ABC Technologies Holdings Inc. Reports Q2 Fiscal 2023 Results

Toronto, February 10, 2023 – ABC Technologies Holdings Inc. (TSX: ABCT) ("ABC Technologies", "ABC", or the "Company"), a leading manufacturer and supplier of custom, highly engineered, technical plastics and lightweighting innovations to the North American light vehicle industry, today announced results for the three and six months ended December 31, 2022 ("Q2 Fiscal 2023") and has declared a quarterly cash dividend of C$0.0375 per share. All amounts are shown in United States Dollars ("$"), unless otherwise noted.

Please click HERE for ABC's Q2 Fiscal 2023 Management's Discussion and Analysis ("MD&A") or refer to the Company's Interim Condensed Consolidated Financial Statements and MD&A for the six months ended December 31, 2022 available on the Company's profile at www.SEDAR.com and on the Company website.

Q2 Fiscal 2023 Highlights

- Q2 Fiscal 2023 Revenue increased by 57.8% to $321.0 million from $203.4 million for the three months ended December 31, 2021 ("Q2 Fiscal 2022"). During Q2 Fiscal 2023, the Company recovered amounts from certain of its customers to alleviate the inflationary pressures it has been experiencing due to the current economic conditions.
- Q2 Fiscal 2023 Net Loss of $22.7 million, compared to a Net Loss of $16.4 million in Q2 Fiscal 2022.
- Q2 Fiscal 2023 Adjusted EBITDA[1,2] of $41.7 million, compared with $11.5 million in Q2 Fiscal 2022, with the increase primarily driven by a higher sales and gross profit in the quarter from both existing operations as well as acquisitions.
- Q2 Fiscal 2023 Adjusted Free Cash Flow[3] of $(9.3) million, down from $5.0 million in the prior year.
- Dividend of C$0.0375 per share declared.
- On October 25, 2022, the Board of Directors approved a plan to shut down the Company's plant in Poland. For the Company, the plant in Poland is a small operation that was not able to overcome the dramatic increase in costs for utilities, freight, material and labor experienced in that market. The Company is proactively working with its customers to assist them with securing alternative production sources within and/or outside the

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

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

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

Company's operations. The plant is expected to be shut down when that activity is completed. The Company recorded an impairment charge relating to property, plant and equipment of $8.2 million in Fiscal 2022 and a write-down relating to the tooling inventories of $2.0 million in Q1 Fiscal 2023. The Company also incurred $1.1 million of severance costs in Q2 Fiscal 2023.

- On December 22, 2022, the Company entered into an agreement to acquire WMG Technologies ("WMGT") from the Bierer family for approximately $165.0 million and with potential earn-out payments that may become payable upon the completion of certain profitability targets within the next 24 months (the "WMGT Acquisition"). Based in Windsor, Ontario, Canada, with facilities across North America, WMGT is a leading tier-1 and tier-2 supplier of exterior products, complex tooling for injection molded exterior and interior parts, and other products to global automotive OEMs. The closing of this transaction is subject to the completion of certain customary closing conditions and regulatory approvals and is expected to close February 1, 2023.
- On December 5, 2022, to facilitate the financing of WMGT acquisition, the Company amended its Credit Agreement to include a non-revolving Term Facility, under which the Company can withdraw an amount up to $185.0 million within 120 days from the date of Credit Facility amendment upon the closing of WMGT acquisition. The Term Facility, if utilized, is set to mature in February 2027. The Company also merged Revolving Facility A and Revolving Facility B, which resulted in the combined Revolving Facility, inclusive of two swingline facilities, in the aggregate amount of $550.0 million to mature in February 2027.

“ABC enjoyed several important wins during our second quarter, including resolution of price negotiations with some of our key OEM customers, as well as the announcement of our acquisition of WMG Technologies,” said ABC Technologies’ President and Chief Executive Officer, Terry Campbell. “These successes complemented a core business that performed well, despite what is typically a soft quarter for the auto industry due to annual holiday shutdowns. Looking to the second half of this fiscal year, our management team remains focused on commercial discipline as we operationalize our new business model while preparing for the integration of our recently announced acquisition.”

