COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

First quarter of 2021

12-week period ended March 20, 2021

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1. Scope of the MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. (the "Company" or "Colabor") discusses the Company's net income, comprehensive income, financial situation and cash flows for the first quarter ended March 20, 2021, whose numbers are unaudited. This report should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for this period and the audited consolidated financial statements and accompanying notes for the fiscal year ended December 26, 2020, and related notes, along with the associated annual MD&A. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard Board ("IASB"). The financial statements have been published on the following sites: www.sedar.com and www.colabor.com.

Forward-Looking Statements

This MD&A contains certain forward-looking statements as defined under applicable securities law. Forward-looking information may relate to Colabor's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Company's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Colabor believes are reasonable as of the current date. Refer in particular to section 2.2 "Development Strategies and Outlook" of this MD&A. While Management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Colabor currently expects. For more exhaustive information on these risks and uncertainties, the reader should refer to section 10 "Risks and Uncertainties" of this MD&A. These factors are not intended to represent a complete list of the factors that could affect Colabor and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A, information representing Colabor's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Company is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

Seasonality

Colabor's fiscal year is comprised of thirteen periods of four weeks each. The first three quarters are comprised of three periods each and the fourth quarter includes four periods. The Company's year-end is the last Saturday of December.

As such result, the Company's sales and net earnings are proportionally less significant for the first, second and third quarters and more significant for the fourth quarter since the latter generally has 33% more days of operation in comparison with the other quarters of the period. Additionally, the Company's sales are seasonal, therefore generally lower sales volume is recorded during the first quarter in comparison with the other quarters. See section 2.1 "Business Developments in 2021" for the impacts related to the Covid-19 pandemic ("pandemic").

Additionally, working capital generally fluctuates throughout the fiscal year due to the seasonal nature of operations, especially during Spring and Summer, and during the Holiday Season (i.e. Christmas and Easter). In order to meet higher seasonal demand, inventory requirements increase as well as trade and other receivables. The credit facility is used when needed to support this seasonal activity.

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL.

Additional information concerning the Company may be found on SEDAR at www.sedar.com and on Colabor's website at www.colabor.com. The information contained on the Company's website is not included by reference in this MD&A.

2. About Colabor

2.1 Business Developments in 2021

During the 12-week period ended March 20, 2021, the following events have influenced the Company's general development and operations, or reflect the evolution of Colabor's transformational plan and growth.

Refinancing

On February 18, 2021, the Company entered into a new senior secured credit facility for a total amount of $80.0 million including a revolving credit of $50.0 million, of which $5.0 million in operating swingline and a term loan of $30.0 million. The facility bears interest at the cost of funds, plus 1.75% to 3.25% depending on the Company's leverage ratios and matures in February 2025. The facility is guaranteed by its assets and those of certain of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some financial ratios primarily related to consolidated adjusted EBITDA[1], financial expense and total debt. The term loan is repayable by an amount of $3.0 million per year.

On February 18, 2021, the Company also entered into an agreement for a new subordinated debt in the amount of $20.0 million, of which $15.0 million has been disbursed at closing and $5.0 million is available until February 2022 at the Company's option. The subordinated debt bears interest at a rate of 7.25% to 8.25%, depending on the Company's leverage ratios and matures in February 2026.

This refinancing was used to repay the remaining $12.0 million of subordinated debt as at December 26, 2020, and to redeem the convertible debentures and will also allow the Company to meet potential additional cash requirements resulting from future investment projects.

Redemption of convertible debentures

On February 18, 2021, the Company announced its intention to proceed with the early redemption of all the issued and outstanding convertible debentures.

In accordance with the terms of the convertible debentures which gave the holders the right to convert into common shares, 273,600 common shares were issued at a price of $2.50 for an aggregate amount of $0.7 million. On March 23, 2021, the Company completed the redemption of all outstanding convertible debentures in the aggregate principal amount of $49.3 million which was redeemed at a price of $1,000 per debenture, plus accrued and unpaid interest up to, but excluding, March 23, 2021.

The convertible debentures that were listed on the Toronto Stock Exchange under the symbol GCL.DB.A were delisted on March 23, 2021.

