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

Third quarter of 2022

12 and 36-week periods ended September 3, 2022

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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. (the "Company" or "Colabor") discusses the Company's net earnings, comprehensive income, financial situation and cash flows for the third quarter ended September 3, 2022, 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 25, 2021, and related notes, 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.sedar.com 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 7 "Risks and Uncertainties" of this MD&A. These factors, which include the risks related to the pandemic of Covid-19 and the different underlying variants ("pandemic") as well as the possible impacts on consumers and the economy, are not intended to represent a complete list of the factors that could affect Colabor and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A, information representing Colabor's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and 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. See section 2.1 "Business Developments in 2022" for the impacts related to the pandemic.

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.sedar.com 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 2022

During the 12 and 36-week periods ended September 3, 2022, the following events have influenced the Company's general development and operations, or reflect the evolution of Colabor's transformational plan and growth.

Update on the impact of the Covid-19 pandemic on activities and results

The effects of the pandemic continues to affect the markets in which the Company and its suppliers operate and to impact customer demand, despite the reopening of restaurant dining rooms in early February and the lifting of almost all restrictions imposed by governments. It is prudent to predict that the disruptions could still persist in the coming quarters in the restaurant industry given the uncertainties surrounding new variants of the virus, new government measures, and the gradual return of workers in their workplaces and tourism, as well as the longer-term impact on the economy and supply chains, and health regulations that will apply.

The Company is not currently in a position to reliably estimate the effects of the pandemic on its future financial results, given the remaining uncertainties regarding the occurrence of new waves of the pandemic and the evolving measures taken by governments. Although the pandemic may continue to impact sales and adjusted EBITDA[1] in the coming months, Colabor does not expect a material adverse impact on its available cash. The diversification of the Company's activities, combined with the cash flow generated by operating activities, will allow Colabor to pursue its strategic plan. Our teams continue to be proactive in seizing opportunities that may arise.

Changes to the Board of Directors

On March 31, 2022, the Company announced that Mr. Robert Briscoe has tendered his resignation as director of the Company on March 30, 2022.

On June 14, 2022, the Company announced the nomination of Mr. Marc Beauchamp as director of the Company.

Business and assets acquisitions

On April 4, 2022, the Company announced the acquisition of all the shares of Le Groupe Resto-Achats Inc. and its subsidiaries ("GRA"). Refer to section 4 "Business Combination and Assets Acquisition" for further details.

On April 22, 2022, the Company completed the acquisition of certain assets from Ben Deshaies Inc. in the Outaouais and Laurentians regions ("the Assets acquisition"). Refer to section 4 "Business Combination and Assets Acquisition" for further details.

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

2.2 Development Strategies and Outlook

Colabor has as main financial objectives to increase profitability and consequently create value for its shareholders. In 2022, to achieve its objectives, the strategic plan is defined in the continuity of 2021 and is based on the following pillars:

1. Optimize profitability
    - Reposition and promote its private brands;
    - Increase specialized food distribution (meat and fish); and
    - Improve category management.
2. Develop new distribution territories in Quebec
    - Continue development in western Quebec; and
    - Seize acquisition opportunities.
3. Continue to improve our operational efficiency
    - Investment and modernization of certain distribution/division centers; and
    - Finalize the integration and centralization of certain functions.
4. Attract and retain talent
    - Improve employee engagement; and
    - Develop the employer brand.

Evolution of the 2022 Plan

During the 36-week period of 2022, in order to develop new distribution territories in Quebec, we continued to invest in our sales force in order to break into certain regions of Quebec, which until then were relatively underdeveloped by the Company. We also closed two acquisitions on April 4 and 22, 2022 which are perfectly in line with our growth plan, as mentioned previously.

Investments to improve our private label positioning continue during the 36-week period of 2022, following the official launch in September 2021 of our new private label image, which was an important step in its repositioning.

The Company started investments in the development of its employer brand to attract talents. The Company also continued to manage the impacts of the pandemic on its operations by maintaining an appropriate cost structure and optimal cash flow management.