Q2 Fiscal 2023 Results of Operations

Sales were $321.0 million in Q2 Fiscal 2023 compared with $203.4 million for Q2 Fiscal 2022, an increase of $117.6 million or 57.8%. Of this increase, $49.8 million is attributable to the dlhBOWLES and Etzel acquisitions completed in Q3 Fiscal 2022, accounting for 42.3% of the increase. Additionally, the Company recovered amounts from certain of its customers during Q2 Fiscal 2023 to alleviate the inflationary pressures it has been experiencing due to the current economic conditions. The Company also enjoyed slightly 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. According to IHS Markit reports, industry production in North America increased by 8.1% in Q2 Fiscal 2023 compared to Q2 Fiscal 2022.

Cost of sales was $270.4 million in Q2 Fiscal 2023 compared with $188.3 million for Q2 Fiscal 2022, an increase of $82.1 million or 43.6%. As a percentage of sales, cost of sales was 84.2% in Q2 Fiscal 2023 compared with 92.5% in Q2 Fiscal 2022. Gross margin in Q2 Fiscal 2023 was higher than the comparable prior year quarter primarily due to the recoveries received from customers in Q2 Fiscal 2023 that were recognized in sales. Gross margin continued to be affected by higher labor and freight costs, and increased raw material costs, primarily resin, glass, rubber, paint and steel which the Company attributes to inflationary trends seen throughout both the industry and general economy.

Selling, general and administrative expenses were $42.3 million in Q2 Fiscal 2023 compared with $29.1 million for Q2 Fiscal 2022, an increase of $13.2 million or 45.6%, of which $5.9 million is attributable to dlhBOWLES and Etzel acquisitions completed in Q3 Fiscal 2022. As a percentage of sales, selling, general and administrative expenses were 13.2% in Q2 Fiscal 2023 compared with 14.3% in Q2 Fiscal 2022.

Significant differences quarter over quarter include:

- wages, benefits and professional fees were $18.5 million in Q2 Fiscal 2023 as compared to $9.4 million in Q2 Fiscal 2022, an increase of $9.1 million mainly driven by normalized bonus in Q2 Fiscal 2023;
- business transformation related costs were $9.1 million in Q2 Fiscal 2023 as compared to 5.7 million in Q2 Fiscal 2022, an increase of $3.4 million mainly driven by higher restructuring and acquisition related costs;
- depreciation and amortization expense was $8.8 million in Q2 Fiscal 2023 as compared to $6.2 million in Q2 Fiscal 2022, an increase of $2.6 million mainly due to the acquisitions which were completed in Q3 Fiscal 2022;

Partially offset by:

- transactional recruitment, and other bonuses were $0.8 million in Q2 Fiscal 2023 as compared to $2.4 million in Q2 Fiscal 2022, a decrease of $1.6 million;
- foreign exchange gain was $1.2 million in Q2 Fiscal 2023 as compared to a foreign exchange loss of $0.2 million, a change of $1.4 million;
- share-based compensation expense was $0.2 million in Q2 Fiscal 2023 as compared to $0.8 million in Q2 Fiscal 2022, a decrease of $0.6 million;

During Q2 Fiscal 2023, the Company recorded an impairment loss of $20.8 million on its investment in ABC INOAC Exterior Systems, LLC.

Net loss was $22.7 million in Q2 Fiscal 2023 compared with $16.4 million in Q2 Fiscal 2022, an increase of $6.3 million or 38.4%. Primary contributors to the change between periods are a decrease of $1.3 million in operating loss due to the reasons noted above, lower tax recoveries of $4.2 million and higher interest expense of $3.5 million.

Adjusted EBITDA was $41.7 million in Q2 Fiscal 2023 compared with $11.5 million in Q2 Fiscal 2022, an increase of $30.2 million or 263.0%, primarily due to higher sales and gross profit from both existing operations as well as recently acquired companies.

Adjusted Free Cash Flow was ($9.3) million, or $14.3 million lower for Q2 Fiscal 2023 compared with Q2 Fiscal 2022 primarily due to lower net cash flows from operating activities and higher purchases of property, plant and equipment, partially offset by the net impact of hedge monetization between the two periods.

Market Dynamics

The Company's financial results during the last half of Fiscal 2021 and Fiscal 2022 were 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 the second half of Fiscal 2022 and the first half of Fiscal 2023, 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.

