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Initial Research Report

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

Unique Fabricating, Inc.

Speculative Buy

John Nobile
July 26, 2017

UFAB $8.93 — (NYSE MKT)

	2015A	2016A	2017E	2018E
Revenues (millions)	$143.3	$170.5	$185.0	$199.1
Earnings (loss) per share	$0.60	$0.68	$0.84	$0.98

52-Week range	$15.93 – $8.50	Fiscal year ends:	December
Common shares out as of 5/5/17	9.8 million	Revenue per share (TTM)	$17.98
Approximate float	6.7 million	Price/Sales (TTM)	0.5X
Market capitalization	$88 million	Price/Sales (FY2018)E	0.4X
Tangible book value/share	NMF	Price/Earnings (TTM)	12.8X
Price/tangible book value	NMF	Price/Earnings (FY2018)E	9.1X
Annual dividend	$0.60	Annual dividend yield	6.7%

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:

We are initiating coverage of Unique Fabricating, Inc. with a Speculative Buy rating and twelve-month price target of $13.00 per share.

UFAB has sustainable long-term growth potential as North American vehicle production (its primary market) is projected to reach 18.5 million in 2019, up from 17.9 million in 2016. The company's new and existing product programs satisfy industry demand for parts that reduce noise, vibration, and vehicle weight.

Unique's TwinShape foam duct product (launched in 2017) has an annual addressable market potential of approximately $200 million. The TwinShape product will be installed in a popular mid-size SUV in 2017, in two popular mid-size SUV's in 2018, and in a new full-size SUV being introduced in 2019.

Through a series of acquisitions over the past three and a half years, the company has expanded its market opportunities in the large automotive (approximately 80% of total sales) and industrial markets (approximately 15% of total sales).

For FY17, we project revenue of $185 million and net income of $8.3 million or $0.84 per share. Growth should be driven by a full year's contribution from Intasco and new programs such as the company's TwinShape foam duct product for a popular mid-size SUV that began in 1Q17.

For FY18, we project revenue of $199.1 million and net income of $9.7 million or $0.98 per share. Sales growth should be driven by expansion of automotive programs to its existing customers and Unique's TwinShape foam duct product scheduled to be installed in two popular mid-size SUV's in 2H18. Our earnings growth forecast reflects expanded gross and operating margins.

****Please view our disclosures on pages 15 - 17.***

Recommendation and Valuation

We are initiating coverage of Unique Fabricating, Inc. with a Speculative Buy rating and twelve-month price target of $13.00 per share based on new program orders for Unique's TwinShape® foam duct product (launched in 2017), a full year's contribution from the acquisition of Intasco, projected growth for North American vehicle production to 18.5 million in 2019, up from 17.9 million in 2016, and the expansion of automotive programs to existing customers. Our 12-month price target implies shares could increase over 40% in the next twelve months.

The company's TwinShape foam duct product has the potential to generate significant revenue. Unique's proprietary TwinShape technology utilizes a lightweight foam material that is 80% lighter and more efficient than the materials currently being used by automotive manufacturers. The company believes the addressable market for this product is approximately $200 million annually.

While shares of UFAB currently trade at a discount to its peers (see chart below), the extreme product diversity of the peer group causes us to not rely too heavily on this metric. Historically (since its IPO in July 2015), the company has traded at an average P/E ratio of approximately 24X. The current TTM P/E ratio is approximately 13X. We believe valuation should improve once sales from the company's TwinShape products begin to fully ramp.

Company	Symbol	Price	Market Cap $M	Trailing P/E	2018 P/E
Gentherm	THRM	39.45	1,450	15.9	14.0
Fox Factory Holding	FOXF	37.8	1,408	26.4	23.2
Standard Motor Products	SMP	52.45	1,197	17.7	14.8
Modine Manufacturing	MOD	16.6	831	21.8	10.8
Motorcar Parts of America	MPAA	27.99	522	12.0	10.2
Superior Industries International	SUP	20.3	506	14.8	9.5
Tower International	TOWR	22.4	459	6.4	5.7
Stoneridge	SRI	15.75	443	10.6	11.5
Horizon Global	HZN	13.9	356	34.8	10.9
Strattec Security	STRT	35.3	130	21.5	14.6
Peer Average				**18.2**	**12.5**
Unique Fabricating	**UFAB**	**8.93**	**88**	**12.8**	**9.1**
Source: Taglich Brothers estimates, Thomson Reuters					

We applied a multiple of 13X to our FY18 EPS projection of $0.98 to obtain a year-ahead value of approximately $13.00 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.

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. UFAB's products are sold mainly to the North American automotive industry (almost 80% of total sales in FY16) and are used in industrial applications such as appliances, water heaters, and HVAC systems (approximately 15% of total sales in FY16).

The company's industrial products consist of gaskets, heat deflection, packaging, insulation, water seals, noise reduction and vibration control. The company's products that are used in industrial applications include insulation pads for the HVAC industry, rear access compressor covers for the appliance industry, and thermal wraps for water heaters.

The company was formed through the acquisitions of Prescotech Holdings, Chardan Corporation, Great Lakes Foam Technologies, and Intasco Corporation. A brief description of each acquisition can be seen in the table below.

