

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 February 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 and six months ended December 31, 2021 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended June 30, 2021 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 25 original equipment manufacturer ("OEM") customers globally through a strategically located footprint. Our integrated service offering includes manufacturing, design, engineering, material compounding, machine tooling and equipment building that are supported by a team of over 600 skilled professionals (comprised of over 500 professional practicing engineers and approximately 100 additional employees with technical diplomas or at least 15 years technical working experience serving in other technical engineering roles), which we believe ultimately contributes to our differentiated product innovation. Our vertically integrated capabilities include our tool-building and material compounding businesses, which we believe allow us to stay on the leading edge of technical plastics and lightweighting product innovation. In addition, our manufacturing footprint provides us with 250-mile coverage for the majority of our OEM customers' North American light vehicle manufacturing facilities, which we also believe provides us with logistical and competitive advantages. Based on management estimates, we have strong market shares in North America across multiple core product categories, which fall within our six product groups comprising HVAC Systems, Interior Systems, Exterior Systems, Fluid Management, Air Induction Systems and Flexible & Other. We principally sell directly to OEMs and have ABC content on over 75% of all light vehicles manufactured in North America¹ and ship to approximately 89% of the OEM production facilities in North America. Furthermore, based on IHS Markit² data for Fiscal 2021, we had content on 14 of the top 15 models produced in North America.

Basis of Presentation

All references in this MD&A to "YTD Fiscal 2022" are to the six months ended December 31, 2021 and "YTD Fiscal 2021" are to the six months ended December 31, 2020. The references to "Fiscal 2021" are to our fiscal year ended June 30, 2021. All references in this MD&A to "Q2 Fiscal 2022" are to our Company's fiscal quarter ended December 31, 2021 and "Q2 Fiscal 2021" are to our Company's fiscal quarter ended December 31, 2020.

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

The Company's financial results during the last half of Fiscal 2021 and YTD Fiscal 2022 have been significantly impacted by disruptions and shortages in the supply of critical components and materials globally, particularly semiconductors, which were indirect outcomes of the COVID-19 pandemic. When the COVID-19 pandemic caused a significant drop in vehicle sales in spring 2020, OEMs cut their orders of all parts and materials, including the semiconductors needed for functions ranging from touchscreen displays to collision-avoidance systems. In the fall of 2020, when demand for passenger vehicles rebounded, OEMs were not able to secure adequate supply of semiconductors as chip manufacturers were already committed to supplying other customers in consumer electronics. The global semiconductor shortage resulted in temporary shut-downs or slowdowns of the production lines at the majority of our OEM customers beginning in February and March 2021, which impacted the production levels in our plants that supply those customers. In YTD Fiscal 2022, 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 country. 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.

¹ Applies to light vehicles with more than 250 units produced in Q2 Fiscal 2022 in North America based on IHS Markit data.

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We believe that these conditions are temporary as end user demand for new vehicles remains strong. As a result of the global semiconductor shortages and production disruptions, inventories for new vehicles are at a historic low. The high consumer demand for vehicles and low inventory supply is pushing prices for both new and used vehicles to record levels. Several OEMs are recording strong earnings as the average price of new models have increased. Due to the scarcity of new vehicles, used vehicle prices continue to surge as customers turn to alternatives when new models are not available for purchase.

Oaktree acquires a minority share in the Company

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

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

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

COVID-19 Impact on the Company's Results and Business

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since then, various extraordinary containment and mitigation measures have been recommended and put in place by public health and governmental authorities across the globe. These measures have caused, and may continue to cause, significant disruption to our business. As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January 2020 and February 2020, but resumed in March 2020. The Company, along with the rest of the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations in March 2020 and April 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's financial results during the second half of March 2020 and continued into the fourth quarter of Fiscal 2020. In May 2020, the Company gradually restarted its manufacturing facilities under extensive safety measures aligned with the ramp-up in demands from OEM customers as they also resumed their operations. Operations continued at a more normal level of production until July 2021 at which time COVID-19 outbreaks in various parts of the world severely impacted the manufacturing of semiconductors, vital components required in vehicle production and created other supply chain issues. 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. The shortage of semiconductors resulted in frequent shutdowns and production delays by nearly all OEMs and the cascading effect of significantly reduced sales by the Company and inefficient operations resulting in higher costs. Sales for the Company were disproportionately affected more than the overall industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which affected some of the Company's programs with higher content.

The current COVID-19 pandemic has adversely affected many aspects of the Company's business, including production, supply chain, and sales and delivery, as well as financial results. The COVID-19 pandemic has resulted in increased demand for resin in multiple industries. Additionally, growing export activity from Asia has created a shortage of available containers for shipping commodity products and consequently, resin shipments are competing against retail and other goods for containers and transportation space on ships. Labour issues have caused significant backups of container ships at US west coast ports unable to dock and shortages of truck drivers are causing issues in being able to transport goods from port to final destination. As a result of the high demand and increased freight rates, resin prices have increased as well as related freight costs. Resin supply was further constrained during late-February 2021 to early-April 2021 as a result of severe winter storms that forced the shutdown of key resin production facilities in the southern United States. When a complete shutdown of a resin production facility is required, the process to restart these facilities can typically take several weeks to get back to full production output levels. Resin pricing peaked in Q1 Fiscal 2022 and were significantly higher than Q1 Fiscal 2021. During Q2 Fiscal 2022, resin prices started to decline but continue to be higher than historical values, impacting our Q2 Fiscal 2022 results.