Executive Appointment

On April 28, 2021, the Company announced the appointment of Mr. Pierre Blanchette to the position of Senior Vice President and Chief Financial Officer, effective May 25, 2021. Mr. Blanchette is an executive with over 25 years of experience in the field of corporate finance. Before joining Colabor, he worked for Fiera Capital Corporation, an important independent asset management firm where he held various positions such as Senior Vice President, Global Treasury and Taxation, Executive Vice President, Finance, US division and Senior Vice President, Finance.

[1] The Adjusted EBITDA and the Adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales for the corresponding period.

Update on the impact of the Covid-19 pandemic on activities and results

In March 2020, the World Health Organization has qualified the Covid-19 virus a global pandemic. Since that date, the governments have been implementing various emergency measures to curb the spread of the virus as the pandemic situation evolves, such as the closure of nonessential services and restaurant dining rooms as well as and the confinement of citizens. This pandemic continues to impact customer demand, resulting in lower sales following the closure of dining rooms during the quarter, and could have an adverse impact on business in future quarters.

The Company continued in the first quarter of 2021 to obtain the Canada Emergency Wage Subsidy ("CEWS") and the new Canada Emergency Rental Subsidy ("CERS") to help Colabor face the challenges posed by the pandemic. Currently, these grants would be available until September 2021.

The Company is not currently in a position to reliably estimate the effects of the pandemic on its future financial results, given the remaining uncertainties regarding the duration of the pandemic and the evolving measures taken by governments. Although the pandemic will continue to impact sales and adjusted EBITDA(1) in the coming months, given the sanitary measures required by public health, Colabor does not expect a material adverse impact on its available cash. As previously indicated, the Company signed new credit agreements in February 2021 which, combined with the cash flow generated by operating activities, will allow Colabor to pursue its strategic plan. Our teams continue to be proactive in seizing opportunities that may arise.

2.2 Development Strategies and Outlook

Colabor has as a main financial objective to increase profitability, and consequently create value for its shareholders. During 2021, the strategic plan to achieve its objectives is defined in the continuity of 2020 and is based on the following pillars:

1. Increase Distribution activities in Quebec
    - Improve the share of the existing client's portfolio and the extent of Quebec territories through organic growth or acquisitions;
    - Reposition its private brands;
    - Improve category management (proteins, fruits and vegetables).
2. Optimize processes
    - Standardize and improve internal management processes in order to reduce the business unit costs.
3. Prioritize employee engagement
    - Continue the deployment of the new integrated human resource management platform; and
    - Deployment of a return protocol to the workplace.

Evolution of the 2021 Plan

During the first quarter of 2021, the Company continued to manage the impacts of the pandemic on its operations by maintaining an appropriate cost structure and optimizing cash flow management. The Company is continuously adapting its pandemic measures to monitor the evolution of the pandemic. The closing of the new credit agreements in the first quarter of 2021, as described above, is in line with our primary objective of increasing the Company's profitability and will allow the Company to have the available liquidity to implement the 2021 strategic plan when conditions permit.

(1) The Adjusted EBITDA and the Adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales for the corresponding period.

2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**	
(in thousands of $, except financial leverage ratio)	**2021**	**2020**
	$	**$**
Results and cash flow		
Sales from continuing operations	**85,635**	111,613
Net loss from continuing operations	**(1,011)**	(1,871)
Adjusted EBITDA[(1)]	**3,848**	3,698
Cash flows from operating activities	**5,376**	5,613
Financial position	**As at March 20, 2021**	**As at December 26, 2020**
Working Capital[(2)]	**29,856**	31,163
Financial Leverage Ratio[(3)]	**1.7x**	1.8x
Net debt[(4)]	**50,530**	52,100

(1) Non-IFRS measure. Refer to the table Reconciliation of Net Earnings (loss) to adjusted EBITDA and to MD&A section 6 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net earnings (loss) before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan.

(2) Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to MD&A section 3.2 "Financial Position" for detailed calculation. The working capital excludes the current portion of the convertible debentures. Refer to section 14 "Subsequent Events".

(3) Financial leverage ratio is an indicator of the Company's ability to service its long-term debt. It is defined as net debt / adjusted EBITDA for the last twelve months. Refer to MD&A section 6 "Non-IFRS Performance Measures".

(4) Non-IFRS measure. Refer to MD&A section 6 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt, long-term debt and convertible debentures, net of cash.

