

COLABOR GROUP REPORTS RESULTS FOR THE SECOND QUARTER 2024

Saint-Bruno-de-Montarville, Quebec, July 24, 2024 - Colabor Group Inc. (TSX: GCL) ("Colabor" or the "Company") reports its results for the second quarter ended June 15, 2024.

Second Quarter 2024 Financial Highlights:

- Sales decreased by 1.8% to \$161.3 million, compared to \$164.2 million for the corresponding period of 2023;
- Net earnings from continuing operations were \$1.7 million compared to \$2.3 million for the corresponding period of 2023;
- Adjusted EBITDA⁽¹⁾ increased by 4.6% to \$9.7 million from \$9.3 million for the corresponding period of 2023 with an adjusted EBITDA⁽¹⁾ margin to 6.0% of sales compared to 5.7% of sales during the corresponding period of 2023;
- Cash flow from operating activities decreased to \$5.0 million compared to \$11.3 million for the second quarter of 2023;
- Net debt⁽²⁾ decreased to \$56.0 million, compared to \$61.5 million as at December 30, 2023. The leverage ratio⁽³⁾ is 2.1x as at June 15, 2024, compared to 2.4x as at December 30, 2023; and
- On March 15, 2024, the Company acquired certain assets related to foodservice activities from Beaudry & Cadrin Inc. ("the Acquisition").

Table of Second Quarter 2024 Financial Highlights:

Financial highlights (in thousands of dollars, except percentages, per share data and financial leverage ratio)	12 weeks		24 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Sales from continuing operations	161,278	164,186	292,478	298,109
Adjusted EBITDA ⁽¹⁾	9,718	9,294	14,600	14,868
Adjusted EBITDA ⁽¹⁾ margin (%)	6.0	5.7	5.0	5.0
Net earnings (loss) from continuing operations	1,679	2,314	(97)	2,154
Net earnings (loss)	1,659	2,314	(117)	2,154
Per share - basic and diluted (\$)	0.02	0.02	0.00	0.02
Cash flow from operating activities	4,978	11,268	16,723	12,075
Financial position			As at	As at
			June 15,	December 30,
			2024	2023
Net debt ⁽²⁾			55,997	61,481
Financial leverage ratio ⁽³⁾			2.1x	2.4x

⁽¹⁾ Non-IFRS measure. Refer to the table Reconciliation of Net Loss to adjusted EBITDA in MD&A 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⁾ Non-IFRS measure. Refer to MD&A 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.

⁽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 MD&A section 5 "Non-IFRS Performance Measures".

“The efforts of recent years dedicated to diversifying our clientele and penetrating new territories continue to bear fruits. Thus, the contribution of new customers and the growth in purchasing volume among certain customers of the distribution sector allowed us to gain market share and mitigate the effect of the anticipated drop in volume in our wholesale activities and headwinds currently operating in the restaurant industry. In addition, the strategic management of our customer and product mix contributed to the increase in our gross margin rate to 18.6%, compared to 18.0% during the same quarter of 2023” said Louis Frenette, President and Chief Executive Officer of Colabor.

“The sound management of our balance sheet and our ability to generate operational cash flows position us well in the current context, and allow us to continue to execute our strategic plan in a proactive and opportunistic manner,” added Pierre Blanchette, Senior Vice President and Chief Financial Officer.

Results for the Second Quarter of 2024

Consolidated sales for the second quarter were \$161.3 million, a decrease of 1.8% compared to \$164.2 million during the corresponding quarter of 2023. Sales for the distribution activities 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 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.

Adjusted EBITDA⁽¹⁾ from continuing activities was \$9.7 million or 6.0% of sales from continuing activities compared to \$9.3 million or 5.7% during 2023. These variations are mainly explained by the improvement in the gross margin resulting from a better mix of products and customers.

Net earnings from continuing operations and net earnings for the second quarter were \$1.7 million, down from \$2.3 million for the corresponding quarter of the previous year, resulting essentially from higher financial expenses, mitigated by an increase of adjusted EBITDA⁽¹⁾ and lower income taxes expenses. The increase in financial charges is a result of the increase in our rental obligations, particularly for our premises located in Saint-Bruno-de-Montarville.

