



Interim condensed consolidated Financial Statements
(unaudited)

Third quarter of 2023

12 and 36-week periods ended September 9, 2023

(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12 and 36-week periods ended September 9, 2023.

Interim Condensed Consolidated Statements of Earnings

(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

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

	Notes	12 weeks		36 weeks	
		2023	2022	2023	2022
		\$	\$	\$	\$
Sales	3	164,700	145,670	462,809	380,825
Cost of goods sold		133,586	119,366	377,032	312,600
Gross margin		31,114	26,304	85,777	68,225
Operating expenses	4	20,143	17,521	60,087	49,325
Depreciation and amortization	5	4,700	3,672	13,842	10,614
Costs not related to current operations	6	99	102	150	1,247
Operating earnings		6,172	5,009	11,698	7,039
Financial expenses		1,271	1,080	3,896	3,030
Earnings before taxes		4,901	3,929	7,802	4,009
Income taxes		1,362	1,097	2,109	1,140
Net earnings from continuing operations		3,539	2,832	5,693	2,869
Net loss from discontinued operations		—	—	—	(67)
Net earnings		3,539	2,832	5,693	2,802
Basic and diluted net earnings per share from continuing operations	7	0.03	0.03	0.06	0.03
Basic and diluted net loss per share from discontinued operations	7	—	—	—	—
Basic and diluted net earnings per share	7	0.03	0.03	0.06	0.03

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

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

(in thousands of Canadian dollars)

	Notes	12 weeks		36 weeks	
		2023	2022	2023	2022
		\$	\$	\$	\$
Net earnings from continuing operations		3,539	2,832	5,693	2,869
Other comprehensive income (loss) that will be subsequently reclassified to earnings:					
Changes in fair value of interest rate swap designated as cash flow hedge	11	(86)	15	(110)	596
Income taxes		23	(4)	29	(158)
Other comprehensive (loss) income from continuing operations		(63)	11	(81)	438
Comprehensive income from continuing operations		3,476	2,843	5,612	3,307
Net loss from discontinued operations		—	—	—	(67)
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:					
Remeasurement of defined benefit pension obligation		111	70	7	603
Income taxes		(30)	(19)	(2)	(160)
Other comprehensive income from discontinued operations		81	51	5	443
Comprehensive income from discontinued operations		81	51	5	376
Comprehensive income		3,557	2,894	5,617	3,683

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

For the 36-week periods ended September 9, 2023 and September 3, 2022

(in thousands of Canadian dollars)

	Notes	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total equity \$
Balance as at December 31, 2022		257,008	6,508	(161,166)	544	102,894
Net earnings		—	—	5,693	—	5,693
Other comprehensive income (loss)		—	—	5	(81)	(76)
Comprehensive income (loss)		—	—	5,698	(81)	5,617
Stock-based compensation	10	—	212	—	—	212
Stock options exercised	9, 10	46	(46)	—	—	—
Balance as at September 9, 2023		257,054	6,674	(155,468)	463	108,723

	Note	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total equity \$
Balance as at December 25, 2021		257,008	6,033	(165,558)	107	97,590
Net earnings		—	—	2,802	—	2,802
Other comprehensive income		—	—	443	438	881
Comprehensive income		—	—	3,245	438	3,683
Stock-based compensation	10	—	313	—	—	313
Balance as at September 3, 2022		257,008	6,346	(162,313)	545	101,586

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

(in thousands of Canadian dollars)

	Notes	12 weeks		36 weeks	
		2023	2022	2023	2022
		\$	\$	\$	\$
Cash flows from operating activities					
Net earnings from continuing operations		3,539	2,832	5,693	2,869
Non-cash items					
Deferred income taxes		546	1,116	350	1,029
Depreciation and amortization	5	4,700	3,672	13,842	10,614
Financial expenses		1,271	1,080	3,896	3,030
Other		62	112	211	268
		10,118	8,812	23,992	17,810
Net changes in working capital		(2,149)	(55)	(3,948)	2,152
		7,969	8,757	20,044	19,962
Cash flows from investing activities					
Acquisitions of property, plant and equipment		(9,071)	(677)	(11,578)	(2,184)
Proceeds on disposals of property, plant and equipment		—	—	—	46
Acquisitions of intangible assets		(171)	(73)	(511)	(707)
Business acquisition, net of cash acquired		—	—	(1,000)	(1,461)
Other		(278)	101	(38)	304
		(9,520)	(649)	(13,127)	(4,002)
Cash flows from financing activities					
Net change in the credit facility	8	3,250	(4,750)	6,500	(7,250)
Lease liability payments		(2,971)	(1,730)	(8,474)	(5,225)
Financing cost paid		(5)	—	(5)	(9)
Financial expenses paid		(1,341)	(1,079)	(3,803)	(2,943)
		(1,067)	(7,559)	(5,782)	(15,427)
Net change in cash and cash equivalents from continuing operations		(2,618)	549	1,135	533
Net change in cash and cash equivalents from discontinued operations		—	—	—	(8)
Cash and cash equivalents (bank indebtedness) at the beginning		2,478	1,982	(1,275)	2,006
(Bank indebtedness) cash and cash equivalents at the end		(140)	2,531	(140)	2,531

