



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

For the three and twelve months ended December 31, 2021

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The following management’s discussion and analysis of financial condition and results of operations (“MD&A”) of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as “Jamieson”, the “Company”, “we”, “us” or “our”, is dated as of February 23, 2022. It should be read in conjunction with our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2021.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to “Q4 2021” are to our fiscal quarter ended December 31, 2021 and to “Q4 2020” are to our fiscal quarter ended December 31, 2020. All references in this MD&A to “YTD 2021” are to our year ended December 31, 2021 and to “YTD 2020” are to our year ended December 31, 2020.

See “*Forward-Looking Information*” and “*Risk Factors*” for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading “*Risk Factors*” and elsewhere in this MD&A.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain financial measures, including non-IFRS financial measures that are historical, non-IFRS measures that are forward-looking, non-GAAP ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use the following non-IFRS financial measures: “EBITDA”, “Adjusted EBITDA”, “Adjusted net earnings”, “normalized gross profit”, “normalized SG&A”, “normalized earnings from operations”, “cash from operating activities before working capital considerations” and “net debt”, the following non-IFRS ratios: “Adjusted EBITDA margin”, “Adjusted diluted earnings per share”, “normalized gross profit margin”, “normalized operating margin”, and the following supplementary financial measures: “gross profit margin”, “operating margin” and “USD denominated revenue”, to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. See “*How we Assess the Performance of our Business*” for an explanation of the composition of each such measure, as applicable, and see “*Selected Consolidated Financial Information*” for a quantitative reconciliation of each non-IFRS financial measure to its most directly comparable financial measure disclosed in our financial statements to which the measure relates.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled “*Summary of Factors Affecting our Performance*”, “*Liquidity and Capital Resources*”, “*Outlook*” and “*Risk Factors*”, contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans, intentions, beliefs, and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”,

“expects”, “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA, Adjusted diluted earnings per share and certain other measures are considered forward-looking information. See “*Outlook*” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

The forward-looking information contained in this MD&A is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management’s expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management’s expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, and is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading “*Risk Factors*” and those discussed under the “*Risk Factors*” section of our most recent annual information form.

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

Overview

Founded in 1922, Jamieson is Canada’s leading branded manufacturer, distributor and marketer of high-quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements (“VMS”) products and certain over-the-counter remedies through our Jamieson and Smart Solutions by Lorna Vanderhaeghe brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands, all of which we refer to as our “Jamieson Brands” segment. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our “Strategic Partners” segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada’s #1 overall consumer health brand by sales and Canada’s #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in greater than 45 countries and regions worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing, together with high quality production capabilities, attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brands, focus on quality and innovation and extensive selection of products, make us the preferred partner for retailers in Canada.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under “*Risk Factors*”.

Impact of COVID-19

The COVID-19 pandemic continued to impact businesses globally throughout 2021 and there is a continuing risk that the COVID-19 pandemic may impact the results of operations or financial condition. Any prolonged retail or manufacturing closures could impact our ability to service our customers and consumers. An outbreak within our operating facilities could result in absenteeism or a plant closure for an extended duration. Suppliers may experience a business disruption which could impact the supply of raw materials or components required for production. Limitations on transportation or border closures may result in shipment delays from our suppliers or to our customers. The duration and impact of the COVID-19 pandemic remains unknown. This includes the rate and manner in which vaccines are distributed, as well as vaccine efficacy against future COVID-19 variants and strains. We continue to review our safety protocols to reflect new government or public health recommendations. We have not benefited from nor applied for any government financial aid or relief relating to the COVID-19 pandemic.

Our Brands

Our iconic brands have been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, Smart Solutions by Lorna Vanderhaeghe, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and we continue to focus on innovation as a key pillar of our growth. Our business is subject to changing consumer trends and preferences which is dependent, in part, on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific Advisory Board, in order to benefit from their expertise and innovations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space we compete.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada’s top retailers across the food, drug, mass (“FDM”), club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our

products to customers, in their brick-and-mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships and have had relationships with the majority of our suppliers for over ten years. We purchase our ingredients from approximately 250 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2021, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into short to medium-term contracts for raw materials at fixed prices to provide time to address price increases and mitigate margin erosion.

Distribution

Our warehousing and distribution functions are operated under a third-party logistics model through facilities in Calgary, Alberta and Toronto, Ontario. We have entered into an agreement with the third-party logistics partner to provide warehousing and distribution services for Jamieson Branded and Strategic Partners finished goods inventory until 2025 with a renewal option. Our ability to satisfy our customers' demands and achieve our cost objectives depends on our ability to maintain key logistic and transport arrangements. Our distribution and supply chain could be negatively affected by unforeseen disruptions due to fire, severe weather conditions, natural disasters, or other catastrophic events, public health events, labour disagreements, or other shipping problems. The loss of or disruption to these types of arrangements could interrupt product supply, which in turn could adversely affect the assortment and product availability at the store level of our customers. If not effectively managed or remedied, these events could negatively impact customer experience and adversely affect our operations or financial performance. By leveraging the expertise of the third-party logistics provider, we are able to operate more efficiently and diversify risk from our manufacturing facilities.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and spending. Our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well-positioned to respond to these shifts in consumer trends, preferences and spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, iconic brand status, strong innovation capabilities and high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is

generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating U.S.-Canadian currency exchange rates where the products sold contain materials and inputs purchased with U.S. dollars. We manage our exposure to fluctuating U.S.-Canadian currency exchange rates with foreign exchange hedging contracts. We do not have foreign exchange hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management's ability to implement our growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; and (iii) in support of our profitability targets, improvements in gross profit, earnings from operations and operating margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in

compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, some of which are not recognized under IFRS as identified below. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure, non-IFRS ratio and supplementary measure. See “*Selected Consolidated Financial Information*” for a quantitative reconciliation of each non-IFRS financial measure to its most directly comparable financial measure disclosed in our financial statements to which the measure relates.

Revenue

The majority of our revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to our strategic partners at the point in time when control of the asset is transferred to the customer, based on applicable shipping terms. We generally have a right to payment at the time of delivery (which is the same time that we have satisfied our performance obligations under the arrangement), as such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of our revenue is derived from contract manufacturing services provided to customers in our Strategic Partners segment under a tolling arrangement where the customer supplies us with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which we are entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

We may provide discounts and sales promotional incentives to our customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. We apply the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company’s products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative (“SG&A”) expenses.

In subsequent periods, we monitor the performance of customers against agreed-upon obligations related to sales incentive programs and make any adjustments to both revenue and sales incentive accruals as required.

As required for the audited consolidated annual financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 22 in our audited consolidated annual financial statements for the disclosure on disaggregated revenue.

USD Denominated Revenue

“USD denominated revenue” is defined as revenue in U.S. dollars, which excludes the impact of exchange rate fluctuations. USD denominated revenue is a supplementary financial measure.

Gross Profit

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour, other operating costs such as rent, repair and maintenance, and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company’s underlying operating performance before SG&A expenses and share-based compensation.

Gross Profit Margin

“Gross profit margin” is defined as gross profit divided by revenue. Gross profit margin is a supplementary financial measure.

Normalized Gross Profit and Normalized Gross Profit Margin

“Normalized gross profit” is defined as gross profit adjusted for non-operating expenses. Normalized gross profit is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is gross profit. We believe normalized gross profit is a useful measure in assessing our operating results by excluding the effects of expenses that are not reflective of our operating performance. “Normalized gross profit margin” is defined as normalized gross profit divided by revenue. Normalized gross profit margin is a non-IFRS ratio.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees, non-customer-specific promotional costs and other expenses related to the corporate infrastructure required to support our business. Our SG&A expenses also include regulatory, legal, accounting, insurance, termination benefits and other expenses associated with being a public company.

