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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
May 15, 2019

UFAB $3.21 — (NYSE MKT)

	2017A	2018A	2019E	2020E
Revenues (millions)	$175.3	$174.9	$163.0	$170.0
Earnings (loss) per share	$0.66	$0.37	$0.18	$0.57

52-Week range	$9.70 – $3.13	Fiscal year ends:	December
Common shares out as of 5/3/19	9.8 million	Revenue per share (TTM)	$16.92
Approximate float	6.8 million	Price/Sales (TTM)	0.2X
Market capitalization	$31 million	Price/Sales (FY2020)E	0.2X
Tangible book value/share	$0.49	Price/Earnings (TTM)	16.1X
Price/tangible book value	6.6X	Price/Earnings (FY2020)E	5.6X

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 $4.75 per share from $7.00 based primarily on our reduced 2020 sales forecast.

We believe UFAB's sales in 2019 will be adversely impacted by the loss of automotive business due to the end of life of certain vehicle platforms, declines in high content vehicle platforms, and the loss of business from two major industrial customers after closing the Ft. Smith Arkansas facility in 2018.

We anticipate new programs scheduled to launch over the next 12 to 24 months are likely to support sales growth.

For FY19, we project a 6.8% decline in revenue to $163 million and EPS of $0.18, down from our previous revenue projection of $169.5 million and EPS forecast of $0.47.

For FY20, we project a 4.3% increase in revenue to $170 million and EPS of $0.57, down from our previous revenue projection of $178.5 million and EPS forecast of $0.84.

On May 8, 2019, Unique Fabricating announced that for personal reasons related to health issues, John Weinhardt has stepped down from his positions as President and Chief Executive Officer.

As of March 31, 2019, UFAB was not in compliance with the total leverage ratio loan covenant with its lender. The non-compliance issue resulted in the elimination of common stock dividends.

We estimate the company should pay down approximately $13 million in debt over the next two years.

UFAB reported (5/9/19) a 1Q19 loss of $(0.02) per share on a 16.6% decrease in sales to $39.5 million. EPS in 1Q18 was $0.15. We projected revenue of $44.1 million and EPS of $0.15.

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

Recommendation and Valuation

Reiterating Speculative Buy rating on Unique Fabricating, Inc. but reducing our twelve-month price target to $4.75 per share from $7.00 based primarily on our reduced 2020 sales forecast.

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 average declines of less than 1% annually over the two years to 2020. While production volumes are projected to decline, the trend of reducing a vehicle’s weight and increasing passenger comfort has typically led to growth greater than vehicle production rates. However, we believe UFAB’s sales in 2019 will be adversely impacted by the loss of automotive business due to the end of life of certain vehicle platforms, declines in high content vehicle platforms, and the loss of business from two of the company’s major industrial customers stemming from UFAB closing its Ft. Smith Arkansas facility in 2018.

We anticipate new programs scheduled to launch over the next 12 to 24 months should support 2020 sales growth.

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	40.9	1,377	18.8	14.4	26.1%
Fox Factory Holding	FOXF	75.95	2,899	31.5	26.2	11.5%
Standard Motor Products	SMP	48.25	1,079	18.1	14.5	13.7%
Modine Manufacturing	MOD	13.32	674	8.2	7.4	14.0%
Motorcar Parts of America	MPAA	20.29	382	12.2	9.6	28.5%
Superior Industries International	SUP	4.83	121	NMF	NMF	NMF
Tower International	TOWR	20.56	425	6.5	6.2	44.9%
Stoneridge	SRI	28.5	818	14.8	14.0	26.7%
Horizon Global	HZN	3.08	78	NA	NA	NA
Strattec Security	STRT	27.54	106	NA	NA	NA
Peer Average				**15.8**	**13.2**	**23.6%**
Unique Fabricating	**UFAB**	**3.21**	**31**	**16.1**	**5.6**	**216.7%**
Source: Taglich Brothers estimates, Thomson Reuters						

The company trades at a 2020 multiple of 5.6X earnings based on our forecast of $0.57 per share. The company’s peers trade at a projected 2020 earnings multiple of 13.2X. Investors could accord UFAB a multiple approaching that of its peers based on the company’s 2020 EPS growth forecast compared to its peers (see chart above). We applied a multiple of 9X (unchanged) to our FY20 EPS projection of $0.57, discounted to account for execution risk, to obtain a year-ahead value of approximately $4.75 per share.

