ABC Technologies Holdings Inc. Reports Q3 Fiscal 2023 Results

Toronto, May 12, 2023 – ABC Technologies Holdings Inc. (TSX: ABCT) ("ABC Technologies", "ABC", or the "Company"), a leading manufacturer and supplier of custom, highly engineered, technical plastics and lightweighting innovations to the North American light vehicle industry, today announced results for the three and nine months ended March 31, 2023 ("Q3 Fiscal 2023") and has declared a quarterly cash dividend of C$0.0375 per share. All amounts are shown in United States Dollars ("$"), unless otherwise noted.

Please click HERE for ABC's Q3 Fiscal 2023 Management's Discussion and Analysis ("MD&A") or refer to the Company's Interim Condensed Consolidated Financial Statements and MD&A for the three and nine months ended March 31, 2023 available on the Company's profile at www.SEDAR.com and on the Company website.

Q3 Fiscal 2023 Highlights

- Q3 Fiscal 2023 Revenue increased by 30.7% to $373.5 million from $285.8 million for the three months ended March 31, 2022 ("Q3 Fiscal 2022").
- Q3 Fiscal 2023 Net Loss of $2.0 million, compared to a Net Loss of $6.3 million in Q3 Fiscal 2022.
- Q3 Fiscal 2023 Adjusted EBITDA[1,2] of $44.3 million, compared with $30.3 million in Q3 Fiscal 2022, with the increase primarily driven by higher sales and gross profit in the quarter from both existing operations as well as acquisitions.
- Q3 Fiscal 2023 Adjusted Free Cash Flow[3] of $28.5 million, up from $7.7 in Q3 Fiscal 2022.
- Dividend of C$0.0375 per share declared.
- On March 1, 2023, the Company acquired 100% of the shares of WMG Technologies Holdings Inc. and its subsidiaries (collectively, "WMGT") for $192.2 million in cash paid upfront, $17.2 million in estimated holdbacks and earn-outs with an estimated fair value of $19.4 million. Based in Windsor, Ontario, Canada, with facilities across North America, WMGT is a leading tier-1 and tier-2 supplier of exterior products, complex tooling for injection molded exterior and interior parts, and other products to global automotive OEMs. The acquisition of WMGT strengthens the Company's exterior products offering, expands its injection molding technical expertise, and brings additional value-added tooling in-house.

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[1] The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures including "Adjusted EBITDA", and "Adjusted Free Cash Flow" as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. For a reconciliation of non-IFRS measures to measures determined in accordance with IFRS, please see heading "Non-IFRS Measures and Key Indicators" below.

[2] Adjusted EBITDA is a non-IFRS measure. For a reconciliation of non-IFRS measures to measures determined in accordance with IFRS, please see heading "Non-IFRS Measures and Key Indicators" below.

[3] Adjusted Free Cash Flow is a non-IFRS measure. For a reconciliation of non-IFRS measures to measures determined in accordance with IFRS, please see heading "Non-IFRS Measures and Key Indicators" below.

