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

First quarter of 2023

12-week period ended March 25, 2023

COLABOR

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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. and its subsidiaries (the "Company" or "Colabor") discusses the Company's net loss, comprehensive loss, financial situation and cash flows for the first quarter ended March 25, 2023, 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 31, 2022, 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 6 "Risks and Uncertainties" of this MD&A. These factors, which include the risks related to the pandemic of Covid-19 and the different underlying variants ("pandemic") as well as the possible impacts on consumers and the economy, 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.

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 2023

During the 12-week period ended March 25, 2023, no events are to be reported that have had influenced the Company's general development and operations, reflecting the evolution of Colabor's transformational plan and growth.

2.2 Development Strategies and Outlook

Colabor has as main financial objectives to increase profitability and create value for its shareholders. In 2023, to achieve its objectives, the strategic plan is defined and based on the following pillars:

1. Develop new distribution territories in Quebec
    - Continue development in western Quebec; and
    - Seize acquisition opportunities.
2. Optimize profitability and efficiencies
    - Continue the development of its private brands;
    - Increase specialized distribution (meat and fish); and
    - Investment and modernization of certain distribution/division centers.
3. Attract, retain and develop talent
    - Improve employee engagement;
    - Launch of the employer brand; and
    - Prioritize efficient communication within the organization.
4. Renew and refresh our image
    - Continue to expand local offerings;
    - Investment in our branding; and
    - Setting objectives in terms of environment, social and governance ("ESG").

Evolution of the 2023 Plan

During the first quarter of 2023, in order to develop new distribution territories in Quebec, we continued to invest in our sales force in order to break into certain regions of Quebec, which until then were relatively underdeveloped by the Company.

In addition, investments continue during the first quarter of 2023 to improve our private label positioning.

The Company wants to stand out for its offer of local high quality products that support a sustainable agricultural and fisheries ecosystem, and in addition to its various certifications already hold, the Company just received the "Blue Fork" certification for its subsidiary Les Pêcheries Norref Québec Inc. This certification allows the company to meet the Government of Quebec's 2018/2025 Biofood Policy requirements and to actively contribute to Quebec's food autonomy by increasing its offer of local marine products to the hotels, restaurants, institutions ("HRI") sector.

2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**	
(in thousands of $, except financial leverage ratio)	**2023**	**2022**
	$	**$**
Results and cash flow		
Sales from continuing operations	**133,923**	97,169
Net loss from continuing operations	**(160)**	(1,653)
Adjusted EBITDA[1]	**5,574**	2,313
Cash flows from operating activities	**807**	12,426
Financial position	**As at March 25, 2023**	**As at December 31, 2022**
	$	**$**
Working Capital[2]	**53,325**	48,800
Financial Leverage Ratio[3]	**2.3x**	2.3x
Net debt[4]	**52,415**	47,764

(1) Non-IFRS measure. Refer to the table Reconciliation of Net Loss to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings (loss) before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan.
(2) Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.
(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 less lease liability payments for the last four quarters. The corresponding figure for 2022 has been restated to reflect the new calculation method established for 2023. Refer to section 5 "Non-IFRS Performance Measures".
(4) Non-IFRS measure. Refer to section 5 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash.

First Quarter Highlights

- Consolidated sales of the first quarter were $133.9 million, up 37.8% compared to the corresponding period of 2022.
- First quarter net loss from continuing operations was $0.2 million, down $1.5 million, compared to a net loss of $1.7 million for the corresponding quarter of 2022. This result is explained by the increase in adjusted EBITDA[1], which was mitigated by the increase in depreciation and amortization expenses and financial expenses.
- First quarter adjusted EBITDA[1] from continuing operations amounted to $5.6 million or 4.2% of sales from continuing operations compared to $2.3 million or 2.4% of sales from continuing operations in 2022. This improvement is essentially explained by the increase in sales and an improvement in gross margin.
- Net debt[4] increased to $52.4 million as at March 25, 2023, compared to $47.8 million at the end of fiscal year 2022, resulting from the additional use of the credit facility for $4.0 million. The financial leverage ratio[3] was 2.3x, as at March 25, 2023 and at the end of fiscal 2022.
- As at March 25, 2023, the Company's working capital[2] was $53.3 million, up from $48.8 million at the end of fiscal year 2022. This variation is explained by the increase in inventories.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12-week period ended March 25, 2023

(in thousands of dollars, except percentages)

	12 weeks		
	2023	**2022**	**Variance**
	$	**$**	**%**
Sales	**133,923**	97,169	37.8
Cost of goods sold	**108,828**	80,541	35.1
Operating expenses[2]	**19,521**	14,315	36.4
Operating expenses	**128,349**	94,856	35.3
Adjusted EBITDA[1]	**5,574**	2,313	141.0
Adjusted EBITDA margin[1]	**4.2%**	2.4%	

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.
(2) The operating expenses are adjusted to exclude the expenses related to stock-based compensation plans.

