MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations ("MD&A") for ABC Technologies Holdings Inc. was prepared as of May 12, 2023 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 MD&A should be read together with ABC Technologies Holdings Inc.'s unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2023 ("Interim Financial Statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended June 30, 2022 together with the notes thereto ("Fiscal 2022 Financial Statements" and "Fiscal 2022 MD&A"). 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 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. The Company offers three product groups: Interior Systems, Exterior Systems and HVAC, Fluids & Other.

Basis of Presentation

All references in this MD&A to "YTD Fiscal 2023" are to the nine months ended March 31, 2023 and "YTD Fiscal 2022" are to the nine months ended March 31, 2022. All references in this MD&A to "Q3 Fiscal 2023" are to the three months ended March 31, 2023 and "Q3 Fiscal 2022" are to the three months ended March 31, 2022. The references to "Fiscal 2022" are to the fiscal year ended June 30, 2022.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS applicable to the preparation of interim financial statements, including IAS 34 - *Interim Financial Reporting*, 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.

Recent Developments

Acquisition of WMGT

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 on the acquisition date. 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 original equipment manufacturer ("OEM") customers. 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. WMGT is included in the North America segment. Refer to the Company's Interim Financial Statements for details.

Acquisition of Etzel and dlhBOWLES

On March 4, 2022, the Company acquired 89.9% of the shares of Karl Etzel GmbH and SAM-GmbH, as well as land and buildings from a party related to the owner of Karl Etzel GmbH (collectively, "Etzel") for EUR 60.9 million ($68.4 million) in cash. Based in Mühlacker, Germany, Etzel is a leading tier-1 and tier-2 supplier to the German luxury automotive market and has expertise in injection molding plastics for automotive interiors and exteriors. The acquisition of Etzel enables the Company to meaningfully expand its scale in Europe while entering the interior products space on the continent with a strong customer base of luxury OEM portfolio. Etzel is included in the Rest of the World segment. On February 2, 2023, the Company exercised its option to purchase the remaining 10.1% interest in Etzel for an exercise price of EUR 6.0 million ($6.0 million).

On March 1, 2022, the Company acquired 100% of the shares of dlhBowles, Inc. ("dlhBOWLES") for $258.7 million in cash. Based in North Canton, Ohio, United States of America, dlhBOWLES is a recognized leader in the North American market for camera and sensor cleaning systems, windshield washer systems, sunroof drains, powertrain, and chassis solutions. The acquisition of dlhBOWLES further solidifies the Company's position in the washer systems market and strengthens its existing product portfolio. dlhBOWLES is included in the North America segment.

Sale of interests in joint ventures

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.

Termination of proposed acquisition of Continental's Washer Systems product line

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.

Change to operating model and work force reduction

During Q1 Fiscal 2023, the Company implemented a customer-focused, business excellence operating model. This model removes unnecessary complexity and variability while strengthening subject matter expertise in manufacturing, engineering and process standardization while aligning the technical community around three product groups, a reduction from the previous six. These changes included the addition of several senior leaders with extensive automotive experience to assist in the transformation and establish a framework for future growth. In addition, the reorganization resulted in a head count reduction in excess of 190 to streamline the organization around the new operating model.

Reorganization of Poland operations

On October 25, 2022, the Board of Directors approved a plan to exit the Company's facility in Poland. For the Company, the facility in Poland is a small operation that was not able to overcome the dramatic increase in costs for utilities, freight, material and labor experienced in that market. The Company is proactively working with its customers to assist them with securing alternative production sources within and/or outside the Company's operations. The Company recorded an impairment charge relating to property, plant and equipment of $8.2 million in Fiscal 2022 and a write-down relating to the tooling inventories of $2.0 million in Q1 Fiscal 2023. The Company also incurred $1.1 million of severance costs in Q2 Fiscal 2023.

Financing arrangements

On April 29, 2022, the Company entered into an agreement for the sale and leaseback of all of its real estate properties located in Mühlacker, Germany obtained through the acquisition of Etzel. On August 31, 2022, the Company closed part of the sale and leaseback transaction and received gross proceeds of EUR 37.2 million ($44.5 million) and EUR 1.5 million ($1.4 million) was a holdback in accordance with the terms of agreement. On December 16, 2022, the Company closed the remaining part of the transaction and received gross proceeds of EUR 14.3 million ($14.9 million). EUR 0.2 million ($0.2 million) of the holdback amount was received during the three months ended March 31, 2023 and the remaining EUR 1.3 million ($1.4 million) holdback amount is expected to be received by the end of Q2 Fiscal 2024.

Global semiconductor shortage and supply chain disruptions

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.

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.

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 EBITDA Margin, Adjusted Free Cash Flow, Trade Working Capital and Net Working Capital 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, 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 EBITDA Margin" means Adjusted EBITDA divided by sales adjusted to include the proportional share of joint venture sales attributable to ABC.

“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.

