



Pet Valu Reports Third Quarter 2023 Results

Delivers 4% Same-Store Sales Growth⁽¹⁾ and Narrows 2023 Outlook

Markham, Ontario, November 7, 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 third quarter ended September 30, 2023.

Third Quarter Highlights

- System-wide sales⁽¹⁾ were \$357.2 million, an increase of 7.7% versus the prior year. Same-store sales growth was 4.2%, primarily supported by same-store average spend per transaction growth⁽¹⁾.
- Revenue was \$262.3 million, an increase of 7.2% versus the prior year, in-line with system-wide sales growth.
- Adjusted EBITDA⁽²⁾ was \$57.2 million, up 0.4% versus the prior year, representing 21.8% of revenue. Operating income was \$37.4 million, down 13.7% versus the prior year.
- Net income was \$18.0 million, down from \$27.0 million in the prior year.
- Adjusted Net Income⁽²⁾ was \$28.2 million or \$0.39 per diluted share, compared to \$30.7 million or \$0.43 per diluted share, respectively, in the prior year.
- Opened 8 new stores and ended the quarter with 766 stores across the network.
- Officially opened the new Greater Toronto Area ("GTA") distribution centre.
- The Board of Directors of the Company declared a dividend of \$0.10 per common share.

2023 Outlook

- The Company expects 2023 revenue between \$1,055 and \$1,065 million, driven by same-store sales growth between 5.5% and 6.5% and 35-40 new store openings, Adjusted EBITDA between \$230 and \$233 million and Adjusted Net Income per Diluted Share⁽²⁾ between \$1.60 and \$1.63.

"We delivered 8% top-line growth and took a significant step forward in our supply chain transformation with the opening of our new GTA distribution centre in the quarter," said Richard Maltsbarger, President and Chief Executive Officer of Pet Valu. "I am proud of the actions our teams took to swiftly adapt to evolving consumer demand, while continuing to drive same store sales growth through innovative product launches, targeted promotions, and enriched digital experiences."

"As we enter the final stretch of 2023, our full-year outlook reflects the resiliency of our business and the Canadian pet industry and our ability to grow across different business cycles," continued Mr. Maltsbarger. "We look forward to delivering an engaging commercial program this holiday season and our innovative new product launches. We are also excited about our recently launched wholesale distribution expansion out of our new GTA distribution centre, enabling us to begin tapping into a significant new revenue opportunity selling to our Chico franchisees in the Quebec market."

Financial Results for the Third Quarter Fiscal 2023

All comparative figures below are for the 13-week period ended September 30, 2023, compared to the 13-week period ended October 1, 2022.

Revenue was \$262.3 million in Q3 2023, an increase of \$17.6 million, or 7.2%, compared to \$244.7 million in Q3 2022. The increase in revenue was driven by growth in retail sales, as well as franchise and other revenues.

Same-store sales growth was 4.2% in Q3 2023 primarily driven by a 4.0% increase in same-store average spend per transaction and a 0.2% increase in same-store transactions. This is compared to same-store sales growth of 14.7% in Q3 2022, which primarily consisted of a 7.6% increase in same-store transactions and a 6.6% increase in same-store average spend per transaction. Q3 2022 same-store sales growth was elevated given the comparative period, Q3 2021, was impacted by a shift in consumer behaviour associated with COVID-19 restrictions.

Gross profit decreased by \$6.2 million, or 6.7%, to \$87.3 million in Q3 2023, compared to \$93.5 million in Q3 2022. Gross profit margin was 33.3% in Q3 2023, compared to 38.2% in Q3 2022. Excluding costs related to the supply chain transformation of 1.8%, the gross profit margin was 35.1% and decreased by 3.1%. The decrease was primarily driven by: (i) a duty recovery associated to COVID relief measures received in Q3 2022; (ii) the unfavourable impact of the weaker Canadian dollar on non-domestic sourced products primarily denominated in U.S. dollars; (iii) unfavourable product margins, net of lower inbound freight costs; and (iv) higher discounts related to planned promotional activity.

Selling, general and administrative ("SG&A") expenses were \$49.9 million in Q3 2023, a decrease of \$0.3 million, or 0.6%, compared to \$50.2 million in Q3 2022. SG&A expenses represented 19.0% and 20.5% of total revenue for Q3 2023 and Q3 2022, respectively. The decrease of \$0.3 million in SG&A expenses was primarily due to: (i) higher gains on the sale of assets related to re-franchised stores, (ii) decreased compensation costs due to lower variable and share-based compensation expenses; partially offset by (iii) higher depreciation and amortization on property, equipment, and software from store growth and information technology investments.

