



FAB-FORM
MD&A
3rd Quarter 2019

MD&A TO OUR SHAREHOLDERS

The cover is a photo from the Canadian Embassy's 40' x 40' booth at Expo CIHAC held in Mexico City, Mexico from the 15th to 19th of October this year. Fab-Form had one of the sub-booths as shown in the cover photo where it displayed Fast-Tube (www.fast-tube.com). The objective of the booth was to determine the size of the Fast-Tube market in Mexico and Central / South America.

On his return, sales manager Joey Fearn felt that there was excellent potential for Fast-Tube in these markets as shipping cardboard tube is very difficult. The largest distributor of construction materials in Mexico, Construrama.com (owned by Cemex.com) has 2,300 stores across the Mexico. If each store sold just a single box of FT10 per month, this would represent \$4 million in annual sales.

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
31 October 2019



Don Russell
Chief Financial Officer
31 October 2019

MANAGEMENT DISCUSSION & ANALYSIS

3rd Quarter 2019

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
3rd Quarter 2019

OPERATING RESULTS

1. Profit & Loss, Third Quarter

	<u>Jul - Sep 19</u>	<u>Jul - Sep 18</u>	<u>Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
Sales	945,004	780,554	164,450	21.1%
Total Income	945,004	780,554	164,450	21.1%
Cost of Goods Sold				
Direct Product COGS	649,991	538,978	111,014	20.6%
Indirect Product COGS	12,462	13,423	-961	-7.2%
Total COGS	662,453	552,401	110,052	19.9%
Gross Profit	282,550	228,153	54,398	23.8%
Expense				
Admin Expenses	51,239	58,078	-6,839	-11.8%
Interest Expense	11,048	4,846	6,202	128.0%
Selling & Marketing	41,117	35,175	5,943	16.9%
Total Expense	103,404	98,099	5,305	5.4%
Net Ordinary Income	179,146	130,054	49,092	37.7%
Other Income/Expense				
Other Expense				
Forex (gain) loss	4,393	1,712	2,681	156.7%
Inventory Write-off	0	-15,144	15,144	100.0%
Provision for corporate tax	42,760	27,464	15,296	55.7%
Total Other Expense	47,153	14,032	33,121	236.0%
Net Other Income	-47,153	-14,032	-33,121	-236.0%
Net Income	131,993	116,022	15,971	13.8%

Sales in the third quarter of 2019 increased 21.1% over the third quarter of 2018 due to continued growth in our local market as well as solid sales across North America. Gross profit increased 23.9% between the two years, in line with the sales increase.

Net income for the third quarter of 2019 was \$131,993, a 13.8% increase over the previous year's quarter. This was at a lower growth as a result of the higher provision of corporate taxes of \$42,760 in 2019 compared with \$27,464 in the previous year's quarter.

MANAGEMENT DISCUSSION & ANALYSIS

*3rd Quarter 2019***2. Product Sales, Third Quarter**

	Jul - Sep 19	Jul - Sep 18	Change	% Change
Fastfoot	75,718	74,606	1,112	1.5%
Fast-Tube	7,953	2,120	5,833	275.1%
Helix	88,456	89,784	-1,329	-1.5%
Sundry Income	561	27	533	1,945.5%
Monopour	19,633	13,627	6,007	44.1%
Nudura	518,164	414,471	103,693	25.0%
Rentals	31,152	22,674	8,478	37.4%
Bracing	158,890	132,277	26,614	20.1%
ICF Accessories	41,424	30,324	11,101	36.6%
Used bracing & accessories	3,053	645	2,408	373.3%
Total Sales	945,004	780,554	164,450	21.1%

Overall product sales increased 21.1% over the previous years quarter. Fast-Tube, Monopour and ICF Accessories all showed solid growth.

Cost of Sales, Third Quarter

	Jul - Sep 19	Jul - Sep 18	Change	% Change
Total Direct Product COGS	649,991	538,978	111,014	20.6%
Indirect Product COGS				
Inventory adjustment account	106	0	106	100.0%
Waste disposal	27	0	27	100.0%
GS1 charges	327	0	327	100.0%
Packing materials	26	0	26	100.0%
Amortization production equip.	1,106	2,102	-996	-47.4%
Production tools	18	82	-64	-78.1%
Production rental	9,453	8,801	652	7.4%
Variable Overhead	1,324	2,414	-1,090	-45.1%
Wages not allocated	75	25	50	200.0%
Total Indirect Product COGS	12,462	13,423	-961	-7.2%
Total COGS	662,453	552,401	110,052	19.9%

Total direct product cost of goods sold was in line with sales (20.6% vs. 21.1%). Indirect product cost of goods was lower than the level of sales increase (8.0% vs 21.1%) resulting in Total COGS being lower than the sales increase.

MANAGEMENT DISCUSSION & ANALYSIS

3rd Quarter 2019**3. General and Administration, Third Quarter**

	<u>Jul - Sep 19</u>	<u>Jul - Sep 18</u>	<u>Change</u>	<u>% Change</u>
Amortization & Depreciation	967	1,074	-107	-10.0%
Occupancy	5,505	4,898	607	12.4%
Patent & TM Maintenance Fees	451	0	451	100.0%
Professional Fees	5,965	7,925	-1,960	-24.7%
Pubco	3,963	5,581	-1,618	-29.0%
General expenses	10,060	4,761	5,299	111.3%
Wages and benefits	21,012	28,066	-7,054	-25.1%
Telecommunications & computers	5,293	5,774	-481	-8.3%
Total Admin Expenses	53,215	58,078	-4,862	-8.4%

General and administration expenses decreased 8.4% in the third quarter of 2019. Whenever possible, wages are allocated to direct product COGS and this would explain the 25.1% reduction. The increase in general expenses of 111.3% was due to allocation of management wages to this expense category.

4. Selling and Marketing, Third Quarter

	<u>Jul - Sep 19</u>	<u>Jul - Sep 18</u>	<u>Change</u>	<u>% Change</u>
Fastfoot	4,893	7,600	-2,707	-35.6%
Monopour	2,061	579	1,483	256.1%
Bracing	13,348	9,353	3,995	42.7%
Helix	135	163	-29	-17.5%
Nudura	18,710	14,821	3,889	26.2%
Fast-Tube	1,320	1,889	-570	-30.2%
Other	650	769	-119	-15.5%
Total Selling & Marketing	41,117	35,175	5,943	16.9%

Selling and marketing expenses increased 16.9% in the third quarter of 2019, below the rate of increase of product sales of 21.1%.

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	
	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr
Revenues	945,004	1,020,627	371,379	608,663	780,534	921,266	509,541	617,345
Net Income	131,153	121,921	6,644	117,805	115,122	122,638	31,931	-54,159
Shares outstanding (diluted)	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065	8,822,065
Income (loss) per diluted share	0.0149	0.0138	0.0008	0.0134	0.0130	0.0139	0.0036	(0.0061)

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

Approved

"Board of Directors"

31 October 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".

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Shareholders and interested investors should visit:

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

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www.steelfiberswest.com