- On February 2, 2023, the Company exercised its option to purchase the remaining 10.1% interest in Karl Etzel GmbH and SAM-GmbH (collectively, "Etzel") for EUR 6.0 million ($6.0 million).
- On February 1, 2023, the Company sold its 50% interest in ABC INOAC Exterior Systems Inc. for $13.0 million and its 50% interest in ABC INOAC Exterior Systems, LLC for $10.0 million, and recorded a gain on disposition of $8.8 million and $nil, respectively in Q3 Fiscal 2023. Both of these companies are spoiler and body molding manufacturers with painting capabilities. ABC INOAC Exterior Systems Inc. is located in Canada and Mexico, whereas ABC INOAC Exterior Systems, LLC is located in the United States. During Q2 Fiscal 2023, the Company noted indicators of impairment for its 50% interest in ABC INOAC Exterior Systems, LLC, such as significant cost increases in recent periods and a change in market conditions. As a result, the Company performed an impairment test and recorded an impairment loss of $20.8 million in Q2 Fiscal 2023 for the amount by which the carrying amount exceeded the recoverable amount.
- On June 28, 2022, the Company entered into a conditional agreement to acquire the Washer Systems product line of Continental Automotive GmbH ("Continental") for approximately EUR 20.5 million ($20.2 million). On January 18, 2023, the Company paid Continental EUR 10.3 million ($11.1 million) to terminate the purchase agreement and proposed transaction.
- On October 25, 2022, the Board of Directors approved a plan to exit the Company's facility in Poland. The Company is proactively working with its customers to assist them with securing alternative production sources within and/or outside the Company's operations. A write-down relating to the tooling inventories of $2.0 million was recorded in Q1 Fiscal 2023 and an impairment charge relating to property, plant and equipment of $8.2 million was recorded in Fiscal 2022. The Company also incurred $1.1 million of severance cost in Q2 Fiscal 2023.
- On December 5, 2022, to facilitate the financing of the acquisition of WMGT, the Company amended its Credit Agreement to include a non-revolving Term Facility, under which the Company withdrew the maximum amount of $185.0 million upon the closing of WMGT acquisition. The Company also merged Revolving Facility A and Revolving Facility B into a combined Revolving Facility, inclusive of two swingline facilities in the aggregate amount of $550.0 million. Both the Term Facility and Revolving Facility mature in February 2027. On April 25, 2023, the Company amended its Credit Agreement to add a $10.0 million swingline facility under the Revolving Facility, bringing the total aggregate amount of the swingline facilities to $33.0 million.

Subsequent Events

- On April 18, 2023, the Company completed a sale and leaseback of all the real estate properties acquired in connection with the acquisition of WMGT and one real estate property of the Company and received gross proceeds of $97.9 million.
- On May 1, 2023, the Company entered into a definitive agreement to sell its 50% interest in INOAC Huaxiang for 60.0 million RMB ($8.7 million). INOAC Huaxiang is a manufacturer of HVAC systems, fluid management systems and flexible products based in Ningbo, China.

"As we are now three-quarters of the way through the year, we can look into the rear-view mirror and appreciate the sequential as well as year-over-year improvements that have been made each quarter through our team's focus on optimizing the organization operationally, streamlining our core assets and acquiring accretive businesses," said ABC Technologies' President and Chief Executive Officer, Terry Campbell. "We have seen meaningful progress across all these fronts as the year has progressed and we expect this trend to continue in the coming quarters. We believe we have the core business on solid footing and we are seeing production volumes continue to improve and stabilize just as we are getting ABC's cost structure reset to levels that will allow us to realize the mid-teens profitability levels that we know the business is capable of achieving. The planting of seeds and pruning, so to speak, is beginning to bear fruit and while there is still more work to do as we continue to execute on plan, I'm pleased with the trajectory and want to thank everyone at ABC for all their hard work getting the business where it is today."

Q3 Fiscal 2023 Results of Operations

Sales were $373.5 million in Q3 Fiscal 2023 compared with $285.8 million for Q3 Fiscal 2022, an increase of $87.7 million or 30.7%. Of this increase, $64.3 million is attributable to the acquisitions of dlhBOWLES and Etzel, which had only one month of results in Q3 Fiscal 2022, and the WMGT acquisition completed in Q3 Fiscal 2023, accounting for 73.3% of the increase. The Company also enjoyed slightly better than industry average growth due to its product mix relative to the industry and as a result of improved sales to a number of significant customers as they rebuild their inventory to historical levels. According to IHS Markit reports, industry production in North America increased by 6.8% in Q3 Fiscal 2023 compared to Q3 Fiscal 2022.

Cost of sales was $312.4 million in Q3 Fiscal 2023 compared with $248.3 million for Q3 Fiscal 2022, an increase of $64.1 million or 25.8%, of which $60.3 million is attributable to the acquisitions of dlhBOWLES and Etzel, which had only one month of results in Q3 Fiscal 2022, and the WMGT acquisition completed in Q3 Fiscal 2023. Gross profit was $61.1 million in Q3 Fiscal 2023 compared with $37.4 million in Q3 Fiscal 2022, an increase of $23.6 million as a result of higher production volumes, key platforms, and favourable operating performance, partially offset by the impact of foreign exchange. Although gross profit was higher in Q3 Fiscal 2023, it continued to be affected by higher labor and freight costs, and increased raw material costs, primarily resin, glass, rubber, paint and steel, which the Company attributes to inflationary trends seen throughout both the industry and general economy.

