



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

Second quarter of 2024

12 and 24-week periods ended June 15, 2024

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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 (loss), financial situation and cash flows for the second quarter ended June 15, 2024, 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 30, 2023, 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.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 2.2 "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 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.

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 Business Developments in 2024

During the 12 and 24-week periods ended June 15, 2024, the following events have influenced the Company's general development and operations, reflecting the evolution of Colabor's transformational plan and growth.

Acquisition of assets

On March 15, 2024, the Company has acquired certain assets related to foodservice activities from Beaudry & Cadrin Inc. ("the Acquisition"). Refer to Note 7 Intangible assets of the interim condensed consolidated financial statements for further details.

Amendment and restatement of the credit facility

On March 18, 2024, the Company entered into an amended and restated senior secured credit facility for a total amount of \$71.8 million including a term loan of \$21.8 million and a revolving credit of \$50.0 million, of which \$5.0 million in operating swingline. The credit facility, as amended and restated, now 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 agreement includes an accordion clause allowing, by mutual agreement, the credit facility to be increased by an additional \$35.0 million and thus authorizing the repayment at maturity of our subordinated debt if the related conditions are met.

Appointment to the Board of Directors

On May 16, 2024, Ms. Laurie Gauthier was elected as director of the Company.

2.2 Development Strategies and Outlook

Colabor has as main financial objectives to increase profitability and create value for its shareholders. In 2024, to achieve its objectives, the strategic plan is defined and 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 and 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 environment, social and governance ("ESG") objectives.

Evolution of the 2024 Plan

At the end of 2023, we have moved to our new facilities in Saint-Bruno-de-Montarville, which represented the accomplishment of a key milestone in Colabor's next growth phase. During the first quarter of 2024, we therefore finalized the installation of those facilities. As a result, we were able to start serving distribution customers during the second quarter from those custom-designed facilities to allow Colabor to accelerate the growth of distribution activities in Western Quebec. With this growth in mind, we also continued to invest in our sales force to break into certain regions of Western Quebec during the first semester of 2024.

Furthermore, we have also completed the Acquisition as mentioned previously, which is perfectly in line with our growth objective.

2.3 Key Financial Performance Indicators

Performance Indicators (in thousands of \$, except financial leverage ratio)	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Results and cash flow				
Sales from continuing operations	161,278	164,186	292,478	298,109
Net earnings (loss) from continuing operations	1,679	2,314	(97)	2,154
Adjusted EBITDA ⁽¹⁾	9,718	9,294	14,600	14,868
Cash flows from operating activities	4,978	11,268	16,723	12,075
Financial position				
			As at	As at
			June 15,	December 30,
			2024	2023
			\$	\$
Working Capital ⁽²⁾			49,465	53,981
Financial Leverage Ratio ⁽³⁾			2.1x	2.4x
Net debt ⁽⁴⁾			55,997	61,481

⁽¹⁾ Non-IFRS measure. Refer to the table Reconciliation of Net Loss to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings 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. 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 \$161.3 million, down of 1.8% compared to the corresponding period of 2023. Cumulative consolidated sales amounted \$292.5 million, down of 1.9%, compared to the corresponding period of last fiscal year. This decrease is explained by a more difficult macroeconomic environment during the first semester of 2024 that directly affected the restaurant and retail industries.

- Second quarter net earnings from continuing operations were \$1.7 million, down of \$0.6 million, compared to a net earnings of \$2.3 million for the corresponding quarter of 2023. Cumulative net loss from continuing operations was \$0.1 million, compared to a net earnings of \$2.2 million in 2023. This result is explained by an increase in financial charges due to rental charges mainly for our new lease in Saint-Bruno-de-Montarville, mitigated by a reduction of income taxes expense.
- Second quarter adjusted EBITDA⁽¹⁾ from continuing operations amounted to \$9.7 million or 6.0% of sales from continuing operations compared to \$9.3 million or 5.7% of sales from continuing operations in 2023. Cumulative adjusted EBITDA⁽¹⁾ from continuing operations amounted to \$14.6 million or 5.0% of sales from continuing operations compared to \$14.9 million or 5.0% of sales from continuing operations in 2023, a decrease of 1.8%.
- Net debt⁽⁴⁾ decreased to \$56.0 million as at June 15, 2024, compared to \$61.5 million at the end of fiscal year 2023, resulting from the increase of cash and a credit facility repayment of \$1.8 million. The financial leverage ratio⁽³⁾ decreased at 2.1x compared to 2.4x at the end of the last fiscal year.
- As at June 15, 2024, the Company's working capital⁽²⁾ was \$49.5 million, down from \$54.0 million at the end of fiscal year 2023. This decrease is the result of the timing in supplier payments and an improvement in the inventory turnover rate.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12 and 24-week periods ended June 15, 2024

