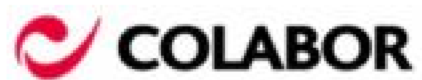

COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

For the fiscal year and the fourth quarter ended December 25, 2021

As at February 25, 2022

COLABOR

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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 income, comprehensive income, financial situation and cash flows for the fourth quarter and for the fiscal year ended December 25, 2021. The fourth quarter numbers were unaudited while numbers presented for the fiscal year are audited. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended December 25, 2021. 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

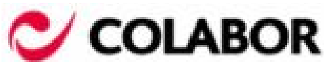
This MD&A contains certain forward-looking statements as defined under applicable securities law. Forward-looking information may relate to Colabor's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified 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 10 "Risks and Uncertainties" of this MD&A. These factors,which include the risks related to the pandemic of Covid-19 ("pandemic") and 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. The quarters and fiscal year ended December 25, 2021 and December 26, 2020 had respectively 16 weeks for the quarter and 52 weeks for the fiscal year.

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 2.2 "Business Developments in 2021" 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 Corporate Profile

Activities

Founded in 1962, Colabor distributes and markets food and food-related products in eastern Canada, specifically hotels, restaurants, institutions ("HRI") and retail markets. Colabor currently carries out its activities in two segments, Distribution and Wholesale.

A. Distribution Segment

Colabor's distribution activities consists of distribution of food products and related products in the HRI and retail markets. In this segment, the Company distributes both specialty products such as meat, fish and seafood ("Specialty Distribution"), as well as generalized food and 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.

i. Broadline Distribution

Quebec

Distribution activities in Quebec are done through Colabor Food Distributor ("CFD"). CFD is a major distributor to foodservice and retail customers in the vast majority of Quebec regions, and to a lesser extent in New Brunswick. CFD distributes nearly 14,000 products from its two strategically located warehouses in Lévis and Rimouski. CFD's almost 5,000 customers consist primarily of restaurants, foodservice operators, specialty food stores and institutional accounts such as healthcare institutions, schools and universities, and certain other retail customers. CFD has a complete product offering, including frozen products, dry staples, dairy products, meat, fish and seafood, fruits and vegetables, disposables and sanitation products. It therefore offers its customers a "one-stop-shop" solution.

CFD holds the Safe Quality Food ("SQF") certification, a leading global food safety standard specific to the warehousing and distribution sector in order to confirm to customers that our products are handled and distributed according to the most stringent worldwide standards. This SQF standard includes the *Hazard Analysis Critical Control Point* ("HACCP") system, to which management tools have been added to ensure its maintenance and continuous improvement. CFD thus demonstrate to its current and future customers its willingness to offer a range of services in accordance with the highest food safety standards and quality.

ii. Speciality Distribution

Les Pêcheries Norref Québec Inc. ("Norref")

Norref is a specialized fresh fish and seafood products importer and distributor in the province of Quebec and is recognized as the leading distributor of this type in the province.

Norref operates from a distribution center in Montreal and is HACCP-certified and federally approved, which allows it to sell its products nationwide. Norref distributes a full range of fresh and frozen fish and seafood. It has a diversified client base comprised of supermarkets, restaurants, hotels and fish stores.

Lauzon Meats (“Lauzon”)

Lauzon prepares and processes superior quality meat products for the provinces of Quebec and Ontario and is a major distributor of highly recognized brands such as Boeuf Québec, Excel Premium Beef as well as its private brand Signature. Lauzon is known, among other things, for its products, expertise and for providing effective and flexible service to the HRI sector, as well as retail and industrial sector. Lauzon operates out of a plant located in Montreal that is HACCP-certified and federally approved, which allows it to sell its products nationwide.

B. Wholesale Segment

The Wholesale segment's operations include the sale of general food related products to distributors from its distribution center in Boucherville. Wholesale segment sales consist of food and non-food products, supplied to distributors who then redistribute the products to over 25,000 customers operating in food service and retail industries in the province of Quebec and in the Atlantic provinces.

2.2 Business Developments in 2021

During the fiscal year ended December 25, 2021, the following events have influenced the Company's general development and operations, or reflect the evolution of Colabor's transformational plan and growth.

Refinancing

On February 18, 2021, the Company entered into a new senior secured credit facility for a total amount of $80.0 million including a revolving credit of $50.0 million, of which $5.0 million in operating swingline and a term loan of $30.0 million. The facility bears interest at the cost of funds, plus 1.75% to 3.25% depending on the Company's leverage ratios and matures in February 2025. The facility is guaranteed by its assets and those of certain of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some financial ratios primarily related to consolidated adjusted EBITDA[1], financial expense and total debt. The term loan is repayable by an amount of $3.0 million per year.

On February 18, 2021, the Company also entered into an agreement for a new subordinated debt in the amount of $20.0 million, of which $15.0 million has been disbursed at closing and $5.0 million was available until February 2022 at the Company's option. The subordinated debt bears interest at a rate of 7.25% to 8.25%, depending on the Company's leverage ratios and matures in February 2026.

This refinancing was used to repay the remaining $12.0 million of subordinated debt as at December 26, 2020, and to redeem the convertible debentures and will also allow the Company to meet potential additional cash requirements resulting from future investment projects.

Redemption of convertible debentures

On February 18, 2021, the Company announced its intention to early redeem all of the issued and outstanding convertible debentures.

In accordance with the terms of the convertible debentures which gave the holders the right to convert into common shares prior to the announced redemption date, 273,600 common shares were issued at a price of $2.50 for an aggregate amount of $0.7 million. On March 23, 2021, the Company completed the redemption of all outstanding convertible debentures in the aggregate principal amount of $49.3 million which was redeemed at a price of $1,000 per debenture, plus accrued and unpaid interest up to, but excluding, March 23, 2021.

