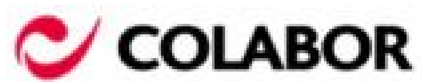

COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

Second quarter of 2023

12 and 24-week periods ended June 17, 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 earnings (loss), comprehensive income, financial situation and cash flows for the second quarter ended June 17, 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 and 24-week period ended June 17, 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 semester 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 semester 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 be aligned with the Government of Quebec's 2018/2025 Biofood Policy requirements. As of June 22, 2023, the Company also made a 13% investment in 9374-1502 Québec inc. ("Maturin"), which exclusively offers food from more than 600 farms in Quebec. The Company was already a partner of Maturin, being its exclusive distributor for the hotels, restaurants, institutional markets ("HRI") sector. Those projects actively contribute to Quebec's food autonomy by increasing its offer of local products to the HRI sector.

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2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**		**24 weeks**	
(in thousands of $, except financial leverage ratio)	**2023**	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Results and cash flow				
Sales from continuing operations	**164,186**	137,986	**298,109**	235,155
Net earnings from continuing operations	**2,314**	1,690	**2,154**	37
Adjusted EBITDA[1]	**9,294**	8,006	**14,868**	10,319
Cash flows from operating activities	**11,268**	(1,221)	**12,075**	11,205
Financial position			**As at June 17, 2023**	**As at December 31, 2022**
			$	**$**
Working Capital[2]			**49,489**	48,800
Financial Leverage Ratio[3]			**2.0x**	2.3x
Net debt[4]			**47,315**	47,764

[1] Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings 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.

Second Quarter Highlights

- Consolidated sales of the second quarter were $164.2 million, up 19.0% compared to the corresponding period of 2022. Cumulative consolidated sales amounted to $298.1 million, up 26.8% compared to the corresponding period of last fiscal year.
- Second quarter net earnings from continuing operations were $2.3 million, up $0.6 million, compared to a net earnings of $1.7 million for the corresponding quarter of 2022. Cumulative net earnings from continuing operations were $2.2 million, compared to $nil million in 2022. This result is explained by the increase in adjusted EBITDA[1] and a decrease of costs not related to current operations, which was mitigated by the increase in depreciation and amortization expenses and financial expenses.
- Second quarter adjusted EBITDA[1] from continuing operations amounted to $9.3 million or 5.7% of sales from continuing operations compared to $8.0 million or 5.8% of sales from continuing operations in 2022. This increase is mainly explained by the increase in sales. Cumulative adjusted EBITDA[1] from continuing operations amounted to $14.9 million or 5.0% of sales from continuing operations compared to $10.3 million or 4.4% of sales from continuing operations in 2022, an increase of 44.1%. This increase is due to the items mentioned above, mitigated by an increase in labor costs and other supply chain costs, as well as investments to expand our territory.
- Net debt[4] decreased to $47.3 million as at June 17, 2023, compared to $47.8 million at the end of fiscal year 2022, resulting from the increase of cash, mitigated by the additional use of the credit facility for $3.3 million. The financial leverage ratio[3] decreased at 2.0x compared to 2.3x at the end of the last fiscal year.

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- As at June 17, 2023, the Company's working capital[2] was $49.5 million, up from $48.8 million at the end of fiscal year 2022. This increase is related to sales growth during 2023.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12 and 24-week periods ended June 17, 2023

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2023 $	2022 $	Variance %	2023 $	2022 $	Variance %
Sales	**164,186**	137,986	19.0	**298,109**	235,155	26.8
Cost of goods sold	**134,618**	112,693	19.5	**243,446**	193,234	26.0
Operating expenses[2]	**20,274**	17,287	17.3	**39,795**	31,602	25.9
Operating expenses	**154,892**	129,980	19.2	**283,241**	224,836	26.0
Adjusted EBITDA[1]	**9,294**	8,006	16.1	**14,868**	10,319	44.1
Adjusted EBITDA margin[1]	**5.7%**	5.8%		**5.0%**	4.4%	

[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 and 24-week periods ended June 17, 2023

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2023 $	2022 $	Variance %	2023 $	2022 $	Variance %
Distribution Segment	**117,500**	93,568	25.6	**214,218**	160,784	33.2
Wholesale Segment	**57,265**	56,315	1.7	**104,685**	94,595	10.7
Intersegment eliminations and others	**(10,579)**	(11,897)	11.1	**(20,794)**	(20,224)	(2.8)
Sales	**164,186**	137,986	19.0	**298,109**	235,155	26.8

Consolidated sales for the second quarter of 2023 were $164.2 million compared to $138.0 million during the corresponding quarter of last fiscal year, representing an increase of 19.0%.

