

# ***FAB-FORM INDUSTRIES***



***Year End MD&A 2021***



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2021*

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 audited financial statements for the year 2021 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).

### HIGHLIGHTS 2021

The 2021 financial year brought many challenges to the constructions sector. However, the company had quickly adapted to the changes to remain competitive. The construction industry hampered by the increasing raw material prices, labor shortages, and price increases brought on by the widespread disruption to the global supply chain. None of these issues have turned back to normal.

2021 was the most profitable year for the company since inception, here are the key highlights:

- Revenue growth of 67.9%, total revenue of \$4.4Mn compared to \$2.6Mn in 2020.
- Profit after taxes increased by \$545,363, an increase of 248% over 2020.
- Sales for proprietary products Fastfoot® and Zont bracing increased 65% and 67% respectively over 2021 sales.
- Achieved key milestone by entering into a Fabric Development Agreement with Hagihara Industries Inc, Japan for research, test, and develop an optimized fabric for the Fast-Tube (Refer section 7 – Project updates for current status).
- Initiated R&D on a three new products (Fab-Slab, Fastfoot "Sticky", and Leveler). See section 7 – Project Updates.
- Rationalized procurement strategy to reduce the lead-time of supplies from China, with expected return on investment in 2022 FY of 19% through bulk discount.

Since November 2021, lumber prices have increased again to \$1,300 mbf. As a result, more developers are shifting from traditional concrete forming methods and stick framing to Insulated Concrete Forms (ICF). As the government has initiated programs to improve carbon neutrality, the shift to ICF construction is expected to continue to supplant conventional forming and framing in 2022. The demand for ICF and Zont bracing is expected to increase as building codes in North America required better R-values and tighter envelopes.

As always, thank you, board members, shareholders, and progressive dealers and contractors, for your continued support and commitment.

Sincerely



Richard Fearn

President and CEO

29 April 2022



Don Russell

Chief Financial Officer

29 April 2022

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2021*

### **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 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. 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 2000.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 December 2021

## OPERATING RESULTS

	For the year ended 31 December				For the Quarter ended 31 December			
	2021	2020	Change	%	2021	2020	Change	%
Revenue	\$ 4,424,045	\$ 2,634,852	\$ 1,789,193	67.90	\$ 802,858	\$ 574,278	\$ 228,573	39.80
Cost of sales	(2,855,681)	(1,794,776)	(1,060,905)	59.11	(563,378)	(401,107)	(162,271)	40.46
<b>Gross profit</b>	1,568,364	840,076	728,288	86.69	239,480	173,566	65,907	37.97
Other operating income/(expenses)	6,632	15,678	(9,046)	(57.70)	(3,402)	(14,313)	10,911	(76.23)
<b>Expenses</b>								
General and administration	(340,672)	(381,529)	40,857	(10.71)	(64,916)	(161,773)	96,857	(59.87)
Selling and marketing	(189,168)	(173,086)	(16,082)	9.29	(46,139)	(36,028)	(10,111)	28.07
<b>Total expenses</b>	(529,840)	(554,615)	24,775	(4.47)	(111,056)	(197,801)	86,746	(43.86)
<b>Earnings from operations</b>	1,045,156	301,139	744,017	247.07	125,023	(38,942)	163,564	420.01
Finance cost	(7,615)	436	(8,051)	1,847.00	(3,474)	588.00	(4,062)	690.82
<b>Earnings before taxation</b>	1,037,541	301,575	735,966	244.04	121,549	(38,354)	159,502	415.86
<b>Income tax expense</b>	(272,029)	(81,426)	(190,603)	234.08	(29,641)	10,355	(39,996)	386.25
<b>Earnings</b>	765,512	220,149	545,363	247.72	91,901	(27,999)	119,506	426.82
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	765,512	220,149	545,363	247.72	91,901	(27,999)	119,506	426.82

The Company made a net profit of \$91,901 for the last quarter compared to a net loss of \$27,999 in the previous year, as a result of an increase in sales of 39.8% over the previous year's quarter. The total expenses were reduced by \$86,746 for the quarter ended due to nonrecurring administration expenses.

Sales for the year 2021 increased 67.90% over 2020, primarily because of the industry shifting to the use of ICF products. See section 1 for a detailed analysis of sales by product.