Normalized SG&A

“Normalized SG&A” is defined as SG&A adjusted for non-operating expenses. Normalized SG&A is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is SG&A. We believe normalized SG&A is a useful measure as it excludes the effects of expenses that are not reflective of our operating performance.

Earnings from Operations

“Earnings from operations” is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

“Operating margin” is defined as earnings from operations divided by revenue. Operating margin is a supplementary financial measure.

Normalized Earnings from Operations and Normalized Operating Margin

“Normalized earnings from operations” is defined as earnings from operations adjusted for non-operating expenses. Normalized earnings from operations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is earnings from operations. We believe normalized

earnings from operations is a useful measure in assessing our operating results by excluding the effects of expenses that are not reflective of our operating performance. “Normalized operating margin” is defined as normalized earnings from operations divided by revenue. Normalized operating margin is a non-IFRS ratio.

EBITDA

“EBITDA” is defined as net earnings before: (i) provision for (recovery of) income taxes; (ii) interest expense (income); (iii) depreciation of property, plant, and equipment; and (iv) amortization of intangible assets. EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net earnings. We believe that EBITDA is a useful measure to assess the performance and cash flow of our Company.

Adjusted EBITDA

“Adjusted EBITDA” is defined as EBITDA before: (i) share-based compensation; (ii) foreign exchange gain/loss; (iii) international market expansion; (iv) business integration; (v) COVID-19 related costs; and (vi) other non-operating costs. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net earnings. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA Margin is a non-IFRS ratio. We believe Adjusted EBITDA margin is a useful measure to assess the performance and cash flow of our Company.

Adjusted Net Earnings

“Adjusted net earnings” is defined as consolidated net earnings adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange gain/loss; (iii) international market expansion; (iv) business integration; (v) COVID-19 related costs; and (vi) other non-operating costs net of related tax effects. Adjusted net earnings is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net earnings. We believe Adjusted net earnings is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance.

Adjusted Diluted Earnings per Share

“Adjusted diluted earnings per share” is defined as Adjusted net earnings divided by the total weighted average number of outstanding diluted shares at the end of the most recently completed quarter for the relevant period. Adjusted diluted earnings per share is a non-IFRS ratio. We believe Adjusted diluted earnings per share is a useful measure to assess the performance of our Company.

Net Debt

“Net debt” is defined as long-term debt less cash. Net debt is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is long-term debt. We believe net debt is a useful measure in managing our capital structure and financing requirements.

Cash from Operating Activities Before Working Capital Considerations

“Cash from operating activities before working capital considerations” is defined as cash from operating activities plus net change in non-cash working capital. Cash from operating activities before working capital

considerations is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is cash flows from operating activities. We believe cash from operating activities before working capital considerations is a useful measure in assessing cash flow from operations and liquidity.

Selected Consolidated Financial Information

The following table provides selected historical financial information and other data of the Company which should be read in conjunction with our audited consolidated annual financial statements and related notes. A quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings can be found below for the respective fiscal periods.

	Three months ended December 31		Twelve months ended December 31	
	2021	2020	2021	2020
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	129,838	120,369	451,032	403,661
Cost of sales	80,422	77,855	288,591	258,905
Gross profit	49,416	42,514	162,441	144,756
Gross profit margin ⁽¹⁾	38.1%	35.3%	36.0%	35.9%
Selling, general and administrative expenses	19,521	18,624	80,739	76,259
Share-based compensation	1,021	1,156	5,672	4,925
Earnings from operations	28,874	22,734	76,030	63,572
Operating margin ⁽¹⁾	22.2%	18.9%	16.9%	15.7%
Foreign exchange loss (gain)	352	632	(92)	460
Other expenses	-	19	-	22
Interest expense and other financing costs	1,366	1,409	5,657	6,042
Earnings before income taxes	27,156	20,674	70,465	57,048
Provision for income taxes	6,966	5,269	18,383	15,450
Net earnings	20,190	15,405	52,082	41,598
Adjusted net earnings ⁽²⁾	20,489	17,614	55,217	47,948
EBITDA ⁽²⁾	32,225	25,417	90,396	75,299
Adjusted EBITDA ⁽²⁾	33,771	29,383	100,096	87,985
Adjusted EBITDA margin ⁽³⁾	26.0%	24.4%	22.2%	21.8%
Weighted average number of shares				
Basic	40,371,018	39,866,189	40,150,724	39,539,955
Diluted	41,921,765	41,487,349	41,680,934	41,160,341
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.50	0.39	1.30	1.05
Diluted, earnings per share	0.48	0.37	1.25	1.01
Adjusted diluted, earnings per share ⁽³⁾	0.49	0.42	1.32	1.16

(1) This is a supplementary financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each supplementary financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.

(2) This is a non-IFRS financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.

(3) This is a non-IFRS ratio and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS ratio. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such ratio.

The following table provides selected consolidated financial position data for the periods indicated.

<i>(\$ in 000's)</i>	As at December 31, 2021	As at December 31, 2020
Selected Consolidated Financial Position Data:		
Total assets	652,475	609,341
Total non-current liabilities	226,832	225,929

Results of Operations — three months ended December 31, 2021 and 2020

The following table provides a summary of our results for the three months ended December 31, 2021 and December 31, 2020.

<i>(\$ in 000's, except as otherwise noted)</i>	Three months ended December 31		\$ Change	% Change
	2021	2020		
Revenue	129,838	120,369	9,469	7.9%
Cost of sales	80,422	77,855	2,567	3.3%
Gross profit	49,416	42,514	6,902	16.2%
Gross profit margin	38.1%	35.3%	-	2.8%
Selling, general and administrative expenses	19,521	18,624	897	4.8%
Share-based compensation	1,021	1,156	(135)	(11.7%)
Earnings from operations	28,874	22,734	6,140	27.0%
Operating margin	22.2%	18.9%	-	3.3%
Foreign exchange loss	352	632	(280)	(44.3%)
Other expenses	-	19	(19)	(100.0%)
Interest expense and other financing costs	1,366	1,409	(43)	(3.1%)
Earnings before income taxes	27,156	20,674	6,482	31.4%
Provision for income taxes	6,966	5,269	1,697	32.2%
Net earnings	20,190	15,405	4,785	31.1%
Adjusted net earnings	20,489	17,614	2,875	16.3%
EBITDA	32,225	25,417	6,808	26.8%
Adjusted EBITDA	33,771	29,383	4,388	14.9%
Adjusted EBITDA margin	26.0%	24.4%	-	1.6%

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2021 and December 31, 2020.

	Three months ended		\$ Change	% Change
	December 31			
	2021	2020		
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings	20,190	15,405	4,785	31.1%
<i>Add:</i>				
Provision for income taxes	6,966	5,269	1,697	32.2%
Interest expense and other financing costs	1,366	1,409	(43)	(3.1%)
Depreciation of property, plant, and equipment	2,629	2,336	293	12.5%
Amortization of intangible assets	1,074	998	76	7.6%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	32,225	25,417	6,808	26.8%
Share-based compensation ⁽¹⁾	1,021	1,156	(135)	(11.7%)
Foreign exchange loss	352	632	(280)	(44.3%)
Business integration ⁽²⁾	63	1,759	(1,696)	(96.4%)
COVID-19 related costs ⁽³⁾	72	402	(330)	(82.1%)
Other	38	17	21	123.5%
Adjusted EBITDA	33,771	29,383	4,388	14.9%
Provision for income taxes	(6,966)	(5,269)	(1,697)	(32.2%)
Interest expense and other financing costs	(1,366)	(1,409)	43	3.1%
Depreciation of property, plant, and equipment	(2,629)	(2,336)	(293)	(12.5%)
Amortization of intangible assets	(1,074)	(998)	(76)	(7.6%)
Share-based compensation ⁽⁴⁾	(1,108)	(1,012)	(96)	(9.5%)
Tax effect of normalization adjustments	(139)	(745)	606	81.3%
Adjusted net earnings	20,489	17,614	2,875	16.3%
	Three months ended		\$ Change	% Change
	December 31			
	2021	2020		
<i>(\$ in 000's, except as otherwise noted)</i>				
Gross profit	49,416	42,514	6,902	16.2%
Business integration ⁽²⁾	-	1,472	(1,472)	(100.0%)
COVID-19 related costs ⁽³⁾	-	119	(119)	(100.0%)
Normalized gross profit ⁽⁵⁾	49,416	44,105	5,311	12.0%
Normalized gross profit margin ⁽⁶⁾	38.1%	36.6%	-	1.5%
Selling, general and administrative expenses	19,521	18,624	897	4.8%
Business integration ⁽²⁾	(63)	(287)	224	78.0%
COVID-19 related costs ⁽³⁾	(72)	(283)	211	74.6%
Other	(38)	-	(38)	100.0%
Normalized selling, general and administrative expenses ⁽⁵⁾	19,348	18,054	1,294	7.2%
Earnings from operations	28,874	22,734	6,140	27.0%
Business integration ⁽²⁾	63	1,759	(1,696)	(96.4%)
COVID-19 related costs ⁽³⁾	72	402	(330)	(82.1%)
Other	38	-	38	100.0%
Normalized earnings from operations ⁽⁵⁾	29,047	24,895	4,152	16.7%
Normalized operating margin ⁽⁶⁾	22.4%	20.7%	-	1.7%