“Trade Working Capital” means trade and other receivables and inventories, less trade payables.

“Net Working Capital” means trade and other receivables, inventories, prepaid expenses and other, less: trade payables, accrued liabilities and other payables and current portion of provisions.

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. See "Risk Factors" section in the Company's AIF dated September 28, 2022 available through SEDAR at www.sedar.com, for further information.

Selected Quarterly 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 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	—
Other income	(150)	(423)	(2,172)	(5)
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)
Loss per share - basic and diluted	$ (0.02)	$ (0.07)	$ (0.42)	$ (0.80)
Other financial and operating metrics				
Adjusted EBITDA	$ 44,255	$ 30,252	$ 109,907	$ 30,433
Adjusted EBITDA margin	11.4%	9.5%	10.0%	4.1%
Adjusted Free Cash Flow	$ 28,529	$ 7,708	$ 21,638	$ (46,833)

Selected statement of financial position data	March 31, 2023	June 30, 2022[3]
Cash	$ 55,462	$ 25,400
Proportionate cash held at joint ventures[1]	2,768	5,436
Cash including proportionate cash held at joint ventures	$ 58,230	$ 30,836
Trade working capital	201,071	126,672
Net working capital	30,766	46,354
Total assets	1,571,827	1,278,073
Long-term debt[2]	528,704	400,000
Net debt	470,474	369,164
Total liabilities	1,255,001	902,313
Total shareholders' equity	316,826	375,760

1. Represents 50% of cash held at joint ventures, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. No long-term debt was held at joint ventures at June 30, 2022 or March 31, 2023.
3. Amounts as at June 30, 2022 were revised as a result of the finalization of purchase price allocations. Refer to the Interim Financial Statements for details.

Reconciliation of net loss to Adjusted EBITDA	For the three months ended March 31, 2023		For the nine months ended March 31, 2023	
	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[5]	**(8,772)**	—	**(8,772)**	—
Lease payments, net of sublease receipts	**(6,962)**	(6,457)	**(20,378)**	(18,467)
Government grants and other[7]	**(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. Refer to the recent developments section for details.
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. Refer to the recent developments section for details. 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. Refer to the recent developments section for details on the impairment loss recorded in Q2 Fiscal 2023 relating to the Company's investment in ABC INOAC Exterior Systems, LLC and disposal of investment in joint ventures.
6. Refer to the recent development section for details on the Continental payment in Q3 Fiscal 2023.
7. Represents cash receipts for government grants and other expense related concessions.

Calculation of Adjusted EBITDA Margin	For the three months ended March 31,		For the nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
Sales	**$ 373,487**	$ 285,775	**$ 1,013,352**	$ 652,629
Proportionate share of joint venture sales[1]	**14,523**	32,569	**88,599**	88,961
Adjusted sales	**$ 388,010**	$ 318,344	**$ 1,101,951**	$ 741,590
Adjusted EBITDA	**$ 44,255**	$ 30,252	**$ 109,907**	$ 30,433
Adjusted EBITDA Margin	**11.4 %**	9.5 %	**10.0 %**	4.1 %

1. Represents 50% of joint ventures' sales, which corresponds to the Company's proportionate share of ownership in the joint ventures.

Calculation of Net Debt		March 31, 2023		June 30, 2022
Long-term debt	$	**528,704**	$	400,000
Cash and cash equivalents		**(55,462)**		(25,400)
Proportionate cash held at joint ventures[1]		**(2,768)**		(5,436)
Net Debt	$	**470,474**	$	369,164

1. Represents 50% of cash held at joint ventures, which corresponds to the Company's proportionate share of ownership in the joint ventures.

Calculation of Trade Working Capital		March 31, 2023		June 30, 2022[1]
Trade and other receivables	$	**147,164**	$	122,192
Inventories		**258,916**		152,461
Trade payables		**(205,009)**		(147,981)
Trade Working Capital	$	**201,071**	$	126,672

1. Amounts as at June 30, 2022 were revised as a result of the finalization of purchase price allocations. Refer to the Interim Financial Statements for details.

Calculation of Net Working Capital		March 31, 2023		June 30, 2022[1]
Trade and other receivables	$	**147,164**	$	122,192
Inventories		**258,916**		152,461
Prepaid expenses and other		**63,305**		42,094
Trade payables		**(205,009)**		(147,981)
Accrued liabilities and other payables		**(215,762)**		(98,280)
Provisions		**(17,848)**		(24,132)
Net Working Capital	$	**30,766**	$	46,354

1. Amounts as at June 30, 2022 were revised as a result of the finalization of purchase price allocations. Refer to the Interim Financial Statements for details.

