



# **ATS**

# **Forward Together**

**ATS Automation  
Annual Report 2021**

# ATS at-a-Glance

At ATS, we use our industry-leading experience, technology, innovation, and global scale to deliver automation solutions for multinational customers.

As COVID-19 spread globally, fiscal year 2021 began with uncertainty around customer plans and projects. Our employees met the pandemic challenge by moving **Forward Together**, finding new ways to solve customer problems and collaborate remotely.

ATA

Stock Exchange listing

~\$3.1 billion

Market capitalization<sup>1</sup>

\$1.4 billion

Revenue

5,000+

Employees worldwide

28

Facilities

50+

Offices

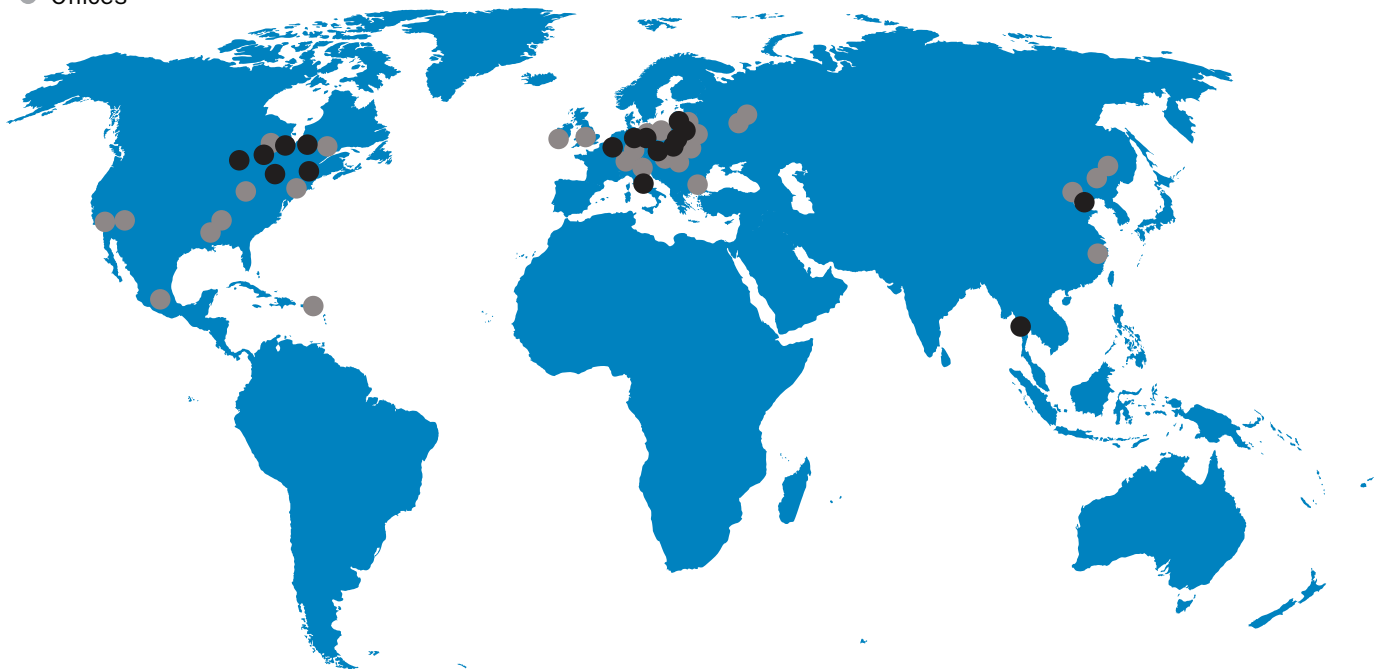
20

Countries

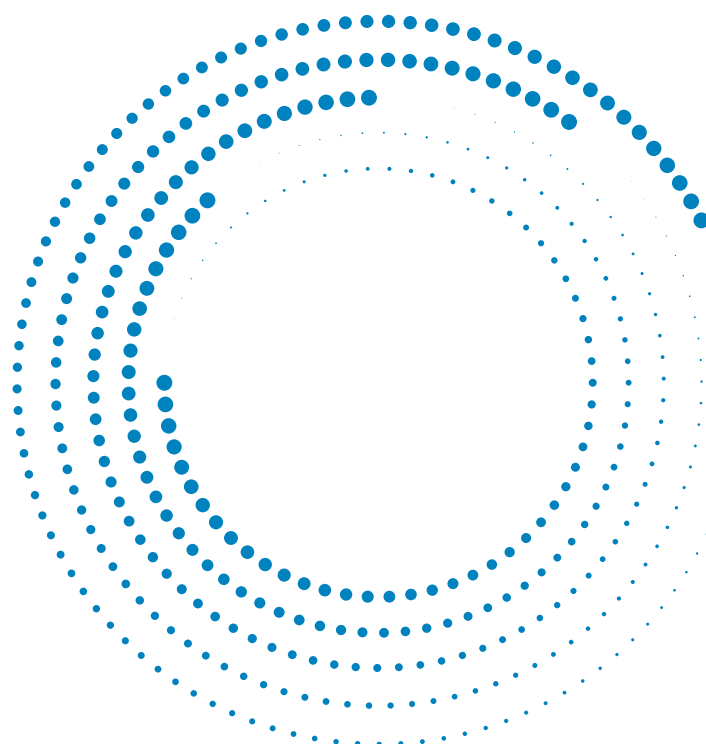
25,000+

Projects completed

- Manufacturing Facilities
- Offices



<sup>1</sup> Market capitalization as of June 23, 2021.



Thanks to perseverance and creativity across ATS, and the strength of the ATS Business Model, our business was resilient. Our teams continued to execute well. We finished the year with strong Order Bookings and a healthy Order Backlog, giving us good visibility into fiscal 2022.

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(in millions of dollars, except per share data)

|  | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|--|-------------|-------------|-------------|
| Revenues                                       | \$1,430.0   | \$1,429.7   | \$1,253.6   |
| Earnings from operations                       | \$119.6     | \$95.6      | \$114.8     |
| Adjusted earnings from operations <sup>1</sup> | \$163.2     | \$157.4     | \$142.8     |
| EBITDA <sup>1</sup>                            | \$190.6     | \$167.0     | \$157.2     |
| Net income                                     | \$64.1      | \$52.9      | \$70.8      |
| Basic earnings per share                       | \$0.70      | \$0.57      | \$0.76      |
| Adjusted basic earnings per share <sup>1</sup> | \$1.07      | \$1.06      | \$0.98      |
| Order Bookings <sup>1</sup>                    | \$1,626     | \$1,468     | \$1,408     |
| Order Backlog <sup>1</sup>                     | \$1,160     | \$942       | \$904       |

<sup>1</sup> Non-IFRS measure: see “Notice to reader: Non-IFRS measures and additional IFRS measures” in the Company’s fiscal 2021 Management’s Discussion and Analysis.

ATS is listed on the Toronto Stock Exchange under the symbol “ATA.”

# Our Story

Established in Cambridge, Ontario, in 1978, ATS Automation Tooling Systems Inc. (TSX: ATA) is an industry-leading automation solutions provider to many of the world's most successful companies.

Our industry-leading automation and integration solutions and services streamline and optimize manufacturing operations.

A culture of innovation and continuous improvement defines our Company and our people. We are moving **Forward Together**, transforming our business by expanding into new markets, geographies and growth areas.

## What We Do

ATS teams excel at delivering fully customized machines, systems and enterprise programs, as well as standardized products and modular capabilities, which can be scaled to meet demand.

We use our extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services, including pre-automation and after-sales services, to address the sophisticated manufacturing automation systems and service needs of multinational customers.

## Who We Serve

Our global customers are in four key markets: life sciences, transportation, consumer products and energy. While

diversified by region and sector, our customers all need high-precision equipment to make their products at the highest levels of quality, on time and on budget.

Our **Life Sciences** customers produce a variety of medical devices, pharmaceuticals and radiopharmaceuticals. Life sciences represents more than half of our business by revenue, up from one-third of our business a decade ago.

We serve **Transportation** customers in the electric and hybrid vehicle, traditional automotive and aerospace sectors.

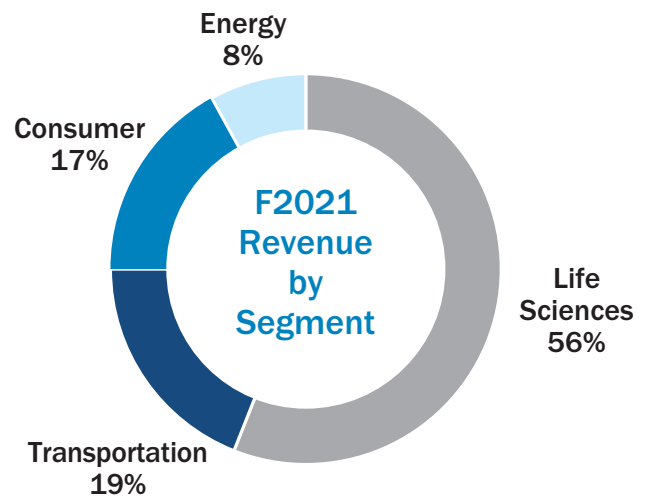
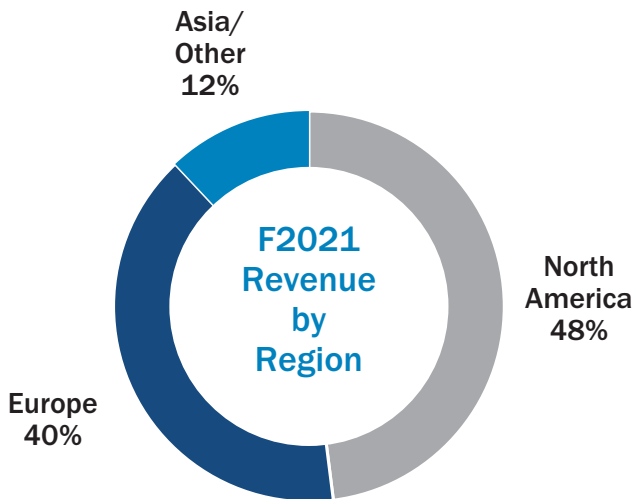
Our **Consumer** market includes food and beverage companies, warehouse automation, personal care and cosmetics, and durable goods manufacturers.

Our **Energy** customers include energy technology companies in nuclear and solar power.

## How We Operate

The ATS Business Model, or ABM, is our playbook. It unites our decentralized operations by providing a common language across international offices and building a common culture of excellence and continuous improvement in all areas of the business.

As ATS has grown, both organically and through acquisitions, the ABM enables us to welcome and integrate new teams at acquired companies. It helps us move **Forward Together** to deliver innovative solutions for customers and deliver value to shareholders.



# Our Shared Purpose

Creating solutions that positively impact lives around the world

## Our Values

### People: Having the best team and winning as a team

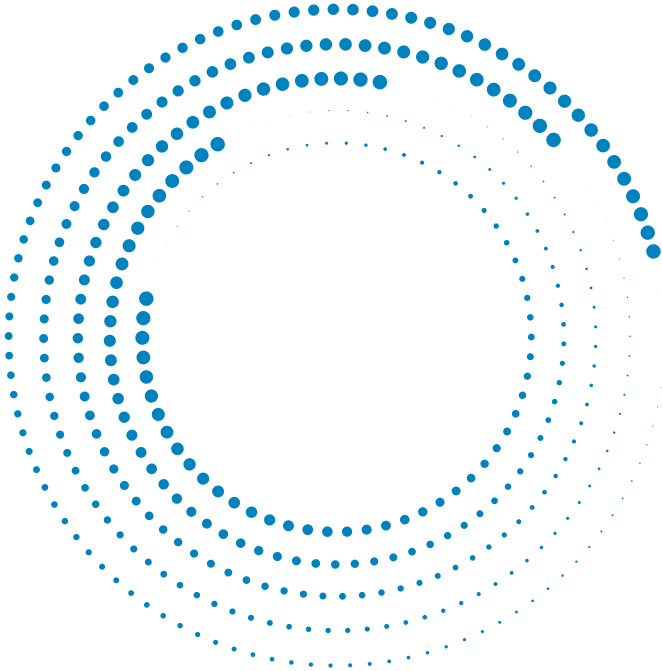
- We continuously work to develop, engage, empower and energize our people
- We support our people to foster a safe, positive and inclusive work environment where everyone is respected and given the opportunity to do their best

### Process: Our commitment to continuous improvement

- We align around the ATS Business Model to pursue continuous improvement in all aspects of our business
- With a balance of strategic thinking and tactical execution, we ensure that we are creating value for our customers, today and in the future

### Performance: Delivering results for our customers, shareholders and employees

- We compete to win every day, always with uncompromising integrity and holding ourselves to the highest ethical standards
- We develop innovative solutions to complex problems and provide unique value that fuels growth in our markets
- We own our results and have full accountability to creating value for our customers and shareholders





## Message from Our CEO

The global coronavirus pandemic presented ATS with a highly uncertain environment at the start of fiscal 2021. The health, safety and mental wellness of our employees was our first priority. At the same time, we realized that our work and commitment to innovation, continuous improvement and quality were still very much needed, as never before, to help our customers continue operating and get their critical products to market. I am incredibly proud of how our ATS leaders stepped up to care for our people, who in turn took care of our customers.

### Pandemic Solutions

Across the Company, we adopted critical new health and safety practices such as physical distancing, remote work and flexible schedules to keep employees safe. Travel restrictions and temporary closures at some customer sites disrupted our after-sales services and project installation activities and added costs to some projects – but our business leaders and employees adapted and found creative ways to overcome pandemic-related obstacles. You can read some of these stories on page 10.

ATS was built on finding solutions to manufacturing problems. Pandemic or not, our customers still needed us – and in life sciences, their needs were urgent. Our customers provide cancer and diabetes treatments and other critical medicines and devices. ATS employees rose to the occasion – even though half of our people were working from home. Our teams persevered by switching to digital tools, collaborating across regions and businesses, and pushing themselves to find new ways to meet high standards and expectations.

Through COVID-19, we proved the strength of our recent business transformation and business model, with its focus on realigning to strategic and growing markets, and maintaining decentralized operations. Those decisions stood us in good stead through the early choppy waters of fiscal 2021.

### Strong Fiscal 2021 Financial Performance

After a challenging start to our fiscal year brought on by the pandemic, including some delayed and cancelled orders, our business rebounded nicely over the balance of the year. Full-year results were strong overall and ATS continued to drive value for shareholders. Our fiscal 2021 revenues, at \$1.4 billion, were in line with those of the previous year, and the fiscal fourth quarter marked a return to positive organic revenue growth. We continued to drive margin expansion, in line with our long-term plan.

We ended the year with record Order Bookings of \$1.6 billion, a healthy Order Backlog of \$1.2 billion and a significant funnel of future opportunities.

Our life sciences results were strong, driven by traditional and COVID-19-related opportunities. This business continued to account for more than half of ATS revenues. Revenues and Order Bookings in consumer products and energy also bounced back in the second half of the year.

### Deploying Capital with Discipline

ATS continues to allocate capital where it will deliver the best results – to areas that are strategic to our long-term business.

## Expanding in Strategic Growth Markets

# 9.1%

compound annual revenue growth over four years

# 15.7%

compound annual growth in EBITDA over four years

# 13.3%

EBITDA margin

During the year, we adjusted our transportation business by divesting and closing non-strategic facilities and small branch offices to help mitigate a downturn in transportation markets and sharpen our focus on electric vehicles. We were pleased that our EV expertise was recognized with a \$60 million Order Booking in April 2020 and another large award in March 2021, to design, build and install battery assembly systems for global auto manufacturers.

We also continued to pursue strategic acquisitions and added two new businesses to the ATS family, strengthening and diversifying our portfolio.

- We acquired Parma, Italy-based **CFT S.p.A**, a global supplier of processing and packaging automation equipment for the food and beverage sector, in March 2021. CFT complements our MARCO acquisition of the previous year and is an important step in expanding in the highly regulated food and beverage equipment market.
- **Inimco CV**, located in Temse, Belgium, became part of our Process Automation Solutions subsidiary. Inimco offers digital knowledge, resources and solutions for the process and manufacturing industry. It helps customers gain insights into their machine and productivity data and improve efficiency. We see great opportunity in combining digitalization (collecting, storing, analyzing data) with our expertise in custom automation to remove manufacturing bottlenecks for customers.

After fiscal year-end, we acquired California-based **BioDot Inc.**, which expands our life sciences capabilities in precise, low-volume fluid dispensing systems. BioDot's dispensing and lab automation products enable its customers to manufacture billions of test devices annually. As with our other additions, it will open doors to new and growing markets and add diversity to our portfolio.

### Generating Value with ABM

The ATS Business Model, which we call ABM, is our playbook for pursuing innovation and operating improvements. With people, process and performance at its core, the ABM is a repeatable model. As we build a global leader through internal growth and strategic acquisitions, ABM acts as our common language, helping us to integrate new businesses and helping new employees to understand our culture.

This year, we switched to virtual and digital Kaizen and innovation events, and found the benefits generally outweighed the drawbacks of not being able to meet in person.

ABM is in its fourth year. While we have accomplished much already, there are meaningful improvements to come as we expand the focus to commercial practices and processes.

Our culture and innovation mindset helped us to support customers with a range of challenges during the year. For example, the ATS Life Sciences team dramatically accelerated development of automation systems for a U.S. client so it could produce high volumes of COVID-19 rapid test kits in a very tight time period. Processes that would normally take more than 40 weeks were streamlined. We successfully completed the project in 14 weeks! This was a great example of ABM and Kaizen principles in action.

### Forward Together

We are not out of the pandemic yet. Our world remains very dynamic. I am confident that with our experienced leadership, highly skilled employees and sound strategy, ATS is well positioned to benefit from major global tailwinds. These include:

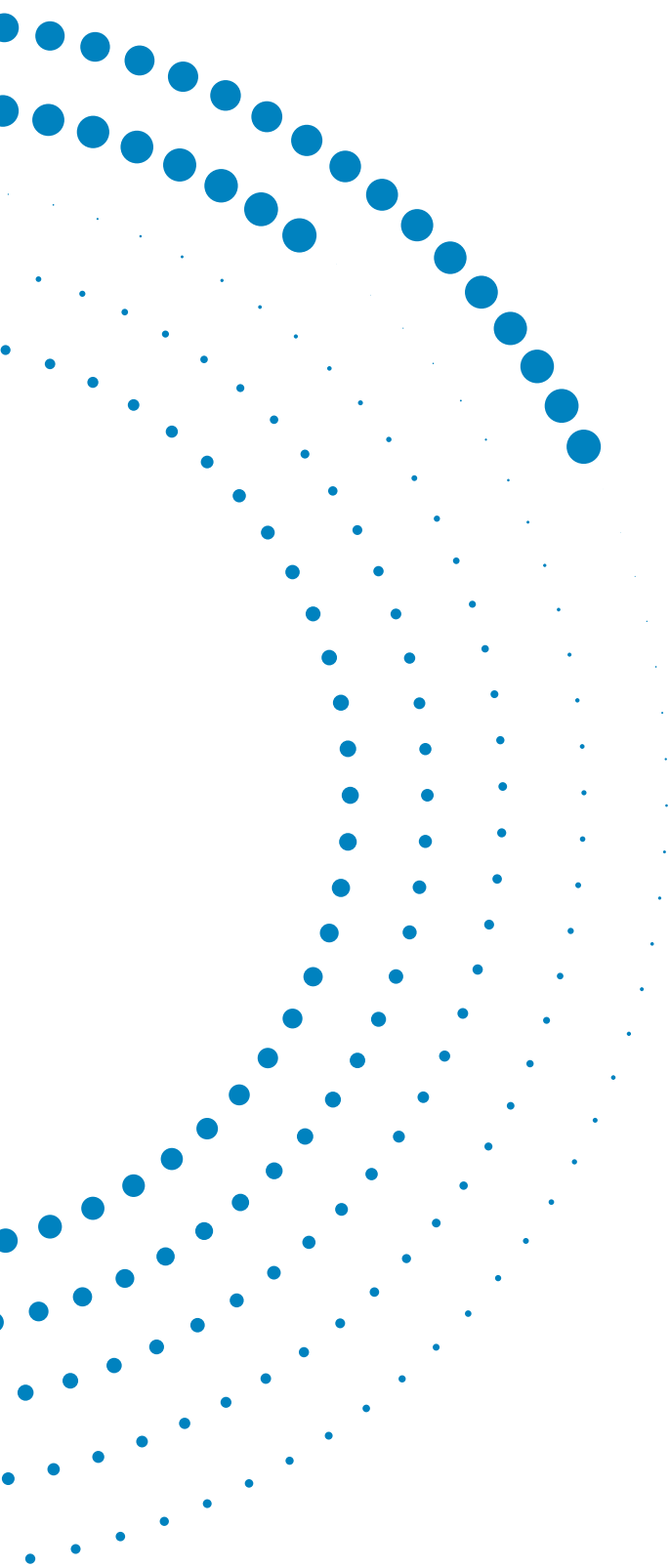
- Companies seeking the benefits of automation, including higher quality and throughput, labour cost savings and the ability to meet stringent regulations;
- Customers seeking to mitigate supply chain risks by strategically scaling or relocating manufacturing globally;
- The electrification of vehicles; and
- Nuclear power plant refurbishment and decommissioning.

After this momentous year, I want to thank all of our leaders and employees for your commitment and positive attitude, and thank our customers for the trust you place in ATS. As I write, COVID-19 vaccinations continue to trend upward and with the rebound in business at year-end, I am excited to move **Forward Together** as we build, grow and expand ATS.

Sincerely,



**Andrew Hider**  
Chief Executive Officer  
ATS Automation



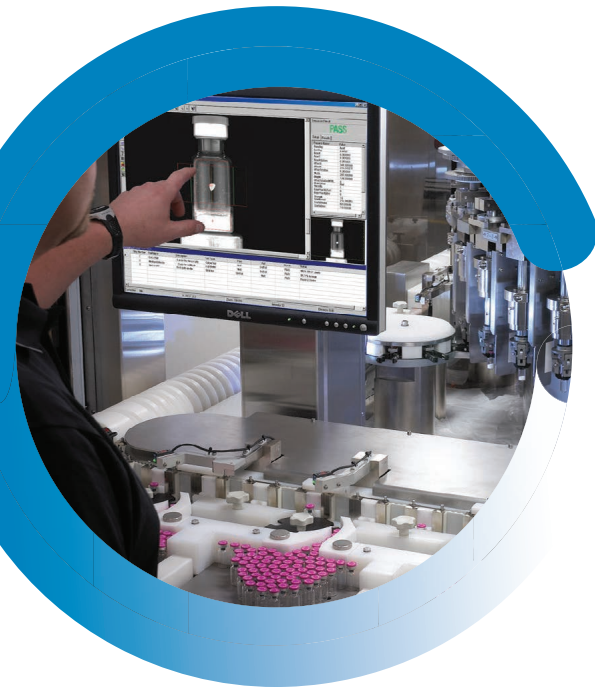
# Overcoming COVID-19 Challenges

The COVID-19 pandemic illustrated the benefits of our decentralized business model.

As global travel was restricted, ATS regional leaders and teams were able to flexibly serve customers within regions. The pandemic also demonstrated the benefits of our continuous improvement culture – our employees are accustomed to innovating and adapting. Whether pivoting quickly to support N95 mask or ventilator production, or using virtual and remote tools to collaborate, we found new ways to serve our customers. Here are just some of our fiscal 2021 stories.







### Accelerating rapid COVID testing

Our ATS Life Sciences team was asked if it could take on an unprecedented challenge: an urgent U.S. client request to create equipment capable of manufacturing 10 million rapid COVID-19 test kits per month. The delivery deadline was within months. It was a daunting opportunity. After considering a few possible pathways and confirming it was feasible, ATS had to expedite every stage of work to get the job done, including condensed design, tooling and engineering processes. We used SuperTrak CONVEYANCE™ as the system backbone, feeding components to robots stationed around it. In addition to an expedited plan, the team developed contingencies at numerous stages in case they were needed to mitigate risk. ATS completed in 14 weeks what would normally take 46 weeks. This success story has bolstered morale, enhanced our reputation and generated inbound interest from potential customers.

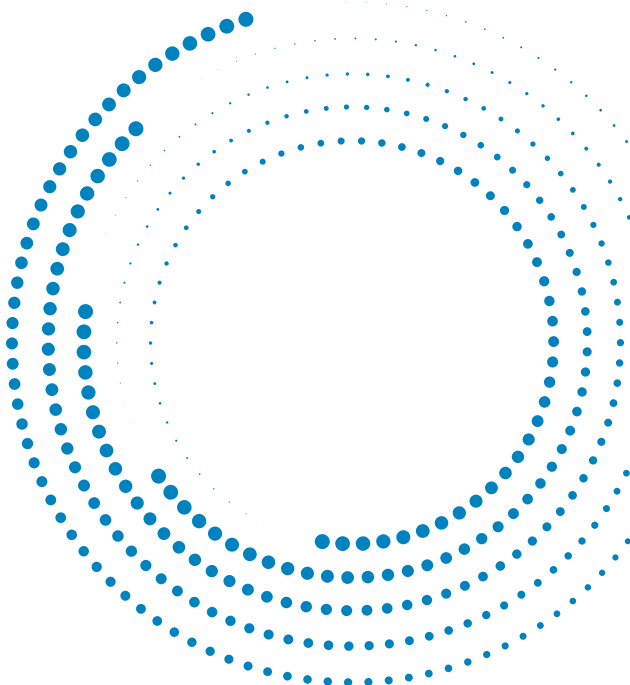
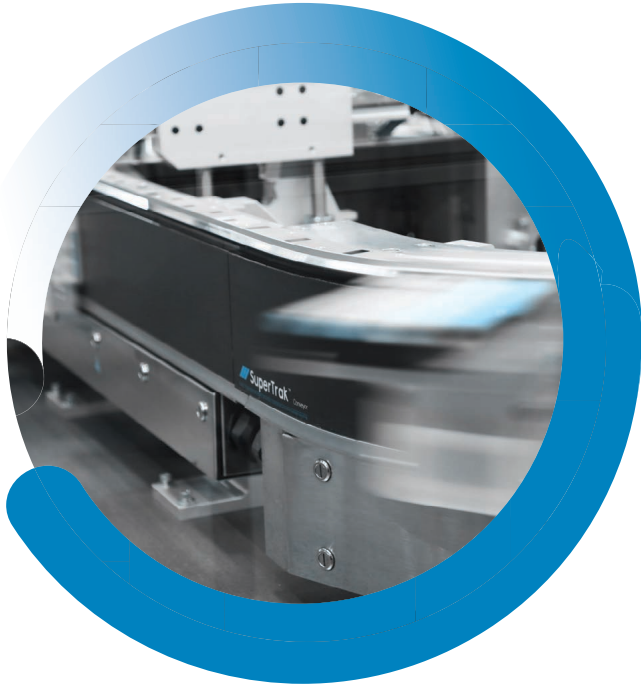
### Supporting customers despite travel restrictions

Our employees showed flexibility and determination to serve customers despite pandemic restrictions and closed borders.

With travel restrictions and quarantine requirements, ATS Industrial Automation group turned a construction site in southwestern Poland into a quarantine zone, so the ATS team could live in mobile homes while supporting a critical e-mobility project for an important automotive equipment customer. Approximately 20 team members stayed on site for up to 12 weeks. As a result, the project was completed on time, and the customer met its fleet-wide emissions targets.

The strength of our regional network shone, as ATS employees took on temporary new roles to complete projects. With explosive growth in e-commerce, ATS provided significant automation to a global e-commerce leader, achieving 100% on-time delivery of all equipment, using our regional services footprint. In several cases in the U.K., due to travel bans, after-sales service teams took on responsibility for system installations because they were located in-country, aided by digital support from their ATS colleagues.

With employees unable to visit supplier sites for in-person factory acceptance testing, we coordinated an ATS team to do a virtual review of a critical component from a supplier. We found it more efficient and effective. Our team of five people conducted the testing virtually through interviews, video recordings, data and images. This approach was more cost efficient, faster and covered more ground with the supplier than our traditional approach of sending a person on site to ensure components met specifications.



The digital support we offer through our after-sales service, such as enhanced remote support (guidance to customers by smartphone or tablet), SmartCoach (on-demand training), and our Illuminate™ Manufacturing Intelligence platform, was a huge competitive advantage. In the midst of the pandemic, we were still able to support our customers. Using the Industrial Internet of Things (IIoT), we can analyze data, anticipate challenges, diagnose problems, provide maintenance and deliver solutions that help keep our customers up and running.

**Developing software to protect food workers**

Prior to COVID-19, companies in the food sector typically had a lot of factory employees working in close proximity and rotating between positions. This practice created high levels of contamination risk during the pandemic, and outbreaks in processing plants made headlines. MARCO responded to this risk by creating software in its systems that allowed its food customers to establish employee cohorts and keep them segregated, by controlling the ability to log in to workstations. This minimized cross-contamination risk and potential outbreaks, and the software is now part of the standard system offering.

**Expanding digital events and channels**

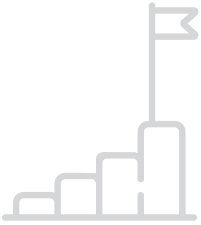
The inability to hold large events or meet in person prompted ATS to expand and accelerate our use of digital tools to generate leads and expand our marketing reach. For example:

- We hosted our first ATS Virtual Expo in December to highlight our automation capabilities through live presentations and dozens of online “display booths” featuring ATS and our growth partners. The event was well attended, with more than 1,800 participants, and generated sales leads.
- We launched a new ATS corporate website, as well as new websites for SuperTrak™ and MARCO, and we began to offer virtual “tours” of products and facilities.
- We increased the use of webinars and videos on social media channels, giving our sales team new avenues to reach potential customers and get the ATS name out.

**Helping customers reduce logistics risk**

The ATS Process Automation (PA) Solutions team supported several European customers in the pharmaceutical industry that decided to bring their production back to Europe to eliminate logistics risk. In addition, several customers increased their investments in automation to reduce the risk of factory shutdowns from employees being unable to work.





