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

First quarter of 2022

12-week period ended March 19, 2022

TABLE OF CONTENTS

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 loss, comprehensive loss, financial situation and cash flows for the first quarter ended March 19, 2022, whose numbers are unaudited. This report should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for this period and the audited consolidated financial statements and accompanying notes for the fiscal year ended December 25, 2021, and related notes, along with the associated annual MD&A. 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 9 "Risks and Uncertainties" of this MD&A. These factors, which include the risks related to the pandemic of Covid-19 and the different underlying variants ("pandemic") as well as 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.

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 2.1 "Business Developments in 2022" 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 Business Developments in 2022

During the 12-week period ended March 19, 2022, the following events have influenced the Company's general development and operations, or reflect the evolution of Colabor's transformational plan and growth.

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

During the first quarter, 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 restaurant dining rooms were closed from December 31, 2021 to January 31, 2022 due to restrictions imposed by the Government of Quebec. 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, new government measures, and the gradual return of workers in their workplaces and tourism, as well as the longer-term impact on the economy and health regulations that will apply.

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. The diversification of the Company's activities, 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.

Events since the end of the first quarter

On March 31, 2022, the Company announced that Mr. Robert Briscoe has tendered his resignation as director of the Company on March 30, 2022.

On April 4, 2022, the Company announced the acquisition of all the shares of Le Groupe Resto-Achats Inc. and its subsidiaries ("GRA"). Refer to section 12 "Subsequent Events".

On April 11, 2022, the Company announced the acquisition of certain assets of Ben Deshaies Inc. ("Ben Deshaies"). Refer to section 12 "Subsequent Events".

2.2 Development Strategies and Outlook

Colabor has as main financial objectives to increase profitability and consequently create value for its shareholders. 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.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to Section 5 "Non-IFRS Performance Measures" for definitions and reconciliations to the most directly comparable IFRS measures.

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.

Evolution of the 2022 Plan

In order to develop new Distribution territories in Quebec, we continued during the quarter to invest in our sales force in order to break into certain regions of Quebec which until then were relatively underdeveloped by the Company. We also closed two acquisitions on April 4 and 11, 2022 which are perfectly in line with our growth plan. Refer to section 12 "Subsequent Events".

Investments to improve our private label positioning continue during the first quarter of 2022, following the official launch in September 2021 of our new private label image, which was an important step in its repositioning.

During the first quarter of 2022, the Company continued to manage the impacts of the pandemic on its operations by maintaining an appropriate cost structure and optimal cash flow management.

2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**	
(in thousands of dollars, except financial leverage ratio)	**2022**	**2021**
	$	**$**
Results and cash flow		
Sales from continuing operations	**97,169**	85,811
Net loss from continuing operations	**(1,653)**	(1,011)
Adjusted EBITDA[1]	**2,313**	3,848
Cash flows from operating activities	**12,426**	5,376
Financial position	**As at March 19, 2022**	**As at December 25, 2021**
	$	**$**
Working Capital[2]	**29,517**	40,770
Financial Leverage Ratio[3]	**1.6x**	1.9x
Net debt[4]	**38,962**	48,366

[1] Non-IFRS measure. Refer to the table Reconciliation of Net Loss to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings before 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 section 3.2 "Financial Position" for detailed calculation.
[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 section 5 "Non-IFRS Performance Measures".
[4] Non-IFRS measure. Refer to section 5 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash.

First Quarter Highlights

- Consolidated sales of the first quarter were $97.2 million, up 13.2% compared to the corresponding period of 2021 resulting mainly from less restrictive containment measures in 2022 compared to 2021.
- First quarter net loss from continuing operations was $1.7 million, an increase of $0.6 million compared to a net loss of $1.0 million for the corresponding quarter of 2021.
- First quarter adjusted EBITDA(1) from continuing operations amounted to $2.3 million or 2.4% of sales from continuing operations compared to $3.8 million or 4.5% of sales from continuing operations in 2021. This decrease is due, among other things, to lower subsidies obtained of $1.3 million, an increase in labor costs and other supply chain costs, in connection with the increase in inflation, as well as investments to expand our territory.
- Net debt(4) decreased to $39.0 million as at March 19, 2022, compared to $48.4 million at the end of fiscal year 2021, resulting from credit facility repayment of $7.8 million, of which $7.0 million as optional repayment. The financial leverage ratio(3) decreased at 1.6x, compared to 1.9x at the end of the last fiscal year.
- As at March 19, 2022, the Company's working capital(2) was $29.5 million, down from $40.8 million at the end of fiscal year 2021. This variation is explained by the seasonality effect and the receipt of the non-recurring gain which was receivable as at December 25, 2021.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12-week period ended March 19, 2022