Acquired Company / (acquisition date)	**Company Overview**
Prescotech Holdings, Inc. / (December 2013)	Prescotech Holdings, Inc., is a designer and manufacturer of foams, adhesives, rubber products, fiberglass insulation products, fiberboards, and sound dampening products.
Chardan Corporation / (February 2014)	Chardan Corporation is a provider of engineered vacuum thermoforming (the forming of plastic sheets into three-dimensional shapes through the application of heat and pressure) and fusion molding (a plastic injection molding process used to mold internal cavities) technologies.
Great Lakes Foam Technologies / (August 2015)	Great Lakes Foam Technologies is a producer of reaction injection molded polyurethane (a manufacturing process for producing parts by injecting thermosetting polymers into a mold) components.
Intasco Corporation / (April 2016)	Intasco Corporation provides material conversion of pressure sensitive products (conversion of raw materials such as foams, plastics, and rubbers, into new products) as well as adhesives and automotive die cuts.

Products

Die Cut Products

UFAB is a supplier of die cut non-metallic materials and components. 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/Compression Molded Products

Unique's product offerings include thermoformed and compression molded products. The 2015 acquisition of Great Lakes Foam Technologies enabled the company to add reaction injected molding to its product offerings. The acquisition enabled UFAB to leverage its position as a manufacturer of core die cut products to gain traction with customers who wanted a single-source solution for other related products, such as thermoformed, compression molded and fusion molded components.

The company aims to further its development of molded products that are complementary to die cut products. The company’s molded products offer more sophisticated engineering and provide higher margins.

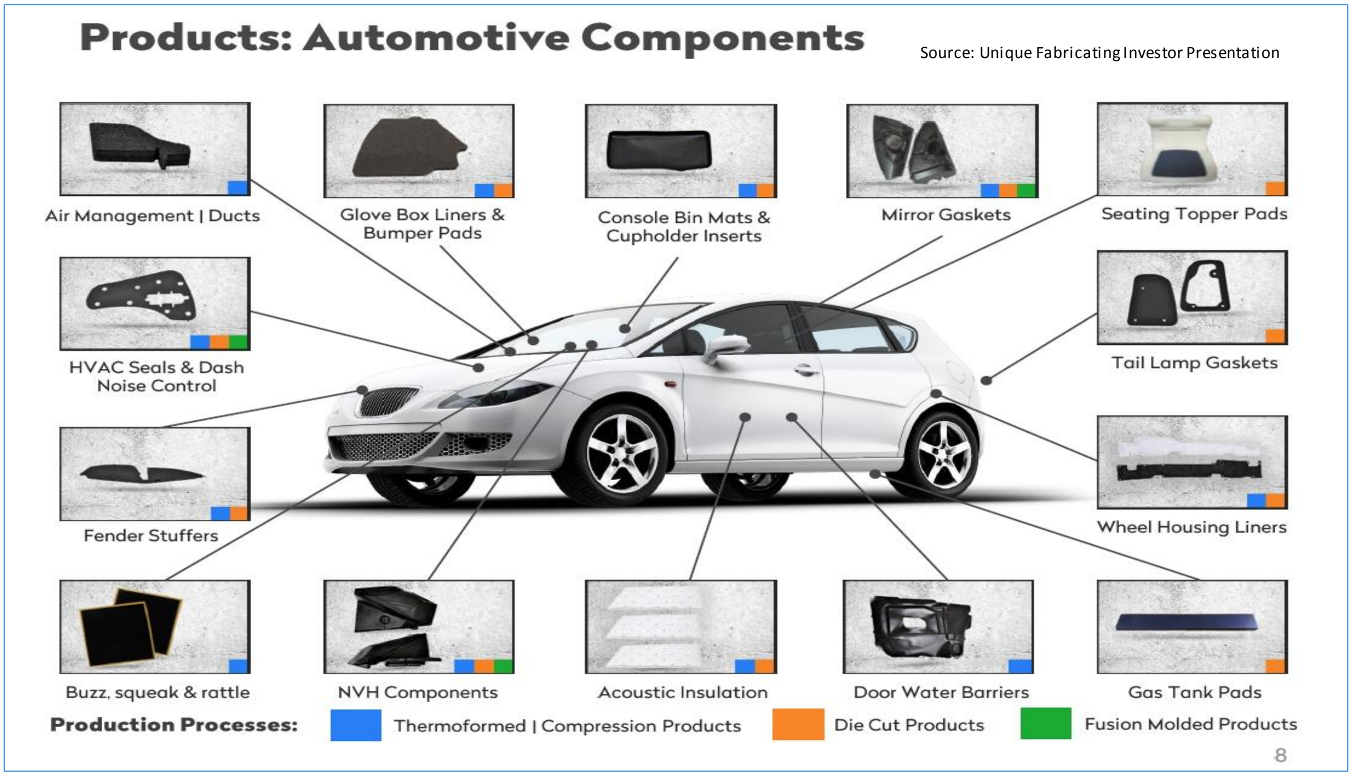
Unique’s thermoformed and compression molded products include HVAC air ducts, door water shields, evaporator liners, console bin mats and fender insulators, among others.