Selling, general and administrative expenses were $60.8 million in Q3 Fiscal 2023 compared with $28.3 million for Q3 Fiscal 2022, an increase of $32.5 million or 114.8%. As a percentage of sales, selling, general and administrative expenses were 16.3% in Q3 Fiscal 2023 compared with 9.9% in Q3 Fiscal 2022.

Significant differences quarter over quarter include:

- higher business transformation related costs in Q3 Fiscal 2023 of $14.4 million
- payment of $11.1 million in Q3 Fiscal 2023 to terminate the proposed Continental acquisition
- higher wages, benefits and professional fees in Q3 Fiscal 2023 of $2.5 million
- higher depreciation and amortization expense in Q3 Fiscal 2023 of $2.3 million

During Q3 Fiscal 2023, the Company recorded a $8.8 million gain on disposal of its investment in ABC INOAC Exterior Systems Inc.

Net loss was $2.0 million in Q3 Fiscal 2023 compared with $6.3 million in Q3 Fiscal 2022, an improvement of $4.4 million or 69.0%. Primary contributors to the change between periods are a $2.4 million tax recovery in Q3 Fiscal 2023 compared to tax expense of $8.1 million in Q3 Fiscal 2022, resulting in a decrease in net loss of $10.5 million, partially offset by a $5.4 million increase in interest expense for Q3 Fiscal 2023 and $0.8 million decrease in operating income for Q3 Fiscal 2023 due to the reasons noted above.

Adjusted EBITDA was $44.3 million in Q3 Fiscal 2023 compared with $30.3 million in Q3 Fiscal 2022, an increase of $14.0 million or 46.3%, primarily due to higher sales and gross profit from both existing operations as well as recently acquired companies.

Adjusted Free Cash Flow was $20.8 million higher for Q3 Fiscal 2023 compared with Q3 Fiscal 2022 primarily due to higher cash flows from operating activities.

Market Dynamics

During Fiscal 2022, demand for the Company's products was negatively impacted by semiconductor supply related issues as well as labor, material and freight costs associated with the COVID-19 pandemic. The shortage of semiconductors resulted in frequent shutdowns and production delays by nearly all OEMs. The cascading effect of significantly reduced sales for the Company resulted in inefficient operations and higher costs. During YTD Fiscal 2023, the impacts of COVID-19 and production call-offs associated with semiconductor shortages began to lessen in severity and production continued to normalize.

We believe that effects of semiconductor shortage and associated OEM production disruptions are temporary for many of our costs and will abate over time when supply conditions are successfully resolved. Presently, we expect costs to remain elevated from now until the end of calendar year 2023. However, it is notable that increased costs in several areas, including, but not limited to labor, benefits, freight and utilities costs are likely not temporary and will remain part of the cost of the business. The Company is in discussions with its largest customers to adjust its prices for the effects of inflation that were not present when the programs were awarded to the Company. The Company is also refining its quoting practices to more proactively address input and conversion costs in its pricing to customers.

Dividend

The Board of Directors today has declared a Q3 Fiscal 2023 quarterly cash dividend of C$0.0375 per share, payable on or about June 30, 2023 to shareholders of record on May 31, 2023.

Conference Call Information

ABC will host a conference call for the investment community today, May 12, 2023 at 8:30am ET to discuss the results of the quarter. The call will also be available to the general public via a live audio webcast available at www.abctechnologies.com/investors.

The dial-in number to participate in the call is:
Toll Free: 1-855-327-6837
Toll/International: 1-631-891-4304

A telephonic replay will be available approximately two hours after the call. The replay will be available until 11:59pm ET on Friday, May 26th, 2023.

Replay Information:
Toll Free: 1-844-512-2921
Toll/International: 1-412-317-6671
Replay Pin Number: 10021759

A webcast replay will be available approximately one hour after the conclusion of the call at www.abctechnologies.com/investors under the Events & Presentations section.

