



Pet Valu Reports Third Quarter Results and Declares Inaugural Dividend

*Same-store sales grew 20.3%, or 32.7% on a two-year basis, and Adjusted EBITDA increased 39.4%
Raises full year 2021 guidance*

Markham, Ontario, November 16, 2021 - 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 third quarter ended October 2, 2021.

Third Quarter Highlights

- System-wide sales⁽¹⁾ grew 24.5% to \$258.6 million, primarily driven by same-store sales growth⁽¹⁾ of 20.3% versus the prior year. On a two-year basis, same-store sales growth⁽¹⁾ was 32.7%, above the trend in the first half of 2021.
- Revenue was \$200.7 million, an increase of 25.6% versus the prior year, in-line with system-wide sales growth.
- Adjusted EBITDA grew 39.4% to \$50.7 million, representing 25.2% of revenue, up 250 basis points versus the prior year.
- Net income was \$24.3 million, up from \$8.7 million in the prior year.
- Adjusted Net Income⁽¹⁾ was \$27.7 million or \$0.39 per diluted share.
- The Company opened 6 new stores in the quarter and has increased its network by 30 stores over the last 12 months.
- The Board of Directors has declared a dividend of \$0.01 per common share.

2021 Outlook

- The Company has raised its 2021 guidance, now expecting revenue of approximately \$765 million supported by same-store sales growth slightly above 15%, Adjusted EBITDA of approximately \$177 million and Adjusted Net Income of approximately \$69 million, or \$0.97 per diluted share.

"We are incredibly pleased with the strong performance our business delivered in the third quarter, with every aspect of our operating model contributing to this success," said Richard Maltsbarger, President and Chief Executive Officer. "Pet Valu continued to outpace the robust growth in the pet industry due to the strength of our brand as well as our unique and engaging customer experiences, underscoring our position as Canada's pet authority."

"Given the strong performance in Q3 and momentum in early Q4, we have raised our 2021 guidance. As we move through the balance of the year and into 2022, we are proactively managing current market challenges in supply chain, labour and inflation with purposeful investments that support our long-term growth strategies," continued Mr. Maltsbarger. "We remain in a strong position to continue serving Canada's growing population of pets and devoted pet lovers."

Financial Results for the Third Quarter Fiscal 2021

All comparative figures below are for the 13-week period ended October 2, 2021, compared to the 13-week period ended September 26, 2020.

Revenue increased by 25.6% to \$200.7 million, compared to \$159.8 million in the third quarter last year. The increase in revenue was driven by growth in retail sales, as well as franchise and other revenues.

Same-store sales growth⁽¹⁾ was 20.3% in Q3 2021 primarily driven by a 12.9% increase in same-store transactions and a 6.6% increase in same-store average spend per transaction. This is compared to same-store sales growth of 12.4% in Q3 2020 which primarily consisted of a (3.4)% decrease in same-store transactions and a 16.3% increase in same-store average spend per transaction.

Gross profit increased by \$20.4 million, or 35.2%, to \$78.3 million in Q3 2021, compared to \$57.9 million in Q3 2020. Gross profit margin was 39.0% in Q3 2021 compared to 36.3% in Q3 2020. The gross profit margin increase of 2.7% was primarily driven by: (i) the favourable impact of the stronger Canadian dollar on products sourced outside Canada and primarily denominated in U.S. dollars; (ii) leverage gained on fixed costs due to higher revenue; (iii) higher discounts in Q3 2020; and (iv) partially offset by the absorption of incremental freight costs due to global supply chain issues, distribution costs driven by e-commerce sales, and incremental wages in our warehouses to support increased demand.

