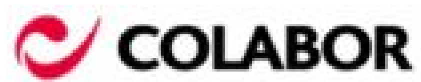

COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

For the fiscal year and the fourth quarter ended December 30, 2023

As at February 29, 2024

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, comprehensive income, financial situation and cash flows for the fourth quarter and fiscal year ended December 30, 2023. The fourth quarter numbers were unaudited while numbers presented for the fiscal year are audited. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended December 30, 2023. 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.sedarplus.ca and www.colabor.com.

Forward-Looking Statements

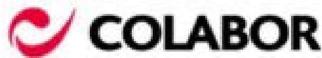
This MD&A contains certain forward-looking statements as defined under applicable securities law. Forward-looking information may relate to Colabor's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified 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 2.3 "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 9 "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), which 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. The quarters and fiscal year ended December 30, 2023 and December 31, 2022 had respectively 16 and 17 weeks for the quarter and 52 and 53 weeks for the fiscal year.

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.sedarplus.ca 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 Corporate Profile

Activities

Founded in 1962, Colabor distributes and markets food and food-related products in eastern Canada, specifically hotels, restaurants, institutions ("HRI") and retail markets. Colabor currently carries out its activities in two segments, Distribution and Wholesale.

A. Distribution Segment

Colabor's distribution activities consists of distribution of food products and related products in the HRI and retail markets. In this segment, the Company distributes both specialty products such as meat, fish and seafood ("Specialty Distribution"), as well as generalized food and related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

i. Broadline Distribution

Quebec

Distribution activities in Quebec are done through Colabor Food Distributor ("CFD"). CFD is a major distributor to foodservice and retail customers in the vast majority of Quebec regions, and to a lesser extent in New Brunswick. CFD distributes more than 10,000 products from its three strategically located warehouses in Lévis, Rimouski and more recently in Saint-Bruno-de-Montarville. CFD's nearly around 5,000 customers consist primarily of restaurants, foodservice operators, specialty food stores and institutional accounts such as healthcare institutions, schools and universities, and certain other retail customers. CFD has a complete product offering, including frozen products, dry staples, dairy products, meat, fish and seafood, fruits and vegetables, disposables and sanitation products. It therefore offers its customers a "one-stop-shop" solution.

CFD holds the Safe Quality Food ("SQF") certification, a recognized standard for food safety and quality management applicable in particular to the warehousing and distribution sector in order to confirm to customers that our products are handled and distributed according to the most stringent worldwide standards. This SQF standard includes the Hazard Analysis Critical Control Point ("HACCP") system, to which management tools have been added to ensure its maintenance and continuous improvement. CFD thus demonstrate to its current and future customers its willingness to offer a range of services in accordance with the highest food safety standards and quality.

ii. Speciality Distribution

Les Pêcheries Norref Québec Inc. ("Norref")

Norref is a specialized fresh fish and seafood products importer and distributor in the province of Quebec and is recognized as the leading distributor of this type in the province.

Norref operates from a distribution center in Montreal and is HACCP-certified and federally approved, which allows it to sell its products nationwide. Norref distributes a full range of fresh and frozen fish and seafood. It has a diversified client base comprised of supermarkets, restaurants, hotels and fish stores.

Lauzon Meats ("Lauzon")

Lauzon prepares and processes various meats, including superior quality products for the provinces of Quebec and Ontario and is benefiting from a strategic partnership with Bœuf Québec. Lauzon is known, among other things, for its products, expertise and for providing effective and flexible service to the HRI sector, as well as retail and industrial sector. Lauzon operates out of a plant located in Montreal that is HACCP-certified and federally approved, which allows it to sell its products nationwide.

B. Wholesale Segment

The Wholesale segment's operations include the sale of general food related products to distributors from its distribution center in Boucherville, which moved to Saint-Bruno-de-Montarville at the end of 2023. Wholesale segment sales consist of food and non-food products, supplied to distributors who then redistribute the products to over 25,000 customers operating in food service and retail industries in the province of Quebec and in the Atlantic provinces.

C. Durability

Colabor wants to stand out for its offer of local high quality products that support a sustainable agricultural and fisheries ecosystem. To this end, the Company distributes products that have obtained recognized certifications highlighting their origin, quality, traceability and other sustainability principles. Colabor offers Boeuf Québec certified meat and seafoods certified SeaChoice, Certified Sustainable Seafood from the Marine Stewardship Council (MSC), Farmed Responsibly ASC Certified from the Aquaculture Stewardship Council (ASC) and Ocean Wise. In 2021, the Company also signed an agreement to distribute local agricultural products with Maturin, a digital marketplace offering a wide selection of fresh and quality products produced by nearly 600 Quebec farms and processors. Most recently, in the first quarter of fiscal 2023, Colabor's Norref division received the "Blue Fork" certification. This certification allows the company to meet the Government of Quebec's Biofood Policy requirements and to actively contribute to Quebec's food autonomy by increasing its offer of local marine products to the HRI sector.

2.2 Business Developments in 2023

During the fiscal year ended December 30, 2023, the following event has influenced the Company's general development and operations, reflecting the evolution of Colabor's transformational plan and growth.

