



FAB-FORM
MD&A
2nd Quarter 2019

MD&A TO OUR SHAREHOLDERS

The cover is a photo from a commercial Fastfoot project located just south of Calgary Alberta. Our website features this project at www.fab-form.com/fastfootCom/corWorks.php. The contractor Cor-Works Concrete Construction Ltd. was very pleased with the performance of Fastfoot compared with cutting up 3/4" plywood sheets and reinforcing them with 2x4 walers.

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
22 August 2019



Don Russell
Chief Financial Officer
22 August 2019

MANAGEMENT DISCUSSION & ANALYSIS

2nd 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 2018 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 2019 and our consolidated financial statements for the year ended 31 December 2018 while reading this discussion. The reader should also refer to the MD&A in our 2018 Annual Report as any MD&A information that has not changed materially since year end is not repeated here.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
2nd Quarter 2018

OPERATING RESULTS

1. Profit & Loss, Second Quarter

	<u>Apr - Jun 19</u>	<u>Apr - Jun 18</u>	<u>Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
Sales	1,020,627	921,266	99,361	10.8%
Total Income	1,020,627	921,266	99,361	10.8%
Cost of Goods Sold				
Direct Product COGS	706,577	667,296	39,282	5.9%
Indirect Product COGS	15,117	14,525	592	4.1%
Total COGS	721,694	681,821	39,874	5.8%
Gross Profit	298,933	239,445	59,488	24.8%
Expense				
Admin Expenses	66,433	54,505	11,928	21.9%
Interest Expense	5,314	5,424	-110	-2.0%
Selling & Marketing	51,803	49,826	1,977	4.0%
Total Expense	123,550	109,756	13,794	12.6%
Net Ordinary Income	175,383	129,690	45,693	35.2%
Other Income/Expense				
Other Income				
Recovery of Duties USA	-3,349	0	-3,349	-100.0%
Total Other Income	-3,349	0	-3,349	-100.0%
Other Expense				
Forex (gain) loss	-605	-2,806	2,201	78.4%
Provision for corporate tax	50,718	9,600	41,118	428.3%
Total Other Expense	50,114	6,794	43,319	637.6%
Net Other Income	-53,462	-6,794	-46,668	-686.9%
Net Income	121,921	122,896	-975	-0.8%

Sales in the second quarter of 2019 increased 10.8% over the second quarter of 2018 due to continued growth in our local market as well as solid sales across North America. Gross profit increased 24.8% between the two years as direct product COGS increased at a rate of 5.9%, less than the 10.8% sales increase.

Net income for the second quarter of 2019 was \$121,921, in line with the previous year's quarter. This was a result of the higher provision of corporate taxes of \$50,718 compared with only \$9,600 the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

2nd Quarter 2018**2. Product Sales, Second Quarter**

	<u>Apr - Jun 19</u>	<u>Apr - Jun 18</u>	<u>Change</u>	<u>% Change</u>
Fastfoot	91,687	77,737	13,950	17.9%
Fast-Tube	6,738	6,065	673	11.1%
Helix	86,004	77,013	8,992	11.7%
Sundry Income	336	198	138	69.6%
Monopour	20,013	14,530	5,483	37.7%
Nudura	571,197	545,802	25,395	4.7%
Rentals	25,297	19,017	6,280	33.0%
Bracing	173,259	120,866	52,393	43.3%
ICF Accessories	43,382	54,211	-10,829	-20.0%
Used bracing & accessories	<u>2,714</u>	<u>5,826</u>	<u>-3,112</u>	<u>-53.4%</u>
Total Sales	<u>1,020,627</u>	<u>921,266</u>	<u>99,361</u>	<u>10.8%</u>

Overall product sales increased 10.8% over the previous years quarter. International sales of Fastfoot, Fast-Tube, Monopour and Bracing all showed positive growth. Nudura sales increased modestly (4.7%) over the previous year as the Vancouver housing market is subdued. The Company receives a weekly building permit issued report published by Greensheets. In 2018, the report length was approximately 12 pages long. In August it is running approximately 5 pages. It appears we are obtaining a larger market share of a decreasing market.

