



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

For three and nine months ended September 30, 2023

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

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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 November 1, 2023. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and our accompanying notes as at and for the three and nine months ended September 30, 2023, our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2022 and the related annual MD&A.

Our unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2023 have been prepared in accordance with IAS 34, "Interim Financial Reporting" under International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim 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 "Q3 2023" are to our fiscal quarter ended September 30, 2023 and all references to "Q3 2022" are to our fiscal quarter ended September 30, 2022. All references in this MD&A to "YTD 2023" are to our nine-month period ended September 30, 2023 and to "YTD 2022" are to our nine-month period ended September 30, 2022.

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”) as well as sports nutrition products through our Jamieson, youtheory, Progressive, Smart Solutions, Iron Vegan and Precision brands. All of our brands are collectively referred 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 50 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 Global Conflicts

The continued risk surrounding the Eastern Europe and Middle East conflicts may have an adverse impact on our business, financial condition, and results of operations. We do not conduct direct business operations in regions affected by these conflicts, however, we have a sales presence within the broader Eastern Europe and Middle East regions. We currently do not have any measurable disruption to our supply of raw materials and ability to service our customers in these regions.

Over the past year, international markets have experienced heightened inflation and fluctuations in consumer sentiments. These challenges have notably affected our Jamieson International business operations, particularly in neighbouring Eastern European and Middle Eastern regions where we conduct business. We continue to monitor the environment to respond rapidly to the evolving economic landscape and to ensure the continued stability of our business.

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, Progressive, Precision, Iron Vegan and youtheory. 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 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 300 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 2022, 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 various facilities globally. We enter into agreements with the third-party logistics partner to provide warehousing and distribution services for Jamieson Branded and Strategic Partners finished goods inventories. 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, inflation, 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 may 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 net exposure to fluctuating U.S.-Canadian currency exchange rates with foreign exchange hedging contracts. We may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies. With respect to our Chinese operations, we are exposed to the Chinese Renminbi (“RMB”) to Canadian currency exchange rates as certain sales in China are denominated in RMB.

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.

On April 28, 2023, we completed the acquisition of the operating assets of our former distribution partner in China for a total cash consideration of \$25.8 million, before post-closing cash adjustments. The following table provides a reconciliation of the net assets acquired at their fair value amounts:

	Preliminary fair value as at April 28, 2023	Measurement period fair value adjustments	Estimated fair value as at April 28, 2023
	\$	\$	\$
Inventories	16,134	(2,437)	13,697
Customer relationships	8,000	900	8,900
Goodwill	2,964	1,903	4,867
Deferred tax liability	(1,275)	(366)	(1,641)
Total net assets acquired	25,823	-	25,823

The determination of the fair value of assets acquired was based on management’s preliminary estimates and certain assumptions with respect to the fair values of the net assets acquired and are expected to be finalized within one year of acquisition. Adjustments made for the three and nine months ended September 30, 2023 are a result of closing inventory adjustments and customer relationships intangible assets.

Chinese Operations Strategic Partnership

On May 16, 2023, we completed our transaction with DCP Capital (“DCP”) with respect to our operations in China. The transaction involved DCP’s contribution of \$47.1 million (USD \$35.0 million) in capital in exchange for a 33% minority interest in Jamieson Health Products (Cayman Islands) Limited (“Jamieson-DCP Partnership”), which in turn holds Jamieson Health Products (Shanghai) Co., Ltd., Jamieson Health Products (Hong Kong) Trading Limited, and Jamieson Health Products (Hong Kong) Limited (together with Jamieson-DCP Partnership, “China Operations”).

The strategic partnership with DCP is another significant step forward as we accelerate our growth plans in the Chinese market. The Jamieson-DCP Partnership is governed by a board consisting of six members, including four from Jamieson, with certain reserved matters requiring a vote of two-thirds of the directors present at the board meeting, including at least one DCP director. Judgment is involved when determining whether these reserved matters affect Jamieson’s current ability to direct the relevant activities and whether it has the ability to use its power over this strategic partnership to affect the amount of the Company’s returns. We have determined that Jamieson controls the China Operations based on all facts and circumstances assessed during the period. Therefore, the Jamieson-DCP Partnership is consolidated into the Company’s unaudited interim consolidated financial statements. DCP’s 33% minority interest in Jamieson-DCP Partnership is recorded as non-controlling interest.

In conjunction with DCP’s \$47.1 million investment in the Company’s China Operations on May 16, 2023, DCP also completed its subscription for 2,527,121 Series A Preference Shares of the Company (“Preferred Shares”) and 2,527,121 warrants (“Warrants”) to purchase common shares of the Company for proceeds of \$101.6 million (USD \$75 million). The Preferred Shares carry a nominal annual dividend of \$0.01 per share and are redeemable at \$101.6 million by DCP between May 15, 2025 and May 15, 2028, representing the second and fifth anniversary from the completion of the transaction. Respectively, the Warrants are exercisable by DCP beginning May 15, 2025 and expire on May 15, 2028. The exercise price of the Warrants is \$40.19 per share representing a 10% premium to the 20-day volume weighted average common share price as of the signing of the subscription agreement on February 23, 2023.

As at September 30, 2023, there is \$0.1 million in cash held by Jamieson Health Products (Cayman Islands) Limited reserved for China Operations.

Refer to Note 4 of the Company’s unaudited condensed consolidated financial statements for additional information on the China Operations Strategic Partnership.

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

We are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products in the jurisdictions in which we operate. 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 and applicable site licenses, certifications and import licenses for all of our manufacturing and distribution centres. Our products sold

internationally 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 interim consolidated financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 15 in our unaudited condensed consolidated interim 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 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 the amortization of fair value adjustments on acquired inventories 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, consulting fees, 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 (i) acquisition and divestiture related costs; (ii) IT system implementation costs; and (iii) other non-operating costs 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 (i) acquisition and divestiture related costs; (ii) IT system implementation costs; (iii) amortization of fair value adjustments; and (iv) other non-operating costs 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) accretion on preferred shares; (iv) depreciation of property, plant, and equipment; and (v) 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) acquisition and divestiture related costs; (iv) IT system implementation costs; (v) amortization of fair value adjustments; 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) acquisition and divestiture related costs; (iv) IT system implementation costs; (v) amortization of fair value adjustments; (vi) accretion on preferred shares; and (vii) other non-operating costs. 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 unaudited condensed consolidated interim financial statements and related notes. A quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings can be found below.