First Quarter Highlights

- Consolidated sales were $85.6 million, down 23.3% compared to the corresponding period of last fiscal year resulting mainly from the termination of a contract in Specialized distribution activities and the effects of the pandemic.

- Net loss from continuing operations was $1.0 million, down $0.9 million compared to $1.9 million for the corresponding quarter of last fiscal year, resulting mainly from the costs decrease not related to current operations.

- Adjusted EBITDA[(1)] from continuing operations reached $3.8 million or 4.5% of sales from continuing operations compared to $3.7 million or 3.3% of sales from continuing operations, up 4.1%. These improvements in percentages come mostly from the subsidies of $1.3 million acquired and the deployment of operational optimization measures during 2020, mitigated by the impact of lower sales related to the pandemic.

- Net debt[(4)] decreased to $50.5 million as at March 20, 2021, compared to $52.1 million at the end of fiscal year 2020 which had a positive effect on the financial leverage ratio[(3)] at 1.7x, an improvement from 1.8x, at the end of the last fiscal year.

- As at March 20, 2021, the Company's working capital[(2)] was $29.9 million, down from $31.2 million at the end of fiscal year 2020. This variation is explained by the drop in sales during the first quarter due to the pandemic and by the seasonality effect.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the First Quarter for the 12-week period

(in thousands of dollars, except percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Sales	**85,635**	111,613	(23.3)
Cost of goods sold	**71,266**	93,308	(23.6)
Operating expenses	**10,521**	14,607	(28.0)
Operating expenses	**81,787**	107,915	(24.2)
Adjusted EBITDA(1)	**3,848**	3,698	4.1
Adjusted EBITDA margin(1)	**4.5%**	3.3%	

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.

3.1.1 Segment Sales

Consolidated Sales for the First Quarter for the 12-week period

(in thousands of dollars, except percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Distribution Segment	**57,252**	80,678	(29.0)
Wholesale Segment	**36,509**	39,764	(8.2)
Intersegment eliminations and others	**(8,126)**	(8,829)	8.0
Sales	**85,635**	111,613	(23.3)

Consolidated sales for the first quarter of 2021 were $85.6 million compared to $111.6 million during the corresponding quarter of last fiscal year, representing a decrease of 23.3%. The pandemic impacted all 12 weeks of the 2021 quarter compared to two weeks in the prior-year quarter.

- Distribution segment sales have decreased by 29.0%, explained by an amount of $8.6 million related to the termination of a contract from the Specialized distribution during the first quarter of 2020, as well as the volume decrease related to the pandemic for restaurants and chains clients, partially mitigated by a volume increase for retail clients.

- Wholesale segment sales have decreased by 8.2%, due to a volume decrease from the pandemic and lower intersegment sales, partly mitigated by growth from some customers less affected by the effects of the pandemic and new customers.

- Intersegment eliminations and others have decreased by $0.7 million or 8.0%, mainly explained by a volume decline in Distribution segment in Quebec as described above.

3.1.2 Operating Expenses

Operating Expenses for the First Quarter for the 12-week period

(in thousands of dollars, except percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Distribution segment	**55,139**	78,634	(29.9)
Wholesale segment	**33,080**	36,114	(8.4)
Intersegment eliminations and others	**(6,432)**	(6,833)	5.9
Operating expenses[(1)]	**81,787**	107,915	(24.2)

[(1)] Operating expenses excluding costs not related to current operations, depreciation and amortization, expenses for stock-based compensation plan.

Consolidated operating expenses for the first quarter of 2021 were $81.8 million compared to $107.9 million for the corresponding period of last fiscal year, a decrease of 24.2%, mostly explained by lower cost of goods sold due to sales decline, a decrease in salaries and other expenses resulting from the measures taken as part of the pandemic and subsidies obtained.

- Distribution segment operating expenses have decreased by 29.9%, mostly explained by lower cost of goods sold due to sales decline and to the termination of a contract from the Specialized distribution, as well as a decrease in salaries and other expenses from measures taken during the pandemic and by a $1.0 million of subsidies acquired during the first quarter of 2021.

- Wholesale segment operating expenses have decreased by 8.4%, explained by lower cost of goods sold due to sales decline, a decrease in operating expenses resulting from measures taken during the pandemic and by a $0.2 million of subsidies acquired during the first quarter of 2021.