Resignation of John Weinhardt as President and CEO

On May 8, 2019, Unique Fabricating announced that for personal reasons related to health issues, John Weinhardt has stepped down from his positions as President and Chief Executive Officer. John will continue to serve as a member of the Board of Directors.

The Company's Board of Directors has established an Executive Search and Oversight Committee to identify a new Chief Executive Officer and to help support current management until a successor is appointed. The committee is comprised of the Chairman of the Board, Richard Baum, along with independent directors Kim Korth and James Illikman.

As part of this transition, Tom Tekiele, Chief Financial Officer, Scott Reed, Vice President of Operations, and Brad Hazen, Vice President of Business Development, will oversee operations and provide interim leadership in conjunction with the Executive Search and Oversight Committee.

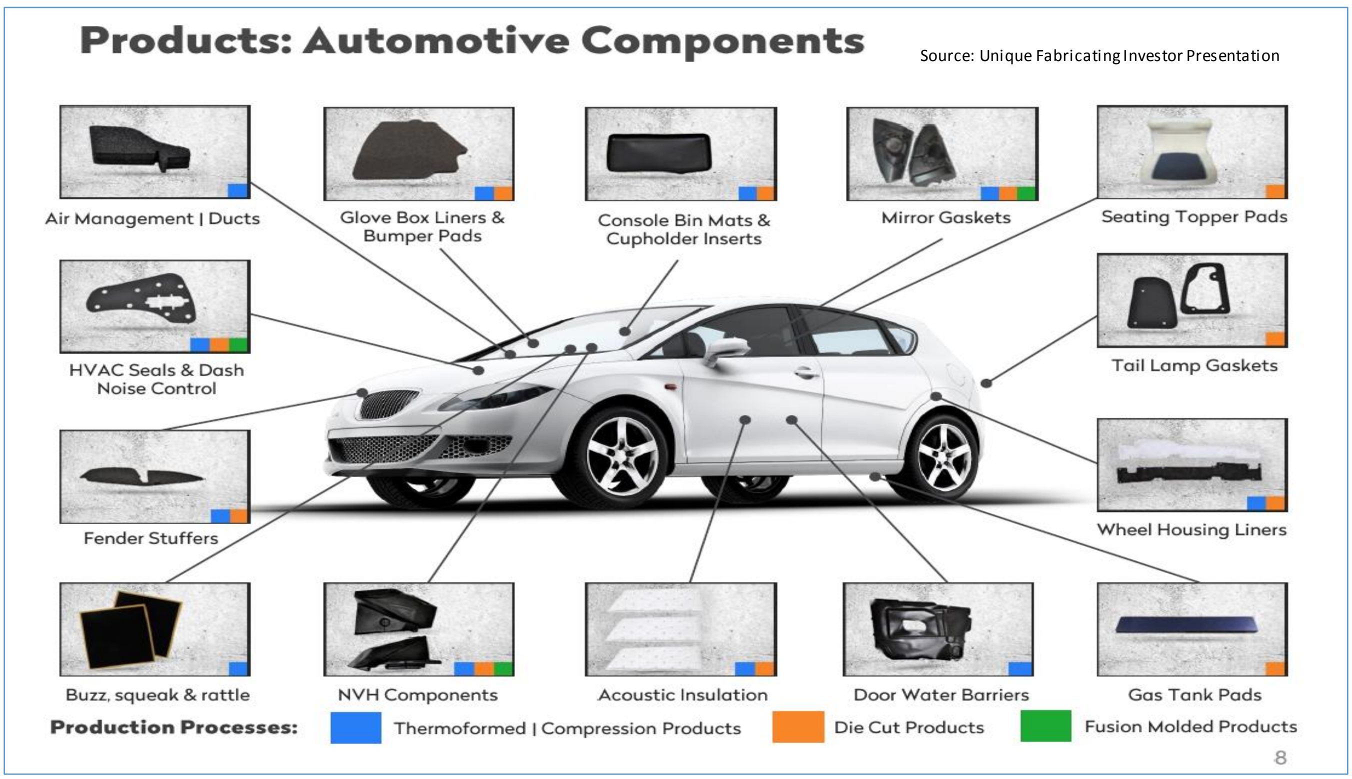
Business

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.

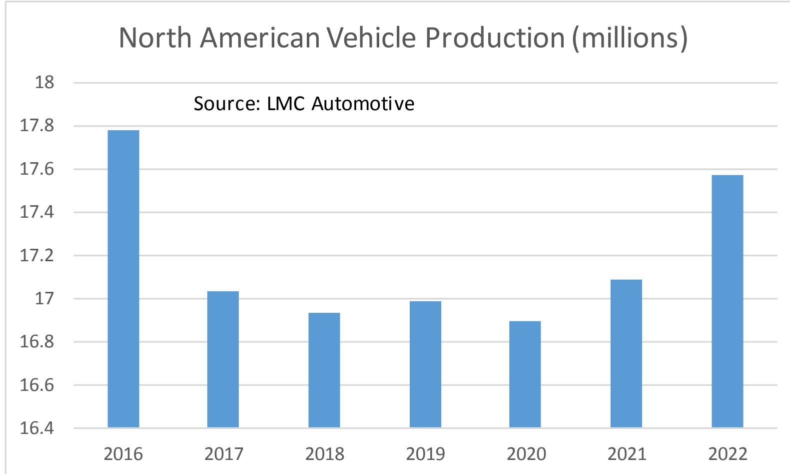
Plastic Products Manufacturing