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<i>(§ in 000's, except as otherwise noted)</i>				
Revenue	151,505	138,929	455,807	354,594
Cost of sales	100,355	90,440	301,275	227,445
Gross profit	51,150	48,489	154,532	127,149
Gross profit margin ⁽¹⁾	33.8%	34.9%	33.9%	35.9%
Selling, general and administrative expenses	30,780	30,855	98,004	77,471
Share-based compensation	1,413	1,315	4,334	3,593
Earnings from operations	18,957	16,319	52,194	46,085
Operating margin ⁽¹⁾	12.5%	11.7%	11.5%	13.0%
Foreign exchange (gain) loss	(1,359)	(759)	286	(709)
Interest expense and other financing costs	5,589	4,144	17,899	6,660
Accretion on preferred shares	2,041	-	2,868	-
Earnings before income taxes	12,686	12,934	31,141	40,134
Provision for income taxes	4,915	2,052	9,101	9,417
Net earnings	7,771	10,882	22,040	30,717
Net earnings (loss) attributable to:				
Shareholders	8,224	10,882	23,475	30,717
Non-controlling interests	(453)	-	(1,435)	-
	7,771	10,882	22,040	30,717
Adjusted net earnings ⁽²⁾	14,991	14,221	37,469	38,381
EBITDA ⁽²⁾	25,512	21,744	67,095	58,967
Adjusted EBITDA ⁽²⁾	31,871	29,505	87,435	74,890
Adjusted EBITDA margin ⁽³⁾	21.0%	21.2%	19.2%	21.1%
Weighted average number of shares				
Basic	42,055,796	41,386,719	41,926,277	40,766,991
Diluted	42,567,969	42,449,242	42,421,242	41,813,337
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.18	0.26	0.53	0.75
Diluted, earnings per share	0.18	0.26	0.52	0.73
Adjusted diluted, earnings per share ⁽³⁾	0.35	0.34	0.88	0.92

(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>	<u>As at September 30,</u> 2023	<u>As at December 31,</u> 2022
Selected Consolidated Financial Position Data:		
Total assets	1,138,141	1,107,263
Total non-current liabilities	493,951	520,867

Results of Operations – three months ended September 30, 2023 and 2022

The following table provides a summary of our results for the three months ended September 30, 2023 and September 30, 2022.

<i>(\$ in 000's, except as otherwise noted)</i>	Three months ended		\$ Change	% Change
	September 30			
	<u>2023</u>	<u>2022</u>		
Revenue	151,505	138,929	12,576	9.1%
Cost of sales	100,355	90,440	9,915	11.0%
Gross profit	51,150	48,489	2,661	5.5%
Gross profit margin	33.8%	34.9%	-	(1.1%)
Selling, general and administrative expenses	30,780	30,855	(75)	(0.2%)
Share-based compensation	1,413	1,315	98	7.5%
Earnings from operations	18,957	16,319	2,638	16.2%
Operating margin	12.5%	11.7%	-	0.8%
Foreign exchange (gain) loss	(1,359)	(759)	(600)	(79.1%)
Interest expense and other financing costs	5,589	4,144	1,445	34.9%
Accretion on preferred shares	2,041	-	2,041	100.0%
Earnings before income taxes	12,686	12,934	(248)	(1.9%)
Provision for income taxes	4,915	2,052	2,863	139.5%
Net earnings	7,771	10,882	(3,111)	(28.6%)
Net earnings (loss) attributable to:				
Shareholders	8,224	10,882	(2,658)	(24.4%)
Non-controlling interests	(453)	-	(453)	(100.0%)
	<u>7,771</u>	<u>10,882</u>	<u>(3,111)</u>	<u>(28.6%)</u>
Adjusted net earnings	14,991	14,221	770	5.4%
EBITDA	25,512	21,744	3,768	17.3%
Adjusted EBITDA	31,871	29,505	2,366	8.0%
Adjusted EBITDA margin	21.0%	21.2%	-	(0.2%)

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 September 30, 2023 and September 30, 2022.

	Three months ended		\$ Change	% Change
	September 30			
	2023	2022		
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings:	7,771	10,882	(3,111)	(28.6%)
<i>Add:</i>				
Provision for income taxes	4,915	2,052	2,863	139.5%
Interest expense and other financing costs	5,589	4,144	1,445	34.9%
Accretion on preferred shares	2,041	-	2,041	100.0%
Depreciation of property, plant, and equipment	3,695	3,194	501	15.7%
Amortization of intangible assets	1,501	1,472	29	2.0%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	25,512	21,744	3,768	17.3%
Share-based compensation ⁽¹⁾	1,413	1,315	98	7.5%
Foreign exchange (gain) loss	(1,359)	(759)	(600)	(79.1%)
Acquisition and divestiture related costs ⁽²⁾	431	6,270	(5,839)	(93.1%)
Amortization of fair value adjustments ⁽³⁾	3,504	-	3,504	100.0%
IT system implementation ⁽⁴⁾	2,370	935	1,435	153.5%
Adjusted EBITDA	31,871	29,505	2,366	8.0%
Provision for income taxes	(4,915)	(2,052)	(2,863)	(139.5%)
Interest expense and other financing costs	(5,589)	(4,144)	(1,445)	(34.9%)
Depreciation of property, plant, and equipment	(3,695)	(3,194)	(501)	(15.7%)
Amortization of intangible assets	(1,501)	(1,472)	(29)	(2.0%)
Share-based compensation ⁽⁵⁾	(1,290)	(1,315)	25	1.9%
Tax deduction from vesting of certain share-based awards ⁽⁵⁾	-	(1,399)	1,399	100.0%
Tax effect of normalization adjustments	110	(1,708)	1,818	106.4%
Adjusted net earnings	14,991	14,221	770	5.4%

	Three months ended		\$ Change	% Change
	September 30			
	2023	2022		
<i>(\$ in 000's, except as otherwise noted)</i>				
Gross profit	51,150	48,489	2,661	5.5%
Amortization of fair value adjustments ⁽³⁾	3,504	-	3,504	100.0%
Normalized gross profit⁽⁶⁾	54,654	48,489	6,165	12.7%
Normalized gross profit margin⁽⁷⁾	36.1%	34.9%	-	1.2%
Selling, general and administrative expenses	30,780	30,855	(75)	(0.2%)
Acquisition and divestiture related costs ⁽²⁾	(431)	(6,270)	5,839	93.1%
IT system implementation ⁽⁴⁾	(2,370)	(935)	(1,435)	(153.5%)
Normalized selling, general and administrative expenses⁽⁶⁾	27,979	23,650	4,329	18.3%
Earnings from operations	18,957	16,319	2,638	16.2%
Acquisition and divestiture related costs ⁽²⁾	431	6,270	(5,839)	(93.1%)
IT system implementation ⁽⁴⁾	2,370	935	1,435	153.5%
Amortization of fair value adjustments ⁽³⁾	3,504	-	3,504	100.0%
Normalized earnings from operations⁽⁶⁾	25,262	23,524	1,738	7.4%
Normalized operating margin⁽⁷⁾	16.7%	16.9%	-	(0.2%)

- (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.

- (2) Current quarter expense mainly pertains to legal and consulting costs associated with the acquisition and integration of our former distributor partner in China on April 28, 2023, and costs associated with the completion of our transaction with DCP on May 16, 2023.
- (3) This cost represents the post-closing amortization of the fair value increase of acquired inventories related to the April 28, 2023 transaction with our former distribution partner in China.
- (4) Current quarter expense mainly pertains to development costs associated with our IT system implementation to augment our system infrastructure. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (5) Costs pertaining to our LTIP, excluding PSUs granted to certain employees relating to business combinations.
- (6) 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.
- (7) 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 September 30, 2023 and September 30, 2022.