- Intersegment eliminations and others have decreased by 5.9%, mainly due to a decrease in intersegment sales as explained above and by a $0.1 million of subsidies acquired during the first quarter of 2021.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the First Quarter for the 12-week period

(in thousands of dollars, except percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Distribution Segment	**2,113**	2,044	3.4
Wholesale Segment	**3,429**	3,650	(6.1)
Intersegment eliminations and others	**(1,694)**	(1,996)	15.1
Adjusted EBITDA[(1)]	**3,848**	3,698	4.1
Adjusted EBITDA margin[(1)]	**4.5%**	3.3%	

[(1)] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.

Adjusted EBITDA[(1)] for the first quarter of 2021 amounted to $3.8 million compared to $3.7 million in the corresponding quarter of the previous year, an increase of 4.1% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 4.5% compared to 3.3% for the corresponding period of 2020. These variations are mainly due to the deployment of operational optimization measures in fiscal year 2020, the decrease in salaries resulting from measures taken during the pandemic and the subsidies of $1.3 million acquired, mitigated by the sales drop due to the pandemic:

- Adjusted EBITDA[(1)] in the Distribution segment has increased by $0.1 million or 3.4%. As a percentage of sales, the adjusted EBITDA[(1)] margin improved to 3.7% compared to 2.5% in 2020 mainly due to the deployment of operational optimization measures, a decrease in salaries and other expenses resulting from measures taken within the pandemic and the subsidies acquired amounting to $1.0 million, mitigated by the decrease in sales related to the pandemic.

- Adjusted EBITDA[(1)] in the Wholesale segment has decreased by $0.2 million, or 6.1% and is mainly due to a decrease of 8.2% of sales as explained above, mitigated by a decrease in salaries related to the pandemic and the subsidies acquired during the first quarter of 2021.

- Adjusted EBITDA[(1)] from intersegment eliminations and others in the first quarter of 2021 increased by $0.3 million or 15.1% compared to the corresponding period of 2020 and is mainly due to a decrease in corporate expenses and subsidies of $0.1 million acquired during the first quarter of 2021.

3.1.4 Costs not Related to Current Operations

Costs not Related to Current Operations for the First Quarter for the 12-week period

(in thousands of dollars, except percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Severance costs	—	109	(100.0)
Allowance for bad debt accounts	—	290	(100.0)
Others	**91**	681	(86.6)
Costs not related to current operations	**91**	1,080	(91.6)

Other costs not related to current operations mainly represent legal fees and other charges related to non-recurring activities.

The decrease in costs not related to current operations during the first quarter of 2021 compared to 2020 is explained by the write-off of the option to purchase Dubé & Loiselle inc. following the Company's decision not to exercise it and by an additional provision for bad debts amounting to $0.3 million to reflect the effect of the pandemic following the temporary closure of some of our clients, mainly in the restaurant industry.

3.1.5 Depreciation and Amortization

Depreciation and Amortization for the First Quarter for the 12-week period

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Depreciation of property, plant and equipment	**516**	489	5.5
Amortization of intangible assets	**965**	1,394	(30.8)
Depreciation of right-of-use assets	**1,779**	1,661	7.1
Depreciation and Amortization	**3,260**	3,544	(8.0)

For the first quarter 2021, depreciation and amortization expense was down by 8.0% compared to the same quarter of 2020, primarily explained by the end of the amortization of certain intangible assets.

3.1.6 Financial Expenses

Financial expenses for the first quarter of 2021 and 2020 are similar at $1.7 million.

3.1.7 Income Taxes

In the first quarters of 2021 and 2020, income tax recovered were $0.3 million and $0.9 million, respectively. The decrease is essentially explained by the loss before taxes decrease.

