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 September 2, 2022 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 audited consolidated financial statements for the fiscal years ended June 30, 2022 and 2021 ("consolidated financial statements). 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 six product groups: HVAC Systems, Interior Systems, Exterior Systems, Fluid Management, Air Induction Systems, and Flexible & Other.

During the year ended June 30, 2022, the Company completed two acquisitions which significantly bolster the Company’s reach in fluid management, through the addition of dlhBOWLES, and expansion of interiors capabilities in Europe, through the addition of Germany-based Karl Etzel. These acquisitions are described more fully in the Business combinations section in this MD&A and the Company's consolidated financial statements for the year ended June 30, 2022 and 2021.

The acquisitions were funded through a combination of debt and equity. In the third quarter of fiscal 2022, the Company completed a private placement and a rights offering raising $289.3 million on a combined basis. These transactions are described more fully in the Disclosure of outstanding shares section of this MD&A. Additional funding to complete the transactions was available through debt financing facilitated through an amended credit agreement, described more fully in the Liquidity and capital resources section.

Basis of Presentation

All references in this MD&A to "Fiscal 2022" are to the fiscal year ended June 30, 2022. The references to "Fiscal 2021" are to the fiscal year ended June 30, 2021. All references in this MD&A to "Q4 Fiscal 2022" are to our Company's fiscal quarter ended June 30, 2022 and "Q4 Fiscal 2021" are to our Company's fiscal quarter ended June 30, 2021.

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

Recent Developments

Global Semiconductor Shortage and Supply Chain Disruptions

The Company's financial results during the last half of Fiscal 2021 and Fiscal 2022 have been significantly impacted by disruptions and shortages in the supply of critical components and materials globally, particularly semiconductors, which were indirect outcomes of the COVID-19 pandemic. When the COVID-19 pandemic caused a significant drop in vehicle sales in spring 2020, OEMs cut their orders of all parts and materials, including the semiconductors needed for functions ranging from touchscreen displays to collision-avoidance systems. In the fall of 2020, when demand for passenger vehicles rebounded, OEMs were not able to secure adequate supply of semiconductors as chip manufacturers were already committed to supplying other customers in consumer electronics. The global semiconductor shortage resulted in temporary shut-downs or slowdowns of the production lines at the majority of our OEM customers beginning in February and March 2021, which impacted the production levels in our plants that supply those customers. In Fiscal 2022, primarily Q1 and Q2, COVID-19 had a more direct effect on operations. Outbreaks in major semiconductor manufacturing countries, such as Malaysia, resulted in the temporary shutdown of the manufacturing sector in the countries. As a result, the lost production exacerbated the shortage of semiconductors, leading to increased shutdowns by nearly all OEMs. These shutdowns, frequently with very short notice, resulted in inefficiencies at the Company’s production facilities. In Q3 and Q4 Fiscal 2022, supply chain disruptions to OEM customers abated to some extent, but not completely. Supply chain disruptions and economic conditions, which also include the conflict between Russia and Ukraine have introduced higher levels of inflation for costs including, but not limited to, labor, freight, utilities, resin, glass, rubber, paint and steel.

[1] Applies to light vehicles with more than 1,000 units produced in YTD Fiscal 2022 in North America based on IHS Markit data.

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

We believe that these conditions are temporary and will further abate over time when these conditions are successfully resolved, which is generally expected to extend across calendar year 2023 as end user demand for new vehicles remains strong. As a result of the global semiconductor shortages and production disruptions, inventories for new vehicles are at a near historic low, bouncing back marginally from the lows experienced a few months ago. The high consumer demand for vehicles and low inventory supply has pushed prices for both new and used vehicles to record levels. Several OEMs are recording strong earnings as the average price of new models has increased. Due to the scarcity of new vehicles, used vehicle prices experienced new highs, at times exceeding the price of new vehicles, as customers turned to alternatives when new models were not available for purchase. Recently, used prices have diminished somewhat, but continue to be elevated relative to previous years.

Oaktree acquired a minority share in the Company

On November 10, 2021, the Company announced the closing of the sale of a minority share in the Company by ABC Group Canada LP ("ABC LP"), an affiliate of funds managed by Cerberus Capital Management, L.P. ("Cerberus") to certain funds affiliated with Oaktree Capital Management, L.P. (the "Oaktree Funds"), pursuant to a share purchase agreement dated September 13, 2021 between ABC LP and the Oaktree Funds.

Under the terms of the agreement, the Oaktree Funds purchased approximately 13.9 million common shares of ABC (the “ABC Shares”) (representing approximately 25.6% of the fully diluted ABC Shares) from ABC LP at the United States dollars ("USD") equivalent of $9.00 Canadian dollars ("CAD") per ABC Share.

Upon closing this transaction, (i) the Oaktree Funds directly or indirectly, beneficially owned or controlled approximately 13.9 million ABC shares, representing approximately 26.4% of the issued and outstanding ABC Shares (or 25.6% of the issued and outstanding ABC Shares on a fully-diluted basis), and (ii) ABC LP no longer owned or controlled any of the issued and outstanding ABC Shares.

Business combinations

On March 1, 2022, the Company acquired by way of merger, 100% of the shares of MPE Flow House, Inc., which owned 100% of the shares of dlhBowles, Inc. (collectively, “dlhBOWLES”), from MPE Partners, L.P. 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 was made to further solidify the Company’s position in the washer systems market and strengthen its existing product portfolio. The total cash consideration transferred at the close of the acquisition was $258.1 million. dlhBOWLES is included in the North America segment.

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”) from the Schürrle family. The Company also acquired an option to purchase the remaining 10.1% shares of Etzel upon the payment of an exercise price that will be determined based on the formula as laid out in the executed purchase and sale agreement (the "Purchase Option"). 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 provides the Company an opportunity to meaningfully expand its scale in Europe while entering the interior products space on the continent with a strong customer base of luxury OEMs. The total consideration transferred at the close of the acquisition was $75.0 million equivalent to Euro ("EUR") 66.8 million, which includes the fair value of the purchase option amounting to $6.6 million equivalent to EUR 5.9 million. Etzel is included in the Rest of the World segment.

On June 28, 2022, the Company entered into an agreement to acquire the Washer Systems product line of Continental Automotive GmbH for approximately EUR 20.5 million ($21.5 million) (the "Continental Washer System Acquisition"). The Washer Systems product line produces complete washer systems for vehicles. The portfolio consists of water reservoirs, pump systems, hoses, connectors, different types of nozzles as well as cleaning systems for headlight, cameras and sensors. The closing of this transaction is subject to the approval of antitrust authorities and certain other customary closing conditions. The transaction is expected to close in the second quarter of fiscal year 2023.

Refer to the Company's consolidated financial statements for the year ended June 30, 2022, for further details on business combinations.

Sale and leaseback of certain properties

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 recent acquisition of Etzel. Net proceeds from the transaction, after commissions and fees, are expected to be EUR 51.8 million. The Company entered into a foreign currency contract to hedge the net proceeds from the transaction and expects to receive approximately $58.3 million. The lease is for an initial fifteen-year period with options to renew for two additional five-year periods. Lease payments are expected to be EUR 2.0 million ($2.1 million) in the first year of the lease, increasing by 3% in each of the second and third years, with subsequent increases based on a variable rate linked with the German Consumer Price Index. Refer to Subsequent Event section for more details.

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, acquisitions related cost, initial public offering related costs, business transformation and related costs (which may include severance and restructuring expenses), impairment of non-financial assets, Apollo transaction cost less: our share of income of joint ventures, plus the Company's proportionate share of the EBITDA generated by our joint ventures, bargain purchase gain on the acquisition, and share-based compensation expense. We also present Adjusted EBITDA excluding the impact of IFRS 16 by charging the lease payments applicable to those periods to expense as was the case prior to IFRS 16 – Leases ("IFRS 16").