Results of operations for Q3 Fiscal 2023 compared with Q3 Fiscal 2022

Sales

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

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

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:

- business transformation related costs were $16.9 million in Q3 Fiscal 2023 as compared to $2.4 million in Q3 Fiscal 2022, an increase of $14.4 million mainly driven by higher restructuring and acquisition related costs.
- payment of $11.1 million in Q3 Fiscal 2023 to terminate the proposed Continental acquisition. Refer to the recent developments section for details.
- wages, benefits and professional fees were $15.2 million in Q3 Fiscal 2023 as compared to $12.4 million in Q3 Fiscal 2022, an increase of $2.5 million mainly driven by normalized bonus in Q3 Fiscal 2023.
- depreciation and amortization expense was $9.2 million in Q3 Fiscal 2023 as compared to $6.9 million in Q3 Fiscal 2022, an increase of $2.3 million mainly due to the acquisitions of dlhBOWLES and Etzel, which were included in Q3 Fiscal 2023 for the full quarter.

Gain on disposal of investment in joint ventures

Gain on disposal of investment in joint ventures of $8.8 million relates to the Company's sale of its interest in ABC INOAC Exterior Systems Inc. in Q3 Fiscal 2023. Refer to the recent developments section for details.

Other income

Other income includes gains or losses on derivative financial instruments and losses on disposal and write-down of assets. Other income was $0.2 million for Q3 Fiscal 2023 compared with $0.4 million in Q3 Fiscal 2022 primarily due to lower gain on derivative financial instruments in Q3 Fiscal 2023 compared to Q3 Fiscal 2022.

Share of loss (income) of joint ventures

Share of loss of joint ventures was $0.4 million in Q3 Fiscal 2023 compared with income of $0.1 million in Q3 Fiscal 2022, a decrease of $0.5 million primarily as a result of higher costs in Q3 Fiscal 2023.

Interest expense (net)

Interest expense (net) was $13.2 million in Q3 Fiscal 2023 compared with $7.8 million in Q3 Fiscal 2022, an increase of $5.4 million primarily due to higher interest rates and a higher debt balance in Q3 Fiscal 2023 compared to Q3 Fiscal 2022.

Total income tax expense (recovery)

Total income tax recovery was $2.4 million in Q3 Fiscal 2023 compared with income tax expense of $8.1 million in Q3 Fiscal 2022 due to the change in the mix of earnings between jurisdictions and much lower expenses incurred in Q3 Fiscal 2023 that were not deductible.

Net loss

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

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.

Results of Operations for YTD Fiscal 2023 compared with YTD Fiscal 2022

Sales

Sales were $1,013.4 million in YTD Fiscal 2023 compared with $652.6 million in YTD Fiscal 2022, an increase of $360.7 million or 55.3%. Of this increase, $171.0 million is attributable to the acquisitions of dlhBOWLES and Etzel which only had one month of results in the prior year, and the WMGT acquisition completed in Q3 Fiscal 2023, accounting for 47.4% of the increase. The Company also enjoyed better than industry average growth as a result of improved sales to a number of significant customers due to its product mix relative to the industry as the customers rebuild their inventory to historical levels. According to IHS Markit reports, industry production in North America increased by 12.2% YTD Fiscal 2023 compared to YTD Fiscal 2022. Additionally, the Company recovered amounts from certain of its customers during Q2 Fiscal 2023 to alleviate the inflationary pressures it had been experiencing due to the current economic conditions.

Cost of sales

Cost of sales was $871.0 million in YTD Fiscal 2023 compared with $599.2 million in YTD Fiscal 2022, an increase of $271.8 million or 45.4%, of which $153.1 million or 25.6% is attributable to the acquisitions of dlhBOWLES and Etzel which only had one month of results in the prior year, and the WMGT acquisition completed in Q3 Fiscal 2023. Gross profit was $142.3 million in YTD Fiscal 2023 compared with $53.5 million in YTD Fiscal 2022, an increase of $88.9 million as a result of higher production volumes, key platforms, commercial recoveries and favourable operating performance, partially offset by the impact of foreign exchange. Although gross profit was higher in YTD 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. Gross profit YTD Fiscal 2023 was also higher due to recoveries received from customers in Q2 Fiscal 2023 that were recognized in sales.

Selling, general and administrative expenses

Selling, general and administrative expenses were $149.0 million in YTD Fiscal 2023 compared with $85.5 million in YTD Fiscal 2022, an increase of $63.5 million or 74.3%. As a percentage of sales, selling, general and administrative expenses were 14.7% in YTD Fiscal 2023 compared with 13.1% in YTD Fiscal 2022.

Significant differences period over period include:

- business transformation related costs were $39.2 in YTD Fiscal 2023 as compared to $9.3 million in YTD Fiscal 2022, an increase of $29.9 million mainly driven by higher restructuring and acquisition related costs.
- wages, benefits and professional fees were $54.0 million in YTD Fiscal 2023 as compared to $39.8 million in YTD Fiscal 2022, an increase of $14.2 million mainly driven by normalized bonus and higher salaries and benefits in YTD Fiscal 2023 due to the acquisitions.
- payment of $11.1 million in YTD Fiscal 2023 to terminate the proposed Continental acquisition. Refer to the recent developments section for details.
- depreciation and amortization expense was $26.5 million in YTD Fiscal 2023 as compared to $19.0 million in YTD Fiscal 2022, an increase of $7.4 million mainly due to the acquisitions of dlhBOWLES and Etzel which were included in YTD Fiscal 2023 for the full period.

