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 November 11, 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 unaudited interim condensed consolidated financial statements for the three months ended September 30, 2022 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended June 30, 2022 together with the notes thereto. Additional information about ABC Technologies Holdings Inc. can be found on SEDAR at www.sedar.com.

Overview

ABC Technologies Holdings Inc. together with its consolidated subsidiaries and interests in its joint ventures ("ABC", the "Company", "we", "us" and "our") is a leading manufacturer and supplier of custom, highly engineered, technical plastics and lightweighting innovations to the North American light vehicle industry, serving more than 25 original equipment manufacturer customers globally through a strategically located footprint. ABC Technologies' integrated service offering includes manufacturing, design, engineering, material compounding, machine, tooling and equipment building that are supported by a worldwide team. The Company offers three product groups: Interior Systems, Exterior Systems and HVAC, Fluids & Other.

Basis of Presentation

All references in this MD&A to "Q1 Fiscal 2023" are to the three months ended September 30, 2022 and "Q1 Fiscal 2022" are to the three months ended September 30, 2021. The references to "Fiscal 2022" are to the fiscal year ended June 30, 2022.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS applicable to the preparation of interim financial statements, including IAS 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). All tabular figures presented in this MD&A are in thousands of U.S. dollars, except earnings per share, number of shares and where otherwise noted.

Recent Developments

Global Semiconductor Shortage and Supply Chain Disruptions

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 Q3 and Q4 Fiscal 2022 and Q1 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 more normal levels. 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.

Business combinations

On March 1, 2022, the Company acquired 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. 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. 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 portfolio. 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 ($20.2 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 completion of certain customary closing conditions, which could be met during the third quarter of fiscal year 2023.

Financing arrangement

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. On August 31, 2022, the Company closed part of the sale and leaseback transaction and received gross proceeds of EUR 37.2 million ($44.5 million) and EUR 1.5 million ($1.4 million) was a holdback in accordance with the terms of agreement. The remaining transaction is expected to be closed by the end of the second quarter of fiscal 2023. Expected gross proceeds from the remaining transaction are EUR 14.3 million ($14.1 million). Refer to the Company's interim condensed consolidated financial statements for the quarter ended September 30, 2022, for further details.

Change to Operating Model and Work Force Reduction

During Q1 Fiscal 2023, the Company implemented a customer-focused, business excellence operating model. This model removes unnecessary complexity and variability while strengthening subject matter expertise in manufacturing, engineering and process standardization while aligning the technical community around three product groups, a reduction from the previous six. These changes include the addition of several senior leaders with extensive automotive experience to assist in the transformation and establish a framework for future growth. In addition, the reorganization resulted in a head count reduction in excess of 150 that will streamline the organization around the new operating model.

Non-IFRS Measures and Key Indicators

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

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

“EBITDA” means net earnings (loss) before interest expense, income tax expense (recovery), depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of intangible assets.
“Adjusted EBITDA” means EBITDA plus: loss on disposal and write-down of assets, unrealized loss (gain) on derivative financial instruments, transactional, recruitment, and other bonuses, EBITDA from Poland operations which is being shut down, business transformation and related costs (which may include severance and restructuring expenses) and write-down of inventories 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”).

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

Selected Quarterly and Annual Consolidated Financial Information

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

	For the three months ended September 30,	
Selected statement of comprehensive income data	**2022**	**2021**
Sales	**$ 318,864**	$ 163,415
Cost of sales	**288,254**	162,563
Gross profit	**30,610**	852
Selling, general and administrative	**45,923**	28,128
Other expense	**138**	437
Share of loss of joint ventures	**40**	1,574
Operating loss	**(15,491)**	(29,287)
Interest expense, net	**9,859**	7,366
Loss before income tax	**(25,350)**	(36,653)
Income tax expense (recovery)		
Current	**11,027**	1,103
Deferred	**(12,928)**	(9,570)
Total income tax recovery	**(1,901)**	(8,467)
Net loss	**$ (23,449)**	$ (28,186)
Earnings (loss) per share - basic and diluted	**$ (0.20)**	$ (0.54)
Other financial and operating metrics		
Adjusted EBITDA	**$ 23,920**	$ (11,315)
Adjusted EBITDA margin	**6.7%**	(6.0)%
Adjusted Free Cash Flow	**$ 2,404**	$ (59,510)