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

Interim Condensed Consolidated Statements of Financial Position
(unaudited)
(in thousands of Canadian dollars)

		As at September 9, 2023	As at December 31, 2022
	Notes	\$	\$
Assets			
Current assets			
Trade and other receivables		52,886	45,776
Inventories		47,822	45,084
Other		2,438	1,920
		103,146	92,780
Non-current assets			
Property, plant and equipment		16,856	8,247
Intangible assets		19,764	22,079
Right-of-use assets		39,032	38,057
Goodwill		73,072	73,072
Deferred tax assets		2,616	3,026
Other		2,803	3,430
		154,143	147,911
Total assets		257,289	240,691
Liabilities			
Current liabilities			
Bank indebtedness		140	1,275
Trade and other payables		48,537	42,060
Current portion of long-term debt	8	3,000	3,000
Current portion of lease liabilities		9,828	11,977
Other		244	1,448
		61,749	59,760
Non-current liabilities			
Long-term debt	8	49,975	43,375
Lease liabilities		32,600	30,480
Pension obligations		2,272	2,279
Contingent consideration		1,342	1,188
Deferred tax liabilities		628	715
		86,817	78,037
Total liabilities		148,566	137,797
Equity			
Equity attributable to shareholders		108,723	102,894
Total liabilities and equity		257,289	240,691

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

1 Nature of operations

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

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Company's shares are listed on the Toronto Stock Exchange under the symbol GCL.

2 Material accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 31, 2022, except for the new accounting policies adopted as described below. The accounting policies have been applied consistently for all the periods presented.

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

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

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on October 18, 2023. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

Changes to accounting standards adopted during fiscal 2023

On January 1, 2023, the Corporation adopted the following new standards and interpretations which did not have an impact on these unaudited condensed interim consolidated financial statements:

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. The Company adopted the amendments on January 1, 2023, with no impact to the interim condensed consolidated financial statements.

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. The Company adopted the amendments on January 1, 2023, with no impact to the interim condensed consolidated financial statements.

3 Operating segments

The Company has two reportable segments: Distribution and Wholesale. These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

The Distribution segment's operations include the distribution of food products and related products in hotels, restaurants and institutions ("HRI") and retail market. In that segment, the Company distributes specialized products such as meat, fish and sea food ("Specialty Distribution") as well as general food-related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

The Wholesale segment's operations include the sale of general food-related products to distributors from its distribution center in Boucherville.

The Company and its chief operating decision maker are assessing the performance of each segment based on adjusted EBITDA, which corresponds to sales minus cost of goods sold and operating expenses from current operations. The other expenses are recorded on a consolidated basis, therefore they are not considered in the adjusted EBITDA. Inter-segment eliminations and others eliminate all inter-segment transactions included in the operating earnings for each segment and include headquarters' and Le Groupe Resto-Achats Inc.'s operations. Transactions between segments are recorded at a value agreed upon by both parties.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

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

	12 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		2023	Total 2022
	2023	2022	2023	2022	2023	2022		
	\$	\$	\$	\$	\$	\$	\$	\$
Segment sales	120,214	99,863	52,875	57,828	(8,389)	(12,021)	164,700	145,670
Operating expenses	112,156	93,431	47,936	53,641	(6,426)	(10,296)	153,666	136,776
Adjusted EBITDA	8,058	6,432	4,939	4,187	(1,963)	(1,725)	11,034	8,894

	36 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		2023	Total 2022
	2023	2022	2023	2022	2023	2022		
	\$	\$	\$	\$	\$	\$	\$	\$
Segment sales	335,573	260,647	157,560	152,423	(30,324)	(32,245)	462,809	380,825
Operating expenses	317,047	248,019	143,918	140,327	(24,058)	(26,734)	436,907	361,612
Adjusted EBITDA	18,526	12,628	13,642	12,096	(6,266)	(5,511)	25,902	19,213

The following table presents a reconciliation of the Company's operating segments results with key financial figures presented in its consolidated financial statements:

	Notes	12 weeks		36 weeks	
		2023	2022	2023	2022
		\$	\$	\$	\$
Net earnings from continuing operations		3,539	2,832	5,693	2,869
Income taxes		1,362	1,097	2,109	1,140
Financial expenses		1,271	1,080	3,896	3,030
Operating earnings		6,172	5,009	11,698	7,039
Expenses for stock-based compensation plan	10	63	111	212	313
Costs not related to current operations	6	99	102	150	1,247
Depreciation and amortization	5	4,700	3,672	13,842	10,614
Adjusted EBITDA		11,034	8,894	25,902	19,213

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

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

4 Operating expenses

	Note	12 weeks		36 weeks	
		2023	2022	2023	2022
		\$	\$	\$	\$
Employee compensation	10	13,767	12,025	41,107	35,094
Service contracts and variable portion related to lease contracts		971	818	3,152	2,298
Repair and maintenance		997	771	2,804	2,115
Utilities		950	1,220	2,938	3,596
Other expenses		3,458	2,687	10,086	6,222
		20,143	17,521	60,087	49,325

5 Depreciation and amortization

	12 weeks		36 weeks	
	2023	2022	2023	2022
	\$	\$	\$	\$
Depreciation of property, plant and equipment	961	529	2,969	1,532
Amortization of intangible assets	940	957	2,826	2,792
Depreciation of right-of-use assets	2,799	2,186	8,047	6,290
	4,700	3,672	13,842	10,614

6 Costs not related to current operations

Costs not related to current operations related to continuing operations represent legal fees and other charges related to non-current activities and acquisitions.