Gain on disposal of investment in joint ventures

Gain on disposal of investment in joint ventures of $8.8 million relates to the Company's sale of its interest in ABC INOAC Exterior Systems Inc. in Q3 Fiscal 2023. Refer to the recent developments section for details.

Impairment of investment in joint venture

Impairment of investment in joint venture relates to an impairment loss of $20.8 million recorded by the Company in Q2 Fiscal 2023 relating to its investment in ABC INOAC Exterior Systems, LLC prior to its disposal in Q3 Fiscal 2023. Refer to the recent developments section for details.

Other income

Other income includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was $2.2 million in YTD Fiscal 2023 compared with $nil in YTD Fiscal 2022 primarily due to a gain on derivative financial instruments in YTD Fiscal 2023 of $3.1 million as compared to $0.7 million in YTD Fiscal 2022.

Share of loss (income) of joint ventures

Share of loss of joint ventures was $1.6 million in YTD Fiscal 2023 compared with $0.3 million in YTD Fiscal 2022, an increase of $1.2 million primarily as a result of higher costs in YTD Fiscal 2023.

Interest expense (net)

Interest expense (net) was $34.5 million in YTD Fiscal 2023 compared with $23.1 million in YTD Fiscal 2022, an increase of $11.4 million primarily due to higher interest rates and a higher debt balance in YTD Fiscal 2023 compared to YTD Fiscal 2022.

Total income tax recovery

Total income tax recovery was $4.4 million in YTD Fiscal 2023 compared with $4.5 million in YTD Fiscal 2022. The effective rate in YTD Fiscal 2023 was 8.4% compared with 8.1% in YTD Fiscal 2022. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions and slightly lower non-deductible expenses in YTD Fiscal 2023.

Net loss

Net loss was $48.2 million in YTD Fiscal 2023 compared with $50.9 million in YTD Fiscal 2022, a decrease of $2.8 million or 5.5%. Primary contributors to the change between periods are a decrease of $14.3 million in operating loss, partially offset by higher interest expense of $11.4 million.

Adjusted EBITDA

Adjusted EBITDA was $109.9 million in YTD Fiscal 2023 compared with $30.4 million in YTD Fiscal 2022, an increase of $79.5 million primarily due to higher sales and gross profit from both existing operations as well as recently acquired companies.

Segment Performance

Results of Operations for Q3 Fiscal 2023 compared with Q3 Fiscal 2022

For the three months ended March 31, 2023	North America	Rest of World	Joint Ventures[1,3]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 334,882	$ 38,605	$ 14,523	$ 388,010	$ (14,523)	$ 373,487
Inter-segment revenues	716	148	1,292	2,156	(2,156)	—
Total revenue	**$ 335,598**	**$ 38,753**	**$ 15,815**	**$ 390,166**	**$ (16,679)**	**$ 373,487**
Operating income (loss)[3]	$ (2,952)	$ 3,379	$ 8,437	$ 8,864	$ (59)	$ 8,805
Adjusted EBITDA	37,771	6,413	71	44,255	—	44,255

For the three months ended March 31, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 265,733	$ 20,042	$ 32,569	$ 318,344	$ (32,569)	$ 285,775
Inter-segment revenues	3,218	269	2,326	5,813	(5,813)	—
Total revenue	**$ 268,951**	**$ 20,311**	**$ 34,895**	**$ 324,157**	**$ (38,382)**	**285,775**
Operating income (loss)	$ 8,879	$ 678	$ 140	$ 9,697	$ (84)	$ 9,613
Adjusted EBITDA	27,119	1,992	1,141	30,252	—	30,252

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. Q3 Fiscal 2023 operating income includes an $8.8 million gain on the Company's disposal of its investment in joint ventures. Refer to the recent developments section for details.

North America

North America external customer revenue was $334.9 million in Q3 Fiscal 2023 compared with $265.7 million in Q3 Fiscal 2022, an increase of $69.1 million or 26.0%. The shortage of semiconductors in Q3 Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Company in reduced orders in that period. In Q3 Fiscal 2023, industry production improved and was 6.8% higher than the corresponding prior year quarter according to IHS Markit. Q3 Fiscal 2023 included sales of $25.4 million from the WMGT business that was acquired during Q3 Fiscal 2023. A portion of the sales increase is also attributable to the acquisition of dlhBOWLES, which had only one month of results in Q3 Fiscal 2022.