Fusion Molded Products

The acquisition of Chardan enabled UFAB to expand its product offerings with fusion molding technology. Fusion molding is a foam molding process used to manufacture precise three dimensional components that are lightweight and provide excellent thermal and acoustic performance. Primarily used for NVH management and body sealing applications, fusion molded products are complementary to Unique’s other product lines and give the company additional options to provide light-weight and NVH management products to automotive and industrial customers.

Unique's 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 2.1% to reach $11.4 billion in 2017. 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. When more vehicles are manufactured, more foam products will be purchased by the automotive industry for inputs into their vehicles and their components. IHS Markit projects a 600,000 increase to 18.5 million cars to be manufactured annually in North America by 2019, up from 17.9 million in 2016.

IBISWorld projects 2017 urethane foam manufacturing industry revenue of $11.4 billion with 12.4% or $1.4 billion coming from automotive and automotive parts manufacturers. IBISWorld projects average annual revenue growth of 1.5% to $12.3 billion in 2022 from 2017. IBISWorld anticipates demand from the automobile manufacturing industry to remain moderate to 2022. Fewer incentives for auto buyers and a general shift toward more public transportation usage could reduce many households' need for new vehicles. IBISWorld expects demand from car and automobile manufacturing to rise at an annualized rate of 0.9% to 2022. However, a greater focus on fuel efficiency will result in more prevalent use of foam in automobile production, given its light weight.

Rubber Products Manufacturing

The rubber products manufacturing industry is projected to generate sales of approximately $19.9 billion in 2017 (according to IBISWorld) with 21.3% or $4.2 billion coming from the automotive segment. IBISWorld projects the overall market to grow steadily with industry revenue growth projected at an annualized rate of 1.2% reaching $21.1 billion in 2022. Growth reflects the performance of downstream rubber products buyers that include a host of manufacturing industries with an emphasis on automotive and industrial machinery manufacturers.

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

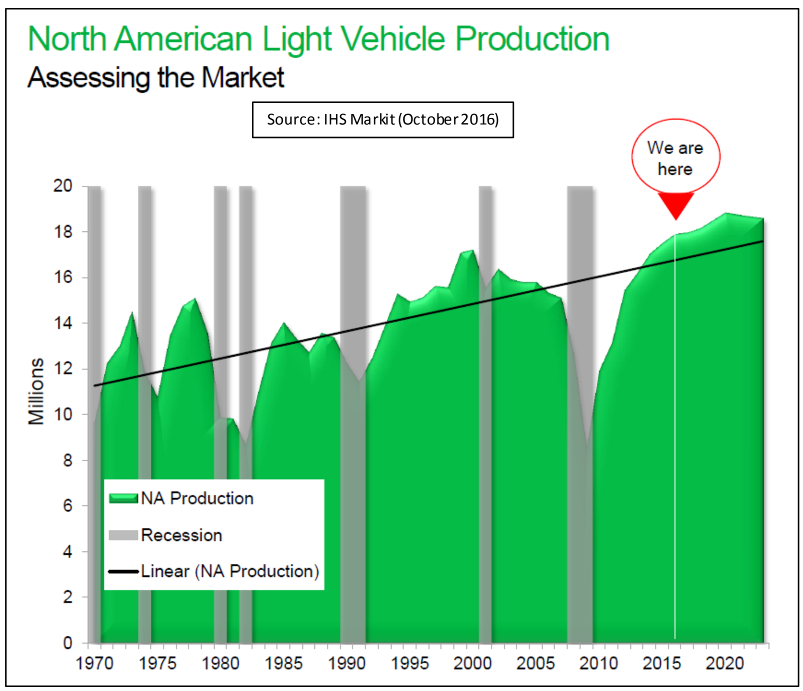
IBISWorld projects the 2017 plastic products manufacturing industry to generate approximately $99.8 billion in sales with 26.7% or $26.6 billion coming from automobile manufacturers that use plastic in vehicle interiors and in some engine components. IBISWorld projects the overall industry to grow at an annualized rate of 2.5% to $112.9 billion to 2022. Driving growth will 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, a March 2017 executive order by the Trump administration could negate or delay the fuel economy mandate. Nevertheless, 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. In January 2017, Dun & Bradstreet reported the North American automotive supplier market had revenue of approximately $250 billion. Within the automotive parts industry, North America is UFAB's core market.



