

Comprehensive Recapitalization Plan and Q2 Results Summary

July 14th, 2016



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1-Opening Remarks

2-Comprehensive Recapitalization Plan

Comprehensive Recapitalization Plan | Overview



\$50 mm equity injection via a Rights Offering applied towards debt repayment



Rights Offering is fully backstopped by new and existing group of shareholders with voting support agreement from 25.7% of actual shareholders



Agreement to amend & extend the ABL credit facility and subordinated debt



Plan to amend & extend the convertible debentures with support from 18.6% of existing debentureholders



Meaningful leverage reduction with well-laddered debt maturity schedule



Expanded board to be comprised of 7 directors, including new representatives of standby providers



Robert Briscoe, a renowned foodservice industry operator, is to join the Board today and to become a shareholder and Executive Vice-Chairman of the Board upon closing



3-year option to acquire foodservice distributor Dubé Loiselle to establish a footprint in Montreal

Benefits of Comprehensive Refinancing Plan to Colabor

- Strengthen balance sheet combined with a significant reduction in interest expenses
- Eliminate uncertainty caused by high debt level for all stakeholders
- Larger and enhanced Board including members with extensive industry experience
- Reinforce competitive position
- Will allow Management to focus on pursuing growth opportunities including Dubé Loiselle

Summary Term Sheet | Rights Offering

Proceeds	<ul style="list-style-type: none">▪ \$50 million
Use of Proceeds	<ul style="list-style-type: none">▪ Repay existing debt and general corporate purposes
Ratio	<ul style="list-style-type: none">▪ 2.71 new shares per right (one right per existing share)
Subscription Price	<ul style="list-style-type: none">▪ \$0.67 per share (80% of the 5-day VWAP)
Stand-By Commitments ("Backstop")	<ul style="list-style-type: none">▪ Existing shareholders (an affiliate of Zucker Trust and CDPQ) along with new shareholders (IQ, FSTQ and Robraye Management, an affiliate of Briscoe) have agreed to subscribe for up to \$10 million each that are not otherwise purchased on a pro-rata basis
Board Nomination Right	<ul style="list-style-type: none">▪ Each Stand-By Provider shall have the right to propose one independent nominee (except for Briscoe in his capacity as Executive Vice Chairman) to the Board of Directors on closing until the next annual meeting and thereafter as long as they hold at least 7.5% of the Outstanding Common Shares (5% for CDPQ and Briscoe)▪ Robert Briscoe to join today the Board as Director
Shareholder Approval	<ul style="list-style-type: none">▪ Simple majority required, support from 25.7% of existing shareholders eligible to vote already secured

Summary Term Sheets | Debt Facilities

Facility	Key Terms
<p>ABL Facility</p>	<ul style="list-style-type: none"> ▪ Repay \$30 million of the outstanding balance of the ABL credit facilities ▪ Extension of the term until 3 years after closing ▪ Relatively similar terms and conditions ▪ Maintain same syndicate of lenders
<p>Subordinated Debt</p>	<ul style="list-style-type: none"> ▪ Repay \$17.5 million of Colabor's secured subordinated debt and amend terms and conditions <ul style="list-style-type: none"> – Extend the maturity date to 2020 (a 4-year period from closing) – Reduced interest rates based on Debt/Adjust. EBITDA ratio (Base rate at 7.5% with annual spring adjustment) – Prepayment flexibility available (subject to certain conditions)
<p>Convertible Debentures</p>	<ul style="list-style-type: none"> ▪ Amend & extend the 5.70% Convertible Unsecured Subordinated Debentures due April 30, 2017 with the following terms: <ul style="list-style-type: none"> – Extend the maturity date to a 5-year period from closing – Reduce the conversion price to \$2.50 (from \$16.85) – Increase the interest rate to 6.00% ▪ Requires debentureholder approval (66 2/3%) ▪ Obtained support from 18.6% of existing debentureholders

Closing of the global recapitalization is contingent on debentureholder and shareholder votes and other regulatory approvals