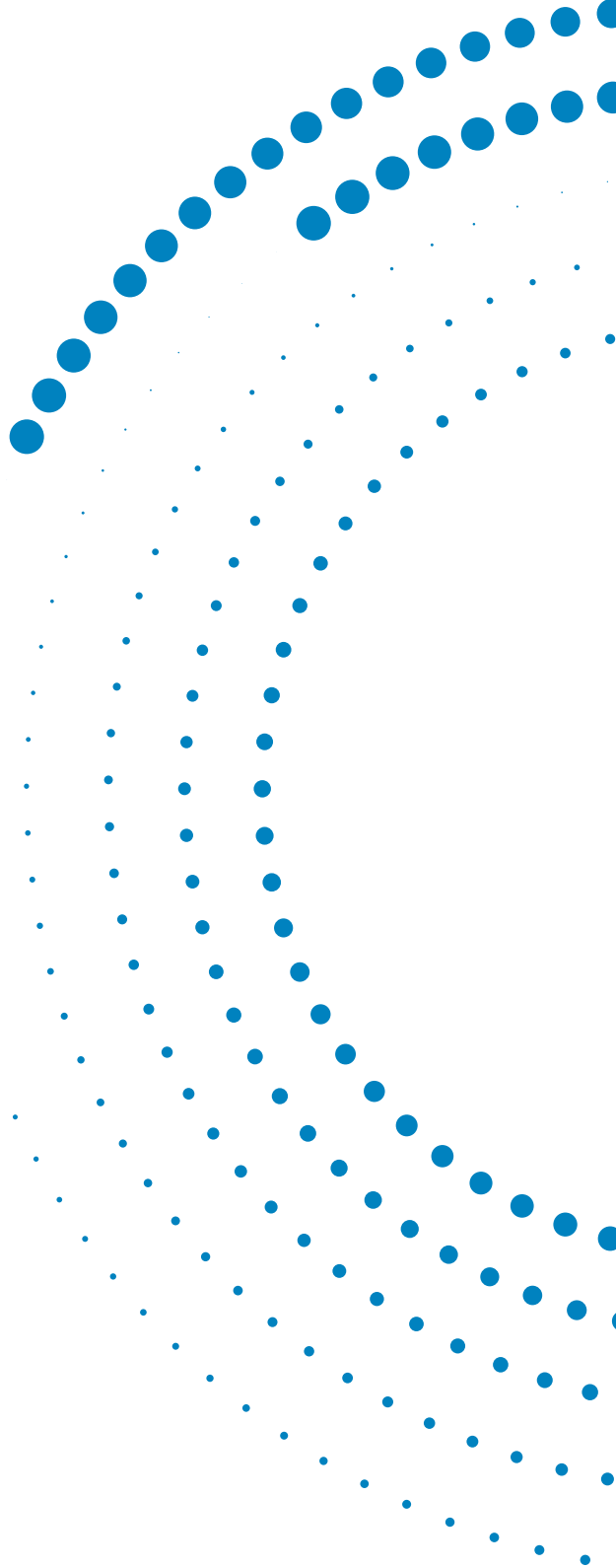
# Delivering Our Strategy

We work for many of the world's leading companies and our reach continues to expand.

Over 40 years, ATS has grown from our base in Cambridge, Ontario, to become a global automation leader with more than 5,000 employees at 28 manufacturing facilities and more than 50 offices in 20 countries.

We are recognized for our ability to provide our clients with options as well as strategic solutions, and throughout our history we have been committed to continuous improvement.

Our strategy for generating long-term value for our customers and investors takes a three-pronged approach: **Build, Grow and Expand.**





## Building the best ATS

At ATS, our employees are highly skilled, technically sophisticated and passionately committed to the work they do. At every level of our organization, everywhere we operate, we make it a priority to ensure we have the right people in the right roles making the right decisions at the right times.

For several years, we have focused on building our senior ranks and have a team of outstanding leaders across ATS, who are helping to guide the Company's long-term future. We promoted Ryan McLeod to the position of Chief Financial Officer, effective November 24, 2020, after an extensive global search. Mr. McLeod previously served as our interim CFO and has held various positions within ATS since 2007.

Fiscal 2021 was a difficult and demanding year for everyone. We assembled a pandemic response team with representation from all regions and key departments. The team held daily calls at the start of the pandemic, as circumstances were changing rapidly, and those tapered off to weekly touch points. Our primary focus was on employee health and safety. Managers were also concerned about employee isolation and mental health and wellbeing, as many worked remotely while dealing with personal and professional challenges. We developed an internal pandemic guide to help employees and leaders across the Company understand our protocols and provided tips for safe and positive interactions with colleagues. We greatly expanded the use of online collaboration tools and hosted virtual coffee chats to make up for the loss of social interaction.

A key strength of our culture and our people is their ability to develop and implement creative solutions. We are not satisfied with the status quo. Using the ABM – our playbook that emphasizes people, process and performance – we are focused on continuous improvement in everything we do, in all areas of the business. It is a repeatable model for analyzing challenges and developing solutions that will ultimately drive performance and growth.

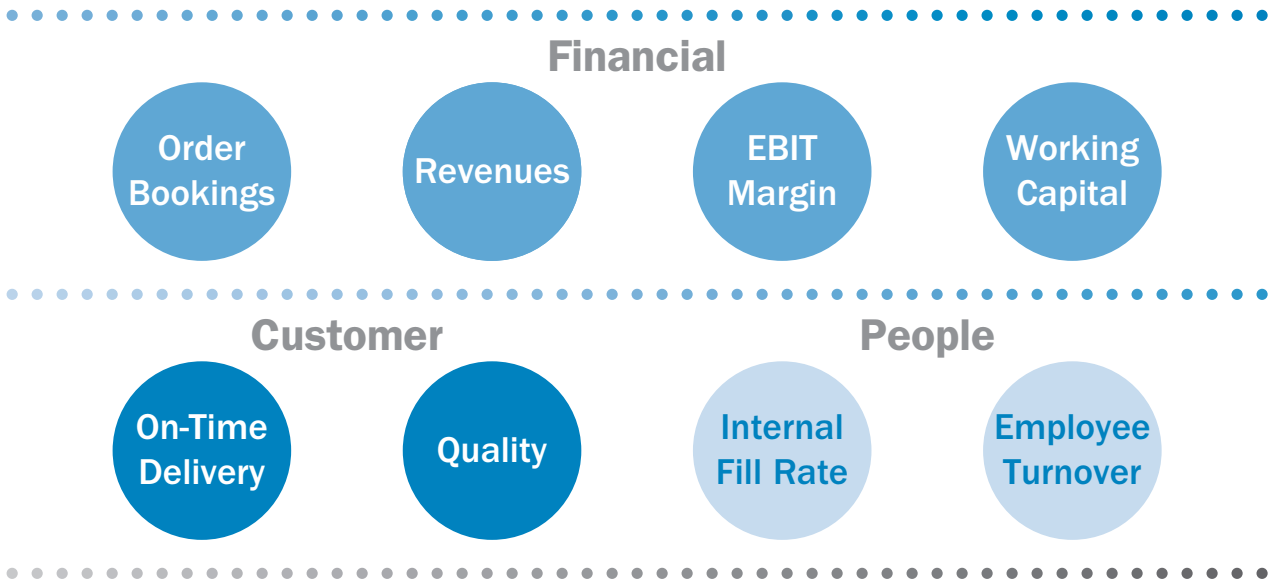
Not only does the ABM help us to pursue and measure value drivers and key performance indicators, it helps embed a problem-solving mindset and common culture and commitment across regions and business lines. It is a key tool for integrating new companies as we expand, and for elevating employee engagement and development. Due to the pandemic, our ABM boot camps and Kaizen and innovation workshops shifted online. Using virtual sessions and digital tools, we were able to continue advancing the ABM throughout the Company. These events energize employees and build



connections between teams, which was particularly important last year. See our sidebar, Adapting and Advancing the ABM in a Virtual World, for more details.

One of the defining strengths of ATS is evaluating our performance using eight metrics, called our “Value Drivers”. These metrics gauge our success in producing financial value, value for our customers and value for our people as we pursue continuous improvement. We use standardized performance measurements across all business units for clarity. The insights we gain reveal where additional support or a fresh approach might be necessary. More importantly, the metrics show what we are doing right and where there may be opportunities to share best practices across a diverse organization.

## Our Value Drivers



# Adapting and Advancing the ABM in a Virtual World

As a global company, we work in many languages at ATS – and we all speak ABM.

The fundamentals include agreeing on metrics that support identified value drivers, putting daily visual management in place so that we can see problems and solutions, and using Kaizen techniques to solve problems and seize opportunities.

We hold Kaizen and other innovation events throughout the year and around the world. Traditionally, these have been in-person gatherings where participants focus on a concrete problem in their business area. The COVID-19 pandemic prompted ATS to embrace digital tools and adapt to remote and online events instead. We viewed it as an opportunity to experiment.

We launched our first global virtual ABM boot camp which runs over a six-week period and combines self-paced learning with real-time discussions with ABM leaders. The first session had over 50 participants and positive reception. Previously, ABM boot camps were three full days, held in person, with participants absorbing a lot of information. The new virtual format over a longer period allows for more activities that can be demonstrated and applied in the business, and flexible time for self-learning. Employees appreciate the flexibility, and we are seeing greater retention and application.

In total, we held almost 40 remote Kaizen events globally, and another 40 to 50 problem-solving activities. These events drove improvements in multiple areas including sales, operations and customer service.

The annual President's Kaizen in January – five global events held in the same week – examined different aspects of the business. We are early in the journey of shifting focus beyond operations and applying ABM to commercial excellence and marketing. Four of five events were entirely virtual, and all delivered meaningful impacts on the business.

- One division in Life Sciences was able to achieve greater standardization of parts and components, with a ten-fold increase in the number of standard parts identified, and a 10% increase in supplier rebates. The approach is being replicated at other Life Sciences divisions. Our team at Comecer Netherlands was able to reduce production lead times for a key product by improving process flow and production-area layout, which has led to higher customer satisfaction.
- At Process Automation (PA) Solutions, participants aimed to drive bookings growth by increasing the funnel through digital marketing activities. They developed a marketing strategy and started to implement it.
- Our ATS Products group was able to develop a process to reduce lead times from approximately 12 weeks to eight weeks. The team identified efficiency opportunities in our procurement and production processes, as well as scheduling and capacity planning. The team is on track to achieve the new lead time by July 2021.
- And for the first time, our Industrial Automation team hosted a Kaizen with a customer to achieve a meaningful reduction in the project timelines. We approached this with a partnership mindset: the customer knows their internal processes best, while we are experts in automation. The event was a big success, resulting in several opportunities that we are jointly developing with the customer.

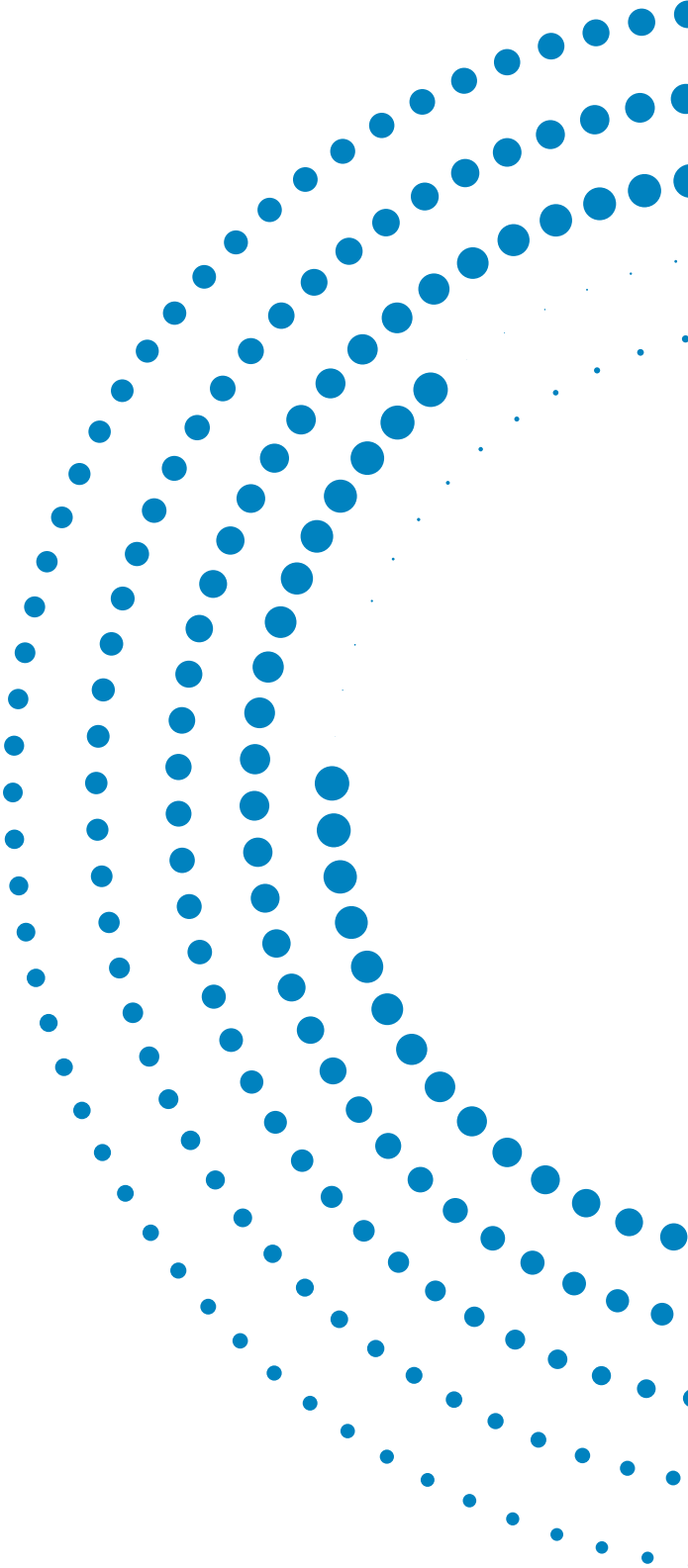




# Growing with Purpose

Our approach to organic growth is driven by client and market knowledge, and the proven ability to introduce process improvements and grow our margins by using the ABM playbook.

In fiscal 2021, we continued to reshape the business and orient our growth to attractive industries and market segments. We made investments to grow ATS Life Sciences (Cambridge, Rolling Meadows) and Industrial Automation (Ohio expansion), and chose to exit the traditional automotive engine business.





We seek organic growth through product and client expansion in high-growth segments, particularly life sciences, transportation and energy.

Comecer, which joined the ATS family in early 2019, designs and manufactures high-tech systems in the field of radiopharma and nuclear medicine, with the aim of continuously increasing the accuracy and safety of technicians, researchers and patients. Based in Castel Bolognese, Italy, Comecer brought new and highly complementary technological capabilities to our life sciences business, and we saw opportunities for cost savings and cross-selling opportunities. Comecer increased its Order Bookings significantly during fiscal 2021, with strong growth in demand for automation for radiopharmaceuticals.

The ATS Industrial Automation group is pursuing attractive market segments, including electric mobility, e-commerce packaging, and automated tools and services for nuclear reactor refurbishment and decommissioning. Highlights included executing a \$60 million electric vehicle battery assembly program at a leading car maker and landing new customers in the nuclear reactor decommissioning business. It is carrying out an innovative nuclear decommissioning project led by Holtec International, a diversified energy technology company. The scope of work includes the design, build and test

of specialized tooling equipment to support the decommissioning of retired nuclear plants in Holtec's U.S.-based fleet. This equipment is critical to the safe and efficient decommissioning of a nuclear power plant, and will be tested underwater at ATS' full-scale mock-up test facility. Customer training in the use of these sophisticated tools is part of the project.

We look forward to building our nuclear decommissioning business in the United States and globally.

We are expanding ATS' global service offerings, offering full life-cycle solutions from spare parts during the pre-installation stage, to on-demand training using SmartCoach, to system upgrades at the end of life.

Across ATS, we anticipate potential for near-term growth from existing customers due to pent-up demand, as global businesses return to some projects and priorities that were sidelined during the pandemic. We also expect to secure new business as companies in our target sectors seek to reduce risk in their supply chains. Our facility expansions at several locations (in Chicago; Cambridge, Ontario; and Europe) were well timed to take advantage of a rebound in business activity and demand for the sophisticated automation products and services we provide.



# Expanding Our Reach

Our business has evolved over the last decade and will continue to do so as we enter new markets and develop business platforms. These include products, the food technology markets, expansion of our service offerings, continued investment in innovation and product development, and the pursuit of disciplined acquisitions.

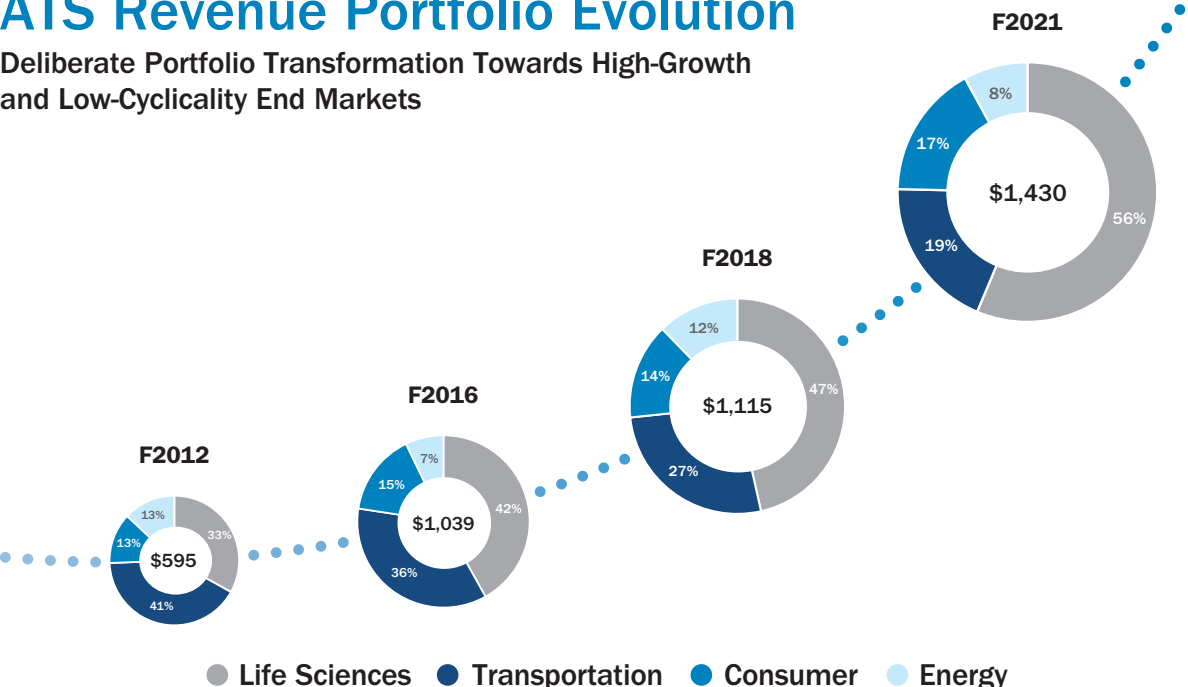
Our revenue mix is deliberately shifting toward high growth and steady, less-cyclical markets, with life sciences representing 56% of fiscal 2021 revenue.

We saw significant growth in our products and food technology platform, which began with the acquisition of MARCO in fiscal 2020. MARCO is a U.K.-based provider of yield control and recipe formulation systems for customers in the food, nutraceuticals and cosmetic sectors. It marked our first step into a product-based niche segment of the food sector with a dependable growth rate. We purposefully grew this platform in fiscal 2021 with the acquisition of CFT S.p.A, a global supplier of processing and packaging automation equipment for the food and beverage sector, based in Parma, Italy. CFT brings new capabilities in fresh produce sorting, processing and packaging, and we can combine its technologies to create unique market

offerings. In addition to the cost synergies we expect to realize from operational efficiencies and optimizing CFT’s supply chain, we are also exploring revenue synergy opportunities involving ATS and CFT outside of the food sector, such as joint quotes with ATS Life Sciences on projects, and using ATS’ expertise to accelerate CFT’s robotics development.

## ATS Revenue Portfolio Evolution

Deliberate Portfolio Transformation Towards High-Growth and Low-Cyclical End Markets





## Strategic Growth Platforms

We see high potential for growth in:

- Life sciences
- New frontiers, like the regulated food sector
- Expanded services

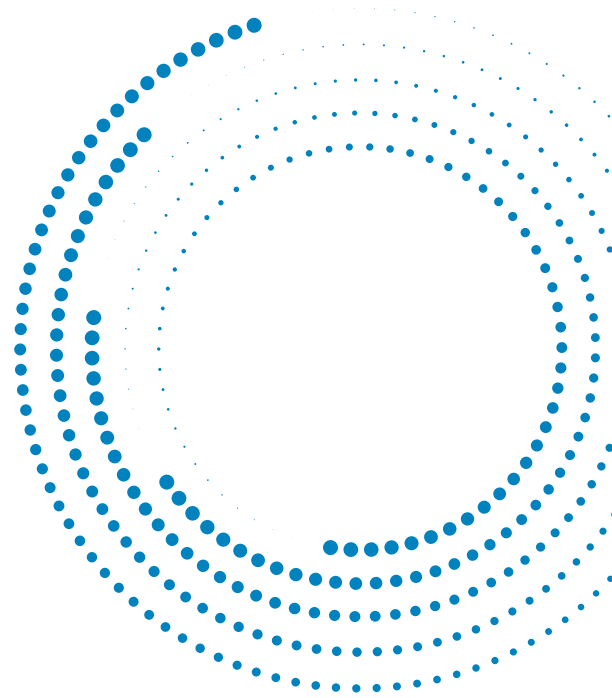
**In addition to strong secular drivers, these attractive markets share the following traits:**

- Quality is critical with no margin for error
- Products are developed through complex processes
- Production process is technologically intense
- Regulated environments with exacting standards for process and product

We are particularly excited about the growth and application of data analytics and the Industrial Internet of Things (IIoT), as this has powerful potential to improve our customers' operations. Our expertise in automation, combined with digitalization, data collection and analysis, can improve the efficiency of a customer's entire production system – not just the ATS assets. In November 2020, our PA Solutions group acquired Inimco, a Belgian company that helps manufacturers and equipment builders gather insights from machine and system data, improve operational efficiency and offer data-driven services. As the IIoT and cloud technology become more important in manufacturing, companies are looking for

data-led solutions – but the challenge of connecting various devices and machines can be a hurdle. Inimco, a specialist in edge and cloud computing, makes it simpler to gather and process data on a global scale from a central location.

Combining ATS' and Inimco's skill sets, PA Solutions launched a digitalization platform that connects different manufacturing systems and integrates data. Once collected and analyzed, data insights enable us to remove bottlenecks and optimize industrial processes and machine output. With prototypes underway, we aim to prove the value of these system-agnostic digitalization solutions, and show customers how ATS can integrate them into physical environments without disrupting production.



# ATS Innovation Centre Pioneering New Technologies

ATS has significantly boosted investment in innovation in recent years. As part of that drive, we opened the ATS Innovation Centre at our Cambridge, Ontario, campus in November 2020.

It is dedicated to accelerating the transformation of new ideas into state-of-the-art products, processes and services for ATS customers.

The initiative includes more than 30 full-time employees from all technical fields, including new skill sets in data science, artificial intelligence (AI) and machine learning (ML).

Although the team is developing technology on many new and exciting fronts, the bulk of its work focuses on high-speed automation, digital technologies and linear motion technology. The centre is also strategically building partnerships with customers, local universities and high-tech companies to push the boundaries of new ideas even further. As an example, the team is engaged with the University of Waterloo in the area of AI/ML and video processing.

Work performed at the centre is not abstract or theoretical activity – it has real impact on the Company and our customers. Last year, the team adopted a more intensive approach to capturing intellectual property and leveraging ATS

knowledge and capability. The work completed on advancing the Symphoni™ technology into a true product offering and incorporating AI/ML into its vision, as well as the linear motion technology and Illuminate™ products, are additional examples. These types of innovative tools help ATS deliver smarter, faster, world-leading automation solutions to our customers.

Beyond technology, the Innovation Centre is helping to build the culture of innovation at ATS. It sponsored several Innov8te days within the organization, giving employees the opportunity to step back from their daily tasks and spend time developing their own innovation ideas. The centre has become an excellent recruiting tool, helping to spark excitement and interest in ATS as a career destination for many. While its primary focus is within the Life Sciences group, the Innovation Centre is starting to expand its footprint beyond Cambridge by developing innovation “hubs” and facilitating projects at different ATS locations. ATS employees have a long track record of driving innovation; the centre aims to build on this strength and legacy and contribute to the winning culture that makes ATS a world leader.

# Management's Discussion and Analysis

For the Year Ended March 31, 2021

*This Management's Discussion and Analysis ("MD&A") for the year ended March 31, 2021 (fiscal 2021) is as of May 19, 2021 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the audited consolidated financial statements of the Company for fiscal 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.atsautomation.com](http://www.atsautomation.com).*

## Notice to reader: Non-IFRS measures and additional IFRS measures

Throughout this document, management uses certain non-IFRS measures to evaluate the performance of the Company. The terms "operating margin", "EBITDA", "EBITDA margin", "adjusted net income", "adjusted earnings from operations", "adjusted basic earnings per share", "non-cash working capital", "Order Bookings" and "Order Backlog" 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 (which includes amortization of intangible assets and right-of-use assets). EBITDA margin is an expression of the Company's EBITDA as a percentage of revenues. 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 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 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. 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.

Earnings from operations and EBITDA 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 EBITDA is an important indicator of the Company's ability to generate operating cash flows to fund continued investment in its operations. Management believes that adjusted earnings from operations and adjusted basic earnings per share (including adjusted net income) 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 evaluate the Company's management of its investment in non-cash working capital. Management calculates non-cash working capital as a percentage of revenues using period-end non-cash working capital divided by trailing two fiscal quarter revenues annualized. 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. 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) earnings from operations and EBITDA to net income, and (ii) adjusted earnings from operations to earnings from operations, adjusted net income to net income and adjusted basic earnings per share to basic earnings per share, in each case for the three- and 12-month periods ended March 31, 2021 and March 31, 2020, is contained in this MD&A (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 12-month periods ended March 31, 2021 and March 31, 2020 is also contained in this MD&A (see “Order Backlog Continuity”).

## 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 to deliver 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, food & beverage, transportation, consumer products, and energy. Founded in 1978, ATS employs over 5,000 people at 28 manufacturing facilities and over 50 offices in North America, Europe, Southeast Asia and China.

## 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 these 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 year-over-year continuous improvement. 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 our customers and shareholders.

The ABM is ATS’ playbook, serving as the framework utilized by the Company to achieve its business goals and objectives through disciplined, continuous improvement. The ABM is used by ATS divisions globally, supported with extensive training in the use of key problem-solving tools, and applied through various projects to drive continuous improvement.

Key ABM drivers include:

- **Strengthening the core:** adopting a customer-first mindset; implementing a robust performance management system; adhering to eight value drivers; managing using Key Performance Indicators; and leveraging daily management to measure at the point of impact;
- **Delivering growth:** aligning with customer success; developing organizational talent; constantly confirming that progress is being made toward stated goals; and creating annual operating and capital deployment plans for each ATS division;
- **Pursuing excellence:** deploying specific goals that segment strategies into relevant areas of concentration; and improving continuously using Kaizen events, problem solving and other continuous improvement initiatives, which increase performance annually; and
- **Pioneering innovation:** driving automation market technology leadership; creating innovative platforms and analytics that benefit customers by reducing complexity, shortening development cycles and improving production efficiencies; and expanding the reach and scope of ATS' capabilities for competitive advantage.

## Business Overview

ATS and its subsidiaries serve customers in the following industrial markets: life sciences, which includes medical devices, pharmaceuticals, radiopharmaceuticals and chemicals; food & beverage, which includes processing, packaging and filling for fresh produce and liquid food & beverage; transportation, which includes electric vehicles, automotive and aerospace; consumer products, which includes warehousing automation, cosmetics, electronics and durable goods; and, energy, which includes nuclear and solar. With broad and in-depth knowledge across multiple industries and technical fields, ATS delivers single-source solutions to customers that lower production costs, accelerate product delivery, and improve quality control. ATS engages with customers on both greenfield programs, such as equipping new factories, and brownfield programs, such as capacity expansions, line moves, equipment upgrades, software upgrades, efficiency improvements and factory optimization. ATS is selective in its choice of markets and favours regulated industries where quality and reliability are mandatory.

ATS engages at varying points in customers' automation cycles. During the pre-automation phase, ATS offers comprehensive services, including discovery and analysis, concept development, simulation and total cost of ownership modelling, all of which help to verify the feasibility of different types of automation, set objectives for factors such as line speed and yield, assess production processes for manufacturability and calculate the total cost of ownership.

For customers that have decided to proceed with an automation project, ATS offers specialized equipment for specific applications or industrial markets, as well as automation and integration services, including engineering design, prototyping, process verification, specification writing, software and manufacturing process controls development, equipment design and build, standard automation products/platforms, third-party equipment qualification, procurement and integration, automation system installation, product line commissioning, validation and documentation. Following the installation of custom automation, ATS may supply duplicate or repeat automation systems that leverage engineering design completed in the original customer program. For customers seeking complex equipment production or build-to-print manufacturing, ATS provides value engineering, supply chain management, integration and manufacturing capabilities, and other automation products and solutions.

Post automation, ATS offers a number of services, including training, process optimization, preventative maintenance, emergency and on-call support, spare parts, retooling, retrofits and equipment relocation. Service agreements are often attached at the time of new equipment sale or are available on an after-market basis on installed equipment. The Company employs service strategies to increase the revenue derived from these activities. Its *Illuminate™ Manufacturing Intelligence* serves as a connected factory floor management system that captures, analyzes and uses real time machine performance data to quickly and accurately troubleshoot, deliver process and product solutions, prevent equipment downtime, drive greater operational efficiency and unlock performance for sustainable production improvements.

Contract values for individual automation systems vary and are often in excess of \$1 million, with some contracts for enterprise-type programs well in excess of \$10 million. Due to the custom nature of customer projects, contract durations vary, with typical durations ranging from six to 12 months, and some larger contracts extending up to 18 to 24 months. Contract values for pre-automation services and post-automation services range in value and can exceed \$1 million with varying durations, which can sometimes extend over a number of years.



## Competitive strengths

Management believes ATS has the following competitive strengths:

**Global presence, size and critical mass:** ATS' global presence and scale provide advantages in serving multinational customers, as many of the Company's competitors are smaller and operate with a narrower geographic and/or industrial market focus. ATS and its subsidiaries have locations in Canada, Germany, the United States, Italy, Belgium, Thailand, United Kingdom, Netherlands, Czech Republic, China, Slovakia, Ireland, Sweden, India, Singapore, Mexico, Spain, France, Denmark, and Brazil. ATS can deliver localized service through its network of over 50 locations globally. Management believes that ATS' scale and global footprint provide it with competitive advantages in winning large, multinational customer programs and in delivering a life-cycle-oriented service platform to customers' global operations.

**Technical skills, capabilities and experience:** ATS has designed, manufactured, assembled and serviced over 25,000 automation systems worldwide and has an extensive knowledge base and accumulated design expertise. Management believes ATS' broad experience in many different industries and with diverse technologies, its talented workforce, which includes over 1,700 engineers and over 300 program management personnel, and its ability to provide custom automation, repeat automation, automation products and value-added services, position the Company well to serve complex customer programs in a variety of markets.