Selected statement of financial position data	September 30, 2022	June 30, 2022[3]
Cash	**$ 46,807**	$ 25,400
Proportionate cash held at joint ventures[1]	**4,804**	5,436
Cash including proportionate cash held at joint ventures	**$ 51,611**	$ 30,836
Trade working capital	**106,878**	126,672
Net working capital	**(1,887)**	46,354
Total assets	**1,261,597**	1,278,073
Long-term debt[2]	**375,000**	400,000
Net debt	**323,389**	369,164
Total liabilities	**924,661**	902,313
Total shareholders' equity	**336,936**	375,760

1. Represents 50% of cash held at joint ventures, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. Long-term debt held at joint ventures is $nil as at September 30, 2022 (June 2022: $nil).
3. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to the interim condensed consolidated financial statements for the three months ended September 30, 2022 for details.

	For the three months ended September 30,	
Reconciliation of Net loss to Adjusted EBITDA	**2022**	**2021**
Net loss	**$ (23,449)**	$ (28,186)
Adjustments:		
Income tax recovery	**(1,901)**	(8,467)
Interest expense	**9,859**	7,366
Depreciation of property, plant and equipment	**17,271**	11,967
Depreciation of right-of-use assets	**4,226**	3,626
Amortization of intangible assets	**7,744**	5,186
EBITDA	**$ 13,750**	$ (8,508)
Loss (gain) on disposal and write-down of assets	**687**	(24)
Unrealized loss (gain) on derivative financial instruments	**(549)**	417
Transactional, recruitment and other bonuses	**—**	11
EBITDA from Poland operations[1]	**1,389**	—
Business transformation related costs[2]	**13,228**	1,164
Share of loss of joint ventures	**40**	1,574
EBITDA from joint ventures[3]	**1,016**	(678)
Write-down of inventories[4]	**2,030**	—
Share-based compensation expense	**(1,026)**	713
Lease payments, net of sublease receipts	**(6,645)**	(5,984)
Adjusted EBITDA	**$ 23,920**	$ (11,315)

1. Represents net impact on EBITDA from Poland operations that are planned to be shut down in Q4 Fiscal 2023. Refer to the subsequent event section for more details.
2. Includes $7.4 million of costs incurred 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, $2.6 million of costs were incurred in connection with the ongoing work to evaluate potential acquisition targets.
3. Represents 50% of joint ventures' EBITDA, which corresponds to the Company's proportionate share of ownership in the joint ventures.
4. A write-down relating to Poland tooling inventories of $2.0 was recorded in Q1 Fiscal 2023.

	For the three months ended September 30,	
	2022	**2021**
Calculation of Adjusted EBITDA Margin		
Sales	**$ 318,864**	$ 163,415
Proportionate share of joint venture sales[1]	**37,643**	25,382
Adjusted sales	**$ 356,507**	$ 188,797
Adjusted EBITDA	**$ 23,920**	$ (11,315)
Adjusted EBITDA Margin	**6.7 %**	(6.0)%

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

	September 30, 2022	June 30, 2022
Calculation of Net Debt		
Long-term debt	**$ 375,000**	$ 400,000
Cash and cash equivalents	**(46,807)**	(25,400)
Proportionate cash held at joint ventures[1]	**(4,804)**	(5,436)
Net Debt	**$ 323,389**	$ 369,164

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

	September 30, 2022	June 30, 2022[1]
Calculation of Trade Working Capital		
Trade and other receivables	**$ 107,758**	$ 122,192
Inventories	**156,697**	152,461
Trade payables	**(157,577)**	(147,981)
Trade Working Capital	**$ 106,878**	$ 126,672

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to the interim condensed consolidated financial statements for the three months ended September 30, 2022 for details.

	September 30, 2022	June 30, 2022[1]
Calculation of Net Working Capital		
Trade and other receivables	**$ 107,758**	$ 122,192
Inventories	**156,697**	152,461
Prepaid expenses and other	**32,299**	42,094
Trade payables	**(157,577)**	(147,981)
Accrued liabilities and other payables	**(121,320)**	(98,280)
Provisions	**(19,744)**	(24,132)
Net Working Capital	**$ (1,887)**	$ 46,354

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to the interim condensed consolidated financial statements for the three months ended September 30, 2022 for details.