Due to ongoing production disruptions at OEMs due to semiconductor shortages and the resultant decrease in sales by the Company, the Company worked with its syndicate of lenders to amend its Credit Agreement to provide financial covenant relief due to conditions caused by COVID-19. On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of certain financial covenants over the next five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19. Please refer to "Liquidity and Capital Resources" section below.

Impacts of COVID-19 and/or its resurgence, including significant worsening of economic conditions or reduction in production volumes, could deteriorate the financial condition of our supply base, our Company or of our customers, which could lead to, among other things: increased credit risk for us; elevated absenteeism or potential shortages of employees to staff our facilities or the facilities of our customers or suppliers; disruptions or shortages in the supply of critical components and materials (including semiconductors and resin) to us or our customers; higher prices for nearly everything as a result of supply constraints; temporary shut-downs or slowdowns of one of our production lines or the production lines of one or more of our customers; prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; and/or result in governmental regulation adversely impacting our business; all of which could have a material adverse effect on financial condition, and results of operations. In addition, certain events may prevent us from supplying products to our customers or prevent our customers from being supplied with products necessary for production of vehicles for which our products are built, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and new or continuing production stoppages and slowdowns may result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on our business, financial condition, and results of operations.

The COVID-19 pandemic is an evolving situation and may continue to have widespread adverse implications on our business environment, operations, cash flows and financial position. The extent of the impact will depend on various factors, including the rate at which economic conditions, operations and demand for vehicles return to pre-COVID-19 levels, any continued or future governmental orders or lock-downs due to COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations. Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date may significantly affect household income and wealth beyond Q2 Fiscal 2022, which would likely directly affect vehicle sales and thus production. Refer also to discussion of the impact of and risk associated with COVID-19 for the business of the Company under heading "Pandemics and epidemics (including the ongoing COVID-19 pandemic), natural disasters, terrorist activities, political unrest, and other outbreaks" in ABC Technologies Holdings Inc.'s Annual Information Form ("AIF") dated September 24, 2021 available through SEDAR at www.sedar.com, for further information.

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 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.

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 24, 2021 available through SEDAR at www.sedar.com, for further information.

Selected Quarterly Consolidated Financial Information

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

Selected statement of comprehensive income data	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
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
Other expense (income)	(19)	(1,213)	418	(1,538)
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
Earnings (loss) per share - basic and diluted	\$ (0.31)	\$ 0.22	\$ (0.85)	\$ 0.40
Other financial and operating metrics				
Adjusted EBITDA	\$ 11,496	\$ 43,517	\$ 181	\$ 84,757
Adjusted EBITDA margin	4.9%	14.7%	0.0%	14.4%
Adjusted Free Cash Flow	\$ 4,969	\$ 29,990	\$ (54,541)	\$ 86,466

	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Selected statement of financial position data		
Cash	\$ 26,546	\$ 14,912
Proportionate cash held at joint ventures ¹	7,243	8,055
Cash including proportionate cash held at joint ventures	\$ 33,789	\$ 22,967
Trade working capital ²	59,041	40,100
Net working capital ³	(6,196)	(12,830)
Total assets	843,368	855,629
Long-term debt ^{4,5}	345,000	280,000
Net debt	311,211	257,033
Total liabilities	727,662	690,425
Total shareholders' equity	115,706	165,204

1. Represents 50% of cash held at joint ventures, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. Trade working capital is calculated as trade and other receivables and inventories less trade payables.
3. Net working capital is calculated as trade and other receivables, inventories, prepaid expenses and other, less trade payables, accrued liabilities and other payables and current portion of provisions.
4. Includes current portion of long-term debt.
5. Long-term debt held at joint ventures is \$nil as at December 31, 2021 (2020: \$nil).

	<u>For the three months ended December 31,</u>		<u>For the six months ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Reconciliation of net income (loss) to Adjusted EBITDA				
Net income (loss)	\$ (16,426)	\$ 11,461	\$ (44,612)	\$ 20,782
<i>Adjustments:</i>				
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 \$0.0 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.

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
Calculation of Adjusted EBITDA Margin				
Sales	\$ 203,439	\$ 261,327	\$ 366,854	\$ 519,730
Proportionate share of joint venture sales ¹	31,010	35,353	56,392	68,269
Adjusted sales	\$ 234,449	\$ 296,680	\$ 423,246	\$ 587,999
Adjusted EBITDA	\$ 11,496	\$ 43,517	\$ 181	\$ 84,757
Adjusted EBITDA Margin	4.9 %	14.7 %	0.0 %	14.4 %

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

Results of Operations for Q2 Fiscal 2022 compared with Q2 Fiscal 2021

Sales

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 plant closures due 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 had occurred in the period from March to May 2020. Sales for the Company were disproportionately affected more than the overall industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which affected some of the Company's programs with higher content.

