



NEWS RELEASE

FOR IMMEDIATE RELEASE

## COLABOR GROUP REPORTS RESULTS FOR THE FOURTH QUARTER AND FISCAL 2017

### FOURTH QUARTER HIGHLIGHTS

- Sales of \$401.6 million and adjusted EBITDA of \$7.1 million
- Strong performance from the CDA and Norref divisions
- Noticeable improvement in the profitability of the Décarie division
- Net earnings of \$0.5 million compared to (\$0.2) million in 2016
- Cash flow from operating activities of \$11.5 million
- After the end of the quarter, the appointment of Lionel Ettetdgui as President and Chief Executive Officer

### 2017 HIGHLIGHTS

- Sales of \$1.32 billion and adjusted EBITDA of \$24.7 million
- Strong contribution from the CDA and Norref divisions during the year
- \$4.4 million decrease in financial expenses
- Cash flow from operating activities of \$18.1 million
- Net loss of \$18.6 million primarily from the \$16.4 million asset write-off expense and \$6.4 million notice of assessment from the Ontario Ministry of Finance

**Boucherville, Quebec, February 22, 2018** – Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Corporation”) today reported its results for the fourth quarter and fiscal year ended December 30, 2017.

“Results for fiscal 2017 were marked by challenges in Ontario stemming from volume losses at major restaurant chains, combined with continued competitive pressures at the Décarie division. Even with these headwinds, I am pleased to see clear benefits from investments in the Distribution segment’s sales force and hiring of a new leader at the Décarie division. As a result, the CFD division saw strong EBITDA improvements in 2017, Décarie saw a notable increase in its profitability at the end of the year and Norref and Boucherville continued to consistently contribute to top and bottom lines,” said Claude Gariépy, Outgoing President and Chief Executive Officer of Colabor.

“I am pleased to be joining Colabor at this very moment. With an improved balance sheet, the support of large institutional shareholders and governance from a strong and strategic board, the Company is well positioned to further grow in key segments of the food distribution industry,” said Lionel Ettetdgui, Colabor’s President and Chief Executive Officer.

Financial highlights (thousands of dollars except per-share data)	Quarter ended		Year ended	
	Dec. 30, 2017 (16 weeks)	Dec. 31, 2016 (17 weeks)	Dec. 30, 2017 (52 weeks)	Dec. 31, 2016 (53 weeks)
Sales <sup>1</sup>	401,557	432,543	1,319,450	1,399,435
Adjusted EBITDA <sup>2</sup>	7,057	9,092	24,657	30,267
Charges not related to current operations	-	1,939	8,297	5,276
Impairment loss	-	-	16,440	-
Net earnings (loss)	509	(160)	(18,592)	323
Per share – basic and diluted (\$)	0.00	0.00	(0.18)	0.01
Cash flow from operating activities <sup>3</sup>	11,489	15,486	18,117	33,144
Total debt	110,551	118,099	110,551	118,099
Weighted average number of shares outstanding (basic, in thousands)	102,074	76,985	102,074	43,534

<sup>1</sup> Fourth quarter and fiscal 2017 sales are not entirely comparable to 2016 due to the lower number of weeks than the previous year, that is, 16 weeks in the fourth quarter of 2017 compared to 17 in the comparative quarter of 2016 and 52 weeks for the year 2017 compared to 53 for the year 2016.

<sup>2</sup> Non-IFRS measure. Refer to the table of reconciliation of Net Earnings to Adjusted EBITDA.

<sup>3</sup> After the net change in working capital.

#### FOURTH QUARTER RESULTS

Consolidated sales were \$401.6 million for the 16 week period ended December 30, 2017, down from \$432.5 million for the 17 week period ended December 31, 2016. Given the same number of days, comparable sales decreased 2.9%.

Sales of the Distribution segment decreased by 6.6% to \$297.7 million from \$318.8 million a year earlier. On a comparable basis, sales decreased 1.9% mainly due to the loss of a major contract in the Ontario division.