"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 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, including those discussed below.

Macroeconomic Conditions and Auto Industry Fundamentals

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

Inflation and Interest Rates

Central banks have recently adopted a number of interest rate increases in an attempt to rein in increasing global inflationary rates. Since vehicle sales levels are significantly affected by consumer confidence levels, concerns over possible recession resulting from interest rate increases, as well as availability of credit, may affect consumer confidence and reduce future sales levels.

We continue to experience higher prices for raw materials and commodities, particularly resin, glass, rubber, paint and steel and other raw materials, freight and energy costs, as well as wage pressures in some markets, which are expected to continue throughout calendar year 2022. Additionally, we may continue to experience price increases or surcharges from sub-suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through continuous improvement actions, price increases to our customers or modifications to our own products or otherwise, could have an adverse effect on our earnings.

Russian Invasion of Ukraine

The invasion of Ukraine has resulted in significant increases in energy costs in Europe and a reduction in natural gas supplied by Russia with the threat of further reductions. The ongoing conflict continues to create or exacerbate a broad range of risks, including with respect to: global economic growth; global vehicle production volumes; inflationary pressures, including in energy, commodities and transportation/logistics; and supply chain fragility. On July 20, 2022, the European Union ("EU") introduced an emergency natural gas rationing plan to curtail the use of natural gas by businesses and in public buildings in member states through the summer, in order to allow gas reserves to be replenished for the winter. The EU has developed a plan to reduce natural gas imports from Russia significantly by the end of 2022, and phase them out entirely by 2027; it previously announced measures to eliminate imports of Russian coal and oil. The inability of European countries to timely establish stable and secure energy supplies to offset Russian energy sources could cause significant economic disruption across Europe, including at our manufacturing facilities. A material deterioration in any of the foregoing could have a material adverse effect on our business and results of operations.

Industry Trends

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

Organic Sales Growth

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

Sourcing

Our future profitability is dependent on our ability to optimize our sourcing of materials at competitive pricing, including resin, components, equipment, and tooling equipment (molds, fixtures and assembly equipment). Volume reductions by OEM's in the past year has put a financial strain on a number of suppliers, including tool shops, forcing closures in some cases, primarily smaller, under capitalized companies.

Resins represent a significant portion of our material costs, which is generally the largest component of our cost of sales. Resins, which in many cases are of a specific engineered grade, are subject to price fluctuations, including those arising from supply and demand movements and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced, and that have recently exhibited a high level of volatility. The COVID-19 pandemic resulted in increased demand for resin in multiple industries. Additionally, growing export activity from Asia has created a shortage of available containers for shipping commodity products and consequently, resin shipments are competing against retail and other goods for containers and transportation space on ships. As a result of high oil prices, the high demand and increased freight rates, resin prices have increased as well as related freight costs. After spiking to record highs in Fiscal Q1 2022, resin prices gradually declined since then and are now approximately 18% lower compared to the historic highs, but continue to remain elevated relative to historic norms.

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

Components make up a significant portion of our material costs. Often components are assembled or otherwise integrated with the molded parts we make in our manufacturing processes forming a part of our contract requirements. These components are most often engineered for the specific application. The Company generally controls the decision making for sourcing qualified suppliers for components. However, certain components sourcing is directed by customers such that the supplier, the part specifications and the cost of the part to be supplied is negotiated directly by the customer. Customers pay this cost plus a nominal handling fee to manage this sourcing. The most significant component of our customer-directed sourcing business is related to consoles, which we supply to our largest OEM customer. While these customer-directed console components contributed approximately 7.5% of our sales for Fiscal 2022, it had a negligible impact on our profitability. We expect this pass-through content will significantly decline over the next five years.

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

Foreign Exchange

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

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

Seasonality

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

Competition

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

Dependence upon large-volume customers

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

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

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

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

Environmental Matters

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

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

Capital and Liquidity Risk

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

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

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

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

Dependence upon key personnel

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

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

Technological Change and Product Development

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

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

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

Joint Ventures

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

Acquisition and Expansion

The Company may grow through acquisitions of complementary businesses, products or technologies, or by entering into joint ventures. In Fiscal 2022, the Company successfully completed two acquisitions as part of its growth strategy. Refer to the Recent Developments section above for further details.

Acquisitions or strategic alliances involve numerous risks, including:

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

Dividends

The Company currently does, and anticipates continuing to, pay quarterly cash dividends, subject to the Board's discretion, applicable laws and the terms of our Credit Agreement. Dividends are and will be declared and paid in arrears. For Fiscal 2022, cash dividends paid per share were $0.13. Dividends per share is calculated based on the weighted average number of shares during the Fiscal 2022.

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

Selected Quarterly and Annual Consolidated Financial Information

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

Selected statement of comprehensive income data	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the year ended June 30, 2022	For the year ended June 30, 2021
Sales	**$ 319,249**	$ 233,194	**$ 971,878**	$ 970,850
Cost of sales	**291,532**	200,683	**889,371**	811,333
Gross profit	**27,717**	32,511	**82,507**	159,517
Selling, general and administrative	**44,137**	36,345	**130,957**	132,100
Impairment of non-financial assets	**8,185**	—	**8,185**	—
Other income	**(726)**	(351)	**(731)**	(2,002)
Share of loss (income) of joint ventures	**(847)**	848	**(498)**	(5,669)
Operating income (loss)	**(23,032)**	(4,331)	**(55,406)**	35,088
Interest expense (net)	**8,518**	6,831	**31,582**	46,336
Loss before income tax	**(31,550)**	(11,162)	**(86,988)**	(11,248)
Income tax expense (recovery)				
Current	**3,630**	2,262	**10,385**	6,106
Deferred	**(21,573)**	(1,676)	**(32,833)**	(5,693)
Total income tax expense (recovery)	**(17,943)**	586	**(22,448)**	413
Net loss	**$ (13,607)**	$ (11,748)	**$ (64,540)**	$ (11,661)
Earnings (loss) per share - basic and diluted	**$ (0.12)**	$ (0.22)	**$ (0.85)**	$ (0.22)
Other financial and operating metrics				
Adjusted EBITDA	**$ 15,218**	$ 26,867	**$ 45,651**	$ 133,359
Adjusted EBITDA margin	**4.3%**	10.1%	**4.2%**	12.1%
Adjusted Free Cash Flow	**$ 616**	$ (17,082)	**$ (46,217)**	$ 79,284

Selected statement of financial position data	June 30, 2022	June 30, 2021
Cash	**$ 25,400**	$ 14,912
Proportionate cash held at joint ventures[1]	**5,436**	8,055
Cash including proportionate cash held at joint ventures	**$ 30,836**	$ 22,967
Trade working capital	**130,109**	40,100
Net working capital	**50,359**	(12,830)
Total assets	**1,278,272**	855,629
Long-term debt[2]	**400,000**	280,000
Net debt	**369,164**	257,033
Total liabilities	**902,512**	690,425
Total shareholders' equity	**375,760**	165,204

1. Represents 50% of cash held at joint ventures, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. Long-term debt held at joint ventures is $nil as at June 30, 2022 (2021: $nil).