Cost of sales

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 as a result of higher costs resulting from inefficiencies due to frequent plant closures by OEMs and increased raw material costs, primarily resin.

Selling, general and administrative expenses

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 this MD&A). In Q2 Fiscal 2022, the Company incurred expenses associated with being a public company which included higher insurance and share-based compensation.

Other income or expenses

Other income or expenses includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other income was \$0.0 million in Q2 Fiscal 2022 compared with \$1.2 million in Q2 Fiscal 2021.

Share of income (loss) of joint ventures

Share of income of joint ventures was \$1.2 million in Q2 Fiscal 2022 compared with share of income of \$3.0 million in Q2 Fiscal 2021, an decrease of \$1.8 million or 61.1%. The decrease in profitability of the joint ventures mirrors the same challenges as faced by the Company this quarter, namely, COVID-19 and lower OEM production largely due to the semiconductor shortage.

Interest expense (net)

Interest expense (net) was \$7.9 million in Q2 Fiscal 2022 compared with \$9.8 million in Q2 Fiscal 2021, a decrease of \$1.9 million. The decrease was primarily due to the lower interest rate associated with the revolving credit facilities in Q2 Fiscal 2022 compared to the former credit facilities in Q2 Fiscal 2021 as well as the amortization of deferred financing costs of \$1.0 million related to the former credit facilities in YTD Fiscal 2021. The remaining deferred financing costs were written off as a result of the amendments made to the Credit Agreement upon IPO.

Total income tax expense (recovery)

Total income tax recovery was \$4.1 million in Q2 Fiscal 2022 compared with tax expense of \$1.6 million in Q2 Fiscal 2021. The effective rate in Q2 Fiscal 2022 was 20.1% compared with 12.4% in Q2 Fiscal 2021. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions, with a slight increase in the non-deductible expenses in Q2 Fiscal 2022.

Net loss

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

Adjusted EBITDA 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.

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

Sales

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 comparable prior year period where production had approached near normal production levels after the initial COVID-19 lockdowns that had occurred in the period from March to May 2020. Sales for the Company were disproportionately affected more than the overall industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which affected some of the Company's programs with higher content.

Cost of sales

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 plant closures by OEMs 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

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.

Other income or expenses

Other income or expenses includes gains or losses on derivative financial instruments, and losses on disposal and write-down of assets. Other expense was \$0.4 million for YTD Fiscal 2022 compared with an income of \$1.5 million for YTD Fiscal 2021. The change was primarily driven by \$0.3 million of loss on derivative financial instruments in YTD Fiscal 2022 compared with \$2.0 million of gain in the comparative period.

Share of income (loss) of joint ventures

Share of loss of joint ventures was \$0.4 million for YTD Fiscal 2022 compared with share of income of \$5.7 million for YTD Fiscal 2021, a decrease of \$6.1 million or 107.1%. The swing in profitability of the joint ventures mirrors the same challenges as faced by the Company in the current period, namely, COVID-19 and lower OEM production largely due to the semiconductor shortage.

Interest expense (net)

Interest expense (net) was \$15.2 million for YTD Fiscal 2022 compared with \$19.6 million for YTD Fiscal 2021, a decrease of \$4.4 million. The decrease was primarily due to the lower interest rate associated with the revolving credit facilities in YTD Fiscal 2022 compared to the former credit facilities in YTD Fiscal 2021 as well as the amortization of deferred financing costs of \$2.1 million related to the former credit facilities in YTD Fiscal 2021. The remaining deferred financing costs were written off as a result of the amendments made to the Credit Agreement upon IPO.

Total income tax expense (recovery)

Total income tax recovery was \$12.6 million for YTD Fiscal 2022 compared with tax expense of \$5.3 million for YTD Fiscal 2021. The effective rate for YTD Fiscal 2022 was 22.0% compared with 20.4% during YTD Fiscal 2021. The difference in the effective tax rate was primarily due to the change in the mix of earnings between jurisdictions.

Net loss

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

Adjusted EBITDA 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.

Segment Performance

Results of Operations for Q2 Fiscal 2022 compared with Q2 Fiscal 2021

For the three months ended December 31, 2021	North America	Rest of World	Joint Ventures ¹	Total	Adjustments ²	Total Reportable Segments
Revenue						
External customers	\$ 193,253	\$ 10,186	\$ 31,010	\$ 234,449	\$ (31,010)	\$ 203,439
Inter-segment revenues	2,649	199	1,424	4,272	(4,272)	—
Total revenue	\$ 195,902	\$ 10,385	\$ 32,434	\$ 238,721	\$ (35,282)	\$ 203,439
Operating income (loss)	\$ (11,659)	\$ (2,209)	\$ 976	\$ (12,892)	\$ 192	\$ (12,700)
Adjusted EBITDA	11,366	(1,342)	1,472	11,496	—	11,496

