



ATS CORPORATION

Management's Discussion and Analysis

For the Quarter Ended January 1, 2023

TSX: ATS

Management's Discussion and Analysis

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This Management's Discussion and Analysis ("MD&A") for the three and nine months ended January 1, 2023 (third quarter of fiscal 2023) is as of February 8, 2023 and provides information on the operating activities, performance and financial position of ATS Corporation (formerly ATS Automation Tooling Systems Inc.) ("ATS" or the "Company"). It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the third quarter of fiscal 2023, which have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, and are reported in Canadian dollars. All references to "\$" or "dollars" in this MD&A are to Canadian dollars unless otherwise indicated. The Company assumes that the reader of this MD&A has access to, and has read, the audited consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A of the Company for the year ended March 31, 2022 ("fiscal 2022"), and, accordingly, the purpose of this document is to provide a fiscal 2023 third quarter update to the information contained in the fiscal 2022 MD&A. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form for fiscal 2022, found on the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.atsautomation.com.

IMPORTANT NOTES

Forward-Looking Statements

This document contains forward-looking information within the meaning of applicable securities laws. Please see "Forward-Looking Statements" for further information on page 23.

Non-IFRS and Other Financial Measures

Throughout this document, management uses certain Non-IFRS financial measures, Non-IFRS ratios and supplementary financial measures within the meaning of applicable securities laws to evaluate the performance of the Company. See "Non-IFRS and Other Financial Measures" on page 25 for an explanation of such measures and "Reconciliation of Non-IFRS Measures to IFRS Measures" beginning on page 20 for a reconciliation of Non-IFRS measures.

COMPANY PROFILE

ATS is an industry-leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added solutions including pre-automation and after-sales services to address the sophisticated manufacturing automation systems and service needs of multinational customers in markets such as life sciences, transportation, food & beverage, consumer products and energy. Founded in 1978, ATS employs over 6,000 people at more than 50 manufacturing facilities and over 75 offices in North America, Europe, Southeast Asia and China. On November 21, 2022, the name of the Corporation was changed from "ATS Automation Tooling Systems Inc." to "ATS Corporation" and the ticker symbol for the Common Shares on the TSX was changed from "ATA" to "ATS". Visit us at www.atsautomation.com.

STRATEGY

To drive the creation of long-term sustainable shareholder value, the Company employs a three-part value creation strategy: Build, Grow and Expand.

Build: To build on the Company's foundation and drive performance improvements, management is focused on the advancement of the ATS Business Model ("ABM"), the pursuit and measurement of value drivers and key performance indicators, a rigorous strategic planning process, succession planning, talent management, employee engagement, and instilling autonomy with accountability into its businesses.

Grow: To drive organic growth, ATS develops and implements growth tools under the ABM, provides innovation and value to customers and works to grow recurring revenues.

Expand: To expand the Company's reach, management is focused on the development of new markets and business platforms, the expansion of service offerings, investment in innovation and product development, and strategic and disciplined acquisitions that strengthen ATS.

The Company pursues all of its initiatives using a strategic capital allocation framework in order to drive the creation of long-term sustainable shareholder value.

ATS Business Model

The ABM is a business management system that ATS developed with the goal of enabling the Company to pursue its strategies, outpace the growth of its chosen markets, and drive continuous improvement year-over-year. The ABM emphasizes:

- **People:** developing, engaging and empowering ATS' people to build the best team;
- **Process:** aligning ATS' people to implement and continuously improve robust and disciplined business processes throughout the organization; and
- **Performance:** consistently measuring results in order to yield world-class performance for ATS' customers and shareholders.

The ABM is ATS' playbook, serving as the framework to achieve business goals and objectives through disciplined, continuous improvement. The ABM is employed by ATS divisions globally and is supported with extensive training in the use of key problem-solving tools, and applied through various projects to drive continuous improvement. When ATS makes an acquisition, the ABM is quickly introduced to new companies as a means of supporting cultural and business integration.

FINANCIAL HIGHLIGHTS

(In millions of dollars, except per share and margin data)

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Variance	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021	Variance
Revenues	\$ 647.0	\$ 546.8	18.3%	\$ 1,846.6	\$ 1,579.6	16.9%
Net income	\$ 29.2	\$ 23.3	25.3%	\$ 98.1	\$ 81.5	20.4%
Adjusted earnings from operations ¹	\$ 80.6	\$ 70.4	14.5%	\$ 243.2	\$ 206.7	17.7%
Adjusted earnings from operations margin ¹	12.5%	12.9%	(42)bps	13.2%	13.1%	8bps
Adjusted EBITDA ¹	\$ 95.1	\$ 83.5	13.9%	\$ 284.7	\$ 244.9	16.3%
Adjusted EBITDA margin ¹	14.7%	15.3%	(57)bps	15.4%	15.5%	(9)bps
Basic earnings per share	\$ 0.32	\$ 0.26	23.1%	\$ 1.07	\$ 0.88	21.6%
Adjusted basic earnings per share ¹	\$ 0.52	\$ 0.52	—%	\$ 1.66	\$ 1.53	8.5%
Order Bookings ¹	\$ 979.0	\$ 671.0	45.9%	\$ 2,518.0	\$ 1,817.0	38.6%
As At				January 1 2023	December 26 2021	Variance
Order Backlog ¹				\$ 2,143	\$ 1,475	45.3%

¹ Non-IFRS Financial Measure - See "Non-IFRS and Other Financial Measures."

EXECUTIVE SUMMARY: ORGANIC AND ACQUISITION GROWTH

- Growth in third quarter revenues of 18.3% year over year reflected 7.5% growth from strategic acquisitions as well as 9.6% organic revenue growth (excluding foreign exchange translation change) primarily within transportation and consumer products markets. (Organic revenue is a Non-IFRS Financial Measure - see "Non-IFRS and Other Financial Measures".)
- Growth in Order Bookings in the third quarter of 45.9% reflected organic growth of 38.2% primarily due to large Order Bookings from an existing automotive customer in the electric vehicle industry ("EV") and in life sciences, as well as contributions from acquired companies ("acquired companies" in this MD&A refers to companies that were not part of the consolidated group in the comparable prior-year periods). (Order Bookings is a Non-IFRS Financial Measure - see "Non-IFRS and Other Financial Measures".)
- Order Backlog of \$2,143 million at quarter-end provides good revenue visibility, and is distributed across strategic global markets and regulated industries where quality and reliability are highly valued. (Order Backlog is a Non-IFRS Financial Measure - see "Non-IFRS and Other Financial Measures".)
- Cash flows provided by operating activities of \$116.1 million and non-cash working capital as a percentage of revenues of 13.0% were improvements from the prior quarter, primarily driven by receipt of milestone payments for large EV programs. Net debt to adjusted EBITDA ratio at January 1, 2023 of 2.8 times is within the Company's acceptable range as it continues to fund short-term working capital requirements to support growth. (Non-cash working capital as a percentage of revenues and net debt to adjusted EBITDA are Non-IFRS ratios; see "Non-IFRS and Other Financial Measures".)
- ABM activity supported continuous improvement and protected margins in the face of ongoing supply chain disruptions and cost increases.

For further discussion on the third fiscal quarter results, see "Consolidated Results".

STRATEGIC BUSINESS ACQUISITIONS

On December 22, 2022, the Company successfully completed its acquisition of IPCOS Group N.V. ("IPCOS"), a Belgium-based provider of process optimization and digitalization solutions with six locations in Europe, the United States, and India. IPCOS will join ATS' Process Automation Solutions ("PA") business. With a strong focus on process optimization, IPCOS is expected to accelerate PA's strategy to drive productivity improvement through digital solutions. The total purchase price was approximately \$24.7 million (17.1 million Euros), with approximately \$21.5 million (14.9 million Euros) paid in the third quarter. The purchase price is subject to finalization of working capital and includes approximately \$3.3 million (2.3 million Euros) of deferred consideration to be paid within 36 months of the acquisition date.

On October 3, 2022, the Company announced it had entered into a definitive agreement to acquire ZI-ARGUS ("ZIA"), a subsidiary of Zuellig Group. ZIA will also join ATS' PA business and is a well-established, independent automation systems integrator serving Southeast Asia and Australia with a strong focus on process control, factory floor automation, data center and Industry 4.0 digitization solutions. The total purchase price is approximately \$24.6 million (U.S. \$18.0 million). The transaction is subject to the completion of certain conditions and is expected to close in the first half of calendar 2023.