Sources & Uses

Sources		Uses	
<i>(in C\$ millions)</i>			
Rights Offering	\$50.0	ABL Facility	\$30.0
		Subordinated Debt	17.5
		Transaction Costs	2.5
Total	\$50.0	Total	\$50.0

The use of proceeds will allow Colabor to significantly enhance liquidity under its ABL, maintain a core piece of longer term debt at relatively attractive rates and improve free cash flow

Pro Forma Capital Structure

- The proposed transactions will reduce Colabor's total debt / LTM Adjusted EBITDA from ~6.7x to ~5.1x
 - Annual interest cost savings of approximately \$3 million

Pro Forma Leverage			
<i>(in C\$ millions, except share data)</i>	As of		PF
	11-Jun-16	Adjustments	Transactions
Shares Outstanding ⁽¹⁾	27.5	75.8	103.2
ABL	\$97.7	(\$30.0)	\$67.7
Subordinated Debt	\$42.5	(17.5)	25.0
Convertible Debentures	\$50.0	–	50.0
Others	\$7.7	–	7.7
Total Debt	\$197.8		\$150.3
LTM Adjusted EBITDA	\$29.3		\$29.3
Total Debt / LTM Adjusted EBITDA	6.7x		5.1x
Annual Interest	\$11.8		\$8.7

Opportunity to further reduce leverage with increased free cash flow generation and potential to renegotiate improved credit terms with certain suppliers

Indicative Timetable

Date	Action Item
Week August 22 nd	<ul style="list-style-type: none">• Debentureholder and shareholder meetings and votes
Week of August 29 th	<ul style="list-style-type: none">• Filing of final Prospectus for Rights Offering
Week of September 5 th	<ul style="list-style-type: none">• Record date for Rights Offering
Week of September 12 th	<ul style="list-style-type: none">• Commencement date for Rights Offering
Week of October 3 rd <i>21 days after the commencement date</i>	<ul style="list-style-type: none">• Expiration date for Rights Offering
Week of October 10 th	<ul style="list-style-type: none">• Closing of Comprehensive Recapitalization Agreement and all other transactions

Option to Acquire Dubé Loiselle | Overview

- Option agreement with Robraye Management to acquire Dubé Loiselle within 36 months from closing of the global refinancing transaction
- The cost of the option is \$0.5 mm (non-refundable) and is payable upon closing of the refinancing transaction
- The acquisition would be in line with Colabor's growth strategy and would enable Colabor to establish a significant presence in the Montreal foodservice market
- Dubé Loiselle is an Affiliated Distributor and has been a long time partner of Colabor

Description



- **Overview:** Dubé Loiselle is a foodservice distributor in greater Montreal area and Eastern Townships with a focus on the street business
 - Generates ~\$75 mm in sales
 - Founded in 1948, the Company is headquartered in Granby, Quebec
- **Products:** Fruits and vegetables, dairy and cheese, meat, fish, seafood, frozen foods and non-food products
- **Facilities:** 3 distribution centers in Granby with a total of 107,000 sq. ft. (one for dry food, frozen/chilled products, and produce)
- **Employees:** ~160

3-Overview of Q2 2016 Results

Overview of Q2 2016 Results | Highlights



Strong net earnings of \$3.1 million, versus \$1.0 million last year



Solid Adjusted EBITDA of \$10.1 million, an 18.4% year-over-year improvement



Stable consolidated revenues; 2.3% increase in Distribution sales driven by further strong growth from specialty divisions