3.1.1 Segment Sales

Consolidated Sales for the 12-week period ended March 25, 2023

(in thousands of dollars, except percentages)

	12 weeks		
	2023	**2022**	**Variance**
	$	**$**	**%**
Distribution Segment	**96,718**	67,216	43.9
Wholesale Segment	**47,420**	38,280	23.9
Intersegment eliminations and others	**(10,215)**	(8,327)	(22.7)
Sales	**133,923**	97,169	37.8

Consolidated sales for the first quarter of 2023 were $133.9 million compared to $97.2 million during the corresponding quarter of last fiscal year, representing an increase of 37.8%. During the first quarter of 2022, restaurant dining rooms were closed for four weeks due to Covid-19 measures.

- Distribution segment sales have increased by 43.9%, explained by a volume increase, part of which is related to the conclusion of two supply contracts with independent chains, the impact of inflation and the acquisition of assets in the Laurentians and Outaouais regions.

- Wholesale segment sales have increased by 23.9%, explained by a volume increase and the impact of inflation.

- Intersegment eliminations and others have increased by 22.7% resulting mainly by the increase of volume from the Distribution and Wholesale segments as explained above, mitigated by Le Groupe Resto-Achats Inc. ("GRA") sales, company which was acquired on April 4, 2022.

3.1.2 Operating Expenses

Operating Expenses for the 12-week period ended March 25, 2023

(in thousands of dollars, except percentages)

	12 weeks		
	2023	**2022**	**Variance**
	$	**$**	**%**
Distribution segment	**93,141**	66,415	40.2
Wholesale segment	**43,476**	34,946	24.4
Intersegment eliminations and others	**(8,268)**	(6,505)	(27.1)
Operating expenses[1]	**128,349**	94,856	35.3

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

Consolidated operating expenses for the first quarter of 2023 were $128.3 million compared to $94.9 million for the corresponding period of last fiscal year, an increase of 35.3%, mostly explained by the increase of 37.8% in sales.

- Distribution segment operating expenses have increased by 40.2% during the first quarter, mostly explained by the increase of 43.9% in sales, an increase in labor costs and other supply chain costs, in connection with the increase in inflation, as well as investments to expand our territory, mitigated by an improvement in gross margin.
- Wholesale segment operating expenses have increased by 24.4%, explained by the increase of 23.9% in sales during the first quarter of 2023, an increase in labor costs and other supply chain costs, and investments in the repositioning of our private brand.
- Intersegment eliminations and others have increased by 27.1%, mainly due to an increase in intersegment sales as explained above during the first quarter of 2023 as well as charges related to GRA.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the 12-week period ended March 25, 2023

(in thousands of dollars, except percentages)

	12 weeks		
	2023	**2022**	**Variance**
	$	**$**	**%**
Distribution Segment	**3,577**	801	346.6
Wholesale Segment	**3,944**	3,334	18.3
Intersegment eliminations and others	**(1,947)**	(1,822)	(6.9)
Adjusted EBITDA[1]	**5,574**	2,313	141.0
Adjusted EBITDA margin[1]	**4.2%**	2.4%	

[1] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "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 2023 amounted to $5.6 million compared to $2.3 million in the corresponding quarter of the previous year, an increase of 141.0% and as a percentage of sales, adjusted EBITDA margin[1] reached 4.2% compared to 2.4% for the corresponding period of 2022. These variations are mainly explained by the sales increase:

- Adjusted EBITDA[1] in the Distribution segment has increased by $2.8 million or 346.6%. As a percentage of sales, the adjusted EBITDA margin[1] stood at 3.7% compared to 1.2% in 2022. This increase is mainly due to the increase in sales of 43.9% as explained above and improvement of gross margin, mitigated by increase in labor costs and other supply chain costs.
- Adjusted EBITDA[1] in the Wholesale segment has increased by $0.6 million, or 18.3% and is mainly due to an increase of 23.9% of sales as explained above, mitigated by an increase in labor and other costs.
- Adjusted EBITDA[1] from intersegment eliminations and others in the first quarter of 2023 increased by $0.1 million or 6.9% compared to the corresponding quarter of 2022 and is mainly due to the acquisition of GRA after the end of the first quarter of 2022, mitigated by sales growth.