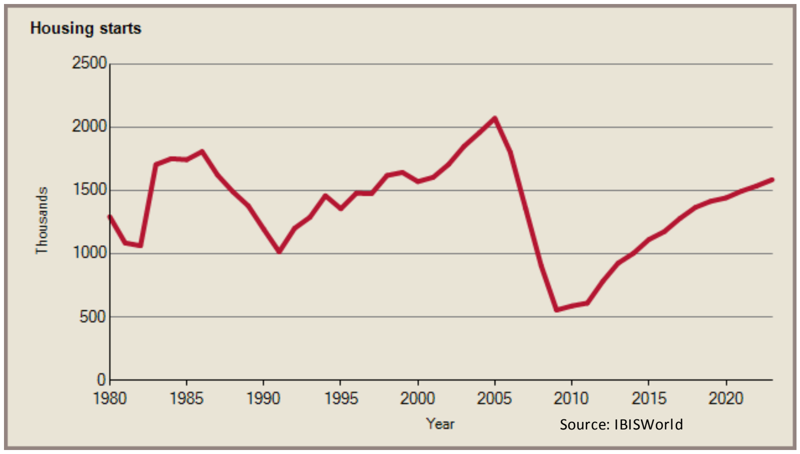
Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced. Although OEM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle. We believe 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 increasing demand for light duty vehicles in North America and emission regulations leading to light weighting/engine downsizing, has led to an increase in passenger car production in North America. According to IHS Markit, an additional 600,000 cars will be manufactured annually in North America by 2019 (18.5 million) as compared to 2016. (see chart at bottom right on previous page).

Industrial (Appliance/Water Heater/ HVAC)

Demand for the company's products in industrial applications is largely driven by the health of the housing sector. IBISWorld projects new housing starts to grow from approximately 1.2 million units in 2016 to 1.5 million in 2021 for a CAGR of 4.9% (see chart at right). A growing housing market should bode well for sales of the company's products to the appliance, HVAC, and water heater industries.



The US major household appliance industry, which includes water heaters, is forecast to show modest growth through 2022, driven by an increase in housing starts, homeownership, and product development. IBISWorld projects industry revenue to grow at an average annual rate of 1.5% reaching approximately $17 billion in 2022. The US HVAC industry is also poised to benefit from the positive outlook in the housing market. IBISWorld projects HVAC industry sales to grow at an average annual growth rate of 1.8% reaching approximately $50.4 billion in 2022.

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.

Strategy

Unique aims to grow via its engineering, manufacturing, and program management. The company will pursue opportunistic acquisitions that provide additional products and processes, as well as entrance into new growing markets. In an effort to achieve these objectives, the company is focused on the following:

Further Penetrate Existing Markets with Existing Products and Processes. Unique is positioned to grow in existing markets with its current products and processes, capitalizing on the industry's increasing demand for noise, vibration, and harshness management. As OEM's change materials to reduce weight, vehicles are utilizing more rubber and plastic components like those designed and supplied by UFAB. In addition, the increasing use of telematics (the use of technological devices to transmit information over long distances) is driving a need for quieter interiors in vehicles resulting in an increase in acoustical insulation in a vehicle.

Develop New Products and Processes for Existing Markets. The company is positioned to develop complementary products and processes that can be sold to the purchasing and engineering groups of existing customers. By adding products and processes that broaden the company's scope with existing engineers and purchasing groups, it can offer customers the ability to reduce their supply base.

Create New Markets with Existing Products and Processes. Unique has identified numerous opportunities to sell products fabricated using die cut and molding technology into new markets such as medical and industrial markets. Recent acquisitions have provided the company with access to a variety of new markets for its products such as the adhesive and automotive die cutting markets through the acquisition of Intasco (with annual sales of almost $18 million). Unique is developing new products for the appliance, water heater and HVAC industries utilizing its various molding technologies and is also exploring opportunities for medical products.

Pursue Acquisitions. The company expects to pursue acquisitions that add new products and/or processes, or geographic and market expansion. Since December 2013, Unique has completed four acquisitions that added new markets, products, and additional manufacturing processes to its capabilities. The acquisitions have driven revenue to $171 million in 2016 from $80 million in 2013.

1Q17 Financial Results

Net income increased to $2 million or $0.21 per share on a 20% increase in revenue to $47.9 million. Net income in 1Q16 was $1.8 million or $0.19 per share.

The increase in revenue was primarily due to the April 2016 acquisition of Intasco, as well as new product introductions and increased market penetration.

Although gross profit increased to $11.1 million from $9.6 million, gross margins decreased to 23.2% from 24% due to an unfavorable product mix and costs related to new product launches.

SG&A expenses increased to $7.6 million from $6.6 million due primarily to the April 2016 acquisition of Intasco. Operating expense margin improved to 15.9% from 16.5%. Operating income increased 16.8% to $3.5 million or 7.3% of sales versus operating income of $3 million or 7.5% of sales. Although operating income increased, operating leverage decreased due primarily to the decrease in gross margins. Interest expense increased to $616,000 from $341,000 due primarily to higher interest rates and increased debt levels. The company paid $867,000 in taxes for a 29.8% tax rate versus $836,000 or a 31.3% tax rate in 1Q16.

Liquidity - As of April 2, 2017, the company had $713,000 cash, a current ratio of 2.6X, $56.1 million of debt (of which $2.4 million is categorized as current), and approximately 39% of assets are covered by equity.

1Q17 cash used in operations was approximately $1.8 million consisting of cash earnings of $4 million and a $5.7 million increase in working capital. The change in working capital was primarily due to increased accounts receivable and prepaid expenses. Cash used in investing consisted primarily of $1.7 million of capital expenditures. Cash provided by financing of $3.5 million consisted primarily of increased debt offset in part by dividend payments. Cash increased by $7,000 to $713,000 at April 2, 2017.