3.1.8 Net Earnings (loss)

Net Loss of the First Quarter for the 12-week period

(in thousands of dollars, except net earnings (loss) per share and percentages)

	12 weeks		
	2021	**2020**	**Variance**
	$	**$**	**%**
Net loss from continuing operations	**(1,011)**	(1,871)	(46.0)
Net loss from discontinued operations	**(16)**	(6,459)	(99.8)
Net loss	**(1,027)**	(8,330)	(87.7)
Basic and diluted net loss per share of continuing operations	**(0.01)**	(0.02)	(50.0)
Basic and diluted net loss per share of discontinued operations	—	(0.06)	(100.0)
Basic and diluted net loss per share	**(0.01)**	(0.08)	(87.5)

Net loss from continuing operations for the first quarter of 2021 was $1.0 million, or $(0.01) per share, compared to $1.9 million, or $(0.02) per share, for the corresponding period of last fiscal year. The variation is mainly explained by the increase in adjusted EBITDA[(1)] as explained above, the decrease in the depreciation and amortization expenses, the decrease in costs not related to current operations, mitigated by the decrease of the income tax recovered. Net loss for the first quarter was $1.0 million, or $(0.01) per share, an increase of $7.3 million compared to $8.3 million, or $(0.08) per share during the corresponding period of last fiscal year. The variation is explained by the facts describe above and by the increase of $6.5 million related to the net loss from discontinued operations as explained in section 4 "Discontinued operations". The weighted average number of basic shares outstanding during the period was 101,659,664 compared to 101,639,418 for the corresponding period of 2020.

[(1)] The Adjusted EBITDA and the Adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales for the corresponding period.

3.2 Financial Position

The following table presents the main elements of current assets and liabilities, that make up the Company's working capital[2]. (in thousands of dollars)

	As at March 20, 2021 $	As at December 26, 2020 $	Variance $
Current assets			
Trade and other receivables	**33,004**	34,416	(1,412)
Inventories	**33,511**	35,266	(1,755)
Current assets	**66,515**	69,682	(3,167)
Current liabilities			
Trade and other payables	**36,659**	38,519	(1,860)
Working capital[2]	**29,856**	31,163	(1,307)

As at March 20, 2021, the Company's working capital[2] was $29.9 million, down $1.3 million compared to the end of the last fiscal year. The decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables balance were down $1.4 million from December 26, 2020, due to lower sales in the first quarter explained by the pandemic, the effect of seasonality combined by the improvement in our collection delays.

Inventories

Inventory balance decreased by $1.8 million from December 26, 2020. This reduction is due to lower inventory levels related to lower demand caused by the pandemic and the effect of seasonality.

Trade and Other Payables

The balance of trade and other payables decreased by $1.9 million from December 26, 2020, mainly due to the decrease in inventory and the effect of seasonality.

[2] Working capital is a non-IFRS performance measure. The Company calculates its working capital as described above. Working capital excludes the short-term portion of convertible debentures. See section 14 "Subsequent Events". See Section 1 "Scope of the MD&A and Notice to Investors" for more information on the seasonality of sales.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at March 20, 2021, and their corresponding variances from the fiscal year ended December 26, 2020.

(in thousands of dollars)

	As at March 20, 2021 $	As at December 26, 2020 $	Variance $
Property, Plant and Equipment	**5,668**	6,122	(454)
Intangible Assets	**25,662**	26,569	(907)
Right-of-use Assets	**36,671**	38,450	(1,779)
Deferred Tax Asset	**6,591**	6,351	240
Long-Term Debt	**14,496**	11,860	2,636
Lease Liabilities	**39,576**	41,633	(2,057)
Convertible Debentures	**49,197**	49,812	(615)
Pension Obligations	**2,814**	2,887	(73)
Equity Attributable to Shareholders	**88,252**	88,567	(315)

Property, Plant and Equipment

The reduction in property, plant and equipment is mainly due to depreciation.

Intangible Assets

The reduction in intangible assets is mainly due to amortization.

Right-of-use Asset

The reduction in right-of-use assets is mainly due to depreciation.

Deferred Tax Asset

The increase in deferred tax assets comes mainly from the creation of tax attributes during the period.

Long-Term Debt

The increase in long-term debt is mainly due to the new subordinated debt, of which $15.0 million was received upon execution of the agreement and which was used in part to repay the $12.0 million balance of existing subordinated debt as at December 26, 2020.

Convertible debentures

The decrease in convertible debentures is explained by the 267,600 common shares issued on March 17, 2021, for a total amount of $0.7 million, in accordance with the terms of the convertible debentures which gave the holders the right to convert, prior to the announced redemption date of March 23, 2021, their convertible debentures at a conversion price of $2.50 per share.

Lease Liabilities

The reduction in lease liabilities is mainly due to payments made during the period for leases.

Equity Attributable to Shareholders

The decrease in shareholders' equity is mainly due to net loss for the fiscal year, mitigated by the common shares issued as mentioned above.