For the three months ended December 31, 2020	North America	Rest of World	Joint Ventures ¹	Total	Adjustments ²	Total Reportable Segments
Revenue						
External customers	\$ 248,613	\$ 12,714	\$ 35,353	\$ 296,680	\$ (35,353)	\$ 261,327
Inter-segment revenues	2,333	238	1,597	4,168	(4,168)	—
Total revenue	\$ 250,946	\$ 12,952	\$ 36,950	\$ 300,848	\$ (39,521)	\$ 261,327
Operating income (loss)	\$ 20,370	\$ (518)	\$ 9,227	\$ 29,079	\$ (6,223)	\$ 22,856
Adjusted EBITDA	38,182	719	4,616	43,517	—	43,517

^{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 \$193.3 million in Q2 Fiscal 2022 compared with \$248.6 million in Q2 Fiscal 2021, a decrease of \$55.4 million or 22.3%. The shortage of semiconductors in Q2 Fiscal 2022 that forced OEMs to significantly reduce

the production of vehicles cascaded to the Company in reduced orders. On a comparative basis, OEM operations in Q2 Fiscal 2021 had returned to close to normal after the earlier initial lockdowns.

North America Adjusted EBITDA was \$11.4 million in Q2 Fiscal 2022 compared with \$38.2 million in Q2 Fiscal 2021, a decrease of \$26.8 million or 70.2%. The loss of margin due to reduced sales combined with higher raw material input costs and inefficiencies resulting from short notice plant closures by the OEMs were the primary contributors to the drop in Adjusted EBITDA in Q2 Fiscal 2022 versus Q2 Fiscal 2021.

Rest of World

Rest of World external customer revenue was \$10.2 million in Q2 Fiscal 2022 compared with \$12.7 million in Q2 Fiscal 2021, a decrease of \$2.5 million or 19.9%. The decrease is primarily due to the shortage of semiconductors affecting customers' production.

Rest of World Adjusted EBITDA was \$(1.3) million in Q2 Fiscal 2022 compared with \$0.7 million in Q2 Fiscal 2021, a decrease of \$2.1 million. The decrease is primarily due to the lost margin as a result of lowered sales and some operating inefficiencies.

Joint Ventures

ABC's proportionate external customer revenue from Joint Ventures was \$31.0 million in Q2 Fiscal 2022 compared with \$35.4 million in Q2 Fiscal 2021, a decrease of \$4.3 million or 12.3%. The shortage of semiconductors in Q2 Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Joint Ventures in reduced orders. According to IHS Markit reports, industry production in North America decreased by 14.7% in Q2 Fiscal 2022 compared to Q2 Fiscal 2021.

ABC's proportionate Adjusted EBITDA from joint ventures was \$1.5 million for Q2 Fiscal 2022 compared with \$4.6 million for Q2 Fiscal 2021, a decrease of \$3.1 million or 68.1%. The decrease is primarily due to the lost margin as a result of lowered sales and some operating inefficiencies.

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

For the six months ended December 31, 2021	North America	Rest of World	Joint Ventures¹	Total	Adjustments²	Total Reportable Segments
Revenue						
External customers	\$ 346,178	\$ 20,676	\$ 56,392	\$ 423,246	\$ (56,392)	\$ 366,854
Inter-segment revenues	5,331	407	2,595	8,333	(8,333)	—
Total revenue	\$ 351,509	\$ 21,083	\$ 58,987	\$ 431,579	\$ (64,725)	\$ 366,854
Operating income (loss)	\$ (37,439)	\$ (4,142)	\$ (676)	\$ (42,257)	\$ 270	\$ (41,987)
Adjusted EBITDA	1,854	(2,467)	794	181	—	181

For the six months ended December 31, 2020	North America	Rest of World	Joint Ventures¹	Total	Adjustments²	Total Reportable Segments
Revenue						
External customers	\$ 494,493	\$ 25,237	\$ 68,269	\$ 587,999	\$ (68,269)	\$ 519,730
Inter-segment revenues	5,364	455	3,138	8,957	(8,957)	—
Total revenue	\$ 499,857	\$ 25,692	\$ 71,407	\$ 596,956	\$ (77,226)	\$ 519,730
Operating income (loss)	\$ 41,184	\$ (1,182)	\$ 12,456	\$ 52,458	\$ (6,740)	\$ 45,718
Adjusted EBITDA	74,566	1,356	8,835	84,757	—	84,757

^{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 \$346.2 million for YTD Fiscal 2022 compared with \$494.5 million for YTD Fiscal 2021, a decrease of \$148.3 million or 30.0%. The shortage of semiconductors in YTD Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Company in reduced orders. According to IHS Markit reports,

industry production in North America decreased by 14.7% in Q2 Fiscal 2022 compared to Q2 Fiscal 2021 and 25.2% in Q1 Fiscal 2022 compared to Q1 Fiscal 2021.

