MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for ABC Technologies Holdings Inc. was prepared as of September 2, 2021 and provides information concerning its financial condition and results of operations and is intended to assist readers in understanding the business environment, strategies and performance and risk factors of ABC Technologies Holdings Inc. The following MD&A should be read together with ABC Technologies Holdings Inc.'s audited consolidated financial statements and the related notes thereto for the fiscal years ended June 30, 2021 and 2020. Additional information about ABC Technologies Holdings Inc. can be found on SEDAR at www.sedar.com.

Overview

ABC Technologies Holdings Inc. together with its consolidated subsidiaries and interests in its joint ventures ("ABC", the "Company", "we", "us" and "our") is a leading manufacturer and supplier of custom, highly engineered, technical plastics and lightweighting innovations to the North American light vehicle industry, serving more than 25 original equipment manufacturer ("OEM") customers globally through a strategically located footprint. Our integrated service offering includes manufacturing, design, engineering, material compounding, machine tooling and equipment building that are supported by a team of over 600 skilled professionals (comprised of over 500 professional practicing engineers and approximately 100 additional employees with technical diplomas or at least 15 years technical working experience serving in other technical engineering roles), which we believe ultimately contributes to our differentiated product innovation. Our vertically integrated capabilities include our tool-building and material compounding businesses, which we believe allow us to stay on the leading edge of technical plastics and lightweighting product innovation. In addition, our manufacturing footprint provides us with 250-mile coverage for the majority of our OEM customers' North American light vehicle manufacturing facilities, which we also believe provides us with logistical and competitive advantages. Based on management estimates, we have strong market shares in North America across multiple core product categories, which fall within our six product groups comprising HVAC Systems, Interior Systems, Exterior Systems, Fluid Management, Air Induction Systems and Flexible & Other. We principally sell directly to OEMs and have ABC content on over 75% of all light vehicles manufactured in North America[1] and ship to approximately 90% of the OEM production facilities in North America. Furthermore, based on IHS Markit[2] data for Fiscal 2021, we had content on 14 of the top 15 models produced in North America.

Initial Public Offering

On February 22, 2021, the Company completed an initial public offering (the "IPO") by way of secondary offering of 11,000,000 common shares of the Company (approximately 20% of the issued and outstanding common shares) by its then sole shareholder at a price of 10.00 Canadian dollars ("CAD") per common share, for total proceeds to the shareholder of CAD $110.0 million. The Company did not receive any proceeds from the secondary offering. On completion of the IPO, the common shares began trading on the Toronto Stock Exchange under the symbol "ABCT".

During the year ended June 30, 2021, the Company incurred $8.3 million of IPO related expenses, consisting mainly of underwriter and professional fees, and $7.2 million of advisory, bonus and other costs. These costs were recorded within selling, general and administrative expenses. The Company also amended its credit agreement with a syndicate of lenders (the "Credit Agreement") upon IPO, and as a result, $9.3 million and $1.3 million of unamortized deferred financing costs were written off related to the former term facility, and the former revolving credit facilities, respectively, and financing costs of $1.2 million that were incurred related to the amendment of the Credit Agreement were recognized as interest expense in the consolidated statement of comprehensive income.

Basis of Presentation

All references in this MD&A to "Fiscal 2021" are to the fiscal year ended June 30, 2021. The references to "Fiscal 2020" are to our fiscal year ended June 30, 2020. All references in this MD&A to "Q4 Fiscal 2021" are to our fiscal quarter ended June 30, 2021 and "Q4 Fiscal 2020" are to our Company's fiscal quarter ended June 30, 2020.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All tabular figures presented in this MD&A are in thousands of U.S. dollars, except earnings per share, number of shares and where otherwise noted.

[1] Applies to light vehicles with more than 1,000 units produced in Fiscal 2021 in North America based on IHS Markit data.

[2] The IHS Markit reports, data and information referenced herein are the copyrighted property of IHS Markit Ltd. and its subsidiaries ("IHS Markit") and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Markit Materials. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. IHS Markit and other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.

Recent Developments

Global Semiconductor Shortage

The Company's financial results during the last half of Fiscal 2021 have been significantly impacted by disruptions and shortages in the supply of critical components and materials globally, particularly semiconductors, which were indirect outcomes of the COVID-19 pandemic. When the COVID-19 pandemic caused a significant drop in vehicle sales in spring 2020, OEMs cut their orders of all parts and materials, including the semiconductors needed for functions ranging from touchscreen displays to collision-avoidance systems. In the fall of 2020, when demand for passenger vehicles rebounded, OEMs were not able to secure adequate supply of semiconductors as chip manufacturers were already committed to supplying other customers in consumer electronics. The global semiconductor shortage has resulted in temporary shut-downs or slowdowns of the production lines at the majority of our OEM customers beginning in February and March 2021, which has impacted the production levels in our plants that supply those customers.

We believe that these conditions are temporary as end user demand for new vehicles remains strong. As a result of the global semiconductor shortages and production disruptions, inventories for new vehicles are at a historic low. The high consumer demand for vehicles and low inventory supply is pushing prices for both new and used vehicles to record levels. OEMs are recording strong earnings as the average price of new models have increased. Due to the scarcity of new vehicles, used vehicle prices continue to surge as customers turn to alternatives when new models are not available for purchase.

Apollo Acquires Majority Share of the Company

On June 24, 2021, the Company announced the closing of the sale of a majority share in the Company by ABC Group Canada LP ("ABC LP"), an affiliate of funds managed by Cerberus Capital Management, L.P. ("Cerberus"), to certain investment funds managed by affiliates of Apollo Global Management, Inc. ("Apollo"), pursuant to a share purchase agreement dated April 12, 2021 among the Company, ABC LP and Apollo.

Under the terms of the Agreement, Apollo has purchased approximately 27.7 million common shares of ABC (the “ABC Shares”) (representing approximately 51% of the fully diluted ABC Shares) from ABC LP at the USD equivalent of CAD$10.00 per ABC Share.

As of closing, (i) Apollo, directly or indirectly, beneficially owns or controls approximately 27.7 million ABC shares, representing approximately 52.7% of the issued and outstanding ABC Shares (or 51.0% of the 54.3 million issued and outstanding ABC Shares on a fully-diluted basis), (ii) ABC LP beneficially owns or controls, directly or indirectly, approximately 13.9 million ABC Shares, representing approximately 26.4% of the issued and outstanding ABC Shares (or approximately 25.6% of the issued and outstanding ABC Shares on a fully-diluted basis) and (iii) public shareholders will continue to own approximately 11.0 million ABC Shares, representing approximately 20.9% of the issued and outstanding ABC Shares (or approximately 23.4% of the issued and outstanding ABC Shares on a fully-diluted basis).

Upon the closing of the Apollo transaction, the parties entered into an amended and restated investors’ rights agreement which provides Apollo with, among other things, certain director nomination rights, registration rights, pre-emptive rights and information rights. The amended agreement entitles Apollo to nominate five of the nine members of the board of directors (the "Board"), while ABC LP is entitled to nominate three of nine members of the Board.

During the year ended June 30, 2021, the Company incurred $3.6 million of transaction costs ("Apollo transaction costs") consisting mainly of advisory fees paid to unrelated parties, and $7.3 million of bonus and other costs incurred in connection with the Apollo transaction. These costs were recorded in selling, general and administrative expenses.

COVID-19 Impact on the Company's Results and Business

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since then, various extraordinary containment and mitigation measures have been recommended and put in place by public health and governmental authorities across the globe. These measures have caused, and may continue to cause, significant disruption to our business. As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company’s OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January 2020 and February 2020, but resumed in March 2020. The Company, along with the rest of the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations in March 2020 and April 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company’s financial results during the second half of March 2020 and continued into the fourth quarter of Fiscal 2020. In May 2020, the Company gradually restarted its manufacturing facilities under extensive safety measures aligned with the ramp-up in demands from OEM customers as they also resumed their operations.

The current COVID-19 pandemic has adversely affected many aspects of the Company’s business, including production, supply chain, and sales and delivery, as well as financial results. The COVID-19 pandemic has resulted in increased demand for resin in multiple industries. Additionally, growing export activity from Asia has created a shortage of available containers for shipping commodity products and consequently, resin shipments are competing against retail and other goods for containers and transportation space on ships. As a result of the high demand and increased freight rates, resin prices have increased as well as related freight costs. Resin supply was further constrained during late-February 2021 to early-April 2021 as a result of severe winter storms that forced the shutdown of key resin production facilities in the southern United States. When a complete shutdown of a resin production facility is required, the process to restart these facilities can typically take several weeks to get back to full production output levels. Nearly all of our resin suppliers had issued force majeure notices during Q3 Fiscal 2021 and were allocating reduced supply to customers. Since mid-April, resin production has significantly restored to pre-storm levels, however, as of August 2021, several resin suppliers still had force majeure notices in place. The increase in resin prices has impacted our Q4 Fiscal 2021 results and we expect it to have a significant impact in future periods on our cost of sales.

During March to May 2020, the peak of COVID-19 related shutdowns, the Company pre-emptively drew $85.0 million on its revolving credit facilities to ensure it had ample liquidity to fund its operations during the pandemic. By September 30, 2020 the $85.0 million outstanding on the revolver was fully repaid.

Due to prolonged shutdown of operations from COVID-19 from March 2020 to May 2020, and a slow ramp up of operations in June 2020, the Company worked with its syndicate of lenders to amend its Credit Agreement to provide financial covenant relief due to conditions caused by COVID-19. On July 30, 2020, the Company completed the amendment to its Credit Agreement providing financial covenant relief over the following 12 months. The amendments provide that, among other things, the Company's calculation of Total Net Debt to EBITDA Ratio, which is based on the trailing four quarters, would exclude EBITDA (as such terms are defined in the Credit Agreement) from the quarter ended June 30, 2020, and instead would be based on the annualized total of the remaining three applicable quarters (i.e. the sum of the three applicable quarters divided by three fourths). As a result, the impact of the COVID-19 related shutdown of the industry, including most of the Company's and its customers' operations, which occurred during the fourth quarter of Fiscal 2020, would be ignored for the purpose of financial covenant calculations under the Credit Agreement during the period of relief.

Impacts of COVID-19 and/or its resurgence, including significant worsening of economic conditions or reduction in production volumes, could deteriorate the financial condition of our supply base, our Company or of our customers, which could lead to, among other things: increased credit risk for us; elevated absenteeism or potential shortages of employees to staff our facilities or the facilities of our customers or suppliers; disruptions or shortages in the supply of critical components and materials (including semiconductors and resin) to us or our customers; temporary shut-downs or slowdowns of one of our production lines or the production lines of one or more of our customers; prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; and/or result in governmental regulation adversely impacting our business; all of which could have a material adverse effect on financial condition, and results of operations. In addition, certain events may prevent us from supplying products to our customers or prevent our customers from being supplied with products necessary for production of vehicles for which our products are built, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and may in the future result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on our business, financial condition, and results of operations.

The COVID-19 pandemic is an evolving situation and may continue to have widespread adverse implications on our business environment, operations, cash flows and financial position. The extent of the impact will depend on various factors, including the rate at which economic conditions, operations and demand for vehicles return to pre-COVID-19 levels, any continued or future governmental orders or lock-downs due to COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations. Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date may significantly affect household income and wealth beyond Fiscal 2021, which would likely directly affect vehicle sales and thus production. Refer also to discussion of the impact of and risk associated with COVID-19 for the business of the Company under heading "Pandemics and epidemics (including the ongoing COVID-19 pandemic), natural disasters, terrorist activities, political unrest, and other outbreaks" in the "Summary of Factors Affecting Our Performance" section of this MD&A.

Non-IFRS Measures and Key Indicators

This MD&A uses certain non-IFRS financial measures and ratios. Management uses these non-IFRS financial measures for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our financial condition, business performance and trends. These measures are not recognized measures under

IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation, nor as a substitute, for analysis of our financial information reported under IFRS. We use non-IFRS financial measures including Net Debt, EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and Adjusted Free Cash Flow Conversion to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when using IFRS financial measures. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance as these measures are widely used by investors, securities analysts and other interested parties.

