%	(3.0)%	(43.0)%	25.3%	79.2%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2018A to 2020E
(in thousands $)

	3/18A	6/18A	9/18A	12/18A	2018A	3/19E	6/19E	9/19E	12/19E	2019E	3/20E	6/20E	9/20E	12/20E	2020E
Sales	47,304	45,742	42,052	39,812	174,910	44,100	44,700	40,700	40,000	169,500	46,450	47,100	42,850	42,100	178,500
Cost of sales	36,224	34,553	33,528	31,270	135,575	33,869	34,106	32,194	31,720	131,889	34,605	34,995	33,294	32,796	135,691
Gross profit	11,080	11,189	8,524	8,542	39,335	10,231	10,594	8,506	8,280	37,611	11,845	12,105	9,556	9,304	42,809
Selling, general, and administrative	7,967	7,379	7,226	7,209	29,781	7,400	7,500	6,800	6,700	28,400	7,550	7,700	7,000	6,850	29,100
Restructuring expenses	442	538	176	-	1,156	-	-	-	-	-	-	-	-	-	-
Operating income	2,671	3,272	1,122	1,333	8,398	2,831	3,094	1,706	1,580	9,211	4,295	4,405	2,556	2,454	13,709
Other income (expense)	(36)	(28)	21	(16)	(59)	(15)	(15)	(15)	(15)	(60)	(15)	(15)	(15)	(15)	(60)
Interest expense	(736)	(861)	(837)	(1,344)	(3,778)	(772)	(742)	(712)	(682)	(2,908)	(660)	(630)	(600)	(570)	(2,460)
Income before income taxes	1,899	2,383	306	(27)	4,561	2,044	2,337	979	883	6,243	3,620	3,760	1,941	1,869	11,189
Income tax (benefit)	387	632	(321)	164	862	531	608	255	230	1,623	941	978	505	486	2,909
Net income	1,512	1,751	627	(191)	3,699	1,513	1,729	725	653	4,620	2,679	2,782	1,436	1,383	8,280
EPS	0.15	0.18	0.06	(0.02)	0.37	0.15	0.18	0.07	0.07	0.47	0.27	0.28	0.15	0.14	0.84
Shares Outstanding	9,912	9,917	9,919	9,887	9,909	9,880	9,880	9,880	9,880	9,880	9,880	9,880	9,880	9,880	9,880
Margin Analysis															
Gross margin	23.4%	24.5%	20.3%	20.5%	22.5%	23.2%	23.7%	20.9%	20.7%	22.2%	25.5%	25.7%	22.3%	22.1%	24.0%
SG&A	16.8%	16.1%	17.2%	18.1%	17.0%	16.8%	16.8%	16.7%	16.8%	16.8%	16.3%	16.3%	16.3%	16.3%	16.3%
Operating margin	5.6%	7.2%	2.7%	3.3%	4.8%	6.4%	6.9%	4.2%	4.0%	5.4%	9.2%	9.4%	6.0%	5.8%	7.7%
Tax rate	20.4%	26.5%	NMF	NMF	18.9%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	3.2%	3.8%	1.5%	(0.5)%	2.1%	3.4%	3.9%	1.8%	1.6%	2.7%	5.8%	5.9%	3.4%	3.3%	4.6%
Year / Year Growth															
Total Revenues	(1.2)%	2.7%	2.0%	(4.5)%	(0.2)%	(6.8)%	(2.3)%	(3.2)%	0.5%	(3.1)%	5.3%	5.4%	5.3%	5.3%	5.3%
Net Income	(26.1)%	5.0%	(12.3)%	(109.3)%	(43.0)%	0.0%	(1.2)%	15.6%	NMF	24.9%	77.1%	60.9%	98.2%	111.7%	79.2%
EPS	(26.1)%	4.9%	(12.5)%	(109.3)%	(43.0)%	0.4%	(0.9)%	16.0%	NMF	25.3%	77.1%	60.9%	98.2%	111.7%	79.2%

