



K·BRO



# Management's Discussion & Analysis

Q1, 2026

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the unaudited interim Condensed Consolidated Financial Statements of K Bro Linen Inc. ("the Corporation") for the three months ended March 31, 2026 and the audited Consolidated Financial Statements, as well as the MD&A, for the year ended December 31, 2025. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc., Buanderie C.M. Inc, Fishers Topco Ltd., Shortridge Ltd., and Stellar Mayan Ltd. (and its subsidiaries) are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of May 5, 2026.

In the interest of providing current holders ("Shareholders") of common shares of K-Bro Linen Inc. ("Common Shares") and potential investors with information regarding current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions and courses of action, and include future-oriented financial information.

This MD&A contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words "anticipate", "continue", "expect", "may", "will", "project", "should", "believe", and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this MD&A. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including (a) the possibility of undisclosed material liabilities, disputes or contingencies, (b) challenges or delays in achieving synergy and integration targets, (c) the diversion of management's time and focus from other business concerns and (d) the use of resources that may be needed in other parts of our business; (ii) K-Bro's competitive environment; (iii) utility costs, minimum wage legislation and labour costs; (iv) K-Bro's dependence on long-term contracts with the associated renewal risk and the risks associated with maintaining short term contracts; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Quebec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability and terms of future financing; (x) textile demand; (xi) availability and access to labour; (xii) rising wage rates in all jurisdictions the Corporation operates and (xiii) interest rate and foreign currency risk. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) expected impact of labour cost initiatives; (iii) frequency of one-time costs impacting quarterly and annual financial results; (iv) interest and foreign exchange rates; and (v) the level of capital expenditures. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Forward looking information included in this MD&A includes the expected annual healthcare revenues to be generated from the Corporation's contracts with new customers, calculation of costs, including one-time costs impacting the quarterly financial results, anticipated future capital spending and statements with respect to future expectations on margins and volume growth.

All forward-looking information in this MD&A is qualified by these cautionary statements. Forward-looking information in this MD&A is presented only as of the date made. Except as required by law, K-Bro does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

This MD&A also makes reference to certain measures in this document that do not have any standardized meaning as prescribed by IFRS Accounting Standards and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. Please see "Terminology" for further discussion.

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## INTRODUCTION

### Core Business

The Corporation is the largest owner and operator of laundry and linen processing facilities in Canada and a national market leader for laundry and textile rental services in the UK. K-Bro and its wholly owned subsidiaries operate across Canada and the UK, providing a range of linen services to healthcare organizations, hotels and other commercial accounts that include the processing, management and distribution of general linen and operating room linen.

The Corporation's operations in Canada include eleven processing facilities and one distribution centre in nine Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Edmonton, Calgary, Vancouver and Victoria.

The Corporation's operations in the UK include five distinctive brands, Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017, Shortridge Ltd. ("Shortridge"), which was acquired by K-Bro on April 30, 2024, and three brands acquired through the acquisition of Stellar Mayan Ltd. ("Stellar Mayan") on June 11, 2025, previously known as Star Mayan Limited. The three brands acquired were Synergy Health Managed Services Limited ("Synergy"), Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen ("Aeroserve"), and Grosvenor Contracts (London) Limited ("Grosvenor Contracts", "GC").

Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North of England. The company operates in five cities, in Scotland and the North of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

Shortridge is headquartered in North West England, with laundry processing sites in Lillyhall and Dumfries and a distribution centre in Darlington. Shortridge, established in 1845, specialises in providing high quality laundry services to local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants.

Stellar Mayan, doing business as Synergy, Grosvenor Contracts and AeroServe, is a leading commercial laundry business in England, serving the healthcare and hospitality markets. Typical services offered include processing, management and distribution of healthcare and hospitality linens, including sheets, blankets, towels, surgical gowns and other linen. Stellar Mayan has seven operating facilities strategically located across England: London, Derby, Dunstable, Sheffield, Slough (2), and St. Helens, in addition to a distribution depot in Manchester.

## Industry and Market

In Canada, K-Bro provides laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered by K-Bro include the processing, management and distribution of general and operating room linens, including sheets, blankets, towels, surgical gowns and drapes and other linen. Other types of processors in K-Bro's industry include independent privately-owned facilities (i.e., typically small, single facility companies), public sector central laundries and public and private sector on premise laundries (known as "OPLs"). Participants in other sectors of the Canadian laundry and linen services industry, such as uniform rental companies (which own and launder uniforms worn by their customers' employees) typically do not offer services that significantly overlap with those offered by K-Bro.

In the UK, Fishers, Shortridge and Stellar Mayan provide laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered include the processing, management and distribution of general and operating room linens, workwear and clean room garment services. Other types of processors in the UK industry include publicly traded companies, independent privately-owned facilities (i.e., typically, small single facility companies), public sector central laundries and public and private sector OPLs.

Our partnerships with healthcare organizations and hospitality clients across Canada and the UK demonstrate K-Bro's commitment to building relationships that foster continuous improvement, providing flexibility to adjust to changing circumstances as required and which incorporate incentives, penalties and the sharing of risks and rewards as circumstances warrant.

In this competitive industry, K-Bro is distinctive in its ability to deliver products and services that provide value to our customers. Management believes that the healthcare and hospitality sectors of the laundry and linen services industry represent a stable base of annual recurring business with opportunities for growth as additional healthcare beds and funds are made available to meet the needs of an aging demographic.

## Industry Characteristics and Trends

Management believes that the industry in which K-Bro operates has historically exhibited the following characteristics and trends:

*Generally Stable Industry with Moderate Cyclicity* – As evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms in the hospitality industry. The potential for step-changes in volumes and revenues that align with contractual arrangements exists within this industry. Service relationships are generally formalized through contracts in the healthcare sector that are typically long term (from three to ten years), while contracts in the hospitality sector usually range from two to five years.

*Outsourcing and Privatization* – Healthcare organizations are facing funding pressures and must continually evaluate the allocation of scarce resources. Consequently, there are often advantages to healthcare organizations in outsourcing the processing of healthcare linen to private sector laundry companies such as K-Bro because of the economies of scale and significant management expertise that can be provided on a more comprehensive and cost-effective basis than customers can achieve in operating their own laundry facilities.

*Fragmentation* – Regional healthcare and hospitality markets remain fragmented within the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to

complete acquisitions. Management evaluates M&A opportunities on an ongoing basis and looks to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

## Customers and Product Mix

K-Bro's Canadian customers include some of the largest healthcare organizations and hospitality providers in Canada. In the UK, Fishers' customers include some of the largest hotel chains operating in Scotland and Shortridge's customers include local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants. Stellar Mayan's customers include NHS Trusts, private hospitals, ambulance service trusts, and healthcare and community trusts. Stellar Mayan's hospitality customers include nationwide hotel chains, airlines, ferries, and private clients.

## STRATEGY

In 2023, K-Bro published its inaugural sustainability report, which communicated its long-term sustainability strategy which prioritizes putting people first, supporting its partners and environmental stewardship. This report is not incorporated by reference herein. The strategy focuses on three pillars: People; Partners; and Planet, and builds on the Corporation's vision of delivering industry-leading service while embracing its responsibilities to society as a good corporate citizen – supporting the communities in which it operates, being a great place to work and a dependable partner for all its stakeholders. An updated report was published in Q4 2025, which is not incorporated by reference herein.