Jamieson Brands

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

For the three months ended September 30,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	129,138	112,248	16,890	15.0%
Gross profit	47,691	45,202	2,489	5.5%
Gross profit margin	36.9%	40.3%	-	(3.4%)
Normalized gross profit	51,195	45,202	5,993	13.3%
Normalized gross profit margin	39.6%	40.3%	-	(0.7%)
Selling, general and administrative expenses	29,258	29,332	(74)	(0.3%)
Normalized selling, general and administrative expenses	26,457	22,127	4,330	19.6%
Share-based compensation	1,413	1,315	98	7.5%
Earnings from operations	17,020	14,555	2,465	16.9%
Operating margin	13.2%	13.0%	-	0.2%
Normalized earnings from operations	23,325	21,760	1,565	7.2%
Normalized operating margin	18.1%	19.4%	-	(1.3%)
Adjusted EBITDA	29,125	27,158	1,967	7.2%
Adjusted EBITDA margin	22.6%	24.2%	-	(1.6%)

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

For the three months ended September 30,

	2023	2022	\$ Change	% Change
Gross profit	47,691	45,202	2,489	5.5%
Amortization of fair value adjustments	3,504	-	3,504	100.0%
Normalized gross profit	51,195	45,202	5,993	13.3%
Normalized gross profit margin	39.6%	40.3%	-	(0.7%)
Selling, general and administrative expenses	29,258	29,332	(74)	(0.3%)
Acquisition and divestiture related costs	(431)	(6,270)	5,839	93.1%
IT system implementation	(2,370)	(935)	(1,435)	(153.5%)
Normalized selling, general and administrative expenses	26,457	22,127	4,330	19.6%
Earnings from operations	17,020	14,555	2,465	16.9%
Acquisition and divestiture related cost	431	6,270	(5,839)	(93.1%)
IT system implementation	2,370	935	1,435	153.5%
Amortization of fair value adjustments	3,504	-	3,504	100.0%
Normalized earnings from operations	23,325	21,760	1,565	7.2%
Normalized operating margin	18.1%	19.4%	-	(1.3%)

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 September 30, 2023 and September 30, 2022.

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

For the three months ended September 30,

	2023	2022	\$ Change	% Change
Earnings from operations	17,020	14,555	2,465	16.9%
Depreciation of property, plant, and equipment	2,886	2,611	275	10.5%
Amortization of intangible assets	1,501	1,472	29	2.0%
Share-based compensation	1,413	1,315	98	7.5%
Acquisition and divestiture related cost	431	6,270	(5,839)	(93.1%)
Amortization of fair value adjustments	3,504	-	3,504	100.0%
IT system implementation	2,370	935	1,435	153.5%
Adjusted EBITDA	29,125	27,158	1,967	7.2%

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended September 30, 2023 and September 30, 2022.

Strategic Partners

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

For the three months ended September 30,

	2023	2022	\$ Change	% Change
Revenue	22,367	26,681	(4,314)	(16.2%)
Gross profit	3,459	3,287	172	5.2%
Gross profit margin	15.5%	12.3%	-	3.2%
Selling, general and administrative expenses	1,522	1,523	(1)	(0.1%)
Earnings from operations	1,937	1,764	173	9.8%
Operating margin	8.7%	6.6%	-	2.1%
Adjusted EBITDA	2,746	2,347	399	17.0%
Adjusted EBITDA margin	12.3%	8.8%	-	3.5%

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 September 30, 2023 and September 30, 2022.

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

For the three months ended September 30,

Earnings from operations

Depreciation of property, plant, and equipment

Adjusted EBITDA

	2023	2022	\$ Change	% Change
Earnings from operations	1,937	1,764	173	9.8%
Depreciation of property, plant, and equipment	809	583	226	38.8%
Adjusted EBITDA	2,746	2,347	399	17.0%

Revenue

Revenue increased by 9.1%, or \$12.6 million, to \$151.5 million in Q3 2023. This was driven by 15.0% growth in Jamieson Brands revenue while Strategic Partners revenue declined 16.2% compared with Q3 2022.

Revenue in the Jamieson Brands segment increased by \$16.9 million, or 15.0%, to \$129.1 million in Q3 2023. Canada revenue declined by 4.6% in Q3 2023, as consumer consumption continues to grow across categories and outpace shipments, while earlier cold and flu shipments created an elevated base in the prior year, resulting in growth of 11.7% in Q3 2022 compared with Q3 2021. Demand continues to be resilient across many non-immunity categories including minerals, fish-oils and herbals as consumers remain dedicated to their routines. Youtheory, which was acquired on July 19, 2022, contributed \$33.0 million in Q3 2023 compared with \$17.5 million in Q3 2022 driven by acquisition timing, new product launches and distribution. Revenue for the quarter represents growth of 70.6% on a pro-forma and U.S. dollar basis reflecting the factors noted above and the timing of certain Q4 promotional shipments into the current quarter. China shipments grew 67.1% in Q3 2023 on a local currency basis, reflecting the impact of our transition to an owned-distribution model. On a pro-forma and local currency basis, revenue grew 24.8% compared with Q3 2022 due to continued strong consumer demand in cross border e-commerce and domestic retail distribution gains. Jamieson International grew 8.7% on a constant U.S. dollar basis driven by new product launches and promotional timing.

Revenue in the Strategic Partners segment decreased by \$4.3 million, or 16.2%, to \$22.4 million in Q3 2023, reflecting timing of orders which were delivered in the second quarter of 2023.

Gross profit

Gross profit increased by \$2.7 million to \$51.2 million in Q3 2023, while normalized gross profit increased by \$6.2 million mainly driven by higher revenues noted above. Gross profit margin decreased by 110 basis points to 33.8% in Q3 2023, while normalized gross profit margin increased by 120 basis points driven by a higher proportionate mix of Jamieson Brands revenue. In conjunction with our Chinese distributor acquisition, we realized an accounting adjustment to increase our acquired inventory to its fair value, of which \$3.5 million was attributable to inventories sold in Q3 and included in gross profit.

Gross profit in the Jamieson Brands segment increased by \$2.5 million to \$47.7 million in Q3 2023, while normalized gross profit increased \$6.0 million mainly driven by revenue growth. Gross profit margin decreased by 340 basis points to 36.9%, while normalized gross profit margin decreased by 70 basis points to 39.6%, reflecting the lower gross profit margin profile of youtheory along with quarter specific category mix.

Gross profit in the Strategic Partners segment increased by \$0.2 million to \$3.5 million and gross profit margin increased by 320 basis points to 15.5% in Q3 2023 due mainly drive by customer and program mix.

Selling, general and administrative expenses

SG&A expenses of \$30.8 million in Q3 2023 was relatively consistent with Q3 2022. Excluding the impact of specified costs, SG&A expenses increased by \$4.3 million or 18.3% in Q3 2023 reflecting the acquisition of youtheory in the prior year and impact of our transition to an owned-distribution model in China. We continue to prioritize our global expansion initiatives with resources, marketing and infrastructure to support our growth in the U.S. and China.

Specified costs of \$2.8 million in Q3 2023 are mainly comprised of IT system implementation costs of \$2.4 million and costs associated with our Chinese expansion of \$0.4 million.

Share-based compensation

Share-based compensation increased by \$0.1 million to \$1.4 million in Q3 2023 reflecting wage inflation and include grants to senior management in the acquired youtheory business compared to Q3 2022.