Earnings before income taxes and interest (EBIT) for the year 2021 increased 244% over the previous year. Net earnings for the year 2021 was \$765,512 compared to \$220,149 in the previous year, an increase of 248%. Net assets attributable to shareholders at year end 2021 increased 50% over 2020.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2021

1. Product performance

	For the year ended 31 December				For the Quarter ended 31 December			
	2021	2020	Change	%	2021	2020	Change	%
	\$	\$	\$		\$	\$	\$	
Bracing *	941,769	564,271	377,498	66.90	156,667	122,616	34,051	27.77
Fastfoot **	550,032	333,264	216,768	65.04	89,710	59,294	30,416	51.30
Fast-Pad	18,213	9,863	8,350	84.66	2,859	2,466	393	15.94
Fast-Tube	7,714	15,176	(7,462)	(49.17)	1,396	2,835	(1,439)	(50.76)
Helix	198,030	222,610	(24,580)	(11.04)	29,505	47,578	(18,073)	(37.99)
ICF accessories	145,825	116,522	29,303	25.15	21,077	30,596	(9,519)	(31.11)
Monopour	113,308	44,243	69,065	156.10	12,538	7,353	5,185	70.52
Nudura ***	2,341,450	1,232,009	1,109,441	90.05	461,823	281,445	180,378	64.09
Rentals	91,395	75,656	15,739	20.80	16,979	18,865	(1,886)	(10.00)
Used bracing & accessories	16,309	21,238	(4,929)	(23.21)	10,297	1,230	9,067	737.15
	4,424,045	2,634,852	1,789,193	67.90	802,851	574,278	228,573	39.80

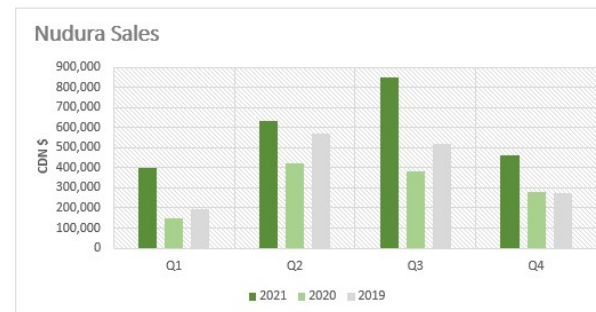
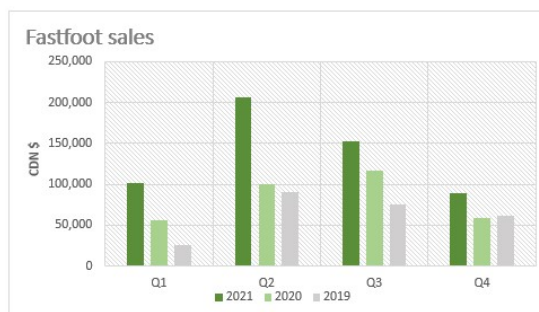
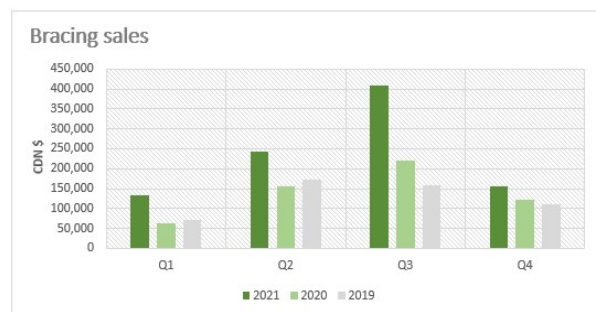
The results of the year show a healthy demand for all product lines. Nudura sales increased by 90%, while Bracing and Fastfoot were 67% and 65% respectively. Due to rapid increase in use of ICF across Canada and USA, the demand for the Monopour system increased by 156% over 2020.

The analysis below shows the sales growth for main product categories over the last three years. Management expects the growth to continue over the next few years due to an increase in housing demand and a shortage in inventory.

Fastfoot sales	2021 (\$)	2020 (\$)	2019 (\$)
Q1	101,249	56,643	25,176
Q2	206,579	100,887	91,212
Q3	152,494	116,440	75,718
Q4	89,710	59,294	61,423
Total	550,032	333,264	253,529

Bracing Sales	2021 (\$)	2020 (\$)	2019 (\$)
Q1	134,413	63,602	71,262
Q2	243,133	156,350	173,545
Q3	407,556	221,703	158,890
Q4	156,667	122,616	110,611
Total	941,769	564,271	514,308

Nudura Sales	2021 (\$)	2020 (\$)	2019 (\$)
Q1	398,721	146,640	192,328
Q2	633,400	421,842	571,197
Q3	847,506	382,082	518,164
Q4	461,823	281,445	272,725
Total	2,341,450	1,232,009	1,554,414