(in thousands of dollars, except percentages)

	12 weeks		
	2022	**2021**	**Variance**
	$	**$**	**%**
Sales	**97,169**	85,811	13.2
Cost of goods sold	**80,541**	71,442	12.7
Operating expenses(2)	**14,315**	10,521	36.1
Operating expenses	**94,856**	81,963	15.7
Adjusted EBITDA(1)	**2,313**	3,848	(39.9)
Adjusted EBITDA margin(1)	**2.4%**	4.5%	

(1) The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "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.

COLABOR

3.1.1 Segment Sales

Consolidated Sales for the 12-week period ended March 19, 2022

(in thousands of dollars, except percentages)

	12 weeks		
	2022	**2021**	**Variance**
	$	**$**	**%**
Distribution Segment	**67,216**	57,252	17.4
Wholesale Segment	**38,280**	36,685	4.3
Intersegment eliminations and others	**(8,327)**	(8,126)	(2.5)
Sales	**97,169**	85,811	13.2

Consolidated sales for the first quarter of 2022 were $97.2 million compared to $85.8 million during the corresponding quarter of last fiscal year, representing an increase of 13.2%, and this despite the arrival of the Omicron variant, which resulted in restaurant dining rooms closure for four weeks during the quarter due to governmental restrictions. During the corresponding quarter of 2021, restaurant dining rooms were closed for the entire quarter.

- Distribution segment sales have increased by 17.4%, explained by a volume increase from restaurants, given a longer opening period of dining rooms during the first quarter of 2022 compared to the first quarter of 2021, as explained above.
- Wholesale segment sales have increased by 4.3%, explained by an increase in volume as explained above, as well as by new customers, mitigated by the partial loss of volume from a single customer.
- Intersegment eliminations and others increased by 2.5% resulting mainly by the increase of volume from the Distribution and Wholesale segments as explained above.

3.1.2 Operating Expenses

Operating Expenses for the 12-week period ended March 19, 2022

(in thousands of dollars, except percentages)

	12 weeks		
	2022	**2021**	**Variance**
	$	**$**	**%**
Distribution segment	**66,415**	55,139	20.5
Wholesale segment	**34,946**	33,256	5.1
Intersegment eliminations and others	**(6,505)**	(6,432)	(1.1)
Operating expenses[(1)]	**94,856**	81,963	15.7

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

Consolidated operating expenses for the first quarter of 2022 were $94.9 million compared to $82.0 million for the corresponding period of last fiscal year, an increase of 15.7%, mostly explained by the increase of 13.2% in sales and by the decrease of $1.3 million in subsidies obtained.

- Distribution segment operating expenses have increased by 20.5% during the first quarter, mostly explained by the increase of 17.4% in sales, a decrease of $1.0 million in subsidies obtained, an increase in labor costs and other supply chain costs, in connection with the increase in inflation, as well as investments to expand our territory.

- Wholesale segment operating expenses have increased by 5.1%, explained by the increase of 4.3% in sales, a decrease of $0.2 million in subsidies obtained during the first quarter of 2022, 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 1.1%, mainly due to an increase in intersegment sales as explained above, and a decrease of $0.1 million in subsidies obtained during the first quarter of 2022.

3.1.3 Adjusted EBITDA

Adjusted EBITDA for the 12-week period ended March 19, 2022

(in thousands of dollars, except percentages)

	12 weeks		
	2022	**2021**	**Variance**
	$	**$**	**%**
Distribution Segment	**801**	2,113	(62.1)
Wholesale Segment	**3,334**	3,429	(2.8)
Intersegment eliminations and others	**(1,822)**	(1,694)	(7.6)
Adjusted EBITDA[1]	**2,313**	3,848	(39.9)
Adjusted EBITDA margin[1]	**2.4%**	4.5%	

[1] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "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 first quarter of 2022 amounted to $2.3 million compared to $3.8 million in the corresponding quarter of the previous year, a decrease of 39.9% and as a percentage of sales, adjusted EBITDA margin[1] reached 2.4% compared to 4.5% for the corresponding period of 2021. These variations are mainly explained by the decrease in subsidies obtained of $1.3 million during the first quarter of 2022. Excluding the impact of subsidies obtained, the adjusted EBITDA margin[1] would have been 2.4% in 2022 and 3.0% in 2021.