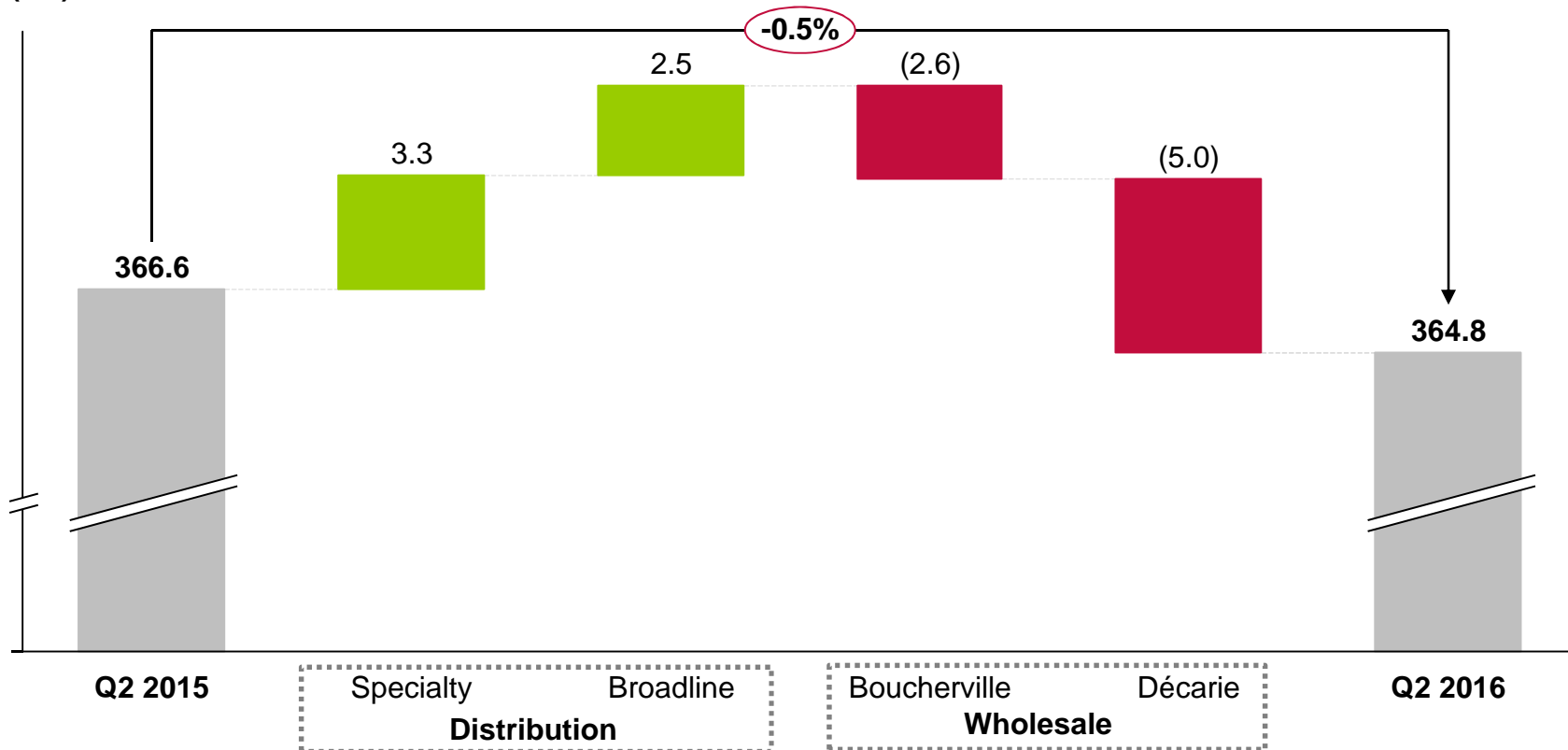
Successful and continued cost management efforts from rationalization plan and a better overall operating performance



Solid working capital improvement from a better operating cycle despite temporary pressure from supplier credit term

