

# ***FAB-FORM INDUSTRIES***



***Second quarter MD&A 2021***

## MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended 30 June 2021

Fab-Form Industries Ltd ("Fab-Form") is a leading eco-friendly concrete forming products manufacturer located in Vancouver, BC Canada. Since its inception in 1986, the Company has invented, developed, and commercialized foundation products that are greener and more sustainable for the building industry.

The history of the company shows a continuous effort to develop new products that enable organic growth of the company. Fab-Form focuses on innovative solutions that have the lowest cost. Refer to key milestones shown on the right achieved by Fab-Form since its inception.

As discussed in the first quarter MD&A, the ICF market segment performance during the quarter was extraordinary despite the hike in the prices due to disruption in the supply chain.

Re-designing of Fastfoot machinery was conducted during the quarter. The new machine design expects to increase efficiencies in production. Existing machinery is approximately 30 years old and due for replacement. Assembly of the new machinery will start in the Fall, and will be fully operational at the beginning of 2022.

The second quarter of 2021 has been the best and most profitable in the Company's history. Profits in the second quarter increased by 142% over 2020. Refer to sales by product for a detailed analysis of this growth.

As always, thank you, board members, shareholders, and progressive dealers and contractors for your continued support and commitment.

Sincerely



Richard Fearn  
President and CEO  
20 August 2021



Don Russell  
Chief Financial Officer  
20 August 2021

1986

Developed the fabric based **Fastfoot** footing form, which replaced bulky dimensional lumber with lightweight polyethylene.

2002

Fab-Form introduced the fabric-based **Fast-Tube**, the world's first column form manufactured entirely of lightweight polyethylene fabric. Placing 100' of column form behind the contractor's seat was revolutionary.

2011

Fab-Form introduced the **ICF Monopour System** for insulated concrete forms. This product made ICFs far more sustainable and economic as a single concrete pour could complete the footing and foundation wall.

2021

Fab-Form is developing the **Fab-Slab System** for insulated structural slabs. This product will lower foundation costs as well as providing higher thermal performance.

1999

Developed the fabric-based **Fast-Pad**, which was used to seismically upgrade schools and home damaged after the 1989 Loma Prieta earthquake in Northern California.

2010

Fab-Form introduced the **Zont bracing system** for insulated concrete forms. Traditional ICF braces are heavy and cumbersome - the Zont brace weighs and costs about 10% of conventional.

2017

Introduced new products: **ZAT catwalk bracket**: an accessory to the Zont bracing system, this simplifies the construction of the walkway for foundations. **MP Components**: the manufacturing of the ICF monopour system is being rationalized. Fab-Form intends to franchise this to truss manufacturers.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the quarter ended 30 June 2021*

This discussion and analysis of the financial results of Fab-Form Industries Ltd. ("Fab-Form" or the "Company") should be read in conjunction with the condensed interim financial statements for the quarter ended 30 June 2021, and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on the SEDAR (System for Electronic Document Analysis and Retrieval) website at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

Some statements contained in this MD&A constitute "forward-looking statements" as is defined in applicable securities laws. These statements include, without limitation, the success of developing, manufacturing, and distributing new products and other similar statements concerning anticipated future events, conditions, or results that are not historical in nature, and reflect management's current estimates, beliefs, intentions, and expectations. These statements are not guaranteeing future performance. The Company cautions that all forward-looking information is inherently uncertain and that actual performance may be affected by several material factors, many of which are beyond the Company's control. Such factors include, among others, risks and uncertainties relating to product development; the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; potential defects in product performance; fluctuations in currency exchange rates; fluctuating prices of commodities; operating hazards and risks; competition; the uncertainty of capturing market share and other risks and uncertainties. Accordingly, actual future events, conditions, and results may differ materially from the estimates, beliefs, intentions, and expectations expressed or implied in the forward-looking information. These statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

### COMPANY DESCRIPTION

Fab-Form is a company domiciled in Canada and incorporated under the Company Act of British Columbia. The address of the Company's head office is Unit 19, 1610 Derwent Way, Delta BC V3M 6W1. The Company develops, manufactures, and distributes proprietary technology to form concrete footings, columns, foundations, and walls for building structures. The Company also exclusively distributes Helix® micro rebar into the BC market and Nudura® insulating concrete form into the Lower Mainland market. The Company has traded on the TSX Venture Exchange ("TSXV" under the symbol FBF) since 2000.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the quarter ended 30 June 2021