Earnings from operations and operating margin

Earnings from operations increased by \$2.6 million, due to higher revenues and gross profit while investments in SG&A on expansion initiatives were offset by lower acquisition and divestiture related costs. Operating margin increased by 80 basis points to 12.5% in Q3 2023. Normalized earnings from operations increased by \$1.7 million, or 7.4% in Q3 2023, and normalized operating margin was 16.7% compared with 16.9% in Q3 2022.

Earnings from operations in the Jamieson Brands segment increased by \$2.5 million and operating margin increased by 20 basis points to 13.2% in Q3 2023. Normalized earnings from operations increased by \$1.6 million driven by higher revenue and gross profit. Normalized operating margin decreased by 130 basis points to 18.1% in Q3 2023 due to lower gross profit margins including the lower gross profit margin profile of youtheory and quarter specific product mix.

Earnings from operations in the Strategic Partners segment increased by \$0.2 million due to higher gross profit. Operating margin increased by 210 basis points to 8.7% in Q3 2023 due to higher gross profit margins.

Foreign exchange gain

Foreign exchange gain of \$1.4 million in Q3 2023 resulted from changes in currency exchange rates on our foreign denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations from USD/CAD and RMB/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 increased by \$1.4 million to \$5.6 million in Q3 2023 resulting from higher prevailing interest rates offset by lower average borrowings.

Accretion on preferred shares

Preferred shares issued on May 16, 2023 as part of the Jamieson-DCP Partnership accrete at approximately 9% to its redeemable value of \$101.6 million at May 15, 2025. Accretion expense of \$2.0 million was realized during Q3 2023.

Provision for income taxes

Provision for income taxes was \$4.9 million in Q3 2023 compared with \$2.1 million in Q3 2022. Our Q3 2023 normalized effective tax rate of 33.4% reflects the earnings mix in higher rate jurisdictions compared with Q3 2022 normalized effective tax rate of 28.8%. Q3 2023 normalized effective tax rate is adjusted to reflect the non-deductible preferred share accretion of \$2.0 million.

Net earnings and adjusted net earnings

Net earnings was \$7.8 million, while adjusted net earnings was \$15.0 million or \$0.8 million higher than Q3 2023 as higher normalized earnings from operations were offset by higher interest expense.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests of \$0.5 million represents DCP's minority interest on our net loss related to our China operations largely driven by the amortization of fair value adjustments of acquired inventories offsetting higher revenue.

Depreciation

Depreciation expense increased by \$0.5 million to \$3.7 million in Q3 2023 resulting from prior period investments to increase capacity and higher depreciation from the acquisition impact of youtheory.

Amortization

Amortization expense of \$1.5 million was relatively consistent with Q3 2022.

EBITDA and Adjusted EBITDA

EBITDA increased by \$3.8 million to \$25.5 million in Q3 2023 primarily due to higher revenue and gross profit while investments in SG&A on expansion initiatives were offset by lower acquisition and divestiture related costs.

Adjusted EBITDA increased by \$2.4 million to \$31.9 million, reflecting higher volumes and gross profit. Adjusted EBITDA margin decreased by 20 basis points to 21.0% for the quarter as we prioritized certain SG&A and marketing investment in the U.S. and China.

Adjusted EBITDA in the Jamieson Brands segment increased by \$2.0 million to \$29.1 million driven by higher revenue and gross profit. Adjusted EBITDA margin decreased by 160 basis points to 22.6% due to lower gross profit margin noted above.

Adjusted EBITDA in the Strategic Partners segment increased by \$0.4 million, to \$2.7 million and Adjusted EBITDA margin increased by 350 basis points to 12.3% due to increased gross profit margin from operating efficiencies.

Results of Operations – nine months ended September 30, 2023 and 2022

The following table provides a summary of our results for the nine months ended September 30, 2023 and September 30, 2022.

	Nine months ended		\$ Change	% Change
	September 30			
<i>(\$ in 000's, except as otherwise noted)</i>	2023	2022		
Revenue	455,807	354,594	101,213	28.5%
Cost of sales	301,275	227,445	73,830	32.5%
Gross profit	154,532	127,149	27,383	21.5%
Gross profit margin	33.9%	35.9%	-	(2.0%)
Selling, general and administrative expenses	98,004	77,471	20,533	26.5%
Share-based compensation	4,334	3,593	741	20.6%
Earnings from operations	52,194	46,085	6,109	13.3%
Operating margin	11.5%	13.0%	-	(1.5%)
Foreign exchange loss/(gain)	286	(709)	995	140.3%
Interest expense and other financing costs	17,899	6,660	11,239	168.8%
Accretion on preferred shares	2,868	-	2,868	100.0%
Earnings before income taxes	31,141	40,134	(8,993)	(22.4%)
Provision for income taxes	9,101	9,417	(316)	(3.4%)
Net earnings	22,040	30,717	(8,677)	(28.2%)
Net earnings (loss) attributable to:				
Shareholders	23,475	30,717	(7,242)	(23.6%)
Non-controlling interests	(1,435)	-	(1,435)	(100.0%)
	22,040	30,717	(8,677)	(28.2%)
Adjusted net earnings	37,469	38,381	(912)	(2.4%)
EBITDA	67,095	58,967	8,128	13.8%
Adjusted EBITDA	87,435	74,890	12,545	16.8%
Adjusted EBITDA margin	19.2%	21.1%	-	(1.9%)

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 nine months ended September 30, 2023 and September 30, 2022.

	Nine months ended		\$ Change	% Change
	September 30			
<i>(\$ in 000's, except as otherwise noted)</i>	2023	2022		
Net earnings	22,040	30,717	(8,677)	(28.2%)
<i>Add:</i>				
Provision for income taxes	9,101	9,417	(316)	(3.4%)
Interest expense and other financing costs	17,899	6,660	11,239	168.8%
Accretion on preferred shares	2,868	-	2,868	100.0%
Depreciation of property, plant, and equipment	10,821	8,574	2,247	26.2%
Amortization of intangible assets	4,366	3,599	767	21.3%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	67,095	58,967	8,128	13.8%
Share-based compensation ⁽¹⁾	4,334	3,593	741	20.6%
Foreign exchange loss/(gain)	286	(709)	995	140.3%
Acquisition and divestiture related cost ⁽²⁾	5,539	9,754	(4,215)	(43.2%)
Amortization of fair value adjustments ⁽³⁾	5,819	-	5,819	100.0%
IT system implementation ⁽⁴⁾	4,469	3,110	1,359	43.7%
Other	(107)	175	(282)	(161.1%)
Adjusted EBITDA	87,435	74,890	12,545	16.8%
Provision for income taxes	(9,101)	(9,417)	316	3.4%
Interest expense and other financing costs	(17,899)	(6,660)	(11,239)	(168.8%)
Depreciation of property, plant, and equipment	(10,821)	(8,574)	(2,247)	(26.2%)
Amortization of intangible assets	(4,366)	(3,599)	(767)	(21.3%)
Share-based compensation ⁽⁵⁾	(4,047)	(3,593)	(454)	(12.6%)
Tax deduction from vesting of certain share-based awards ⁽⁶⁾	(1,022)	(1,399)	377	26.9%
Tax effect of normalization adjustments	(2,710)	(3,267)	557	17.0%
Adjusted net earnings	37,469	38,381	(912)	(2.4%)