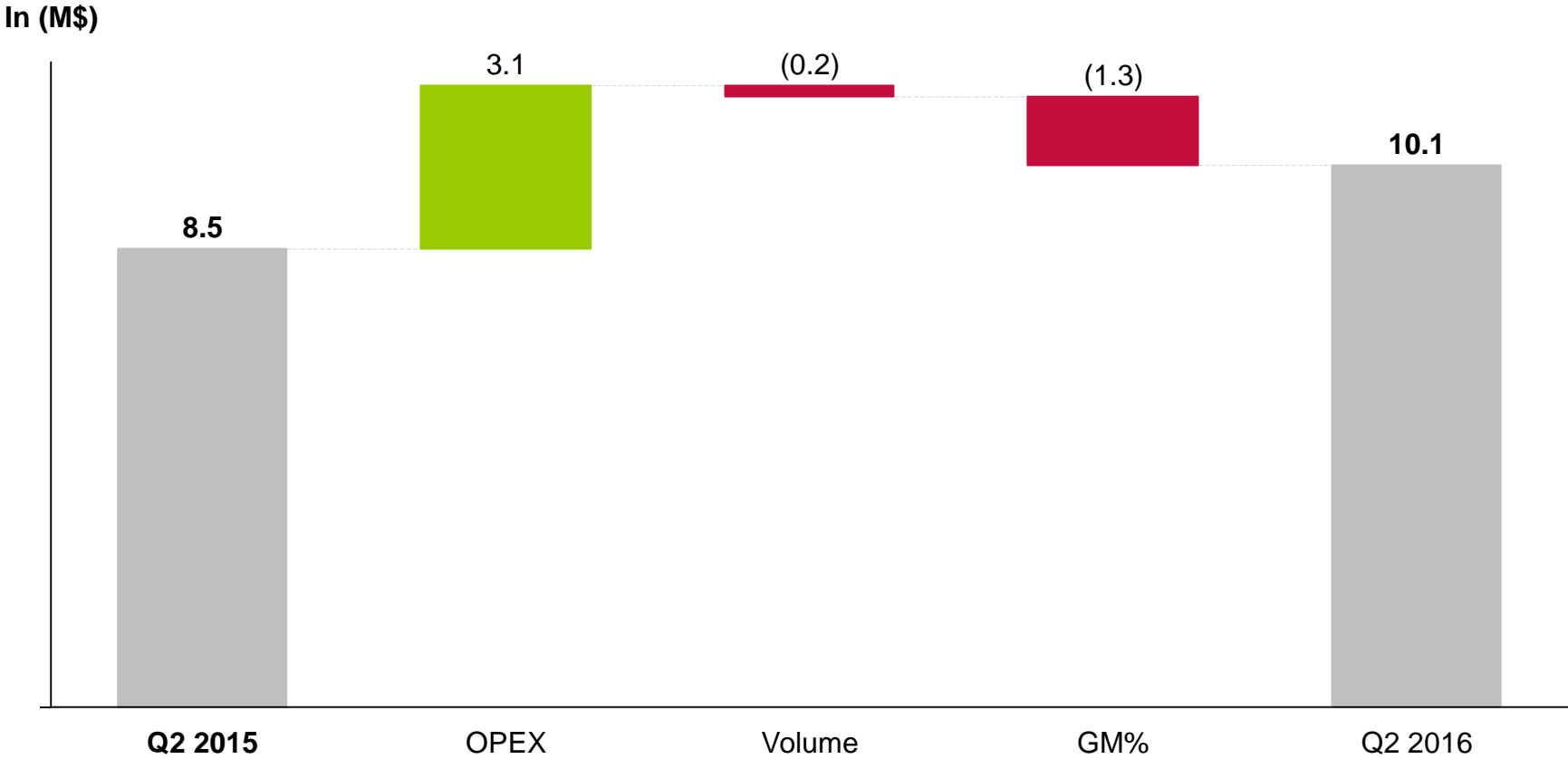
Revenue Bridge | Q2-2016 vs Q2-2015

In (M\$)



- **Distribution +2.3%** : Norref share gains, growing sales to main clients in Ontario
- **Wholesale -6.4%** : Beef price deflation, voluntary reduction of certain categories, non-renewal of an agreement