2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**		**36 weeks**	
(in thousands of $, except financial leverage ratio)	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Results and cash flow				
Sales from continuing operations	**145,670**	131,889	**380,825**	325,990
Net earnings from continuing operations	**2,832**	2,288	**2,869**	2,917
Adjusted EBITDA[(1)]	**8,894**	7,821	**19,213**	18,340
Cash flows from operating activities	**8,757**	7,448	**19,962**	9,717
Financial position			**As at September 3, 2022**	**As at December 25, 2021**
			$	**$**
Working Capital[(2)]			**36,777**	40,770
Financial Leverage Ratio[(3)]			**1.6x**	1.9x
Net debt[(4)]			**41,360**	48,366

(1) Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA in section 6 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan.
(2) Working capital is a non-IFRS performance measure. Working capital is 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 for the last four quarters. Refer to section 6 "Non-IFRS Performance Measures".
(4) Non-IFRS measure. Refer to section 6 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash.

Third Quarter Highlights

- Consolidated sales of the third quarter were $145.7 million, up 10.4% compared to the corresponding period of 2021. Cumulative consolidated sales amounted to $380.8 million, up 16.8% compared to the corresponding period of last fiscal year. These increases are mainly due to an increase in volume given the less restrictive confinement measures in 2022 compared to 2021, the impact of inflation, the Assets acquisition and the acquisition of GRA with sales of $5.5 million and $8.5 million, respectively for the third quarter and the 36-week period.

- Third quarter net earnings from continuing operations were $2.8 million, up $0.5 million, compared to a net earnings of $2.3 million for the corresponding quarter of 2021. Cumulative net earnings from continuing operations were $2.9 million, the same as 2021. This result is explained by the increase in adjusted EBITDA[(1)], which was mitigated by the increase in costs not related to current operations and depreciation and amortization expenses.

- Third quarter adjusted EBITDA[(1)] from continuing operations amounted to $8.9 million or 6.1% of sales from continuing operations compared to $7.8 million or 5.9% of sales from continuing operations in 2021. This improvement is explained by the increase in sales and an improvement in gross margin. Cumulative adjusted EBITDA[(1)] from continuing operations amounted to $19.2 million or 5.0% of sales from continuing operations compared to $18.3 million or 5.6% of sales from continuing operations in 2021, an increase of 4.8%. This increase is due to the items mentioned above, mitigated among other things by lower subsidies obtained of $2.5 million, an increase in labor costs and other supply chain costs, in connection with the increase in inflation, as well as investments to expand our territory.

- Net debt[(4)] decreased to $41.4 million as at September 3, 2022, compared to $48.4 million at the end of fiscal year 2021, resulting from credit facility repayment of $7.3 million, of which $5.0 million as optional repayment. The financial leverage ratio[(3)] decreased at 1.6x, compared to 1.9x at the end of the last fiscal year.
- As at September 3, 2022, the Company's working capital[(2)] was $36.8 million, down from $40.8 million at the end of fiscal year 2021. This variation is explained by the receipt of the non-recurring gain which was receivable as at December 25, 2021, mitigated by the seasonality effect.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12 and 36-week periods ended September 3, 2022

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Sales	**145,670**	131,889	10.4	**380,825**	325,990	16.8
Cost of goods sold	**119,366**	109,739	8.8	**312,600**	271,134	15.3
Operating expenses[(2)]	**17,410**	14,329	21.5	**49,012**	36,516	34.2
Operating expenses	**136,776**	124,068	10.2	**361,612**	307,650	17.5
Adjusted EBITDA[(1)]	**8,894**	7,821	13.7	**19,213**	18,340	4.8
Adjusted EBITDA margin[(1)]	**6.1%**	5.9%		**5.0%**	5.6%	

[(1)] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.
[(2)] The operating expenses are adjusted to exclude the expenses related to stock-based compensation plans.