IBISWorld projects the 2019 plastic products manufacturing industry to generate approximately $105.6 billion in sales with 24.1% or $25.4 billion coming from automobile manufacturers that use plastic in vehicle interiors and in some engine components. The overall industry 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.

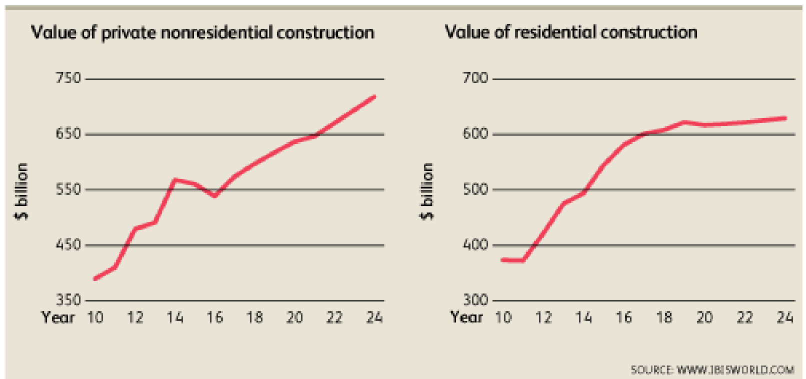
Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced. Although OEM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle. We believe 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, remained relatively flat in 2017 and 2018, and is projected to remain relatively flat in 2019 and 2020 (see chart at right).

<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 2024 (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.

1Q19 Financial Results

<u>1Q19</u> – The net loss was $189,000 or $(0.02) per share on a 16.6% decrease in revenue to $39.5 million. Net income in 1Q18 was $1.5 million or $0.15 per share. We projected revenue of $44.1 million and net income of $1.5 million or $0.15 per share.