**Product and technology portfolio:** Through its history of bringing thousands of unique automation projects to market, ATS has developed an extensive product and technology portfolio. ATS has a number of standard automation platforms and products, including: innovative linear motion transport systems; robust cam-driven assembly platforms; advanced vision systems used to ensure product or process quality; progressive material handling technologies; optical sorting and inspection technologies; test systems; factory management and intelligence software; other software solutions; proprietary weighing hardware and process control software technologies; aseptic processing and containment technologies; and high-performance tube filling and cartoning systems. In fiscal 2021, the Company completed construction of the new ATS Innovation Centre, a state-of-the-art facility for the innovation team, and completed the commercial launch of Symphoni™, an innovative, high-performance digital manufacturing technology that multiplies the productivity of automated assembly processes by eliminating non-value-added production time. Management believes the Company's extensive product and technology portfolio provides advantages in developing unique and leading solutions for customers and in maintaining competitiveness.

**Recognized brands:** Management believes ATS is well known within the global automation industry due to its long history of innovation and broad scope of operations. In addition, ATS' subsidiaries include several strong brands: "IWK", which specializes in the packaging market; "Process Automation Solutions" ("PA"), which provides innovative automation solutions for process and production sectors; "Comecer", which provides high-tech automation systems for the nuclear medicine and pharmaceutical industries; "MARCO", which provides yield control and recipe formulation systems in the food, nutraceuticals and cosmetics sectors; and "CFT", which specializes in the development and production of turn-key machines and systems for the food and beverage industries. Management believes that ATS' brand names and global reputation improve sales prospecting, allowing the Company to be considered for a wide variety of customer programs.

**Trusted customer relationships:** ATS serves some of the world's largest multinational companies. Most customer relationships are long-standing, often spanning a decade or more, and many customers are repeat buyers who return to ATS and its subsidiaries time after time to meet their automation manufacturing, assembly, processing, and services' needs.

**Total solutions capabilities:** Management believes the Company gains competitive advantages because ATS provides total turnkey solutions in automation. This allows customers to single-source their most complex projects to ATS rather than rely on multiple engineering firms and equipment builders. In addition, ATS can provide customers with other value-added services including pre-automation consulting, total cost of ownership studies, life-cycle material management, post-automation service, training and support.

## Overview – Operating Results

### Consolidated Revenues

(In millions of dollars)

| Revenues by type                     | Q4 2021         | Q4 2020         | Fiscal 2021       | Fiscal 2020       |
|--------------------------------------|-----------------|-----------------|-------------------|-------------------|
| Revenues from construction contracts | \$ 258.1        | \$ 257.9        | \$ 895.1          | \$ 884.9          |
| Services rendered                    | 109.7           | 97.5            | 413.3             | 423.2             |
| Sale of goods                        | 32.1            | 26.7            | 121.6             | 121.6             |
| <b>Total revenues</b>                | <b>\$ 399.9</b> | <b>\$ 382.1</b> | <b>\$ 1,430.0</b> | <b>\$ 1,429.7</b> |

| Revenues by market    | Q4 2021         | Q4 2020         | Fiscal 2021       | Fiscal 2020       |
|-----------------------|-----------------|-----------------|-------------------|-------------------|
| Life sciences         | \$ 228.7        | \$ 199.8        | \$ 805.4          | \$ 770.2          |
| Transportation        | 67.3            | 116.2           | 272.3             | 385.0             |
| Consumer products     | 69.9            | 41.2            | 238.2             | 172.7             |
| Energy                | 34.0            | 24.9            | 114.1             | 101.8             |
| <b>Total revenues</b> | <b>\$ 399.9</b> | <b>\$ 382.1</b> | <b>\$ 1,430.0</b> | <b>\$ 1,429.7</b> |

| Revenues by customer location | Q4 2021         | Q4 2020         | Fiscal 2021       | Fiscal 2020       |
|-------------------------------|-----------------|-----------------|-------------------|-------------------|
| North America                 | \$ 198.5        | \$ 172.3        | \$ 687.6          | \$ 588.3          |
| Europe                        | 140.3           | 175.0           | 567.8             | 709.4             |
| Asia/Other                    | 61.1            | 34.8            | 174.6             | 132.0             |
| <b>Total revenues</b>         | <b>\$ 399.9</b> | <b>\$ 382.1</b> | <b>\$ 1,430.0</b> | <b>\$ 1,429.7</b> |

### Fourth Quarter

Fiscal 2021 fourth quarter revenues were 4.7% higher than in the corresponding period a year ago and included \$0.9 million of revenues earned by acquired companies. Excluding acquired companies, fourth quarter revenues increased \$16.9 million, or 4.4%, compared to the corresponding period a year ago. Revenues from services increased 12.5% with broad-based strength across ATS' businesses. Revenues from the sale of goods increased 20.2% due primarily to increased after-sales spare parts sales. Revenues generated from construction contracts increased \$0.2 million.

By market, revenues generated in life sciences increased 14.5% on higher Order Backlog entering the fourth quarter of fiscal 2021. Revenues in transportation decreased 42.1% on lower Order Backlog entering the fourth quarter of fiscal 2021. This was due to a slowdown in the transportation market and the implementation of a reorganization plan that reduced exposure to certain aspects of the market and created alignment with market demand (see "Reorganization Activity"). Revenues generated in consumer products increased 69.6%, primarily on higher Order Backlog entering the fourth quarter of fiscal 2021 related to warehouse and personal care automation projects. Revenues in energy increased 36.5% due to higher Order Backlog entering the fourth quarter of fiscal 2021.

### Full Year

Fiscal 2021 revenues were \$1,430.0 million, in line with the prior fiscal year, and included \$25.3 million of revenues earned by acquired companies. Excluding acquired companies, revenues were \$1,404.7 million, a 1.7% decrease from a year ago. This was due primarily to pandemic-related travel restrictions, as well as temporary closures and entry restrictions at some customer sites which impacted services and some project work. Revenues from services decreased 2.3%, and sale of goods remained constant compared to the prior year. This was partially offset by a 1.2% increase in revenues generated from construction contracts.

By market, fiscal 2021 revenues from life sciences markets increased 4.6%, primarily due to timing of customer projects and opportunities related to the COVID-19 pandemic. Revenues in transportation decreased 29.3% due to a slowdown in the market brought on by the COVID-19 pandemic and the implementation of a reorganization plan that reduced exposure to certain aspects of the market and created alignment with market demand (see “Reorganization Activity”). Consumer products revenues increased 37.9% compared to a year ago, primarily on revenues related to warehouse automation and revenues earned by acquired companies. Energy revenues increased 12.1% compared to a year ago, primarily due to higher Order Backlog entering fiscal 2021.

## Consolidated Operating Results

(In millions of dollars)

|   | Q4 2021 |              | Q4 2020 |      | Fiscal 2021 |              | Fiscal 2020 |       |
|---|---------|--------------|---------|------|-------------|--------------|-------------|-------|
| <b>Earnings from operations</b>                       | \$      | <b>42.8</b>  | \$      | 24.9 | \$          | <b>119.6</b> | \$          | 95.6  |
| Amortization of acquisition-related intangible assets |         | <b>8.1</b>   |         | 8.5  |             | <b>33.5</b>  |             | 33.7  |
| Restructuring charges                                 |         | -            |         | 5.8  |             | <b>14.3</b>  |             | 26.6  |
| Acquisition-related transaction costs                 |         | <b>4.2</b>   |         | 0.1  |             | <b>6.7</b>   |             | 1.5   |
| Gain on sale of facility                              |         | -            |         | -    |             | <b>(5.3)</b> |             | -     |
| Contingent consideration adjustment                   |         | <b>(5.6)</b> |         | -    |             | <b>(5.6)</b> |             | -     |
| <b>Adjusted earnings from operations<sup>1</sup></b>  | \$      | <b>49.5</b>  | \$      | 39.3 | \$          | <b>163.2</b> | \$          | 157.4 |

|                                 | Q4 2021 |             | Q4 2020 |      | Fiscal 2021 |              | Fiscal 2020 |       |
|---------------------------------|---------|-------------|---------|------|-------------|--------------|-------------|-------|
| <b>Earnings from operations</b> | \$      | <b>42.8</b> | \$      | 24.9 | \$          | <b>119.6</b> | \$          | 95.6  |
| Depreciation and amortization   |         | <b>17.4</b> |         | 18.3 |             | <b>71.0</b>  |             | 71.4  |
| <b>EBITDA<sup>2</sup></b>       | \$      | <b>60.2</b> | \$      | 43.2 | \$          | <b>190.6</b> | \$          | 167.0 |

<sup>1</sup> See “Notice to Reader: Non-IFRS Measures and Additional IFRS Measures.”

<sup>2</sup> See “Notice to Reader: Non-IFRS Measures and Additional IFRS Measures.”

## Fourth Quarter

Fiscal 2021 fourth quarter earnings from operations were \$42.8 million (10.7% operating margin) compared to \$24.9 million (6.5% operating margin) in the fourth quarter a year ago. Earnings from operations included: \$8.1 million related to amortization of acquisition-related intangible assets, down from \$8.5 million a year ago; \$4.2 million of incremental costs related to the Company’s acquisition activity, up from \$0.1 million last year; and \$5.6 million in adjustments to contingent consideration related to the acquisition of MARCO. Fiscal 2020 fourth quarter earnings included \$5.8 million of restructuring charges incurred as part of the Company’s reorganization activity (see “Reorganization Activity”).

Excluding these items in both quarters, adjusted earnings from operations were \$49.5 million (12.4% margin), compared to \$39.3 million (10.3% margin) a year ago. Higher fourth quarter fiscal 2021 adjusted earnings from operations reflected a higher gross margin due to efficiency gains made in the Company’s cost structure, improved program execution and increased revenues from after-sales services. In the fourth quarter, the Company benefited from recoveries under the Canadian Emergency Wage Subsidy (“CEWS”) program of \$2.6 million.

Depreciation and amortization expense was \$17.4 million in the fourth quarter of fiscal 2021, compared to \$18.3 million a year ago. The decrease primarily reflected the disposal of assets executed as part of the Company’s reorganization activity (see “Reorganization Activity”).

EBITDA was \$60.2 million (15.1% EBITDA margin) in the fourth quarter of fiscal 2021 compared to \$43.2 million (11.3% EBITDA margin) in the fourth quarter of fiscal 2020. Higher EBITDA reflected an improved cost structure as well as the absence of restructuring expenses in the fourth quarter of fiscal 2021 compared to the prior year.

## Full Year

Earnings from operations were \$119.6 million (8.4% operating margin) in fiscal 2021, compared to \$95.6 million (6.7% operating margin) a year ago. Excluding \$33.5 million related to amortization of acquisition-related intangible assets, \$14.3 million of restructuring costs, \$6.7 million of incremental costs related to the Company's acquisition activity, a \$5.3 million of gain on the sale of a facility and a \$5.6 million adjustment to contingent consideration related to MARCO, adjusted earnings from operations were \$163.2 million (11.4% operating margin) in fiscal 2021, compared to \$157.4 million (11.0% operating margin) in the corresponding period a year ago. Higher adjusted earnings from operations in fiscal 2021 primarily reflected a higher gross margin as compared to the prior year, partially offset by higher selling, general and administrative expenses. COVID-related operational inefficiencies arising from health and safety measures, travel restrictions, temporary closures and entry restrictions at some customer sites, were partially offset by recoveries under the CEWS of \$16.2 million, of which \$12.3 million was recorded in cost of sales and \$3.9 million was recorded in selling, general and administrative expenses. These payments were utilized by the Company to partially offset operational inefficiencies, minimize temporary work reductions and maintain employment of the Company's highly skilled workforce.

Depreciation and amortization expense was \$71.0 million in fiscal 2021 compared to \$71.4 million a year ago.

Fiscal 2021 EBITDA was \$190.6 million (13.3% EBITDA margin) compared to \$167.0 million (11.7% EBITDA margin) in fiscal 2020. Higher EBITDA reflected lower restructuring expenses, the gain on sale of a facility, as well as an improved cost structure.

## Order Bookings by Quarter

(In millions of dollars)

|                             | Fiscal 2021     | Fiscal 2020     |
|-----------------------------|-----------------|-----------------|
| Q1                          | \$ 325          | \$ 423          |
| Q2                          | 403             | 321             |
| Q3                          | 435             | 368             |
| Q4                          | 463             | 356             |
| <b>Total Order Bookings</b> | <b>\$ 1,626</b> | <b>\$ 1,468</b> |

## Fourth Quarter

Fourth quarter fiscal 2021 Order Bookings were \$463 million, a 30.1% increase compared to the fourth quarter of fiscal 2020. Organic growth in the quarter was 31.0% and bookings from acquired companies amounted to 0.3% of the increase. Foreign exchange rates negatively impacted the translation of Order Bookings from foreign-based ATS subsidiaries by approximately 1.2% compared to the corresponding period a year ago, primarily reflecting the strengthening of the Canadian dollar relative to the U.S. dollar. By market, higher Order Bookings in life sciences primarily related to medical device programs and critical life sciences products to aid in the fight against COVID-19. Fourth quarter fiscal 2021 Order Bookings included large Order Bookings related to COVID-19 point-of-care rapid testing. Order Bookings in transportation increased due to a large EV program win and timing of customer orders. Higher Order Bookings in consumer products primarily reflected programs related to warehouse automation. Bookings in energy decreased due to timing of customer projects, primarily in the nuclear market.

## Full Year

Fiscal 2021 Order Bookings were \$1,626 million, a 10.8% increase over \$1,468 million in the prior year. Excluding business acquisitions, fiscal 2021 Order Bookings were \$1,599 million. By market, higher Order Bookings in the life sciences and consumer products markets more than offset lower Order Bookings in the transportation and energy markets.

## Order Backlog Continuity

(In millions of dollars)

|  | Q4 2021         | Q4 2020       | Fiscal 2021     | Fiscal 2020   |
|--|-----------------|---------------|-----------------|---------------|
| Opening Order Backlog                  | \$ 985          | \$ 939        | \$ 942          | \$ 904        |
| Revenues                               | (400)           | (382)         | (1,430)         | (1,430)       |
| Order Bookings                         | 463             | 356           | 1,626           | 1,468         |
| Order Backlog adjustments <sup>1</sup> | 112             | 29            | 22              | –             |
| <b>Total</b>                           | <b>\$ 1,160</b> | <b>\$ 942</b> | <b>\$ 1,160</b> | <b>\$ 942</b> |

<sup>1</sup> Order Backlog adjustments include incremental Order Backlog of \$166 million acquired with CFT, foreign exchange adjustments, scope changes and cancellations.

## Order Backlog by Market

(In millions of dollars)

| As at             | March 31, 2021  | March 31, 2020 |
|-------------------|-----------------|----------------|
| Life sciences     | \$ 585          | \$ 467         |
| Transportation    | 197             | 273            |
| Consumer products | 282             | 90             |
| Energy            | 96              | 112            |
| <b>Total</b>      | <b>\$ 1,160</b> | <b>\$ 942</b>  |

At March 31, 2021, Order Backlog was \$1,160 million, 23.1% higher than at March 31, 2020. Order Backlog growth was primarily driven by higher Order Bookings in the life sciences and consumer products markets, as well as Order Backlog from acquired businesses. Foreign exchange rate changes negatively impacted the translation of Order Backlog from foreign-based ATS subsidiaries by approximately 6.9% compared to the corresponding period a year ago, primarily reflecting the strengthening of the Canadian dollar relative to the U.S. dollar and the Euro.

## Reorganization Activity

As part of its continuous improvement approach, management constantly reviews the Company's operations to ensure alignment with market opportunities and to achieve optimal structural and cost efficiencies. In the past two fiscal years, management has successfully completed two reorganizations.

In fiscal 2021, the Company substantially completed a reorganization plan to help mitigate the expected impact of a slowdown in transportation markets brought on by the COVID-19 pandemic. The reorganization plan was designed to align the capacity and cost structure of ATS' transportation business to current and expected conditions. The reorganization included the sale of certain assets and the transfer of employees from a German-based subsidiary to a third party that was completed in October 2020. The Company recorded restructuring expenses of \$14.3 million in fiscal 2021 in relation to the reorganization.

In fiscal 2020, the Company completed a reorganization which included the consolidation of certain operations and the closure of some underperforming facilities and small branch offices which were not strategically important to future growth. The Company recorded charges of \$26.6 million in relation to the reorganization. In the third quarter of fiscal 2021, a \$5.3 million gain on the sale of a facility made redundant due to the Company's previously completed reorganization was included in selling, general and administrative expenses.

## Outlook

The Company's funnel (which includes customer requests for proposal and ATS-identified customer opportunities) remains significant; however, the timing to convert opportunities into Order Bookings is more variable during the pandemic as some customers delay their planned project timing.

By market, the life sciences funnel remains robust, as activity in medical devices, pharmaceuticals and radiopharmaceuticals has improved and is being supplemented by opportunities related to the fight against COVID-19. In transportation, some

strategic opportunities related to new technologies such as electric vehicles have proceeded. Funnel activity in energy is variable and this market provides niche opportunities for ATS. Funnel activity in consumer products has improved; however, management expects some customers to remain cautious in deploying capital in the current economic environment. The addition of CFT has increased the Company's exposure to opportunities in regulated food and beverage equipment markets. Organic growth in the Company's fourth quarter Order Bookings and the addition of CFT resulted in an Order Backlog of \$1,160 million that will help mitigate 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. In the first quarter of fiscal 2022, management expects the conversion of Order Backlog to revenues to be in the higher end of the 35% to 40% range based on project mix and the addition of CFT.

The Company's sales organization continues to work to engage customers on enterprise-type solutions. Enterprise orders are expected to provide ATS with more strategic customer relationships, better program control, workload predictability and less short-term sensitivity to macroeconomic forces. This approach to market and the timing of customer decisions on larger opportunities is expected to cause variability in Order Bookings from quarter to quarter and lengthen the performance period and revenue recognition for certain customer programs. The Company is working to grow after-sales service revenues as a percentage of overall revenues over time, which is expected to provide some balance to the capital expenditure cycle of the Company's customers. Improvements were made in generating revenues from the Company's after-sales service business in the third and fourth fiscal quarters compared to the first half of the fiscal year; however, the Company continues to be impacted by the COVID-19 pandemic as a result of ongoing travel restrictions and some limitations on customer facility access.

Management is pursuing several initiatives with the goal of expanding its adjusted earnings from operations margin over the long term, including: growing the Company's higher margin after-sales service business; improving global supply chain management; increasing the use of standardized platforms and technologies; growing revenues while leveraging the Company's current cost structure; and developing the ABM. The Company benefitted from the CEWS program in fiscal 2021 due to lower revenues in its Canadian operations. The Canadian government has extended the CEWS program until June 2021, albeit at a lower recovery rate and the recent federal budget proposed extending it until September 2021.

Over the long term, the Company generally expects to continue investing in non-cash working capital to support the growth of its business, with fluctuations on a quarter-over-quarter basis. The Company's goal is to maintain its investment in non-cash working capital as a percentage of annualized revenues below 15%.

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: provide additional liquidity should the economic impacts of the COVID-19 pandemic persist for an extended period; fund its requirements for investments in non-cash working capital and capital assets; and fund strategic investment plans including some potential acquisitions. Acquisitions could result in additional debt or equity financing requirements.

On April 14, 2021, the Company announced it entered into a definitive agreement to acquire BioDot, Inc. ("BioDot"), a leading manufacturer of automated fluid dispensing systems. The transaction is expected to close in the second quarter of calendar 2021, pending the completion of customary regulatory filings. The acquisition of BioDot will give ATS increased exposure to attractive and growing end markets in point-of-care and clinical diagnostics automation end markets and expand its Life Sciences capabilities. The purchase price of U.S. \$84.0 million will be funded by drawing on the Company's revolving credit facility.

The outbreak of COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel restrictions, quarantine periods and physical distancing requirements have affected economies and disrupted business operations for ATS and its customers. It is difficult to predict the ultimate duration or severity of the pandemic or its affect on the business, financial results and conditions of the Company.

At the outset of the pandemic, management implemented several countermeasures designed to: protect employees (including work from home protocols, in-plant physical distancing requirements and shift work); ensure work on customer projects progresses; and, enable continued customer service through digital tools and regional support networks. These responses allowed the Company to maintain operations, although with less efficiency.

## Business Acquisitions

### CFT

On March 12, 2021, the Company announced results for the voluntary tender offer to acquire 100% of the outstanding shares and voting rights of CFT S.p.A. ("CFT"). As a result of the tender offer and subsequent shareholder approval, the Company acquired 97% of CFT's outstanding shares. CFT is a global supplier of automated processing and packaging equipment to the food and beverage equipment market. It serves a global, blue-chip customer base across Europe, North America and Asia through a portfolio of 10 market-leading brands and eight facilities in Italy, Spain, and Germany. Its revenue is diversified across the sales of complete lines, single machines, and the aftermarket. CFT is a strategic addition which complements the yield control and recipe formulation systems' capabilities of MARCO (acquired in December 2019) and will allow ATS to establish a broader growth platform in the regulated food and beverage equipment market. Management has identified and is now pursuing significant cost and revenue synergies that it intends to capture over the next three years.

Cash consideration paid in the fourth quarter of fiscal 2021 was \$127.2 million (85.4 million Euros). This acquisition was accounted for as a business combination with the Company as the acquirer of CFT. The purchase method of accounting was used and the earnings were consolidated from March 31, 2021.

### Inimco

On November 24, 2020, the Company acquired 100% of the shares of Inimco CV ("Inimco"). Inimco is a Belgium-based company that offers knowledge, resources and IoT-based solutions for the process and manufacturing industry on MS Azure and equivalent platforms. With its remote monitoring tool, SaaS solutions and domain expertise, Inimco enables its customers to gain insights into their machine and productivity data, improve operational efficiency and to engage with third parties.

The total purchase price was \$5.4 million (3.5 million Euros). Cash consideration paid in the third quarter of fiscal 2021 was \$3.9 million (2.5 million Euros). Included in the purchase price is contingent consideration of up to \$1.5 million (1.0 million Euros) which is payable if certain performance targets are met within three fiscal years of the acquisition date. This acquisition was accounted for as a business combination with the Company as the acquirer of Inimco. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, November 24, 2020.

## Consolidated Results

(In millions of dollars, except per share data)

|                                       | Q4 2021        | Q4 2020        | Fiscal 2021     | Fiscal 2020    | Fiscal 2019     |
|---------------------------------------|----------------|----------------|-----------------|----------------|-----------------|
| Revenues                              | \$ 399.9       | \$ 382.1       | \$ 1,430.0      | \$ 1,429.7     | \$ 1,253.6      |
| Cost of revenues                      | 288.8          | 293.4          | 1,045.8         | 1,067.6        | 924.9           |
| Selling, general and administrative   | 61.5           | 59.0           | 236.0           | 233.7          | 204.1           |
| Restructuring costs                   | -              | 5.8            | 14.3            | 26.6           | -               |
| Stock-based compensation              | 6.8            | (1.0)          | 14.3            | 6.2            | 9.8             |
| <b>Earnings from operations</b>       | <b>\$ 42.8</b> | <b>\$ 24.9</b> | <b>\$ 119.6</b> | <b>\$ 95.6</b> | <b>\$ 114.8</b> |
| Net finance costs                     | \$ 16.7        | \$ 7.8         | \$ 40.1         | \$ 28.1        | \$ 20.9         |
| Provision for income taxes            | 2.3            | 4.0            | 15.4            | 14.6           | 23.31           |
| <b>Net income</b>                     | <b>\$ 23.8</b> | <b>\$ 13.1</b> | <b>\$ 64.1</b>  | <b>\$ 52.9</b> | <b>\$ 70.8</b>  |
| <b>Basic earnings per share</b>       | <b>\$ 0.26</b> | <b>\$ 0.14</b> | <b>\$ 0.70</b>  | <b>\$ 0.57</b> | <b>\$ 0.76</b>  |
| <b>Diluted earnings per share</b>     | <b>\$ 0.26</b> | <b>\$ 0.14</b> | <b>\$ 0.69</b>  | <b>\$ 0.57</b> | <b>\$ 0.75</b>  |
| Total assets                          |                |                | \$ 2,196.1      | \$ 2,098.0     | \$ 1,688.8      |
| Total cash and short-term investments |                |                | \$ 187.5        | \$ 358.6       | \$ 224.5        |
| Total debt                            |                |                | \$ 504.8        | \$ 665.6       | \$ 348.7        |
| Other non-current liabilities         |                |                | \$ 131.1        | \$ 121.1       | \$ 113.4        |

**Revenues.** At \$399.9 million, consolidated revenues for the fourth quarter of fiscal 2021 were \$17.8 million, or 4.7% higher than in the corresponding period a year ago. At \$1,430.0 million, annual consolidated revenues were \$0.3 million higher than a year ago (see "Overview – Operating Results").

**Cost of revenues.** At \$288.8 million, fourth quarter fiscal 2021 cost of revenues decreased by \$4.6 million, or 1.6% compared to the corresponding period a year ago. Annual cost of revenues of \$1,045.8 million decreased \$21.8 million, or 2.0%. The decreases in cost of revenues were due to efficiencies made in the Company's cost structure and improved program execution. Fourth quarter fiscal 2021 gross margin was 27.8%, compared to 23.2% in the corresponding period a year ago, due to efficiencies made in the Company's cost structure, improved program execution, increased revenues from services and \$2.1 million of recoveries under the CEWS program.

Fiscal 2021 gross margin was 26.9%, compared to 25.3% in fiscal 2020. Higher gross margin for fiscal 2021 was due primarily to efficiency gains from the Company's reorganizations, improved program execution and \$12.2 million of recoveries under the CEWS program, which helped to offset lower after-sales services and operational inefficiencies related to COVID-19.

**Selling, general and administrative ("SG&A") expenses.** SG&A expenses for the fourth quarter of fiscal 2021 were \$61.5 million, which included \$8.1 million of costs related to the amortization of identifiable intangible assets on business acquisitions, \$4.2 million of incremental costs related to the Company's acquisition activity and \$5.6 million in adjustments to contingent consideration and post-acquisition remuneration related to the acquisition of MARCO. Excluding these items, SG&A expenses were \$54.8 million in the fourth quarter of fiscal 2021. Comparably, SG&A expenses for the fourth quarter of fiscal 2020 were \$50.4 million, which excluded \$8.5 million of costs related to the amortization of identifiable intangible assets recorded on business acquisitions and \$0.1 million of acquisition-related transaction costs. Higher SG&A expenses in the fourth quarter of fiscal 2021 primarily reflected increased employee costs, partially offset by the benefit of the reorganization, \$0.5 million of recoveries under the CEWS program and other cost containment measures.

Fiscal 2021 SG&A expenses were \$236.0 million, which included \$33.5 million of expenses related to the amortization of identifiable intangible assets on business acquisitions, \$6.7 million of incremental costs related to the Company's acquisition activity, a \$5.3 million gain on the sale of a facility and \$5.6 million in adjustments to contingent consideration and post-acquisition remuneration related to the acquisition of MARCO. Excluding these items, SG&A expenses were \$206.7 million for fiscal 2021. Comparably, SG&A expenses for fiscal 2020 were \$198.5 million, which excluded \$33.7 million of expenses related to the amortization of identifiable intangible assets on business acquisitions and \$1.5 million of incremental costs related to the Company's acquisition activity. Higher SG&A expenses primarily related to the assumption of SG&A from acquired companies and increased employee costs, partially offset by the benefit of the reorganization, \$3.9 million of recoveries under the CEWS program and other cost containment measures.

**Restructuring costs.** For the three and 12 months ended March 31, 2021, restructuring costs were \$nil and \$14.3 million, respectively, compared to restructuring costs of \$5.8 million and \$26.6 million, respectively, in the corresponding periods a year ago (see "Reorganization Activity").

**Stock-based compensation.** Stock-based compensation expense was \$6.8 million in the fourth quarter of fiscal 2021 compared to a recovery of \$1.0 million in the corresponding period a year ago. Fiscal 2021 stock-based compensation expense was \$14.3 million compared to \$6.2 million a year ago. The increase in stock-based compensation costs is attributable to higher expenses from the revaluation of deferred stock units and restricted share units based on the Company's stock price.

**Earnings from operations.** For the three and 12 month periods ended March 31, 2021, earnings from operations were \$42.8 million (10.7% operating margin) and \$119.6 million (8.4% operating margin), respectively, compared to earnings from operations of \$24.9 million (6.5% operating margin) and \$95.6 million (6.7% operating margin) in the corresponding periods a year ago (see "Overview – Operating Results").

**Net finance costs.** Net finance costs were \$16.7 million in the fourth quarter of fiscal 2021, compared to \$7.8 million a year ago. Fiscal 2021 finance costs were \$40.1 million compared to \$28.1 million a year ago. Higher interest expense related primarily to \$9.1 million of finance costs associated with the redemption of the U.S. \$250.0 million 6.5% senior notes that were due in 2023 (see "Liquidity, Cash Flow and Financial Resources").



**Income tax provision.** For the three and 12 months ended March 31, 2021, the Company's effective income tax rates of 8.8% and 19.4%, respectively, differed from the combined Canadian basic federal and provincial income tax rate of 26.5%. This was primarily due to a non-recurring recovery for income taxes of \$4.3 million, primarily related to the impact of tax planning opportunities which were implemented in the fourth quarter of fiscal 2021. Excluding the non-recurring recovery, the adjusted effective income tax rates for the three and 12 months ended March 31, 2021 were 25.3% and 24.8%, respectively.