Order Bookings by Quarter

Third quarter fiscal 2023 Order Bookings were \$979 million. The 45.9% year-over-year increase reflected organic growth of 38.2% and 5.8% growth from acquired companies, in addition to a 1.9% increase due to foreign exchange rate translation of Order Bookings from foreign-based ATS subsidiaries, primarily reflecting the strengthening of the U.S. dollar relative to the Canadian dollar, partially offset by the strengthening of the Canadian Dollar relative to the Euro. Order Bookings from acquired companies totalled \$39.1 million, of which SP Industries, Inc. ("SP") contributed \$35.8 million. By market, Order Bookings in life sciences increased compared to the prior-year period, primarily due to a combination of organic growth in Order Bookings and \$39.1 million of Order Bookings generated by acquired companies, of which SP contributed \$35.8 million. Order Bookings in transportation increased due to the previously announced U.S. \$221.3 million in Order Bookings from an existing global automotive customer to move towards fully automated battery assembly systems for their North American manufacturing operations. These Order Bookings are expected to be executed over the next 18-24 months and are in addition to U.S. \$237.0 million of Order Bookings from the same customer announced in the first and second quarters. Subsequent to the end of the third fiscal quarter, the Company announced it has received Order Bookings of U.S. \$119.9 million for the continued capacity expansion of automated battery module and pack assembly systems in North America as part of the same enterprise program. Order Bookings in food & beverage decreased due to the timing of projects. Order Bookings in consumer products decreased primarily due to a large project award that occurred in the third quarter of fiscal 2022. Order Bookings in energy decreased due to timing of customer projects.

Trailing twelve month book-to-bill ratio at January 1, 2023 was 1.29:1. Book-to-bill ratio is a supplementary financial measure - see "Non-IFRS and Other Financial Measures."

Order Backlog Continuity

(In millions of dollars)

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Opening Order Backlog	\$ 1,793	\$ 1,295	\$ 1,438	\$ 1,160
Revenues	(647)	(547)	(1,847)	(1,580)
Order Bookings	979	671	2,518	1,817
Order Backlog adjustments ¹	18	56	34	78
Total	\$ 2,143	\$ 1,475	\$ 2,143	\$ 1,475

¹Order Backlog adjustments include incremental Order Backlog of acquired companies (\$11M acquired with IPCOS in the three and nine months ended January 1, 2023, \$104 million acquired with SP included in the three and nine months ended December 26, 2021, \$13 million acquired with NCC Automated Systems, Inc. ("NCC"), and \$24 million acquired with BioDot, Inc. ("BioDot") in the nine months ended December 26, 2021), foreign exchange adjustments, scope changes and cancellations.

OUTLOOK

Order Backlog by Market

(In millions of dollars)

As at	January 1, 2023	December 26, 2021*
Life Sciences	\$ 793	\$ 805
Transportation	887	197
Food & Beverage	208	195
Consumer Products	162	165
Energy	93	113
Total	\$ 2,143	\$ 1,475

* \$15.0 million of Order Backlog related to SP as at December 26, 2021 has been reclassified from Consumer Products to Life Sciences.

¹ The increase in transportation Order Backlog was primarily driven by EV Order Bookings.

At January 1, 2023, Order Backlog was \$2,143 million, 45.3% higher than at December 26, 2021. Order Backlog growth was primarily driven by higher Order Bookings in fiscal 2023 within the transportation market, primarily from EV Order Bookings.

The life sciences opportunity funnel remains strong as a result of solid activity across all submarkets, including medical devices, pharmaceuticals and radiopharmaceuticals. Management continues to see opportunities with both new and existing customers as a result of demand for key technologies and integrated solutions offerings. In transportation, the funnel largely includes strategic opportunities related to electric vehicles, as the global automotive industry continues to pivot production towards supporting growth in the electrical vehicle market. Management believes the Company's automated EV battery pack and assembly capabilities have positioned ATS well to be a critical partner within the industry. Funnel activity in food & beverage remains strong, particularly in the produce processing and keg-filling spaces, and the Company starts the fourth quarter with its highest Order Backlog since entering the food & beverage market. Funnel activity in consumer products is stable. Funnel activity in energy is stable and includes some longer-term opportunities in the nuclear industry. Across all markets, customers are exercising normal caution in their approach to investment and spending, and management has not observed a broad change in customer behaviour. Funnel growth in markets where environmental, social and governance ("ESG") requirements are an increasing focus for customers – including grid battery storage, EV and nuclear, as well as consumer goods packaging – provide ATS with opportunities to use its capabilities to respond to customer sustainability standards and goals. Customers seeking to de-risk or enhance the resiliency of their supply chains, address a shortage of

skilled workers or combat high labour costs also provide future opportunities for ATS to pursue. Management believes that the underlying trends driving customer demand for ATS solutions including rising labour costs, labour shortages, production onshoring or reshoring and the need for scalable, high-quality, energy-efficient production remain favourable.

Order Backlog of \$2,143 million is expected to help mitigate some of the impact of quarterly variability in Order Bookings on revenues in the short term. The Company's Order Backlog includes several large enterprise programs that have longer periods of performance and therefore longer revenue recognition cycles, including several in the early stages of execution. This has extended the average period over which the Company expects to convert its Order Backlog to revenues, providing the Company with longer visibility. As a result of the extended average project conversion period, combined with higher Order Backlog, the Company's recent quarterly Order Backlog conversion percentage has decreased. In the fourth quarter of fiscal 2023, management expects the conversion of Order Backlog to revenues to be in the 29% to 32% range. This estimate is calculated each quarter based on management's assessment of project schedules across all customer contracts, expectations for faster-turn product and services revenues, expected delivery timing of third-party equipment and operational capacity.

The timing of customer decisions on larger opportunities is expected to cause variability in Order Bookings from quarter to quarter. Revenue in a given period is dependent on a combination of the volume of outstanding projects the Company is contracted to, the size and duration of those projects, and the timing of project activities including design, assembly, testing, and installation. Given the specialized nature of the Company's offerings, the size and scope of projects vary based on customer needs. The Company seeks to achieve revenue growth organically and by identifying strategic acquisition opportunities that provide access to attractive end-markets and new products and technologies. The Company is working to grow its product portfolio and after-sales service revenues as a percentage of overall revenues over time, which is expected to provide some balance to customers' capital expenditure cycles.

Management is pursuing several initiatives to grow its revenues and improve its profitability with the goal of expanding its adjusted earnings from operations margin to 15% over the long term. These initiatives include growing the Company's after-sales service business, improving global supply chain management, increasing the use of standardized platforms and technologies, growing revenues while leveraging the Company's cost structure, and pursuing continuous improvement in all business activities through the ABM. The Company continues to make progress in line with its plans to integrate acquired companies, and expects to realize cost and revenue synergies consistent with announced integration plans.

In the short term, ATS is working to address disruptions to global supply chains and cost pressures due to inflation, which are leading to longer lead times and cost increases on certain raw materials and components. To date, the Company has mitigated many of these supply chain disruptions through the use of alternative supply sources and savings on materials not affected by cost increases. However, continued cost increases and prolonged disruptions have impacted the timing and progress of the Company's margin expansion efforts as there have been short-term impacts on margins, as well as impacts on the timing of revenue recognition. Achieving and sustaining management's margin target assumes that the Company will successfully implement its initiatives, and that such initiatives will result in improvements to its adjusted earnings from operations margin that offset the pressures resulting from disruptions in the global supply chain (see "Forward-Looking Statements" for a description of the risks underlying the achievement of the margin target in future periods).

With the ongoing macroeconomic and energy risks in Europe, in addition to other macroeconomic concerns, the Company has increased its focus on its exposure to European customers and continues

to monitor customer credit overall. The Company's European divisions have a strong global presence, healthy funnels, and diversified revenue streams, with current Order Backlog in Europe representing 27.2% of total Order Backlog. The Company regularly monitors customers for changes in credit risk. The Company does not believe that any single industry or geographic region represents significant credit risk.

In the short term, the Company expects non-cash working capital to remain above 10% as programs progress through milestones. Over the long term, the Company generally expects to continue investing in non-cash working capital to support growth with fluctuations expected on a quarter-over-quarter basis. The Company's long-term goal is to maintain its investment in non-cash working capital as a percentage of annualized revenues below 15%. However, given the size and timing of milestone payments for certain large EV programs, the Company could see its working capital exceed 15% of annualized revenues in certain periods. The Company expects that continued cash flows from operations, together with cash and cash equivalents on hand and credit available under operating and long-term credit facilities will be sufficient to fund its requirements for investments in non-cash working capital and capital assets, and to fund strategic investment plans including some potential acquisitions. Acquisitions could result in additional debt or equity financing requirements for the Company. Non-cash working capital as a percentage of revenues is a Non-IFRS ratio - see "Non-IFRS and Other Financial Measures."

Reorganization Activity

The Company regularly reviews its operations to ensure alignment with market opportunities and to achieve optimal structural and cost efficiencies. As a part of this review, the Company identified and previously announced an opportunity to improve the cost structure of the organization through targeted reductions which will primarily impact certain management positions. These actions started in the second quarter of fiscal 2023 and continued in the third quarter. Year-to-date restructuring expenses recorded in relation to the reorganization were \$11.7 million, with \$10.5 million recorded in the third quarter. The majority of the remaining actions are expected to be completed during the fourth quarter of fiscal 2023. The total estimated cost of these activities is between \$20.0 million and \$25.0 million with a payback period of approximately 18 months.