	For the three months ended June 30,		For the year ended June 30,	
	2022	**2021**	**2022**	**2021**
Reconciliation of Net loss to Adjusted EBITDA				
Net loss	**$ (13,607)**	$ (11,748)	**$ (64,540)**	$ (11,661)
Adjustments:				
Income tax expense (recovery)	**(17,943)**	586	**(22,448)**	413
Interest expense	**8,518**	6,831	**31,582**	46,336
Depreciation of property, plant and equipment	**16,358**	11,737	**53,344**	46,000
Depreciation of right-of-use assets	**4,263**	3,894	**15,570**	14,291
Amortization of intangible assets	**7,815**	4,558	**24,612**	18,324
EBITDA	**$ 5,404**	$ 15,858	**$ 38,120**	$ 113,703
Loss on disposal and write-down of assets	**1,057**	37	**1,794**	516
Unrealized loss (gain) on derivative financial instruments	**(1,854)**	255	**(2,695)**	95
Acquisitions related cost	**(219)**	—	**5,100**	—
Transactional, recruitment and other bonuses[1]	**—**	7,908	**2,374**	14,653
Business transformation related costs[2]	**7,863**	459	**11,867**	6,059
Share of loss (income) of joint ventures	**(847)**	848	**(498)**	(5,669)
EBITDA from joint ventures[3]	**2,020**	2,230	**3,955**	13,161
Impairment of non-financial assets	**8,185**	—	**8,185**	—
Initial public offering ("IPO") related costs[4]	**—**	542	**—**	8,278
Share-based compensation expense	**269**	1,044	**2,576**	1,925
Apollo transaction costs[5]	**—**	3,553	**—**	3,553
Lease payments, net of sublease receipts	**(6,660)**	(5,867)	**(25,127)**	(22,915)
Adjusted EBITDA	**$ 15,218**	$ 26,867	**$ 45,651**	$ 133,359

1. These costs include $2.4 million that was paid by the Company out of the Value Creation Plan ("VCP") in YTD Fiscal 2022 in connection with the Oaktree transaction. Costs incurred in YTD Fiscal 2021 represents transactional and recruitment bonuses including bonuses paid to management related to the IPO and Apollo transaction.
2. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes. These costs include services provided by Cerberus Operations and Advisory LLC and some of ABC's directors in the amount of $nil for Q4 Fiscal 2022 (Q4 Fiscal 2021: $0.2 million), and $0.0 million for YTD Fiscal 2022 (YTD Fiscal 2021: $1.1 million). Cerberus Operations and Advisory LLC was a related party of the Company until November 10, 2021.
3. Represents 50% of joint ventures' EBITDA, which corresponds to the Company's proportionate share of ownership in the joint ventures.
4. Represents IPO related expenses incurred by the Company consisting mainly of underwriter and professional fees.
5. Represents Apollo transaction costs incurred by the Company consisting mainly of advisory fees paid to unrelated parties.

	For the three months ended June 30,		For the year ended June 30,	
	2022	**2021**	**2022**	**2021**
Calculation of Adjusted EBITDA Margin				
Sales	**$ 319,249**	$ 233,194	**$ 971,878**	$ 970,850
Proportionate share of joint venture sales[1]	**37,899**	31,765	**126,860**	129,295
Adjusted sales	**$ 357,148**	$ 264,959	**$ 1,098,738**	$ 1,100,145
Adjusted EBITDA	**$ 15,218**	$ 26,867	**$ 45,651**	$ 133,359
Adjusted EBITDA Margin	**4.3 %**	10.1 %	**4.2 %**	12.1 %

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

		For the year ended June 30, 2022		2021
Calculation of Net Debt				
Long-term debt	$	**400,000**	$	280,000
Cash and cash equivalents		**(25,400)**		(14,912)
Proportionate cash held at joint ventures[1]		**(5,436)**		(8,055)
Net Debt	$	**369,164**	$	257,033

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

		For the year ended June 30, 2022		2021
Calculation of Trade Working Capital				
Trade and other receivables	$	**123,429**	$	76,653
Inventories		**154,661**		82,170
Trade payables		**(147,981)**		(118,723)
Trade Working Capital	$	**130,109**	$	40,100

		For the year ended June 30, 2022		2021
Calculation of Net Working Capital				
Trade and other receivables	$	**123,429**	$	76,653
Inventories		**154,661**		82,170
Prepaid expenses and other		**42,094**		34,472
Trade payables		**(147,981)**		(118,723)
Accrued liabilities and other payables		**(97,712)**		(71,339)
Provisions		**(24,132)**		(16,063)
Net Working Capital	$	**50,359**	$	(12,830)

Results of Operations for Q4 Fiscal 2022 compared with Q4 Fiscal 2021

Sales

Sales were $319.2 million in Q4 Fiscal 2022 compared with $233.2 million in Q4 Fiscal 2021, an increase of $86.1 million or 36.9%. Of this increase, $52.3 million is attributable to acquisitions accounting for 59.4% of the increase. According to IHS Markit reports, industry production in North America increased by 11.7% in Q4 Fiscal 2022 compared to Q4 Fiscal 2021. The Company enjoyed better than industry growth as a result of improved sales to a number of significant customers due to its product mix relative to the industry.

Cost of sales

Cost of sales was $291.5 million in Q4 Fiscal 2022 compared with $200.7 million in Q4 Fiscal 2021, an increase of $90.8 million or 45.3%, of which $47.2 million or 52.0% is attributable to acquisitions. As a percentage of sales, cost of sales was 91.3% in Q4 Fiscal 2022 compared with 86.1% in Q4 Fiscal 2021. Gross margin in Q4 Fiscal 2022 was lower than the comparable prior year quarter resulting from 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 $44.1 million in Q4 Fiscal 2022 compared with $36.3 million in Q4 Fiscal 2021, an increase of $7.8 million or 21.4%. As a percentage of sales, selling, general and administrative expenses were 13.8% in Q4 Fiscal 2022 compared with 15.6% in Q4 Fiscal 2021.

Significant differences quarter over quarter include:

- higher business transformation related costs in Q4 Fiscal 2022 of $7.4 million
- higher wages, benefits and professional fees in Q4 Fiscal 2022 of $2.9 million
- higher depreciation and amortization expense in Q4 Fiscal 2022 of $3.4 million
- foreign exchange loss of $0.5 million in Q4 Fiscal 2022 as compared to a gain of $2.1 million in Q4 Fiscal 2021
  largely offset by;
- costs related to the IPO and Apollo transaction were incurred in Q4 Fiscal 2021 of $7.9 million and $3.6 million respectively, not recurring in Q4 Fiscal 2022

Impairment of non-financial assets

The Company recorded an impairment of $8.2 million in Q4 Fiscal 2022 relating to its Poland cash-generating unit ("CGU"). The impairment was recorded due to recent increases in raw material and energy prices, instability in the region, and lower expectation of business recovery in Poland. No impairment was recorded in the comparative period.

Other income

Other income includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was $0.7 million in Q4 Fiscal 2022 compared with $0.4 million in Q4 Fiscal 2021.

Share of income (loss) of joint ventures

Share of income of joint ventures was $0.8 million in Q4 Fiscal 2022 compared with a loss of $0.8 million in Q4 Fiscal 2021, an increase of $1.7 million or 199.9%, primarily as a result of higher sales in Q4 Fiscal 2022 and higher freight costs incurred in Q4 Fiscal 2021 to secure resin supply from overseas locations.

Interest expense (net)

Interest expense (net) was $8.5 million in Q4 Fiscal 2022 compared with $6.8 million in Q4 Fiscal 2021, an increase of $1.7 million primarily due to higher debt balance in Q4 Fiscal 2022 compared to Q4 Fiscal 2021. A portion of the increase in debt balance was to fund the acquisitions at the end of Q3 Fiscal 2022.

Total income tax expense (recovery)

Total income tax recovery was $17.9 million in Q4 Fiscal 2022 compared with tax expense of $0.6 million in Q4 Fiscal 2021. The effective rate in Q4 Fiscal 2022 was 56.9% compared with (5.2)% in Q4 Fiscal 2021. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions, lower non-deductible expenses, and recognition of previously unrecognized deferred tax assets in Q4 Fiscal 2022.

Net loss

Net loss was $13.6 million in Q4 Fiscal 2022 compared with $11.7 million in Q4 Fiscal 2021, an increase of $1.9 million or 15.8%. Primary contributors to the change between periods are a $4.8 million decrease in gross profit in Q4 Fiscal 2022 due to higher costs, $7.8 million due to higher selling general and administration costs, an $8.2 million impairment charge, $1.7 million from improved joint venture performance and a $18.5 million swing to income tax recovery from expense.