**Net income.** Fiscal 2021 fourth quarter net income was \$23.8 million (26 cents per share basic and diluted) compared to \$13.1 million (14 cents per share basic and diluted) for the fourth quarter of fiscal 2020. Adjusted basic earnings per share were 34 cents in the fourth quarter of fiscal 2021 compared to 26 cents in the fourth quarter of fiscal 2020 (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

Fiscal 2021 net income was \$64.1 million (70 cents per share basic and 69 cents per share diluted) compared to \$52.9 million (72 cents per share basic and diluted) for the corresponding period a year ago. Adjusted basic earnings per share were 1.07 cents in fiscal 2021 compared to \$1.06 in the corresponding period a year ago (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

## Reconciliation of Non-IFRS Measures to IFRS Measures

(In millions of dollars, except per share data)

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

|   | Fiscal 2021     | Fiscal 2020 | Fiscal 2019 |
|---|-----------------|-------------|-------------|
| <b>EBITDA</b>                               | <b>\$ 190.6</b> | \$ 167.0    | \$ 157.2    |
| Less: depreciation and amortization expense | 71.0            | 71.4        | 42.4        |
| <b>Earnings from operations</b>             | <b>\$ 119.6</b> | \$ 95.6     | \$ 114.8    |
| Less: net finance costs                     | 40.1            | 28.1        | 20.9        |
| Provision for income taxes                  | 15.4            | 14.6        | 23.1        |
| <b>Net income</b>                           | <b>\$ 64.1</b>  | \$ 52.9     | \$ 70.8     |

|   | Q4 2021        | Q4 2020 |
|---|----------------|---------|
| <b>EBITDA</b>                               | <b>\$ 60.2</b> | \$ 43.2 |
| Less: depreciation and amortization expense | 17.4           | 18.3    |
| <b>Earnings from operations</b>             | <b>\$ 42.8</b> | \$ 24.9 |
| Less: net finance costs                     | 16.7           | 7.8     |
| Provision for income taxes                  | 2.3            | 4.0     |
| <b>Net income</b>                           | <b>\$ 23.8</b> | \$ 13.1 |

The following table reconciles 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 March 31, 2021 |             |                     | Three Months Ended March 31, 2020 |             |                     |
|---|-----------------------------------|-------------|---------------------|-----------------------------------|-------------|---------------------|
|   | IFRS                              | Adjustments | Adjusted (non-IFRS) | IFRS                              | Adjustments | Adjusted (non-IFRS) |
| <b>Earnings from operations</b>                       | \$ 42.8                           | \$ -        | \$ 42.8             | \$ 24.9                           | \$ -        | \$ 24.9             |
| Acquisition-related transaction costs                 | -                                 | 4.2         | 4.2                 | -                                 | 0.1         | 0.1                 |
| Amortization of acquisition-related intangible assets | -                                 | 8.1         | 8.1                 | -                                 | 8.5         | 8.5                 |
| Restructuring costs                                   | -                                 | -           | -                   | -                                 | 5.8         | 5.8                 |
| Contingent consideration adjustment                   | -                                 | (5.6)       | (5.6)               | -                                 | -           | -                   |
|   | \$ 42.8                           | \$ 6.7      | \$ 49.5             | \$ 24.9                           | \$ 14.4     | \$ 39.3             |
| Less: net finance costs                               | \$ 16.7                           | \$ -        | \$ 16.7             | \$ 7.8                            | \$ -        | \$ 7.8              |
| Less: adjustment to net finance costs <sup>1</sup>    | -                                 | (9.1)       | (9.1)               | -                                 | -           | -                   |
| <b>Income before income taxes</b>                     | \$ 26.1                           | \$ 15.8     | \$ 41.9             | \$ 17.1                           | \$ 14.4     | \$ 31.5             |
| Provision for income taxes                            | \$ 2.3                            | \$ -        | \$ 2.3              | \$ 4.0                            | \$ -        | \$ 4.0              |
| Adjustment to provision for income taxes <sup>2</sup> | -                                 | 8.7         | 8.7                 | -                                 | 3.9         | 3.9                 |
|   | \$ 2.3                            | \$ 8.7      | \$ 11.0             | \$ 4.0                            | \$ 3.9      | \$ 7.9              |
| <b>Net income</b>                                     | \$ 23.8                           | \$ 7.1      | \$ 30.9             | \$ 13.1                           | \$ 10.5     | \$ 23.6             |
| <b>Basic earnings per share</b>                       | \$ 0.26                           | \$ 0.08     | \$ 0.34             | \$ 0.14                           | \$ 0.12     | \$ 0.26             |

1 Adjustments to net finance costs relate to non-recurring finance costs associated with the redemption of the U.S. \$250.0 million 6.5% senior notes that were due in 2023 (see "Liquidity, Cash Flow and Financial Resources").

2 Adjustments to provision for income taxes include \$4.4 million of income tax effects on adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income, and a non-recurring provision for income taxes amount of \$4.3 million primarily related to the impact of tax planning opportunities which were implanted in the fourth quarter of fiscal 2021.

|   | Twelve Months Ended March 31, 2021 |             |                     | Twelve Months Ended March 31, 2020 |             |                     |
|---|------------------------------------|-------------|---------------------|------------------------------------|-------------|---------------------|
|   | IFRS                               | Adjustments | Adjusted (non-IFRS) | IFRS                               | Adjustments | Adjusted (non-IFRS) |
| <b>Earnings from operations</b>                       | \$ 119.6                           | \$ -        | \$ 119.6            | \$ 95.6                            | \$ -        | \$ 95.6             |
| Acquisition-related transaction costs                 | -                                  | 6.7         | 6.7                 | -                                  | 1.5         | 1.5                 |
| Amortization of acquisition-related intangible assets | -                                  | 33.5        | 33.5                | -                                  | 33.7        | 33.7                |
| Restructuring costs                                   | -                                  | 14.3        | 14.3                | -                                  | 26.6        | 26.6                |
| Gain on sale of facility                              | -                                  | (5.3)       | (5.3)               | -                                  | -           | -                   |
| Contingent consideration adjustment                   | -                                  | (5.6)       | (5.6)               | -                                  | -           | -                   |
|   | \$ 119.6                           | \$ 43.6     | \$ 163.2            | \$ 95.6                            | \$ 61.8     | \$ 157.4            |
| Less: net finance costs                               | \$ 40.1                            | \$ -        | \$ 40.1             | \$ 28.1                            | \$ -        | \$ 28.1             |
| Less: adjustment to net finance costs <sup>1</sup>    | \$ -                               | \$ (9.1)    | \$ (9.1)            | \$ -                               | \$ -        | \$ -                |
| <b>Income before income taxes</b>                     | \$ 79.5                            | \$ 52.7     | \$ 132.2            | \$ 67.5                            | \$ 61.8     | \$ 129.3            |
| Provision for income taxes                            | \$ 15.4                            | \$ -        | \$ 15.4             | \$ 14.6                            | \$ -        | \$ 14.6             |
| Adjustment to provision for income taxes <sup>2</sup> | -                                  | 18.7        | 18.7                | -                                  | 16.9        | 16.9                |
|   | \$ 15.4                            | \$ 18.7     | \$ 34.1             | \$ 14.6                            | \$ 16.9     | \$ 31.5             |
| <b>Net income</b>                                     | \$ 64.1                            | \$ 34.0     | \$ 98.1             | \$ 52.9                            | \$ 44.9     | \$ 97.8             |
| <b>Basic earnings per share</b>                       | \$ 0.70                            | \$ 0.37     | \$ 1.07             | \$ 0.57                            | \$ 0.49     | \$ 1.06             |

1 Adjustments to net finance costs relate to non-recurring finance costs associated with the redemption of the U.S. \$250.0 million 6.5% senior notes that were due in 2023 (see "Liquidity, Cash Flow and Financial Resources").

2 Adjustments to provision for income taxes include \$4.4 million of income tax effects on adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income, and a non-recurring provision for income taxes amount of \$4.3 million primarily related to the impact of tax planning opportunities which were implanted in the fourth quarter of fiscal 2021.

## Investments, Liquidity, Cash Flow and Financial Resources

### Investments

(In millions of dollars)

|  | Fiscal 2021      | Fiscal 2020     |
|--|------------------|-----------------|
| Investments – increase (decrease)            |                  |                 |
| Non-cash operating working capital           | \$ (64.1)        | \$ 112.6        |
| Acquisition of property, plant and equipment | 21.5             | 45.4            |
| Acquisition of intangible assets             | 10.0             | 11.1            |
| Proceeds from disposal of assets             | (12.0)           | (0.1)           |
| <b>Total net investments</b>                 | <b>\$ (44.6)</b> | <b>\$ 169.0</b> |

In fiscal 2021, the Company's investment in non-cash working capital decreased \$64.1 million, compared to an increase of \$112.6 million a year ago. Excluding acquired amounts related to CFT, accounts receivable decreased 28.1%, or \$81.9 million, and net contracts in progress decreased 27.2%, or \$30.9 million, compared to March 31, 2020, due to the timing of billings on 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. Excluding acquired amounts, inventories decreased 6.2%, or \$4.2 million, primarily due to a decrease in work-in-process on certain customer projects. Deposits and prepaid assets increased 9.5%, or \$3.0 million, net of CFT and compared to March 31, 2020, due to the timing of program execution. Accounts payable and accrued liabilities decreased 13.4%, or \$38.6 million, net of CFT and compared to March 31, 2020. Provisions decreased 27.1%, or \$8.7 million, net of CFT and compared to March 31, 2020, primarily due to higher provisions in fiscal 2020 related to the Company's Reorganization Plan.

Cash investments in property, plant and equipment totalled \$21.5 million in fiscal 2021, compared to \$45.4 million for fiscal 2020. Expenditures primarily related to the expansion and improvement of certain manufacturing facilities, and investments in computer hardware and office equipment.

Intangible assets expenditures were \$10.0 million for fiscal 2021, compared to \$11.1 million for fiscal 2020, and primarily related to computer software and various internal development projects.

Proceeds from disposal of assets were \$12.0 million in fiscal 2021, compared to \$0.1 million in fiscal 2020. The increase primarily reflected the sale of assets related to the Company's reorganization activity in fiscal 2021.

The Company performs impairment tests on its goodwill and intangible asset balances on an annual basis or as warranted by events or circumstances. The Company conducted its annual impairment assessment in the fourth quarter of fiscal 2021 and determined there was no impairment of goodwill or intangible assets as of March 31, 2021 (fiscal 2020 – \$nil).

All the Company's investments involve risks and require that the Company make judgments and estimates regarding the likelihood of recovery of the respective costs. In the event management determines that any of the Company's investments have become permanently impaired or recovery is no longer reasonably assured, the value of the investment would be written down to its estimated net realizable value as a charge against earnings.

### Liquidity, Cash Flow and Financial Resources

(In millions of dollars, except ratios)

| As at                                       | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| Cash and cash equivalents                   | \$ 187.5       | \$ 358.6       |
| Debt-to-equity ratio <sup>1</sup>           | 0.59:1         | 0.86:1         |
| Cash flows provided by operating activities | \$ 185.2       | \$ 20.3        |

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

At March 31, 2021, the Company had cash and cash equivalents of \$187.5 million compared to \$358.6 million at March 31, 2020. At March 31, 2021, the Company's debt-to-total equity ratio was 0.59:1.

In fiscal 2021, cash flows provided by operating activities were \$185.2 million (\$20.3 million provided by operating activities in the corresponding period a year ago). The increase in operating cash flows related primarily to the timing of investments in non-cash working capital in certain customer programs.

At March 31, 2021, the Company had \$775.8 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional \$196.0 million available under letter of credit facilities.

On July 29, 2020, the Company amended its senior secured credit facility (the "Credit Facility") and extended its maturity to August 29, 2022. The Credit Facility provides a committed revolving credit facility of \$750.0 million. 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 March 31, 2021, the Company had utilized \$2.2 million under the Credit Facility, of which \$nil was classified as long-term debt (March 31, 2020 - \$250.0 million) and \$2.2 million by way of letters of credit (March 31, 2020 - \$149.4 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 LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. 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 0.95% to 2.50%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or LIBOR, respectively, plus a margin that varies from 1.95% to 3.50%. The Company pays a fee for usage of financial letters of credit that ranges from 1.95% to 3.50%, and a fee for usage of non-financial letters of credit that ranges from 1.30% to 2.33%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.39% to 0.79%.

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 March 31, 2021, all covenants were met.

The Company has additional credit facilities available of \$29.6 million (10.1 million Euros, \$10.0 million U.S., 50.0 million Thai Baht and 0.4 million Czech Koruna). The total amount outstanding on these facilities at March 31, 2021 was \$1.2 million, of which \$1.1 million was classified as bank indebtedness (March 31, 2020 - \$4.6 million) and \$0.1 million was classified as long-term debt (March 31, 2020 - \$0.2 million). The interest rates applicable to the credit facilities range from 1.75% to 6.25% per annum. A portion of the long-term debt is secured by certain assets of the Company.

On December 29, 2020, the Company completed a private placement of U.S. \$350.0 million aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$8.1 million were deferred and will be amortized over the term of the Senior Notes. On January 13, 2021, ATS used the net proceeds from the Senior Notes to fund the redemption of its U.S. \$250.0 million 6.5% senior notes due in 2023 (the "Existing Notes"). The Company recorded finance costs of \$9.1 million related to the redemption of the Existing Notes.

The Senior Notes were issued at par, bear interest at a rate of 4.125% per annum and mature on December 15, 2028. 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. 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.

## Contractual Obligations

(In millions of dollars)

The Company's minimum purchase obligations are as follows:

|                    | Purchase obligations |
|--------------------|----------------------|
| Less than one year | \$ 294.0             |
| One–two years      | 3.1                  |
| Two–three years    | 0.5                  |
| Three–four years   | 0.2                  |
|                    | \$ 297.8             |

The Company's off-balance sheet arrangements consist of purchase obligations which consist primarily of 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. At March 31, 2021, the total value of outstanding letters of credit was approximately \$154.0 million (March 31, 2020 - \$219.0 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 consolidated statements 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 creditworthiness. 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.

## Share Data

During fiscal 2021, 457,676 stock options were exercised. At May 19, 2021 the total number of shares outstanding was 92,077,103 and there were 896,958 stock options outstanding to acquire common shares of the Company.

## Normal Course Issuer Bid

On December 21, 2020, 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 7,351,834 common shares of the Company during the 12-month period ending December 22, 2021.

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 ATS 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.

In fiscal 2021, the Company purchased 511,528 common shares for \$8.7 million under the previous NCIB program and nil common shares under the new NCIB program. The weighted average price per repurchased share was \$16.93. At March 31, 2021, a total of 7,351,834 common shares remained available for repurchase under the NCIB.

## 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, 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 fiscal 2021.

## Foreign Exchange

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 made by the Company 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 January 13, 2021, the Company settled the cross-currency interest rate swap instrument to swap U.S. \$150.0 million into Canadian dollars that was outstanding at December 27, 2020. During the term of the swap, the Company received interest of 6.50% U.S. per annum and paid interest of 6.501% Canadian. The Company also settled a cross-currency interest rate swap instrument to swap 134.1 million Euros into Canadian dollars. The Company received interest of 6.501% Canadian per annum and paid interest of 5.094% Euros. The Company paid \$16.9 million to settle the cross-currency swaps.

On January 13, 2021, 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 4.257% Canadian. The terms of the hedging relationship 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 January 13, 2021, the Company entered a cross-currency interest rate swap instrument to swap 143.9 million Euros into Canadian dollars. The Company will receive interest of 4.257% Canadian per annum and pay interest of 3.145% 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 CDN\$

|             | Year-end actual exchange rates |                   |          | Period average exchange rates |                   |          |
|-------------|--------------------------------|-------------------|----------|-------------------------------|-------------------|----------|
|             | March 31,<br>2021              | March 31,<br>2020 | % change | March 31,<br>2021             | March 31,<br>2020 | % change |
| U.S. dollar | 1.257                          | 1.408             | (10.7%)  | 1.322                         | 1.331             | (0.7%)   |
| Euro        | 1.473                          | 1.552             | (5.1%)   | 1.541                         | 1.479             | 4.2%     |

## Consolidated Quarterly Results

(In millions of dollars, except per share amounts)

|  | Q4 2021   | Q3 2021  | Q2 2021  | Q1 2021  | Q4 2020  | Q3 2020  | Q2 2020  | Q1 2020  |
|--|-----------|----------|----------|----------|----------|----------|----------|----------|
| Revenues                                       | \$ 399.9  | \$ 369.7 | \$ 335.5 | \$ 324.9 | \$ 382.1 | \$ 367.2 | \$ 341.2 | \$ 339.2 |
| Earnings from operations                       | \$ 42.8   | \$ 32.3  | \$ 23.4  | \$ 21.1  | \$ 24.9  | \$ 10.4  | \$ 31.7  | \$ 28.6  |
| Adjusted earnings from operations <sup>1</sup> | \$ 49.5   | \$ 43.8  | \$ 40.1  | \$ 29.7  | \$ 39.3  | \$ 37.5  | \$ 42.5  | \$ 38.0  |
| Net income                                     | \$ 23.8   | \$ 18.9  | \$ 11.6  | \$ 9.8   | \$ 13.1  | \$ 4.1   | \$ 19.3  | \$ 16.4  |
| Basic and diluted earnings per share           | \$ 0.26   | \$ 0.20  | \$ 0.13  | \$ 0.11  | \$ 0.14  | \$ 0.04  | \$ 0.21  | \$ 0.18  |
| Adjusted basic earnings per share <sup>1</sup> | \$ 0.34   | \$ 0.30  | \$ 0.26  | \$ 0.17  | \$ 0.26  | \$ 0.26  | \$ 0.29  | \$ 0.25  |
| Order Bookings <sup>2</sup>                    | \$ 463.0  | \$ 435.0 | \$ 403.0 | \$ 325.0 | \$ 356.0 | \$ 368.0 | \$ 321.0 | \$ 423.0 |
| Order Backlog <sup>3</sup>                     | \$1,160.0 | \$ 985.0 | \$ 956.0 | \$ 909.0 | \$ 942.0 | \$ 939.0 | \$ 945.0 | \$ 982.0 |

1 Non-IFRS measure. See "Notice to reader: Non-IFRS measures and additional IFRS measures" and "Reconciliation of Non-IFRS Measures to IFRS Measures."

2 Non-IFRS measure. See "Notice to reader: Non-IFRS measures and additional IFRS measures" and "Order Bookings by Quarter."

3 Non-IFRS measure. See "Notice to reader: Non-IFRS measures and additional IFRS measures" and "Order Backlog Continuity."

Interim financial results are not necessarily indicative of annual or longer-term results because many of the individual 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 third-party content, 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 and summer plant shutdowns by its customers. The COVID-19 pandemic may also affect quarterly performance patterns in fiscal 2022.

## Critical Accounting Estimates and Assumptions

The preparation of the Company's 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 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.

Notes 2 and 3 to the consolidated financial statements describe the basis of accounting and the Company's significant accounting policies.

## COVID-19

There is significant uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic on the Company's operations. The impact of the pandemic on the Company's financial condition, cash flows, operations, credit risk, liquidity and availability of credit is highly 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 consolidated financial statements.

The Company tests for impairment on an annual basis and if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. COVID-19 presents significant measurement uncertainties associated with the assumptions about the Company's future operating results used in calculating the recoverable amount for impairment testing at March 31, 2021.

## Revenue recognition and contracts in progress

The nature of ATS contracts requires the use of estimates to quote new business, and most automation systems are typically sold on a fixed-price basis. Revenues on construction contracts and other long-term contracts are recognized on a percentage of completion basis as outlined in note 3(c) "Revenue recognition – Construction contracts" to the consolidated financial statements. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed at each reporting period and by their nature may give rise to income volatility. If the actual costs incurred by the Company to complete a contract are significantly higher than estimated, the Company's earnings may be negatively affected. The use of estimates involves risks, since the work to be performed involves varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. In the event the Company is unable to meet the defined performance specification for a contracted automation system, it may need to redesign and rebuild all or a portion of the system at its expense without an increase in the selling price. Certain contracts may have provisions that reduce the selling price or provide for refund of purchase price if the Company fails to deliver or complete the contract by specified dates. These provisions may expose the Company to liabilities or adversely affect the Company's results of operations or financial position.

ATS' contracts may be terminated by customers in the event of a default by the Company or, in some cases, for the convenience of the customer. In the event of a termination for convenience, the Company typically negotiates a payment provision reflective of the progress achieved on the contract and/or the costs incurred to the termination date. If a contract is cancelled, Order Backlog is reduced and production utilization may be negatively impacted.

A complete provision, which can be significant, is made for losses on such contracts when the losses first become known. Revisions in estimates of costs and profits on contracts, which can also be significant, are recorded in the accounting period in which the relevant facts impacting the estimates become known.

A portion of ATS' revenue is recognized when earned, which is generally at the time of shipment and transfer of title to the customer, provided collection is reasonably assured.

## Investment tax credits and income taxes

Investment tax credit assets, disclosed in note 18 to the consolidated financial statements, are recognized as a reduction of the related expenses in the year in which the expenses are incurred, provided there is reasonable assurance that the credits will be realized. Management has made estimates and assumptions in determining the expenditures eligible for the investment tax credits claim and the amount could be materially different from the recorded amount upon review by the government. Deferred income tax assets, disclosed in note 18 to the consolidated financial statements, are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax- planning strategies.

If the assessment of the Company's ability to utilize the deferred income tax asset changes, the Company would be required to recognize more or fewer deferred income tax assets, which would increase or decrease income tax expense in the period in which this is determined. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous taxation audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all the relevant factors. The Company reviews the adequacy of these provisions at each quarter. However, it is possible that at some future date an additional liability could result from audits by the taxation authorities. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will affect the tax provisions in the period in which such determination is made.



## Stock-based payment transactions

The Company measures the cost of transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the future forfeiture rate, the expected life of the share option, weighted average risk-free interest rate, volatility and dividend yield, and formation of assumptions. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in note 19 to the consolidated financial statements.

## Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculations involve significant estimates and assumptions. Items estimated include cash flows, discount rates and assumptions on revenue growth rates. These estimates could affect the Company's future results if the current estimates of future performance and fair values change. Goodwill is assessed for impairment on an annual basis as described in note 11 to the consolidated financial statements. The Company performed its annual impairment test of goodwill as at March 31, 2021 and determined there was no impairment (March 31, 2020 – \$nil).

## Provisions

As described in note 3(n) to the consolidated financial statements, the Company records a provision when an obligation exists, an outflow of economic resources required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. The Company records a provision based on the best estimate of the required economic outflow to settle the present obligation at the consolidated statement of financial position date. While management believes these estimates are reasonable, differences in actual results or changes in estimates could have a material impact on the obligations and expenses reported by the Company.

## Employee benefits

The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are provided in note 15 to the consolidated financial statements.

## Changes in Accounting Policies

### Accounting Standard Adopted in Fiscal 2021

The Company has not adopted any standard, interpretation or amendment that had or is expected to have an impact on 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”).

### Disclosure Controls and Procedures

An evaluation of the design and operating effectiveness of the Company’s disclosure controls and procedures was conducted as of March 31, 2021 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Company and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

### Internal Control over Financial Reporting

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Company, and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The CEO and CFO have, using the framework and criteria established in “Internal Control – Integrated Framework (2013)” issued by COSO, evaluated the design and operating effectiveness of the Company’s internal controls over financial reporting and concluded that, as of March 31, 2021, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

In response to the COVID-19 pandemic, the Company implemented measures to enable physical distancing across ATS’ operations, including remote work. This change required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. The Company continues to monitor whether remote work arrangements have adversely affected the Company’s ability to maintain internal controls over financial reporting and disclosure controls and procedures. Despite the changes required by the current environment, there have been no significant changes in the design of the Company’s internal controls over financial reporting during the years ended March 31, 2021 and March 31, 2020, 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.

## Limitation on Scope

The Company announced results for the voluntary tender offer to acquire 100% of CFT on March 12, 2021. The earnings were consolidated from March 31, 2021. Management has not fully completed its review of internal controls over financial reporting for this newly acquired organization. Since the acquisition occurred within the 365 days of the reporting period, management has limited the scope of design and subsequent evaluation of disclosure controls and procedures and internal controls over financial reporting, as permitted under 5.3 of Form 52-109 F1 pursuant to National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken additional procedures to satisfy itself with respect to the accuracy and completeness of the acquired operations' financial information. The following summary of financial information pertains to the acquisition that was included in ATS' consolidated financial statements for the year ended March 31, 2021.

(In millions of dollars)

|                                      | CFT             |
|--------------------------------------|-----------------|
| Current assets <sup>1</sup>          | \$238.5 million |
| Non-current assets <sup>1</sup>      | \$263.8 million |
| Current liabilities <sup>1</sup>     | \$180.1 million |
| Non-current liabilities <sup>1</sup> | \$178.5 million |

<sup>1</sup> Balance sheet as at March 31, 2021.

## Other Major Considerations and Risk Factors

Any investment in ATS will be subject to risks inherent to ATS' business. The following risk factors are discussed in the Company's Annual Information Form, which may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

- Market volatility;
- Strategy execution risks;
- Acquisition risks;
- Expansion risks;
- Pandemic and epidemic risks;
- Natural or other disasters, acts of war, terrorism, international conflicts or other disruptions;
- Industry consolidation;
- Liquidity, access to capital markets and leverage;
- Restrictive covenants;
- Availability of performance and other guarantees from financial institutions;
- Share price volatility;
- Competition;
- First-time program and production risks;
- Automation systems pricing;
- Revenue mix risk;
- Pricing, quality, delivery and volume risks;
- Product failure;
- New product market acceptance, obsolescence, and commercialization;
- Security breaches or disruptions of information technology systems;

- Insurance coverage;
- Availability of raw materials and other manufacturing inputs;
- Customer risks;
- Insolvency or financial distress of third parties;
- Availability of human resources and dependence on key personnel;
- Cumulative loss of several significant contracts;
- Lengthy sales cycles;
- Lack of long-term customer commitment;
- Foreign exchange risk;
- Doing business in foreign countries;
- International trade;
- Legislative compliance;
- Environmental compliance;
- Corruption of Foreign Public Officials Act, United States Foreign Corrupt Practices Act and Anti-bribery laws risk;
- Intellectual property protection risks;
- Infringement of third parties' intellectual property rights risk;
- Internal controls;
- Impairment of intangible assets risk;
- Income and other taxes and uncertain tax liabilities;
- Variations in quarterly results;
- Litigation;
- Risks associated with Product businesses;
- Environmental, social and governance considerations risk;
- Manufacturing facilities disruption;
- Restructuring and work stoppage risk; and
- Dependence on performance of subsidiaries.

## Note to Readers: 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"). Such forward-looking statements involve 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. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: the strategic framework; the Company's strategy to expand organically and through acquisition; the ATS Business Model ("ABM"); conversion of opportunities into Order Bookings; the Company's Order Backlog partially mitigating the impact of volatile Order Bookings; rate of Order Backlog conversion; the expected benefits where the company engages with customers on enterprise-type solutions and the potential impact on Order Bookings, performance period, and timing of revenue recognition; expected benefits with

respect to the Company's efforts to expand its services revenues; initiatives having the goal of expanding adjusted earnings from operations margin over long-term; the CEWS program; non-cash working capital levels as a percentage of revenues; expectation in relation to meeting liquidity and funding requirements for investments; potential to use leverage to support growth strategy; expected closing of the BioDot transaction; the potential impact of COVID-19 and government emergency measures; and the Company's belief with respect to the outcome of certain lawsuits, claims and contingencies. The risks and uncertainties that may affect forward-looking statements include, among others: the progression of COVID-19 and its impacts on the Company's ability to operate its assets, including the possible shut-down of facilities due to COVID-19 outbreaks; the severity and duration of the COVID-19 pandemic in all jurisdictions where the Company conducts its business; the nature and extent of government-imposed restrictions on travel and business activities and the nature, extent, and applicability of government assistance programs, in both cases related to the COVID-19 pandemic, as applicable in all jurisdictions where the Company conducts its business; the impact of the COVID-19 pandemic on the Company's employees, customers, and suppliers; impact of COVID-19 on the global economy; general market performance including capital market conditions and availability and cost of credit; performance of the markets that ATS serves; foreign currency and exchange risk; the relative strength of the Canadian dollar; impact of factors such as increased pricing pressure 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, or to raise, through debt or equity, or otherwise have available, required capital; 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; that some or all of the sales funnel is not converted to Order Bookings due to competitive factors or failure to meet customer needs; timing of customer decisions related to large enterprise programs and potential for negative impact associated with any cancellations or non-performance in relation thereto; variations in the amount of Order Backlog completed in any given quarter; that the Company is not successful in growing its service offering or that expected benefits are not realized; that efforts to expand adjusted earnings from operations margin over long-term is 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 the CEWS program ceases to be available, that the Company ceases to qualify, or that the benefits under the program are other than expected; 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; that the BioDot transaction does not close, is delayed, or is prohibited as a result of the completion of the regulatory filing process; risk that the ultimate outcome of lawsuits, claims, and contingencies give rise to material liabilities for which no provisions have been recorded; that one or more customers, or other entities with which the Company has contracted, experience insolvency or bankruptcy with resulting delays, costs or losses to the Company; political, labour or supplier disruptions; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is or may become a party; exposure to product and/or professional liability claims; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS' filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and other than as required by applicable securities laws, ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

# Management's Responsibility for Financial Reporting

The preparation and presentation of the Company's consolidated financial statements is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements and other information in Management's Discussion and Analysis include amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in Management's Discussion and Analysis is consistent with that in the consolidated financial statements, except as described further in the "Non-IFRS Measures" section of Management's Discussion and Analysis.

Management maintains appropriate systems of internal accounting and administrative controls, which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as further described in the "Controls and Procedures" section of Management's Discussion and Analysis.

Management's responsibilities for financial reporting are overseen by the Board of Directors (the "Board"), which is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee (the "Committee").

The Committee is appointed by the Board and all of its members are independent directors. The Committee meets periodically with management and the internal and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements and the external auditor's report. The Committee has reported its findings to the Board, which has approved the consolidated financial statements and Management's Discussion and Analysis for issuance to shareholders. The Committee also considers, for review by the Board and approval of shareholders, the engagement or reappointment of the external auditor.

The consolidated financial statements have been audited on behalf of shareholders by Ernst & Young LLP, the external auditor, in accordance with Canadian generally accepted auditing standards. The external auditor has full and free access to management and the Committee.



**Andrew Hider**  
Chief Executive Officer



**Ryan McLeod**  
Chief Financial Officer

# Independent Auditor's Report

To the Shareholders of  
ATS Automation Tooling Systems Inc.

