ATS Automation Tooling Systems Inc.

Management's Discussion and Analysis

For the Year Ended March 31, 2019

TSX: ATA

This Management's Discussion and Analysis ("MD&A") for the year ended March 31, 2019 (fiscal 2019) is as of May 15, 2019 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 2019, 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 and on the Company's website at 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). 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. 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, 2019 and March 31, 2018, 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, 2019 and March 31, 2018 is also contained in the 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 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 in markets such as life sciences, pharmaceuticals, chemicals, electric vehicles, transportation, consumer products, electronics, food, beverage, energy, and oil and gas. Founded in 1978, ATS employs approximately 4,400 people at 23 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 has developed 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 strategic initiatives including 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 and talent management, advancing employee engagement and driving autonomy and accountability into its businesses.

Grow: To drive growth, management is focused on growing organically through the development and implementation of growth tools under the ABM, providing innovation and value to the Company's customers and markets, and growing the Company's recurring revenue.

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

The Company pursues these initiatives with a focus on strategic capital allocation in order to drive the creation of long-term sustainable shareholder value.

ATS Business Model

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

- **People:** developing, engaging and empowering ATS' people to build the best team;
- **Process:** alignment of 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 has been rolled out across ATS divisions globally, supported with extensive training in the use of key problem-solving tools, and applied through various projects to drive continuous improvement. Management is now deploying additional tools as part of the ongoing advancement of ABM.

Focus areas 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:** alignment with customer success; focusing on organizational talent development; constantly confirming that progress is being made toward stated goals; and developing annual operating and capital deployment plans for each ATS division;
- **Pursuing excellence:** deploying specific goals that segment strategies into relevant focus areas; 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 markets: life sciences, pharmaceuticals, nuclear medicine, chemicals, electric vehicles, transportation, consumer products, electronics, food, beverage, energy, and oil and gas. With broad and in-depth knowledge across multiple industries and technical fields, ATS delivers single-source solutions to customers that lower their production costs, accelerate delivery of their products, 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 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 a number of 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 to customers 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 customer 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 a service strategy to increase the revenue derived from these activities. To enhance its service offering, the Company recently unveiled *Illuminate*™ *Manufacturing Intelligence*, a 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 has manufacturing operations in Canada, the United States, Germany, Italy, Netherlands, China and Thailand. ATS can deliver localized service through a network of over 50 locations around the world. 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 24,000 automation systems worldwide and has an extensive knowledge base and accumulated design expertise. Management believes ATS' broad experience in many different industrial markets and with diverse technologies, its talented workforce, which includes over 1,700 engineers and over 200 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; test systems; factory management and intelligence software; and other software solutions; aseptic processing and containment technologies and high-performance tube filling and cartoning systems. 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: "sortimat", which specializes in the life sciences market; "IWK", which specializes in the packaging market; "Process Automation Solutions" ("PA"), which provides innovative automation solutions for process and production sectors; "KMW", which specializes in custom micro-assembly systems and test equipment solutions; and "Comecer", which provides high-tech automation systems for the nuclear medicine and pharmaceutical 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 market	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Life sciences	**$ 193.1**	$ 132.2	**$ 608.5**	$ 518.0
Transportation	**82.3**	69.8	**302.3**	299.4
Consumer products & electronics	**39.2**	55.6	**203.3**	160.6
Energy	**34.0**	40.8	**139.5**	136.9
Total revenues	**$ 348.6**	$ 298.4	**$ 1,253.6**	$ 1,114.9

Revenues by customer location	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
North America	**$ 137.6**	$ 138.0	**$ 510.5**	$ 528.5
Europe	**186.4**	111.8	**600.4**	410.5
Asia/Other	**24.6**	48.6	**142.7**	175.9
Total revenues	**$ 348.6**	$ 298.4	**$ 1,253.6**	$ 1,114.9

Fourth Quarter

Fiscal 2019 fourth quarter revenues were 17% higher than in the corresponding period a year ago and included $10.5 million of revenues earned by KMW and Comecer since acquisition. Excluding KMW and Comecer, fourth quarter revenues were $338.1 million, a 13% increase compared to the corresponding period a year ago, primarily reflecting Order Backlog, which was 34% higher entering the fourth quarter of fiscal 2019 compared to a year ago. Revenues generated from construction contracts and from services both increased 17% compared to the corresponding period a year ago.

By market, revenues generated in the life sciences market increased by 46% due to higher Order Backlog entering the fourth quarter of fiscal 2019 on improved Order Bookings in the year from both new and existing customers and, to a lesser extent, revenues earned by Comecer since acquisition on February 28, 2019. Revenues in the transportation market increased 18% primarily related to an EV enterprise program awarded in the first quarter of fiscal 2019 and revenues from KMW. Fiscal 2019 fourth quarter revenues from consumer products & electronics decreased 29% compared to a year ago, due to lower Order Backlog entering the fourth quarter of fiscal 2019. Revenues generated in the energy market decreased 17% primarily due to the timing of program execution.

Full Year

Fiscal 2019 revenues were $1,253.6 million, 12% higher than in the prior fiscal year and included $12.8 million of revenues earned by KMW and Comecer since acquisition. Excluding KMW and Comecer, fiscal 2019 revenues were $1,240.8 million, an 11% increase compared to the corresponding period a year ago, primarily reflecting Order Backlog, which was 10% higher entering fiscal 2019 compared to a year ago, and Order Bookings, which increased 19% in fiscal 2019 compared to a year ago.

