

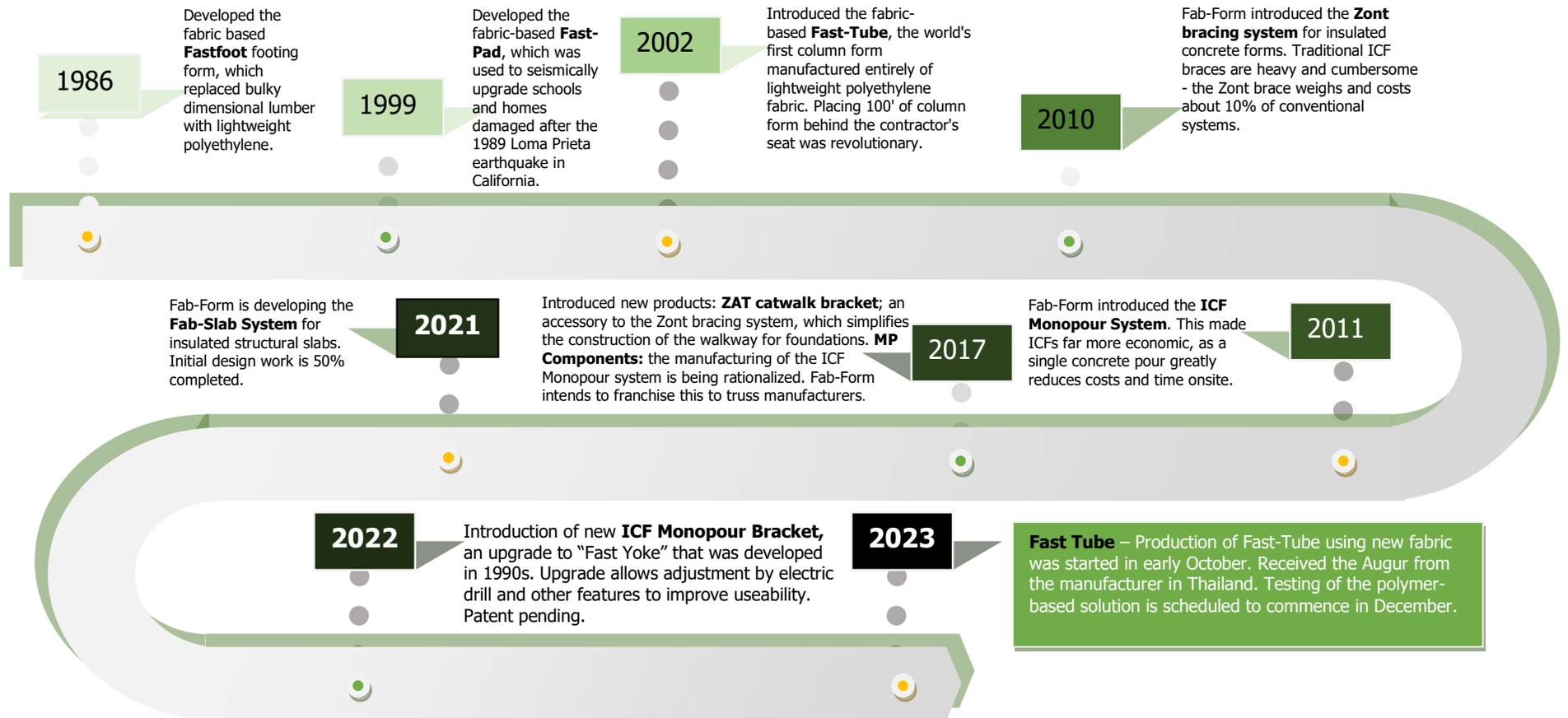
# ***FAB-FORM INDUSTRIES***



***FIRST QUARTER MD&A 2023/24***



## FAB-FORM KEY MILESTONES



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 30 September 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

Quarterly revenue decreased by \$574,421 compared to the quarter ended on September 30, 2022. The quarter concluded on September 30, 2023, resulted in a reduction in profitability by \$111,102, a 23.73% decrease.

#### Operations

The first batch of new Fast-Tube optimized fabric was received in September.

