

AGM 2020: LOOKING FORWARD, 2020 - 2021

Our Vision

Our purpose is to design, develop and distribute products that enable manufactured components interface with uneven ground.

Products introduced recently

- **Fast-Tube Clear:** Significant challenges in sourcing woven PE fabric where there is no variance in the weft perpendicularity to the warp threads. We are working with one of the best fabric production specialists, Raymond Cain, to find a source of supply. It appears that the use of water jet flat looms with a narrow width will provide the consistency we are looking for.
- **ZEE bracket:** This is an outstanding product as it eliminates the need for cumbersome T-blocks (for the ICF market). There is a significant reluctance by dealers to use this product. Sales in 2019 increased only 7.5% over 2018 even though significant marketing dollars were spent. This year, using social media, sales to date have increased 18.5% over 2019.
- **ZAT bracket:** Sales 2020 year to date are up 23.5% over 2019. ZAT sales in 2019 were up over 5,000% over the previous year.
- **Zote and Lo Zote:** These are storage containers where sales this year to date are up 470% over 2019 sales.
- **Zeveler ICF levelers:** The monopour side support was modified to enable it to be used to level up the ICF blocks to uneven footings. Sales have exploded, up 2,370% over 2019.
- **Fastbag:** We sold this product (ten years ago). However traditional marketing methods were too expensive to support product volumes. With social media and the website, marketing costs are insignificant. Sales so far this year are up 440% over 2019.

FAB-SLAB

Prototypes for this new product will be tested later this year. Fab-Slab enables builders and developers to achieve any desired R-value of the footings and slab while at the same time eliminating double pouring of footings and slabs. Significant economies will be achieved with the system.

Systems improvements

We recently updated our systems to enable us to determine the cost effectiveness of each marketing campaign. This control system is saving \$5K per month.

The next system which we will be implementing is our online shopping cart that will be integrated into our existing accounting and logistic systems. The cart will be tied into Google AdWords and other social media. This will be done in the second half of 2020.

COVID-19 and Economic Forecast

In the 1st quarter report, we wrote the following (20 May 2020):

As of the date of this report, both Canada and the USA are slowly removing the policies of social isolation. The good news is that the level of mortality of COVID-19 is no worse than a normal winter influenza. However the bad news is the following:

- Herd immunity has not been achieved because of the social isolation. This would indicate that there will be further outbreaks of the virus later in 2020. This uncertainty in 2020 will have a dampening effect on housing starts.*
- Unemployment levels reached 14.7% (April 2020 report) in the USA with further increases expected. This can be expected to have a negative effect on housing starts across North America.*
- The USA has announced Covid stimulatory packages (deficit spending in 2020) of \$6.8 trillion dollars. This amounts to approximately \$70,000 in debt for each full time working person in the USA. This level of debt is not sustainable and can be expected to lead to significant deflationary contraction of many financial assets under severe stress. This in turn will be strongly negative for housing starts across North America.*

We see nothing that would change this forecast. In our local market, Nudura sales to the end of May dropped 21.4% over 2019. Sales in June are down 40.6%. The uncertainty detailed above may be affecting local housing starts. Our diverse product line and large sales market (Canada, USA and Europe) will help mitigate changes to specific markets.

With social distancing becoming part of our society, one would anticipate a resurgence of single family development. This would have a strongly positive influence on all our products.

Working Capital and Cash Flow

Working capital as of 25th June is \$1,601,400. Cash flow for 2020 year to date is a positive \$227,740. We are well positioned for any slowdown.



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LEADERS