Selling, general and administrative ("SG&A") expenses increased by 27.3% to \$39.4 million, compared to \$30.9 million in the third quarter last year. SG&A expenses were 19.6% of revenue compared to 19.3% of revenue in the third quarter last year. The increase of \$8.4 million in SG&A expenses was primarily due to: (i) increased compensation costs of \$4.7 million as a result of the Company operating separately from the Group, headcount investments made to align with certain strategic initiatives and requirements applicable to becoming a public company, and additional bonus expense for key management as a result of the performance of the business and the completion of the initial public offering (the "Offering"); (ii) higher information technology expenses of \$1.2 million associated with the implementation of SaaS arrangements.; (iii) higher advertising expenses of \$0.9 million; (iv) higher depreciation and amortization of \$0.7 million due to leasehold improvements and furniture and fixtures for new and existing corporate-owned stores; and (v) fees associated to the secondary offering of \$0.4 million with the remainder of the variance being associated to other general expenses and professional fees including public company expenses.

Adjusted EBITDA⁽¹⁾ was \$50.7 million, or 25.2% of revenue, compared to \$36.3 million, or 22.7% of revenue, in the third quarter last year.

Net interest expense was \$4.5 million in Q3 2021, a decrease of \$10.5 million, or 70.1%, compared to \$15.0 million in Q3 2020. The decrease was primarily driven by lower interest expense on the 2021 Credit Facilities resulting from lower interest rates and lower total debt outstanding following the closing of the Offering.

Income taxes were \$9.8 million in Q3 2021 compared to \$3.5 million in Q3 2020, an increase of \$6.3 million year over year. The increase in income taxes was primarily the result of higher taxable earnings in Q3 2021. The effective income tax rate was unchanged at 28.6% in Q3 2021 and Q3 2020. The effective tax rates are higher than the blended statutory rate of 26.5% primarily because of non-deductible expenses.

Net income was \$24.3 million, an increase of \$15.7 million from net income of \$8.7 million in the third quarter last year. The change in net income is explained from the factors described above.

Adjusted Net Income⁽¹⁾ increased by \$17.8 million to \$27.7 million in Q3 2021, compared to \$9.9 million in Q3 2020. Adjusted Net Income as a percentage of revenue was 13.8% in Q3 2021 and 6.2% in Q3 2020.

Adjusted Net Income per Diluted Share⁽¹⁾ was \$0.39 compared to \$0.18 in the third quarter last year.

Cash and cash equivalents at the end of the third quarter totaled \$23.3 million.

Free Cash Flow⁽¹⁾ amounted to \$46.8 million in Q3 2021.

Inventory at end of the third quarter of 2021 was \$88.1 million.

⁽¹⁾ Refer to "Non-IFRS Measures and Industry Metrics" and "Selected Consolidated Financial Information" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures. Also refer to sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures and Industry Metrics" and "Selected Consolidated Financial Information" in the Company's Management's Discussion and Analysis ("MD&A") for the third quarter ended October 2, 2021, for further details concerning same-store sales growth, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share and Free Cash Flow including definitions and reconciliations to the relevant reported IFRS measure.

Dividends

The Board of Directors has declared an initial quarterly dividend of \$0.01 per common share, payable on December 15, 2021 to holders of common shares of record as at the close of business on November 30, 2021.

2021 Outlook

The Company has raised its 2021 guidance, driven by strong performance in the third quarter and momentum early in the fourth quarter. Pet Valu now expects to achieve the following for the full year 2021:

- Revenue of approximately \$765 million, supported by same-store sales growth slightly above 15% and 28-30 new store openings;
- Adjusted EBITDA of approximately \$177 million, which incorporates previously disclosed public company costs as well as incremental labour investments commencing in Q4;
- Adjusted Net Income of approximately \$69 million or \$0.97 per diluted share; and
- Net Capital Expenditures⁽²⁾ of approximately \$20 million.

Since the onset of the COVID-19 pandemic in early 2020, Pet Valu's performance has been significantly impacted by shifts in consumption patterns, various iterations of pandemic-related operating restrictions, and industry-wide supply chain disruptions. While restrictions have eased in recent months, a heightened level of uncertainty remains regarding potential for future disruption in the second half of 2021. The above outlook is based on several assumptions, including, but not limited to, the continued gradual normalization in the industry and operating environment through the remainder of 2021.

⁽²⁾ Net Capital Expenditures represents purchase of property and equipment, purchase of intangible assets, proceeds on disposal of property and equipment and tenant allowances.

