



Pet Valu Reports Second Quarter 2023 Results
Delivers 6% Same-Store Sales Growth⁽¹⁾ and Reaffirms Guidance

Markham, Ontario, August 8, 2023 - Pet Valu Holdings Ltd. ("Pet Valu" or the "Company") (TSX: PET), the leading Canadian specialty retailer of pet food and pet-related supplies, today announced its financial results for the second quarter ended July 1, 2023.

Second Quarter Highlights

- System-wide sales⁽¹⁾ were \$343.9 million, an increase of 10.1% versus the prior year. Same-store sales growth was 6.0%, with both basket and traffic growth contributing.
- Revenue was \$256.4 million, up 12.6% versus last year.
- Adjusted EBITDA⁽²⁾ was \$53.8 million, up 3.9% versus the prior year, representing 21.0% of revenue. Operating income was \$40.2 million, up 2.3% versus the prior year.
- Net income was \$24.1 million, down from \$25.3 million in the prior year.
- Adjusted Net Income⁽²⁾ was \$26.3 million or \$0.36 per diluted share, compared to \$27.9 million or \$0.39 per diluted share, respectively, in the prior year.
- Opened 7 new stores and ended the quarter with 758 stores across the network.
- The Board of Directors of the Company declared a dividend of \$0.10 per common share.

2023 Outlook

- The Company expects 2023 revenue between \$1,050 and \$1,075 million, driven by same-store sales growth between 7% and 10% and 40-50 new store openings, Adjusted EBITDA between \$230 and \$237 million and Adjusted Net Income per Diluted Share⁽²⁾ between \$1.60 and \$1.66.

"We are pleased with our second quarter results, rounding out strong performance for the first half of 2023, in which our business delivered on all key metrics," said Richard Maltsbarger, President and Chief Executive Officer of Pet Valu. "Our double-digit growth in consumables, such as pet food and cat litter, makes it clear our expert level customer service, curated offering of premium products and strengthening omni-channel shopping capabilities continue to resonate with devoted pet lovers across Canada.

"With a recent shift in consumer demand, our teams are prioritizing key projects, investments and talent to those actions that will continue to deliver the greatest value across the second half of 2023 and support our long-term profitable growth," continued Mr. Maltsbarger. "Our Supply Chain transformation proceeds on-plan with shipments to stores from our new GTA facility commencing this month. We are also investing in our customer-facing ACEs, growing our franchise ownership base, and accelerating investments in our e-commerce experience, all while closely managing key cost levers."

Financial Results for the Second Quarter Fiscal 2023

All comparative figures below are for the 13-week period ended July 1, 2023, compared to the 13-week period ended July 2, 2022.

Revenue was \$256.4 million in Q2 2023, an increase of \$28.7 million, or 12.6%, compared to \$227.7 million in Q2 2022. The increase in revenue was driven by growth in retail sales, as well as franchise and other revenues.

Same-store sales growth was 6.0% in Q2 2023 primarily driven by a 4.8% increase in same-store average spend per transaction and a 1.2% increase in same-store transactions. This is compared to same-store sales growth of 21.2% in Q2 2022, which primarily consisted of a 19.3% increase in same-store transactions and a 1.5% increase in same-store average spend per transaction. Q2 2022 same-store sales growth was elevated given the comparative period, Q2 2021, was impacted by a shift in consumer behaviour associated with COVID-19 restrictions.

Gross profit increased by \$6.7 million, or 7.9%, to \$92.1 million in Q2 2023, compared to \$85.4 million in Q2 2022. Gross profit margin was 35.9% in Q2 2023, compared to 37.5% in Q2 2022. Excluding costs related to the supply chain transformation of 0.20%, the gross profit margin was 36.1% and decreased by 1.4%. The decrease was primarily driven by: (i) the unfavourable impact of the weaker Canadian dollar on non-domestic sourced products primarily denominated in U.S. dollars; (ii) higher wholesale merchandise sales due to increased franchise penetration and improved fill rates to franchisees; partially offset by (iii) favourable product margins as lower inbound freight costs more than offset higher distribution costs.