## Opinion

We have audited the consolidated financial statements of ATS Automation Tooling Systems Inc. and its subsidiaries, (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and 2020, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Estimate to complete on long-term revenue construction contracts

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p>The Company is involved in the design and build of custom-engineered automated manufacturing and test systems which consist of long-term projects which can span from several months to several years. Revenue from these fixed-price construction contracts is recognized progressively based on the percentage-of-completion method. This method is measured by reference to costs incurred to date as a percentage of the total estimated costs to complete a contract. The Company's policy for revenue recognition together with the related critical accounting estimates and judgments are described in notes 3 and 4 of the consolidated financial statements. The Company recognized \$895,086 of revenues on long-term construction contracts for the year ended March 31, 2021 related to these contracts.</p> <p>We identified the evaluation of the estimated costs to complete for significant open fixed-price construction contracts as a key audit matter because of the significant auditor judgment required. The total estimated costs to complete each significant open fixed-price construction contract drives the timing of revenue, profit recognition and involves significant judgments that can have a material impact on the amount of revenue recognized. These significant judgments include those related to estimated future labour and materials costs. These estimates are subjective and complex due to the long-term and unique nature of many of the projects and are dependent on the status of the individual project as of the period-end date.</p> | <p>Based on our risk assessment, we performed the following procedures, among others, for a sample of significant open fixed-price construction contracts as of the year-end date:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design, and, at certain locations, tested the operating effectiveness of controls related to the Company's initial budgeting process for new contracts;</li> <li>• We inquired and evaluated the consistency of responses obtained from operational personnel across various levels of management regarding risks and uncertainties with respect to significant fixed-price construction contracts as well as the nature of the work yet to be completed and estimated costs to complete such work;</li> <li>• We inspected contractual arrangements, change orders and evaluated the impact on estimated costs to complete for revenue recognition;</li> <li>• We compared a sample of estimated costs to vendor quotes, purchase orders or contractual labour rates;</li> <li>• We performed a look back analysis where we compared the current margin for projects to the initial margin or that of previous periods and investigated differences from expectations; and</li> <li>• We assessed the adequacy of disclosures in describing the areas of judgment and estimation uncertainties involving revenue recognition for in-progress contracts.</li> </ul> |

### Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to use after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada

May 19, 2021

# Consolidated Statements of Financial Position

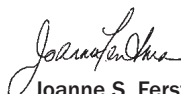
(in thousands of Canadian dollars)

| As at                                    | Note   | March 31, 2021 | March 31, 2020 |
|--|--------|----------------|----------------|
| <b>ASSETS</b>                            | 16     |                |                |
| <b>Current assets</b>                    |        |                |                |
| Cash and cash equivalents                |        | \$ 187,467     | \$ 358,645     |
| Accounts receivable                      |        | 285,947        | 291,126        |
| Income tax receivable                    |        | 8,158          | 3,720          |
| Contract assets                          | 22     | 272,847        | 231,531        |
| Inventories                              | 6      | 134,978        | 68,436         |
| Deposits, prepaids and other assets      | 7      | 37,807         | 31,149         |
|  |        | 927,204        | 984,607        |
| <b>Non-current assets</b>                |        |                |                |
| Property, plant and equipment            | 10     | 191,169        | 136,284        |
| Right-of-use assets                      | 8      | 72,570         | 61,156         |
| Other assets                             | 9      | 5,882          | 20,220         |
| Goodwill                                 | 11     | 671,057        | 608,243        |
| Intangible assets                        | 12     | 264,691        | 220,169        |
| Deferred income tax assets               | 18     | 11,087         | 2,725          |
| Investment tax credit receivable         | 18     | 52,440         | 64,569         |
|  |        | 1,268,896      | 1,113,366      |
| <b>Total assets</b>                      |        | \$ 2,196,100   | \$ 2,097,973   |
| <b>LIABILITIES AND EQUITY</b>            |        |                |                |
| <b>Current liabilities</b>               |        |                |                |
| Bank indebtedness                        | 16     | \$ 1,106       | \$ 4,572       |
| Accounts payable and accrued liabilities |        | 367,303        | 293,022        |
| Income tax payable                       |        | 32,938         | 3,084          |
| Contract liabilities                     | 22     | 218,290        | 117,757        |
| Provisions                               | 14     | 29,034         | 28,417         |
| Current portion of lease liabilities     | 8      | 15,197         | 15,696         |
| Current portion of long-term debt        | 16     | 79             | 133            |
|  |        | 663,947        | 462,681        |
| <b>Non-current liabilities</b>           |        |                |                |
| Employee benefits                        | 15     | 34,110         | 26,247         |
| Long-term lease liabilities              | 8      | 57,764         | 47,209         |
| Long-term debt                           | 16     | 430,634        | 597,965        |
| Deferred income tax liabilities          | 18     | 74,437         | 86,821         |
| Other long-term liabilities              | 9      | 22,548         | 8,037          |
|  |        | 619,493        | 766,279        |
| <b>Total liabilities</b>                 |        | \$ 1,283,440   | \$ 1,228,960   |
| Commitments and contingencies            | 16, 20 |                |                |
| <b>EQUITY</b>                            |        |                |                |
| Share capital                            | 17     | \$ 526,446     | \$ 521,884     |
| Contributed surplus                      |        | 11,170         | 11,680         |
| Accumulated other comprehensive income   |        | 59,830         | 92,585         |
| Retained earnings                        |        | 297,818        | 242,076        |
| Equity attributable to shareholders      |        | 895,264        | 868,225        |
| Non-controlling interests                |        | 17,396         | 788            |
| <b>Total equity</b>                      |        | 912,660        | 869,013        |
| <b>Total liabilities and equity</b>      |        | \$ 2,196,100   | \$ 2,097,973   |

On behalf of the Board:



**David McAusland**  
Director



**Joanne S. Ferstman**  
Director

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Income

(in thousands of Canadian dollars, except per share amounts)

| Years ended March 31                                   | Note   | 2021             | 2020             |
|--|--------|------------------|------------------|
| <b>Revenues</b>  |        |                  |                  |
| Revenues from construction contracts                   |        | \$ 895,086       | \$ 884,913       |
| Services rendered                                      |        | 413,323          | 423,252          |
| Sale of goods  |        | 121,643          | 121,569          |
| <b>Total revenues</b>                                  | 21, 22 | <b>1,430,052</b> | 1,429,734        |
| Operating costs and expenses                           |        |                  |                  |
| Cost of revenues                                       |        | 1,045,795        | 1,067,599        |
| Selling, general and administrative                    |        | 236,013          | 233,653          |
| Restructuring costs                                    | 14     | 14,355           | 26,624           |
| Stock-based compensation                               | 19     | 14,280           | 6,245            |
| <b>Earnings from operations</b>                        |        | <b>119,609</b>   | 95,613           |
| Net finance costs                                      | 23     | 40,152           | 28,074           |
| <b>Income before income taxes</b>                      |        | <b>79,457</b>    | 67,539           |
| Income tax expense                                     | 18     | 15,354           | 14,588           |
| <b>Net income</b>                                      |        | <b>\$ 64,103</b> | \$ 52,951        |
| <b>Attributable to</b>                                 |        |                  |                  |
| Shareholders   |        | \$ 64,092        | \$ 52,898        |
| Non-controlling interests                              |        | 11               | 53               |
|  |        | <b>\$ 64,103</b> | <b>\$ 52,951</b> |
| <b>Earnings per share attributable to shareholders</b> |        |                  |                  |
| Basic  | 24     | \$ 0.70          | \$ 0.57          |
| Diluted  | 24     | \$ 0.69          | \$ 0.57          |

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

| Years ended March 31  | Note | 2021             | 2020             |
|---|------|------------------|------------------|
| Net income  |      | \$ 64,103        | \$ 52,951        |
| Other comprehensive income (loss):  |      |                  |                  |
| Items to be reclassified subsequently to net income:  |      |                  |                  |
| Currency translation adjustment (net of income taxes of \$nil)                                |      | (21,599)         | 13,385           |
| Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges | 13   | 8,228            | (2,570)          |
| Tax impact  |      | (2,063)          | 639              |
| Gain transferred to net income for derivatives designated as cash flow hedges                 | 13   | (1,398)          | (2,342)          |
| Tax impact  |      | 351              | 594              |
| Cross currency interest rate swap adjustment  | 13   | (21,698)         | 17,773           |
| Tax impact  |      | 5,424            | (4,443)          |
| Items that will not be reclassified subsequently to net income:                               |      |                  |                  |
| Actuarial gains (losses) on defined benefit pension plans                                     | 15   | (3,653)          | 1,447            |
| Tax impact  |      | 1,042            | (404)            |
| <b>Other comprehensive income (loss)</b>  |      | <b>(35,366)</b>  | <b>24,079</b>    |
| <b>Comprehensive income</b>   |      | <b>\$ 28,737</b> | <b>\$ 77,030</b> |
| <b>Attributable to</b>  |      |                  |                  |
| Shareholders  |      | \$ 28,726        | \$ 76,977        |
| Non-controlling interests   |      | 11               | 53               |
|   |      | <b>\$ 28,737</b> | <b>\$ 77,030</b> |

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

| Year ended<br>March 31, 2021             | Share capital     | Contributed<br>surplus | Retained<br>earnings | Currency<br>translation<br>adjustments | Cash flow<br>hedge reserve | Total<br>accumulated<br>other<br>comprehensive<br>income | Non-controlling<br>interests | Total equity      |
|--|-------------------|------------------------|----------------------|--|----------------------------|--|------------------------------|-------------------|
| <b>Balance, as at<br/>March 31, 2020</b> | <b>\$ 521,884</b> | <b>\$ 11,680</b>       | <b>\$ 242,076</b>    | <b>\$ 81,158</b>                       | <b>\$ 11,427</b>           | <b>\$ 92,585</b>   | <b>\$ 788</b>                | <b>\$ 869,013</b> |
| Net income                               | -                 | -                      | 64,092               | -                                      | -                          | -  | 11                           | 64,103            |
| Other comprehensive<br>income            | -                 | -                      | (2,611)              | (21,599)                               | (11,156)                   | (32,755)   | -                            | (35,366)          |
| Total comprehensive<br>income (loss)     | -                 | -                      | 61,481               | (21,599)                               | (11,156)                   | (32,755)   | 11                           | 28,737            |
| Non-controlling interest<br>(note 5)     | -                 | -                      | -                    | -                                      | -                          | -  | 16,597                       | 16,597            |
| Stock-based<br>compensation              | -                 | 864                    | -                    | -                                      | -                          | -  | -                            | 864               |
| Exercise of stock<br>options             | 7,485             | (1,374)                | -                    | -                                      | -                          | -  | -                            | 6,111             |
| Repurchase of common<br>shares (note 17) | (2,923)           | -                      | (5,739)              | -                                      | -                          | -  | -                            | (8,662)           |
| <b>Balance, as at<br/>March 31, 2021</b> | <b>\$ 526,446</b> | <b>\$ 11,170</b>       | <b>\$ 297,818</b>    | <b>\$ 59,559</b>                       | <b>\$ 271</b>              | <b>\$ 59,830</b>   | <b>\$ 17,396</b>             | <b>\$ 912,660</b> |

| Year ended<br>March 31, 2020             | Share capital | Contributed<br>surplus | Retained<br>earnings | Currency<br>translation<br>adjustments | Cash flow<br>hedge reserve | Total<br>accumulated<br>other<br>comprehensive<br>income | Non-controlling<br>interests | Total equity |
|--|---------------|------------------------|----------------------|--|----------------------------|--|------------------------------|--------------|
| Balance, as at<br>April 1, 2019          | \$ 516,613    | \$ 11,709              | \$ 191,228           | \$ 67,773                              | \$ 1,776                   | \$ 69,549  | \$ 311                       | \$ 789,410   |
| Net income                               | -             | -                      | 52,898               | -                                      | -                          | -  | 53                           | 52,951       |
| Other comprehensive<br>income            | -             | -                      | 1,043                | 13,385                                 | 9,651                      | 23,036   | -                            | 24,079       |
| Total comprehensive<br>income            | -             | -                      | 53,941               | 13,385                                 | 9,651                      | 23,036   | 53                           | 77,030       |
| Non-controlling interest<br>(note 5)     | -             | -                      | -                    | -                                      | -                          | -  | 424                          | 424          |
| Stock-based<br>compensation              | -             | 949                    | -                    | -                                      | -                          | -  | -                            | 949          |
| Exercise of stock<br>options             | 6,963         | (978)                  | -                    | -                                      | -                          | -  | -                            | 5,985        |
| Repurchase of common<br>shares (note 17) | (1,692)       | -                      | (3,093)              | -                                      | -                          | -  | -                            | (4,785)      |
| Balance, as at<br>March 31, 2020         | \$ 521,884    | \$ 11,680              | \$ 242,076           | \$ 81,158                              | \$ 11,427                  | \$ 92,585  | \$ 788                       | \$ 869,013   |

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

| Years ended March 31   | Note | 2021                | 2020                |
|--|------|---------------------|---------------------|
| <b>Operating activities</b>                                  |      |                     |                     |
| Net income   |      | \$ 64,103           | \$ 52,951           |
| Items not involving cash                                     |      |                     |                     |
| Depreciation of property, plant and equipment                | 10   | 14,820              | 14,675              |
| Amortization of right-of-use assets                          | 8    | 16,111              | 15,913              |
| Amortization of intangible assets                            | 12   | 39,987              | 40,814              |
| Deferred income taxes  | 18   | (29,054)            | (951)               |
| Other items not involving cash                               |      | 7,282               | 3,270               |
| Stock-based compensation                                     | 19   | 14,280              | 6,245               |
| Gain on disposal of property, plant and equipment            | 10   | (6,505)             | –                   |
|  |      | <b>121,024</b>      | <b>132,917</b>      |
| Change in non-cash operating working capital                 |      | <b>64,135</b>       | <b>(112,570)</b>    |
| <b>Cash flows provided by operating activities</b>           |      | <b>\$ 185,159</b>   | <b>\$ 20,347</b>    |
| <b>Investing activities</b>                                  |      |                     |                     |
| Acquisition of property, plant and equipment                 | 10   | \$ (21,541)         | \$ (45,448)         |
| Acquisition of intangible assets                             | 12   | (10,031)            | (11,119)            |
| Business acquisitions, net of cash acquired                  | 5    | (68,523)            | (53,367)            |
| Proceeds from disposal of property, plant and equipment      | 10   | 11,963              | 139                 |
| <b>Cash flows used in investing activities</b>               |      | <b>\$ (88,132)</b>  | <b>\$ (109,795)</b> |
| <b>Financing activities</b>                                  |      |                     |                     |
| Bank indebtedness  |      | \$ (3,585)          | \$ 2,546            |
| Repayment of long-term debt                                  |      | (742,091)           | (17,087)            |
| Proceeds from long-term debt                                 |      | 504,315             | 250,183             |
| Proceeds from exercise of stock options                      |      | 6,111               | 5,985               |
| Repurchase of common shares                                  | 17   | (8,662)             | (4,785)             |
| Principal lease payments                                     |      | (15,204)            | (14,533)            |
| <b>Cash flows provided by (used in) financing activities</b> |      | <b>\$ (259,116)</b> | <b>\$ 222,309</b>   |
| Effect of exchange rate changes on cash and cash equivalents |      | (9,089)             | 1,244               |
| Increase (decrease) in cash and cash equivalents             |      | (171,178)           | 134,105             |
| Cash and cash equivalents, beginning of year                 |      | 358,645             | 224,540             |
| <b>Cash and cash equivalents, end of year</b>                |      | <b>\$ 187,467</b>   | <b>\$ 358,645</b>   |
| <b>Supplemental information</b>                              |      |                     |                     |
| Cash income taxes paid                                       |      | \$ 6,528            | \$ 10,807           |
| Cash interest paid   |      | \$ 38,428           | \$ 30,365           |

See accompanying notes to the consolidated financial statements.

# Notes to Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

## 1. Corporate Information

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively, “ATS” or the “Company”) uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services, including pre-automation and after-sales services, to address the sophisticated manufacturing automation systems and service needs of multinational customers.

The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Ontario, Canada. The address of its registered office is 730 Fountain Street North, Cambridge, Ontario, Canada.

The consolidated financial statements of the Company for the year ended March 31, 2021 were authorized for issue by the Board of Directors (the “Board”) on May 19, 2021.

## 2. Basis of Preparation

These consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except where otherwise stated.

### Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. The comparative Consolidated Financial Statements have been reclassified from the statements previously presented to conform to the presentation of the 2021 Consolidated Financial Statements.

### Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities where the Company directly or indirectly owns the majority of the voting power or can otherwise control the activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Non-controlling interests in the equity and results of the Company’s subsidiaries are presented separately in the consolidated statements of income and within equity on the consolidated statements of financial position.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company’s material subsidiaries are Automation Tooling Systems Enterprises GmbH, ATS Automation Holdings Limited, Automation Tooling Systems Enterprises Inc. and ATS Automation Tooling Systems GmbH. The Company has a 100% voting and equity securities interest in each of these corporations. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

## 3. Summary of Significant Accounting Policies

### (a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 – *Financial Instruments* (“IFRS 9”) either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS policy.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company’s share of the net identifiable assets of the acquiree at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units (“CGUs”) or groups of CGUs based on the level at which management monitors it. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

## (b) Foreign currency

Functional currency is the currency of the primary economic environment in which the subsidiary operates and is normally the currency in which the subsidiary generates and uses cash. Each subsidiary in the Company determines its own functional currency, and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Company’s functional and presentation currency is the Canadian dollar.

### Transactions

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### Translation

The assets and liabilities of foreign operations are translated into Canadian dollars at period-end exchange rates, and their revenue and expense items are translated at exchange rates prevailing at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

## (c) Revenue

The Company generates revenue from construction contracts, the sale of goods, and by services rendered. Revenue is measured based on the consideration specified in a contract and the Company recognizes revenue when it transfers control of a product or provides a service to a customer. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company’s contracts are typically one year or less.

### Construction contracts

A construction contract generally includes the design, manufacture and installation of new equipment for a customer’s new or existing system. The Company generally considers a construction contract to contain one performance obligation. However, the Company may provide several distinct goods or services as part of a contract, in which case, the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.



The Company typically satisfies construction contract performance obligations over time; therefore, the Company recognizes revenue over time as the performance obligations are satisfied using the stage of completion method as described below:

- The stage of completion of fixed price contracts is measured based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated on each contract.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Payment terms on fixed price contracts are normally based on set milestones outlined in the contract. Amounts received in advance of the associated contract work being performed are recorded as contract liabilities. Revenue is recognized without issuing an invoice and this entitlement to consideration is recognized as a reduction of the contract liability or as a contract asset. Payment terms on time and material contracts is normally based on a monthly billing cycle. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that losses are determined.

### **Sale of goods**

Revenue related to the sale of goods is recognized at a point in time when the Company satisfies a performance obligation and control of the asset is transferred to the customer. In determining satisfaction of a performance obligation, the Company considers the terms of the contract, including: shipping terms, and transfer of title and risk.

### **Services rendered**

Service contracts are either executed separately or bundled together with construction contracts. Where these contracts are bundled together, they are regarded as separate performance obligations, as each of the promises are capable of being distinct and are separately identifiable. Accordingly, a portion of the transaction price is allocated to each performance obligation relative to standalone selling prices.

A service contract can include modifications to existing customer equipment, maintenance services, training, line relocation, onsite support, field service, remote support, and consulting services. The Company generally considers service contracts to contain one performance obligation, which is satisfied over time. Therefore, revenue is recognized over time, using the stage of completion method described below:

- The stage of completion of fixed price contracts to provide specified services at specific times is measured based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated on each contract.
- The stage of completion of fixed price contracts to provide an indeterminable number of services over a specified period of time is measured based on contract term elapsed as a percentage of the full contract term.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Payment terms on service contracts are similar to construction contracts. Provisions for estimated losses on incomplete contracts are made in the period that losses are determined.

### **Revenue-related assets and liabilities:**

#### ***Trade receivables***

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

#### ***Contract assets***

Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. These assets are transferred to accounts receivable when the right to receive the consideration becomes unconditional.

#### ***Contract liabilities***

Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Company performs under the contract.

#### ***Unearned revenue***

Unearned revenue relates to deposits or prepayments from customers for service and sale of goods contracts where revenue is earned at a point in time.

## (d) Investment tax credits and government grants

Investment tax credits are accounted for as a reduction in the cost of the related asset or expense where there is reasonable assurance that such credits will be realized. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. When the grant relates to an expense item, it is deducted from the cost that it is intended to compensate. When the grant relates to an asset, it is deducted from the cost of the related asset. If a grant becomes repayable, the inception-to-date impact of the assistance previously recognized in income is reversed immediately in the period in which the assistance becomes repayable.

## (e) Taxes

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income tax related to items recognized directly in equity is also recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax filings with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

### Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset will be realized or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint operations, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred income tax asset will be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax related to items recognized outside profit or loss is also recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Income tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances existing at the acquisition date changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Revenues, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable and accrued liabilities on the consolidated statements of financial position.

## (f) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, ATS derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

|                      |                |
|----------------------|----------------|
| Buildings            | 25 to 40 years |
| Production equipment | 3 to 10 years  |
| Other equipment      | 3 to 10 years  |

Leasehold improvements are amortized over the shorter of the term of the related lease or their remaining useful life on a straight-line basis.

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis or more frequently if required and adjusted prospectively, if appropriate.

## (g) Leases

At the inception of a contract, the Company determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company recognizes a right-of-use ("ROU") asset and a lease liability on the date the leased asset is available for use by the Company (at the commencement of the lease).

### Right-of-use assets

ROU assets are initially measured at cost, which is comprised of the initial amount of the lease liability, any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset or site on which it is located, less any lease payments made at or before the commencement date. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, a recognized ROU asset is depreciated using the straight-line method over the shorter of its estimated useful life or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

### Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. The lease payments also include the exercise price of a purchase option

reasonably certain to be exercised by the Company and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of the lease liability and the interest portion. The finance cost is charged to net finance costs in the consolidated statements of income over the lease period. Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of income as permitted by IFRS 16.

The carrying amount of the lease liability is remeasured if there is a modification resulting in a change in the lease term, a change in the future lease payments, or a change in the Company's estimate of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured, a corresponding adjustment is made to the ROU asset.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components, but instead account for any lease and associated non-lease components as a single arrangement. The Company has applied this practical expedient.

### **Determining the lease term of contracts with renewal or termination options**

The lease term includes the non-cancellable term of the lease including extension and termination options if the Company is reasonably certain to exercise the option. The Company applies judgment in evaluating whether it is reasonably certain to exercise the options. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

### **(h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

### **(i) Intangible assets**

Acquired intangible assets are primarily software, customer relationships, brands and technologies. Intangible assets acquired separately are initially recorded at fair market value and subsequently at cost less accumulated amortization and impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives, ranging from 1 to 10 years, on a straight-line basis. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized. The Company assesses the indefinite life at each reporting date to determine if there is an indication that an intangible asset may be impaired. If any indication exists, or when annual impairment testing for the intangible asset is required, the Company estimates the recoverable amount at the CGU level to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An asset is impaired when the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Impairment losses relating to intangible assets are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

### **Research and development expenditures**

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset only when the following conditions are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The Company's intention to complete and its ability to use or sell the intangible asset;
- How the asset will generate future economic benefits;

- The availability of resources to complete the intangible asset; and
- The ability to measure the expenditures reliably during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. In the event that a product program for which costs have been deferred is modified or cancelled, the Company will assess the recoverability of the deferred costs and, if considered unrecoverable, will expense the costs in the period the assessment is made.

## (j) Financial instruments

### Recognition

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

### Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: amortized cost, fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”), or derivatives designated as a hedging instrument in an effective hedge. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are measured at amortized cost where the business model is to hold the financial asset to collect its contractual cash flows.

Financial liabilities are classified to be measured at amortized cost, derivatives designated as a hedging instrument in an effective hedge, or they are designated to be measured subsequently at FVTPL. For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company classifies and measures financial assets (excluding derivatives) on initial recognition as described below:

- Cash and cash equivalents and restricted cash are classified as and measured at amortized cost.
- Accounts receivable are classified as and measured at amortized cost using the effective interest rate method, less any impairment allowance. Accounts receivable are held within a hold-to-collect business model. The Company does not factor or sell any of its trade receivables.

Accounts payable and accrued liabilities, bank indebtedness, and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

### Measurement

All financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial instruments classified as amortized cost are included with the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments classified as FVTPL are recognized immediately in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amounts outstanding, are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at fair value at the end of subsequent accounting periods, with changes recognized in profit or loss or other comprehensive income (irrevocable election at the time of recognition). Designation at FVTOCI is not permitted if the equity investment is held for trading. The cumulative fair value gain or loss will not be reclassified to profit or loss on the disposal of the investments.

### Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement, and either the Company has transferred substantially all the risks and rewards of the asset, or ATS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

### **Impairment**

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macroeconomic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

### **Fair value of financial instruments**

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable or can be corroborated by observable market data
- Level 3 – unobservable inputs that are supported by no market activity

## **(k) Derivative financial instruments and hedge accounting**

The Company may use derivative financial instruments such as forward foreign exchange contracts and cross-currency interest rate swaps to hedge its foreign currency risk. The Company designates certain derivative financial instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. At the inception of the hedging relationship, the Company documents the economic relationship between the hedging instrument and the hedged item including whether the hedging instrument is expected to offset changes in cash flows of hedged items. At the inception of each hedging relationship, the Company documents its risk management objective, its strategy for undertaking various hedge transactions and how the Company will assess the hedging instrument's effectiveness in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk. The hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

### **Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow reserve, while any ineffective portion is recognized immediately in the consolidated statements of income.

Amounts recognized in other comprehensive income and accumulated in equity are transferred to the consolidated statements of income when the hedged item is recognized in profit or loss. These earnings are included within the same line of the consolidated statements of income as the hedged item. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred at the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecasted transaction or firm commitment affects profit or loss.

The Company uses forward foreign exchange contracts as hedges of its exposure to foreign currency risk on anticipated revenues or costs, and cross-currency interest rate swap contracts as hedges of its exposure to foreign currency-denominated Senior Notes. The Company may use interest rate swap contracts to reduce its exposure to floating interest rates.

### Hedges of net investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses related to the ineffective portion are recognized in the consolidated statements of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statements of income. The Company uses cross-currency interest rate swap contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

### Put options

Where the Company has issued put options over shares held by a non-controlling interest, the Company recognizes a financial liability for the estimated exercise value of the option. Changes in the estimated liability after initial recognition are recognized in the consolidated statements of income.

In order to determine the corresponding entry to reflect the aforementioned financial liability, it is necessary to consider whether, as part of the conditions to exercise the puttable financial instrument, the risks and benefits deriving from ownership of the minority interest are transferred to the controlling company or remain with the owners of the minority interest, as this will determine whether the minority interests subject to the put option are required to be reported. If the risks and benefits are not transferred to the controlling company by the puttable option, the minority interests subject to the put option require reporting. If, on the other hand, such risks and benefits are transferred, the minority interests need to be recognized in the consolidated financial statements.

Considering the above:

- If the minority interests do not need to be recognized in the financial statements as the related risks and benefits have transferred to the controlling company, the liability related to the put option will be reflected:
  - i) in goodwill, if the put option was granted to the seller in the context of a business combination; or
  - ii) against equity attributable to the minorities, in the case in which the contract was entered into outside such context.
- If the risks and benefits have not transferred, the corresponding entry will be equity attributable to the owners of the Company.

## (I) Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. The cost of raw materials includes purchase cost and costs incurred in bringing each product to its present location and condition. The cost of work in progress and finished goods includes cost of raw materials, labour and related manufacturing overhead, excluding borrowing costs, based on normal operating capacity. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## (m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses, including impairment on inventories, are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

## (n) Provisions

Provisions are recognized when: the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience and specific known risks. The initial estimate of warranty-related costs is reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

### Restructuring provisions

Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and the appropriate timeline. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

## (o) Employee benefits

The Company operates pension plans in accordance with the applicable laws and regulations in the respective countries in which the Company conducts business. The pension benefits are provided through defined benefit and defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of March 31. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in other comprehensive income. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognized in selling, general and administrative expenses in the consolidated statements of income. The past service costs are recognized immediately in profit or loss as an expense.

The defined benefit asset or liability comprises the present value of the defined benefit obligation using the current interest rate at the reporting date on high-quality fixed-income investments with maturities that match the expected maturities of the obligation, less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information, and in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.



The accounting method for other long-term employee benefit plans is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in the consolidated statements of income.

### (p) Stock-based payments

The Company operates both equity-settled and cash-settled stock-based compensation plans under which the entity receives services from employees as consideration for equity instruments (options) of the Company or cash payments.

For equity-settled plans, namely the Employee Share Purchase Plan and the Stock Option Plan, the fair value determined at the grant date is expensed on a proportionate basis consistent with the vesting features of each grant and incorporates an estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest based on the non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of income with a corresponding adjustment to equity. The proceeds received are credited to share capital and share premiums when the stock options are exercised.

For cash-settled plans, namely the Deferred Stock Unit Plan and the Restricted Share Units, the expense is determined based on the fair value of the liability incurred at each award date and at each subsequent consolidated statement of financial position date until the award is settled. The fair value of the liability is measured by applying quoted market prices. Changes in fair value are recognized in the consolidated statements of income in stock-based compensation expense.

### (q) Standard adopted in fiscal 2021

The Company has not adopted any standard, interpretation or amendment that had or is expected to have an impact on the Company.

### (r) Amendments issued but not yet effective

A number of amendments to standards have been issued but are not yet effective for the financial year ended March 31, 2021, and accordingly, have not been applied in preparing these consolidated financial statements. The Company reviewed these amendments and concluded that there would be no impact on adoption given their nature and applicability.

## 4. Critical Accounting Estimates and Assumptions

The preparation of the Company's 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. However, 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 estimates, judgments and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

### (a) COVID-19

There is significant uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic on the Company's operations. The impact of the pandemic on the Company's financial condition, cash flows, operations, credit risk, liquidity and availability of credit is highly 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 these consolidated financial statements.

The Company tests for impairment on an annual basis and if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. COVID-19

presents significant measurement uncertainties associated with the assumptions about the Company's future operating results used in calculating the recoverable amount for impairment testing at March 31, 2021.

In response to the COVID-19 pandemic, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in April 2020. For the year ended March 31, 2021, the Company received payments of \$16,162 under the CEWS program, of which \$12,241 was included in cost of revenues and \$3,921 was included in selling, general and administrative expenses in the consolidated financial statements.

## **(b) Revenue recognition and contracts in progress**

Revenues from construction contracts are recognized on a percentage of completion basis as outlined in note 3(c) "Revenue." In applying the accounting policy on construction contracts, judgment is required in determining the expected profitability of the contract and the estimated costs to complete a contract. These factors are reviewed at each reporting period and by their nature may give rise to income volatility.

## **(c) Income taxes**

Income tax assets and liabilities are measured at the amount that is expected to be realized or incurred upon ultimate settlement with taxation authorities. Such assessments are based upon the applicable income tax legislation, regulations and interpretations, all of which may be subject to change and interpretation. Investment tax credit assets, disclosed in note 18, are recognized as a reduction of the related expenses in the year in which the expenses are incurred, provided there is reasonable assurance that the credits will be realized. Management has made estimates and assumptions in determining the expenditures eligible for the investment tax credits claim and the amount could be materially different from the recorded amount upon review by the government. Deferred income tax assets, disclosed in note 18, are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

If the assessment of the Company's ability to utilize the deferred income tax asset changes, the Company would be required to recognize more or fewer deferred income tax assets, which would increase or decrease income tax expense in the period in which this is determined. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous taxation audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all the relevant factors. The Company reviews the adequacy of these provisions at each quarter; however, it is possible that at some future date an additional liability could result from audits by the taxation authorities. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

## **(d) Stock-based payment transactions**

The Company measures the cost of transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for stock-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the future forfeiture rate, the expected life of the share option, weighted average risk-free interest rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in note 19.

## **(e) Employee benefits**

The cost of defined benefit pension plans, the cost of other long-term employee benefit plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality

rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are provided in note 15.

