



**PRESS RELEASE
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COLABOR GROUP REPORTS RESULTS FOR THE SECOND QUARTER 2020

Boucherville, Quebec, July 24, 2020 - Colabor Group Inc. (TSX: GCL, GCL.DB.A) (“Colabor” or the “Company”) reports its results for the second quarter and the 24-week period ended June 13, 2020.

Second Quarter 2020 Financial Highlights:

- Sales declined to \$95.5 million, compared to \$180.7 million for the corresponding period of 2019, mainly explained by the effects of the pandemic, non-renewal of less-profitable contracts in Broadline activities distribution and by the termination of a contract in Specialized distribution activities;
- Net earnings from continuing operations declined to \$1.6 million compared to \$2.9 million for the corresponding period of 2019;
- Sales from continuing operations of \$95.5 million and adjusted EBITDA⁽¹⁾ of \$7.6 million are above expectations compared to forecast sales and adjusted EBITDA⁽¹⁾ of between \$80 to 90 million and \$5 to 6 million, respectively;
- Net debt⁽²⁾ decreased to \$63.0 million, compared to \$68.2 million as at December 28, 2019, bringing the financial leverage ratio⁽³⁾ to 2.3x as at June 13, 2020 (or 2.6x excluding IFRS 16 adoption), compared to 2.5x as at December 28, 2019;
- Closing of the sale of the majority of the assets of the Summit division for a value of \$9.4 million, subject to certain adjustments, of which \$7.7 million was received at closing; and
- Extension of the maturities of the credit facility in October 2021 and of the subordinated debt in February 2022.

Table of second quarter Financial Highlights:

Financial highlights (in thousands of dollars except percentages, per share data and financial leverage ratio)	12 weeks		24 weeks	
	2020	2019	2020	2019
	\$	\$	\$	\$
Sales from continuing operations	95,458	180,713	207,071	307,256
Adjusted EBITDA ⁽¹⁾	7,613	8,713	11,311	10,975
Adjusted EBITDA ⁽¹⁾ margin (%)	8.0	4.8	5.5	3.6
Net earnings (loss) from continuing operations	1,608	2,934	(263)	1,875
Net earnings (loss)	(2,882)	9,039	(11,212)	6,305
Per share - basic and diluted (\$)	(0.03)	0.09	(0.11)	0.06
Cash flow from operating activities	3,217	1,198	8,830	4,985
Financial position			As at	As at
			June 13,	December 28,
			2020	2019
Net debt ⁽²⁾			62,969	68,155
Financial leverage ratio ⁽³⁾			2.3x	2.5x

⁽¹⁾ Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA and to MD&A section 6 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net earnings before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan. The adjusted EBITDA for 2019 has not been modified to reflect the impact of IFRS 16 adoption.

⁽²⁾ Non-IFRS measure. Refer to MD&A section 6 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt, long-term debt and convertible debentures net of cash.

⁽³⁾ Financial leverage ratio is an indicator of the Company's ability to service its long-term debt. It is defined as net debt / adjusted EBITDA for the last twelve months. Refer to MD&A section 6 "Non-IFRS Performance Measures".

“The second quarter was marked by the pandemic resulting in almost complete containment of all sectors of the economy with repercussions on our sales. The various measures, quickly implemented by Colabor, have made it possible to achieve financial results above our expectations.”

“The Company expects to continue to experience certain repercussions in the coming months given the gradual resumption of activities. However, the closing of the sale of the majority of the activities of our Summit division and the extension of the maturity dates of the credit facility and the subordinated debt during the second quarter will allow us to meet the potential needs for additional liquidity resulting from the pandemic, while remaining proactive about any opportunities that may arise.” commented Louis Frenette.

“Given the impact of this pandemic, we are really satisfied with the second quarter results, the cash flow generated, as well as the low level of debt,” concluded Mr. Frenette.

Results for the Second Quarter of 2020

Consolidated sales for the second quarter amounted to \$95.5 million compared to \$180.7 million during the corresponding quarter of 2019, a decrease of 47.2%. Sales for the Distribution segment decreased by 56.4% due to the Specialized distribution activities for an amount of \$50.5 million explained by the termination of a contract for an amount of \$40.0 million and a decrease in volume due to the pandemic. Québec Broadline Distribution sales have decreased by \$27.6 million, and essentially stemming from a volume decrease related to the pandemic for our restaurant and institutional clients and the decision to cease serving less-profitable contracts during the last quarter of 2019 for an amount of \$6.3 million partially compensated by a volume increase for retail clients. Wholesale segment sales decreased by 24.0%, due to a volume decrease from the pandemic and lower intersegment sales.

Adjusted EBITDA⁽¹⁾ from continuing activities reached \$7.6 million or 8.0% of sales from continuing activities compared to \$8.7 million or 4.8%, a decrease of 12.6%. The improvement, as a percentage of sales, is mainly explained by the adoption of IFRS 16, an improvement in the gross margin, the decrease in salaries resulting from the measures taken during the pandemic and the Canada Emergency Wage Subsidy ("CEWS") of \$4.4 million, mitigated by the impact of the sales decline related to the pandemic and by the unfavorable effect of the provisions reversal from favorable CNESST settlements totaling \$0.4 million in the corresponding period of 2019.