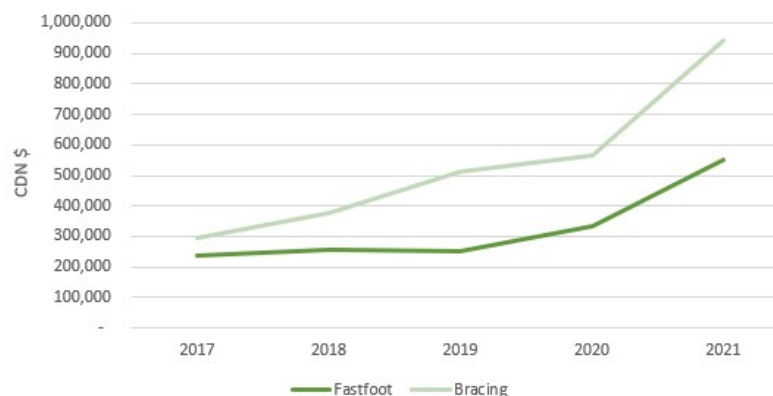
MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2021

**Yearly Sales of Fab-Form Products**

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Bracing	941,769	564,271	514,308	377,299	293,116
Fastfoot	550,032	333,264	253,529	257,012	235,780
Fast-pad	18,213	9,863	11,118	5,760	12,734
Fast-Tube	7,714	15,176	19,506	11,572	12,647
Monopour	113,308	44,243	62,450	41,615	67,384

Bracing and Fastfoot sales



Over the last five years, sales of Fab-Form products have increased as shown in the table above. The demand for the Monopour System increased significantly in 2021, an increase of 156% over 2020. The product is very popular among pool builders who use the MP side supports to build luxury swimming pools. Management expects the demand for Monopour to be double 2021, and has developed new machinery to triple productivity.

**2. Analysis of cost of sales**

	For the year ended 31 December				For the quarter ended 31 December			
	2021	2020	Change	%	2021	2020	Change	%
<b>Total direct product COGS</b>	\$ 2,786,697	\$ 1,731,117	\$ 1,055,580	60.98	\$ 543,037	\$ 386,277	\$ 156,760	40.58
<b>Indirect product COGS</b>								
Waste disposal	1,432	933	499	53.48	399	313	86	27.48
Packing materials	4,793	2,818	1,975	70.09	1,905	439	1,466	333.94
Depreciation production equipment and tools	2,373	7,350	(4,977)	(67.71)	565	387	178	45.99
Warehouse lease rental	40,174	37,694	2,480	6.58	11,271	9,144	2,127	23.26
Variable overhead	20,212	14,864	5,348	35.98	6,201	4,547	1,654	36.38
<b>Total indirect product COGS</b>	68,984	63,659	5,325	8.36	20,341	14,830	5,511	37.16
<b>Total Cost of sales</b>	2,855,681	1,794,776	1,060,905	59.11	563,378	401,107	162,271	40.46

Cost of sales for the year ended 31 Dec 2021 increased by 59% compared to the previous year. This is in line with the increase in sales during the year.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 December 2021

**3. Analysis of Administration Expenses**

	For the year ended 31 December				For the quarter ended 31 December			
	2021	2020	Change	%	2021	2020	Change	%
	\$	\$	\$		\$	\$	\$	
Amortization & depreciation	3,134	2,164	970	44.82	958	577	381	66.03
Office rental amortisation	24,368	21,409	2,959	13.82	8,690	5,395	3,295	61.08
Patent & TM maintenance fees	569	285	284	99.65	356	71	285	401.41
Professional Fees	27,760	30,330	(2,570)	(8.47)	6,429	8,662	(2,233)	(25.78)
Pubco expenses	21,450	18,880	2,570	13.61	5,255	10,871	(5,616)	(51.66)
General expenses	18,993	20,443	(1,450)	(7.09)	4,749	5,931	(1,182)	(19.93)
Wages and benefits	191,288	228,966	(37,678)	(16.46)	32,169	124,117	(91,948)	(74.08)
Telecommunications & computers	17,564	19,771	(2,207)	(11.16)	5,849	4,952	897	18.11
Credit Card Processing fees	38,304	24,894	13,410	53.87	8,471	5,306	3,165	59.65
Provision/(reversal) for expected credit losses	(2,758)	14,387	(17,145)	(119.17)	(8,010)	(4,109)	(3,901)	94.94
<b>Total administrative expenses</b>	<b>340,672</b>	<b>381,529</b>	<b>(40,857)</b>	<b>(10.71)</b>	<b>64,916</b>	<b>161,773</b>	<b>(96,857)</b>	<b>(59.87)</b>

Administration expenses decreased by 10.71% during the year compared to 2020. There was no change to the structure of the administration department during the year.