Moving to our new distribution center and head office

The Company relocated its head office and warehouse, which were located in Boucherville, to new facilities located in Saint-Bruno-de-Montarville at the end of 2023. The new lease is for a period of 20 years and 6 months, expiring on September 30, 2044. The new industrial premises are more modern and better located to serve our two business segments, and will offer a stimulating work environment, ideal for the well-being of employees. This new site will accelerate the growth of Distribution activities in Western Quebec.

Event since the end of the fiscal year 2023

On February 29, 2024, the Company announced the acquisition of certain assets related to foodservice activities of Beaudry & Cadrin Inc. ("Groupe Beaudry"). Refer to Note 26 "Subsequent Event" of the consolidated financial statements for further details.

2.3 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 was 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 fiscal year 2023, in order to develop new distribution territories in Quebec, we continued to invest in our sales force to break into certain regions of Quebec, which until then were relatively underdeveloped by the Company. In addition, as previously mentioned, the relocation at the end of 2023 to our new facilities in Saint-Bruno-de-Montarville represents the accomplishment of a key milestone in Colabor's next growth phase. This new site was custom-designed to allow Colabor to accelerate the growth of Distribution activities in Western Quebec.

In addition, investments continue during 2023 to improve our private label positioning.

During the fourth quarter of 2023, the Company also officially launched its employer brand. This launch and the related tools that have been developed will allow Colabor to communicate more effectively, attract talents aligned with Colabor’s values, and promote Colabor’s successes within the organization.

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 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 nearly 600 local farms and processors. 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.

Plan for 2024

In 2024, the strategic plan to achieve its objectives is defined in continuity with 2023 and is based on the following pillars:

1. Accelerate the development of new distribution territories in Quebec
   - Continue the development in Western Quebec; and
   - Seize acquisition opportunities.
2. Optimize profitability and efficiencies
   - Improve product category management;
   - Continue the development of its private brands;
   - Increase specialized distribution (meat and fish); and
   - Investment and modernization of certain distribution centers/divisions.

3. Attract, retain and develop talent
    - Optimize the benefits of our new employer brand; and
    - Invest in employee training.
4. Renew and refresh our image
    - Continue to expand the local offering;
    - Investment in brand image; and
    - Implementation of ESG objectives.

2.4 Key Financial Performance Indicators

Performance Indicators (in thousands of dollars, except financial leverage ratio)	**52 weeks** **2023** **$**	**53 weeks** **2022** **$**
Results and cash flow		
Sales from continuing operations	**659,129**	574,071
Net earnings from continuing operations	**6,047**	4,551
Adjusted EBITDA(1)	**37,554**	29,068
Cash flows from operating activities	**28,943**	19,299
Financial position	**As at December 30, 2023** **$**	**As at December 31, 2022** **$**
Working Capital(2)	**53,981**	48,800
Financial Leverage Ratio(3)	**2.4x**	2.3x
Net debt(4)	**61,481**	47,764

(1) Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA in section 6 "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 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 6 "Non-IFRS Performance Measures".

(4) Non-IFRS measure. Refer to section 6 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash.

Fiscal 2023 Highlights

- Consolidated sales were $659.1 million, up 14.8% compared to fiscal year 2022 resulting mainly from an increase in volume given, among other things, the conclusion of two distribution contracts with chains, the fact that there were no confinement measures in 2023 compared to 2022 and the impact of inflation, mitigated by the impact of the additional week in fiscal year 2022. Excluding the impact of the additional week of 2022, the increase in sales would have been 16.4%.

- Net earnings from continuing operations were $6.0 million, an increase of $1.4 million compared to a net earnings from continuing operations of $4.6 million for 2022. This result is explained by the increase of adjusted EBITDA(1) and a decrease of costs not related to current operations, mitigated by the increase in depreciation and amortization expenses and financial expenses.

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- Adjusted EBITDA[1] from continuing operations amounted $37.6 million or 5.7% of sales from continuing operations compared to $29.1 million or 5.1% of sales from continuing operations in 2022, an increase of 29.2%. This increase is mainly due to the increase in sales and an improvement in gross margin from a better mix of products and customers, mitigated, among other things, by an increase in labor costs and other supply chain costs, in connection with the increase in sales, as well as investments to expand our territory.
- Net debt[4] increased to $61.5 million as at December 30, 2023, compared to $47.8 million at the end of fiscal year 2022, resulting from the additional use of the credit facility for $12.0 million in connection with the equipment purchases related to our new warehouse. The financial leverage ratio[3] stands at 2.4x compared to 2.3x in 2022.
- As at December 30, 2023, the Company's working capital[2] was $54.0 million, up from $48.8 million at the end of fiscal year 2022. This increase is related to sales growth during 2023.