Non-IFRS Measures and Key Indicators

This Press Release 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 EBITDA, Adjusted EBITDA and Adjusted Free Cash Flow 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.

"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, transactional, recruitment, and other bonuses, EBITDA from the Poland facility which will be exited, business transformation and related costs (which may include severance and restructuring expenses), impairment of investment in joint venture, Continental payment, and write-down of inventories, less: our share of loss (income) of joint ventures, plus the Company's proportionate share of the EBITDA generated by our joint ventures, gain on disposal of investment in joint ventures, share-based compensation expense (reversal), and government grants and other. 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").

"Adjusted Free Cash Flow" means net cash flows from (used in) operating activities, less: purchases of property, plant and equipment, additions to intangible assets, lease payments, net impact of hedge monetization, plus: proceeds from disposal of property, plant, and equipment, cash dividends received from joint ventures, and one-time advisory, bonus and other costs.

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Position for the three and nine months ended March 31, 2023 and the Company's interim condensed consolidated financial statements for the three and nine months ended March 31, 2023 can be found at www.sedar.com.

Q3 Fiscal 2023 Financial Results

(Expressed in thousands of United States dollars, unless otherwise specified)

ABC Technologies Holdings Inc.
Consolidated Statement of Financial Position

	March 31, 2023 (unaudited)	June 30, 2022[1]
Assets		
Current assets		
Cash	**$ 55,462**	$ 25,400
Trade and other receivables	**147,164**	122,192
Inventories	**258,916**	152,461
Prepaid expenses and other	**63,305**	42,094
Assets held for sale	**95,445**	—
Total current assets	**620,292**	342,147
Property, plant and equipment	**481,591**	425,645
Right-of-use assets	**175,715**	165,679
Intangible assets	**147,826**	156,844
Deferred income taxes	**9,285**	9,445
Investment in joint ventures	**7,416**	45,556
Derivative financial assets	**626**	3,996
Goodwill	**112,365**	112,369
Other long-term assets	**16,711**	16,392
Total non-current assets	**951,535**	935,926
Total assets	**$ 1,571,827**	$ 1,278,073
Liabilities and equity		
Current liabilities		
Trade payables	**$ 205,009**	$ 147,981
Accrued liabilities and other payables	**215,762**	98,280
Provisions	**17,848**	24,132
Current portion of lease liabilities	**13,257**	13,087
Purchase option	**—**	6,206
Total current liabilities	**451,876**	289,686
Long-term debt	**528,704**	400,000
Lease liabilities	**186,912**	175,940
Deferred income taxes	**18,825**	33,097
Derivative financial liabilities	**7,271**	1,453
Other long-term liabilities	**61,413**	2,137
Total non-current liabilities	**803,125**	612,627
Total liabilities	**1,255,001**	902,313
Equity		
Capital stock	**292,508**	291,960
Other reserves	**1,176**	3,094
Retained earnings	**19,753**	77,453
Foreign currency translation reserve and other	**(5,207)**	(7,524)
Cash flow hedge reserve, including cost of hedging	**8,596**	10,777
Total equity	**316,826**	375,760
Total liabilities and equity	**$ 1,571,827**	$ 1,278,073

[1] The Company revised its June 30, 2022 balances to incorporate the measurement period adjustments as a result of the finalization of purchase price allocations.

ABC Technologies Holdings Inc.
Consolidated Statement of Comprehensive Income (Loss)