The company has a $62 million credit agreement with Citizens Bank, National Association. The credit agreement consists of a revolving line of credit of up to $30 million and two term loans totaling $32 million. The revolver and term loans mature on April 28, 2021 and bear interest at the greater of the prime rate or the federal funds rate plus a margin ranging from 1.75% to 2.50%, or LIBOR plus a margin ranging from 2.75% to 3.50%, based on senior leverage ratio thresholds measured quarterly. The effective interest rate as of April 2, 2017 was approximately 4.3%.

The company must comply with a minimum debt service financial covenant and a senior funded indebtedness to EBITDA covenant. As of April 2, 2017, UFAB was in compliance with all loan covenants.

Economic Outlook

As Unique's customers are principally engaged in the North American automotive industry (almost 80% of FY16 sales), the economic outlook for this region should have a direct influence on its sales.

In April 2017, the International Monetary Fund (IMF) raised its global economic growth forecast to 3.5% in 2017 but kept 2018 unchanged at 3.6%. The 2017 revision is up from its January 2017 growth forecast of 3.4% due primarily to a faster than expected rebound in advanced economies.

In July 2017, the IMF lowered its economic growth estimate for the US to 2.1% in 2017 and 2018, down from its earlier (April 2017) growth forecast of 2.3% in 2017 and 2.5% in 2018. The downward revision reflects the uncertainties surrounding the President's plans to overhaul the economy. These uncertainties include the yet to be decided details about budget proposals to reduce the fiscal deficit and debt, to reprioritize public spending, and to revamp the tax system.

The third estimate of US GDP growth (released on June 29, 2017) showed the US economy grew at an annual rate of 1.4% in 1Q17, down from 2.1% growth in 4Q16. The 1Q17 US GDP growth estimate primarily reflects increases in business investment, exports, consumer spending, and housing investment. Partly offsetting these contributions to GDP growth were declines in inventory investment and government spending.

Projections

The company's products are highly dependent on new vehicle production in North America. Our sales growth projections for UFAB should be supported by increased North American vehicle production. IHS Markit projects North American vehicle production of 18.5 million in 2019, a 600,000 increase from 17.9 million in 2016.

Our 2017 and 2018 projections will also be supported by new program orders for Unique's TwinShape foam duct product that is scheduled to be installed in a popular mid-size SUV in 2017 and in two popular mid-size SUV's in 2H18.

FY17 - We project 8.5% revenue growth to $185 million and net income of $8.3 million or $0.84 per share. Growth should be driven by a full year's contribution from Intasco and from new programs such as the company's TwinShape duct product for a popular mid-size SUV.

We project an 8.5% increase in gross profit to $42.9 million with gross margins flat at 23.2%. Our gross margin projections are in line with average gross margins since the company's acquisition of Intasco.

SG&A expenses are projected to increase by $1.4 million to $28.9 million from $27.5 million due to increased cash compensation and new product marketing costs. SG&A margins should improve to 15.6% from 16.1%.

We project interest expense increasing to $2.2 million from $2.1 million due to higher average debt levels. We estimate a tax rate of 29.8% as earnings in Mexico and Canada are taxed at lower rates than in the US and the company qualifies for a domestic production activities deduction.

We project UFAB will generate cash of $10.9 million from operations as $15.1 million cash earnings are partly offset by a $4.2 million increase in working capital. The change in working capital should come primarily from increases in accounts receivable and inventory. Cash from operations should cover our projected capital expenditures, and debt and dividend payments, increasing cash by $999,000 to $1.7 million at December 31, 2017.

FY18 - We project 7.6% revenue growth to $199.1 million and net income of $9.7 million or $0.98 per share. Our forecast should be supported by Unique's TwinShape foam duct product scheduled to be installed in two popular mid-size SUV's starting in 2H18 and increased North American vehicle production.

We project gross profit of $46.8 million, up from $42.9 million, as gross margins increase to 23.5% from 23.2% on greater overhead coverage.

SG&A expenses should increase to $30.9 million from our projection of $28.9 million in 2017 due to increased cash compensation and new product marketing costs. SG&A margins should decrease to 15.5% from 15.6%.

We project interest expense decreasing to $2.1 million from $2.2 million due to lower average debt levels. Our tax rate estimate is flat at 29.8%.

We project UFAB will generate cash of $13.9 million from operations as $16.3 million cash earnings offset are partly offset by a $2.5 million increase in working capital. The change in working capital should come primarily from an increase in accounts receivable. Cash from operations should fall short of covering our projected capital expenditures, and debt and dividend payments, decreasing cash by $143,000 to $1.6 million at December 31, 2018.

Management

John Weinhardt, President, Chief Executive Officer and Director – Weinhardt joined the board in 2007 and served as President and CEO of Unique since 2009. Prior was a Principal in the Operations Group at American Capital, Ltd. Weinhardt was the head of manufacturing operations at Rain Bird Corporation. Also served as President, Chief Operating Officer and part owner of Digitron Packaging. Held senior management positions at AlliedSignal, Danaher Corporation, Prestolite Wire Corporation, Fayette Tubular Products, Inc. and Newcor, Inc. Earned a Bachelor's degree in Mechanical Engineering from the Rose-Hulman Institute of Technology, as well as an MBA/MS from Purdue University's Krannert School of Management.