Selling, general and administrative ("SG&A") expenses were \$51.9 million in Q2 2023, an increase of \$5.8 million, or 12.6%, compared to \$46.1 million in Q2 2022. SG&A expenses represented 20.2% and 20.2% of total revenue for Q2 2023 and Q2 2022, respectively. The increase of \$5.8 million in SG&A expenses was primarily due to: (i) increased compensation costs as a result of headcount and salary investments; (ii) higher depreciation and amortization from store growth and investments, and other assets; partially offset by (iii) lower professional fees.

Adjusted EBITDA increased by \$2.0 million, or 3.9%, to \$53.8 million in Q2 2023, compared to \$51.8 million in Q2 2022. Adjusted EBITDA excludes \$0.5 million of lower costs from business transformation, investment in associate, other professional fees, information technology transformation, share-based compensation, and loss (gain) on foreign exchange. Adjusted EBITDA was also impacted by higher EBITDA of \$2.5 million in Q2 2023 compared to Q2 2022. Adjusted EBITDA as a percentage of revenue was 21.0% and 22.8% in Q2 2023 and Q2 2022, respectively.

Net interest expense was \$7.2 million in Q2 2023, an increase of \$2.6 million, or 56.9%, compared to \$4.6 million in Q2 2022. The increase was primarily driven by higher interest expense on the 2021 Term Facility (as defined in the Company's management's discussion and analysis ("MD&A") for the second quarter ended July 1, 2023) resulting from higher interest rates compared to Q2 2022.

Income taxes were \$9.0 million in Q2 2023 compared to \$9.5 million in Q2 2022, a decrease of \$0.5 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Q2 2023. The effective income tax rate was 27.1% in Q2 2023 compared to 27.3% in Q2 2022. The Q2 2023 and Q2 2022 effective tax rate is higher than the blended statutory rate of 26.5% primarily because of non-deductible expenses.

Net income decreased by \$1.2 million to \$24.1 million in Q2 2023, compared to \$25.3 million in Q2 2022. The change in net income is explained by the factors described above.

Adjusted Net Income decreased by \$1.6 million to \$26.3 million in Q2 2023, compared to \$27.9 million in Q2 2022. Adjusted Net Income as a percentage of revenue was 10.2% in Q2 2023 and 12.2% in Q2 2022. The 2.0% year over year decrease results from the factors described above.

Adjusted Net Income per Diluted Share decreased by \$0.03 to \$0.36 in Q2 2023, compared to \$0.39 in Q2 2022 primarily from the factors described above.

Cash at the end of the second quarter totaled \$8.8 million.

Free Cash Flow⁽²⁾ amounted to \$13.0 million in Q2 2023 compared to \$20.4 million in Q2 2022, a decrease of \$7.4 million primarily driven by an increase in cash used for investing activities primarily due to higher Net Capital Expenditures, an increase in repayment of principal and interest on lease liabilities due to store network expansion, partially offset by an increase in cash from operating activities.

Inventory at end of Q2 2023 was \$130.8 million compared to \$118.4 million at the end of Q4 2022, an increase of \$12.4 million primarily due to growth in revenue, improved vendor fill rates and timing of receipts resulting from global supply chain improvements.

Dividends

On August 7, 2023, the Board of Directors of the Company declared a dividend of \$0.10 per common share payable on September 15, 2023 to holders of common shares of record as at the close of business on August 31, 2023.

Outlook

For the full year 2023, the Company expects:

- Revenue between \$1,050 and \$1,075 million, supported by same-store sales growth of between 7% and 10%, and 40 to 50 new store openings;
- Gross profit margin slightly below the Company's historical range of 35% to 36%, as the Company faces unfavourable foreign exchange rates and incurs approximately 100 basis points of cost associated with its supply chain transformation;
- Adjusted EBITDA between \$230 and \$237 million, which incorporates expense leverage on investments made in 2022, partially offset by the unfavourable foreign exchange rates;
- Adjusted Net Income per Diluted Share between \$1.60 and \$1.66;
- Business transformation costs of approximately \$17 million, Information Technology costs of approximately \$4 million, and share-based compensation of approximately \$7 million, all of which are excluded from Adjusted EBITDA and Adjusted Net Income per Diluted Share; and
- Net Capital Expenditures⁽²⁾ of approximately \$60 million, roughly half of which is attributable to investments in the Company's supply chain transformation.