2.5 Highlights of the three Last Fiscal Years

Financial Highlights	**52 weeks**	**53 weeks**	**52 weeks**
(in thousands of dollars, except per share data and percentages)	**2023**	**2022**	2021
	$	**$**	**$**
Sales from continuing operations	**659,129**	574,071	477,004
Net earnings from continuing operations	**6,047**	4,551	8,253
Net loss from discontinued operations	**(455)**	(486)	(411)
Adjusted EBITDA[1]	**37,554**	29,068	25,420
Adjusted EBITDA margin[1]	**5.7%**	5.1%	5.3%
Basic and diluted net earnings per share from continuing operations	**0.06**	0.04	0.08
Basic and diluted net loss per share from discontinued operations	**(0.01)**	—	—
Total assets	**327,830**	240,691	229,434
Non-current financial liabilities[2]	**55,522**	43,375	46,989

[1] Adjusted EBITDA and adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". Adjusted EBITDA margin is calculated this way: Adjusted EBITDA divided by sales for the corresponding period.

[2] Non-current financial liabilities include long-term debt.

The increase in sales from continuing operations of fiscal year 2022 compared to fiscal year 2021 resulting mainly from a volume increase from restaurants, given the less restrictive confinement measures in 2022 compared to 2021, the impact of inflation, the acquisition of assets and of Le Groupe Resto-Achats inc. and its subsidiaries ("GRA"), as well as the impact of the additional week of fiscal year 2022. The closure of restaurant dining rooms impacted 4 weeks in 2022 compared to about 24 weeks in 2021.

The decrease in net earnings from continuing operations for the fiscal year 2022 compared to 2021 is mainly due to the non-recurring gain of $3.8 million not related to current operations in 2021 and the increase of depreciation and amortization expenses, mitigated by the increase in adjusted EBITDA[1] and the decrease of financial expenses.

The increase in adjusted EBITDA[1] for fiscal year 2022 compared to 2021 is mainly explained by the increase in sales and the improvement in gross margin, mitigated among other things by lower subsidies obtained of $2.5 million.

The decrease in non-current liabilities as at December 31, 2022 compared to the previous fiscal year is explained by repayments of the credit facility.

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3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Sales	**196,320**	193,246	1.6	**659,129**	574,071	14.8
Cost of goods sold	**159,064**	157,959	0.7	**536,096**	470,559	13.9
Operating expenses[(2)]	**25,604**	25,432	0.7	**85,479**	74,444	14.8
Operating costs	**184,668**	183,391	0.7	**621,575**	545,003	14.0
Adjusted EBITDA[(1)]	**11,652**	9,855	18.2	**37,554**	29,068	29.2
Adjusted EBITDA margin[(1)]	**5.9%**	5.1%		**5.7%**	5.1%	

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "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 fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Distribution Segment	**144,935**	132,799	9.1	**479,090**	393,446	21.8
Wholesale Segment	**59,236**	73,142	(19.0)	**218,214**	225,565	(3.3)
Intersegment eliminations and others	**(7,851)**	(12,695)	38.2	**(38,175)**	(44,940)	15.1
Sales	**196,320**	193,246	1.6	**659,129**	574,071	14.8

Consolidated sales for the fourth quarter of 2023 were $196.3 million compared to $193.2 million during the corresponding last fiscal year, representing an increase of 1.6%. In 2022, the quarter had an additional week. Excluding sales from the additional week of 2022, sales growth would have been 5.8%.

- Distribution segment sales have increased by 9.1%, explained by a volume increase, part of which is related to the conclusion of two supply contracts with chains, and the impact of inflation, mitigated by the additional week in the fourth quarter of 2022. Excluding sales from the additional week of 2022, the sales growth would have been 14.2%.
- Wholesale segment sales decline of 19.0% is explained by a supply optimization project between our warehouses reducing our internal sales to the Distribution segment, as well as an external volume decrease caused, among other things, by the cessation of operations during the relocation of the warehouse to Saint-Bruno-de-Montarville, as well at the impact of the additional week in the fourth quarter of 2022, mitigated by the impact of inflation. Excluding sales from the additional week of 2022, the decrease in sales would have been 17.0%.

- Intersegment eliminations and others decreased by 38.2% resulting mainly by a decrease in intersegment sales as described above and by GRA sales growth.

Cumulative consolidated sales for the fiscal year 2023 were $659.1 million compared to $574.1 million during last fiscal year, representing an increase of 14.8%. During the first quarter of 2022, restaurant dining rooms were closed for four weeks due to Covid-19 measures. Excluding sales from the additional week of 2022, the sales growth would have been 16.4%.

- Distribution segment sales have increased by 21.8%, explained by volume increase, as explained above, the impact of inflation and the acquisition of assets in the Laurentians and Outaouais regions, mitigated by the additional week in fiscal year 2022.
- Wholesale segment sales have decreased by 3.3%, explained by a volume decrease, including our internal sales to the Distribution sector as explained above, the relocation of the warehouse to Saint-Bruno-de-Montarville and the additional week in fiscal year 2022, mitigated by the impact of inflation.
- Intersegment eliminations and others have decreased by 15.1%, mainly explained by the decrease in purchases in the Distribution segment as described above and by GRA sales growth, company which was acquired on April 4, 2022.