By market, fiscal 2019 year-to-date revenues from consumer products & electronics, life sciences, energy, and the transportation markets increased 27%, 17%, 2%, and 1% respectively, primarily reflecting higher Order Backlog entering fiscal 2019, and higher life sciences and transportation market Order Bookings in fiscal 2019 compared to a year ago.

Consolidated Operating Results
(In millions of dollars)

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Earnings from operations	**$ 30.3**	$ 25.5	**$ 114.8**	$ 85.5
Amortization of acquisition-related intangible assets	**6.8**	5.1	**23.3**	20.6
Restructuring charges	-	2.2	-	11.2
Acquisition-related transaction costs	**1.1**	–	**4.7**	–
Adjusted earnings from operations[1]	**$ 38.2**	$ 32.8	**$ 142.8**	$ 117.3

[1] See “Notice to Reader: Non-IFRS Measures and Additional IFRS Measures.”

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Earnings from operations	**$ 30.3**	$ 25.5	**$ 114.8**	$ 85.5
Depreciation and amortization	**12.3**	9.3	**42.4**	36.6
EBITDA[2]	**$ 42.6**	$ 34.8	**$ 157.2**	$ 122.1

[2] See “Notice to Reader: Non-IFRS Measures and Additional IFRS Measures.”

Fourth Quarter
Fiscal 2019 fourth quarter earnings from operations were $30.3 million (9% operating margin) compared to $25.5 million (9% operating margin) in the fourth quarter of fiscal 2018. Fourth quarter fiscal 2019 earnings from operations included $1.1 million of incremental costs related to the Company’s acquisition activity and $6.8 million related to amortization of identifiable intangible assets recorded on business acquisitions. Included in fourth quarter fiscal 2018 earnings from operations were $2.2 million of restructuring costs and $5.1 million related to amortization of identifiable intangible assets recorded on business acquisitions.

Excluding these items in both comparable quarters, fourth quarter fiscal 2019 adjusted earnings from operations were $38.2 million (11% margin), compared to adjusted earnings from operations of $32.8 million (11% margin) a year ago. Fourth quarter fiscal 2019 adjusted earnings from operations reflected higher revenues and improved gross margin, offset by higher selling, general and administrative expenses, and increased stock compensation expenses (see “Stock-based compensation”).

Depreciation and amortization expense was $12.3 million in the fourth quarter of fiscal 2019, compared to $9.3 million a year ago. The increase primarily reflected depreciation of internal development projects and incremental amortization of acquisition-related intangible assets due to the acquisitions of KMW and Comecer.

EBITDA was $42.6 million (12% EBITDA margin) in the fourth quarter of fiscal 2019 compared to $34.8 million (12% EBITDA margin) in the fourth quarter of fiscal 2018. EBITDA growth primarily reflected higher revenues and improved gross margin, partially offset by higher selling, general and administrative expenses and stock compensation expenses compared to a year ago. Excluding acquisition related costs, fourth quarter fiscal 2019 EBITDA was $43.7 million (13% EBITDA margin). Comparably, excluding restructuring costs, fourth quarter fiscal 2018 EBITDA was $37.0 million (12% EBITDA margin).

Full Year
Earnings from operations were $114.8 million (9% operating margin) in fiscal 2019, compared to $85.5 million (8% operating margin) in the corresponding period a year ago. Excluding $4.7 million of incremental costs related to the Company’s acquisition activity and $23.3 million related to amortization of identifiable intangible assets recorded on business acquisitions, adjusted earnings from operations were $142.8 million (11% operating margin) in fiscal 2019, compared to adjusted earnings from operations of $117.3 million (11% operating margin) in the corresponding period a year ago. Higher adjusted earnings from operations primarily reflected higher revenues and gross margin in fiscal 2019, partially offset by higher selling, general and administrative expenses, and stock compensation expenses compared to a year ago.

Depreciation and amortization expense was $42.4 million in fiscal 2019 compared to $36.6 million a year ago. The increase primarily reflected depreciation of internal development projects and amortization of acquisition-related intangible assets.

Fiscal 2019 EBITDA was $157.2 million (13% EBITDA margin) compared to $122.1 million (11% EBITDA margin) in fiscal 2018. Excluding acquisition related costs, fiscal 2019 EBITDA was $161.9 million (13% EBITDA margin). Comparably, excluding restructuring costs, fiscal 2018 EBITDA was $133.3 million (12% EBITDA margin).

Order Bookings by Quarter
(In millions of dollars)

	Fiscal 2019	Fiscal 2018
Q1	**$ 358**	$ 266
Q2	**355**	257
Q3	**397**	311
Q4	**298**	348
Total Order Bookings	**$ 1,408**	$ 1,182

Fourth Quarter
Fourth quarter fiscal 2019 Order Bookings were $298 million, 14% lower than fourth quarter fiscal 2018 Order Bookings. Excluding KMW and Comecer, fourth quarter Order Bookings were $269 million, which primarily reflected lower consumer products & electronics and transportation Order Bookings compared to the prior year period when certain enterprise programs were recorded in those markets.