The convertible debentures that were listed on the Toronto Stock Exchange under the symbol GCL.DB.A were delisted on March 23, 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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Executive and Board Appointments

On April 28, 2021, the Company announced the appointment of Mr. Pierre Blanchette to the position of Senior Vice President and Chief Financial Officer, effective May 25, 2021. Mr. Blanchette is an executive with over 25 years of experience in the field of corporate finance. Before joining Colabor, he worked for Fiera Capital Corporation, an important independent asset management firm where he held various positions such as Senior Vice President, Global Treasury and Taxation, Executive Vice President, Finance, US division and Senior Vice President, Finance.

On October 14, 2021, the Company announced the appointment of Mr. Jean Gattuso as director of the Company.

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

During the fiscal year 2021, the pandemic continued to affect the markets in which the Company and its suppliers operate and to impact customer demand, resulting in lower sales. The Company was still impacted by the government restrictions maintained in Quebec, especially the limited number of customers allowed in restaurants, despite the gradual lifting of certain restrictions at the end of the second quarter, including the resumption of indoor and outdoor dinning and the reopening of several restaurants. On December 30, 2021, the Quebec government announced new restrictions, closing once again the restaurant dining rooms, from December 31, 2021 to January 31, 2022. 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 and the gradual return of workers and tourism, as well as the longer-term impact on the economy and health regulations that will apply.

In fiscal year 2021, the Company continued to obtain the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rental Subsidy ("CERS") to help Colabor face the challenges posed by the pandemic.

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 will continue to impact sales and adjusted EBITDA(1) in the coming months, given the sanitary measures required by public health, Colabor does not expect a material adverse impact on its available cash. As previously indicated, the diversification of the Company's activities, the new credit agreements signed in February 2021 which, 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.

2.3 Development Strategies and Outlook

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

1. Increase Distribution activities in Quebec
    - Improve the share of the existing client's portfolio and the extent of Quebec territories through organic growth or acquisitions;
    - Reposition its private brands; and
    - Improve category management (non-food, proteins, fruits and vegetables).
2. Optimize processes
    - Standardize and improve internal management processes in order to reduce the business unit costs.
3. Prioritize employee engagement
    - Continue the deployment of the new integrated human resource management platform; and
    - Deployment of a return protocol to the workplace.

(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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Evolution of the 2021 Plan

During the fiscal year 2021, the Company continued to manage the impacts of the pandemic on its operations by maintaining an appropriate cost structure and optimizing cash flow management. The Company is continuously adapting its measures based on the evolution of the pandemic. The closing of the new credit agreements in the first quarter of 2021, as described above, is in line with our primary objective of increasing the Company's profitability and will allow the Company to have the available liquidity to implement the strategic plan when conditions permit.

We also completed the rollout of the new integrated human resource management platform and are establishing the return to work protocol.

In September, we also officially launched the new image of our private label, an important step for its repositioning.

We also invested during the last quarters of the fiscal year in our sales force in order to break into certain regions of Quebec relatively underdeveloped by the Company.

Plan for 2022

In 2022, the strategic plan to achieve its objectives 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.

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2.4 Key Financial Performance Indicators

Performance Indicators	**52 weeks**	
(in thousands of dollars, except financial leverage ratio)	**2021**	**2020**
	$	**$**
Results and cash flow		
Sales from continuing operations	**475,761**	461,319
Net earnings from continuing operations	**8,253**	3,798
Adjusted EBITDA[1]	**25,420**	28,913
Cash flows from operating activities	**18,752**	36,436
Financial position	**As at December 25, 2021**	**As at December 26, 2020**
	$	**$**
Working Capital[2]	**40,770**	31,163
Financial Leverage Ratio[3]	**1.9x**	1.8x
Net debt[4]	**48,366**	52,100

[1] Non-IFRS measure. Refer to the table Reconciliation of Net Earnings to adjusted EBITDA in MD&A section 6 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings before (income) 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 MD&A section 3.2 "Financial Position" for detailed calculation. The working capital calculation of 2020 excludes the current portion of the convertible debentures that have been redeemed in 2021.
[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 MD&A section 6 "Non-IFRS Performance Measures".
[4] 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.

Fiscal 2021 Highlights

- Consolidated sales were $475.8 million, up 3.1% compared to fiscal year 2020 resulting mainly from a volume increase from restaurants, mitigated by the end of a contract from specialized Distribution.
- Net earnings from continuing operations were $8.3 million, an increase of $4.5 million compared to a net earnings of $3.8 million for 2020, resulting from the increase in income not related to current operations, depreciation and amortization expenses and financial expenses, mitigated by the decrease of the adjusted EBITDA[1]. The variation in (income) costs not related to current operations is explained by the partial reimbursement of a penalty paid in 2017 to the Ontario Ministry of Finance.
- Adjusted EBITDA[1] from continuing operations amounted $25.4 million or 5.3% of sales from continuing operations compared to $28.9 million or 6.3% of sales from continuing operations in 2020, a decrease of 12.1%. This decrease is mainly due to the decrease in subsidies obtained of $4.3 million, to additional labor costs in the current context of labor shortage and the renewal of a collective agreement, as well as investments to expand our territory and the repositioning of our private brand, mitigated by increased sales and improved gross margin. Excluding the impact of the subsidies obtained, the adjusted EBITDA margin[1] would have been 4.8% in 2021 and 4.7% in 2020.
- Net debt[4] decreased to $48.4 million as at December 25, 2021, compared to $52.1 million at the end of fiscal year 2020, resulting from credit facility repayment. The financial leverage ratio[3] stands at 1.9x, compared to 1.8x in 2020.
- As at December 25, 2021, the Company's working capital[2] was $40.8 million, up from $31.2 million at the end of fiscal year 2020. This variation is explained by the increase in sales during the fourth quarter of 2021 compared to the same quarter of 2020.