**People** - Foster a customer-centric culture, take care of people, embrace diversity, and ensure K-Bro is a great place to work.

**Partners** - Be dependable, exemplify responsible business practices, support local communities, and anticipate evolving trends.

**Planet** - Operate responsibly, prioritize energy efficiency, embrace best management practices, and support environmental stewardship across the supply chain.

K-Bro maintains the following three-part growth focus:

**Secure and Maintain Long-Term Contracts with Large Healthcare and Hospitality Customers** – K-Bro's core service is providing high quality laundry and linen services at competitive prices to large healthcare and hospitality customers under long-term contracts. K-Bro's contracts in the healthcare sector typically range from three to ten years in length. Contracts in the hospitality sector typically range from two to five years.

**Extend Core Services to New Markets** – Management has demonstrated its ability to successfully expand K-Bro's business into new markets from its established bases. Since 2005, K-Bro has entered four new geographic markets across Canada, and in late 2017 entered into the UK market. In April 2024, K-Bro further expanded its UK footprint through the acquisition of Shortridge Ltd. ("Shortridge") a high-quality hospitality laundry provider based in the North West of England (see "Summary of Interim Results and Key Events"). In June 2025, K-Bro established a national footprint in the UK commercial laundry and textile rental sector through the acquisition of Stellar Mayan Ltd., doing business as Synergy, Grosvenor Contracts and AeroServe, a leading commercial laundry business in England serving the healthcare and hospitality markets (see "Summary of Interim Results and Key Events"). These new markets have contributed significantly to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality organizations continue to increase their focus on core services and confront pressures for capital and cost savings.

Management may in the future expand its core services to new markets either through acquisitions or by establishing new facilities. Management sees opportunities to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented.

**Introduce Related Services** – In addition to focusing on its core services, the Corporation also attempts to capitalize on attractive business opportunities by introducing closely-related services that enable it to provide more complete solutions to K-Bro's healthcare and hospitality customers. These related service offerings include K-Bro Operating Room services, reusable curtain and blind services, and on-site services. K-Bro performs the sterilization of operating room linen packs for nine major hospitals in Toronto and the four health organizations in the Vancouver area, including the operation of a clean room in the UK.

## SELECTED QUARTERLY FINANCIAL INFORMATION

(In reporting currency \$ Canadian)

	Three Months Ended March 31,									
	Canadian Division		UK Division	Canadian Division		UK Division	Canadian Division		UK Division	
	2026	2026	2026	2025	2025	2025	2024	2024	2024	
<i>(thousands, except percentages and per share amounts)</i>										
Revenue	\$ 69,408	\$ 69,701	\$ 139,109	\$ 66,572	\$ 24,397	\$ 90,969	\$ 62,700	\$ 17,527	\$ 80,227	
EBITDA <sup>(1)</sup>	13,792	8,130	21,922	10,021	2,383	12,404	9,879	1,726	11,605	
Adjusted EBITDA <sup>(2)</sup>	13,917	8,638	22,555	11,941	3,052	14,993	11,618	1,817	13,435	
Net earnings (loss)	2,632	(302)	2,330	846	(20)	826	1,679	127	1,806	
<i>Net earnings (loss) per share:</i>										
Basic	\$ 0.204	\$ (0.023)	\$ 0.181	\$ 0.081	\$ (0.002)	\$ 0.079	\$ 0.160	\$ 0.012	\$ 0.172	
Diluted	\$ 0.203	\$ (0.023)	\$ 0.180	\$ 0.080	\$ (0.002)	\$ 0.078	\$ 0.159	\$ 0.012	\$ 0.171	
Adjusted net earnings <sup>(3)</sup>	2,757	1,852	4,609	2,766	649	3,415	3,418	218	3,636	
<i>Adjusted net earnings per share:</i>										
Basic	\$ 0.214	\$ 0.144	\$ 0.358	\$ 0.263	\$ 0.062	\$ 0.325	\$ 0.325	\$ 0.021	\$ 0.345	
Diluted	\$ 0.213	\$ 0.143	\$ 0.356	\$ 0.262	\$ 0.061	\$ 0.323	\$ 0.323	\$ 0.021	\$ 0.343	
Total assets			\$ 697,957			\$ 438,446			\$ 361,859	
Debt (excludes lease liabilities) <sup>(4)</sup>			235,262			\$ 119,295			65,727	
<i>Weighted average number of shares outstanding:</i>										
Basic			12,901,501			10,501,038			10,526,569	
Diluted			12,970,484			10,564,121			10,589,837	

(1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

(2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

(3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

(4) Debt is comprised of current and long-term debt.

## SUMMARY OF INTERIM RESULTS AND KEY EVENTS

Net earnings for the first quarter of 2026 were \$2.3 million or \$0.18 per Common Share (basic) and Adjusted Net earnings<sup>(1)</sup> were \$4.6 million or \$0.36 per Common Share (basic). Cash flow from operating activities was \$22.3 million and distributable cash flow<sup>(2)</sup> was \$9.4 million. Consolidated revenue for the first quarter of 2026 increased to \$139.1 million or by 52.9% compared to 2025, primarily related to the acquisition of Stellar Mayan in June 2025, as well as the impact of price increases implemented.

EBITDA (see "Terminology") increased in the first quarter of 2026 to \$21.9 million or by 76.7% compared to \$12.4 million in 2025. On a consolidated basis, EBITDA margin increased to 15.8% in 2026 from 13.6% in 2025. The increase is largely due to lower transaction costs and structural financing costs related to the acquisition of Stellar Mayan, labour efficiencies, the elimination of Canadian carbon tax in 2025, offset by the combination of the Stellar Mayan margin profile.

Adjusted EBITDA<sup>(1)</sup> (see "Terminology") increased in the first quarter of 2026 to \$22.6 million or by 50.4% compared to \$15.0 million in 2025. On a consolidated basis, Adjusted EBITDA margin<sup>(1)</sup> decreased slightly,

largely due to the combination of the Stellar Mayan margin profile, offset by labour efficiencies, and the elimination of Canadian carbon tax in Q2 2025.

For the Canadian division, the Adjusted EBITDA margin in the first quarter increased to 20.1% in 2026 compared to 17.9% in 2025. The increase in Adjusted EBITDA margin is largely due to labour efficiencies, and the elimination of Canadian carbon tax in Q2 2025. The EBITDA margin increased to 19.9% in the first quarter of 2026 from 15.1% in 2025 related to items discussed above and adjusting items in the first quarter of 2025 including lower transaction costs and structural financing costs related to the acquisition of Stellar Mayan in the second quarter of 2025, as detailed within “Terminology”.

For the UK division, the Adjusted EBITDA margin in the first quarter remained relatively constant at 12.4% in 2026 compared to 12.5% in 2025. The EBITDA margin for the UK division increased to 11.7% in the first quarter of 2026 compared to 9.8% in 2025. The increase in EBITDA margin is due to the adjusting items in the first quarter of 2025 related to Stellar Mayan transition and transaction costs, as detailed within “Terminology”.

- (1) Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Earnings and Adjusted Net Earnings per share are non-GAAP measures. See “Terminology” for further information on the definition and composition of these measures.
- (2) Distributable cash flow is a non-GAAP measure. See “Terminology” for further information on the definition and composition of this measure.