Results of Operations for Q1 Fiscal 2023 compared with Q1 Fiscal 2022

Sales

Sales were $318.9 million in Q1 Fiscal 2023 compared with $163.4 million in Q1 Fiscal 2022, an increase of $155.4 million or 95.1%. Of this increase, $56.9 million is attributable to the dlhBOWLES and Etzel acquisitions completed in Q3 Fiscal 2022, accounting for 36.6% of the increase. According to IHS Markit reports, industry production in North America increased by 24.2% in Q1 Fiscal 2023 compared to Q1 Fiscal 2022. 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 $288.3 million in Q1 Fiscal 2023 compared with $162.6 million in Q1 Fiscal 2022, an increase of $125.7 million or 77.3%, of which $45.2 million or 36.0% is attributable to dlhBOWLES and Etzel acquisitions completed in Q3 Fiscal 2022. As a percentage of sales, cost of sales was 90.4% in Q1 Fiscal 2023 compared with 99.5% in Q1 Fiscal 2022. Gross margin in Q1 Fiscal 2023 was higher than the comparable prior year quarter resulting from improved efficiencies due to a decrease in semiconductor shortages allowing for increased production volumes. 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

Selling, general and administrative expenses were $45.9 million in Q1 Fiscal 2023 compared with $28.1 million in Q1 Fiscal 2022, an increase of $17.8 million or 63.3%, of which $5.8 million is attributable to dlhBOWLES and Etzel acquisitions completed in Q3 Fiscal 2022. As a percentage of sales, selling, general and administrative expenses were 14.4% in Q1 Fiscal 2023 compared with 17.2% in Q1 Fiscal 2022.

Significant differences quarter over quarter include:

- higher business transformation related costs in Q1 Fiscal 2023 of $12.1 million
- higher wages, benefits and professional fees in Q1 Fiscal 2023 of $2.6 million
- higher depreciation and amortization expense in Q1 Fiscal 2023 of $2.6 million
- higher foreign exchange loss in Q1 Fiscal 2023 of $1.4 million
  partially offset by;
- lower share-based compensation expense of $1.7 million

Other expense

Other expense includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other expense was $0.1 million in Q1 Fiscal 2023 compared with $0.4 million in Q1 Fiscal 2022.

Share of loss of joint ventures

Share of loss of joint ventures was $0.0 million in Q1 Fiscal 2023 compared with $1.6 million in Q1 Fiscal 2022, a decrease of $1.5 million or 97.5%, primarily as a result of higher sales in Q1 Fiscal 2023.

Interest expense (net)

Interest expense (net) was $9.9 million in Q1 Fiscal 2023 compared with $7.4 million in Q1 Fiscal 2022, an increase of $2.5 million primarily due to higher debt balance and interest rate in Q1 Fiscal 2023 compared to Q1 Fiscal 2022.

Total income tax recovery

Total income tax recovery was $1.9 million in Q1 Fiscal 2023 compared with $8.5 million in Q1 Fiscal 2022. The effective rate in Q1 Fiscal 2023 was 7.5% compared with 23.1% in Q1 Fiscal 2022. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions and higher non-deductible expenses in Q1 Fiscal 2023.

Net loss

Net loss was $23.4 million in Q1 Fiscal 2023 compared with $28.2 million in Q1 Fiscal 2022, a decrease of $4.8 million or 16.8%. Primary contributors to the change between periods are a $29.8 million increase in gross profit in Q1 Fiscal 2023 due to the significant increase in sales and the efficiencies resulting from the increase, largely offset by a $17.8 million increase in SG&A expenses as previously noted, increased interest expense of $2.5 million and lower income tax recoveries of $6.6 million.

Adjusted EBITDA

Adjusted EBITDA was $23.9 million in Q1 Fiscal 2023 compared with $(11.3) million in Q1 Fiscal 2022, an increase of $35.2 million or 311.4% primarily due to higher sales and gross profit from both existing operation as well as acquisitions.

