



Interim condensed consolidated Financial Statements
(unaudited)

Second quarter of 2024

12 and 24-week periods ended June 15, 2024

(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12 and 24-week periods ended June 15, 2024.

Interim Condensed Consolidated Statements of Earnings (Loss)

(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars, except per share data)

	Notes	12 weeks		24 weeks	
		2024	2023	2024	2023
		\$	\$	\$	\$
Sales		161,278	164,186	292,478	298,109
Cost of goods sold		131,292	134,618	237,914	243,446
Gross margin		29,986	29,568	54,564	54,663
Operating expenses	3	20,305	20,334	40,016	39,944
Depreciation and amortization	4	4,640	4,681	9,211	9,142
Costs not related to current operations		23	2	122	51
Operating earnings		5,018	4,551	5,215	5,526
Financial expenses	5	2,784	1,383	5,373	2,625
Earnings (loss) before taxes		2,234	3,168	(158)	2,901
Income taxes (recovery)		555	854	(61)	747
Net earnings (loss) from continuing operations		1,679	2,314	(97)	2,154
Net loss from discontinued operations		(20)	—	(20)	—
Net earnings (loss)		1,659	2,314	(117)	2,154
Basic and diluted net earnings (loss) per share from continuing operations	6	0.02	0.02	—	0.02
Basic and diluted net loss per share from discontinued operations	6	—	—	—	—
Basic and diluted net earnings (loss) per share	6	0.02	0.02	—	0.02

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars)

	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net earnings (loss) from continuing operations	1,679	2,314	(97)	2,154
Other comprehensive income (loss) that will be subsequently reclassified to earnings:				
Changes in fair value of interest rate swap designated as cash flow hedge	(106)	173	(179)	(24)
Income taxes	28	(46)	47	6
Other comprehensive (loss) income from continuing operations	(78)	127	(132)	(18)
Comprehensive income (loss) from continuing operations	1,601	2,441	(229)	2,136
Net loss from discontinued operations	(20)	—	(20)	—
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:				
Remeasurement of defined benefit pension obligation	—	(53)	—	(104)
Income taxes	—	15	—	28
Other comprehensive loss from discontinued operations	—	(38)	—	(76)
Comprehensive loss from discontinued operations	(20)	(38)	(20)	(76)
Comprehensive income (loss)	1,581	2,403	(249)	2,060

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity
(unaudited)

For the 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars)

	Share capital \$	Contribute d surplus \$	Deficit \$	Accumulate d other comprehen sive income \$	Total equity \$
Balance as at December 30, 2023	257,054	6,753	(155,632)	304	108,479
Net loss	—	—	(117)	—	(117)
Other comprehensive loss	—	—	—	(132)	(132)
Comprehensive loss	—	—	(117)	(132)	(249)
Stock-based compensation	—	52	—	—	52
Balance as at June 15, 2024	257,054	6,805	(155,749)	172	108,282

	Share capital \$	Contribute d surplus \$	Deficit \$	Accumulate d other comprehen sive income \$	Total equity \$
Balance as at December 31, 2022	257,008	6,508	(161,166)	544	102,894
Net earnings	—	—	2,154	—	2,154
Other comprehensive loss	—	—	(76)	(18)	(94)
Comprehensive income (loss)	—	—	2,078	(18)	2,060
Stock-based compensation	—	149	—	—	149
Stock options exercised	46	(46)	—	—	—
Balance as at June 17, 2023	257,054	6,611	(159,088)	526	105,103

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars)

	Notes	12 weeks		24 weeks	
		2024	2023	2024	2023
		\$	\$	\$	\$
Cash flows from operating activities					
Net earnings (loss) from continuing operations		1,679	2,314	(97)	2,154
Non-cash items					
Deferred income taxes		(185)	4	(819)	(196)
Depreciation and amortization	4	4,640	4,681	9,211	9,142
Financial expenses	5	2,784	1,383	5,373	2,625
Other		36	60	52	149
		8,954	8,442	13,720	13,874
Net changes in working capital		(3,976)	2,826	3,003	(1,799)
		4,978	11,268	16,723	12,075
Cash flows from investing activities					
Acquisitions of property, plant and equipment		(509)	(1,130)	(1,529)	(2,507)
Acquisitions of intangible assets	7	—	(207)	(2,501)	(340)
Business acquisition, net of cash acquired		—	(1,000)	—	(1,000)
Other		(103)	114	(252)	240
		(612)	(2,223)	(4,282)	(3,607)
Cash flows from financing activities					
Net change in the credit facility	8	1,250	(750)	(1,750)	3,250
Lease liability payments		(1,960)	(2,898)	(3,857)	(5,503)
Financing cost paid		(51)	—	(281)	—
Financial expenses paid		(1,337)	(1,421)	(2,529)	(2,462)
		(2,098)	(5,069)	(8,417)	(4,715)
Net change in cash and cash equivalents from continuing operations		2,268	3,976	4,024	3,753
Net change in cash and cash equivalents from discontinued operations		(20)	—	(20)	—
Bank indebtedness at the beginning		(1,244)	(1,498)	(3,000)	(1,275)
Cash and cash equivalents at the end		1,004	2,478	1,004	2,478