September 30

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

	2023	2022	\$ Change	% Change
Gross profit	154,532	127,149	27,383	21.5%
Amortization of fair value adjustments ⁽³⁾	5,819	-	5,819	100.0%
Normalized gross profit	160,351	127,149	33,202	26.1%
Normalized gross profit margin	35.2%	35.9%	-	(0.7%)
Selling, general and administrative expenses	98,004	77,471	20,533	26.5%
Acquisition and divestiture related cost ⁽²⁾	(5,539)	(9,754)	4,215	43.2%
IT system implementation ⁽⁴⁾	(4,469)	(3,110)	(1,359)	(43.7%)
Other	107	(175)	282	161.1%
Normalized selling, general and administrative expenses	88,103	64,432	23,671	36.7%
Earnings from operations	52,194	46,085	6,109	13.3%
Acquisition and divestiture related cost ⁽²⁾	5,539	9,754	(4,215)	(43.2%)
Amortization of fair value adjustments ⁽³⁾	5,819	-	5,819	100.0%
IT system implementation ⁽⁴⁾	4,469	3,110	1,359	43.7%
Other	(107)	175	(282)	(161.1%)
Normalized earnings from operations	67,914	59,124	8,790	14.9%
Normalized operating margin	14.9%	16.7%	-	(1.8%)

- (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.
- (2) Current period expense mainly pertains to legal and consulting costs associated with the acquisition and integration of our former distributor partner in China on April 28, 2023, and costs associated with the completion of our transaction with DCP on May 16, 2023.
- (3) This cost represents the post-closing amortization of the fair value increase of acquired inventories related to the April 28, 2023 transaction with our former distribution partner in China.
- (4) Current period expense mainly pertains to development costs associated with our IT system implementation to augment our system infrastructure. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (5) Costs pertaining to our LTIP, excluding PSUs granted to certain employees relating to business combinations.
- (6) The vesting of share-based compensation provides a tax benefit during the period in which the awards are settled.

The following table provides selected financial information for the Jamieson Brands operating segment for the nine months ended September 30, 2023 and September 30, 2022.

Jamieson Brands

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

For the nine months ended September 30,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	370,164	283,151	87,013	30.7%
Gross profit	141,211	118,694	22,517	19.0%
Gross profit margin	38.1%	41.9%	-	(3.8%)
Normalized gross profit	147,030	118,694	28,336	23.9%
Normalized gross profit margin	39.7%	41.9%	-	(2.2%)
Selling, general and administrative expenses	93,200	72,831	20,369	28.0%
Normalized selling, general and administrative expenses	83,371	59,840	23,531	39.3%
Share-based compensation	4,334	3,593	741	20.6%
Earnings from operations	43,677	42,270	1,407	3.3%
Operating margin	11.8%	14.9%	-	(3.1%)
Normalized earnings from operations	59,325	55,261	4,064	7.4%
Normalized operating margin	16.0%	19.5%	-	(3.5%)
Adjusted EBITDA	76,432	69,256	7,176	10.4%
Adjusted EBITDA margin	20.6%	24.5%	-	(3.9%)

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

For the nine months ended September 30,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Gross profit	141,211	118,694	22,517	19.0%
Amortization of fair value adjustments	5,819	-	5,819	100.0%
Normalized gross profit	147,030	118,694	28,336	23.9%
Normalized gross profit margin	39.7%	41.9%	-	(2.2%)
Selling, general and administrative expenses	93,200	72,831	20,369	28.0%
Acquisition and divestiture related costs	(5,539)	(9,754)	4,215	43.2%
IT system implementation	(4,469)	(3,110)	(1,359)	(43.7%)
Other	179	(127)	306	240.9%
Normalized selling, general and administrative expenses	83,371	59,840	23,531	39.3%
Earnings from operations	43,677	42,270	1,407	3.3%
Acquisition and divestiture related cost	5,539	9,754	(4,215)	(43.2%)
IT system implementation	4,469	3,110	1,359	43.7%
Amortization of fair value adjustments	5,819	-	5,819	100.0%
Other	(179)	127	(306)	(240.9%)
Normalized earnings from operations	59,325	55,261	4,064	7.4%
Normalized operating margin	16.0%	19.5%	-	(3.5%)

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 nine months ended September 30, 2023 and September 30, 2022.

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

For the nine months ended September 30,	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	43,677	42,270	1,407	3.3%
Depreciation of property, plant, and equipment	8,407	6,802	1,605	23.6%
Amortization of intangible assets	4,366	3,599	767	21.3%
Share-based compensation	4,334	3,593	741	20.6%
Acquisition and divestiture related cost	5,539	9,754	(4,215)	(43.2%)
Amortization of fair value adjustments	5,819	-	5,819	100.0%
IT system implementation	4,469	3,110	1,359	43.7%
Other	(179)	128	(307)	(239.8%)
Adjusted EBITDA	<u>76,432</u>	<u>69,256</u>	<u>7,176</u>	<u>10.4%</u>

The following table provides selected financial information for the Strategic Partners operating segment for the nine months ended September 30, 2023 and September 30, 2022.

Strategic Partners

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

For the nine months ended September 30,	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	85,643	71,443	14,200	19.9%
Gross profit	13,321	8,455	4,866	57.6%
Gross profit margin	15.6%	11.8%	-	3.8%
Selling, general and administrative expenses	4,804	4,640	164	3.5%
Normalized selling, general and administrative expenses	4,732	4,592	140	3.0%
Earnings from operations	8,517	3,815	4,702	123.3%
Operating margin	9.9%	5.3%	-	4.6%
Normalized earnings from operations	8,589	3,863	4,726	122.3%
Normalized operating margin	10.0%	5.4%	-	4.6%
Adjusted EBITDA	11,003	5,634	5,369	95.3%
Adjusted EBITDA margin	12.8%	7.9%	-	4.9%

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

For the nine months ended September 30,	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Selling, general and administrative expenses	4,804	4,640	164	3.5%
Other	(72)	(48)	(24)	(50.0%)
Normalized selling, general and administrative expenses	<u>4,732</u>	<u>4,592</u>	<u>140</u>	<u>3.0%</u>
Earnings from operations	8,517	3,815	4,702	123.3%
Other	72	48	24	50.0%
Normalized earnings from operations	<u>8,589</u>	<u>3,863</u>	<u>4,726</u>	<u>122.3%</u>
Normalized operating margin	10.0%	5.4%	-	4.6%

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 nine months ended September 30, 2023 and September 30, 2022.

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

For the nine months ended September 30,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	8,517	3,815	4,702	123.3%
Depreciation of property, plant, and equipment	2,414	1,772	642	36.2%
Other	<u>72</u>	<u>47</u>	<u>25</u>	<u>53.2%</u>
Adjusted EBITDA	<u>11,003</u>	<u>5,634</u>	<u>5,369</u>	<u>95.3%</u>

Revenue

Revenue increased by 28.5%, or \$101.2 million, to \$455.8 million in YTD 2023. This was driven by 30.7% growth in Jamieson Brands revenue and 19.9% growth in Strategic Partners revenue compared with YTD 2022.