7 Per share data

Earnings per share

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

	12 weeks		36 weeks	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net earnings from continuing operations	3,539	2,832	5,693	2,869
Net loss from discontinued operations	—	—	—	(67)
Net earnings	3,539	2,832	5,693	2,802
Weighted average number of basic outstanding shares	101,986,464	101,954,885	101,969,547	101,954,885
Effect of dilutive stock options	570,045	438,891	480,832	454,530
Weighted average number of diluted outstanding shares	102,556,509	102,393,776	102,450,379	102,409,415
Basic and diluted net earnings per share from continuing operations	0.03	0.03	0.06	0.03
Basic and diluted net loss per share from discontinued operations	—	—	—	—
Basic and diluted net earnings per share	0.03	0.03	0.06	0.03

As at September 9, 2023, 4,053,937 and 4,143,150 stock options (4,760,091 and 4,744,452 stock options in 2022) were not included in the calculation of diluted earnings per share for the 12 and 36-week periods because of their non-dilutive effect.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited)

For the 12 and 36-week periods ended September 9, 2023 and September 3, 2022

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

8 Long-term debt

	As at September 9, 2023 \$	As at December 31, 2022 \$
Credit facility		
Term loan	23,250	24,750
Revolving credit	15,000	7,000
Subordinated debts	15,000	15,000
Less unamortized financing costs	(275)	(375)
Total debt	52,975	46,375
Current portion of long-term debt	3,000	3,000
Total long-term debt	49,975	43,375

As at September 9, 2023, the availability under the credit facility is \$33,986 and the Company was in compliance with all of its bank covenants.

9 Share-capital

Authorized

Unlimited number of participating, voting common shares without par value

Unlimited number of preferred shares that may be issued in series, whose designation, rights, restrictions and conditions related to each series shall be established at their time of issue

Issued and fully paid common shares

	Number	As at September 9, 2023 Amount \$	Number	As at September 3, 2022 Amount \$
Outstanding, beginning of the period	101,954,885	257,008	101,954,885	257,008
Issued during the period	31,579	46	—	—
Outstanding, end of the period	101,986,464	257,054	101,954,885	257,008

There were no outstanding preferred shares during the periods covered.

On May 15, 2023, 31,579 common shares were issued and an amount of \$46 was transferred from contributed surplus to share capital as part of conversion of stock-option.

10 Employee compensation

Stock-based compensation

Stock option plan

During the 12 and 36-week periods ended September 9, 2023, the Company granted none and 150,000 stock options of the Company's common shares (none and 1,150,000 during the corresponding periods of 2022). The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following assumptions during the 36-week period ended September 9, 2023 and September 3, 2022:

	36-week period ended September 9, 2023	36-week period ended September 3, 2022
Weighted average fair value of the options	\$0.34	\$0.33
Risk-free interest rate	3.59%	2.75%
Expected volatility of shares	57%	62%
Expected annual dividend	—	—
Expected term	5.5 years	4.4 years
Share price at date of grant	\$0.77	\$0.87
Exercise price at date of grant	\$0.77	\$0.99

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

	36 weeks			
	Number of options	2023 Weighted average exercise price \$	Number of options	2022 Weighted average exercise price \$
Outstanding, beginning of the period	4,698,982	0.94	4,173,982	0.92
Granted	150,000	0.77	1,150,000	1.00
Exercised	(150,000)	0.60	—	—
Forfeiture	(56,250)	1.00	(15,000)	1.00
Expired	(18,750)	1.00	(110,000)	1.04
Outstanding, end of the period	4,623,982	0.94	5,198,982	0.93
Exercisable options	2,588,982	0.93	2,212,732	0.91

Forfeited stock options have generated an employee compensation charge reversal of \$7 during the 36-week period ended September 9, 2023 (\$1 in 2022).

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:

	As at September 9, 2023		As at December 31, 2022	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial asset				
Non-current				
Derivative financial instrument	630	630	740	740
Financial liabilities				
Current				
Purchase price balance	—	—	993	1,000
Non-current				
Credit facility	38,097	38,250	31,531	31,750
Subordinated debt	14,878	15,000	14,844	15,000
Contingent consideration	1,342	1,342	1,188	1,188
	54,317	54,592	48,556	48,938

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 9, 2023, the fair value of the interest rate swap is an asset of \$630 and is accounted for under Other in the non-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.

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 31, 2022), the current rate of subordinated debt.

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

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 31, 2022.

There was no transfer between the levels during the 12 and 36-week periods ended September 9, 2023.

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 9, 2023 compared to the description given in the consolidated financial statements for the year closed on December 31, 2022.