During the quarter, Fab-Form contracted to supply insulated concrete forms ("ICF") to the first net zero project in BC.

#### Liquidity

In the quarter ended on September 30, 2023, operational cash flow amounted to \$728,566. Total liquid funds rose from \$1,012,026 at the end of June 2023 to \$1,992,299 by the end of 30 September 2023. The short-term investment at the end of 30 September was valued at \$1,709,095 maturing in next quarter.

### SUMMARY

The performance for the quarter ended on September 30, 2023, met expectations despite pressure from interest rates. The policy rate is set to be maintained at 5% until the next review, with an expectation to persist until inflation returns to the 2% target.

In September, Fast-Tube coated fabric was received from the supplier, and production commenced in early October to manufacture the initial batch, consisting of 1,080 rolls, each measuring 100 feet.

During the quarter, Fab-Form established a partnership with a renowned developer for its ICF net zero development in Squamish BC. The projected revenue from this collaboration is anticipated to be generated over a two-year buildout period.

Fab-Form plans to explore higher interest rates to generate additional income through the investment of excess cash flows.

The company remains committed to enhancing the usability and quality of existing products. Ongoing research and development activities for new product development continue to progress well.

MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 30 September 2023*

**Year-End Change**

The Company changed its financial year end from December 31 to June 30. The change in financial year end was completed to better align Fab-Form's reporting calendar. This quarter is the first quarter reporting under the new financial year ending 30 June 2024. There is no change to the comparative information presented in this report, as a result of the 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

A handwritten signature in black ink, appearing to read 'R. Fearn', with a horizontal line extending to the right.

Richard Fearn

President and CEO

29 November 2023

A handwritten signature in blue ink, appearing to read 'Don Russell', with a horizontal line extending to the right.

Don Russell

Chief Financial Officer

29 November 2023

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 30 September 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 30 September 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.

**OPERATING RESULTS**

	For the quarter ended 30 September			
	2023	2022	Change	%
	\$	\$	\$	
Revenue	1,540,676	2,115,097	(574,421)	(27.16)
Cost of sales	(943,602)	(1,329,953)	386,351	(29.05)
<b>Gross profit</b>	<b>597,074</b>	<b>785,144</b>	<b>(188,070)</b>	<b>(23.95)</b>
Other income	68,632	87,417	(18,785)	(21.49)
<b>Expenses</b>				
General and administration	(131,777)	(168,268)	36,491	(21.69)
Selling and marketing	(47,898)	(43,404)	(4,494)	10.35
<b>Total expenses</b>	<b>(179,675)</b>	<b>(211,672)</b>	<b>31,997</b>	<b>(15.12)</b>
<b>Earnings from operations</b>	<b>486,031</b>	<b>660,889</b>	<b>(174,858)</b>	<b>(26.46)</b>
Finance cost	(2,263)	(2,962)	699	(23.60)
<b>Earnings before taxation</b>	<b>483,768</b>	<b>657,927</b>	<b>(174,159)</b>	<b>(26.47)</b>
<b>Income tax expense</b>	<b>(126,770)</b>	<b>(189,827)</b>	<b>63,057</b>	<b>(33.22)</b>
<b>Profit for the quarter</b>	<b>356,998</b>	<b>468,100</b>	<b>(111,102)</b>	<b>(23.73)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>356,998</b>	<b>468,100</b>	<b>(111,102)</b>	<b>(23.73)</b>

The company recorded a net profit of \$356,998 for the quarter ended on September 30, 2023, compared to \$468,100 in the preceding year. This decline is attributed to a 27.16% decrease in sales from the previous year's quarter. Total administration and selling expenses decreased by 15.12% compared to the prior year primarily due to a reduction in profit-based bonuses.

Sales for the quarter ended on September 30, 2023, decreased by 27.16% compared to 2022. This is primarily attributed to a response to higher interest rates and an overall contraction in the housing market.