Revenue in the Jamieson Brands segment increased by \$87.0 million, or 30.7%, to \$370.2 million in YTD 2023. Canada revenue decreased by 0.3% in YTD 2023 despite continued growth in consumer consumption as customer and distributor partners reduced inventory levels in response to higher costs of capital, plus the impact of earlier cold and flu shipments in the prior year. Youtheory contributed \$97.2 million, representing 22.9% growth on a pro-forma U.S. dollar basis, driven by innovation, growth in existing channels and continued distribution gains. China shipments grew by 51.3% in YTD 2023 reflecting the transition to an owned-distribution model, continued consumer demand in cross border e-commerce and growth in domestic retail. Jamieson International declined by 11.9% on a constant U.S. dollar basis due to slowdowns in regulatory environments impacting planned growth in new and existing markets, as well as timing of shipments in the prior year.

Revenue in the Strategic Partners segment increased by \$14.2 million, or 19.9%, to \$85.6 million in YTD 2023 driven by available production capacity and pricing.

Gross profit

Gross profit increased by \$27.4 million to \$154.5 million in YTD 2023, while normalized gross profit increased \$33.2 million mainly driven by higher revenue noted above. Gross profit margin decreased by 200 basis points to 33.9% in YTD 2023, while normalized gross profit margin decreased by 70 basis points to 35.2% reflecting a lower gross profit margin profile of youtheory revenue. In conjunction with our Chinese distributor acquisition, we realized an accounting adjustment to increase our acquired inventory to its fair value, of which \$5.8 million was attributable to inventories sold YTD 2023 and included in gross profit.

Gross profit in the Jamieson Brands segment increased by \$22.5 million to \$141.2 million in YTD 2023, while normalized gross profit increased by \$28.3 million, mainly driven by higher revenue, including organic growth and the acquisition of youtheory. Gross profit margin decreased by 380 basis points to 38.1%, while normalized gross profit margin decreased by 220 basis points to 39.7%, reflecting the lower gross profit margin profile of youtheory, along with category mix.

Gross profit in the Strategic Partners segment increased by \$4.9 million to \$13.3 million and gross profit margin increased by 380 basis points to 15.6% in YTD 2023 mainly due to volume driven operating efficiencies, with pricing offsetting higher input costs.

Selling, general and administrative expenses

SG&A expenses increased by \$20.5 million to \$98.0 million in YTD 2023. Excluding the impact of specified costs and the addition of youtheory SG&A of \$19.9 million, SG&A expenses increased by \$3.8 million or 5.9% in YTD 2023 largely reflecting global expansion initiatives through resources, marketing and infrastructure to support our growth in the U.S. and China.

Specified costs of \$9.9 million in YTD 2023 are mainly comprised of acquisition and divestiture related costs of \$5.5 million and IT system development and implementation costs of \$4.5 million.

Share-based compensation

Share-based compensation increased by \$0.7 million to \$4.3 million in YTD 2023 reflecting wage inflation and include grants to senior management in the acquired youtheory business compared to the prior year.

Earnings from operations and operating margin

Earnings from operations increased by \$6.1 million, with higher revenues and gross profit partially offset by higher investments in SG&A. Operating margin decreased by 150 basis points to 11.5% in YTD 2023, reflecting the margin profile of youtheory and higher investments in SG&A to support China. Normalized earnings from operations increased by \$8.8 million, or 14.9% in YTD 2023 and normalized operating margin was 14.9% compared with 16.7% in YTD 2022.

Earnings from operations in the Jamieson Brands segment increased by \$1.4 million and operating margin decreased by 310 basis points to 11.8% in YTD 2023. Normalized operating margin decreased by 350 basis points to 16.0% in YTD 2023 due to the lower gross profit margin profile of youtheory.

Earnings from operations in the Strategic Partners segment increased by \$4.7 million due to higher revenue and gross profit. Operating margin increased by 460 basis points to 9.9% in YTD 2023 due to higher gross profit margins and lower SG&A as a percentage of revenue.

Foreign exchange loss

Foreign exchange loss of \$0.3 million in YTD 2023 resulted from changes in currency exchange rates on our foreign denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations from USD/CAD and RMB/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 increased by \$11.2 million to \$17.9 million in YTD 2023 resulting from higher average borrowings to support acquisitions and higher prevailing interest rates.

Accretion on preferred shares

Preferred shares issued on May 16, 2023 as part of the Jamieson-DCP Partnership accrete at approximately 9% to its redeemable value of \$101.6 million at May 15, 2025. Accretion expense of \$2.9 million was realized during YTD 2023.

Provision for income taxes

Provision for income taxes was \$9.1 million in YTD 2023 compared with \$9.4 million in YTD 2022. Our YTD 2023 normalized effective tax rate of 29.8% is higher than YTD 2022 of 27.6% due to the earnings mix in higher rate jurisdictions. YTD 2023 normalized effective tax rate is adjusted for a \$1.0 million tax benefit on the vesting of certain share-based awards and the impact of non-deductible preferred share accretion of \$2.9 million.

Net earnings and adjusted net earnings

Net earnings was \$22.0 million, while adjusted net earnings was \$37.5 million or \$0.9 million lower than YTD 2023 as higher interest expense offset higher normalized earnings from operations.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests of \$1.4 million represents DCP's minority interest on our net loss related to our China operations largely driven by the amortization of fair value adjustments of acquired inventories offsetting higher revenue.

Depreciation

Depreciation expense increased by \$2.2 million to \$10.8 million in YTD 2023 resulting from prior period investments to increase capacity and higher depreciation from the acquisition impact of youtheory.

Amortization

Amortization expense increased by \$0.8 million to \$4.4 million in YTD 2023 due to the amortization of acquired intangibles for youtheory in 2022 and acquired intangibles for China in 2023.

EBITDA and Adjusted EBITDA

EBITDA increased by \$8.1 million to \$67.1 million in YTD 2023 with higher revenue and gross profit being offset by investments in SG&A including specified costs.

Adjusted EBITDA increased by \$12.5 million to \$87.4 million reflecting higher volumes, gross profit and investments in SG&A. Adjusted EBITDA margin decreased by 190 basis points to 19.2% for YTD 2023 reflecting lower gross profit margins in Jamieson Brands driven by the inclusion of youtheory, partially offset by favourable gross profit margins in Strategic Partners.

Adjusted EBITDA in the Jamieson Brands segment increased by \$7.2 million to \$76.4 million driven by higher revenue and gross profit and investments in SG&A. Adjusted EBITDA margin decreased by 390 basis points to 20.6% due to the lower gross profit margin profile of youtheory.

Adjusted EBITDA in the Strategic Partners segment increased by \$5.4 million, to \$11.0 million largely driven by higher revenue and gross profit. Adjusted EBITDA margin increased by 490 basis points to 12.8% due to volume driven operating efficiencies and lower SG&A costs as a percentage of revenue.