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	Notes	As at June 15, 2024 \$	As at December 30, 2023 \$
Assets			
Current assets			
Cash and cash equivalent		1,004	—
Trade and other receivables		53,919	48,544
Inventories		53,622	50,730
Pension assets		403	403
Other	10	4,392	1,731
		113,340	101,408
Non-current assets			
Property, plant and equipment		23,314	23,510
Intangible assets	7	19,314	18,498
Right-of-use assets		103,852	106,954
Goodwill		73,072	73,072
Deferred tax assets		2,979	2,118
Other		1,729	2,270
		224,260	226,422
Total assets		337,600	327,830
Liabilities			
Current liabilities			
Bank indebtedness		—	3,000
Trade and other payables		58,076	45,293
Current portion of long-term debt	8	3,000	3,000
Current portion of lease liabilities		9,155	6,205
Other	10	1,676	939
		71,907	58,437
Non-current liabilities			
Long-term debt	8	53,583	55,522
Lease liabilities		102,803	104,732
Contingent consideration	7	370	—
Deferred tax liabilities		655	660
		157,411	160,914
Total liabilities		229,318	219,351
Equity			
Equity attributable to shareholders		108,282	108,479
Total liabilities and equity		337,600	327,830

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1 Nature of operations

Colabor Group Inc. (hereinafter the “Company”) is a distributor and wholesaler of food and related products serving the hotel, restaurant and institutional markets or "HRI" in Quebec and in the Atlantic provinces, as well as the retail market.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1601, Rene-Descartes Street, Suite 103, Saint-Bruno-de-Montarville, Quebec, J3V 0A6. The Company’s shares are listed on the Toronto Stock Exchange under the symbol GCL.

2 Material accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 30, 2023.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 30, 2023, except for the accounting policy as described below. The accounting policies have been applied consistently for all the periods presented.

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis, except for certain financial instruments and pension plan's assets that are measured at fair value, and for defined pension obligations and provisions that have been recorded at present value. Financial information is presented in Canadian dollars, which is the Company's functional currency.

The net loss for these interim financial statements are not necessarily indicative of the full-year net earnings. The seasonal nature is a significant factor in its quarterly results. Lower earnings are recorded during the first quarter. The second and third quarters are generally recording higher earnings than those recorded during the first quarter. Finally, the fourth quarter is the most important one, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on July 24, 2024. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars, except number of shares and per share data)

Operating segments

As at December 30, 2023, the Company had two operating segments: distribution of food products (the Distribution segment) and sales of general food-related products to distributors (the Wholesale segment). On December 31, 2023, the Company has aggregated these two business segments into one segment due to the operational and organizational changes, including the move to new facilities in Saint-Bruno-de-Montarville which now serve a common clientele. The Company's strategic vision is developing in a more global approach to activities. Management now evaluates the Company's operating results as a whole and make decisions on this basis, unlike previously by segment separately. In addition, separate financial information for the Wholesale segment is no longer available.

3 Operating expenses

	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Employee compensation	14,231	14,115	28,032	27,340
Service contracts and variable portion related to lease contracts	992	945	1,672	2,181
Repair and maintenance	936	956	1,776	1,807
Utilities	929	938	1,940	1,988
Other expenses	3,217	3,380	6,596	6,628
	20,305	20,334	40,016	39,944

4 Depreciation and amortization

	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Depreciation of property, plant and equipment	704	1,002	1,420	2,008
Amortization of intangible assets	1,044	941	2,040	1,886
Depreciation of right-of-use assets	2,892	2,738	5,751	5,248
	4,640	4,681	9,211	9,142

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars, except number of shares and per share data)

5 Financial expenses

	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest on credit facility	735	590	1,405	1,066
Interest on subordinated debt	292	251	542	501
Interest on lease obligations	1,608	411	3,156	789
Other	149	131	270	269
Financial expenses	2,784	1,383	5,373	2,625

6 Net earnings (loss) per share

Earnings (loss) per share

The following table presents the basic and diluted loss per share:

	12 weeks		24 weeks	
	2024	2023	2024	2023
Net earnings (loss) from continuing operations	1,679	2,314	(97)	2,154
Net loss from discontinued operations	(20)	—	(20)	—
Net earnings (loss)	1,659	2,314	(117)	2,154
Weighted average number of basic outstanding shares	101,986,464	101,967,291	101,986,464	101,961,088
Effect of dilutive stock options	820,982	414,584	—	426,890
Weighted average number of diluted outstanding shares	102,807,446	102,381,875	101,986,464	102,387,978
Basic and diluted net earnings (loss) per share from continuing operations	0.02	0.02	—	0.02
Basic and diluted net loss per share from discontinued operations	—	—	—	—
Basic and diluted net earnings (loss) per share	0.02	0.02	—	0.02

As at June 15, 2024, 3,323,370 and 4,144,352 stock options (4,209,398 and 4,197,092 stock options in 2023) were not included in the calculation of diluted earnings (loss) per share for the 12 and 24-week periods because of their non-dilutive effect.