3.1.2 Operating Costs

Operating Costs for the fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Distribution segment	**135,228**	126,952	6.5	**452,398**	374,971	20.6
Wholesale segment	**54,486**	67,062	(18.8)	**198,281**	207,389	(4.4)
Intersegment eliminations and others	**(5,046)**	(10,623)	52.5	**(29,104)**	(37,357)	22.1
Operating costs[(1)]	**184,668**	183,391	0.7	**621,575**	545,003	14.0

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

Consolidated operating costs for the fourth quarter of 2023 were $184.7 million compared to $183.4 million for the corresponding period of 2022, an increase of 0.7%, in connection with the increase of 1.6% in sales.

- Distribution segment operating costs have increased by 6.5% during the fourth quarter, mostly explained by the increase of 9.1% in sales, an increase in labor costs and other supply chain costs, in connection among other things with the increase in inflation, as well as investments to expand our territory.
- Wholesale segment operating costs have decreased by 18.8%, mainly explained by the decrease of 19.0% in sales during the fourth quarter of 2023.
- Intersegment eliminations and others have decreased by 52.5%, mainly due to a decrease in intersegment sales and the increase of charges related to GRA and head office during the fourth quarter of 2023.

Cumulative consolidated operating costs for the fiscal year 2023 were $621.6 million compared to $545.0 million during previous fiscal year, an increase of 14.0%, in connection with sales increase of 14.8%.

- Distribution segment operating costs have increased by 20.6%, mostly explained by higher cost of goods sold and operating expenses due to sales increase of 21.8%, increase in labor costs and other supply chain costs in connection among other things with the increase in inflation and investments to expand our territory.

- Wholesale segment operating costs have decreased by 4.4%, mainly explained by lower cost of goods sold as a result of decrease in sales of 3.3%.
- Intersegment eliminations and others have decreased by 22.1%, mainly due to an decrease in intersegment sales, and an increase of charges related to GRA and head office.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Distribution Segment	**9,707**	5,847	66.0	**26,692**	18,475	44.5
Wholesale Segment	**4,750**	6,080	(21.9)	**19,933**	18,176	9.7
Intersegment eliminations and others	**(2,805)**	(2,072)	(35.4)	**(9,071)**	(7,583)	(19.6)
Adjusted EBITDA[(1)]	**11,652**	9,855	18.2	**37,554**	29,068	29.2
Adjusted EBITDA margin[(1)]	**5.9%**	5.1%		**5.7%**	5.1%	

[(1)] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "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 fourth quarter of 2023 amounted to $11.7 million compared to $9.9 million in the corresponding quarter of the previous year, an increase of 18.2% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 5.9% compared to 5.1% for the corresponding period of 2022. These variations are mainly explained by the increased sales and gross margin from a better mix of products and customers:

- Adjusted EBITDA[(1)] in the Distribution segment has increased by $3.9 million or 66.0%. As a percentage of sales, the adjusted EBITDA margin[(1)] stood at 6.7% compared to 4.4% in 2022. This increase is due to the increase in sales of 9.1% as explained above and an increase in gross margin.
- Adjusted EBITDA[(1)] in the Wholesale segment has decreased by $1.3 million, or 21.9% and is mainly due to a decrease of 19.0% of sales as explained above, and the impact of the relocation to Saint-Bruno-de-Montarville site during the fourth quarter of 2023.
- Adjusted EBITDA[(1)] from intersegment eliminations and others in the fourth quarter of 2023 decreased by $0.7 million or 35.4% compared to the corresponding quarter of 2022 and is mainly due to an increase of head office's charges.

Cumulative adjusted EBITDA[(1)] for the fiscal year 2023 reached $37.6 million compared to $29.1 million in the previous year, an increase of 29.2% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 5.7% compared to 5.1% 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 $8.2 million or 44.5%. As a percentage of sales, the adjusted EBITDA[(1)] margin was 5.6%, compared to 4.7% in 2022. The variations are explained by an increase in sales and 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 $1.8 million, or 9.7% and is mainly due to an increase in gross margin from a better mix of products and customers, despite a decrease in sales.

- Adjusted EBITDA[1] from intersegment eliminations and others in the fiscal year 2023 decreased by $1.5 million or 19.6% compared to the corresponding period of 2022 and is mainly due to increased charges from head office, mitigated by GRA's adjusted EBITDA[1] increase.

3.1.4 Costs not Related to Current Operations

Costs not Related to Current Operations for the fourth quarter and fiscal year 2023

The costs not related to current operations related to continuing operations mainly consist of moving costs of the head office and warehouse, which were located in Boucherville, to new facilities in Saint-Bruno-de-Montarville for an amount of $0.8 million for the fourth quarter of 2023 and $0.9 million for the 2023 fiscal year ($nil in 2022).

The other costs not related to current operations represent legal and professional fees and other charges related to non-current activities and acquisitions for an amount of $0.1 million for the fourth quarter and fiscal year 2023, compared to $1.4 million for the corresponding periods in 2022.