DETAILED ANALYSIS

CONSOLIDATED RESULTS

(In millions of dollars, except per share data)

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Revenues	\$ 647.0	\$ 546.8	\$ 1,846.6	\$ 1,579.6
Cost of revenues	463.3	388.9	1,331.7	1,140.2
Selling, general and administrative	107.3	102.9	321.3	276.5
Restructuring costs	10.5	4.1	11.7	4.1
Stock-based compensation	9.9	12.7	11.3	32.0
Earnings from operations	\$ 56.0	\$ 38.2	\$ 170.6	\$ 126.8
Net finance costs	\$ 19.7	\$ 7.9	\$ 43.9	\$ 22.6
Provision for income taxes	7.1	7.0	28.6	22.7
Net income	\$ 29.2	\$ 23.3	\$ 98.1	\$ 81.5
Basic earnings per share	\$ 0.32	\$ 0.26	\$ 1.07	\$ 0.88

Non-IFRS Financial Measures¹	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Adjusted earnings from operations	\$ 80.6	\$ 70.4	\$ 243.2	\$ 206.7
EBITDA	\$ 83.9	\$ 68.0	\$ 262.2	\$ 209.7
Adjusted EBITDA	\$ 95.1	\$ 83.5	\$ 284.7	\$ 244.9
Adjusted basic earnings per share	\$ 0.52	\$ 0.52	\$ 1.66	\$ 1.53

¹ Non-IFRS Financial Measures - see "Non-IFRS and Other Financial Measures."

Consolidated Revenues

(In millions of dollars)

Revenues by type	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Revenues from construction contracts	\$ 422.2	\$ 334.4	\$ 1,159.7	\$ 1,004.1
Services rendered	124.2	135.9	354.9	349.5
Sale of goods	100.6	76.5	332.0	226.0
Total revenues	\$ 647.0	\$ 546.8	\$ 1,846.6	\$ 1,579.6

Revenues by market	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021¹	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021¹
Life Sciences	\$ 304.1	\$ 306.4	\$ 885.4	\$ 796.6
Transportation	161.6	71.1	379.1	215.2
Food & Beverage	88.5	86.6	272.3	299.9
Consumer Products	69.9	56.1	222.9	182.2
Energy	22.9	26.6	86.9	85.7
Total revenues	\$ 647.0	\$ 546.8	\$ 1,846.6	\$ 1,579.6

¹ \$3.9 million of revenues earned by SP in the three months ended December 26, 2021 have been reclassified from Consumer Products to Life Sciences and are reflected in the revenues for the three and nine months ended December 26, 2021 above.

Fiscal 2023 third quarter revenues were 18.3% or \$100.2 million higher than in the corresponding period a year ago. Growth reflected year-over-year organic revenue growth (growth excluding contributions from acquired companies and foreign exchange translation) of \$52.4 million or 9.6%, and revenues earned by acquired companies of \$41.0 million, most notably \$39.2 million from SP, which was acquired in the third quarter of fiscal 2022. Foreign exchange translation positively impacted revenues by \$6.8 million or 1.2%, primarily reflecting the strengthening of the U.S. dollar relative to the Canadian dollar, partially offset by the strengthening of the Canadian dollar relative to the Euro. Revenues generated from construction contracts increased 26.3% or \$87.8 million due to a combination of organic revenue growth and revenues earned by acquired companies of \$7.4 million. Revenues from services decreased 8.6% or \$11.7 million primarily due to project timing, partially offset by revenues earned by acquired companies of \$6.7 million. Revenues from the sale of goods increased 31.5% or \$24.1 million due to revenues earned by acquired companies, most notably \$27.0 million from SP, which generates a higher percentage of its revenues from product sales.

By market, revenues generated in life sciences decreased \$2.3 million or 0.8% year over year. This was the result of project timing, partially offset by revenues earned from acquisitions totalling \$41.0 million, primarily SP contributions of \$39.2 million. Revenues in transportation increased \$90.5 million or 127.3% on higher Order Backlog entering the third quarter of fiscal 2023, driven primarily by previously announced EV Order Bookings of U.S. \$237.0 million. Revenues generated in food & beverage increased

\$1.9 million or 2.2% due to timing of projects. Revenues generated in consumer products increased \$13.8 million or 24.6% on higher Order Backlog entering the third quarter of fiscal 2023. Revenues in energy decreased \$3.7 million or 13.9% due to lower Order Backlog entering the third quarter of fiscal 2023.

Revenues for the nine months ended January 1, 2023 were 16.9% or \$267.0 million higher than in the corresponding period a year ago and included \$196.9 million of revenues earned by acquired companies, most notably \$157.2 million from SP. Organic revenue growth, excluding contributions from acquired companies and the impact of foreign exchange fluctuations, was \$99.8 million or 6.3% higher than the corresponding period in the prior year. Organic revenue growth was primarily related to activity in transportation, driven by EV work, as well as increases in consumer products. Foreign exchange translation negatively impacted revenues by \$29.7 million or 1.9%, primarily reflecting the strengthening of the Canadian dollar relative to the Euro, partially offset by the strengthening of the U.S. dollar relative to the Canadian dollar. Revenues generated from construction contracts increased 15.5% or \$155.6 million due to organic revenue growth combined with revenues earned by acquired companies totalling \$43.8 million, primarily \$26.0 million from SP. Revenues from services increased 1.5% or \$5.4 million due to revenues earned by acquired companies of \$31.6 million, most notably \$19.6 million from SP, partially offset by reductions due to timing of several large service programs completed in the prior year and \$15.4 million of foreign exchange translation impact. Revenues from the sale of goods increased 46.9% or \$106.0 million due to \$123.8 million of product and spare parts sales earned by acquired companies, primarily \$112.5 million from SP, which generates a higher percentage of its revenues from product sales, offset by \$6.8 million of foreign exchange translation impact.

By market, fiscal 2023 year-to-date revenues from life sciences increased \$88.8 million or 11.1% due to contributions from acquired companies of \$179.8 million, partially offset by lower revenues due to project timing and negative foreign exchange translation of \$16.3 million. Revenues in transportation increased \$163.9 million or 76.2% due to higher Order Backlog entering the year, revenues earned on previously announced large EV Order Bookings and the timing of project performance. Revenues generated in food & beverage decreased \$27.6 million or 9.2% due primarily to negative foreign exchange translation impact of \$20.0 million. Revenues generated in consumer products increased \$40.7 million or 22.3% on contributions from acquired companies of \$8.4 million and higher Order Backlog entering the fiscal year. Revenues in energy increased \$1.2 million or 1.4% due to project timing.

Cost of revenues. At \$463.3 million, third quarter fiscal 2023 cost of revenues increased \$74.4 million, or 19.1% compared to the corresponding period a year ago due primarily to higher revenues. Third quarter fiscal 2023 gross margin was 28.4%, compared to 28.9% in the corresponding period a year ago. Excluding acquisition-related inventory fair value charges, third quarter fiscal 2023 gross margin was 28.4%, and 29.8% in the corresponding period a year ago. The year-over-year decrease in gross margin excluding acquisition-related inventory fair value charges was primarily attributable to the execution of higher margin programs in the prior period and supply chain headwinds, including cost inflation and longer lead-times, in the current period. Year-to-date gross margin was 27.9% (or 28.4% excluding acquisition-related inventory fair value charges of \$9.2 million) compared to 27.8% (or 29.1% excluding acquisition-related inventory fair value charges of \$20.5 million) in the corresponding period a year ago. The year-to-date decrease in gross margin excluding acquisition-related inventory fair value charges was due primarily to the execution of higher margin programs in the prior period and supply chain headwinds, including cost inflation and longer lead-times, in the current period.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the third quarter of fiscal 2023 were \$107.3 million and included \$13.4 million of costs related to the amortization of identifiable intangible assets on business acquisitions and \$0.7 million of incremental costs related

to the Company's acquisition activity. Excluding these items, SG&A expenses were \$93.2 million in the third quarter of fiscal 2023. Comparably, SG&A expenses for the third quarter of fiscal 2022 were \$79.9 million, which excluded \$16.7 million of costs related to the amortization of identifiable intangible assets on business acquisitions and \$6.3 million of incremental costs related to the Company's acquisition activity. Higher SG&A expenses in the third quarter of fiscal 2023 primarily reflected the addition of SG&A expenses from acquired companies of \$9.3 million, including \$8.6 million of SP SG&A expenses.