## **Key events in our markets are summarized below.**

### **Business Acquisition – Stellar Mayan**

As previously disclosed in the December 31, 2025 Annual Financial Statements, during 2025 the Corporation finalized the provisional purchase price allocation for the UK based Stellar Mayan Acquisition, a leading commercial laundry business in England serving the healthcare and hospitality markets. Stellar Mayan includes three operating businesses: (i) Synergy Health Managed Services Limited (“Synergy”); (ii) Grosvenor Contracts (London) Limited (“Grosvenor Contracts”, “GC”); and (iii) Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen Services (“AeroServe”). No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the quarter ended March 31, 2026.

### **Common Share Offering**

On June 11, 2025, the Corporation closed the Stellar Mayan Acquisition. Through a bought deal, the Corporation issued 2,334,500 common shares at \$34.55 per share, which included full exercise of the over-allotment option. The proceeds of the common share offering were used to finance a portion of the Stellar Mayan Acquisition and pay certain fees and expenses related to acquisition and offering. The net proceeds of the offering after deducting expenses of the offering and the underwriter’s fee were \$75.6 million.

### **Revolving Credit Facility**

On June 11, 2025, the Corporation amended its existing three-year committed Syndicated Credit Facility Agreement to include a \$134.3 million four-year amortizing term loan and to extend the term of the facility from March 25, 2027 to June 10, 2029. The amendment included a reduction in the accordion to \$50 million from \$75 million.

The term loan and revolving credit facility are collateralized by a general security agreement, bear interest at prime or the applicable banker’s acceptance rate, plus an interest margin dependent on certain financial ratios. Interest payments only are due during the term for the revolving portion of the syndicated credit facility. For the term loan portion of the syndicated credit facility, repayments of the

principal amount shall be repaid in quarterly installments commencing September 30, 2025, in addition to required interest payments. The additional interest margin can range between 0.00% to 2.00% dependent upon the calculated Total Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The Funded Debt to EBITDA Ratio requirement has an increase to 4.00x for the first four quarters following any material acquisition. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at March 31, 2026 the combined interest rate was 5.45%.

The Corporation's incremental borrowing rate under its existing credit facility is determined by the Canadian prime rate plus an applicable margin based on the ratio of Funded Debt to EBITDA as defined in the credit agreement.

### ***Business Acquisition - Shortridge***

At March 31, 2026, the amount held in escrow at closing as part of the Shortridge Share Purchase Agreement remains under dispute. The escrow was established to secure the counter-party's obligations under the agreement in relation to certain post-closing conditions. The Corporation and through advisory from their legal counsel have determined those conditions were not met by the counterparty, and the Corporation has asserted their rights to retain the escrowed funds. The counterparty disputes this position and has contested the Corporation's claim to the escrow funds. Management continues to monitor the progress of negotiations with the counterparty, however a contingent asset has not been recognized as a receivable at March 31, 2026, as receipt of the escrow amount is dependent on the outcome of the negotiation process and may require settlement through court.

### ***Normal Course Issuer Bid***

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

On May 16, 2024, the Corporation announced the renewal of its normal course issuer bid (NCIB) to purchase up to 754,247 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 7,542,474 shares at May 7, 2024 during the twelve-month period commencing May 21, 2024 and ending May 20, 2025.

For the three months ended March 31, 2026, the Corporation repurchased and cancelled 0 common shares (2025 - 0) for \$0 (2025 - \$0) under the NCIB.

To date, the Corporation has repurchased and cancelled a total of 312,676 common shares for \$10.4 million under the NCIB.

No financial liability existed as at March 31, 2026 (2025 - \$0) relating to automatic share repurchases during the blackout period.

### ***Capital Investment Plan***

For fiscal 2026, the Corporation's planned capital spending excluding right-of-use assets is expected to be in the range of \$20.0 to \$22.0 million on a consolidated basis. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK. These amounts are reflective of incremental capital required for Stellar Mayan, for which the capital investment

was initially announced at acquisition to be \$9.3 million (£5.0 million). The 2026 guidance includes the remaining amount to be spent for this capital project. We will continue to assess capital needs within our facilities and prioritize projects that have shorter term paybacks as well as those that are required to maintain efficient and reliable operations. Following a capital asset investment between 2013 and 2019, the Corporations' facilities are well capitalized and management expects a consistent level of capital spending in the range of \$15.0 million to \$18.0 million will be sufficient to support the base business in both Canada and the UK in the short to medium term.

## **Economic Conditions**

Evolving global and Canadian foreign policies, geopolitical events and economic conditions may impact inflation, energy pricing, labour availability, supply chain efficiency, trade policies, tariffs and/or other items, which may have a direct or indirect impact on the Corporation's business.

The Corporation's Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates which are beyond the Corporation's control. Changes in interest rates, both domestically and internationally, could negatively affect the Corporation's cost of financing its operations and investments.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's consolidated financial statements related to potential impacts of geopolitical events and changing interest rates on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

## **OUTLOOK**

On June 11, 2025, the Corporation completed its acquisition of Stellar Mayan establishing a national footprint in the UK commercial laundry and textile rental sector, enhancing revenue diversification by geographic mix and business mix. Based on annualized consolidated revenue, K-Bro's combined business is approximately evenly split between Canada and the UK with national platforms in both countries. Management sees a positive outlook for its business in both Canada and the UK.

K-Bro's UK Managing Director oversees its UK operations, including the Stellar Mayan business integration plan. Management anticipates business integration will take 12 to 18 months from closing, and a transition team is executing the plan. The team is reviewing cost synergies, operational efficiencies and platform optimizations to best position the combined UK business for long-term growth. Integration has been progressing as expected, and management anticipates run-rate cost synergies will be realized towards the end of anticipated timelines to achieve. Post acquisition debt and leverage levels have been consistent with management expectations.

The Corporation's healthcare and hospitality segments continue to experience steady volume trends. For the healthcare segment, management expects steady increases to activity levels supported by a continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels from both business and leisure travel reflecting historical seasonal trends.

Going forward, management expects the Adjusted EBITDA margin for the Canadian segment to remain at similar levels to seasonally adjusted historical margins. In-line with management's expectations, due to the lower EBITDA margin profile of Stellar Mayan, the consolidated UK segmental adjusted EBITDA margins will be lower than seasonally adjusted historical margins. The Corporation continues to monitor evolving global and Canadian foreign policies, geopolitical events, volatile energy prices, and economic conditions, which could have a direct or indirect impact on the business. If current diesel prices were to

continue, management anticipates the annualized impact to Adjusted EBITDA margins would be a decrease of 0.5% to consolidated margins.

Management's near-term focus is on the business integration of Stellar Mayan. However, K-Bro evaluates potential strategic acquisitions that may complement its platform. Over the medium and longer-term, management sees opportunities to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented. K-Bro will look to leverage its strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities, should they arise. For further information about the impact of other economic factors on our business, see the "Summary of Interim Results and Key Events".