- Distribution segment sales have increased by 25.6%, 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 1.7%, mainly explained by the impact of inflation.
- Intersegment eliminations and others decreased by 11.1% resulting mainly by Le Groupe Resto-Achats Inc. ("GRA") sales growth, company which was acquired on April 4th, 2022, and by a decrease in intersegment sales.

Cumulative consolidated sales for the 24-week period of 2023 were $298.1 million compared to $235.2 million during the corresponding period of last fiscal year, representing an increase of 26.8%. 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 33.2%, explained by volume increase, as explained above, the impact of inflation and the acquisition of assets in the Laurentians and Outaouais regions.
- Wholesale segment sales have increased by 10.7%, resulting by the impact of inflation and volume increase.
- Intersegment eliminations and others have increased by 2.8%, mainly explained by the increase in purchases in the Distribution and Wholesale segments as described above, mitigated by GRA sales growth.

3.1.2 Operating Expenses

Operating Expenses for the 12 and 24-week periods ended June 17, 2023

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2023 $	2022 $	Variance %	2023 $	2022 $	Variance %
Distribution segment	**110,609**	88,173	25.4	**203,750**	154,588	31.8
Wholesale segment	**52,506**	51,740	1.5	**95,982**	86,686	10.7
Intersegment eliminations and others	**(8,223)**	(9,933)	17.2	**(16,491)**	(16,438)	(0.3)
Operating expenses[(1)]	**154,892**	129,980	19.2	**283,241**	224,836	26.0

[(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 second quarter of 2023 were $154.9 million compared to $130.0 million for the corresponding period of 2022, an increase of 19.2%, mostly explained by the increase of 19.0% in sales.

- Distribution segment operating expenses have increased by 25.4% during the second quarter, mostly explained by the increase of 25.6% 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.
- Wholesale segment operating expenses have increased by 1.5%, explained by the increase of 1.7% in sales during the second 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 decreased by 17.2%, mainly due to the increase of charges related to GRA and headquarters, and a decrease in intersegment sales during the second quarter of 2023.

Cumulative consolidated operating expenses for the 24-week period of 2023 were $283.2 million compared to $224.8 million during the corresponding period of last fiscal year, an increase of 26.0%, mostly explained by sales increase of 26.8%.

- Distribution segment operating expenses have increased by 31.8%, mostly explained by higher cost of goods sold and operating expenses due to sales increase of 33.2%, increase in labor costs and other supply chain costs in connection with the increase in inflation and investments to expand our territory, mitigated by an improvement in gross margin.
- Wholesale segment operating expenses have increased by 10.7%, explained by higher cost of goods sold due to sales increase of 10.7% and an increase in investments for the repositioning of our private brand.
- Intersegment eliminations and others have increased by 0.3%, mainly due to an increase in intersegment sales, net of charges related to GRA and headquarters.

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3.1.3 Adjusted EBITDA

Adjusted EBITDA for the 12 and 24-week periods ended June 17, 2023

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2023 $	2022 $	Variance %	2023 $	2022 $	Variance %
Distribution Segment	**6,891**	5,395	27.7	**10,468**	6,196	68.9
Wholesale Segment	**4,759**	4,575	4.0	**8,703**	7,909	10.0
Intersegment eliminations and others	**(2,356)**	(1,964)	(20.0)	**(4,303)**	(3,786)	(13.7)
Adjusted EBITDA[1]	**9,294**	8,006	16.1	**14,868**	10,319	44.1
Adjusted EBITDA margin[1]	**5.7%**	5.8%		**5.0%**	4.4%	

[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 second quarter of 2023 amounted to $9.3 million compared to $8.0 million in the corresponding quarter of the previous year, an increase of 16.1% and as a percentage of sales, adjusted EBITDA margin[1] reached 5.7% compared to 5.8% 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 $1.5 million or 27.7%. As a percentage of sales, the adjusted EBITDA margin[1] stood at 5.9% compared to 5.8% in 2022. This increase is mainly due to the increase in sales of 25.6% as explained above.