Full Year
Fiscal 2019 Order Bookings were $1,408 million, a 19% increase over prior year Order Bookings of $1,182 million. Organic growth in Order Bookings was 16% compared to the prior year, and contributions from acquired businesses KMW and Comecer accounted for 3% of the growth. By market, higher Order Bookings in the life sciences and transportation markets more than offset lower Order Bookings in the consumer products & electronics market. Order Bookings in the energy market were flat. Life sciences fiscal 2019 Order Bookings included a $60 million enterprise program from a global life sciences customer for a fully automated manufacturing and packaging system. Higher Order Bookings in the transportation market included an $80 million enterprise program from a global automotive manufacturer for an electric vehicle program.

Order Backlog Continuity
(In millions of dollars)

	Q4 2019	Q4 2018	**Fiscal 2019**	Fiscal 2018
Opening Order Backlog	**$ 926**	$ 689	**$ 746**	$ 681
Revenues	**(349)**	(298)	**(1,254)**	(1,115)
Order Bookings	**298**	348	**1,408**	1,182
Order Backlog adjustments[1]	**29**	7	**4**	(2)
Total	**$ 904**	$ 746	**$ 904**	$ 746

[1] Order Backlog adjustments include incremental Order Backlog of $2 million and $60 million acquired with KMW and Comecer respectively, foreign exchange adjustments and cancellations.

Order Backlog by Market
(In millions of dollars)

As at	**Fiscal 2019**	**Fiscal** 2018
Life sciences	**$ 501**	$ 358
Transportation	**244**	188
Consumer products & electronics	**86**	118
Energy	**73**	82
Total	**$ 904**	$ 746

At March 31, 2019, Order Backlog was $904 million, 21% higher than at March 31, 2018. Order Backlog growth was primarily driven by higher Order Bookings in the life sciences and transportation markets in fiscal 2019 and Order Backlog from acquired businesses. Foreign exchange rate changes negatively impacted the translation of Order Backlog from foreign-based ATS subsidiaries by approximately 2% compared to fiscal 2018.

Outlook
The Company's Order Bookings are generally variable and sensitive to changes in the major economies the Company serves including the U.S., Canada, Europe and Asia. The global economic environment has shown recent signs of slowing growth and geopolitical risks remain. Ongoing trade negotiations and disputes between various jurisdictions in which the Company does business may impact its future sales and operations. Management will continue to closely monitor ongoing global trade discussions which could impact the Company and identify mitigation opportunities.

Funnel activity (which includes customer requests for proposal and ATS identified customer opportunities) in life sciences remains strong. Opportunities related to electric vehicles are significant, however, customers are cautious in their approach to capital investment. Funnel activity in energy is variable and this market provides niche opportunities for ATS. Funnel activity in the consumer products & electronics market remains low relative to other customer markets. Overall, the Company's funnel remains significant; however, conversion of opportunities into Order Bookings is variable.

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 and 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 expects its Order Backlog of $904 million at the end of the fourth quarter of fiscal 2019 to partially mitigate the impact of volatile Order Bookings on revenues in the short term. The composition of the Company's Order Backlog has changed in fiscal 2019, with the addition of several large, enterprise programs that the Company has won. These enterprise programs have longer periods of performance and therefore longer revenue recognition cycles. In the first quarter of fiscal 2020, management expects the conversion of Order Backlog to revenues to be in the 35% to 40% range.

The services strategy is expected to add incremental revenues over time as the attach rate of services' contracts on new equipment increases and as the penetration of the installed base improves. The Company is working to grow 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 but may not fully offset capital spending volatility.

The initial roll-out of the ABM has been completed, which included Company-wide training and deployment of tools to standardize problem solving and continuous improvement processes. As the initial ABM tools are implemented, management will deploy additional tools as part of the ongoing advancement of the ABM, with the goal of driving growth and continuous, sustained performance improvements across the Company. Management expects that the ABM will provide the Company with a long-term competitive advantage in delivering value to its customers and shareholders.

The Company 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 the ongoing development and adoption of the ABM.

Over the long term, the Company generally expects to continue increasing its overall investment 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 10% although from time to time it could reach up to 15% or greater due to normal volatility assocated with the Company's project-based business.

In fiscal 2020, the Company expects to increase its investment in capital assets and intangible assets to approximately $60 million due to planned expansions at several facilities in order to increase capacity. The actual investment will depend upon timing of the expansions.

The Company expects that continued cash flows from operations, together with cash and cash equivalents on hand and credit available under operating and long-term credit facilities, will be sufficient to fund its requirements for investments in non-cash working capital and capital assets and to fund strategic investment plans including some potential acquisitions. Significant acquisitions could result in additional debt or equity financing requirements.

ACQUISITIONS

Business Acquisition: Comecer

On February 28, 2019, the Company completed its acquisition of Comecer S.p.A. ("Comecer"), a leader in the design, engineering, manufacture, and servicing of advanced aseptic containment and processing systems for the nuclear medicine and pharmaceutical industries. Comecer is primarily focused in radiopharmaceutical equipment, where it supplies specialized radiation shielding systems used by customers in the production, handling, and dispensing of radiopharmaceutical drugs. Applications for this type of equipment include the diagnosis and therapeutic treatment of several conditions including various forms of cancer and cardiovascular disorders. Additionally, Comecer provides equipment to support the aseptic processing, filling and handling of specialized pharmaceuticals as well as isolator and incubator equipment used in advanced therapy medicinal production (ATMP), a regenerative cell therapy that uses patient cells to grow new tissues. The addition of Comecer has strengthened ATS' customer offering in both pharma and biopharma, and added an innovative new platform in radiopharmaceuticals. Comecer's main production facility is in Castel-Bolognese, Italy.