(unaudited)	For the three months ended March 31, 2023	For the three months ended March 31, 2022	For the nine months ended March 31, 2023	For the nine months ended March 31, 2022
Sales	**$ 373,487**	$ 285,775	**$1,013,352**	$ 652,629
Cost of sales	**312,399**	248,335	**871,005**	599,163
Gross profit	**61,088**	37,440	**142,347**	53,466
Selling, general and administrative	**60,810**	28,307	**149,032**	85,496
Gain on disposal of investment in joint ventures	**(8,772)**	—	**(8,772)**	—
Impairment of investment in joint venture	**—**	—	**20,797**	—
Loss on disposal and write-down of assets	**72**	632	**896**	737
Gain on derivative financial instruments	**(222)**	(1,055)	**(3,068)**	(742)
Share of loss (income) of joint ventures	**395**	(57)	**1,559**	349
Operating income (loss)	**8,805**	9,613	**(18,097)**	(32,374)
Interest expense, net	**13,197**	7,842	**34,453**	23,064
Income (loss) before income tax	**(4,392)**	1,771	**(52,550)**	(55,438)
Income tax expense (recovery)				
Current	**5,671**	4,900	**17,939**	6,755
Deferred	**(8,101)**	3,192	**(22,339)**	(11,260)
Total income tax expense (recovery)	**(2,430)**	8,092	**(4,400)**	(4,505)
Net loss	**$ (1,962)**	$ (6,321)	**$ (48,150)**	$ (50,933)
Other comprehensive income (loss)				
Items that may be recycled subsequently to net earnings (loss):				
Foreign currency translation of foreign operations and other	**541**	(561)	**1,031**	(1,646)
Cash flow hedges, net of taxes	**2,309**	6,748	**1,856**	4,951
Cash flow hedges recycled to net earnings (loss), net of taxes	**(1,126)**	426	**(1,889)**	1,382
Other comprehensive income	**$ 1,724**	$ 6,613	**$ 998**	$ 4,687
Total comprehensive income (loss) for the period	**$ (238)**	$ 292	**$ (47,152)**	$ (46,246)
Loss per share - basic and diluted	**$ (0.02)**	$ (0.07)	**$ (0.42)**	$ (0.80)

ABC Technologies Holdings Inc.
Consolidated Statement of Cash Flows

(unaudited)	For the three months ended March 31, 2023	For the three months ended March 31, 2022	For the nine months ended March 31, 2023	For the nine months ended March 31, 2022
Net loss	**$ (1,962)**	$ (6,321)	**$ (48,150)**	$ (50,933)
Adjustments for:				
Depreciation of property, plant and equipment	**17,967**	13,028	**52,153**	36,986
Depreciation of right-of-use assets	**4,477**	3,991	**13,190**	11,307
Amortization of intangible assets	**8,238**	6,154	**23,960**	16,797
Gain on disposal of investment in joint ventures	**(8,772)**	—	**(8,772)**	—
Impairment of investment in joint venture	**—**	—	**20,797**	—
Loss on disposal and write-down of assets	**72**	632	**896**	737
Unrealized gain on derivative financial instruments	**(222)**	(1,058)	**(3,068)**	(841)
Interest expense, net	**13,197**	7,842	**34,453**	23,064
Share of loss (income) of joint ventures	**395**	(57)	**1,559**	349
Income tax expense (recovery)	**(2,430)**	8,092	**(4,400)**	(4,505)
Share-based compensation expense (reversal)	**66**	826	**(758)**	2,307
Write-down of inventories	**—**	—	**2,030**	—
Changes in:				
Trade and other receivables and prepaid expenses and other	**(5,092)**	(41,282)	**18,721**	(20,857)
Inventories	**(18,277)**	(6,254)	**(32,510)**	(19,173)
Trade payables, accrued liabilities and other payables, and	**45,691**	44,177	**50,570**	36,541
Cash generated from operating activities	**53,348**	29,770	**120,671**	31,779
Interest received	**126**	140	**376**	353
Income taxes recovered (paid)	**(1,176)**	429	**(3,764)**	(548)
Interest paid on leases, net of interest received	**(3,751)**	(3,479)	**(10,883)**	(10,291)
Interest paid on long-term debt and other	**(7,300)**	(4,354)	**(20,327)**	(13,616)
Net cash flows from operating activities	**41,247**	22,506	**86,073**	7,677
Acquisition of subsidiaries, net of cash acquired	**(178,797)**	(314,597)	**(178,797)**	(314,597)
Purchases of property, plant and equipment	**(17,386)**	(11,748)	**(55,115)**	(31,253)
Proceeds on disposal of joint ventures	**23,000**	—	**23,000**	—
Dividends received from joint ventures	**1,304**	—	**1,304**	553
Additions to intangible assets	**(4,967)**	(4,147)	**(14,955)**	(14,470)
Net cash flows used in investing activities	**(176,846)**	(330,492)	**(224,563)**	(359,767)
Net drawings (payments) on revolving credit facilities	**(25,000)**	55,000	**(55,000)**	120,000
Drawings from long-term debt	**185,000**	—	**185,000**	—
Principal payments of lease liabilities, net of sublease receipts	**(3,211)**	(2,978)	**(9,495)**	(8,176)
Financing costs	**(1,081)**	(2,026)	**(2,081)**	(2,650)
Proceeds from other financing arrangement	**—**	—	**59,348**	—
Dividends paid to shareholders	**(3,179)**	(3,420)	**(9,550)**	(6,516)
Proceeds from issuance of shares, net of issuance cost	**—**	288,853	**—**	288,853
Repayment of acquired loan	**—**	(21,376)	**—**	(21,376)
Net cash flows from financing activities	**152,529**	314,053	**168,222**	370,135
Net increase in cash	**16,930**	6,067	**29,732**	18,045
Net foreign exchange difference	**33**	(85)	**330**	(429)
Cash, beginning of period	**38,499**	26,546	**25,400**	14,912
Cash, end of period	**$ 55,462**	32,528	**$ 55,462**	$ 32,528