For the nine months ended January 1, 2023, SG&A expenses were \$321.3 million, which included \$50.1 million of costs related to the amortization of identifiable intangible assets on business acquisitions and \$1.6 million of incremental costs related to the Company's acquisition activity. Excluding these costs, year-to-date SG&A expenses were \$269.6 million. Comparably, SG&A expenses for the nine months ended December 26, 2021 were \$221.2 million, which excluded \$44.7 million of expenses related to the amortization of identifiable intangible assets on business acquisitions and \$10.6 million of incremental costs related to the Company's acquisition activity. Higher SG&A expenses for the nine months ended January 1, 2023 primarily reflected the SG&A expenses of acquired companies of \$37.1 million, including SP SG&A of \$28.3 million, coupled with increases in selling and administration wages and benefits and increased travel costs resulting from the easing of travel restrictions, partially offset by \$5.8 million of foreign exchange impact.

Restructuring costs. For the three and nine months ended January 1, 2023, restructuring costs were \$10.5 million and \$11.7 million, respectively, compared to restructuring costs of \$4.1 million in both of the corresponding periods a year ago. For further information on the restructuring costs, refer to Reorganization Activity on page 8.

Stock-based compensation. Stock-based compensation expense was \$9.9 million in the third quarter of fiscal 2023 compared to \$12.7 million in the corresponding period a year ago. For the nine months ended January 1, 2023, stock-based compensation expense was \$11.3 million, compared to \$32.0 million a year earlier. The decrease in stock-based compensation costs is attributable to lower expenses from the revaluation of deferred stock units and restricted share units based on the market price of the Company's shares.

Earnings and adjusted earnings from operations (in millions of dollars)

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Earnings from operations	\$ 56.0	\$ 38.2	\$ 170.6	\$ 126.8
Amortization of acquisition-related intangible assets	13.4	16.7	50.1	44.7
Acquisition-related transaction costs	0.7	6.3	1.6	10.6
Acquisition-related inventory fair value charges	—	5.1	9.2	20.5
Restructuring charges	10.5	4.1	11.7	4.1
Adjusted earnings from operations¹	\$ 80.6	\$ 70.4	\$ 243.2	\$ 206.7

¹Non-IFRS Financial Measure - See "Non-IFRS and Other Financial Measures"

Fiscal 2023 third quarter earnings from operations were \$56.0 million (8.7% operating margin) compared to \$38.2 million (7.0% operating margin) in the third quarter a year ago. Fiscal 2023 earnings from operations included \$13.4 million related to amortization of acquisition-related intangible assets and \$0.7 million of incremental costs related to the Company's acquisition activity recorded to SG&A expenses, and \$10.5 million of restructuring costs. Third quarter fiscal 2022 earnings from operations

included \$5.1 million of acquisition-related fair value adjustments to acquired inventories recorded in cost of revenues, \$16.7 million of amortization of acquisition-related intangible assets, \$6.3 million of incremental costs related to the Company's acquisition activity recorded in SG&A expenses, and \$4.1 million of restructuring costs.

Excluding these items in both quarters, adjusted earnings from operations were \$80.6 million (12.5% margin), compared to \$70.4 million (12.9% margin) a year ago. Contributions from acquired companies were \$3.1 million. Third quarter fiscal 2023 adjusted earnings from operations reflected higher revenues and decreased stock-based compensation, partially offset by increased SG&A.

For the nine months ended January 1, 2023, earnings from operations were \$170.6 million (9.2% operating margin), compared to \$126.8 million (8.0% operating margin) in the corresponding period a year ago. Earnings from operations included \$9.2 million of acquisition-related fair value adjustments to acquired inventories recorded in cost of revenues, \$50.1 million related to amortization of acquisition-related intangible assets, \$1.6 million of incremental costs related to the Company's acquisition activity recorded in SG&A expenses, and \$11.7 million of restructuring costs as part of the announced reorganization plan. For the nine months ended December 26, 2021, earnings from operations included \$20.5 million of acquisition-related fair value adjustments to acquired inventories recorded in cost of revenues, \$44.7 million related to amortization of acquisition-related intangible assets, \$10.6 million of incremental costs related to the Company's acquisition activity recorded to SG&A expenses recorded to SG&A expenses, and \$4.1 million of restructuring costs.

Excluding those items in both periods, adjusted earnings from operations were \$243.2 million (13.2% margin), compared to \$206.7 million (13.1% margin) a year ago. Contributions from acquired companies were \$22.9 million with SP contributing \$19.0 million. Higher fiscal 2023 year-to-date adjusted earnings from operations reflected higher revenues and decreased stock-based compensation expense, partially offset by increased SG&A.

Net finance costs. Net finance costs were \$19.7 million in the third quarter of fiscal 2023, compared to \$7.9 million a year ago. For the nine months ended January 1, 2023, finance costs were \$43.9 million compared to \$22.6 million in the corresponding period a year ago. The increases were due to greater usage of the Company's credit facility to finance the acquisition of SP and higher interest rates.

Income tax provision. For the three and nine months ended January 1, 2023, the Company's effective income tax rates of 19.5% and 22.6%, respectively, differed from the combined Canadian basic federal and provincial income tax rate of 26.5% due to income earned in certain jurisdictions with different statutory tax rates.

Net Income. Net income for the third quarter of fiscal 2023 was \$29.2 million (32 cents per share basic), compared to \$23.3 million (26 cents per share basic) for the third quarter of fiscal 2022. The increase reflected higher revenues and decreased stock-based compensation, partially offset by increased SG&A and finance costs. Adjusted basic earnings per share were 52 cents compared to 52 cents in the third quarter of fiscal 2022 (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

Net income for the nine months ended January 1, 2023 was \$98.1 million (\$1.07 per share basic), a \$16.6 million (or 20.4%) increase compared to \$81.5 million (88 cents per share basic) for the corresponding period a year ago. The increase was primarily the result of higher revenues and decreased stock-based compensation expense, partially offset by increases in SG&A and finance costs. Adjusted basic earnings per share were \$1.66 in the nine months ended January 1, 2023 compared to \$1.53 in the corresponding period a year ago (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

Other Non-IFRS Measures of Performance

(In millions of dollars)

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Earnings from operations	\$ 56.0	\$ 38.2	\$ 170.6	\$ 126.8
Depreciation and amortization	27.9	29.8	91.6	82.9
EBITDA¹	\$ 83.9	\$ 68.0	\$ 262.2	\$ 209.7
Restructuring charges	10.5	4.1	11.7	4.1
Acquisition-related transaction costs	0.7	6.3	1.6	10.6
Acquisition-related inventory fair value charges	—	5.1	9.2	20.5
Adjusted EBITDA¹	\$ 95.1	\$ 83.5	\$ 284.7	\$ 244.9

¹Non-IFRS Financial Measure - See "Non-IFRS and Other Financial Measures"

Depreciation and amortization expense was \$27.9 million in the third quarter of fiscal 2023, compared to \$29.8 million a year ago.

EBITDA was \$83.9 million (13.0% EBITDA margin) in the third quarter of fiscal 2023 compared to \$68.0 million (12.4% EBITDA margin) in the third quarter of fiscal 2022. EBITDA for the third quarter of fiscal 2023 included \$10.5 million of restructuring charges and \$0.7 million of incremental costs related to the Company's acquisition activity. EBITDA for the corresponding period in the prior year included \$6.3 million of incremental costs related to acquisition activity, \$4.1 million of restructuring charges and \$5.1 million of acquisition-related inventory fair value changes. Excluding these costs, adjusted EBITDA was \$95.1 million (14.7% adjusted EBITDA margin), compared to \$83.5 million (15.3% adjusted EBITDA margin) a year ago. Lower adjusted EBITDA margin reflected lower gross margins. EBITDA margin is a non-IFRS ratio - see "Non-IFRS and Other Financial Measures."

Depreciation and amortization expense was \$91.6 million for the first nine months of fiscal 2023, compared to \$82.9 million for the corresponding period a year ago, primarily due to the addition of identifiable intangible assets recorded on the acquisition of SP.

EBITDA was \$262.2 million (14.2% EBITDA margin) in the first nine months of fiscal 2023 compared to \$209.7 million (13.3% EBITDA margin) in the corresponding period a year ago. EBITDA for the first nine months of fiscal 2023 included \$1.6 million of incremental costs related to the Company's acquisition activity, \$11.7 million of restructuring charges and \$9.2 million of acquisition-related inventory fair value charges. EBITDA in the corresponding period a year ago included \$10.6 million of incremental costs related to the Company's acquisition activity, \$4.1 million of restructuring charges and \$20.5 million of acquisition-related inventory fair value charges. Excluding these costs in both periods, adjusted EBITDA was \$284.7 million (15.4% adjusted EBITDA margin), compared to \$244.9 million (15.5% adjusted EBITDA margin) a year ago. Lower adjusted EBITDA margin reflected lower gross margins.

SHARE DATA

During the first nine months of fiscal 2023, 122,845 stock options were exercised. At February 8, 2023 the total number of shares outstanding was 91,775,874. There were also 960,042 stock options outstanding to acquire common shares of the Company and 351,342 RSUs outstanding that may be settled in ATS Common Shares where deemed advisable by the Company, as an alternative to cash payments.

