

COLABOR GROUP REPORTS RESULTS FOR THE THIRD QUARTER OF FISCAL 2018

Boucherville, Quebec, October 18, 2018 - Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Corporation”) today reported its results for the third quarter ended September 8, 2018.

Third Quarter 2018 Highlights:

- Sales were \$291.0 million compared with \$319.3 million during the equivalent period of 2017
- Sales growth of Broadline Distribution activities in Quebec, from the hotel, restaurant and institutional market
- Improving gross margins as a percentage of sales
- Adjusted EBITDA of \$7.6 million compared with \$7.7 million during the equivalent period of 2017
- Cash flow from operating activities growing to \$12.0 million up from \$8.9 million in the equivalent period of 2017
- Total debt reduced to \$115.4 million, from \$122.4 million in the second quarter of 2018, and from \$118.9 million during the equivalent period of 2017
- Extension of the terms of the credit facility and subordinated debt for an additional period of one year and six-months respectively

Financial highlights (thousands of dollars except per-share data)	Quarters ended		Nine-month periods ended	
	September 8, 2018 84 days	September 9, 2017 84 days	September 8, 2018 252 days	September 9, 2017 252 days
Sales	291,006	319,334	836,794	917,893
Adjusted EBITDA¹	7,628	7,682	12,488	17,600
Charges not related to current operations²	(1,194)	6,961	(1,194)	8,297
Net earnings (loss)	1,180	(18,753)	(2,483)	(19,101)
Per share - basic and diluted (\$)	0.01	(0.18)	(0.02)	(0.19)
Cash flow from operating activities³	11,964	8,924	7,198	6,630
Total debt	115,396	118,887	115,396	118,887
Weighted average number of shares outstanding (basic, in thousands)⁴	101,139	102,074	101,195	102,074

¹ Non-IFRS measure. Refer to the table of reconciliation of Net Earnings to Adjusted EBITDA.

² The variation in costs not related to current operations results from fees related to the tobacco notice of \$6.5 M in the third quarter of 2017 and from the reversal of provisions following the termination of onerous contracts amounting to \$1.2 M in the third quarter of 2018. Refer the MD&A for the third quarter of 2018, in section 5.1, in costs not related to current operations.

³ After the net change in working capital.

⁴ The Company announced, on January 15, 2018, that it had reduced by less than 1% the number of shares issued and outstanding following the ongoing liquidation and dissolution of Colabor Investments Inc.

Structuring Changes to the Management Team:

- Mario Brin as Interim Senior Vice President and Chief Financial Officer
- John Hemeon as Senior Vice President and General Manager of the Summit Foods Division in Ontario
- Élisabeth Tremblay as Vice President, Human Resources and Communications
- Daniel Valiquette as Vice President, Central Procurement and Private Label
- Mathieu Dumulong as Vice President, Sales for Colabor

For additional information regarding these changes, please refer to section 2.2 of the 2018 Third Quarter Management Discussion and Analysis.

Lionel Etedgui, President and Chief Executive Officer of Colabor, said: “Measures implemented over the last few quarters have allowed us to further improve our gross margins as a percentage of sales, improve cash flow from operations and reduce the level of debt. By improving how we manage our resources and focusing on our most promising markets, we continue to deploy all our efforts to further strengthen our competitiveness, create value and reduce our level of debt.”

Third Quarter Results

Consolidated sales for the 84-day period ended September 8, 2018 stood at \$291.0 million, down from \$319.3 million for the 84-day period ended September 9, 2017, representing a decrease of 8.9%.

The 9.2% decrease in sales in the Distribution Segment came primarily from the loss of supply agreements for Popeye's Louisiana Kitchen and Montana's BBQ & Bar restaurant chains in Ontario (these contracts were terminated effective November 13, 2017 and April 1, 2018 respectively), a situation that was mitigated by an improvement of sales from Broadline Distribution activities in Quebec.

The 7.6% decrease in sales in the Wholesale Segment is explained by the non-renewal of non-profitable contracts.