Adjusted EBITDA

Adjusted EBITDA was $15.2 million in Q4 Fiscal 2022 compared with $26.9 million in Q4 Fiscal 2021, a decrease of $11.7 million or 43.4%, primarily as a result of higher operating loss due to the reasons described above.

Results of Operations for YTD Fiscal 2022 compared with YTD Fiscal 2021

Sales

Sales were $971.9 million for YTD Fiscal 2022 compared with $970.9 million for YTD Fiscal 2021, an increase of $1.0 million or 0.1%. Excluding $71.2 million in sales attributable to acquisitions in the year, sales were 7.0% lower than the prior year. According to IHS Markit reports, industry production in North America decreased by 8.9% in Fiscal 2022 compared to Fiscal 2021. Lost production due to OEM plant closures driven by semiconductor shortages resulted in a significant decrease in revenue compared to the prior year where production had approached near normal production levels after the initial COVID-19 lockdowns that had occurred in the period from March to May 2020.

Cost of sales

Cost of sales was $889.4 million for YTD Fiscal 2022 compared with $811.3 million for YTD Fiscal 2021, an increase of $78.0 million or 9.6%. As a percentage of sales, cost of sales was 91.5% for YTD Fiscal 2022 compared with 83.6% for YTD Fiscal 2021. Gross margin in YTD Fiscal 2022 is lower resulting from higher labor and freight costs, increased raw material costs, primarily resin, glass, rubber, paint and steel, and from inefficiencies due to frequent plant closures by OEMs. YTD Fiscal 2021 enjoyed the benefit of $10.2 million in Canada Emergency Wage Subsidy ("CEWS") payments, which reduced wage expense in the period, which was also partially offset by the increased costs around managing COVID-19 effects in the same period, versus YTD Fiscal 2022 where the Company was ineligible to receive CEWS.

Selling, general and administrative expenses

Selling, general and administrative expenses were $131.0 million for YTD Fiscal 2022 compared with $132.1 million for YTD Fiscal 2021. As a percentage of sales, selling, general and administrative expenses were 13.5% for YTD Fiscal 2022 compared with 13.6% for YTD Fiscal 2021.

Significant differences year over year include:

- lower transactional, recruitment and other bonuses in YTD 2022 of $12.3 million
- Costs related to the IPO and Apollo transaction were incurred in YTD Fiscal 2021 of $8.3 million and $3.6 million respectively, not recurring in Fiscal 2022

  largely offset by;
- higher depreciation and amortization expense in YTD Fiscal 2022 of $6.5
- higher acquisition related costs in YTD Fiscal 2022 of $5.1 million
- higher business transformation related costs in YTD Fiscal 2022 of $5.8 million
- higher directors' and officers' insurance expense and professional fees in YTD Fiscal 2022 of $4.3 million

Impairment of non-financial assets

The Company recorded an impairment of $8.2 million in YTD Fiscal 2022 relating to its Poland CGU. The impairment was recorded due to recent increases in raw material and energy prices, instability in the region, and lower expectation of business recovery in Poland. No impairment was recorded in YTD fiscal 2021.

Other income

Other income includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was $0.7 million for YTD Fiscal 2022 compared with $2.0 million for YTD Fiscal 2021. The change was primarily driven by $1.8 million of loss on disposal and write-down of assets in YTD Fiscal 2022 compared with a $0.5 million of loss in the comparative period.

Share of income (loss) of joint ventures

Share of income of joint ventures was $0.5 million for YTD Fiscal 2022 compared with share of income of $5.7 million for YTD Fiscal 2021, a decrease of $5.2 million or 91.2%. The reduced profitability of the joint ventures mirrors the same challenges as faced by the Company in the current year, namely, COVID-19, lower OEM production largely due to the semiconductor shortage, higher input costs and costs associated with plant upgrades.

Interest expense (net)

Interest expense (net) was $31.6 million for YTD Fiscal 2022 compared with $46.3 million for YTD Fiscal 2021, a decrease of $14.8 million. The decrease was primarily due to the non-cash write-off of unamortized deferred financing costs of $10.6 million related to the former credit facilities and financing costs incurred of $1.2 million as a result of amendments made to the Credit Agreement upon IPO in the YTD Fiscal 2021 period.

Total income tax expense (recovery)

Total income tax recovery was $22.4 million for YTD Fiscal 2022 compared with tax expense $0.4 million for YTD Fiscal 2021. The effective rate for YTD Fiscal 2022 was 25.8% compared with (3.7)% during YTD Fiscal 2021. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions, lower non-deductible expenses, and recognition of previously unrecognized deferred tax assets in YTD Fiscal 2022.

Net income (loss)

Net loss was $64.5 million for YTD Fiscal 2022 compared with $11.7 million for YTD Fiscal 2021, an increase of $52.8 million. Primary contributors to the change between years is a $77.0 million reduction in gross margin in YTD Fiscal 2022 due to the combination of lower revenue as a result of lower OEM production largely caused by semiconductor shortages, higher raw material costs primarily attributable to increased resin, glass, rubber, paint, and steel costs as well as higher labor and freight costs, and inefficient plant operations caused by short notification by OEMs of their own plant closures, $8.2 million for the impairment of non-financial assets, and $5.2 million due to lower income from joint ventures, largely offset by a favorable $1.2

million reduction in selling, general and administration expenses, $14.8 million due to lower interest expense and $22.9 million lower tax expense.

Adjusted EBITDA

Adjusted EBITDA was $45.7 million for YTD Fiscal 2022 compared with $133.4 million for YTD Fiscal 2021, a decrease of $87.7 million or 65.8%, primarily as a result of higher operating loss due to the reasons described above.

Segment Performance

Results of Operations for Q4 Fiscal 2022 compared with Q4 Fiscal 2021

For the three months ended June 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 283,775	$ 35,474	$ 37,899	$ 357,148	$ (37,899)	$ 319,249
Inter-segment revenues	3,599	182	1,385	5,166	(5,166)	—
Total revenue	**$ 287,374**	**$ 35,656**	**$ 39,284**	**$ 362,314**	**$ (43,065)**	**$ 319,249**
Operating income (loss)	$ (13,062)	$ (10,818)	$ 1,031	$ (22,849)	$ (183)	$ (23,032)
Adjusted EBITDA	13,463	(265)	2,020	15,218	—	15,218

For the three months ended June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 221,323	$ 11,871	$ 31,765	$ 264,959	$ (31,765)	$ 233,194
Inter-segment revenues	2,048	150	1,500	3,698	(3,698)	—
Total revenue	**$ 223,371**	**$ 12,021**	**$ 33,265**	**$ 268,657**	**$ (35,463)**	**$ 233,194**
Operating income (loss)	$ (3,835)	$ 346	$ (541)	$ (4,030)	$ (301)	$ (4,331)
Adjusted EBITDA	24,578	59	2,230	26,867	—	26,867

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%.

North America

North America external customer revenue was $283.8 million in Q4 Fiscal 2022 compared with $221.3 million in Q4 Fiscal 2021, an increase of $62.5 million or 28.2%. Excluding the $29.9 million of the increase in the current quarter attributable to acquisitions, North American revenue increased $32.6 million or 15.6% over the comparable quarter, exceeding North American auto production which increased 11.7%, according to IHS Markit reports, in Q4 Fiscal 2022 over Q4 Fiscal 2021. The Company enjoyed improved sales to a number of significant customers due to product mix relative to the industry.

North America Adjusted EBITDA was $13.5 million in Q4 Fiscal 2022 compared with $24.6 million in Q4 Fiscal 2021, a decrease of $11.1 million or 45.2%. The reduction is due to lower gross margin resulting from higher input costs and higher SG&A expenses in Q4 Fiscal 2022 compared to the comparable prior year period.