2.5 Highlights of the three Last Fiscal Years

Financial Highlights (in thousands of dollars, except per share data and percentages)	**52 weeks**		
	2021	**2020**	**2019** **(Restated[3])**
	$	**$**	**$**
Sales from continuing operations	**475,761**	461,319	665,959
Net earnings from continuing operations	**8,253**	3,798	7,502
Net earnings (loss) from discontinued operations	**(411)**	(12,410)	225
Adjusted EBITDA[1]	**25,420**	28,913	27,648
Adjusted EBITDA margin[1]	**5.3%**	6.3%	4.2%
Basic and diluted net earnings per share from continuing operations	**0.08**	0.04	0.08
Basic and diluted net earnings (loss) per share from discontinued operations	**—**	(0.12)	0.00
Total assets	**229,434**	234,000	261,148
Long-term financial liabilities[2]	**46,989**	11,860	67,502

[1] Adjusted EBITDA and adjusted EBITDA margin are non-IFRS measures. Refer to section 6 "Non-IFRS Performance Measures". Adjusted EBITDA margin is calculated this way: Adjusted EBITDA divided by sales for the corresponding period.
[2] Long-term financial liabilities include long-term debt and convertible debentures for fiscal year 2019 only. In 2020 the convertible debentures are presented in current liabilities given their short-term maturity. The convertible debentures have been redeemed in fiscal year 2021.
[3] Some corresponding figures have been restated to exclude discontinued operations.

The decrease in sales from continuing operations of fiscal year 2020 compared to fiscal year 2019 resulting mainly from the termination of a contract in Specialized distribution activities, the effects of the pandemic and the volume loss in the Broadline distribution segment caused by the non-renewal of less-profitable contracts.

The decreased in net earnings from continuing operations for the fiscal year 2020 compared to 2019 is mainly due to lower sales and from an increase of costs not related to current operations, mitigated by a gross profit improvement and the deployment of operational optimization measures.

The increase in adjusted EBITDA[1] and adjusted EBITDA margin[1] for fiscal year 2020 compared to 2019 is mainly explained by IFRS 16 adoption, the subsidies acquired in the amount of $7.1 million and the deployment of operational optimization measures, mitigated by the impact of lower sales related to the pandemic.

The decrease in long-term liabilities as at December 26, 2020 compared to the previous fiscal year is explained by the short-term classification of the convertible debentures in 2020 and the credit facility and subordinated debt repayments resulting in increased cash flow generated by operations.

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3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	2020	Variance	2021	2020	Variance
	$	$	%	$	$	%
Sales	**150,452**	133,317	12.9	**475,761**	461,319	3.1
Cost of goods sold	**125,237**	110,898	12.9	**395,690**	384,500	2.9
Operating expenses[2]	**18,135**	14,960	21.2	**54,651**	47,906	14.1
Operating expenses	**143,372**	125,858	13.9	**450,341**	432,406	4.1
Adjusted EBITDA[1]	**7,080**	7,459	(5.1)	**25,420**	28,913	(12.1)
Adjusted EBITDA margin[1]	**4.7%**	5.6%		**5.3%**	6.3%	

[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 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	2020	Variance	2021	2020	Variance
	$	$	%	$	$	%
Distribution Segment	**103,046**	86,046	19.8	**323,870**	307,664	5.3
Wholesale Segment	**62,066**	58,775	5.6	**196,054**	192,388	1.9
Intersegment eliminations and others	**(14,660)**	(11,504)	(27.4)	**(44,163)**	(38,733)	(14.0)
Sales	**150,452**	133,317	12.9	**475,761**	461,319	3.1

Consolidated sales for the fourth quarter of 2021 were $150.5 million compared to $133.3 million during the corresponding quarter of last fiscal year, representing an increase of 12.9%. The pandemic impacted all 16 weeks of the fourth quarter of 2021 and 2020 but the dinning room remained open in fall of 2021 unlike a closing on October 1, 2020.

- Distribution segment sales have increased by 19.8%, explained by a volume increase from restaurants, given the opening of dining rooms during the fourth quarter of 2021 compared to closed dining rooms in 2020 as explained above, mitigated by the impact of the week-long strike in 2021 at our Lévis distribution center.

- Wholesale segment sales have increased by 5.6%, due to open dining rooms in 2021 as explained above, the growth of certain customers less affected by the effects of the pandemic and by new customers, mitigated by the partial loss of volume from a single customer.

- Intersegment eliminations and others increased by $3.2 million or 27.4% resulting mainly by the increase of volume from the Distribution and Wholesale segments as explained above.

Consolidated sales for the fiscal year 2021 were $475.8 million compared to $461.3 million during last fiscal year, representing an increase of 3.1%. The restrictions related to the pandemic impacted the entire fiscal year 2021 compared to 42 weeks in 2020, the pandemic having been declared in March 2020. In 2021, the restaurant dining rooms were closed for the major part of the first two quarters, compared to 2020 where dining rooms were closed from the second quarter as well as from October 1, 2020.

- Distribution segment sales have increased by 5.3%, explained by the increase in volume from restaurants in the fourth quarter as explained previously, mitigated by an amount of $8.6 million related to the termination of a contract from the Specialized distribution during the first quarter of 2020, as well as the volume decrease related to the pandemic for restaurants and chains clients during the first quarter of 2021.

- Wholesale segment sales have increased by 1.9%, partially explained by the reopening of the restaurant business as explained above, a volume increase from some customers less affected by the effects of the pandemic and by new customers, mitigated by a volume decrease related to the pandemic during the first quarter of 2021 and by the partial loss of volume from a single customer.

- Intersegment eliminations and others have increased by $5.4 million or 14.0%, mainly explained by the increase in purchases in the Distribution and Wholesale segments as described above.

3.1.2 Operating Expenses

Operating Expenses for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021 $	2020 $	Variance %	2021 $	2020 $	Variance %
Distribution segment	**99,093**	81,323	21.9	**308,438**	289,428	6.6
Wholesale segment	**56,691**	54,071	4.8	**178,729**	175,395	1.9
Intersegment eliminations and others	**(12,412)**	(9,536)	(30.2)	**(36,826)**	(32,417)	(13.6)
Operating expenses[1]	**143,372**	125,858	13.9	**450,341**	432,406	4.1

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

Consolidated operating expenses for the fourth quarter of 2021 were $143.4 million compared to $125.9 million for the corresponding period of last fiscal year, an increase of 13.9%, mostly explained by the increase of 12.9% in sales and by the decrease of $1.6 million in subsidies obtained.

