Pet Valu Reports Second Quarter 2024 Results

Grows Q2 Revenue by 3.5%, Increases Adjusted EBITDA[(1)] by 7%, and Updates 2024 Outlook

Markham, Ontario, August 6, 2024 - 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 June 29, 2024.

Second Quarter Highlights

- System-wide sales[(2)] were $353.7 million, an increase of 2.8% versus the prior year. Same-store sales growth[(2)] was nil.
- Revenue was $265.2 million, up 3.5% versus the prior year, similar to system-wide sales growth.
- Adjusted EBITDA was $57.7 million, up 7.3% versus the prior year, representing 21.8% of revenue. Operating income was $33.8 million, down 16.0% versus the prior year.
- Net income was $17.8 million, down from $24.1 million in the prior year.
- Adjusted Net Income[(1)] was $25.9 million or $0.36 per diluted share, compared to $26.3 million or $0.36 per diluted share, respectively, in the prior year.
- Opened 5 new stores and ended the quarter with 799 stores across the network.
- The Board of Directors of the Company declared a dividend of $0.11 per common share.

2024 Outlook

- The Company expects revenue between $1.08 and $1.11 billion, supported by 40-50 new store openings and flat same-store sales growth, Adjusted EBITDA between $243 and $248 million, and Adjusted Net Income per Diluted Share[(3)] between $1.50 and $1.55.

"Our business continued to deliver solid profitability and revenue growth while successfully implementing key strategic initiatives in second quarter, including launching our upgraded digital platform as well as our nationwide rollout of Performatrin Culinary frozen raw and gently-cooked products," said Richard Maltsbarger, President and Chief Executive Officer of Pet Valu.

“We have continued this momentum into the summer, having activated our goods-to-picker automation in our new GTA distribution centre and opened our 800th store in July,” continued Mr. Maltsbarger. “Our updated 2024 outlook reflects the evolving consumer backdrop together with the steps we are taking to maintain our industry leadership.”

Financial Results for the Second Quarter Fiscal 2024

All comparative figures below are for the 13-week period ended June 29, 2024, compared to the 13-week period ended July 1, 2023.

Revenue was $265.2 million in Q2 2024, an increase of $8.9 million, or 3.5%, compared to $256.4 million in Q2 2023. The increase in revenue was mostly driven by growth in franchise and other revenues.

Same-store sales growth was nil in Q2 2024 primarily driven by 2.5% increase in same-store average spend per transaction growth and partially offset by a 2.4% decrease in same-store transactions. This is compared to same-store sales growth of 6.0% in Q2 2023, which primarily consisted of 4.8% increase in same-store average spend per transaction growth and a 1.2% increase in same-store transactions.

Gross profit decreased by $4.4 million, or 4.8%, to $87.7 million in Q2 2024, compared to $92.1 million in Q2 2023. Gross profit margin was 33.1% in Q2 2024, compared to 35.9% in Q2 2023. Excluding costs related to the supply chain transformation of 1.1% in Q2 2024 and 0.2% in Q2 2023, the gross profit margin was 34.2% and 36.1% in Q2 2024 and Q2 2023, respectively, and decreased by 1.9%. The decrease was primarily driven by: (i) higher distribution and occupancy costs from the new Greater Toronto Area (“GTA”) distribution centre; (ii) higher wholesale merchandise sales; and (iii) higher discounts related to planned promotional activity.

Selling, general and administrative ("SG&A") expenses were $53.9 million in Q2 2024, an increase of $2.0 million, or 3.9%, compared to $51.9 million in Q2 2023. SG&A expenses represented 20.3% and 20.2% of total revenue for Q2 2024 and Q2 2023, respectively. The increase of $2.0 million in SG&A expenses was primarily due to: (i) higher technology expenditures from project-based implementation costs associated with new systems; and (ii) higher depreciation and amortization from store growth and investments in other assets; partially offset by (iii) higher gain on sale of assets for re-franchised stores.

Adjusted EBITDA increased by $3.9 million, or 7.3%, to $57.7 million in Q2 2024, compared to $53.8 million in Q2 2023. Adjusted EBITDA excludes $5.0 million of overall net higher costs from business transformation, information technology transformation costs, share-based compensation, loss on foreign exchange, investment in associate, and other professional fees. These costs were partially offset by lower EBITDA[(1)] of $1.1 million in Q2 2024 compared to Q2 2023. Adjusted EBITDA as a percentage of revenue[(3)] was 21.8% and 21.0% in Q2 2024 and Q2 2023, respectively.

