



***FAB-FORM***  
***MD & A***  
***2020 2nd Quarter***

## MD&A TO OUR SHAREHOLDERS

While the COVID flu has been "ruff" on many people around the world, it has not stopped "Rover" from installing a pretty nice set of footings. As you can see, Rover would not consider forming footings without Fastfoot. And a lot of other contractors feel the same way. Our Fastfoot sales to date this year are up 31% over 2019.

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 July 2020



Don Russell  
Chief Financial Officer  
27 July 2020

## MANAGEMENT DISCUSSION & ANALYSIS

*Second Quarter 2020*

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](http://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 30 June 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  
*Second Quarter 2020*

OPERATING RESULTS

**1. Second Quarter Profit & Loss**

	<u>Apr - Jun 20</u>	<u>Apr - Jun 19</u>	<u>Change</u>	<u>% Change</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>Sales</b>	877,482	1,020,627	-143,145	-14.0%
<b>Total Income</b>	877,482	1,020,627	-143,145	-14.0%
<b>Cost of Goods Sold</b>				
<b>Direct Product COGS</b>	600,933	706,634	-105,700	-15.0%
<b>Indirect Product COGS</b>	15,210	15,060	150	1.0%
<b>Total COGS</b>	616,143	721,694	-105,550	-14.6%
<b>Gross Profit</b>	261,339	298,934	-37,595	-12.6%
<b>Expense</b>				
<b>Admin Expenses</b>	51,466	66,433	-14,967	-22.5%
<b>Interest Expense</b>	6,041	5,314	726	13.7%
<b>Selling &amp; Marketing</b>	51,852	51,803	49	0.1%
<b>Total Expense</b>	109,358	123,550	-14,192	-11.5%
<b>Net Ordinary Income</b>	151,981	175,384	-23,403	-13.3%
<b>Other Income/Expense</b>				
<b>Other Income</b>				
<b>Recovery of Duties USA</b>	0	-3,349	3,349	100.0%
<b>Total Other Income</b>	0	-3,349	3,349	100.0%
<b>Other Expense</b>				
<b>Forex (gain) loss</b>	5,824	-605	6,429	1,063.1%
<b>Provision for corporate tax</b>	47,923	50,718	-2,796	-5.5%
<b>Total Other Expense</b>	53,747	50,114	3,634	7.3%
<b>Net Other Income</b>	-53,747	-53,462	-285	-0.5%
<b>Net Income</b>	<b>98,234</b>	<b>121,921</b>	<b>-23,688</b>	<b>-19.4%</b>

Sales in the second quarter of 2020 dropped 14.0% compared with 2019. This was due to continued uncertainty over the corona virus. Subsequent sales to date in July have rebounded to 131% over 2019 levels.

Gross profits decreased 12.6% for the second quarter over 2019 in line with the sales decrease. Total expenses dropped 21.7% due to lower administrative expenses.

Net income for the second quarter of 2020 of \$98,234 decreased 19.4% over 2019's \$121,921 due to lower sales.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

Second Quarter 2020

**2. Product Sales**

	<b>Apr - Jun 20</b>	<b>Apr - Jun 19</b>	<b>Change</b>	<b>% Change</b>
<b>Fastbag</b>	3,417	475	2,942	619.1%
<b>Fastfoot</b>	100,887	91,212	9,675	10.6%
<b>Fast-Tube</b>	1,861	6,738	-4,877	-72.4%
<b>Helix</b>	107,658	86,004	21,654	25.2%
<b>Sundry Income</b>	198	336	-138	-41.0%
<b>Monopour</b>	14,843	19,727	-4,883	-24.8%
<b>Nudura</b>	421,843	571,197	-149,354	-26.1%
<b>Rentals</b>	24,599	25,297	-698	-2.8%
<b>Bracing</b>	156,350	173,545	-17,195	-9.9%
<b>ICF Accessories</b>	37,676	43,382	-5,707	-13.2%
<b>Used bracing &amp; accessories</b>	8,150	2,714	5,436	200.3%
<b>Total Sales</b>	<b>877,482</b>	<b>1,020,627</b>	<b>-143,145</b>	<b>-14.0%</b>

Most of the 14.0% overall sales drop of \$143,145 was due to Nudura: \$421,843 in this quarter compared with \$571,197 in 2019, a drop of 26.1% due to Covid uncertainty in the Vancouver market. Fastbag sales increased 619.1% due to placing the product on our website (we have not yet commenced marketing the product). Fastfoot increased 10.6% over the previous year's quarter due to strong internet sales across North American. Local sales of Helix increased 25.2% over 2019. Bracing sales across North America dropped 9.9% over the first quarter of 2019, presumably due to Covid uncertainty. Used bracing and accessories increased 200.3% due to local contractors wanting to buy rather than rent.