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

	For the year ended 31 December				For the quarter ended 31 December			
	2021	2020	Change	%	2021	2020	Change	%
	\$	\$	\$		\$	\$	\$	
Bracing	66,404	57,764	8,640	14.96	14,201	8,679	5,522	63.62
Fastfoot	28,539	37,820	(9,281)	(24.54)	6,372	7,776	(1,404)	(18.06)
Fast-Pad	5,406	5,453	(47)	(0.86)	3,306	0	3,306	100.00
Fast-Tube	845	7,440	(6,595)	(88.64)	537	482	55	11.41
Helix	6,181	1,094	5,087	464.99	1,394	419	975	232.70
Monopour	7,521	2,599	4,922	189.38	2,598	702	1,896	270.09
Nadura	74,272	60,916	13,356	21.93	17,731	17,970	(239)	(1.33)
<b>Total selling &amp; marketing</b>	<b>189,168</b>	<b>173,086</b>	<b>16,082</b>	<b>9.29</b>	<b>46,139</b>	<b>36,028</b>	<b>10,111</b>	<b>28.07</b>

The selling and marketing expenses increased by 9% during the year compared to 2020. This was due to increase in marketing payroll costs and goodwill credits granted to key dealers across Canada and USA. Management has budgeted finance, administration, and marketing divisions to expand and will compensate the employees at better than market rates to ensure key employees are retained.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2021*

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

The Company generated \$355,755 from operating activities in 2021 compared to \$518,606 in 2020. Procurement strategy of steel products from China has been rationalized, with suppliers paid in advance to initiate production that will be received after year end. Sales increased significantly during the 2021 resulting in an increase in outstanding trade receivables.

Cash used in investing activities of \$31,357 in 2021 consisted primarily of cash used in acquisition of property plant and equipment of \$13,955 and investment in product development of \$17,206. Cash used in Financing activities of \$108,263 consisted lease payments for the offices and warehouses located in Delta BC.

Cash and cash equivalents at year end increased by \$216,139, with total cash and cash equivalents at the year ended 2021 of \$1,515,792 compared to \$1,299,653 at the end of 2020. The Company is debt-free and has financial liquidity and flexibility.

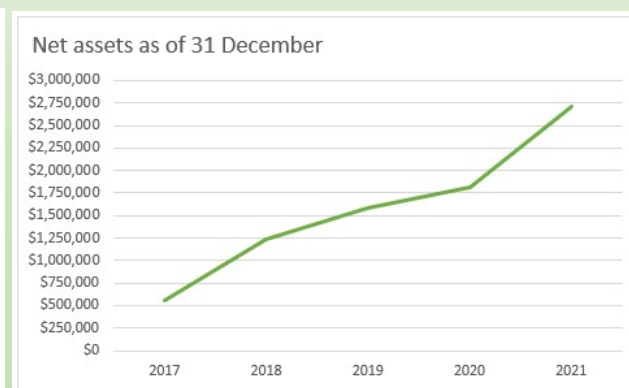
The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business of the Company.



**6. Performance of Shares on TSXV Exchange**

There was continued investor interest in the shares of the Company during the year, as shown by the table below:

	2021	2020	2019	2018	2017
<b>Share price over the last five years</b>					
• <b>Highest price during the year</b>	\$0.99	\$0.55	\$0.55	\$0.99	\$0.69
• <b>Lowest price during the year</b>	\$0.375	\$0.155	\$0.27	\$0.33	\$0.215
• <b>Last traded Price</b>	\$0.85	\$0.39	\$0.40	\$0.37	\$0.61
<b>Market capitalisation as of 31 December</b>	\$7,721,431	\$3,440,601	\$3,528,822	\$3,264,160	\$5,381,454
<b>Net assets as of 31 December</b>	\$2,717,538	\$1,809,147	\$1,588,998	\$1,242,461	\$558,692
<b>Net assets per share</b>	\$0.30	\$0.20	\$0.17	\$0.14	\$0.06
<b>Number of transactions on TSXV</b>	855	145	151	192	208
<b>Number of shares traded</b>	1,662,880	1,127,302	1,120,311	1,411,106	2,712,699



Net asset attributable to common shareholders of the company increased 50% compared to 2020. Market Capitalization increased to \$7.7Mn at the year end, an increase of 124% over 2020.