## OPERATING RESULTS

	For the Quarter ended 30 June				For the period ended 30 June			
	2021	2020	Change	%	2021	2020	Change	%
	\$	\$	\$		\$	\$	\$	
Revenue	1,279,623	877,284	402,339	45.86	2,001,507	1,188,270	813,237	68.44
Cost of sales	(807,789)	(616,143)	(191,646)	31.10	(1,296,638)	(838,085)	(458,553)	54.71
<b>Gross profit</b>	<b>471,834</b>	<b>261,141</b>	<b>210,693</b>	<b>80.68</b>	<b>704,869</b>	<b>350,185</b>	<b>354,684</b>	<b>101.28</b>
Other operating income/(expenses)	(7,739)	(5,626)	(2,113)	37.56	(12,898)	36,477	(49,375)	(135.36)
<b>Expenses</b>								
General and administration	(93,884)	(57,507)	(36,377)	63.26	(162,360)	(109,584)	(52,776)	48.16
Selling and marketing	(47,219)	(51,853)	4,634	(8.94)	(88,085)	(99,740)	11,655	(11.69)
<b>Total expenses</b>	<b>(141,103)</b>	<b>(109,360)</b>	<b>(31,743)</b>	<b>29.03</b>	<b>(250,445)</b>	<b>(209,324)</b>	<b>(41,121)</b>	<b>19.64</b>
<b>Earnings from operations</b>	<b>322,992</b>	<b>146,155</b>	<b>176,837</b>	<b>120.99</b>	<b>441,526</b>	<b>177,338</b>	<b>264,188</b>	<b>148.97</b>
Finance cost	(156)	-	(156)	100.00	(467)	-	(467)	100.00
<b>Earnings before taxation</b>	<b>322,836</b>	<b>146,155</b>	<b>176,681</b>	<b>120.89</b>	<b>441,059</b>	<b>177,338</b>	<b>263,721</b>	<b>148.71</b>
<b>Income tax expense</b>	<b>(84,883)</b>	<b>(47,923)</b>	<b>(36,960)</b>	<b>77.12</b>	<b>(118,879)</b>	<b>(47,923)</b>	<b>(118,879)</b>	<b>100.00</b>
<b>Earnings for the quarter</b>	<b>237,953</b>	<b>98,232</b>	<b>139,721</b>	<b>142.24</b>	<b>322,180</b>	<b>129,415</b>	<b>192,765</b>	<b>148.95</b>
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>237,953</b>	<b>98,232</b>	<b>139,721</b>	<b>142.24</b>	<b>322,180</b>	<b>129,415</b>	<b>192,765</b>	<b>148.95</b>

Net profit for the second quarter ended increased by 142% as compared to the quarter ended in 2020. This increase was substantially due to the higher acceptance of ICF in place of traditional lumber forming. Earning from operations was \$322,992, whilst net profit after taxes and interest was \$237,953.

Total sales for the quarter increased by \$402,339 (46%) compared to the corresponding quarter ended 30 June 2020.

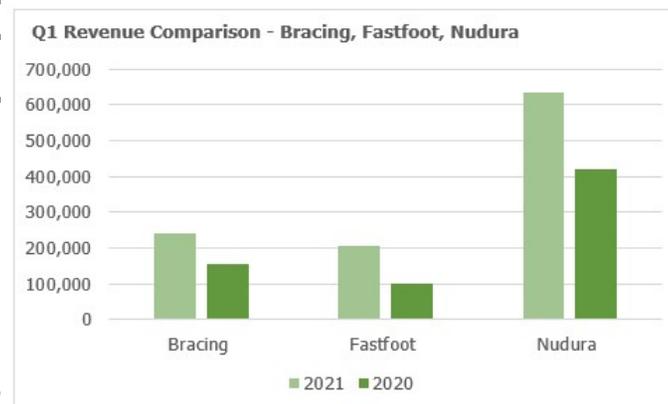
Net assets attributable to shareholders increased by 17% at the end of the second quarter 2021.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the quarter ended 30 June 2021

## 1. Analysis of Revenue by Product

	For the quarter ended 30 June			
	2021	2020	Change	%
	\$	\$	\$	
Bracing	243,133	156,350	86,783	55.51
Fastfoot	206,579	100,887	105,692	104.76
Fast-Pad	1,914	3,418	(1,504)	(44.00)
Fast-Tube	2,219	1,861	358	19.24
Helix	85,842	107,658	(21,816)	(20.26)
ICF accessories	49,615	37,676	11,939	31.69
Monopour	26,334	14,843	11,491	77.42
Nudura	633,400	421,842	211,558	50.15
Rentals	30,121	24,599	5,522	22.45
Used bracing & accessories	466	8,150	(7,684)	(94.28)
	<b>1,279,623</b>	<b>877,284</b>	<b>402,339</b>	<b>45.86</b>



The results of the quarter show a healthy demand for all product lines. Nudura sales increased by 50%, while Bracing and Fastfoot were 56% and 105% respectively. Due to rapid increase in use of ICF across Canada and USA, the demand for our Monopour system increased by 77% as compared to the corresponding quarter ended in 2020.