- Distribution segment operating expenses have increased by 21.9% during the fourth quarter, mostly explained by the increase of 19.8% in sales, a decrease of $1.2 million in subsidies obtained and additional labor costs in the current context of labor shortage and the renewal of a collective agreement, as well as investments to expand our territory.

- Wholesale segment operating expenses have increased by 4.8%, explained by the increase of 5.6% in sales, a decrease of $0.2 million in subsidies obtained during the fourth quarter of 2021, as well as investments for the repositioning of our private brand, partially offset by an improvement in gross margin.

- Intersegment eliminations and others have increased by 30.2%, mainly due to an increase in intersegment sales as explained above, a decrease of $0.2 million in subsidies obtained during the fourth quarter of 2021 and an increase in corporate expenses.

Consolidated operating expenses for the fiscal year 2021 were $450.3 million compared to $432.4 million during the previous fiscal year explained the sales increase, and by the reduction of $4.3 million in subsidies obtained.

- Distribution segment operating expenses have increased by 6.6%, mostly explained by the decrease in subsidies obtained of $3.3 million during the fiscal year 2021 and additional labor costs in the current context of labor shortage and the renewal of a collective agreement, as well as investments to expand our territory, mitigated by the termination of a contract from the Specialized distribution.
- Wholesale segment operating expenses have increased by 1.9%, explained by the decrease of $0.5 million in subsidies obtained during the fiscal year 2021, the sales increase as well as investments for the repositioning of our private brand, partially offset by an improvement in gross margin.
- Intersegment eliminations and others have increased by 13.6%, mainly due to an increase in intersegment sales as explained above, a reduction of $0.5 million in subsidies obtained during the fiscal year 2021 and an increase in corporate expenses. The increase in corporate expenses is mainly explained by the increase in salary expenses resulting from the measures taken in 2020 in connection with the pandemic, such as a reduction in working hours and temporary reductions in compensation and headcount.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	2020	Variance	2021	2020	Variance
	$	$	%	$	$	%
Distribution Segment	**3,953**	4,723	(16.3)	**15,432**	18,236	(15.4)
Wholesale Segment	**5,375**	4,704	14.3	**17,325**	16,993	2.0
Intersegment eliminations and others	**(2,248)**	(1,968)	(14.2)	**(7,337)**	(6,316)	(16.2)
Adjusted EBITDA[(1)]	**7,080**	7,459	(5.1)	**25,420**	28,913	(12.1)
Adjusted EBITDA margin[(1)]	**4.7%**	5.6%		**5.3%**	6.3%	

[(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 fourth quarter of 2021 amounted to $7.1 million compared to $7.5 million in the corresponding quarter of the previous year, a decrease of 5.1% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 4.7% compared to 5.6% for the corresponding period of 2020. These variations are mainly explained by the decrease in subsidies obtained of $1.6 million. Excluding the impact of subsidies obtained, the adjusted EBITDA margin[(1)] would have been 4.6% in 2021 and 4.3% in 2020.

- Adjusted EBITDA[(1)] in the Distribution segment has decreased by $0.8 million or 16.3%. As a percentage of sales, the adjusted EBITDA margin[(1)] stood at 3.8% compared to 5.5% in 2020. This decrease is mainly due to the decrease in subsidies obtained and additional labor costs in the current context of labor shortage, the impact of a week-long strike, as well as investments to expand our territory.
- Adjusted EBITDA[(1)] in the Wholesale segment has increased by $0.7 million, or 14.3% and is mainly due to an increase of 5.6% of sales as explained above and an improvement in gross margin, mitigated by the decrease in subsidies obtained and the investments for the repositioning of our private brand.
- Adjusted EBITDA[(1)] from intersegment eliminations and others in the fourth quarter of 2021 decreased by $0.3 million or 14.2% compared to the corresponding quarter of 2020 and is mainly due to the decrease in subsidies obtained during the fourth quarter and by an increase in corporate expenses, as explained above.

Adjusted EBITDA[(1)] for the fiscal year 2021 amounted to $25.4 million compared to $28.9 million during the previous year, a decrease of 12.1% and as a percentage of sales, adjusted EBITDA margin[(1)] reached 5.3% compared to 6.3% for the

corresponding period of 2020. These variations are mainly due to a decrease in subsidies obtained of $4.3 million, mitigated by an improvement in gross margin. Excluding the impact of subsidies obtained, the adjusted EBITDA margin[1] would have been 4.8% in 2021 and 4.7% in 2020.

- Adjusted EBITDA[1] in the Distribution segment has decreased by $2.8 million or 15.4%. The variations are explained by a decrease in subsidies obtained of $3.3 million, and additional labor costs in the current context of labor shortage and the renewal of a collective agreement, as well as investments to expand our territory, partially offset by the sale increase.
- Adjusted EBITDA[1] in the Wholesale segment has increased by $0.3 million, or 2.0% and is mainly due to an improvement in gross margin, mitigated by a decrease in subsidies obtained during the fiscal year 2021 and investments for the repositioning of our private brand.
- Adjusted EBITDA[1] from intersegment eliminations and others in the fiscal year 2021 decreased by $1.0 million or 16.2% compared to the corresponding period of 2020 and is mainly due to a decrease in subsidies obtained and an increase in corporate expenses, as explained above.

3.1.4 (Income) Costs not Related to Current Operations

(Income) Costs not Related to Current Operations for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Severance costs	**—**	328	(100.0)	**63**	511	(87.7)
Allowance for bad debt accounts	**—**	—	—	**—**	626	(100.0)
Others	**(3,998)**	16	(25,087.5)	**(3,831)**	674	(668.4)
(Income) costs not related to current operations	**(3,998)**	344	(1,262.2)	**(3,768)**	1,811	(308.1)

During the fiscal year 2021 and 2020, the Company made some changes to its headcount to optimize its activities leading to severance costs.

An allowance for bad debt amounting to $0.6 million was recorded in 2020 following the temporary closure of some of our customers in the restaurant business due to the pandemic.