⁽¹⁾ This is a supplementary financial measure. Refer to "Non-IFRS Measures and Supplementary Financial Measures" below and to the section entitled "How We Assess the Performance of our Business in the MD&A for the definitions of supplementary financial measures.

⁽²⁾ This is a Non-IFRS financial measure. Non-IFRS financial measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other

companies. Refer to “How We Assess the Performance of our Business” in the MD&A for the second quarter ended July 1, 2023 for the definitions of Non-IFRS financial measures.

Conference Call Details

A conference call to discuss the Company's second quarter results is scheduled for August 8, 2023, at 8:30 a.m. ET. To access Pet Valu's conference call, please dial 1-833-950-0062 (ID: 675228). A live webcast of the call will also be available through the Events & Presentations section of the Company's website at <https://investors.petvalu.com/>.

For those unable to participate, a playback will be available shortly after the conclusion of the call by dialing 1-226-828-7578 (ID: 869032) and will be accessible until August 15, 2023. The webcast will also be archived and available through the Events & Presentations section of the Company's website at <https://investors.petvalu.com/>.

About Pet Valu

Pet Valu is Canada's leading retailer of pet food and pet-related supplies with over 700 corporate-owned or franchised locations across the country. For more than 40 years, Pet Valu has earned the trust and loyalty of pet parents by offering knowledgeable customer service, a premium product offering and engaging in-store services. Pet Valu's neighbourhood stores offer more than 7,000 competitively-priced products, including a broad assortment of premium, super premium, holistic and award-winning proprietary brands. To learn more, please visit: www.petvalu.com.

Non-IFRS Measures and Supplementary Financial Measures

This press release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Pet Valu uses non-IFRS measures, including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income”, “Adjusted Net Income per Diluted Share”, “Free Cash Flow” and “Net Capital Expenditures”. This press release also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including “System-wide stores”, “System-wide sales”, “Same-store sales”, and “Same-store sales growth”. These non-IFRS measures and supplementary financial measures are used to provide investors with supplemental measures of Pet Valu's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Refer to the MD&A for the second quarter ended July 1, 2023 for further information on non-IFRS measures and industry metrics, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure.

Forward-Looking Information

Some of the information contained in this press release is forward-looking information. Forward-looking information is provided as of the date of this press release and is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends,

current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. Such forward-looking information is intended to provide information about management's current expectations and plans, and may not be appropriate for other purposes. Pet Valu does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities laws. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities, including the information under the headings "2023 Outlook" and "Outlook" in this press release, is "future-oriented financial information" or a "financial outlook" within the meaning of applicable securities legislation, which is based on the factors and assumptions, and subject to the risks, as set out herein and in the Company's annual information form dated March 6, 2023 ("AIF"). Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Many factors could cause our actual results, level of activity, performance or achievements, future events or developments, or outlook to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the "Risk Factors" section of the AIF. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating forward-looking information and are cautioned not to place undue reliance on such information.

For more information:

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited, expressed in thousands of Canadian dollars, except per share amounts)

