



FAB-FORM
MD&A
2020 1st Quarter

MD&A TO OUR SHAREHOLDERS

The cover is a photo of an ICF building located in the state of Arizona USA which used our Zont bracing system. While there is nothing unusual about our bracing system being used on an ICF structure, what is unique is the use of the project in our social media marketing campaign. The builder "Handeeman" has 162,000 subscribers and 490 YouTube videos. To see his latest video pouring the second floor walls, go to:

https://www.youtube.com/watch?v=hTtarBq_krE

Typically a magazine such as "Concrete Construction" has around 25,000 subscribers and readers take a quick glance through the magazine before tossing it in the recycle bin. Cost for half a page is about \$6,000. When watching a video there is real engagement by the viewer. We now carefully measure the response and return we get from each and every marketing campaign.

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
20 May 2020



Don Russell
Chief Financial Officer
20 May 2020

MANAGEMENT DISCUSSION & ANALYSIS

First 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 2019 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 three-month period ended 31 March 2020 and our consolidated financial statements for the year ended 31 December 2019 while reading this discussion. The reader should also refer to the MD&A in our 2019 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
First Quarter 2019

OPERATING RESULTS

1. First Quarter Profit & Loss

	<u>Jan - Mar 20</u>	<u>Jan - Mar 19</u>	<u>Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
Sales	318,493	371,379	-52,886	-14.2%
Total Income	318,493	371,379	-52,886	-14.2%
Cost of Goods Sold				
Direct Product COGS	206,449	266,583	-60,134	-22.6%
Indirect Product COGS	15,493	14,614	879	6.0%
Total COGS	221,942	281,197	-59,255	-21.1%
Gross Profit	96,551	90,182	6,369	7.1%
Expense				
Admin Expenses	49,209	49,900	-691	-1.4%
Interest Expense	2,869	2,939	-70	-2.4%
Selling & Marketing	47,888	29,290	18,598	63.5%
Total Expense	99,966	82,129	17,837	21.7%
Net Ordinary Income	-3,415	8,053	-11,468	-142.4%
Other Income/Expense				
Other Expense				
Forex (gain) loss	-34,596	-991	-33,605	-3,390.8%
Provision for corporate tax	0	2,400	-2,400	-100.0%
Total Other Expense	-34,596	1,409	-36,005	-2,555.5%
Net Other Income	34,596	-1,409	36,005	2,555.5%
Net Income	31,181	6,644	24,537	369.3%

Sales in the first quarter of 2020 dropped 14.2% compared with 2019. This was due to extremely cold weather in January and February leading to a housing slowdown in the Greater Vancouver region. Subsequent sales in April have rebounded to achieve the highest April sales in the Company's history.

Gross profits increased 7.1% for the quarter over 2019 due to the sale of more proprietary products. Total expenses increased 21.7% due entirely to higher Selling and Marketing (see analysis below).

Forex gains of \$34,596 were captured by selling an overabundance of US dollars. It was felt to be too risky to have this potential exchange risk on the asset side of the Company's balance sheet.

Net income for the first quarter of 2020 of \$31,181 increased 369.3% over 2019's \$6,644 due substantially to forex gains.

MANAGEMENT DISCUSSION & ANALYSIS

First Quarter 2019

Product Sales

	<u>Jan - Mar 20</u>	<u>Jan - Mar 19</u>	<u>Change</u>	<u>% Change</u>
Fastbag	1,869	3,047	-1,179	-38.7%
Fastfoot	56,643	25,176	31,467	125.0%
Fast-Tube	3,545	3,130	415	13.3%
Helix	10,494	32,318	-21,824	-67.5%
Sundry Income	7,507	628	6,878	1,094.8%
Monopour	4,283	10,653	-6,370	-59.8%
Nudura	146,640	192,328	-45,688	-23.8%
Rentals	8,878	10,181	-1,302	-12.8%
Bracing	63,602	71,262	-7,660	-10.7%
ICF Accessories	11,809	16,108	-4,299	-26.7%
Used bracing & accessories	3,222	6,547	-3,325	-50.8%
Total Sales	<u>318,493</u>	<u>371,379</u>	<u>-52,886</u>	<u>-14.2%</u>

Most of the 14.2% overall sales drop was due to Nudura: \$146,640 in this quarter compared with \$192,328 in 2019, a drop of 23.8% due cold weather as well as the housing slowdown in the Vancouver market. Fastfoot increased 125% over the previous year's quarter due to strong internet sales across North American. Local sales of Helix fell 67.5% over 2019 due to cold weather. Bracing sales across North America dropped 10.7% over the first quarter of 2019. Increased sundry income in the first quarter was due to the sale of two corporate vehicles.