3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12-week period ended March 25, 2023

(in thousands of dollars, except percentages)

	12 weeks		
	2023	**2022**	**Variance**
	$	**$**	**%**
Depreciation of property, plant and equipment	**1,006**	476	111.3
Amortization of intangible assets	**945**	869	8.7
Depreciation of right-of-use assets	**2,510**	1,889	32.9
Depreciation and Amortization	**4,461**	3,234	37.9

For the 12-week period ended March 25, 2023, depreciation and amortization expense was up by 37.9%, compared to the same period of 2022, and is mainly explained by the increase in the depreciation of right-of-use assets following the renewal of leases over the last 12 months as well as the acquisition of tangible and intangible assets.

3.1.5 Financial Expenses

Financial expenses for the 12-week period ended March 25, 2023, amounted to $1.2 million, compared to $1.0 million for the corresponding period of 2022. This increase is due to a higher interest rates and debt level.

3.1.6 Income Taxes

In the first quarters of 2023 and 2022, income taxes recovery was $0.1 million and $0.6 million, respectively. The variation is essentially explained by the decrease of loss before taxes.

3.1.7 Net Loss

Net loss of the 12-week period ended March 25, 2023

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

	12 weeks		
	2023 **$**	**2022** **$**	**Variance** **%**
Net loss from continuing operations	**(160)**	(1,653)	(90.3)
Net loss from discontinued operations	**—**	(53)	(100.0)
Net loss	**(160)**	(1,706)	(90.6)
Basic and diluted net loss per share from continuing operations	**—**	(0.02)	(100.0)
Basic and diluted net loss per share from discontinued operations	**—**	—	—
Basic and diluted net loss per share	**—**	(0.02)	(100.0)

Net loss from continuing operations for the first quarter of 2023 was \$0.2 million, or \$0.00 per share, compared to \$1.7 million, or \$(0.02) per share for the corresponding period of last fiscal year. The main variations in the quarter are an increase of the adjusted EBITDA[1] as explained previously, combined with a decrease in costs not related to current operations, mitigated by higher depreciation and amortization and financial expenses, and lower income taxes recovery. Net loss for the first quarter was \$0.2 million, or \$0.00 per share, compared to \$1.7 million, or \$(0.02) per share for the corresponding period of 2022. The variation is explained by the facts described above. The weighted average number of basic shares outstanding during the 12-week period was 101,954,885, same as the corresponding period of 2022.

3.2 Financial Position

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

(in thousands of dollars)

	As at March 25, 2023 **$**	**As at December 31, 2022** **$**	**Variance** **$**
Current assets			
Trade and other receivables	**46,786**	45,776	1,010
Inventories	**53,763**	45,084	8,679
Current assets	**100,549**	90,860	9,689
Current liabilities			
Trade and other payables	**47,224**	42,060	5,164
Working capital[2]	**53,325**	48,800	4,525

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

As at March 25, 2023, the Company's working capital[2] was \$53.3 million, up by \$4.5 million compared to the end of the last fiscal year. This increase is explained as follows:

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Trade and Other Receivables

Trade and other receivables balance were up $1.0 million from December 31, 2022, due to higher sales in the first quarter compared to the fourth quarter of 2022.

Inventories

Inventory balance increased by $8.7 million from December 31, 2022. This increase is explained by the increase in sales and investments in inventories, among other things for the establishment of new contracts and in anticipation of the summer season.

Trade and Other Payables

The balance of trade and other payables increased by $5.2 million from December 31, 2022, mainly due to the increase in inventories.

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 25, 2023, and their corresponding variances from the fiscal year ended December 31, 2022.