(1) The Company’s share-based compensation expense pertains to our long-term incentive plan (the “LTIP”) (refer to “*Share-based compensation*”), with performance-based share units (“PSUs”), time-based restricted

share units (“RSUs”), and deferred share units (“DSUs”) expenses, along with associated payroll taxes. Please refer to Note 16 in our audited consolidated annual financial statements.

- (2) Current year expenses relate to system implementation costs. Prior year expenses pertained to start-up costs of \$1.5 million related to our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities. Remaining expenses pertained to the integration of our operations and supply chain activities, along with a pre-existing contractual obligation, associated with the acquisition and subsequent integration of our acquired business, which terminated at the end of 2020.
- (3) We incurred costs related to COVID-19 which do not reflect the ongoing costs of operation. In the current quarter, these costs are primarily associated with additional safety measures at our facilities, including the use of rapid testing to detect and prevent the risk of COVID-19 spread in our manufacturing facilities. Q4 2020 included shift premiums to essential Jamieson hourly staff who maintained production during government lockdowns, donation of vitamins and supplements to charitable organizations within Canada and provided funding for a COVID-19 related research study.
- (4) Costs pertaining to our LTIP, net of \$0.1 million in tax benefits realized on the vesting of certain share-based awards (refer to “*Share-based compensation*”).
- (5) This is a non-IFRS financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.
- (6) This is a non-IFRS ratio and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS ratio. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such ratio.

The following table provides selected financial information for the Jamieson Brands operating segment for the three months ended December 31, 2021 and December 31, 2020.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	2021	2020	\$ Change	% Change
Revenue	99,784	89,733	10,051	11.2%
Gross profit	45,157	38,566	6,591	17.1%
Gross profit margin	45.3%	43.0%	-	2.3%
Normalized gross profit	45,157	40,157	5,000	12.5%
Normalized gross profit margin	45.3%	44.8%	-	0.5%
Selling, general and administrative expenses	17,905	16,906	999	5.9%
Normalized selling, general and administrative expenses	17,781	16,369	1,412	8.6%
Share-based compensation	1,021	1,156	(135)	(11.7%)
Earnings from operations	26,231	20,504	5,727	27.9%
Operating margin	26.3%	22.9%	-	3.4%
Normalized earnings from operations	26,355	22,649	3,706	16.4%
Normalized operating margin	26.4%	25.2%	-	1.2%
Adjusted EBITDA	30,468	26,642	3,826	14.4%
Adjusted EBITDA margin	30.5%	29.7%	-	0.8%

The following table provides a quantitative reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2021 and December 31, 2020.

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	26,231	20,504	5,727	27.9%
Depreciation of property, plant, and equipment	2,018	1,857	161	8.7%
Amortization of intangible assets	1,074	998	76	7.6%
Share-based compensation	1,021	1,156	(135)	(11.7%)
Business integration	63	1,759	(1,696)	(96.4%)
COVID-19 related costs	61	370	(309)	(83.5%)
Other	-	(2)	2	100.0%
Adjusted EBITDA	<u>30,468</u>	<u>26,642</u>	<u>3,826</u>	<u>14.4%</u>

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended December 31, 2021 and December 31, 2020.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	30,054	30,636	(582)	(1.9%)
Gross profit	4,259	3,948	311	7.9%
Gross profit margin	14.2%	12.9%	-	1.3%
Selling, general and administrative expenses	1,616	1,718	(102)	(5.9%)
Normalized selling, general and administrative expenses	1,567	1,685	(118)	(7.0%)
Earnings from operations	2,643	2,230	413	18.5%
Operating margin	8.8%	7.3%	-	1.5%
Normalized earnings from operations	2,692	2,246	446	19.8%
Normalized operating margin	9.0%	7.3%	-	1.7%
Adjusted EBITDA	3,303	2,741	562	20.5%
Adjusted EBITDA margin	11.0%	8.9%	-	2.1%

The following table provides a quantitative reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2021 and December 31, 2020.

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	2,643	2,230	413	18.5%
Depreciation of property, plant, and equipment	611	479	132	27.6%
COVID-19 related costs	11	32	(21)	(65.6%)
Other	38	-	38	100.0%
Adjusted EBITDA	<u>3,303</u>	<u>2,741</u>	<u>562</u>	<u>20.5%</u>

Revenue

Revenue increased by 7.9%, or \$9.5 million, to \$129.8 million in Q4 2021. This was driven by 11.2% growth in Jamieson Brands revenue, partially offset by a 1.9% decline in Strategic Partners revenue compared with Q4 2020.

Revenue in the Jamieson Brands segment increased by \$10.1 million, or 11.2%, to \$99.8 million in Q4 2021 due to growth in domestic and international Jamieson Brands sales of \$8.3 million and \$1.8 million respectively. Our

domestic Jamieson Brands sales increased by 10.9% in Q4 2021, with strong point of purchase sales on an expanded consumer base and inventory replenishments to support seasonal promotional activities. Our international USD denominated revenue⁽¹⁾ grew by 14.1%, or 12.6% on a reported basis, led by continued growth in China, partially offset by strong replenishments earlier in the year to other regions.

Revenue in the Strategic Partners segment decreased by \$0.6 million, or 1.9%, to \$30.1 million in Q4 2021 reflecting earlier shipments and 37.3% growth realized in the first three quarters to smooth out the timing of production.

Gross profit

Gross profit increased by \$6.9 million to \$49.4 million in Q4 2021, including \$1.6 million in Q4 2020 primarily relating to start-up costs in our transition to a third-party logistics model. Normalized gross profit increased by \$5.3 million from \$44.1 million in the prior year mainly driven by revenue growth and improved operating efficiencies. Normalized gross profit margin increased by 150 basis points from 36.6% to 38.1% in Q4 2021, reflecting margin improvements in both our segments and the mix impact of proportionally higher sales in our Jamieson Brands segment.

Gross profit in the Jamieson Brands segment increased by \$6.6 million to \$45.2 million in Q4 2021, including \$1.6 million in Q4 2020 in start-up costs primarily relating to our transition to a third-party logistics model. Normalized gross profit in the Jamieson Brands segment increased by \$5.0 million from \$40.2 million in the prior year mainly driven by revenue growth and improved operating efficiencies. Normalized gross profit margin increased by 50 basis points from 44.8% to 45.3% in Q4 2021 due to volume driven efficiencies and cost recoveries, partially offset by ongoing operating costs associated with our new third-party logistics model, elevated costs reflecting ongoing global supply chain challenges, sustained safety measures and increased business continuity costs.