During the first three months of fiscal 2023, a trust was created for the purpose of purchasing common shares of the Company on the stock market. The shares will be held in trust and used to settle some or all of the fiscal 2023 RSU grants when such RSU grants are fully vested. During the three and nine months ended January 1, 2023, a trustee appointed by the Company acquired 337,496 common shares for \$12.4 million. The trust is consolidated in the Company's interim condensed consolidated financial statements with the value of the acquired common shares presented as a reduction of share capital.

NORMAL COURSE ISSUER BID

On December 13, 2022, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to make a normal course issuer bid ("NCIB"). Under the NCIB, ATS may purchase for cancellation up to a maximum of 7,335,032 common shares during the 12-month period ending December 14, 2023.

Some purchases under the NCIB may be made pursuant to an automatic purchase plan between ATS and its broker. This plan enables the purchase of Common Shares when ATS would not ordinarily be active in the market due to internal trading blackout periods, insider trading rules, or otherwise. ATS security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company. The NCIB program is viewed by the Company as one component of an overall capital structure strategy and complementary to its acquisition growth plans.

During the nine months ended January 1, 2023, the Company purchased 619,695 common shares for \$21.1 million under the previous NCIB program at an average price of \$34.00 per share. At January 1, 2023, a total of 7,335,032 common shares remained available for repurchase under the recently announced NCIB program.

INVESTMENTS, LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

(In millions of dollars, except ratios)

As at	January 1, 2023	March 31, 2022
Cash and cash equivalents	\$ 302.1	\$ 135.3
Debt-to-equity ratio ¹	1.35:1	1.14:1

¹Debt is calculated as bank indebtedness, long-term debt and lease liabilities. Equity is calculated as total equity less accumulated other comprehensive income.

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Cash, beginning of period	\$ 95.2	\$ 181.3	\$ 135.3	\$ 187.5
Total cash provided by (used in):				
Operating activities	116.1	82.1	46.4	186.2
Investing activities	(43.1)	(589.5)	(42.1)	(781.1)
Financing activities	130.9	527.3	160.8	606.5
Net foreign exchange difference	3.0	(1.1)	1.7	1.0
Cash, end of period	\$ 302.1	\$ 200.1	\$ 302.1	\$ 200.1

In the third quarter of fiscal 2023, cash flows provided by operating activities were \$116.1 million (compared to \$82.1 million provided by operating activities in the corresponding period a year ago). The increase primarily related to the receipt of milestone payments on some of the Company's projects.

In the nine months ended January 1, 2023, cash flows provided by operating activities were \$46.4 million (compared to \$186.2 million provided by operating activities in the corresponding period a year ago). The decrease for the nine months ended January 1, 2023, related primarily to growth and the timing of investments in non-cash working capital in certain customer programs.

In the third quarter of fiscal 2023, the Company's investment in non-cash working capital decreased \$57.0 million from October 2, 2022. On a year-to-date basis, investment in non-cash working capital increased \$141.8 million. Accounts receivable increased by 10.4%, or \$36.1 million, while net contracts in progress increased 70.0%, or \$78.7 million, compared to March 31, 2022, primarily due to the timing of billings in certain customer contracts. The Company actively manages its accounts receivable, contract asset and contract liability balances through billing terms on long-term contracts and collection efforts. Inventories increased 21.2%, or \$44.0 million, due to strategic purchases to mitigate supply chain delays enabling fulfillment of Order Backlog. Deposits and prepaid assets increased 5.0% or \$4.2 million compared to March 31, 2022, due to supplier deposits linked to program execution. Accounts payable and accrued liabilities increased 7.9% or \$39.5 million compared to March 31, 2022 due to timing of supplier billings and payments combined with fair value impacts related to the Company's deferred stock units and restricted share units to be settled in cash. Provisions increased 3.6% or \$0.9 million compared to March 31, 2022.

Non-cash working capital as a percentage of revenue was 13.0% at January 1, 2023 compared to 8.2% at March 31, 2022.

Cash investments in property, plant and equipment totalled \$32.7 million in the first nine months of fiscal 2023, primarily related to the expansion and improvement of certain manufacturing facilities, as well as investments in computer hardware and other equipment. Intangible assets expenditures were \$14.1 million in the first nine months of fiscal 2023, primarily related to computer software and various internal development projects. Capital expenditures for fiscal 2023 for tangible assets and intangible assets are expected to be in the \$80 million to \$90 million range, below the Company's \$90 million to \$110 million budget. This spend is based on the needs of the business and timing of projects, and the Company continues to build flexibility into plans for the balance of the year and heading into fiscal 2024.

The free cash flow of the Company for the nine months ended January 1, 2023 was an outflow of \$0.4 million, compared to an inflow of \$149.2 million in the corresponding period a year ago. The primary reason for the decrease was increased investment in non-cash working capital. Free cash flow is a non-IFRS financial measure - see "Non-IFRS and Other Financial Measures."

At January 1, 2023, the Company had \$305.3 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional \$134.2 million available under letter of credit facilities.

On November 4, 2022, the Company amended its senior secured credit facility (the "Credit Facility"). The Credit Facility consists of (i) a \$750.0 million secured committed revolving line of credit maturing November 4, 2026 and (ii) a fully drawn \$300.0 million non-amortized secured term credit facility maturing November 4, 2024. The Credit Facility is secured by the Company's assets, including a pledge of shares of certain of the Company's subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At January 1, 2023, the Company had utilized \$841.6 million under the Credit Facility, of which \$841.5 million was classified as long-term debt (March 31, 2022 - \$587.6 million) and \$0.1 million by way of letters of credit (March 31, 2022 - \$0.1 million).

The Credit Facility is available in Canadian dollars by way of prime rate advances and/or bankers' acceptances, in U.S. dollars by way of base rate advances and/or Term SOFR, in Euros by way of EURIBOR advances, in British pounds sterling by way of Daily Simple SONIA advances, and by way of letters of credit for certain purposes. The interest rates applicable to the Credit Facility are determined based on a net debt-to-EBITDA ratio as defined in the Credit Facility. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus a margin ranging from 0.45% to 2.00%. For bankers' acceptances, Term SOFR, EURIBOR advances and Daily Simple SONIA advances, the interest rate is equal to the bankers' acceptance fee, Term SOFR rate, EURIBOR rate or Daily Simple SONIA rate, respectively, plus a margin that varies from 1.45% to 3.00%. The Company pays a fee for usage of financial letters of credit that ranges from 1.45% to 3.00%, and a fee for usage of non-financial letters of credit that ranges from 0.97% to 2.00%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or drawdown under the Credit Facility at rates ranging from 0.29% to 0.60%. The Company's Credit Facility is subject to changes in market interest rates. Changes in economic conditions outside of the Company's control could result in higher interest rates, thereby increasing its interest expense. The Company uses a variable for fixed interest rate swap to hedge a portion of its credit facility (see Risk Management).

The Credit Facility is subject to financial covenants including a net debt-to-EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At January 1, 2023, all of the covenants were met.

The Company has additional credit facilities available of \$109.2 million (40.9 million Euros, \$30.0 million U.S., 30.0 million Thai Baht, 5.0 million GBP and 0.1 million Czech Koruna). The total amount outstanding on these facilities as at January 1, 2023 was \$12.2 million, of which \$12.0 million was classified as bank indebtedness (March 31, 2022 - \$1.8 million) and \$0.2 million was classified as long-term debt (March 31, 2022 - \$0.2 million). The interest rates applicable to the credit facilities range from 0.95% to 5.60% per annum. A portion of the long-term debt is secured by certain assets of the Company.

The Company's U.S. \$350.0 million aggregate principal amount of senior notes ("the Senior Notes") were issued at par, bear interest at a rate of 4.125% per annum and mature on December 15, 2028. After December 15, 2023, the Company may redeem the Senior Notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. At January 1, 2023, all of the covenants were met. Subject to certain exceptions, the Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility. Transaction fees of \$8.1 million were deferred and are being amortized over the term of the Senior Notes.

Contractual Obligations

(In millions of dollars)

The Company's contractual obligations are as follows as at January 1, 2023:

	Payments Due by Period						
	Total	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
Bank indebtedness	\$ 12.0	\$ 12.0	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt obligations ¹	1,432.9	19.6	319.7	19.6	561.1	19.5	493.4
Lease liability obligations ¹	87.2	22.9	20.6	14.4	10.6	6.1	12.6
Purchase obligations	500.2	480.5	16.6	2.0	0.8	0.2	0.1
Accounts payable and accrued liabilities	541.0	541.0	—	—	—	—	—
Total	\$ 2,573.3	\$ 1,076.0	\$ 356.9	\$ 36.0	\$ 572.5	\$ 25.8	\$ 506.1

¹Long-term debt obligations and lease liability obligations include principal and interest.

The Company's off-balance sheet arrangements consist of purchase obligations, primarily commitments for material purchases, which have been entered into in the normal course of business.