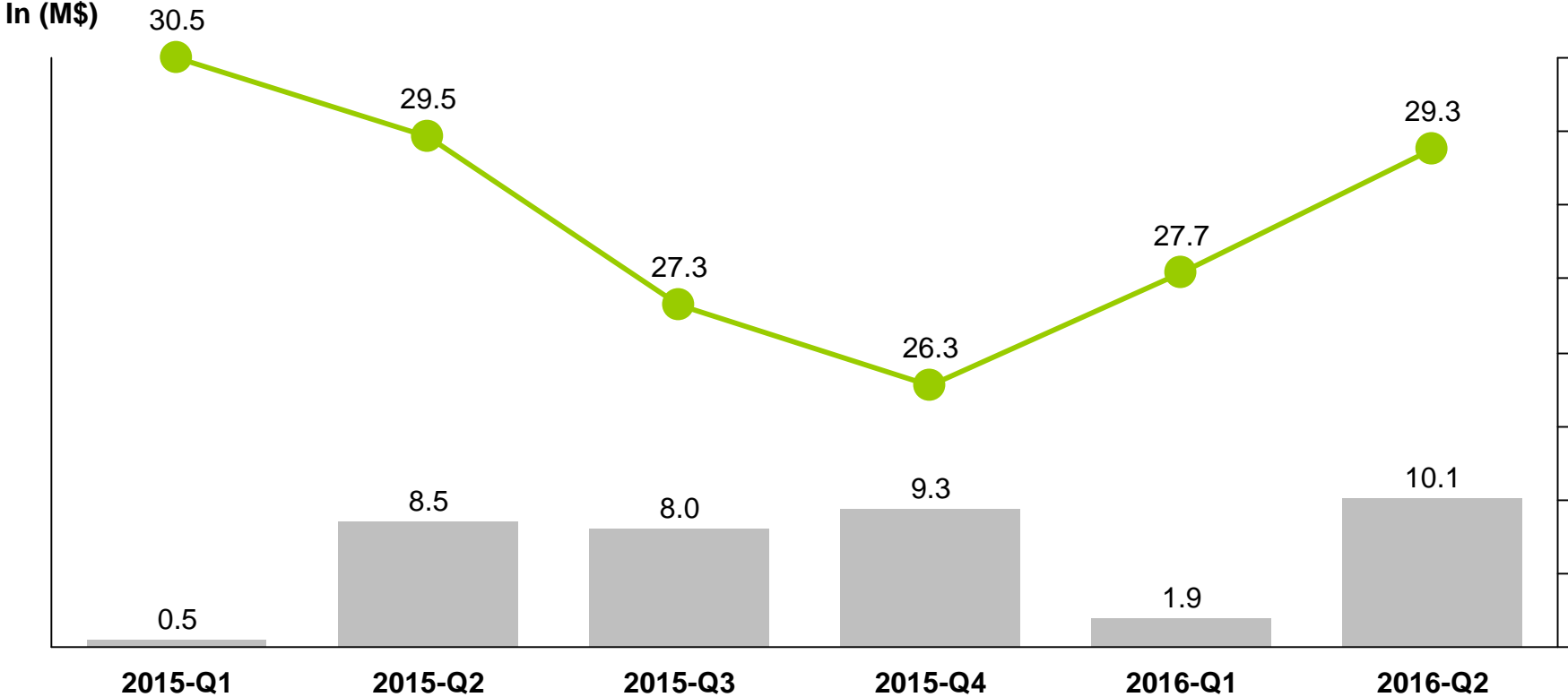
Adjusted EBITDA Bridge | Q2-2016 vs Q2-2015



- Lower operating expenses due to rationalization plan and improved overall performance
- Pressure on margin abate in Q3-2016 as contract renewals are lapped