Gross profit in the Strategic Partners segment increased by \$0.3 million to \$4.3 million and gross profit margin increased by 130 basis points from 12.9% to 14.2% in Q4 2021 mainly due to operational efficiencies.

Selling, general and administrative expenses

SG&A expenses increased by \$0.9 million to \$19.5 million in Q4 2021. Normalized for the impact of specified costs, SG&A expenses increased by \$1.3 million or 7.2% to \$19.3 million in Q4 2021. Normalized SG&A in the Jamieson Brands segment was \$1.4 million higher than Q4 2020 due to additional resources to support our strategic initiatives and marketing investments. Normalized SG&A in the Strategic Partners segment was relatively consistent with a decrease of \$0.1 million compared with Q4 2020.

Specified costs of \$0.2 million in Q4 2021 are mainly comprised of safety measures implemented at our facilities, including rapid testing programs at each of our manufacturing facilities, along with IT system implementation costs. Specified costs of \$0.6 million in Q4 2020 were related to COVID-19 wage premiums, donations, and funding for a COVID-19 related research study.

Share-based compensation

Share-based compensation decreased by \$0.1 million to \$1.0 million in Q4 2021 reflecting the acceleration of share-based compensation expense in relation to our CEO transition earlier in the year.

Earnings from operations and operating margin

Earnings from operations increased by \$6.1 million as a result of higher revenue and gross profit. Operating margin increased by 3.3% to 22.2% in Q4 2021 due to factors impacting gross profit margin discussed above and lower fixed costs as a percentage of revenue. Normalized earnings from operations increased by \$4.2 million, or 16.7%

⁽¹⁾ This is a supplementary financial measure and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information. See “*How we Assess the Performance of our Business*” for an explanation of the composition of this measure.

in Q4 2021 and normalized operating margin was 22.4% compared with 20.7% in Q4 2020.

Earnings from operations in the Jamieson Brands segment increased by \$5.7 million and operating margin increased by 3.4% to 26.3% in Q4 2021 due to higher revenue on expanded margins, and lower fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment increased by \$0.4 million and operating margin increased by 1.5% to 8.8% in Q4 2021 due to expanded margins and lower fixed costs as a percentage of revenues.

Foreign exchange loss

Foreign exchange loss of \$0.4 million in Q4 2021 was a result of changes in the USD/CAD exchange rate on our USD denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations in the USD/CAD exchange rates between the date of transaction and when cash is realized.

Interest expense and other financing costs

Interest expense and other financing costs remained consistent at \$1.4 million in Q4 2021.

Provision for income taxes

Provision for income taxes was \$7.0 million in Q4 2021 compared with \$5.3 million in Q4 2020. Our Q4 2021 effective tax rate of 25.7% and Q4 2020 effective tax rate of 25.5% includes the impact of non-deductible share-based compensation expenses. The current period's provision and tax rate includes a tax deduction of \$0.1 million from the vesting of certain share-based awards.

Depreciation

Depreciation expense increased by \$0.3 million to \$2.6 million in Q4 2021 due to increases in our capital investments to increase capacity.

Amortization

Amortization expense increased by \$0.1 million to \$1.1 million in Q4 2021 driven by investments in website development, system implementations, product patents and registrations.

EBITDA and Adjusted EBITDA

EBITDA increased by \$6.8 million to \$32.2 million in Q4 2021 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$4.4 million to \$33.8 million driven by higher volumes and segment margins. Adjusted EBITDA margin increased by 160 basis points to 26.0% for the quarter reflecting general margin improvements, along with the mix impact of proportionally higher sales in our Jamieson Brands segment.

Adjusted EBITDA in the Jamieson Brands segment increased by \$3.8 million to \$30.5 million and Adjusted EBITDA margin increased by 80 basis points to 30.5% driven by higher volumes on expanded margins, and lower fixed costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment increased by \$0.6 million, to \$3.3 million and Adjusted EBITDA margin increased by 2.1% to 11.0% driven by higher volumes on expanded margins, and lower fixed costs as a percentage of revenues.

Results of Operations — year ended December 31, 2021 and 2020

The following table provides a summary of our results for the year ended December 31, 2021 and December 31, 2020.

	Twelve months ended		\$ Change	% Change
	December 31			
	2021	2020		
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	451,032	403,661	47,371	11.7%
Cost of sales	288,591	258,905	29,686	11.5%
Gross profit	162,441	144,756	17,685	12.2%
Gross profit margin	36.0%	35.9%	-	0.1%
Selling, general and administrative expenses	80,739	76,259	4,480	5.9%
Share-based compensation	5,672	4,925	747	15.2%
Earnings from operations	76,030	63,572	12,458	19.6%
Operating margin	16.9%	15.7%	-	1.2%
Foreign exchange (gain) loss	(92)	460	(552)	(120.0%)
Other expenses	-	22	(22)	(100.0%)
Interest expense and other financing costs	5,657	6,042	(385)	(6.4%)
Earnings before income taxes	70,465	57,048	13,417	23.5%
Provision for income taxes	18,383	15,450	2,933	19.0%
Net earnings	52,082	41,598	10,484	25.2%
Adjusted net earnings	55,217	47,948	7,269	15.2%
EBITDA	90,396	75,299	15,097	20.0%
Adjusted EBITDA	100,096	87,985	12,111	13.8%
Adjusted EBITDA margin	22.2%	21.8%	-	0.4%

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the year ended December 31, 2021 and December 31, 2020.

(\$ in 000's, except as otherwise noted)	Twelve months ended		\$ Change	% Change
	December 31			
	2021	2020		
Net earnings	52,082	41,598	10,484	25.2%
<i>Add:</i>				
Provision for income taxes	18,383	15,450	2,933	19.0%
Interest expense and other financing costs	5,657	6,042	(385)	(6.4%)
Depreciation of property, plant, and equipment	10,006	8,260	1,746	21.1%
Amortization of intangible assets	4,268	3,949	319	8.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	90,396	75,299	15,097	20.0%
Share-based compensation ⁽¹⁾	5,672	4,925	747	15.2%
Foreign exchange (gain) loss	(92)	460	(552)	(120.0%)
International market expansion	-	13	(13)	(100.0%)
Business integration ⁽²⁾	1,852	2,202	(350)	(15.9%)
COVID-19 related costs ⁽³⁾	2,409	5,064	(2,655)	(52.4%)
Other ⁽⁴⁾	(141)	22	(163)	(740.9%)
Adjusted EBITDA	100,096	87,985	12,111	13.8%
Provision for income taxes	(18,383)	(15,450)	(2,933)	(19.0%)
Interest expense and other financing costs	(5,657)	(6,042)	385	6.4%
Depreciation of property, plant, and equipment	(10,006)	(8,260)	(1,746)	(21.1%)
Amortization of intangible assets	(4,268)	(3,949)	(319)	(8.1%)
Share-based compensation ⁽⁵⁾	(5,497)	(4,349)	(1,148)	(26.4%)
Other	-	97	(97)	(100.0%)
Tax effect of normalization adjustments	(1,068)	(2,084)	1,016	48.8%
Adjusted net earnings	55,217	47,948	7,269	15.2%

	Twelve months ended			
	December 31		\$ Change	% Change
(\$ in 000's, except as otherwise noted)	2021	2020		
Gross profit	162,441	144,756	17,685	12.2%
Business integration ⁽²⁾	653	1,472	(819)	(55.6%)
COVID-19 related costs ⁽³⁾	-	119	(119)	(100.0%)
Normalized gross profit	163,094	146,347	16,747	11.4%
Normalized gross profit margin	36.2%	36.3%	-	(0.1%)
Selling, general and administrative expenses	80,739	76,259	4,480	5.9%
Business integration ⁽²⁾	(1,200)	(730)	(470)	(64.4%)
COVID-19 related costs ⁽³⁾	(2,409)	(4,945)	2,536	51.3%
International market expansion	-	(13)	13	100.0%
Other ⁽⁴⁾	141	-	141	100.0%
Normalized selling, general and administrative expenses	77,271	70,571	6,700	9.5%
Earnings from operations	76,030	63,572	12,458	19.6%
Business integration ⁽²⁾	1,853	2,202	(349)	(15.8%)
COVID-19 related costs ⁽³⁾	2,409	5,064	(2,655)	(52.4%)
International market expansion	-	13	(13)	(100.0%)
Share-based compensation ⁽⁶⁾	914	-	914	100.0%
Other ⁽⁴⁾	(141)	-	(141)	100.0%
Normalized earnings from operations	81,065	70,851	10,214	14.4%
Normalized operating margin	18.0%	17.6%	-	0.4%