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Sales	161,278	164,186	(1.8)	292,478	298,109	(1.9)
Cost of goods sold	131,292	134,618	(2.5)	237,914	243,446	(2.3)
Operating expenses ⁽²⁾	20,268	20,274	0.0	39,964	39,795	0.4
Operating costs	151,560	154,892	(2.2)	277,878	283,241	(1.9)
Adjusted EBITDA⁽¹⁾	9,718	9,294	4.6	14,600	14,868	(1.8)
Adjusted EBITDA margin⁽¹⁾	6.0%	5.7%		5.0%	5.0%	

⁽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 Consolidated Sales

Consolidated sales for the second quarter of 2024 were \$161.3 million compared to \$164.2 million during the corresponding quarter of last fiscal year, representing a decrease of 1.8%.

- Distribution activities sales have increased by 0.7%, primarily as a result of a volume increase, part of which is related to the development of new territories, as well as the impact of inflation and the recent Acquisition. This growth was mitigated by a more difficult macroeconomic environment during the second quarter of 2024 directly affecting the restaurant and retail industries.

- Wholesale activities sales have declined by 8.4%, mainly as a result of a more difficult macroeconomic environment during the second quarter of 2024, as explained previously, and mitigated by the impact of inflation.

Cumulative consolidated sales for the 24-week period of 2024 were \$292.5 million compared to \$298.1 million during the corresponding period of last fiscal year, representing a decrease of 1.9%.

- Distribution activities sales have increased by 0.8%, primarily as a result of a volume increase, part of which is related to new contracts and the development of new territories, as well as the impact of inflation and the recent Acquisition. This growth was mitigated by a more difficult macroeconomic environment during the first semester of 2024 directly affecting the restaurant and retail industries.
- Wholesale activities sales have decreased by 8.9%, mainly as a result of a more difficult macroeconomic environment during the first semester of 2024, as explained previously, and mitigated by the impact of inflation.

3.1.2 Operating Costs

Consolidated operating costs for the second quarter of 2024 were \$151.6 million compared to \$154.9 million for the corresponding period of 2023, a decrease of 2.2%.

- The decrease in operating costs is mostly explained by the decrease in cost of goods sold of 2.5% in connection with the sales decrease of 1.8%, combined with an increase in gross margin in the second quarter of 2024 compared to 2023.
- Operating expenses are comparable to 2023.

Cumulative consolidated operating costs for the 24-week period of 2024 were \$277.9 million compared to \$283.2 million during the corresponding period of last year, a decrease of 1.9%.

- The decrease in operating costs is mostly explained by the decrease in cost of goods sold of 2.3% in connection with the sales decrease of 1.9%, combined with a slight increase in gross margin compared to 2023.
- The increase in operating expenses is explained by the increase in salaries and benefits in connection among other things with the rising cost of living, as well as investments to expand our territory.

3.1.3 Adjusted EBITDA

Adjusted EBITDA⁽¹⁾ for the second quarter of 2024 amounted to \$9.7 million compared to \$9.3 million in the corresponding quarter of the previous year, an increase of 4.6% and as a percentage of sales, adjusted EBITDA margin⁽¹⁾ reached 6.0% compared to 5.7% for the corresponding period of 2023. These variations are mainly explained by the improvement in the gross margin resulting from a better mix of products and customers, despite the sales decline.