## RESULTS OF OPERATIONS

### KEY PERFORMANCE DRIVERS

K-Bro's key performance drivers focus on growth, profitability, stability and cost containment in order to maintain dividends and maximize Shareholder value in the long term. The following outlines our results on a period-to-period comparative basis in each of these areas:

		Three Months Ended March 31,					
(thousands, except percentages and per share amounts)		Canadian	UK		Canadian	UK	
Category	Indicator	Division	Division	2026	Division	Division	2025
		2026	2026		2025	2025	
Growth	EBITDA <sup>(1)</sup>	37.6%	241.2%	76.7%	1.4%	38.1%	6.9%
	Adjusted EBITDA <sup>(2)</sup>	16.5%	183.0%	50.4%	2.8%	68.0%	11.6%
	Revenue	4.3%	185.7%	52.9%	6.2%	39.2%	13.4%
	Distributable cash flow <sup>(3)</sup>			63.1%			-3.6%
Profitability	EBITDA <sup>(1)</sup>	\$ 13,792	\$ 8,130	\$ 21,922	\$ 10,021	\$ 2,383	\$ 12,404
	EBITDA margin	19.9%	11.7%	15.8%	15.1%	9.8%	13.6%
	Adjusted EBITDA <sup>(2)</sup>	\$ 13,917	\$ 8,638	\$ 22,555	\$ 11,941	\$ 3,052	\$ 14,993
	Adjusted EBITDA margin	20.1%	12.4%	16.2%	17.9%	12.5%	16.5%
	Net earnings	\$ 2,632	\$ (302)	\$ 2,330	\$ 846	\$ (20)	\$ 826
	Adjusted net earnings <sup>(4)</sup>	\$ 2,757	\$ 1,852	\$ 4,609	\$ 2,766	\$ 649	\$ 3,415
Stability	Debt to total capital <sup>(5)</sup>			49.5%			40.2%
	Unutilized line of credit			\$ 68,390			\$ 50,559
	Cash on hand			\$ 30,861			\$ 13,439
	Payout ratio <sup>(6)</sup>			41.5%			55.1%
	Dividends declared per share			\$ 0.300			\$ 0.300
Cost containment	Wages and benefits	38.9%	40.7%	39.8%	39.2%	36.2%	38.4%
	Utilities	5.1%	8.1%	6.6%	6.7%	8.9%	7.3%
	Delivery	11.5%	12.3%	11.9%	11.8%	15.1%	12.7%
	Expenses included in EBITDA	80.1%	88.3%	84.2%	84.9%	90.2%	86.4%

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

3) Distributable cash flow is a non-GAAP measure. Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

4) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

5) Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".

6) The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

## Quarterly Financial Information - Consolidated

Historically, the Corporation's financial and operating results are stronger in the second and third quarters as a result of seasonality and the associated higher hospitality volumes. Other fluctuations in net income from quarter-to-quarter can also be attributed to hiring and labour cost trends, timing of linen purchases, utility costs, timing of repairs and maintenance expenditures, business development, capital spending patterns and changes in corporate tax rates and income tax expenses.

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Consolidated (thousands, except percentages and per share amounts)	2026	2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Healthcare revenue	84,707	85,589	82,399	57,903	50,593	50,918	49,398	47,955
Hospitality revenue	54,402	61,196	73,549	55,171	40,376	44,528	55,071	45,512
Total revenue	139,109	146,785	155,948	113,074	90,969	95,446	104,469	93,467
Expenses included in EBITDA	117,187	121,671	123,914	91,692	78,565	77,447	81,626	76,894
EBITDA <sup>(1)</sup>	21,922	25,114	32,034	21,382	12,404	17,999	22,843	16,573
EBITDA as a % of revenue (EBITDA margin)	15.8%	17.1%	20.5%	18.9%	13.6%	18.9%	21.9%	17.7%
Adjusted EBITDA <sup>(2)</sup>	22,555	26,443	33,523	23,727	14,993	17,405	22,972	18,247
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	16.2%	18.0%	21.5%	21.0%	16.5%	18.2%	22.0%	19.5%
Depreciation and amortization	14,956	15,146	14,914	10,625	9,052	9,432	8,911	8,029
Finance expense	4,437	4,625	5,024	4,059	2,837	3,173	3,322	2,884
Earnings before income taxes	2,529	5,343	12,096	6,698	515	5,394	10,610	5,660
Income tax expense (recovery)	199	2,453	3,241	1,279	(311)	1,156	2,481	1,125
Net earnings	2,330	2,890	8,855	5,419	826	4,238	8,129	4,535
Net earnings as a % of revenue	1.7%	2.0%	5.7%	4.8%	0.9%	4.4%	7.8%	4.9%
Basic earnings per share	0.181	0.224	0.689	0.491	0.079	0.401	0.778	0.432
Diluted earnings per share	0.180	0.223	0.684	0.489	0.078	0.398	0.771	0.431
Adjusted net earnings <sup>(3)</sup>	4,609	7,190	12,040	7,764	3,415	3,644	8,258	6,209
Adjusted basic earnings per share <sup>(3)</sup>	0.358	0.558	0.936	0.706	0.325	0.344	0.791	0.594
Adjusted diluted earnings per share <sup>(3)</sup>	0.356	0.554	0.929	0.700	0.323	0.340	0.783	0.590
Total assets	697,957	704,443	718,556	716,762	438,446	438,150	452,077	444,380
Total long-term financial liabilities	320,581	326,636	331,860	339,408	183,784	190,418	203,863	202,050
Funds provided by operating activities	22,278	21,695	20,609	3,149	17,256	11,011	18,384	7,863
Debt (excludes lease liabilities) <sup>(4)</sup>	235,262	237,551	246,318	253,315	119,295	123,778	135,875	134,789
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

4) Debt is comprised of current and long-term debt.

## Quarterly Financial Information – Canadian Segment

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Canadian Division (thousands, except percentages and per share amounts)	2026	2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Healthcare revenue	50,985	51,509	49,528	49,670	49,015	49,360	47,662	46,370
Hospitality revenue	18,423	18,616	23,199	19,717	17,557	18,083	21,948	18,299
Total revenue	69,408	70,125	72,727	69,387	66,572	67,443	69,610	64,669
Expenses included in EBITDA	55,616	56,216	56,323	55,105	56,551	54,739	55,229	53,682
EBITDA <sup>(1)</sup>	13,792	13,909	16,404	14,282	10,021	12,704	14,381	10,987
EBITDA as a % of revenue (EBITDA margin)	19.9%	19.8%	22.6%	20.6%	15.1%	18.8%	20.7%	17.0%
Adjusted EBITDA <sup>(2)</sup>	13,917	14,314	16,599	14,656	11,941	12,110	14,510	12,244
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	20.1%	20.4%	22.8%	21.1%	17.9%	18.0%	20.8%	18.9%
Net earnings	2,632	2,652	3,870	2,852	846	2,380	3,659	1,775
Net earnings as a % of revenue	3.8%	3.8%	5.3%	4.1%	1.3%	3.5%	5.3%	2.7%
Basic earnings per share	0.204	0.206	0.301	0.258	0.081	0.225	0.350	0.169
Diluted earnings per share	0.203	0.205	0.299	0.257	0.080	0.224	0.347	0.169
Adjusted net earnings <sup>(3)</sup>	2,757	3,057	4,065	3,226	2,766	1,786	3,788	3,032
Adjusted basic earnings per share <sup>(3)</sup>	0.214	0.237	0.316	0.294	0.263	0.167	0.363	0.290
Adjusted diluted earnings per share <sup>(3)</sup>	0.213	0.236	0.314	0.291	0.262	0.165	0.359	0.288