Rest of World

Rest of World external customer revenue was $35.5 million in Q4 Fiscal 2022 compared with $11.9 million in Q4 Fiscal 2021, an increase of $23.6 million or 198.8%. The increase is primarily attributable to acquisitions in the current fiscal year.

Rest of World Adjusted EBITDA was negative $0.3 million in Q4 Fiscal 2022 compared with $0.1 million in Q4 Fiscal 2021, a decrease of $0.3 million. Increased raw material, labor, and utility costs in Q4 Fiscal 2022 compared to the comparable prior year quarter are the main contributors to the decrease.

Joint Ventures

ABC's proportionate external customer revenue from joint ventures was $37.9 million in Q4 Fiscal 2022 compared with $31.8 million in Q4 Fiscal 2021, an increase of $6.1 million or 19.3%. The improved sales in Q4 Fiscal 2022 are due to the industry production trending up towards normal levels and the joint ventures' product mix relative to the industry.

ABC's proportionate Adjusted EBITDA from joint ventures was $2.0 million for Q4 Fiscal 2022 compared with $2.2 million for Q4 Fiscal 2021, a decrease of $0.2 million or 9.4%. The decrease is primarily due to lower gross margin due to higher input costs and costs associated with plant upgrades.

Results of Operations for YTD Fiscal 2022 compared with YTD Fiscal 2021

For the year ended June 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 895,686	$ 76,192	$ 126,860	$ 1,098,738	$ (126,860)	$ 971,878
Inter-segment revenues	12,148	858	5,684	18,690	(18,690)	—
Total revenue	**$ 907,834**	**$ 77,050**	**$ 132,544**	**$ 1,117,428**	**$ (145,550)**	**$ 971,878**
Operating income (loss)	$ (41,622)	$ (14,282)	$ 875	$ (55,029)	$ (377)	$ (55,406)
Adjusted EBITDA	42,436	(740)	3,955	45,651	—	45,651

For the year ended June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 921,069	$ 49,781	$ 129,295	$ 1,100,145	$ (129,295)	$ 970,850
Inter-segment revenues	8,929	881	6,283	16,093	(16,093)	—
Total revenue	**$ 929,998**	**$ 50,662**	**$ 135,578**	**$ 1,116,238**	**$ (145,388)**	**$ 970,850**
Operating income (loss)	$ 30,268	$ (855)	$ 7,379	$ 36,792	$ (1,704)	$ 35,088
Adjusted EBITDA	118,296	1,902	13,161	133,359	—	133,359

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%.

North America

North America external customer revenue was $895.7 million for YTD Fiscal 2022 compared with $921.1 million for YTD Fiscal 2021, a decrease of $25.4 million or 2.8%. 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. According to IHS Markit reports, industry production in North America decreased by 8.9% in YTD Fiscal 2022 compared to the prior year.

North America Adjusted EBITDA was $42.4 million for YTD Fiscal 2022 compared with $118.3 million for YTD Fiscal 2021, a decrease of $75.9 million or 64.1%. The loss of margin due to reduced sales combined with higher raw material input costs and inefficiencies resulting from short-notice plant closures by the OEMs were the primary contributors to the drop in Adjusted EBITDA in YTD Fiscal 2022 versus YTD Fiscal 2021.

Rest of World

Rest of World external customer revenue was $76.2 million for YTD Fiscal 2022 compared with $49.8 million for YTD Fiscal 2021, an increase of $26.4 million or 53.1%. The increase is primarily due to acquisitions.

Rest of World Adjusted EBITDA was negative $0.7 million for YTD Fiscal 2022 compared with $1.9 million for YTD Fiscal 2021, a decrease of $2.6 million. The decrease is primarily due to higher operating and input costs.

Joint Ventures

ABC's proportionate external customer revenue from joint ventures was $126.9 million for YTD Fiscal 2022 compared with $129.3 million for YTD Fiscal 2021, a decrease of $2.4 million or 1.9%.

ABC's proportionate Adjusted EBITDA from joint ventures was $4.0 million for YTD Fiscal 2022 compared with $13.2 million for YTD Fiscal 2021, a decrease of $9.2 million or 70.0%. The decrease is primarily due to the lost margin as a result of lowered sales, higher input costs and some operating inefficiencies associated with a paint line upgrade.

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 2022				Fiscal 2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Quarterly results								
Sales	$ 319,249	$ 285,775	$ 203,439	$ 163,415	$ 233,194	$ 217,926	$ 261,327	$ 258,403
Net earnings (loss)	(13,607)	(6,321)	(16,426)	(28,186)	(11,748)	(20,695)	11,461	9,321
EBITDA	5,404	32,786	8,438	(8,508)	15,858	13,295	42,360	42,190
Adjusted EBITDA	15,218	30,252	11,496	(11,315)	26,867	25,450	40,802	40,240

Liquidity and Capital Resources

Overview

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

As at June 30, 2022, the Company's Trade Working Capital and Net Working Capital was $130.1 million and $50.4 million, respectively, with cash on hand of $25.4 million. The Company actively manages its working capital and believes it is prudent practice to keep its Net Working Capital low or even negative. As such, it manages its trade and other receivables very closely and has low amounts past due and low levels of bad debt. The Company also actively manages its inventory levels, in order to keep low levels of inventory for parts so as to reduce the risk of part obsolescence, and this practice contributes to the Company's low or negative Net Working Capital levels. At the end of Fiscal 2021 and into Fiscal 2022, the Company increased inventory in certain areas to protect customer production schedules in light of supply disruptions largely caused by COVID-19. Tooling inventory was also higher as a result of programs scheduled to launch over the next several months. The Company's Net Working Capital was also increased by the recent acquisitions. 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 and an ability to sell a portion of its receivables, will be sufficient to fund the Company's operations and capital expenditures for at least the next 12 months.

We believe that our current sources of liquidity and capital will be sufficient to finance our continued operations 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 22, 2021, immediately after the closing of the IPO, the Company amended its Credit Agreement to increase the size of its Credit Facilities to $450.0 million, inclusive of two swingline facilities in the aggregate amount of $20.0 million.

On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of its Total Net Debt to EBITDA covenant over the next five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19. The amendment waived the former requirement to maintain a minimum Total Net Debt to EBITDA ratio for the period from July 1, 2021 to March 30, 2022. Furthermore, EBITDA for financial covenant purposes has been excluded for the fiscal quarters ended September 30, 2021 and December 31, 2021, and is to be annualized accordingly for the remaining quarters in relevant periods. The amendment also required the Company to maintain liquidity of no less than $50.0 million until delivery of the compliance certificate for the quarter ended March 31, 2022.

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 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 will be 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").

The Company incurred $2.6 million of financing fees during the fiscal year ended June 30, 2022, which have been capitalized as deferred financing costs and are included in other long-term assets.

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.

At June 30, 2022, the Company had aggregate amounts outstanding under the Credit Facilities of $400.0 million, maturing February 24, 2027. There was no amount outstanding under Revolving Facility B.

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 June 30, 2022, the average interest rate on the Credit Facilities was 3.89% (June 30, 2021: 3.38%) and $2.0 million (June 30, 2021: $0.9 million) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at June 30, 2022, 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 June 30, 2022, the Company had cash balances of $25.4 million (June 30, 2021: $14.9 million) and $148.0 million available on its Credit Facilities (June 30, 2021: $169.1 million). The Company had total liquidity of $173.4 million as at June 30, 2022 (June 30, 2021: $184.0 million).

As at June 30, 2022, the Company had interest rate swap agreements with a total notional amount of $225.0 million (June 30, 2021: $225.0 million) whereby the Company pays a weighted average fixed interest rate of 1.48% (June 30, 2021: 1.56%) and receives interest at a floating rate equal to 1-month USD SOFR on the total notional amount. The interest rate swap agreements mature in May 2023. 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 months and year ended June 30, 2022 and 2021.