(in thousands of dollars)

	As at March 25, 2023 $	As at December 31, 2022 $	Variance $
Property, Plant and Equipment	**8,618**	8,247	371
Intangible Assets	**21,267**	22,079	(812)
Right-of-use Assets	**38,697**	38,057	640
Deferred Tax Assets	**3,214**	3,026	188
Long-Term Debt	**50,410**	46,375	4,035
Lease Liabilities	**42,812**	42,457	355
Pension Obligations	**2,330**	2,279	51
Contingent consideration	**1,238**	1,188	50
Deferred Tax Liabilities	**637**	715	(78)
Equity Attributable to Shareholders	**102,640**	102,894	(254)

Property, Plant and Equipment

The increase in property, plant and equipment is mainly due to acquisitions, offset by depreciation.

Intangible Assets

The reduction in intangible assets is mainly due to amortization.

Right-of-use Assets

The increase in right-of-use assets is mainly due to the signing of new leases, mitigated by depreciation.

Deferred Tax Assets

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

Long-Term Debt

Long-term debt increase is mainly due to the use of the credit facility for an amount of $4.0 million during the period which is due to higher utilization of working capital[(2)].

[(2)] Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.

Lease Liabilities

The increase in lease liabilities is mainly due to the signing of new leases, mitigated by the payments made during the period.

Pension obligations

The Company has approved the full wind up of the defined benefit pension plan in 2021. The process for winding up the plan is expected to be completed in 2023 and the obligations will be reimbursed at the same time.

Contingent consideration

The increase in contingent consideration comes mainly from the financial actualization expense.

Deferred Tax Liabilities

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

Equity Attributable to Shareholders

The reduction in shareholders' equity is mainly due to net loss and other comprehensive loss for the fiscal year.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at May 1st, 2023. Refer to Note 7 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	4,698,982	
Exercisable options	2,333,982	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12-week period ended March 25, 2023.

(in thousands of dollars)

	12 weeks	
	2023 $	**2022** $
Cash flows from operating activities	**807**	12,426
Cash flows from investing activities	**(1,384)**	(451)
Cash flows from financing activities	**354**	(10,429)
Net change in cash and cash equivalents from continuing operations	**(223)**	1,546
Net change in cash and cash equivalents from discontinued operations	—	(8)
(Bank indebtedness) cash and cash equivalents at the beginning	**(1,275)**	2,006
(Bank indebtedness) cash and cash equivalents at the end	**(1,498)**	3,544

Operating Activities

Cash flows from operating activities amounted to $0.8 million for the 12-week period of 2023 compared to $12.4 million for the corresponding period of 2022. This decrease is mainly due to higher utilization of working capital(2) of $4.5 million, mitigated by higher adjusted EBITDA(1). The higher utilization of working capital(2) is explained by the receipt of the non-recurring gain in 2022 of $4.0 million, which was receivable as at December 25, 2021, and the increase in inventory purchases related with sales growth and in anticipation of the summer season.

Investing Activities

Cash flows used in investing activities amounted to $(1.4) million for the 12-week period ended March 25, 2023, compared to $(0.5) million for the corresponding period of 2022. The variations are mainly due to higher property, plant and equipment acquisitions, including deposits for equipment purchases related to our new warehouse in St-Bruno, which we will take possession of in the coming months.

Financing Activities

Cash flows provided by financing activities amounted to $0.4 million for for the 12-week period ended March 25, 2023, up from $(10.4) million for the corresponding period of 2022. The variation is primarily due to the additional use of the credit facility for $4.0 million in 2023, compared to a repayment of $7.8 million in 2022.

3.6 Capital Resources

As at March 25, 2023, the Company was in compliance with all debt covenants. The Company is expecting to be able to meet its obligations for the next 12 months by using future cash flows from operations and the unused portion of the credit facility. As at March 25, 2023, the available credit facility is $38.0 million. Refer to section 9 for liquidity risk management.

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "Non-IFRS Performance Measures" for definitions and reconciliations to the most directly comparable IFRS measures

(2) Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.