## 2. Analysis of Cost of Sales

	For the quarter ended 30 June			
	2021	2020	Change	%
	\$	\$	\$	
<b>Total direct product COGS</b>	<b>792,155</b>	<b>600,934</b>	<b>191,221</b>	<b>31.82</b>
<b>Indirect product COGS</b>				
Waste disposal	325	191	134	70.16
Packing materials	1,264	1,569	(305)	(19.44)
Depreciation production equipment and tools	620	1,505	(885)	(58.80)
Warehouse lease rental	9,144	9,453	(309)	(3.27)
Variable overhead	4,281	2,491	1,790	71.86
<b>Total indirect product COGS</b>	<b>15,634</b>	<b>15,209</b>	<b>425</b>	<b>2.79</b>
	<b>807,789</b>	<b>616,143</b>	<b>191,646</b>	<b>31.10</b>

The cost of sales increase of \$191,121 of the quarter over 2020 was in line with the increase in sales. There was no change in the indirect costs during the quarter as compared to 2020.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the quarter ended 30 June 2021

**3. Analysis of Administration Expenses**

	For the quarter ended 30 June			
	2021	2020	Change	%
	\$	\$	\$	
Amortization & depreciation	875	558	317	56.81
Office rental amortisation	5,531	5,099	432	8.47
Patent & TM maintenance fees	71	71	-	-
Professional Fees	8,238	7,702	536	6.96
Pubco expenses	2,747	2,681	66	2.46
General expenses	4,749	4,492	257	5.72
Wages and benefits	52,532	26,213	26,319	100.40
Telecommunications & computer expenses	4,024	4,650	(626)	(13.46)
Credit Card Processing fees	9,400	6,041	3,359	55.60
Provision for expected credit losses	5,717	-	5,717	100.00
<b>Total administrative expenses</b>	<b>93,884</b>	<b>57,507</b>	<b>36,377</b>	<b>63.26</b>

Administration expenses were increased by 63% during the second quarter of this year compared to 2020. The increase was substantially due to the increase in annual bonus for the staff in line with the increase in profits of the company. Credit card processing fees increased by 55%, in line with the sales increase. Provision for expected credit losses were increased by \$5,717 as a result of increased credit risk (1.4% as percentage of additional sales generated), management is comfortable with overall provision made during the quarter after considering subsequent receipts from the customers. Provision will be reassessed and adjusted accordingly quarterly basis.

**4. Analysis of Selling and Marketing Expenses**

	For the quarter ended 30 June			
	2021	2020	Change	%
	\$	\$	\$	
Bracing	15,648	18,154	(2,506)	(13.80)
Fastfoot	6,532	10,041	(3,509)	(34.95)
Fast-Pad	624	2727	(2,103)	(77.12)
Fast-Tube	23	3,229	(3,206)	(99.29)
Helix	2,373	227	2,146	945.37
Monopour	1,192	659	533	80.88
Nadura	20,827	16,816	4,011	23.85
<b>Total selling &amp; marketing</b>	<b>47,219</b>	<b>51,853</b>	<b>(4,634)</b>	<b>(8.94)</b>

Fab-Form identified the marketing expenses as an essential element in influencing the profitability and incurred expenditure in 2019 and 2020 financial years benefited the Company long-term.

Selling and marketing expenses were reduced by over 5% in the quarter for the second time during 2021.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the quarter ended 30 June 2021*

### **5. Liquidity, Cash Flow Position, and Going Concern**

The Company generated \$386,974 from operating activities in the second quarter of 2021 compared with \$152,748 in 2020.

Cash and cash equivalents at quarter end increased by \$356,968. Total cash and cash equivalents at the quarter end was \$1,639,359 compared to \$1,057,927 in 2020. The Company is debt-free and has financial liquidity and flexibility.

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business of the Company.



***BUILDING GREEN from the ground up***

Additional financial information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Approved

*"Board of Directors"*

20 August 2021

FAB-FORM INDUSTRIES LTD.  
FURTHER INFORMATION

*FAB-FORM INDUSTRIES LTD., headquartered in Delta BC, is a manufacturer and distributor of green and cost effective concrete forming products for the building industry. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".*

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Shareholders and interested investors should visit:

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[www.vancouvericf.com](http://www.vancouvericf.com)  
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