North America Adjusted EBITDA was $37.8 million in Q3 Fiscal 2023 compared with $27.1 million in Q3 Fiscal 2022, an increase of $10.7 million or 39.3%. Adjusted EBITDA in Q3 Fiscal 2023 was better than Q3 Fiscal 2022 primarily due to higher sales volumes and improved efficiencies as the market recovered from a semiconductor shortage in Q3 Fiscal 2023.

Rest of World

Rest of World external customer revenue was $38.6 million in Q3 Fiscal 2023 compared with $20.0 million in Q3 Fiscal 2022, an increase of $18.6 million or 92.6%. The increase is primarily due to the results from the Etzel business which had only one month of results in Q3 Fiscal 2022.

Rest of World Adjusted EBITDA was $6.4 million in Q3 Fiscal 2023 compared with $2.0 million in Q3 Fiscal 2022, an increase of $4.4 million. The increase is primarily due to higher sales and the results from the Etzel business which had only one month of results in Q3 Fiscal 2022.

Joint Ventures

ABC's proportionate external customer revenue from joint ventures was $14.5 million in Q3 Fiscal 2023 compared with $32.6 million in Q3 Fiscal 2022, a decrease of $18.0 million or 55.4% primarily due to the Company selling its 50% interest in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC on February 1, 2023. Refer to the recent developments section for details.

ABC's proportionate Adjusted EBITDA from joint ventures was $0.1 million in Q3 Fiscal 2023 compared with $1.1 million in Q3 Fiscal 2022, a decrease of $1.1 million or 93.8%. The decrease is primarily due to the Company selling its 50% interest in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC on February 1, 2023. Refer to the recent developments section for details.

Results of Operations for YTD Fiscal 2023 compared with YTD Fiscal 2022

For the nine months ended March 31, 2023	**North America**	**Rest of World**	**Joint Ventures[1,3]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers	$ 898,006	$ 115,346	$ 88,599	$ 1,101,951	$ (88,599)	$ 1,013,352
Inter-segment revenues	3,648	435	5,943	10,026	(10,026)	—
Total revenue	**$ 901,654**	**$ 115,781**	**$ 94,542**	**$ 1,111,977**	**$ (98,625)**	**$ 1,013,352**
Operating income (loss)[3]	$ (6,070)	$ 1,557	$ (12,498)	$ (17,011)	$ (1,086)	$ (18,097)
Adjusted EBITDA	94,248	13,593	2,066	109,907	—	109,907

For the nine months ended March 31, 2022	**North America**	**Rest of World**	**Joint Ventures[1]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers	$ 611,911	$ 40,718	$ 88,961	$ 741,590	$ (88,961)	$ 652,629
Inter-segment revenues	8,549	676	5,872	15,097	(15,097)	—
Total revenue	**$ 620,460**	**$ 41,394**	**$ 94,833**	**$ 756,687**	**$ (104,058)**	**$ 652,629**
Operating loss	$ (28,560)	$ (3,464)	$ (156)	$ (32,180)	$ (194)	$ (32,374)
Adjusted EBITDA	28,973	(475)	1,935	30,433	—	30,433

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. YTD Fiscal 2023 operating loss includes an impairment loss of $20.8 million and an $8.8 million gain on the Company's disposal of its investment in joint ventures. Refer to the recent developments section for details.

North America

North America external customer revenue was $898.0 million for YTD Fiscal 2023 compared with $611.9 million for YTD Fiscal 2022, an increase of $286.1 million or 46.8%. The shortage of semiconductors in YTD Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Company in reduced orders in that period. YTD Fiscal 2023 industry production improved and was 12.2% higher than the corresponding prior year period according to IHS Markit. YTD Fiscal 2023 included higher sales from the acquisitions, including dlhBOWLES and WMGT which were acquired during Q3 Fiscal 2022 and Q3 Fiscal 2023, respectively. Additionally, the Company recovered amounts from certain of its customers during Q2 Fiscal 2023 to alleviate the inflationary pressures it has been experiencing due to the current economic conditions.

North America Adjusted EBITDA was $94.2 million for YTD Fiscal 2023 compared with $29.0 million for YTD Fiscal 2022, an increase of $65.3 million. Adjusted EBITDA in YTD Fiscal 2023 was better than YTD Fiscal 2022 primarily due to higher sales volumes and higher gross margins. YTD Fiscal 2022 results were negatively affected by higher raw material input costs and inefficiencies resulting from the short-notice plant closures of OEMs. In YTD Fiscal 2023, production call-offs due to supply shortages were significantly reduced compared to the same period last year. Adjusted EBITDA was also higher YTD Fiscal 2023 due to the recoveries received from customers in Q2 Fiscal 2023.

Rest of World

Rest of World external customer revenue was $115.3 million for YTD Fiscal 2023 compared with $40.7 million for YTD Fiscal 2022, an increase of $74.6 million or 183.3%. The increase is primarily due to the inclusion of results from the Etzel business that was acquired during Q3 Fiscal 2022 for the full period in YTD Fiscal 2023.