Adjusted EBITDA increased by \$0.2 million, or 0.4%, to \$57.2 million in Q3 2023, compared to \$57.0 million in Q3 2022. Adjusted EBITDA excludes \$4.2 million of higher costs from investment in associate, business transformation, information technology transformation, other professional fees, share-based compensation, and loss on foreign exchange. Adjusted EBITDA was also impacted by lower EBITDA of \$4.0 million in Q3 2023 compared to Q3 2022. Adjusted EBITDA as a percentage of revenue was 21.8% and 23.3% in Q3 2023 and Q3 2022, respectively.

Net interest expense was \$8.1 million in Q3 2023, an increase of \$2.6 million, or 47.6%, compared to \$5.5 million in Q3 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 third quarter ended September 30, 2023) resulting from higher interest rates compared to Q3 2022.

Income taxes were \$7.9 million in Q3 2023 compared to \$10.1 million in Q3 2022, a decrease of \$2.2 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Q3 2023. The effective income tax rate was 30.4% in Q3 2023 compared to 27.2% in Q3 2022. The Q3 2023 and Q3 2022 effective tax rate was higher than the blended statutory rate of 26.5% primarily due to the impairment of an investment in associate and non-deductible expenses.

Net income decreased by \$9.0 million to \$18.0 million in Q3 2023, compared to \$27.0 million in Q3 2022. In addition to the factors described above, the change in net income is also explained by the impairment related to an investment in associate.

Adjusted Net Income decreased by \$2.5 million to \$28.2 million in Q3 2023, compared to \$30.7 million in Q3 2022. Adjusted Net Income as a percentage of revenue was 10.8% in Q3 2023 and 12.6% in Q3 2022, respectively. The 1.8% year over year decrease results from the factors described above.

Adjusted Net Income per Diluted Share decreased by \$0.04 to \$0.39 in Q3 2023, compared to \$0.43 in Q3 2022 primarily from the factors described above.

Cash at the end of the third quarter totaled \$11.3 million.

Free Cash Flow⁽²⁾ amounted to \$18.1 million in Q3 2023 compared to \$19.9 million in Q3 2022, a decrease of \$1.8 million primarily driven by an increase in cash used for investing activities primarily due to higher Net Capital Expenditures⁽²⁾, an increase in payments of interest on lease liabilities due to the new GTA distribution centre and store network expansion, partially offset by a decrease in repayment of principal on lease liabilities due to timing of quarter end in Q3 2023.

Inventory at end of Q3 2023 was \$135.0 million compared to \$118.4 million at the end of Q4 2022, an increase of \$16.6 million primarily due to growth in revenue, improved vendor fill rates and timing of receipts resulting from global supply chain improvements.

Dividends

On November 6, 2023, the Board of Directors of the Company declared a dividend of \$0.10 per common share payable on December 15, 2023 to holders of common shares of record as at the close of business on November 30, 2023.

Outlook

For the full year 2023, the Company expects:

- Revenue between \$1,055 and \$1,065 million, supported by same-store sales growth of between 5.5% and 6.5%, and 35 to 40 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 \$233 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 \$1.63;
- 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 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 third quarter ended September 30, 2023 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 third quarter ended September 30, 2023 for the definitions of Non-IFRS financial measures and to "Selected Consolidated Financial Information" below for a reconciliation of the non-IFRS measures to the most comparable IFRS measure.

Conference Call Details

A conference call to discuss the Company's third quarter results is scheduled for November 7, 2023, at 8:30 a.m. ET. To access Pet Valu's conference call, please dial 1-833-950-0062 (ID: 025031). 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: 597341) and will be accessible until November 14, 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 third quarter ended September 30, 2023 for further information on non-IFRS measures and supplementary financial measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure, also included under "Selected Consolidated Financial Information" below.

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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	13 weeks	13 weeks	39 weeks	39 weeks
Revenue:				
Retail sales	\$ 106,708	\$ 103,167	\$ 311,739	\$ 293,297
Franchise and other revenues	155,586	141,557	457,220	392,356
Total revenue	262,294	244,724	768,959	685,653
Cost of sales	174,977	151,182	502,323	429,660
Gross profit	87,317	93,542	266,636	255,993
Selling, general and administrative expenses	49,947	50,231	154,175	138,212
Total operating income	37,370	43,311	112,461	117,781
Interest expenses, net	8,128	5,508	22,190	14,049
Loss on foreign exchange	246	832	444	931
Other loss (gain)	3,160	(83)	4,718	(207)
Income before income taxes	25,836	37,054	85,109	103,008
Income tax expense	7,860	10,068	24,326	28,123
Net income	17,976	26,986	60,783	74,885
Other comprehensive income, net of tax:				
Currency translation adjustments that may be reclassified to net income, net of tax	(25)	22	18	25
Comprehensive income for the period attributable to the shareholders of the Company	\$ 17,951	\$ 27,008	\$ 60,801	\$ 74,910
Basic net income per share attributable to the common shareholders	\$ 0.25	\$ 0.38	\$ 0.85	\$ 1.06
Diluted net income per share attributable to the common shareholders	\$ 0.25	\$ 0.38	\$ 0.84	\$ 1.04