The decrease in revenue was primarily due to a 4.2% decline in North American vehicle production, the loss of business due to the end of life of certain vehicle platforms, the loss of business at two major industrial customers as a result of the Ft. Smith, Arkansas facility closure in June 2018, and the discontinuation by some customers of certain passenger car platforms.

Gross profit decreased to $8.3 million from $11.1 million with gross margins decreasing to 21% from 23.4%. The decrease in gross margins was primarily due to higher material costs and lower manufacturing overhead coverage. SG&A expenses decreased to $7.3 million from $8 million. Operating expense margin increased to 18.4% from 16.8%. Operating income decreased 64.9% to $937,000 or 2.4% of sales versus operating income of $2.7 million or 5.6% of sales in the year ago period. Interest expense increased to $1.1 million from $736,000 due primarily to higher interest rates and a higher average debt balance. The company paid $43,000 of income tax compared to $387,000 in the year ago period.

Liquidity - As of March 31, 2019, the company had $1.3 million cash, a current ratio of 2.7 versus 1.4 for the car parts industry, $54.3 million of debt (of which $3 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 1Q19, cash provided by operations was approximately $1.6 million consisting of cash earnings of $1.8 million and a $231,000 increase in working capital. The increase in working capital was primarily due to decreased accruals and other liabilities offset in part by decreased receivables and inventory. Cash used in investing activities consisted primarily of $870,000 of capital expenditures. Cash used in financing of $813,000 consisted primarily of dividend payments and a net decrease in debt. Cash decreased by $105,000 to $1.3 million at March 31, 2019.

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 March 31, 2019 was approximately 6.25%.

The company must comply with a minimum debt service financial covenant and a senior funded indebtedness to EBITDA covenant. As of March 31, 2019, UFAB was not in compliance with the total leverage ratio loan covenant which resulted in the elimination of common stock dividends.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (approximately 85% of FY18 sales), the economic outlook for this region should have a direct influence on its sales.

In April 2019, the IMF lowered its global economic growth estimate to 3.3% for 2019, down from its January 2019 estimate of 3.5%, but kept GDP unchanged at 3.6% for 2020. The downward revision for 2019 was due to the likely hood that the slow momentum of global growth in 2H18 will continue in early 2019.

The IMF lowered its economic growth estimate for the US to 2.3% for 2019, down from its January 2019 estimate of 2.5%, but raised it to 1.9% for 2020, up from 1.8%. The downward revision to 2019 growth reflects the impact of the government shutdown and somewhat lower fiscal spending than previously anticipated. The upward revision to 2020 growth reflects a more accommodative stance of monetary policy than previously forecast.

The advance estimate of US GDP growth (released on April 26, 2019) showed the US economy grew at an annual rate of 3.2% in 1Q19, up from 2.2% in 4Q18. The 1Q19 US GDP growth estimate reflects increases in consumer spending, inventory investment, exports, government spending, and business 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 average declines of less than 1% annually over the two years to 2020. While production volumes are projected to decline, the trend of reducing a vehicle's weight and increasing passenger comfort has typically led to growth greater than vehicle production rates. However, we believe UFAB's sales in 2019 will be adversely impacted by the loss of automotive business due to the end of life of certain vehicle platforms, declines in high content vehicle platforms, and the loss of business from two of the company's major industrial customers. The expectation is for automotive programs scheduled to launch over the next 12 to 24 months should support 2020 sales growth.

FY19 - We project a 6.8% decline in revenue to $163 million and net income of $1.8 million or $0.18 per share, down from our previous revenue projection of $169.5 million and net income forecast of $4.6 million or $0.47 per share.

We project gross profit of $35.1 million, down from $39.3 million, as gross margins contract to 21.5% from 22.5% on reduced overhead coverage, offset in part by a full year's benefit from 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 should be in excess of $800,000 annually.

