



**PRESS RELEASE
FOR IMMEDIATE DISTRIBUTION**

**COLABOR GROUP REPORTS RESULTS FOR THE THIRD QUARTER OF 2019
AND CONTINUES ITS TRANSFORMATION PLAN WITH THE OPTIMIZATION
OF ITS ONTARIO ACTIVITIES**

Boucherville, Quebec, October 17, 2019 - Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Company”) reports its results for the third quarter ended September 7, 2019 and announces the continuation of its transformation plan by further optimizing its broadline distribution activities in Ontario.

Third Quarter 2019 Financial Highlights:

- Increase in net earnings from continuing operations to \$1.6 million compared to \$0.8 million for the corresponding period of 2018, despite a decrease in sales of 1.5%
- Adjusted EBITDA⁽¹⁾ in the quarter reached \$6.2 million, representing a decrease of 8.9%
- Increase in cash flow from operating activities to \$21.2 million compared to \$10.9 million in the corresponding period of 2018
- Net debt⁽²⁾ reduced to \$81.6 million from \$115.4 million in the corresponding period of 2018

Optimization of Colabor's Broadline Distribution Activities in Ontario (Summit Division)

In the context of Colabor's ongoing transformation plan which aims at optimizing its business units and improving profitability, the Company initiated discussions with Recipe Unlimited (“Recipe”) regarding the terms of its supply agreement. As a result of these discussions, Colabor and Recipe mutually agreed today to the early termination of this supply agreement before its term as set forth in the agreement (December 29, 2022). This supply agreement also included a renewal option for an additional 2 years at Recipe’s discretion.

The supply agreement with Recipe was mainly a logistics-type contract and was initially entered into in 2007 upon the acquisition by Colabor of the Summit assets. This agreement was renewed in 2015 and currently generates annual sales of approximately \$255 million. This contract was not profitable due to its low pricing which did not compensate for its associated labor, fixed and variable costs (representing approximately \$4 million of Adjusted EBITDA⁽¹⁾ effect on an annual basis). Under the termination agreement, the supply of Recipe banner restaurants will cease gradually until March 31, 2020.

Over the next five months as the Company gradually ceases supplying the Recipe banners, Colabor will be implementing alternatives in order to optimize the Summit operations and leverage its existing resources. It can be reasonably expected that there will be restructuring costs in the amount of \$8 to 9 million. In the near term, these restructuring costs will be mainly paid for by the realization of Recipe’s inventory and accounts receivable, net of related accounts payable. Under the termination agreement, Recipe will purchase the remaining inventory.

Table of third quarter Financial Highlights:

Financial highlights (unaudited, thousands of dollars except per share data)	84-day period		252-day period	
	September 7, 2019	September 8, 2018	September 7, 2019	September 8, 2018
	\$	\$	\$	\$
Sales	261,541	265,504	748,520	761,672
Adjusted EBITDA⁽¹⁾	6,246	6,859	13,605	10,692
Net earnings from continued operations	1,640	823	82	(3,028)
Net earnings (loss)	1,710	1,180	8,015	(2,483)
Per share - basic and diluted (\$)	0.02	0.01	0.08	(0.02)
Cash flow from operating activities	21,224	10,897	16,316	5,977
Net debt⁽²⁾	81,568	115,396	81,568	115,396

⁽¹⁾ Non-IFRS measures. Refer to the table of reconciliation of Net Earnings to Adjusted EBITDA in section 6 "Non-IFRS Performance Measures" in the Management Discussion and Analysis. Adjusted EBITDA is equivalent to the Operating earnings before costs not related to current operations, depreciation and amortization as show in the Company's financial statements.

⁽²⁾ Non-IFRS measures. Refer to the table of reconciliation of Net Earnings to Adjusted EBITDA in section 6 "Non-IFRS Performance Measures" in the Management Discussion and Analysis. Net debt corresponds to bank indebtedness, current portion of long-term debt, long-term debt and convertible debentures as presented in Colabor's consolidated statements of financial position.

“Cumulative Adjusted EBITDA further increased in the third quarter of 2019, showing that the efficiency and cost reduction measures implemented continue to support our profitability. In addition, the increase in our cash flow from operating activities and the reduction in our indebtedness also reflect Colabor's ongoing transformation,” said Pierre Gagné, Interim Chief Executive Officer and Chief Financial Officer.

“The early termination of Recipe's supply agreement is part of the measures implemented over the last fifteen months in order to optimize activities and improve Colabor's profitability. Following the sale of the assets of the Viandes Décarie division, which has allowed us to reduce our indebtedness, the termination of this unprofitable contract will allow to better allocate financial and human resources to more efficiently serve our existing clients and to continue our growth objectives in value-added niches.”

“In view of the termination of the agreement, we continue to evaluate various options that are available to us in order to improve our competitive advantage and further optimize our business activities for the benefit of our shareholders and stakeholders,” concluded Mr. Gagné.