For the 2018 calendar year, Comecer generated revenues of approximately 67 million Euro, with a low double-digit EBITDA margin. The total cash purchase price for the acquisition was 113 million Euro, subject to working capital and net debt adjustments. Cash consideration paid in the fourth quarter of fiscal 2019 was 95 million Euro. The acquisition has been accounted for as a business combination with the Company as the acquirer of Comecer. The purchase method of accounting has been used and the earnings of Comecer were consolidated beginning from the acquisition date. Integration of Comecer will target revenue synergies through cross selling, geographic expansion and commercial process best practices. Integration will also include the deployment of the ABM, which is intended to enable improvements in operations including project management, supply chain management and product life cycle management. The acquisition is aligned with ATS' strategy of expanding in attractive markets and is expected to increase the Company's overall revenues generated in life sciences to over 50% of consolidated revenues.

Business Acquisition: KMW

On October 31, 2018, the Company completed its acquisition of Konstruktion, Maschinen- & Werkzeugbau GmbH & Co. KG, and KMW GmbH (collectively, "KMW"). KMW is a supplier of custom micro-assembly systems and test equipment solutions. KMW provides ATS with an internal source for complementary conveyorized micro-assembly and test capabilities, further enabling the Company to provide full automation solutions and meet customer demands for a complete turnkey offering. The addition of KMW's micro-assembly technology and expertise strengthens ATS' current offerings in the EV market. The acquisition is aligned with ATS' strategy of expanding its reach in current and new markets. KMW is headquartered in Koblenz, Germany.

In its fiscal year ended March 31, 2018, KMW had revenues of approximately 14.0 million Euro and an EBITDA margin of over 20%. The total purchase price was 18.3 million Euro. Cash consideration paid in the third quarter was 16.4 million Euro with the balance to be paid within 18 months from the acquisition date. The cash consideration of the purchase price along with transaction costs were funded with existing cash on hand. The acquisition has been accounted for as a business combination with the Company as the acquirer of KMW. The purchase method of accounting has been used and the earnings of KMW were consolidated beginning from the acquisition date.

CONSOLIDATED RESULTS

(In millions of dollars, except per share data)

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018	Fiscal 2017
Revenues	**$ 348.6**	$ 298.4	**$ 1,253.6**	$ 1,114.9	$ 1,010.9
Cost of revenues	**256.0**	219.9	**924.9**	826.8	760.3
Selling, general and administrative	**56.1**	49.7	**204.1**	194.3	171.9
Stock-based compensation	**6.2**	3.3	**9.8**	8.3	6.8
Earnings from operations	**$ 30.3**	$ 25.5	**$ 114.8**	$ 85.5	$ 71.9
Net finance costs	**$ 5.8**	$ 5.6	**$ 20.9**	$ 23.8	$ 25.6
Provision for income taxes	**6.3**	4.9	**23.1**	14.5	11.3
Net income	**$ 18.2**	$ 15.0	**$ 70.8**	$ 47.2	$ 35.0
Basic earnings per share	**$ 0.20**	$ 0.16	**$ 0.76**	$ 0.50	$ 0.38
Diluted earnings per share	**$ 0.20**	$ 0.16	**$ 0.75**	$ 0.50	$ 0.38
From operations:					
Total assets			**$ 1,688.8**	$ 1,542.2	$ 1,374.6
Total cash and short-term investments			**$ 224.5**	$ 330.1	$ 286.7
Total debt			**$ 348.7**	$ 318.2	$ 328.7
Other non-current liabilities			**$ 113.4**	$ 102.0	$ 65.4

Revenues. At $348.6 million, consolidated revenues for the fourth quarter of fiscal 2019 were $50.2 million, 17% higher than the corresponding period a year ago. At $1,253.6 million, annual consolidated revenues were $138.7 million, or 12% higher than a year ago (see “Overview – Operating Results”).

Cost of revenues. At $256.0 million, fourth quarter fiscal 2019 cost of revenues increased compared to the corresponding period a year ago by $36.1 million, or 16%, primarily due to higher revenues. Annual cost of revenues of $924.9 million increased $98.1 million, or 12% primarily due to higher revenues. Fourth quarter fiscal 2019 gross margin was 27% compared to 26% in the corresponding period a year ago, due primarily to improved program execution and operational utilization. Fiscal 2019 gross margin was 26%, consistent with fiscal 2018.