Thomas Tekiele, Chief Financial Officer – Tekiele joined Unique in 2001 as Chief Financial Officer. Tekiele has twenty seven years of experience in multi-plant financial management. Prior to joining Unique, was Corporate Controller for Cardell Corporation. Prior to Cardell was an Audit Manager at Arthur Andersen. Bachelor's degree in Accounting from Michigan State University. Holds inactive CPA license.

Risks

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

Substantial debt level – As of April 2, 2017, UFAB had approximately $56.1 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 16.4% of net sales in FY16. 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.

NAFTA uncertainty - A significant portion of UFAB's business is conducted in Mexico. The current US President has made comments suggesting that he was not supportive of certain existing international trade agreements, including the North American Free Trade Agreement (NAFTA). While it remains unclear what actions will be taken if the US were to withdraw from or materially modify NAFTA or certain other international trade agreements, UFAB's business, financial condition and results of operations could be adversely affected.

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 6.7 million shares in the float and the average daily volume is approximately 38,000 shares.

Miscellaneous risk - The company's 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 $)

	FY15A	FY16A	3/17A	FY17E	FY18E
Cash	727	706	713	1,705	1,562
Accounts receivable	20,480	26,888	31,464	29,174	31,405
Inventory	14,586	16,731	17,142	18,153	19,465
Prepaid expenses and other	4,647	2,870	4,233	4,233	4,233
Total current assets	40,440	47,195	53,552	53,265	56,665
Property, plant and equipment	18,761	21,198	22,405	24,387	27,305
Goodwill	19,214	28,871	28,871	28,871	28,871
Intangible assets	20,139	23,759	22,729	19,637	15,567
Other assets	1,175	1,514	1,639	1,639	1,639
Total assets	**99,729**	**122,537**	**129,196**	**127,799**	**130,047**
Accounts payable	11,431	13,452	14,273	14,595	15,650
Current portion of long-term debt	2,519	2,405	2,402	2,402	2,402
Income taxes payable	-	611	321	321	321
Accrued compensation	2,284	2,734	2,420	2,420	2,420
Other accrued liabilites	1,159	1,066	934	934	934
Other liabilites	-	169	10	10	10
Total current liabilities	17,393	20,437	20,360	20,682	21,737
Long-term debt	13,907	28,029	27,445	25,600	22,600
Line of credit	14,595	20,176	26,274	24,300	24,300
Other liabilities	5,821	3,836	4,400	4,400	4,400
Total liabilities	**51,716**	**72,478**	**78,479**	**74,982**	**73,037**
Total stockholders' equity	**48,013**	**50,059**	**50,717**	**52,817**	**57,010**
Total liabilities & stockholders' equity	**99,729**	**122,537**	**129,196**	**127,799**	**130,047**

Source: Company filings and Taglich Brothers' estimates

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

	FY15A	FY16A	2017E	2018E
Sales	143,309	170,463	184,957	199,100
Cost of sales	109,488	130,919	142,043	152,312
Gross profit	33,821	39,544	42,914	46,789
Selling, general, and administrative	23,372	27,524	28,932	30,860
Restructuring expenses	374	35	-	-
Operating income	10,075	11,985	13,982	15,929
Other income	23	92	56	56
Interest expense	(2,755)	(2,135)	(2,200)	(2,100)
Income before income taxes	7,343	9,942	11,838	13,885
Income tax	2,314	3,258	3,526	4,138
Net income	5,029	6,684	8,312	9,747
EPS	0.60	0.68	0.84	0.98
Shares Outstanding	8,427	9,896	9,934	9,940
Margin Analysis				
Gross margin	23.6%	23.2%	23.2%	23.5%
SG&A	16.3%	16.1%	15.6%	15.5%
Operating margin	7.0%	7.0%	7.6%	8.0%
Tax rate	31.5%	32.8%	29.8%	29.8%
Net margin	3.5%	3.9%	4.5%	4.9%
Year / Year Growth				
Total Revenues		18.9%	8.5%	7.6%
Net Income		32.9%	24.4%	17.3%
EPS		13.2%	23.9%	17.2%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement 2016A to 2018E
(in thousands $)