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3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at April 29, 2021. Refer to Notes 8, 11 and 12 of the interim condensed consolidated financial statements for further details.

(in thousands of dollars, except the number of shares and the number of stock-options)

	Number of shares / stock-options	Amount $
Common shares		
Participating and voting common shares	101,954,885	257,008
Options on participating and voting stock		
Outstanding options	2,923,982	
Exercisable options	1,527,732	

3.5 Cash Flows

The following table represents consolidated cash flows of the first quarter for the 12-week period.

(in thousands of dollars)

	12 weeks	
	2021 $	**2020** $
Cash flows from operating activities	**5,376**	5,613
Cash flows from investing activities	**(127)**	(20)
Cash flows from financing activities	**(927)**	(5,446)
Net change in cash and cash equivalents from continuing operations	**4,322**	147
Net change in cash and cash equivalents from discontinued operations	**(272)**	7,279
Cash and cash equivalents (bank indebtedness) at the beginning	**9,194**	(5,435)
Cash and cash equivalents at the end	**13,244**	1,991

Operating Activities

Cash flows from operating activities amounted to $5.4 million for the first quarter of 2021, compared to $5.6 million for the corresponding period of 2020. This decrease is mainly due to higher utilization of working capital(2), mitigated by the increase in adjusted EBITDA(1).

Investing Activities

Cash flows used from investing activities are similar for the 12-week periods ended March 20, 2021 and March 21, 2020.

Financing Activities

Cash flows used from financing activities amounted to $(0.9) million for the first quarter, down from $(5.4) million for the corresponding period in 2020. The change is primarily due to the repayment of $12.0 million of the existing subordinated debt as at December 26, 2020, mitigated by the new subordinated debt of $15.0 million in February 2021 compared to the repayment of $2.0 million of the credit facility in the corresponding period in 2020.

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.

(2) Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to MD&A section 3.2 "Financial Position" for detailed calculation.

3.6 Capital Resources

As mentioned in section 2.1 Business Developments of 2021, the Company signed new financing agreements during the first quarter of 2021.

As at March 20, 2021, the available credit facility is $49.0 million, in addition to the $30.0 million term loan which was disbursed on March 22, 2021, upon redemption of all outstanding debentures. Refer to section 13 for liquidity risk management.

4. Discontinued Operations

On May 11, 2020, the Company announced the closing of the sale of the majority of the assets of its Summit division for $9.5 million subject to certain post-closing adjustments and contingent consideration based on the level of sales over the next 12 months. An amount of $7.7 million was received upon closing of the transaction and a net amount of $0.4 million was received upon finalization of the working capital. The remaining amount will be received in the next few months when the final adjustments are known. The sale includes the independent and franchised restaurant businesses, as well as certain assets and sales employees. The Mississauga distribution center was closed in July 2020. The Company has signed a sublease agreement for this facility for the remaining term of the lease on September 21, 2020. The Company also released its lease obligations for the London and Ottawa centers in December 2020.

The Company has reclassified as discontinued operations all results and cash flows for the current and previous periods, separately from its continuing operations for this division.

Net loss summary for discontinued operations

Net loss from discontinued operations are as follows:

(in thousands of dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Sales	—	59,391
Cost of goods sold	—	53,763
Gross Margin	—	5,628
Operating expenses	—	7,444
Depreciation and amortization	—	638
Costs not related to current operations	**16**	6,273
Operating loss	**(16)**	(8,727)
Financial expenses	—	199
Loss before taxes	**(16)**	(8,926)
Income taxes recovered	—	(2,467)
Net loss from discontinued operations	**(16)**	(6,459)

The change in net loss is explained by the sale of the majority of Summit's assets occurred in May 2020, and therefore, this division was in operation during the first quarter of 2020.

Summary of costs not related to current operations

Costs not related to current operations from discontinued operations are as follows:
(in thousands of dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Severance costs	—	3,597
Provision for onerous contracts	—	1,096
Provision for obsolescence of inventory and bad debt	—	240
Closing costs and others	**16**	1,340
Total	**16**	6,273

Costs not related to current operations for 2020 result from the closure of London and Ottawa distribution centers which took place in February and March 2020, respectively.