3.1.5 Depreciation and Amortization

Depreciation and Amortization for the fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Depreciation of property, plant and equipment	**1,265**	810	56.2	**4,234**	2,342	80.8
Amortization of intangible assets	**1,486**	1,274	16.6	**4,312**	4,066	6.1
Depreciation of right-of-use assets	**4,762**	3,384	40.7	**12,809**	9,674	32.4
Depreciation and Amortization	**7,513**	5,468	37.4	**21,355**	16,082	32.8

For the 16 and 52-week periods ended December 30, 2023, depreciation and amortization expense was up by 37.4% and 32.8% respectively, 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.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 6 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

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3.1.6 Financial Expenses

Financial expenses for the fourth quarter and fiscal year 2023

(in thousands of dollars, except percentages)

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Interest on credit facility	**870**	596	46.0	**2,505**	1,638	52.9
Interest on subordinated debt	**334**	355	(5.9)	**1,084**	1,133	(4.3)
Interest on lease obligations	**1,492**	541	175.8	**2,694**	1,475	82.6
Other	**33**	258	(87.2)	**342**	534	(36.0)
Financial expenses	**2,729**	1,750	55.9	**6,625**	4,780	38.6

Financial expenses for the fourth quarter and fiscal year 2023 amounted to $2.7 million and $6.6 million respectively, compared to $1.8 million and $4.8 million for the corresponding periods of 2022. This increase is due to higher interest rates and an increased debt level.

3.1.7 Income Taxes

For the fourth quarters of 2023 and 2022, income taxes expenses amounted to $0.2 million and $0.7 million, respectively. The variation is mainly explained by the decrease of earnings before taxes.

For the fiscal year ended December 30, 2023, income tax expenses amounted to $2.3 million compared to $1.8 million for the fiscal year 2022. The variation is essentially explained by the increase of earnings before taxes.

3.1.8 Net Earnings

Net earnings of the fourth quarter and fiscal year 2023

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

	16 weeks	17 weeks		52 weeks	53 weeks	
	2023	2022	Variance	2023	2022	Variance
	$	$	%	$	$	%
Net earnings from continuing operations	**354**	1,682	(79.0)	**6,047**	4,551	32.9
Net loss from discontinued operations	**(455)**	(419)	8.6	**(455)**	(486)	(6.4)
Net (loss) earnings	**(101)**	1,263	(108.0)	**5,592**	4,065	37.6
Basic and diluted net earnings per share from continuing operations	—	0.02	(100.0)	**0.06**	0.04	50.0
Basic and diluted net loss per share from discontinued operations	—	(0.01)	100.0	**(0.01)**	—	—
Basic and diluted net earnings per share	—	0.01	(100.0)	**0.05**	0.04	100.0

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Net earnings from continuing operations for the fourth quarter of 2023 were $0.4 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 higher depreciation and amortization expenses, costs not related to current operations related to our relocation, and financial expenses, mitigated by an increase of adjusted EBITDA[1] as explained previously and lower income taxes expenses. Net loss for the fourth quarter of 2023 was $0.1 million, or $0.00 per share, compared to net earnings of $1.3 million, or $0.01 per share for the corresponding period of last fiscal year. The variation is explained by the facts described above, mitigated by the $0.5 million net loss from discontinued operations, related to an actuarial loss in connection with the wind-up of the defined benefit pension plan. The weighted average number of basic shares outstanding during the fourth quarter of 2023 was 101,986,464 compared to 101,954,885 for the corresponding period of 2022.

Net earnings from continuing operations for cumulative fiscal year 2023 were $6.0 million, or $0.06 per share, up from $4.6 million, or $0.04 per share during fiscal year 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. Net earnings for cumulative fiscal year 2023 were $5.6 million, or $0.05 per share, up $1.5 million from $4.1 million, or $0.04 per share during fiscal year 2022. The variation is explained by the facts described above, mitigated by the $0.5 million net loss from discontinued operations, as explained above. The weighted average number of basic shares outstanding during the fiscal year 2023 was 101,974,752 compared to 101,954,885 for 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 December 30, 2023 $	As at December 31, 2022 $	Variance $
Current assets			
Trade and other receivables	**48,544**	45,776	2,768
Inventories	**50,730**	45,084	5,646
Current assets	**99,274**	90,860	8,414
Current liabilities			
Trade and other payables	**45,293**	42,060	3,233
Working capital[2]	**53,981**	48,800	5,181

[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 December 30, 2023, the Company's working capital[2] was $54.0 million, up by $5.2 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 $2.8 million from December 31, 2022, due to higher sales.

Inventories

Inventory balance increased by $5.6 million from December 31, 2022. This increase is explained by the increase in sales and investments, among other things for the establishment of new contracts.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 6 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Trade and Other Payables

The balance of trade and other payables increased by $3.2 million from December 31, 2022, mainly due to growth.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at December 30, 2023, and their corresponding variances from the fiscal year ended December 31, 2022.