Net earnings from continuing operations were \$1.6 million, a decrease of 45.2% compared to \$2.9 million for the corresponding quarter of 2019 resulting essentially from the decrease in adjusted EBITDA⁽¹⁾, the increase in depreciation expense and costs not related to current operations, mitigated by the decrease in financial expenses and income taxes.

Net loss for the second quarter were \$(2.9) million, compared to net earnings of \$9.0 million for the corresponding period of 2019. The decline is mainly due to the above-mentioned explanations and to the net loss increase related to discontinued operations of \$10.6 million.

Results for the 24 week period of 2020

Cumulative consolidated sales amounted to \$207.1 million compared to \$307.3 million for the corresponding period of 2019, a decrease of 32.6% mainly due to the Distribution segment. Cumulative adjusted EBITDA⁽¹⁾ from continuing operations reached \$11.3 million compared to \$11.0 million for the corresponding period of 2019, up 3.1%. Cumulative net income from continuing operations was \$(0.3) million, or \$0.00 per share, compared to \$1.9 million, or \$0.02 per share in the corresponding period of 2019.



Cash Flow and Financial Position

Cash flows from operating activities reached \$3.2 million during the second quarter compared to \$1.2 million in the corresponding period of 2019. This increase is mainly due to a lower use of working capital⁽⁴⁾ and by the reclassification to financing activities of simple contract payments following the IFRS 16 adoption.

As at June 13, 2020, the Company's working capital⁽⁴⁾ was \$41.6 million, down from \$58.1 million at the end of the previous fiscal year. This variance is essentially explained by the termination of the contract with Recipe Unlimited, by the sale of some assets of the Ontario division and the reduced level of activities caused by the pandemic.

As at June 13, 2020, the Company's Net debt⁽²⁾, including convertible debentures and bank indebtedness, down to \$63.0 million, compared to \$68.2 million at the end of the 2019 fiscal year. This decrease is mainly due to the increase in cash flows generated by current operations and the sale of the majority of the assets of the Summit division making it possible to repay the credit facility during the first quarters of 2020.

Outlook

Covid-19 pandemic

Although the almost complete deconfinement began at the end of the second quarter, the Company expects to continue to suffer from certain repercussions for the next few months, given the gradual recovery of activities, particularly in sales and adjusted EBITDA. The Company does not expect a significant negative impact on its available cash. As previously mentioned, the Company has extended the term of its credit facility and its subordinated debt, which combined with the results of the first half, will allow Colabor to pursue its 2020 plan.

“Colabor remains confident about the coming months, despite uncertainties that remain about the possibility of a second wave of the pandemic, its magnitude and its economic repercussions. The human and financial resources available allow us to pursue our 2020 plan and to continue the transformation and optimization measures implemented at the end of 2019.” commented Mr. Frenette, President and Chief Executive Officer of Colabor.

Non-IFRS Performance Measures

The information provided in this release includes non-IFRS performance measures, notably adjusted earnings before financial expenses, depreciation and amortization and income taxes ("Adjusted EBITDA"⁽¹⁾). As these concepts are not defined by IFRS, they may not be comparable to those of other companies. Refer to Section 6 "Non-IFRS Performance Measures" in the Management's Discussion and Analysis.

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA (in thousands of dollars)	12 weeks		24 weeks	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net earnings (loss) from continuing operations	1,608	2,934	(263)	1,875
Income taxes (recovered)	403	1,607	(447)	1,159
Financial expenses	1,598	1,851	3,294	3,643
Operating earnings	3,609	6,392	2,584	6,677
Expenses for stock-based compensation plan	78	(50)	177	(268)
Costs not related to current operations	508	178	1,588	178
Depreciation and amortization	3,418	2,193	6,962	4,388
Adjusted EBITDA	7,613	8,713	11,311	10,975

⁽⁴⁾ Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to MD&A section 3.2 "Financial Position" for detailed calculation.



Additional Information

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

Forward-Looking Statements

This press release contains certain forward-looking statements as defined under applicable securities law. Forward-looking information may relate to Colabor's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Company's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Colabor believes are reasonable as of the current date. Refer in particular to section 2.2 "Development Strategies and Outlook" of the Company's MD&A available on SEDAR (www.sedar.com). 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 10 "Risks and Uncertainties" of the Company's MD&A. These factors are not intended to represent a complete list of the factors that could affect Colabor and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this press release, information representing Colabor's expectations as of the date of this press release (or as of the date they are otherwise stated to be made) 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.

Conference Call

Colabor will hold a conference call to discuss these results on Monday July 27, 2020, beginning at 9:30 a.m. Eastern time. Interested parties can join the call by dialing 1-888-231-8191 (from anywhere in North America) or 1-647-427-7450. If you are unable to participate, you can listen to a recording by dialing 1-855-859-2056 or 1-416-849-0833 and entering the code 5524799 on your telephone keypad. The recording will be available from 1:30 p.m. on Monday July 27, 2020, until 11:59 p.m. on Monday August 3, 2020.

Those wishing to join the webcast, can do so by clicking on the following link:

<http://www.colabor.com/en/investisseurs/evenements-et-presentations/>

About Colabor

Colabor is a distributor and wholesaler of food and related products serving the hotel, restaurant and institutional markets or "HRI" in Quebec, Ontario and in the Atlantic provinces, as well as the retail market. Within its two operating segments, Colabor offers specialty food products such as meat, fresh fish and seafood, as well as food and related products through its Broadline activities.

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