SG&A expenses should decrease to $29 million from $29.8 million as the company aims to reduce costs. SG&A margins should increase to 17.8% from 17%.

We project interest expense decreasing to $3.6 million from $3.8 million due to lower average debt levels, offset in part by higher interest rates. Our tax rate estimate is 29.2%.

We project UFAB will generate $8.5 million cash from operations from $7.7 million cash earnings and a $786,000 decrease in working capital. The decrease in working capital should come primarily from a reduction in receivables. Cash from operations should not cover our projected capital expenditures, repayment of debt, and 1Q19 dividend payments, decreasing cash by $400,000 to $1 million at December 31, 2019.

FY20 - We project a 4.3% increase in revenue to $170 million and net income of $5.7 million or $0.57 per share, down from our previous revenue projection of $178.5 million and net income forecast of $8.3 million or $0.84 per share. Our revised projections reflect the positive impact of new automotive programs.

We project gross profit of $38.4 million, up from our projected $35.1 million in 2019 as gross margins increase to 22.6% from 21.5% on greater overhead coverage.

SG&A expenses should decrease to $28 million from $29 million as the company continues its cost reduction efforts. SG&A margins should decrease to 16.5% from 17.8%.

We project interest expense decreasing to $2.8 million from $3.6 million due to lower debt balances. Our tax rate estimate is 26%.

We project UFAB will generate $11.1 million cash from operations from $12.5 million cash earnings and a $1.5 million increase in working capital. The increase in working capital should come primarily from an increase in receivables. Cash from operations should not cover our projected capital expenditures and repayment of debt, decreasing cash by $145,000 to $865,000 at December 31, 2020.

Risks

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

Substantial debt level – As of March 31, 2019, UFAB had approximately $54.3 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 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 11,000 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	3/19A	FY19E	FY20E
Cash	706	1,431	1,410	1,305	1,010	865
Accounts receivable	26,888	27,204	30,831	30,243	28,726	29,966
Inventory	16,731	16,330	16,285	15,870	15,362	15,802
Prepaid expenses and other	2,870	4,608	3,495	3,160	3,160	3,160
Total current assets	47,195	49,573	52,021	50,578	48,258	49,792
Property, plant and equipment	21,198	22,975	25,078	25,238	25,635	26,137
Goodwill	28,871	28,871	28,871	28,871	28,871	28,871
Intangible assets	23,759	19,636	15,568	14,576	11,623	7,709
Other assets	1,514	1,750	1,749	1,814	1,814	1,814
Total assets	**122,537**	**122,805**	**123,287**	**121,077**	**116,201**	**114,323**
Accounts payable	13,452	11,708	11,465	12,882	10,815	11,125
Current portion of long-term debt	2,405	3,800	3,350	2,955	2,955	2,955
Income taxes payable	611	349	41	-	-	-
Accrued compensation	2,734	2,841	2,848	2,005	2,005	2,005
Other accrued liabilites	1,066	1,027	1,432	830	830	830
Other liabilites	169	-	-	-	-	-
Total current liabilities	20,437	19,725	19,136	18,672	16,605	16,915
Long-term debt	28,029	27,289	34,668	33,863	30,328	24,328
Line of credit	20,176	22,476	17,905	17,470	16,124	14,124
Other liabilities	3,836	2,433	2,690	2,830	2,830	2,830
Total liabilities	**72,478**	**71,923**	**74,399**	**72,835**	**65,887**	**58,197**
Total stockholders' equity	**50,059**	**50,882**	**48,888**	**48,242**	**50,313**	**56,126**
Total liabilities & stockholders' equity	**122,537**	**122,805**	**123,287**	**121,077**	**116,201**	**114,323**