- 1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".  
2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.  
3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

## Quarterly Financial Information – UK Segment

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - UK Division (in reporting currency Canadian \$) (thousands, except percentages and per share amounts)	2026		2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Healthcare revenue	33,722	34,080	32,871	8,233	1,578	1,558	1,736	1,585	
Hospitality revenue	35,979	42,580	50,350	35,454	22,819	26,445	33,123	27,213	
Total revenue	69,701	76,660	83,221	43,687	24,397	28,003	34,859	28,798	
Expenses included in EBITDA	61,571	65,455	67,591	36,587	22,014	22,708	26,397	23,212	
EBITDA <sup>(1)</sup>	8,130	11,205	15,630	7,100	2,383	5,295	8,462	5,586	
EBITDA as a % of revenue (EBITDA margin)	11.7%	14.6%	18.8%	16.3%	9.8%	18.9%	24.3%	19.4%	
Adjusted EBITDA <sup>(2)</sup>	8,638	12,129	16,924	9,071	3,052	5,295	8,462	6,003	
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	12.4%	15.8%	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	
Net earnings (loss)	(302)	238	4,985	2,567	(20)	1,858	4,470	2,760	
Net earnings (loss) as a % of revenue	-0.4%	0.3%	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	
Basic earnings (loss) per share	(0.023)	0.018	0.388	0.233	(0.002)	0.176	0.428	0.263	
Diluted earnings (loss) per share	(0.023)	0.018	0.385	0.232	(0.002)	0.174	0.424	0.262	
Adjusted net earnings <sup>(3)</sup>	1,852	4,133	7,975	4,538	649	1,858	4,470	3,177	
Adjusted basic earnings per share <sup>(3)</sup>	0.144	0.321	0.620	0.412	0.062	0.176	0.428	0.304	
Adjusted diluted earnings per share <sup>(3)</sup>	0.143	0.319	0.615	0.409	0.061	0.174	0.424	0.302	

Quarterly Financial Information - UK Division (in local currency Sterling £) (thousands, except percentages and per share amounts)	2026		2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Healthcare revenue	18,238	18,381	17,699	4,453	873	870	978	918	
Hospitality revenue	19,458	22,964	27,109	19,179	12,619	14,757	18,671	15,757	
Total revenue	37,696	41,345	44,808	23,632	13,492	15,627	19,649	16,675	
Expenses included in EBITDA	33,300	35,299	36,393	19,793	12,174	12,670	14,881	13,440	
EBITDA <sup>(1)</sup>	4,396	6,046	8,415	3,839	1,318	2,957	4,768	3,235	
EBITDA as a % of revenue (EBITDA margin)	11.7%	14.6%	18.8%	16.2%	9.8%	18.9%	24.3%	19.4%	
Adjusted EBITDA <sup>(2)</sup>	4,671	6,544	9,111	4,905	1,688	2,957	4,768	3,476	
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	12.4%	15.8%	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	
Net earnings (loss)	(164)	132	2,684	1,385	(10)	1,038	2,519	1,597	
Net earnings (loss) as a % of revenue	-0.4%	0.3%	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	
Basic earnings (loss) per share	(0.013)	0.010	0.209	0.126	(0.001)	0.101	0.241	0.153	
Diluted earnings (loss) per share	(0.013)	0.010	0.207	0.125	(0.001)	0.100	0.239	0.152	
Adjusted net earnings <sup>(3)</sup>	1,001	2,233	4,293	2,451	360	1,038	2,519	1,838	
Adjusted basic earnings per share <sup>(3)</sup>	0.078	0.173	0.334	0.222	0.034	0.101	0.241	0.176	
Adjusted diluted earnings per share <sup>(3)</sup>	0.077	0.172	0.331	0.221	0.034	0.101	0.239	0.175	

(1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

(2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

(3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

## Revenue, Earnings and EBITDA

For the three months ended March 31, 2026, K-Bro's consolidated revenue increased by 52.9% to \$139.1 million from \$91.0 million in the comparative period of 2025. This increase is primarily due to the acquisition of Stellar Mayan in June 2025, as well as the impact of price increases implemented.

In the first quarter of 2026, approximately 60.9% of K-Bro's consolidated revenue was generated from healthcare institutions, which is an increase compared to 55.6% in 2025 due to the acquisition of Stellar Mayan. For consolidated hospitality revenue, the Corporation saw an increase of 34.7% over the comparable 2025 period. The increase in hospitality revenue is primarily related to the acquisition of Stellar Mayan.

Consolidated Adjusted EBITDA (see "Terminology") increased in the first quarter of 2026 to \$22.6 million from \$15.0 million in 2025, which is an increase of 50.4%. The consolidated Adjusted EBITDA margin remained relatively consistent, with a decrease from 16.5% in 2025 to 16.2% in 2026. The decrease is largely due to the combination of the Stellar Mayan margin profile, offset by labour efficiencies, and the elimination of Canadian carbon tax in Q2 2025. Adjusting items in the quarter include transaction costs and transition costs as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased in the first quarter of 2026 to \$21.9 million from \$12.4 million in 2025, which is an increase of 76.7%. The consolidated EBITDA margin increased to 15.8% in 2026 from 13.6% in 2025.

Adjusted net earnings (see "Terminology") increased in the first quarter of 2026 to \$4.6 million from \$3.4 million in 2025. Adjusting items in the quarter include transaction costs, transition costs and intangible asset amortization related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by \$1.5 million in the first quarter of 2026 or 182.1% from \$0.8 million in 2025 to \$2.3 million in 2026, and net earnings as a percentage of revenue increased to 1.7% in 2026 compared to 0.9% in 2025.

## Operating Expenses

Wages and benefits in the first quarter of 2026 increased by \$20.5 million to \$55.4 million compared to \$34.9 million in the comparative period of 2025, and as a percentage of revenue increased by 1.4 percentage points to 39.8%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Linen in the first quarter of 2026 increased by \$5.1 million to \$13.9 million compared to \$8.8 million in the comparative period of 2025, and as a percentage of revenue increased by 0.3 percentage points to 10.0%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Utilities in the first quarter of 2026 increased by \$2.6 million to \$9.2 million compared to \$6.6 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.7 percentage points to 6.6%. The decrease as a percentage of revenue is primarily related to the elimination of carbon tax in Canada in Q2 2025 and the combination of the Stellar Mayan cost structure.

Delivery in the first quarter of 2026 increased by \$5.0 million to \$16.5 million compared to \$11.5 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.8 percentage points to 11.9%. The decrease as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure and delivery route optimization Canada offset by higher diesel costs.

Occupancy costs in the first quarter of 2026 increased by \$1.3 million to \$3.2 million compared to \$1.9 million in the comparative period of 2025, and as a percentage of revenue increased by 0.2 percentage points to 2.3%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Materials and supplies in the first quarter of 2026 increased by \$3.7 million to \$7.5 million compared to \$3.8 million in the comparative period of 2025, and as a percentage of revenue increased by 1.2 percentage points to 5.4%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Repairs and maintenance in the first quarter of 2026 increased by \$1.5 million to \$5.9 million compared to \$4.4 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.5 percentage points to 4.3%. The decrease as a percentage of revenue is primarily related to timing of maintenance activities and in combination of the Stellar Mayan cost structure.