Cumulative adjusted EBITDA⁽¹⁾ for the 24-week period of 2024 reached \$14.6 million compared to \$14.9 million in the corresponding semester of the previous year, a decrease of 1.8% and as a percentage of sales, adjusted EBITDA margin⁽¹⁾ remained stable at 5.0% compared to 2023. These variations were the result of a sales decrease, mitigated by lower operating expenses, as explained previously.

⁽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.

3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12 and 24-week periods ended June 15, 2024

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Depreciation of property, plant and equipment	704	1,002	(29.7)	1,420	2,008	(29.3)
Amortization of intangible assets	1,044	941	10.9	2,040	1,886	8.2
Depreciation of right-of-use assets	2,892	2,738	5.6	5,751	5,248	9.6
Depreciation and Amortization	4,640	4,681	(0.9)	9,211	9,142	0.8

For the second quarter of 2024, depreciation and amortization expense was down by 0.9%, compared to the same quarter of 2023, and is mainly explained by the decrease in property, plant and equipment depreciation, mitigated by the acquisition of intangible assets as well as the increase in depreciation of right-of-use assets following the renewal and the coming into force of new leases over the last 12 months.

For the 24-week period ended June 15, 2024, depreciation and amortization expense was up by 0.8% compared to the same period of 2023 and is mainly explained by the acquisition of intangible assets as well as the increase in the depreciation of right-of-use assets following the renewal and the coming into force of new leases over the last 12 months, mitigated by a decrease in property, plant and equipment depreciation.

3.1.5 Financial Expenses

Financial Expenses for the 12 and 24-week periods ended June 15, 2024

(in thousands of dollars, except percentages)

	12 weeks			24 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Interest on credit facility	735	590	24.6	1,405	1,066	31.8
Interest on subordinated debt	292	251	16.3	542	501	8.2
Interest on lease obligations	1,608	411	291.2	3,156	789	300.0
Other	149	131	13.7	270	269	0.4
Financial expenses	2,784	1,383	101.3	5,373	2,625	104.7

Financial expenses for the 12 and 24-week periods ended June 15, 2024 amounted to \$2.8 million and \$5.4 million respectively, compared to \$1.4 million and \$2.6 million for the corresponding periods of 2023. This increase is explained by higher lease obligations including the promises located in Saint-Bruno-de-Montarville which we took possession of towards the end of last fiscal year, higher interest rates and debt level.

3.1.6 Income Taxes

For the second quarter of 2024, income taxes expenses amounted to \$0.6 million compared to \$0.9 million during the corresponding period of 2023.

For the 24-week period ended June 15, 2024, income taxes recovery was \$0.1 million compared to an income taxes expense of \$0.7 million for the corresponding periods of 2023. The variation is essentially explained by the decrease of earnings before taxes.

3.1.7 Net Earnings (Loss)

Net Earnings (Loss) of the 12 and 24-week periods ended June 15, 2024

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

	12 weeks			24 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Net earnings (loss) from continuing operations	1,679	2,314	(27.4)	(97)	2,154	(104.5)
Net loss from discontinued operations	(20)	—	—	(20)	—	—
Net earnings (loss)	1,659	2,314	(28.3)	(117)	2,154	(105.4)
Basic and diluted net earnings (loss) per share from continuing operations	0.02	0.02	100.0	—	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	100.0	—	0.02	100.0

Net earnings from continuing operations and net earnings for the second quarter of 2024 were \$1.7 million, or \$0.02 per share, compared to \$2.3 million, or \$0.02 per share for the corresponding period of last fiscal year. The main variations in the quarter are higher financial expenses as explained previously, mitigated by an increase of adjusted EBITDA⁽¹⁾ and lower income taxes expenses. The weighted average number of basic shares outstanding during the 12-week period was 101,986,464 compared to 101,967,291 for the corresponding period of 2023.

Net loss from continuing operations and net loss for the cumulative 24-week period of 2024 were \$0.1 million, or \$0.00 per share, down from net earnings of \$2.2 million, or \$0.02 per share during the corresponding period of 2023. This decrease is a result of increased financial expenses as explained previously, combined with a decrease of EBITDA⁽¹⁾, mitigated by higher income taxes recovery. The weighted average number of basic shares outstanding during the 24-week period was 101,986,464 compared to 101,961,088 for the corresponding period of 2023.