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	162,967	170,000
Cost of sales	130,919	135,234	135,575	127,892	131,555
Gross profit	39,544	40,054	39,335	35,075	38,446
Selling, general, and administrative	27,524	29,767	29,781	28,973	28,000
Restructuring expenses	35	-	1,156	90	-
Operating income	11,985	10,287	8,398	6,012	10,446
Other income (expense)	92	78	(59)	68	68
Interest expense	(2,135)	(2,745)	(3,778)	(3,562)	(2,838)
Income before income taxes	9,942	7,620	4,561	2,518	7,676
Income tax (benefit)	3,258	1,133	862	736	1,996
Net income	6,684	6,487	3,699	1,782	5,680
EPS	0.68	0.66	0.37	0.18	0.57
Shares Outstanding	9,896	9,899	9,909	9,855	9,880
Margin Analysis					
Gross margin	23.2%	22.9%	22.5%	21.5%	22.6%
SG&A	16.1%	17.0%	17.0%	17.8%	16.5%
Operating margin	7.0%	5.9%	4.8%	3.7%	6.1%
Tax rate	32.8%	14.9%	18.9%	29.2%	26.0%
Net margin	3.9%	3.7%	2.1%	1.1%	3.3%
Year / Year Growth					
Total Revenues	18.9%	2.8%	(0.2)%	(6.8)%	4.3%
Net Income	32.9%	(2.9)%	(43.0)%	(51.8)%	218.7%
EPS	13.2%	(3.0)%	(43.0)%	(51.6)%	217.9%

Source: Company filings and Taglich Brothers' estimates

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

	3/18A	6/18A	9/18A	12/18A	2018A	3/19A	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	39,467	39,500	42,000	42,000	162,967	44,200	45,900	42,500	37,400	170,000
Cost of sales	36,224	34,553	33,528	31,270	135,575	31,167	31,205	32,760	32,760	127,892	33,813	34,884	32,938	29,920	131,555
Gross profit	11,080	11,189	8,524	8,542	39,335	8,300	8,295	9,240	9,240	35,075	10,387	11,016	9,563	7,480	38,446
Selling, general, and administrative	7,967	7,379	7,226	7,209	29,781	7,273	7,150	7,300	7,250	28,973	7,200	7,400	6,900	6,500	28,000
Restructuring expenses	442	538	176	-	1,156	90	-	-	-	90	-	-	-	-	-
Operating income	2,671	3,272	1,122	1,333	8,398	937	1,145	1,940	1,990	6,012	3,187	3,616	2,663	980	10,446
Other income (expense)	(36)	(28)	21	(16)	(59)	17	17	17	17	68	17	17	17	17	68
Interest expense	(736)	(861)	(837)	(1,344)	(3,778)	(1,100)	(842)	(820)	(800)	(3,562)	(770)	(730)	(690)	(648)	(2,838)
Income before income taxes	1,899	2,383	306	(27)	4,561	(146)	320	1,137	1,207	2,518	2,434	2,903	1,990	349	7,676
Income tax (benefit)	387	632	(321)	164	862	43	83	296	314	736	633	755	517	91	1,996
Net income	1,512	1,751	627	(191)	3,699	(189)	237	841	893	1,782	1,801	2,148	1,472	258	5,680
EPS	0.15	0.18	0.06	(0.02)	0.37	(0.02)	0.02	0.09	0.09	0.18	0.18	0.22	0.15	0.03	0.57
Shares Outstanding	9,912	9,917	9,919	9,887	9,909	9,779	9,880	9,880	9,880	9,855	9,880	9,880	9,880	9,880	9,880
Margin Analysis															
Gross margin	23.4%	24.5%	20.3%	20.5%	22.5%	21.0%	21.0%	22.0%	22.0%	21.5%	23.5%	24.0%	22.5%	20.0%	22.6%
SG&A	16.8%	16.1%	17.2%	18.1%	17.0%	18.4%	18.1%	17.4%	17.3%	17.8%	16.3%	16.1%	16.2%	17.4%	16.5%
Operating margin	5.6%	7.2%	2.7%	3.3%	4.8%	2.4%	2.9%	4.6%	4.7%	3.7%	7.2%	7.9%	6.3%	2.6%	6.1%
Tax rate	20.4%	26.5%	NMF	NMF	18.9%	NMF	26.0%	26.0%	26.0%	29.2%	26.0%	26.0%	26.0%	26.0%	26.0%
Net margin	3.2%	3.8%	1.5%	(0.5)%	2.1%	(0.5)%	0.6%	2.0%	2.1%	1.1%	4.1%	4.7%	3.5%	0.7%	3.3%
Year / Year Growth															
Total Revenues	(1.2)%	2.7%	2.0%	(4.5)%	(0.2)%	(16.6)%	(13.6)%	(0.1)%	5.5%	(6.8)%	12.0%	16.2%	1.2%	(11.0)%	4.3%
Net Income	(26.1)%	5.0%	(12.3)%	(109.3)%	(43.0)%	NMF	(86.5)%	34.2%	NMF	(51.8)%	NMF	NMF	75.0%	(71.1)%	218.7%
EPS	(26.1)%	4.9%	(12.5)%	(109.3)%	(43.0)%	NMF	(86.4)%	34.7%	NMF	(51.6)%	NMF	NMF	75.0%	(71.1)%	217.9%