## (f) Fair value measurement

Acquisitions that meet the definition of a business combination require the Company to recognize the assets acquired and liabilities assumed at their fair value on the date of the acquisition. The calculation of fair value of the assets and liabilities may require the use of estimates and assumptions, based on discounted cash flows, market information and using independent valuations and management's best estimates.

## 5. Acquisitions

(i) On March 12, 2021, the Company announced results for the voluntary tender offer to acquire 100% of the outstanding shares and voting rights of CFT S.p.A. ("CFT"). As a result of the tender offer and subsequent shareholder approval, the Company acquired 97% of CFT's outstanding shares. CFT is a global supplier of automated processing and packaging equipment to the food and beverage equipment market. The total purchase price paid in the fourth quarter of fiscal 2021 was \$127,181 (85,413 Euros).

Cash used in investing activities was determined as follows:

|                     |    |          |
|---------------------|----|----------|
| Cash consideration  | \$ | 127,181  |
| Less: cash acquired |    | (61,708) |
|                     | \$ | 65,473   |

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis based on information that is currently available to the Company. Final valuations of certain assets including working capital, intangible assets, and property, plant and equipment are not yet complete due to the inherent complexity associated with valuations. Specifically, a third party valuation has not been obtained. The allocation to intangible assets has preliminarily been determined using relative values from comparable transactions. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

The preliminary allocation of the purchase price at fair value is as follows:

| Purchase price allocation                     |    |           |
|---|----|-----------|
| Cash  | \$ | 61,708    |
| Current assets                                |    | 176,813   |
| Property, plant and equipment                 |    | 62,827    |
| Right-of-use assets                           |    | 23,123    |
| Intangible assets with a definite life        |    |           |
| Technology                                    |    | 47,648    |
| Brands  |    | 22,037    |
| Customer relationships                        |    | 11,019    |
| Other   |    | 1,619     |
| Current liabilities                           |    | (180,090) |
| Debt  |    | (119,120) |
| Deferred tax liability                        |    | (13,122)  |
| Other long-term liabilities                   |    | (46,209)  |
| Net identifiable assets                       |    | 48,253    |
| Residual purchase price allocated to goodwill |    | 95,525    |
| Total net identifiable assets acquired        |    | 143,778   |
| Less: Non-controlling interests               |    | 16,597    |
| Purchase consideration                        | \$ | 127,181   |

Current assets include accounts receivable of \$76,767, representing the fair value of accounts receivable expected to be collected.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. The amounts assigned to goodwill and intangible assets are not expected to be deductible for tax purposes. This acquisition was accounted for as a business combination with the Company as the acquirer of CFT. The purchase method of accounting was used and the earnings were consolidated from March 31, 2021. If CFT had been acquired at the beginning of ATS' fiscal year (April 1, 2020), the Company estimates that revenues and net income of the combined CFT and ATS entity for the year ended March 31, 2021 would have been approximately \$342,315 higher and \$46,293 lower, respectively.

(ii) On November 24, 2020, the Company completed its acquisition of 100% of the shares of Inimco CV ("Inimco"). Inimco is a Belgium-based company that offers knowledge, resources and IoT-based solutions for the process and manufacturing industry on MS Azure and equivalent platforms. The total purchase price was \$5,441 (3,519 Euros). Cash consideration paid in the third quarter of fiscal 2021 was \$3,895 (2,519 Euros). Included in the purchase price is contingent consideration of up to \$1,546 (1,000 Euros) which is payable if certain performance targets are met within three fiscal years of the acquisition date.

Cash used in investing activities was determined as follows:

|                     |    |       |
|---------------------|----|-------|
| Cash consideration  | \$ | 3,895 |
| Less: cash acquired |    | (845) |
|                     | \$ | 3,050 |

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair value of the assets acquired and the liabilities assumed based on discounted cash flows, market information and information that was available to the Company.

The allocation of the purchase price at fair value is as follows:

| Purchase price allocation                     |    |       |
|---|----|-------|
| Cash  | \$ | 845   |
| Current assets                                |    | 603   |
| Property, plant and equipment                 |    | 50    |
| Intangible assets with a definite life        |    |       |
| Technology                                    |    | 1,392 |
| Brands  |    | 464   |
| Other   |    | 160   |
| Current liabilities                           |    | (303) |
| Long-term debt                                |    | (51)  |
| Deferred tax liability                        |    | (464) |
| Net identifiable assets                       |    | 2,696 |
| Residual purchase price allocated to goodwill |    | 2,745 |
|   | \$ | 5,441 |

Current assets include accounts receivable of \$591, representing gross contractual amounts receivable of \$591 less management's best estimate of the contractual cash flows not expected to be collected of \$nil.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. The amounts assigned to goodwill and intangible assets are not expected to be deductible for tax purposes. This acquisition was accounted for as a business combination with the Company as the acquirer of Inimco. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, November 24, 2020. Inimco contributed approximately \$1,150 in revenue and \$92 in net income during the four

months ended March 31, 2021. If Inimco had been acquired at the beginning of ATS' fiscal year (April 1, 2020), the Company estimates that revenues and net income of the combined Inimco and ATS entity for the year ending March 31, 2021 would have been approximately \$3,450 and \$275 higher, respectively.

(iii) On December 16, 2019, the Company completed its acquisition of 100% of the shares of MARCO Limited ("MARCO"), a provider of yield control and recipe formulation systems to help customers in the food, nutraceuticals and cosmetics sectors increase productivity and meet stringent industry regulations. Cash consideration paid was \$44,407 (25,193 UK pounds sterling). Additional contingent consideration of up to \$12,797 (7,260 UK pounds sterling) is payable if certain performance targets are met within two years of the acquisition date. The fair value of the contingent consideration was valued at \$7,404 (4,200 UK pounds sterling) at the acquisition date. During the year ended March 31, 2021, the contingent consideration was reduced by \$5,577 (3,200 UK pounds sterling) and recorded within selling, general and administrative expenses.

Cash used in investing activities was determined as follows:

|                     |    |         |
|---------------------|----|---------|
| Cash consideration  | \$ | 44,407  |
| Less: cash acquired |    | (3,434) |
|                     | \$ | 40,973  |

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition.

The allocation of the purchase price at fair value is as follows:

|   |    |         |
|---|----|---------|
| Purchase price allocation                     |    |         |
| Cash  | \$ | 3,434   |
| Current assets                                |    | 5,128   |
| Property, plant and equipment                 |    | 2,949   |
| Intangible assets with a definite life        |    |         |
| Technology                                    |    | 19,741  |
| Customer relationships                        |    | 2,997   |
| Other   |    | 286     |
| Intangible assets with an indefinite life     |    |         |
| Brand   |    | 3,173   |
| Current liabilities                           |    | (4,847) |
| Deferred income tax liability                 |    | (5,125) |
| Net identifiable assets                       |    | 27,736  |
| Residual purchase price allocated to goodwill |    | 24,075  |
|   | \$ | 51,811  |

Current assets include accounts receivable of \$2,523, representing gross contractual amounts receivable of \$2,523 less management's best estimate of the contractual cash flows not expected to be collected of \$nil.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. The amounts assigned to goodwill and intangible assets are not expected to be deductible for tax purposes. This acquisition was accounted for as a business combination with the Company as the acquirer of MARCO. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, December 16, 2019.

(iv) On October 31, 2019, the Company completed its acquisition of 60% of the shares of Industrial Automation Partners B.V. ("IAP"), a Netherlands-based provider of process automation services to medium-sized international companies. The total purchase price was \$2,607 (1,775 Euros). The purchase method of accounting was used and the earnings were consolidated from the acquisition date, October 31, 2019.

(v) On September 19, 2019, the Company completed its acquisition of 100% of the shares of iXLOG Unternehmensberatung GmbH (“iXLOG”), a German-based IT consulting service provider specializing in business process optimization, business intelligence and analytics, primarily for large- and medium-sized industrial manufacturing customers. The total purchase price was \$10,588 (7,228 Euros). The purchase method of accounting was used and the earnings were consolidated from the acquisition date, September 19, 2019.

(vi) On April 14, 2021, the Company announced it had entered into a definitive agreement to acquire BioDot, Inc. (“BioDot”), a leading manufacturer of automated fluid dispensing systems, for U.S. \$84,000. The transaction is expected to close in the second quarter of calendar 2021, pending the completion of customary regulatory filings.

## 6. Inventories

| As at            | March 31, 2021    | March 31, 2020   |
|------------------|-------------------|------------------|
| Raw materials    | \$ 58,351         | \$ 32,133        |
| Work in progress | 65,080            | 34,436           |
| Finished goods   | 11,547            | 1,867            |
|                  | <b>\$ 134,978</b> | <b>\$ 68,436</b> |

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the year ended March 31, 2021 was \$1,283 (March 31, 2020 - \$997). The amount of inventories carried at net realizable value as at March 31, 2021 was \$132 (March 31, 2020 - \$1,177).

## 7. Deposits, Prepaids and Other Assets

| As at                              | March 31, 2021   | March 31, 2020   |
|------------------------------------|------------------|------------------|
| Prepaid assets                     | \$ 16,248        | \$ 15,228        |
| Supplier deposits                  | 16,777           | 10,497           |
| Forward foreign exchange contracts | 4,782            | 5,424            |
|                                    | <b>\$ 37,807</b> | <b>\$ 31,149</b> |

## 8. Right-of-Use Assets and Lease Liabilities

Changes in the net balance of right-of-use assets during the year ended March 31, 2021 and March 31, 2020 were as follows:

|                                   | Note | Buildings        | Vehicles and equipment | Total            |
|-----------------------------------|------|------------------|------------------------|------------------|
| Balance, at April 1, 2019         |      | \$ 61,332        | \$ 12,964              | \$ 74,296        |
| Additions                         |      | 4,583            | 4,466                  | 9,049            |
| Amortization                      |      | (10,907)         | (5,006)                | (15,913)         |
| Acquisition of subsidiaries       |      | 421              | 490                    | 911              |
| Exchange and other adjustments    |      | (5,107)          | (2,080)                | (7,187)          |
| Balance, at March 31, 2020        |      | \$ 50,322        | \$ 10,834              | \$ 61,156        |
| Additions                         |      | 5,296            | 4,078                  | 9,374            |
| Amortization                      |      | (10,497)         | (5,614)                | (16,111)         |
| Acquisition of subsidiaries       | 5    | 20,742           | 2,381                  | 23,123           |
| Exchange and other adjustments    |      | (4,846)          | (126)                  | (4,972)          |
| <b>Balance, at March 31, 2021</b> |      | <b>\$ 61,017</b> | <b>\$ 11,553</b>       | <b>\$ 72,570</b> |

Changes in the balance of lease liabilities during the year ended March 31, 2021 and March 31, 2020 were as follows:

|                                | Note | 2021             | 2020             |
|--------------------------------|------|------------------|------------------|
| Balance, at April 1            |      | \$ 62,905        | \$ 74,517        |
| Additions                      |      | 9,374            | 9,049            |
| Interest                       |      | 2,820            | 3,631            |
| Payments                       |      | (18,024)         | (18,164)         |
| Acquisition of subsidiaries    | 5    | 21,338           | 911              |
| Exchange and other adjustments |      | (5,452)          | (7,039)          |
| <b>Balance, at March 31</b>    |      | <b>\$ 72,961</b> | <b>\$ 62,905</b> |
| Less: current portion          |      | 15,197           | 15,696           |
|                                |      | <b>\$ 57,764</b> | <b>\$ 47,209</b> |

The right-of-use assets and lease liabilities relate to leases of real estate properties, automobiles and other equipment. For the year ended March 31, 2021, the Company recognized expense related to short-term and low-value leases of \$2,308 (March 31, 2020 - \$3,486), in cost of revenues, and \$1,020 (March 31, 2020 - \$1,428), in selling, general and administrative expenses in the consolidated statements of income.

The annual lease obligations for the next five years and thereafter are as follows:

| As at                                       | March 31, 2021   |
|---|------------------|
| Less than one year                          | \$ 20,478        |
| One – two years                             | 16,662           |
| Two – three years                           | 13,792           |
| Three – four years                          | 10,078           |
| Four – five years                           | 6,011            |
| Due in over five years                      | 15,892           |
| <b>Total undiscounted lease liabilities</b> | <b>\$ 82,913</b> |

The Company does not face a significant liquidity risk in regard to its lease obligations.

## 9. Other Assets and Liabilities

Other assets consist of the following:

| As at   | March 31, 2021  | March 31, 2020   |
|---|-----------------|------------------|
| Cross-currency interest rate swap instrument <sup>1</sup> | \$ 5,135        | \$ 20,220        |
| Other   | 747             | –                |
| <b>Total</b>  | <b>\$ 5,882</b> | <b>\$ 20,220</b> |

Other liabilities consist of the following:

| As at   | March 31, 2021   | March 31, 2020  |
|---|------------------|-----------------|
| Cross-currency interest rate swap instrument <sup>1</sup> | \$ 1,478         | \$ 8,037        |
| Put option liabilities <sup>2</sup>                       | 21,070           | –               |
| <b>Total</b>  | <b>\$ 22,548</b> | <b>\$ 8,037</b> |

1 On January 13, 2021, the Company settled the cross-currency interest rate swap instrument to swap U.S. \$150,000 into Canadian dollars. Under this arrangement, the Company received interest of 6.5% U.S. per annum and paid interest of 6.501% Canadian. The Company also settled a cross-currency interest rate swap instrument to swap 134,084 Euros into Canadian dollars. The Company received interest of 6.501% Canadian per annum and paid interest of 5.094% Euros under this arrangement. The Company paid \$16,920 to settle the cross-currency swaps.

On January 13, 2021, the Company entered into a cross-currency interest rate swap instrument to swap U.S. \$175,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. The Company receives interest of 4.125% U.S. per annum and pays interest of 4.257% Canadian. The Company also entered into a cross-currency interest rate swap instrument to swap 143,855 Euros into Canadian dollars to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company will receive interest of 4.257% Canadian per annum and pay interest of 3.145% Euros. The terms of the hedging relationship will end on December 15, 2025.

2 The Company has put options which were issued to a minority shareholder of a CFT subsidiary. The amount represents the fair value of the exercise value of the option.

## 10. Property, Plant and Equipment

|                                   | Note | Land             | Buildings<br>and<br>leaseholds | Production<br>equipment | Other<br>equipment | Total              |
|-----------------------------------|------|------------------|--------------------------------|-------------------------|--------------------|--------------------|
| <b>Cost:</b>                      |      |                  |                                |                         |                    |                    |
| Balance, at March 31, 2019        |      | \$ 21,061        | \$ 83,021                      | \$ 17,296               | \$ 60,481          | \$ 181,859         |
| Additions                         |      | 7,197            | 26,781                         | 2,613                   | 10,854             | 47,445             |
| Acquisition of subsidiaries       |      | –                | 2,914                          | 210                     | 133                | 3,257              |
| Disposals                         |      | –                | (651)                          | (3,341)                 | (3,219)            | (7,211)            |
| Exchange and other adjustments    |      | 1,045            | 3,466                          | 439                     | 434                | 5,384              |
| Balance, at March 31, 2020        |      | \$ 29,303        | \$ 115,531                     | \$ 17,217               | \$ 68,683          | \$ 230,734         |
| Additions                         |      | 37               | 11,208                         | 2,678                   | 7,618              | 21,541             |
| Acquisition of subsidiaries       | 5    | 5,767            | 37,687                         | 10,942                  | 8,481              | 62,877             |
| Disposals                         |      | (1,479)          | (20,671)                       | (1,382)                 | (8,747)            | (32,279)           |
| Exchange and other adjustments    |      | (1,816)          | 9,922                          | (2,674)                 | (20,306)           | (14,874)           |
| <b>Balance, at March 31, 2021</b> |      | <b>\$ 31,812</b> | <b>\$ 153,677</b>              | <b>\$ 26,781</b>        | <b>\$ 55,729</b>   | <b>\$ 267,999</b>  |
| <b>Depreciation:</b>              |      |                  |                                |                         |                    |                    |
| Balance, at March 31, 2019        |      | \$ –             | \$ (39,102)                    | \$ (10,259)             | \$ (34,829)        | \$ (84,190)        |
| Depreciation expense              |      | –                | (4,430)                        | (1,756)                 | (8,489)            | (14,675)           |
| Disposals                         |      | –                | 546                            | 3,274                   | 3,064              | 6,884              |
| Exchange and other adjustments    |      | –                | (1,585)                        | (392)                   | (492)              | (2,469)            |
| Balance, at March 31, 2020        |      | \$ –             | \$ (44,571)                    | \$ (9,133)              | \$ (40,746)        | \$ (94,450)        |
| Depreciation expense              |      | –                | (4,423)                        | (2,091)                 | (8,306)            | (14,820)           |
| Disposals                         |      | –                | 17,377                         | 1,260                   | 8,184              | 26,821             |
| Exchange and other adjustments    |      | –                | 2,495                          | 2,128                   | 996                | 5,619              |
| <b>Balance, at March 31, 2021</b> |      | <b>\$ –</b>      | <b>\$ (29,122)</b>             | <b>\$ (7,836)</b>       | <b>\$ (39,872)</b> | <b>\$ (76,830)</b> |
| <b>Net book value:</b>            |      |                  |                                |                         |                    |                    |
| <b>At March 31, 2021</b>          |      | <b>\$ 31,812</b> | <b>\$ 124,555</b>              | <b>\$ 18,945</b>        | <b>\$ 15,857</b>   | <b>\$ 191,169</b>  |
| At March 31, 2020                 |      | \$ 29,303        | \$ 70,960                      | \$ 8,084                | \$ 27,937          | \$ 136,284         |

Included in building and leaseholds as at March 31, 2021 is \$7,587 (March 31, 2020 - \$15,776) of assets that relate to the expansion and improvement of certain manufacturing facilities and have not been depreciated. Included in other equipment as at March 31, 2021 is \$2,353 (March 31, 2020 - \$587) of assets that are under construction and have not been depreciated.

During the year ended March 31, 2021, the Company completed the sale of a building made redundant due to the Company's previously completed reorganization. The building had a net book value of \$3,043, the Company received net proceeds of \$8,382 and recognized a gain of \$5,339 in selling, general and administrative expenses in the consolidated financial statements (see note 14).



## 11. Goodwill

The carrying amount of goodwill acquired through business combinations has been allocated to a group of CGUs that combine to form a single operating segment, Automation Systems, as follows:

| As at                       | Note | 2021       | 2020       |
|-----------------------------|------|------------|------------|
| Balance, at April 1         |      | \$ 608,243 | \$ 551,643 |
| Acquisition of subsidiaries | 5    | 98,270     | 34,872     |
| Foreign exchange            |      | (35,456)   | 21,728     |
| Balance, at March 31        |      | \$ 671,057 | \$ 608,243 |

The Company performed its annual impairment test of goodwill as at March 31, 2021. The recoverable amount of the group of CGUs is determined based on fair value less costs of disposal using a capitalized EBITDA approach. This approach requires management to estimate maintainable future EBITDA and capitalize this amount by rates of return which incorporate the specific risks and opportunities facing the business. EBITDA includes income before income taxes, net finance costs, depreciation and amortization.

In determining a maintainable future EBITDA, the historical operating results for the five years ended March 31, 2021 were compared to the budgeted results for the year ending March 31, 2022, as presented to and approved by the Board. Non-recurring and unusual items have been adjusted in order to normalize past EBITDA. Management selected capitalization rates in the range of 7.69% to 9.52% for the calculation of the reasonable range of capitalized EBITDA. As a result of the analysis, management did not identify impairment for this group of CGUs.

Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the group of CGUs.

## 12. Intangible Assets

|                                   | Note | Development projects | Computer software, licenses and other | Technology        | Customer relationships | Brands <sup>1</sup> | Total             |
|-----------------------------------|------|----------------------|---------------------------------------|-------------------|------------------------|---------------------|-------------------|
| <b>Cost:</b>                      |      |                      |                                       |                   |                        |                     |                   |
| Balance, at March 31, 2019        |      | \$ 23,857            | \$ 45,112                             | \$ 67,854         | \$ 192,728             | \$ 45,847           | \$ 375,398        |
| Additions                         |      | 4,518                | 5,358                                 | 1,243             | -                      | -                   | 11,119            |
| Acquisition of subsidiaries       | 5    | 110                  | 1,240                                 | 19,289            | 2,997                  | 7,071               | 30,707            |
| Disposals                         |      | (8)                  | (521)                                 | -                 | -                      | -                   | (529)             |
| Exchange and other adjustments    |      | (225)                | 1,529                                 | 1,915             | 7,405                  | 1,727               | 12,351            |
| Balance, at March 31, 2020        |      | \$ 28,252            | \$ 52,718                             | \$ 90,301         | \$ 203,130             | \$ 54,645           | \$ 429,046        |
| Additions                         |      | 6,165                | 3,866                                 | -                 | -                      | -                   | 10,031            |
| Acquisition of subsidiaries       | 5    | 160                  | 1,619                                 | 49,040            | 11,019                 | 22,501              | 84,339            |
| Disposals                         |      | -                    | (5,177)                               | -                 | -                      | -                   | (5,177)           |
| Exchange and other adjustments    |      | (1,104)              | (7,552)                               | (4,175)           | (12,199)               | (2,893)             | (27,923)          |
| <b>Balance, at March 31, 2021</b> |      | <b>\$ 33,473</b>     | <b>\$ 45,474</b>                      | <b>\$ 135,166</b> | <b>\$ 201,950</b>      | <b>\$ 74,253</b>    | <b>\$ 490,316</b> |

<sup>1</sup> The Company has assessed a portion of its brand intangible assets to have a useful life of five years. The carrying amount of the intangible assets estimated to have an indefinite life as at March 31, 2021 was \$68,526 (March 31, 2020 - \$49,088).

|                                   | Development projects | Computer software, licenses and other | Technology         | Customer relationships | Brands <sup>1</sup> | Total               |
|-----------------------------------|----------------------|---------------------------------------|--------------------|------------------------|---------------------|---------------------|
| <b>Amortization:</b>              |                      |                                       |                    |                        |                     |                     |
| Balance, at March 31, 2019        | \$ (11,515)          | \$ (28,443)                           | \$ (16,186)        | \$ (103,241)           | \$ (2,068)          | \$ (161,453)        |
| Amortization                      | (3,402)              | (8,179)                               | (8,080)            | (19,031)               | (2,122)             | (40,814)            |
| Disposals                         | –                    | 440                                   | –                  | –                      | –                   | 440                 |
| Exchange and other adjustments    | 55                   | (1,033)                               | (971)              | (4,925)                | (176)               | (7,050)             |
| Balance, at March 31, 2020        | \$ (14,862)          | \$ (37,215)                           | \$ (25,237)        | \$ (127,197)           | \$ (4,366)          | \$ (208,877)        |
| Amortization                      | (2,539)              | (3,961)                               | (12,184)           | (20,142)               | (1,161)             | (39,987)            |
| Disposals                         | –                    | 5,123                                 | –                  | –                      | –                   | 5,123               |
| Exchange and other adjustments    | 513                  | 6,927                                 | 1,941              | 8,464                  | 271                 | 18,116              |
| <b>Balance, at March 31, 2021</b> | <b>\$ (16,888)</b>   | <b>\$ (29,126)</b>                    | <b>\$ (35,480)</b> | <b>\$ (138,875)</b>    | <b>\$ (5,256)</b>   | <b>\$ (225,625)</b> |
| <b>Net book value:</b>            |                      |                                       |                    |                        |                     |                     |
| <b>At March 31, 2021</b>          | <b>\$ 16,585</b>     | <b>\$ 16,348</b>                      | <b>\$ 99,686</b>   | <b>\$ 63,075</b>       | <b>\$ 68,997</b>    | <b>\$ 264,691</b>   |
| At March 31, 2020                 | \$ 13,390            | \$ 15,503                             | \$ 65,064          | \$ 75,933              | \$ 50,279           | \$ 220,169          |

1 The Company has assessed a portion of its brand intangible assets to have a useful life of five years. The carrying amount of the intangible assets estimated to have an indefinite life as at March 31, 2021 was \$68,526 (March 31, 2020 - \$49,088).

Research and development costs that are not eligible for capitalization have been expensed and are recognized in cost of revenues.

The Company performed its annual impairment test of indefinite-lived intangible assets as at March 31, 2021. The recoverable amount of the related CGUs was estimated based on a value in use calculation using the present value of the future cash flows expected to be derived by the related subsidiaries. This approach requires management to estimate cash flows that include EBIT less income taxes, depreciation and amortization and capital expenditures.

In determining future cash flows, the budgeted results for the year ending March 31, 2022, as presented to and approved by the Board, were extrapolated for a five-year period. Management used a pre-tax discount of 15% to determine the present value of the future cash flows. As a result of the analysis, management did not identify an impairment of the intangible assets and any reasonable change in assumptions would not result in impairment.

## 13. Financial Instruments and Risk Management

### (a) Summary of financial instruments

#### (i) Categories of financial instruments:

The carrying values of the Company's financial instruments are classified into the following categories:

| As at  | March 31, 2021                          |                   |  |                            |
|--|---|-------------------|--|----------------------------|
|  | Fair value<br>through profit<br>or loss | Amortized<br>cost | Fair value<br>through other<br>comprehensive<br>income | Total<br>carrying<br>value |
| <b>Financial assets:</b>   |   |                   |  |                            |
| Cash and cash equivalents <sup>1</sup>   | \$ -                                    | \$ 187,467        | \$ -   | \$ 187,467                 |
| Trade accounts receivable  | -                                       | 265,467           | -  | 265,467                    |
| <b>Financial liabilities:</b>  |   |                   |  |                            |
| Bank indebtedness  | -                                       | (1,106)           | -  | (1,106)                    |
| Trade accounts payable and accrued liabilities   | -                                       | (348,450)         | -  | (348,450)                  |
| Long-term debt   | -                                       | (430,713)         | -  | (430,713)                  |
| Put option   | (21,070)                                | -                 | -  | (21,070)                   |
| <b>Derivative instruments:</b>   |   |                   |  |                            |
| Held for trading derivatives that are not designated in hedge accounting relationships – gain <sup>2</sup> | 1,893                                   | -                 | -  | 1,893                      |
| Derivative instruments in designated hedge accounting relationships – gain <sup>2</sup>                    | -                                       | -                 | 1,844  | 1,844                      |
| Cross-currency interest rate swap – gain <sup>3</sup>  | -                                       | -                 | 3,657  | 3,657                      |
| <hr/>  |   |                   |  |                            |
| As at  | March 31, 2020                          |                   |  |                            |
|  | Fair value<br>through profit<br>or loss | Amortized<br>cost | Fair value<br>through other<br>comprehensive<br>income | Total<br>carrying<br>value |
| <b>Financial assets:</b>   |   |                   |  |                            |
| Cash and cash equivalents <sup>1</sup>   | \$ -                                    | \$ 358,645        | \$ -   | \$ 358,645                 |
| Trade accounts receivable  | -                                       | 270,756           | -  | 270,756                    |
| <b>Financial liabilities:</b>  |   |                   |  |                            |
| Bank indebtedness  | -                                       | (4,572)           | -  | (4,572)                    |
| Trade accounts payable and accrued liabilities   | -                                       | (238,452)         | -  | (238,452)                  |
| Long-term debt   | -                                       | (598,098)         | -  | (598,098)                  |
| <b>Derivative instruments:</b>   |   |                   |  |                            |
| Held for trading derivatives that are not designated in hedge accounting relationships – loss <sup>2</sup> | (1,664)                                 | -                 | -  | (1,664)                    |
| Derivative instruments in designated hedge accounting relationships – loss <sup>2</sup>                    | -                                       | -                 | (4,986)  | (4,986)                    |
| Cross-currency interest rate swap – gain <sup>3</sup>  | -                                       | -                 | 12,183   | 12,183                     |

1 Cash and cash equivalents is in the form of deposits on demand with major financial institutions.

2 Derivative financial instruments in a gain position are included in deposits, prepaids and other assets, and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

3 The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

During the years ended March 31, 2021 and March 31, 2020, there were no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

**(ii) Fair value measurements:**

The following table summarizes the Company's financial instruments that are carried or disclosed at fair value and indicates the fair value hierarchy that reflects the significance of the inputs used in making the measurements:

| As at  |                | March 31, 2021 |           |          |                  |
|--|----------------|----------------|-----------|----------|------------------|
|  | Carrying value | Level 1        | Level 2   | Level 3  | Fair value total |
| Measured at fair value:  |                |                |           |          |                  |
| Held for trading derivatives that are not designated in hedge accounting relationships | \$ 1,893       | \$ -           | \$ 1,893  | \$ -     | \$ 1,893         |
| Derivative instruments in designated hedge accounting relationships                    | 1,844          | -              | 1,844     | -        | 1,844            |
| Cross-currency interest rate swap  | 3,657          | -              | 3,657     | -        | 3,657            |
| Disclosed at fair value:   |                |                |           |          |                  |
| Long-term debt   | (430,713)      | -              | (427,063) | -        | (427,063)        |
| Put option   | (21,070)       | -              | -         | (21,070) | (21,070)         |

| As at  |                | March 31, 2020 |            |         |                  |
|--|----------------|----------------|------------|---------|------------------|
|  | Carrying value | Level 1        | Level 2    | Level 3 | Fair value total |
| Measured at fair value:  |                |                |            |         |                  |
| Held for trading derivatives that are not designated in hedge accounting relationships | \$ (1,664)     | \$ -           | \$ (1,664) | \$ -    | \$ (1,664)       |
| Derivative instruments in designated hedge accounting relationships                    | (4,986)        | -              | (4,986)    | -       | (4,986)          |
| Cross-currency interest rate swap  | 12,183         | -              | 12,183     | -       | 12,183           |
| Disclosed at fair value:   |                |                |            |         |                  |
| Long-term debt   | (598,098)      | -              | (588,553)  | -       | (588,553)        |

The estimated fair values of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity. The estimated fair value of long-term debt borrowings under the Credit Facility and other facilities approximates the carrying value due to interest rates approximating current market values. The estimated fair value of the long-term debt Senior Notes reflects the current trading price.

Derivative financial instruments are carried at fair value. The fair value of the Company's derivative instruments is estimated using a discounted cash flow technique incorporating inputs that are observable in the market or can be derived from observable market data. The derivative contract counterparties are highly rated multinational financial institutions.

During the years ended March 31, 2021 and March 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

**(b) Risks arising from financial instruments and risk management**

The Company manages its market risk through the use of various financial derivative instruments. The Company uses these instruments to mitigate exposure to fluctuations in foreign exchange rates. The Company's strategy, policies and controls are designed to ensure that the risks it assumes comply with the Company's internal objectives and its risk tolerance. The Company does not enter into derivative financial agreements for speculative purposes. As such, any change in cash flows associated with derivative instruments is designed to be offset by changes in cash flows of the relevant risk being hedged.