- Adjusted EBITDA[1] in the Wholesale segment has increased by $0.2 million, or 4.0% and is mainly due to an increase of 1.7% of sales as explained above.

- Adjusted EBITDA[1] from intersegment eliminations and others in the second quarter of 2023 increased by $0.4 million or 20.0% compared to the corresponding quarter of 2022 and is mainly due to an increase of headquarters' charges, mitigated by GRA's adjusted EBITDA[1] increase.

Cumulative adjusted EBITDA[1] for the 24-week period of 2023 reached $14.9 million compared to $10.3 million in the corresponding period of the previous year, an increase of 44.1% and as a percentage of sales, adjusted EBITDA margin[1] reached 5.0% compared to 4.4% for the corresponding period of 2022. These variations are mainly due to an increase in sales and gross margin from a better mix of products and customers.

- Adjusted EBITDA[1] in the Distribution segment has increased by $4.3 million or 68.9%. As a percentage of sales, the adjusted EBITDA[1] margin was 4.9%, compared to 3.9% in 2022. The variation is explained by an increase in sales and an improvement of gross margin, mitigated by the increase in labor costs and other supply chain costs and investments to expand our territory, as explained above.

- Adjusted EBITDA[1] in the Wholesale segment has increased by $0.8 million, or 10.0% and is mainly due to a sales growth, mitigated by investments for the repositioning of our private brand.

- Adjusted EBITDA[1] from intersegment eliminations and others in the 24-week period of 2023 increased by $0.5 million or 13.7% compared to the corresponding period of 2022 and is mainly due to increase in headquarters charges, mitigated by GRA's adjusted EBITDA[1] increase.

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3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12 and 24-week periods ended June 17, 2023

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2023	**2022**	**Variance**	**2023**	**2022**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Depreciation of property, plant and equipment	**1,002**	527	90.1	**2,008**	1,003	100.2
Amortization of intangible assets	**941**	966	(2.6)	**1,886**	1,835	2.8
Depreciation of right-of-use assets	**2,738**	2,215	23.6	**5,248**	4,104	27.9
Depreciation and Amortization	**4,681**	3,708.439	26.2	**9,142**	6,942	31.7

For the second quarter of 2023, depreciation and amortization expense was up by 26.2%, compared to the same quarter of 2022, and is mainly explained by the increase in the depreciation of right-of-use assets following the renewal and signing of new leases over the last 12 months as well as the acquisition of tangible assets, mitigated by certain intangible assets fully amortized and depreciated.

For the 24-week period ended June 17, 2023, depreciation and amortization expense was up by 31.7% 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 and signing of new 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 and 24-week periods ended June 17, 2023 amounted to $1.4 million and $2.6 million respectively, compared to $1.0 million and $2.0 million for the corresponding periods of 2022. This increase is due to higher interest rates and an increase in our debt level.

3.1.6 Income Taxes

Income taxes expenses for the 12 and 24-week periods ended June 17, 2023 amounted to $0.9 million and $0.7 million, respectively, compared to $0.7 million and $nil million for the corresponding periods of 2022. The variation is essentially explained by the increase of earnings before taxes.

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3.1.7 Net Earnings (Loss)

Net earnings (loss) of the 12 and 24-week periods ended June 17, 2023

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

	12 weeks			24 weeks		
	2023 $	2022 $	Variance %	2023 $	2022 $	Variance %
Net earnings from continuing operations	**2,314**	1,690	36.9	**2,154**	37	5,721.6
Net loss from discontinued operations	**—**	(14)	(100.0)	**—**	(67)	(100.0)
Net earnings (loss)	**2,314**	1,676	38.1	**2,154**	(30)	(7,280.0)
Basic and diluted net earnings per share from continuing operations	**0.02**	0.02	—	**0.02**	—	100.0
Basic and diluted net loss per share from discontinued operations	**—**	—	—	**—**	—	—
Basic and diluted net earnings (loss) per share	**0.02**	0.02	—	**0.02**	—	100.0

Net earnings from continuing operations and net earnings for the second quarter of 2023 were $2.3 million, or $0.02 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, financial and income taxes expenses. The weighted average number of basic shares outstanding during the 12-week period was 101,967,291 compared to 101,954,885 for the corresponding period of 2022.