Corporate costs in the first quarter of 2026 decreased by \$1.0 million to \$5.7 million compared to \$6.7 million in the comparative period of 2025, and as a percentage of revenue decreased by 3.2 percentage points to 4.1%. The decrease as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure, lower transaction costs and structural financing costs related to the acquisition of Stellar Mayan. These items are considered to be adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) and are further detailed within the “Terminology” section.

Depreciation of property, plant and equipment and amortization of intangible assets represents the expense related to the appropriate matching of the Corporation’s long-term assets to the estimated useful life and period of economic benefit of those assets. Depreciation and amortization are higher due to the Stellar Mayan assets acquired.

Income tax includes current and future income taxes based on taxable income and the temporary timing differences between the tax and accounting bases of assets and liabilities. Income tax reflects the provision on the earnings of the Corporation.

## **LIQUIDITY AND CAPITAL RESOURCES**

During Q1 2026, cash generated by operating activities was \$22.3 million with a debt to total capitalization of 49.5%. The change in cash from operations is primarily due to the acquisition of Stellar Mayan and the change in working capital items driven from timing of business activity.

The Corporation’s capital structure includes working capital, a committed syndicated credit facility, which includes a revolver and an amortizing term loan, and share capital. We continuously monitor actual and forecast cash flows and monitor the availability on our syndicated credit facility. Management believes the unutilized balance of \$68.4 million with respect to its syndicated credit facility plus the accordion is sufficient for the Corporation’s operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and long-term basis in order to ensure that sufficient capital is available for future growth needs.

During 2026, cash used in financing activities was \$10.6 million compared to \$10.4 million in 2025. Financing activities consisted of net repayments of the term loan and credit facility, dividends paid to Shareholders and principal elements of lease payments.

During 2026, cash used in investing activities was \$4.0 million compared to \$3.2 million in 2025. The increase in investing activities is primarily related to the purchase of plant equipment.

## Contractual Obligations

Payments due under contractual obligations for the next five years and thereafter are as follows:

(thousands)	Payments due by year				
	Total	Remainder of 2026	2027 to 2028	2029 to 2030	Subsequent
Revolving credit facility	\$ 106,785	-	-	106,785	-
Interest on long-term debt	\$ 41,938	12,693	23,728	5,517	-
Principal on term loan	\$ 129,264	6,715	21,824	100,725	-
Lease liabilities	\$ 100,488	16,500	37,999	24,098	21,891
Utility commitments	\$ 18,893	12,764	4,244	1,885	-
Linen purchase obligations	\$ 22,446	22,446	-	-	-
Property, plant and equipment commitments	\$ 8,259	8,259	-	-	-

The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's audited annual consolidated financial statements for the period ended March 31, 2026. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

## Financial Position

(thousands, except percentages)	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
	Cash	\$ (30,861)
Debt (excludes lease liabilities) <sup>(1)</sup>	235,262	119,295
Shareholders' equity	271,345	191,240
Total capital	\$ 475,746	\$ 297,096
Debt to total capital (see <i>Terminology</i> for definition)	49.5%	40.2%

<sup>1)</sup> Debt is comprised of current and long-term debt.

For the period ended March 31, 2026, the Corporation had a debt to total capital of 49.5%, unused revolving credit facility of \$68.4 million and has not incurred any events of default under the terms of its credit facility.

As at March 31, 2026, the Corporation had net working capital of \$91.1 million compared to its working capital position of \$90.8 million at December 31, 2025. The increase in working capital is primarily attributable to the timing of business activities.

Management believes that K-Bro has the capital resources and liquidity necessary to meet its commitments, support its operations and finance its growth strategies. In addition to K-Bro's ability to generate cash from operations and its syndicated revolving credit facility, K-Bro believes it is also able to

raise capital through equity issuances in the market or increase its borrowing capacity, if necessary, to provide for capital spending and to sustain its property, plant and equipment.

## DIVIDENDS

Fiscal Period	Payment Date	# of Shares outstanding	2026		2025	
			Amount per Share	Total Amount <sup>(1)</sup>	Amount per Share	Total Amount <sup>(2)</sup>
January	February 13	12,990,517	\$ 0.10000	\$ 1,299	\$ 0.10000	\$ 1,058
February	March 13	12,990,517	0.10000	1,299	0.10000	1,058
March	April 15	12,990,517	0.10000	1,299	0.10000	1,058
Q1			\$ 0.30000	\$ 3,897	\$ 0.30000	\$ 3,174

(1) The total amount of dividends declared was \$0.10000 per share for a total of \$1,299,052 per month January - March 2026; when rounded in thousands, \$3,897 of dividends were declared in Q1 2026.

(2) The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for January - March 2025; when rounded in thousands, \$3,174 of dividends were declared in Q1 2025.

For the period ended March 31, 2026, the Corporation declared a \$0.300 per Common Share dividend compared to \$0.722 per Common Share of Distributable Cash Flow (see “*Terminology*”). The actual payout ratio was 41.5%.

The Corporation’s policy is to pay dividends to Shareholders from its available distributable cash flow while considering requirements for capital expenditures, working capital, growth capital and other reserves considered advisable by the Board of Directors. All such dividends are discretionary. Dividends are declared payable each month in equal amounts to Shareholders on the last business day of each month and are paid by the 15<sup>th</sup> of the following month.

The Corporation designates all dividends paid or deemed to be paid as Eligible Dividends for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

## DISTRIBUTABLE CASH FLOW (SEE "TERMINOLOGY")

(all amounts in this section in \$000s except per share amounts and percentages)

The Corporation's source of cash for dividends is distributable cash flow provided by operating activities. Distributable cash flow, reconciled to cash provided by operating activities as calculated under IFRS Accounting Standards, is presented as follows:

(thousands, except percentages and per share amounts)	2026			2025			2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Cash provided by operating activities	\$ 22,278	\$ 21,695	\$ 20,609	\$ 3,149	\$ 17,256	\$ 11,011	\$ 18,384	\$ 7,863	
<i>Deduct (add):</i>									
Net changes in non-cash working capital items <sup>(1)</sup>	4,885	790	(4,100)	(12,173)	7,409	(2,108)	603	(6,093)	
Share-based compensation expense	732	813	564	687	649	418	443	546	
Maintenance capital expenditures <sup>(2)</sup>	2,887	1,202	99	2,974	720	267	464	1,064	
Principal elements of lease payments	4,389	5,414	4,452	3,133	2,723	2,679	2,670	2,668	
<b>Distributable cash flow</b>	<b>\$ 9,385</b>	<b>\$ 13,476</b>	<b>\$ 19,594</b>	<b>\$ 8,528</b>	<b>\$ 5,755</b>	<b>\$ 9,755</b>	<b>\$ 14,204</b>	<b>\$ 9,678</b>	
Dividends declared	3,897	3,897	3,897	3,422	3,174	3,174	3,174	3,169	
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300	
Payout ratio <sup>(3)</sup>	41.5%	28.9%	19.9%	40.1%	55.1%	32.5%	22.3%	32.7%	
Weighted average shares outstanding during the period, basic	12,902	12,874	12,860	11,026	10,501	10,232	10,446	10,435	
Weighted average shares outstanding during the period, diluted	12,970	12,967	12,957	11,087	10,564	10,316	10,539	10,502	
<b>Trailing-twelve months ("TTM")</b>									
Distributable cash flow	50,983	47,353	43,632	38,242	39,392	39,611	37,061	34,094	
Dividends	15,113	14,390	13,667	12,944	12,691	12,694	12,720	12,774	
Payout ratio <sup>(3)</sup>	29.6%	30.4%	31.3%	33.8%	32.2%	32.0%	34.3%	37.5%	

(1) Net change in non-cash working capital is excluded from the calculation as management believes it would introduce significant cash flow variability and affect underlying cash flow from operating activities. Significant variability can be caused by such things as the timing of receipts (which individually are large because of the nature of K-Bro's customer base and timing may vary due to the timing of customer approval, vacations of customer personnel, etc.) and the timing of disbursements (such as the payment of large volume rebates done once annually). As well, large increases in working capital are generally required when contracts with new customers are signed as linen is purchased and accounts receivable increase. Management feels that this amount should be excluded from the distributable cash flow calculation.

