ABC Technologies Holdings Inc. Reports Q2 Fiscal 2022 Results

February 11, 2022 – 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, 2021 ("Q2 Fiscal 2022" and "YTD Fiscal 2022", respectively) 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 Second Quarter Fiscal Year 2022 MD&A or refer to the Company's Interim Condensed Consolidated Financial Statements for the three and six months ended December 31, 2021 and the Company's MD&A for same period on the Company's profile at www.SEDAR.com.

Q2 Fiscal 2022 Highlights

- Q2 Fiscal 2022 revenue increased nearly 25% quarter over quarter to $203.4 million, though declined 22% from $261.3 million in the prior year period primarily due to the ongoing production slowdowns at our OEM customers brought on by global semiconductor shortages as well as the lingering impacts of the COVID-19 pandemic on supply chains and ABC's labor force.
- Revenue impact due to a difficult year-over-year comparison with the preceding year, during which global production was running at elevated levels, with limited supply disruption, as OEMs restarted production following the peak of the COVID-19 lockdowns in Q3 and Q4 Fiscal 2020.
- Q2 Fiscal 2022 net loss of $16.4 million compared to a net profit of $11.5 million in Q2 Fiscal 2021.
- Q2 Fiscal 2022 Adjusted EBITDA[1] of $11.5 million was up $22.8 million quarter over quarter as the business experienced a strong profitability flow through on incremental revenue and reduced expenses. These results compare to Adjusted EBITDA of $43.5 million in the prior year period with the decline primarily driven by the above-mentioned revenue declines as well as continued elevated resin pricing.
- Q2 Fiscal 2022 Adjusted Free Cash Flow[1] of $5.0 million was up $64.5 million sequentially due to improved operating results and favorable working capital developments. This compares to Adjusted Free Cash Flow of $30.0 in the prior period largely as a result of the above-mentioned negative operating results.
- Dividend of C$0.0375 per share declared.
- Subsequent to the period-end, the Company entered into agreements to acquire dlhBOWLES Inc. and Karl Etzel GmbH for a total purchase price of approximately $255.0 million and approximately $95.0 million, respectively. To finance these acquisitions, the Company closed a private placement offering, launched a rights offering (collectively the "Equity Financings") and entered into debt commitment letters ("Debt Commitment Letters"), as announced in news releases dated January 5, 2022 and January 21, 2022. For further information see the subsequent events section in the MD&A for details.

YTD Fiscal 2022 Highlights

- YTD Fiscal 2022 revenue declined to $366.9 million from $519.7 million in the prior year period due to the ongoing production interruptions at our OEM customers brought on by global semiconductor shortages.

[1] The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures including "Adjusted EBITDA", "Adjusted EBITDA Margin", 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 used in this news release, including "Adjusted EBITDA", "Adjusted EBITDA Margin", and "Adjusted Free Cash Flow" to measures determined in accordance with IFRS that are their closest analogues, please see heading "Non-IFRS Measures and Key Indicators" below.

- YTD Fiscal 2022 net loss of $44.6 million compared to a net profit of $20.8 million in YTD Fiscal 2021.
- YTD Fiscal 2022 Adjusted EBITDA[1] of $0.2 million, compared to Adjusted EBITDA of $84.8 million in the prior year period primarily on account of the above-mentioned revenue declines as well as continued elevated resin pricing.
- YTD Fiscal 2022 Adjusted Free Cash Flow[1] of negative $54.5 million, compared to Adjusted Free Cash Flow of $86.5 in the prior year period largely as a result of the above-mentioned negative operating results and one-time swing in working capital due to global production restarts following the trough of the COVID-19 pandemic earlier in Fiscal 2021.
- Proactively amended Credit Facility to provide additional flexibility to manage through the impact of semiconductor related business slowdowns covering the period through December 31, 2022.
- Closed the sale by ABC Group Canada LP, an affiliate of funds managed by Cerberus Capital Management, L.P, of its remaining minority stake in the Company to funds affiliated with Oaktree Capital Management, L.P. for C$9.00 per share.