- Adjusted EBITDA[1] in the Distribution segment has decreased by $1.3 million or 62.1%. As a percentage of sales, the adjusted EBITDA margin[1] stood at 1.2% compared to 3.7% in 2021. This decrease is mainly due to the decrease in subsidies obtained of $1.0 million, an increase in labor costs and other supply chain costs, as well as investments to expand our territory, mitigated by sales growth of 17.4%.

- Adjusted EBITDA[1] in the Wholesale segment has decreased by $0.1 million, or 2.8% and is mainly due to an increase of 4.3% of sales and an improvement in gross margin as explained above, 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 first quarter of 2022 decreased by $0.1 million or 7.6% compared to the corresponding quarter of 2021 and is mainly due to the decrease in subsidies obtained during the first quarter.

3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12-week period ended March 19, 2022

(in thousands of dollars, except percentages)

	12 weeks		
	2022 $	2021 $	Variance %
Depreciation of property, plant and equipment	**476**	516	(7.8)
Amortization of intangible assets	**869**	965	(9.9)
Depreciation of right-of-use assets	**1,889**	1,779	6.2
Depreciation and Amortization	**3,234**	3,260	(0.8)

For the 12-week period ended March 19, 2022, depreciation and amortization expense was down by 0.8%, compared to the same quarter of 2021, 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.

3.1.5 Financial Expenses

Financial expenses for the 12-week period ended March 19, 2022 amounted to $1.0 million compared to $1.7 million for the corresponding period of 2021. This decrease is due to a lower debt level and lower interest rates following the refinancing and redemption of the debentures during the first quarter of 2021.

3.1.6 Income Taxes

In the first quarters of 2022 and 2021, income taxes recovered were $0.6 million and $0.3 million, respectively. The variation is essentially explained by higher loss before taxes.

3.1.7 Net Loss

Net loss of the 12-week period ended March 19, 2022

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

	12 weeks		
	2022 $	2021 $	Variance %
Net loss from continuing operations	**(1,653)**	(1,011)	63.5
Net loss from discontinued operations	**(53)**	(16)	231.3
Net loss	**(1,706)**	(1,027)	66.1
Basic and diluted net loss per share from continuing operations	**(0.02)**	(0.01)	100.0
Basic and diluted net loss per share from discontinued operations	**—**	—	—
Basic and diluted net loss per share	**(0.02)**	(0.01)	100.0

Net loss from continuing operations for the first quarter of 2022 was $1.7 million, or $(0.02) per share, compared to $1.0 million, or $(0.01) per share for the corresponding period of last fiscal year. The main variations in the quarter were the decrease of the adjusted EBITDA[1] as explained previously, combined with higher costs not related to current operations, mitigated by lower financial expenses and higher income taxes recovery. Net loss for the first quarter was $1.7 million, or $(0.02) per share, a decrease of $0.7 million compared to $1.0 million, or $(0.01) per share during the corresponding period of 2021. The variation is explained by the facts described above. The weighted average number of basic shares outstanding during the 12-week period was 101,954,885 compared to 101,659,664 for the corresponding period of 2021.

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 March 19, 2022 $	As at December 25, 2021 $	Variance $
Current assets			
Trade and other receivables	**37,760**	45,745	(7,985)
Inventories	**34,102**	38,692	(4,590)
Current assets	**71,862**	84,437	(12,575)
Current liabilities			
Trade and other payables	**42,345**	43,667	(1,322)
Working capital[2]	**29,517**	40,770	(11,253)

[2] Working capital is a non-IFRS performance measure. The Company calculates its working capital as described above. See Section 1 "Scope of the MD&A and Notice to Investors" for more information on the seasonality of sales.

As at March 19, 2022, the Company's working capital[2] was $29.5 million, down $11.3 million compared to the end of the last fiscal year. The decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables balance were down $8.0 million from December 25, 2021, due to lower sales in the first quarter compared to the fourth quarter of 2021 explained by the effect of seasonality and the receipt of the non-recurring gain which was receivable as at December 25, 2021.

Inventories

Inventory balance decreased by $4.6 million from December 25, 2021. This decrease is due to lower inventory levels related to lower demand caused by the effect of seasonality.