Rest of World Adjusted EBITDA was $13.6 million for YTD Fiscal 2023 compared with a negative EBITDA of $0.5 million for YTD Fiscal 2022, an improvement of $14.1 million. The increase is primarily due to the inclusion of results from the Etzel business that was acquired during Q3 Fiscal 2022 for the full period in YTD Fiscal 2023.

Joint Ventures

ABC's proportionate external customer revenue from joint ventures was $88.6 million for YTD Fiscal 2023 compared with $89.0 million for YTD Fiscal 2022, a decrease of $0.4 million or 0.4% due primarily due to the Company selling its 50% interest in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC on February 1, 2023, partially offset by increased sales volumes in the remaining investment in joint ventures. Refer to the recent developments section for details.

ABC's proportionate Adjusted EBITDA from joint ventures was $2.1 million for YTD Fiscal 2023 compared with $1.9 million for YTD Fiscal 2022, an increase of $0.1 million or 6.8%. The increase is primarily due to increased sales volumes.

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.

	Fiscal 2023			Fiscal 2022				Fiscal 2021
Quarterly results	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Sales	$ 373,487	$ 321,001	$ 318,864	$ 319,249	$ 285,775	$ 203,439	$ 163,415	$ 233,194
Net loss	(1,962)	(22,739)	(23,449)	(13,607)	(6,321)	(16,426)	(28,186)	(11,748)
EBITDA	39,487	17,969	13,750	5,404	32,786	8,438	(8,508)	15,858
Adjusted EBITDA	44,255	41,732	23,920	15,218	30,252	11,496	(11,315)	26,867

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 March 31, 2023, the Company's Trade Working Capital and Net Working Capital were $201.1 million and $30.8 million, respectively, with cash on hand of $55.5 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 Net Working Capital levels. Improvement in Working Capital related to the acquisitions will be one of Company's objectives in the future periods. The Company expects that its current resources, including funds available to be drawn under its credit facilities, ability to sell a portion of its receivables, and proceeds from the sale and leaseback of real estate properties acquired through the WMGT acquisition 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 and our growth strategy. 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

On February 24, 2022, to facilitate the financing for its recent acquisitions, the Company amended its Credit Agreement to increase the size of its Credit Facilities to $550.0 million, inclusive of two swingline facilities in the aggregate amount of $23.0 million, and a Revolving Facility B amounting to $50.0 million. The Company also extended the maturity of its Credit Agreement to February 2027 for all facilities except Revolving Facility B, which was available until February 2023. As part of the amendment, the Company also changed its interest rate benchmark from London Interbank Offered Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR").

During the fiscal year ended June 30, 2022, the Company acquired a loan of $21.4 million as part of its acquisition of Etzel. The loan was repaid by the Company immediately after the close of the transaction.

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.

The Company incurred $2.6 million of financing fees for the revolving credit facilities during the fiscal year ended June 30, 2022 and $0.8 million during YTD Fiscal 2023 which were capitalized as deferred financing costs and included in other long-term assets. The Company also incurred $1.3 million of financing fees for the term debt facility during YTD Fiscal 2023 which were capitalized as deferred financing costs and offset against the long-term debt balance.

As at March 31, 2023, the Company had aggregate amounts outstanding under the Credit Facilities of $530.0 million, maturing February 24, 2027.

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). The Company has hedged a portion of this interest rate position. As at March 31, 2023, the average interest rate on the Credit Facilities was 8.75% (June 30, 2022: 3.89%) and $1.6 million (June 30, 2022: $2.0 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 March 31, 2023, the Company was in compliance with 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 March 31, 2023, the Company had cash balances of $55.5 million (June 30, 2022: $25.4 million) and $18.4 million available on its Credit Facilities subject to covenant limitations (June 30, 2022: $148.0 million). The Company had total liquidity of $73.8 million as at March 31, 2023 (June 30, 2022: $173.4 million).

As at March 31, 2023, the Company had interest rate swap agreements with a total notional amount of $225.0 million (June 30, 2022: $225.0 million) whereby the Company pays a weighted average fixed interest rate of 1.48% (June 30, 2022: 1.48%) until May 2023 and 3.90% from May 2023 until maturity in February 2027, and receives interest at a floating rate equal to 1-month USD SOFR on the total notional amount. During the fiscal year ended June 30, 2022, the Company amended the interest rate benchmark of the interest rate swaps from LIBOR to SOFR.

Cash Flows

The following tables and discussion show the significant cash transactions impacting the cash flows of the Company for the three and nine months ended March 31, 2023 and 2022.

	For the three months ended March 31,		For the nine months ended March 31,	
Summary cash flow statements	**2023**	**2022**	**2023**	**2022**
Net cash flows from operating activities	**$ 41,247**	$ 22,506	**$ 86,073**	$ 7,677
Net cash flows used in investing activities	**(176,846)**	(330,492)	**(224,563)**	(359,767)
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 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 and nine months ended March 31, 2023 and 2022.