3.1.1 Segment Sales

Consolidated Sales for the 12 and 36-week periods ended September 3, 2022

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Distribution Segment	**99,863**	90,787	10.0	**260,647**	220,824	18.0
Wholesale Segment	**57,828**	52,243	10.7	**152,423**	134,669	13.2
Intersegment eliminations and others	**(12,021)**	(11,141)	(7.9)	**(32,245)**	(29,503)	(9.3)
Sales	**145,670**	131,889	10.4	**380,825**	325,990	16.8

Consolidated sales for the third quarter of 2022 were $145.7 million compared to $131.9 million during the corresponding quarter of last fiscal year, representing an increase of 10.4%.

- Distribution segment sales have increased by 10.0%, explained by a volume increase from restaurants, the impact of inflation and the Assets acquisition.

- Wholesale segment sales have increased by 10.7%, explained by the impact of inflation, mitigated by a week-long strike at our Boucherville distribution center.

- Intersegment eliminations and others increased by 7.9% resulting mainly by the increase of volume from the Distribution and Wholesale segments as explained above, mitigated by GRA sales.

Consolidated sales for the 36-week period of 2022 were $380.8 million compared to $326.0 million during the corresponding period of last fiscal year, representing a increase of 16.8%. The pandemic and the closure of restaurant dining rooms impacted 4 weeks in 2022 compared to about 24 weeks in 2021.

- Distribution segment sales have increased by 18.0%, explained by volume increase related to the restaurants clients given the less restrictive confinement measures during the 36-week period of 2022 compared to 2021, as explained above, the impact of inflation and the Assets acquisition.

- Wholesale segment sales have increased by 13.2%, resulting by volume increase, as explained above, the impact of inflation, mitigated by the partial loss of volume from a single customer.

- Intersegment eliminations and others have increased by 9.3%, mainly explained by the increase in purchases in the Distribution and Wholesale segments as described above, mitigated by GRA sales.

3.1.2 Operating Expenses

Operating Expenses for the 12 and 36-week periods ended September 3, 2022

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Distribution segment	**93,431**	85,632	9.1	**248,019**	209,345	18.5
Wholesale segment	**53,641**	47,714	12.4	**140,327**	122,719	14.3
Intersegment eliminations and others	**(10,296)**	(9,278)	(11.0)	**(26,734)**	(24,414)	(9.5)
Operating expenses(1)	**136,776**	124,068	10.2	**361,612**	307,650	17.5

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

Consolidated operating expenses for the third quarter of 2022 were $136.8 million compared to $124.1 million for the corresponding period of last fiscal year, an increase of 10.2%, mostly explained by the increase of 10.4% in sales.

- Distribution segment operating expenses have increased by 9.1% during the third quarter, mostly explained by the increase of 10.0% in sales, an increase in labor costs and other supply chain costs, in connection with the increase in inflation, mitigated by an improvement in gross margin.

- Wholesale segment operating expenses have increased by 12.4%, explained by the increase of 10.7% in sales during the third quarter of 2022, investments in the repositioning of our private brand and an increase in labor costs.

- Intersegment eliminations and others have increased by 11.0%, mainly due to an increase in intersegment sales as explained above during the third quarter of 2022 as well as charges related to GRA.

Consolidated operating expenses for the 36-week period of 2022 were $361.6 million compared to $307.7 million for the corresponding period of last fiscal year, an increase of 17.5%, mostly explained by sales increase of 16.8% and by the reduction of $2.6 million in subsidies obtained.

- Distribution segment operating expenses have increased by 18.5%, mostly explained by higher cost of goods sold and operating expenses due to sales increase of 18.0%, lower subsidies obtained of $2.0 million during the 36-week period of 2022, increase in labor costs and other supply chain costs in connection with the increase in inflation, mitigated by an improvement in gross margin.

- Wholesale segment operating expenses have increased by 14.3%, explained by higher cost of goods sold due to sales increase of 13.2%, an increase in investments for the repositioning of our private brand, as well as a decrease of $0.3 million in subsidies obtained during the 36-week period of 2022, and increase in labor costs.
- Intersegment eliminations and others have increased by 9.5%, mainly due to an increase in intersegment sales as explained above, a reduction of $0.3 million in subsidies obtained during the 36-week period of 2022 and charges related to GRA.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the 12 and 36-week periods ended September 3, 2022

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Distribution Segment	**6,432**	5,155	24.8	**12,628**	11,479	10.0
Wholesale Segment	**4,187**	4,529	(7.6)	**12,096**	11,950	1.2
Intersegment eliminations and others	**(1,725)**	(1,863)	7.4	**(5,511)**	(5,089)	(8.3)
Adjusted EBITDA[(1)]	**8,894**	7,821	13.7	**19,213**	18,340	4.8
Adjusted EBITDA margin[(1)]	**6.1%**	5.9%		**5.0%**	5.6%	

[(1)] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.