Adjusted EBITDA Evolution | Q1-2015 to Q2-2016

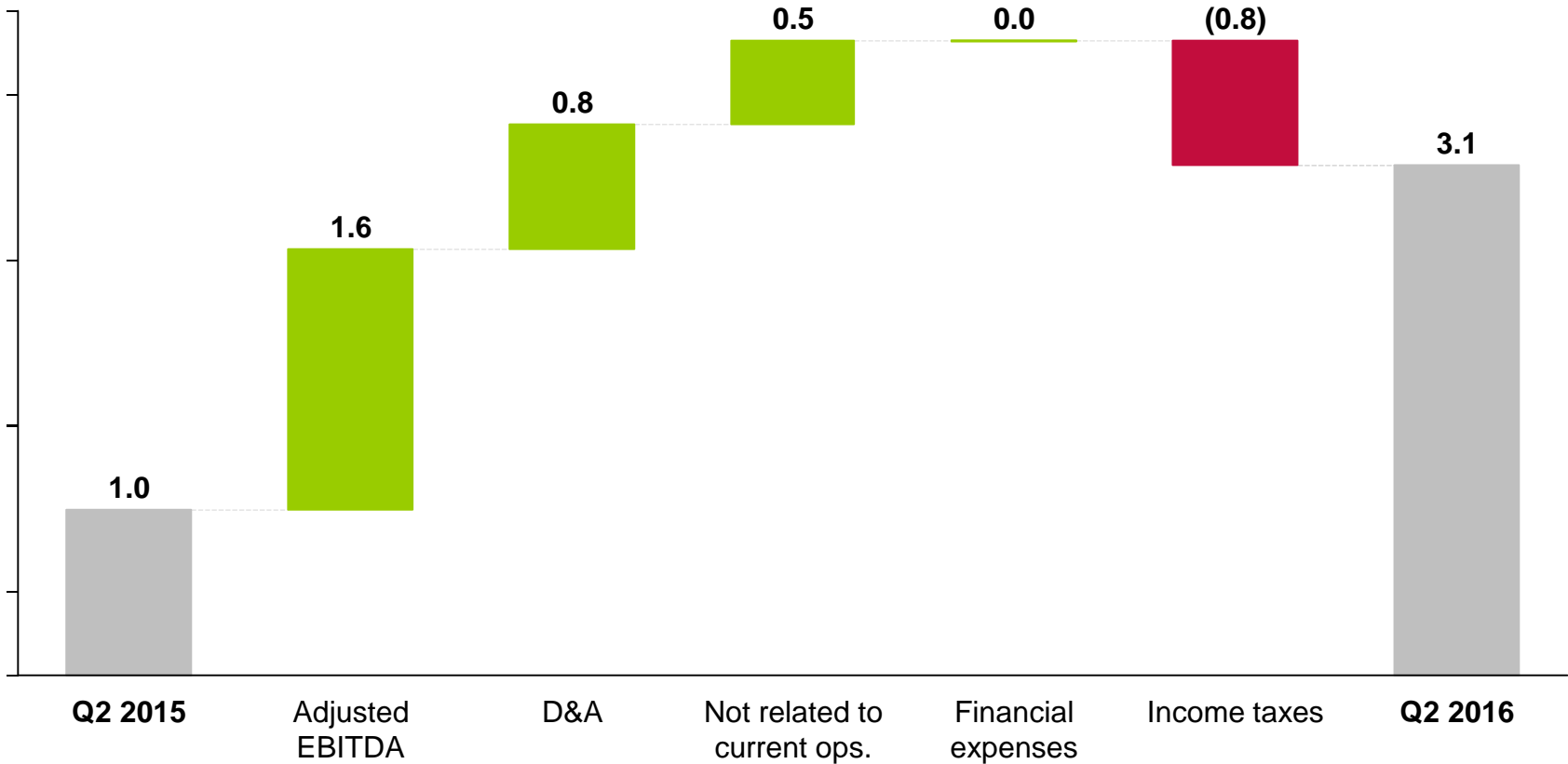
● Last Twelve Months
■ Quarterly



• Further upside from full-year effect of rationalization plan and lapping of contract renewals

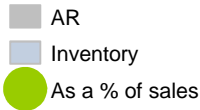
Net Earning Bridge| Q2-2016 vs Q2-2015

In (M\$)