Sales of the Wholesale segment reached \$103.9 million, down 8.7% from \$113.7 million the previous year. On a comparable basis, sales decreased 5.4% due to a significant decline in Décarie sales, which continued in the context of the increased competitive pressures identified since the fourth quarter of 2016, accompanied by a drop in volume at the Boucherville division.

Adjusted EBITDA was \$7.1 million or 1.8% of sales, compared to \$9.1 million or 2.1% of sales in the fourth quarter of 2016. The decrease is mainly due to the reduction in sales volume and the current period being seven days shorter than the comparative period of 2016. These factors were partially offset by the decrease in operating costs in the majority of divisions due to lower sales volume.

Colabor concluded the fourth quarter of 2017 with net earnings of \$0.5 million, compared to a net loss of (\$0.2) million last year.

#### FISCAL 2017 RESULTS

Consolidated sales were \$1.32 billion for the 52 week period ended December 30, 2017, compared to \$1.40 billion for the 53 week period ended December 31, 2016. On a comparable basis, sales were down 4.4%. Comparable sales of the Distribution segment decreased by 3.0%, mainly due to the loss of contracts in the Ontario division, while comparable sales of the Wholesale segment declined 8.4%. Most of the decline came from the Décarie division, where the significant drop in sales was in part due to increased competition.

Adjusted EBITDA was \$24.7 million or 1.9% of sales, compared to \$30.3 million or 2.2% of sales a year earlier. Excluding the impairment loss and charges not related to current operations, operating earnings were \$13.4 million, compared to \$18.8 million last year.

During the third quarter of 2017, Colabor received a draft notice of assessment (the “Notice”) from the Ontario Ministry of Finance in connection with commercial activities relating to the sale of tobacco products on a First Nations reserve. This Notice resulted in the recording of a provision for the draft assessment in the Corporation’s interim financial statements in the third quarter of 2017. In the fourth quarter, Colabor received a notice of assessment of \$6.4 million (the “Assessment”) which was paid out of its cash during this quarter. The Corporation subsequently filed a notice of objection with the Ontario Ministry of Finance as provided for in the proceeding.

In the third quarter of 2017, the Corporation recorded a non-cash asset write-off expense of \$16.4 million primarily in relation to the impairment of Boucherville's goodwill value in the Wholesale segment, and to some tangible and intangible fixed assets of the Summit division in the Distribution segment. The impairment of goodwill value reflects the impact of a recent volume loss and of the review of growth prospects for the Summit division, which also have an impact on the future supply synergies that could be achieved in the Boucherville division.

As a result, fiscal 2017 ended with a net loss of (\$18.6) million, compared to net earnings of \$0.3 million in 2016.

### **CASH FLOW AND FINANCIAL POSITION**

Cash flow from operating activities reached \$11.5 million in the fourth quarter of 2017, compared to \$15.5 million for the same period in 2016. This change is mainly due to the payment of the \$6.4 M Assessment, lower Adjusted EBITDA and positive net change in working capital that was less significant in the fourth quarter of 2017.

For fiscal 2017, cash flow was \$18.1 million, down from \$33.1 million in 2016. This change is mainly due to the payment of the Assessment in the fourth quarter, lower Adjusted EBITDA and increase in charges not related to operations.

As at December 30, 2017, total debt including convertible debentures and bank overdraft amounted to \$110.6 million, down from \$118.1 million twelve months earlier. This reduction reflects the continued generation of cash flow during the year.

### **APPOINTMENT OF LIONEL ETTEDGUI AS PRESIDENT AND CHIEF EXECUTIVE OFFICER**

After a rigorous recruitment process, Colabor announced on February 5, 2018, after the closing date of the fiscal year, the appointment of Lionel Etedgui as President and Chief Executive Officer. For more than six years, Mr. Etedgui served as president and chief operating officer of Saputo's bakery division, mainly Vachon cakes, where he made an impressive operational turnaround and restored the high profitability of this division. As previously announced, Claude Gariépy will leave the Corporation on March 2, 2018, after a period of transition and support to Mr. Etedgui.