	Quarters Ended		Year to Date Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	13 weeks	13 weeks	26 weeks	26 weeks
Revenue:				
Retail sales	\$ 103,012	\$ 97,055	\$ 205,031	\$ 190,130
Franchise and other revenues	153,361	130,621	301,634	250,799
Total revenue	256,373	227,676	506,665	440,929
Cost of sales	164,268	142,305	327,346	278,478
Gross profit	92,105	85,371	179,319	162,451
Selling, general and administrative expenses	51,881	46,062	104,228	87,981
Total operating income	40,224	39,309	75,091	74,470
Interest expenses, net	7,155	4,560	14,062	8,541
(Gain) loss on foreign exchange	(113)	120	198	99
Other loss (gain)	133	(152)	1,558	(124)
Income before income taxes	33,049	34,781	59,273	65,954
Income tax expense	8,971	9,503	16,466	18,055
Net income	24,078	25,278	42,807	47,899
Other comprehensive income, net of tax:				
Currency translation adjustments that may be reclassified to net income, net of tax	29	5	43	3
Comprehensive income for the period attributable to the shareholders of the Company	\$ 24,107	\$ 25,283	\$ 42,850	\$ 47,902
Basic net income per share attributable to the common shareholders	\$ 0.34	\$ 0.36	\$ 0.60	\$ 0.68
Diluted net income per share attributable to the common shareholders	\$ 0.33	\$ 0.35	\$ 0.59	\$ 0.67

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

(Unaudited, in thousands of Canadian dollars unless otherwise noted)

	Quarters Ended		Year to Date Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	13 weeks	13 weeks	26 weeks	26 weeks
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 24,078	\$ 25,278	\$ 42,807	\$ 47,899
Depreciation and amortization	10,904	9,270	21,532	18,146
Interest expenses, net	7,155	4,560	14,062	8,541
Income tax expense	8,971	9,503	16,466	18,055
EBITDA	51,108	48,611	94,867	92,641
Adjustments to EBITDA:				
Information technology transformation costs ⁽¹⁾	429	1,007	1,151	2,077
Business transformation costs ⁽²⁾	948	381	2,528	381
Other professional fees ⁽³⁾	349	348	349	996
Share-based compensation ⁽⁴⁾	963	1,492	1,964	2,519
(Gain) loss on foreign exchange ⁽⁵⁾	(113)	120	198	99
Investment in associate ⁽⁶⁾⁽⁷⁾	133	(152)	1,558	(124)
Adjusted EBITDA⁽⁷⁾	\$ 53,817	\$ 51,807	\$ 102,615	\$ 98,589
Adjusted EBITDA as a percentage of revenue⁽⁷⁾	21.0%	22.8%	20.3%	22.4%

Notes:

- (1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
- (2) Represents expenses associated to supply chain transformation initiatives, including the new distribution centre. The expenses included in cost of sales in Q2 2023 and YTD 2023 were \$0.5 million and \$0.5 million, respectively (Q2 2022 and YTD 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$0.4 million and \$2.0 million in Q2 2023 and YTD 2023, respectively (Q2 2022 and YTD 2022 – \$0.4 million and \$0.4 million, respectively).
- (3) Professional fees primarily incurred with respect to: (i) the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings for the 2016 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the secondary offering of the Company's common shares completed June 1, 2023 (the "2023 Secondary Offering").
- (4) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.
- (5) Represents foreign exchange gains and losses.
- (6) Represents the Company's share of loss from associate of \$0.1 million and \$0.3 million for Q2 2023 and YTD 2023, respectively (Q2 2022 and YTD 2022 – \$0.1 million and \$0.1 million, respectively) and (gain) or loss on the fair value of the related call option for Q2 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q2 2022 and YTD 2022 – \$(0.2) million and \$(0.2) million, respectively).
- (7) In Q3 2022, the Company revised its definition of Adjusted EBITDA to exclude the gain or loss on the fair value of the call option related to an investment in an associate. The previously reported Q2 2022 and YTD 2022 Adjusted EBITDA of \$52.1 million and \$98.8 million was revised to exclude a \$0.2 million gain on the fair value of the call option, respectively.