"Net Debt" means (i) long-term debt less cash plus (ii) proportionate long-term debt held at joint ventures less proportionate cash held at joint ventures.

"EBITDA" means net earnings (loss) before interest expense, income tax expense (recovery), depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of intangible assets.

"Adjusted EBITDA" means EBITDA plus: loss on disposal and write-down of assets, unrealized loss (gain) on derivative financial instruments, impact of the OEM strikes, transactional, recruitment, and other bonuses, adjustment to acquisition-related payables, business transformation and related costs (which may include severance and restructuring expenses), additional launch and related costs, less our share of income of joint ventures, plus the Company's proportionate share of the EBITDA generated by our joint ventures, plus IPO-related costs, Apollo transaction costs, and share-based compensation expense. We also present Adjusted EBITDA excluding the impact of IFRS 16 by charging the lease payments applicable to those periods to expense as was the case prior to IFRS 16 – Leases ("IFRS 16"). The purpose of this is to allow direct comparability of these periods to Adjusted EBITDA performance in prior periods, which have been calculated under the previous accounting standards.

"Adjusted EBITDA Margin" means Adjusted EBITDA divided by sales adjusted to include the proportional share of joint venture sales attributable to ABC as well as estimated net lost sales in Fiscal 2020 due to the strike called by the workers of one of our OEM customers that closed all of such OEM customer's vehicle production and parts distribution facilities in the United States from September 16, 2019 to October 25, 2019 (the "2019 OEM Strike").

"Adjusted Free Cash Flow" means Net Cash Flows from Operating Activities less: purchases of property, plant and equipment, additions to intangible assets, lease payments, plus: proceeds from disposal of property, plant, and equipment; cash dividends received from joint ventures; and one time advisory, bonus and other costs associated with the IPO.

"Adjusted Free Cash Flow Conversion" means Adjusted Free Cash Flow divided by Adjusted EBITDA.

Summary of Factors Affecting Our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to, and may pose, a number of inherent risks and challenges, including those discussed below. See also "Risk Factors" section in ABC Technologies Holdings Inc.'s final long form prospectus dated February 12, 2021, as amended by amendment no. 1 dated February 16, 2021, for further information.

Macroeconomic Conditions and Auto Industry Fundamentals

Our sales are principally driven by the strength of North American light vehicle production, particularly light trucks which include crossover utility vehicles ("CUVs"), sport utility vehicles ("SUVs") and pick-up trucks, and the level of demand for new light vehicles that are manufactured using our products. In North America, both demand for light vehicles and production of light vehicles are generally positively correlated with GDP. Management also believes that both demand for light vehicles and production of light vehicles are driven by a combination of macroeconomic and certain industry fundamentals which include, among other things, access to credit, used versus new vehicle pricing, average light vehicle age, and fuel prices. Additionally, light vehicle production can be influenced by industry trends. Variations in North American macroeconomic conditions, including, those resulting from the effects of COVID-19 pandemic, and/or certain industry fundamentals that collectively result in a change in new vehicle sales and production by our customers have impacted and will continue to impact our sales.

Industry Trends

The North American auto parts industry is subject to secular trends, such as mix shifts towards light trucks and electric vehicles as well as increasing fuel efficiency standards. We believe we are well positioned to respond to evolving consumer preferences and increasing fuel efficiency standards. Our core technologies support large, highly engineered, lightweight parts and advanced material alternatives. Electric vehicles also continue to grow as a percentage of total light vehicle sales and benefit from lightweighting which enhances battery range. The majority of our products are generally usable in either traditional internal combustion engine vehicles or electric vehicles. In North America, light trucks sales, to which our business is strongly weighted, continue to grow as a percentage of total light vehicle sales. As fuel efficiency standards continue to increase, we believe our lightweight plastic products and solutions will continue to provide the opportunity to realize higher average dollar content per vehicle ("CPV") for the products we make and continue to develop as they replace traditional products made of heavier materials to improve fuel efficiency.

Organic Sales Growth

Our ability to generate organic sales growth depends on our ability to: increase the breadth and depth of products that we supply to existing customers; win new contracts and renewals or extensions of existing contracts; and, win business with new customers. We believe that executing this strategy will continue to drive our organic sales growth and Adjusted Free Cash Flow generation. We believe our longstanding, collaborative, and deeply integrated customer relationships, extensive technological capabilities and track record of developing innovative solutions positions us well to drive continued business wins.

Sourcing

Our future profitability is dependent on our ability to optimize our sourcing of materials at competitive pricing, including resin, components, equipment, and tooling equipment (molds, fixtures and assembly equipment).

Resins represent a significant portion of our material costs, which is generally the largest component of our cost of sales. Resins, which in many cases are of a specific engineered grade, are subject to price fluctuations, including those arising from supply and demand movements and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced, and that have recently exhibited a high level of volatility. The COVID-19 pandemic has resulted in increased demand for resin in multiple industries. Additionally, growing export activity from Asia has created a shortage of available containers for shipping commodity products and consequently, resin shipments are competing against retail and other goods for containers and transportation space on ships. As a result of the high demand and increased freight rates, resin prices have increased as well as related freight costs. Resin supply was further constrained during late-February 2021 to early-April 2021 as a result of severe winter storms that forced the shutdown of key resin production facilities in the southern United States. When a complete shutdown of a resin production facility is required, the process to restart these facilities can typically take several weeks to get back to full production output levels. Nearly all of our resin suppliers had issued force majeure notices during Q3 Fiscal 2021 and were allocating reduced supply to customers. Since mid-April, resin production was significantly restored to pre-storm levels, however, as of August 2021, several resin suppliers still had force majeure notices in place. The increase in resin prices has impacted our Q4 Fiscal 2021 results and we expect it to have a significant impact in future periods on our cost of sales.

A significant portion of our parts sales are indexed to resin prices or have other commercial means to mitigate the impact of resin price volatility; in some cases, resin indices are used to adjust selling prices on a prospective basis. In some cases the resin price is set by the customer and the supplier and any adjustment for market changes is done between the customer and the supplier without ABC involvement. For the sales that are not indexed, we typically seek to adjust pricing with our customers to recover the impact of any negative long-term fluctuations in resin prices. In respect of approximately 50% of our resin contracts we have customer pricing mechanisms or other commercial practices in place that help to insulate us or reduce our exposure to market fluctuations in resin prices.

Components make up a significant portion of our material costs. Often components are assembled or otherwise integrated with the molded parts we make in our manufacturing processes forming a part of our contract requirements. These components are most often engineered for the specific application. The Company generally controls the decision making for sourcing qualified suppliers for components. However, certain components sourcing is directed by customers such that the supplier, the part specifications and the cost of the part to be supplied is negotiated directly by the customer. Customers pay this cost plus a nominal handling fee to manage this sourcing. The most significant component of our customer-directed sourcing business is related to consoles which we supply to our largest OEM customer. While these customer-directed console components contributed to approximately 10% of our Sales for Fiscal 2021 it had a negligible impact on our profitability. We expect this pass-through content will significantly decline over the next five years.

Every molded part we manufacture is produced from a mold engineered and manufactured to specific part dimensions and many parts are further assembled using various fixtures and assembly equipment which is often highly automated. Competitive sourcing of molds, fixtures and assembly equipment, collectively referred to as tooling, is an important part of the customer value proposition we provide. Through a vertically integrated subsidiary, the Company manufactures certain of the tooling used in production. The remainder of our tooling used in production is sourced from qualified third-party suppliers.

Foreign Exchange

Our functional currency is the U.S dollar (“USD”). The Company also has transactions denominated in CAD and Mexican pesos (“MXN”) because we sell certain goods into the Canadian and Mexican markets in their local currencies and purchase goods and services from Canada and Mexico. To a lesser extent we have transactions denominated in Brazilian real, euros, Japanese yen and Chinese renminbi. As a result, changes in those currencies to USD exchange rates can impact our business, results of operations, and result in foreign currency gains or losses.

The Company manages a portion of its foreign currency risk by using foreign currency derivatives to cover forecast purchase transactions that are expected to occur. When a foreign currency derivative is entered into for this purpose, the Company negotiates the terms of the foreign currency derivative to closely match the maturity dates of the hedged exposure.

Seasonality

Our business for the sale of parts and assemblies to our OEM customers exhibits moderate seasonality that is driven by the production cycle of those customers. Specifically, our largest North American OEM customers typically halt production for approximately two weeks in July/August and late December/early January. However, if retail demand for a vehicle is high enough, or inventories are low enough, customers may produce certain models through these periods. While certain variable costs can be managed to match seasonal patterns, a portion of our costs are fixed and cannot be adjusted for this limited seasonality impact. For these reasons, our sales and Adjusted EBITDA tend to be lower in our first and second fiscal quarters of each year. Tooling sales are determined by customer timing which is generally tied to product launch schedules which vary in magnitude and timing.

Competition

We operate in a highly competitive industry. We believe we are well positioned to maintain or grow our sales in our key product groups through collaborative and long-standing relationships with our customers, the ability to develop innovative custom solutions to changing technical requirements and through our product quality, operational flexibility, reliability, timeliness of delivery, geographic location, and price competitiveness.

Dependence upon large-volume customers

Although the Company supplies parts to major OEMs, a significant majority of its sales are to a few customers. While the Company continues seeking opportunities to diversify its business, including its product offerings and programs with existing customers, there is no assurance it will be successful. Shifts in market share away from its top customers or inability to increase its market share with existing customers could have a material adverse effect on the Company’s profitability. A loss of any or all of the Company’s top customers’ business or the termination or discontinuation of such customers’ programs without replacement or new business wins would be expected to have a material adverse effect on the Company’s business, financial condition and results of operations.

Pandemics and epidemics (including the ongoing COVID-19 pandemic), natural disasters, terrorist activities, political unrest, and other outbreaks

Global pandemics, epidemics or disease outbreaks in North America or globally, as well as hurricanes, earthquakes, tsunamis, or other natural disasters and severe weather conditions could disrupt the Company’s business operations, reduce or restrict the Company’s supply of materials and services, result in significant costs to protect the Company’s employees and facilities, or result in regional or global economic distress, which may materially and adversely affect the Company’s business, financial condition, and results of operations. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on the Company’s business, financial condition, and results of operations. Any one or more of these events may impede the Company’s production and delivery efforts and adversely affect the Company’s sales results, possibly for a prolonged period of time, which could materially and adversely affect the Company’s business, financial condition, and results of operations.

The current COVID-19 pandemic has adversely affected many aspects of the Company’s business, including production, supply chain, and sales and delivery, as well as financial results. The Company's financial results have been negatively impacted by disruptions and shortages in the supply of critical components and materials globally (including semiconductors and resin) which were indirect outcomes of the COVID-19 pandemic.

As part of global efforts to mitigate the spread of COVID-19, the Company instituted temporary full or partial shutdowns at many of its manufacturing facilities from March 2020 to May 2020, and as at the end of August 2021, is operating most of its corporate and regional offices through remote work arrangements. While further short-term and continuing shutdowns, whether partial or full, may necessitate temporary layoffs of employees, prolonged shutdowns may impair the Company's ability to resume operations as and when the pandemic eases.

Further, while the Company has taken measures to mitigate the risk of outbreaks or spread of COVID-19 at its facilities, if employees were to contract COVID-19 at the Company's facilities, the Company could face legal liability as an employer. On November 20, 2020, the Ontario government passed Bill 218, the Supporting Ontario's Recovery and Municipal Elections Act, 2020. This legislation provides limited liability protection to individuals, businesses and other organizations that act or make good faith efforts to follow law and public health guidelines and act without gross negligence against certain COVID-19 exposure-related lawsuits. While the Company makes efforts to comply with the requirements of the legislation, as at the end of August 2021, there remained limited litigation involving this legislation and it remains unclear whether this legislation can serve as a basis for successful legislative defense on which the Company can rely on in connection with all potential COVID-19 exposure-related liability.