ABC Technologies' President and Chief Executive Officer, Todd Sheppelman, commented: "We were pleased to see the quarter meet our expectations of incremental improvement over fiscal Q1, which we believe represented the trough of the semiconductor chip shortage. Though we still need to see significant improvement in OEM production levels to return ABC to the revenue and margins we saw this time last year, there are encouraging green shoots. During the quarter we delivered strong profitability flow through on our increased revenue as well as strong free cash flow conversion, especially considering the operating environment. We are expecting to see the second half of fiscal 2022 show further improvement in volumes and financial results for ABC. We were also pleased to announce that we have signed agreements to make two important acquisitions - dlhBowles and Karl Etzel - both of which are expected to provide step ups in profitability, cash flow and operational excellence while delivering on our promises to grow and diversify ABC. These transactions are expected to close in our Fiscal Q3 2022."

Q2 Fiscal 2022 Results of Operations

Sales were $203.4 million in Q2 Fiscal 2022 compared with $261.3 million in Q2 Fiscal 2021, a decrease of $57.9 million or 22.2%. According to IHS Markit reports, industry production in North America decreased by 14.7% in Q2 Fiscal 2022 compared to Q2 Fiscal 2021, an improvement from the 25.2% decrease in Q1 Fiscal 2022 compared to Q1 Fiscal 2021. Lost production due to OEM call-offs related to semiconductor shortages resulted in a significant decrease in revenue compared to the comparable prior year period where production had approached near normal production levels after the initial COVID-19 lockdowns that occurred from March to May 2020. Sales this quarter were disproportionately affected relative to the industry as a significant customer of the Company was affected by the global semiconductor shortage to a greater extent than many of its peers which cascaded to some of the Company's programs with higher-than-average ABC content.

Cost of sales was $188.0 million in Q2 Fiscal 2022 compared with $214.5 million in Q2 Fiscal 2021, a decrease of $26.5 million or 12.4%. As a percentage of sales, cost of sales was 92.4% in Q2 Fiscal 2022 compared with 82.1% in Q2 Fiscal 2021. Gross margin in Q2 Fiscal 2022 was lower than the comparable prior year quarter because of higher costs resulting from inefficiencies due to lower production levels at the OEMs and increased raw material costs, primarily resin.

Selling, general and administrative expenses were $29.3 million in Q2 Fiscal 2022 compared with $28.2 million in Q2 Fiscal 2021, an increase of $1.1 million or 4.0%. As a percentage of sales, selling, general and administrative expenses were 14.4% in Q2 Fiscal 2022 compared with 10.8% in Q2 Fiscal 2021. Wages and salaries in Q2 Fiscal 2022 were $7.9 million, $5.3 million lower than the $13.2 million recorded in Q2 Fiscal 2021 as a result of adjustments to compensation due to lower sales. Business transformation costs in Q2 Fiscal 2022 were $5.7

million, $3.2 million higher than the $2.6 million recorded in Q2 Fiscal 2021, mainly resulting from higher costs associated with the two acquisitions announced in January 2022 (refer to the subsequent events section in Q2 Fiscal 2022 MD&A). In Q2 Fiscal 2022, the Company incurred expenses associated with being a public company which included higher insurance and share-based compensation.

Net loss was $16.4 million in Q2 Fiscal 2022 compared with net income of $11.5 million in Q2 Fiscal 2021, a decrease of $27.9 million or 243.3%. Primary contributors to the change between periods is a $31.4 million reduction in gross margin in Q2 Fiscal 2022 due to the combination of lower revenue due to semiconductor shortages, higher input costs primarily due to increased resin costs, and inefficient plant operations due to short notification by OEMs of their own plant closures, higher SG&A expense of $1.1 million, lower other income of $1.2 million, lower income from joint ventures of $1.8 million, partially offset by a favorable $5.7 million swing in tax expense to recovery and $1.9 million lower interest expense.

Adjusted EBITDA[1] was $11.5 million in Q2 Fiscal 2022 compared with $43.5 million in Q2 Fiscal 2021, a decrease of $32.0 million or 73.6%, primarily as a result of $35.6 million reduction in operating income due to the reasons described above.