	3/16A	6/16A	9/16A	12/16A	FY16A	3/17A	6/17E	9/17E	12/17E	2017E	3/18E	6/18E	9/18E	12/18E	2018E
Sales	39,983	42,048	44,753	43,679	170,463	47,857	44,700	45,700	46,700	184,957	48,650	49,400	50,150	50,900	199,100
Cost of sales	30,383	32,957	33,503	34,076	130,919	36,750	34,330	35,098	35,866	142,043	37,217	37,791	38,365	38,939	152,312
Gross profit	9,600	9,091	11,250	9,603	39,544	11,107	10,370	10,602	10,834	42,914	11,433	11,609	11,785	11,962	46,789
Selling, general, and administrative	6,555	7,165	6,949	6,856	27,524	7,592	7,020	7,080	7,240	28,932	7,540	7,660	7,770	7,890	30,860
Restructuring expenses	35	-	-	-	35	-	-	-	-	-	-	-	-	-	-
Operating income	3,010	1,926	4,301	2,747	11,985	3,515	3,350	3,522	3,594	13,982	3,893	3,949	4,015	4,072	15,929
Other income	-	(24)	(2)	117	92	14	14	14	14	56	14	14	14	14	56
Interest expense	(341)	(873)	(525)	(396)	(2,135)	(615)	(530)	(530)	(525)	(2,200)	(525)	(525)	(525)	(525)	(2,100)
Income before income taxes	2,669	1,029	3,774	2,468	9,942	2,914	2,834	3,006	3,083	11,838	3,382	3,438	3,504	3,561	13,885
Income tax	836	430	1,254	737	3,258	867	845	896	919	3,526	1,008	1,025	1,044	1,061	4,138
Net income	1,833	599	2,520	1,731	6,684	2,047	1,990	2,110	2,165	8,312	2,374	2,413	2,460	2,499	9,747
EPS	0.19	0.06	0.25	0.17	0.68	0.21	0.20	0.21	0.22	0.84	0.24	0.24	0.25	0.25	0.98
Shares Outstanding	9,833	9,906	9,919	9,928	9,896	9,917	9,940	9,940	9,940	9,934	9,940	9,940	9,940	9,940	9,940
Margin Analysis															
Gross margin	24.0%	21.6%	25.1%	22.0%	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%	23.5%	23.5%	23.5%	23.5%	23.5%
SG&A	16.4%	17.0%	15.5%	15.7%	16.1%	15.9%	15.7%	15.5%	15.5%	15.6%	15.5%	15.5%	15.5%	15.5%	15.5%
Operating margin	7.5%	4.6%	9.6%	6.3%	7.0%	7.3%	7.5%	7.7%	7.7%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%
Tax rate	31.3%	41.8%	33.2%	29.9%	32.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Net margin	4.6%	1.4%	5.6%	4.0%	3.9%	4.3%	4.5%	4.6%	4.6%	4.5%	4.9%	4.9%	4.9%	4.9%	4.9%
Year / Year Growth															
Total Revenues					18.9%	19.7%	6.3%	2.1%	6.9%	8.5%	1.7%	10.5%	9.7%	9.0%	7.6%
Net Income					32.9%	11.7%	232.2%	(16.3)%	25.0%	24.4%	16.0%	21.3%	16.6%	15.5%	17.3%
EPS					13.2%	10.7%	231.0%	(16.4)%	24.9%	23.9%	15.7%	21.3%	16.6%	15.5%	17.2%

Source: Company filings and Taglich Brothers' estimates

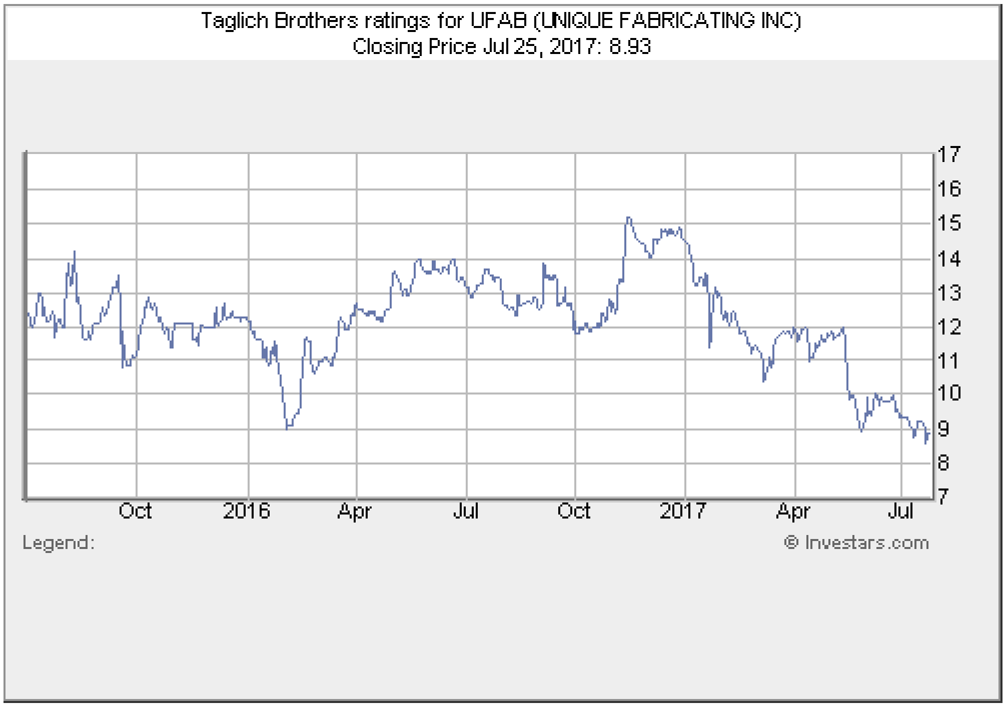
Unique Fabricating, Inc.