Net earnings for the quarter amounted to \$356,998, contributing to a 7.79% increase in net assets attributable to shareholders by the end of the first quarter.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 30 September 2023

**1. Product performance**

	For the quarter ended 30 September			
	2023	2022	Change	%
	\$	\$	\$	
Bracing	398,290	398,939	(649)	(0.16)
Fastfoot	178,543	213,113	(34,570)	(16.22)
Fast-Pad	1,763	3,470	(1,707)	(49.19)
Fast-Tube	437	7,780	(7,343)	(94.38)
Helix	53,855	77,885	(24,030)	(30.85)
ICF accessories	69,035	73,123	(4,088)	(5.59)
Monopour	56,171	51,410	4,761	9.26
Nadura	738,334	1,225,369	(487,035)	(39.75)
Rentals	38,070	58,294	(20,224)	(34.69)
Used bracing & accessories	6,178	5,714	464	8.12
	1,540,676	2,115,097	(574,421)	(27.16)

Quarterly total sales experienced a decrease of \$574,421 (27.16%) compared to the previous year, primarily attributed to the contraction in the housing market.

**2. Analysis of cost of sales**

	For the quarter ended 30 September			
	2023	2022	Change	%
	\$	\$	\$	
<b>Total direct product COGS</b>	924,064	1,311,643	(387,579)	(29.55)
<b>Indirect product COGS</b>				
Waste disposal	495	203	292	143.84
Packing materials	359	2798	(2,439)	(87.17)
Depreciation production equipment and tools	720	699	21	3.00
Warehouse lease rental	10,816	10,816	-	-
Variable overhead	7,148	3,794	3,354	88.40
<b>Total indirect product COGS</b>	19,538	18,310	1,228	6.71
<b>Total Cost of sales</b>	943,602	1,329,953	(386,351)	(29.05)

The cost of sales for the quarter ended decreased by 29.05% compared to the previous year, aligning with the 27.16% decrease in sales over the same period.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 30 September 2023

**3. Analysis of Administration Expenses**

	For the quarter ended 30 September			
	2023	2022	Change	%
	\$	\$	\$	
Amortization & depreciation	2,079	695	1,384	199.14
Office rental amortisation	5,125	6,302	(1,177)	(18.68)
Patent & TM maintenance fees	1,416	3,500	(2,084)	(59.54)
Professional Fees	-	8,045	(8,045)	(100.00)
Pubco expenses	10,207	23,548	(13,341)	(56.65)
General expenses	8,866	4,979	3,887	78.07
Wages and benefits	83,329	104,486	(21,157)	(20.25)
Telecommunications & computers	6,842	5,039	1,803	35.78
Credit Card Processing fees	14,811	11,660	3,151	27.02
Provision/(reversal) for expected credit losses	(898)	14	(912)	(6,737.10)
<b>Total administrative expenses</b>	<b>131,777</b>	<b>168,268</b>	<b>(36,491)</b>	<b>(21.69)</b>

Total administrative expenses decreased by 21.69% compared to the same quarter last year. The decrease in total wage expenses is attributed to a reduction in the provision for profit-based bonuses.

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

	For the quarter ended 30 September			
	2023	2022	Change	%
	\$	\$	\$	
Bracing	12,614	9,496	3,118	32.83
Fastfoot	10,005	8,471	1,534	18.10
Fast-Pad	-	1320	(1,320)	100.00
Fast-Tube	1976	956	1,020	106.69
Helix	8	177	(169)	(95.48)
Monopour	3044	2,335	709	30.36
Nadura	20,251	20,649	(398)	(1.93)
<b>Total selling &amp; marketing</b>	<b>47,898</b>	<b>43,404</b>	<b>4,494</b>	<b>10.35</b>

The selling and marketing expenses increased by 10.35% during the quarter compared to 2022, primarily increase in wages due to increase in staff.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 30 September 2023*

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

The company generated \$728,566 from operating activities in the quarter ended on September 30, 2023, compared to \$618,932 in 2022.

Year-end cash and cash equivalents increased by \$980,273, with total cash and cash equivalents reaching \$1,992,299 as of September 30, 2023, compared to \$1,012,026 at the end of June 2023.

A total of \$51,921 was used in other investing activities, comprising \$2,913 for product development and \$12,370 for intangible assets.

Cash used in financing activities amounted to \$30,609, involving lease payments for offices and warehouses located in Delta BC.

The company is debt-free except for lease liability, demonstrating 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 November 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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