(in thousands of dollars)

	As at December 30, 2023 $	As at December 31, 2022 $	Variance $
Property, Plant and Equipment	**23,510**	8,247	15,263
Intangible Assets	**18,498**	22,079	(3,581)
Right-of-use Assets	**106,954**	38,057	68,897
Deferred Tax Assets	**2,118**	3,026	(908)
Long-Term Debt	**58,522**	46,375	12,147
Lease Liabilities	**110,937**	42,457	68,480
Pension Obligations	**—**	2,279	(2,279)
Contingent consideration	**646**	1,188	(542)
Deferred Tax Liabilities	**660**	715	(55)
Equity Attributable to Shareholders	**108,479**	102,894	5,585

Property, Plant and Equipment

The increase in property, plant and equipment is mainly due to acquisitions, including equipment purchases for our new warehouse in Saint-Bruno-de-Montarville, which we took possession before the end of fiscal year 2023, 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, including the one for the promises located in Saint-Bruno-de-Montarville which we took possession in November 2023, mitigated by depreciation.

Deferred Tax Assets

The reduction in deferred tax assets comes mainly from the reversal of tax attributes during the current fiscal year.

Long-Term Debt

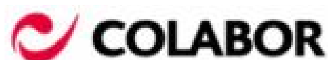
Long-term debt increase is mainly due to the use of the credit facility and to the purchase of equipments for our new warehouse, as explained above.

Lease Liabilities

The increase in lease liabilities is mainly due to the signing of new leases, including the one for the promises located in Saint-Bruno-de-Montarville which we took possession in November 2023, mitigated by the payments made during the current fiscal year.

Pension Obligations

A process for winding up the defined benefit pension plan began in 2021. During 2023, a wind-up report has been filed by the Company and the obligation was paid at the same time. The wind-up report has been approved by the Financial Services



Regulatory Authority of Ontario ("FSRA") on January 4, 2024 and the full wind-up of the plan is expected to occur during the first quarter of 2024.

Contingent consideration

The decrease in contingent consideration comes mainly from payment of the first of the two installments described in section 4 "Business combination and assets acquisition", mitigated by 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.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at February 27, 2024. Refer to Notes 9, 18 and 20 of the 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	3,047,732	

3.5 Cash Flows

The following table represents consolidated cash flows of the fourth quarter and fiscal year ended December 30, 2023.

(in thousands of dollars)

	16 weeks	17 weeks	52 weeks	53 weeks
	2023	2022	2023	2022
	$	$	$	$
Cash flows from operating activities	**8,899**	(663)	**28,943**	19,299
Cash flows from investing activities	**(7,139)**	(2,059)	**(20,266)**	(6,061)
Cash flows from financing activities	**(1,240)**	(1,084)	**(7,022)**	(16,511)
Net change in cash and cash equivalents from continuing operations	**520**	(3,806)	**1,655**	(3,273)
Net change in cash and cash equivalents from discontinued operations	**(3,380)**	—	**(3,380)**	(8)
(Bank indebtedness) cash and cash equivalents at the beginning	**(140)**	2,531	**(1,275)**	2,006
Bank indebtedness at the end	**(3,000)**	(1,275)	**(3,000)**	(1,275)

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Operating Activities

Cash flows from operating activities amounted to $8.9 million and $28.9 million for the fourth quarter and fiscal year 2023 respectively, compared to $(0.7) million and $19.3 million for the corresponding periods of the previous fiscal year. This increase is mainly due to lower utilization of working capital[2], and by 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 timing of inventories purchases and supplier payments.

Investing Activities

Cash flows used in investing activities amounted to $(7.1) million and $(20.3) million for the fourth quarter and fiscal year 2023 respectively, compared to $(2.1) million and $(6.1) million for the corresponding periods of 2022. The variations are mainly due to higher property, plant and equipment acquisitions, including equipment purchases for our new warehouse, as described above, mitigated by the acquisition of GRA for an amount of $1.8 million compared to $2.1 million in 2022.

Financing Activities

Cash flows used in financing activities amounted to $(1.2) million for the fourth quarter of 2023, up from $(1.1) 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 additional use of the credit facility of $5.5 million in 2023, compared to an use of the credit facility of $3.5 million in 2022.

Cash flows used by financing activities amounted to $(7.0) million for fiscal year 2023, compared to $(16.5) 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 additional use of credit facility for $12.0 million, compared to a repayment of $3.8 million in the corresponding period of 2022.

Net change in cash and cash equivalents from discontinued operations

The net change in cash and cash equivalents from discontinued operations comes from the payment of the pension obligation as part of the ongoing process for winding up the plan, as explained previously.

Payments Due

Undiscounted cash flows, including capital and interest related to the Company's liabilities expire as follows:

(in thousands of dollars)

		Payments due per period			
Contractual obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 years and over**
	$	**$**	**$**	**$**	**$**
Bank overdraft	3,000	3,000	—	—	—
Trade and other payables	45,293	45,293	—	—	—
Credit facility	48,284	6,663	41,621	—	—
Subordinated debt	17,357	1,088	16,269	—	—
Contingent consideration	750	750	—	—	—
Lease liabilities	191,307	12,950	28,033	22,763	127,561
Commitments	1,625	1,438	187	—	—
	307,616	71,182	86,110	22,763	127,561

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 6 "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.