Adjusted Free Cash Flow[1] was $5.0 million, a decline of $25.0 million versus Q2 Fiscal 2021, primarily due to a decrease in cash flows generated from operating activities.

YTD Fiscal 2022 Results of Operations

Sales were $366.9 million for YTD Fiscal 2022 compared with $519.7 million for YTD Fiscal 2021, a decrease of $152.9 million or 29.4%. According to IHS Markit reports, industry production in North America decreased by 14.7% in Q2 Fiscal 2022 compared to Q2 Fiscal 2021, and 25.2% in Q1 Fiscal 2022 compared to Q1 Fiscal 2021. Lost production due to OEM plant closures due to semiconductor shortages resulted in a significant decrease in revenue compared to the prior year period where production had approached near normal levels after the initial COVID-19 lockdowns during the period from March to May 2020. Sales for the Company were disproportionately affected relative to the industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which cascaded to some of the Company's programs with higher-than-average ABC content.

Cost of sales was $350.4 million for YTD Fiscal 2022 compared with $423.7 million for YTD Fiscal 2021, a decrease of $73.2 million or 17.3%. As a percentage of sales, cost of sales was 95.5% for YTD Fiscal 2022 compared with 81.5% for YTD Fiscal 2021. Gross margin in YTD Fiscal 2022 was lower as a result of higher costs resulting from inefficiencies due to frequent OEM customer plant closures, often with very little notice, and increased raw material costs, primarily resin. YTD Fiscal 2021 enjoyed the benefit of $6.2 million in Canada Emergency Wage Subsidy ("CEWS") payments which reduced wages 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 were $57.6 million for YTD Fiscal 2022 compared with $57.6 million for YTD Fiscal 2021. As a percentage of sales, selling, general and administrative expenses were 15.7% for YTD Fiscal 2022 compared with 11.1% for YTD Fiscal 2021. Wages and salaries in YTD Fiscal 2022 were $3.0 million lower than in YTD Fiscal 2021 as a result of adjustments to compensation due to lower sales. In addition, during YTD Fiscal 2022, the Company incurred expenses associated with being a public company which included higher insurance and share-based compensation.

Net loss was $44.6 million for YTD Fiscal 2022 compared with net income of $20.8 million for YTD Fiscal 2021, a decrease of $65.4 million or 314.7%. Primary contributors to the change between periods is a $79.7 million reduction in gross margin in YTD Fiscal 2022 due to the combination of lower revenue due to semiconductor shortages, higher input costs primarily due to increased resin costs, and inefficient plant operations due to short notification by OEMs of their own plant closures, $6.1 million due to lower income from joint ventures, partially offset by a favorable $17.9 million swing in tax expense to recovery and lower interest expense of $4.4 million.

Adjusted EBITDA[1] was $0.2 million for YTD Fiscal 2022 compared with $84.8 million for YTD Fiscal 2021, a decrease of $84.6 million or 99.8%, primarily as a result of $87.7 million reduction in operating income due to the reasons described above.

Adjusted Free Cash Flow[1] was negative $54.5 million, a decline of $141.0 million versus YTD Fiscal 2021, primarily due to negative cash flows from operating activities and a swing in working capital due to global production restarts following the trough of the COVID-19 pandemic in Fiscal 2021.

Fiscal 2022 Guidance

The production volatility that ABC and the industry have experienced over the past several quarters, driven primarily by semiconductor chip shortages, has begun to abate. If this trend continues towards a more sustained and stable production environment, we expect ABC will be in a position to once again provide earnings guidance.

Management remains confident in the go-forward performance potential of ABC and maintains the view that with improvements in the current supply chain issues, ABC will be able to return to the superior absolute and relative margins it enjoyed prior to the COVID-19 pandemic.

Dividend

The Board of Directors today has declared a Q2 Fiscal 2022 quarterly cash dividend of C$0.0375 per share, payable on or about March 31, 2022 to shareholders of record on February 28, 2022.

Conference Call Information

ABC will host a conference call today, February 11, 2022 at 9:30am 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 25, 2022.