Trade and Other Payables

The balance of trade and other payables decreased by $1.3 million from December 25, 2021, mainly due to the decrease in inventory and the effect of seasonality.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to Section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at March 19, 2022, and their corresponding variances from the fiscal year ended December 25, 2021.

(in thousands of dollars)

	As at March 19, 2022 $	As at December 25, 2021 $	Variance $
Property, Plant and Equipment	**5,604**	5,568	36
Intangible Assets	**22,080**	22,855	(775)
Right-of-use Assets	**38,332**	33,471	4,861
Deferred Tax Asset	**5,255**	4,775	480
Long-Term Debt	**42,264**	49,989	(7,725)
Lease Liabilities	**40,019**	35,299	4,720
Pension Obligations	**2,214**	2,658	(444)
Equity Attributable to Shareholders	**96,432**	97,590	(1,158)

Property, Plant and Equipment

The increase in property, plant and equipment is mainly due to depreciation partly offset by the acquisitions.

Intangible Assets

The reduction in intangible assets is mainly due to amortization.

Right-of-use Asset

The increase in right-of-use assets is mainly due to the renewal of leases mitigated by depreciation.

Deferred Tax Asset

The increase in deferred tax assets comes mainly from the creation of tax attributes during the period.

Long-Term Debt

Long-term debt reduction is mainly due to the increase in cash flow from operating activities, which were used to repay the credit facility for an amount of $7.8 million during the first quarter.

Lease Liabilities

The increase in lease liabilities is mainly due to the renewal of leases mitigated by the payments made during the period.

Pension obligations

The Company has approved the full wind up of the defined benefit pension plan as of May 31, 2021. The 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 reduction in shareholders' equity is mainly due to net loss, mitigated by the other comprehensive income for the fiscal year.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at April 25, 2022. Refer to Notes 7 and 9 of the interim condensed 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	1,898,982	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12-week period ended March 19, 2022.

(in thousands of dollars)

	12 weeks	
	2022 $	2021 $
Cash flows from operating activities	**12,426**	5,376
Cash flows from investing activities	**(451)**	(127)
Cash flows from financing activities	**(10,429)**	(927)
Net change in cash and cash equivalents from continuing operations	**1,546**	4,322
Net change in cash and cash equivalents from discontinued operations	**(8)**	(272)
Cash and cash equivalents at the beginning	**2,006**	9,194
Cash and cash equivalents at the end	**3,544**	13,244

Operating Activities

Cash flows from operating activities amounted to $12.4 million for the 12-week period of 2022, compared to $5.4 million for the corresponding period of 2021. This increase is mainly due to lower utilization of working capital(2), mitigated by a lower adjusted EBITDA(1). The lower utilization of working capital(2) is explained by the receipt of the non-recurring gain which was receivable as at December 25, 2021 and by a higher collection of receivables in 2022 in connection with the increase in sales volume in the fourth quarter of 2021.

Investing Activities

Cash flows used by investing activities amounted to $(0.5) million for the 12-week period of 2022, compared to $(0.1) million for the corresponding period of 2021. The variations are mainly due to higher property, plant and equipment acquisitions.

Financing Activities

Cash flows used by financing activities amounted to $(10.4) million for the 12-week period of 2022, down from $(0.9) million for the corresponding period of 2021. The variation is primarily due to the repayment of $7.8 million of the credit facility, compared to an additional $3.0 million borrowing of subordinated debt during the corresponding period of 2021.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to Section 5 "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 section 3.2 "Financial Position" for detailed calculation.

3.6 Capital Resources

As at March 19, 2022, 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 March 19, 2022, the available credit facility is $49.0 million. Refer to section 13 for liquidity risk management.

4. 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)

	2022	2021				2020		
	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $
Sales	**97,169**	150,452	131,622	108,052	85,811	133,317	120,931	95,458
Adjusted EBITDA[1]	**2,313**	7,080	7,821	6,671	3,848	7,459	10,143	7,613
Costs (income) not related to current operations	**314**	(3,998)	75	64	91	344	(121)	508
Net earnings (loss) from continuing operations	**(1,653)**	5,336	2,288	1,640	(1,011)	620	3,441	1,608
Net earnings (loss) from discontinued operations	**(53)**	(197)	(250)	52	(16)	191	(1,652)	(4,490)
Net earnings (loss)	**(1,706)**	5,139	2,038	1,692	(1,027)	811	1,789	(2,882)
Basic and diluted net earnings (loss) per share from continuing operations	**(0.02)**	0.05	0.02	0.02	(0.01)	0.01	0.03	0.01
Basic and diluted net earnings (loss) per share	**(0.02)**	0.05	0.02	0.02	(0.01)	0.01	0.02	(0.03)

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

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to Section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

5. 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 loss to which the following items are added: depreciation and amortization, costs not related to current operations, expenses for stock-based compensation plan, financial expenses and income taxes.