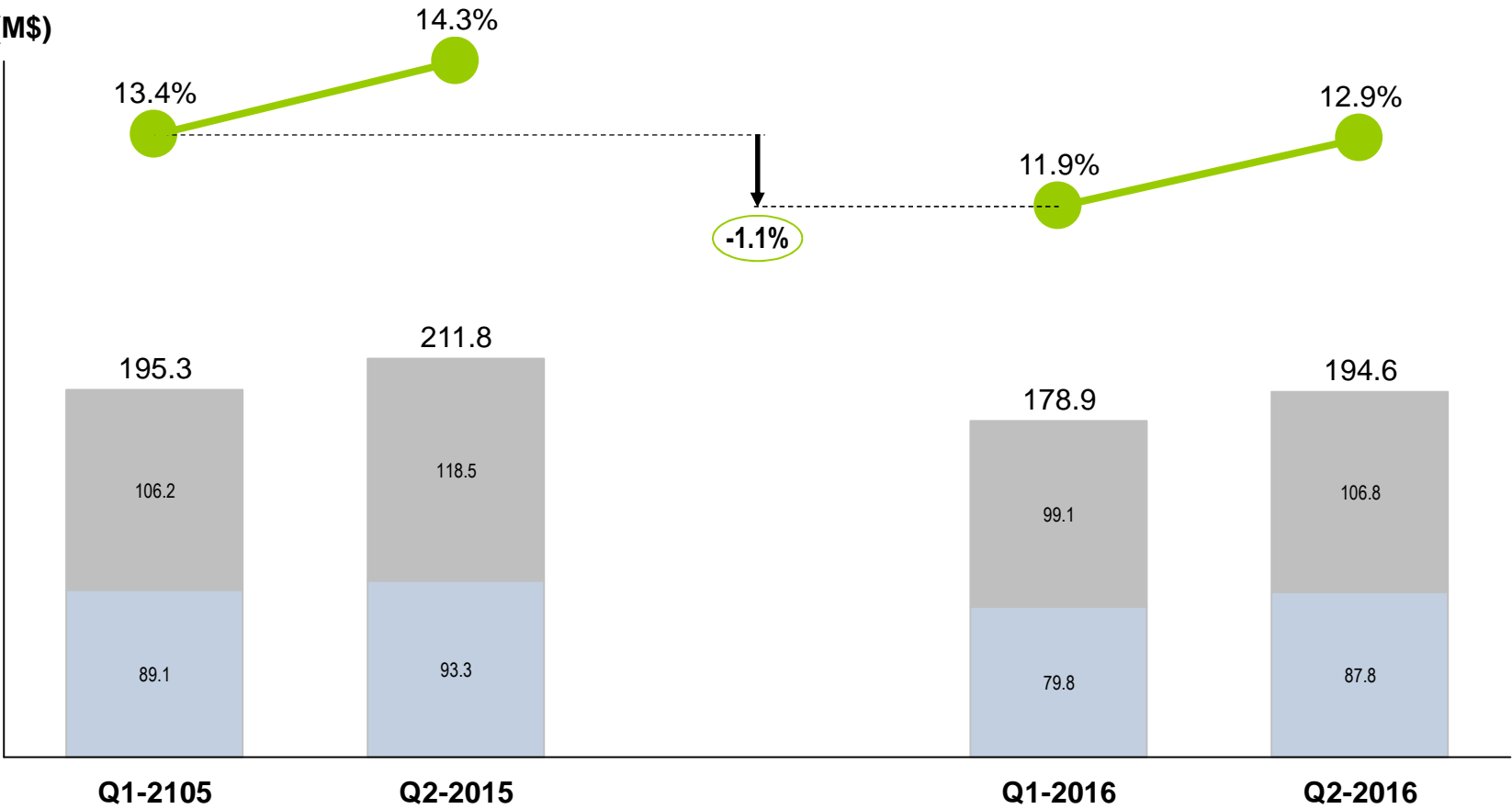


- Net earnings growth results from higher adj. EBITDA and lower D&A following asset write-off recorded in Q4-2015

Working Capital Improvement | Q1-2015 to Q2-2016

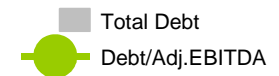


In (M\$)