Conference Call Details

A conference call to discuss the Company's third quarter results is scheduled for November 16, 2021, at 8:30 a.m. ET. To access Pet Valu's conference call, please dial 1-888-350-3870, (access code: 5518274). 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 1-800-770-2030 (ID: 5518274#) and will be accessible until November 23, 2021. 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 600 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.

Basis of Presentation - Carve-out Financial Information

Prior to the Offering, the Company was not operating as a stand-alone entity and as a result, the financial information for periods prior to June 30, 2021 are presented on a carve-out basis that includes only legal entities representing the Canadian operations of Pet Valu Holdings Ltd. (referred to as the "Group", prior to the distribution of its U.S. operations to its shareholder). For more information, see the Company's unaudited condensed interim consolidated financial statements and related MD&A for the 13-week and 39-week periods ended October 2, 2021 and September 26, 2020.

Non-IFRS Measures and Industry Metrics

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" and "Free cash flow". This press release also makes reference to certain operating metrics that are commonly used in the retail industry, including "System-wide stores", "System-wide sales", "Same-store sales", "Same-store sales growth". These non-IFRS measures and retail industry operating metrics 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 retail industry metrics 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 third quarter ended October 2, 2021 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. 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 securities laws in Canada. 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 is forward-looking information, which is based on the factors and assumptions, and subject to the risks, as set out herein and in the Company's supplemented PREP Prospectus ("Prospectus") dated June 23, 2021. 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 or future events or developments 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 Prospectus. A copy of the Prospectus and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in the Prospectus 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 the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

For more information:

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Condensed Interim Consolidated Statements of Income and Comprehensive Income (Loss)

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

	Quarters Ended		Year to Date Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	13 weeks	13 weeks	39 weeks	39 weeks
Revenue:				
Retail sales	\$ 88,836	\$ 72,890	\$ 250,641	\$ 205,685
Franchise and other revenues	111,870	86,922	302,319	239,368
Total revenue	200,706	159,812	552,960	445,053
Cost of sales	122,374	101,877	347,805	289,921
Gross profit	78,332	57,935	205,155	155,132
Selling, general and administrative expenses	39,354	30,910	116,998	87,020
Asset impairments	17	—	17	—
Total operating income	38,961	27,025	88,140	68,112
Interest expenses, net	4,492	15,011	42,470	48,338
Loss (gain) on foreign exchange	369	(164)	(42,665)	(936)
Income before income taxes	34,100	12,178	88,335	20,710
Income taxes expense	9,751	3,479	16,283	5,917
Net income	24,349	8,699	72,052	14,793
Less:				
Net income attributable to non-controlling interests	—	1,749	3,430	5,604
Net income attributable to the Company	24,349	6,950	68,622	9,189
Other comprehensive income (loss), net of tax:				
Currency translation adjustments reclassified to net income	—	—	(29,665)	—
Currency translation adjustments that may be reclassified to net income, net of tax	10	16,139	21,080	(19,330)
Comprehensive income (loss) for the period attributable to the Company	\$ 24,359	\$ 23,089	\$ 60,037	\$ (10,141)
Basic net income per share attributable to the Company	\$ 0.35	\$ 0.13	\$ 0.98	\$ 0.17
Diluted net income per share attributable to the Company	\$ 0.34	\$ 0.13	\$ 0.96	\$ 0.17

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

	Quarters Ended		Year to Date Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	13 weeks	13 weeks	39 weeks	39 weeks
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 24,349	\$ 8,699	\$ 72,052	\$ 14,793
Depreciation and amortization	8,434	7,874	25,077	23,406
Interest expenses, net	4,492	15,011	42,470	48,338
Income taxes expense	9,751	3,479	16,283	5,917
EBITDA	47,026	35,063	155,882	92,454
Adjustments to EBITDA:				
Management fees ⁽¹⁾	—	284	679	1,085
Information technology transformation costs ⁽²⁾	1,239	1,746	3,796	5,651
IPO readiness and separation costs ⁽³⁾	709	1,910	4,229	3,428
Business transformation costs ⁽⁴⁾	205	286	1,924	1,058
COVID-19 pandemic ⁽⁵⁾	—	107	—	1,831
Other professional fees ⁽⁶⁾	80	—	1,543	136
Share-based compensation ⁽⁷⁾	1,023	476	3,579	1,279
Asset impairments ⁽⁸⁾	17	—	17	—
Loss (gain) on foreign exchange ⁽⁹⁾	369	(164)	(42,665)	(936)
Pro forma costs ⁽¹⁰⁾	—	(3,372)	—	(9,390)
Adjusted EBITDA	\$ 50,668	\$ 36,336	\$ 128,984	\$ 96,596
Adjusted EBITDA as a percentage of revenue	25.2%	22.7%	23.3%	21.7%