Adjusted EBITDA[(1)] for the third quarter of 2022 amounted to $8.9 million compared to $7.8 million in the corresponding quarter of the previous year, an increase of 13.7% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 6.1% compared to 5.9% for the corresponding period of 2021. These variations are mainly explained by the sales increase:

- Adjusted EBITDA[(1)] in the Distribution segment has increased by $1.3 million or 24.8%. As a percentage of sales, the adjusted EBITDA margin[(1)] stood at 6.4% compared to 5.7% in 2021. This increase is mainly due to the increase in sales of 18.0% as explained above and improvement of gross margin, mitigated by increase in labor costs and other supply chain costs.
- Adjusted EBITDA[(1)] in the Wholesale segment has decreased by $0.3 million, or 7.6% and is mainly due to an increase of 10.7% of sales as explained above, mitigated by an increase in investments for the repositioning of our private brand and the impact of a week-long strike.
- Adjusted EBITDA[(1)] from intersegment eliminations and others in the third quarter of 2022 decreased by $0.1 million or 7.4% compared to the corresponding quarter of 2021 and is mainly due to the acquisition of GRA, mitigated by sales growth.

Adjusted EBITDA[(1)] for the 36-week period of 2022 reached $19.2 million compared to $18.3 million in the corresponding period of the previous year, an increase of 4.8% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 5.0% compared to 5.6% for the corresponding period of 2021. These variations are mainly due to an increase in sales and gross margin, mitigated by a decrease in subsidies obtained of $2.6 million. Excluding the impact of subsidies obtained, the adjusted EBITDA margin[(1)] would have been 5.0% in 2022 and 4.8% in 2021 :

- Adjusted EBITDA[(1)] in the Distribution segment has increased by $1.1 million or 10.0%. As a percentage of sales, the adjusted EBITDA[(1)] margin was 4.8%, compared to 5.2% in 2021. The variation is explained by an increase in sales and an improvement of gross margin, mitigated by a decrease in subsidies obtained of $2.0 million, increase in labor costs and other supply chain costs as explained above.

- Adjusted EBITDA(1) in the Wholesale segment has increased by $0.1 million, or 1.2% and is mainly due to a sales growth, mitigated by a decrease in subsidies obtained during the 36-week period of 2022, investments for the repositioning of our private brand and an increase in labor costs.
- Adjusted EBITDA(1) from intersegment eliminations and others in the 36-week period of 2022 increased by $0.4 million or 8.3% compared to the corresponding period of 2021 and is mainly due to increase in sales, mitigated by a decrease in subsidies obtained and the acquisition of GRA.

3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12 and 36-week periods ended September 3, 2022

(in thousands of dollars, except percentages)

	12 weeks			36 weeks		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Depreciation of property, plant and equipment	**529**	516	2.5	**1,532**	1,538	(0.4)
Amortization of intangible assets	**957**	965	(0.8)	**2,792**	2,891	(3.4)
Depreciation of right-of-use assets	**2,186**	1,782	22.7	**6,290**	5,339	17.8
Depreciation and Amortization	**3,672**	3,263	12.5	**10,614**	9,768	8.7

In the third quarter of 2022, depreciation and amortization expense was up by 12.5% compared to the same period of 2021, and is mainly explained by the increase in the depreciation of right-of-use assets following the renewal of leases over the last 12 months as well as the acquisition of tangible assets.

For the 36-week period ended September 3, 2022, depreciation and amortization expense was up by 8.7% compared to the same period of 2021, and is mainly explained by the increase in the depreciation of right-of-use assets following the renewal of leases over the last 12 months, mitigated by certain tangible and intangible assets fully amortized and depreciated.