Results for the 24-week period of 2024

Consolidated sales for the 24-week period were \$292.5 million compared to \$298.1 million for the corresponding period of 2023. Sales for the distribution activities grew by 0.8% and the wholesale sales declined by 8.9%.

Adjusted EBITDA⁽¹⁾ from continuing operations was \$14.6 million or 5.0% of sales from continuing operations compared to \$14.9 million or 5.0% in 2023. These variations were the result of a sales decrease, mitigated by lower operating expenses.

Net loss from continuing operations and net loss were \$0.1 million, down from net earnings of \$2.2 million in the previous fiscal year. 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.

Cash Flow and Financial Position

Cash flows from operating activities were \$5.0 million for the second quarter compared to \$11.3 million for the corresponding period of 2023. This decrease is mainly due to higher utilization of working capital⁽⁴⁾, mitigated by the increase of the adjusted EBITDA⁽¹⁾. The higher utilization of working capital⁽⁴⁾ is explained by the increase in inventory investments and timing of supplier payments. Cash flows from operating activities were \$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⁽⁴⁾ which is explained by the timing of supplier payments, mitigated by the increase in inventory purchases.

As at June 15, 2024, the Company's working capital⁽⁴⁾ was \$49.5 million, down from \$54.0 million at the end of the fiscal year 2023. This decrease is the result of the timing in supplier payments and an improvement in the inventory turnover rate.

As at June 15, 2024, the Company's net debt⁽²⁾ was down to \$56.0 million, compared to \$61.5 million at the end of the fiscal year 2023, resulting from the increase of cash and a credit facility repayment of \$1.8 million.

⁽⁴⁾ 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 MD&A section 3.2 "Financial Position" for detailed calculation.

Outlook

“Although we are currently experiencing some weaknesses in the restaurant and retail industries, as a result of the investments having been completed in our distribution platform, we will be able to act on several fronts to continue to improve our productivity and operational efficiency. We will pursue a strategy of prudent allocation of our cash flows by prioritizing debt repayment, while remaining on the lookout for investment opportunities that will maximize shareholder returns,” concluded Mr. Frenette.

Non-IFRS Performance Measures

The information provided in this release includes non-IFRS performance measures, notably adjusted earnings before financial expenses, depreciation and amortization and income taxes ("Adjusted EBITDA")⁽¹⁾. As these concepts are not defined by IFRS, they may not be comparable to those of other companies. Refer to Section 5 "Non-IFRS Performance Measures" in the Management's Discussion and Analysis.

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA ⁽¹⁾ (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⁽¹⁾	9,718	9,294	14,600	14,868

Additional Information

The Management's Discussion and Analysis and the consolidated financial statements of the Company are available on SEDAR+ (www.sedarplus.ca). Additional information, including the annual information form, about Colabor Group Inc. can also be found on SEDAR+ and on the Company's website at www.colabor.com.

Forward-Looking Statements

This press release 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 the Company's 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 the Company's 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 press release, information representing Colabor's expectations as of the date of this press release (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.

Conference Call

Colabor will hold a conference call to discuss these results on Thursday, July 25, 2024, beginning at 9:30 a.m. Eastern time. Interested parties can join the call by dialing 1-888-390-0549 (from anywhere in North America) or 1-416-764-8682. If you are unable to participate, you can listen to a recording by dialing 1-888-390-0541 or 1-416-764-8677 and entering the code 628721# on your telephone keypad. The recording will be available from 1:30 p.m. on Thursday, July 25, 2024, until 11:59 p.m. on August 1, 2024. Note that the recording will be available offline on our website at the following address: <https://colabor.com/en/investisseurs-en/evenements-et-presentations/>

You can also use the QuickConnect link: <https://emportal.ink/4boy7JA>. This new link allows any participant to access the conference call by clicking on the URL link and enter their name and phone number.

About Colabor

Colabor 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. Within its two operating activities, Colabor offers specialty food products such as meat, fish and seafood, as well as food and related products through its Broadline activities.

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