### **APPOINTMENTS WITHIN THE BOARD OF DIRECTORS**

On December 14, 2017, the Corporation announced the appointment of Denis Mathieu and Warren White as directors of the Corporation, and Raymond Paré as director and representative of the Fonds de solidarité des travailleurs du Québec, replacing Éleine Zakaïb. The Corporation had previously announced, on November 13, 2017, the resignation of Stéphane Gonthier, which took effect on December 31, 2017. These appointments reflect Colabor's desire to increase the size of its Board of Directors and to maintain good governance.

### **OUTLOOK**

"We anticipate that the measures put in place to mitigate the effect of the loss of volume on operating margins in the Ontario division will take effect later than planned in 2018. However, the progress demonstrated by our activities in Quebec during the second half of 2017, Norref's continued performance and recent progress in the Décarie division should help mitigate this effect. In addition, the arrival of Mr. Etedgui as President and Chief Executive Officer, combined with his solid experience in business turnaround, will ensure the continuity of our operations with a strong focus on profitability and the generation of cash flow for the Corporation," added Mr. Gariépy.

Mr. Etedgui concluded, "As I have mentioned since taking office on February 5, I am pleased to join Colabor which, in my opinion, has excellent development potential. In my new mandate, my goal will be to maximize this potential to create lasting value for our shareholders."

### **CONFERENCE CALL**

Colabor will hold a conference call to discuss these results on Thursday, February 22, 2018, beginning at 10:30 a.m. Eastern time. Interested parties can join the call by dialling 647-788-4922 (from Toronto and overseas) or 1-877-223-4471 (from elsewhere in North America). If you are unable to participate, you can listen to a recording by dialling 1-800-585-8367 and entering the code 4898763 on your telephone keypad. The recording will be available from 1:30 p.m. on Thursday, February 22, 2018, to 11:59 p.m. on Thursday, March 1, 2018.

Those wishing to join the webcast and presentation can do so by clicking on the following link:

<http://www.colabor.com/en/investisseurs/evenements-et-presentations/>

## NON-IFRS MEASURES

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

Table of reconciliation of Net Earnings (Loss) to Adjusted EBITDA

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA (thousands of dollars except per-share data)	Quarter ended		Year ended	
	Dec. 30, 2017 (16 weeks)	Dec. 31, 2016 (17 weeks)	Dec. 30, 2017 (52 weeks)	Dec. 31, 2016 (53 weeks)
<b>Net earnings (loss)</b>	<b>509</b>	<b>(160)</b>	<b>(18,592)</b>	<b>323</b>
Income taxes expense (recovery)	438	526	(554)	1,186
Financial expenses	2,249	3,273	7,571	11,973
Impairment loss on the available-for-sale asset	224	-	224	-
Depreciation and amortization	3,637	3,514	11,271	11,509
Impairment loss on goodwill, intangible assets and property, plant and equipment	-	-	16,440	-
<b>EBITDA</b>	<b>7,057</b>	<b>7,153</b>	<b>16,360</b>	<b>24,991</b>
Costs not related to current operations	-	1,939	8,297	5,276
<b>Adjusted EBITDA</b>	<b>7,057</b>	<b>9,092</b>	<b>24,657</b>	<b>30,267</b>

## ADDITIONAL INFORMATION

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

## FORWARD-LOOKING STATEMENTS

This news release contains certain statements that may be deemed to be forward-looking statements reflecting the opinions or current expectations of Colabor Group Inc. concerning its performance, business operations and future events. Such statements are subject to risks, uncertainties and assumptions and the analysis of the debt structure and available alternatives, and risks mentioned in the Corporation’s annual information form found under its profile on SEDAR ([www.sedar.com](http://www.sedar.com)), such as the risk of dilution for existing shareholders. As such, these statements are not guarantees of future performance, and actual results, realities or events may differ materially. Except as required by law, the Corporation assumes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions or other factors change.

## About Colabor

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

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### Further information:

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