	For the three months ended March 31,		For the nine months ended March 31,	
Reconciliation of net loss to net cash flows from operating activities	**2023**	**2022**	**2023**	**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 provisions	**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

Net cash flows from operating activities for Q3 Fiscal 2023 were $41.2 million compared with $22.5 million for Q3 Fiscal 2022, an increase of $18.7 million or 83.3%. The increase is primarily due to higher Adjusted EBITDA in Q3 Fiscal 2023 compared with Q3 Fiscal 2022.

Net cash flows from operating activities for YTD Fiscal 2023 were $86.1 million compared with $7.7 million for YTD Fiscal 2022, an increase of $78.4 million. The increase is primarily due to higher Adjusted EBITDA YTD Fiscal 2023 compared with YTD Fiscal 2022.

Net cash flows used in investing activities

	For the three months ended March 31,		For the nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
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 cash flows used in investing activities were $176.8 million for Q3 Fiscal 2023 compared with $330.5 million for Q3 Fiscal 2022. The decrease is primarily attributable to the acquisition of WMGT and exercise of option to purchase 10.1% interest in Etzel in Q3 Fiscal 2023 compared with the acquisitions of dlhBOWLES and 89.9% interest in Etzel in Q3 Fiscal 2022. The Company also received proceeds of $23.0 million from the disposal of its interests in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC joint ventures in Q3 Fiscal 2023. Refer to the recent developments section for details on acquisitions and disposal of joint ventures. This was partially offset by greater purchases of property, plant and equipment in Q3 Fiscal 2023 compared with Q3 Fiscal 2022.

Net cash flows used in investing activities were $224.6 million for YTD Fiscal 2023 compared with $359.8 million for YTD Fiscal 2022. The decrease is primarily attributable to the acquisition of WMGT and exercise of option to purchase 10.1% interest in Etzel in Q3 Fiscal 2023 compared with the acquisitions of dlhBOWLES and 89.9% interest in Etzel in Q3 Fiscal 2022. The Company also received proceeds of $23.0 million from the disposal of its interests in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC joint ventures in YTD Fiscal 2023. Refer to the recent developments section for details on acquisitions and disposal of joint ventures. This was partially offset by greater purchases of property, plant and equipment in YTD Fiscal 2023 compared with YTD Fiscal 2022.

Net cash flows from financing activities

	For the three months ended March 31,		For the nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
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 cash flows from financing activities for Q3 Fiscal 2023 were $152.5 million compared with $314.1 million for Q3 Fiscal 2022, a decrease of $161.5 million. The decrease primarily relates to non-recurring $288.9 million proceeds from issuance of shares in Q3 Fiscal 2022, partially offset by $105.0 million greater net drawings on the Credit Facilities in Q3 Fiscal 2023 compared with Q3 Fiscal 2022.

Net cash flows from financing activities for YTD Fiscal 2023 were $168.2 million compared with $370.1 million for YTD Fiscal 2022, a decrease of $201.9 million. The decrease primarily relates to $288.9 million proceeds from issuance of shares in YTD Fiscal 2023, partially offset by $59.3 million proceeds from the financing arrangement on Etzel real estate properties in YTD Fiscal 2023, $21.4 million repayment of acquired loan in YTD Fiscal 2022, and $10.0 million greater net drawings on the Credit Facilities in YTD Fiscal 2023 compared with YTD Fiscal 2022.

Reconciliation of net cash flows from operating activities to Adjusted Free Cash Flow	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 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.

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.

Adjusted Free Cash Flow was $68.5 million higher for YTD Fiscal 2023 compared with YTD Fiscal 2022 primarily due to higher cash flows from operating activities, partially offset by higher purchases of property plant and equipment.

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 March 31, 2023 are shown in the following table.

Contractual obligations	Within one year	1 - 3 years	4 - 5 years	Thereafter	Total
Long-term debt	$ —	$ —	$ 528,704	$ —	$ 528,704
Interest on long-term debt	46,395	92,790	41,946	—	181,131
Lease payments	28,515	52,667	49,422	187,972	318,576

The Company has committed to purchase, within the next 12 months, machinery and equipment for $50.1 million. The Company also has an existing commitment to pay holdbacks and earn-outs with respect to the acquisition of WMGT, subject to finalization of amounts. Refer to the recent developments section for details. These commitments will be funded with cash flow from operating activities and/or from existing credit facilities.

Off balance sheet arrangements

As at March 31, 2023, the Company had letters of credit in place, which were issued under our Credit Facilities, amounting to $1.6 million (June 30, 2022: $2.0 million).

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 Company's 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

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.

Foreign currency risk

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, Polish zloty, 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.

Commodity price risk

Management 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.