Impacts of COVID-19 and/or its resurgence, including significant worsening of economic conditions or reduction in production volumes, could deteriorate the financial condition of our supply base, our Company or of our customers, which could lead to, among other things: increased credit risk for us; disruptions or shortages in the supply of critical components to us or our customers; and/or temporary shut-downs or slowdowns of one of our production lines or the production lines of one or more of our customers; all of which could have a material adverse effect on business, financial condition, and results of operations. In addition, certain events may prevent us from supplying products to our customers or prevent our customers from being supplied with products necessary for production of vehicles for which our products are built, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and may in the future result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on our business, financial condition, and results of operations.

The COVID-19 pandemic has had a global economic impact on the financial markets, and the extent to which it may affect the Company's results of operations will depend on future developments, which are highly uncertain and cannot be predicted. The Company cannot ensure that the COVID-19 pandemic will be eliminated or contained in the near future, or at all, or that one or more similar outbreaks will not occur in the future. If the COVID-19 pandemic and the resulting disruption to the Company's business were to extend for a prolonged period, it could materially and adversely affect the Company's business, financial condition, and results of operations.

Environmental Matters

Foreign, federal, state, provincial and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies, including, without limitation, CAFE standards and California's agreement with major OEMs to increase fuel efficiency. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, the Company cannot currently determine the effect such legislation and regulation may have on its operations or on the production of, or demand for, vehicles, including light trucks. There is a risk that, as part of their lightweighting initiatives and/or in an effort to respond to the standards set forth or proposed in such climate change related energy legislation and regulations, OEM's may transition the installation of certain automotive components (including products currently supplied by the Company) to after-market or dealer-installed options. Such transition to after-market or dealer installation, should it occur, could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the physical occurrence of severe weather conditions or one or more natural disasters, whether due to climate change or naturally occurring, such as, floods, wild fires, tornadoes, hurricanes, severe storms, and earthquakes in the United States, Canada, Mexico or in a country in which the Company operates or in which its suppliers or customers are located could have a material adverse effect on its business, financial condition and results of operations. Such events could result in: (i) physical damage to and complete or partial closure of one or more of the Company's or its customers' manufacturing facilities; (ii) temporary or long-term disruption in the supply of raw materials from the Company's suppliers; (iii) disruptions to the Company's production or ability of the Company's employees to work efficiently; and/or (iv) disruptions or delays in the transport of the Company's products to its customers or their vehicles to their customers.

Capital and Liquidity Risk

The Company's ability to obtain additional financing, in the form of debt or equity, may affect our performance in various ways, including:

- limiting our ability to fund future working capital, capital expenditures, capacity expansion, acquisitions, or other general corporate requirements and increasing our cost of borrowing;
- requiring a portion of our cash flow to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flow available for working capital, capital expenditures, capacity expansion, acquisitions, and other general corporate purposes;
- requiring the net cash proceeds of certain equity offerings to be used to repay our debt as opposed to other purposes;
- exposing us to the risk of increased interest rates as certain of our borrowings have variable rates of interest; and
- limiting our flexibility in planning for and reacting to changes in the industries in which we compete.

Our Credit Agreement contains a number of restrictive covenants that impose operational and financial restrictions on us, including restrictions on our ability to incur certain liens, make investments and acquisitions, incur or guarantee additional indebtedness, pay dividends or make other distributions, or enter into certain other types of contractual arrangements affecting our subsidiaries or indebtedness.

The Credit Agreement also contains restrictions on the incurrence of additional indebtedness and those restrictions are subject to a number of qualifications and exceptions. We may also seek to amend or refinance one or more of our debt instruments to permit us to finance our growth strategy or improve the terms of our indebtedness. However, there can be no assurances that such debt instruments will be available on competitive or acceptable terms or at all.

Dependence upon key personnel

The success of the Company is dependent on the services of a number of the members of its senior management. The experience and talents of these individuals will be a significant factor in the Company's continued success and growth. In addition, the Company's continued success depends in part on its ability to recruit, retain and motivate highly skilled sales, manufacturing, tooling and engineering personnel. Competition for persons in the automotive industry is intense, and the Company may not be able to successfully recruit, train or retain qualified personnel. If the Company fails to recruit and retain the necessary personnel, its ability to obtain new customers and retain existing customers, develop new products, operate, maintain and produce equipment and tooling, and provide acceptable levels of customer service could suffer, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has entered into employment agreements with certain of its key personnel. However, it cannot ensure that these individuals will stay with the Company. If any of these persons were to leave the Company, it could be difficult to replace them, and the Company's operations, ability to manage day-to-day aspects of its business and efforts to improve its cost competitiveness may be impaired, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not currently maintain key man insurance.

Technological Change and Product Development

The Company continues to invest in technology and innovation which it believes will be critical to its long-term growth. Changes in legislative, regulatory or industry requirements or in competitive technologies, including manufacturing processes, may render certain of the Company's products obsolete or less attractive or may result in the Company's operations not being cost-competitive. The Company's ability to anticipate changes in technology and trends and to successfully develop and introduce new and enhanced products and / or manufacturing processes on a timely basis will be a significant factor in the Company's ability to remain competitive. If the Company is unsuccessful or is less successful than its competitors in consistently developing innovative products, processes and / or use of materials, the Company may be placed at a competitive disadvantage, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, if there is a shift away from the use of technologies in which the Company is investing, or a change in trends its costs may not be fully recovered. Further, the Company may be placed at a competitive disadvantage if other technologies in which its investment is not as great, or the Company's expertise is not as developed, emerge as the industry-leading technologies. This could have a material adverse effect on the Company's profitability and financial condition.

The Company is also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance of its customers' programs, delays in product development and failure of products to operate properly. If the Company is unable to respond quickly to changes in technology, customer demands or regulatory requirements, it could have a material adverse effect on the Company's business, financial condition and results of operations.

To compete effectively in the automotive supply industry, the Company must be able to launch new products to meet its customers' demands in a timely manner. The Company cannot ensure, however, that it will be able to install and validate the equipment needed to produce products for new customer programs in time for the start of production or that the transitioning of its manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at its facilities. In addition, the Company cannot ensure that its customers will execute on schedule the launch of their new product programs, for which the Company might supply products. The Company may fail to successfully launch or be affected by its customers' delay in introducing new programs, and its customers may fail to successfully launch new programs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Joint Ventures

Joint venture operations carry a range of risks, including those relating to: failure of the Company's joint venture partner(s) to satisfy contractual obligations; potential conflicts between the Company and its joint venture partner(s); strategic objectives of joint venture partners that may differ from the Company's own; potential delays in decision-making; a limited ability to implement some or all of the Company's policies, practices and controls, or to control legal and regulatory compliance, within the joint venture(s); and other risks inherent to non-wholly-owned operations. The likelihood of such occurrences and their potential effect on the Company vary depending on the joint venture arrangement; however, the occurrence of any such risks could have an adverse effect on the Company's operations, profitability and reputation.

Acquisition and Expansion

The Company may grow through acquisitions of complementary businesses, products or technologies, or by entering into joint ventures. Acquisitions or strategic alliances involve numerous risks, including:

- difficulties in the integration of the acquired businesses or incorporating joint ventures;
- the diversion of the Company's management team's attention from other business concerns;
- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses of, acquisition candidates;
- the assumption of unknown liabilities, including environmental, tax, pension and litigation liabilities, and undisclosed risks impacting the target;
- adverse effects on existing customer and supplier relationships;
- incurrence of substantial indebtedness;
- potentially dilutive issuances of equity securities;
- integration of internal controls;
- entry into markets in which the Company has little or no direct prior experience;
- the potential loss of key customers, management and employees of an acquired business;
- potential integration or restructuring costs;
- the inability to achieve forecast operational and financial synergies; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the Company's rationale for pursuing the acquisition or joint venture.

Dividends

The Company currently does, and anticipates continuing to, pay quarterly cash dividends, subject to the Board's discretion, applicable laws and the terms of our Credit Agreement. Dividends are and will be declared and paid in arrears.

Any determination to pay dividends in the future will be at the discretion of the Board and will depend on many factors, including the Company's financial results, capital requirements, available cash flow, the need for funds to finance ongoing operations, contractual restrictions and covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. ABC Technologies Holdings Inc. is a holding company that does not conduct any business operations of its own. As a result, it is dependent upon cash dividends and distributions and other transfers from its subsidiaries to make dividend payments on its common shares. Its subsidiaries are permitted to pay dividends subject to general restrictions imposed on dividend payments under the jurisdiction of incorporation or organization of each subsidiary. In addition, the agreements governing our indebtedness, such as our Credit Agreement, and agreements governing any of our future indebtedness, may contain various covenants that limit our ability, and that of our subsidiaries, to pay dividends.

Selected Quarterly and Annual Consolidated Financial Information

The following tables provide selected consolidated financial data for the periods indicated.

Selected statement of comprehensive income data	For the three months ended June 30, 2021	2020	For the year ended June 30, 2021	2020
Sales	**$ 233,194**	$ 81,998	**$ 970,850**	$ 822,887
Cost of sales	**200,683**	92,059	**811,333**	723,856
Gross profit (loss)	**32,511**	(10,061)	**159,517**	99,031
Selling, general and administrative	**36,345**	31,696	**132,100**	97,039
Other expense (income)	**(351)**	(247)	**(2,002)**	3,504
Share of income of joint ventures	**848**	3,838	**(5,669)**	(4,601)
Operating income (loss)	**(4,331)**	(45,348)	**35,088**	3,089
Interest expense (net)	**6,831**	9,430	**46,336**	31,518
Loss before income tax	**(11,162)**	(54,778)	**(11,248)**	(28,429)
Income tax expense (recovery)				
Current	**2,262**	(18,198)	**6,106**	(2,903)
Deferred	**(1,676)**	9,571	**(5,693)**	594
Total income tax expense (recovery)	**586**	(8,627)	**413**	(2,309)
Net loss	**$ (11,748)**	$ (46,151)	**$ (11,661)**	$ (26,120)
Earnings (loss) per share - basic and diluted	**$ (0.22)**	$ (0.88)	**$ (0.22)**	$ (0.50)
Other financial and operating metrics				
Adjusted EBITDA	**$ 26,867**	$ (30,510)	**$ 133,359**	$ 89,026
Adjusted EBITDA margin[1]	**10.1%**	(30.9)%	**12.1%**	9.2%
Adjusted Free Cash Flow	**$ (17,082)**	$ (65,766)	**$ 79,284**	$ (68,515)
Adjusted Free Cash Flow Conversion	**(63.6)%**	215.6%	**59.5%**	(77.0)%

1. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales adjusted to include the proportional share of joint venture sales attributable to ABC as well as estimated net lost sales due to the 2019 OEM Strike of $nil for the three months ended June 30, 2021 (2020: $nil) and $nil for the year ended June 30, 2021 (2020: $30.5 million, which reflects a partial recovery of lost sales in Q3 Fiscal 2020). These amounts include the Company's share of the impact on the joint ventures.

Selected statement of financial position data	June 30, 2021	June 30, 2020
Cash	**$ 14,912**	$ 74,058
Proportionate cash held at joint ventures[1]	**8,055**	13,693
Cash including proportionate cash held at joint ventures	**$ 22,967**	$ 87,751
Trade working capital[2]	**40,100**	60,037
Net working capital[3]	**(12,830)**	8,331
Total assets	**855,629**	871,135
Long-term debt[4]	**280,000**	379,200
Proportionate long-term debt held at joint ventures[5]	**—**	—
Long-term debt including proportionate debt held at joint ventures	**$ 280,000**	$ 379,200
Net debt	**$ 257,033**	$ 291,449
Total liabilities	**690,425**	726,296
Total shareholders' equity	**165,204**	144,839

1. Represents 50% of cash held at joint ventures.
2. Trade working capital is calculated as trade and other receivables and inventories less trade payables.

3. Net working capital is calculated as trade and other receivables, inventories, prepaid expenses and other, less trade payables, accrued liabilities and other payables and current portion of provisions.
4. Includes current portion of long-term debt and is net of deferred financing costs.
5. Represents 50% of long-term debt held at joint ventures.