Segment Performance

Results of Operations for Q1 Fiscal 2023 compared with Q1 Fiscal 2022

For the three months ended September 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 277,736	$ 41,128	$ 37,643	$ 356,507	$ (37,643)	$ 318,864
Inter-segment revenues	1,708	141	1,533	3,382	(3,382)	—
Total revenue	**$ 279,444**	**$ 41,269**	**$ 39,176**	**$ 359,889**	**$ (41,025)**	**$ 318,864**
Operating income (loss)	$ (15,166)	$ (284)	$ (48)	$ (15,498)	$ 7	$ (15,491)
Adjusted EBITDA	17,492	5,412	1,016	23,920	—	23,920

For the three months ended September 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 152,925	$ 10,490	$ 25,382	$ 188,797	$ (25,382)	$ 163,415
Inter-segment revenues	2,682	208	1,171	4,061	(4,061)	—
Total revenue	**$ 155,607**	**$ 10,698**	**$ 26,553**	**$ 192,858**	**$ (29,443)**	**$ 163,415**
Operating income (loss)	$ (25,780)	$ (1,933)	$ (1,652)	$ (29,365)	$ 78	$ (29,287)
Adjusted EBITDA	(9,512)	(1,125)	(678)	(11,315)	—	(11,315)

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 $277.7 million for Q1 Fiscal 2023 compared with $152.9 million for Q1 Fiscal 2022, an increase of $124.8 million or 81.6%. The shortage of semiconductors in Q1 Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Company in reduced orders in that period. Q1 Fiscal 2023 production improved and was 24.2% higher than the corresponding prior year quarter according to IHS Markit. Q1 Fiscal 2023 included sales of $30.0 million from the acquisition of dlhBOWLES that closed during Q3 Fiscal 2022.

North America Adjusted EBITDA was $17.5 million for Q1 Fiscal 2023 compared with $(9.5) million for Q1 Fiscal 2022, an increase of $27.0 million or 283.9%. Adjusted EBITDA in Q1 Fiscal 2023 was better than Q1 Fiscal 2022 due to higher revenue providing an increased gross margin. Q1 Fiscal 2022 results were also negatively affected by higher raw material input costs and inefficiencies resulting from the short-notice plant closures of OEM's. In Q1 Fiscal 2023 production call offs due to supply shortages were significantly reduced compared to the same period last year.

Rest of World

Rest of World external customer revenue was $41.1 million for Q1 Fiscal 2023 compared with $10.5 million for Q1 Fiscal 2022, an increase of $30.6 million or 292.1%. The increase is primarily due to Etzel acquisition that closed during Q3 Fiscal 2022.

Rest of World Adjusted EBITDA was $5.4 million for Q1 Fiscal 2023 compared with $(1.1) million for Q1 Fiscal 2022, an increase of $6.5 million. The increase is primarily due to Etzel acquisition that closed during Q3 Fiscal 2022.

Joint Ventures

ABC's proportionate external customer revenue from joint ventures was $37.6 million for Q1 Fiscal 2023 compared with $25.4 million for Q1 Fiscal 2022, an increase of $12.3 million or 48.3% due to operations gradually recovering to pre-pandemic levels in Q1 Fiscal 2023.

ABC's proportionate Adjusted EBITDA from joint ventures was $1.0 million for Q1 Fiscal 2023 compared with $(0.7) million for Q1 Fiscal 2022, an increase of $1.7 million or 249.8%. The increase primarily results from increased sales.

Quarterly Results

The following table summarizes the results of ABC's operations for the eight most-recently completed fiscal quarters. This unaudited quarterly information has been prepared in accordance with IFRS, with the exception of EBITDA and Adjusted EBITDA.

	Fiscal 2023	Fiscal 2022				Fiscal 2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Quarterly results								
Sales	$ 318,864	$ 319,249	$ 285,775	$ 203,439	$ 163,415	$ 233,194	$ 217,926	$ 261,327
Net earnings (loss)	(23,449)	(13,607)	(6,321)	(16,426)	(28,186)	(11,748)	(20,695)	11,461
EBITDA	13,750	5,404	32,786	8,438	(8,508)	15,858	13,295	42,360
Adjusted EBITDA	23,920	15,218	30,252	11,496	(11,315)	26,867	25,450	40,802

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 September 30, 2022, the Company's Trade Working Capital and Net Working Capital was $106.9 million and $(1.9) million, respectively, with cash on hand of $46.8 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. 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 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.