“Despite the significant sales volume generated by the agreement with Recipe, the associated lack of profitability needed to be addressed. The decision to terminate the agreement was difficult, but this should allow us to focus on activities offering better margins, expected to improve our overall profitability from the second semester of 2020”, said Warren White, Chairman of the Board.

Results for the Third Quarter of 2019

Consolidated sales for the third quarter reached \$261.5 million compared to \$265.5 million during the corresponding quarter of last fiscal year, representing a decrease of 1.5%. Sales in the Distribution segment decreased by 2.2% mainly due to a loss of volume in Ontario for \$2.5 million and by the decrease in sales from the Broadline distribution in Québec, mostly related to the decision to stop serving some less profitable regions in Quebec and the Maritimes, partially offset by an increase in the volume of the sales of Les Pêcheries Norref Québec Inc. Sales in the Wholesale segment increased by 1.8%, mainly due to a targeted sales strategy in recent months, offsetting by the non-renewal of contracts.



Adjusted EBITDA for the third quarter of 2019 reached \$6.2 million, a decrease of \$0.6 million compared to the corresponding period of 2018. This decrease is explained by the effect of the reversal of provisions due to favorable settlements totaling \$ 1.1 million during the 84-day period ended September 8, 2018, offset by the deployment of operations optimization measures through the rationalization plan, which reduced operating expenses. Excluding 2018 provision reversals, Adjusted EBITDA has increased by 8.5%.

Net earnings from continuing operations was \$1.6 million, up 99.3% compared to the corresponding quarter of 2018. The change is mainly explained by the \$2.4 million impairment loss on goodwill, property, plant and equipment and intangibles, and the \$1.2 million of lower expenses not-related to current operations that positively affected the 2018 results for the period.

Net earnings for the third quarter reached \$1.7 million or \$0.02 per share, compared to \$1.2 million or \$0.01 per share, for the corresponding period of last fiscal year. The variation is mainly due to the increase in net earnings from continuing operations as explained above.

Results for the First Nine Months of 2019

Cumulative consolidated sales reached \$748.5 million compared to \$761.7 million during the corresponding period of the last fiscal year, a decrease of 1.7% mainly due to Distribution segment. Cumulative adjusted EBITDA reached \$13.6 million, an increase of 27.2%. Net earnings for the 252-day period reached \$8.0 million or \$0.08 per share, up \$10.5 million compared to the corresponding period last fiscal year.

Cash Flow and Financial Position

Cash flow from operating activities amounted to \$21.2 million during the third quarter, compared to \$10.9 million for the corresponding period of 2018. This increase is mainly due to a lower use of working capital.

As at September 7, 2019, the Company's total debt, including convertible debentures and bank indebtedness, amounted to \$81.6 million, down \$33.8 million from last fiscal year. The net proceeds from the sale of the Viandes Décarie division and the increase in cash flow from operating activities have permitted to reimburse \$5.0 million of subordinated debt and to reduce the amount outstanding under its credit facility.

Outlook

“The rigor we have instilled in our operations continues to improve our cash flow from operating activities and has allowed us to reduce our debt level since the beginning of the year. We intend to continue our transformation plan by focusing on the following three areas: the expansion of our Broadline activities in Quebec, the integration and optimization of our business units and the reduction of our indebtedness. Following the sale of the Viandes Décarie division, the termination of the contract with Recipe in the context of the review of our activities in Ontario is part of this transformation plan,” said Pierre Gagné.

Update

The Board of Directors of Colabor with the assistance of an executive search firm is continuing the process to select its next President and Chief Executive Officer.

Conference Call

Colabor will hold a conference call to discuss these results, tomorrow Friday October 18, 2019, beginning at 9:00 a.m. Eastern time. Interested parties can join the call by dialing 1-877-223-4471 (from anywhere in North America) or (647) 788-4922. If you are unable to participate, you can listen to a recording by dialing 1-800-585-8367 or 416-621-4642 and entering the code 8359283 on your telephone keypad. The recording will be available from 12:00 p.m. on Friday, October 18, 2019, to 11:59 p.m. on Friday November 8, 2019.



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

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

Non-IFRS Measures

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

Additional Information

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

Forward-Looking Statements

This news release contains certain statements that may be deemed to be forward-looking statements reflecting the opinions or current expectations of Colabor Group Inc. concerning its performance, business operations and future events. Such statements are subject to risks, uncertainties and assumptions and the analysis of the debt structure and available alternatives, and risks mentioned in the Company's annual information form found under its profile on SEDAR (www.sedar.com), such as the risk of dilution for existing shareholders. As such, these statements are not guarantees of future performance, and actual results, realities or events may differ materially. Except as required by law, the Company assumes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions or other factors change.

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.

Further information:

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