3.6 Capital Resources

During the fiscal year 2024, the Company anticipates that it will require cash to finance:

- its fixed assets investments;
- its opportunities investment; and
- its contractual obligations.

Available sources of internal and external financing are:

- cash flows from operating activities; and
- unused portion of the credit facility.

As at December 30, 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 December 30, 2023 the Company had the following sources of financing:

Credit Facility

A senior secured credit facility for a total amount of $80.0 million, including a term loan of $30.0 million and a revolving credit of $50.0 million, of which $5.0 million n operating swingline. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 3.25% depending on the Company's leverage ratios, for an effective borrowing rate of 7.42% in 2023. The credit facility is guaranteed by the assets of the Company and by those of some of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some ratios essentially related to consolidated adjusted EBITDA[1], financial expenses and total debt which were met as at December 30, 2023. The term loan is repayable quarterly, for an annual amount of $3.0 million. By mutual agreement, the credit facility may be increased by $20.0 million and matures on February 18, 2025. As at December 30, 2023, the availability under the credit facility is $22.0 million.

Subordinated debt

A subordinated debt of $15.0 million. The subordinated debt bears interest at a rate of 7.25% to 8.25% depending on the Company's leverage ratios, payable quarterly and matures on February 18, 2026. The subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility.

Share Capital

Colabor's share-capital consist of an unlimited number of common and preferred shares that may be issued in series, without nominal value. A summary of designation, rights, restrictions and conditions related to common and preferred shares is presented in Colabor's Annual Information Form ("AIF") dated February 29, 2024 and is available on the SEDAR+ website at www.sedarplus.ca.

4. Business Combination and Assets Acquisition

A) Acquisition of GRA

On April 4, 2022, the Company acquired all of the shares of GRA for an amount of $4.5 million, of which $2.0 million was payable at the closing date, $1.0 million was paid on April 4, 2023 and $1.5 million in contingent consideration based on the achievement of certain income thresholds. The contingent consideration is payable in two equal installments of $0.8 million, the first of which was paid in the fourth quarter of 2023 and the next installment is payable in the fourth quarter of 2024.. Working capital adjustments at the amount of $0.6 million were also paid in 2022.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 6 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Founded in 2008 and with offices in Quebec City, GRA is a major purchasing group for independent restaurants and seniors' residences located primarily in eastern Quebec. Refer to Note 4 "Business combination and assets acquisition" of the consolidated financial statements for further details.

The acquired company has contributed a total of $4.4 million to the Company's sales and $0.2 million to net earnings for the period between the date of acquisition and the end of fiscal year 2022. If the acquisition had occurred on December 26, 2021, management estimates that consolidated pro-forma sales and net earnings of the Company for the fiscal year ended December 31, 2022 would have been $575.0 million and $4.1 million respectively.

B) Acquisition of Ben Deshaies Inc. assets

On April 22, 2022, the Company has acquired certain assets from Ben Deshaies Inc. for an amount of $0.4 million, in particular the customer list related to foodservice activities in the Outaouais and Laurentians regions, as well as certain related equipments.

5. 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			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	(16 weeks)	**(12 weeks)**	**(12 weeks)**	**(12 weeks)**	**(17 weeks)**	**(12 weeks)**	**(12 weeks)**	**(12 weeks)**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	**196,320**	164,700	164,186	133,923	193,246	145,670	137,986	97,169
Adjusted EBITDA(1)	**11,652**	11,034	9,294	5,574	9,855	8,894	8,006	2,313
Costs not related to current operations	**787**	99	2	49	107	102	831	314
Net earnings (loss) from continuing operations	**354**	3,539	2,314	(160)	1,682	2,832	1,690	(1,653)
Net loss from discontinued operations	**(455)**	—	—	—	(419)	—	(14)	(53)
Net (loss) earnings	**(101)**	3,539	2,314	(160)	1,263	2,832	1,676	(1,706)
Basic and diluted net earnings (loss) per share from continuing operations	**—**	0.03	0.02	—	0.02	0.03	0.02	(0.02)
Basic and diluted net earnings (loss) per share	**—**	0.03	0.02	—	0.01	0.03	0.02	(0.02)

Sales for the last eight quarters have been impacted by different factors, such as the pandemic in the first quarter of 2022. Fourth quarter sales of 2022 include an additional week compared to 2023. Net earnings for the first quarter of each financial year are generally negatively impacted by seasonality. Net earnings for the fourth quarter of 2023 was negatively impacted by costs not related to current operations related to the relocation of the head office and warehouse, which were located in Boucherville, to new premises in Saint-Bruno-de-Montarville.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 6 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

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6. 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.