In 2021, the Ontario Ministry of Finance ("OMF") agreed to partially reimburse Colabor the penalty paid in 2017, plus interest, as final settlement to the notice of objection filed by Colabor in 2017. Effectively, in 2017, Colabor had received and paid a notice of an assessment advice of $6.4 million from the OMF in connection with activities involving the sale of tobacco products that took place between 2013 and 2016 within a division in Ontario. Colabor appealed the case in 2019. This amount is expected to be received in the first quarter of 2022. This income is net of legal fees and other charges related to non-recurring activities which are also accounted for in other non-recurring expenses.

The other variations in costs not related to current operations of 2020 are explained by the write-off of the option to purchase Dubé & Loiselle inc. following the Company's decision not to exercise it, mitigated by the favorable settlement of a provision for onerous contract in 2020.

[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.

3.1.5 Depreciation and Amortization

Depreciation and Amortization for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Depreciation of property, plant and equipment	**739**	1,004	(26.4)	**2,277**	2,877	(20.9)
Amortization of intangible assets	**1,334**	1,632	(18.3)	**4,225**	5,570	(24.1)
Depreciation of right-of-use assets	**2,247**	2,120	6.0	**7,586**	6,665	13.8
Depreciation and Amortization	**4,320**	4,756	(9.2)	**14,088**	15,112	(6.8)

For the 16 and 52-week periods ended December 25, 2021, depreciation and amortization expense was down by 9.2% and 6.8%, respectively, compared to the same periods of 2020, and is mainly explained by certain tangible and intangible assets fully amortized and depreciated, mitigated by the increase in the depreciation of right-of-use assets following the renewal of leases over the last 12 months.

3.1.6 Financial Expenses

Financial expenses for the 16 and 52-week periods ended December 25, 2021

(in thousands of dollars, except percentages)

	16 weeks			52 weeks		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Interest on credit facility	**438**	148	195.9	**1,302**	822	58.4
Interest on subordinated debt	**369**	307	20.2	**1,131**	1,009	12.1
Effective interest on debentures	**—**	993	(100.0)	**934**	3,227	(71.1)
Interest on lease obligations	**387**	465	(16.8)	**1,324**	1,552	(14.7)
Other	**92**	61	50.8	**418**	102	309.8
Financial expenses	**1,286**	1,974	(34.9)	**5,109**	6,712	(23.9)

Financial expenses for the fourth quarter of 2021 have decreased to $1.3 million compared to $2.0 million for the corresponding period of 2020 and decreased to $5.1 million for the fiscal year 2021 compared to $6.7 million in the previous year. These decreases are due to a lower debt level and lower interest rates following the refinancing and redemption of the debentures.

3.1.7 Income Taxes

In the fourth quarters of 2021 and 2020, income tax recovered were $0.0 million and $0.3 million, respectively. The variation is essentially explained by a higher earnings before taxes, net of a non-taxable non-recurring gain.

For the fiscal year ended December 25, 2021 income tax expense was $1.4 million, compared to $1.2 million in 2020. The increase of the income tax expense is mainly due to higher earnings before taxes, net of a non-taxable non-recurring gain.

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3.1.8 Net Earnings (Loss)

Net earnings (loss) of the 16 and 52-week periods ended December 25, 2021

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

	16 weeks			52 weeks		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Net earnings from continuing operations	**5,336**	620	760.6	**8,253**	3,798	117.3
Net earnings (loss) from discontinued operations	**(197)**	191	(203.1)	**(411)**	(12,410)	(96.7)
Net earnings (loss)	**5,139**	811	533.7	**7,842**	(8,612)	(191.1)
Basic and diluted net earnings per share from continuing operations	**0.05**	0.01	400.0	**0.08**	0.04	100.0
Basic and diluted net loss per share from discontinued operations	**—**	—	—	**—**	(0.12)	100.0
Basic and diluted net earnings (loss) per share	**0.05**	0.01	400.0	**0.08**	(0.08)	200.0

Net earnings from continuing operations for the fourth quarter of 2021 were $5.3 million, or $0.05 per share, compared to $0.6 million, or $0.01 per share for the corresponding period of last fiscal year. The main variations in the quarter were the increase of the income not related to current operations, the depreciation and amortization expenses, and the financial expenses, mitigated by the decrease of the adjusted EBITDA[(1)], as explained previously. Net earnings for the fourth quarter of 2021 were $5.1 million, or $0.05 per share, an increase of $4.3 million compared to $0.8 million, or $0.01 per share during the corresponding period of last fiscal year. The variation is explained by the facts described above mitigated by the decrease of $0.4 million in net loss from discontinued operations as explained in section 4 "Discontinued operations". The weighted average number of basic shares outstanding during the 16-week period was 101,954,885 compared to 101,640,026 for the corresponding period of 2020.

Net earnings from continuing operations for the cumulative fiscal year 2021 were $8.3 million, or $0.08 per share, an increase compared to $3.8 million or $0.04 per share during fiscal year 2020. The variation is mainly explained by the increase of the income not related to current operations, the depreciation and amortization expenses and the financial expenses mitigated by the decrease of the adjusted EBITDA[(1)] as explained previously. Net earnings for fiscal year 2021 were $7.8 million, or $0.08 per share, an increase of $16.4 million compared to a loss of $8.6 million, or $(0.08) per share during the corresponding period of last fiscal year. The variation is explained by the facts describe above and by the increase of $12.0 million related to the net loss from discontinued operations as explained in section 4 "Discontinued operations". The weighted average number of basic shares outstanding during the 52-week period was 101,893,919 compared to 101,640,026 for the corresponding period of 2020.

[(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 December 25, 2021 $	As at December 26, 2020 $	Variance $
Current assets			
Trade and other receivables	**45,745**	34,416	11,329
Inventories	**38,692**	35,266	3,426
Current assets	**84,437**	69,682	14,755
Current liabilities			
Trade and other payables	**43,667**	38,519	5,148
Working capital[(2)]	**40,770**	31,163	9,607

(2) Working capital is a non-IFRS performance measure. The Company calculates its working capital as described above. Working capital excludes the short-term portion of convertible debentures that have been redeemed during the second quarter. See Section 1 "Scope of the MD&A and Notice to Investors" for more information on the seasonality of sales.