Selling, general and administrative (“SG&A”) expenses. SG&A expenses for the fourth quarter of fiscal 2019 were $56.1 million, which included $1.1 million of incremental costs related to the Company’s acquisition activity and $6.8 million of amortization costs related to the amortization of identifiable intangible assets recorded on business acquisitions. Excluding these costs, SG&A expenses were $48.2 million in the fourth quarter of fiscal 2019. Comparably, SG&A expenses for the fourth quarter of fiscal 2018 were $42.4 million, which excluded $5.1 million of amortization costs related to the amortization of identifiable intangible assets recorded on business acquisitions and $2.2 million of restructuring costs. Higher SG&A expenses in the fourth quarter of fiscal 2019 primarily reflected the addition of KMW and Comecer, and increased employee costs.

Fiscal 2019 SG&A expenses were $204.1 million compared to $194.3 million last year. Fiscal 2019 SG&A expenses included $4.7 million of incremental costs related to the Company’s acquisition activity and $23.3 million of expenses related to the amortization of identifiable intangible assets recorded on business acquisitions. Excluding these costs, SG&A expenses were $176.1 million for fiscal 2019. Comparably, SG&A expenses for fiscal 2018 were $162.5 million, which excluded $11.2 million of restructuring costs, and $20.6 million of expenses related to the amortization of identifiable intangible assets recorded on business acquisitions. Higher SG&A expenses in fiscal 2019 primarily reflected increased: employee costs; spend on information technology systems and security; sales related expenses; and the addition of KMW and Comecer.

Stock-based compensation. Stock-based compensation expense amounted to $6.2 million in the fourth quarter of fiscal 2019 compared to $3.3 million in the corresponding period a year ago. Fiscal 2019 stock-based compensation expense was $9.8 million compared to $8.3 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, 2019, earnings from operations were $30.3 million (9% operating margin) and $114.8 million (9% operating margin), respectively, compared to earnings from operations of $25.5 million (9% operating margin) and $85.5 million (8% operating margin) in the corresponding periods a year ago (see “Overview – Operating Results”).

Net finance costs. Net finance costs were $5.8 million in the fourth quarter of fiscal 2019 compared to $5.6 million a year ago. Fiscal 2019 finance costs were $20.9 million compared to $23.8 million a year ago. The decrease was primarily due to higher interest income earned in fiscal 2019 compared to a year ago.

Income tax provision. For the three and 12 months ended March 31, 2019, the Company's effective income tax rates of 26% and 25% respectively, differed from the combined Canadian basic federal and provincial income tax rate of 27% primarily due to income earned in certain jurisdictions with different statutory tax rates. The Company expects its effective tax rate to remain in the range of 25% for fiscal 2020.

Net income. Fiscal 2019 fourth quarter net income was $18.2 million (20 cents per share basic and diluted), compared to $15.0 million (16 cents per share basic and diluted) for the fourth quarter of fiscal 2018. Adjusted basic earnings per share were 26 cents in the fourth quarter of fiscal 2019 compared to 22 cents for the fourth quarter of fiscal 2018 (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

Fiscal 2019 net income was $70.8 million (76 and 75 cents per share basic and diluted) compared to $47.2 million (50 cents per share basic and diluted) a year ago. Adjusted basic earnings per share were 98 cents in fiscal 2019 compared to 74 cents 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 2019	Fiscal 2018	Fiscal 2017
EBITDA	**$ 157.2**	$ 122.1	$ 106.5
Less: depreciation and amortization expense	**42.4**	36.6	34.6
Earnings from operations	**$ 114.8**	$ 85.5	$ 71.9
Less: net finance costs	**20.9**	23.8	25.6
Provision for income taxes	**23.1**	14.5	11.3
Net income	**$ 70.8**	$ 47.2	$ 35.0

	Q4 2019	Q4 2018
EBITDA	**$ 42.6**	$ 34.8
Less: depreciation and amortization expense	**12.3**	9.3
Earnings from operations	**$ 30.3**	$ 25.5
Less: net finance costs	**5.8**	5.6
Provision for income taxes	**6.3**	4.9
Net income	**$ 18.2**	$ 15.0

The following table reconciles adjusted earnings from operations, adjusted net income 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, 2019			Three Months Ended March 31, 2018		
	IFRS	**Adjustments**	**Adjusted (non-IFRS)**	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	**$ 30.3**	**$ —**	**$ 30.3**	$ 25.5	$ —	$ 25.5
Amortization of acquisition-related intangible assets	**—**	**6.8**	**6.8**	—	5.1	5.1
Restructuring costs	**—**	**—**	**—**	—	2.2	2.2
Acquisition-related transaction costs	**—**	**1.1**	**1.1**	—	—	—
	$ 30.3	**$ 7.9**	**$ 38.2**	$ 25.5	$ 7.3	$ 32.8
Less: net finance costs	**$ 5.8**	**$ —**	**$ 5.8**	$ 5.6	$ —	$ 5.6
Income before income taxes	**$ 24.5**	**$ 7.9**	**$ 32.4**	$ 19.9	$ 7.3	$ 27.2
Provision for income taxes	**$ 6.3**	**$ —**	**$ 6.3**	$ 4.9	$ —	$ 4.9
Adjustments to provision for income taxes[1]	**—**	**2.2**	**2.2**	—	2.0	2.0
	$ 6.3	**$ 2.2**	**$ 8.5**	$ 4.9	$ 2.0	$ 6.9
Net income	**$ 18.2**	**$ 5.7**	**$ 23.9**	$ 15.0	$ 5.3	$ 20.3
Basic earnings per share	**$ 0.20**	**$ 0.06**	**$ 0.26**	$ 0.16	$ 0.06	$ 0.22