Replay Information:
Toll Free: 1-844-512-2921
Toll/International: 1-412-317-6671
Replay Pin Number: 10017793

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 news 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 and Adjusted Free Cash Flow to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when using IFRS financial measures. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance as these measures are widely used by investors, securities analysts and other interested parties.

"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, business transformation and related costs (which may include severance and restructuring expenses), less: our share of income of joint ventures, plus the Company's proportionate share of the EBITDA generated by our joint ventures, and share-based compensation expense. We also present Adjusted EBITDA excluding the impact of IFRS 16 by charging the lease payments applicable to those periods to expense as was the case prior to IFRS 16 – Leases ("IFRS 16"). The purpose of this is to allow direct comparability of these periods to Adjusted EBITDA performance in prior periods, which have been calculated under the previous accounting standards.

"Adjusted EBITDA Margin" means Adjusted EBITDA divided by sales adjusted to include the proportional share of joint venture sales attributable to ABC.

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

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Statements for the three and six months ended December 31, 2021 can be found at www.sedar.com.

Fiscal Q2 2022 Financial Results

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)
Consolidated Statement of Financial Position
(Expressed in thousands of United States dollars)

	December 31, 2021	June 30, 2021
Assets	(unaudited)	
Current assets		
Cash	$ **26,546**	$ 14,912
Trade and other receivables	**53,752**	76,653
Inventories	**94,626**	82,170
Prepaid expenses and other	**30,793**	34,472
Total current assets	**205,717**	208,207
Property, plant and equipment	**325,603**	334,775
Right-of-use assets	**155,615**	153,628
Intangible assets	**73,025**	73,346
Deferred income taxes	**10,309**	5,237
Investment in joint ventures	**46,476**	47,412
Derivative financial assets	**2,196**	10,053
Goodwill	**18,944**	18,944
Other long-term assets	**5,483**	4,027
Total non-current assets	**637,651**	647,422
Total assets	$ **843,368**	$ 855,629
Liabilities and equity		
Current liabilities		
Trade payables	$ **89,337**	$ 118,723
Accrued liabilities and other payables	**79,418**	71,339
Provisions	**16,612**	16,063
Current portion of lease liabilities	**10,710**	10,351
Total current liabilities	**196,077**	216,476
Long-term debt	**345,000**	280,000
Lease liabilities	**160,101**	156,400
Deferred income taxes	**22,674**	32,673
Derivative financial liabilities	**1,762**	2,483
Other long-term liabilities	**2,048**	2,393
Total non-current liabilities	**531,585**	473,949
Total liabilities	**727,662**	690,425
Equity		
Capital stock	**3,107**	2,991
Other reserves	**2,308**	972
Retained earnings	**104,228**	151,936
Foreign currency translation reserve and other	**(809)**	276
Cash flow hedge reserve, including cost of hedging	**6,872**	9,029
Total equity	**115,706**	165,204
Total liabilities and equity	$ **843,368**	$ 855,629

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)
Consolidated Statement of Comprehensive Income (Loss)
(Expressed in thousands of United States dollars)

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
(Unaudited)				
Sales	$ 203,439	$ 261,327	$ 366,854	$ 519,730
Cost of sales	188,039	214,536	350,449	423,667
Gross profit	15,400	46,791	16,405	96,063
Selling, general and administrative	29,287	28,152	57,568	57,599
Loss (gain) on disposal and write-down of assets	129	(129)	105	464
Loss (gain) on derivative financial instruments	(148)	(1,084)	313	(2,002)
Share of loss (income) of joint ventures	(1,168)	(3,004)	406	(5,716)
Operating income (loss)	(12,700)	22,856	(41,987)	45,718
Interest expense, net	7,856	9,769	15,222	19,609
Income (loss) before income tax	(20,556)	13,087	(57,209)	26,109
Income tax expense (recovery)				
Current	752	(743)	1,855	2,702
Deferred	(4,882)	2,369	(14,452)	2,625
Total income tax expense (recovery)	(4,130)	1,626	(12,597)	5,327
Net income (loss)	$ (16,426)	$ 11,461	$ (44,612)	$ 20,782
Other comprehensive income (loss)				
Items that may be recycled subsequently to net earnings (loss):				
Foreign currency translation of foreign operations and other	(492)	2,358	(1,085)	3,382
Cash flow hedges, net of taxes	2,677	14,782	(1,797)	21,346
Cash flow hedges recycled to net earnings, net of taxes	509	846	956	1,777
Other comprehensive income (loss)	$ 2,694	$ 17,986	$ (1,926)	$ 26,505
Total comprehensive income (loss) for the period	$ (13,732)	$ 29,447	$ (46,538)	$ 47,287
Earnings (loss) per share - basic and diluted	$ (0.31)	$ 0.22	$ (0.85)	$ 0.40