As at December 25, 2021, the Company's working capital[(2)] was $40.8 million, up $9.6 million compared to the end of the last fiscal year. The increase is explained as follows:

Trade and Other Receivables

Trade and other receivables balance were up $11.3 million from December 26, 2020, due to higher sales in the fourth quarter and a non-recurring gain receivable as at December 25, 2021.

Inventories

Inventory balance increased by $3.4 million from December 26, 2020. This increase is due to higher inventory levels related to higher demand caused by the increase in sales.

Trade and Other Payables

The balance of trade and other payables increased by $5.1 million from December 26, 2020, mainly due to the increase in inventories.

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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 December 25, 2021, and their corresponding variances from the fiscal year ended December 26, 2020.

(in thousands of dollars)

	As at December 25, 2021 $	As at December 26, 2020 $	Variance $
Property, Plant and Equipment	**5,568**	6,122	(554)
Intangible Assets	**22,855**	26,569	(3,714)
Right-of-use Assets	**33,471**	38,450	(4,979)
Deferred Tax Asset	**4,775**	6,351	(1,576)
Long-Term Debt	**49,989**	11,860	38,129
Lease Liabilities	**35,299**	41,633	(6,334)
Convertible Debentures	—	49,812	(49,812)
Pension Obligations	**2,658**	2,887	(229)
Equity Attributable to Shareholders	**97,590**	88,567	9,023

Property, Plant and Equipment

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

Intangible Assets

The reduction in intangible assets is mainly due to amortization.

Right-of-use Asset

The reduction in right-of-use assets is mainly due to depreciation.

Deferred Tax Asset

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

Long-Term Debt

The increase in long-term debt is mainly due to the new credit facility which was used to redeem all of the convertible debentures outstanding for a total amount of $49.3 million. In addition, the increase in long-term debt is mainly due to the new subordinated debt, of which $15.0 million were received and which was used in part to repay the $12.0 million balance of existing subordinated debt as at December 26, 2020.

Lease Liabilities

The reduction in lease liabilities is mainly due to payments made during the period for leases.

Convertible Debentures

The decrease in convertible debentures is mainly explained by the redemption of all convertible debentures outstanding on March 23, 2021. Prior to redemption, in accordance with the terms of the convertible debentures which gave holders the right to convert before the announced redemption date, 273,600 common shares were issued for a total amount of $0.7 million.

Pension obligations

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

Equity Attributable to Shareholders

The increase in shareholders' equity is mainly due to net earnings and other comprehensive income for the fiscal year as well by the common shares issued as mentioned above.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at February 23, 2022. Refer to Notes 9, 19 and 21 of the audited 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	4,173,982	
Exercisable options	1,811,482	

3.5 Cash Flows

The following table represents consolidated cash flows of the 16 and 52-week periods ended December 25, 2021.

(in thousands of dollars)

	16 weeks		52 weeks	
	2021 $	2020 $	2021 $	2020 $
Cash flows from operating activities	**9,035**	13,005	**18,752**	36,436
Cash flows from investing activities	**(572)**	(2,266)	**(1,842)**	(590)
Cash flows from financing activities	**(7,297)**	(7,327)	**(23,917)**	(19,520)
Net change in cash and cash equivalents from continuing operations	**1,166**	3,412	**(7,007)**	16,326
Net change in cash and cash equivalents from discontinued operations	**(12)**	(405)	**(181)**	(1,697)
Cash and cash equivalents (bank indebtedness) at the beginning	**852**	6,187	**9,194**	(5,435)
Cash and cash equivalents at the end	**2,006**	9,194	**2,006**	9,194

Operating Activities

Cash flows from operating activities amounted to $9.0 million and $18.8 million for the 16 and 52-week periods of 2021, respectively, compared to $13.0 million and to $36.4 million for the corresponding periods of 2020. This decrease is mainly due to higher utilization of working capital[2] and by a lower adjusted EBITDA[1], mitigated by higher income not related to current operations. The higher utilization of working capital[2] is explained by the timing of inventories purchase and suppliers payments, as well as higher collection of receivables in 2020.

[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 MD&A section 3.2 "Financial Position" for detailed calculation.

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Investing Activities

Cash flows used by investing activities amounted to $(0.6) million and $(1.8) million for the 16 and 52-week periods of 2021, respectively, compared to $(2.3) million and $(0.6) million for the corresponding periods of 2020. The variations are mainly due to higher property, plant and equipment acquisitions and advances from discontinued operations.

Financing Activities

Cash flows used by financing activities amounted to $(7.3) million for the 16-week period of 2021 and 2020 and is explained by a decrease in financial expenses paid of $0.9 million in 2021, mitigated by a higher repayment of $0.8 million of the long term debt.

Cash flows used by financing activities were $(23.9) million for the 52-week period, compared to $(19.5) million for the corresponding period of 2020. The variation is primarily due to the use of the new credit facility for $43.0 million net of a $7.5 million repayment, the redemption of the debentures for $49.3 million, an additional $3.0 million borrowing of subordinated debt and a decrease in financial expenses paid compared to payments of $2.0 million of the credit facility and of $3.0 million of the subordinated debt in the corresponding period of 2020.

Payments Due

Undiscounted cash flows, including capital and interest related to the Company's liabilities expire as follows:

(in thousands of dollars)

		Payments due per period			
Contractual obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 years and over**
	$	**$**	**$**	**$**	**$**
Trade and other payables	43,667	43,667	—	—	—
Credit facility	40,168	4,434	8,897	26,837	—
Subordinated debt	19,532	1,088	2,175	16,269	—
Lease liabilities	39,493	8,891	10,714	7,386	12,502
Commitments	1,509	963	546	—	—
	144,369	59,043	22,332	50,492	12,502

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3.6 Capital Resources

During the fiscal year 2022, the Company anticipates that it will require cash to finance:

- its fixed assets investments;
- its opportunities investment; and
- its contractual obligations.

Available sources of internal and external financing are:

- cash flows from operating activities; and
- unused portion of the credit facility.

