



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

Third quarter of 2024

12 and 36-week periods ended September 7, 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, comprehensive income, financial situation and cash flows for the third quarter ended September 7, 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 36-week periods ended September 7, 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.

Changes to the Board of Directors

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

On September 3, 2024 the Company announced that Mr. Jean Gattuso has tendered his resignation 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 36-week period 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		36 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Results and cash flow				
Sales from continuing operations	162,034	164,700	454,512	462,809
Net earnings from continuing operations	1,164	3,539	1,067	5,693
Adjusted EBITDA ⁽¹⁾	9,484	11,034	24,084	25,902
Cash flows from operating activities	9,904	7,969	26,627	20,044
Financial position				
			As at September 7, 2024	As at December 30, 2023
			\$	\$
Working Capital ⁽²⁾			48,205	53,981
Financial Leverage Ratio ⁽³⁾			2.6x	2.7x
Net debt ⁽⁴⁾			50,749	61,481

⁽¹⁾ Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan.

⁽²⁾ Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.

⁽³⁾ Financial leverage ratio is an indicator of the Company's ability to service its long-term debt. It is defined as net debt / adjusted EBITDA less lease liability payments and interests on lease obligations for the last four quarters. The corresponding figure for 2023 has been restated to reflect the new calculation method established for 2024. 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.

Third Quarter Highlights

- Consolidated sales of the third quarter were \$162.0 million, down of 1.6% compared to the corresponding period of 2023. Cumulative consolidated sales amounted \$454.5 million, down of 1.8%, compared to the corresponding period

of last fiscal year. This decrease is explained by a more difficult macroeconomic environment in 2024 that directly affected the restaurant and retail industries.

- Third quarter net earnings from continuing operations were \$1.2 million, down of \$2.4 million, compared to \$3.5 million for the corresponding quarter of 2023. Cumulative net earnings from continuing operations was \$1.1 million, compared to \$5.7 million in 2023. This result is explained by a decrease in adjusted EBITDA⁽¹⁾, as explained below, and 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.
- Third quarter adjusted EBITDA⁽¹⁾ from continuing operations amounted to \$9.5 million or 5.9% of sales from continuing operations compared to \$11.0 million or 6.7% of sales from continuing operations in 2023. Cumulative adjusted EBITDA⁽¹⁾ from continuing operations amounted to \$24.1 million or 5.3% of sales from continuing operations compared to \$25.9 million or 5.6% of sales from continuing operations in 2023, a decrease of 7.0%.
- Net debt⁽⁴⁾ decreased to \$50.7 million as at September 7, 2024, compared to \$61.5 million at the end of fiscal year 2023, resulting from the credit facility repayment of \$5.5 million and an increase in cash. The financial leverage ratio⁽³⁾ decreased at 2.6x compared to 2.7x at the end of the last fiscal year.
- As at September 7, 2024, the Company's working capital⁽²⁾ was \$48.2 million, down from \$54.0 million at the end of fiscal year 2023. This decrease is the result of an improvement in the inventory turnover rate and the timing in supplier payments.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12 and 36-week periods ended September 7, 2024

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Sales	162,034	164,700	(1.6)	454,512	462,809	(1.8)
Cost of goods sold	131,969	133,586	(1.2)	369,883	377,032	(1.9)
Operating expenses ⁽²⁾	20,581	20,080	2.5	60,545	59,875	1.1
Operating costs	152,550	153,666	(0.7)	430,428	436,907	(1.5)
Adjusted EBITDA⁽¹⁾	9,484	11,034	(14.0)	24,084	25,902	(7.0)
Adjusted EBITDA margin⁽¹⁾	5.9%	6.7%		5.3%	5.6%	

⁽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 third quarter of 2024 were \$162.0 million compared to \$164.7 million during the corresponding quarter of last fiscal year, representing a decrease of 1.6%.

- Distribution activities sales have increased by 1.5%, primarily as a result of a volume increase, part of which is related to the development of new territories, as well as the recent Acquisition and the impact of inflation. This growth was

mitigated by a more difficult macroeconomic environment during the third quarter of 2024 directly affecting the restaurant and retail industries.

- Wholesale activities sales have declined by 10.1%, mainly as a result of a more difficult macroeconomic environment during the third quarter of 2024, as explained previously, and mitigated by the impact of inflation.

Cumulative consolidated sales for the 36-week period of 2024 were \$454.5 million compared to \$462.8 million during the corresponding period of last fiscal year, representing a decrease of 1.8%.

- Distribution activities sales have increased by 1.0%, 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 directly affecting the restaurant and retail industries.
- Wholesale activities sales have decreased by 9.3%, mainly as a result of a more difficult macroeconomic environment, as explained previously, and mitigated by the impact of inflation.