3.1.5 Financial Expenses

Financial expenses for the third quarter of 2022 amounted to $1.1 million, compared to $1.0 million for the corresponding period of 2021. This increase is due to higher interest rates despite a lower debt level.

For the 36-week period ended September 3, 2022, financial expenses amounted to $3.0 million, compared to $3.8 million for the corresponding period of 2021. This decrease is due to a lower debt level and lower interest rates following the refinancing and redemption of the debentures in 2021.

3.1.6 Income Taxes

Income tax expenses for the third quarter of 2022 and 2021 were similar at $1.1 million.

For the 36-week period ended September 3, 2022, income tax expense was $1.1 million compared to $1.5 million for the same period last year. The decrease in income tax expense is essentially explained by earnings before taxes decrease.

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

3.1.7 Net Earnings

Net earnings of the 12 and 36-week periods ended September 3, 2022

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

	12 weeks			36 weeks		
	2022 **$**	**2021** **$**	**Variance** **%**	**2022** **$**	**2021** **$**	**Variance** **%**
Net earnings from continuing operations	**2,832**	2,288	23.8	**2,869**	2,917	(1.6)
Net loss from discontinued operations	**—**	(250)	(100.0)	**(67)**	(214)	(68.7)
Net earnings	**2,832**	2,038	39.0	**2,802**	2,703	3.7
Basic and diluted net earnings per share from continuing operations	**0.03**	0.02	50.0	**0.03**	0.03	0.0
Basic and diluted net loss per share from discontinued operations	**—**	—	—	**—**	—	—
Basic and diluted net earnings per share	**0.03**	0.02	50.0	**0.03**	0.03	—

Net earnings from continuing operations for the third quarter of 2022 were $2.8 million, or $0.03 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 were the increase of the adjusted EBITDA[1] as explained previously, mitigated by higher depreciation and amortization expenses. Net earnings for the third quarter were $2.8 million, or $0.03 per share, compared to $2.0 million, or $0.02 per share for the corresponding period of 2021. The variation is explained by the facts described above. The weighted average number of basic shares outstanding during the 12-week period was 101,954,885, same as the corresponding period of 2021.

Net earnings from continuing operations for the cumulative 36-week period of 2022 were $2.9 million, or $0.03 per share, comparable to the corresponding period of 2021. Net earnings for the 36-week period of 2022 were $2.8 million, or $0.03 per share, an increase compared to $2.7 million, or $0.03 per share during the corresponding period of 2021. The variation is explained by increase of the adjusted EBITDA[1] combined with lower financial expenses and income taxes, mitigated by higher costs not related to current operations and depreciation and amortization expenses. The weighted average number of basic shares outstanding during the 36-week period was 101,954,885 compared to 101,856,430 for the corresponding period of 2021.

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

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3.2 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 3, 2022 $	As at December 25, 2021 $	Variance $
Current assets			
Trade and other receivables	**47,096**	45,745	1,351
Inventories	**40,147**	38,692	1,455
Current assets	**87,243**	84,437	2,806
Current liabilities			
Trade and other payables	**50,466**	43,667	6,799
Working capital(2)	**36,777**	40,770	(3,993)

(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 3, 2022, the Company's working capital(2) was $36.8 million, down $4.0 million compared to the end of the last fiscal year. The decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables balance were up $1.4 million from December 25, 2021, due to higher sales in the third quarter compared to the fourth quarter of 2021 explained by the effect of seasonality and the acquisition of GRA, mitigated by the receipt of the non-recurring gain which was receivable as at December 25, 2021.

Inventories

Inventory balance increased by $1.5 million from December 25, 2021. This increase is due to higher inventory levels related to a higher demand caused by an increase of sales and the seasonality effect.

Trade and Other Payables

The balance of trade and other payables increased by $6.8 million from December 25, 2021, mainly due to increase in inventories, the effect of seasonality, the delay in supplier payments and the acquisition of GRA.

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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 3, 2022, and their corresponding variances from the fiscal year ended December 25, 2021.