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

	Quarters Ended		Year to Date Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	13 weeks	13 weeks	39 weeks	39 weeks
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 17,976	\$ 26,986	\$ 60,783	\$ 74,885
Depreciation and amortization	14,187	9,595	35,719	27,741
Interest expenses, net	8,128	5,508	22,190	14,049
Income tax expense	7,860	10,068	24,326	28,123
EBITDA	48,151	52,157	143,018	144,798
Adjustments to EBITDA:				
Information technology transformation costs ⁽¹⁾	1,294	1,252	2,445	3,329
Business transformation costs ⁽²⁾	3,124	834	5,652	1,215
Other professional fees ⁽³⁾	167	163	516	1,159
Share-based compensation ⁽⁴⁾	1,025	1,799	2,989	4,318
Loss on foreign exchange ⁽⁵⁾	246	832	444	931
Investment in associate ⁽⁶⁾	3,160	(83)	4,718	(207)
Adjusted EBITDA	\$ 57,167	\$ 56,954	\$ 159,782	\$ 155,543
Adjusted EBITDA as a percentage of revenue	21.8%	23.3%	20.8%	22.7%

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 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 Q3 2023 and YTD 2023 were \$2.1 million and \$2.6 million, respectively (Q3 2022 and YTD 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$1.0 million and \$3.1 million in Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.8 million and \$1.2 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 and in Q3 2023 for the 2018 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 \$3.2 million and \$3.4 million for Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.2 million and \$0.3 million, respectively) and (gain) or loss on the fair value of the related call option for Q3 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q3 2022 and YTD 2022 – \$(0.3) million and \$(0.5) million, respectively).

Reconciliation of Net Income to Adjusted Net Income

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

	Quarters Ended		Year to Date Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	13 weeks	13 weeks	39 weeks	39 weeks
Reconciliation of net income to Adjusted Net Income:				
Net income	\$ 17,976	\$ 26,986	\$ 60,783	\$ 74,885
Adjustments to net income:				
Information technology transformation costs ⁽¹⁾	1,294	1,252	2,445	3,329
Business transformation costs ⁽²⁾	6,704	834	9,232	1,215
Other professional fees ⁽³⁾	167	163	516	1,159
Share-based compensation ⁽⁴⁾	1,025	1,799	2,989	4,318
Loss on foreign exchange ⁽⁵⁾	246	832	444	931
Investment in associate ⁽⁶⁾	3,160	(83)	4,718	(207)
Tax effect of adjustments to net income	(2,350)	(1,034)	(3,685)	(2,186)
Adjusted Net Income	\$ 28,222	\$ 30,749	\$ 77,442	\$ 83,444
Adjusted Net Income as a percentage of revenue	10.8%	12.6%	10.1%	12.2%
Adjusted Net Income per Diluted Share	\$ 0.39	\$ 0.43	\$ 1.07	\$ 1.16

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 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 Q3 2023 and YTD 2023 were \$4.6 million and \$5.1 million, respectively (Q3 2022 and YTD 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$1.0 million and \$3.1 million in Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.8 million and \$1.2 million, respectively). The interest expense on the lease liability in Q3 2023 and YTD 2023 was \$1.0 million (Q3 2022 and YTD 2022 – \$nil).
- (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 and in Q3 2023 for the 2018 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 \$3.2 million and \$3.4 million for Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.2 million and \$0.3 million, respectively) and (gain) or loss on the fair value of the related call option for Q3 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q3 2022 and YTD 2022 – \$(0.3) million and \$(0.5) million, respectively).