⁽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.

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 15, 2024 \$	As at December 30, 2023 \$	Variance \$
Current assets			
Trade and other receivables	53,919	48,544	5,375
Inventories	53,622	50,730	2,892
Current assets	107,541	99,274	8,267
Current liabilities			
Trade and other payables	58,076	45,293	12,783
Working capital⁽²⁾	49,465	53,981	(4,516)

⁽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 15, 2024, the Company's working capital⁽²⁾ was \$49.5 million, down by \$4.5 million compared to the end of the last fiscal year. This decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables balance was up \$5.4 million from December 30, 2023, due to higher sales in the second quarter of 2024 compared to the end of the fourth quarter of 2023, directly in connection with the effect of seasonality.

Inventories

Inventory balance increased by \$2.9 million from December 30, 2023. This increase is explained by higher sales volume and an increase in inventory investments, among other things in anticipation of the summer season, mitigated by an improvement in inventory turnover rate.

Trade and Other Payables

The balance of trade and other payables increased by \$12.8 million from December 30, 2023, mainly due to the increase in inventories and 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 15, 2024, and their corresponding variances from the fiscal year ended December 30, 2023.

(in thousands of dollars)

	As at June 15, 2024 \$	As at December 30, 2023 \$	Variance \$
Property, Plant and Equipment	23,314	23,510	(196)
Intangible Assets	19,314	18,498	816
Right-of-use Assets	103,852	106,954	(3,102)
Deferred Tax Assets	2,979	2,118	861
Long-Term Debt	56,583	58,522	(1,939)
Lease Liabilities	111,958	110,937	1,021
Contingent Consideration	1,071	646	425
Equity Attributable to Shareholders	108,282	108,479	(197)

Property, Plant and Equipment

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

Intangible Assets

The increase in intangible assets is mainly due to the recent Acquisition for an amount of \$2.5 million, offset by amortization.

Right-of-use Assets

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

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 decrease is mainly due to the repayments of the credit facility during the period.

Lease Liabilities

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

Contingent Consideration

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

Equity Attributable to Shareholders

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

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at July 22, 2024. Refer to Note 6 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	4,144,352	
Exercisable options	2,901,852	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12 and 24-week periods ended June 15, 2024.

(in thousands of dollars)

	12 weeks		24 weeks	
	2024 \$	2023 \$	2024 \$	2023 \$
Cash flows from operating activities	4,978	11,268	16,723	12,075
Cash flows from investing activities	(612)	(2,223)	(4,282)	(3,607)
Cash flows from financing activities	(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

Operating Activities

Cash flows from operating activities amounted to \$5.0 million for the second quarter of 2024, compared to \$11.3 million for the corresponding period of 2023. This decrease is mainly due to higher utilization of working capital⁽²⁾, mitigated by the increase of the adjusted EBITDA⁽¹⁾. The higher utilization of working capital⁽²⁾ is explained by the increase in inventory investments and timing of supplier payments.

Cash flows from operating activities amounted to \$16.7 million for the 24-week period of 2024, compared to \$12.1 million for the corresponding period of 2023. This increase is mainly due to a lower utilization of working capital⁽²⁾ which is explained by the timing of supplier payments, mitigated by the increase in inventory purchases.

Investing Activities

Cash flows used in investing activities amounted to \$(0.6) million for the second quarter of 2024, compared to \$(2.2) million for the corresponding periods of 2023. The variation is mainly due to the payment of GRA purchase price balance at the amount of \$1.0 million in 2023.

⁽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.

⁽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.



Cash flows used in investing activities amounted to \$(4.3) million for the 24-week period of 2024, compared to \$(3.6) million for the corresponding period of 2023. These variations are mainly due to the acquisition of intangible assets of \$2.5 million as part of the recent Acquisition, net of a decrease in acquisitions of tangible assets and the payment of GRA purchase price balance.