On February 24, 2022, to facilitate the financing for its recent acquisitions, the Company amended its Credit Agreement to increase the size of its Credit Facilities to $550.0 million, inclusive of two swingline facilities in the aggregate amount of $23.0 million, and a Revolving Facility B amounting to $50.0 million. The Company also extended the maturity of its Credit Agreement to February 2027 for all facilities except Revolving Facility B, which 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 September 30, 2022, the Company had aggregate amounts outstanding under the Credit Facilities of $375.0 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 September 30, 2022, the average interest rate on the Credit Facilities was 5.37% (June 30, 2022: 3.89%) and $1.9 million (June 30, 2022: $2.0 million) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at September 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 September 30, 2022, the Company had cash balances of $46.8 million (June 30, 2022: $25.4 million) and $173.1 million available on its Credit Facilities subject to covenant limitations (June 30, 2022: $148.0 million). The Company had total liquidity of $219.9 million as at September 30, 2022 (June 30, 2022: $173.4 million).

As at September 30, 2022, the Company had interest rate swap agreements with a total notional amount of $225.0 million (June 30, 2022: $225.0 million) whereby the Company pays a weighted average fixed interest rate of 1.48% (June 30, 2022: 1.48%) 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 ended September 30, 2022 and 2021.

	For the three months ended September 30, 2022	2021
Summary cash flow statements		
Net cash flows from (used in) operating activities	**$ 31,378**	$ (41,647)
Net cash flows used in investing activities	**(25,620)**	(16,390)
Net cash flows from financing activities	**16,283**	53,660
Net increase (decrease) in cash	**22,041**	(4,377)
Net foreign exchange difference	**(634)**	(173)
Cash, beginning of period	**25,400**	14,912
Cash, end of period	**$ 46,807**	$ 10,362

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

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

	For the three months ended September 30, 2022	2021
Reconciliation of net loss to net cash flows from (used in) operating activities		
Net loss	**$ (23,449)**	$ (28,186)
Adjustments for:		
Depreciation of property, plant and equipment	**17,271**	11,967
Depreciation of right-of-use assets	**4,226**	3,626
Amortization of intangible assets	**7,744**	5,186
Loss (gain) on disposal and write-down of assets	**687**	(24)
Unrealized loss (gain) on derivative financial instruments	**(549)**	417
Interest expense	**9,859**	7,366
Share of loss of joint ventures	**40**	1,574
Income tax recovery	**(1,901)**	(8,467)
Share-based compensation expense (reversal)	**(1,026)**	713
Write-down of inventories	**2,030**	—
Changes in:		
Trade and other receivables and prepaid expenses and other	**18,544**	18,199
Inventories	**(5,915)**	(18,909)
Trade payables, accrued liabilities and other payables, and provisions	**14,173**	(26,680)
Cash generated from (used in) operating activities	**$ 41,734**	$ (33,218)
Interest received	**120**	129
Income taxes paid	**(1,020)**	(275)
Interest paid on leases, net of interest received	**(3,459)**	(3,387)
Interest paid on long-term debt and other	**(5,997)**	(4,896)
Net cash flows from (used in) operating activities	**$ 31,378**	$ (41,647)

Net cash flows from operating activities for Q1 Fiscal 2023 were $31.4 million compared with net cash flows used in operating activities of $41.6 million for Q1 Fiscal 2022, an increase of $73.0 million or 175.3%. The increase in net cash flow from (used in) operating activities was primarily due to a decrease of $13.8 million in operation loss and working capital improvements of $54.2 million.

Net cash flows used in investing activities

	For the three months ended September 30, 2022	2021
Cash flows used in investing activities		
Purchases of property, plant and equipment	**$ (19,859)**	$ (11,015)
Additions to intangible assets	**(5,761)**	(5,375)
Net cash flows used in investing activities	**$ (25,620)**	$ (16,390)

Net cash flows used in investing activities were $25.6 million for Q1 Fiscal 2023 compared with $16.4 million for Q1 Fiscal 2022. The increase in spending on property, plant and equipment and intangible assets in Q1 Fiscal 2023 over Q1 Fiscal 2022 is not considered to be significant, as expenditures can vary from period to period depending on the timing of requirements to fulfill programs.