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

As a result of the global semiconductor shortages and production disruptions, inventories for new vehicles had reached historic lows, but have been bouncing back toward levels consistently maintained in the past. The high consumer demand for vehicles, lower than normal inventory supply and inflationary price increases 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.

Dividend

The Board of Directors today has declared a Q2 Fiscal 2023 quarterly cash dividend of C$0.0375 per share, payable on or about March 31, 2023 to shareholders of record on February 28, 2023.

Conference Call Information

ABC will host a conference call today, February 10, 2023 at 8:30am ET to discuss the results. Participants may listen to the call via audio streaming at www.abctechnologies.com/investors.

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

A telephonic replay will be available approximately two hours after the call. The replay will be available until 11:59pm ET on Friday, February 24th, 2023.

Replay Information:
Toll Free: 1-844-512-2921
Toll/International: 1-412-317-6671
Replay Pin Number: 10020981

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

Non-IFRS Measures and Key Indicators

This Press Release uses certain non-IFRS financial measures and ratios. Management uses these non-IFRS financial measures for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our financial condition, business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation, nor as a substitute, for analysis of our financial information reported under IFRS. We use non-IFRS financial measures including Net Debt, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Trade Working Capital and Net Working Capital to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when using IFRS financial measures. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance as these measures are widely used by investors, securities analysts and other interested parties.

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

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

"Adjusted EBITDA" means EBITDA plus: loss on disposal and write-down of assets, unrealized loss (gain) on derivative financial instruments, transactional, recruitment, and other bonuses, EBITDA from Poland operations which is being shut down, business transformation and related costs (which may include severance and restructuring expenses), impairment of investment in joint venture and write-down of inventories less: our share of loss (income) of joint ventures plus the Company's proportionate share of the EBITDA generated by our joint ventures, and share-based compensation expense (reversal). 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.

Additional information about the Company, including the Company’s Management Discussion and Analysis of Operating Results and Financial Position for the three and six months ended December 31, 2022 and the Company’s interim condensed consolidated financial statements for the three and six months ended December 31, 2022 can be found at www.sedar.com.

Fiscal Q2 2023 Financial Results

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

ABC Technologies Holdings Inc.
Consolidated Statement of Financial Position

	December 31, 2022	June 30, 2022[1]
Assets	(unaudited)	
Current assets		
Cash	**$ 38,499**	$ 25,400
Trade and other receivables	**103,335**	122,192
Inventories	**164,007**	152,461
Prepaid expenses and other	**34,972**	42,094
Total current assets	**340,813**	342,147
Property, plant and equipment	**432,270**	425,645
Right-of-use assets	**178,993**	165,679
Intangible assets	**151,096**	156,844
Deferred income taxes	**8,405**	9,445
Investment in joint ventures	**23,470**	45,556
Derivative financial assets	**2,124**	3,996
Goodwill	**112,360**	112,369
Other long-term assets	**17,410**	16,392
Total non-current assets	**926,128**	935,926
Total assets	**$ 1,266,941**	$ 1,278,073
Liabilities and equity		
Current liabilities		
Trade payables	**$ 135,938**	$ 147,981
Accrued liabilities and other payables	**135,804**	98,280
Provisions	**19,167**	24,132
Current portion of lease liabilities	**13,135**	13,087
Purchase option	**6,465**	6,206
Total current liabilities	**310,509**	289,686
Long-term debt	**370,000**	400,000
Lease liabilities	**189,884**	175,940
Deferred income taxes	**16,468**	33,097
Derivative financial liabilities	**3,532**	1,453
Other long-term liabilities	**56,683**	2,137
Total non-current liabilities	**636,567**	612,627
Total liabilities	**947,076**	902,313
Equity		
Capital stock	**292,508**	291,960
Other reserves	**1,397**	3,094
Retained earnings	**24,894**	77,453
Foreign currency translation reserve and other	**(7,034)**	(7,524)
Cash flow hedge reserve, including cost of hedging	**8,100**	10,777
Total equity	**319,865**	375,760
Total liabilities and equity	**$ 1,266,941**	$ 1,278,073