Reconciliation of Net Earnings to Adjusted EBITDA

(in thousands of dollars)

	16 weeks	17 weeks	52 weeks	53 weeks
	2023	2022	2023	2022
	$	$	$	$
Net earnings from continuing operations	**354**	1,682	**6,047**	4,551
Income taxes	**190**	686	**2,299**	1,826
Financial expenses	**2,729**	1,750	**6,625**	4,780
Operating earnings	**3,273**	4,118	**14,971**	11,157
Expenses for stock-based compensation plan	**79**	162	**291**	475
Costs not related to current operations	**787**	107	**937**	1,354
Depreciation and amortization	**7,513**	5,468	**21,355**	16,082
Adjusted EBITDA	**11,652**	9,855	**37,554**	29,068

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 December 30, 2023	As at December 31, 2022
	$	$
Bank indebtedness	**2,731**	1,014
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**55,750**	43,750
Net debt	**61,481**	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 December 30, 2023 $	As at December 31, 2022 $
Last four-quarter adjusted EBITDA	**37,554**	29,068
Last four-quarter lease liability payments	**12,390**	8,197
Financial Leverage Ratio(1)	**2.4x**	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.

7. Related Party Transaction

The Company's related party transactions include transactions with its key management personnel and directors. Unless otherwise indicated, none of the transactions comprise special characteristics or terms and conditions. The balances are generally paid in cash.

In 2022, sales transactions totaling $5.0 million were made with an entity owned by a director of the Company in office until March 30, 2022, the date on which the director's mandate ended. No transactions between related parties occurred in 2023.

8. Off-Balance Sheet Transaction

The Company does not have any off-balance sheet transaction obligations, other than $6.0 million ($1.0 million as at December 31, 2022) in letters of credit to support the leasing of two of the Company’s distribution centers.

9. Risks and Uncertainties

The Company’s activities are subject to numerous risks and uncertainties that are described in detail in its February 29, 2024, Annual Information Form (the “AIF”), which may be viewed on the SEDAR+ website at www.sedarplus.ca and on the Company's website at www.colabor.com. The risks described in the AIF are incorporated by reference in this MD&A.

10. Significant Estimates and Judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are based on facts and information that are available to management, and are reassessed yearly at the end of each reporting period. The actual results are likely to differ from judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided in Note 3 Significant Estimates and Judgments in the consolidated financial statements.

11. 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 and effectiveness of ICFR and DC&P as at December 30, 2023. On the basis of this assessment, they have concluded that the design and effectiveness of ICFR and DC&P are effective. For the fiscal year ended December 30, 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.

12. New Accounting Policies

Changes to accounting standards adopted during fiscal 2023

On January 1, 2023, the Corporation adopted the following new standards and interpretations which did not have an impact on these consolidated financial statements:

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1, Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments on January 1, 2023.

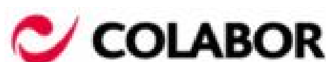
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB amended IAS 12, Income Taxes, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments on January 1, 2023.

13. 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 December 30, 2023		As at December 31, 2022	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial asset				
Non-current				
Derivative financial instrument	**413**	**413**	740	740
Financial liabilities				
Current				
Purchase price balance	**—**	**—**	993	1,000
Contingent consideration	**646**	**646**	542	542
Non-current				
Credit facility	**43,629**	**43,750**	31,531	31,750
Subordinated debt	**14,893**	**15,000**	14,844	15,000
Contingent consideration	**—**	**—**	646	646
	59,168	**59,396**	48,556	48,938

In April 2021, the Company entered into an interest rate swap agreement with an initial nominal value of $15.0 million to cover the risk of interest rate fluctuations on a portion of its credit facility beginning in March 2022 until its maturity in 2025. The interest rate fixed by the swap is 1.43%. Since this interest rate swap meet the hedge accounting conditions, changes in fair value are recognized in other comprehensive income.

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 December 30, 2023, the fair value of the interest rate swap is an asset of $0.4 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

When determining an asset or a liability's fair value, the Company uses observable market data as much as possible. Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

As at December 30, 2023, the Company has classified the fair value measurement of the credit facility, the subordinated debt and of the interest rate swap as Level 2, and the contingent consideration as Level 3. There was no transfer between the levels during the fiscal year 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, its financial risk management policies are detailed below. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates. The Company manages its exposure to interest rate risk by favoring an appropriate mix of fixed and floating rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a reasonably possible 1.0% fluctuation in the interest rate on current market conditions would have an impact of $0.2 million on net earnings in 2023 ($0.2 million in 2022).

In addition, the Company entered into an interest rate swap agreement with an initial nominal value of $15.0 million with a financial institution in order to hedge the risk of fluctuations in interest rates on a portion of its credit facility beginning in March 2022 and until its maturity in 2025. The Company periodically reviews the level of the debt on which the interest rates must be fixed.

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and other assets represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its trade accounts receivable and other assets. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee or letter of credit from some of its customers. As at December 30, 2023, the Company had guarantees for about 1.2% of its trade accounts receivable (1.1% as at December 31, 2022). In addition, some customers have to make prepayments or payments on delivery in order to minimize credit risks.

The Company's policy is to have each customer undergo a credit check.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget estimates and cash flow forecasts to ensure it has the necessary funds to fulfill its obligations. These forecasts are updated on a regular basis. According to our updated forecast based on information currently available to management, the Company is expecting to be able to meet its obligations for the next 12 months by using future cash flows from operating and funds available under the credit facility in place.