- (1) The Company's share-based compensation expense pertains to our LTIP, with PSUs, time-based RSUs, and DSUs expenses, along with associated payroll taxes. This includes a one-time impact of \$0.9 million in Q1 2021 relating to the acceleration of share-based compensation expense from future years in relation to our CEO transition. Please refer to Note 16 in our audited consolidated annual financial statements.
- (2) Current year expense mostly relates to start-up costs to complete our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities. Prior year expenses included start-up costs of \$1.5 million in the aforementioned third-party logistics transition. Remaining expenses pertained to the integration of our operations and supply chain activities, along with a pre-existing contractual obligation, associated with the acquisition and subsequent integration of our acquired business, which terminated at the end of 2020.
- (3) We incurred costs related to COVID-19 which do not reflect the ongoing costs of operation. We provided shift premiums to essential Jamieson hourly staff who maintained production during government lockdowns. We have implemented additional safety measures at our facilities, including the use of rapid testing to detect and prevent spread in our manufacturing facilities and a voluntary two-week closure of our Scarborough facility to minimize the risk of COVID-19 spread in the second quarter of 2021. We have also donated vitamins and supplements to charitable organizations.
- (4) Consists primarily of a litigation settlement we received.
- (5) Costs pertaining to our LTIP, excluding PSUs and RSUs granted to certain employees, and the acceleration of \$0.9 million of share-based compensation expense from future years in relation to our CEO transition, net of \$1.0 million in tax benefits realized on the vesting of certain share-based awards (refer to "Share-based compensation").
- (6) One-time impact of \$0.9 million in Q1 2021 relating to the acceleration of share-based compensation expense from future years in relation to our CEO transition. Please refer to Note 16 in our audited consolidated annual financial statements.

The following table provides selected financial information for the Jamieson Brands operating segment for the year ended December 31, 2021 and December 31, 2020.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the twelve months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	343,245	316,423	26,822	8.5%
Gross profit	148,371	133,861	14,510	10.8%
Gross profit margin	43.2%	42.3%	-	0.9%
Normalized gross profit	149,024	135,452	13,572	10.0%
Normalized gross profit margin	43.4%	42.8%	-	0.6%
Selling, general and administrative expenses	74,056	67,169	6,887	10.3%
Normalized selling, general and administrative expenses	70,854	64,227	6,627	10.3%
Share-based compensation	5,672	4,925	747	15.2%
Earnings from operations	68,643	61,767	6,876	11.1%
Operating margin	20.0%	19.5%	-	0.5%
Normalized earnings from operations	73,412	66,300	7,112	10.7%
Normalized operating margin	21.4%	21.0%	-	0.4%
Adjusted EBITDA	90,301	81,519	8,782	10.8%
Adjusted EBITDA margin	26.3%	25.8%	-	0.5%

The following table provides a quantitative reconciliation from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure) for the year ended December 31, 2021 and December 31, 2020.

(\$ in 000's, except as otherwise noted)

For the twelve months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	68,643	61,767	6,876	11.1%
Depreciation of property, plant, and equipment	7,864	6,345	1,519	23.9%
Amortization of intangible assets	4,268	3,949	319	8.1%
Share-based compensation	5,672	4,925	747	15.2%
International market expansion	-	13	(13)	(100.0%)
Business integration	1,782	2,202	(420)	(19.1%)
COVID-19 related costs	1,990	2,318	(328)	(14.2%)
Other	82	-	82	100.0%
Adjusted EBITDA	<u>90,301</u>	<u>81,519</u>	<u>8,782</u>	<u>10.8%</u>

The following table provides selected financial information for the Strategic Partners operating segment for the year ended December 31, 2021 and December 31, 2020.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the twelve months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	107,787	87,238	20,549	23.6%
Gross profit	14,070	10,895	3,175	29.1%
Gross profit margin	13.1%	12.5%	-	0.6%
Selling, general and administrative expenses	6,683	9,090	(2,407)	(26.5%)
Normalized selling, general and administrative expenses	6,417	6,344	73	1.1%
Earnings from operations	7,387	1,805	5,582	309.3%
Operating margin	6.9%	2.1%	-	4.8%
Normalized earnings from operations	7,653	4,551	3,102	68.2%
Normalized operating margin	7.1%	5.2%	-	1.9%
Adjusted EBITDA	9,795	6,466	3,329	51.5%
Adjusted EBITDA margin	9.1%	7.4%	-	1.7%

The following table provides a quantitative reconciliation from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure) for the year ended December 31, 2021 and December 31, 2020.

(\$ in 000's, except as otherwise noted)

For the twelve months ended December 31,	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	7,387	1,805	5,582	309.3%
Depreciation of property, plant, and equipment	2,142	1,915	227	11.9%
Business integration	70	-	70	100.0%
COVID-19 related costs	419	2,746	(2,327)	(84.7%)
Other	(223)	-	(223)	100.0%
Adjusted EBITDA	<u>9,795</u>	<u>6,466</u>	<u>3,329</u>	<u>51.5%</u>

Revenue

Revenue increased 11.7%, or \$47.4 million, to \$451.0 million in YTD 2021. This was driven by 8.5% growth in Jamieson Brands revenue and 23.6% growth in Strategic Partners revenue year-over-year.

Revenue in the Jamieson Brands segment increased by \$26.8 million, or 8.5%, to \$343.2 million in YTD 2021 due to strong growth in domestic and international Jamieson Brands sales of \$20.0 million and \$6.8 million respectively. Our domestic Jamieson Brands sales increased by 7.5% over prior year, offsetting the initial COVID-19 panic buying period which began in Q1 2020 through strong point of purchase sales on an expanded consumer base driving inventory replenishment, and pricing. Our international USD denominated revenue grew by 22.7% versus prior year led by strong growth in China and the impact of non-immunity product order fulfillment in early 2021. On a reported basis, our international business growth is 13.3% due to the strengthening of the Canadian dollar.

Revenue in the Strategic Partners segment increased \$20.5 million, or 23.6%, to \$107.8 million in YTD 2021 mainly due to increased demand and expanded programs with new and existing customers.

Gross profit

Gross profit increased by \$17.7 million in YTD 2021, including \$0.7 million in YTD 2021 and \$1.6 million in YTD 2020 primarily relating to start-up costs to complete our transition to a third-party logistics model. Normalized gross profit increased by \$16.7 million to \$163.1 million in YTD 2021 mainly driven by revenue growth. Normalized

gross profit margin was 36.2% or 10 basis points lower than the prior year reflecting a higher proportion of Strategic Partners segment sales, offsetting margin improvements in both our segments from volume driven efficiencies.

Gross profit in the Jamieson Brands segment increased by \$14.5 million to \$148.4 million in YTD 2021, including \$0.7 million in YTD 2021 and \$1.6 million in YTD 2020 primarily relating to start-up costs to complete our transition to a third-party logistics model. Normalized gross profit in the Jamieson Brands segment increased by \$13.6 million to \$149.0 million in YTD 2021 mainly driven by revenue growth and improved operating efficiencies. Normalized gross profit margin was 43.4% or 60 basis points higher compared with YTD 2020 due to volume driven efficiencies and cost recoveries, partially offset by sustained safety measures, increased business continuity costs and collective bargaining renewal bonuses.