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. As at January 1, 2023, the total value of outstanding letters of credit was approximately \$146.4 million (March 31, 2022 - \$135.9 million).

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its interim condensed consolidated statement of financial position.

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to major financial institutions and monitoring their credit worthiness. The Company's credit exposure to forward foreign exchange contracts is the current replacement value of contracts that are in a gain position. The Company is also exposed to credit risk from its customers. Substantially all of the Company's trade accounts receivable are due from customers in a variety of industries and, as such, are subject to normal credit risks from their respective industries. The Company regularly monitors customers for changes in credit risk. The Company does not believe that any single market or geographic region represents significant credit risk. Credit risk concentration, with respect to trade receivables, is mitigated as the Company primarily serves large, multinational customers and obtains receivables insurance in certain instances.

FINANCIAL INSTRUMENTS

The Company has various financial instruments including cash and cash equivalents, trade accounts receivable, bank indebtedness, trade accounts payable and accrued liabilities and long-term debt which are used in the normal course of business to maintain operations. The Company uses derivative financial instruments to help manage and mitigate various risks that the business faces.

RISK MANAGEMENT

An interest rate risk exists with financial instruments held by the Company, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous taking into account all relevant factors.

The Company uses a variable for fixed interest rate swap as a derivative financial instrument to hedge a portion of its interest rate risk. Effective November 4, 2022, the Company entered into a variable for fixed interest rate swap instrument to swap the variable interest rate on its \$300.0 million non-amortized secured credit facility to a fixed 4.241% interest rate. The terms of the hedging instrument will end on November 4, 2024.

A credit risk exists with financial instruments held by the Company, which is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company attempts to mitigate this risk by following policies and procedures surrounding accepting work with new customers, and performing work for a large variety of multinational customers in diversified industries.

There is a liquidity risk, which is the risk that the Company may encounter difficulties in meeting obligations associated with some financial instruments. This is managed by ensuring, to the extent possible, that the Company will have sufficient liquidity to meet its liabilities when they become due.

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian dollar, through borrowings in currencies other than its functional currency and through its investments in its foreign-based subsidiaries.

The Company's Canadian operations generate significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this foreign currency exposure, the Company has entered into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contract requirements are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets and the Company's past experience. Certain of the Company's foreign subsidiaries will also enter forward foreign exchange contracts to hedge identified balance sheet, revenue and purchase exposures. The Company's forward foreign exchange contract hedging program is intended to mitigate movements in currency rates primarily over a four- to six-month period.

The Company uses cross-currency swaps as derivative financial instruments to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. On April 20, 2022, the Company settled its cross-currency interest rate swap instrument outstanding at March 31, 2022 to swap U.S. \$175.0 million into Canadian dollars. The Company received interest of 4.125% U.S. per annum and paid interest of 4.257% Canadian. The Company also settled a cross-currency interest rate swap instrument that was outstanding at March 31, 2022 to swap 143.9 million Euros into Canadian dollars. The Company received interest of 4.257% Canadian per annum and paid interest of 3.145% Euros. The Company received \$17.2 million to settle the cross-currency swaps of which \$21.5 million was recorded as cash received in investing activities (portion related to the Euro-denominated net investment hedge) and \$4.3 million was recorded as cash paid in financing activities (portion related to the foreign currency Senior Note hedge) in the interim condensed statements of cash flows.

On April 20, 2022, the Company entered into a cross-currency interest rate swap instrument to swap U.S. \$175.0 million into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. The Company will receive interest of 4.125% U.S. per annum and pay interest of 4.169% Canadian. The terms of the hedging instrument will end on December 15, 2025.

The Company manages foreign exchange risk on its Euro-denominated net investments. The Company uses a cross-currency interest rate swap as derivative financial instruments to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. On April 20, 2022, the Company entered into a cross-currency interest rate swap instrument to swap 161.1 million Euros into Canadian dollars. The Company will receive interest of 4.169% Canadian per annum and pay interest of 2.351% Euros. The terms of the hedging relationship will end on December 15, 2025.

In addition, from time to time, the Company may hedge the foreign exchange risk arising from foreign currency debt, intercompany loans, net investments in foreign-based subsidiaries and committed acquisitions through the use of forward foreign exchange contracts or other non-derivative financial instruments. The Company uses hedging as a risk management tool, not to speculate.

Period Average Exchange Rates in Canadian Dollars

	Three Months Ended			Nine Months Ended		
	January 1 2023	December 26 2021	% change	January 1 2023	December 26 2021	% change
U.S. dollar	1.357	1.261	7.6%	1.314	1.249	5.2 %
Euro	1.391	1.442	(3.5)%	1.355	1.469	(7.8)%

CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenues	\$ 647.0	\$ 588.9	\$ 610.6	\$ 603.2	\$ 546.8	\$ 522.1	\$ 510.6	\$ 399.9
Earnings from operations	\$ 56.0	\$ 53.0	\$ 61.6	\$ 59.8	\$ 38.2	\$ 43.7	\$ 44.9	\$ 42.8
Adjusted earnings from operations ¹	\$ 80.6	\$ 75.1	\$ 87.5	\$ 85.8	\$ 70.4	\$ 70.7	\$ 65.4	\$ 49.5
Net income	\$ 29.2	\$ 29.5	\$ 39.4	\$ 39.9	\$ 23.3	\$ 29.6	\$ 28.7	\$ 23.8
Basic earnings per share	\$ 0.32	\$ 0.32	\$ 0.43	\$ 0.43	\$ 0.26	\$ 0.32	\$ 0.31	\$ 0.26
Diluted earnings per share	\$ 0.32	\$ 0.32	\$ 0.42	\$ 0.43	\$ 0.26	\$ 0.32	\$ 0.30	\$ 0.26
Adjusted basic earnings per share ¹	\$ 0.52	\$ 0.50	\$ 0.64	\$ 0.64	\$ 0.52	\$ 0.53	\$ 0.48	\$ 0.34
Order Bookings ²	\$ 979.0	\$ 804.0	\$ 736.0	\$ 638.0	\$ 671.0	\$ 510.0	\$ 637.0	\$ 463.0
Order Backlog ³	\$ 2,143.0	\$ 1,793.0	\$ 1,555.0	\$ 1,438.0	\$ 1,475.0	\$ 1,295.0	\$ 1,248.0	\$ 1,160.0

¹ Non-IFRS measure - See "Non-IFRS and Other Financial Measures" and "Reconciliation of Non-IFRS Measures to IFRS Measures."

² Non-IFRS measure - See "Non-IFRS and Other Financial Measures" and "Order Bookings by Quarter."

³ Non-IFRS measure - See "Non-IFRS and Other Financial Measures" and "Order Backlog Continuity."

Interim financial results are not necessarily indicative of annual or longer-term results because capital equipment markets served by the Company tend to be cyclical in nature. Operating performance quarter to quarter may also be affected by the timing of revenue recognition on large programs in Order Backlog, which is impacted by such factors as customer delivery schedules, the timing of receipt of third-party components, and by the timing of acquisitions. General economic trends, product life cycles and product changes may impact revenues and operating performance. ATS typically experiences some seasonality with its Order Bookings, revenues and earnings from operations, due to employee vacations, seasonality of growing seasons within the food industry and summer plant shutdowns by its customers.

RELATED PARTY TRANSACTIONS

The Company has an agreement with a shareholder, Mason Capital Management, LLC ("Mason Capital"), pursuant to which Mason Capital has agreed to provide ATS with ongoing strategic and capital markets advisory services for an annual fee of U.S. \$0.5 million. As part of the agreement, Michael Martino, a member of the Company's Board of Directors who is associated with Mason Capital, has waived any fees to which he may have otherwise been entitled for serving as a member of the Board of Directors or as a member of any committee of the Board of Directors.

There were no other significant related party transactions in the first nine months of fiscal 2023.