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)
Consolidated Statement of Cash Flows
(Expressed in thousands of United States dollars)

(Unaudited)	For the three months ended December 31, 2021	For the three months ended December 31, 2020	For the six months ended December 31, 2021	For the six months ended December 31, 2020
Cash flows from (used in) operating activities				
Net income (loss)	**$ (16,426)**	$ 11,461	**$ (44,612)**	$ 20,782
Adjustments for:				
Depreciation of property, plant and equipment	**11,991**	11,356	**23,958**	22,751
Depreciation of right-of-use assets	**3,690**	3,412	**7,316**	6,890
Amortization of intangible assets	**5,457**	4,736	**10,643**	9,191
Loss (gain) on disposal and write-down of assets	**129**	(129)	**105**	464
Unrealized loss (gain) on derivative financial instruments	**(200)**	(256)	**217**	(682)
Interest expense	**7,856**	9,769	**15,222**	19,609
Share of loss (income) of joint ventures	**(1,168)**	(3,004)	**406**	(5,716)
Income tax expense (recovery)	**(4,130)**	1,626	**(12,597)**	5,327
Share-based compensation expense	**768**	-	**1,481**	-
Changes in:				
Trade and other receivables and prepaid expenses and other	**2,226**	20,751	**20,425**	(7,955)
Inventories	**5,990**	7,235	**(12,919)**	3,539
Trade payables, accrued liabilities and other payables, and provisions	**19,044**	(13,558)	**(7,636)**	50,610
Cash generated from operating activities	**$ 35,227**	$ 53,399	**$ 2,009**	$ 124,810
Interest received	**84**	77	**213**	124
Income taxes recovered (paid)	**(702)**	(3,310)	**(977)**	3,230
Interest paid on leases	**(3,425)**	(3,510)	**(6,812)**	(7,153)
Interest paid on long-term debt and other	**(4,366)**	(6,010)	**(9,262)**	(9,988)
Net cash flows from (used in) operating activities	**$ 26,818**	$ 40,646	**$ (14,829)**	$ 111,023
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	**(8,490)**	(9,420)	**(19,505)**	(18,053)
Dividends received from joint ventures	**553**	3,769	**553**	4,491
Proceeds from disposals of property, plant and equipment	**-**	171	**-**	171
Additions to intangible assets	**(4,948)**	(3,179)	**(10,323)**	(7,122)
Net cash flows used in investing activities	**$ (12,885)**	$ (8,659)	**$ (29,275)**	$ (20,513)
Cash flows from (used in) financing activities				
Net drawings on revolving credit facilities	**8,163**	-	**65,000**	(85,000)
Repayment of long-term debt	**-**	(12,000)	**-**	(12,000)
Principal payments of lease liabilities	**(2,601)**	(1,997)	**(5,198)**	(4,044)
Financing costs	**(44)**	-	**(624)**	(648)
Dividends paid	**(3,096)**	-	**(3,096)**	-
Net cash flows from (used in) financing activities	**$ 2,422**	$ (13,997)	**$ 56,082**	$ (101,692)
Net increase (decrease) in cash	**16,355**	17,990	**11,978**	(11,182)
Net foreign exchange difference	**(171)**	392	**(344)**	513
Cash, beginning of period	**10,362**	45,007	**14,912**	74,058
Cash, end of period	**$ 26,546**	$ 63,389	**$ 26,546**	$ 63,389