3.1.2 Operating Costs

Consolidated operating costs for the third quarter of 2024 were \$152.6 million compared to \$153.7 million for the corresponding period of 2023, a decrease of 0.7%.

- The decrease in operating costs is mostly explained by the decrease in cost of goods sold of 1.2% in connection with the sales decrease of 1.6%, mitigated by a decrease in gross margin in the third quarter of 2024 compared to 2023.
- The increase in operating expenses is mainly explained by the increase in salaries and benefits in connection with the rising cost of living, as well as investments to expand our territory.

Cumulative consolidated operating costs for the 36-week period of 2024 were \$430.4 million compared to \$436.9 million during the corresponding period of last year, a decrease of 1.5%.

- The decrease in operating costs is mostly explained by the decrease in cost of goods sold of 1.9% in connection with the sales decrease of 1.8%, combined with an 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 third quarter of 2024 amounted to \$9.5 million compared to \$11.0 million in the corresponding quarter of the previous year, a decrease of 14.0% and as a percentage of sales, adjusted EBITDA margin⁽¹⁾ reached 5.9% compared to 6.7% for the corresponding period of 2023. These variations were the result of a sales decline and higher operating expenses.

Cumulative adjusted EBITDA⁽¹⁾ for the 36-week period of 2024 reached \$24.1 million compared to \$25.9 million in the corresponding period of the previous year, a decrease of 7.0% and as a percentage of sales, adjusted EBITDA margin⁽¹⁾ reached 5.3% compared to 5.6% in 2023. These variations were the result of a sales decrease and higher 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 36-week periods ended September 7, 2024

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Depreciation of property, plant and equipment	706	961	(26.5)	2,126	2,969	(28.4)
Amortization of intangible assets	1,043	940	11.0	3,083	2,826	9.1
Depreciation of right-of-use assets	2,975	2,799	6.3	8,726	8,047	8.4
Depreciation and Amortization	4,724	4,700	0.5	13,935	13,842	0.7

For the 12 and 36-week periods ended September 7, 2024, depreciation and amortization expense was up by 0.5% and 0.7% respectively, compared to the corresponding periods of 2023, and is mainly explained by the increase in depreciation of right-of-use assets following the renewal and new leases entered into force over the last 12 months as well as the acquisition of intangible assets, mitigated by a decrease in property, plant and equipment depreciation.

3.1.5 Financial Expenses

Financial Expenses for the 12 and 36-week periods ended September 7, 2024

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Interest on credit facility	690	569	21.3	2,095	1,635	28.1
Interest on subordinated debt	284	250	13.6	826	751	10.0
Interest on lease obligations	1,707	413	313.3	4,863	1,202	304.6
Other	142	39	264.1	412	308	33.8
Financial expenses	2,823	1,271	122.1	8,196	3,896	110.4

Financial expenses for the 12 and 36-week periods ended September 7, 2024 amounted to \$2.8 million and \$8.2 million respectively, compared to \$1.3 million and \$3.9 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 12 and 36-week periods ended September 7, 2024, income taxes expenses amounted to \$0.6 million and \$0.5 million respectively, compared to \$1.4 million and \$2.1 million during the corresponding periods of the previous year. The variation is essentially explained by the decrease of earnings before taxes.

3.1.7 Net Earnings

Net Earnings of the 12 and 36-week periods ended September 7, 2024

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

	12 weeks			36 weeks		
	2024	2023	Variance	2024	2023	Variance
	\$	\$	%	\$	\$	%
Net earnings from continuing operations	1,164	3,539	(67.1)	1,067	5,693	(81.3)
Net loss from discontinued operations	(51)	—	—	(71)	—	—
Net earnings	1,113	3,539	(68.6)	996	5,693	(82.5)
Basic and diluted net earnings per share from continuing operations	0.01	0.03	(66.7)	0.01	0.06	(83.3)
Basic and diluted net loss per share from discontinued operations	—	—	—	—	—	—
Basic and diluted net earnings per share	0.01	0.03	(66.7)	0.01	0.06	(83.3)

Net earnings from continuing operations and net earnings for the third quarter of 2024 were \$1.2 million and \$1.1 million respectively, or \$0.01 per share, compared to \$3.5 million, or \$0.03 per share for the corresponding period of last fiscal year. This variation is the result of increased financial expenses as previously explained, combined with a decreased adjusted EBITDA⁽¹⁾ and mitigated by lower income taxes expenses. The weighted average number of basic shares outstanding during the 12-week period was 101,992,245 compared to 101,986,464 for the corresponding period of 2023.