	For the three months ended June 30,		For the year ended June 30,	
	2021	2020	**2021**	2020
Reconciliation of net loss to Adjusted EBITDA				
Net loss	**$ (11,748)**	$ (46,151)	**$ (11,661)**	$ (26,120)
Adjustments:				
Income tax expense (recovery)	**586**	(8,627)	**413**	(2,309)
Interest expense	**6,831**	9,430	**46,336**	31,518
Depreciation of property, plant and equipment	**11,737**	10,921	**46,000**	40,429
Depreciation of right-of-use assets	**3,894**	3,493	**14,291**	13,529
Amortization of intangible assets	**4,558**	4,892	**18,324**	12,437
EBITDA	**$ 15,858**	$ (26,042)	**$ 113,703**	$ 69,484
Loss on disposal and write-down of assets	**37**	431	**516**	1,122
Unrealized loss (gain) on derivative financial instruments	**255**	(1,806)	**95**	2,938
Impact of 2019 OEM Strike[1]	**—**	—	**—**	10,001
Transactional, recruitment and other bonuses[2]	**7,908**	733	**14,653**	733
Adjustment to acquisition-related payable	**—**	—	**—**	(3,343)
Business transformation related costs[3]	**459**	(468)	**6,059**	6,221
Additional launch and related costs[4]	**—**	—	**—**	20,865
Share of loss (income) of joint ventures	**848**	3,838	**(5,669)**	(4,601)
EBITDA from joint ventures[5]	**2,230**	(1,433)	**13,161**	7,974
IPO related costs[6]	**542**	—	**8,278**	—
Share-based compensation expense	**1,044**	—	**1,925**	—
Apollo transaction costs[7]	**3,553**	—	**3,553**	—
Lease payments	**(5,867)**	(5,763)	**(22,915)**	(22,368)
Adjusted EBITDA	**$ 26,867**	$ (30,510)	**$ 133,359**	$ 89,026

1. Represents management's estimate of lost EBITDA associated with the 2019 OEM Strike. The Company estimated lost sales by comparing customer forecast demand from IHS Markit prior to the strike compared with actual releases on a per vehicle basis. This comparison was done by quarter up to the end of February 2020.
2. Represents transactional and recruitment bonuses including bonuses paid to management related to the IPO and Apollo transaction.
3. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes. These costs also include services provided by Cerberus Operations and Advisory LLC and some of ABC's directors in the amount of $0.2 million for Q4 Fiscal 2021 (Q4 Fiscal 2020: $0.3 million), and $1.1 million for Fiscal 2021 (Fiscal 2020: $1.8 million).
4. Represents estimated additional launch costs associated with large programs included in cost of sales and selling, general and administrative expense.
5. EBITDA from joint ventures represents earnings before interest, taxes, and depreciation for the joint venture segment. This excludes any adjustment for the impact of the 2019 OEM Strike.
6. Represents IPO related expenses incurred by the Company consisting mainly of underwriter and professional fees.
7. Represents Apollo transaction costs incurred by the Company consisting mainly of advisory fees paid to unrelated parties.

For information and discussion on Fiscal 2019 results, please refer to the MD&A section of ABC Technologies Holding Inc.'s final long form prospectus dated February 12, 2021, as amended by amendment no.1 dated February 16, 2021.

Results of operations for Q4 Fiscal 2021 compared with Q4 Fiscal 2020

Sales

Sales were $233.2 million in Q4 Fiscal 2021 compared with $82.0 million for Q4 Fiscal 2020, an increase of $151.2 million or 184.4%. According to IHS Markit reports, industry production in North America increased by 132.2% overall for the same period. Sales were higher in Q4 Fiscal 2021 primarily due to the negative impact of COVID-19 during Q4 Fiscal 2020, where the Company, along with the rest of the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations in March 2020 and April 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's financial results during the second half of March 2020 and continued into the fourth quarter of Fiscal 2020. In May 2020, the Company gradually restarted its manufacturing facilities under extensive safety measures aligned with the ramp-up in demands from OEM customers as they also resumed their operations. Sales in Q4 Fiscal 2021 were negatively impacted by the global semiconductor shortages as OEM customer vehicle production was reduced, which impacted the production levels in our plants that supply those customers.

Cost of sales

Cost of sales was $200.7 million in Q4 Fiscal 2021 compared with $92.1 million for Q4 Fiscal 2020, an increase of $108.6 million or 118.0%. As a percentage of sales, cost of sales was 86.1% in Q4 Fiscal 2021 compared with 112.3% in Q4 Fiscal 2020. The increase in cost of sales was primarily driven by the higher sales noted above. As a percentage of sales, cost of sales was lower in Q4 Fiscal 2021 compared with Q4 Fiscal 2020 due to better absorption of overhead costs due to higher sales volumes. The Company recorded $3.5 million during Q4 Fiscal 2021 (Q4 Fiscal 2020: $11.6 million) related to the Canadian Emergency Wage Subsidy ("CEWS"), where the Canadian government provided a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. Of the amount recorded, $2.6 million was applied to cost of sales during Q4 Fiscal 2021 (Q4 Fiscal 2020: $6.6 million) and the remainder was applied to selling, general and administrative expenses. The CEWS benefit helped the Company retain employees on its payroll when plants were shut down and volumes were lower. This benefit was partially offset by higher resin prices, additional costs incurred by the Company for personal protective equipment, increased absenteeism at certain sites, and additional safety protocols implemented by the Company to reduce the risk of COVID-19 spread and infection within its facilities. The Company does not expect to be eligible for CEWS beyond June 5, 2021.

Selling, general and administrative expenses

Selling, general and administrative expenses were $36.3 million in Q4 Fiscal 2021 compared with $31.7 million for Q4 Fiscal 2020, an increase of $4.6 million or 14.7%. As a percentage of sales, selling, general and administrative expenses were 15.6% in Q4 Fiscal 2021 compared with 38.7% in Q4 Fiscal 2020. The increase in selling, general and administrative expenses was primarily driven by $3.6 million of Apollo transaction costs incurred during Q4 Fiscal 2021 and $1.0 million of share-based compensation expense.

Other income or expenses

Other income or expenses includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was $0.4 million for the Q4 Fiscal 2021 compared with $0.2 million in Q4 Fiscal 2020.

Share of loss (income) of joint ventures

Share of income of joint ventures was $0.8 million in Q4 Fiscal 2021 compared with $3.8 million in Q4 Fiscal 2020, a decrease of $3.0 million or 77.9%. Despite higher sales in Q4 Fiscal 2021 compared with Q4 Fiscal 2020, the decrease in income is primarily due to increased freight costs incurred to secure resin supply from overseas locations and higher resin costs.

Interest expense (net)

Interest expense (net) was $6.8 million in Q4 Fiscal 2021 compared with $9.4 million in Q4 Fiscal 2020, a decrease of $2.6 million. The decrease was primarily due to lower debt levels outstanding and amortization of deferred financing costs recorded during Q4 Fiscal 2020.

Total income tax expense (recovery)

Total income tax expense was $0.6 million in Q4 Fiscal 2021 compared with tax recovery of $8.6 million in Q4 Fiscal 2020. The effective rate in Q4 Fiscal 2021 was (5.2)% as compared to 15.7% in Q4 Fiscal 2020. The negative rate in Q4 Fiscal 2021 is primarily due to adjustments in respect of current income tax related to previous year. The lower effective tax rate in Q4 Fiscal 2020 is due to expenses incurred that were not deductible for tax purposes.

Net loss

Net loss was $11.7 million in Q4 Fiscal 2021 compared with $46.2 million in Q4 Fiscal 2020, a decrease of $34.4 million. The decrease was primarily driven by lower operating losses in Q4 Fiscal 2021 compared with Q4 Fiscal 2020 due to the COVID-19 shutdowns in Q4 Fiscal 2020, partially offset by lower income tax expenses.

Adjusted EBITDA

Adjusted EBITDA was $26.9 million in Q4 Fiscal 2021 compared with a loss of $30.5 million in Q4 Fiscal 2020, an increase of $57.4 million or 188.1%. The change in Adjusted EBITDA was driven by the net effect of changes in sales, cost of sales, selling, general and administrative expenses, other expenses and share of income of joint ventures, as discussed above, as well as certain adjustments described under the heading “Selected Quarterly Consolidated Financial Information”. These adjustments have been made for events such as the Apollo transaction in Q4 Fiscal 2021. After considering the impact of these adjustments, the year over year change is primarily attributed to higher sales volumes due to the shutdowns related to the COVID-19 pandemic in Q4 Fiscal 2020.

Results of Operations for Fiscal 2021 compared with Fiscal 2020

Sales

Sales were $970.9 million for Fiscal 2021 compared with $822.9 million for Fiscal 2020, an increase of $148.0 million or 18.0%. According to IHS Markit reports, industry production in North America increased by 12.9% for the same period. The impact of plant shutdowns due to the COVID-19 pandemic and the 2019 OEM Strike during Fiscal 2020 were partially offset by the global semiconductor shortage during the second half of Fiscal 2021 and certain shutdowns due to weather-related issues in the southern United States and other supply chain issues during the second half of Fiscal 2021, which were also an indirect result of the COVID-19 pandemic.

Cost of sales

Cost of sales was $811.3 million for Fiscal 2021 compared with $723.9 million for Fiscal 2020, an increase of $87.5 million or 12.1%. As a percentage of sales, cost of sales was 83.6% for Fiscal 2021 compared with 88.0% for Fiscal 2020. The decrease in cost of sales as a percentage of sales was primarily driven by higher costs incurred Fiscal 2020 due to additional launch and related costs associated with new large programs at certain of the Company’s facilities and lower absorption of overhead as a result of the 2019 OEM Strike and COVID-19 shutdowns mentioned above. The Company recorded $12.8 million during Fiscal 2021 related to CEWS (Fiscal 2020: $11.6 million). Of the amount recorded, $10.3 million was applied to cost of sales during Fiscal 2021 (Fiscal 2020: $6.6 million) and the remainder was applied to selling, general and administrative expenses. The CEWS benefit during Fiscal 2021 and Fiscal 2020 helped the Company retain employees on its payroll when volumes were lower. This benefit was partially offset by additional costs incurred by the Company for personal protective equipment, increased absenteeism at certain sites, and additional safety protocols implemented by the Company to reduce the risk of COVID-19 spread and infection within its facilities. The Company does not expect to be eligible for CEWS beyond June 5, 2021.

Selling, general and administrative expenses

Selling, general and administrative expenses were $132.1 million for Fiscal 2021 compared with $97.0 million for Fiscal 2020, an increase of $35.1 million or 36.1%. As a percentage of sales, selling, general and administrative expenses were 13.6% for Fiscal 2021 compared with 11.8% for Fiscal 2020. The increase in selling, general and administrative expenses was primarily driven by $8.3 million of IPO related costs, $3.6 million of Apollo transaction costs, and $14.7 million of transactional, recruitment, and other bonuses recognized in Fiscal 2021 primarily due to bonuses paid to management related to the IPO and Apollo transaction. There was also $1.9 million of share-based compensation expense recognized for Fiscal 2021. Additionally, there was a $3.3 million gain recorded during Fiscal 2020, which did not occur in Fiscal 2021, related to the settlement of a liability payable to the former owners of the Company. Depreciation and amortization expense is $6.3 million higher for Fiscal 2021 compared with Fiscal 2020 due to the amortization of intangible assets related to programs that went into production in Fiscal 2020. This was partially offset by $3.4 million of lower professional fees primarily due to consultants used during Fiscal 2020 to assist with large program launches at certain of the Company’s facilities.

Other income or expenses

Other income or expenses includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was $2.0 million for Fiscal 2021 compared with an expense of $3.5 million for Fiscal 2020. The changes were primarily driven by $2.5 million of gains on derivative financial instruments recorded during Fiscal 2021 compared with $2.4 million of losses recorded in the comparative period. Losses on disposal and write-down of assets were $0.5 million and $1.1 million for Fiscal 2021 and Fiscal 2020, respectively, and are the result of writing off the remaining net book value of generally older equipment that is disposed of, net of any cash received.