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

	Twelve Months Ended March 31, 2019			Twelve Months Ended March 31, 2018		
	IFRS	**Adjustments**	**Adjusted (non-IFRS)**	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	**$ 114.8**	**$ —**	**$ 114.8**	$ 85.5	$ —	$ 85.5
Amortization of acquisition-related intangible assets	**—**	**23.3**	**23.3**	—	20.6	20.6
Restructuring costs	**—**	**—**	**—**	—	11.2	11.2
Acquisition-related transactions costs	**—**	**4.7**	**4.7**	—	—	—
	$ 114.8	**$ 28.0**	**$ 142.8**	$ 85.5	$ 31.8	$ 117.3
Less: net finance costs	**$ 20.9**	**$ —**	**$ 20.9**	$ 23.8	$ —	$ 23.8
Income before income taxes	**$ 93.9**	**$ 28.0**	**$ 121.9**	$ 61.7	$ 31.8	$ 93.5
Provision for income taxes	**$ 23.1**	**$ —**	**$ 23.1**	$ 14.5	$ —	$ 14.5
Adjustments to provision for income taxes[1]	**—**	**7.5**	**7.5**	—	9.2	9.2
	$ 23.1	**$ 7.5**	**$ 30.6**	$ 14.5	$ 9.2	$ 23.7
Net income	**$ 70.8**	**$ 20.5**	**$ 91.3**	$ 47.2	$ 22.6	$ 69.8
Basic earnings per share	**$ 0.76**	**$ 0.22**	**$ 0.98**	$ 0.50	$ 0.24	$ 0.74

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

SUMMARY OF INVESTMENTS, LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

Investments

(In millions of dollars)

	Fiscal 2019	Fiscal 2018
Investments – increase (decrease)		
Non-cash operating working capital	**$ (2.5)**	$ 27.0
Acquisition of property, plant and equipment	**21.1**	19.9
Acquisition of intangible assets	**19.8**	6.1
Proceeds from disposal of assets	**(5.2)**	(2.6)
Total net investments	**$ 33.2**	$ 50.4

In fiscal 2019, the Company's investment in non-cash working capital decreased $2.5 million, compared to an increase of $27.0 million a year ago. Accounts receivable increased 4%, or $9.2 million, driven by the acquisition of Comecer. Net contracts in progress decreased 24%, or $16.6 million, compared to March 31, 2018. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts, collection efforts and supplier payment terms. Inventories increased 16%, or $9.5 million, primarily due to the acquisition of Comecer. Deposits and prepaid assets increased 28%, or $6.2 million, compared to March 31, 2018 due to timing of program execution. Accounts payable and accrued liabilities increased 6%, or $15.6 million, compared to March 31, 2018 due to the acquisition of Comecer. Provisions decreased 34%, or $7.1 million, compared to March 31, 2018.

Capital expenditures totalled $21.1 million for fiscal 2019, primarily related to computer hardware, building additions, and office equipment. Capital expenditures totalled $19.9 million in fiscal 2018, primarily related to computer hardware, and the improvement and expansion of certain manufacturing facilities.

Intangible asset expenditures for fiscal 2019 and fiscal 2018 were $19.8 million and $6.1 million, respectively. Fiscal 2019 intangible asset expenditures primarily related to the acquisition of substantially all of the intellectual property assets of Transformix Engineering Inc. ("Transformix") for $10.0 million. Transformix's CNCAssembly system, based on its patented Rapid Speed Matching technology, provides a method of linking and synchronizing the movements of devices and tooling to enable faster and more efficient assembly systems. This enhanced capability is expected to provide higher speed, lower cost, energy efficient and more flexible assembly solutions for ATS' customers, while utilizing a smaller footprint. CNCAssembly is suitable for any application where high precision motion control is required and can serve a broad range of end markets. The addition of this important technology will complement ATS' growing portfolio of linear mover technology products, which includes the best-in-class SuperTrak™ linear motion system and the recently launched SuperTrak Micro™. Amortization of the intangible asset will begin when the asset is available for use which is estimated to be in the second half of fiscal 2020. Over the next five years, potential future payments of up to $20.0 million are payable based on sales which incorporate the acquired intellectual property. The commission expenses will be recognized as they are incurred.

Proceeds from disposal of assets were $5.2 million in fiscal 2019, compared to $2.6 million in fiscal 2018. The increase primarily reflected the sale of redundant assets in fiscal 2019.

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 2019 and determined there is no impairment of goodwill or intangible assets as of March 31, 2019 (fiscal 2018 – $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	**Fiscal 2019**	Fiscal 2018
Cash and cash equivalents	**$ 224.5**	$ 330.1
Debt-to-equity ratio	**0.48:1**	0.47:1
Cash flows provided by operating activities	**$ 127.6**	$ 59.7

At March 31, 2019, the Company had cash and cash equivalents of $224.5 million compared to $330.1 million at March 31, 2018. At March 31, 2019, the Company's debt-to-total equity ratio was 0.48:1.

In fiscal 2019, cash flows provided by operating activities were $127.6 million ($59.7 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 and higher net income compared to a year ago.

At March 31, 2019, the Company had $632.7 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional $19.2 million available under letter of credit facilities.