Reconciliation of Net Income to Adjusted Net Income

(Unaudited, in thousands of Canadian dollars unless otherwise noted)

	Quarters Ended		Year to Date Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	13 weeks	13 weeks	26 weeks	26 weeks
Reconciliation of net income to Adjusted Net Income:				
Net income	\$ 24,078	\$ 25,278	\$ 42,807	\$ 47,899
Adjustments to net income:				
Information technology transformation costs ⁽¹⁾	429	1,007	1,151	2,077
Business transformation costs ⁽²⁾	948	381	2,528	381
Other professional fees ⁽³⁾	349	348	349	996
Share-based compensation ⁽⁴⁾	963	1,492	1,964	2,519
(Gain) loss on foreign exchange ⁽⁵⁾	(113)	120	198	99
Investment in associate ⁽⁶⁾⁽⁷⁾	133	(152)	1,558	(124)
Tax effect of adjustments to net income	(519)	(598)	(1,335)	(1,152)
Adjusted Net Income⁽⁷⁾	\$ 26,268	\$ 27,876	\$ 49,220	\$ 52,695
Adjusted Net Income as a percentage of revenue⁽⁷⁾	10.2%	12.2%	9.7%	12.0%
Adjusted Net Income per Diluted Share⁽⁷⁾	\$ 0.36	\$ 0.39	\$ 0.68	\$ 0.73

Notes:

- (1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
- (2) Represents expenses associated to supply chain transformation initiatives, including the new distribution centre. The expenses included in cost of sales in Q2 2023 and YTD 2023 were \$0.5 million and \$0.5 million, respectively (Q2 2022 and YTD 2022 - \$nil). The expenses included in selling, general, and administrative expenses were \$0.4 million and \$2.0 million in Q2 2023 and YTD 2023 respectively (Q2 2022 and YTD 2022 - \$0.4 million and \$0.4 million, respectively).
- (3) Professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the 2023 Secondary Offering.
- (4) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.
- (5) Represents foreign exchange gains and losses.
- (6) Represents the Company's share of loss from associate of \$0.1 million and \$0.3 million for Q2 2023 and YTD 2023, respectively (Q2 2022 and YTD 2022 - \$0.1 million and \$0.1 million, respectively) and (gain) or loss on the fair value of the related call option for Q2 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q2 2022 and YTD 2022 - \$(0.2) million and \$(0.2) million, respectively).
- (7) In Q3 2022, the Company revised its definition of Adjusted Net Income to exclude the gain or loss on the fair value of the call option related to an investment in associate. The previously reported Q2 2022 and YTD 2022 Adjusted Net Income of \$28.1 million and \$52.9 million were revised to exclude a \$0.2 million gain on the fair value of the call option, net of tax, respectively.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	13 weeks	13 weeks	26 weeks	26 weeks
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 24,078	\$ 25,278	\$ 42,807	\$ 47,899
Adjustments for items not affecting cash:				
Depreciation and amortization	10,904	9,270	21,532	18,146
Deferred franchise fees	(20)	(46)	63	(94)
Gain on disposal of property and equipment	(167)	(34)	(304)	(42)
Loss on sale of right-of-use assets	179	122	534	160
(Gain) loss on foreign exchange	(113)	120	198	99
(Gain) loss on financial instruments	—	(244)	1,302	(244)
Share-based compensation expense	963	1,492	1,964	2,519
Share of loss from associate	133	92	256	120
Interest expenses, net	7,155	4,560	14,062	8,541
Income tax expense	8,971	9,503	16,466	18,055
Income taxes paid	(9,360)	(6,248)	(33,770)	(25,573)
Security deposits paid	—	(5,073)	—	(5,073)
Change in non-cash operating working capital:				
Accounts receivable	(1,787)	(3,964)	(1,139)	(3,679)
Inventories	9,424	(16,319)	(12,280)	(24,556)
Prepaid expenses	641	(1,167)	3,562	(1,837)
Accounts payable and accrued liabilities	(10,522)	15,947	(9,567)	8,319
Net cash provided by operating activities	40,479	33,289	45,686	42,760
Financing activities:				
Proceeds from exercise of share options	3,736	3,596	4,344	4,183
Dividends paid on common shares	(14,244)	(8,440)	(14,244)	(8,440)
Repayment of 2021 Term Facility	(4,436)	(2,220)	(36,874)	(4,438)
Interest paid on long-term debt	(2,094)	(4,216)	(3,867)	(7,171)
Repayment of principal on lease liabilities	(12,979)	(12,046)	(30,858)	(23,815)
Interest paid on lease liabilities	(3,393)	(2,911)	(6,597)	(5,818)
Standby letter of credit commitment fees	(347)	—	(663)	(314)
Net cash used in financing activities	(33,757)	(26,237)	(88,759)	(45,813)
Investing activities:				
Business acquisition, net of cash acquired	(3,000)	—	(3,000)	(12,829)
Purchases of property and equipment	(16,663)	(4,532)	(27,381)	(9,652)
Purchase of intangible assets	(1,432)	(1,360)	(1,975)	(1,973)
Proceeds on disposal of property and equipment	918	713	1,201	775
Right-of-use asset initial direct costs	(522)	(278)	(990)	(618)
Tenant allowances	221	57	648	555
Notes receivable	827	108	893	298
Lease receivables	7,364	6,707	14,577	13,229
Interest received on lease receivables and other	2,534	1,903	5,509	3,815
Investment in associate	—	(1,134)	—	(1,134)
Repurchase of franchises	(512)	—	(512)	—
Net cash (used in) provided by investing activities	(10,265)	2,184	(11,030)	(7,534)
Effect of exchange rate on cash	100	3	(124)	(14)
Net (decrease) increase in cash	(3,443)	9,239	(54,227)	(10,601)
Cash, beginning of period	12,250	30,228	63,034	50,068
Cash, end of period	\$ 8,807	\$ 39,467	\$ 8,807	\$ 39,467