Reconciliation of Net Earnings to Adjusted EBITDA

(in thousands of dollars)

	12 weeks	
	2022	**2021**
	$	**$**
Net loss from continuing operations	**(1,653)**	(1,011)
Income taxes recovery	**(632)**	(251)
Financial expenses	**971**	1,737
Operating (loss) earnings	**(1,314)**	475
Expenses for stock-based compensation plan	**79**	22
Costs not related to current operations	**314**	91
Depreciation and amortization	**3,234**	3,260
Adjusted EBITDA	**2,313**	3,848

Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, 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 March 19, 2022	**As at December 25, 2021**
	$	**$**
Cash	**(3,788)**	(2,134)
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**39,750**	47,500
Net debt	**38,962**	48,366

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 4 "Summary of Recent Quarters".

6. 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.

7. 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.

8. Significant Estimates and Judgments

The preparation of the financial statements requires the management of the Company to undertake some judgments and estimates about the recognition and measurement of the assets, liabilities, revenues and expenses which are based on the facts and information that are available to management. Because of the pandemic, management has revised its judgments and estimates as part of the preparation of its interim condensed consolidated financial statements and concluded that there was no significant change as of March 19, 2022, compared to December 25, 2021.

9. 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 the financial statements it releases to the public 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 of ICFR and DC&P as at March 19, 2022. On the basis of this assessment, they have concluded that the design of ICFR and DC&P are adequate. For the 12-week period ended March 19, 2022, 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.

10. New Accounting Policies

Standards 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.

11. Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

(in thousands of dollars)

		As at March 19, 2022		As at December 25, 2021
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial asset				
Non-current				
Derivative financial instrument	**340**	**340**	145	145
Financial liabilities				
Non-current				
Credit facility	**27,454**	**27,750**	35,185	35,500
Subordinated debt	**14,810**	**15,000**	14,804	15,000
	42,264	**42,750**	49,989	50,500

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 25, 2021), the current rate of subordinated debt.

The fair value of the interest rate swap entered in April 2021 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 March 19, 2022, the fair value of the interest rate swap is an asset of $0.3 million and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 fair values are the same as those described in the consolidated financial statements for the year ended December 25, 2021.

There was no transfer between the levels during the 12-week period ended March 19, 2022.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There were no significant changes in the Company's risk exposure during the 12-week period ended March 19, 2022 compared to the description given in the consolidated financial statements for the year closed on December 25, 2021.

12. Subsequent Events

On April 4, 2022, the Company acquired all of the shares of GRA for an amount of $4.5 million, of which $2 million was payable at the closing date, $1.0 million is payable April 4, 2023 and $1.5 million in contingent consideration based on the achievement of certain income thresholds. The contingent consideration is payable in two equal installments $0.8 million in May 2024 and May 2025. Working capital adjustments will also be payable in the next fiscal year.

Founded in 2008 and headquartered in Quebec City, GRA is a major purchasing group for independent restaurants and seniors' residences located primarily in eastern Quebec. With more than 200 active members and nearly $4.0 million in supplier revenues for the year ended December 31, 2021, GRA provides access to group business terms for food supply and other services related to restaurants.

On April 11, 2022, the Company announced the completion of the acquisition of certain assets from Ben Deshaies at the effective date of April 22, 2022 for an amount of $0.4 million. The acquisition includes, in particular, Ben Deshaies' assets related to foodservice activities in the Outaouais and Laurentians regions, as well as certain related equipments. These activities represent approximately $13.0 million in annual revenues and will be served from a facility located in Mont-Laurier.

Given the very limited time between the closing date of these acquisitions and the publication of these interim condensed consolidated financial statements, some information to be disclosed in respect of business combinations under IFRS 3, particularly the preliminary purchase price allocation, was not provided as the information was not available. The Company is in the process of conducting a fair value analysis of the assets acquired and the liabilities assumed.