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

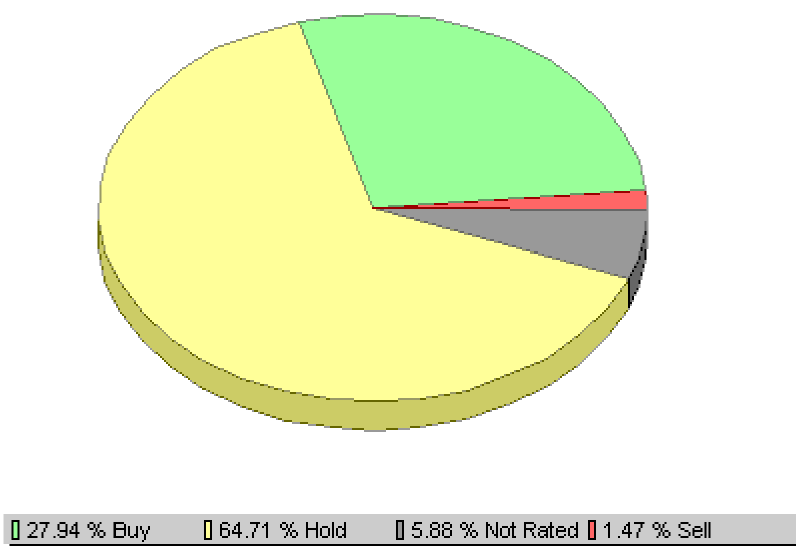
	FY15A	FY16A	3m17A	FY17E	FY18E
Net income	5,029	6,684	2,047	8,312	9,747
Depreciation and amortization	3,903	5,502	1,529	6,233	6,452
Amortization of debt issuance costs	270	128	33	132	132
(Gain) loss on sale of assets	48	(127)	(1)	(1)	-
Loss on extinguishment of debt	387	60	-	-	-
Bad debt adjustment	(37)	(274)	33	33	-
Loss (gain) on derivative instruments	(40)	22	(195)	(195)	-
Stock option expense	206	166	38	150	150
Deferred taxes	(496)	(1,166)	476	474	(132)
Cash earnings (loss)	9,270	10,995	3,960	15,138	16,349
Changes in assets and liabilities					
Accounts receivable	(695)	(3,987)	(4,609)	(2,286)	(2,231)
Inventory	(2,982)	340	(410)	(1,422)	(1,312)
Prepaid expenses and other assets	6	(1,292)	(1,363)	(1,363)	-
Accounts payable	(158)	1,330	1,374	1,143	1,055
Accrued and other liabilities	(360)	375	(736)	(314)	-
(Increase) decrease in working capital	(4,189)	(3,234)	(5,744)	(4,242)	(2,488)
Net cash provided by (used in) operations	**5,081**	**7,761**	**(1,784)**	**10,896**	**13,861**
Purchase of property and equipment	(3,566)	(3,362)	(1,708)	(5,300)	(5,300)
Proceeds from sale of property and equipment	74	2,187	2	2	-
Acquisition of Intasco	-	(21,031)	-	-	-
Working capital adjustment related to Intasco	-	213	-	-	-
Acquisition of Great Lakes Foam Technologies	(11,820)	-	-	-	-
Working capital adjustment related to Great Lakes Foam	(127)	-	-	-	-
Net cash provided by (used in) investing	**(15,439)**	**(21,993)**	**(1,706)**	**(5,298)**	**(5,300)**
Net change in bank overdraft	660	549	(553)	(553)	-
Proceeds from debt	-	32,000	-	-	-
Payments on term loans	(15,151)	(2,444)	(603)	(4,422)	(3,000)
Proceeds from revolving facilities	5,835	5,690	6,080	6,080	-
Debt issuance costs	-	(514)	-	-	-
Pay-off of old senior credit facility	-	(15,375)	-	-	-
Post acquisition payments for Unique Fabricating	(755)	-	-	-	-
Proceeds from issuance of common stock	25,674	-	-	-	
Payment of initial public offering costs	(3,453)	-	-	-	
Proceeds from exercise of stock options and warrants	397	116	34	136	136
Distribution of cash dividends	(2,878)	(5,812)	(1,460)	(5,840)	(5,840)
Net cash provided by (used in) financing	**10,329**	**14,210**	**3,498**	**(4,599)**	**(8,704)**
Net change in cash	**(29)**	**(21)**	**7**	**999**	**(143)**
Cash - beginning of period	**756**	**727**	**706**	**706**	**1,705**
Cash - end of period	**727**	**706**	**713**	**1,705**	**1,562**

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**	**10**
Hold	**1**	**33**
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Taglich Brothers, Inc. and/or its affiliates, own more than 1% of UFAB common stock. Michael Taglich, President of Taglich Brothers, Inc., owns or has a controlling interest in 512,310 shares of UFAB common stock and 10,587 warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 497,194 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 221,420 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. 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 14,000 warrants. Richard Oh, Managing Director at Taglich Brothers, Inc. owns or has a controlling interest in 51,600 shares of UFAB common stock and 3,000 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 78,985 shares of UFAB common stock and 26,400 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.