	For the three months ended June 30,		For the year ended June 30,	
	2022	**2021**	**2022**	**2021**
Summary cash flow statements				
Net cash flows from (used in) operating activities	**$ 19,128**	$ (11,009)	**$ 26,805**	$ 115,337
Net cash flows used in investing activities	**(18,882)**	(14,483)	**(378,649)**	(45,331)
Net cash flows from (used in) financing activities	**(6,729)**	(8,819)	**363,406**	(129,602)
Net increase (decrease) in cash	**(6,483)**	(34,311)	**11,562**	(59,596)
Net foreign exchange difference	**(645)**	376	**(1,074)**	450
Cash, beginning of period	**32,528**	48,847	**14,912**	74,058
Cash, end of period	**$ 25,400**	$ 14,912	**$ 25,400**	$ 14,912

Reconciliation of net income (loss) to net cash flows from operating activities

The table below provides a reconciliation of the adjusting items to reconcile net income (loss) to net cash flows from operating activities for the three months and year ended June 30, 2022 and 2021.

	For the three months ended June 30,				For the year ended June 30,			
		2022		2021		**2022**		2021
Reconciliation of net loss to net cash flows from operating activities								
Net loss	**$**	**(13,607)**	$	(11,748)	**$**	**(64,540)**	$	(11,661)
Adjustments for:								
Depreciation of property, plant and equipment		**16,358**		11,737		**53,344**		46,000
Depreciation of right-of-use assets		**4,263**		3,894		**15,570**		14,291
Amortization of intangible assets		**7,815**		4,558		**24,612**		18,324
Loss on disposal and write-down of assets		**1,057**		37		**1,794**		516
Unrealized loss (gain) on derivative financial instruments		**(1,854)**		255		**(2,695)**		95
Interest expense		**8,518**		6,831		**31,582**		46,336
Share of income of joint ventures		**(847)**		848		**(498)**		(5,669)
Income tax expense (recovery)		**(17,943)**		586		**(22,448)**		413
Share-based compensation expense		**269**		1,044		**2,576**		1,925
IPO related costs		**—**		542		**—**		8,278
Impairment of non-financial assets		**8,185**		—		**8,185**		—
Changes in:								
Trade and other receivables and prepaid expenses and other		**10,715**		(30,114)		**(10,142)**		(40,206)
Inventories		**3,922**		(5,944)		**(15,251)**		(10,448)
Trade payables, accrued liabilities and other payables, and provisions		**1,928**		13,114		**38,469**		75,534
Cash generated from (used in) operating activities	**$**	**28,779**	$	(4,360)	**$**	**60,558**	$	143,728
Interest received		**92**		194		**445**		385
Income taxes recovered (paid)		**(1,440)**		(623)		**(1,988)**		2,784
Interest paid on leases, net of interest income		**(3,338)**		(3,378)		**(13,629)**		(14,115)
Interest paid on long-term debt and other		**(4,965)**		(2,842)		**(18,581)**		(17,445)
Net cash flows from (used in) operating activities	**$**	**19,128**	$	(11,009)	**$**	**26,805**	$	115,337

Net cash flows from operating activities for Q4 Fiscal 2022 were $19.1 million compared with net cash flows used in operating activities of $11.0 million for Q4 Fiscal 2021, an increase of $30.1 million or 273.7%. The increase in net cash flow from operating activities was primarily due to $39.5 million from working capital offset to some extent by an increase of $18.7 million in operating loss.

Net cash flows from operating activities for YTD Fiscal 2022 were $26.8 million compared with net cash flows from operating activities of $115.3 million for YTD Fiscal 2021, a decrease of $88.5 million or 76.8%. The decrease in net cash flow from operating activities was primarily due to a decrease of $90.5 million in operation income (loss) and a reduction of changes in working capital of $11.8 million.

Net cash flows used in investing activities

	For the three months ended June 30,				For the year ended June 30,			
		2022		2021		**2022**		2021
Cash flows from (used in) investing activities								
Purchases of property, plant and equipment	**$**	**(12,865)**	$	(10,977)	**$**	**(44,118)**	$	(36,178)
Acquisition of subsidiaries, net of cash acquired		**—**		—		**(314,597)**		—
Dividends received from joint ventures		**1,331**		1,118		**1,884**		7,109
Proceeds from disposals of property, plant and equipment		**—**		—		**—**		171
Additions to intangible assets		**(7,348)**		(4,624)		**(21,818)**		(16,433)
Net cash flows used in investing activities	**$**	**(18,882)**	$	(14,483)	**$**	**(378,649)**	$	(45,331)

Net cash flows used in investing activities were $18.9 million for Q4 Fiscal 2022 compared with $14.5 million for Q4 Fiscal 2021. Net cash flows used in investing activities were $378.6 million for YTD Fiscal 2022 compared with $45.3 million for YTD Fiscal 2021.

The increase in spending on property, plant and equipment and intangible assets in Q4 Fiscal 2022 over Q4 Fiscal 2021 and YTD Fiscal 2022 over YTD Fiscal 2021 is not considered to be significant, as expenditures can vary from period to period depending on the timing of requirements to fulfill programs. The increase in the YTD period is almost entirely related to the acquisitions completed in Q3 Fiscal 2022.

Net cash flows from (used in) financing activities

	For the three months ended June 30,		For the year ended June 30,	
	2022	2021	**2022**	2021
Cash flows from (used in) financing activities				
Net drawings on revolving credit facilities	**$ —**	$ (5,000)	**$ 120,000**	$ 195,000
Repayment of long-term debt	**—**	—	**—**	(305,000)
Principal payments of lease liabilities, net of sublease receipts	**(3,322)**	(2,489)	**(11,498)**	(8,800)
Financing costs	**20**	(99)	**(2,630)**	(1,835)
IPO related costs	**—**	(542)	**—**	(8,278)
Dividends to shareholders	**(3,427)**	(689)	**(9,943)**	(689)
Proceeds from issuance of shares, net of issuance cost	**—**	—	**288,853**	—
Repayment of acquired loan	**—**	—	**(21,376)**	—
Net cash flows from (used in) financing activities	**$ (6,729)**	$ (8,819)	**$ 363,406**	$ (129,602)

Net cash flows used in financing activities for Q4 Fiscal 2022 were $6.7 million compared with $8.8 million for Q4 Fiscal 2021, a decrease of $2.1 million. The decrease primarily relates to a $5.0 million draw on credit facilities in Q4 Fiscal 2021 versus $nil draw in Q4 Fiscal 2022, partially offset by $2.7 million of higher dividend payments and $0.8 million of increased principal payments on lease facilities in Q4 Fiscal 2022 compared to Q4 Fiscal 2021.

Net cash flows from financing activities for YTD Fiscal 2022 were $363.4 million compared with net cash flows used in financing activities of $129.6 million for YTD Fiscal 2021, an increase of $493.0 million. The increase primarily relates to $288.9 million in proceeds from the issuance of shares, repayment of the acquired loan of $21.4 million, and a net increase in net debt of $230.0 million.