(2) Maintenance capital expenditures include costs required to maintain or replace assets which do not have a discrete return on investment.

(3) The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

## OUTSTANDING SHARES

As at March 31, 2026, the Corporation had 12,990,517 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2026 were 12,901,501 and 12,970,484, respectively (10,501,038 and 10,564,121, respectively, for the comparative 2025 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2025 fiscal year, on April 7, 2026 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of \$2.9 million (2025 – \$2.7 million) to be paid as Common Shares issued from treasury. As at March 31, 2026, the value of the Common Shares held by the LTI custodian was \$3.1 million (December 31, 2025 – \$3.1 million) which was comprised of in 89,014 unvested Common Shares (December 31, 2025 – 89,014) with a nil aggregate cost (December 31, 2025 – \$nil).

As at May 5, 2026 there were 12,990,517 Common Shares issued and outstanding including 89,014 Common Shares issued but held as unvested treasury shares.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements, in conformity with IFRS Accounting Standards, requires K-Bro to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future. Further to those areas discussed in the Corporation's 2025 audited financial statements and annual MD&A, determining the lease term and incremental borrowing rates under IFRS 16 requires critical judgments as well as assumptions that have been incorporated into any asset impairment testing models.

## TERMINOLOGY

### EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) comprises revenues less operating costs before financing costs, capital asset and intangible asset amortization, and income taxes.

EBITDA is a sub-total presented within the statement of earnings. EBITDA is not considered an alternative to net earnings in measuring K-Bro's performance. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

<i>(thousands)</i>	Three Months Ended March 31,	
	2026	2025
Net earnings	\$ 2,330	\$ 826
<i>Add:</i>		
Income tax expense (recovery)	199	(311)
Finance expense	4,437	2,837
Depreciation of property, plant and equipment	12,161	7,935
Amortization of intangible assets	2,795	1,117
<b>EBITDA</b>	<b>\$ 21,922</b>	<b>\$ 12,404</b>

## Non-GAAP Measures

### Adjusted EBITDA

K-Bro reports Adjusted EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. We believe Adjusted EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations before taking into account management's financing decisions as well as costs of acquiring tangible and intangible capital assets. The Corporation modified its definition for Adjusted EBITDA in 2024 and has updated its comparative quarters to reflect the modified definition.

"Adjusted EBITDA" is EBITDA (defined above) with the addition or deduction of certain amounts incurred which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration and any other non-recurring transactions.

The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.

(thousands)	Three Months Ended March 31,					
	Canadian Division 2026	UK Division 2026	2026	Canadian Division 2025	UK Division 2025	2025
	EBITDA	\$ 13,792	\$ 8,130	\$ 21,922	\$ 10,021	\$ 2,383
Adjusting Items:	\$ -	\$ -	-	-	-	-
Transaction Costs <sup>1</sup>	125	-	125	1,488	669	2,157
Syndication/Structural Finance Costs <sup>2</sup>	-	-	-	432	-	432
Transition Costs <sup>3</sup>	-	508	508	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 13,917</b>	<b>\$ 8,638</b>	<b>\$ 22,555</b>	<b>\$ 11,941</b>	<b>\$ 3,052</b>	<b>\$ 14,993</b>

<sup>1</sup> Relates to legal, professional and consulting fee expenditures made related to acquisitions.

<sup>2</sup> Relates to costs related to syndication and credit agreement restructuring costs.

<sup>3</sup> Relates to transition costs incurred as a result of the Corporation's acquisitions.

## Adjusted Net Earnings and Adjusted Earnings per Share

Adjusted Net Earnings and Adjusted Earnings per Share are non-GAAP measures. These non-GAAP measures are defined to exclude certain amounts which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration, any other non-recurring transactions, and the amortization of intangible assets from the Stellar Mayan acquisition on June 11, 2025, given the material nature of the acquisition. The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.

(thousands)	Three Months Ended March 31,					
	Canadian Division 2026	UK Division 2026	2026	Canadian Division 2025	UK Division 2025	2025
Net Earnings	\$ 2,632	\$ (302)	\$ 2,330	\$ 846	\$ (20)	\$ 826
<i>Adjusting Items:</i>						
Transaction Costs <sup>1</sup>	125	-	125	1,488	669	2,157
Syndication/Structural Finance Costs <sup>2</sup>	-	-	-	432	-	432
Transition Costs <sup>3</sup>	-	508	508	-	-	-
Stellar Mayan intangible asset amortization <sup>4</sup>	-	1,646	1,646	-	-	-
<b>Adjusted Net Earnings</b>	<b>\$ 2,757</b>	<b>\$ 1,852</b>	<b>\$ 4,609</b>	<b>\$ 2,766</b>	<b>\$ 649</b>	<b>\$ 3,415</b>

<sup>1</sup> Relates to legal, professional and consulting fee expenditures made related to acquisitions.

<sup>2</sup> Relates to costs related to syndication and credit agreement restructuring costs.

<sup>3</sup> Relates to transition costs incurred as a result of the Corporation's acquisitions.

<sup>4</sup> Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

(thousands)	Three Months Ended March 31,					
	Canadian Division 2026	UK Division 2026	2026	Canadian Division 2025	UK Division 2025	2025
Basic Earnings per Share	0.204	(0.023)	0.181	0.081	(0.002)	0.079
<i>Adjusting Items:</i>						
Transaction Costs <sup>1</sup>	0.010	-	0.010	0.141	0.064	0.205
Syndication/Structural Finance Costs <sup>2</sup>	-	-	-	0.041	-	0.041
Transition Costs <sup>3</sup>	-	0.039	0.039	-	-	-
Stellar Mayan intangible asset amortization <sup>4</sup>	-	0.128	0.128	-	-	-
<b>Adjusted Basic Earnings per Share</b>	<b>0.214</b>	<b>0.144</b>	<b>0.358</b>	<b>0.263</b>	<b>0.062</b>	<b>0.325</b>

<sup>1</sup> Relates to legal, professional and consulting fee expenditures made related to acquisitions.

<sup>2</sup> Relates to costs related to syndication and credit agreement restructuring costs.

<sup>3</sup> Relates to transition costs incurred as a result of the Corporation's acquisitions.