Net interest expense was $8.7 million in Q2 2024, an increase of $1.5 million, or 21.2%, compared to $7.2 million in Q2 2023. The increase was primarily driven by higher interest expense on lease liabilities resulting from the new GTA distribution centre and the new Metro Vancouver Region ("MVR") distribution centre.

Income taxes were $7.0 million in Q2 2024 compared to $9.0 million in Q2 2023, a decrease of $2.0 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Q2 2024. The effective income tax rate was 28.2% in Q2 2024 compared to 27.1% in Q2 2023. The Q2 2024 and Q2 2023 effective tax rate was higher than the blended statutory rate of 26.5% primarily due to non-deductible expenses.

Net income decreased by $6.2 million to $17.8 million in Q2 2024, compared to $24.1 million in Q2 2023. The decrease in net income is primarily explained by the lower operating income and higher net interest expense partially offset by lower income taxes, as described above.

Adjusted Net Income decreased by $0.4 million to $25.9 million in Q2 2024, compared to $26.3 million in Q2 2023. The year over year decrease results from the factors described above and the adjustment for the duplicative depreciation expense on property and equipment and right-of-use assets, and interest expense on lease liabilities related to the supply chain transformation initiatives in Q2 2024. Adjusted Net Income as a percentage of revenue(3) was 9.8% in Q2 2024 and 10.2% in Q2 2023, respectively.

Adjusted Net Income per Diluted Share was $0.36 in Q2 2024 and in Q2 2023, respectively, primarily due to changes in Adjusted Net Income and the factors described above.

Cash at the end of the second quarter totaled $24.1 million.

Free Cash Flow(1) amounted to $7.7 million in Q2 2024 compared to $13.0 million in Q2 2023, a decrease of $5.3 million primarily driven by a decrease in cash from operating activities and an increase in payments of principal and interest on lease liabilities due to the new GTA and MVR distribution centres and store network expansion; partially offset by a decrease in cash used for investing activities.

Inventory at the end of Q2 2024 was $133.6 million compared to $122.1 million at the end of Q4 2023, an increase of $11.5 million primarily to support the growth of our store network, and due to timing of purchases.

Dividends

On August 5, 2024, the Board of Directors of the Company declared a dividend of $0.11 per common share payable on September 16, 2024 to holders of common shares of record as at the close of business on August 30, 2024.

Outlook

Factoring in Q1 2024 and Q2 2024 performance, together with subdued expectations for an improved macro-economic backdrop in the back half of the year, the Company expects to achieve the following for full year 2024:

- Revenue between $1.08 and $1.11 billion, supported by 40 to 50 new store openings, higher wholesale merchandise sales penetration with Chico franchisees, and approximately flat same-store sales growth;

- Adjusted EBITDA between $243 and $248 million, supported by operating expense leverage, partially offset by pricing investment;

- Adjusted Net Income per Diluted Share between $1.50 and $1.55, which incorporates approximately $20 million pre-tax, or $0.20 per diluted share, of incremental depreciation and lease liability interest expense associated with the new GTA and MVR distribution centres;

- Business transformation costs of approximately $17 million pre-tax, information technology costs of approximately $7 million pre-tax, and share-based compensation of approximately $12 million pre-tax, all of which are excluded from Adjusted EBITDA and Adjusted Net Income per Diluted Share; and

- Net Capital Expenditures(1) of approximately $50 million, roughly half of which is attributable to investments in the Company's supply chain transformation.

(1) 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 "Non-IFRS and Other Financial Measures" and "Selected Consolidated Financial Information" below for a reconciliation of the non-IFRS measures (except for Net Capital Expenditures) used in this release to the most comparable IFRS measures. Also refer to the sections entitled "How We Assess the Performance of our Business", "Non-IFRS and Other Financial Measures" and "Selected Consolidated Financial Information and Industry Metrics" in the MD&A for the second quarter ended June 29, 2024, incorporated by reference herein, for further details concerning EBITDA, Adjusted EBITDA, Adjusted Net Income, Free Cash Flow, and Net Capital Expenditures including definitions and reconciliations to the relevant reported IFRS measure.
(2) This is a supplementary financial measure. Refer to "Non-IFRS and Other Financial Measures" below and to the section entitled "How We Assess the Performance of our Business" in the MD&A for the second quarter ended June 29, 2024 for the definitions of supplementary financial measures.
(3) This is a non-IFRS ratio. Non-IFRS ratios 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 "Non-IFRS and Other Financial Measures" below and to the section entitled "How We Assess the Performance of our Business" in the MD&A for the second quarter ended June 29, 2024 for the definitions of non-IFRS ratios and each non-IFRS measure that is used as a component of such non-IFRS ratios.