On July 28, 2017, the Company amended its senior secured credit facility to extend the agreement by three years to mature on August 29, 2021 (the "Credit Facility"). The Credit Facility provides a committed revolving credit facility of $750.0 million. The Credit Facility is secured by the Company's assets, including certain real estate in North America and a pledge of shares of certain subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At March 31, 2019, the Company had utilized $134.3 million under the Credit Facility by way of letters of credit (March 31, 2018 - $108.5 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 0.45% to 2.00%. 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 1.45% to 3.00%. The Company pays a fee for usage of financial letters of credit that ranges from 1.45% to 3.00%, and a fee for usage of non-financial letters of credit that ranges from 0.97% to 2.00%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.29% to 0.68%.

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, 2019, all of the covenants were met.

The Company has additional credit facilities available of $38.6 million (15.3 million Euros, $10.0 million U.S, 50.0 million Thai Baht and 1.5 million Czech Koruna). The total amount outstanding on these facilities at March 31, 2019 was $20.6 million, of which $2.0 million was classified as bank indebtedness (March 31, 2018 - $2.7 million) and $18.6 million was classified as long-term debt (March 31, 2018 - $0.7 million). The interest rates applicable to the credit facilities range from 0.60% to 8.25% per annum. A portion of the long-term debt is secured by certain assets of the Company.

The Company's U.S. $250.0 million aggregate principal amount of senior notes (the "Senior Notes") are unsecured, were issued at par, bear interest at a rate of 6.50% per annum and mature on June 15, 2023. The Company may redeem the Senior Notes, in whole, at any time or in part, from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. At March 31, 2019, all of the covenants were met. Subject to certain exceptions, the Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility. Transaction fees of $7.2 million were deferred and are being amortized over the seven-year term of the Senior Notes.

Contractual Obligations
(In millions of dollars)

The Company's minimum operating lease payments (related primarily to facilities and equipment) and purchase obligations are as follows:

	Operating leases	Purchase obligations
Less than one year	$ 12.3	$ 124.2
One – two years	10.2	2.4
Two – three years	8.2	1.8
Three – four years	5.0	0.2
Four – five years	3.2	0.2
Due in over five years	3.9	—
	$ 42.9	$ 128.7

The Company's off-balance sheet arrangements consist of purchase obligations and various operating lease financing arrangements related primarily to facilities and equipment that were entered into in the normal course of business. The Company's purchase obligations consist primarily of commitments for material purchases.

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, 2019, the total value of outstanding letters of credit was approximately $203.3 million (March 31, 2018 - $137.1 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 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 insurance in certain instances.

SHARE DATA

During fiscal 2019, 416,842 stock options were exercised. At May 15, 2019 the total number of shares outstanding was 91,936,539, and there were 1,497,073 stock options outstanding to acquire common shares of the Company.

NORMAL COURSE ISSUER BID

On December 3, 2018, 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 3,000,000 common shares, representing approximately 3.2% of the 94,139,097 common shares that were issued and outstanding as of November 16, 2018. On February 6, 2019, ATS announced the TSX's approval of its amended notice to increase the maximum number of shares that may be purchased under the NCIB to 6,366,405 common shares, representing 10% of the "public float" (as defined by the TSX and calculated as of November 16, 2018), effective February 11, 2019.

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 up to 3,000,000 ATS common shares when ATS would not ordinarily be active in the market due to internal trading blackout periods, insider trading rules, or otherwise.

From December 3, 2018 to March 31, 2019, the Company purchased 2,509,120 common shares for $39.3 million under the NCIB. The weighted average price per share repurchased was $15.65. ATS security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company.

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 2019.

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 into 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 March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap U.S. $150.0 million into Canadian dollars. The Company will receive interest of 6.50% U.S. per annum and pay interest of 6.501% Canadian. The terms of the hedging relationship will end on June 15, 2023.

The Company manages foreign exchange risk on its Euro denominated net investments. The Company uses cross-currency swaps as derivative financial instruments to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap 134.1 million Euros into Canadian dollars. The Company will receive interest of 6.501% Canadian per annum and pay interest of 5.094% Euros. The terms of the hedging relationship will end on June 15, 2023.

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, 2019	March 31, 2018	% change	**March 31, 2019**	March 31, 2018	% change
U.S. dollar	**1.336**	1.290	3.6%	**1.313**	1.284	2.2%
Euro	**1.499**	1.589	(5.7%)	**1.518**	1.502	1.1%

CONSOLIDATED QUARTERLY RESULTS
(In millions of dollars, except per share amounts)

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenues	**$** 348.6	$ 321.4	$ 283.6	$ 300.0	$ 298.4	$ 277.6	$ 274.9	$ 264.0
Earnings from operations	**$** 30.3	$ 38.5	$ 19.0	$ 27.0	$ 25.5	$ 14.8	$ 23.9	$ 21.3
Adjusted earnings from operations[1]	**$** 38.2	$ 46.7	$ 25.4	$ 32.6	$ 32.8	$ 29.3	$ 28.8	$ 26.3
Net income	**$** 18.2	$ 25.1	$ 10.8	$ 16.7	$ 15.0	$ 6.9	$ 13.8	$ 11.5
Basic and diluted earnings per share	**$** 0.20	$ 0.27	$ 0.11	$ 0.18	$ 0.16	$ 0.07	$ 0.15	$ 0.12
Adjusted basic earnings per share[1]	**$** 0.26	$ 0.33	$ 0.17	$ 0.22	$ 0.22	$ 0.18	$ 0.18	$ 0.16
Order Bookings[2]	**$** 298.0	$ 397.0	$ 355.0	$ 358.0	$ 348.0	$ 311.0	$ 257.0	$ 266.0
Order Backlog[2]	**$** 904.0	$ 926.0	$ 830.0	$ 789.0	$ 746.0	$ 689.0	$ 648.0	$ 683.0

[1] 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”.