Net earnings from continuing operations and net earnings for the cumulative 24-week period of 2023 were $2.2 million, or $0.02 per share, up from $nil million, or $nil per share during the corresponding period of 2022. The variation is explained by 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, financial and income taxes expenses. The weighted average number of basic shares outstanding during the 24-week period was 101,961,088 compared to 101,954,885 for the corresponding period of 2022.

[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.

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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 June 17, 2023 $	As at December 31, 2022 $	Variance $
Current assets			
Trade and other receivables	**54,434**	45,776	8,658
Inventories	**51,360**	45,084	6,276
Current assets	**105,794**	90,860	14,934
Current liabilities			
Trade and other payables	**56,305**	42,060	14,245
Working capital[2]	**49,489**	48,800	689

[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 June 17, 2023, the Company's working capital[2] was $49.5 million, up by $0.7 million compared to the end of the last fiscal year. This increase is explained as follows:

Trade and Other Receivables

Trade and other receivables balance were up $8.7 million from December 31, 2022, due to higher sales towards the end of the second quarter compared to the end of the fourth quarter of 2022.

Inventories

Inventory balance increased by $6.3 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 $14.2 million from December 31, 2022, mainly due to the increase in inventories and the timing of supplier payments.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at June 17, 2023, and their corresponding variances from the fiscal year ended December 31, 2022.

(in thousands of dollars)

	As at June 17, 2023 $	As at December 31, 2022 $	Variance $
Property, Plant and Equipment	**8,746**	8,247	499
Intangible Assets	**20,533**	22,079	(1,546)
Right-of-use Assets	**39,509**	38,057	1,452
Deferred Tax Assets	**3,185**	3,026	159
Long-Term Debt	**49,695**	46,375	3,320
Lease Liabilities	**43,272**	42,457	815
Pension Obligations	**2,383**	2,279	104
Contingent consideration	**1,289**	1,188	101
Deferred Tax Liabilities	**644**	715	(71)
Equity Attributable to Shareholders	**105,103**	102,894	2,209

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 which is due to higher utilization of working capital(2).

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 increase in shareholders' equity is mainly due to net earnings, mitigated by other comprehensive loss for the fiscal year.

(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.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at July 21, 2023. Refer to Notes 7, 9 and 10 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	101,986,464	257,054
Options on participating and voting stock		
Outstanding options	4,623,982	
Exercisable options	2,331,482	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12 and 24-week periods ended June 17, 2023.

(in thousands of dollars)

	12 weeks		24 weeks	
	2023 $	2022 $	2023 $	2022 $
Cash flows from operating activities	**11,268**	(1,221)	**12,075**	11,205
Cash flows from investing activities	**(2,223)**	(2,902)	**(3,607)**	(3,353)
Cash flows from financing activities	**(5,069)**	2,561	**(4,715)**	(7,868)
Net change in cash and cash equivalents from continuing operations	**3,976**	(1,562)	**3,753**	(16)
Net change in cash and cash equivalents from discontinued operations	**—**	—	**—**	(8)
(Bank indebtedness) cash and cash equivalents at the beginning	**(1,498)**	3,544	**(1,275)**	2,006
Cash and cash equivalents at the end	**2,478**	1,982	**2,478**	1,982

Operating Activities

Cash flows from operating activities amounted to $11.3 million for the second quarter compared to $(1.2) million for the corresponding period of the previous fiscal year. This increase is mainly due to lower utilization of working capital[2] and higher adjusted EBITDA[1]. The lower utilization of working capital[2] is explained by a higher collection of receivables in 2023 related to the increase of sales and the timing of inventories purchases and supplier payments.

Cash flows from operating activities amounted $12.1 million for the 24-week period of 2023 compared to $11.2 million for the corresponding period of 2022. This increase is mainly due to higher adjusted EBITDA[1], mitigated by a higher utilization of working capital[2]. 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 to sales growth.

[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.