Net earnings from continuing operations and net earnings for the cumulative 36-week period of 2024 were \$1.1 million and \$1.0 million respectively, or \$0.01 per share, down from \$5.7 million, or \$0.06 per share during the corresponding period of 2023. This variation is a result of increased financial expenses as explained previously, combined with a decrease of adjusted EBITDA⁽¹⁾ and mitigated by lower income taxes expenses. The weighted average number of basic shares outstanding during the 36-week period was 101,988,391 compared to 101,969,547 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 September 7, 2024 \$	As at December 30, 2023 \$	Variance \$
Current assets			
Trade and other receivables	51,184	48,544	2,640
Inventories	49,861	50,730	(869)
Current assets	101,045	99,274	1,771
Current liabilities			
Trade and other payables	52,840	45,293	7,547
Working capital⁽²⁾	48,205	53,981	(5,776)

⁽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 September 7, 2024, the Company's working capital⁽²⁾ was \$48.2 million, down by \$5.8 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 \$2.6 million from December 30, 2023, due to higher sales towards the end of the third quarter of 2024 compared to the end of the fourth quarter of 2023.

Inventories

Inventory balance decreased by \$0.9 million from December 30, 2023. This decrease is explained by an improvement in inventory turnover rate.

Trade and Other Payables

The balance of trade and other payables increased by \$7.5 million from December 30, 2023, mainly due to the timing of supplier payments.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at September 7, 2024, and their corresponding variances from the fiscal year ended December 30, 2023.

(in thousands of dollars)

	As at September 7, 2024 \$	As at December 30, 2023 \$	Variance \$
Property, Plant and Equipment	22,882	23,510	(628)
Intangible Assets	18,277	18,498	(221)
Right-of-use Assets	105,895	106,954	(1,059)
Deferred Tax Assets	2,939	2,118	821
Long-Term Debt	52,885	58,522	(5,637)
Lease Liabilities	115,081	110,937	4,144
Contingent Consideration	1,071	646	425
Equity Attributable to Shareholders	109,344	108,479	865

Property, Plant and Equipment

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

Intangible Assets

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

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 increase in shareholders' equity is mainly due to net earnings, mitigated by 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 October 15, 2024. Refer to Notes 6, 9 and 10 of the interim condensed consolidated financial statements for further details.

(in thousands of dollars, except the number of shares and the number of stock-options)

	Number of shares / stock-options	Amount \$
Common shares		
Participating and voting common shares	102,013,442	257,076
Options on participating and voting stock		
Outstanding options	4,069,352	
Exercisable options	3,076,852	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12 and 36-week periods ended September 7, 2024.

(in thousands of dollars)

	12 weeks		36 weeks	
	2024 \$	2023 \$	2024 \$	2023 \$
Cash flows from operating activities	9,904	7,969	26,627	20,044
Cash flows from investing activities	(303)	(9,520)	(4,585)	(13,127)
Cash flows from financing activities	(8,207)	(1,067)	(16,624)	(5,782)
Net change in cash and cash equivalents from continuing operations	1,394	(2,618)	5,418	1,135
Net change in cash and cash equivalents from discontinued operations	(51)	—	(71)	—
Cash and cash equivalents (bank indebtedness) at the beginning	1,004	2,478	(3,000)	(1,275)
Cash and cash equivalents (bank indebtedness) at the end	2,347	(140)	2,347	(140)

Operating Activities

Cash flows from operating activities amounted to \$9.9 million and \$26.6 million for the 12 and 36-week periods of 2024 respectively, compared to \$8.0 million and \$20.0 million for the corresponding periods of 2023. This increase is mainly due to lower utilization of working capital⁽²⁾, mitigated by the decrease of the adjusted EBITDA⁽¹⁾. The lower utilization of working capital⁽²⁾ is explained by the improvement in the inventory turnover rate and the timing in supplier payments.

Investing Activities

Cash flows used in investing activities amounted to \$0.3 million for the third quarter of 2024, compared to \$9.5 million for the corresponding period of 2023. The variation is mainly due to a decrease in acquisitions of tangible assets.

Cash flows used in investing activities amounted to \$4.6 million for the 36-week period of 2024, compared to \$13.1 million for the corresponding period of 2023. These variations are mainly due to a decrease in acquisitions of tangible assets and the payment of GRA purchase price balance, net of the acquisition of intangible assets of \$2.5 million as part of the recent Acquisition.

⁽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.

Financing Activities

Cash flows used in financing activities amounted to \$8.2 million for the third quarter of 2024, up from \$1.1 million for the corresponding period of 2023. The variation is primarily due to a repayment of the credit facility of \$3.8 million, compared to an additional use of \$3.3 million in 2023, and an increase in financial expenses, mitigated by a decrease in disbursements related to rental obligations.