Notes:

- (1) Represents management fees paid to entities affiliated with Roark Capital Management, LLC ("Roark"). Concurrent with the closing of the Offering, the Company terminated the management agreement with Roark.
- (2) 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.
- (3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Company from the Group; (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the secondary offering. In YTD 2021, the Company recorded share-based compensation expense in relation to the retention bonuses of \$1.2 million which is included in SG&A. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020 and reclassified to share-based compensation in YTD 2021 as a result of being paid through the issuance of common shares in lieu of cash.
- (4) Predominately represents severance, recruitment, and consulting expenses associated to the strategic reorganization in the senior leadership team and key functional departments as part of the Company's separation from the Group.
- (5) Represents non-recurring costs incurred in Fiscal 2020 in response to the COVID-19 pandemic including personal protective equipment for Company employees, signage for the stores, short-term increased hourly pay and one-time bonuses for store associates and warehouse staff awarded in the second quarter of 2020, and professional fees associated with planning key initiatives for cash flow management and the negotiation of rent deferrals and abatements with landlords and franchisees.
- (6) Professional fees incurred with respect to the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.
- (7) Represents share-based compensation in respect of our legacy option plan, long-term incentive plan, and deferred share unit plan. Share-based compensation for YTD 2021 also includes expense in relation to retention bonuses of \$1.2 million which were paid through the issuance of common shares in lieu of cash. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020.
- (8) Non-cash impairment charge taken against certain right-of-use assets for corporate-owned stores.
- (9) Represents foreign exchange gains and losses.
- (10) Represents pro forma costs to normalize for on-going expenses previously allocated to entities forming part of the Group, specifically operations in the United States, which are no longer affiliated with the Company, for Fiscal 2020. These costs represent compensation costs associated with supply chain, merchandising, distribution and other corporate functions, as well as information technology costs. Approximately 18% of the pro forma costs relate to cost of sales and 82% to SG&A. Beginning in Q1 2021, our on-going expenses are reported directly in cost of sales and SG&A, as those costs are now directly incurred by the Company.

Reconciliation of Net Income to Adjusted Net Income

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

	Quarters Ended		Year to Date Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	13 weeks	13 weeks	39 weeks	39 weeks
Reconciliation of net income to Adjusted Net Income:				
Net income	\$ 24,349	\$ 8,699	\$ 72,052	\$ 14,793
Adjustments to net income:				
Management fees ⁽¹⁾	—	284	679	1,085
Information technology transformation costs ⁽²⁾	1,239	1,746	3,796	5,651
IPO readiness and separation costs ⁽³⁾	709	1,910	4,229	3,428
Business transformation costs ⁽⁴⁾	205	286	1,924	1,058
COVID-19 pandemic ⁽⁵⁾	—	107	—	1,831
Other professional fees ⁽⁶⁾	80	—	1,543	136
Share-based compensation ⁽⁷⁾	1,023	476	3,579	1,279
Asset impairments ⁽⁸⁾	17	—	17	—
Loss (gain) on foreign exchange ⁽⁹⁾	369	(164)	(42,665)	(936)
Pro forma costs ⁽¹⁰⁾	—	(3,372)	—	(9,390)
Tax effect of adjustments to net income	(304)	(98)	(1,480)	(692)
Adjusted Net Income	\$ 27,687	\$ 9,874	\$ 43,674	\$ 18,243
Adjusted Net Income as a percentage of revenue	13.8%	6.2%	7.9%	4.1%
Adjusted Net Income per Diluted Share⁽¹¹⁾	\$ 0.39	\$ 0.18	\$ 0.61	\$ 0.33