When appropriate, the Company applies hedge accounting. Hedging does not guard against all risks and is not always effective. The Company may recognize financial losses as a result of volatility in the market values of these contracts. The fair values of these instruments represent the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of these derivatives is determined using valuation techniques such as discounted cash flow analysis. The valuation technique incorporates all factors that would be considered in setting a price, including the Company's own credit risk as well as the credit risk of the counterparty.

### **Foreign currency risk**

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar, the U.S. dollar and the Euro. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies that may have an impact on operating results and cash flows. The types of foreign exchange risk can be categorized as follows:

#### ***Translation exposure***

Each foreign operation's assets and liabilities are translated from the subsidiary's functional currency into Canadian dollars using the exchange rates in effect at the consolidated statement of financial position date. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the foreign operations.

Foreign currency risks arising from the translation of assets and liabilities of foreign operations into the Company's functional currency are hedged under certain circumstances. The Company has assessed the net foreign currency exposure of operations relative to their own functional currency. A fluctuation of +/- 5% in the Euro, U.S. dollar and U.K. pounds sterling, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on accumulated other comprehensive income for the year ended March 31, 2021 of approximately +/- \$62,454, \$15,046, and \$3,062, respectively (2020 +/- \$48,991, \$7,311 and \$7,855), and on income before income taxes for the year ended March 31, 2021 of approximately +/- \$93, \$1,701, and \$29, respectively (2020 +/- \$689, \$2,005 and \$244).

Foreign-currency-based earnings are translated into Canadian dollars each period at prevailing rates. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income.

#### ***Transaction exposure***

The Company generates significant revenues in foreign currencies, which exceed the natural hedge provided by purchases of goods and services in those currencies. The Company's risk management objective is to reduce cash flow risk related to foreign currency-denominated cash flows. In order to manage foreign currency exposure in subsidiaries that have transaction exposure in currencies other than the subsidiary's functional currency, the Company enters into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contracts are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets and the Company's past experience. As such, there is not a material transaction exposure.

The Company's U.S. dollar-denominated Senior Notes are translated into Canadian dollars at the foreign exchange rate in effect at the consolidated statement of financial position dates. As a result, the Company is exposed to foreign currency translation gains and losses. The Company uses cross-currency interest rate swaps as derivative financial instruments to hedge a portion of its foreign exchange risk related to the Senior Notes. The balance of the Senior Notes is designated as a hedge of the U.S. dollar-denominated net investment in foreign operations.

#### ***Interest rate risk***

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.

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term 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, including credit margin, term and basis. The risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. As at March 31, 2021, \$1,106 or 0.3% (March 31, 2020 - \$4,572 or 1.0%) of the Company's total debt is subject to movements in floating interest rates. A +/- 1% change in interest rates in effect for the fiscal year would, all things being equal, have an impact of +/- \$11 on income before income taxes for the year ended March 31, 2021 (March 31, 2020 +/- \$46).

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist mainly of cash and cash equivalents, accounts receivable and derivative financial instruments. The carrying values of these assets represent management's assessment of the associated maximum exposure to such credit risk. Cash and cash equivalents are held by major financial institutions. 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 industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's client base being primarily large, multinational customers and a portion of these balances being insured by a third party.

| Trade receivables – aged by due date as at | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Current                                    | \$ 211,924     | \$ 221,775     |
| 1 – 30 days                                | 30,330         | 25,215         |
| 31 – 60 days                               | 8,475          | 4,613          |
| 61 – 90 days                               | 9,337          | 2,124          |
| Over 90 days                               | 11,428         | 20,060         |
| Total                                      | \$ 271,494     | \$ 273,787     |

The movement in the Company's allowance for doubtful accounts for the years ended March 31 was as follows:

|                                 | 2021     | 2020     |
|---------------------------------|----------|----------|
| Balance, at April 1             | \$ 3,031 | \$ 2,890 |
| Provision for doubtful accounts | 5,660    | 1,154    |
| Amounts written off             | (2,054)  | (220)    |
| Recoveries                      | (270)    | (998)    |
| Foreign exchange                | (340)    | 205      |
| Balance, at March 31            | \$ 6,027 | \$ 3,031 |

The Company minimizes credit risk associated with derivative financial instruments by only entering into derivative transactions with highly rated multinational financial institutions, in order to reduce the risk of counterparty default. The Company reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary.

**Liquidity risk**

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. The Company's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company requires authorizations for expenditures on projects and prepares annual capital expenditure budgets to assist with the management of capital. The Company's accounts payable primarily have contractual maturities of less than 90 days, and the contractual cash flows equal their carrying values.

| Trade payables – aged by due date as at | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| 0 – 30 days                             | \$ 99,480      | \$ 63,026      |
| 31 – 60 days                            | 9,267          | 17,880         |
| 61 – 90 days                            | 4,414          | 14,402         |
| Over 90 days                            | 4,938          | 5,724          |
| Total                                   | \$ 118,099     | \$ 101,032     |

As at March 31, 2021, the Company was holding cash and cash equivalents of \$187,467 (March 31, 2020 - \$358,645) and had unutilized lines of credit of \$775,809 (March 31, 2020 - \$377,389). The Company expects that continued cash flows from operations in fiscal 2022, together with cash and cash equivalents on hand and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, property, plant and equipment and strategic investments including some potential acquisitions, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

The Company's long-term debt obligations and scheduled interest payments are presented in note 16.

## (c) Hedge accounting and risk management contracts

### Cash flow hedges – foreign currency risk of forecasted purchases and sales

The Company manages foreign exchange risk on its highly probable forecasted revenue and purchase transactions denominated in various foreign currencies. The Company has identified foreign exchange fluctuation risk as the hedged risk. To mitigate the risk, forward currency contracts are designated as the hedging instrument and are entered into to hedge a portion of the purchases and sales. The forward currency contracts limit the risk of variability in cash flows arising from foreign currency fluctuations. The Company has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

### Cash flow hedges – foreign currency risk on foreign-currency-denominated Senior Notes

The Company uses cross-currency interest rate swaps as derivative financial instruments to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. The Company holds a cross-currency interest rate swap instrument to swap U.S. \$175,000 into Canadian dollars. The Company will receive interest of 4.125% U.S. per annum and pay interest of 4.257% Canadian. The terms of the hedging relationship will end on December 15, 2025. The Company has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

### Hedge of Euro-denominated net investment in foreign operations

The Company manages foreign exchange risk on its Euro-denominated net investments. The Company uses a cross-currency interest rate swap as a derivative financial instrument to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company holds a cross-currency interest rate swap instrument to swap 143,855 Euros into Canadian dollars. The Company will receive interest of 4.257% Canadian per annum and pay interest of 3.145% Euros. The terms of the hedging relationship will end on December 15, 2025. The Company has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

During the years ended March 31, 2021 and March 31, 2020, expense of \$nil and \$350, respectively, was recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges.

The following table summarizes the Company's outstanding cash flow hedge positions to buy and sell foreign currencies under forward foreign exchange contracts and cross-currency interest rate swaps:

| As at  |                  | March 31, 2021          |                 |             |  |  |                          |                         |
|--|------------------|-------------------------|-----------------|-------------|--|--|--------------------------|-------------------------|
| Currency sold  | Currency bought  | Nominal amount (in CAD) | Carrying amount |             | Hedging instrument   | Hedged item  | Cash flow hedge reserves |                         |
|  |                  |                         | Assets          | Liabilities | Changes in fair value used for calculating hedge ineffectiveness | Changes in fair value used for calculating hedge ineffectiveness | For continuing hedges    | For discontinued hedges |
| <b>Derivative hedging instruments<sup>1</sup></b>                |                  |                         |                 |             |  |  |                          |                         |
| U.S. dollars   | Canadian dollars | 93,742                  | 1,745           | -           | 1,745  | 1,745  | 1,745                    | -                       |
| Euros  | Canadian dollars | 13,601                  | 154             | -           | 154  | 154  | 154                      | -                       |
| Euros  | U.S. dollars     | 7,573                   | -               | 60          | 60   | 60   | 60                       | -                       |
| U.S. dollars   | Euros            | 1,150                   | 5               | -           | 5  | 5  | 5                        | -                       |
| <b>Cross-currency interest rate swap instruments<sup>2</sup></b> |                  |                         |                 |             |  |  |                          |                         |
| U.S. dollars   | Canadian dollars | 219,905                 | -               | 1,478       | (21,698)   | (21,698)   | 1,478                    | 8,381                   |
| Canadian dollars   | Euros            | 211,956                 | 5,135           | -           | 5,135  | 5,135  | 5,135                    | -                       |

1 Derivative hedging instruments in a gain position are included in deposits, prepaids and other assets, and derivative hedging instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

2 The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

| As at  |                  |                         | March 31, 2020  |             |  |  |                          |                         |
|--|------------------|-------------------------|-----------------|-------------|--|--|--------------------------|-------------------------|
| Currency sold  | Currency bought  | Nominal amount (in CAD) | Carrying amount |             | Hedging instrument   | Hedged item  | Cash flow hedge reserves |                         |
|  |                  |                         | Assets          | Liabilities | Changes in fair value used for calculating hedge ineffectiveness | Changes in fair value used for calculating hedge ineffectiveness | For continuing hedges    | For discontinued hedges |
| Derivative hedging instruments <sup>1</sup>                |                  |                         |                 |             |  |  |                          |                         |
| U.K. pounds sterling                                       | Canadian dollars | 3,697                   | –               | 11          | 11   | 11   | 11                       | –                       |
| U.S. dollars   | Canadian dollars | 118,470                 | –               | 3,416       | 3,416  | 3,416  | 3,416                    | –                       |
| U.S. dollars   | Euros            | 4,023                   | –               | 5           | 5  | 5  | 5                        | –                       |
| Euros  | Canadian dollars | 43,220                  | –               | 1,492       | 1,492  | 1,492  | 1,492                    | –                       |
| Euros  | U.S. dollars     | 7,444                   | –               | 35          | 35   | 35   | 35                       | –                       |
| Canadian dollars   | U.S. dollars     | 700                     | –               | 27          | 27   | 27   | 27                       | –                       |
| Cross-currency interest rate swap instruments <sup>2</sup> |                  |                         |                 |             |  |  |                          |                         |
| U.S. dollars   | Canadian dollars | 211,155                 | 20,220          | –           | 17,773   | 17,773   | 20,220                   | –                       |
| Canadian dollars   | Euros            | 208,112                 | –               | 8,037       | (1,024)  | (1,374)  | (7,687)                  | –                       |

- 1 Derivative hedging instruments in a gain position are included in deposits, prepaids and other assets, and derivative hedging instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.
- 2 The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

As at March 31, 2021, the Company is holding the following forward foreign exchange contracts to hedge the exposure on its revenues and purchases:

| As at           |                  | March 31, 2021     |                     |                |                     |                |                     |                |                     |
|-----------------|------------------|--------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
| Currency sold   | Currency bought  | Less than 3 months |                     | 3 to 6 months  |                     | 6 to 9 months  |                     | 9 to 12 months |                     |
|                 |                  | Nominal amount     | Average hedged rate | Nominal amount | Average hedged rate | Nominal amount | Average hedged rate | Nominal amount | Average hedged rate |
| Revenue hedges  |                  |                    |                     |                |                     |                |                     |                |                     |
| U.S. dollars    | Canadian dollars | 47,210             | 1.296               | 30,887         | 1.265               | 12,617         | 1.261               | –              | –                   |
| U.S. dollars    | Euros            | 861                | 0.861               | 289            | 0.837               | –              | –                   | –              | –                   |
| Euros           | Canadian dollars | 6,630              | 1.502               | 1,473          | 1.540               | 2,211          | 1.543               | –              | –                   |
| Purchase hedges |                  |                    |                     |                |                     |                |                     |                |                     |
| U.S. dollars    | Canadian dollars | 3,028              | 1.272               | –              | –                   | –              | –                   | –              | –                   |
| Euros           | U.S. dollars     | 2,360              | 1.188               | 2,296          | 1.185               | 1,458          | 1.184               | 1,459          | 1.184               |
| Euros           | Canadian dollars | 3,287              | 1.546               | –              | –                   | –              | –                   | –              | –                   |

| As at                |                  | March 31, 2020     |                     |                |                     |                |                     |                |                     |                |                     |
|----------------------|------------------|--------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
| Currency sold        | Currency bought  | Less than 3 months |                     | 3 to 6 months  |                     | 6 to 9 months  |                     | 9 to 12 months |                     | 1 to 2 years   |                     |
|                      |                  | Nominal amount     | Average hedged rate | Nominal amount | Average hedged rate | Nominal amount | Average hedged rate | Nominal amount | Average hedged rate | Nominal amount | Average hedged rate |
| Revenue hedges       |                  |                    |                     |                |                     |                |                     |                |                     |                |                     |
| U.K. pounds sterling | Canadian dollars | 2,648              | 1.740               | 1,049          | 1.743               | –              | –                   | –              | –                   | –              | –                   |
| U.S. dollars         | Canadian dollars | 36,783             | 1.334               | 40,359         | 1.388               | 21,186         | 1.367               | 9,854          | 1.331               | 7,039          | 1.332               |
| U.S. dollars         | Euros            | 1,843              | 0.905               | 1,126          | 0.900               | 745            | 0.900               | 308            | 0.897               | –              | –                   |
| Euros                | Canadian dollars | 4,656              | 1.472               | 9,313          | 1.478               | 7,761          | 1.487               | 8,537          | 1.495               | 6,984          | 1.502               |
| Canadian dollars     | U.S. dollars     | 700                | 0.685               | –              | –                   | –              | –                   | –              | –                   | –              | –                   |
| Purchase hedges      |                  |                    |                     |                |                     |                |                     |                |                     |                |                     |
| U.S. dollars         | Canadian dollars | 3,250              | 1.316               | –              | –                   | –              | –                   | –              | –                   | –              | –                   |
| Euros                | U.S. dollars     | 3,165              | 1.109               | 3,149          | 1.108               | 1,130          | 1.131               | –              | –                   | –              | –                   |
| Euros                | Canadian dollars | 5,969              | 1.488               | –              | –                   | –              | –                   | –              | –                   | –              | –                   |



The following summarizes the Company's amounts included in other comprehensive income that relate to hedge accounting:

| As at                             | March 31, 2021  |  |  |  |
|-----------------------------------|---|--|--|--|
|                                   | Change in the value of the hedging instrument recognized in OCI gain (loss) | Hedge ineffectiveness recognized in profit or loss | Amount reclassified from the cash flow hedge reserve to profit or loss gain (loss) | Line item affected in profit or loss because of the reclassification |
| <b>Cash flow hedges</b>           |   |  |  |  |
| <b>Foreign exchange risk:</b>     |   |  |  |  |
| Revenue hedges                    | (7,550)   | -  | 643  | Revenues   |
| Purchase hedges                   | 720   | -  | 754  | Cost of revenues   |
| Cross-currency interest rate swap | (21,698)  | -  | -  | Net finance costs  |

| As at                             | March 31, 2020  |  |  |  |
|-----------------------------------|---|--|--|--|
|                                   | Change in the value of the hedging instrument recognized in OCI gain (loss) | Hedge ineffectiveness recognized in profit or loss | Amount reclassified from the cash flow hedge reserve to profit or loss gain (loss) | Line item affected in profit or loss because of the reclassification |
| <b>Cash flow hedges</b>           |   |  |  |  |
| <b>Foreign exchange risk:</b>     |   |  |  |  |
| Revenue hedges                    | 5,541   | -  | 2,491  | Revenues   |
| Purchase hedges                   | (629)   | -  | 149  | Cost of revenues   |
| Cross-currency interest rate swap | 17,773  | -  | -  | Net finance costs  |

### Instruments not subject to hedge accounting

As part of the Company's risk management strategy, forward contract derivative financial instruments are used to manage foreign currency exposure related to the translation of foreign currency net assets to the subsidiary's functional currency. As these instruments have not been designated as hedges, the change in fair value is recorded in selling, general and administrative expenses in the consolidated statements of income.

For the year ended March 31, 2021, the Company recorded risk management gains of \$6,525 (losses of \$3,917 for the year ended March 31, 2020) on foreign currency risk management forward contracts in the consolidated statements of income. Included in these amounts were unrealized losses of \$268 (gains of \$1,738 during the year ended March 31, 2020), representing the change in fair value. In addition, during the year ended March 31, 2021, the Company realized gains in foreign exchange of \$6,793 (losses of \$5,655 during the year ended March 31, 2020), which were settled.

## 14. Provisions

|                                   | Warranty         | Restructuring    | Other         | Total            |
|-----------------------------------|------------------|------------------|---------------|------------------|
| Balance, at March 31, 2019        | \$ 8,286         | \$ 785           | \$ 375        | \$ 9,446         |
| Provisions made                   | 4,275            | 26,624           | 10,043        | 40,942           |
| Provisions reversed               | (3,162)          | -                | -             | (3,162)          |
| Provisions used                   | (1,687)          | (8,582)          | (9,793)       | (20,062)         |
| Exchange adjustments              | 250              | 969              | 34            | 1,253            |
| Balance, at March 31, 2020        | \$ 7,962         | \$ 19,796        | \$ 659        | \$ 28,417        |
| Provisions made                   | 6,268            | 14,355           | 7,436         | 28,059           |
| Acquisition of subsidiaries       | 2,816            | 2,802            | -             | 5,618            |
| Provisions reversed               | (495)            | -                | -             | (495)            |
| Provisions used                   | (2,329)          | (21,928)         | (7,184)       | (31,441)         |
| Exchange adjustments              | (501)            | (555)            | (68)          | (1,124)          |
| <b>Balance, at March 31, 2021</b> | <b>\$ 13,721</b> | <b>\$ 14,470</b> | <b>\$ 843</b> | <b>\$ 29,034</b> |

## Warranty provisions

Warranty provisions are related to sales of products and are based on experience reflecting statistical trends of warranty costs.

## Restructuring

Restructuring charges are recognized in the period incurred and when the criteria for provisions are fulfilled. Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed through a formal restructuring plan.

In fiscal 2021, the Company substantially completed a reorganization plan to help mitigate the expected impact of a slowdown in transportation markets brought on by the COVID-19 pandemic. The reorganization included the sale of certain assets and the transfer of employees from a German-based subsidiary to a third party that was completed in October 2020. During the year ended March 31, 2021, the Company recognized restructuring costs of \$14,355 in relation to the reorganization.

On November 6, 2019, the Company initiated a reorganization plan, which resulted in the consolidation of certain operations and the closure of several underperforming facilities and small branch offices. During the year ended March 31, 2021, the Company recorded a gain of \$5,339 on the sale of a facility made redundant due to the Company's previously completed reorganization which was included in selling, general and administrative expenses in the consolidated financial statements.

## Other provisions

Other provisions are related to medical insurance expenses that have been incurred during the period but are not yet paid, and other miscellaneous provisions.

## 15. Employee Benefits

The Company operates pension plans for certain of its employees through defined contribution plans, defined benefit plans and other long-term employee benefit plans. The costs associated with defined contribution plans are expensed as incurred. The most recent actuarial valuations of the defined benefit plans and other long-term employee benefit plans were completed as at March 31, 2021. In addition, the actuarial valuations of the defined benefit plans for the newly acquired subsidiary, CFT, were completed as at December 31, 2020. The next valuations are scheduled to be as at March 31, 2022.

The changes in the fair value of assets, the employee benefit obligation and the funded status were as follows:

| As at  | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| <b>Accrued benefit obligations:</b>              |                |                |
| Opening balance                                  | \$ 30,419      | \$ 31,951      |
| Acquisition of subsidiary                        | 5,967          | -              |
| Interest cost                                    | 565            | 632            |
| Service cost                                     | 432            | 207            |
| Assumption changes                               | 3,653          | (1,447)        |
| Transfers and benefits paid                      | (2,362)        | (1,291)        |
| Foreign exchange                                 | (966)          | 367            |
| Accrued benefit obligations, ending balance      | \$ 37,708      | \$ 30,419      |
| <b>Plan assets:</b>                              |                |                |
| Opening balance                                  | \$ 4,172       | \$ 3,764       |
| Interest income included in net interest expense | -              | 155            |
| Company contributions                            | 233            | 171            |
| Transfers  | (721)          | -              |
| Foreign exchange                                 | (86)           | 82             |
| Plan assets, ending balance                      | \$ 3,598       | \$ 4,172       |
| Employee benefits liability                      | \$ 34,110      | \$ 26,247      |

Amounts recognized in the consolidated statements of comprehensive income (before tax) were as follows:

| As at  | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Total actuarial gains (losses) recognized in OCI | \$ (3,653)     | \$ 1,447       |

The significant weighted average annual actuarial assumptions used in measuring the accrued benefit obligation were as follows:

| As at                         | March 31, 2021 | March 31, 2020 |
|-------------------------------|----------------|----------------|
| Discount rate                 | 1.4%           | 2.4%           |
| Rate of compensation increase | 0.6%           | 0.3%           |

## Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and life expectancy. The sensitivity analyses have been performed based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

As at March 31, 2021, the following quantitative analysis shows changes to the significant actuarial assumptions and the corresponding impact on the accrued benefit obligations:

|                             | Discount rate |             | Life expectancy    |                    |
|-----------------------------|---------------|-------------|--------------------|--------------------|
|                             | 1% increase   | 1% decrease | Increase by 1 year | Decrease by 1 year |
| Accrued benefit obligations | \$ (4,377)    | \$ 5,421    | \$ 1,188           | \$ (1,166)         |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation from one another as some of the assumptions may be correlated.

The weighted average allocations of plan assets were:

| As at | March 31, 2021 | March 31, 2020 |
|-------|----------------|----------------|
| Other | 100.0%         | 100.0%         |

No plan assets were directly invested in the Company's securities.

The net employee benefits expense included the following components:

| Years ended                          | March 31, 2021  | March 31, 2020  |
|--------------------------------------|-----------------|-----------------|
| <b>Defined benefit plans</b>         |                 |                 |
| Service cost                         | \$ 432          | \$ 207          |
| Interest cost                        | 565             | 632             |
|                                      | 997             | 839             |
| Defined contribution plans           | 3,185           | 4,376           |
| <b>Net employee benefits expense</b> | <b>\$ 4,182</b> | <b>\$ 5,215</b> |

The Company expects to contribute \$233 to its defined benefit plans during the year ending March 31, 2022.

The cumulative actuarial losses, net of income taxes, recognized in retained earnings as at March 31, 2021 were \$7,914 (March 31, 2020 - \$5,303).

## 16. Bank Indebtedness and Long-Term Debt

On July 29, 2020, the Company amended its senior secured credit facility (the “Credit Facility”) and extended its maturity to August 29, 2022. The Credit Facility provides a committed revolving credit facility of \$750,000. 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 March 31, 2021, the Company had utilized \$2,232 under the Credit Facility, of which \$nil was classified as long-term debt (March 31, 2020 - \$250,000) and \$2,232 by way of letters of credit (March 31, 2020 - \$149,351).

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 LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. 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 0.95% to 2.50%. For bankers’ acceptances and LIBOR advances, the interest rate is equal to the bankers’ acceptance fee or LIBOR, respectively, plus a margin that varies from 1.95% to 3.50%. The Company pays a fee for usage of financial letters of credit that ranges from 1.95% to 3.50%, and a fee for usage of non-financial letters of credit that ranges from 1.30% to 2.33%.

The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.39% to 0.79%.

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 March 31, 2021, all covenants were met.

The Company has additional credit facilities available of \$29,578 (10,166 Euros, \$10,000 U.S., 50,000 Thai Baht and 403 Czech Koruna). The total amount outstanding on these facilities as at March 31, 2021 was \$1,226 of which \$1,106 was classified as bank indebtedness (March 31, 2020 - \$4,572) and \$120 was classified as long-term debt (March 31, 2020 - \$215). The interest rates applicable to the credit facilities range from 1.75% to 6.25% per annum. A portion of the long-term debt is secured by certain assets of the Company.

On December 29, 2020, the Company completed a private placement of U.S. \$350,000 aggregate principal amount of senior notes (the “Senior Notes”). Transaction fees of \$8,100 were deferred and will be amortized over the term of the Senior Notes. On January 13, 2021, ATS used the net proceeds from the Senior Notes to fund the redemption of its U.S. \$250,000 6.5% senior notes due in 2023 (the “Existing Notes”). The Company recorded finance costs of \$9,118 related to the redemption of the Existing Notes.

The Senior Notes were issued at par, bear interest at a rate of 4.125% per annum and mature on December 15, 2028. 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. 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. The Company uses a cross-currency interest rate swap instrument to hedge a portion of its U.S.-dollar-denominated Senior Notes (see note 9).

### (i) Bank indebtedness

| As at            | March 31, 2021 | March 31, 2020 |
|------------------|----------------|----------------|
| Other facilities | \$ 1,106       | \$ 4,572       |

**(ii) Long-term debt**

| As at                 | March 31, 2021 | March 31, 2020 |
|-----------------------|----------------|----------------|
| Credit Facility       | \$ -           | \$ 250,000     |
| Senior Notes          | 439,810        | -              |
| Existing Notes        | -              | 351,925        |
| Other facilities      | 120            | 215            |
| Issuance costs        | (9,217)        | (4,042)        |
|                       | 430,713        | 598,098        |
| Less: current portion | 79             | 133            |
|                       | \$ 430,634     | \$ 597,965     |

Scheduled principal repayments and interest payments on long-term debt as at March 31, 2021 are as follows:

|                    | Principal  | Interest   |
|--------------------|------------|------------|
| Less than one year | \$ 79      | \$ 18,142  |
| One–two years      | 31         | 18,142     |
| Two–three years    | 10         | 18,142     |
| Three–four years   | -          | 18,142     |
| Four–five years    | -          | 18,142     |
| Thereafter         | 439,810    | 49,891     |
|                    | \$ 439,930 | \$ 140,601 |

**17. Share Capital**

Authorized share capital of the Company consists of an unlimited number of common shares, without par value, for unlimited consideration.

On December 21, 2020, 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 has the ability to purchase for cancellation up to a maximum of 7,351,834 common shares.

For the year ended March 31, 2021, the Company purchased nil common shares under the recently announced NCIB program and 511,528 common shares (March 31, 2020 – 301,386) for \$8,662 (March 31, 2020 - \$4,785) under the previous NCIB program. All purchases are made in accordance with the bid at prevalent market prices plus brokerage fees, or such other prices that may be permitted by the TSX, with consideration allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings. The weighted average price per repurchased share was \$16.93 (March 31, 2020 - \$15.87).

The changes in the common shares issued and outstanding during the years presented were as follows:

|                                   | Number of common shares | Share capital     |
|-----------------------------------|-------------------------|-------------------|
| Balance, at March 31, 2019        | 91,909,414              | \$ 516,613        |
| Exercise of stock options         | 522,927                 | 6,963             |
| Repurchase of common shares       | (301,386)               | (1,692)           |
| Balance, at March 31, 2020        | 92,130,955              | \$ 521,884        |
| Exercise of stock options         | 457,676                 | 7,485             |
| Repurchase of common shares       | (511,528)               | (2,923)           |
| <b>Balance, at March 31, 2021</b> | <b>92,077,103</b>       | <b>\$ 526,446</b> |

## 18. Taxation

### (i) Reconciliation of income taxes

Income tax expense differs from the amounts that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income before income taxes. These differences result from the following items:

| Years ended  | Note | March 31, 2021   | March 31, 2020   |
|--|------|------------------|------------------|
| Income before income taxes and non-controlling interest                                    |      | \$ 79,457        | \$ 67,539        |
| Combined Canadian basic federal and provincial income tax rate                             |      | 26.50%           | 26.50%           |
| Income tax expense based on combined Canadian basic federal and provincial income tax rate |      | \$ 21,056        | \$ 17,898        |
| Increase (decrease) in income taxes resulting from:  |      |                  |                  |
| Adjustments in respect to current income tax of previous periods                           |      | (46)             | (321)            |
| Non-taxable income (loss) net of non-deductible expenses                                   |      | 7,460            | (459)            |
| Unrecognized assets (recognition of previously unrecognized assets)                        |      | (5,910)          | 2,554            |
| Income taxed at different rates and statutory rate changes                                 |      | (5,298)          | (2,873)          |
| Manufacturing and processing allowance and all other items                                 |      | (1,908)          | (2,211)          |
| <b>At the effective income tax rate of 19% (2020 – 22%)</b>                                |      | <b>\$ 15,354</b> | <b>\$ 14,588</b> |
| Income tax expense reported in the consolidated statements of income:                      |      |                  |                  |
| Current tax expense  |      | \$ 44,408        | \$ 15,539        |
| Deferred tax recovery  |      | (29,054)         | (951)            |
|  |      | \$ 15,354        | \$ 14,588        |
| Deferred tax related to items charged or credited to equity and goodwill:                  |      |                  |                  |
| Gain (loss) on revaluation of cash flow hedges   |      | \$ 3,712         | \$ (3,210)       |
| Opening deferred tax of acquired companies   | 5    | (13,586)         | (2,894)          |
| Other items recognized through equity  |      | 2,495            | (711)            |
| Income tax charged to equity and goodwill  |      | \$ (7,379)       | \$ (6,815)       |

### (ii) Components of deferred income tax assets and liabilities

Deferred income taxes are provided for the differences between accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities comprise of the following:

| As at  | March 31, 2021     | March 31, 2020     |
|--|--------------------|--------------------|
| Accounting income not currently taxable                      | \$ (32,440)        | \$ (45,816)        |
| Intangible assets  | (63,712)           | (52,401)           |
| Investment tax credits taxable in future years when utilized | (13,999)           | (13,788)           |
| Loss available for offset against future taxable income      | 20,377             | 26,829             |
| Property, plant and equipment                                | 24,170             | 235                |
| Other  | 2,254              | 845                |
| <b>Net deferred income tax liability</b>                     | <b>\$ (63,350)</b> | <b>\$ (84,096)</b> |
| Presented as:  | March 31, 2021     | March 31, 2020     |
| Deferred income tax assets                                   | \$ 11,087          | \$ 2,725           |
| Deferred income tax liabilities                              | (74,437)           | (86,821)           |
| <b>Net deferred income tax liability</b>                     | <b>\$ (63,350)</b> | <b>\$ (84,096)</b> |

**Unrecognized deferred income tax assets:** Deferred income tax assets have not been recognized in respect of the following item:

| As at   | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| Losses available for offset against future taxable income | \$ 37,441      | \$ 53,652      |

**Loss carryforwards:** As at March 31, 2021, the Company has the following net operating loss carryforwards that are scheduled to expire in the following years:

| As at          | March 31, 2021 |           |
|----------------|----------------|-----------|
| Year of expiry | Non-Canadian   | Canadian  |
| 2022–2024      | \$ 4,181       | \$ -      |
| 2025–2029      | 13,775         | -         |
| 2030–2040      | 8,078          | 44,793    |
| No expiry      | 52,608         | -         |
|                | \$ 78,642      | \$ 44,793 |

| As at          | March 31, 2020 |           |
|----------------|----------------|-----------|
| Year of expiry | Non-Canadian   | Canadian  |
| 2021–2024      | \$ 15,622      | \$ -      |
| 2025–2029      | 6,228          | -         |
| 2030–2040      | 21,340         | 42,948    |
| No expiry      | 31,284         | -         |
|                | \$ 74,474      | \$ 42,948 |

At March 31, 2021 and March 31, 2020, the Company did not have U.S. federal and state capital loss carryforwards. The Company has Canadian capital loss carryforwards of \$78,932 (March 31, 2020 - \$287,160) that do not expire.