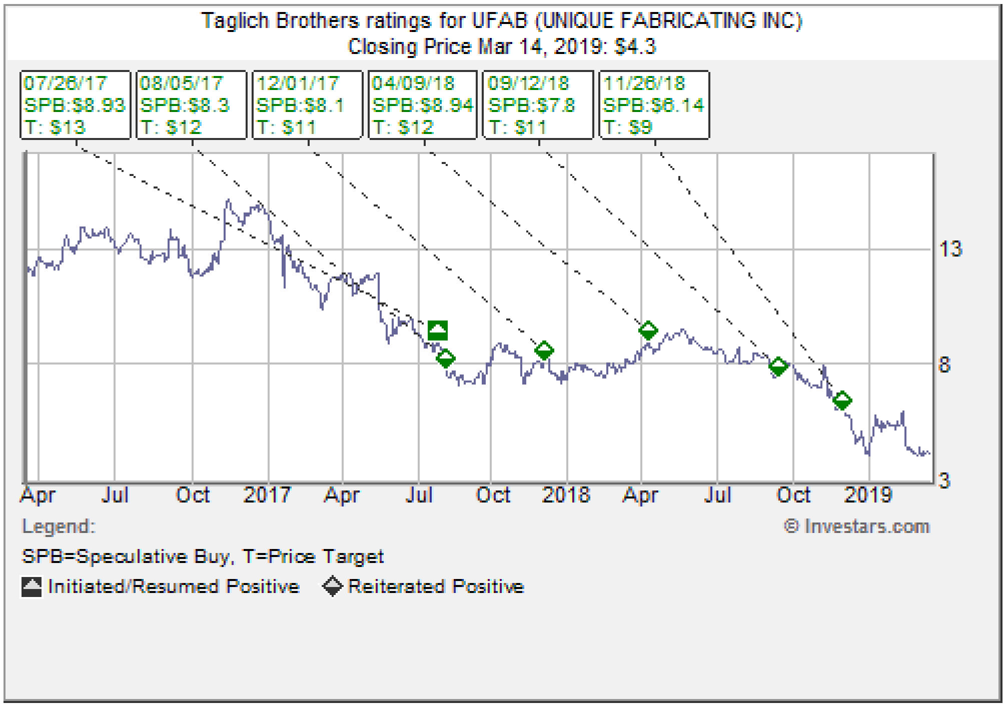
Source: Company filings and Taglich Brothers' estimates