7 Intangible assets

On March 15, 2024, the Company has acquired customer contracts related to foodservice activities from Beaudry & Cadrin Inc. for an amount of \$3,000, of which \$2,500 was paid at the effective date and \$500 will be payable in contingent consideration based on the achievement of certain income thresholds.

8 Long-term debt

	As at June 15, 2024 \$	As at December 30, 2023 \$
Credit facility ^(a)		
Term loan	21,000	21,750
Revolving credit	21,000	22,000
Subordinated debts	15,000	15,000
Less unamortized financing costs	(417)	(228)
Total debt	56,583	58,522
Current portion of long-term debt	3,000	3,000
Total long-term debt	53,583	55,522

^(a) Credit facility

On March 18, 2024, the Company entered into an amended and restated senior secured credit facility for a total amount of \$71,750 including a term loan of \$21,750 and a revolving credit of \$50,000, of which \$5,000 in operating swingline. The amended and restated facility matures on February 18, 2028. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 2.75% depending on the Company's financial ratios. 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, financial expenses and total debt which were met as at June 15, 2024. The term loan is repayable quarterly, for an annual amount of \$3,000. By mutual agreement, the credit facility may be increased by \$35,000 and thus authorizing the repayment at maturity of the subordinated debt if the related conditions are met. As at June 15, 2024, the availability under the credit facility is \$24,486.

Financing costs of \$281 were incurred during the 24-week period ended on June 15, 2024, in connection with the execution of this credit agreement.

As at June 15, 2024, letters of credit amounting to \$4,514 (\$6,014 as at December 30, 2023) had been used to support the lease of two of the Company's distribution centers.

9 Employee compensation

Stock-based compensation

Stock option plan

During the 12 and 24-week periods ended June 15, 2024 the Company has not granted any stock options of the Company's common shares (150 000 during the second quarter of 2023). The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following assumptions during the 24-week period ended June 17, 2023:

	2023
	Period ended June 17, 2023
Weighted average fair value of the options	\$0.34
Risk-free interest rate	3.59%
Expected volatility of shares	57%
Expected annual dividend	—
Expected term	5.5 years
Share price at date of grant	\$0.77
Exercise price at date of grant	\$0.77

A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	24 weeks			
	2024	Weighted average exercise price	2023	Weighted average exercise price
	Number of options	\$	Number of options	\$
Outstanding, beginning of period	4,623,982	0.94	4,698,982	0.94
Granted	—	—	150,000	0.77
Exercised	—	—	(150,000)	0.60
Forfeiture	(113,750)	1.04	(56,250)	1.00
Expired	(365,880)	1.22	(18,750)	1.00
Outstanding, end of period	4,144,352	0.92	4,623,982	0.77
Exercisable options	2,901,852	0.86	2,331,482	0.90

Forfeited stock options have generated an employee compensation charge reversal of \$35 during the 24-week period ended June 15, 2024 (\$8 in 2023).

10 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:

	As at June 15, 2024	As at December 30, 2023		
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial asset				
Current				
Derivative financial instrument	233	233	—	—
Non-current				
Derivative financial instrument	—	—	413	413
Financial liabilities				
Current				
Contingent consideration	701	701	646	646
Non-current				
Credit facility	41,667	42,000	43,629	43,750
Subordinated debt	14,916	15,000	14,893	15,000
Contingent consideration	370	370	—	—
	57,654	58,071	59,168	59,396

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 15, 2024, the fair value of the interest rate swap is an asset of \$233 and is accounted for under Other in the 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 and the current portion is accounted for under Other in the current liabilities of the consolidated statement of financial position.

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.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited)

For the 12 and 24-week periods ended June 15, 2024 and June 17, 2023

(in thousands of Canadian dollars, except number of shares and per share data)

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 30, 2023), the current rate of subordinated debt.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 and Level 3 fair values are the same as those described in the consolidated financial statements for the year ended December 30, 2023.

There was no transfer between the levels during the 12 and 24-week periods ended June 15, 2024.

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 15, 2024 compared to the description given in the consolidated financial statements for the year closed on December 30, 2023.