Cash flows used in financing activities amounted to \$16.6 million for the 36-week period of 2024, compared to \$5.8 million for the corresponding period of 2023. The variation is primarily due to a repayment of the credit facility of \$5.5 million, compared to the additional use of \$6.5 million in 2023, and an increase in financial expenses, 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 September 7, 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 September 7, 2024, the available credit facility is \$28.5 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	
	Q3 (12 weeks) \$	Q2 (12 weeks) \$	Q1 (12 weeks) \$	Q4 (16 weeks) \$	Q3 (12 weeks) \$	Q2 (12 weeks) \$	Q1 (12 weeks) \$	Q4 (17 weeks) \$	
Sales	162,034	161,278	131,200	196,320	164,700	164,186	133,923	193,246	
Adjusted EBITDA⁽¹⁾	9,484	9,718	4,882	11,652	11,034	9,294	5,574	9,855	
Costs not related to current operations	154	23	99	787	99	2	49	107	
Net earnings (loss) from continuing operations	1,164	1,679	(1,776)	354	3,539	2,314	(160)	1,682	
Net loss from discontinued operations	(51)	(20)	—	(455)	—	—	—	(419)	
Net earnings (loss)	1,113	1,659	(1,776)	(101)	3,539	2,314	(160)	1,263	
Basic and diluted net earnings (loss) per share from continuing operations	0.01	0.02	(0.02)	—	0.03	0.02	—	0.02	
Basic and diluted net earnings (loss) per share	0.01	0.02	(0.02)	—	0.03	0.02	—	0.01	

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.

⁽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.

5. Non-IFRS Performance Measures

This MD&A also contains information that follows non-IFRS measures of performance. Such information should not be considered in isolation or as a substitute for other IFRS performance measures, but rather as supplementary information. These measures are widely used in the financial community to evaluate the profitability of operations. They reflect the inclusion or exclusion of certain amounts that are not considered representative of the Company's recurring financial performance. Since these concepts are not defined by IFRS, they may not be comparable with those of other companies.

Adjusted EBITDA

It is a measure commonly used by management, as well as investors and analysts, that can assess of an entity's performance and capacity of generating cash flows from its current operations. Adjusted EBITDA corresponds to net earnings to which the following items are added: depreciation and amortization, costs not related to current operations, expenses for stock-based compensation plan, financial expenses and income taxes.

Reconciliation of Net Earnings to Adjusted EBITDA

(in thousands of dollars)

	12 weeks		36 weeks	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net earnings from continuing operations	1,164	3,539	1,067	5,693
Income taxes	591	1,362	530	2,109
Financial expenses	2,823	1,271	8,196	3,896
Operating earnings	4,578	6,172	9,793	11,698
Expenses for stock-based compensation plan	28	63	80	212
Costs not related to current operations	154	99	276	150
Depreciation and amortization	4,724	4,700	13,935	13,842
Adjusted EBITDA	9,484	11,034	24,084	25,902

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 September 7, 2024	As at December 30, 2023
	\$	\$
(Cash) bank indebtedness	(2,501)	2,731
Current portion of long-term debt	3,000	3,000
Long-term debt	50,250	55,750
Net debt	50,749	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 the interests on lease liabilities for the last four quarters, as presented in section 3.1.5 Financial expenses. The ratio is 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 September 7, 2024 \$	As at December 30, 2023 \$
Last four-quarter adjusted EBITDA	35,736	37,554
Last four-quarter lease liability payments	9,560	12,390
Last four-quarter lease liability interest	6,355	2,694
Financial Leverage Ratio ⁽¹⁾	2.6x	2.7x

⁽¹⁾ In 2024, 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 2023 has been restated to subtract also the lease liability interests of \$2.7 million from the adjusted EBITDA for the last four quarters for comparability.

6. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its 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 September 7, 2024. On the basis of this assessment, they have concluded that the design of ICFR and DC&P are adequate. For the 36-week period ended September 7, 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 September 7, 2024	As at December 30, 2023		
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial asset				
Current				
Derivative financial instrument	126	126	—	—
Non-current				
Derivative financial instrument	—	—	413	413
Financial liabilities				
Current				
Contingent consideration	730	730	646	646
Non-current				
Credit facility	37,958	38,250	43,629	43,750
Subordinated debt	14,927	15,000	14,893	15,000
Contingent consideration	386	386	—	—
	54,001	54,366	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 September 7, 2024, the fair value of the interest rate swap is an asset of \$0.1 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 36-week periods ended September 7, 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 36-week period ended September 7, 2024 compared to the description given in the consolidated financial statements for the year closed on December 30, 2023.