Reconciliation of net income (loss) to Adjusted EBITDA

(USD '000)	For the three months ended December 31, 2021	For the three months ended December 31, 2020	For the six months ended December 31, 2021	For the six months ended December 31, 2020
Reconciliation of net income (loss) to Adjusted EBITDA				
Net income (loss)	**$ (16,426)**	$ 11,461	**$ (44,612)**	$ 20,782
Adjustments:				
Income tax expense (recovery)	**(4,130)**	1,626	**(12,597)**	5,327
Interest expense	**7,856**	9,769	**15,222**	19,609
Depreciation of property, plant and equipment	**11,991**	11,356	**23,958**	22,751
Depreciation of right-of-use assets	**3,690**	3,412	**7,316**	6,890
Amortization of intangible assets	**5,457**	4,736	**10,643**	9,191
EBITDA	**$ 8,438**	$ 42,360	**$ (70)**	$ 84,550
Loss (gain) on disposal and write-down of assets	**129**	(129)	**105**	464
Unrealized loss (gain) on derivative financial instruments	**(200)**	(256)	**217**	(682)
Transactional, recruitment and other bonuses [1]	**2,363**	2,875	**2,374**	3,958
Business transformation related costs [2]	**5,720**	2,562	**6,884**	4,545
Share of loss (income) of joint ventures	**(1,168)**	(3,004)	**406**	(5,716)
EBITDA from joint ventures [3]	**1,472**	4,616	**794**	8,835
Share-based compensation expense	**768**	-	**1,481**	-
Lease payments	**(6,026)**	(5,507)	**(12,010)**	(11,197)
Adjusted EBITDA	**$ 11,496**	$ 43,517	**$ 181**	$ 84,757

1. These costs include $2.4 million that was paid by the Company out of the Value Creation Plan ("VCP") in Q2 Fiscal 2022 in connection with the Oaktree transaction
2. These costs include $5.2 million of business transformation related costs incurred in connection with acquisitions, which mainly consisted of due diligence, legal and other professional costs. These costs also include services provided by Cerberus Operations and Advisory LLC and some of ABC's directors in the amount of $nil million for Q2 Fiscal 2022 (Q2 Fiscal 2021: 0.3 million), and 0.0 million for YTD Fiscal 2022 (YTD Fiscal 2021: 0.5 million)
3. Represents 50% of joint ventures' EBITDA, which corresponds to the Company's proportionate share of ownership in the joint ventures

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

(USD '000)	For the three months ended December 31, 2021	2020	For the six months ended December 31, 2021	2020
Reconciliation of net cash flows from (used in) operating activities to Adjusted Free Cash Flow				
Net cash flows from (used in) operating activities	**$ 26,818**	$ 40,646	**$ (14,829)**	$ 111,023
Purchases of property, plant and equipment	**(8,490)**	(9,420)	**(19,505)**	(18,053)
Proceeds from disposals of property, plant and equipment	**-**	171	**-**	171
Additions to intangible assets[1]	**(4,948)**	(3,179)	**(10,323)**	(7,122)
Principal payments of lease liabilities	**(2,601)**	(1,997)	**(5,198)**	(4,044)
Dividends received from joint ventures	**553**	3,769	**553**	4,491
One-time advisory, bonus and other costs[2]	**3,174**	-	**4,298**	-
Net impact of hedge monetization	**(9,537)**	-	**(9,537)**	-
Adjusted Free Cash Flow	**$ 4,969**	$ 29,990	**$ (54,541)**	$ 86,466

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 $1.6 million incurred in connection with the acquisitions, which mainly consisted of professional fees

