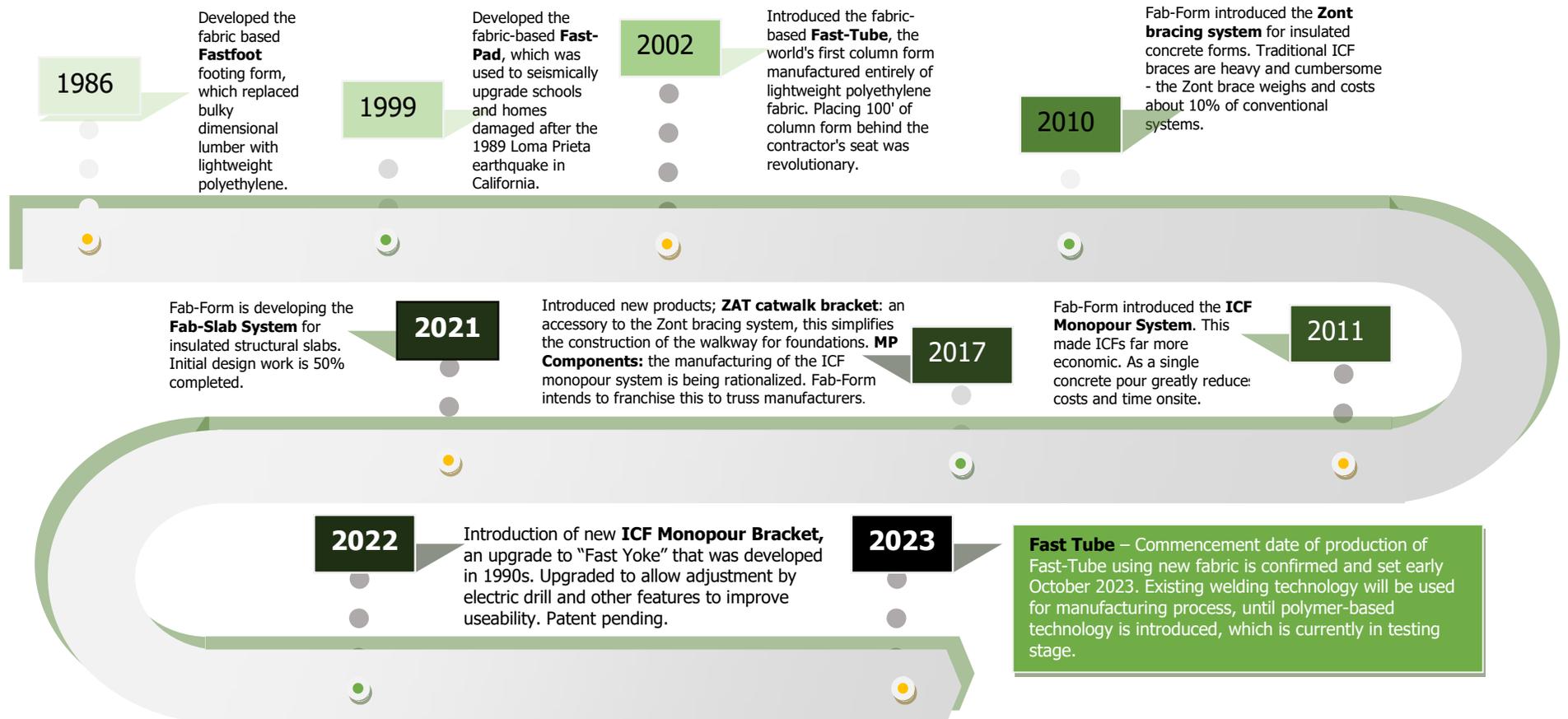


# **FAB-FORM INDUSTRIES**



**FIRST QUARTER MD&A 2023**

## FAB-FORM'S KEY MILESTONES



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 March 2023*

Fab-Form Industries Ltd ("Fab-Form") is a leading environmentally conscious concrete formwork manufacturer located in Vancouver, BC Canada. Since its inception in 1986, the company has invented, developed, and commercialized foundation products that are 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 to the customer. Refer to key milestones shown on the above page achieved by Fab-Form since its inception.