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 and 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 summer plant shutdowns by its customers.

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.

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.

Income taxes
Deferred income tax assets, disclosed in note 17 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 18 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 10 to the consolidated financial statements. The Company performed its annual impairment test of goodwill as at March 31, 2019 and determined there was no impairment (March 31, 2018 – $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 14 to the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

ACCOUNTING STANDARD ADOPTED IN FISCAL 2019

IFRS 15 – Revenue from Contracts with Customers
Effective April 1, 2018, the Company adopted IFRS 15 - *Revenue from contracts with Customers (“IFRS 15”)*, which establishes a single comprehensive model for entities to us in accounting for revenues arising from contracts with customers. Under IFRS 15, revenues are recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenues.

The Company adopted the standard in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the Company’s revenue recognition policies required on the adoption of this standard. The transition to the new standard required additional disclosures in the consolidated financial statements. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition.

The standard requires contract assets and contract liabilities to be separately presented in the statement of financial position. Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. 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. Previously, the Company recognized contract assets as “costs and earnings in excess of billings on contracts in progress” and contract liabilities as “billings in excess of costs and earnings on contracts in progress.” Based on IFRS 15, contract assets and contract liabilities have been disclosed as current assets and current liabilities respectively in the statement of financial position.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which requires lessees to recognize assets and liabilities for most leases. There are minimal changes to the existing accounting in IAS 17 – *Leases* from the perspective of lessors. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided IFRS 15 has been adopted or is adopted at the same date. The Company plans to adopt IFRS 16 using the modified retrospective approach beginning on April 1, 2019. The Company intends to apply the practical expedient exemptions available to exempt low value and short term lease arrangements. Upon adoption of IFRS 16, the Company expects

to recognize right of use assets and a corresponding lease liability in the range of $68 to $73 million on the consolidated statements of financial position, primarily relating to leased buildings and vehicles. Depreciation and finance costs are expected to increase by approximately $13 million and $6 million respectively, which will primarily be offset by lower operating lease costs which have been recognized in cost of revenues and SG&A in the consolidated statements of income.

ATS continues to assess the impact of the new leasing standard on the Company's consolidated financial statements and the conclusions and elections above are subject to change prior to the implementation of the new standard in April 2019.

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, 2019 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.

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.

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, 2019, 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.

During the years ended March 31, 2019 and March 31, 2018, there have been no changes in the design of the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Limitation on Scope

The Company acquired Comecer on February 28, 2019. 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, 2019.

(millions of dollars)	Comecer
Revenue[1]	8.7
Net income[1]	0.1
Current assets[2]	59.8
Non-current assets[2]	174.2
Current liabilities[2]	64.1
Non-current liabilities[2]	82.9

[1] Results from March 1, 2019 to March 31, 2019
[2] Balance sheet as at March 31, 2019

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.

- Market volatility;
- Strategy execution risks;
- Acquisition risks;
- Expansion risks;
- 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 cycle;
- Lack of long-term customer commitment;
- Foreign exchange risk;
- Doing business in foreign countries;
- 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;

- Natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions;
- 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; trade negotiations and disputes; conversion of opportunities into Order Bookings; 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; the Company's Order Backlog partially mitigating the impact of volatile Order Bookings; rate of Order Backlog conversion; expected benefits with respect to the Company's efforts to expand its services revenues; deployment of the ATS Business Model ("ABM") and the expected impact; initiatives having the goal of expanding adjusted earnings from operations margin over long-term; the Company's strategy to expand organically and through acquisition; the Company's goal with respect to non-cash working capital as a percentage of revenues; the Company's expectations in regards to investment in capital assets; expectation in relation to meeting funding requirements for investments; potential to use leverage to support growth strategy; the expected benefits resulting from the acquisition and integration of Comecer; the Company's expectation with respect to effective tax rate; expected benefits from the purchase of Transformix intellectual property assets and when the asset will be available for use; 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: impact of 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; that current or future trade negotiations or disputes have unexpected impact on the business, including increased cost of supplies; 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 the ABM is not deployed effectively, not adopted on the desired scale by the business, or that its impact is other than as expected; 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; 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; 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 Company reverses one or more of its plans in regards to investment in capital assets or that the cost of capital assets are greater than expected; that the expected benefits from the acquisition of Comecer are not realized for reasons including failure to successfully

integrate it and lack of customer receptivity to the expanded offering; that the effective tax rate is other than expected, due to reasons including income spread among jurisdictions being other than anticipated; that ATS does not realize the expected benefits of the Transformix asset purchase or that the products incorporating the technology are delayed in development; 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.