Free Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	13 weeks	13 weeks	26 weeks	26 weeks
Cash provided by operating activities	\$ 40,479	\$ 33,289	\$ 45,686	\$ 42,760
Cash (used in) provided by investing activities	(10,265)	2,184	(11,030)	(7,534)
Repayment of principal on lease liabilities	(12,979)	(12,046)	(30,858)	(23,815)
Interest paid on lease liabilities	(3,393)	(2,911)	(6,597)	(5,818)
Notes receivable	(827)	(108)	(893)	(298)
Free Cash Flow	\$ 13,015	\$ 20,408	\$ (3,692)	\$ 5,295

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, expressed in thousands of Canadian dollars)

	As at July 1, 2023	As at December 31, 2022
Assets		
Current assets:		
Cash	\$ 8,807	\$ 63,034
Accounts and other receivables	23,864	22,965
Inventories, net	130,786	118,410
Income taxes recoverable	2,183	—
Prepaid expenses and other assets	12,889	22,262
Current portion of lease receivables	31,431	29,827
Total current assets	209,960	256,498
Non-current assets:		
Long-term lease receivables	148,415	141,187
Right-of-use assets, net	173,521	82,242
Property and equipment, net	105,877	91,774
Intangible assets, net	52,798	52,280
Goodwill	97,623	97,574
Deferred tax assets	6,652	6,652
Investment in associate	3,089	4,708
Other assets	4,324	7,261
Total non-current assets	592,299	483,678
Total assets	\$ 802,259	\$ 740,176
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 90,088	\$ 103,782
Income taxes payable	—	15,141
Current portion of deferred franchise fees	1,266	1,197
Current portion of lease liabilities	52,110	51,335
Current portion of long-term debt	17,750	17,750
Total current liabilities	161,214	189,205
Non-current liabilities:		
Long-term deferred franchise fees	4,011	4,017
Long-term lease liabilities	304,843	215,966
Long-term debt	283,775	320,063
Deferred tax liabilities	8,246	8,250
Other liabilities	5,642	2,299
Total non-current liabilities	606,517	550,595
Total liabilities	767,731	739,800
Shareholders' equity:		
Common shares	321,693	316,208
Contributed surplus	4,168	4,107
Deficit	(291,217)	(319,780)
Currency translation reserve	(116)	(159)
Total shareholders' equity	34,528	376
Total liabilities and shareholders' equity	\$ 802,259	\$ 740,176