Share of income of joint ventures

Share of income of joint ventures was $5.7 million for Fiscal 2021 compared with $4.6 million for Fiscal 2020, an increase of $1.1 million or 23.2%. The increase was primarily driven by higher sales volumes in Fiscal 2021 compared with Fiscal 2020, partially offset by increased freight costs incurred during Fiscal 2021 to secure resin supply from overseas locations, higher resin costs, and the release of a $2.5 million valuation allowance during Fiscal 2020 related to a deferred income tax asset in Mexico that was no longer required as the operations became profitable.

Interest expense (net)

Interest expense (net) was $46.3 million for Fiscal 2021 compared with $31.5 million for Fiscal 2020, an increase of $14.8 million. The increase was primarily due to the non-cash write-off of unamortized deferred financing costs of $10.6 million related to the former credit facilities and financing costs incurred of $1.2 million as a result of amendments made to the Credit Agreement upon IPO. Additionally, a $5.9 million non-cash gain was recorded during Fiscal 2020 related to the impact of changes in expected cash flows on deferred financing costs compared with $0.2 million gain during Fiscal 2021.

Total income tax expense (recovery)

Total income tax expense was $0.4 million for Fiscal 2021 compared with tax recovery of $2.3 million for Fiscal 2020. The effective rate for Fiscal 2021 was (3.7)% compared with 8.1% during Fiscal 2020. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions, adjustments in respect of current income tax related to previous year recorded in Fiscal 2021, and higher expenses incurred that were not deductible for tax purposes in Fiscal 2020.

Net loss

Net loss was $11.7 million for Fiscal 2021 compared with $26.1 million for Fiscal 2020, a decrease of $14.5 million or 55.4%. The lower net loss in Fiscal 2021 compared with Fiscal 2020 was primarily driven by higher operating income during Fiscal 2021 due to the factors discussed above, including higher sales due to shutdowns related to COVID-19 and the 2019 OEM Strike in Fiscal 2020, partially offset by higher selling, general, and administrative expenses in Fiscal 2021 due to the IPO and Apollo transaction and higher interest expenses in Fiscal 2021 due to the non-cash write-off of deferred financing costs associated with the amendment to the Company's Credit Agreement, which provided for improved terms and lower interest rates.

Adjusted EBITDA

Adjusted EBITDA was $133.4 million for Fiscal 2021 compared with $89.0 million for Fiscal 2020, an increase of $44.3 million or 49.8%. The change in Adjusted EBITDA was driven by the net effect of changes in sales, cost of sales, selling, general and administrative expenses, other expenses and share of income of joint ventures, as discussed above, as well as certain adjustments described under the heading “Selected Quarterly Consolidated Financial Information”. These adjustments have been made for events such as the IPO and Apollo transaction during Fiscal 2021, and events during Fiscal 2020 such as the impact of the 2019 OEM Strike, additional launch costs associated with large programs at certain of the Company’s facilities, partially offset by a gain recorded related to the settlement of a liability payable to the former shareholders of ABC. After considering the impact of these adjustments, the year over year change is primarily attributed to higher sales volumes due to the shutdowns related to the COVID-19 pandemic and the 2019 OEM Strike in Fiscal 2020, partially offset by the global semiconductor shortage, which is an indirect result of the COVID-19 pandemic and to a lesser extent, certain shutdowns due to weather-related issues in the southern United States and other supply chain issues during Fiscal 2021.

Segment Performance

Results of Operations for Q4 Fiscal 2021 compared with Q4 Fiscal 2020

For the three months ended June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[1]	Total Reportable Segments
Revenue						
External customers	$ 221,323	$ 11,871	$ 31,765	$ 264,959	$ (31,765)	$ 233,194
Inter-segment revenues	2,048	150	1,500	3,698	(3,698)	—
Total revenue	**$ 223,371**	**$ 12,021**	**$ 33,265**	**$ 268,657**	**$ (35,463)**	**$ 233,194**
Operating income (loss)	$ (3,835)	$ 346	$ (6,810)	$ (10,299)	$ 5,968	$ (4,331)
Adjusted EBITDA	24,578	59	2,230	26,867	—	26,867

For the three months ended June 30, 2020	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[1]	Total Reportable Segments
Revenue						
External customers	$ 76,310	$ 5,688	$ 16,584	$ 98,582	$ (16,584)	$ 81,998
Inter-segment revenues	2,655	536	690	3,881	(3,881)	—
Total revenue	**$ 78,965**	**$ 6,224**	**$ 17,274**	**$ 102,463**	**$ (20,465)**	**81,998**
Operating income (loss)	$ (37,828)	$ (3,711)	$ (7,272)	$ (48,811)	$ 3,463	$ (45,348)
Adjusted EBITDA	(26,473)	(2,604)	(1,433)	(30,510)	—	(30,510)

1. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.

North America

North America external customer revenue was $221.3 million in Q4 Fiscal 2021 compared with $76.3 million in Q4 Fiscal 2020, an increase of $145.0 million or 190.0%. The increase was primarily due to plant shutdowns in Q4 Fiscal 2020 due to the COVID-19 pandemic, partially offset by lower sales in Q4 Fiscal 2021 due to global semiconductor shortages, which are also an indirect result of COVID-19.

North America Adjusted EBITDA was $24.6 million in Q4 Fiscal 2021 compared with a loss of $26.5 million in Q4 Fiscal 2020, an increase of $51.1 million or 192.8%. After considering the impact of Apollo transaction during Q4 Fiscal 2021, the year over year change is primarily attributed to higher sales volumes as noted above.

Rest of World

Rest of World external customer revenue was $11.9 million in Q4 Fiscal 2021 compared with $5.7 million in Q4 Fiscal 2020, an increase of $6.2 million or 108.7%. The increase was primarily due to lower customer sales volumes in Q4 Fiscal 2020 due to the COVID-19 pandemic.

Rest of World Adjusted EBITDA was $0.1 million in Q4 Fiscal 2021 compared with a loss of $2.6 million in Q4 Fiscal 2020, an increase of $2.7 million. The increase in Adjusted EBITDA was primarily due to higher sales noted above, and as a result, better absorption of costs.

Joint Ventures

ABC's proportionate external customer revenue from Joint Ventures was $31.8 million in Q4 Fiscal 2021 compared with $16.6 million in Q4 Fiscal 2020, an increase of $15.2 million or 91.5%. The increase was primarily due to lower customer sales volumes in Q4 Fiscal 2020 due to the COVID-19 pandemic.

ABC's proportionate Adjusted EBITDA from joint ventures was $2.2 million in Q4 Fiscal 2021 compared with a loss of $1.4 million in Q4 Fiscal 2020, an increase of $3.7 million or 255.6%. After adjusting for increased freight costs incurred during Q4 Fiscal 2021 to secure resin supply from overseas locations, the increase in Adjusted EBITDA was primarily due to higher sales noted above, and as a result, better absorption of costs. This was partially offset by higher resin costs incurred by certain of the joint ventures during Fiscal 2021.

Results of Operations for the year ended June 30, 2021 compared with the year ended June 30, 2020

For the year ended June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[1]	Total Reportable Segments
Revenue						
External customers	$ 921,069	$ 49,781	$ 129,295	$ 1,100,145	$ (129,295)	$ 970,850
Inter-segment revenues	8,929	881	6,283	16,093	(16,093)	—
Total revenue	**$ 929,998**	**$ 50,662**	**$ 135,578**	**$ 1,116,238**	**$ (145,388)**	**$ 970,850**
Operating income (loss)	$ 30,268	$ (855)	$ 7,379	$ 36,792	$ (1,704)	$ 35,088
Adjusted EBITDA	118,296	1,902	13,161	133,359	—	133,359

For the year ended June 30, 2020	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[1]	Total Reportable Segments
Revenue						
External customers	$ 775,879	$ 47,008	$ 112,049	$ 934,936	$ (112,049)	$ 822,887
Inter-segment revenues	7,279	2,320	5,196	14,795	(14,795)	—
Total revenue	**$ 783,158**	**$ 49,328**	**$ 117,245**	**$ 949,731**	**$ (126,844)**	**$ 822,887**
Operating income (loss)	$ 4,032	$ (5,572)	$ 3,580	$ 2,040	$ 1,049	$ 3,089
Adjusted EBITDA	82,123	(2,680)	9,583	89,026	—	89,026

1. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.

North America

North America external customer revenue was $921.1 million for Fiscal 2021 compared with $775.9 million for Fiscal 2020. The impact of plant shutdowns due to the COVID-19 pandemic and the 2019 OEM Strike during Fiscal 2020 were partially offset by the global semiconductor shortage during Fiscal 2021 and certain shutdowns due to weather-related issues in the southern United States and other supply chain issues during Fiscal 2021, which were also an indirect result of the COVID-19 pandemic.

North America Adjusted EBITDA was $118.3 million for Fiscal 2021 compared with $82.1 million for Fiscal 2020, an increase of $36.2 million or 44.0%. After considering the impact of events such as the IPO and Apollo transaction during Fiscal 2021, and events during Fiscal 2020 such as the impact of the 2019 OEM Strike, additional launch costs associated with large programs at certain of the Company's facilities and a gain recorded related to the settlement of a liability payable to the former shareholders of ABC, the year over year change is primarily attributed to higher sales volumes due to the shutdowns related to the COVID-19 pandemic and the 2019 OEM Strike in Fiscal 2020, partially offset by the global semiconductor shortage, which is an indirect result of the COVID-19 pandemic and to a lesser extent, certain shutdowns due to weather-related issues in the southern United States and other supply chain issues during Fiscal 2021.

Rest of World

Rest of World external customer revenue was $49.8 million for Fiscal 2021 compared with $47.0 million for Fiscal 2020, an increase of $2.8 million or 5.9%. The increase is primarily due to lower sales volumes in Fiscal 2020 due to COVID-19, partially offset by lower tooling sales in Fiscal 2021 compared with Fiscal 2020.

Rest of World Adjusted EBITDA was $1.9 million for Fiscal 2021 compared with a loss of $2.7 million for Fiscal 2020, an increase of $4.6 million. The increase in Adjusted EBITDA was primarily due to higher sales volumes in Fiscal 2021 compared with Fiscal 2020 and better absorption of overhead costs, as well foreign exchange losses recognized in Brazil during Fiscal 2020 as the Real weakened against the USD due to economic conditions caused by COVID-19.

Joint Ventures

ABC's proportionate external customer revenue from Joint Ventures was $129.3 million Fiscal 2021 compared with $112.0 million Fiscal 2020, an increase of $17.2 million or 15.4%. The increase was primarily driven by lower sales volumes in Q4 Fiscal 2020 due to COVID-19, as well as the negative effect of the 2019 OEM Strike on Fiscal 2020, partially offset by lower sales volumes during Fiscal 2021 due to the global semiconductor shortage.

ABC's proportionate Adjusted EBITDA from joint ventures was $13.2 million for Fiscal 2021 compared with $9.6 million for Fiscal 2020, an increase of $3.6 million or 37.3%. After adjusting for increased freight costs incurred during Fiscal 2021 to secure resin supply from overseas locations, the increase is primarily due to higher sales as noted above, partially offset by higher resin costs in Fiscal 2021 compared with Fiscal 2020.

Quarterly Results

The following table summarizes the results of ABC's operations for the eight most-recently completed fiscal quarters. This unaudited quarterly information has been prepared in accordance with IFRS, with the exception of EBITDA and Adjusted EBITDA.

Due to seasonality and other factors, the results of operations for any quarter are not necessarily indicative of the results of operations for the full fiscal year, as Sales in the first six months of the fiscal year are usually lower than the last six months. See "*Summary of Factors Affecting Our Performance*" and "*Seasonality*" sections within this MD&A.