(in thousands of dollars)

	As at September 3, 2022 $	As at December 25, 2021 $	Variance $
Property, Plant and Equipment	**6,270**	5,568	702
Intangible Assets	**23,122**	22,855	267
Right-of-use Assets	**37,730**	33,471	4,259
Goodwill	**73,344**	70,813	2,531
Deferred Tax Assets	**3,424**	4,775	(1,351)
Long-Term Debt	**42,833**	49,989	(7,156)
Lease Liabilities	**39,863**	35,299	4,564
Pension Obligations	**2,055**	2,658	(603)
Contingent consideration	**1,351**	—	1,351
Deferred Tax Liabilities	**613**	19	594
Equity Attributable to Shareholders	**101,586**	97,590	3,996

Property, Plant and Equipment

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

Intangible Assets

The increase in intangible assets is mainly due to the acquisition of GRA and the Assets acquisition, as explained in section 4 "Business Combination and Assets Acquisition", mitigated by amortization.

Right-of-use Assets

The increase in right-of-use assets is mainly due to the renewal of leases mitigated by depreciation.

Goodwill

The increase in goodwill is due to the acquisition of GRA during the period.

Deferred Tax Assets

The decrease in deferred tax assets comes mainly from the reversal of tax attributes during the period.

Long-Term Debt

Long-term debt reduction is mainly due to the increase in cash flow from operating activities, which were used to repay the credit facility for an amount of $7.3 million during the period.

Lease Liabilities

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

Pension obligations

The Company has approved the full wind up of the defined benefit pension plan as of May 31, 2021. The process for winding up the plan is expected to be completed in 2022 and the obligations will be reimbursed at the same time.

Contingent consideration

The increase in contingent consideration comes mainly from the acquisition of GRA.

Deferred Tax Liabilities

The increase in deferred tax assets comes mainly from the acquisition of GRA.

Equity Attributable to Shareholders

The increase in shareholders' equity is mainly due to net earnings and other comprehensive income for the fiscal year.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at October 11, 2022. Refer to Notes 8 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	101,954,885	257,008
Options on participating and voting stock		
Outstanding options	5,198,982	
Exercisable options	2,212,732	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12 and 36-week periods ended September 3, 2022.

(in thousands of dollars)

	12 weeks		36 weeks	
	2022 $	2021 $	2022 $	2021 $
Cash flows from operating activities	**8,757**	7,448	**19,962**	9,717
Cash flows from investing activities	**(649)**	(659)	**(4,002)**	(1,270)
Cash flows from financing activities	**(7,559)**	(6,650)	**(15,427)**	(16,620)
Net change in cash and cash equivalents from continuing operations	**549**	139	**533**	(8,173)
Net change in cash and cash equivalents from discontinued operations	—	36	**(8)**	(169)
Cash and cash equivalents at the beginning	**1,982**	677	**2,006**	9,194
Cash and cash equivalents at the end	**2,531**	852	**2,531**	852

Operating Activities

Cash flows from operating activities amounted to $8.8 million and $20.0 million for the 12 and 36-week periods of 2022, respectively, compared to $7.4 million and $9.7 million for the corresponding periods of 2021. This increase is mainly due to lower utilization of working capital[2] and higher adjusted EBITDA[1]. The lower utilization of working capital[2] is explained by the receipt of the non-recurring gain which was receivable as at December 25, 2021 and by a higher collection of receivables in 2022 in connection with the increase in sales in the fourth quarter of 2021.

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

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

Investing Activities

Cash flows used in investing activities amounted to \$(0.6) million and \$(4.0) million for the 12 and 36-week periods of 2022 respectively, compared to \$(0.7) million and \$(1.3) million for the corresponding periods of 2021. The variations are mainly due to the acquisition of GRA for a net amount of \$1.5 million and higher property, plant and equipment and intangibles acquisitions.