North America Adjusted EBITDA was \$1.9 million for YTD Fiscal 2022 compared with \$74.6 million for YTD Fiscal 2021, a decrease of \$72.7 million or 97.5%. The loss of margin due to reduced sales combined with higher raw material input costs and inefficiencies resulting from short notice plant closures by the OEMs were the primary contributors to the drop in Adjusted EBITDA in YTD Fiscal 2022 versus YTD Fiscal 2021.

Rest of World

Rest of World external customer revenue was \$20.7 million for YTD Fiscal 2022 compared with \$25.2 million for YTD Fiscal 2021, a decrease of \$4.6 million or 18.1%. The decrease is primarily due to the shortage of semiconductors affecting customers' production.

Rest of World Adjusted EBITDA was \$(2.5) million for YTD Fiscal 2022 compared with \$1.4 million for YTD Fiscal 2021, a decrease of \$3.8 million. The decrease is primarily due to the lost margin as a result of lowered sales and some operating inefficiencies.

Joint Ventures

ABC's proportionate external customer revenue from Joint Ventures was \$56.4 million for YTD Fiscal 2022 compared with \$68.3 million for YTD Fiscal 2021, a decrease of \$11.9 million or 17.4%. The shortage of semiconductors in YTD Fiscal 2022 that forced OEMs to significantly reduce the production of vehicles cascaded to the Joint Ventures in reduced orders. On a comparative basis, OEM operations in YTD Fiscal 2021 had returned to close to normal after the earlier initial lockdowns.

ABC's proportionate Adjusted EBITDA from joint ventures was \$0.8 million for YTD Fiscal 2022 compared with \$8.8 million for YTD Fiscal 2021, a decrease of \$8.0 million or 91.0%. The decrease is primarily due to the lost margin as a result of lowered sales and some operating inefficiencies.

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.

Due to seasonality and other factors, the results of operations for any quarter are not necessarily indicative of the results of operations for the full fiscal year, as sales in the first six months of the fiscal year are usually lower than the last six months. See "Seasonality" section in ABC Technologies Holdings Inc.'s AIF dated September 24, 2021 available through SEDAR at www.sedar.com, for further details. However, disruptions in supply chain and the effects of COVID-19 are having a significant impact on our production and seasonal trends may not hold as a result.

	Fiscal 2022		Fiscal 2021				Fiscal 2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Quarterly results								
Sales	\$ 203,439	\$ 163,415	\$ 233,194	\$ 217,926	\$ 261,327	\$ 258,403	\$ 81,998	\$ 239,338
Net earnings (loss)	(16,426)	(28,186)	(11,748)	(20,695)	11,461	9,321	(46,151)	2,080
EBITDA	8,438	(8,508)	15,858	13,295	42,360	42,190	(26,042)	31,546
Adjusted EBITDA	11,496	(11,315)	26,867	25,450	40,802	40,240	(30,510)	29,849

Q4 Fiscal 2020 sales were affected by the first wave of COVID-19 which resulted in the shutdown of OEM plants for April, May and part of June.

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 December 31, 2021, the Company's Trade Working Capital and Net Working Capital was \$59.0 million and \$(6.2) million, respectively, with cash on hand of \$26.5 million. The Company actively manages its working capital and believes it is prudent

practice to keep its Net Working Capital low or even negative. As such, it manages its trade and other receivables very closely and has low amounts past due and low levels of bad debt. The Company also actively manages its inventory levels, in order to keep low levels of inventory for parts so as to reduce the risk of part obsolescence, and this practice contributes to the Company's low or negative Net Working Capital Levels. At the end of Fiscal 2021 and into YTD Fiscal 2022, the Company had increased inventory in certain areas to protect customer production schedules in light of the supply disruptions largely caused by COVID-19. Inventory at the end of Q2 Fiscal 2022 was also elevated due to OEMs cutting back on orders with limited notice and tooling inventory was higher as a result of programs scheduled to launch over the next several months. The Company expects that its current resources, including funds available to be drawn under its credit facilities and an ability to sell a portion of its receivables, will be sufficient to fund the Company's operations and capital expenditures for at least the next 12 months.

We believe that our current sources of liquidity and capital will be sufficient to finance our continued operations and our growth strategy. There can be no assurance, however, that our business will generate sufficient cash flows from operating activities or that future borrowings will be available under our credit facilities or otherwise to enable us to service our indebtedness or to make capital expenditures in the future. Our future operating performance and our ability to service or extend our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Credit Agreement

On February 22, 2021, immediately after the closing of the initial public offering (the "IPO"), the Company amended its Credit Agreement to increase the size of its Credit Facilities to \$450.0 million, inclusive of two swingline facilities in the aggregate amount of \$20.0 million.

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

The Company incurred \$0.6 million of financing fees during the six months ended December 31, 2021 which have been capitalized as deferred financing costs and is included in other long-term assets.

At December 31, 2021, the Company had aggregate amounts outstanding under the Credit Facilities of \$345.0 million, maturing February 22, 2025.