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

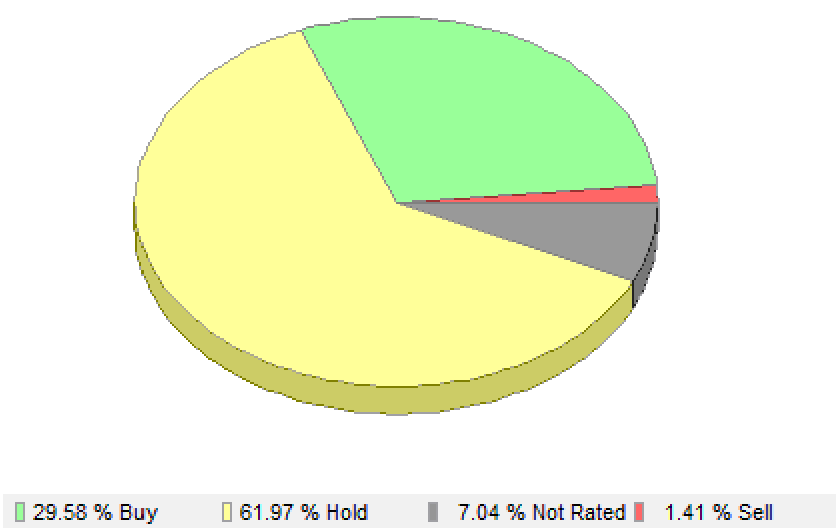
	FY16A	FY17A	FY18A	FY19E	FY20E
Net income	6,684	6,487	3,699	4,620	8,280
Depreciation and amortization	5,502	6,320	6,630	6,638	6,662
Amortization of debt issuance costs	128	149	147	150	150
(Gain) loss on sale of assets	(127)	63	(138)	-	-
Loss on extinguishment of debt	60	-	59	-	-
Bad debt adjustment	(274)	128	13	-	-
Loss (gain) on derivative instruments	22	(228)	452	-	-
Stock option expense	166	150	131	150	150
Deferred taxes	(1,166)	(1,552)	(291)	(300)	(300)
Cash earnings (loss)	10,995	11,517	10,702	11,258	14,942
Changes in assets and liabilities					
Accounts receivable	(3,987)	(444)	(3,641)	954	(1,586)
Inventory	340	402	45	443	(457)
Prepaid expenses and other assets	(1,292)	(1,766)	1,212	150	150
Accounts payable	1,330	(1,706)	1,008	(312)	322
Accrued and other liabilities	375	(194)	104	-	-
(Increase) decrease in working capital	(3,234)	(3,708)	(1,272)	1,235	(1,572)
Net cash provided by (used in) operations	**7,761**	**7,809**	**9,430**	**12,493**	**13,370**
Purchase of property and equipment	(3,362)	(4,140)	(5,394)	(3,250)	(3,250)
Proceeds from sale of property and equipment	2,187	52	904	-	-
Acquisition of Intasco	(21,031)	-	-	-	-
Working capital adjustment related to Intasco	213	-	-	-	-
Net cash provided by (used in) investing	**(21,993)**	**(4,088)**	**(4,490)**	**(3,250)**	**(3,250)**
Net change in bank overdraft	549	(38)	(1,251)	-	-
Proceeds from debt	32,000	-	10,132	-	-
Payments on term loans	(2,444)	(3,375)	(2,962)	(4,000)	(4,000)
Proceeds from (payments on) revolving facilities	5,690	6,231	(4,422)	(4,000)	(4,000)
Debt issuance costs	(514)	-	(634)	-	-
Pay-off of old senior credit facility	(15,375)	-	-	-	-
Proceeds from exercise of stock options and warrants	116	37	38	40	40
Distribution of cash dividends	(5,812)	(5,850)	(5,862)	(1,956)	(1,956)
Net cash provided by (used in) financing	**14,210**	**(2,995)**	**(4,961)**	**(9,916)**	**(9,916)**
Net change in cash	**(21)**	**725**	**(21)**	**(673)**	**204**
Cash - beginning of period	**727**	**706**	**1,431**	**1,410**	**737**
Cash - end of period	**706**	**1,431**	**1,410**	**737**	**941**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**2**	**8**
Hold		
Sell		
Not Rated	**2**	**50**

Important Disclosures

As of the date of this report, Taglich Brothers, Inc. and/or its affiliates, own more than 1% of UFAB common stock. Michael Taglich, President of Taglich Brothers, Inc., owns or has a controlling interest in 476,467 shares of UFAB common stock and 10,587 warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 494,694 shares of UFAB common stock and 8,663 warrants. Doug Hailey, Managing Director – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 24,821 shares of UFAB common stock and 7,050 warrants. William Cook, Vice President – Investment Banking at Taglich Brothers, Inc. and a Director at Unique Fabricating, owns or has a controlling interest in 45,142 shares of UFAB common stock and 4,500 shares subject to exercisable options. Robert Schroeder, Vice President – Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 10,353 shares of UFAB common stock and 14,100 warrants. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 51,600 shares of UFAB common stock and 3,700 warrants. Other employees at Taglich Brothers, Inc. own or have controlling interests in 4,119 shares of UFAB common stock and 23,100 warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In March 2013, Taglich Brothers, Inc. arranged the equity financing for the Management Buyout of Unique Fabricating, Inc. In December 2013, Taglich Brothers, Inc. arranged the equity financing for UFAB's acquisition of Prescotech Industries, Inc. In July 2015, Taglich Brothers, Inc. served as the Joint Book Running Manager in the Initial Public Offering of common stock for the company.

All research issued by Taglich Brothers, Inc. is based on public information. Unique Fabricating, Inc. does not pay Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Fox Factory Holding (NASDAQ: FOXF)
Gentherm (NASDAQ: THRM)
Horizon Global (NYSE: HZN)
Modine Manufacturing (NYSE: MOD)
Motorcar Parts of America (NASDAQ: MPAA)
Standard Motor Products (NYSE: SMP)
Stoneridge (NYSE: SRI)
Strattec Security (NASDAQ: STRT)
Superior Industries International (NYSE: SUP)
Tower International (NASDAQ: TOWR)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.