Source: Company filings and Taglich Brothers' estimates

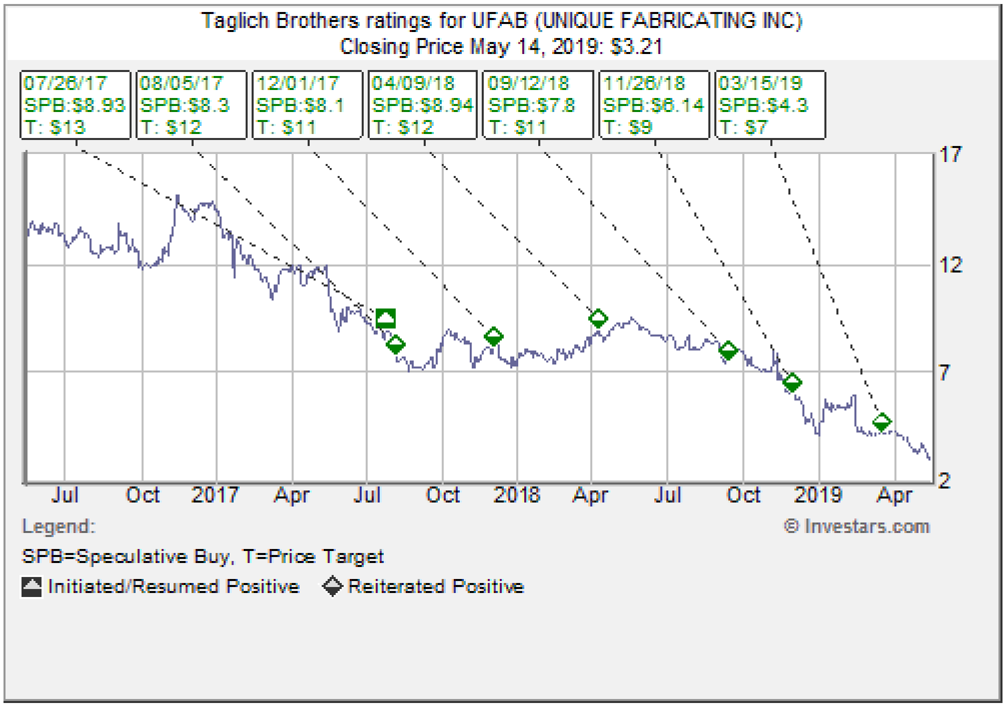
Unique Fabricating, Inc.