As at December 25, 2021, 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 December 25, 2021 the Company had the following sources of financing:

Credit Facility

A senior secured credit facility for a total amount of $80.0 million including a term loan of $30.0 million and a revolving credit of $50.0 million, of which $5.0 million in operating swing line. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 3.25% depending on the Company's leverage ratios. The credit facility is guaranteed by the assets of the Company and by those of some of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some ratios essentially related to consolidated adjusted EBITDA[1], financial expenses and total debt which were met as at December 25, 2021. The term loan is repayable quarterly, for an annual amount of $3.0 million. By mutual agreement, the credit facility may be increased by $20.0 million and matures on February 18, 2025. As at December 25, 2021, the available credit facility is $42.0 million.

As at 25 décembre 2021, letters of guarantee amounting to $1.0 million ($1.0 million as at December 26, 2020) had been used to support the lease of one of the Company’s distribution centers.

Subordinated debt

A subordinated debt of $20.0 million, of which $15.0 million has been disbursed at closing and $5.0 million was available until February 2022 at the Company's option. The subordinated debt bears interest at a rate of 7.25% to 8.25% depending on the Company's leverage ratios, payable quarterly and matures on February 18, 2026. The subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility.

Share Capital

Colabor's share-capital consist of an unlimited number of common and preferred shares that may be issued in series, without nominal value. A summary of designation, rights, restrictions and conditions related to common and preferred shares is presented in Colabor's Annual Information Form ("AIF") dated February 25, 2022 and is available on the SEDAR website at www.sedar.com.

[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.

4. Discontinued Operations

Broadline distribution operations in Ontario

On May 11, 2020, the Company announced the closing of the sale of the majority of the assets of its Summit division for an amount of $9,4 million. A residual amount of $1.0 million was received during fiscal year 2021, as a final adjustment and contingent consideration based on sales for the 12 months following the transaction. The Company has reclassified as discontinued operations all results and cash flows for the current and previous fiscal years, separately from its continuing operations for this division.

Net earnings (loss) summary for discontinued operations

Net earnings (loss) from discontinued operations are as follows:
(in thousands of dollars)

	16 weeks		**52 weeks**	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Sales	**—**	—	**—**	68,822
Cost of goods sold	**(1)**	—	**(1)**	62,408
Gross Margin	**1**	—	**1**	6,414
Operating expenses	**—**	74	**(96)**	9,348
Depreciation and amortization	**—**	456	**—**	2,263
Costs not related to current operations (a)	**212**	(1,289)	**493**	11,014
Operating earnings (loss)	**(211)**	759	**(396)**	(16,211)
Financial expenses	**1**	85	**3**	493
Earnings (loss) before taxes	**(212)**	674	**(399)**	(16,704)
Income taxes (recovered)	**(15)**	483	**12**	(4,294)
Net earnings (loss) from discontinued operations	**(197)**	191	**(411)**	(12,410)

The change in net loss is explained by the sale of the majority of Summit's assets occurred in May 2020, and therefore, this division was in operation during the first quarter and part of the second quarter of 2020.

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Summary of costs not related to current operations

(a) Costs not related to current operations from discontinued operations are as follows:

(in thousands of dollars)

	16 weeks		52 weeks	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Severance costs	—	(190)	—	7,741
Provision for onerous contracts	—	(205)	—	1,504
Provision for obsolescence of inventory and bad debt	—	250	—	490
Loss (gain) on disposal	**150**	(1,561)	**428**	(1,547)
Closing costs and others	**62**	417	**65**	2,826
Total	**212**	(1,289)	**493**	11,014

During fiscal year 2021, the balance of the sale price receivable related to the sale of the Viandes Décarie division in May 2019 was reduced by an amount of $0.4 million. Costs not related to current operations for 2020 result from the closure of London and Ottawa distribution centers which took place in February and March 2020, respectively, and the closure of the Mississauga distribution center in July 2020.

Cash Flow Summary for Discontinued Operations

Cash flows from discontinued operations are as follows:

(in thousands of dollars)

	16 weeks		52 weeks	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Cash flows from operating activities	**(11)**	(1,326)	**(1,181)**	(4,730)
Cash flows from investing activities	—	1,793	**1,003**	6,751
Cash flows from financing activities	**(1)**	(872)	**(3)**	(3,718)
Net change in cash and cash equivalents from discontinued operations	**(12)**	(405)	**(181)**	(1,697)

Net change in cash from discontinued operations for the 16 and 52-week periods of 2021 amounted to $0.0 million and to $(0.2) million, respectively, compared to $(0.4) million and $(1.7) million for the corresponding period of last fiscal year. The change in 2020 was primarily due to cash flow from operating activities as a result of lower utilization of working capital following the termination by mutual agreement of the supply contract between Colabor and Recipe Unlimited ("Recipe") which took place gradually during the first quarter of 2020, the closure of two distribution centers in the first quarter of 2020, the sale of the Summit division in the second quarter and the closure of the last distribution center in the second and third quarters of 2020.

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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)

	2021				2020			
	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $
Sales	**150,452**	131,622	108,052	85,635	133,317	120,931	95,458	111,613
Adjusted EBITDA[1]	**7,080**	7,821	6,671	3,848	7,459	10,143	7,613	3,698
(Income) costs not related to current operations	**(3,998)**	75	64	91	344	(121)	508	1,080
Net earnings (loss) from continuing operations	**5,336**	2,288	1,640	(1,011)	620	3,441	1,608	(1,871)
Net earnings (loss) from discontinued operations	**(197)**	(250)	52	(16)	191	(1,652)	(4,490)	(6,459)
Net earnings (loss)	**5,139**	2,038	1,692	(1,027)	811	1,789	(2,882)	(8,330)
Basic and diluted net earnings (loss) per share from continuing operations	**0.05**	0.02	0.02	(0.01)	0.01	0.03	0.01	(0.02)
Basic and diluted net earnings (loss) per share	**0.05**	0.02	0.02	(0.01)	0.01	0.02	(0.03)	(0.08)

Sales for the last eight quarters have been impacted by different factors, such as the termination of a contract in the Specialized distribution during the first quarter of 2020 and by the pandemic from the second quarter of fiscal year 2020. Net earnings for the first quarters are generally negatively impacted by seasonality. Net earnings for the first quarter of 2020 was negatively impacted by costs not related to current operations and the net earnings for the fourth quarter quarter of 2021 was positively impacted by (income) costs not related to current operations.