Net cash flows from (used in) financing activities

	For the three months ended September 30, 2022	2021
Cash flows from (used in) financing activities		
Net drawings (payments) on revolving credit facilities	**$ (25,000)**	$ 56,837
Principal payments of lease liabilities, net of sublease receipts	**(3,186)**	(2,597)
Financing costs	**—**	(580)
Proceeds from other financing arrangement	**44,469**	—
Net cash flows from financing activities	**$ 16,283**	$ 53,660

Net cash flows from financing activities for Q1 Fiscal 2023 were $16.3 million compared with $53.7 million for Q1 Fiscal 2022, a decrease of $37.4 million. The decrease primarily relates to a net change in the revolving credit facilities of $81.8 million, which was partially offset by the proceeds from other financing arrangement of $44.5 million.

	For the three months ended September 30, 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	**$ 31,378**	$ (41,647)
Purchases of property, plant and equipment	**(19,859)**	(11,015)
Additions to intangible assets[1]	**(5,761)**	(5,375)
Principal payments of lease liabilities	**(3,186)**	(2,597)
One-time advisory, bonus and other costs	**3,143**	1,124
Net impact of hedge monetization	**(3,311)**	—
Adjusted Free Cash Flow	**$ 2,404**	$ (59,510)

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

Adjusted Free Cash Flow was $61.9 million higher for Q1 Fiscal 2023 compared with Q1 Fiscal 2022 primarily due to higher net cash flows from operating activities of $73.0 million which was partly offset by the higher purchases of property plant and equipment of $8.8 million.

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 September 30, 2022 are shown in the following table.

	Within one year	1 - 3 years	4 - 5 years	Thereafter	Total
Contractual obligations					
Long-term debt	$ —	$ —	$ 375,000	$ —	$ 375,000
Interest on long-term debt	$ 20,137	$ 40,274	$ 28,528	$ —	$ 88,939
Lease payments	$ 26,437	$ 49,867	$ 45,419	$ 167,728	$ 289,451
Purchase Option	$ 5,883	$ —	$ —	$ —	$ 5,883

The Company has committed to purchase, within the next 12 months, machinery and equipment for $34.8 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 ($20.2 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 September 30, 2022, the Company had letters of credit in place, which were issued under our Credit Facilities, amounting to $1.9 million (June 30, 2022: $2.0 million).

Risks and Uncertainties

The Company has a risk management program in place, as approved by the Board, which seeks to limit the impact of these risks on the financial performance of the Company and it is the Company's policy to manage these risks in a non-speculative manner.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Interest rate risk and sensitivity
- Foreign currency risk and sensitivity
- Commodity price risk and sensitivity
- Credit risk
- Liquidity risk
- Concentration risk

The sections below present information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or an asset will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity risk. Financial instruments and assets affected by market risk include cash, trade and other receivables, inventories, trade payables, accrued liabilities and other payables, long-term debt, and derivative financial instruments.

Interest rate risk 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 September 30, 2022, after taking into account the effect of interest rate swaps, approximately 60% (June 30, 2022: 56%) 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 ended September 30, 2022 of $0.2 million (2021: $0.1 million) 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 by approximately $0.2 million for the three months ended September 30, 2022 (2021: $0.3 million). A 5% strengthening of the MXN against the USD would have decreased income (loss) before income tax by approximately $0.6 million for the three months ended September 30, 2022 (2021: $0.4 million). 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 ended September 30, 2022 of $3.9 million (2021: $2.0 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 September 30, 2022	**$ 107,758**	**$ 98,257**	**$ 2,847**	**$ 1,152**	**$ 5,502**
As at June 30, 2022[1]	122,192	114,611	1,691	1,161	4,729

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to the interim condensed consolidated financial statements for the three months ended September 30, 2022 for details.

Customer credit risk is subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored for collectability.

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company is exposed to concentration of risk with respect to trade receivables. As at September 30, 2022, the Company's three largest customers accounted for 17.8%, 7.1% and 6.3%, respectively, of all receivables owing (June 30, 2022: 20.0%, 6.0% and 5.7%, respectively).