Cash Flow Summary for Discontinued Operations

(in thousands of dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Cash flows from operating activities	**(269)**	7,037
Cash flows from investing activities	—	(10)
Cash flows from financing activities	**(3)**	252
Net change in cash and cash equivalents from discontinued operations	**(272)**	7,279

Net change in cash from discontinued operations for the first quarter of 2021 amounted to $(0.3) million compared to $7.3 million for the corresponding period of last fiscal year. The change in the 2020 quarter was primarily due to cash flow from operating activities as a result of lower utilization of working capital following the termination by mutual agreement of the supply contract between Colabor and Recipe Unlimited ("Recipe") which took place gradually during the first quarter of 2020 and the closure of two distribution centers.

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5. Summary of Recent Quarters

The following table presents a summary of results for the last eight quarters:

(in thousands of dollars, except per share data)

	2021	2020				2019		
	T1 (12 weeks) $	**T4 (16 weeks) $**	**T3 (12 weeks) $**	**T2 (12 weeks) $**	**T1 (12 weeks) $**	**T4 (16 weeks) $**	**T3 (12 weeks) $**	**T2 (12 weeks) $**
Sales(1)	**85,635**	133,317	120,931	95,458	111,613	192,900	165,803	180,713
Adjusted EBITDA(1)	**3,848**	7,459	10,143	7,613	3,698	8,188	8,485	8,713
Costs not related to current operations	**91**	344	(121)	508	1,080	703	—	178
Net earnings (loss) from continuing operations(1)	**(1,011)**	620	3,441	1,608	(1,871)	1,945	3,682	2,934
Net earnings (loss) from discontinued operations(1)	**(16)**	191	(1,652)	(4,490)	(6,459)	(2,233)	(1,972)	6,105
Net earnings (loss)(1)	**(1,027)**	811	1,789	(2,882)	(8,330)	(288)	1,710	9,039
Basic and diluted net earnings (loss) per share of continuing operations	**(0.01)**	0.01	0.03	0.01	(0.02)	0.02	0.04	0.03
Basic and diluted net earnings (loss) per share	**(0.01)**	0.01	0.02	(0.03)	(0.08)	—	0.02	0.09

(1) Sales, adjusted EBITDA and net earnings (loss) have been restated to reclassify the results of the Viandes Décarie division, whose sale was completed in May 2019 and Ontario activities as discontinued operations. Refer to Section 4 "Discontinued operations".

Sales for the last eight quarters have been impacted by different factors, such as the non-renewal of less-profitable contracts in the Wholesale and Broadline distribution activities in Quebec from the fourth quarter of 2019, by the termination of a contract in the Specialized distribution during the first quarter of 2020 and by the pandemic from the second quarter of fiscal year 2020. Net earnings for the first quarters are generally negatively impacted by seasonality. Net earnings for the fourth quarter of 2019 and the first quarter of 2020 were negatively impacted by costs not related to current operations. The adjusted EBITDA(1) as of the first quarter of 2020 also includes the impact of the IFRS 16 adoption.

6. Non-IFRS Performance Measures

This MD&A also contains information that follows non-IFRS measures of performance. Such information should not be considered in isolation or as a substitute for other IFRS performance measures, but rather as supplementary information. These measures are widely used in the financial community to evaluate the profitability of operations. They reflect the inclusion or exclusion of certain amounts that are not considered representative of the Company's recurring financial performance. Since these concepts are not defined by IFRS, they may not be comparable with those of other companies.

Adjusted EBITDA

It is a measure commonly used by management, as well as investors and analysts, that can assess of an entity's performance and capacity of generating cash flows from its current operations. Adjusted EBITDA corresponds to net earnings (loss) to which the following items are added: depreciation and amortization, costs not related to current operations, expenses for stock-based compensation plan, financial expenses and income taxes.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands of dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Net loss from continuing operations	**(1,011)**	(1,871)
Income taxes recovered	**(251)**	(850)
Financial expenses	**1,737**	1,696
Operating earnings (loss)	**475**	(1,025)
Expenses for stock-based compensation plan	**22**	99
Costs not related to current operations	**91**	1,080
Depreciation and amortization	**3,260**	3,544
Adjusted EBITDA	**3,848**	3,698

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Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt, long-term debt and convertible debentures net of cash as presented in Colabor's consolidated statements of financial position.