	For the three months ended June 30,		For the year ended June 30,	
	2022	2021	**2022**	2021
Reconciliation of net cash flows from operating activities to Adjusted Free Cash Flow				
Net cash flows from operating activities	**$ 19,128**	$ (11,009)	**$ 26,805**	$ 115,337
Purchases of property, plant and equipment	**(12,865)**	(10,977)	**(44,118)**	(36,178)
Proceeds from disposals of property, plant and equipment	**—**	—	**—**	171
Additions to intangible assets[1]	**(7,348)**	(4,624)	**(21,818)**	(16,433)
Principal payments of lease liabilities	**(3,322)**	(2,489)	**(11,498)**	(8,800)
Dividends received from joint ventures	**1,331**	1,118	**1,884**	7,109
One-time advisory, bonus and other costs[2]	**2,798**	10,899	**10,046**	18,078
Net impact of hedge monetization	**894**	—	**(7,518)**	—
Adjusted Free Cash Flow	**$ 616**	$ (17,082)	**$ (46,217)**	$ 79,284

1. Represents capitalized development costs under IAS 38 Intangible Assets.
2. Includes $2.3 million paid from the VCP in connection with the Oaktree transaction, and $5.9 million paid in connection with the acquisitions, which mainly consisted of professional fees during the year ended June 30, 2022. The amount for the year ended June 30, 2021 included one-time advisory, bonus and other costs associated with IPO and Apollo transaction.

Adjusted Free Cash Flow was $17.7 million higher for Q4 Fiscal 2022 compared with Q4 Fiscal 2021 primarily due to higher net cash flows from operating activities of $30.1 million offset by higher purchases of property plant and equipment and additions to intangible assets of $1.9 million and $2.7 million respectively and lower one-time advisory, bonus and other costs of $8.1 million.

Adjusted Free Cash Flow was $125.5 million lower for YTD Fiscal 2022 compared with YTD Fiscal 2021 primarily due to lower net cash flows from operating activities of $88.5 million, higher purchases of property plant and equipment and additions to intangible assets of $7.9 million and $5.4 million respectively, lower dividends received from joint ventures of $5.2 million, lower one-time advisory, bonus and other costs of $8.0 million. Fiscal 2021 results were positively impacted by working capital normalization following the first wave of COVID-19.

Contractual obligations

Our contractual obligations consist of principal repayments on long-term debt, interest on long-term debt, and leases for certain facilities, office equipment and vehicles. Our contractual obligations and commitments as of June 30, 2022 are shown in the following table.

	Within one year	1 - 3 years	3 - 5 years	Thereafter	Total
Contractual obligations					
Long-term debt	$ —	$ —	$ 400,000	$ —	$ 400,000
Interest on long-term debt	$ 15,545	$ 31,089	$ 25,908	$ —	$ 72,542
Lease payments	$ 27,178	$ 51,517	$ 46,386	$ 173,579	$ 298,660
Purchase Option	$ 6,206	$ —	$ —	$ —	$ 6,206

The Company has committed to purchase, within the next 12 months, machinery and equipment for $29.5 million. The Company also has an existing commitment, subject to closing or other conditions, to acquire the Washer Systems product line of Continental Automotive GmbH for approximately EUR 20.5 million ($21.5 million). Refer to Recent Developments section above 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 June 30, 2022, the Company had letters of credit in place, which were issued under our Credit Facilities, amounting to $2.0 million (June 30, 2021: $0.9 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 and sensitivity

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At June 30, 2022, after taking into account the effect of interest rate swaps, approximately 56% (June 30, 2021: 80%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on income (loss) before income tax for the three months and year ended June 30, 2022 of $0.2 million (2021: $0.0 million) and $0.6 million (2021: $0.4 million), respectively, on a hedged basis.

Foreign currency risk and sensitivity

Our functional currency is the USD. The Company also has transactions denominated in CAD and MXN because we sell into the Canadian and Mexican markets and purchase goods and services from Canada and Mexico. To a lesser extent we also have transactions denominated in Brazilian real, 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.

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased income (loss) before income tax for the three months and year ended June 30, 2022 by approximately $0.2 million (2021: $0.5 million) and $1.2 million (2021: $2.1 million), respectively. A 5% strengthening of the MXN against the USD would have decreased income (loss) before income tax for the three months and year ended June 30, 2022 by approximately $0.4 million (2021: $0.7 million) and $1.8 million (2021: $1.9 million), respectively. A weakening would have had the equal but opposite effect, on the basis that all other variables remain constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Commodity price risk and sensitivity

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.

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on income (loss) before income tax for the three months and year ended June 30, 2022 of $3.9 million (2021: $1.9 million) and $10.7 million (2021: $8.0 million), and vice versa.

Credit risk

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

Trade receivables

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
As at June 30, 2022	**$ 123,429**	**$ 114,611**	**$ 1,691**	**$ 1,161**	**$ 5,966**
As at June 30, 2021	76,653	75,659	709	173	112

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. The increase in the customer receivables balance outstanding for more than 90 days from $0.1 million as at June 30, 2021 to $6.0 million as at June 30, 2022 was due to the acquired businesses. The Company is actively working on collections and process improvements to resolve any collection issues.

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 June 30, 2022, the Company's three largest customers accounted for 20.2%, 5.9% and 5.6%, respectively, of all receivables owing (June 30, 2021: 30.1%, 5.9% and 2.0%, respectively).

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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

Disclosure of Outstanding Shares

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

On January 11, 2022, the Company closed a private placement with certain investment funds managed by affiliates of Apollo Global Management, Inc. ("Apollo") and Oaktree. An aggregate of 5,253,642 common shares of the Company were issued at a price per common share of the USD equivalent of CAD$5.83. The Company raised gross proceeds of $24.2 million from the private placement.

On January 12, 2022, the Company launched a rights offering, pursuant to which each holder of common shares as at January 19, 2022 received one right to purchase one common share (a "Rights Share") at a subscription price of CAD$5.83 per Rights Share. The Company closed the rights offering on February 15, 2022, and an aggregate of 57,790,064 common shares of the Company were issued at the close. The Company raised gross proceeds of $265.2 million from the rights offering.

The Company incurred an issuance cost of $0.5 million for the private placement and rights offering.

The net proceeds of the private placement and rights offering were used in accordance with the intended use of proceeds and there were no material variances nor any impact on the Company's ability to achieve the stated business objectives and milestones with such proceeds.

As at September 2, 2022, there were 115,580,128 shares, 832,157 stock options, 363,210 restricted share units ("RSUs"), and 129,490 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 June 30, 2022		For the year ended June 30, 2022		As at June 30, 2022	
Joint venture in which the Company is a venturer:	**Purchases from JVs**	**Sales to JVs**	**Purchases from JVs**	**Sales to JVs**	**Trade payables to JVs**	**Trade receivables from JVs**
ABC INOAC Exterior Systems Inc.	$ 699	$ 5,528	$ 3,555	$ 16,113	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	—	1,442	—	9,330	128	5,147
ABCOR Filters	2,071	—	7,813	8	1,035	81
INOAC Huaxiang	—	4	—	108	—	126

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

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

During the year ended June 30, 2022, the Company received dividends from ABC INOAC Exterior Systems Inc., ABC INOAC Exterior Systems, LLC, ABCOR Filters, and INOAC Huaxiang in the amounts of $nil, $nil, $0.6 million, and $1.3 million, respectively (2021: $nil, $4.5 million, $0.8 million, and $1.8 million, respectively).

Cerberus Operations and Advisory LLC

Cerberus Operations and Advisory LLC, a related party of the Company until November 10, 2021, and some of ABC's former directors provided consulting services to the Company during the period within their capacity as a director. An amount of $nil (2021: $0.2 million) for the three months ended June 30, 2022, and $0.0 million (2021: $1.1 million) for the year ended June 30, 2022 was charged to profit or loss related to these services. There were no amounts due to related parties as at June 30, 2022 and June 30, 2021.

Compensation of key management personnel of the Company

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

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

	For the year ended June 30,	
	2022	**2021**
Compensation and other short-term benefits	**$ 3.7**	$ 11.3
Share-based payments	**$ 1.1**	$ 0.5
Total	**$ 4.8**	$ 11.8

The amounts disclosed above were recognized as an expense during the reporting period related to key management personnel. Amounts in 2022 include $0.6 million of transactional bonuses paid to key management personnel related to the Oaktree transaction. Amounts in 2021 include $5.9 million of transactional bonuses paid to key management personnel related to the IPO and Apollo transactions.