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

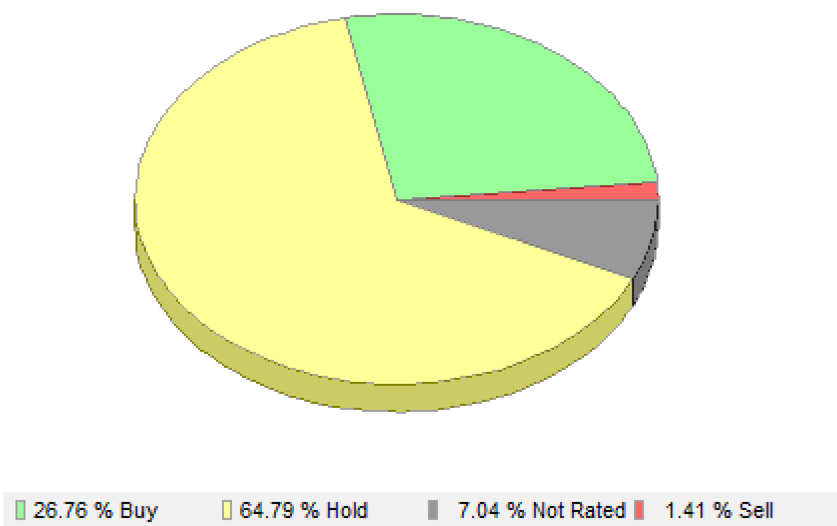
	FY16A	FY17A	FY18A	3M19A	FY19E	FY20E
Net income	6,684	6,487	3,699	(189)	1,782	5,680
Depreciation and amortization	5,502	6,320	6,630	1,702	6,638	6,662
Amortization of debt issuance costs	128	149	147	44	176	176
(Gain) loss on sale of assets	(127)	63	(138)	(7)	(7)	-
Loss on extinguishment of debt	60	-	59	-	-	-
Bad debt adjustment	(274)	128	13	61	61	-
Loss (gain) on derivative instruments	22	(228)	452	272	272	-
Stock option expense	166	150	131	33	132	132
Deferred taxes	(1,166)	(1,552)	(291)	(114)	(1,344)	(115)
Cash earnings (loss)	10,995	11,517	10,702	1,802	7,710	12,535
Changes in assets and liabilities						
Accounts receivable	(3,987)	(444)	(3,641)	528	2,105	(1,240)
Inventory	340	402	45	415	923	(440)
Prepaid expenses and other assets	(1,292)	(1,766)	1,212	251	(749)	(100)
Accounts payable	1,330	(1,706)	1,008	62	(650)	310
Accrued and other liabilities	375	(194)	104	(1,487)	(843)	-
(Increase) decrease in working capital	(3,234)	(3,708)	(1,272)	(231)	786	(1,470)
Net cash provided by (used in) operations	**7,761**	**7,809**	**9,430**	**1,571**	**8,497**	**11,065**
Purchase of property and equipment	(3,362)	(4,140)	(5,394)	(870)	(3,250)	(3,250)
Proceeds from sale of property and equipment	2,187	52	904	7	7	-
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)**	**(863)**	**(3,243)**	**(3,250)**
Net change in bank overdraft	549	(38)	(1,251)	1,355	1,355	-
Proceeds from debt	32,000	-	10,132	700	700	-
Payments on term loans	(2,444)	(3,375)	(2,962)	(1,925)	(5,460)	(6,000)
Proceeds from (payments on) revolving facilities	5,690	6,231	(4,422)	(454)	(1,800)	(2,000)
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)	(489)	(489)	-
Net cash provided by (used in) financing	**14,210**	**(2,995)**	**(4,961)**	**(813)**	**(5,654)**	**(7,960)**
Net change in cash	**(21)**	**725**	**(21)**	**(105)**	**(400)**	**(145)**
Cash - beginning of period	**727**	**706**	**1,431**	**1,410**	**1,410**	**1,010**
Cash - end of period	**706**	**1,431**	**1,410**	**1,305**	**1,010**	**865**

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 6,000 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.