Reconciliation of Net Loss to Adjusted EBITDA

	For the three months ended March 31,				For the nine months ended March 31,			
		2023		2022		**2023**		2022
Net loss	**$**	**(1,962)**	$	(6,321)	**$**	**(48,150)**	$	(50,933)
Adjustments:								
Income tax expense (recovery)		**(2,430)**		8,092		**(4,400)**		(4,505)
Interest expense, net		**13,197**		7,842		**34,453**		23,064
Depreciation of property, plant and equipment		**17,967**		13,028		**52,153**		36,986
Depreciation of right-of-use assets		**4,477**		3,991		**13,190**		11,307
Amortization of intangible assets		**8,238**		6,154		**23,960**		16,797
EBITDA	**$**	**39,487**	$	32,786	**$**	**71,206**	$	32,716
Loss on disposal and write-down of assets		**72**		632		**896**		737
Unrealized gain on derivative financial instruments		**(222)**		(1,058)		**(3,068)**		(841)
Transactional, recruitment and other bonuses		**240**		—		**1,020**		2,374
EBITDA from Poland facility[1]		**648**		—		**1,710**		—
Write-down of inventories[2]		**—**		—		**2,030**		—
Business transformation related costs[3]		**16,869**		2,439		**39,236**		9,323
Share of loss (income) of joint ventures		**395**		(57)		**1,559**		349
EBITDA from joint ventures[4]		**71**		1,141		**2,066**		1,935
Impairment of investment in joint venture[5]		**—**		—		**20,797**		—
Share-based compensation expense (reversal)		**66**		826		**(758)**		2,307
Continental payment[6]		**11,076**		—		**11,076**		—
Gain on disposal of investment in joint ventures[7]		**(8,772)**		—		**(8,772)**		—
Lease payments, net of sublease receipts		**(6,962)**		(6,457)		**(20,378)**		(18,467)
Government grants and other[8]		**(8,713)**		—		**(8,713)**		—
Adjusted EBITDA	**$**	**44,255**	$	30,252	**$**	**109,907**	$	30,433

1. Represents net impact on EBITDA from the Poland facility which will be exited.
2. A write-down relating to Poland tooling inventories was recorded in Q1 Fiscal 2023.
3. Includes \$2.9 million (2022: \$nil) and \$12.9 million (2022: \$0.2 million) of costs incurred in Q3 Fiscal 2023 and YTD Fiscal 2023, respectively, in connection with restructuring activities, which mainly relate to severance and asset relocation expenses. In addition, \$8.5 million (2022: \$1.5 million) and \$17.7 million (2022: \$6.8 million) of costs were incurred in Q3 Fiscal 2023 and YTD Fiscal 2023, respectively, in connection with completed acquisitions as well as ongoing work to evaluate potential acquisition targets and \$1.0 million (2022: \$2.3 million) and \$4.4 million (2022: \$3.1 million), respectively, of consulting costs were incurred for business transformation.
4. Represents 50% of joint ventures' EBITDA, which corresponds to the Company's proportionate share of ownership in the ventures.
5. Represents impairment loss recorded in Q2 Fiscal 2023 relating to the Company's investment in ABC INOAC Exterior Systems, LLC.
6. Represents payment made on termination of proposed acquisition of Continental's Washer Systems product line.
7. Represents gain on disposal of the Company's interest in ABC INOAC Exterior Systems Inc.
8. Represents cash receipts for government grants and other expense related concessions.