Conference Call Details

A conference call to discuss the Company's second quarter results is scheduled for August 6, 2024, at 8:30 a.m. ET. To access Pet Valu's conference call, please dial 1-833-950-0062 (ID: 683662). 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 1-866-813-9403 (ID: 534270) and will be accessible until August 13, 2024. 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 800 corporate-owned or franchised locations across the country. For more than 45 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. Through its neighbourhood stores and digital platform, Pet Valu offers more than 9,000 competitively-priced products, including a broad assortment of premium, super premium, holistic and award-winning proprietary brands. The Company is headquartered in Markham, Ontario and its shares trade on the Toronto Stock Exchange (TSX: PET). To learn more, please visit: www.petvalu.ca.

Non-IFRS and Other Financial Measures

This press release makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios 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", "Free Cash Flow" and "Net Capital Expenditures", and non-IFRS ratios, including "Adjusted EBITDA as a percentage of revenue", "Adjusted Net Income as a percentage of revenue", and "Adjusted Net Income per Diluted Share". This press release also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including "System-wide sales", "Same-store sales", "Same-store sales growth", and "Same-store average spend per transaction growth". These non-IFRS measures, non-IFRS ratios 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, non-IFRS ratios and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS measures, non-IFRS ratios and supplementary financial 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 June 29, 2024 for further information on non-IFRS measures, non-IFRS ratios (including each non-IFRS measure that is used as a component of such non-IFRS ratios) and supplementary measures, 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 at 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 "2024 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 4, 2024 ("AIF"). In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", "continue", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information.

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.

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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	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Revenue:				
Retail sales	$ 100,157	$ 103,012	$ 200,466	$ 205,031
Franchise and other revenues	165,071	153,361	325,548	301,634
Total revenue	265,228	256,373	526,014	506,665
Cost of sales	177,535	164,268	350,970	327,346
Gross profit	87,693	92,105	175,044	179,319
Selling, general and administrative expenses	53,897	51,881	107,949	104,228
Total operating income	33,796	40,224	67,095	75,091
Interest expenses, net	8,670	7,155	17,225	14,062
Loss (gain) on foreign exchange	274	(113)	671	198
Other loss	—	133	—	1,558
Income before income taxes	24,852	33,049	49,199	59,273
Income tax expense	7,013	8,971	13,842	16,466
Net income	17,839	24,078	35,357	42,807
Other comprehensive income, net of tax:				
Currency translation adjustments that may be reclassified to net income, net of tax	—	29	—	43
Comprehensive income for the period attributable to the shareholders of the Company	$ 17,839	$ 24,107	$ 35,357	$ 42,850
Basic net income per share attributable to the common shareholders	$ 0.25	$ 0.34	$ 0.49	$ 0.60
Diluted net income per share attributable to the common shareholders	$ 0.25	$ 0.33	$ 0.49	$ 0.59

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

	Quarters Ended		Year to Date Ended	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Reconciliation of net income to Adjusted EBITDA:				
Net income	$ 17,839	$ 24,078	$ 35,357	$ 42,807
Depreciation and amortization	16,479	10,904	32,598	21,532
Interest expenses, net	8,670	7,155	17,225	14,062
Income tax expense	7,013	8,971	13,842	16,466
EBITDA	**50,001**	**51,108**	**99,022**	**94,867**
Adjustments to EBITDA:				
Information technology transformation costs[1]	2,341	429	4,473	1,151
Business transformation costs[2]	3,004	948	4,509	2,528
Other professional fees[3]	302	349	758	349
Share-based compensation[4]	1,809	963	4,878	1,964
Loss (gain) on foreign exchange[5]	274	(113)	671	198
Investment in associate[6]	—	133	—	1,558
Adjusted EBITDA	**$ 57,731**	**$ 53,817**	**$ 114,311**	**$ 102,615**
Adjusted EBITDA as a percentage of revenue	**21.8%**	**21.0%**	**21.7%**	**20.3%**

Notes:

(1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete Software-as-a-Service ("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 with supply chain transformation initiatives such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems and other transition costs incurred during the transition to a new distribution centre. The expenses included in cost of sales in Q2 2024 and YTD 2024 were $1.4 million and $2.1 million, respectively (Q2 2023 and YTD 2023 – $0.5 million, respectively). The expenses included in selling, general, and administrative expenses in Q2 2024 and YTD 2024 were $1.4 million and $2.2 million, respectively (Q2 2023 and YTD 2023 – $0.4 million and $2.0 million, respectively). Additionally, business transformation costs include $0.2 million of expenses related to other transformation initiatives for Q2 2024 and YTD 2024, respectively (Q2 2023 and YTD 2023 - $nil, 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 and 2018 fiscal years; and (ii) professional fees incurred with respect to the secondary offerings of the Company's common shares completed on June 1, 2023 (the "2023 Secondary Offering") and May 15, 2024 (the "2024 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 and loss on the fair value of the related call option of $nil and $1.3 million for Q2 2023 and YTD 2023, respectively.

Reconciliation of Net Income to Adjusted Net Income

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

	Quarters Ended		Year to Date Ended	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Reconciliation of net income to Adjusted Net Income:				
Net income	$ 17,839	$ 24,078	$ 35,357	$ 42,807
Adjustments to net income:				
Information technology transformation costs(1)	2,341	429	4,473	1,151
Business transformation costs(2)	5,641	948	9,797	2,528
Other professional fees(3)	302	349	758	349
Share-based compensation(4)	1,809	963	4,878	1,964
Loss (gain) on foreign exchange(5)	274	(113)	671	198
Investment in associate(6)	—	133	—	1,558
Tax effect of adjustments to net income	(2,325)	(519)	(4,719)	(1,335)
Adjusted Net Income	**$ 25,881**	**$ 26,268**	**$ 51,215**	**$ 49,220**
Adjusted Net Income as a percentage of revenue	**9.8%**	**10.2%**	**9.7%**	**9.7%**
Adjusted Net Income per Diluted Share	**$ 0.36**	**$ 0.36**	**$ 0.71**	**$ 0.68**

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 with supply chain transformation initiatives such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems, and other transition costs incurred during the transition to a new distribution centre. This also includes duplicative depreciation expense on property and equipment and right-of-use assets, and interest expense on lease liabilities. The expenses included in cost of sales in Q2 2024 and YTD 2024 were $3.0 million and $5.4 million, respectively (Q2 2023 and YTD 2023 – $0.5 million, respectively). The expenses included in selling, general, and administrative expenses in Q2 2024 and YTD 2024 were $1.4 million and $2.2 million, respectively (Q2 2023 and YTD 2023 – $0.4 million and 2.0 million, respectively). The interest expense on the lease liability in Q2 2024 and YTD 2024 was $1.0 million and $2.0 million, respectively (Q2 2023 and YTD 2023 – $nil, respectively). Additionally, business transformation costs include $0.2 million of expenses related to other transformation initiatives for Q2 2024 and YTD 2024, respectively (Q2 2023 and YTD 2023 - $nil, respectively).