**Investment tax credits:** As at March 31, 2021, the Company has investment tax credits available to be applied against future taxes payable in Canada of approximately \$43,886 and in foreign jurisdictions of approximately \$12,948. The investment tax credits are scheduled to expire as follows:

| Year of expiry | Gross ITC balance |
|----------------|-------------------|
| 2030–2035      | \$ 31,462         |
| 2036–2041      | 25,372            |
|                | \$ 56,834         |

The benefit of \$52,440 (March 31, 2020 - \$64,569) of these investment tax credits has been recognized in the consolidated financial statements. Unrecognized investment tax credits are scheduled to expire between 2035 and 2041.

(iii) The Company has determined that as of the reporting date, undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

(iv) There are temporary differences of \$44,587 associated with investments in subsidiaries for which no deferred income tax liability has been recognized.

## 19. Stock-Based Compensation

**Employee Share Purchase Plan:** Under the terms of the Company's Employee Share Purchase Plan, qualifying employees of the Company may set aside funds through payroll deductions for an amount up to a maximum of 10% of their base salary or \$10,000 in any one calendar year. Subject to the member not making withdrawals from the plan, the Company makes contributions to the plan equal to 20% of a member's contribution to the plan during the year, up to a maximum of 1% of the member's salary or \$2,000. Shares for the plan may be issued from treasury or purchased in the market as determined by the Company's Board of Directors. During the years ended March 31, 2021 and March 31, 2020, no shares were issued from treasury related to the plan.

**Deferred Stock Unit Plan:** The Company offers a Deferred Stock Unit Plan (“DSU Plan”) for members of the Board. Under the DSU Plan, each non-employee director may elect to receive all or a portion of his or her annual compensation in the form of notional common shares of the Company called deferred stock units (“DSUs”). The issue and redemption prices of each DSU are based on a five-day volume weighted average trading price of the Company’s common shares for the five trading days prior to issuance or redemption. Under the terms of the DSU Plan, directors are not entitled to convert DSUs into cash until retirement from the Board. The value of each DSU, when converted to cash, will be equal to the market value of a common share of the Company at the time the conversion takes place. During the year ended March 31, 2021, the Company granted 51,386 units (March 31, 2020 – 47,569 units). During the year ended March 31, 2021, 113,604 units (March 31, 2020 – nil units) were redeemed upon directors’ retirement from the Board. As at March 31, 2021, the value of the outstanding liability related to the DSUs was \$8,732 (2020 - \$6,454). The DSU liability is revalued at each reporting date based on the change in the Company’s stock price. The DSU liability is included in accounts payable and accrued liabilities on the consolidated statements of financial position. The change in the value of the DSU liability is included in the consolidated statements of income in the period of the change.

**Stock Option Plan:** The Company uses a stock option plan to attract and retain key employees, officers and directors. Under the Company’s 1995 Stock Option Plan (the “1995 Plan”), the shareholders have approved a maximum of 5,991,839 common shares for issuance, with the maximum reserved for issuance to any one person at 5% of the common shares outstanding at the time of the grant. Time-vested stock options vest over four-year periods. Performance-based stock options vest based on the Company’s stock trading at or above a threshold for a specified number of minimum trading days in a fiscal quarter. For time-vested stock options, the exercise price is the price of the Company’s common shares on the Toronto Stock Exchange at closing for the day prior to the date of the grant. For performance-based stock options, the exercise price is either the price of the Company’s common shares on the TSX at closing for the day prior to the date of the grant or the five-day volume weighted average price of the Company’s common shares on the TSX prior to the date of the grant. Stock options granted under the 1995 Plan may be exercised during periods not exceeding seven years from the date of grant, subject to earlier termination upon the option holder ceasing to be a director, officer or employee of the Company. Stock options issued under the 1995 Plan are non-transferable. Any stock option granted that is cancelled or terminated for any reason prior to exercise is returned to the pool and becomes available for future stock option grants. In the event that the stock option would otherwise expire during a restricted trading period, the expiry date of the stock option is extended to the 10th business day following the date of expiry of such period. In addition, the 1995 Plan restricts the granting of stock options to insiders that may be under the 1995 Plan.

Under the Company’s 2006 Stock Option Plan (the “2006 Plan”), the shareholders have approved a maximum of 5,159,000 common shares for issuance. The terms of the 2006 Plan are identical to those of the 1995 Plan, except that the maximum number of common shares to be issued pursuant to the issue of options under the 2006 Plan is 5,159,000 common shares.

As at March 31, 2021, there are a total of 2,265,329 common shares remaining for future stock option grants under both plans (March 31, 2020 - 2,457,814).

| Years ended March 31  | 2021                    |                                 | 2020                    |                                 |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|
|   | Number of stock options | Weighted average exercise price | Number of stock options | Weighted average exercise price |
| Stock options outstanding, beginning of year                      | 1,162,149               | \$ 15.71                        | 1,524,198               | \$ 13.61                        |
| Granted   | 253,491                 | 20.22                           | 187,089                 | 20.86                           |
| Exercised <sup>1</sup>  | (457,676)               | 13.36                           | (522,927)               | 11.45                           |
| Forfeited   | (61,006)                | 19.47                           | (26,211)                | 15.28                           |
| Stock options outstanding, end of year                            | 896,958                 | \$ 17.93                        | 1,162,149               | \$ 15.71                        |
| Stock options exercisable, end of year, time-vested options       | 396,886                 | \$ 16.03                        | 601,834                 | \$ 14.63                        |
| Stock options exercisable, end of year, performance-based options | -                       | \$ -                            | 76,666                  | \$ 12.69                        |

1 For the year ended March 31, 2021, the weighted average share price at the date of exercise was \$19.87 (March 31, 2020 - \$19.08).



| As at March 31, 2021     |                    | Stock options outstanding                   |                                 | Stock options exercisable |                                 |
|--------------------------|--------------------|---|---------------------------------|---------------------------|---------------------------------|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable        | Weighted average exercise price |
| \$10.46–\$12.77          | 136,842            | 2.79 years                                  | \$ 11.91                        | 84,032                    | \$ 11.37                        |
| \$12.78–\$15.83          | 202,000            | 1.10 years                                  | 15.53                           | 202,000                   | 15.53                           |
| \$15.84–\$20.22          | 255,692            | 6.38 years                                  | 20.21                           | 550                       | 18.71                           |
| \$20.23–\$20.89          | 302,424            | 4.67 years                                  | 20.34                           | 110,304                   | 20.50                           |
| \$10.46–\$20.89          | 896,958            | 4.07 years                                  | \$ 17.93                        | 396,886                   | \$ 16.03                        |

The expense associated with the Company's performance-based stock options is recognized in income over the estimated assumed vesting period at the time the stock options are granted. Upon the Company's stock price trading at or above a stock price performance threshold for a specified minimum number of trading days, the options vest. When the performance-based stock options vest, the Company is required to recognize all previously unrecognized expenses associated with the vested stock options in the period in which they vest.

The fair values of the Company's stock options issued during the periods presented were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined at the time of the grant by considering historical share price volatility. Expected stock option grant life was determined at the time of the grant by considering the average of the grant vesting period and the grant exercise period.

| Years ended March 31                       | 2021       | 2020       |
|--|------------|------------|
| Weighted average risk-free interest rate   | 0.36%      | 1.48%      |
| Dividend yield                             | 0%         | 0%         |
| Weighted average expected volatility       | 32%        | 30%        |
| Weighted average expected life             | 4.75 years | 4.75 years |
| Number of stock options granted:           |            |            |
| Time-vested                                | 253,491    | 187,089    |
| Weighted average exercise price per option | \$ 20.22   | \$ 20.86   |
| Weighted average value per option:         |            |            |
| Time-vested                                | \$ 5.55    | \$ 5.87    |

## Restricted Share Unit Plan

During the year ended March 31, 2021, the Company granted 298,457 time-vesting restricted share units ("RSUs") (144,073 in the year ended March 31, 2020). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. During the year ended March 31, 2021, the Company granted 137,652 performance-based RSUs (141,681 in the year ended March 31, 2020). The performance-based RSUs vest upon successful achievement of certain operational and share price targets. The performance-based RSUs give the employee the right to receive a cash payment based on the market value of a common share of the Company. The weighted average remaining vesting period for the time-vesting RSUs and performance-based RSUs is 1.7 years. The RSU liability is recognized quarterly based on the expired portion of the vesting period, the change in the Company's stock price and, for performance-based RSUs, the estimated achievement of certain operational and share price targets. At March 31, 2021, the value of the outstanding liability related to the RSU plan was \$8,892 (March 31, 2020 - \$5,234). The RSU liability is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

## 20. Commitments and Contingencies

The minimum purchase obligations are as follows as at March 31, 2021:

|                    |    |         |
|--------------------|----|---------|
| Less than one year | \$ | 294,029 |
| One – two years    |    | 3,096   |
| Two – three years  |    | 516     |
| Three – four years |    | 207     |
|                    | \$ | 297,848 |

The Company's off-balance sheet arrangements consist of purchase obligations which consist primarily of commitments for materials 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 March 31, 2021, the total value of outstanding letters of credit was approximately \$154,030 (March 31, 2020 - \$219,039).

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 consolidated statements of financial position.

## 21. Segmented Disclosure

The Company's operations are reported as one operating segment, Automation Systems, which plans, allocates resources, builds capabilities and implements best practices on a global basis.

Geographic segmentation of revenues is determined based on revenues by customer location. Non-current assets represent property, plant and equipment, right-of-use assets and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

| As at                | March 31, 2021         |                                  |                      |
|----------------------|------------------------|----------------------------------|----------------------|
|                      | Right-of-use<br>assets | Property, plant<br>and equipment | Intangible<br>assets |
| Canada               | \$ 7,594               | \$ 55,793                        | \$ 26,504            |
| United States        | 778                    | 31,541                           | 9,442                |
| Germany              | 25,653                 | 34,240                           | 61,230               |
| Italy                | 27,258                 | 49,791                           | 145,128              |
| United Kingdom       | 146                    | 2,858                            | 19,747               |
| Other Europe         | 6,654                  | 16,022                           | 2,535                |
| Other                | 4,487                  | 924                              | 105                  |
| <b>Total Company</b> | <b>\$ 72,570</b>       | <b>\$ 191,169</b>                | <b>\$ 264,691</b>    |

| As at                | March 31, 2020         |                                  |                      |
|----------------------|------------------------|----------------------------------|----------------------|
|                      | Right-of-use<br>assets | Property, plant<br>and equipment | Intangible<br>assets |
| Canada               | \$ 9,324               | \$ 53,968                        | \$ 25,943            |
| United States        | 1,829                  | 26,748                           | 14,006               |
| Germany              | 28,196                 | 44,542                           | 80,736               |
| Italy                | 8,239                  | 2,338                            | 74,579               |
| United Kingdom       | –                      | 2,909                            | 24,505               |
| Other Europe         | 7,631                  | 2,578                            | 231                  |
| Other                | 5,937                  | 3,201                            | 169                  |
| <b>Total Company</b> | <b>\$ 61,156</b>       | <b>\$ 136,284</b>                | <b>\$ 220,169</b>    |

| Revenues from external customers for the years ended | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Canada   | \$ 107,572     | \$ 74,647      |
| United States  | 580,044        | 498,733        |
| Germany  | 257,285        | 324,840        |
| Italy  | 11,266         | 18,417         |
| United Kingdom                                       | 58,916         | 129,995        |
| Other Europe   | 240,325        | 236,104        |
| Other  | 174,644        | 146,998        |
| Total Company  | \$ 1,430,052   | \$ 1,429,734   |

For the years ended March 31, 2021 and March 31, 2020, the Company did not have revenues from any single customer that amounted to 10% or more of total consolidated revenues.

## 22. Revenue from Contracts with Customers

### (a) Disaggregation of revenue from contracts with customers:

| Revenues by market for the years ended | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Life sciences                          | \$ 805,375     | \$ 770,209     |
| Transportation                         | 272,346        | 385,029        |
| Consumer products                      | 238,220        | 172,674        |
| Energy                                 | 114,111        | 101,822        |
| Total Company                          | \$ 1,430,052   | \$ 1,429,734   |

| Timing of revenue recognition based on transfer of control for the years ended | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Goods and services transferred at a point in time                              | \$ 121,643     | \$ 121,569     |
| Goods and services transferred over time                                       | 1,308,409      | 1,308,165      |
| Total Company  | \$ 1,430,052   | \$ 1,429,734   |

### (b) Backlog

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at March 31, 2021 and 2020. The amounts disclosed below represent the value of firm orders and do not include constrained variable consideration or letters of intent. Such orders may be subject to future modifications that could impact the amount and/or timing of revenue recognition.

| Revenues expected to be recognized in: | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Less than one year                     | \$ 1,025,000   | \$ 749,000     |
| Thereafter                             | 135,000        | 192,600        |
| Total                                  | \$ 1,160,000   | \$ 941,600     |

### (c) Contract balances

| As at                         | March 31, 2021 | March 31, 2020 |
|-------------------------------|----------------|----------------|
| Trade receivables             | \$ 265,467     | \$ 270,756     |
| Contract assets               | 272,847        | 231,531        |
| Contract liabilities          | (218,290)      | (117,757)      |
| Unearned revenue <sup>1</sup> | (34,289)       | (28,460)       |
| Net contract balances         | \$ 285,735     | \$ 356,070     |

<sup>1</sup> The unearned revenue liability is included in accounts payable and accrued liabilities on the consolidated statement of financial position.

| As at                             | March 31, 2021 | March 31, 2020 |
|-----------------------------------|----------------|----------------|
| Contracts in progress:            |                |                |
| Costs incurred                    | \$ 2,039,017   | \$ 1,689,539   |
| Estimated earnings                | 745,068        | 630,908        |
|                                   | 2,784,085      | 2,320,447      |
| Progress billings                 | (2,729,528)    | (2,206,673)    |
| Net contract assets & liabilities | \$ 54,557      | \$ 113,774     |

## 23. Net Finance Costs

| Years ended                   | March 31, 2021 | March 31, 2020 |
|-------------------------------|----------------|----------------|
| Interest expense <sup>1</sup> | \$ 38,953      | \$ 26,508      |
| Interest on lease liabilities | 2,820          | 3,631          |
| Interest income               | (1,621)        | (2,065)        |
|                               | \$ 40,152      | \$ 28,074      |

<sup>1</sup> Included in interest expense for the year ended March 31, 2021 are finance costs of \$9,118 associated with the redemption of the U.S. \$250,000 6.5% senior notes that were due in 2023.

## 24. Earnings Per Share

| Years ended  | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Weighted average number of common shares outstanding         | 92,199,720     | 92,099,774     |
| Dilutive effect of stock option conversion                   | 167,524        | 361,462        |
| Diluted weighted average number of common shares outstanding | 92,367,244     | 92,461,236     |

For the year ended March 31, 2021, stock options to purchase 558,116 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (361,235 common shares were excluded for the year ended March 31, 2020).

## 25. Capital Management

The Company's capital management framework is designed to ensure the Company has adequate liquidity, financial resources and borrowing capacity to allow financial flexibility and to provide an adequate return to shareholders. The Company defines capital as the aggregate of equity (excluding accumulated other comprehensive income), bank indebtedness, long-term debt, lease liabilities and cash and cash equivalents.

The Company monitors capital using the ratio of total debt to equity. Total debt includes bank indebtedness, long-term debt and lease liabilities as shown on the consolidated statements of financial position. Net debt consists of cash and cash equivalents less total debt. Equity includes all components of equity, less accumulated other comprehensive income. The Company also monitors an externally imposed covenant of debt to EBITDA of not greater than 3 to 1. EBITDA includes income before income taxes, less net finance costs, depreciation and amortization. For the years ended March 31, 2021 and March 31, 2020, the Company operated with a ratio below the externally imposed covenant. The Company is prepared to increase the total debt-to-equity ratio and net debt-to-EBITDA ratio if appropriate opportunities arise.

The capital management criteria can be illustrated as follows:

| As at   | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| Equity excluding accumulated other comprehensive income | \$ 852,830     | \$ 776,428     |
| Long-term debt  | 430,713        | 598,098        |
| Lease liabilities                                       | 72,961         | 62,905         |
| Bank indebtedness                                       | 1,106          | 4,572          |
| Cash and cash equivalents                               | (187,467)      | (358,645)      |
| Capital under management                                | \$ 1,170,143   | \$ 1,083,358   |
| Debt-to-equity ratio                                    | 0.59:1         | 0.86:1         |

## 26. Related Party Disclosure

The Company has an agreement with a shareholder, Mason Capital Management, LLC (“Mason Capital”), pursuant to which Mason Capital agreed to provide ATS with ongoing strategic and capital markets advisory services for an annual fee of U.S. \$500. As part of the agreement, 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 or as a member of any committee of the Board.

The remuneration of the Board and key management personnel is determined by the Board on recommendation from the Human Resources Committee of the Board:

| As at                        | March 31, 2021   | March 31, 2020  |
|------------------------------|------------------|-----------------|
| Short-term employee benefits | \$ 5,705         | \$ 4,720        |
| Fees                         | 661              | 665             |
| Stock-based compensation     | 9,309            | 3,019           |
| Post-employment benefits     | 26               | 42              |
| <b>Total remuneration</b>    | <b>\$ 15,701</b> | <b>\$ 8,446</b> |

Stock-based compensation represents the remuneration of the Board and of key management personnel and is reported in the consolidated statements of income as stock-based compensation expense.

# Board of Directors

## Dave Cummings

Mr. Cummings is an experienced executive with an extensive background in digital, technical, engineering, operations and commercial leadership, building this career in numerous international roles. Currently, Mr. Cummings is the Executive Vice President and Chief Digital Officer for Finning International, the world's largest international Caterpillar Equipment dealership headquartered in Vancouver, Canada. At Finning, as well as leading the global technology, operations excellence, marketing and pricing teams, Mr. Cummings has been the architect behind the creation of the new Finning Digital division. While with Finning, Mr. Cummings also spent almost three years living in Chile supporting the business while the company implemented an end-to-end ERP system and the corporate digital strategies across all of its South American businesses. Mr. Cummings has been an active participant in audit committee matters at Finning, is a member of the management team that oversees the financial health of the business, and has had financial accountability in all of his commercial roles throughout his career. Both at Finning and with prior companies, Mr. Cummings has significantly advanced the companies' cyber security capabilities and benchmarked performance in the protection of company data and assets. Prior to joining Finning, Mr. Cummings held C suite and Technology leadership positions at Maxum Petroleum in Connecticut, USA, North America's largest fuels and lubricants distribution company, and Univar in Seattle, Washington, an \$11bn global industrial chemical distributor.

Mr. Cummings began his career in the oil and gas industry and spent 23 years with DuPont, then ConocoPhillips. In this time frame he has had an international career living and holding operations and engineering roles in the Netherlands, England, Canada and Norway and commercial P&L roles in Scotland and the USA. While with ConocoPhillips, Mr. Cummings has also had numerous assignments in technology, sales and marketing, commercial, engineering and operations with extensive assignment time spent in Indonesia, Dubai and Australia, among other countries. This multi-national and multi-disciplined career positions Mr. Cummings to bring a very diverse perspective to the ATS Board. Mr. Cummings is a serving member of the board of directors of BC Tech, a western Canada government-partnered not-for-profit organization dedicated to growing and scaling homegrown Canadian technology startups. Mr. Cummings was educated in the United Kingdom and earned a BS (Honours) in Business Administration and an MBA in Business Management.

## Joanne S. Ferstman

Ms. Ferstman currently serves as a corporate director. She has over 20 years of progressive experience in the financial industry. Over an 18 year period until her retirement in June 2012, she held several leadership positions with the Dundee group of companies, which operated in wealth management, resources and real estate verticals. She was responsible for financial and regulatory reporting, risk management, and involved in mergers and acquisitions and strategic development and held the position of Chief Financial Officer for many years and latterly held the positions of Vice Chair of Dundee Wealth Inc. and President and Chief Executive Officer of Dundee Capital Markets Inc. Prior to joining the Dundee group of companies, Ms. Ferstman spent five years at a major international accounting firm. She is a Chartered Professional Accountant and has a Bachelor of Commerce and Graduate Diploma in Public Accountancy from McGill University. She currently serves as the Chair of DREAM Unlimited Corp. (a real estate company). She also serves as lead director of Osisko Gold Royalties Ltd. (a mining royalty company), director of Osisko Development Corp., and as a director of Cogeco Communications Inc. (a communications company). Ms. Ferstman was formerly a director of Aimia Inc., Excellon Resources Inc. and Osisko Mining Corporation, and a trustee of DREAM Office REIT and DREAM Industrial REIT.

Ms. Ferstman brings a wealth of experience. She was CEO of Dundee Capital Markets Inc., a financial services company focused on investment banking, sales trading and financial advisory. She is a financial expert, being a CPA, having been a CFO of complex public companies for approximately 18 years, and an audit committee member/chair in various industries. Her capital markets experience was gained throughout her executive career at a financial company which operated in the capital markets and performed a variety of capital markets functions for clients. In addition, as a CFO of a public company, Ms. Ferstman dealt with many aspects of capital markets, debt and equity financings, research analysis, and M&A transactions. Ms. Ferstman's international exposure includes having overseen operations in the U.S. and Europe. She has had the opportunity to deal with many aspects of executive compensation in her career. Her experience on various boards of directors has provided additional exposure to capital markets, international business, human resources, legal, and governance matters.

## Andrew P. Hider

Mr. Hider is the Chief Executive Officer of ATS Automation Tooling Systems Inc. He is an experienced executive with a track record of success founded on his ability to drive business growth and operational performance in complex business environments and across multiple industries including transportation, advanced technology, instrumentation and industrial products. Most recently, Mr. Hider served as President and CEO of the Taylor Made Group, LLC, a diversified global leader in the supply of innovative products and systems for marine, transportation, agriculture, and construction markets, a position he held from May 2016 through to February 2017. Prior to that, Mr. Hider served for 10 years at Danaher Corporation, a global science and technology company, initially joining Danaher as General Manager and Director of Dover and most recently serving as President of Veeder Root. Mr. Hider began his career with General Electric, serving in a number of areas over a six-year period including manufacturing, project management, procurement and finance, culminating in his appointment as General Manager of GE Tri-Remanufacturing. Mr. Hider holds a Bachelor of Science in Interdisciplinary Engineering and Management and a Master of Business Administration, both from Clarkson University.

Prior to joining ATS, Mr. Hider gained CEO experience at Taylor Made Group, LLC where he had responsibility for all aspects of the business. Mr. Hider has significant experience touching upon operations, manufacturing, sales and marketing, product management, innovation, international business, service, quality, continuous improvement, and M&A. This experience was gained through participation in an operational leadership program while at General Electric where he cycled through four different leadership roles, and full P&L leadership positions at four different companies while at Danaher Corporation, those group companies being involved in fuel management, application-specific X-ray analyzers, instrumentation, and motion technology. Some specific projects that Mr. Hider led include acquisitions, brand rationalization, sales force execution, quality improvements, continuous improvement, strategy development, and a successful acquisition of an SaaS business that enabled a total smart solution with hardware and cloud-based software solutions.

## Kirsten Lange

Ms. Lange, a German citizen, has more than 30 years of business experience in top management and in consulting across many of the geographies ATS serves, including Germany and China. Most recently, she was the CEO of Fritsch Holding AG, a mid-sized German machinery company. Before that, she served as a member of the Management Board of Voith Hydro, where she was responsible for growing the Automation and Service divisions as well as for developing new digital business models. Previous to that, Ms. Lange spent 22 years with the Boston Consulting Group (BCG), based in Munich, Germany, where she worked as a Partner and Managing Director with over 100 companies in sectors such as machine and plant construction, chemicals, automotive, energy, packaged consumer goods and many more. During her time with BCG she spent two years in Shanghai, running the local office and developing the Chinese market. Until recently, she has been a member of the Board of Directors and Audit Committee of Heidelberger Druckmaschinen AG. Ms. Lange graduated from the University of Munich with a degree in Journalism and earned a Master of Business Administration from INSEAD/France, where she is also teaching in the MBA program as Adjunct Professor.

Ms. Lange brings to ATS a broad skill set including: her experience as a CEO at Fritsch Holding AG, overseeing all aspects of the business; direct experience in operations, manufacturing, sales and marketing, R&D/technology, and digital offerings at Voith Hydro, where she was responsible for the after-market business, automation business, running a sales and marketing organization, product management of turbines, generators and complete power plants, and development of new digital offerings. At BCG, Ms. Lange gained human resources experience, being responsible for career development in Germany and leading the European women's initiative. Having lived and worked in China for two years, and having spent several months in each of the USA, Russia, Brazil, Israel, U.K., and Thailand (among others), Ms. Lange brings a unique international perspective. In addition to Ms. Lange's exposure to financial matters throughout her career, financial experience was also gained by way of an MBA specialization in corporate finance, and having been a member of the Audit Committee of Heidelberger Druckmaschinen AG.

## Michael E. Martino

Mr. Martino is a founder and principal of Mason Capital Management. Mr. Martino began his investment career at Oppenheimer & Company where he was responsible for risk arbitrage research; he ended his tenure at Oppenheimer as Executive Director, Risk Arbitrage. He began his business career at GE Capital Corporation where he held positions in information systems and business analysis. He was formerly a director of Spar Aerospace Limited, a publicly-traded aerospace company. Mr. Martino graduated from Fairfield University with a degree in Political Science and earned a Master of Business Administration in Finance from New York University's Stern School of Business. Mr. Martino currently serves as a director of Mason Industrial Technology, a special purpose acquisition company.

Mr. Martino has gained over 20 years' experience at a CEO level through his involvement in Mason Capital. Eight years at General Electric exposed him to the manufacturing industry. Beginning at Oppenheimer & Company, Mr. Martino has worked in the capital markets for the last 27 years. From an international perspective, Mr. Martino has been involved with U.S. and Canadian investments, including holding board positions, and has overseen global investments throughout his career.

## David L. McAusland

Mr. McAusland, the Chairman of the Board of Directors, is a corporate advisor, lawyer and experienced corporate director and senior executive. Mr. McAusland is counsel to the law firm McCarthy Tétrault and was previously Executive Vice-President, Corporate Development and Chief Legal Officer of Alcan Inc., where he provided leadership on its worldwide mergers, growth strategies, major transactions and capital investments. Mr. McAusland currently acts as a director of Cogeco Inc., and Cogeco Communications Inc. Mr. McAusland is also involved with several not-for-profit organizations and private companies. Mr. McAusland received his B.C.L. in 1976 and his LL.B. in 1977, both from McGill University. In 2002, he was awarded the Queen Elizabeth II Jubilee Medal in recognition of service to the community, in 2015 he was conferred the title *Advocatus Emeritus* (Ad. E.) by the Quebec Bar and in 2020 he received the distinction of Fellow of the Institute of Corporate Directors (F. ICD) by the Institute of Corporate Directors.

With his 40-year career, Mr. McAusland brings to ATS deep experience in the strategic issues facing a wide variety of businesses, both domestically and internationally, based on a broad variety of perspectives including as a senior executive of a large multi-national business, corporate director, lawyer and strategic advisor. Mr. McAusland is highly knowledgeable in all matters of corporate governance; his roles as a corporate director go back over 20 years and include membership on human resource and compensation committees as well as audit committees and roles as board chair. He has designed and led many high-value-at-stake strategic initiatives and transactions, both friendly and contested as well as domestic and international, and he has spent much of his career with close involvement in the capital markets and corporate finance issues and initiatives. Mr. McAusland also brings experience as a leader of successful government relations initiatives and the development of strategies based on stakeholder alignment.

## Philip B. Whitehead

Mr. Whitehead is an experienced business leader. He is currently Chairman Emeritus of Danaher's European Board and Vice President Corporate Development of the Danaher Corporation, a global science and technology company. Since joining Danaher in 1992, Mr. Whitehead has held a number of executive and operational roles beginning with Managing Director of Veeder Root Europe. In his current position, he leads Danaher's mergers and acquisition activity in Europe and supports the corporation's growth initiatives in selected high growth markets. Earlier in his career, Mr. Whitehead worked in senior sales and marketing roles at Procter and Gamble, Hovis Marketing, and Unilever. He also operated his own management consultancy business. Mr. Whitehead has a Diploma in Marketing, Accounting and Finance from Bournemouth College, U.K. Mr. Whitehead currently serves as a director of Mason Industrial Technology, a special purpose acquisition company.

Mr. Whitehead is skilled in overseeing businesses, having held CEO/managing director roles at several public and private companies in the U.K. and one in Switzerland. He has operations, manufacturing and lean operations experience through the many roles he has had within Danaher group companies, including Veeder Root, Gems Sensors, and others. Mr. Whitehead's capital markets experience was gained from his involvement in the listing of Mirelec as a U.K. public company, serving as Chairman of Nobel Biocare whilst it was publicly listed in Switzerland and through the many public to private deals completed as the lead on Danaher's prolific M&A record where he has been Managing Director of Corporate Development in Europe for the last 20 years. Mr. Whitehead sees his main skill set as lying within sales and marketing where he has held many senior responsibilities, including Brand Manager at Procter and Gamble, National Sales Manager at Unilever, and Marketing Director at Mirelec PLC. Internationally, he has had roles covering many geographies, including EU, South Africa, Australia, Middle East, Russia, Turkey, Hong Kong and parts of Asia and South America.

# Shareholder Information

## Corporate headquarters

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Tel: (519) 653-6500

## Investor relations contact

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## Stock exchange listing

Toronto Stock Exchange: "ATA"

## Registrar and transfer agent

Computershare Trust Company of Canada  
100 University Avenue, 8th Floor  
Toronto, Ontario  
Canada M5J 2Y1

## Website

[www.atsautomation.com](http://www.atsautomation.com)

## Shareholders' annual meeting

August 12, 2021  
10:00 a.m. Toronto Time

Virtual-Only Meeting  
Live webcast link will be available at  
[www.atsautomation.com](http://www.atsautomation.com)





**“Through a challenging environment brought on by the COVID-19 pandemic, we proved the strength of our business transformation and the ATS Business Model, with its focus on aligning to strategic and growing markets, and maintaining decentralized operations. I am proud of the way our team navigated the uncertain times with a focus on sustaining a safe work environment while supporting our customers.”**

Andrew Hider, CEO

**ATS Automation**

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**[ATSAutomation.com](https://www.atsautomation.com)**