Gross profit in the Strategic Partners segment increased by \$3.2 million to \$14.1 million mainly driven by higher volumes, and gross profit margin increased by 60 basis points to 13.1% in YTD 2021 as volume driven efficiencies were partially offset by sustained safety measures and increased business continuity costs.

Selling, general and administrative expenses

SG&A expenses increased by \$4.5 million, to \$80.7 million in YTD 2021. Normalized for the impact of specified costs, SG&A expenses increased by \$6.7 million from \$70.6 million in YTD 2020 to \$77.3 million in YTD 2021. Normalized SG&A in the Jamieson Brands segment was \$6.6 million higher due to additional resources to support our strategic initiatives and higher variable compensation, including \$0.9 million of additional domestic marketing and \$1.8 million of international investments primarily focused on promoting our brand presence in China. Normalized SG&A in the Strategic Partners segment was relatively consistent at an increase of \$0.1 million compared with the same period in the prior year.

Specified costs of \$3.4 million in YTD 2021 are mainly comprised of start-up costs to complete our transition to a third-party logistics model, additional safety measures implemented at our facilities, including the voluntary two-week closure of our Scarborough facility and the establishment of rapid antigen testing program at each of our manufacturing facilities, COVID-19 wage premiums, and donations. Specified costs of \$5.7 million in YTD 2020 were primarily related to COVID-19 wage premiums, donations, reserves taken in connection with an international retail strategic partner customer who voluntarily entered into bankruptcy protection based on the impact of COVID-19 store closures, along with a pre-existing contractual obligation on our acquired business which terminated at the end of 2020.

Share-based compensation

Share-based compensation increased by \$0.7 million to \$5.7 million in YTD 2021 reflecting the accelerated \$0.9 million of share-based compensation expense from future years in relation to our CEO transition, partially offset by lower payroll taxes based on the number of options exercised in the prior year.

Earnings from operations and operating margin

Earnings from operations increased by \$12.5 million in YTD 2021 as a result of higher revenue and gross profit. Operating margin increased by 120 basis points to 16.9% in YTD 2021 mainly due to lower fixed costs as a percentage of revenues. Normalized earnings from operations increased by \$10.2 million, or 14.4% in YTD 2021 and normalized operating margin was 18.0% compared with 17.6% in YTD 2020.

Earnings from operations in the Jamieson Brands segment increased by \$6.9 million and operating margin increased 50 basis points to 20.0% in YTD 2021 mainly due to higher revenue on expanded margins, partially offset by higher fixed costs, which includes our transition to a third-party logistics model and the acceleration of share-based compensation expense.

Earnings from operations in the Strategic Partners segment increased by \$5.6 million to \$7.4 million and operating margin increased by 4.8% to 6.9% in YTD 2021 primarily due to factors impacting gross profit margin discussed above, along with lower fixed costs as a percentage of revenues.

Foreign exchange gain

Foreign exchange gain in YTD 2021 is due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash is realized.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$0.4 million to \$5.7 million in YTD 2021 mainly due to lower prevailing interest rates.

Provision for income taxes

Provision for income taxes was \$18.4 million in YTD 2021 compared with \$15.5 million in YTD 2020. The current period's provision and tax rate includes a tax deduction of \$1.0 million from the vesting of certain share-based awards. On a normalized basis, our 2021 effective tax rate of 27.5% is comparable to a prior year rate of 27.1%, both of which includes the impact of non-deductible share-based compensation expenses.

Depreciation

Depreciation expense increased by \$1.7 million to \$10.0 million in YTD 2021 due to increases in our capital investments to increase capacity, which includes depreciation on our right-of-use lease assets pertaining to our transition to a third-party logistics model.

Amortization

Amortization expense increased by \$0.3 million to \$4.3 million in YTD 2021 driven by investments in website development, system implementations, product patents and registrations.

EBITDA and Adjusted EBITDA

EBITDA increased by \$15.1 million to \$90.4 million in YTD 2021 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$12.1 million to \$100.1 million driven by higher volumes and segment margins. Adjusted EBITDA margin increased by 40 basis points to 22.2% in YTD 2021 mainly due to margin improvements, partially offset by the mix impact of proportionally higher sales in our Strategic Partners segment.

Adjusted EBITDA in the Jamieson Brands segment increased by \$8.8 million to \$90.3 million driven by higher volumes. Adjusted EBITDA margin increased by 50 basis points to 26.3% in YTD 2021 due to factors impacting operating margin discussed above.

Adjusted EBITDA in the Strategic Partners segment increased by \$3.3 million, to \$9.8 million and Adjusted EBITDA margin increased by 170 basis points to 9.1% in YTD 2021 driven by higher volumes on expanded margins and lower fixed costs as a percentage of revenues.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS.

(\$ in 000's, except per share amounts)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by segment								
Jamieson Brands	99,784	85,175	82,391	75,895	89,733	82,604	74,292	69,794
Strategic Partners	30,054	27,193	28,165	22,375	30,636	22,961	18,912	14,729
Total revenue	129,838	112,368	110,556	98,270	120,369	105,565	93,204	84,523
Earnings from operations	28,874	20,593	16,043	10,520	22,734	17,804	10,675	12,359
Net earnings	20,190	14,284	11,472	6,136	15,405	12,144	6,038	8,011
Adjusted net earnings	20,489	14,051	12,041	8,636 ⁽¹⁾	17,614	12,655	9,882	7,800
EBITDA	32,225	24,794	19,424	13,953	25,417	21,202	12,715	15,964
Adjusted EBITDA	33,771	25,456	22,327	18,542	29,383	22,933	18,983	16,687
Basic, earnings per share	0.50	0.35	0.29	0.15	0.39	0.31	0.15	0.20
Diluted, earnings per share	0.48	0.34	0.28	0.15	0.37	0.29	0.15	0.20
Adjusted diluted, earnings per share	0.49	0.34	0.29	0.21 ⁽¹⁾	0.42	0.30	0.24	0.19

(1) Q1 2021 Adjusted net earnings and Adjusted diluted earnings per share has been adjusted for \$0.6 million of share-based compensation expense in relation to our CEO transition.

Revenue

Jamieson Brands segment revenue for the last eight quarters were impacted by factors including the following:

- accelerated demand for immunity and general health products as a result of the COVID-19 pandemic;
- periodic price increases to recapture cost escalation;
- the impact of innovation within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality;
- severity of cold and flu season; and
- foreign currency fluctuations.

Strategic Partners segment revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Jamieson Brands products;
- launch of new programs with existing or new customers, which include initial pipeline shipments;
- availability of customer supplied materials;
- innovation and geographic demand for high quality certified manufacturers;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations.

Earnings from operations

Earnings from operations for the last eight quarters were also impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion and marketing programs;
- improvements in production efficiencies and higher economies of scale;

- temporary increases to production costs driven by physical distancing initiatives, rapid antigen testing and other safety measures established within our facilities to protect our employees as a result of the COVID-19 pandemic;
- supply continuity costs including air freight and third-party manufacturing and packaging costs to meet higher demand during the COVID-19 pandemic;
- additional costs incurred in our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities;
- raw material costs in native currency;
- timing of marketing spend and variable compensation;
- accelerated recognition of share-based compensation expense in relation to our CEO transition; and
- foreign currency fluctuations.