**3. Cost of Sales**

	<b>Apr - Jun 20</b>	<b>Apr - Jun 19</b>	<b>Change</b>	<b>% Change</b>
<b>Total Direct Product COGS</b>	600,933	706,634	-105,700	-15.0%
<b>Indirect Product COGS</b>				
<b>Inventory adjustment account</b>	25	-57	82	143.9%
<b>Waste disposal</b>	191	0	191	100.0%
<b>GS1 charges</b>	334	0	334	100.0%
<b>Packing materials</b>	1,569	1,320	250	18.9%
<b>Amortization production equip.</b>	876	2,160	-1,284	-59.4%
<b>Production tools</b>	629	10	619	6,033.6%
<b>Production rental</b>	9,453	9,453	0	0.0%
<b>Variable Overhead</b>	2,132	2,173	-42	-1.9%
<b>Total Indirect Product COGS</b>	<b>15,210</b>	<b>15,060</b>	<b>150</b>	<b>1.0%</b>
<b>Total COGS</b>	<b>616,143</b>	<b>721,694</b>	<b>-105,550</b>	<b>-14.6%</b>

Total direct product cost of goods sold decreased 15.0% due to the drop in sales. Indirect product cost of goods sold stayed in line with the previous year's quarter.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

*Second Quarter 2020***4. General and Administration**

	<u>Apr - Jun 20</u>	<u>Apr - Jun 19</u>	<u>Change</u>	<u>% Change</u>
<b>Amortization &amp; Depreciation</b>	558	771	-213	-27.6%
<b>Occupancy</b>	5,099	5,111	-12	-0.2%
<b>Patent &amp; TM Maintenance Fees</b>	71	71	0	0.0%
<b>Professional Fees</b>	7,702	8,205	-503	-6.1%
<b>Pubco</b>	4,095	4,433	-338	-7.6%
<b>General expenses</b>	12,452	6,717	5,735	85.4%
<b>Wages and benefits</b>	16,838	36,420	-19,581	-53.8%
<b>Telecommunications &amp; computers</b>	4,650	4,705	-55	-1.2%
<b>Total Admin Expenses</b>	51,466	66,433	-14,967	-22.5%

General and administration expenses dropped by 22.5%. This was substantially due to a correction of holiday pay in 2019 as some employees did not have holiday properly accrued for.

**5. Selling and Marketing**

	<u>Apr - Jun 20</u>	<u>Apr - Jun 19</u>	<u>Change</u>	<u>% Change</u>
<b>World of Concrete</b>	0	-233	233	100.0%
<b>Fastfoot residential</b>	8,277	5,056	3,221	63.7%
<b>Fastbag</b>	2,727	0	2,727	100.0%
<b>Fastfoot commercial</b>	1,764	0	1,764	100.0%
<b>Monopour</b>	659	616	43	7.0%
<b>Fast-Tube</b>	3,229	1,915	1,313	68.6%
<b>Bracing</b>	17,027	12,054	4,972	41.3%
<b>Zat</b>	343	0	343	100.0%
<b>Zee</b>	784	0	784	100.0%
<b>Nadura</b>	16,816	31,498	-14,682	-46.6%
<b>Helix</b>	227	246	-20	-8.0%
<b>Other</b>	0	650	-650	-100.0%
<b>Total Selling &amp; Marketing</b>	51,852	51,803	49	0.1%

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.

Total Selling & Marketing expenses did not change between the two years. The drop in Nadura selling expenses was due to a more accurate allocation of sales wages between the different products. This should not occur going forward.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

*Second Quarter 2020***6. 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. Indeed overall mortality this year is less than in 2019. However the bad news is the following:

- Herd immunity has not been achieved because of the social isolation. As stated in the first quarter MD&A, there will be outbreaks of the virus later in 2020. This uncertainty in 2020 will have a dampening effect on housing starts.
- The US unemployment rate dropped to 11.1 percent in June 2020, easing from an all-time high of 14.7 percent reached in April with further decreases expected. This can be expected to have a mildly positive effect on housing starts across North America.
- Massive reduction in interest rates (US 10 year treasuries currently yielding just 0.58%) will be strongly positive for housing starts and our products.
- The USA 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.
- Recent increases in the value of gold and silver and the drop in the US dollar indicate world markets are concerned with the rapid increase in the US money supply. This could lead to a possible reset in world markets which would be strongly negative for the housing industry and our products.

**7. 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		
	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr
Revenues	<b>877,482</b>	318,493	554,701	945,004	1,020,627	371,379	608,663	780,534
Net Income	<b>98,234</b>	31,181	85,979	131,153	121,921	6,644	117,805	115,122
Shares outstanding (diluted)	<b>8,822,055</b>	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	<b>0.0111</b>	0.0035	0.0097	0.0149	0.0138	0.0008	0.0134	0.013

Additional financial information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Approved

"Board of Directors"

27 July 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".*

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