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 December 31, 2021, the average interest rate on the Credit Facilities was 3.61% (June 30, 2021: 3.38%) and \$2.0 million (June 30, 2021: \$0.9 million) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at December 31, 2021, 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 December 31, 2021, the Company had cash balances of \$26.5 million (June 30, 2021: \$14.9 million) and \$103.0 million available on its Credit Facilities (June 30, 2021: \$169.1 million). The Company had total liquidity of \$129.5 million as at December 31, 2021 (June 30, 2021: \$184.0 million).

As at December 31, 2021, the Company had interest rate swap agreements with a total notional amount of \$225.0 million (June 30, 2021: \$225.0 million) whereby the Company pays a weighted average fixed interest rate of 1.56% (June 30, 2021: 1.56%) and receives interest at a floating rate equal to 1-month USD LIBOR on the total notional amount. The interest rate swap agreements mature in May 2023.

Cash Flows

The following tables and discussion show the significant cash transactions impacting the cash flows of the Company for the three and six months ended December 31, 2021 and 2020.

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
Summary cash flow statements				
Net cash flows from (used in) operating activities	\$ 26,818	\$ 40,646	\$ (14,829)	\$ 111,023
Net cash flows used in investing activities	(12,885)	(8,659)	(29,275)	(20,513)
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 net cash flows from operating activities

The table below provides a reconciliation of the adjusting items to reconcile net income (loss) to net cash flows from operating activities for the three and six months ended December 31, 2021 and 2020.

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
Reconciliation of net income (loss) to net cash flows from operating activities				
Net income (loss)	\$ (16,426)	\$ 11,461	\$ (44,612)	\$ 20,782
<i>Adjustments for:</i>				
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

Net cash flows from operating activities for Q2 Fiscal 2022 were \$26.8 million compared with net cash flows from operating activities of \$40.6 million for Q2 Fiscal 2021, a decrease of \$13.8 million or 34.0%. The decrease in net cash flow from operating activities was primarily due to movement from income to loss contributing \$27.9 million, partially offset by working capital changes in trade and other receivables, inventories and trade payables of \$12.8 million.

Net cash flows used in operating activities for YTD Fiscal 2022 were \$14.8 million compared with net cash flows from operating activities of \$111.0 million for YTD Fiscal 2021, a decrease of \$125.9 million or 113.4%. The decrease in net cash flow from

operating activities was primarily due to: i) movement from income to loss contributing \$65.4 million, and ii) working capital changes in trade and other receivables, inventories and trade payables contributing \$46.3 million in YTD Fiscal 2021.

Net cash flows used in investing activities

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
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)

Net cash flows used in investing activities were \$12.9 million for Q2 Fiscal 2022 compared with \$8.7 million for Q2 Fiscal 2021. Net cash flows used in investing activities were \$29.3 million for YTD Fiscal 2022 compared with \$20.5 million for YTD Fiscal 2021. The increase in spending on PP&E and intangible assets in YTD Fiscal 2022 over YTD Fiscal 2021 is not considered to be significant as expenditures can vary from period to period depending on the timing of requirements to fulfill programs.

Net cash flows from (used in) financing activities

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
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 to shareholders	(3,096)	—	(3,096)	—
Net cash flows from (used in) financing activities	\$ 2,422	\$ (13,997)	\$ 56,082	\$ (101,692)

Net cash flows from financing activities for Q2 Fiscal 2022 were \$2.4 million compared with net cash flows used in financing activities of \$14.0 million for Q2 Fiscal 2021, an increase of \$16.4 million. The increase primarily relates to \$12.0 million repayment of long-term debt in Q2 Fiscal 2021 and \$8.2 million draw on credit facilities in Q2 Fiscal 2022 to fund operations affected by reduced sales triggered by semiconductor shortages, partially offset by a \$3.1 million dividend payment in Q2 Fiscal 2022, which represents dividends for the first and second quarters of Fiscal 2022.

Net cash flows from financing activities for YTD Fiscal 2022 were \$56.1 million compared with net cash flows used in financing activities of \$101.7 million for YTD Fiscal 2021, an increase of \$157.8 million. The increase primarily relates to the repayment of the revolving credit facilities and long-term debt of \$85.0 million and \$12.0 million respectively in YTD Fiscal 2021 which was borrowed during Q3 and Q4 Fiscal 2020 to support cash flow during the reduction of business activities caused by COVID-19 and the increased draw on credit facilities of \$65.0 million in YTD Fiscal 2022 to fund operations affected by reduced sales triggered by semiconductor shortages.

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	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.

Adjusted Free Cash Flow was \$25.0 million lower for Q2 Fiscal 2022 compared with Q2 Fiscal 2021 primarily due to a decrease in cash flows generated from operating activities as described above.

Adjusted Free Cash Flow was \$141.0 million lower for YTD Fiscal 2022 compared with YTD Fiscal 2021 primarily due to an increase in cash flows used in operating activities as described above.

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 December 31, 2021 are shown in the following table.