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

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
(unaudited)				
Sales	**$ 321,001**	$ 203,439	**$ 639,865**	$ 366,854
Cost of sales	**270,352**	188,265	**558,606**	350,828
Gross profit	**50,649**	15,174	**81,259**	16,026
Selling, general and administrative	**42,299**	29,061	**88,222**	57,189
Impairment of investment in joint venture	**20,797**	—	**20,797**	—
Loss on disposal and write-down of assets	**137**	129	**824**	105
Loss (gain) on derivative financial instruments	**(2,297)**	(148)	**(2,846)**	313
Share of loss (income) of joint ventures	**1,124**	(1,168)	**1,164**	406
Operating loss	**(11,411)**	(12,700)	**(26,902)**	(41,987)
Interest expense, net	**11,397**	7,856	**21,256**	15,222
Loss before income tax	**(22,808)**	(20,556)	**(48,158)**	(57,209)
Income tax expense (recovery)				
Current	**1,241**	752	**12,268**	1,855
Deferred	**(1,310)**	(4,882)	**(14,238)**	(14,452)
Total income tax recovery	**(69)**	(4,130)	**(1,970)**	(12,597)
Net loss	**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Other comprehensive income (loss)				
Items that may be recycled subsequently to net earnings (loss):				
Foreign currency translation of foreign operations and other	**5,292**	(492)	**490**	(1,085)
Cash flow hedges, net of taxes	**4,815**	2,677	**(453)**	(1,797)
Cash flow hedges recycled to net earnings (loss), net of taxes	**(681)**	509	**(763)**	956
Other comprehensive income (loss)	**$ 9,426**	$ 2,694	**$ (726)**	$ (1,926)
Total comprehensive loss for the period	**$ (13,313)**	$ (13,732)	**$ (46,914)**	$ (46,538)
Earnings (loss) per share - basic and diluted	**$ (0.20)**	$ (0.31)	**$ (0.40)**	$ (0.85)

ABC Technologies Holdings Inc.
Consolidated Statement of Cash Flows

(unaudited)	For the three months ended December 31, 2022	For the three months ended December 31, 2021	For the six months ended December 31, 2022	For the six months ended December 31, 2021
Cash flows from (used in) operating activities				
Net loss	**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Adjustments for:				
Depreciation of property, plant and equipment	**16,915**	11,991	**34,186**	23,958
Depreciation of right-of-use assets	**4,487**	3,690	**8,713**	7,316
Amortization of intangible assets	**7,978**	5,457	**15,722**	10,643
Loss on disposal and write-down of assets	**137**	129	**824**	105
Unrealized loss (gain) on derivative financial instruments	**(2,297)**	(200)	**(2,846)**	217
Interest expense	**11,397**	7,856	**21,256**	15,222
Share of loss (income) of joint ventures	**1,124**	(1,168)	**1,164**	406
Income tax recovery	**(69)**	(4,130)	**(1,970)**	(12,597)
Share-based compensation expense (reversal)	**202**	768	**(824)**	1,481
Impairment of investment in joint venture	**20,797**	—	**20,797**	—
Write-down of inventories	**—**	—	**2,030**	—
Changes in:				
Trade and other receivables and prepaid expenses and other	**5,269**	2,226	**23,813**	20,425
Inventories	**(8,318)**	5,990	**(14,233)**	(12,919)
Trade payables, accrued liabilities and other payables, and provisions	**(9,294)**	19,044	**4,879**	(7,636)
Cash generated from operating activities	**25,589**	35,227	**67,323**	2,009
Interest received	**130**	84	**250**	213
Income taxes paid	**(1,568)**	(702)	**(2,588)**	(977)
Interest paid on leases, net of interest received	**(3,673)**	(3,425)	**(7,132)**	(6,812)
Interest paid on long-term debt and other	**(7,030)**	(4,366)	**(13,027)**	(9,262)
Net cash flows from (used in) operating activities	**13,448**	26,818	**44,826**	(14,829)
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	**(17,870)**	(8,490)	**(37,729)**	(19,505)
Dividends received from joint ventures	**—**	553	**—**	553
Additions to intangible assets	**(4,227)**	(4,948)	**(9,988)**	(10,323)
Net cash flows used in investing activities	**(22,097)**	(12,885)	**(47,717)**	(29,275)
Cash flows from (used in) financing activities				
Net drawings (payments) on revolving credit facilities	**(5,000)**	8,163	**(30,000)**	65,000
Principal payments of lease liabilities, net of sublease receipts	**(3,098)**	(2,601)	**(6,284)**	(5,198)
Financing costs	**(1,000)**	(44)	**(1,000)**	(624)
Proceeds from other financing arrangement	**14,879**	—	**59,348**	—
Dividends paid to shareholders	**(6,371)**	(3,096)	**(6,371)**	(3,096)
Net cash flows from (used in) financing activities	**(590)**	2,422	**15,693**	56,082
Net increase (decrease) in cash	**(9,239)**	16,355	**12,802**	11,978
Net foreign exchange difference	**931**	(171)	**297**	(344)
Cash, beginning of period	**46,807**	10,362	**25,400**	14,912
Cash, end of period	**$ 38,499**	26,546	**$ 38,499**	$ 26,546

