



NEWS RELEASE

FOR IMMEDIATE RELEASE

## COLABOR GROUP REPORTS RESULTS FOR THIRD QUARTER OF 2012

### EXECUTION OF ACTION PLAN REMAINS ON SCHEDULE

For the third quarter:

- Comparable sales up 3.2% (total sales up 7.9%)
- 4.4% increase in EBITDA to \$11.0 million, or 3.15% of sales
- Cash flow of \$7.6 million, or \$0.33 per share
- Renewal of contracts totalling approximately \$40.0 million in annual sales
- \$2.8 million charge for internal restructuring which should reduce operating costs by approximately \$2.0 million annually beginning in fiscal 2013

**Boucherville, Quebec, October 22, 2012** – Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Company”) today reported results for the third quarter of fiscal 2012 ended September 8, 2012.

“The satisfactory increase in comparable sales is mainly a reflection of favourable summer weather and a more aggressive sales approach by the Company,” said Claude Gariépy, President and Chief Executive Officer of Colabor. “This sales increase and tight control of operating costs contributed to EBITDA growth despite a fairly difficult economic and competitive environment.”

Financial highlights (thousands of dollars except per-share data)	Quarter ended		Nine months ended	
	Sept. 8, 2012	Sept. 10, 2011	Sept. 8, 2012	Sept. 10, 2011
<b>Sales</b>	<b>350,341</b>	324,760	<b>1,002,568</b>	881,587
<b>EBITDA</b>	<b>11,022</b>	10,554	<b>27,129</b>	25,685
<b>Net earnings</b>	<b>3,047</b>	3,099	<b>5,214</b>	4,826
Per share – basic (\$)	<b>0.13</b>	0.14	<b>0.23</b>	0.21
<b>Cash flow*</b>	<b>7,593</b>	7,830	<b>18,688</b>	18,241
Per share – basic (\$)	<b>0.33</b>	0.34	<b>0.81</b>	0.79
<b>Weighted average number of shares outstanding (basic, in thousands)</b>	<b>23,088</b>	22,923	<b>23,075</b>	23,002

\* Cash flow from operations before changes in operating assets and liabilities less purchases of property, plant and equipment and interest paid.

#### THIRD-QUARTER RESULTS

Consolidated sales for the 84-day period ended September 8, 2012 were \$350.3 million, compared to \$324.8 million for the 84-day period ended September 10, 2011. This 7.9% increase was mainly due to the acquisition of Viandes Décarie Inc. on January 1, 2012, which accounted for \$15.3 million in additional sales in the third quarter of 2012. Comparable sales, excluding this acquisition, were up 3.2%.

Earnings before financial expenses, income taxes, depreciation and amortization (“EBITDA”) were up 4.4% to \$11.0 million, or 3.15% of sales, from \$10.6 million, or 3.25% of sales, a year earlier. The slight reduction as a percentage of sales reflects continuing stiff competition in the foodservice distribution industry and a more aggressive sales approach by the Company aimed at preserving its market share.

Cash flow was \$7.6 million, or \$0.33 per share, compared to \$7.8 million, or \$0.34 per share, in the third quarter of 2011. Given higher non-monetary charges for depreciation and amortization of tangible and intangible assets resulting from the acquisitions of recent years, management considers that cash flow is a better indicator of Colabor's financial performance.

The ratio of dividend payout to cash flow per share over the previous 12 months was 71% as at September 8, 2012. This ratio takes into account the change in dividend effective for the last three quarters of the 12-month period. If the change in dividend had been in effect over the entire 12 months, the ratio would have been 62%. For the third quarter, the ratio was 52%.

Net earnings for the third quarter are net of a pre-tax charge of \$1.1 million not related to current operations, consisting of a \$2.8-million charge related to internal restructuring, partially offset by a \$1.7-million favourable adjustment in the acquisition cost of Les Pêcheries Norref Québec Inc. following an arbitration decision. As a result, net earnings for the quarter were \$3.0 million, or \$0.13 per share, compared to \$3.1 million, or \$0.14 per share, in the corresponding quarter of 2011.

### **SEGMENTED RESULTS**

Sales of the Distribution segment were \$248.1 million in the third quarter of 2012, compared to \$239.6 million a year earlier. This excellent 3.6% increase, realized entirely in comparable sales, is attributable to favourable summer weather in eastern Canada and to a more aggressive sales approach by the Company in its respective markets.

Sales of the Wholesale segment were \$102.2 million in the third quarter of 2012, up from \$85.2 million a year earlier. The increase of \$17.0 million, or 20%, mainly reflects the acquisition of Viandes Décarie, offset in part by the elimination of sales to Colabor divisions. Comparable sales were up 2.1%.

### **NINE-MONTH RESULTS**

For the 252-day period ended September 8, 2012, consolidated sales were \$1,002.6 million, up 13.7% from \$881.6 million for the 253-day period ended September 10, 2011. Apart from the acquisition noted above, the increase reflects the contributions of The Skor Food Group Inc., Edfrex Inc. and Les Pêcheries Norref Québec Inc. over the full 2012 period versus 125 days, 165 days and 195 days, respectively, in 2011. Excluding acquisitions, and on the basis of an equal number of days, comparable sales were up 1.7%.

EBITDA for the first nine months of 2012 was \$27.1 million, or 2.71% of sales, up 5.6% from \$25.7 million, or 2.91% of sales, in the first nine months of 2011. Net earnings for the period were \$5.2 million, or \$0.23 per share, compared to \$4.8 million, or \$0.21 per share, for the year-earlier period. Earnings for the first nine months of 2012 include a charge of \$1.4 million not related to current operations, versus a charge of \$1.8 million a year earlier. Cash flow was \$18.7 million, or \$0.81 per share, compared to \$18.2 million, or \$0.79 per share, a year earlier.