Reconciliation of Non-IFRS Measures to IFRS Measures

(In millions of dollars, except per share data)

The following table reconciles adjusted EBITDA and EBITDA to the most directly comparable IFRS measure (net income):

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Adjusted EBITDA	\$ 95.1	\$ 83.5	\$ 284.7	\$ 244.9
Less: restructuring charges	10.5	4.1	11.7	4.1
Less: acquisition-related transaction costs	0.7	6.3	1.6	10.6
Less: acquisition-related inventory fair value charges	–	5.1	9.2	20.5
EBITDA	\$ 83.9	\$ 68.0	\$ 262.2	\$ 209.7
Less: depreciation and amortization expense	27.9	29.8	91.6	82.9
Earnings from operations	\$ 56.0	\$ 38.2	\$ 170.6	\$ 126.8
Less: net finance costs	19.7	7.9	43.9	22.6
Less: provision for income taxes	7.1	7.0	28.6	22.7
Net income	\$ 29.2	\$ 23.3	\$ 98.1	\$ 81.5

The following tables reconcile adjusted earnings from operations and adjusted basic earnings per share to the most directly comparable IFRS measure (net income and basic earnings per share):

	Three Months Ended January 1, 2023					Three Months Ended December 26, 2021				
	Earnings from Operations	Finance Costs	Provision for Income Taxes	Net Income	Basic EPS	Earnings from Operations	Finance Costs	Provision for Income Taxes	Net Income	Basic EPS
Reported (IFRS)	\$ 56.0	\$ (19.7)	\$ (7.1)	\$ 29.2	\$ 0.32	\$ 38.2	\$ (7.9)	\$ (7.0)	\$ 23.3	\$ 0.26
Amortization of acquisition-related intangibles	13.4	—	—	13.4	0.15	16.7	—	—	16.7	0.18
Restructuring charges	10.5	—	—	10.5	0.11	4.1	—	—	4.1	0.04
Acquisition-related inventory fair value charges	—	—	—	—	—	5.1	—	—	5.1	0.05
Acquisition-related transaction costs	0.7	—	—	0.7	0.01	6.3	—	—	6.3	0.07
Tax effect adjustments ¹	—	—	(6.4)	(6.4)	(0.07)	—	—	(8.0)	(8.0)	(0.08)
Adjusted (non-IFRS)	\$ 80.6			\$ 47.4	\$ 0.52	\$ 70.4			\$ 47.5	\$ 0.52

¹ Adjustments to provision for income taxes relate to the income tax effects of adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income.

	Nine Months Ended January 1, 2023					Nine Months Ended December 26, 2021				
	Earnings from Operations	Finance Costs	Provision for Income Taxes	Net Income	Basic EPS	Earnings from Operations	Finance Costs	Provision for Income Taxes	Net Income	Basic EPS
Reported (IFRS)	\$ 170.6	\$ (43.9)	\$ (28.6)	\$ 98.1	\$ 1.07	\$ 126.8	\$ (22.6)	\$ (22.7)	\$ 81.5	\$ 0.88
Amortization of acquisition-related intangibles	50.1	—	—	50.1	0.54	44.7	—	—	44.7	0.48
Restructuring charges	11.7	—	—	11.7	0.13	4.1	—	—	4.1	0.05
Acquisition-related fair value inventory charges	9.2	—	—	9.2	0.10	20.5	—	—	20.5	0.22
Acquisition-related transaction costs	1.6	—	—	1.6	0.02	10.6	—	—	10.6	0.12
Tax effect of the above adjustments ¹	—	—	(18.3)	(18.3)	(0.20)	—	—	(20.2)	(20.2)	(0.22)
Adjusted (non-IFRS)	\$ 243.2			\$ 152.4	\$ 1.66	\$ 206.7			\$ 141.2	\$ 1.53

¹ Adjustments to provision for income taxes relate to the income tax effects of adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income.

The following table reconciles organic revenue to the most directly comparable IFRS measure (revenue):

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
Organic revenue	\$ 599.2	\$ 449.2	\$ 1,679.4	\$ 1,280.2
Revenues of acquired companies	41.0	114.6	196.9	349.7
Impact of foreign exchange rate changes	6.8	(17.0)	(29.7)	(50.3)
Total revenue	\$ 647.0	\$ 546.8	\$ 1,846.6	\$ 1,579.6
Organic revenue growth	9.6%		6.3%	

The following table reconciles non-cash working capital as a percentage of revenues to the most directly comparable IFRS measures:

As at	January 1 2023	March 31 2022
Accounts receivable	\$ 384.7	\$ 348.6
Income tax receivable	7.2	9.0
Contract assets	502.5	360.8
Inventories	251.9	207.9
Deposits, prepaids and other assets	89.0	84.8
Accounts payable and accrued liabilities	(541.0)	(501.5)
Income tax payable	(35.5)	(48.6)
Contract liabilities	(311.3)	(248.3)
Provisions	(25.7)	(24.8)
Non-cash working capital	\$ 321.8	\$ 187.9
Trailing six-month revenues annualized	\$ 2,471.8	\$ 2,300.0
Working capital %	13.0%	8.2%

The following table reconciles net debt to adjusted EBITDA to the most directly comparable IFRS measures:

As at	January 1 2023	March 31 2022
Cash and cash equivalents	\$ 302.1	\$ 135.3
Bank indebtedness	(12.0)	(1.8)
Current portion of lease liabilities	(20.1)	(20.0)
Current portion of long-term debt	(0.0)	(0.0)
Long-term lease liabilities	(57.9)	(62.9)
Long-term debt	(1,305.9)	(1,016.7)
Net Debt	\$ (1,093.8)	\$ (966.1)
Adjusted EBITDA (TTM)	\$ 383.8	\$ 343.9
Net Debt to Adjusted EBITDA	2.8x	2.8x

The following table reconciles free cash flow to the most directly comparable IFRS measures:

	Three Months Ended January 1, 2023	Three Months Ended December 26, 2021	Nine Months Ended January 1, 2023	Nine Months Ended December 26, 2021
(in millions of dollars)				
Cash flows provided by operating activities	\$ 116.1	\$ 82.1	\$ 46.4	\$ 186.2
Acquisition of property, plant and equipment	(18.6)	(8.1)	(32.7)	(27.9)
Acquisition of intangible assets	(6.9)	(3.2)	(14.1)	(9.1)
Free cash flow	\$ 90.6	\$ 70.8	\$ (0.4)	\$ 149.2

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. Uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions on information available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising

beyond the control of the Company. Such changes are reflected in the estimates as they occur. There have been no material changes to the critical accounting estimates described in the Company's fiscal 2022 MD&A.

Macroeconomic Environment

While COVID-19 vaccination programs are maturing and generally restrictions are easing across most countries, there is ongoing concern and uncertainty regarding new and potential variants. As a result, it remains difficult to predict the duration or severity of the pandemic or its affect on the business, financial results and conditions of the Company. Furthermore, depending on the duration and severity of the COVID-19 pandemic, it may also have the effect of heightening many of the other business risks such as risks relating to the Company's supply chain (availability and cost of raw materials and components) and the successful on-time completion of customer contracts. The ongoing impact of the pandemic on the Company's financial condition, cash flows, operations, credit risk, liquidity and availability of credit is uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in the interim condensed consolidated financial statements. In addition, the Company continues to operate amidst an uncertain macroeconomic environment, including inflation, supply chain disruptions, interest rate changes, and the war in Ukraine. Further increases in inflation and interest rates could affect the global and Canadian economies, which could adversely affect the Company's business and operations. ATS will continue to monitor these dynamic macroeconomic conditions to assess any potential impacts on the business, financial results, and conditions of the Company.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In response to the COVID-19 pandemic, the Company implemented measures to enable physical distancing across ATS' operations, including remote work. Employees in certain locations continue with remote or hybrid work arrangements. Despite the changes in work processes, there have been no significant changes or material weaknesses in the design of the Company's internal controls over financial reporting during the three and nine months ended January 1, 2023, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

FORWARD-LOOKING STATEMENTS

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Forward-looking statements include all statements that are not historical facts regarding possible events, conditions or results of operations that ATS believes, expects or anticipates will or may occur in the future, including, but not limited to: the value creation strategy; the Company's strategy to expand organically and through acquisition, and the

expected benefits to be derived; the ATS Business Model ("ABM"); completion of the ZIA acquisition; the announcement of new Order Bookings and the anticipated timeline for delivery; potential impacts on the time to convert opportunities into Order Bookings; various market opportunities for ATS; the Company's Order Backlog partially mitigating the impact of variable Order Bookings; rate of Order Backlog conversion to revenue; the potential impact of timing of customer decisions on Order Bookings, performance period, and timing of revenue recognition; expected benefits with respect to the Company's efforts to grow its product portfolio and after-sale service revenues; Company's goal of expanding its adjusted earnings from operations margin over the long term and potential impact of supply chain disruptions; expectation of synergies from integration of acquired companies; non-cash working capital levels as a percentage of revenues in the short-term and the long-term; expectation in relation to meeting liquidity and funding requirements for investments; potential to use debt or equity financing to support growth strategy; expected results of reorganization activity and their anticipated timeline; expected capital expenditures for fiscal 2023; the Company's belief with respect to the outcome of certain lawsuits, claims and contingencies; and the uncertainty and potential impact on the Company's business and operations due to the current macroeconomic environment including the impacts of COVID-19, inflation, supply chain disruptions, interest rate changes, and the war in Ukraine.