Reconciliation of Net loss to Adjusted EBITDA

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	**2022**	2021
Reconciliation of Net loss to Adjusted EBITDA				
Net loss	**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Adjustments:				
Income tax recovery	**(69)**	(4,130)	**(1,970)**	(12,597)
Interest expense	**11,397**	7,856	**21,256**	15,222
Depreciation of property, plant and equipment	**16,915**	11,991	**34,186**	23,958
Depreciation of right-of-use assets	**4,487**	3,690	**8,713**	7,316
Amortization of intangible assets	**7,978**	5,457	**15,722**	10,643
EBITDA	**$ 17,969**	$ 8,438	**$ 31,719**	$ (70)
Loss on disposal and write-down of assets	**137**	129	**824**	105
Unrealized loss (gain) on derivative financial instruments	**(2,297)**	(200)	**(2,846)**	217
Transactional, recruitment and other bonuses	**780**	2,363	**780**	2,374
EBITDA from Poland operations[1]	**(327)**	—	**1,062**	—
Write-down of inventories[2]	**—**	—	**2,030**	—
Business transformation related costs[3]	**9,139**	5,720	**22,367**	6,884
Share of loss (income) of joint ventures	**1,124**	(1,168)	**1,164**	406
EBITDA from joint ventures[4]	**979**	1,472	**1,995**	794
Impairment of investment in joint venture[5]	**20,797**	—	**20,797**	—
Share-based compensation expense (reversal)	**202**	768	**(824)**	1,481
Lease payments, net of sublease receipts	**(6,771)**	(6,026)	**(13,416)**	(12,010)
Adjusted EBITDA	**$ 41,732**	$ 11,496	**$ 65,652**	$ 181

1. Represents net impact on EBITDA from Poland operations that are planned to be shut down in Q4 Fiscal 2023. Refer to the recent developments section for more details.
2. A write-down relating to Poland tooling inventories of $2.0 million was recorded in Q1 Fiscal 2023.
3. Includes $2.6 million (2021: $0.2 million) and $9.9 million (2021: $0.2 million) of costs incurred in Q2 Fiscal 2023 and YTD Fiscal 2023, respectively, in connection with the restructuring activities, which mainly relates to the severance and asset relocation expenses. Refer to the recent development section for more details. In addition, $6.6 million (2021: $5.2 million) and $9.2 million (2021: $5.2 million) of costs were incurred in Q2 Fiscal 2023 and YTD Fiscal 2023, respectively, in connection with the ongoing work to evaluate potential acquisition targets.
4. Represents 50% of joint ventures' EBITDA, which corresponds to the Company's proportionate share ventures.
5. Represents impairment loss of $20.8 million recorded by the Company in Q2 Fiscal 2023 relating to its investment in ABC INOAC Exterior Systems, LLC.