Selected Annual Information

The following selected annual information is shown for the three most recently completed financial years:

<i>(\$ in 000's, except share and per share amounts)</i>	For the year ended		
	December 31		
	2021	2020	2019
Revenue	451,032	403,661	344,980
Earnings from operations	76,030	63,572	55,449
Net earnings	52,082	41,598	31,657
Adjusted net earnings	55,217	47,948	38,111
EBITDA	90,396	75,299	62,592
Adjusted EBITDA	100,096	87,985	75,909
Basic, earnings per share	1.30	1.05	0.82
Diluted, earnings per share	1.25	1.01	0.80
Adjusted diluted, earnings per share	1.32	1.16	0.96
Selected consolidated financial position data:			
Total assets	652,475	609,341	561,775
Total non-current liabilities	226,832	225,929	229,265
Dividends declared for the year:			
Cash dividends per common share	0.55	0.47	0.38

Over the three-year period, revenue increased year-over-year driven by growth in the Jamieson Brands segment through an expanded consumer base and international expansion, and growth in the Strategic Partners segment through increased business with existing and new customers. Since 2020, significant growth was achieved across both segments as consumers' response to COVID-19 resulted in an expanded consumer base and the acceleration of demand for immunity and general health supplements domestically and internationally.

Total assets have increased over the three-year period reflecting investments in working capital and property, plant, and equipment designed to improve efficiency and expand capacity. In 2021, significant investments were made to expand production capacity in response to growing demands driven by the COVID-19 pandemic, including right-of-use lease assets pertaining to our transition to a third-party logistics model.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under our Credit Facilities (refer to “*Credit Facilities*”), will be sufficient to meet the Company’s future operating expenses, capital expenditures, and future debt service costs.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under our Credit Facilities that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and our Credit Facilities will be sufficient to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to “*Risk Factors*”). From time to time, management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

As at December 31, 2021, the Company had \$132.7 million in cash and available revolving and swingline facilities and net debt of \$142.4 million.

<i>(\$ in 000's)</i>	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
Long-term debt	149,125	149,058
Cash	(6,775)	(1,166)
Net debt ⁽¹⁾	<u>142,350</u>	<u>147,892</u>

- (1) This is a non-IFRS financial measure. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS financial measure. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such measure.

On September 27, 2019, Jamieson Laboratories Ltd. (“JLL”), a wholly owned subsidiary of Jamieson, amended and restated its credit agreement to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of \$275.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility by \$200.0 million (collectively, the “Credit Facilities”). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

For the three and twelve months ended December 31, 2021, JLL made drawings of \$4.2 million and \$72.9 million, and debt repayments of \$29.4 million and \$72.8 million, respectively, applied against the Credit Facilities. For the twelve months ended December 31, 2021, the weighted average interest rate on the Credit Facilities was 2.7% (2020 - 3.1%).

The Credit Facilities are collateralized by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens. Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00. We are in compliance with all covenants as at December 31, 2021.

Analysis of Cash Flows — three months ended December 31, 2021 and 2020

	Three months ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2021	2020		
Cash, beginning of period	9,150	3,144	6,006	191.0%
Cash flows from (used in):				
Operating activities	34,309	18,744	15,565	83.0%
Investing activities	(5,399)	(4,220)	(1,179)	(27.9%)
Financing activities	(31,285)	(16,502)	(14,783)	(89.6%)
Cash, end of period	<u>6,775</u>	<u>1,166</u>	<u>5,609</u>	<u>481.0%</u>
Cash flows from operating activities	34,309	18,744	15,565	83.0%
Net Change in non-cash working capital	(9,799)	3,464	(13,263)	(382.9%)
Cash from operating activities before working capital considerations	<u>24,510</u>	<u>22,208</u>	<u>2,302</u>	<u>10.4%</u>

Cash Flows Generated from Operating Activities

In Q4 2021, cash flows generated from operating activities totalled \$34.3 million compared with \$18.7 million in Q4 2020. Cash from operating activities before working capital considerations of \$24.5 million was \$2.3 million higher due to increased earnings in the current quarter. Cash invested in working capital decreased by \$13.3 million mainly driven by favourable timing on the collection of receivables and accelerated inventory purchases realized in previous quarters.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2021 totalled \$5.4 million compared with \$4.2 million for the same period in the prior year. Purchases of property, plant and equipment of \$5.2 million was \$1.1 million higher reflecting our investments in additional manufacturing and packaging equipment required to expand production capacity. Expenditures on intangible assets of \$0.2 million was \$0.1 million higher reflecting our investments in website development, system implementations, product patents and registrations.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in Q4 2021 totalled \$31.3 million compared with \$16.5 million for the same period in the prior year. In Q4 2021, we made net repayments of \$25.3 million on our Credit Facilities, distributed \$6.1 million of dividends to common shareholders, and made payments of lease liabilities of \$0.8 million, partially offset by proceeds of \$0.8 million for the exercise of stock options and our employee share purchase plan ("ESPP"). In Q4 2020, we made net repayments of \$11.0 million on our Credit Facilities, distributed \$5.0 million of dividends to common shareholders, and made payments of lease liabilities of \$0.8 million, partially offset by proceeds of \$0.3 million from the exercise of stock options and our ESPP.

Analysis of Cash Flows — for the year ended December 31, 2021 and 2020

<i>(\$ in 000's, except as otherwise noted)</i>	Twelve months ended		\$ Change	% Change
	December 31			
	2021	2020		
Cash, beginning of period	1,166	198	968	488.9%
Cash flows from (used in):				
Operating activities	44,405	40,596	3,809	9.4%
Investing activities	(22,284)	(13,169)	(9,115)	(69.2%)
Financing activities	(16,512)	(26,459)	9,947	37.6%
Cash, end of period	<u>6,775</u>	<u>1,166</u>	<u>5,609</u>	<u>481.0%</u>
Cash flows from operating activities	44,405	40,596	3,809	9.4%
Net Change in non-cash working capital	27,326	20,204	7,122	35.3%
Cash from operating activities before working capital considerations	<u>71,731</u>	<u>60,800</u>	<u>10,931</u>	<u>18.0%</u>

Cash Flows Generated from Operating Activities

In YTD 2021, cash flows generated from operating activities totalled \$44.4 million compared with \$40.6 million in YTD 2020. Cash from operating activities before working capital considerations of \$71.7 million was \$10.9 million higher primarily due to higher earnings. Cash invested in working capital increased by \$7.1 million mainly driven by continued acceleration of inventory purchases to ensure continuity of supply, as well as the timing of payments and tax installments.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in YTD 2021 totalled \$22.3 million compared with \$13.2 million for the same period in the prior year. Purchases of property, plant and equipment of \$21.5 million was \$10.2 million higher reflecting our investments in additional manufacturing and packaging equipment required to expand production capacity. Expenditures on intangible assets of \$0.8 million was \$1.1 million lower due to prior year system related improvements and investments in website development, product patent and registrations.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in YTD 2021 totalled \$16.5 million compared with \$26.5 million for the same period in the prior year. In YTD 2021, we distributed \$22.1 million of dividends to common shareholders and made payments of lease liabilities of \$3.2 million, partially offset by net proceeds of \$0.1 million from our Credit Facilities and \$8.7 million for the exercise of stock options and our ESPP. In YTD 2020, we made net repayments of \$15.7 million on our Credit Facilities, distributed \$18.6 million of dividends to common shareholders, and made payments of lease liabilities of \$2.4 million, partially offset by proceeds of \$10.3 million from the exercise of stock options and our ESPP.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2021.

<i>(\$ in 000's)</i>	2021	2022-2025	Thereafter	Total
Operating leases ⁽¹⁾	\$ 4,174	\$ 18,949	\$ 14,481	\$ 37,604
Trade and other payable	74,533	-	-	74,533
Revolving credit facility ⁽²⁾	-	149,125	-	149,125
Total contractual obligations	\$ 78,707	\$ 168,074	\$ 14,481	\$ 261,262

(1) We have entered into several operating leases for vehicles, production equipment, computer and communications equipment, office equipment, and office and warehouse space. In 2021, the Company

entered into leases to increase warehouse and parking space at our Windsor facility. As of December 31, 2021, our total minimum lease payments payable in future years are \$37.6 million.

- (2) The Credit Facilities provide for a secured revolving facility of \$275.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility by \$200.0 million. The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Share-based compensation

The LTIP is an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the board of directors of the Company, at its discretion, may grant share options, restricted shares, RSUs, PSUs, DSUs, and stock appreciation rights. The awards are settled in common shares of the Company ("Common Shares") with a cash settlement alternative available to the Company. We also maintain the ESPP for all eligible employees for the purchase of Common Shares.