Critical Accounting Estimates

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

Provisions

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

Income taxes

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

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

Fair value of derivatives, hedging, and other financial instruments

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

Impairment of non-financial assets

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

Development costs

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

Leases

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

Share-based compensation

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

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

Tooling inventory

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

Business combinations

At initial recognition, all identifiable assets and liabilities acquired in a business acquisition are measured at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair values of these assets and liabilities and fair value of consideration transferred. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets like customer relationships, development intangibles, and trade name. The Company’s significant assumptions used in determining the acquisition date fair values of intangible assets include forecast revenue and cash flows attributable to acquired intangible assets, customer attrition rates, discount rates, and royalty rates. These estimates are inherently uncertain and are based on management's past experience and future expectations.

Accounting Standards Changes

Recently adopted accounting standards and policies

Adoption of IFRS 3 - Business Combinations

As a result of recent acquisitions (refer to note 4), the Company has adopted Business Combination - IFRS 3 from January 1, 2022. The Company has applied the following policy:

Business combinations are accounted for using the acquisition method at the acquisition date. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability and equity interests issued by the Company on the date at which the control of the acquired company is obtained. The consideration transferred includes the fair value of any asset or a liability resulting from a contingent consideration arrangement. Contingent consideration is subsequently remeasured at fair value, with any resulting gain or loss recognized and included in the consolidated statements of comprehensive income (loss) and changes in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated statement of comprehensive income (loss) as a gain from a bargain purchase.

To estimate the fair values of the intangible assets, management uses various valuation techniques and methodologies which include the income method, relief from royalty method, multi-period excess earnings method, and the cost approach. If the final purchase price allocations for a business combination is incomplete, the Company reports provisional amounts for the items for which the accounting is incomplete. Provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amount recognized at that date. The measurement period is the period from the acquisition date to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Transaction costs, other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred and recorded under selling, general and administrative expenses in the consolidated statement of comprehensive income (loss).

Adoption of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

An asset is classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

A sale is highly probable if:

- the appropriate level of management is committed to a plan to sell the assets;
- an active programme to locate a buyer and complete the plan has been initiated;
- the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification; and
- actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Such an asset is measured at the lower of its carrying amount and fair value less costs to sell. Any impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

When the Company acquires assets exclusively with a view to subsequent resale, the sale is expected to occur within one year of the acquisition date and any other of the highly probable criteria not met at acquisition date are expected to be met within a three-month period therefrom.

Once classified as held-for-sale, intangible assets, property plant and equipment and right-of-use assets are no longer amortized or depreciated.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Company adopted IBOR reform - Phase 2 - Amendments to IFRS 9, Financial Instruments ("IFRS 9"), IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7, Financial Instruments: Disclosures ("IFRS 7") (the "Phase 2 amendments") from July 1, 2021.

The Company has applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Company applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Company amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship;
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Company continues to apply the existing accounting policies.

These amendments did not have a material impact on the consolidated financial statements.

Standards issued but not yet effective

The IASB has issued the following new standards and amendments to existing standards that will become effective in future years:

- *Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022, and apply to contracts existing at the date when the amendments are first applied.
- *Amendments to IFRS 3, Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework. The amendments are effective for annual periods beginning on or after January 1, 2022.
- *Amendments to IAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 8, Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates". The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent*, clarifying requirements for the classification of liabilities as non-current. The effective date of the amendments was deferred to no earlier than January 1, 2024 but no final date has yet been set.

For the amendments that are effective for annual periods beginning on or after January 1, 2022, the Company does not expect these amendments to have a material impact on its financial statements. For the amendments that are effective for annual periods on or after January 1, 2023, the Company is currently assessing the impact, if any, on its consolidated financial statements.

Subsequent Event

On August 31, 2022, the Company closed part of its anticipated sale and leaseback transaction (refer to Note 4.2) and received the gross proceeds of EUR 37.2 million ($42.4 million). The remaining transaction is expected to be closed by the end of second quarter of fiscal 2023.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to the Company's management, including its Chief Executive office ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding disclosure. An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in issuers' Annual and Interim Filings ("NI 52-109"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design and implementation of these controls were effective as of June 30, 2022.

Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, the CEO and the CFO have concluded that the design and implementation of the Company's internal controls over financial reporting, as defined by NI 52-109, were effective as at June 30, 2022.

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 sanctions on, and retaliatory measures taken by, Russia;
- 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 COVID-19 and other global pandemics and outbreaks of contagious diseases, including as a result of COVID-19 pandemic-caused OEM and supplier bankruptcies; effects of ongoing global conflicts on supply chain, raw material costs and costs of logistics
- our assessments of, and outlook for Fiscal 2023 to Fiscal 2027, 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;
- our acquisition of Etzel and the expansion of our presence in the European market;
- 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 COVID-19, Russia's invasion of Ukraine and ongoing geopolitical conflicts and related international economic sanctions;
- labor disruptions or labor shortages in our facilities, or those of our customers and suppliers, as a result of the COVID-19 pandemic and other global pandemics and outbreaks of contagious diseases; COVID-19 pandemic-related shutdowns; supply disruptions including disruptions caused by the COVID-19 pandemic and applicable costs related to supply disruption mitigation initiatives, including as a result of COVID-19; attraction/retention of skilled labor including as a result of the COVID-19 pandemic and other 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 effects of the COVID-19 pandemic and other global pandemics and outbreaks of contagious diseases on the workforce in certain markets in which the Company operates; the timing of program launches, the growth of the Company and pursuit of, and belief in, its strategies and development and implementation of new product and business; continued investments in its business and technologies, the ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments; the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions; the potential for fluctuation of operating results; and the payment of any dividends as well as other forward-looking statements.

In evaluating forward-looking statements or forward-looking information, we caution readers not to place undue reliance on any forward-looking statement or forward-looking information expressed herein, and readers should specifically consider the various factors 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 Fiscal Q1 and Q2 2022. The industry saw improvements in the first half of the year with greater stability in North American vehicle production resulting from improvements in supply chain issues. These reductions were primarily related to OEM production shutdowns and/or curtailments due to global semiconductor shortages and other global supply chain disruptions and materials shortages resulting from the on-going COVID-19 pandemic. These developments resulted in, among other things, temporary production slowdowns or curtailments, temporary plant closures and delays in planned production at our OEM customers resulting in a reduction of output of certain vehicles which led to reduced customer orders for parts and assemblies supplied by ABC to its OEM customers. Based on recent projections by IHS Markit, North American light vehicle production is expected to increase by 19% in Fiscal 2023 compared to Fiscal 2022 fueled by ongoing customer demand that continues to outpace supply and improving supplies of semiconductors. The COVID-19 pandemic caused elevated absenteeism and shortages of employees to staff our facilities due to childcare needs, quarantines and illness in Fiscal 2022, resulting in inefficiencies and higher labor costs. While these headwinds have diminished in recent months, labor shortages due to historic low unemployment rates have resulted in increased labor costs to obtain and retain labor.

The Company is confident that increasing production volumes providing increased efficiencies, in conjunction with decreasing material and freight costs, provide a significantly improved profit environment in Fiscal 2023. Recent acquisitions provide a broader product portfolio, greater geographic diversity and new customer relationships that will also contribute to the Company's growth.

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 presented a return to more normal operating conditions in the industry, with a significant reduction in OEM plant closures compared to the earlier quarters. Despite the recent improvements in production volumes on a relative basis resulting in less sporadic closures of OEM plants, and an expectation of significantly increased vehicle production in Fiscal 2023 based on IHS forecasts, management believes that at this time, it is not currently practical to provide guidance with a high level of confidence. ABC will continually monitor the production schedules of our customers and provide guidance in the future when and if these factors can be quantified appropriately.