The following table presents the calculation of net debt:

(in thousands of dollars)

	As at March 20, 2021	**As at December 26, 2020**
	$	**$**
Cash	**(13,801)**	(9,712)
Long-term debt	**15,000**	12,000
Convertible debentures	**49,331**	49,812
Net debt	**50,530**	52,100

Financial Leverage Ratio

The financial leverage ratio is defined as net debt divided by adjusted EBITDA from continuing operations for the last twelve months. Refer to the table in Section 5 "Summary of Recent Quarters".

7. Related Party Transactions

Transactions between related parties of the Company consist of sales occurring with Dubé & Loiselle Inc., an entity owned by a director of the Company. The transactions were carried out in accordance with the various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of business.

The following table shows the transactions between the Company and Dubé & Loiselle Inc.:

(in thousands of dollars)

	12 weeks	
	2021	**2020**
	$	**$**
Sales	**3,185**	4,628
Trade and other receivables, net of remittances	**1,023**	749

8. Off-Balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than $1.0 million in letters of credit to support the leasing of one of the Company’s distribution centers.

9. Contingency

During the third quarter of 2019, a lawsuit of $7.7 million has been initiated by a client against the Company alleging a default to the terms of their agreement. The Company intends to defend itself vigorously.

10. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its February 26, 2021, Annual Information Form (the "AIF"), which may be viewed on the SEDAR website at www.sedar.com and on the Company's website at www.colabor.com. The risks described in the AIF are incorporated by reference in this MD&A.

11. Significant Estimates and Judgments

The preparation of the financial statements requires the management of the Company to undertakes some judgments and estimates about the recognition and measurement of the assets, liabilities, revenues and expenses which are based on the facts and information that are available to management. Because of the pandemic, management has revised its judgments and estimates as part of the preparation of its interim condensed consolidated financial statements and concluded that there was no significant change as of March 20, 2021, compared to the last fiscal year ended December 26, 2020.

12. Internal Controls Over Financial Reporting

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that its financial statements are prepared in accordance with IFRS.

The President and CEO as well as Corporate Controller and Interim CFO have assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design of ICFR and DC&P for the period ended March 20, 2021. On the basis of this assessment, they have concluded that the design of ICFR and DC&P are adequate. For the 12-week period ended March 20, 2021, the President and CEO as well as the Corporate Controller and Interim CFO have also assessed that there were no changes in the internal control over financial reporting process or in the disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

13. Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables, trade and other payables as well as convertible debentures, is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

(in thousands of dollars)

	As at March 20, 2021		As at December 26, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial liabilities				
Non-current				
Subordinated debt	**14,843**	**15,000**	11,860	11,969
	14,843	**15,000**	11,860	11,969

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (6.5% as at December 26, 2020), the current rate of subordinated debt.

Fair value measurement

When determining an asset or a liability's fair value, the Company uses observable market data as much as possible. Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at March 20, 2021, the Company has classified the fair value measurement of liabilities presented in the table above and convertible debentures as follows: Convertible debentures (Level 1) and Subordinated debt (Level 2). There was no transfer between the levels during the 12-week period ended March 20, 2021.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure and its financial risk management policies are detailed below. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates. The Company manages its exposure to interest rate risk by favouring an appropriate mix of fixed and floating rate financial liabilities.

There has been no material change in the Company's exposure to this risk since December 26, 2020.

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and other assets represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its trade accounts receivable and other assets. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee or letter of credit from some of its customers. As at March 20, 2021, the Company had guarantees for about 1.9% of its trade accounts receivable (1.8% as at December 26, 2020). In addition, following the pandemic, the payment terms of some customers have been modified for prepayments or payments on delivery in order to minimize credit risks.

The Company's policy is to have each customer undergo a credit check.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget estimates and cash flow forecasts to ensure it has the necessary funds to fulfill its obligations. These forecasts are updated on a regular basis to consider the impacts of the rapidly evolving pandemic. According to our updated forecast based on information currently available to management, the Company is expecting to be able to meet its obligations for the next 12 to 15 months by using future cash flows from operating and funds available under the credit facility in place.

As at March 20, 2021, the Company was in compliance with all its bank covenants.

14. Subsequent Events

As previously mentioned in section 2.1 "Business Developments in 2021", the Company redeemed all of the outstanding debentures on March 23, 2021.