	Within one year	1 - 3 years	4 - 5 years	Thereafter	Total
Contractual obligations					
Long-term debt	\$ —	\$ —	\$ 345,000	\$ —	\$ 345,000
Interest on long-term debt	\$ 12,453	\$ 24,906	\$ 2,075	\$ —	\$ 39,434
Lease payments	\$ 23,969	\$ 45,892	\$ 41,457	\$ 168,301	\$ 279,619

The Company has committed to purchase, within the next 12 months, machinery and equipment for \$18.4 million. These commitments will be funded with cash flow from operating activities.

Off balance sheet arrangements

As at December 31, 2021, the Company had letters of credit in place, which were issued under our Credit Facilities, amounting to \$2.0 million (June 30, 2021: \$0.9 million).

Risks and Uncertainties

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

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

- Market risk
- Interest rate risk and sensitivity
- Foreign currency risk and sensitivity

- Commodity price risk and sensitivity
- Credit risk
- Liquidity risk
- Concentration risk

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

Market risk

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

Interest rate risk and sensitivity

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company entered into interest rate swaps, in which it agreed to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2021, after taking into account the effect of interest rate swaps, approximately 65% (June 30, 2021: 80%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on pre-tax earnings for the three months ended December 31, 2021 of \$0.2 million (2020: \$0.4 million) and for the six months ended December 31, 2021 of \$0.2 million (2020: \$0.8 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 Mexican pesos ("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, 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 earnings before income tax by approximately \$0.5 million for the three months ended December 31, 2021 (2020: \$0.7 million) and \$1.0 million for the six months ended December 31, 2021 (2020: \$1.5 million). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately \$0.7 million for the three months ended December 31, 2021 (2020: \$0.4 million) and \$1.4 million for the six months ended December 31, 2021 (2020: \$0.9 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 pre-tax earnings of \$1.9 million for the three months ended December 31, 2021 (2020: \$2.1 million) and \$3.9 million for the six months ended December 31, 2021 (2020: \$4.1 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 December 31, 2021	\$ 53,752	\$ 52,975	\$ 312	\$ 146	\$ 319
As at June 30, 2021	76,653	75,659	709	173	112

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

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 December 31, 2021, the Company's three largest customers accounted for 18.5%, 5.3% and 3.9%, respectively, of all receivables owing (June 30, 2021: 30.1%, 5.9% and 2.0%, respectively).

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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

Disclosure of Outstanding Shares

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

As at February 11, 2022, there were 57,790,064 shares, 1,094,698 stock options, 554,060 restricted share units, and 66,379 deferred share units outstanding. Each option will become exercisable for one share at an exercise price of CAD \$10.00 per share.

The Company is in the process of completing a rights offering due to which the above-mentioned share count would change. Refer to the subsequent events section in this MD&A for details.

Transactions with Related Parties

Joint Ventures

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

	For the three months ended December 31, 2021		For the six months ended December 31, 2021		As at December 31, 2021	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	\$ 1,012	\$ 3,660	\$ 1,509	\$ 6,492	\$ 953	\$ 3,429
ABC INOAC Exterior Systems, LLC	—	1,863	—	4,390	1	2,680
ABCOR Filters	1,837	4	3,681	8	812	92
INOAC Huaxiang	—	7	—	60	—	112
	For the three months ended December 31, 2020		For the six months ended December 31, 2020		As at June 30, 2021	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	\$ 1,114	\$ 5,383	\$ 2,275	\$ 9,014	\$ 1,019	\$ 1,833
ABC INOAC Exterior Systems, LLC	—	1,664	—	2,058	84	996
ABCOR Filters	2,079	4	4,000	10	1,114	107
INOAC Huaxiang	—	91	—	114	—	55

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

During the three and six months ended December 31, 2021, the Company received dividends from its joint ventures in the amount of \$0.6 million (2020: \$3.8 million) and \$0.6 million (2020: \$4.5 million), respectively.

Cerberus Operations and Advisory LLC

Cerberus Operations and Advisory LLC, a company under common control with ABC up to June 23, 2021, and some of ABC's former directors provided consulting services to the Company during the period within their capacity as a director. An amount of \$0.0 million (2020: \$0.3 million) for the three months ended December 31, 2021, and \$0.0 million (2020: \$0.5 million) for the six months ended December 31, 2021 was charged to profit or loss related to these services. As at December 31, 2021, an amount due to related parties of \$nil (June 30, 2021: \$nil) was included in trade payables and accrued liabilities and other payables.

Critical Accounting Estimates

There were no changes to our critical accounting estimates and judgments since the fiscal year ended June 30, 2021. See our Fiscal 2021 Annual MD&A and our Fiscal 2021 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 2021 and Fiscal 2022 and for future fiscal years, please see the Company's interim financial statements for the period ended December 31, 2021.

Subsequent Events

On January 5, 2022, the Company announced it has entered into an agreement to acquire 100% of the shares of dlhBOWLES Inc. from MPE Partners, L.P. for approximately \$255.0 million (the "dlhBOWLES Acquisition"). Based in North Canton, Ohio, United States of America, dlhBOWLES Inc. is a recognized leader in the North American market for camera and sensor cleaning systems, windshield washer systems, sunroof drains, powertrain and chassis solutions. dlhBOWLES has operations across North America. The transaction is expected to close in the third quarter of Fiscal Year 2022.