Financing Activities

Cash flows used in financing activities amounted to \$(7.6) million for the 12-week period of 2022, up from \$(6.7) million for the corresponding period of 2021. The variation is primarily due to repayment of an additional \$1.0 million of the revolving loan. Cash flows used by financing activities amounted to \$(15.4) million for the 36-week period of 2022, compared to \$(16.6) million for the corresponding period of 2021. The change is primarily due to the items mentioned above, in addition to a repayment of \$2.5 million of the credit facility, compared to a use of \$43.0 million for the redemption of the debentures for \$49.3 million, and an additional \$3.0 million borrowing of subordinated debt in the corresponding period of 2021.

3.6 Capital Resources

As at September 3, 2022, 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 3, 2022, the available credit facility is \$47.0 million. Refer to section 11 for liquidity risk management.

4. Business Combination and Assets Acquisition

A) Acquisition of Le Groupe Resto-Achats Inc.

On April 4, 2022, the Company acquired all of the shares of Le Groupe Resto-Achats Inc. and its subsidiaries for an amount of \$4.5 million, of which \$2.0 million was payable at the closing date, \$1.0 million is payable on April 4, 2023 and \$1.5 million in contingent consideration based on the achievement of certain income thresholds. The contingent consideration is payable in two equal installments of \$0.8 million in the fourth quarters of 2023 and 2024. Working capital adjustments will also be payable in the next fiscal year and are estimated at a payable amount of \$0.6 million.

Founded in 2008 and with offices in Quebec City, GRA is a major purchasing group for independent restaurants and seniors' residences located primarily in eastern Quebec. With more than 200 active members, GRA provides access to group business terms for food supply and other services related to restaurants.

The preliminary purchase price allocation was determined as follows:

	Fair value $
Cash	539
Trades and other receivables [(i)]	2,674
Other current assets	14
Property, plant and equipment	51
Intangible assets	2,352
Trade and other payables	(2,652)
Deferred tax liabilities	(623)
Total identifiable net assets acquired	2,355
Goodwill [(ii)]	2,531
Net assets acquired	4,886
Cash	2,000
Purchase price balance [(iii)]	1,559
Contingent consideration [(iii)]	1,327
Total consideration transferred	4,886

[(i)] The gross contractual amount of trade and other receivables amounts to $2.7 million at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

[(ii)] Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is not expected to be deductible for tax purposes.

[(iii)] The purchase price balance and contingent consideration correspond to the present value of the amounts described above. The purchase price balance is included in Other current liabilities in the interim condensed consolidated statement of financial position.

Purchase price allocation is preliminary and will be finalized by the end of the fiscal year. Management is currently finalizing its valuation of the assets acquired and liabilities assumed.

Business acquisition-related costs are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

The acquired company has contributed a total of $2.6 million to the Company's sales and $0.1 million to net earnings for the period between the date of acquisition and the end of the quarter. If the acquisition had occurred on December 26, 2021, management estimates that additional sales would have been $3.4 million and additional net earnings would have been $0.2 million.

B) Acquisition of Ben Deshaies Inc. assets

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

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5. Summary of Recent Quarters

The following table presents a summary of results for the last eight quarters:

(in thousands of dollars, except per share data)

	2022			2021				2020
	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (16 weeks) $
Sales	**145,670**	137,986	97,169	150,452	131,889	108,290	85,811	133,317
Adjusted EBITDA[(1)]	**8,894**	8,006	2,313	7,080	7,821	6,671	3,848	7,459
Costs (income) not related to current operations	**102**	831	314	(3,998)	75	64	91	344
Net earnings (loss) from continuing operations	**2,832**	1,690	(1,653)	5,336	2,288	1,640	(1,011)	620
Net earnings (loss) from discontinued operations	**—**	(14)	(53)	(197)	(250)	52	(16)	191
Net earnings (loss)	**2,832**	1,676	(1,706)	5,139	2,038	1,692	(1,027)	811
Basic and diluted net earnings (loss) per share from continuing operations	**0.03**	0.02	(0.02)	0.05	0.02	0.02	(0.01)	0.01
Basic and diluted net earnings (loss) per share	**0.03**	0.02	(0.02)	0.05	0.02	0.02	(0.01)	0.01

Sales for the last eight quarters have been impacted by different factors, such as the pandemic from the second quarter of fiscal year 2020. Net earnings for the first quarter of each financial year are generally negatively impacted by seasonality. Net earnings for the fourth quarter of 2021 were positively impacted by costs (income) not related to current operations.

