



FAB-FORM
MD&A
3rd Quarter 2018

MD&A TO OUR SHAREHOLDERS

Our cover shows a photo of one of our training seminars held on the last Friday of each month. Typically we have 50 contractors, architects and engineers in attendance. This is an excellent way of creating awareness for all our products in the Greater Vancouver market. In addition we bring in excellent guest speakers that provide a new perspective on green construction and how we can improve housing.

As always, thank you Board Members, Shareholders and progressive Dealers and Contractors for your continued support and commitment.

The Company's independent auditors have neither reviewed nor audited these Consolidated Financial Statements.

Sincerely



Richard Fearn
President and CEO
27 November 2018



Don Russell
Director
27 November 2018

MANAGEMENT DISCUSSION & ANALYSIS

3rd Quarter 2018

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 consolidated audited financial statements for the year 2017 and accompanying notes. The results reported therein 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.

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; they are not guarantees of 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. All 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 Industries Ltd. (the "Company" or "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 ("TSX-V" under the symbol FBF) since 2000.

INTERIM MD&A REPORTING

The reader should refer to our interim consolidated financial statements for the six-month period ended 30 June 2018 and our consolidated financial statements for the year ended 31 December 2017 while reading this discussion. The reader should also refer to the MD&A in our 2017 Annual Report as any MD&A information that has not changed materially since year end is not repeated here.

MANAGEMENT DISCUSSION & ANALYSIS

3rd Quarter 2018

OPERATING RESULTS

1. Profit & Loss, Third Quarter

	<u>Jul - Sep 18</u>	<u>Jul - Sep 17</u>	<u>Change</u>	<u>% Change</u>
Sales	780,554	650,546	130,007	20.0%
COGS	551,156	418,760	132,396	31.6%
Gross Profit	229,398	231,786	(2,388)	-1.0%
Expense				
Admin Expenses	42,715	36,788	5,927	16.1%
Selling & Marketing	37,243	36,099	1,144	3.2%
Interest Expense	4,846	5,022	(175)	-3.5%
Wages & Benefits	15,440	19,911	(4,471)	-22.5%
Total Expense	100,244	97,820	2,424	2.5%
Net Ordinary Income	129,154	133,966	(4,812)	-3.6%
Other Expenses				
Provision for corporate tax	27,464	0	27,464	100.0%
Forex (gain) loss	1,712	3,368	(1,656)	-49.2%
Inventory recovery	(15,144)	0	(15,144)	-100.0%
Total Other Expense	14,032	3,368	10,664	316.6%
Comprehensive income	115,122	130,598	(15,476)	-11.9%

Sales in the third quarter of 2018 increased 20.0% over the third quarter of 2017 due to continued growth in our local market as well as solid sales across North America. Gross profit margin decreased 1.0% between the two years due to COGS increasing at a rate of 31.6%, exceeding the sales increase of 20.0%. The company recently upgraded the accounting and inventory control system and the increase in COGS may be attributable to this transition.

Inventory recovery was due to the culling of Fast-Tube defective product to find material suitable for production.

Comprehensive income for the third quarter of was \$115,122, an 11.9% decrease over 2017's \$130,598, due substantially to the increase in COGS. If the provision for taxes was not taken in 2018, comprehensive income would have increased 10.4% over 2017.

2. Product Sales, Third Quarter

	<u>Jul - Sep 18</u>	<u>Jul - Sep 17</u>	<u>Change</u>	<u>% Change</u>
Fastfoot	71,747	70,017	1,729	2.5%
Fastbag	2,860	7,230	-4,371	-60.5%
Fast-Tube	2,120	4,952	-2,832	-57.2%
Helix	89,784	46,471	43,313	93.2%
Sundry Income	27	198	-171	-86.2%
Shipping Recovery	0	-91	91	100.0%
Monopour	13,627	24,066	-10,440	-43.4%
Nudura	414,471	354,948	59,523	16.8%
Bracing	132,277	103,428	28,849	27.9%
Rentals	23,319	5,316	18,002	338.6%
ICF Accessories	30,324	34,011	-3,687	-10.8%
Total Sales	780,554	650,546	130,007	20.0%

MANAGEMENT DISCUSSION & ANALYSIS

3^d Quarter 2018

Helix, Nudura, Bracing and Rentals all achieved solid growth in the third quarter of 2018 over 2017 of 93.2%, 16.8%, 27.9% and 338.6% respectively. Fastfoot sales matched the previous year. Monopour sales dropped \$10,440 or 43.4% over 2017.