Investing Activities

Cash flows used in investing activities amounted to $(2.2) million and $(3.6) million for the 12 and 24-week periods of 2023 respectively, compared to $(2.9) million and $(3.4) million for the corresponding periods of 2022. The variations are mainly due to the acquisition of GRA for an amount of $1.0 million compared to $1.5 million in 2022, and higher property, plant and equipment and intangibles acquisitions, including deposits for equipment purchases related to our new warehouse in Saint-Bruno-de-Montarville, which we will take possession of in the upcoming months.

Financing Activities

Cash flows used in financing activities amounted to $(5.1) million for the second quarter of 2023, up from $2.6 million for the corresponding period of 2022. The variation is primarily due to an increase in disbursements related to lease obligations and financial expenses, combined with a repayment of the credit facility of $0.8 million in 2023, compared to an additional use of $5.3 million in 2022.

Cash flows used by financing activities amounted to $(4.7) million for the 24-week period of 2023, compared to $(7.9) million for the corresponding period of 2022. The variation is primarily due to an increase in disbursements related to lease obligations and financial expenses, combined with an use of credit facility for $3.3 million, compared to a repayment of $2.5 million in the corresponding period of 2022.

3.6 Capital Resources

As at June 17, 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 June 17, 2023, the available credit facility is $38.0 million. Refer to section 9 for liquidity risk management.

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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	
	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (17 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $
Sales	**164,186**	133,923	193,246	145,670	137,986	97,169	151,014	131,889
Adjusted EBITDA[1]	**9,294**	5,574	9,855	8,894	8,006	2,313	7,080	7,821
Costs (income) not related to current operations	**2**	49	107	102	831	314	(3,998)	75
Net earnings (loss) from continuing operations	**2,314**	(160)	1,682	2,832	1,690	(1,653)	5,336	2,288
Net loss from discontinued operations	**—**	—	(419)	—	(14)	(53)	(197)	(250)
Net earnings (loss)	**2,314**	(160)	1,263	2,832	1,676	(1,706)	5,139	2,038
Basic and diluted net earnings (loss) per share from continuing operations	**0.02**	—	0.02	0.03	0.02	(0.02)	0.05	0.02
Basic and diluted net earnings (loss) per share	**0.02**	—	0.01	0.03	0.02	(0.02)	0.05	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.

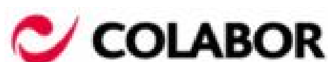
5. Non-IFRS Performance Measures

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 earnings 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 Earnings to Adjusted EBITDA

(in thousands of dollars)

	12 weeks		24 weeks	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Net earnings from continuing operations	**2,314**	1,690	**2,154**	37
Income taxes	**854**	675	**747**	43
Financial expenses	**1,383**	979	**2,625**	1,950
Operating earnings	**4,551**	3,344	**5,526**	2,030
Expenses for stock-based compensation plan	**60**	123	**149**	202
Costs not related to current operations	**2**	831	**51**	1,145
Depreciation and amortization	**4,681**	3,708	**9,142**	6,942
Adjusted EBITDA	**9,294**	8,006	**14,868**	10,319

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 June 17, 2023	**As at December 31, 2022**
	$	**$**
(Cash) bank indebtedness	**(2,685)**	1,014
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**47,000**	43,750
Net debt	**47,315**	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 June 17, 2023 $	As at December 31, 2022 $
Last four-quarter adjusted EBITDA	**33,617**	29,068
Last four-quarter lease liability payments	**10,205**	8,197
Financial Leverage Ratio[1]	**2.0x**	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 June 17, 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 June 17, 2023. On the basis of this assessment, they have concluded that the design of ICFR and DC&P are adequate. For the 24-week period ended June 17, 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 June 17, 2023		As at December 31, 2022
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial asset				
Non-current				
Derivative financial instrument	**716**	**716**	740	740
Financial liabilities				
Current				
Purchase price balance	—	—	993	1,000
Non-current				
Credit facility	**34,828**	**35,000**	31,531	31,750
Subordinated debt	**14,867**	**15,000**	14,844	15,000
Contingent consideration	**1,289**	**1,289**	1,188	1,188
	50,984	**51,289**	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 June 17, 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.

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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 and 24-week periods ended June 17, 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 24-week period ended June 17, 2023 compared to the description given in the consolidated financial statements for the year closed on December 31, 2022.