Reconciliation of Net Cash Flows From Operating Activities to Adjusted Free Cash Flow

	For the three months ended March 31,		For the nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
Net cash flows from operating activities	**$ 41,247**	$ 22,506	**$ 86,073**	$ 7,677
Purchases of property, plant and equipment	**(17,386)**	(11,748)	**(55,115)**	(31,253)
Additions to intangible assets[1]	**(4,967)**	(4,147)	**(14,955)**	(14,470)
Principal payments of lease liabilities, net of sublease receipts	**(3,211)**	(2,978)	**(9,495)**	(8,176)
Dividends received from joint ventures	**1,304**	—	**1,304**	553
One-time advisory, bonus and other costs	**16,626**	2,950	**20,654**	7,248
Net impact of hedge monetization	**(5,084)**	1,125	**(6,828)**	(8,412)
Adjusted Free Cash Flow	**$ 28,529**	$ 7,708	**$ 21,638**	$ (46,833)

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

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 continuing global semi-conductor shortage;
- the impact and duration of the conflict in Ukraine and the related economic sanctions on Russia, and retaliatory measures taken by Russia, including disruption in supply, or raising prices, of commodities or energy for the member states of the EU and globally;
- 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 increased financial pressure related to lingering effects of previous outbreaks of COVID-19, as well as the risk of new outbreaks of COVID-19 and other global pandemics, including OEM and supplier bankruptcies related to disruption to supply chain and labor markets caused by outbreaks of contagious diseases including COVID-19; effects of ongoing global conflicts on supply chain, raw material costs and costs of logistics

- our assessments of, and outlook for Fiscal 2023, including expected sales, Adjusted EBITDA, and Adjusted Free Cash Flow for Fiscal 2023;
- our business plans and strategies, including our expected sales growth, ability to benefit from our business model and capitalize on our acquisitions;
- our competitive position in our industry;
- expansion of our presence in the European market through the acquisitions completed by the Company in Fiscal 2022;
- prices of raw materials, commodities and other supplies necessary for the Company to conduct its business, including any changes to prices and availability of supply components related to the effects of past outbreaks and risks of new outbreaks of COVID-19, Russia's invasion of Ukraine and related international economic sanctions, related disruption of supply of, and increase in prices of energy, commodities and logistical services for the member states of the EU and globally, and other actual or potential ongoing geopolitical conflicts;
- labor disruptions or labor shortages in our facilities, or those of our customers and suppliers, related to effects of past or potential future outbreaks of COVID-19 pandemic and effects of other global pandemics and outbreaks of contagious diseases; supply disruptions and costs of supply disruption mitigation initiatives; attraction/retention of skilled labor including changes to the labor market sustained during the past outbreaks of the COVID-19 pandemic and/or related to other potential future global pandemics and outbreaks of contagious diseases;
- effects of ongoing global conflicts and economic sanctions associated with them on logistics and cost of raw materials and components and supply chains;
- increasing inflation and/or rising interest rates;
- 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 EU, 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 and other global pandemics and outbreaks of contagious diseases, 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 prevailing labor markets , or any further changes to the labor markets as a result of potential future outbreaks of global pandemics and contagious diseases; 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 that 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.

About ABC Technologies

ABC Technologies 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 OEM customers globally through a strategically located footprint. ABC Technologies' integrated service offering includes manufacturing, design, engineering, material compounding, machine, tooling and equipment building that are supported by a worldwide team. Our vertically integrated capabilities include our tool-building and material compounding businesses, which we believe allows 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. The Company offers three product groups: Interior Systems, Exterior Systems and HVAC, Fluids & Other.

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