On January 21, 2022, the Company announced it has entered into an agreement to acquire Karl Etzel GmbH and SAM GmbH (collectively, "Etzel") from the Schürle family for approximately \$95.0 million (the "Etzel Acquisition"). Based in Mühlacker, Germany, Etzel is a leading tier-1 and tier-2 supplier to the German luxury OEM market and has expertise in injection molding plastics for OEM interiors and exteriors. The transaction is subject to approval by the German Federal Antitrust Office and the Austrian Federal Competition Authority. The transaction is expected to close in the third quarter of Fiscal Year 2022.

To finance these acquisitions, the Company announced a private placement, rights offering and debt commitment letters.

On January 5, 2022, the Company announced it has entered into a subscription agreement with certain investment funds managed by affiliates of Apollo Global Management, Inc. ("Apollo") and Oaktree. On January 11, 2022, the Company closed its private placement. An aggregate of 5,253,642 common shares of the Company were issued at a price per common share of the USD equivalent of CAD\$5.83. Of the total common shares issued in the private placement, 3,500,705 were subscribed by Apollo and 1,752,937 were subscribed by Oaktree. The Company raised gross proceeds of approximately \$24.2 million.

On January 12, 2022, the Company launched a rights offering, pursuant to which each holder of common shares as at January 19, 2022 will receive one right to purchase one common share (a "Rights Share") at a subscription price of CAD\$5.83 per Rights Share. In connection with the rights offering, the Company has entered into a standby purchase agreement with Apollo and Oaktree (collectively, the "Standby Purchasers"), pursuant to which the Standby Purchasers have, subject to certain terms and conditions, agreed to purchase all of the Rights Shares that are not otherwise subscribed for and purchased under the rights offering, so that the maximum number of Rights Shares that may be issued in connection with the rights offering will be issued. The Company expects to raise gross proceeds of approximately CAD\$336.9 million from the rights offering. The Company has entered into foreign currency contracts to hedge the proceeds from the rights offering to fund the dlhBOWLES Acquisition.

On January 5, 2022 and January 21, 2022, the Company announced it has entered into debt commitment letters ("Debt Commitment Letters") with Apollo and Oaktree to finance the dlhBOWLES Acquisition and the Etzel Acquisition, respectively. Pursuant to the Debt Commitment Letters, Apollo and Oaktree will advance, directly or through any of their respective affiliates, to the Company or its subsidiaries amounts up to the funds needed to finance both the acquisitions in the form of unsecured subordinated debt, at the time of closing of the acquisitions. The Company is evaluating its options and may obtain additional financing from its Credit Facility lenders, in which case this would be used to replace financing under the Debt Commitment Letters.

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 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 private placement and the rights offering (collectively, the "Equity Financings"), including risk related to receipt of regulatory approvals in respect of Equity Financings;
- 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 concerning 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 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.

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 YTD Fiscal 2022, with North American vehicle production 25.2% and 14.7% lower in Q1 Fiscal 2022 and Q2 Fiscal 2022 respectively compared to the comparable prior year periods. These reductions were primarily related to OEM production shutdowns and/or curtailments due to global semiconductor shortages and other global supply chain disruptions and materials shortages resulting from the on-going COVID-19 pandemic. These developments have resulted in, among other things, temporary production slowdowns or curtailments, temporary plant closures and delays in planned production at our OEM customers resulting in a reduction of output of certain vehicles which have led to reduced customer orders for parts and assemblies supplied by ABC to its OEM customers. Based on recent OEM customer announcements and projections by IHS Markit, the Company anticipates that vehicle production volumes will gradually increase in each of the next two quarters as supply chain issues are resolved. The COVID-19 pandemic has also caused elevated absenteeism and shortages of employees to staff our facilities due to child care needs, quarantines and illness, resulting in inefficiencies and higher labour costs. While these headwinds are expected to be relatively short-term in nature, timing to return to pre-pandemic production levels remains difficult to predict, and their effects are expected to continue through Fiscal 2022.

The Company is confident these developments and the resulting operational and financial impacts represent temporary and extraordinary or non-recurring events and that they will fully abate, and although we saw an increase in production volumes in Q2 Fiscal 2022 over Q1 Fiscal 2022, the full extent of which they will impact its business and operations and those of its OEM customers, including the duration, severity and scope thereof, remain uncertain and cannot be predicted at this time.

Notwithstanding the temporary effects of the events described above, 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 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 has seen a cycle of unprecedented volume declines and unpredictable current and ongoing production schedules at our OEM customers, brought on by recurring shortages of semiconductor chips. Despite recent improvements in production volumes on a relative basis and less sporadic closures of OEM plants, ongoing risks with respect to the supply of semiconductors and supply chains in general, as well as labour shortages, inflationary wage pressures and high absenteeism resulting from COVID-19, management believes that at this time, it is not currently practical to provide guidance with a high level of confidence. ABC will continually monitor the production schedules of our customers and provide guidance in the future when and if these factors can be quantified appropriately.