### Q1 UPDATES

#### Profitability

\$111,079 decrease in profits in Q1, a 49.81% reduction.

#### Operations

Total revenue dropped to \$707,075 in Q1, from 1,137,710 in the previous year.

Hired a software engineer to develop the new website, implementation of new CRM system as well as to developed customized web-based solutions and developed the online shopping cart.

#### Liquidity

Cash generated from operations in Q1 2023 was \$371,220. Total liquid funds increased to \$3.19Mn from 2.8Mn at the end of 2022. Excess funds remained in short term investments.

### SUMMARY

The performance of Q1 was expected due to contraction in the economy as a result of higher interest rates. However, sales have picked up in April, with demand similar to Q2 2022. There has been an increase in the number of quotes for row houses/town houses in 2023 compared to 2022. Demand for ICFs will significantly increase when ICFs are accepted in these Townhouse projects.

Prices were maintained at the same levels as no major price increases in input materials. Freight costs reached 12 months lowest, and lead time for overseas shipments was increased over four weeks as expected.

We are currently evaluating the need for increased warehouse space, primarily for the development of the new Fast-Tube fabric and higher inventory levels. See product update for more information.

Fab-Form remains focused on improving existing products in terms of their usability and quality. Research and development activities related to the development of new products continue to make good progress.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 March 2023*

### Product update

We are excited to announce that Fab-Form has placed its first order of **Fast-Tube** fabric from Hagihara in May, which will be delivered in September. Production of Fast-Tube will commence in early October 2023 as planned. Fast-Tube will be produced using existing welding technology, with no significant change to the existing machinery. Development of polymer based technology is currently in progress. Manufacturing using an augur will require five months of testing, with our supplier in Thailand having commenced production. Fab-Form expects the augur to arrive in August 2023 and testing of the polymer will commence immediately.

**Fastfoot** was recently improved by printing a tape measure on the fabric 4' on centre for easy installation of the Monopour system. The first production of the new fabric was introduced at the end of April 2023, with immediate contractor acceptance.

### Year-End Change

Subsequent to the quarter end, the Board of Directors has approved a change in Fab-Form's fiscal year end from December 31 to June 30. This change in fiscal year end from December 31 to June 30 is being made to better align Fab-Form's reporting calendar. We received the required approval from the tax authorities to affect the change.

Fab-Form's latest financial year ended on 31 December 2022. The new financial year end means that, following the audited report to issue in respect of the 30 June 2023 financial year, the Company's next audited financial report will cover the six-month period from 1 January 2023 to 30 June 2023, and will be filed in accordance with the section 4.2 of the National Instrument 51-102. Subsequent annual financial reports will cover the twelve months ending 30 June. Reporting requirement on interim periods, including the comparative reporting periods will be in accordance section 4.8 of the National Instrument "N51-102"

There is no change to the comparative information presented in the Q1 reports, as a result of above change.

We look forward to working with all our stakeholders to reach our growth objectives. As always, thank you, board members, shareholders, and progressive dealers and contractors for your continued support and commitment.