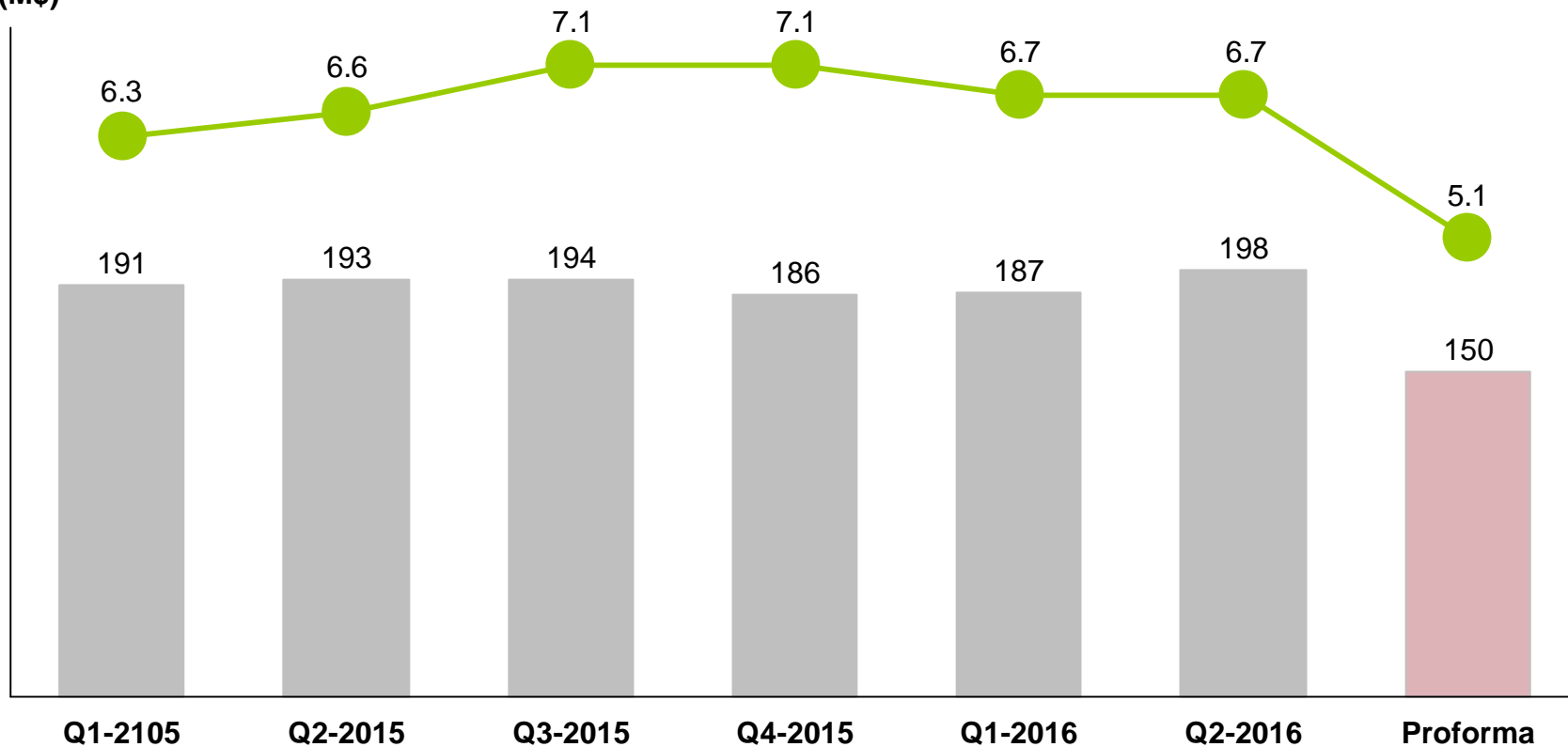


- Working capital improvement from faster receivable collection and better inventory management

Total Debt / Adj.EBITDA Evolution | Q1-2015 to Q2-2016



In (M\$)



- Total Debt / Adj.EBITDA improved despite higher total debt due to recent turnaround in LTM adj. EBITDA trend
- Ratio to further improve with more favourable supplier credit terms and adjusted EBITDA growth from operations

Looking Ahead



Operational results to continue their positive momentum on the back of reduced overhead and operating costs



Cara and affiliated distributors contract are comparable starting Q3



Working Capital improvement effort is an entity-wide driven initiative



The recapitalization is a win-win scenario for our stakeholders and creates value over the medium term



We have the flexibility to carry out our business plan and our growth strategy

Question period