Notes:

- (1) Represents management fees paid to entities affiliated with Roark. Concurrent with the closing of the Offering, the Company terminated the management agreement with Roark.
- (2) 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.
- (3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Company from the Group; (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the secondary offering. In YTD 2021, the Company recorded share-based compensation expense in relation to the retention bonuses of \$1.2 million which is included in SG&A. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020 and reclassified to share-based compensation in YTD 2021 as a result of being paid through the issuance of common shares in lieu of cash.
- (4) Predominately represents severance, recruitment, and consulting expenses associated to the strategic reorganization in the senior leadership team and key functional departments as part of the Company's separation from the Group.
- (5) Represents non-recurring costs incurred in Fiscal 2020 in response to the COVID-19 pandemic including personal protective equipment for Company employees, signage for the stores, short-term increased hourly pay and one-time bonuses for store associates and warehouse staff awarded in the second quarter of 2020, and professional fees associated with planning key initiatives for cash flow management and the negotiation of rent deferrals and abatements with landlords and franchisees.
- (6) Professional fees incurred with respect to the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.
- (7) Represents share-based compensation in respect of our legacy option plan, long-term incentive plan, and deferred share unit plan. Share-based compensation for YTD 2021 also includes expense in relation to retention bonuses of \$1.2 million which were paid through the issuance of common shares in lieu of cash. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020.
- (8) Non-cash impairment charge taken against certain right-of-use assets for corporate-owned stores.
- (9) Represents foreign exchange gains and losses.
- (10) Represents pro forma costs to normalize for on-going expenses previously allocated to entities forming part of the Group, specifically operations in the United States, which are no longer affiliated with the Company, for Fiscal 2020. These costs represent compensation costs associated with supply chain, merchandising, distribution and other corporate functions, as well as information technology costs. Approximately 18% of the pro forma costs relate to cost of sales and 82% to SG&A. Beginning in Q1 2021, our on-going expenses are reported directly in cost of sales and SG&A, as those costs are now directly incurred by the Company.
- (11) Adjusted Net Income per Diluted Share for Q3 2020 and YTD 2020 are calculated on a pro-forma basis using the weighted average common shares outstanding based on the capital reorganization and the legacy option plan immediately prior to the Offering.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	13 weeks	13 weeks	39 weeks	39 weeks
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 24,349	\$ 8,699	\$ 72,052	\$ 14,793
Adjustments for:				
Depreciation and amortization	8,434	7,874	25,077	23,406
Impairment of right-of-use assets	17	—	17	—
Deferred franchise fees	336	(19)	665	70
Gain on disposal of property and equipment	(430)	7	(858)	(68)
Gain on sale of right-of-use assets	(109)	(51)	(285)	(76)
Gain on foreign exchange	369	(164)	(42,665)	(936)
Share-based compensation expense	1,023	—	1,045	—
Interest expenses, net	4,492	15,011	42,470	48,338
Income taxes expense	9,751	3,479	16,283	5,917
Income taxes paid	(2,719)	23	(10,398)	(2,467)
Change in non-cash operating working capital:				
Accounts receivable	1,999	(1,529)	(2,604)	1,620
Inventories	(1,333)	(6,553)	(10,110)	(909)
Prepaid expenses	(1,922)	(98)	(1,742)	(858)
Accounts payable and accrued liabilities	12,184	2,592	(3,879)	33,617
Net cash provided by operating activities	56,441	29,271	85,068	122,447
Financing activities:				
Issuance of common shares, net of transaction costs	—	—	295,210	—
Proceeds from exercise of share options	62	—	62	—
Proceeds of 2021 Term Facility	—	—	355,000	—
Repayment of 2021 Term Facility	(2,219)	—	(2,219)	—
Proceeds of 2021 Revolving Credit Facility	—	—	40,000	—
Repayment of 2021 Revolving Credit Facility	(40,000)	—	(40,000)	—
Repayment of 2016 Term Loans	—	(1,962)	(680,424)	(5,945)
Proceeds of 2016 Revolving Credit Facility	—	—	—	28,112
Repayment of 2016 Revolving Credit Facility	—	(28,112)	—	(28,112)
Interest paid on long-term debt	(2,560)	(13,592)	(38,975)	(43,066)
Repayment of principal on lease liabilities	(11,361)	(10,204)	(35,167)	(30,543)
Interest paid on lease liabilities	(2,888)	(2,855)	(8,649)	(8,186)
Financing costs	—	—	(6,589)	—
Standby letter of credit commitment fees	(52)	—	(4,355)	—
Net distributions	—	(1,958)	(16,983)	(15,921)
Net cash used in financing activities	(59,018)	(58,683)	(143,089)	(103,661)
Investing activities:				
Purchases of property and equipment	(4,490)	(2,296)	(14,770)	(5,482)
Purchase of intangible assets	(461)	(491)	(1,594)	(1,566)
Proceeds on disposal of property and equipment	2,240	316	4,443	424
Right-of-use asset initial direct costs	(598)	(678)	(1,435)	(830)
Tenant allowances	(25)	(72)	246	448
Notes receivable	16	369	237	531
Lease receivables	6,118	5,489	17,750	16,391
Interest received on lease receivables and other	1,775	1,590	5,132	4,649
Repurchase of franchises	—	—	—	(283)
Net cash provided by investing activities	4,575	4,227	10,009	14,282
Effect of exchange rate on cash	(168)	675	(157)	(546)
Net increase (decrease) in cash	1,830	(24,510)	(48,169)	32,522
Cash, beginning of period	21,482	100,869	71,481	43,837
Cash, end of period	\$ 23,312	\$ 76,359	\$ 23,312	\$ 76,359