	Fiscal 2021				Fiscal 2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Quarterly results								
Sales	$ 233,194	$ 217,926	$ 261,327	$ 258,403	$ 81,998	$ 239,338	$ 250,035	$ 251,516
Net earnings (loss)	(11,748)	(20,695)	11,461	9,321	(46,151)	2,080	10,008	7,943
EBITDA	15,858	13,295	42,360	42,190	(26,042)	31,546	35,052	28,928
Adjusted EBITDA	26,867	25,450	40,802	40,240	(30,510)	29,849	48,090	41,597

Liquidity and Capital Resources

Overview

The Company's primary sources of liquidity and capital resources are cash generated from operating activities, as well as borrowings and amounts available to be drawn under its credit facilities. The principal uses of funds are operating expenses, working capital and capital expenditures (together, the "Funding Requirements").

As at June 30, 2021, the Company's Trade Working Capital and Net Working Capital deficit was $40.1 million and $12.8 million, respectively, with cash on hand including the Company's proportionate share of cash held at joint ventures totaling $23.0 million. The Company actively manages its working capital and believes it is prudent practice to keep its Net Working Capital low or even negative. As such, it manages its trade and other receivables very closely and has low amounts past due and low levels of bad debt. The Company also actively manages its inventory levels, in order to keep low levels of inventory for parts so as to reduce the risk of part obsolescence, and this practice contributes to the Company's low or negative Net Working Capital Levels. At the end of Fiscal 2021, the Company had increased inventory in certain areas to protect customer production schedules in light of the supply disruptions largely caused by COVID-19. The Company expects that its current resources, including funds available to be drawn under its credit facilities and an ability to sell a portion of its receivables, will be sufficient to fund the Company's operations and capital expenditures for at least the next 12 months.

We believe that our current sources of liquidity and capital will be sufficient to finance our continued operations, our growth strategy and the additional expenses we expect to incur as a public company. There can be no assurance, however, that our business will generate sufficient cash flows from operating activities or that future borrowings will be available under our credit facilities or otherwise to enable us to service our indebtedness or to make capital expenditures in the future. Our future operating performance and our ability to service or extend our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Credit Agreement

Prior to the IPO, the Company had a Credit Agreement with a syndicate of lenders which consisted of (i) a $293.0 million term facility maturing on May 9, 2023 (June 30, 2020: $305.0 million), (ii) a $130.0 million revolving credit facility and two swingline facilities in the aggregate amount of $20.0 million (the "Revolver A") maturing on May 9, 2023, (iii) an additional $50.0 million revolving credit facility maturing on April 16, 2021 (the "Revolver B" and together with the Revolver A and the term facility, the "Credit Facilities"). Prior to the IPO, no amounts were drawn on either Revolver A or Revolver B (June 30, 2020: $85.0 million drawn on Revolver A).

On February 22, 2021, immediately after the closing of the IPO, the Credit Agreement was amended to increase the size of Revolver A to $450.0 million, inclusive of two swingline facilities in the aggregate amount of $20.0 million. On the same day, $293.0 million of Revolver A was used to settle the outstanding term facility. The $50.0 million unused Revolver B was terminated. As a result of the amendment, the unamortized balance of the deferred financing costs on the former term facility of $9.3 million was written off, as well as $1.3 million of unamortized deferred financing costs on the former revolving credit facilities. The Company incurred $1.2 million of financing fees for the amendment. These amounts were included as interest expense in the consolidated statement of comprehensive income.

At June 30, 2021, the Company had aggregate amounts outstanding under the Credit Facilities of $280.0 million, maturing February 22, 2025.

Borrowings under the Credit Facilities bear interest at short-term floating rates plus a fixed spread, which varies in accordance with the Company's Total Net Debt to EBITDA Ratio (as defined in the Credit Agreement). As at June 30, 2021, the average interest rate on the Credit Facilities was 3.38% (June 30, 2020: 3.36%) and $0.9 million (June 30, 2020: $2.5 million) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at June 30, 2021, the Company was in compliance with all of its covenants.

The Credit Facilities are collateralized by a security agreement over the property and assets of a majority of the wholly-owned subsidiaries of the Company.

As at June 30, 2021, the Company had cash balances of $14.9 million (June 30, 2020: $74.1 million) and $169.1 million available on its Credit Facilities (June 30, 2020: $112.5 million). The Company had total liquidity of $184.0 million as at June 30, 2021 (June 30, 2020: $186.6 million).

As at June 30, 2021, the Company had interest rate swap agreements with a total notional amount of $225.0 million (June 30, 2020: $225.0 million) whereby the Company pays a weighted average fixed interest rate of 1.56% (June 30, 2020: 1.56%) and receives interest at a floating rate equal to 1-month USD LIBOR on the total notional amount. The interest rate swap agreements mature in May 2023.

Debt covenants at June 30, 2020

During the months of May and June 2020, the Company worked with its lenders to amend the Credit Facilities to provide covenant relief due to conditions caused by COVID-19. As at June 30, 2020, a term sheet had been agreed with the agent bank as well as a timeline to complete an amendment by July 31, 2020. As at June 30, 2020, the Company had obtained a suspension of compliance with its covenants until July 31, 2020 in full anticipation of successfully completing the amendment. On July 30, 2020, the Company completed the amendment to its Credit Facilities providing financial covenant relief over the following 12 months.

The amendments provide that, among other things, the Company’s calculation of Total Net Debt to EBITDA Ratio (as defined in the Credit Agreement), which is based on the trailing four quarters, would exclude EBITDA from the quarter ended June 30, 2020, and instead would be based on the annualized total of the remaining three applicable quarters (i.e. the sum of the three applicable quarters divided by three fourths). As a result, the impact of the COVID-19 related shutdown of the industry, including most of the Company’s and its customers’ operations, which occurred during the fourth quarter of the Company’s Fiscal 2020, would be ignored for the purpose of financial covenant calculations under the Credit Agreement during the period of relief. The Company understands that the same or similar formula for covenant relief was provided to several other Canadian automotive suppliers related to the disruption caused by COVID-19.

In accordance with IFRS, the Company was required to present its debt as a current liability at June 30, 2020 because at that date it had not completed the amendment such that the Company would have an unconditional right to defer the settlement of the Credit Facilities for at least 12 months. On July 30, 2020, upon obtaining the amendment, the Company re-classified the non-current portion to long-term debt. The Company did not experience an event of default or a breach of its covenants under its Credit Agreement, for which it had not been provided a suspension during the year ended June 30, 2020.

Cash Flows

The following tables and discussion show the significant cash transactions impacting the cash flows of the Company for the years ended months ended June 30, 2021 and 2020.

	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the year ended June 30, 2021	For the year ended June 30, 2020
Summary cash flow statements				
Net cash flows from (used in) operating activities	**$ (11,009)**	$ (45,550)	**$ 115,337**	$ 30,037
Net cash flows used in investing activities	**(14,483)**	(18,138)	**(45,331)**	(96,485)
Net cash flows from (used in) financing activities	**(8,819)**	47,158	**(129,602)**	76,714
Net increase (decrease) in cash	**(34,311)**	(16,530)	**(59,596)**	10,266
Net foreign exchange difference	**376**	(12)	**450**	(802)
Cash, beginning of period	**48,847**	90,600	**74,058**	64,594
Cash, end of period	**$ 14,912**	$ 74,058	**$ 14,912**	$ 74,058

Reconciliation of net loss to net cash flows from operating activities

The table below provides a reconciliation of the adjusting items to reconcile net loss to net cash flows from operating activities for the three months and year ended June 30, 2021 and 2020.

	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the year ended June 30, 2021	For the year ended June 30, 2020
Reconciliation of net loss to net cash flows from operating activities				
Net loss	**$ (11,748)**	$ (46,151)	**$ (11,661)**	$ (26,120)
Adjustments for:				
Depreciation of property, plant and equipment	**11,737**	10,921	**46,000**	40,429
Depreciation of right-of-use assets	**3,894**	3,493	**14,291**	13,529
Amortization of intangible assets	**4,558**	4,892	**18,324**	12,437
Loss on disposal and write-down of assets	**37**	431	**516**	1,122
Unrealized loss (gain) on derivative financial instruments	**255**	(1,806)	**95**	2,938
Interest expense	**6,831**	9,430	**46,336**	31,518
Share of income of joint ventures	**848**	3,838	**(5,669)**	(4,601)
Income tax expense (recovery)	**586**	(8,627)	**413**	(2,309)
Share-based compensation expense	**1,044**	—	**1,925**	—
IPO related costs	**542**	—	**8,278**	—
Changes in:				
Trade and other receivables and prepaid expenses and other	**(30,114)**	20,878	**(40,206)**	49,396
Inventories	**(5,944)**	6,546	**(10,448)**	7,067
Trade payables, accrued liabilities and other payables, and provisions	**13,114**	(37,290)	**75,534**	(57,388)
Cash generated from (used in) operating activities	**(4,360)**	(33,445)	**143,728**	68,018
Interest received	**194**	41	**385**	966
Income taxes recovered (paid)	**(623)**	(995)	**2,784**	(6,624)
Interest paid on leases	**(3,378)**	(3,685)	**(14,115)**	(14,846)
Interest paid on long-term debt and other	**(2,842)**	(7,466)	**(17,445)**	(17,477)
Net cash flows from (used in) operating activities	**$ (11,009)**	$ (45,550)	**$ 115,337**	$ 30,037

Net cash flows used in operating activities for Q4 Fiscal 2021 were $11.0 million compared with $45.6 million for Q4 Fiscal 2020, a decrease of $34.5 million or 75.8%. The decrease in net cash flows from operating activities was driven primarily by lower net loss in Q4 Fiscal 2021 compared with Q4 Fiscal 2020 and changes in net working capital.

Net cash flows from operating activities for Fiscal 2021 were $115.3 million compared with $30.0 million for Fiscal 2020, an increase of $85.3 million or 284.0%. The increase in net cash flows from operating activities was driven primarily by a decrease in net working capital, particularly due to the variance in changes in trade payables, accrued liabilities and other payables and provisions of $132.9 million, partially offset by the variance in changes in trade and other receivables and prepaid expenses and other of $89.6 million, as operations returned to more customary levels during Fiscal 2021 following the significant reduction of business activity in the fourth quarter of Fiscal 2020 due to COVID-19. Cash flow for Fiscal 2021 also benefited from lower net losses before interest expense and IPO related costs, and the receipt of $9.2 million from certain tax refunds.

Net cash flows used in investing activities

	For the three months ended June 30,		For the year ended June 30,	
	2021	2020	**2021**	2020
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	**$ (10,977)**	$ (9,743)	**$ (36,178)**	$ (72,692)
Payment of acquisition-related payable	**—**	—	**—**	(5,455)
Dividends received from joint ventures	**1,118**	—	**7,109**	2,854
Proceeds from disposals of property, plant and equipment	**—**	122	**171**	263
Additions to intangible assets	**(4,624)**	(8,517)	**(16,433)**	(21,455)
Net cash flows used in investing activities	**$ (14,483)**	$ (18,138)	**$ (45,331)**	$ (96,485)

Net cash flows used in investing activities for Q4 Fiscal 2021 were $14.5 million compared with $18.1 million for Q4 Fiscal 2020. The decrease was primarily due to lower additions to intangible assets in Q4 Fiscal 2021 compared with Q4 Fiscal 2020. Net cash flows used in investing activities were $45.3 million for Fiscal 2021 compared with $96.5 million for Fiscal 2020. The decrease was primarily due to lower purchases of property, plant and equipment during Fiscal 2021 compared with Fiscal 2020, as well as lower additions to intangible assets. Capital spending during Fiscal 2021 was primarily maintenance driven as compared with Fiscal 2020, when capital expenditures were made to support several large programs that were launching at certain of the Company's facilities, and significant investments were made to increase capacity. Additionally, there was a payment of a liability to the former owners of the Company during Fiscal 2020 of $5.5 million. Dividends received from joint ventures were higher by $1.1 million and $4.3 million in Q4 Fiscal 2021 and Fiscal 2021 relative to their comparative periods, respectively.