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)	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue by segment								
Jamieson Brands	129,138	132,916	108,110	155,996	112,248	87,715	83,188	99,784
Strategic Partners	22,367	34,661	28,615	36,779	26,681	24,275	20,487	30,054
Total revenue	151,505	167,577	136,725	192,775	138,929	111,990	103,675	129,838
Earnings from operations	18,957	18,609	14,628	37,104	16,319	14,581	15,185	28,874
Net earnings	7,771	7,204	7,065	22,091	10,882	10,094	9,741	20,190
Adjusted net earnings	14,991	13,670	8,808	26,759	14,221	13,415	10,744	20,489
EBITDA	25,512	22,277	19,306	41,201	21,744	18,785	18,438	32,225
Adjusted EBITDA	31,871	31,056	24,508	48,871	29,505	24,439	20,945	33,771
Basic, earnings per share	0.18	0.17	0.17	0.53	0.26	0.25	0.24	0.50
Diluted, earnings per share	0.18	0.17	0.17	0.52	0.26	0.24	0.23	0.48
Adjusted diluted, earnings per share	0.35	0.32	0.21	0.62	0.34	0.32	0.26	0.49

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 and timing of shipments of cold and flu season;
- business combinations; 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;
- the strategic exiting of programs with customers to drive operating efficiencies;
- 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;
- increases to supply chain costs due to the impact of COVID-19 pandemic and other global geopolitical factors;
- raw material costs in native currency;
- timing of marketing spend and variable compensation;
- IT systems implementation costs;
- costs incurred in business acquisitions, integration and divestitures; and
- foreign currency fluctuations.

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 September 30, 2023, the Company had \$222.3 million in cash and available revolving and swingline facilities and net debt of \$277.7 million.

<i>(\$ in 000's)</i>	As at September 30, 2023	As at December 31, 2022
Long-term debt	300,973	400,000
Cash	(23,260)	(26,240)
Net debt ⁽¹⁾	277,713	373,760

- (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 July 19, 2022, Jamieson Laboratories Ltd. (“JLL”) amended and restated its credit agreement to add Nutrwise Health & Beauty LLC as a Borrower and to provide a secured revolving facility of \$500.0 million, plus an expanded accordion feature of up to \$250.0 million (collectively, the “Credit Facilities”), with an extended maturity to July 19, 2027.

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 4.50:1.00. We are in compliance with all covenants as at the date of this MD&A.

For three and nine months ended September 30, 2023, JLL made drawings of \$42.5 million and \$149.0 million, and debt repayments of \$86.7 million and \$248.0 million, respectively, applied against the Credit Facilities. For the nine months ended September 30, 2023, the weighted average interest rate on the Credit Facilities was 6.2% (2022 – 3.2%) and is composed of variable rates. A portion of the Credit Facilities outstanding is fixed through the interest rate swap.

Analysis of Cash Flows — three months ended September 30, 2023 and 2022

	Three months ended		\$ Change	% Change
	September 30			
<i>(\$ in 000's, except as otherwise noted)</i>	2023	2022		
Cash, beginning of period	91,375	8,357	83,018	993.4%
Cash flows from (used in):				
Operating activities	(14,000)	(20,613)	6,613	32.1%
Investing activities	(1,708)	(245,609)	243,901	99.3%
Financing activities	(52,407)	265,181	(317,588)	(119.8%)
Cash, end of period	<u>23,260</u>	<u>7,316</u>	<u>15,944</u>	<u>217.9%</u>
Cash flows from operating activities	(14,000)	(20,613)	6,613	32.1%
Net change in non-cash working capital	31,747	37,042	(5,295)	(14.3%)
Cash from operating activities before working capital considerations	<u>17,747</u>	<u>16,429</u>	<u>1,318</u>	<u>8.0%</u>

Cash Flows Used in Operating Activities

In Q3 2023, cash flows used in operating activities totalled \$14.0 million compared with \$20.6 million in Q3 2022. Cash from operating activities before working capital considerations of \$17.7 million was \$1.3 million higher due to higher earnings in the quarter excluding the impact of the non-cash accretion of preferred shares. Cash invested in working capital of \$31.7 million reflects the impact of inventory purchases ahead of seasonal demand in the fourth quarter, decreasing by \$5.3 million mainly due to timing of accounts receivable collections partially offset by changes in payables in the prior year.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q3 2023 totalled \$1.7 million compared with \$245.6 million in Q3 2022. Cash invested in the acquisition of youtheory totalled \$242.0 million in the prior year. Purchases of property, plant and equipment was \$1.9 million lower reflecting the significant investments made to capacity expansion and equipment in Q3 2022.

Cash Flows Used in/ Generated from Financing Activities

Cash flows used in financing activities in Q3 2023 totalled \$52.4 million compared with \$265.2 million generated in Q3 2022. In Q3 2023, we distributed \$8.0 million of dividends to common shareholders and payments of lease liabilities of \$1.1 million, with net repayments of \$44.2 million on our Credit Facilities, and proceeds of \$0.9 million from the exercise of stock options and our ESPP. Q3 2022 included net proceeds of \$271.1 million on our Credit Facilities for the acquisition of youtheory and proceeds of \$2.1 million from the exercise of stock options and our ESPP, offset by payments of lease liabilities of \$0.9 million and dividends to common shareholders of \$7.1 million.

Analysis of Cash Flows — nine months ended September 30, 2023 and 2022

	Nine months ended		\$ Change	% Change
	September 30			
<i>(\$ in 000's, except as otherwise noted)</i>	2023	2022		
Cash, beginning of period	26,240	6,775	19,465	287.3%
Cash flows from (used in):				
Operating activities	5,632	9,790	(4,158)	(42.5%)
Investing activities	(32,582)	(253,838)	221,256	87.2%
Financing activities	23,970	244,589	(220,619)	(90.2%)
Cash, end of period	<u>23,260</u>	<u>7,316</u>	<u>15,944</u>	<u>217.9%</u>
Cash flows from operating activities	5,632	9,790	(4,158)	(42.5%)
Net change in non-cash working capital	37,839	38,753	(914)	(2.4%)
Cash from operating activities before working capital considerations	<u>43,471</u>	<u>48,543</u>	<u>(5,072)</u>	<u>(10.4%)</u>

Cash Flows Generated from Operating Activities

In YTD 2023, cash flows generated from operating activities totalled \$5.6 million compared with \$9.8 million in YTD 2022. Cash from operating activities before working capital considerations of \$43.5 million was \$5.1 million lower due to lower earnings in the period including acquisition and divestiture related costs. Cash invested in working capital decreased by \$0.9 million mainly impacted by timing of changes in receivables partially offset by higher inventory purchases ahead of seasonal demand.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in YTD 2023 totalled \$32.6 million compared with \$253.8 million in YTD 2022, mainly driven by the acquisition of our Chinese distributor in the current year and the acquisition of youtheory in the prior year. Purchases of property, plant and equipment was \$5.3 million lower reflecting the significant investments made to capacity expansion and equipment in YTD 2022.

Cash Flows Generated from Financing Activities

Cash flows generated in financing activities in YTD 2023 totalled \$24.0 million compared with \$244.6 million in YTD 2022. YTD 2023 was impacted by the issuance of redeemable preferred shares and warrants of \$85.1 million and \$14.7 million, respectively, net proceeds from DCP for their minority interest in the Jamieson-DCP Partnership of \$44.4 million, and proceeds of \$4.4 million from the exercise of stock options and our ESPP. These were partially offset by net repayments of \$99.0 million on our Credit Facilities, \$22.2 million of dividends to common shareholders, and payments of lease liabilities of \$3.4 million. In YTD 2022, we had net proceeds of \$262.3 million on our Credit Facilities and proceeds of \$3.8 million from the exercise of stock options and our ESPP, partially offset by the distribution of \$19.2 million of dividends to common shareholders, and payments of lease liabilities of \$2.2 million.