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	13 weeks	13 weeks	39 weeks	39 weeks
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 17,976	\$ 26,986	\$ 60,783	\$ 74,885
Adjustments for items not affecting cash:				
Depreciation and amortization	14,187	9,595	35,719	27,741
Deferred franchise fees	74	160	137	66
Gain on disposal of property and equipment	(1,017)	(277)	(1,321)	(319)
Loss on sale of right-of-use assets	155	300	689	460
Loss on foreign exchange	246	832	444	931
(Gain) loss on financial instruments	—	(255)	1,302	(499)
Share-based compensation expense	1,025	1,799	2,989	4,318
Share of loss from associate	3,160	172	3,416	292
Interest expenses, net	8,128	5,508	22,190	14,049
Income tax expense	7,860	10,068	24,326	28,123
Income taxes paid	(9,360)	(5,550)	(43,130)	(31,123)
Security deposits paid	—	—	—	(5,073)
Changes in non-cash operating working capital:				
Accounts receivable	(601)	(1,927)	(1,740)	(5,606)
Inventories	(4,261)	(19,191)	(16,541)	(43,747)
Prepaid expenses	(8,151)	(1,378)	(4,589)	(3,215)
Accounts payable and accrued liabilities	5,023	6,982	(4,544)	15,301
Net cash provided by operating activities	34,444	33,824	80,130	76,584
Financing activities:				
Proceeds from exercise of share options	5	511	4,349	4,694
Dividends paid on common shares	(7,146)	(4,236)	(21,390)	(12,676)
Repayment of 2021 Term Facility	(4,438)	(2,218)	(41,312)	(6,656)
Interest paid on long-term debt	(3,797)	(5,468)	(7,664)	(12,639)
Repayment of principal on lease liabilities	(8,210)	(12,026)	(39,068)	(35,841)
Interest paid on lease liabilities	(4,554)	(2,970)	(11,151)	(8,788)
Standby letter of credit commitment fees	(209)	(314)	(872)	(628)
Net cash used in financing activities	(28,349)	(26,721)	(117,108)	(72,534)
Investing activities:				
Business acquisition, net of cash acquired	—	291	(3,000)	(12,538)
Purchases of property and equipment	(14,881)	(7,041)	(42,262)	(16,693)
Purchase of intangible assets	(714)	(713)	(2,689)	(2,686)
Proceeds on disposal of property and equipment	1,669	607	2,870	1,382
Right-of-use asset initial direct costs	(464)	(600)	(1,454)	(1,218)
Tenant allowances	537	117	1,185	672
Notes receivable	157	597	1,050	895
Lease receivables	7,692	6,788	22,269	20,017
Interest received on lease receivables and other	2,556	2,237	8,065	6,052
Investment in associate	—	(645)	—	(1,779)
Repurchase of franchises	—	—	(512)	—
Net cash (used in) provided by investing activities	(3,448)	1,638	(14,478)	(5,896)
Effect of exchange rate on cash	(113)	(426)	(237)	(440)
Net increase (decrease) in cash	2,534	8,315	(51,693)	(2,286)
Cash, beginning of period	8,807	39,467	63,034	50,068
Cash, end of period	\$ 11,341	\$ 47,782	\$ 11,341	\$ 47,782

Free Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	Quarters Ended		Year to Date Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	13 weeks	13 weeks	39 weeks	39 weeks
Cash provided by operating activities	\$ 34,444	\$ 33,824	\$ 80,130	\$ 76,584
Cash (used in) provided by investing activities	(3,448)	1,638	(14,478)	(5,896)
Repayment of principal on lease liabilities	(8,210)	(12,026)	(39,068)	(35,841)
Interest paid on lease liabilities	(4,554)	(2,970)	(11,151)	(8,788)
Notes receivable	(157)	(597)	(1,050)	(895)
Free Cash Flow	\$ 18,075	\$ 19,869	\$ 14,383	\$ 25,164

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, expressed in thousands of Canadian dollars)

	As at September 30, 2023	As at December 31, 2022
Assets		
Current assets:		
Cash	\$ 11,341	\$ 63,034
Accounts and other receivables	24,519	22,965
Inventories, net	135,047	118,410
Income taxes recoverable	3,944	—
Prepaid expenses and other assets	21,040	22,262
Current portion of lease receivables	32,653	29,827
Total current assets	228,544	256,498
Non-current assets:		
Long-term lease receivables	152,176	141,187
Right-of-use assets, net	172,294	82,242
Property and equipment, net	113,861	91,774
Intangible assets, net	52,582	52,280
Goodwill	97,600	97,574
Deferred tax assets	6,652	6,652
Investment in associate	—	4,708
Other assets	4,223	7,261
Total non-current assets	599,388	483,678
Total assets	\$ 827,932	\$ 740,176
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 96,699	\$ 103,782
Income taxes payable	—	15,141
Current portion of deferred franchise fees	1,238	1,197
Current portion of lease liabilities	59,609	51,335
Current portion of long-term debt	17,750	17,750
Total current liabilities	175,296	189,205
Non-current liabilities:		
Long-term deferred franchise fees	4,091	4,017
Long-term lease liabilities	308,527	215,966
Long-term debt	279,626	320,063
Deferred tax liabilities	8,246	8,250
Other liabilities	5,767	2,299
Total non-current liabilities	606,257	550,595
Total liabilities	781,553	739,800
Shareholders' equity:		
Common shares	321,698	316,208
Contributed surplus	5,209	4,107
Deficit	(280,387)	(319,780)
Currency translation reserve	(141)	(159)
Total shareholders' equity	46,379	376
Total liabilities and shareholders' equity	\$ 827,932	\$ 740,176