Net cash flows from (used in) financing activities

	For the three months ended June 30,		For the year ended June 30,	
	2021	2020	**2021**	2020
Cash flows (used in) from financing activities				
Change in revolving credit facilities	**$ (5,000)**	$ 50,000	**$ 195,000**	$ 85,000
Repayment of long-term debt	**—**	—	**(305,000)**	—
Principal payments of lease liabilities	**(2,489)**	(2,078)	**(8,800)**	(7,522)
Financing costs	**(99)**	(764)	**(1,835)**	(764)
IPO related costs	**(542)**	—	**(8,278)**	—
Dividends to shareholders	**(689)**	—	**(689)**	—
Net cash flows from (used in) financing activities	**$ (8,819)**	$ 47,158	**$ (129,602)**	$ 76,714

Net cash flows used in financing activities for Q4 Fiscal 2021 were $8.8 million compared with net cash flows from financing of $47.2 million for Q4 Fiscal 2020, a decrease of $56.0 million. During Q4 Fiscal 2021, the Company repaid $5.0 million on its revolving credit facilities, whereas in Q4 Fiscal 2020, the Company pre-emptively drew $50.0 million on its revolving credit facilities to ensure it had ample liquidity to fund its operations during the COVID-19 pandemic.

Net cash flows used in financing activities for Fiscal 2021 were $129.6 million compared with net cash flows from financing activities of $76.7 million for Fiscal 2020, a decrease of $206.3 million. The decrease primarily relates to the repayment of the revolving credit facilities in Q1 Fiscal 2021 of $85.0 million which was borrowed during Q3 and Q4 Fiscal 2020 to support cash flow during the reduction of business activities caused by COVID-19. Additionally, during Fiscal 2021, the Company made repayments on its credit facilities of $25.0 million and incurred $8.3 million of costs associated with its IPO. The Company also amended its credit facility as part of its IPO, which increased the total size of its available revolving credit facilities to $450.0 million. Drawings from the revolving credit facilities were then used to settle the outstanding term facility.

	For the three months ended June 30,		For the year ended June 30,	
	2021	**2020**	**2021**	**2020**
Reconciliation of net cash flows from (used in) operating activities to Adjusted Free Cash Flow				
Net cash flows from (used in) operating activities	**$ (11,009)**	**$ (45,550)**	**$ 115,337**	**$ 30,037**
Purchases of property, plant and equipment	**(10,977)**	(9,743)	**(36,178)**	(72,692)
Proceeds from disposals of property, plant and equipment	**—**	122	**171**	263
Additions to intangible assets[1]	**(4,624)**	(8,517)	**(16,433)**	(21,455)
Principal payments of lease liabilities	**(2,489)**	(2,078)	**(8,800)**	(7,522)
Dividends received from joint ventures	**1,118**	—	**7,109**	2,854
One-time advisory, bonus and other costs associated with the IPO and Apollo transaction	**10,899**	—	**18,078**	—
Adjusted Free Cash Flow	**$ (17,082)**	$ (65,766)	**$ 79,284**	$(68,515)
Adjusted Free Cash Flow Conversion	**(63.6)%**	**215.6%**	**59.5%**	**(77.0)%**

1. Represents capitalized development costs under IAS 38 Intangible Assets.

Adjusted Free Cash Flow was $48.7 million higher for Q4 Fiscal 2021 compared with Q4 Fiscal 2020 primarily due to higher net cash flows from operating activities as discussed above and excluding one-time advisory, bonus and other costs associated with the Apollo transaction.

Adjusted Free Cash Flow was $147.8 million higher for Fiscal 2021 compared with Fiscal 2020 primarily due to higher net cash flows from operating activities as described above and excluding one-time advisory, bonus, and other costs associated with the IPO and Apollo transaction. Additionally, there were lower purchases of property, plant and equipment and lower additions to intangible assets in Fiscal 2021 compared with Fiscal 2020.

Contractual obligations

Our contractual obligations consist of principal repayments on long-term debt, interest on long-term debt, and leases for certain facilities, office equipment and vehicles. Our contractual obligations and commitments as of June 30, 2021 are shown in the following table.

	Within one year	1 - 3 years	4 - 5 years	Thereafter	Total
Contractual obligations					
Long-term debt	$ —	$ —	$ 280,000	$ —	$ 280,000
Interest on long-term debt	$ 9,450	$ 18,900	$ 6,300	$ —	$ 34,650
Lease payments	$ 23,479	$ 44,802	$ 40,471	$ 167,946	$ 276,698

The Company has committed to purchase, within the next 12 months, machinery and equipment for $10.4 million. These commitments will be funded with cash flow from operating activities.

Off balance sheet arrangements

As at June 30, 2021, the Company had letters of credit in place, which were issued under our Credit Facilities, amounting to $0.9 million (June 30, 2020: $2.5 million). These arrangements are in place for certain rental and self insurance agreements.

Risks and Uncertainties

The Company has a risk management program in place, as approved by the Board, which seeks to limit the impact of these risks on the financial performance of the Company and it is the policy to manage these risks in a non-speculative manner.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Interest rate risk and sensitivity
- Foreign currency risk and sensitivity
- Commodity price risk and sensitivity
- Credit risk
- Liquidity risk
- Concentration risk

The sections below present information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or an asset will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity risk. Financial instruments and assets affected by market risk include cash, trade and other receivables, inventories, trade payables, accrued liabilities and other payables, long-term debt, and derivative financial instruments.

Interest rate risk and sensitivity

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with floating interest rates. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At June 30, 2021, after taking into account the effect of interest rate swaps, approximately 80% (June 30, 2020: 58%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have had a negative impact on pre-tax earnings for the three months and year ended June 30, 2021 of $0.0 million and $0.4 million, respectively, (2020: $0.1 million and $0.5 million respectively) on a hedged basis.

Foreign currency risk and sensitivity

Our functional currency is the USD. The Company also has transactions denominated in CAD and MXN because we sell into the Canadian and Mexican markets and purchase goods and services from Canada and Mexico. To a lesser extent we also have transactions denominated in Brazilian real, euros, Japanese yen and Chinese renminbi. As a result, changes in those currencies to USD exchange rates can impact our business, results of operations, and result in foreign currency gains or losses.

The Company manages its foreign currency risk by using foreign currency derivatives to cover forecast purchase transactions that are expected to occur. When a foreign currency derivative is entered into for this purpose, the Company ensures the terms of the foreign currency derivative closely match the maturity dates of the hedged exposure.

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased earnings before income tax for the three months and year ended June 30, 2021 by approximately $0.9 million and $3.3 million, respectively, (2020: $1.0 million and $3.5 million, respectively). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately $0.7 million and $3.1 million for the three months and year ended June 30, 2021, respectively (2020: $0.3 million and $2.7 million, respectively). A weakening would have had the equal but opposite effect, on the basis that all other variables remain constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Commodity price risk and sensitivity

The Board has developed and enacted a risk management strategy for commodity price risk and its mitigation. The Company's operations require the ongoing purchase and manufacture of resin and are affected by the price volatility of resin and its inputs.

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on pre-tax earnings for the three months and year ended June 30, 2021 by approximately $1.9 million and $8.0 million, respectively (2020: $0.6 million and $7.0 million, respectively), and vice versa.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), from its deposits with banks and financial institutions and derivative financial instruments.

Trade receivables

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
As at June 30, 2021	**$ 76,653**	**$ 75,659**	**$ 709**	**$ 173**	**$ 112**
As at June 30, 2020	44,958	42,737	1,526	243	452

Customer credit risk is subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored for collectability.

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company is exposed to concentration of risk with respect to trade receivables. As at June 30, 2021, the Company's three largest customers accounted for 30.1%, 5.9% and 2.0%, respectively, of all receivables owing (June 30, 2020: 22.7%, 13.7%, and 2.6%, respectively).

Deposits with banks and financial institutions

Cash and derivative financial instruments are primarily held with large financial institutions with investment-grade credit ratings. The Company's maximum exposure to credit risk for deposits with banks and financial institutions and derivative financial instruments is their carrying amounts.

Liquidity risk

The Company is exposed to liquidity risk related to its ability to fund its Funding Requirements, including its obligations as they become due. The Company has access to cash and the Credit Facilities, and has the ability to sell a portion of its receivables. The Company monitors its cash balances daily. The Company's objective is to ensure that sufficient liquidity is on hand to meet its Funding Requirements, including its obligations as they fall due while minimizing interest expense.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Disclosure of Outstanding Shares

Prior to the IPO, 100,000 of common shares were outstanding. Immediately before the closing of the IPO, the Company effected a stock split on a one-to-525.22392 basis (the "Pre-Closing Capital Change"), such that immediately prior to the IPO, there were 52,522,392 common shares outstanding.

On February 22, 2021, the Company completed its IPO by way of secondary offering of 11,000,000 common shares of the Company by its shareholder at a price of CAD $10.00 per share, for total proceeds to the shareholder of CAD $110.0 million. The Company did not receive any proceeds from the secondary offering.

As at September 2, 2021, there were 52,536,422 shares, 1,094,698 stock options, 590,992 restricted share units, and 124,254 deferred share units outstanding. Each option will become exercisable for one share at an exercise price of CAD $10.00 per share.

Dividends

On May 7, 2021, the Company declared its first quarterly cash dividend for the quarter ended March 31, 2021 in an amount equal to $0.015833 per common share, with such dividend being paid on June 30, 2021 to shareholders of record as of May 25, 2021. The dividend represented a partial quarter dividend due to the timing of the IPO.

Transactions with Related Parties

Joint Ventures

The following table provides the total amount of transactions that have been entered into with the joint ventures:

	For the three months ended June 30, 2021		For the year ended June 30, 2021		As at June 30, 2021	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	$ 906	$ 2,843	$ 4,323	$ 14,469	$ 1,019	$ 1,833
ABC INOAC Exterior Systems, LLC	—	1,518	—	4,111	84	996
ABCOR Filters	2,094	2	8,243	14	1,114	107
INOAC Huaxiang	—	37	—	182	—	55

	For the three months ended June 30, 2020		For the year ended June 30, 2020		As at June 30, 2020	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	$ 675	$ 2,850	$ 5,009	$ 12,229	$ 599	$ 1,816
ABC INOAC Exterior Systems, LLC	—	660	—	4,958	—	159
ABCOR Filters	$ 705	$ 0	5,382	34	671	68
INOAC Huaxiang	—	30	—	145	—	430

Receivables from joint ventures are non-interest bearing and are normally settled in 30 to 90 day terms.

During the year ended June 30, 2021, the Company received dividends from ABC INOAC Exterior Systems Inc. ABC INOAC Exterior Systems, LLC, INOAC Huaxiang, and ABCOR FIlters in the amounts of $nil, $4.5 million, $1.8 million, and $0.8 million, respectively (2020: $0.5 million, $2.0 million, $nil and $0.4 million, respectively).

Cerberus Operations and Advisory LLC

Cerberus Operations and Advisory LLC, a company under common control with ABC up to June 23, 2021, and some of ABC's directors provided consulting services to the Company. An amount of $0.2 million for the three months ended June 30, 2021 (2020: $0.3 million), and $1.1 million for the year ended June 30, 2021 (2020: $1.8 million) was charged to profit or loss related to these services. As at June 30, 2021, an amount due to related parties of $nil (June 30, 2020: $0.3 million) was included in trade payables and accrued liabilities and other payables.

Compensation of key management personnel of the Company

Key management personnel include senior executives and officers of the Company that are primarily responsible for planning, directing and controlling the Company’s business activities.

The compensation expense associated with key management personnel are as follows:

		2021		2020
Compensation and short-term benefits	**$**	**11.3**	$	6.4
Share-based payments		**0.5**		—
Total	**$**	**11.8**	$	6.4

The amounts disclosed above were recognized as an expense during the reporting period related to key management personnel. Amounts in 2021 include $5.9 million of transactional bonuses paid to key management personnel related to the IPO and Apollo transaction. Amounts in 2020 include termination benefits for key management personnel that were incurred due to organizational changes.

Critical Accounting Estimates

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a significant adjustment to the carrying amount of an asset or a liability affected in future periods. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgments in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

Provisions

The determination of provisions is a complex process that involves judgments about the outcome of future events, the interpretation of laws and regulations, and estimates on the timing and amount of expected future cash flows and discount rates. Changes to these estimates due to factors including, but not limited to, manufacturing process improvements, sales volumes, sales prices, scrap levels, performance period, and required expenditures to fulfill contracts may have a material impact on the amounts presented.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company’s estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a tax authority. The Company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the Company operates.