2. Cost of Sales

	<u>Jan - Mar 20</u>	<u>Jan - Mar 19</u>	<u>Change</u>	<u>% Change</u>
Total Direct Product COGS	206,449	266,583	-60,134	-22.6%
Indirect Product COGS				
Waste disposal	146	0	146	100.0%
GS1 charges	327	0	327	100.0%
Packing materials	0	262	-262	-100.0%
Amortization production equip.	2,416	2,160	256	11.9%
Production tools	441	276	166	60.1%
Production rental	9,461	9,453	8	0.1%
Variable Overhead	2,662	2,463	199	8.1%
Wages not allocated	40	0	40	100.0%
Total Indirect Product COGS	<u>15,493</u>	<u>14,614</u>	<u>879</u>	<u>6.0%</u>
Total COGS	<u>221,942</u>	<u>281,197</u>	<u>-59,255</u>	<u>-21.1%</u>

Total direct product cost of goods sold decreased 22.6%, exceeding the sales drop of 14.2%. This was due to the higher margins of our proprietary products. Indirect product cost of goods sold stayed in line with the previous year's quarter.

MANAGEMENT DISCUSSION & ANALYSIS

First Quarter 2019

3. General and Administration

	Jan - Mar 20	Jan - Mar 19	Change	% Change
Amortization & Depreciation	824	771	53	6.9%
Occupancy	5,459	5,167	292	5.6%
Patent & TM Maintenance Fees	71	71	0	0.0%
Professional Fees	5,782	6,716	-934	-13.9%
Pubco	3,342	2,483	859	34.6%
General expenses	11,323	5,105	6,218	121.8%
Wages and benefits	17,242	23,074	-5,833	-25.3%
Telecommunications & computers	5,165	6,511	-1,346	-20.7%
Total Admin Expenses	49,209	49,900	-691	-1.4%

General and administration expenses dropped marginally by 1.4% as most of these expenses are fixed in nature.

4. Selling and Marketing

	Jan - Mar 20	Jan - Mar 19	Change	% Change
World of Concrete	0	233	-233	-100.0%
Fastfoot residential	6,335	4,165	2,169	52.1%
Fastbag	1,818	0	1,818	100.0%
Fastfoot commercial	5,580	0	5,580	100.0%
Monopour	616	293	323	110.5%
Fast-Tube	2,408	2,196	213	9.7%
Bracing	14,269	8,348	5,921	70.9%
Zat	1,029	0	1,029	100.0%
Zee	1,307	0	1,307	100.0%
Zote	327	0	327	100.0%
Nadura	14,041	13,357	685	5.1%
Helix	158	699	-540	-77.3%
Total Selling & Marketing	47,888	29,290	18,598	63.5%

Selling and marketing expenses are now tracked by product, with a control account set up for each marketing campaign. This enables the Company to measure the success of that particular campaign with the margin contribution of each new sale offsetting the campaign expense. In the first quarter of 2020, we attended the International Builders Show and there were several magazine advertisements for Fastfoot commercial and the bracing. The control accounts show very few new sales generated from these campaigns, showing that conventional marketing is being rapidly replaced with social media and AdWords.

The 63.5% increase in selling expenses reflects a shorter amortization period for the international trade show (6 months vs. 12 months in 2019) as well as higher levels of conventional print advertising.

MANAGEMENT DISCUSSION & ANALYSIS

First Quarter 2019

5. COVID-19, Unemployment and Housing Starts 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.

6. 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.

	2020		2019		2018			
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Revenues	318,493	554,701	945,004	1,020,627	371,379	608,663	780,534	921,266
Net Income	31,181	85,979	131,153	121,921	6,644	117,805	115,122	122,638
Shares outstanding (diluted)	8,822,055	8,822,055	8,822,055	8,822,055	8,822,055	8,822,055	8,822,055	8,822,055
Income per diluted share	0.0035	0.0097	0.0149	0.0138	0.0008	0.0134	0.0130	0.0139

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

Approved

"Board of Directors"

20 May 2020

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:

Joey Fearn
Chief Operating Officer
joey@fab-form.com

Bruce Clark
Secretary
bruce@fab-form.com

Rick Fearn
President, CEO
rick@fab-form.com

Don Russell
Chief Financial Officer
don@fab-form.com



INDUSTRIES LTD.
Unit 19, 1610 Derwent Way
Delta, BC V3W 6W1, Canada
(604)596-3278

Shareholders and interested investors should visit:

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

www.vancouvericf.com

www.steelfiberswest.com

www.icf-expo.com