Free Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	13 weeks	13 weeks	39 weeks	39 weeks
Cash provided by operating activities	\$ 56,441	\$ 29,271	\$ 85,068	\$ 122,447
Cash provided by investing activities	4,575	4,227	10,009	14,282
Repayment of principal on lease liabilities	(11,361)	(10,204)	(35,167)	(30,543)
Interest paid on lease liabilities	(2,888)	(2,855)	(8,649)	(8,186)
Notes receivables	(16)	(369)	(237)	(531)
Free Cash Flow	\$ 46,751	\$ 20,070	\$ 51,024	\$ 97,469

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)

	As at October 2, 2021	As at January 2, 2021
Assets		
Current assets:		
Cash	\$ 23,312	\$ 71,481
Accounts and other receivables	15,261	12,629
Inventories, net	88,122	78,012
Prepaid expenses and other assets	12,662	8,585
Current portion of lease receivable	25,244	23,145
Total current assets	164,601	193,852
Non-current assets:		
Lease receivables	110,322	96,743
Right-of-use assets	78,850	84,950
Property and equipment	57,097	55,738
Intangible assets	36,924	36,072
Goodwill	93,101	93,276
Other assets	1,251	1,488
Total non-current assets	377,545	368,267
Total assets	\$ 542,146	\$ 562,119
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 82,747	\$ 99,954
Income taxes payable	7,498	1,042
Current portion of deferred franchise fees	995	891
Current portion of lease liabilities	44,997	42,753
Current portion of long-term debt	8,875	7,448
Total current liabilities	145,112	152,088
Non-current liabilities:		
Long-term deferred franchise fees	3,036	2,475
Long-term lease liabilities	179,203	173,906
Long-term debt	338,538	698,912
Deferred tax liabilities	3,145	4,282
Total non-current liabilities	523,922	879,575
Total liabilities	669,034	1,031,663
Shareholders' deficit:		
Common shares	302,053	—
Contributed surplus	900	—
Deficit	(429,660)	—
Currency translation reserve	(181)	—
Group's net investment	—	(588,530)
Non-controlling interests	—	118,986
Total shareholders' deficit	(126,888)	(469,544)
Total liabilities and shareholders' deficit	\$ 542,146	\$ 562,119