Cost of Sales, Third Quarter

	<u>Jul - Sep 18</u>	<u>Jul - Sep 17</u>	<u>Change</u>	<u>% Change</u>
Total Direct Product COGS	545,259	403,642	141,617	35.1%
Indirect Product COGS				
Customer Delivery VanICF	-7,725	2,016	-9,741	-483.2%
Customer Delivery FBF	2,135	859	1,276	148.6%
Brokerage	-1,937	-188	-1,748	-928.9%
Packing Materials	0	140	-140	-100.0%
Amortization production equip.	2,102	1,900	202	10.6%
Production tools	82	829	-747	-90.1%
Production rental	8,801	7,322	1,479	20.2%
Variable Overhead	2,414	1,063	1,351	127.1%
Wages not allocated	25	1,177	-1,152	-97.9%
Total Indirect Product COGS	5,897	15,118	-9,221	-61.0%
Total Cost of Goods Sold	551,156	418,760	132,396	31.6%

Total direct product cost of goods sold exceeded the rate of sales (35.1% vs. 20.0%). The introduction of a new inventory control system may have contributed to this increase. This will be corrected at year end. Indirect product cost of goods was substantially lower than the level of sales increase due to over recovery of shipping costs as well as timing differences between invoicing and billing.

3. General and Administration, Third Quarter

	<u>Jul - Sep 18</u>	<u>Jul - Sep 17</u>	<u>Change</u>	<u>% Change</u>
Amortization & Depreciation	1,074	2,162	-1,088	-50.3%
Occupancy	4,587	2,477	2,110	85.2%
Order, invoice processing	1,737	8	1,729	22,192.0%
Patent & TM Maintenance Fees	0	205	-205	-100.0%
Professional Fees	7,925	4,304	3,621	84.1%
Pubco	5,581	3,312	2,269	68.5%
General expenses	20,296	22,757	-2,461	-10.8%
Telecommunications	1,515	1,562	-48	-3.1%
Total Admin Expenses	42,715	36,788	5,927	16.1%

General and administration expenses increased 16.1% in the third quarter of 2018, below the sales increase of 20.0%. Occupancy expenses are for the office area only, all other occupancy are charged to each product COGS. Order/invoice processing is now shown as a separate line item. Professional fees are higher due to the consolidation of the subsidiary companies into the parent. This consolidation will lead to considerable corporate tax savings going forward.

4. Selling and Marketing

	<u>Jul - Sep 18</u>	<u>Jul - Sep 17</u>	<u>Change</u>	<u>% Change</u>
Total Selling & Marketing	37,243	36,099	1,144	3.2%

Selling and marketing expenses were in line with the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

*3^d Quarter 2018***5. Housing Starts, Greater Vancouver Market**

Higher interest rates and provincial legislation to prevent housing speculation have had a dampening effect on new foundations in the greater Vancouver market. We expect this trend to continue until the Bank of Canada is forced to lower interest rates, which will probably occur in mid 2019.

As ICF foundations are less expensive and provide more benefits than conventional plywood formed foundations, we expect to continue to take a greater market share of the diminished Vancouver market.

6. Selected Quarterly Summaries

The following table provides selected quarterly financial information derived from the Company's financial statements for each of the eight recently completed quarters.

	2018				2017		2016	
	3rd Qtr	<i>2nd Qtr</i>	<i>1st Qtr</i>	<i>4th Qtr</i>	<i>3rd Qtr</i>	<i>2nd Qtr</i>	<i>1st Qtr</i>	<i>4th Qtr</i>
Revenues	780,534	921,266	509,541	617,345	650,546	758,441	383,710	331,970
Net Income (loss)	115,122	122,638	31,931	(54,159)	123,089	104,019	41,772	30,885
Shares outstanding (diluted)	8,500,698	8,500,698	8,500,698	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988
Income (loss) per diluted share	0.0135	0.0144	0.0038	(0.0069)	0.0158	0.0133	0.0054	0.0040

Additional financial information on the Company can be found on SEDAR at www.sedar.com.

Approved

"Board of Directors"

27 November 2018

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".

For additional information, please contact:

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Shareholders and interested investors should visit:

www.fab-form.com/investor/overview.php

www.vancouvericf.com

www.steelfiberswest.com

www.icf-expo.org