## 7. New Product Update

### Leveler

In the 1990s the company developed and sold the product 'Fast-Yoke' which was used to hold the 2x4 screed boards in place to hold Fastfoot. This product is being upgraded to allow adjustment by electric drill and other features to improve useability. This product is expected to sell well for the following reasons:

1. Integrates perfectly with our existing customer base
2. Can accommodate different lumber sizes up to 2 x 12
3. Can function with and without Fastfoot, thereby capturing a dramatically larger market potential
4. As jobsite labour costs are very high, Leveler will reduce footing forming costs significantly.

Product introduction will be the fall of 2022.

### Fast Tube

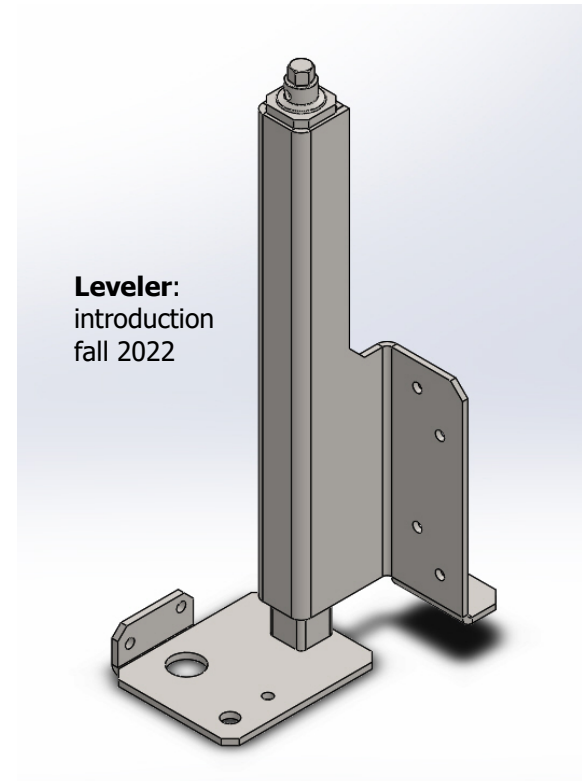
The company is doing a major upgrade and optimization on the product with the following objectives:

1. Eliminate distortions in the form due to misalignment of the weft tapes
2. Reduce elongation in the tube due to higher concrete pressure in the base rather than at the top of the column form
3. Improve the joining technology of forming the tube so that failures cannot occur on the jobsite
4. Reduce the cost base of the tube to improve margins

To achieve these upgrades, on 30<sup>th</sup> September 2021, the company signed a "Fabric Development Agreement" with Hagihara Industries Inc., Japan for this optimization. Since that date, the following progress has been made:

1. Misalignment distortions have been eliminated
2. Elongation has been reduced by 65%
3. Joining technology has been improved significantly
4. Cost base has been reduced

The Company will be taking out a joint patent with Hagihara to protect these improvements. As well the Company is making improvements to automate the production machinery. Product introduction is expected in late 2022, early 2023.



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2021*

### **Fabric Tensile and Elongation Testing Machine**

As fabric is such a large part of the Company's business, the Company recently designed and manufactured a tester for use with coated and uncoated fabric. This picture shows Stephen Gabbott and Joey Fearn watching the machine test uncoated polypropylene fabric. This machine has been and will be invaluable in the development of the optimized fabric for Fast-Tube, Fastfoot 'Sticky' and Fab-Form products.

### **Fab-Slab**

This product is a new technology to enable the automation of interfacing building components to uneven ground. Patent is pending, design work is 50% complete. Product introduction date has not been confirmed with a new patent currently being written.

### **Fastfoot 'Sticky'**

One of the selling features of Fastfoot is the prevention of ground moisture wicking up into the foundation leading to mold and dampness in the building (see: <https://www.fab-form.com/fastfoot/fastfootRisingDamp.php>). However, when Fastfoot is stripped, the fabric falls off the concrete footing as it is made of polyethylene. The company has testing seven different methodologies for creating Fastfoot 'Sticky' with one showing excellent adhesion and that can be produced cost effectively. The company expects to introduce this product mid 2023.





## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2021*

### **MPSS Production Machinery**

In 2021, Monopour sales increased by 156.1%. This required the Company to automate the production of installing the plastic inserts over the setscrews as well as a redesign of the plastic inserts. Vishwanath Kumar shows the completed machine which enables a productivity increase of 18-fold over manual installation.



***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 April 2022



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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