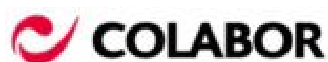
6. Non-IFRS Performance Measures

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 (loss) to which the following items are added: depreciation and amortization, (income) 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)

	16 weeks		52 weeks	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Net earnings from continuing operations	**5,336**	620	**8,253**	3,798
Income taxes (recovered)	**(19)**	(320)	**1,435**	1,171
Financial expenses	**1,286**	1,975	**5,109**	6,712
Operating earnings	**6,603**	2,275	**14,797**	11,681
Expenses for stock-based compensation plan	**155**	84	**303**	309
(Income) costs not related to current operations	**(3,998)**	344	**(3,768)**	1,811
Depreciation and amortization	**4,320**	4,756	**14,088**	15,112
Adjusted EBITDA	**7,080**	7,459	**25,420**	28,913

Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt, long-term debt and convertible debentures 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 December 25, 2021	**As at December 26, 2020**
	$	**$**
Cash	**(2,134)**	(9,712)
Current portion of long-term debt	**3,000**	—
Long-term debt	**47,500**	12,000
Convertible debentures	**—**	49,812
Net debt	**48,366**	52,100

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. Related Party Transactions

Transactions between related parties of the Company consist of sales occurring with Dubé & Loiselle Inc., an entity owned by a director of the Company. The transactions were carried out in accordance with the various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of business.

The following table shows the transactions between the Company and Dubé & Loiselle Inc.:

(in thousands of dollars)

	16 weeks		52 weeks	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Sales	**6,512**	5,323	**18,957**	15,884

	As at December 25, 2021	As at December 26, 2020
	$	**$**
Trade and other receivables, net of remittances	**1,223**	187

8. Off-Balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than $1.0 million in letters of credit to support the leasing of one of the Company's distribution centers.

9. Contingency

Since the second quarter of 2019, a lawsuit from a client for an amount of $5.3 million (US$4.2 million) has been initiated against the Company, alleging a default to the terms of the agreement. The Company intends to defend itself vigorously.

10. 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.

11. Significant Estimates and Judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are based on facts and information that are available to management. Management reassesses at the end of each reporting period its judgments and estimates. The actual results are likely to differ from judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

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Supplier rebates

Supplier rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates have been satisfied.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected usage of the Company's assets. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and computer hardware.

Pension obligation

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligation is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The estimates are subject to uncertainties, and may vary significantly in future appraisals of the Company's defined benefit obligations.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss. If a positive forecast of taxable income indicates the probable use of deferred tax assets, especially when it can be utilized without a time limit, those deferred tax assets are usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Impairment

An impairment loss is recognized for the amount by which an asset's or CGU’s carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes key assumptions about future operating results such as the growth rate, the earnings before taxes, financial expenses, depreciation and amortization ratio, and the discount rate. These key assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

12. 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 its financial statements 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 and the effectiveness of ICFR and DC&P for the 52-week period ended December 25, 2021. On the basis of this assessment, they have concluded that the design and the effectiveness of ICFR and DC&P are effective. For the 52-week period ended December 25, 2021, 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.

13. New accounting policies

Standard 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.

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14. 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 December 25, 2021		As at December 26, 2020
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial asset				
Non-current				
Derivative financial instrument	**145**	**145**	—	—
Financial liabilities				
Current				
Convertible debentures	**—**	**—**	49,812	49,500
Non-current				
Credit facility	**35,185**	**35,500**	—	—
Subordinated debt	**14,804**	**15,000**	11,860	11,969
	49,989	**50,500**	61,672	61,469

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% (6.5% as at December 26, 2020), the current rate of subordinated debt.

In addition, in April 2021, the Company entered into an interest rate swap for a total nominal value of $15.0 million to cover the risk of interest rate fluctuations on a portion of its credit facility beginning in March 2022 until maturity in 2025. The interest rate fixed by the swap is 1.43%. Since this interest rate swap meet the hedge accounting conditions, changes in fair value are recognized in other comprehensive income.

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 December 25, 2021, the fair value of the interest rate swap is an asset and is accounted for under Other in the non-current assets of the consolidated statement of financial position for an amount of $0.1 million.

Fair value measurement

When determining an asset or a liability's fair value, the Company uses observable market data as much as possible. Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at December 25, 2021, the Company has classified the fair value measurement of the credit facility, the subordinated debt and of the interest rate swap as Level 2. There was no transfer between the levels during the fiscal year 2021.

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 and its financial risk management policies are detailed below. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates. The Company manages its exposure to interest rate risk by favoring an appropriate mix of fixed and floating rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a reasonably possible 1.0% fluctuation in the interest rate on current market conditions would have an impact of $0.6 million on earnings in 2021 (nil in 2020).

In addition, in April 2021, the Company entered into an interest rate swap for a total nominal value of $15.0 million with a financial institution in order to hedge the risk of fluctuations in interest rates on a portion of its credit facility beginning in March 2022 and until maturity in 2025. The Company periodically reviews the level of the debt on which the interest rates must be fixed.

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and other assets represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its trade accounts receivable and other assets. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee or letter of credit from some of its customers. As at December 25, 2021, the Company had guarantees for about 1.4% of its trade accounts receivable (1.8% as at December 26, 2020). In addition, following the beginning of the pandemic, the payment terms of some customers have been modified for prepayments or payments on delivery in order to minimize credit risks.

The Company's policy is to have each customer undergo a credit check.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget estimates and cash flow forecasts to ensure it has the necessary funds to fulfill its obligations. These forecasts are updated on a regular basis. According to our updated forecast based on information currently available to management, the Company is expecting to be able to meet its obligations for the next 12 to 15 months by using future cash flows from operating and funds available under the credit facility in place.