<sup>4</sup> Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

(thousands)	Three Months Ended March 31,					
	Canadian Division 2026	UK Division 2026	2026	Canadian Division 2025	UK Division 2025	2025
Diluted Earnings per Share	0.203	(0.023)	0.180	0.080	(0.002)	0.078
<i>Adjusting Items:</i>						
Transaction Costs <sup>1</sup>	0.010	-	0.010	0.141	0.063	0.204
Syndication/Structural Finance Costs <sup>2</sup>	-	-	-	0.041	-	0.041
Transition Costs <sup>3</sup>	-	0.039	0.039	-	-	-
Stellar Mayan intangible asset amortization <sup>4</sup>	-	0.127	0.127	-	-	-
<b>Adjusted Diluted Earnings per Share</b>	<b>0.213</b>	<b>0.143</b>	<b>0.356</b>	<b>0.262</b>	<b>0.061</b>	<b>0.323</b>

<sup>1</sup> Relates to legal, professional and consulting fee expenditures made related to acquisitions.

<sup>2</sup> Relates to costs related to syndication and credit agreement restructuring costs.

<sup>3</sup> Relates to transition costs incurred as a result of the Corporation's acquisitions.

<sup>4</sup> Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

## **Distributable Cash Flow**

Distributable cash flow is a measure used by management to evaluate the Corporation's performance. While the closest IFRS Accounting Standards measure is cash provided by operating activities, distributable cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It should be noted that although we consider this measure to be distributable cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for dividends, re-investment in the Corporation, potential acquisitions, or other purposes. Investors should be cautioned that distributable cash flow may not actually be available for growth or distribution from the Corporation. Management refers to "Distributable cash flow" as to cash provided by (used in) operating activities with the addition of net changes in non-cash working capital items, less share-based compensation, maintenance capital expenditures and principal elements of lease payments.

## **Payout Ratio**

"Payout ratio" is defined by management as the actual cash dividend divided by distributable cash. This is a key measure used by investors to value K-Bro, assess its performance and provide an indication of the sustainability of dividends. The payout ratio depends on the distributable cash and the Corporation's dividend policy.

## **Debt to Total Capital**

"Debt to total capital" is defined by management as the total long-term debt (excludes lease liabilities) divided by the Corporation's total capital. This is a measure used by investors to assess the Corporation's financial structure.

Distributable cash flow, payout ratio, and debt to total capital are not calculations based on IFRS Accounting Standards and are not considered an alternative to IFRS Accounting Standards measures in measuring K-Bro's performance. Distributable cash flow, and payout ratio do not have standardized meanings in IFRS Accounting Standards and are therefore not likely to be comparable with similar measures used by other issuers.

## **Off Balance Sheet Arrangements**

As at March 31, 2026, the Corporation has not entered into any off balance sheet arrangements.

## **NEW ACCOUNTING PRONOUNCEMENTS ADOPTED**

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2025. These changes did not have a material impact on our financial results and are not expected to have a material impact in the future.

- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and clarify the date of recognition and derecognition of financial assets and liabilities.

## RECENT ACCOUNTING PRONOUNCEMENTS

New standards, interpretations, or amendments that have been issued, or are not yet effective, have not been further described or early adopted, where no material impact is expected on the Corporation's consolidated financial statements.

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years.

- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation in Financial Statements. The issuance introduces new categories and subtotals in the statement of comprehensive income (loss), requires disclosure of management-defined performance measures (“MPMs”), and includes new requirements for the location, aggregation and disaggregation of financial information. The Corporation has identified the following potential impacts as part of a preliminary assessment:
  - There is not expected to be an impact on net income; however, items of income and expenses in the consolidated statement of comprehensive income (loss) may be grouped into new categories resulting in new subtotals and/or line items being presented.
  - There will be new disclosures required for MPMs, which the standards define as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole.

IFRS 18 will be effective for annual periods beginning on or after January 1, 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed. The Corporation is still in the process of evaluating the impact of this standard on its Consolidated Financial Statements.

The Corporation has not adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation's consolidated financial statements. The Corporation will continue to assess the impacts, if any, the amendments to existing standards will have on our consolidated financial statements.

## CRITICAL RISKS AND UNCERTAINTIES

As at March 31, 2026, there are no material changes in the Corporation's risks or risk management activities since December 31, 2025. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Common Shares are subject to a number of risks. These risk factors include: dependence on long-term contracts and the associated renewal risk thereof; the effects of market volatility and uncertainty; potential future tax changes; the Corporation's competitive environment and increased competition; our ability to acquire and successfully integrate and operate additional businesses; utility costs; the labour markets; the fact that our credit facility imposes numerous covenants and encumbers assets; and, environmental matters.

The Corporation's operating results may be subject to increased risk due to current geopolitical instability that could have an impact on key input prices, such as natural gas.

For a discussion of these risks and other risks associated with an investment in the Common Shares, see “Risk Factors – Risks Related to K-Bro and the Laundry and Linen Industry detailed in the Corporation's Annual Information Form” that is available at [www.sedarplus.ca](http://www.sedarplus.ca).

## **CONTROLS AND PROCEDURES**

In order to ensure that information with regard to reports filed or submitted under securities legislation present fairly in all material respects the financial information of K-Bro, management, including the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), are responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

### **Disclosure Controls and Procedures**

The Corporation has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements of K-Bro was properly recorded, processed, summarized and reported to the Board of Directors and the Audit Committee. The Corporation’s CEO and CFO have evaluated the effectiveness of these disclosure controls and procedures for the period ended March 31, 2026, and the CEO and CFO have concluded that these controls were operating effectively.

### **Internal Controls over Financial Reporting**

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting (“ICFR”). Consequently the CEO and CFO confirm that the additions to these controls that occurred during the period ended March 31, 2026, did not materially affect, or are reasonably likely to materially affect, the Corporation’s ICFR. Based upon their evaluation of these controls for the period ended March 31, 2026, the CEO and CFO have concluded that these controls were operating effectively.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instance of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that managements’ assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or, (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

### **Limitation on Scope of Design**

K-Bro has limited the scope of design of DCP and our Internal Controls over Financial Reporting (ICFR) to exclude controls, policies and procedures of Stellar Mayan acquired on June 11, 2025. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

<b>Stellar Mayan</b> (thousands)	<b>As at</b> <b>March 31,</b> <b>2026</b>
Current assets	\$ 67,949
Non-current assets	\$ 264,525
Current liabilities	\$ 34,896
Non current liabilities	\$ 59,273

<b>Stellar Mayan</b> (thousands)	<b>Three Months</b> <b>Ended</b> <b>March 31,</b> <b>2025</b>
Revenue	\$ 43,506
Expense	\$ 44,231
Net Earnings	\$ (725)

Additional information regarding K-Bro including required securities filings are available on our website at [www.k-brolinen.com](http://www.k-brolinen.com) and on the Canadian Securities Administrators' website at [www.sedarplus.ca](http://www.sedarplus.ca); the System for Electronic Document Analysis and Retrieval ("SEDAR+").

Vous pouvez obtenir des renseignements supplémentaires sur la Société, y compris les documents déposés auprès des autorités de réglementation, sur notre site Web, au [www.k-brolinen.com](http://www.k-brolinen.com) et sur le site Web des autorités canadiennes en valeurs mobilières au [www.sedarplus.ca](http://www.sedarplus.ca), le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR+ »).