Sincerely



Richard Fearn  
President and CEO  
29 May 2023



Don Russell  
Chief Financial Officer  
29 May 2023

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 March 2023*

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 31 March 2023, 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

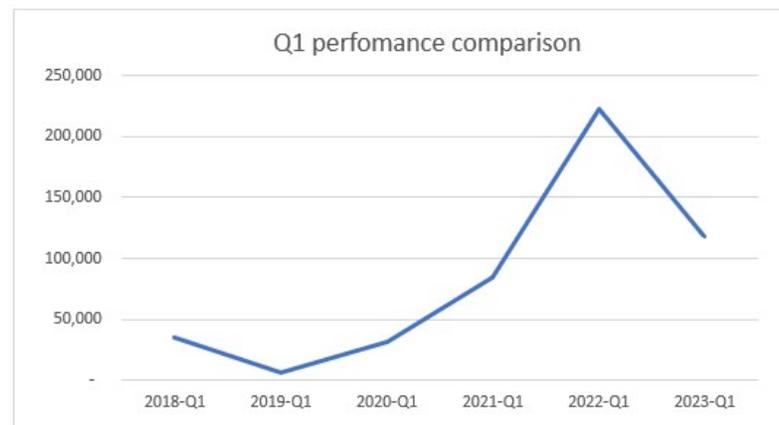
Fab-Form is a company domiciled in Canada and incorporated under the Company Act of British Columbia. The address of the Company's head office is Unit 19, 1610 Derwent Way, Delta BC V3M 6W1. The Company develops, manufactures, and distributes proprietary technology to form concrete footings, columns, 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 1999.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 March 2023

## OPERATING RESULTS

	For the quarter ended 31 March			
	2023	2022	Change	%
	\$	\$	\$	
Revenue	707,075	1,137,710	(430,635)	(37.85)
Cost of sales	(428,345)	(670,014)	241,669	(36.07)
<b>Gross profit</b>	<b>278,730</b>	<b>467,696</b>	<b>(188,966)</b>	<b>(40.40)</b>
Other operating expenses	-	(9,311)	9,310	(100.00)
<b>Expenses</b>				
General and administration	(96,899)	(96,089)	(810)	0.84
Selling and marketing	(56,002)	(53,235)	(2,767)	5.20
<b>Total expenses</b>	<b>(152,901)</b>	<b>(149,324)</b>	<b>(3,576)</b>	<b>2.39</b>
<b>Earnings from operations</b>	<b>125,829</b>	<b>309,061</b>	<b>(183,231)</b>	<b>(59.29)</b>
Finance income/(cost)	22,039	(3,304)	25,343	(767.04)
<b>Earnings before taxation</b>	<b>147,868</b>	<b>305,757</b>	<b>(157,888)</b>	<b>(51.64)</b>
<b>Income tax expense</b>	<b>(35,946)</b>	<b>(82,755)</b>	<b>46,809</b>	<b>(56.56)</b>
<b>Earnings</b>	<b>111,922</b>	<b>223,002</b>	<b>(111,079)</b>	<b>(49.81)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>111,922</b>	<b>223,002</b>	<b>(111,079)</b>	<b>(49.81)</b>



Quarter	2019-Q1	2020-Q1	2021-Q1	2022-Q1	2023-Q1
Earnings for the quarter	6,644	31,181	84,244	223,002	118,350

The Company generated a net profit of \$111,922 for the last quarter compared to a net profit of \$223,002 in the previous year, as a result of a decrease in sales of 37.85% over the previous year's quarter. Total cost increase by 2.39% as compared to prior year, net of reduction in profit-based bonus and increase in admin wages due to recruitment of new staff focusing on future growth perspectives.

Sales for the Q1 2023 decreased 37.85% over 2022, we believe this is primarily due to reaction to high interest, and overall contraction in housing market in the first quarter.

Net earnings for the quarter were \$111,922, resulting an increase of net assets attributable to shareholders at the end of first quarter by 10.92% (annualized).