Reconciliation of net cash flows from (used in) operating activities to Adjusted Free Cash Flow

	For the three months ended December 31,		For the six months ended December 31,	
	2022	**2021**	**2022**	**2021**
Reconciliation of net cash flows from (used in) operating activities to Adjusted Free Cash Flow				
Net cash flows from (used in) operating activities	**$ 13,448**	$ 26,818	**$ 44,826**	$ (14,829)
Purchases of property, plant and equipment	**(17,870)**	(8,490)	**(37,729)**	(19,505)
Additions to intangible assets[1]	**(4,227)**	(4,948)	**(9,988)**	(10,323)
Principal payments of lease liabilities	**(3,098)**	(2,601)	**(6,284)**	(5,198)
Dividends received from joint ventures	**—**	553	**—**	553
One-time advisory, bonus and other costs	**885**	3,174	**4,028**	4,298
Net impact of hedge monetization	**1,567**	(9,537)	**(1,744)**	(9,537)
Adjusted Free Cash Flow	**$ (9,295)**	$ 4,969	**$ (6,891)**	$ (54,541)

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

Forward-Looking Statements

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

- the light vehicle industry, including expectations regarding industry trends, growth opportunities, market demand, industry forecasts, overall market growth rates and our growth rates and strategies in light vehicle industry and in light vehicles, both in North America and globally;
- other risks related to automotive industry such as: economic cyclicality regional production volume declines, intense competition; potential restrictions on free trade; trade disputes/tariffs;
- our research and development, innovation, product categories, ongoing development, and our future platforms and programs;
- our OEM customers, including future relationships with our OEM customers and new OEM customers;
- the continuing global semi-conductor shortage;
- the impact and duration of the conflict in Ukraine and the related economic sanctions on, and retaliatory measures taken by, Russia, including disruption in supply, or raising prices, of energy for the member states of the EU and globally;
- other risks related to customer and suppliers, including: OEM consolidation and cooperation; shifts in market shares among vehicles or vehicle segments; shifts in demand for products offered by our OEM customers; dependence on outsourcing; quarterly sales fluctuations; potential loss of any material purchase orders; a deterioration in the financial condition of our supply base, including as a result of the increased financial pressure related

to continuing effects of 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, including expected sales, Adjusted EBITDA, and Adjusted Free Cash Flow for Fiscal 2023;
- our business plans and strategies, including our expected sales growth, ability to benefit from our business model and capitalize on our acquisitions;
- our competitive position in our industry;
- expansion of our presence in the European market through the acquisitions completed by the Company in the Fiscal Year 2022;
- prices of raw materials, commodities and other supplies necessary for the Company to conduct its business, including any changes to prices and availability of supply components related to the continuing effects of COVID-19, Russia's invasion of Ukraine; and related international economic sanctions; related disruption of supply of, and increase in prices of energy for the member states of the EU and globally, and other actual or potential ongoing geopolitical conflicts;
- labor disruptions or labor shortages in our facilities, or those of our customers and suppliers, related to the continuing effects of the COVID-19 pandemic and effects of other global pandemics and outbreaks of contagious diseases; COVID-19 pandemic-related shutdowns; supply disruptions including disruptions caused by the COVID-19 pandemic and its continuing effects and applicable costs related to supply disruption mitigation initiatives, including related to the continuing effects COVID-19; attraction/retention of skilled labor including as a result of the continuing effects of 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: the Company's plan to shut down its Poland plant, including any future impairment charges, severance costs and other estimated closing costs; 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 ability to implement its efficiency, optimization and cost saving and recovery strategies; the Company's ability to implement its efficiency, optimization and cost saving and recovery strategies; 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; global economic forces, including macroeconomic pressures; and the payment of any dividends as well as other forward-looking statements.

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

About ABC Technologies

ABC Technologies is a leading manufacturer and supplier of custom, highly engineered, technical plastics and lightweighting innovations to the North American light vehicle industry, serving more than 25 OEM customers globally through a strategically located footprint. ABC Technologies' integrated service offering includes manufacturing, design, engineering, material compounding, machine tooling and equipment building that are supported by a by a team of skilled professionals (including professional practicing engineers and additional employees with technical diplomas or at least 15 years technical working experience serving in other technical engineering roles), which we believe ultimately contributes to our differentiated product innovation. Our vertically integrated capabilities include our tool-building and material compounding businesses, which we believe allows us to stay on the leading edge of technical plastics and lightweighting product innovation. In addition, our manufacturing footprint provides us with 250-mile coverage for the majority of our OEM customers' North American light vehicle manufacturing facilities, which we also believe provides us with logistical and competitive advantages. The Company offers three product groups: Interior Systems, Exterior Systems and HVAC, Fluids & Other.

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