6. Non-IFRS Performance Measures

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

Adjusted EBITDA

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

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

Reconciliation of Net Earnings to Adjusted EBITDA

(in thousands of dollars)

	12 weeks		36 weeks	
	2022	2021	2022	2021
	$	$	$	$
Net earnings from continuing operations	**2,832**	2,288	**2,869**	2,917
Income taxes	**1,097**	1,130	**1,140**	1,454
Financial expenses	**1,080**	984	**3,030**	3,823
Operating earnings	**5,009**	4,402	**7,039**	8,194
Expenses for stock-based compensation plan	**111**	81	**313**	148
Costs not related to current operations	**102**	75	**1,247**	230
Depreciation and amortization	**3,672**	3,263	**10,614**	9,768
Adjusted EBITDA	**8,894**	7,821	**19,213**	18,340

Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash as presented in Colabor's consolidated statements of financial position. The measure is used by investors and to calculate the financial leverage ratio.

The following table presents the calculation of net debt:

(in thousands of dollars)

	As at September 3, 2022	As at December 25, 2021
	$	$
Cash	**(1,890)**	(2,134)
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**40,250**	47,500
Net debt	**41,360**	48,366

Financial Leverage Ratio

The financial leverage ratio is defined as net debt divided by adjusted EBITDA from continuing operations for the last four quarters and used by management to assess its ability to borrow capital. Refer to the table in section 5 "Summary of Recent Quarters".

7. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its February 25, 2022, Annual Information Form (the "AIF"), which may be viewed on the SEDAR website at www.sedar.com and on the Company's website at www.colabor.com. The risks described in the AIF are incorporated by reference in this MD&A.

8. Significant Estimates and Judgments

The preparation of the financial statements requires the management of the Company to undertake some judgments and estimates about the recognition and measurement of the assets, liabilities, revenues and expenses which are based on the facts and information that are available to management. Because of the pandemic, management has revised its judgments and estimates as part of the preparation of its interim condensed consolidated financial statements and concluded that there was no significant change as of September 3, 2022, compared to December 25, 2021.

9. Internal Controls Over Financial Reporting

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that the financial statements it releases to the public are prepared in accordance with IFRS.

The President and CEO as well as Senior Vice President and Chief Financial Officer have assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design of ICFR and DC&P as at September 3, 2022. 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 3, 2022, 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.

10. New Accounting Policies

Standards issued but not yet in effect

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

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

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

In May 2021, the IASB amended IAS 12, Income Taxes, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

11. 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 3, 2022		As at December 25, 2021
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial asset				
Non-current				
Derivative financial instrument	**741**	**741**	145	145
Financial liabilities				
Current				
Purchase price balance	**1,577**	**1,577**	—	—
Non-current				
Credit facility	**28,000**	**28,250**	35,185	35,500
Subordinated debt	**14,833**	**15,000**	14,804	15,000
Contingent consideration	**1,351**	**1,351**	—	—
	45,761	**46,178**	49,989	50,500

The fair value of the interest rate swap entered in April 2021 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 3, 2022, the fair value of the interest rate swap is an asset of $0.7 million and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

The fair values of purchase price balance and contingent consideration were determined by discounting future cash flows at the Company's marginal borrowing rate.

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 25, 2021), 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 fair values are the same as those described in the consolidated financial statements for the year ended December 25, 2021.

As at September 3, 2022, the Company has classified the fair value measurement of the contingent consideration as Level 3.

There was no transfer between the levels during the 12 and 36-week periods ended September 3, 2022.

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 3, 2022 compared to the description given in the consolidated financial statements for the year closed on December 25, 2021.

13. Subsequent Event

On September 29, 2022, the Company announced the future relocation of its head office and warehouse located in Boucherville by the end of 2023 and the conclusion of a lease for a period of 20 years and 6 months, expiring on September 30, 2044. The new industrial premises will be more modern, better located for operations, and will offer a stimulating work environment, ideal for the well-being of employees.