Our share-based compensation expense, for the three and twelve months ended December 31, 2021 is \$1.0 million and \$5.7 million, respectively (2020 - \$1.2 million and \$4.9 million).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases and our international sales. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income. As of December 31, 2021, \$79.3 million of anticipated foreign currency denominated purchases and \$57.3 million of anticipated foreign currency denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates in the 12 months following the end of the current quarter.

We also use interest rate swaps to manage our long-term interest rate exposure with respect to interest on our Credit Facilities which is based on fluctuating CDOR. We have entered into an interest rate swap with an effective date of October 1, 2020 to September 27, 2024 with a notional principal of \$140.0 million and an annual amortization of \$10.0 million on the first business day of each year. The notional principal of the interest rate swap is \$130.0 million as at the end of this reporting period. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

Outstanding Share Capital

	Common Shares	
	#	\$
As at January 1, 2021	39,872,912	255,795
Exercise of stock options	517,277	11,862
Employee stock purchase plan	16,751	557
As at December 31, 2021	40,406,940	268,214

	Common Shares	
	#	\$
As at January 1, 2020	38,989,942	243,224
Exercise of stock options	867,301	12,122
Employee stock purchase plan	15,669	449
As at December 31, 2020	39,872,912	255,795

As at December 31, 2021, the authorized share capital of the Company consisted of:

- Unlimited number of Common Shares. The holders of Common Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company; and
- Unlimited number of Preference Shares, issuable in series.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2021. Items subject to significant estimate uncertainty and critical judgments which have the most impact on the amounts recognized in the audited consolidated annual financial statements are included both below and in the annual audited financial statement notes.

Our significant accounting judgments, estimates and assumptions are affected as a result of the various ongoing economic and social impacts of COVID-19 and variants of concern. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on our financial position and our results of operations in the future. We are monitoring the future impact of the pandemic on all aspects of our business.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

We use historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages we estimated.

We provide for estimated payments to customers based on various trade programs and sales promotional incentives. We estimate the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and

there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

We update our expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net earnings, and comprehensive income will be affected in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Receivables and allowance for expected credit losses

We are exposed to credit risk with respect to amounts receivable from customers. Our allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer’s credit worthiness, updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of our customers.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units (“CGUs”) for the purpose of impairment testing. We assess impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect our future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 19 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2021.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities that are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in our income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

We employ significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. We review these decisions at least once each year or when circumstances change. We will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Significant Accounting Policies

Our audited consolidated annual financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2021.

Recently adopted accounting standards

No recent accounting standard changes have been identified as applicable for the three and twelve month period ended December 31, 2021 and onwards.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, disclosure controls and procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P as at December 31, 2021 and have concluded that the Company's DC&P was effective as at December 31, 2021.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company’s ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR as at December 31, 2021 and have concluded that the Company’s ICFR was effective as at December 31, 2021.

There have been no changes in the Company’s ICFR during the three-month period ended December 31, 2021 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Limitations of an Internal Control System

We believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control 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 future conditions.

Outlook

In fiscal 2022, we expect revenue to grow between 5.0% and 9.0%, representing revenues of approximately \$474.0 to \$491.0 million. We anticipate Adjusted EBITDA to range from \$108.0 to \$112.0 million and Adjusted diluted earnings per share to range from \$1.42 to \$1.48.

Revenue in the Jamieson Brands segment is expected to increase between 6.0% to 10.0% compared with fiscal 2021, driven by growth in the following categories:

- We expect domestic branded revenues to grow between 4.0% and 7.0%, reflecting strong consumer demand on a higher post-pandemic baseline and the impact of retail replenishments throughout 2021. We expect improved customer fill rates and strong on-shelf availability at retailers will enable us to effectively drive volumes with a focus on innovation and promotional activities, leveraging our 100th year anniversary marketing campaigns. We expect revenues in the first quarter of 2022 to increase by 4.0% to 6.0% compared with the first quarter of 2021, reflecting timing of retail shipments at the end of fiscal 2021.
- We expect international revenue growth of approximately 20.0% in U.S. dollars. Our growth will be driven by expansion across key regions in Asia, Europe and the Middle East, while continuing to drive accelerated growth in China as we increase our local capabilities and brand investments in market. We expect revenues in the first quarter of 2022 to grow by approximately 10.0% compared with the first quarter of 2021 reflecting the prioritization of non-immunity orders in the prior year while we return to seasonal fulfillment levels in the current year.

Revenue in the Strategic Partners segment is expected to increase by up to 5.0% compared with fiscal 2021, reflecting pricing and volume changes of our customers’ products. First quarter 2022 revenues are expected to decline by up to 10.0% compared with the first quarter of 2021, reflecting order timing and expanded programs with customers in the prior year.

We expect to grow Adjusted EBITDA margins through operating efficiencies while recuperating the impact of anticipated raw material increases. Our Jamieson Brands gross profit margins are expected to increase by approximately 50 basis points through operating efficiencies and Strategic Partners gross profit margins are expected to decline by approximately 50 basis points due to customer and program mix.

We expect to incur certain non-capital costs related to the enhancement of our IT systems to improve operating efficiencies and augment our system infrastructure during fiscal 2022. These costs will impact net earnings while our expected Adjusted net earnings and Adjusted diluted earnings per share for fiscal 2022 will reflect the adding back of these expenses on a tax-effected basis.

The foregoing financial outlook is based on the following assumptions for fiscal 2022, amongst others:

- Normalized SG&A expenses will increase by approximately 5.0% to 8.0% (5.0% to 7.0% in the first quarter of 2022 compared to the first quarter of 2021) from increased investments in international markets and our long-term growth opportunities in China;
- Depreciation expense will be approximately \$12.0 million reflecting the acceleration of our capacity expansion investments (assuming approximately \$15.0 to \$20.0 million of capital additions as we continue to build capacity at our facilities and invest in our IT infrastructure);
- Share-based compensation costs of \$5.0 to \$5.5 million;
- Interest expense of \$5.0 to \$5.5 million based on our estimated borrowing and prevailing rates;
- Income tax rates of approximately 27.0% based on non-deductible stock-based compensation;
- A fully diluted share count of approximately 42.0 million shares; and
- Average annual exchange rate between the U.S. and Canadian dollar of U.S. \$1.00 to 1.26.

The description of our financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry. Our financial outlook has been calculated in accordance with our current accounting policies and non-IFRS and other financial measures as defined in this MD&A. The description of our outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. Refer to "*Summary of Factors Affecting Our Performance*", "*Forward-Looking Information*" and "*Risk Factors*" for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 40,442,600 Common Shares are issued and outstanding. As of the date hereof, the Company had 2,544,796 options, 198,036 PSUs, 62 RSUs, and 15,563 DSUs outstanding.

Additional Information

Additional information relating to our Company, including our most recent annual report and annual information form are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below. Please see also the discussion of risks associated with COVID-19 discussed above under the heading "Summary of Factors Affecting Our Performance" and "Outlook".

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to us. We are exposed to credit risk from our customers (primarily related to trade accounts receivable) in the normal course of business. We have adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, we carry out regular credit evaluations and purchase credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance, foreign currency derivatives and interest rate derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash. We use foreign exchange forward contracts to manage foreign exchange transaction exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our accounts receivable and accounts payable are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. We manage our interest rate risk by entering into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Commodity Price Risk

We are exposed to price risk related to purchases of certain commodities used as raw materials. We may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to us.

Liquidity Risk

Liquidity risk is the risk we will not be able to meet our financial obligations associated with financial liabilities. We are exposed to this risk mainly in respect of our accounts payable and accrued liabilities, various long-term debt agreements, obligations under our post-retirement benefits plan and lease liabilities.

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.