(3) Professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings for the 2016 and 2018 fiscal years; and (ii) professional fees incurred with respect to the 2023 Secondary Offering and 2024 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 and loss on the fair value of the related call option of $nil and $1.3 million for Q2 2023 and YTD 2023, respectively.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Cash provided by (used in):				
Operating activities:				
Net income for the period	$ 17,839	$ 24,078	$ 35,357	$ 42,807
Adjustments for items not affecting cash:				
Depreciation and amortization	16,479	10,904	32,598	21,532
Deferred franchise fees	61	(20)	(93)	63
Gain on disposal of property and equipment	(1,283)	(167)	(1,610)	(304)
Loss on sale of right-of-use assets	150	179	148	534
Loss (gain) on foreign exchange	274	(113)	671	198
Loss on financial instruments	—	—	—	1,302
Share-based compensation expense	1,809	963	4,878	1,964
Share of loss from associate	—	133	—	256
Interest expenses, net	8,670	7,155	17,225	14,062
Income tax expense	7,013	8,971	13,842	16,466
Income taxes paid	(8,910)	(9,360)	(16,000)	(33,770)
Changes in non-cash operating working capital:				
Accounts receivable	562	(1,787)	(2,494)	(1,139)
Inventories	(3,648)	9,424	(11,355)	(12,280)
Prepaid expenses	(10,834)	641	(2,132)	3,562
Accounts payable and accrued liabilities	3,574	(10,522)	5,605	(9,567)
Net cash provided by operating activities	31,756	40,479	76,640	45,686
Financing activities:				
Proceeds from exercise of share options	819	3,736	819	4,344
Dividends paid on common shares	(15,731)	(14,244)	(15,731)	(14,244)
Repayment of 2021 Term Facility	(4,438)	(4,436)	(8,875)	(36,874)
Interest paid on long-term debt	(5,484)	(2,094)	(11,312)	(3,867)
Repayment of principal on lease liabilities	(15,944)	(12,979)	(31,567)	(30,858)
Interest paid on lease liabilities	(5,857)	(3,393)	(11,629)	(6,597)
Standby letter of credit commitment fees	—	(347)	—	(663)
Net cash used in financing activities	(46,635)	(33,757)	(78,295)	(88,759)
Investing activities:				
Business acquisition, net of cash acquired	—	(3,000)	—	(3,000)
Purchases of property and equipment	(14,168)	(16,663)	(26,478)	(27,381)
Purchase of intangible assets	(536)	(1,432)	(1,264)	(1,975)
Proceeds on disposal of property and equipment	2,230	918	3,256	1,201
Right-of-use asset initial direct costs	(354)	(522)	(944)	(990)
Tenant allowances	19	221	869	648
Notes receivable	194	827	351	893
Lease receivables	8,548	7,364	16,939	14,577
Interest received on lease receivables and other	2,983	2,534	5,990	5,509
Repurchase of franchises	(971)	(512)	(971)	(512)
Net cash used in investing activities	(2,055)	(10,265)	(2,252)	(11,030)
Effect of exchange rate on cash	(129)	100	(450)	(124)
Net decrease in cash	(17,063)	(3,443)	(4,357)	(54,227)
Cash, beginning of period	41,150	12,250	28,444	63,034
Cash, end of period	$ 24,087	$ 8,807	$ 24,087	$ 8,807

Free Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Cash provided by operating activities	$ 31,756	$ 40,479	$ 76,640	$ 45,686
Cash used in investing activities	(2,055)	(10,265)	(2,252)	(11,030)
Repayment of principal on lease liabilities	(15,944)	(12,979)	(31,567)	(30,858)
Interest paid on lease liabilities	(5,857)	(3,393)	(11,629)	(6,597)
Notes receivable	(194)	(827)	(351)	(893)
Free Cash Flow	**$ 7,706**	**$ 13,015**	**$ 30,841**	**$ (3,692)**

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in thousands of Canadian dollars)

	As at June 29, 2024	As at December 30, 2023
Assets		
Current assets:		
Cash	$ 24,087	$ 28,444
Accounts and other receivables	30,347	27,875
Inventories, net	133,600	122,069
Income taxes recoverable	8,270	6,012
Prepaid expenses and other assets	21,534	19,403
Current portion of lease receivables	36,329	34,332
Total current assets	254,167	238,135
Non-current assets:		
Long-term lease receivables	165,304	159,101
Right-of-use assets, net	237,465	237,941
Property and equipment, net	134,528	120,493
Intangible assets, net	51,552	52,205
Goodwill	98,337	97,562
Deferred tax assets	7,230	7,230
Other assets	4,001	4,240
Total non-current assets	698,417	678,772
Total assets	$ 952,584	$ 916,907
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 99,044	$ 88,416
Provisions	258	669
Current portion of deferred franchise fees	1,379	1,344
Current portion of lease liabilities	67,175	64,068
Current portion of long-term debt	17,750	17,750
Total current liabilities	185,606	172,247
Non-current liabilities:		
Long-term deferred franchise fees	4,312	4,166
Long-term lease liabilities	388,152	379,833
Long-term debt	267,173	275,474
Deferred tax liabilities	8,864	8,864
Other liabilities	2,295	3,977
Provisions	2,669	2,626
Total non-current liabilities	673,465	674,940
Total liabilities	859,071	847,187
Shareholders' equity:		
Common shares	322,947	321,752
Contributed surplus	9,849	6,877
Deficit	(239,142)	(258,768)
Currency translation reserve	(141)	(141)
Total shareholders' equity	93,513	69,720
Total liabilities and shareholders' equity	$ 952,584	$ 916,907