### **RENEWAL OF CONTRACTS TOTALLING APPROXIMATELY \$40.0 MILLION IN ANNUAL SALES**

During the third quarter the Company renewed two large multi-year supply agreements representing annual sales of approximately \$40.0 million.

First, Colabor renewed its foodservice supply agreement with the Extendicare senior-care services establishments, in Ontario. The agreement has been extended for a three-year period and will be in effect until 2016. Second, Colabor extended for an eight-year period its foodservice supply agreement with the Wild Wing restaurant chain, in Ontario. The agreement will be in effect until 2020.

### **PURSUIT OF ACTION PLAN FOR OPTIMIZATION OF OPERATIONS**

Colabor is actively pursuing its action plan to optimize operating efficiency and promote and accelerate the realization of synergies. The Company wishes to update the following key elements of this plan:

- The Cambridge, Ontario, distribution centre will close on December 14, 2012. Customers served by this facility will be supplied mainly from the Vaughan distribution centre.
- The transfer of Skor Distribution operations to the Summit business unit was successfully completed during the third quarter.

- The merger of the administrative operations and sales forces of the Eastern Quebec and New Brunswick division is under way. IT integration was successfully completed on October 20 and the remaining initiatives are on track for completion by the end of the year.
- The Skor Culinary Concepts Division has been put up for sale. This division prepares more than 400 fresh and frozen products at a facility in Mississauga, Ontario, mainly for institutions, schools, mobile canteen and vending machine operators. The Company expects that results of this transaction will be known by the end of the current fiscal year.

These measures entailed a \$2.8-million charge in the third quarter's financial results. The Company expects that these initiatives will reduce operating costs by approximately \$2.0 million annually beginning in fiscal 2013.

"From the outset of the execution of our action plan, all members of the organization have acted proactively in order to take appropriate actions to optimize our ways of doing things, stimulate sales and improve the Company's profitability. Execution of the plan is on schedule and its key elements will be well advanced by the end of 2012," added Mr. Gariépy.

### **FINANCIAL POSITION**

As of September 8, 2012, the Company had drawn \$118.0 million on its authorized bank credit facility of \$150.0 million. The ratio of total debt at September 8, 2012 to EBITDA of the previous 12 months was 3.29:1.00, below the prescribed limit of 3.50:1.00. The interest coverage ratio was 4.16:1.00, above the required minimum of 3.50:1.00.

### **OUTLOOK**

"As anticipated, the benefits of our action plan are gradually beginning to be felt and Colabor remains confident that it will reach its operating and financial objectives for the current year. More importantly, we continue to anticipate greater benefits throughout the year 2013. Over time, Colabor will become a more flexible and dynamic organisation, which will allow it to be an important player in industry consolidation. The strength of its network will provide significant synergies and will be a source of value creation for shareholders," concluded Mr. Gariépy.

### **CONFERENCE CALL**

Colabor will hold a conference call to discuss these results on Monday, October 22, 2012, beginning at 3 p.m. Eastern Time. Interested parties can join the call by dialling 647-427-7450 (from Toronto and overseas) or 1-888-231-8191 (from elsewhere in North America). If you are unable to participate, you can listen to a recording by dialling 1-855-859-2056 and entering the code 35241214# on your telephone keypad. The recording will be available from 6 p.m. Monday, October 22 to 11:59 p.m. Monday, October 29, 2012.

### **NON-IFRS MEASURES**

The information provided in this release includes non-IFRS performance measures, notably earnings before financial expenses, income taxes, depreciation and amortization ("EBITDA") and cash flow. Since these concepts are not defined by IFRS, they may not be comparable to those of other companies.

### **ADDITIONAL INFORMATION**

The *Management Discussion and Analysis* and financial statements of the Company will be available at SEDAR ([www.sedar.com](http://www.sedar.com)) following publication of this release. Additional information about Colabor Group Inc. may also be found at SEDAR and on the Company's website at [www.colabor.com](http://www.colabor.com).

### **ABOUT COLABOR**

Colabor is a wholesaler and distributor of food and non-food products serving the retail market (grocery stores, convenience stores, etc.) and the foodservice market (cafeterias, restaurants, hotels, restaurant chains) in Quebec, Ontario and the Atlantic provinces.

## **FORWARD-LOOKING STATEMENTS**

This news release may contain forward-looking statements reflecting the opinions or current expectations of Colabor Group Inc. concerning its performance and business operations and future events. These statements are subject to risks, uncertainties and assumptions. Actual results or events may differ.

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### **Further information:**

#### **Colabor Group Inc.**

##### **Claude Gariépy**

President and Chief Executive  
Officer

Tel. 450-449-0026 ext. 265

Fax 450-449-6180

[cgariepy@colabor.com](mailto:cgariepy@colabor.com)

##### **Michel Loignon, CA**

Vice-President and Chief Financial  
Officer

Tel. 450-449-0026 ext. 235

Fax 450-449-6180

[mloignon@colabor.com](mailto:mloignon@colabor.com)

#### **MaisonBrisson Inc.**

##### **Martin Goulet, CFA**

Senior Vice-President,  
Investor Relations

Tel. 514-731-0000 ext. 229

Fax 514-731-4525

[martin@maisonbrison.com](mailto:martin@maisonbrison.com)