Fair value of derivatives, hedging, and other financial instruments

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the Company uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period. The Company uses directly and indirectly observable inputs in measuring the value of financial instruments that are not traded in active markets, including interest rate yield curves and foreign exchange rates.

Impairment of non-financial assets

Management applies judgment in assessing the existence of impairment indicators based on internal and external factors. The recoverable amount of a cash-generating unit ("CGU") or an individual asset has been determined as the higher of the CGU's or the asset's fair value less costs of disposal and its value in use. The key estimates the Company applies in determining the value in use include expected future sales, future operating costs, tax rates, discount rates, and terminal growth rate. Management may also be required to make judgments regarding the likelihood of occurrence of a future event. These estimates and assumptions are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Development costs

The recognition of development costs as intangible assets involves judgment to assess the division of activities between research and development, types of costs eligible for capitalization, technical feasibility, and future economic benefits.

Leases

The Company is required to measure the present value of lease liabilities using its weighted-average incremental borrowing rate. The estimation of weighted-average incremental borrowing rate is an inherently complex process and involves the exercise of professional judgment. Changes to the estimates and assumptions used to derive the weighted-average incremental borrowing rate could materially affect the balance of lease liabilities, right-of-use assets, depreciation of right-of-use assets, and interest expense.

Share-based compensation

Share-based compensation in the form of restricted share units ("RSUs"), deferred share units ("DSUs"), and stock options, have been provided to certain of our employees, directors, and others. Share-based compensation expense recognized in respect of these plans is based on the fair value of the awards. Generally, the share-based compensation expense is recognized on a straight-line basis over the vesting of the award subject to continued service with the Company through the vesting date.

Share-based compensation expense related to stock option awards is recognized and measured based on the grant date fair value, which is determined using the Black-Scholes-Merton option pricing model. Some of the inputs into the Black-Scholes-Merton model are subjective, including the expected volatility of the price of the Company's common shares, the expected term of the options, expected dividend yield, and expected forfeiture rates. These estimates involve inherent uncertainties and are based on management judgment.

Tooling inventory

Management applies judgment in determining the appropriateness of costs included in tooling inventory.

Accounting Standards Changes

For information pertaining to accounting changes effective in Fiscal 2020 and Fiscal 2021 and for future fiscal years, please see the Company's consolidated financial statements for the year ended June 30, 2021.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to the Company's management, including its Chief Executive office ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding disclosure. An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in issuers' Annual and Interim Filings ("NI 52-109"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design and implementation of these controls were effective as of June 30, 2021.

Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, the CEO and the CFO have concluded that the design and implementation of the Company's internal controls over financial reporting, as defined by NI 52-109, were effective as at June 30, 2021.

Forward-Looking Statements

Some of the information contained in this MD&A may constitute forward-looking information or contain statements expressing such forward-looking information ("forward-looking statements" and collectively with the forward-looking information expressed thereby, "forward-looking information"). We use words such as "may", "would", "could", "should", "will", "unlikely", "expect", "anticipate", "believe", "intend", "planning", "forecast", "outlook", "projection", "estimate", "target" and similar expressions suggesting future outcomes or events to identify forward-looking information.

Forward-looking information contained herein is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is presented as of the date of this MD&A. Such forward-looking information is intended to provide information about management's current expectations and plans and may not be appropriate for other purposes. While we believe we have a reasonable basis for presenting such forward-looking information, any forward-looking statements expressing it are not a guarantee of future performance or outcomes. Whether actual results and developments conform to our expectations and predictions is subject to a number of factors, risks, assumptions and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict, including, but not limited to:

- the light vehicle industry, including expectations regarding industry trends, growth opportunities, market demand, industry forecasts, overall market growth rates and our growth rates and strategies in light vehicle industry and in light vehicles, both in North America and globally;
- other risks related to automotive industry such as: economic cyclicality regional production volume declines, intense competition; potential restrictions on free trade; trade disputes/tariffs;
- our research and development, innovation, product categories, ongoing development, and our future platforms and programs;
- our OEM customers, including future relationships with our OEM customers and new OEM customers;
- the global semi-conductor shortage;
- other risks related to customer and suppliers, including: OEM consolidation and cooperation; shifts in market shares among vehicles or vehicle segments; shifts in demand for products offered by our OEM customers; dependence on outsourcing; quarterly sales fluctuations; potential loss of any material purchase orders; a deterioration in the financial condition of our supply base, including as a result of the COVID-19 pandemic increased financial pressure, including as a result of COVID-19 pandemic-caused OEM and supplier bankruptcies;
- our assessments of, and outlook for Fiscal 2022 to Fiscal 2026, including expected sales, Adjusted EBITDA, and Adjusted Free Cash Flow for Fiscal 2021;
- our business plans and strategies;
- our competitive position in our industry;
- prices of raw materials, commodities and other supplies necessary for the Company to conduct its business;
- labour disruptions or labour shortages in our facilities, or those of our customers and suppliers, as a result of the COVID-19 pandemic; COVID-19 pandemic-related shutdowns; supply disruptions including disruptions caused by the COVID-19 pandemic and applicable costs related to supply disruption mitigation initiatives, including as a result of the COVID-19; attraction/retention of skilled labour including as a result of the COVID-19 pandemic;
- climate change risks;
- risks associated with private or public investment in technology companies;
- changes in governmental regulations or laws including any changes to trade;

- risks of conducting business in foreign countries, including China, Japan, Mexico, member states of the European Union, Brazil and other markets;
- cybersecurity threats;
- our dividend policy; and
- the potential volatility of the Company's share price.

Forward-looking information in this document includes, but are not limited to, statements relating to: any of the Company's actions made in response to or in connection with the COVID-19 pandemic, including with respect to: employee health and safety; potential adjustments to our production plans to align with our customers' production plans, governmental orders and legal requirements; the ability to attract and retain the workforce required to maintain or grow the Company's operations in the context of the effects of the COVID-19 pandemic on the workforce in certain markets in which the Company operates; the timing of program launches, the growth of the Company and pursuit of, and belief in, its strategies and development and implementation of new product and business; continued investments in its business and technologies, the ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments; the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions; the potential for fluctuation of operating results; and the payment of any dividends as well as other forward-looking statements.

In evaluating forward-looking statements or forward-looking information, we caution readers not to place undue reliance on any forward-looking statement or forward-looking information expressed herein, and readers should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements, including the risk factors listed above as well as these and other risks and uncertainties as may be described in greater detail in the Company's public filings made with the Canadian Securities Administrators and publicly available on the Company's profile at www.sedar.com, or other factors that may fall outside any list of risks and uncertainties. We do not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, or to update the reasons why actual results could differ from those reflected in the forward-looking statements except as required under applicable securities laws in Canada.

Outlook

We compete in the light vehicle segment of the global auto parts industry with a principal focus on North America, including Canada, the United States and Mexico. The North American automotive industry experienced multiple headwinds related to supply shortages during the latter part of our Fiscal 2021, which have significantly impacted auto industry production volumes. These impacts were primarily related to OEM production shutdowns and/or curtailments due to global semiconductor shortages, temporary weather-related impacts of severe weather storms in the southern United States which occurred during Fiscal 2021 and other global supply chain disruptions and materials shortages resulting from the on-going COVID-19 pandemic. These developments have resulted in, among other things, temporary production slow-downs or curtailments, temporary plant closures and delays in planned production at our OEM customers resulting in a reduction of output of certain vehicles which have led to reduced customer orders for parts and assemblies supplied by ABC to its OEM customers. Based on recent OEM customer announcements, the Company anticipates that reduction in volumes could be higher, particularly through the first half of Fiscal 2022. Furthermore, the COVID-19 pandemic has also caused elevated absenteeism and shortages of employees to staff our facilities due to child care needs, quarantines and illness, resulting in inefficiencies and higher labour costs. While these headwinds are expected to be relatively short-term in nature, timing to return to pre-pandemic production levels remains difficult to predict, and their effects are expected to continue into Fiscal 2022.

The on-going and intensified semiconductor-related OEM production shutdowns, curtailments and delays began to impact ABC's platforms in Q3 Fiscal 2021 and have continued into Q1 Fiscal 2022 as OEM customers announced and initiated curtailment of high-volume CUV and full-size pickup truck production where a significant portion of the Company's business is focused. The COVID-19 pandemic has also resulted in increased demand for resin in multiple industries. Additionally, growing export activity from Asia has created a shortage of available containers for shipping commodity products and consequently, resin shipments are competing against retail and other goods for containers and transportation space on ships. As a result of the high demand and increased freight rates, resin prices have increased as well as related freight costs. In addition, to a lesser extent, winter storms Uri and Viola in Q3 Fiscal 2021 resulted in the closure of major Gulf Coast refineries, exacerbating COVID-19-related resin supply shortages and cost pressures and the shut-down of OEM and supplier assembly plants in certain states in the southern United States as the effects of the storms significantly and adversely impacted usual transportation networks in the southern United States. Nearly all of our resin suppliers had issued force majeure notices during Q3 Fiscal 2021 and were allocating reduced supply to customers. Since mid-April, resin production has significantly restored to pre-storm levels, however, as of August 2021, several resin suppliers still had force majeure notices in place. Hurricane season in the southern United States, where many of the resin producers are located, begins in June and runs through November. Although resin production has not been affected by any hurricanes thus far, any such occurrence could further impact resin supply shortages.

The Company is confident these developments and the resulting operational and financial impacts represent temporary and extraordinary or non-recurring events and that they will fully abate, but the full extent of which they will impact its business and operations and those of its OEM customers, including the duration, severity and scope thereof, remain uncertain and cannot be predicted at this time.

Taking into consideration the potential effects of these exigent factors which are currently affecting the industry as a whole, including its OEM customers, and which are expected to continue in Fiscal 2022, the Company has, among other things, proactively engaged in discussions with its syndicate of lenders under the Credit Agreement to explore the availability of additional flexibility for the Company thereunder during this period, including discussing potential amendments to the Credit Agreement to provide for greater flexibility in the calculation of certain financial covenants thereunder. There is no assurance the Company will ultimately obtain any additional flexibility under the Credit Agreement or that any new amendments will not contain further restrictions on the Company and its business.

Notwithstanding the temporary effects of the events described above, we believe we are well positioned to continue driving Sales growth, profitability and Adjusted Free Cash Flow over the next five years. We expect:

- our Sales growth to continue outperforming industry volumes, as forecast by IHS Markit, which are expected to rebound from the COVID-19-related shutdowns;
- to target improvement in Adjusted EBITDA Margin from pre-COVID-19 historical levels;
- to benefit from a capital efficient business model through improvements in capital expenditures versus historical levels and continued working capital initiatives; and
- to opportunistically execute on strategic and accretive acquisitions.

On May 7, 2021, we revised our outlook for Fiscal 2021, as set out below, and we are pleased to report that we were able to deliver on and exceed our revised guidance. Our Fiscal 2021 results exceeded expectations as we booked a record amount of new business for the year, despite the macroeconomic challenges including, but not limited to, the global semiconductor shortages. A comparison of our Fiscal 2021 performance against our revised Fiscal 2021 guidance is as follows:

Key Metric	Updated Fiscal 2021 Outlook	Actual Performance
Sales	$945 million to $965 million	$970.9 million
Adjusted EBITDA	$125 million to $130 million	$133.4 million
Adjusted Free Cash Flow	$70 million to $75 million	$79.3 million

The initial 8 weeks of ABC's Q1 Fiscal 2022 have seen a cycle of unprecedented volume declines and unpredictable current and ongoing production schedules at our OEM customers, brought on by recurring shortages of semiconductor chips. With production stoppages at our OEM customers coming with only days of notice, impacting large volumes and no indication of a change to this cadence in the very near-term, management believes that at this early juncture in our fiscal year, it is not currently practical to provide guidance with a high level of confidence that it can be maintained across the year. ABC will continually monitor the production schedules of our customers and provide guidance in the future when and if these factors can be quantified appropriately.