Financing Activities

Cash flows used in financing activities amounted to \$(2.1) million for the second quarter of 2024, down from \$(5.1) million for the corresponding period of 2023. The variation is primarily due to an additional use of the credit facility of \$1.3 million in 2024, compared to a repayment of the credit facility of \$0.8 million in 2023, combined with a reduction in disbursements related to rental obligations.

Cash flows used by financing activities amounted to \$(8.4) million for the 24-week period of 2024, compared to \$(4.7) million for the corresponding period of 2023. The variation is primarily due to the repayment of the credit facility for \$1.8 million, compared to the additional use of \$3.3 million in 2023, mitigated by a decrease in disbursements related to rental obligations.

3.6 Capital Resources

As mentioned in section 2.1 Business Developments in 2024, the Company entered into an amended and restated senior secured credit facility during the first quarter of 2024.

As at June 15, 2024, 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 15, 2024, the available credit facility is \$24.5 million. Refer to section 8 for liquidity risk management.

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)

	2024			2023			2022	
	Q2 (12 weeks) \$	Q1 (12 weeks) \$	Q4 (16 weeks) \$	Q3 (12 weeks) \$	Q2 (12 weeks) \$	Q1 (12 weeks) \$	Q4 (17 weeks) \$	Q3 (12 weeks) \$
Sales	161,278	131,200	196,320	164,700	164,186	133,923	193,246	145,670
Adjusted EBITDA⁽¹⁾	9,718	4,882	11,652	11,034	9,294	5,574	9,855	8,894
Costs not related to current operations	23	99	787	99	2	49	107	102
Net earnings (loss) from continuing operations	1,679	(1,776)	354	3,539	2,314	(160)	1,682	2,832
Net loss from discontinued operations	(20)	—	(455)	—	—	—	(419)	—
Net earnings (loss)	1,659	(1,776)	(101)	3,539	2,314	(160)	1,263	2,832
Basic and diluted net earnings (loss) per share from continuing operations	0.02	(0.02)	—	0.03	0.02	—	0.02	0.03
Basic and diluted net earnings (loss) per share	0.02	(0.02)	—	0.03	0.02	—	0.01	0.03

Net earnings for the first quarter of each financial year are generally negatively impacted by seasonality. Fourth quarter sales of 2022 include an additional week compared to 2023. Net loss 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.

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 (loss) to which the following items are added: depreciation and amortization, costs not related to current operations, expenses for stock-based compensation plan, financial expenses and income taxes.

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



Reconciliation of Net Earnings (Loss) to Adjusted EBITDA

(in thousands of dollars)

	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net earnings (loss) from continuing operations	1,679	2,314	(97)	2,154
Income taxes (recovery)	555	854	(61)	747
Financial expenses	2,784	1,383	5,373	2,625
Operating earnings	5,018	4,551	5,215	5,526
Expenses for stock-based compensation plan	37	60	52	149
Costs not related to current operations	23	2	122	51
Depreciation and amortization	4,640	4,681	9,211	9,142
Adjusted EBITDA	9,718	9,294	14,600	14,868

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 is used to calculate the financial leverage ratio.

The following table presents the calculation of net debt:

(in thousands of dollars)

	As at June 15, 2024	As at December 30, 2023
	\$	\$
(Cash) bank indebtedness	(1,003)	2,731
Current portion of long-term debt	3,000	3,000
Long-term debt	54,000	55,750
Net debt	55,997	61,481

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 15, 2024	As at December 30, 2023
	\$	\$
Last four-quarter adjusted EBITDA	37,286	37,554
Last four-quarter lease liability payments	10,744	12,390
Financial Leverage Ratio	2.1x	2.4x

6. 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.

Risk related to bid solicitations processes

A supply agreement currently in force between Colabor and an important customer expires at the beginning of December 2024 and is currently subject to a public bid solicitations process for its renewal. We cannot predict whether Colabor's proposal in response to this invitation to tender will be accepted or whether the supply contract awarded to Colabor following this bid solicitations will be on the basis of equivalent commercial terms and conditions to those of the contract ending in December 2024.

7. 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 the 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 15, 2024. 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 15, 2024, 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.

8. 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 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 \$0.2 million 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.

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.