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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

Disclosure of Outstanding Shares

As at November 11, 2022, there were 115,660,487 shares, 458,440 stock options, 183,771 restricted share units ("RSUs"), and 185,384 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 September 30, 2022		As at September 30, 2022	
	Purchases from JVs	**Sales to JVs**	**Trade payables to JVs**	**Trade receivables from JVs**
Joint venture in which the Company is a venturer:				
ABC INOAC Exterior Systems Inc.	$ 963	$ 3,647	$ 995	$ 3,723
ABC INOAC Exterior Systems, LLC	—	2,150	894	7,326
ABCOR Filters	2,102	—	1,570	66
INOAC Huaxiang	—	18	—	144

	For the three months ended September 30, 2021		As at June 30, 2022	
	Purchases from JVs	**Sales to JVs**	**Trade payables to JVs**	**Trade receivables from JVs**
Joint venture in which the Company is a venturer:				
ABC INOAC Exterior Systems Inc.	$ 497	$ 2,832	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	—	2,527	128	5,147
ABCOR Filters	1,844	4	1,035	81
INOAC Huaxiang	—	53	—	126

Receivables from joint ventures are non-interest bearing.

During the three months ended September 30, 2022, the Company received dividends from its joint ventures in the amounts of $nil (2021: $nil).

Critical Accounting Estimates

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

Accounting Standards Changes

For information pertaining to accounting changes effective in Fiscal 2022 and Fiscal 2023 and for future fiscal years, please see the Company's interim financial statements for the period ended September 30, 2022.

Subsequent Event

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 increased costs for utilities, freight, material and labor experienced in that market. The Company is proactively working with its customers to relocate their production which is expected to take until Q4 Fiscal 2023 to complete. The plant is expected to be shut down when that activity is completed. A write-down relating to the tooling inventories of $2.0 million was recorded during the three months ended September 30, 2022 and an impairment charge relating to property, plant and equipment of $8.2 million was recorded during the year ended June 30, 2022. No additional significant impairment charges are expected at this time, although charges for severance and other estimated closure costs will be recorded in Q2 Fiscal 2023.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

Forward-Looking Statements

Some of the information contained in this MD&A may constitute forward-looking information or contain statements expressing such forward-looking information ("forward-looking statements" and collectively with the forward-looking information expressed thereby, "forward-looking information"). We use words such as "may", "would", "could", "should", "will", "unlikely", "expect", "anticipate", "believe", "intend", "planning", "forecast", "outlook", "projection", "estimate", "target" and similar expressions suggesting future outcomes or events to identify forward-looking information.

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

- the light vehicle industry, including expectations regarding industry trends, growth opportunities, market demand, industry forecasts, overall market growth rates and our growth rates and strategies in light vehicle industry and in light vehicles, both in North America and globally;
- other risks related to automotive industry such as: economic cyclicality regional production volume declines, intense competition; potential restrictions on free trade; trade disputes/tariffs;
- our research and development, innovation, product categories, ongoing development, and our future platforms and programs;
- our OEM customers, including future relationships with our OEM customers and new OEM customers;
- the continuing global semi-conductor shortage;
- the impact and duration of the conflict in Ukraine and the related economic sanctions on, 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: 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 Q3 and Q4 Fiscal 2022 that carried into Q1 Fiscal 2023, with greater stability in North American vehicle production resulting from improvements in supply chain issues. Based on recent projections by IHS Markit, North American light vehicle production is expected to increase by 13.4% in Fiscal 2023 compared to Fiscal 2022. This increase is from a low base, when production was depressed due to ongoing semiconductor shortages. Despite the projected increase, forecast production lags average annual production by a significant margin. While closures due to COVID-19 and supply chain issues have diminished, labor shortages due to historic low unemployment rates have resulted in increased costs to obtain and retain labor and raw material input costs remain elevated compared to historical values.

Despite progress made in reorganizing the business into a more efficient, customer focused operation the Company is facing a number of headwinds. Recent automobile production forecasts have been lowered from previous months forecasts, increased interest rates are expected to affect end users ability to purchase vehicles and inflationary pressures impact costs with the timing and quantum of any relief from customers uncertain. The Company continues to explore and implement cost saving opportunities.

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. This carried into Q1 Fiscal 2023 as well. Despite the recent improvements in production volumes on a relative basis resulting in less sporadic closures of OEM plants, and an expectation of increased vehicle production in Fiscal 2023 based on IHS forecasts, management believes at this time, it is not currently practical to provide guidance. ABC will continually monitor the production schedules of our customers and provide guidance in the future when these factors can be quantified appropriately.