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 March 2023

**1. Product performance**

	For the year ended 31 March			
	2023	2022	Change	%
	\$	\$	\$	
Bracing	224,527	351,183	(126,656)	(36.07)
Fastfoot	77,642	135,468	(57,826)	(42.69)
Fast-Pad	1,430	4,579	(3,149)	(68.77)
Fast-Tube	20,844	1,230	19,614	1,594.63
Helix	32,671	40,863	(8,192)	(20.05)
ICF accessories	19,684	34,170	(14,486)	(42.39)
Monopour	30,746	41,028	(10,282)	(25.06)
Nadura	265,812	500,904	(235,092)	(46.93)
Rentals	30,505	24,376	6,129	25.14
Used bracing & accessories	3,214	3,909	(695)	(17.78)
	707,075	1,137,710	(430,635)	(37.85)

Total sales for the quarter were dropped by \$430,635 as compared to prior year. Primary due to contraction in housing market due to high interest rates. We believe this is a temporary reduction in sales and we are confident that the demand will be normalized as the economy start settling down.

**2. Analysis of cost of sales**

	For the year ended 31 March			
	2023	2022	Change	%
	\$	\$	\$	
<b>Total direct product COGS</b>	408,652	652,105	(243,453)	(37.33)
<b>Indirect product COGS</b>				
Waste disposal	483	341	142	41.64
Packing materials	332	801	(469)	(58.55)
Depreciation production equipment and tools	2514	512	2,002	391.02
Warehouse lease rental	10,815	10,787	28	0.26
Variable overhead	5,549	5,468	81	1.48
<b>Total indirect product COGS</b>	19,693	17,909	1,784	9.96
<b>Total Cost of sales</b>	428,345	670,014	(241,669)	(36.07)

Cost of sales for the Q1 ended decreased by 36.07% compared to the previous year, this is in line with the decrease in sales during the year by 37.8%.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 March 2023

**3. Analysis of Administration Expenses**

For the year ended 31 March				
	2023	2022	Change	%
	\$	\$	\$	
Amortization & depreciation	6,501	1,016	5,485	539.86
Office rental amortisation	4,844	5,711	(867)	(15.18)
Patent & TM maintenance fees	981	0	981	100.00
Professional Fees	7,499	6,429	1,070	16.64
Pubco expenses	5,104	3,385	1,719	50.79
General expenses	5,053	4,979	74	1.49
Wages and benefits	50,652	59,268	(8,616)	(14.54)
Telecommunications & computers	5,766	4,484	1,282	28.59
Credit Card Processing fees	10,468	10,719	(251)	(2.34)
Provision/(reversal) for expected credit losses	31	98	(67)	(68.37)
<b>Total administrative expenses</b>	<b>96,899</b>	<b>96,089</b>	<b>810</b>	<b>0.84</b>

Total admin expenses remain flat over quarter ended last year. Total wage expenses were decreased due to reduction in profit-based bonus provision, and amortization expenses increased due to new CRM software amortization.

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

For the year ended 31 March				
	2023	2022	Change	%
	\$	\$	\$	
Bracing	11,055	18,930	(7,875)	(41.60)
Fastfoot	5,354	11,853	(6,499)	(54.83)
Fast-Pad	711	711	-	-
Fast-Tube	483	339	144	42.48
Helix	1,349	317	1,032	325.55
Monopour	3,238	3,306	(68)	(2.06)
Nudura	33,812	17,779	16,033	90.18
<b>Total selling &amp; marketing</b>	<b>56,002</b>	<b>53,235</b>	<b>2,767</b>	<b>5.20</b>

The selling and marketing expenses increased by 5% during the quarter compared to 2022, primarily increase in wages due to increase in staff.

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

The Company generated \$371,220 from operating activities in Q1 2023 compared to \$415,442 Q1 in 2022.

Cash and cash equivalents at year end increased by \$319,818, with total cash and cash equivalents at the end Q1 of \$1,151,712, compared to \$831,894 at the end of 2022.

Cash of \$20,085 was used in other investing activities, consisting of cash used in new over moulding equipment for Monopour insert, investment in product development of \$6,330 and intangible assets of \$5,972.

Cash used in financing activities of \$31,317 consisted of lease payments for the offices and warehouses located in Delta BC.

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"*

29 May 2023

FAB-FORM INDUSTRIES LTD.  
OTHER 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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