Forward Looking Statements

Some of the information contained in this news 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 hereof. 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 the light vehicle industry and in light vehicles, both in North America and globally;
- other risks related to the automotive industry such as: economic cyclicality; regional production volume declines, intense competition; potential restrictions on free trade; trade disputes/tariffs;
- our research and development, innovation, product categories, ongoing development, and our future platforms and programs;
- our OEM customers, including future relationships with our OEM customers and new OEM customers;
- the global semi-conductor shortage;
- other risks related to customer and suppliers, including: OEM consolidation and cooperation; shifts in market shares among vehicles or vehicle segments; shifts in demand for products offered by our OEM customers; dependence on outsourcing; quarterly sales fluctuations; potential loss of any material purchase orders; a deterioration in the financial condition of our supply base, including as a result of the COVID-19 pandemic increased financial pressure, and including as a result of COVID-19 pandemic-caused OEM and supplier bankruptcies;
- our assessments of, and outlook for Fiscal 2022 to Fiscal 2026, including expected sales, Adjusted EBITDA, and Adjusted Free Cash Flow for Fiscal 2022;
- our business plans and strategies;
- our competitive position in our industry;
- prices and availability 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 pandemic;
- labour disruptions or labour shortages in our facilities, or those of our customers and suppliers, as a result of the COVID-19 pandemic; COVID-19 pandemic-related shutdowns; supply disruptions including disruptions caused by the COVID-19 pandemic and applicable costs related to supply disruption

mitigation initiatives, including as a result of the COVID-19; attraction/retention of skilled labour including as a result of the COVID-19 pandemic;

- climate change risks;
- risks associated with private or public investment in technology companies, and specifically risks related to completing equity financings undertaken by the Company in Fiscal 2022 (including the Equity Financings), including risk related to receipt of regulatory approvals in respect of such financings;
- the Debt Commitment Letters;
- the dlhBowles and Karl Etzel acquisitions, including the expected benefits of such acquisitions;
- changes in governmental regulations or laws including any changes to trade;
- risks of conducting business in foreign countries, including China, Japan, Mexico, member states of the European Union, Brazil and other markets;
- cybersecurity threats;
- our dividend policy and changes thereto;
- policies of our creditors concerting any existing or potential credit arrangements between them and the Company; and
- the potential volatility of the Company's share price.

Forward-looking information in this document includes, but are not limited to, statements relating to: any of the Company's actions made in response to or in connection with the COVID-19 pandemic, including with respect to: employee health and safety; potential adjustments to our production plans to align with our customers' production plans, governmental orders and legal requirements, including the ability to meet customers' demands in the event of rapid ramping-up of production volumes following cessation of the COVID-19 pandemic-related slowdowns the ability to attract and retain the workforce required to maintain or grow the Company's operations in the context of the effects of the COVID-19 pandemic on the workforce in certain markets in which the Company operates; the timing of program launches, the growth of the Company and pursuit of, and belief in, its strategies and development and implementation of new product and business; continued investments in its business and technologies; ability to complete the rights offering portion of the Equity Financings on the terms announced or at all, the ability to allocate proceeds from the Equity Financings as announced; the ability to complete business acquisitions undertaken by the Company in Fiscal 2022, including the acquisitions of dlhBowles and Karl Etzel, and the expect benefits of such acquisitions, on the terms announced or at all; the availability of funds allocated by the Company's creditors under Debt Commitment Letters; the ability to secure additional debt financings on favorable terms to supersede financing available under the Debt Commitment Letters; the ability to successfully hedge risks related to currency exchange rates; the ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments; the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions; the potential for fluctuation of operating results; and the payment of any dividends as well as other forward-looking statements.

In evaluating forward-looking statements or forward-looking information, we caution readers not to place undue reliance on any forward-looking statement or forward-looking information expressed herein, and readers should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements, including the risk factors listed above as well as these and other risks and uncertainties as may be described in greater detail in the Company's public filings made with the

Canadian Securities Administrators and publicly available on the Company's profile at www.sedar.com, or other factors that may fall outside any list of risks and uncertainties. We do not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, or to update the reasons why actual results could differ from those reflected in the forward-looking statements except as required under applicable securities laws in Canada.

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 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 an experienced engineering team of approximately 600 skilled professionals and 6,150 employees worldwide. The Company offers six product groups: HVAC Systems, Interior Systems, Exterior Systems, Fluid Management, Air Induction Systems, and Flexible & Other.

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