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[2]
As at March 31, 2023	**$ 147,164**	**$ 128,084**	**$ 11,816**	**$ 1,162**	**$ 6,102**
As at June 30, 2022[1]	122,192	114,611	1,691	1,161	4,729

1. Amounts as at June 30, 2022 were revised as a result of the finalization of purchase price allocations. Refer to the Interim Financial Statements for details.
2. Includes certain tooling related receivables that the Company will not receive until specific conditions are met. This is in normal course of business and there are no indications that these balances are not collectible.

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 is exposed to concentration of risk with respect to trade receivables. As at March 31, 2023, the Company's three largest customers accounted for 17.7%, 9.6% and 3.8%, respectively, of all receivables owing (June 30, 2022: 20.0%, 6.0% and 5.7%, 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

As at May 12, 2023, there were 115,664,147 shares, 212,179 stock options, 106,170 restricted share units ("RSUs"), and 249,523 deferred share units ("DSUs") outstanding. Each option will become exercisable for one share at an exercise price of CAD $10.00 per share.

Transactions with Related Parties

Joint Ventures

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

	For the three months ended March 31, 2023		For the nine months ended March 31, 2023		As at March 31, 2023	
	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.[1]	$ 386	$ 1,253	$ 4,420	$ 7,450	$ —	$ —
ABC INOAC Exterior Systems, LLC[1]	83	3,759	1,256	11,791	—	—
ABCOR Filters	2,115	—	6,210	—	1,045	27
INOAC Huaxiang	—	—	—	18	—	76

1. The Company disposed of its interest in ABC INOAC Exterior Systems Inc. and ABC INOAC Exterior Systems, LLC on February 1, 2023. Accordingly, the purchases from JVs and sales to JVs above only include amounts until February 1, 2023.

	For the three months ended March 31, 2022		For the nine months ended March 31, 2022		As at June 30, 2022	
	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.	$ 2,418	$ 4,094	$ 5,792	$ 10,586	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	173	3,498	209	7,888	128	5,147
ABCOR Filters	2,061	—	5,742	8	1,035	81
INOAC Huaxiang	—	44	—	104	—	126

Receivables from joint ventures are non-interest bearing. During the three and nine months ended March 31, 2023, the Company received dividends from its joint ventures in the amounts of $1.3 million (2022: $nil) and $1.3 million (2022: $0.6 million), respectively.

Critical Accounting Estimates

There were no changes to our critical accounting estimates and judgments since the fiscal year ended June 30, 2022. See our *Fiscal 2022 MD&A* and Fiscal 2022 Financial Statements for a discussion of the critical accounting estimates.

Accounting Standards Changes

For information pertaining to accounting changes effective in Fiscal 2022 and Fiscal 2023 and for future fiscal years, please see the Company's Interim Financial Statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting, expect as noted below.

During the three months ended March 31, 2023, the Company acquired WMGT. Management is in the process of evaluating the existing financial reporting controls and procedures of WMGT and integrating it into the Company's internal controls over financial reporting. The financial information for this acquisition is included in this MD&A and in Note 3 of the Interim Financial Statements. This scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit its design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period.

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.

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 Fiscal 2022, with North American light vehicle production 8.9% lower than Fiscal 2021, the most significant reductions occurring in Q1 and Q2 Fiscal 2022. The industry saw improvements in Q3 and Q4 Fiscal 2022 that carried into YTD Fiscal 2023, with greater stability in North American vehicle production resulting from improvements in industry supply chains. Based on recent projections by IHS Markit, North American light vehicle production is expected to increase by 11.0% in Fiscal 2023 compared to Fiscal 2022. This increase is from a low base, when production was depressed due to ongoing semiconductor shortages. Despite the projected increase, forecast production lags average annual production by a significant margin. While closures due to COVID-19 and supply chain issues have diminished, labor shortages due to historic low unemployment rates have resulted in increased costs to obtain and retain labor and raw material input costs remain elevated compared to historical values.

Despite progress made in reorganizing the business into a more efficient, customer focused operation, the Company continues to face a number of headwinds. Although recent automobile production forecasts have increased from previous months' forecasts, increased interest rates are expected to affect end users' ability to purchase vehicles, and inflationary pressures impact costs, with the timing and quantum of any additional relief from customers uncertain. The Company continues to explore and implement cost saving opportunities and drive for greater efficiency throughout its business.

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 continue 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.

The first two quarters of ABC's Fiscal 2022 provided a cycle of unprecedented volume declines and unpredictable production schedules at our OEM customers, brought on by recurring shortages of semiconductor chips. The third and fourth quarters of Fiscal 2022 presented a return to more normal operating conditions in the industry, with a significant reduction in OEM plant closures compared to the earlier quarters. This carried through YTD Fiscal 2023 as well. Despite the recent improvements in production volumes on a relative basis resulting in less sporadic closures of OEM plants and an expectation of increased vehicle production in Fiscal 2023 based on IHS forecasts, management believes at this time, it is not currently practical to provide guidance. ABC will continually monitor the production schedules of our customers and provide guidance in the future when these factors can be quantified appropriately.