Such forward-looking statements are inherently subject to significant known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Important risks, uncertainties and factors that could cause actual results to differ materially from expectations expressed in the forward-looking statements include, but are not limited to, the duration of the COVID-19 pandemic and its impact on the Company, its employees, customers, suppliers and the global economy; impact of regional or global conflicts; general market performance including capital market conditions and availability and cost of credit; performance of the markets that ATS serves; industry challenges in securing the supply of labour, materials, and, in certain jurisdictions, energy sources such as natural gas; impact of inflation; interest rate changes; foreign currency and exchange risk; the relative strength of the Canadian dollar; risks related to customer concentration; risks related to a recession, slowdown, and/or sustained downturn in the economy; impact of factors such as increased pricing pressure, increased cost of energy and supplies, and delays in relation thereto, and possible margin compression; the regulatory and tax environment; inability to successfully expand organically or through acquisition, due to an inability to grow expertise, personnel, and/or facilities at required rates or to identify, negotiate and conclude one or more acquisitions, including the ZIA acquisition, or to raise, through debt or equity, or otherwise have available, required capital; that the ABM is not effective in accomplishing its goals; that the timing of completion of new Order Bookings is other than as expected due to various reasons, including schedule changes or COVID-19 pandemic-related factors, the customer exercising any right to withdraw the Order Booking or to terminate the program in whole or in part prior to its completion, thereby preventing ATS from realizing on the full benefit of the program; that some or all of the sales funnel is not converted to Order Bookings due to competitive factors or failure to meet customer needs; that the market opportunities ATS anticipates do not materialize or that ATS is unable to exploit such opportunities; variations in the amount of Order Backlog completed in any given quarter; timing of customer decisions related to large enterprise programs and potential for negative impact associated with any cancellations or non-performance in relation thereto; that the Company is not successful in growing its product portfolio and/or service offering or that expected benefits are not realized; that efforts to expand adjusted earnings from operations margin over long-term are unsuccessful, due to any number of reasons, including less than anticipated increase in after-sales service revenues or reduced margins attached to those revenues, inability to achieve lower costs through supply chain management, failure to develop, adopt internally, or have customers adopt, standardized platforms and technologies, inability to maintain current cost structure if revenues were to grow, and failure of ABM to impact margins; that acquisitions made are

not integrated as quickly or effectively as planned or expected and, as a result, anticipated benefits and synergies are not realized; non-cash working capital as a percentage of revenues operating at a level other than as expected due to reasons, including, the timing and nature of Order Bookings, the timing of payment milestones and payment terms in customer contracts, and delays in customer programs; the failure to realize the savings expected from reorganization activity or within the expected timelines; that capital expenditure targets are increased in the future or the Company experiences cost increases in relation thereto; risk that the ultimate outcome of lawsuits, claims, and contingencies give rise to material liabilities for which no provisions have been recorded; and other risks and uncertainties detailed from time to time in ATS' filings with securities regulators, including, without limitation, the risk factors described in ATS' annual information form for the fiscal year ended March 31, 2022, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. ATS has attempted to identify important factors that could cause actual results to materially differ from current expectations, however, there may be other factors that cause actual results to differ materially from such expectations.

Forward-looking statements are necessarily based on a number of estimates, factors and assumptions regarding, among others, management's current plans, estimates, projections, beliefs and opinions; the future performance and results of the Company's business and operations; the assumption of successful implementation of margin improvement initiatives; and general economic conditions and global events, including the COVID-19 pandemic.

Forward-looking statements included herein are only provided to understand management's current expectations relating to future periods and, as such, are not appropriate for any other purpose. Although ATS believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. ATS does not undertake any obligation to update forward-looking statements contained herein other than as required by law.

NON-IFRS AND OTHER FINANCIAL MEASURES

Throughout this document, management uses certain non-IFRS financial measures, non-IFRS ratios and supplementary financial measures to evaluate the performance of the Company.

The terms "EBITDA", "organic revenue", "adjusted net income", "adjusted earnings from operations", "adjusted EBITDA", "adjusted basic earnings per share", and "free cash flow", are non-IFRS financial measures, "EBITDA margin", "adjusted earnings from operations margin", "adjusted EBITDA margin", "organic revenue growth", "non-cash working capital as a percentage of revenues", and "net debt to adjusted EBITDA" are non-IFRS ratios, and "operating margin", "Order Bookings", "Order Backlog", and "book-to-bill ratio" are supplementary financial measures, all of which do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In addition, management uses "earnings from operations", which is an additional IFRS measure, to evaluate the performance of the Company. Earnings from operations is presented on the Company's consolidated statements of income as net income excluding income tax expense and net finance costs. Operating margin is an expression of the Company's earnings from operations as a percentage of revenues. EBITDA is defined as earnings from operations excluding depreciation and amortization. EBITDA margin is an expression of the Company's EBITDA as a percentage of revenues. Organic revenue is defined as revenues in the stated period excluding revenues from acquired companies for which the acquired company was not a part of the consolidated group in the comparable period. Organic revenue growth compares the stated period

organic revenue with the reported revenue of the comparable prior period. Adjusted earnings from operations is defined as earnings from operations before items excluded from management's internal analysis of operating results, such as amortization expense of acquisition-related intangible assets, acquisition-related transaction and integration costs, restructuring charges, and certain other adjustments which would be non-recurring in nature ("adjustment items"). Adjusted earnings from operations margin is an expression of the Company's adjusted earnings from operations as a percentage of revenues. Adjusted EBITDA is defined as adjusted earnings from operations excluding depreciation and amortization. Adjusted EBITDA margin is an expression of the entity's adjusted EBITDA as a percentage of revenues. Adjusted basic earnings per share is defined as adjusted net income on a basic per share basis, where adjusted net income is defined as adjusted earnings from operations less net finance costs and income tax expense, plus tax effects of adjustment items and adjusted for other significant items of a non-recurring nature. Non-cash working capital as a percentage of revenues is defined as the sum of accounts receivable, contract assets, inventories, deposits, prepaids and other assets, less accounts payable, accrued liabilities, provisions and contract liabilities divided by the trailing two fiscal quarter revenues annualized. Free cash flow is defined as cash provided by operating activities less property, plant and equipment and intangible asset expenditures. Net debt to adjusted EBITDA is the ratio of the net debt of the Company (cash and cash equivalents less bank indebtedness, long-term debt, and lease liabilities) to adjusted EBITDA. Order Bookings represent new orders for the supply of automation systems, services and products that management believes are firm. Order Backlog is the estimated unearned portion of revenues on customer contracts that are in process and have not been completed at the specified date. Book to bill ratio is a measure of Order Bookings compared to revenue.

Operating margin, adjusted earnings from operations, EBITDA, EBITDA margin, adjusted EBITDA, and adjusted EBITDA margin are used by the Company to evaluate the performance of its operations. Management believes that earnings from operations is an important indicator in measuring the performance of the Company's operations on a pre-tax basis and without consideration as to how the Company finances its operations. Management believes that organic revenue and organic revenue growth, when considered with IFRS measures, allow the Company to better measure the Corporation's performance and evaluate long-term performance trends. Organic revenue growth also facilitates easier comparisons of the Corporation's performance with prior and future periods and relative comparisons to its peers. Management believes that EBITDA and adjusted EBITDA are important indicators of the Company's ability to generate operating cash flows to fund continued investment in its operations. Management believes that adjusted earnings from operations, adjusted earnings from operations margin, adjusted EBITDA, adjusted net income and adjusted basic earnings per share are important measures to increase comparability of performance between periods. The adjustment items used by management to arrive at these metrics are not considered to be indicative of the business' ongoing operating performance. Management uses the measure "non-cash working capital as a percentage of revenues" to assess overall liquidity. Free cash flow is used by the Company to measure cash flow from operations after investment in property, plant and equipment and intangible assets. Management uses net debt to adjusted EBITDA as a measurement of leverage of the Company. Order Bookings provide an indication of the Company's ability to secure new orders for work during a specified period, while Order Backlog provides a measure of the value of Order Bookings that have not been completed at a specified point in time. Both Order Bookings and Order Backlog are indicators of future revenues that the Company expects to generate based on contracts that management believes to be firm. Book to bill ratio is used to measure the Company's ability and timeliness to convert Order Bookings into revenues. Management believes that ATS shareholders and potential investors in ATS use these additional IFRS measures and non-IFRS financial measures in making investment decisions and measuring operational results.

A reconciliation of (i) adjusted EBITDA and EBITDA to net income, (ii) adjusted earnings from operations to earnings from operations, (iii) adjusted net income to net income, (iv) adjusted basic earnings per share to basic earnings per share (v) free cash flow to its IFRS measure components and (vi) organic revenue to revenue, in each case for the three and nine month periods ended January 1, 2023 and December 26, 2021, is contained in this MD&A (see “Reconciliation of Non-IFRS Measures to IFRS Measures”). This MD&A also contains a reconciliation of (i) non-cash working capital as a percentage of revenues and (ii) net debt to their IFRS measure components, in each case at both January 1, 2023 and March 31, 2022 (see “Reconciliation of Non-IFRS Measures to IFRS Measures”). A reconciliation of Order Bookings and Order Backlog to total Company revenues for the three and nine month periods ended January 1, 2023 and December 26, 2021 is also contained in this MD&A (see “Order Backlog Continuity”).