Adjusted EBITDA was \$7.6 million or 2.6% of sales, compared to \$7.7 million or 2.4% of sales in the third quarter of 2017, resulting primarily from the reduction in the volume of sales from the Distribution Segment in Ontario. This was mitigated by gross margin improvements as a percentage of sales and by the reduction of operating expenses, a portion of which comes from the effect of the reversal of provisions mainly related to favorable settlements, amounting to \$0.7 M in the quarter.

Colabor concluded the third quarter of 2018 with net earnings of \$1.2 million, or \$0.01 per share, compared to net earnings of (\$18.8) million, or (\$0.18) per share in the equivalent quarter of 2017. The loss in the volume of sales was mitigated by gross margin improvements as a percentage of sales and by a reduction of operating expenses. In addition, the reduction of \$14.1 M (or \$12.6 M after income taxes) in asset impairment losses, and of \$8.2 M (or \$7.7 M after income taxes) in costs not related to current operation, also contributed to this improvement.

Nine-Month Results

Consolidated sales were \$836.8 million for the 252-day period ended September 8, 2018, down from \$917.9 million for the nine-month period ended September 9, 2017. Adjusted EBITDA was \$12.5 million compared with \$17.6 million last year. Finally, the net loss for the cumulative period ended September 8, 2018, was \$2.5 million, compared to a net loss of \$19.1 million for the cumulative period ended September 9, 2017, primarily resulting from a reduction of \$13.7 M (or \$12.3 M after income taxes) in asset impairment losses, and of \$9.5 M (or \$9.0 M after income taxes) in costs not related to current operations.

Cash Flow and Financial Position

Cash flow from operating activities stood at \$12.0 million in the third quarter of 2018, compared to \$8.9 million for the equivalent quarter of 2017. This is explained by an improving working capital situation resulting from better management of accounts receivable and inventories to reflect the level of sales.

As at September 8, 2018, the Company's total debt including the convertible debentures and bank overdraft amounted to \$115.4 million, down from \$122.4 M in the second quarter of 2018, and \$118.9 million during the equivalent period of 2017.

Outlook

“We are redoubling our efforts in order to change the trend of recent years and are now seeing some positive effects. As announced in the second quarter of 2018, we are pursuing our reflection and are actively working to identify strategic alternatives.” added Mr. Ettegui.

Conference Call and Annual Meeting of Shareholders

Colabor will hold a conference call to discuss these results, today Thursday October 18, 2018, beginning at 10:30 a.m. Eastern time. Interested parties can join the call by dialing 647-788-4922 (from the Toronto area) or 1-877-223-4471 (from elsewhere in North America). If you are unable to participate, you can listen to a recording by dialing 1-800-585-8367 and entering the code 1097427 on your telephone keypad. The recording will be available from 13:30 p.m. on Thursday, October 18, 2018, to 11:59 p.m. on Thursday, November 1, 2018.

Those wishing to join the webcast and presentation 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 (“EBITDA”) and cash flow. As these concepts are not defined by IFRS, they may not be comparable to those of other companies.

Table of reconciliation of Net Earnings (Loss) to Adjusted EBITDA

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA (thousands of dollars except per-share data)	Quarters ended		Nine-month periods ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
	84 days	84 days	252 days	252 days
Net earnings (loss)	1,180	(18,753)	(2,483)	(19,101)
Income taxes expense (recovery)	496	(1,271)	(702)	(992)
Financial expenses	1,769	1,751	5,466	5,322
Impairment loss on the available-for-sale asset	—	—	118	—
Depreciation and amortization	3,008	2,554	8,499	7,634
Impairment loss on goodwill, intangible assets and property, plant and equipment	2,369	16,440	2,784	16,440
EBITDA	8,822	721	13,682	9,303
Costs not related to current operations	(1,194)	6,961	(1,194)	8,297
Adjusted EBITDA	7,628	7,682	12,488	17,600

Additional Information

The Management Discussion and Analysis and the financial statements of the Corporation will also be available on SEDAR (www.sedar.com) following publication of this release. Additional information about Colabor Group Inc. can be found on SEDAR and on the Corporation’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 Corporation'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 Corporation 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 (grocery stores and convenience stores). 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:**Colabor Group Inc.****Mario Brin, MBA, ICD.D.**

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