Cost of Sales, Second Quarter

	<u>Apr - Jun 19</u>	<u>Apr - Jun 18</u>	<u>Change</u>	<u>% Change</u>
Total Direct Product COGS	706,577	667,296	39,282	5.9%
Indirect Product COGS				
Packing materials	1,320	1,384	-64	-4.6%
Amortization production equip.	2,160	2,195	-35	-1.6%
Production tools	10	133	-122	-92.3%
Production rental	9,453	8,296	1,157	13.9%
Variable Overhead	2,173	3,315	-1,142	-34.4%
Product testing	<u>0</u>	<u>-798</u>	<u>798</u>	<u>100.0%</u>
Total Indirect Product COGS	<u>15,117</u>	<u>14,525</u>	<u>592</u>	<u>4.1%</u>
Total COGS	<u>721,694</u>	<u>681,821</u>	<u>39,874</u>	<u>5.8%</u>

Total direct product cost of goods sold was lower than the rate of sales (5.9% vs. 10.5%) thereby leading to higher gross profits. Indirect product cost of goods was lower than the level of sales increase (4.1% vs 10.5%) showing production efficiencies.

MANAGEMENT DISCUSSION & ANALYSIS

2nd Quarter 2018**3. General and Administration, Second Quarter**

	Apr - Jun 19	Apr - Jun 18	Change	% Change
Amortization & Depreciation	771	2,192	-1,421	-64.8%
Occupancy	5,111	3,331	1,780	53.4%
Patent & TM Maintenance Fees	71	0	71	100.0%
Professional Fees	8,205	5,803	2,402	41.4%
Pubco	4,433	5,328	-896	-16.8%
General expenses	6,717	5,193	1,524	29.3%
Wages and benefits	36,420	27,074	9,346	34.5%
Telecommunications & computers	4,705	5,583	-878	-15.7%
Total Admin Expenses	<u>66,433</u>	<u>54,505</u>	<u>11,928</u>	<u>21.9%</u>

General and administration expenses increased 21.9% in the second quarter of 2019, in excess of the sales increase of 10.5%. Occupancy expenses increased 53.4% due to the new lease coming into effect. The large increases in the Vancouver commercial real estate market are now reflected in commercial leasing rates. Higher professional fees reflect the higher rates of the auditor. Wages and benefits increase of 34.5% reflect the recognition of vacation pay as well as wage increases given in 2019.

4. Selling and Marketing

	Apr - Jun 19	Apr - Jun 18	Change	% Change
Fastfoot	5,075	8,585	-3,510	-40.9%
Monopour	616	1,523	-907	-59.5%
Bracing	11,822	11,589	232	2.0%
Helix	246	6,126	-5,880	-96.0%
Nudura	31,478	18,585	12,893	69.4%
Fast-Tube	1,915	2,582	-667	-25.8%
Other	650	835	-185	-22.1%
Total Selling & Marketing	<u>51,803</u>	<u>49,826</u>	<u>1,977</u>	<u>4.0%</u>

Selling and marketing expenses for Nudura increased significantly in the second quarter of 2019 due more trade shows on the Sunshine Coast as well as associated print advertisements. Other product selling and advertising decreased from the previous year.

5. SELECTED QUARTERLY FINANCIAL SUMMARY

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

	2019			2018		2017		
	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr
Revenues	1,020,627	371,379	608,663	780,534	921,266	509,541	617,345	650,546
Net Income (loss)	121,921	6,644	117,805	115,122	122,638	31,931	-54,159	123,089
Shares outstanding (diluted)	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	7,797,988
Income (loss) per diluted share	0.0138	0.0008	0.0134	0.0130	0.0139	0.0036	(0.0061)	0.0158

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

Approved

"Board of Directors"

22 August 2019

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

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www.steelfiberswest.com