4. 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)

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(12 weeks)	(17 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
	$	$	$	$	$	$	$	$
Sales	**133,923**	193,246	145,670	137,986	97,169	151,014	131,889	108,290
Adjusted EBITDA[1]	**5,574**	9,855	8,894	8,006	2,313	7,080	7,821	6,671
Costs (income) not related to current operations	**49**	107	102	831	314	(3,998)	75	64
Net earnings (loss) from continuing operations	**(160)**	1,682	2,832	1,690	(1,653)	5,336	2,288	1,640
Net earnings (loss) from discontinued operations	**—**	(419)	—	(14)	(53)	(197)	(250)	52
Net earnings (loss)	**(160)**	1,263	2,832	1,676	(1,706)	5,139	2,038	1,692
Basic and diluted net earnings (loss) per share from continuing operations	**—**	0.02	0.03	0.02	(0.02)	0.05	0.02	0.02
Basic and diluted net earnings (loss) per share	**—**	0.01	0.03	0.02	(0.02)	0.05	0.02	0.02

Sales for the last eight quarters have been impacted by different factors, such as the pandemic from the second quarter of fiscal year 2020 and until the first quarter of 2022. Fourth quarter sales of 2022 include an additional week compared to 2021. Net earnings for the first quarter of each financial year are generally negatively impacted by seasonality. Net earnings for the fourth quarter of 2021 were positively impacted by costs (income) not related to current operations.

5. 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 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.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands of dollars)

	12 weeks	
	2023	2022
	$	$
Net loss from continuing operations	**(160)**	(1,653)
Income taxes recovery	**(107)**	(632)
Financial expenses	**1,242**	971
Operating earnings (loss)	**975**	(1,314)
Expenses for stock-based compensation plan	**89**	79
Costs not related to current operations	**49**	314
Depreciation and amortization	**4,461**	3,234
Adjusted EBITDA	**5,574**	2,313

Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash as presented in Colabor's consolidated statements of financial position. The measure is used by investors and to calculate the financial leverage ratio.

The following table presents the calculation of net debt:
(in thousands of dollars)

	As at March 25, 2023	As at December 31, 2022
	$	$
Bank indebtedness	**1,665**	1,014
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**47,750**	43,750
Net debt	**52,415**	47,764

Financial Leverage Ratio

The financial leverage ratio is defined as net debt divided by adjusted EBITDA from continuing operations from which are deducted the lease liability payments for the last four quarters as presented in the consolidated statement of cash flows, and used by management to assess its ability to borrow capital.

The following table presents the calculation of financial leverage ratio:
(in thousands of dollars)

	As at March 25, 2023 $	As at December 31, 2022 $
Last four-quarter adjusted EBITDA	**32,329**	29,068
Last four-quarter lease liability payments	**9,047**	8,197
Financial Leverage Ratio(1)	**2.3x**	2.3x

(1) In 2023, the Company has modified the calculation of the financial leverage ratio to align with the one used by its lenders and to better reflect its actual financial position. Therefore, the corresponding figure of 2022 has been restated to subtract the lease liability payments of $8.2 million from the adjusted EBITDA for the last four quarters for comparability.

6. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its March 1, 2023, 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.

7. Significant Estimates and Judgments

The preparation of the financial statements requires the management of the Company to undertake 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 25, 2023, compared to December 31, 2022.

8. 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 the financial statements it releases to the public are prepared in accordance with IFRS.

The President and CEO as well as Senior Vice President and Chief Financial Officer 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 as at March 25, 2023. 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 25, 2023, the President and CEO as well as the Senior Vice President and Chief Financial Officer 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.

9. Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables 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 25, 2023		As at December 31, 2022
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial asset				
Non-current				
Derivative financial instrument	**542**	**542**	740	740
Financial liabilities				
Current				
Purchase price balance	**1,000**	**1,000**	993	1,000
Non-current				
Credit facility	**35,555**	**35,750**	31,531	31,750
Subordinated debt	**14,855**	**15,000**	14,844	15,000
Contingent consideration	**1,238**	**1,238**	1,188	1,188
	52,648	**52,988**	48,556	48,938

The fair value of the interest rate swap is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. As at March 25, 2023, the fair value of the interest rate swap is an asset of $0.5 million and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

The fair value of contingent consideration was determined by discounting future cash flows at the Company's marginal borrowing rate.

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 31, 2022), the current rate of subordinated debt.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 and Level 3 fair values are the same as those described in the consolidated financial statements for the year ended December 31, 2022.

There was no transfer between the levels during the 12-week period ended March 25, 2023.

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. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There were no significant changes in the Company's risk exposure during the 12-week period ended March 25, 2023 compared to the description given in the consolidated financial statements for the year closed on December 31, 2022.