Contractual Obligations

There was no other material change in our remaining contractual obligations and commitments from the annual MD&A as at and for the year ended December 31, 2022.

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.

As at September 30, 2023, we have a \$3.4 million holdback on the purchase price and contingent consideration fair valued at \$37.2 million payable to the former owners of youtheory.

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 three and nine months ended September 30, 2023 is \$1.4 million and \$4.3 million, respectively (2022 - \$1.3 million and \$3.6 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 September 30, 2023, \$17.6 million of anticipated foreign currency denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates in the three 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 \$110.0 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

	<u>Common Shares</u>	
	<u>#</u>	<u>\$</u>
As at December 31, 2022	41,694,203	307,200
Exercise of share-based awards	370,786	6,494
Employee stock purchase plan	15,018	433
As at September 30, 2023	42,080,007	314,127

	<u>Common Shares</u>	
	<u>#</u>	<u>\$</u>
As at December 31, 2021	40,406,940	268,214
Exercise of share-based awards	330,399	5,729
Employee stock purchase plan	12,778	413
Issuance of shares to acquire businesses	926,612	32,348
As at September 30, 2022	41,676,729	306,704

As at September 30, 2023 and 2022, the authorized share capital of the Company consisted of:

- a) 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
- b) Unlimited number of Preference Shares, issuable in series.

Preferred Shares

	<u>Preferred Shares</u>
	<u>\$</u>
As at December 31, 2022	-
Issuance of preferred shares	86,603
Transaction costs	(1,490)
Accretion expense	2,868
As at September 30, 2023	87,981

In conjunction with DCP's \$47.1 million investment in our China Operations on May 16, 2023, DCP also completed its subscription for 2,527,121 Series A Preference Shares and 2,527,121 warrants to purchase common shares for proceeds of \$101.6 million (USD \$75.0 million). The Preferred Shares carry a nominal annual dividend of \$0.01 per share and are redeemable at \$101.6 million by DCP between May 15, 2025 and May 15, 2028, representing the second and fifth anniversary from the completion of the agreement.

At closing, the Preferred Shares were valued at \$86.6 million, less transaction costs of \$1.5 million. The Preferred Shares accrete at approximately 9% for two years to its redeemable value of \$101.6 million at May 15, 2025. The preferred shares accretion expense is \$2.0 million and \$2.9 million for the three and nine months ended September 30, 2023.

Warrants

	Warrants	
	#	\$
As at December 31, 2022	-	-
Issuance of warrants	2,527,121	14,962
Transaction costs	-	(257)
As at September 30, 2023	2,527,121	14,705

The Warrants are exercisable by DCP beginning May 15, 2025 and expire on May 15, 2028. The exercise price of the Warrants is \$40.19 per share representing a 10% premium to the 20-day volume weighted average common share price as of the signing of the subscription agreement on February 23, 2023.

At closing, the Warrants were fair valued at \$15.0 million, less transaction costs of \$0.3 million, and classified as equity in the unaudited consolidated interim statements of financial position.

The fair value of the Warrants was estimated using a Binomial tree model at the inception date. Key assumptions include the risk free interest rate, volatility and the expected dividend yield.

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, 2022. Items subject to significant estimate uncertainty and critical judgments which have the most impact on the amounts recognized in the unaudited condensed consolidated interim financial statements are included both below and in the annual audited financial statement notes.

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 8, 13, 16, 17 and 20 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2022.

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 unaudited condensed consolidated interim 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, 2022.

Internal Control over Financial Reporting

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, 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, 2022 and have concluded that the Company’s ICFR was effective as at December 31, 2022.

There have been no changes in the Company’s ICFR during the three-month period ended September 30, 2023 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR, subject to the scope limitation described below.

Scope Limitation on Disclosure Controls and Procedures and Internal Control over Financial Reporting

As permitted by securities legislation, for the nine months ended September 30, 2023, we have limited the scope of our design of disclosure controls and procedures (“DC&P”) and ICFR to exclude controls, policies and procedures of the business of our former distribution partner in China which we acquired.

Included in our unaudited condensed consolidated interim financial statements for three and nine months ended September 30, 2023 are the following amounts pertaining to the acquired business.

<i>(\$ in 000's)</i>	As at September 30,		Nine months ended
	2023		September 30, 2023 ⁽¹⁾
Selected Financial Position Data:		Selected Statements of Operations Data:	
Total assets	28,484	Revenue	20,332
Total liabilities	10,361		

(1) Results reflect the five month period post acquisition as of April 28, 2023.

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

We expect our consolidated fiscal 2023 revenue to range between \$680.0 and \$690.0 million (+24.0% to +26.0%) increased from our previous range of +22.0% to +26.0%. We maintain our Adjusted EBITDA range from \$140.0 to \$144.0 million (+13.0% to +16.0%), and Adjusted diluted earnings per share to range from \$1.56 to \$1.63 (up to 5.2% growth). Our guidance continues to reflect an accelerated investment in marketing, resources, and infrastructure to support long-term growth opportunities in the United States and in China.

Fiscal revenue in the Jamieson Brands segment is expected to increase between 26.0% and 28.0% to \$555.5 million to \$565.5 million increasing from our previous range of 24.0% and 28.0% or \$545.5 to \$562.5 million compared with fiscal 2022, driven by the following growth factors:

- Jamieson Canada revenue growth of 3.0% to 4.0% increased from our previous range of 2.0% to 4.0%. Consumer consumption remains strong, reflecting continued consumer prioritization of their health and wellness, and the impact of our marketing plans, innovation and prior year pricing. These growth drivers are offset by reduced inventory levels within our customer and distributor partners as they lower working capital investments in response to higher costs of capital. We expect revenues in the fourth quarter of 2023 to increase between 11.0% and 14.5% compared with the fourth quarter of 2022, reflecting continued strong consumer consumption, distribution gains, and a shift in cold and flu shipments back to historical timing compared to earlier in the third quarter of the prior year.
- Youtheory revenue of between \$150.0 to \$155.0 million (approximately 15.0% to 19.0% growth on a pro-forma basis) increased from our previous range of \$145.0 and \$155.0 million with growth driven by product innovation, expanded e-commerce initiatives and distribution gains. We expect revenue in the fourth quarter of 2023 to increase by 5.0% to 15.0% compared with the fourth quarter of 2022.
- Jamieson China revenue growth of approximately 75.0% increased from our previous range of 65.0% to 75.0% reflecting continued consumer demand in cross border e-commerce and distribution gains in the domestic retail channels as well as the transition to an owned-distribution model completed in the second quarter and the related step-up to distributor level pricing (growth of 30.0% on a pro-forma basis). We expect revenues in the fourth quarter of 2023 to increase by 130.0% to 135.0% (72% to 75% on a proforma basis) compared with the fourth quarter of 2022 on a constant currency basis including the related step up to

distributor level pricing as a result of our owned-distribution model change, and continued strong commercial execution.

- Jamieson International revenue of between 5.0% and 10.0% increased from our previous range of flat and 10.0% growth, reflecting the shipment of newly registered products despite a post COVID-19 government slowdown of processing product registrations impacting the timing of entry into new markets. Our outlook continues to be driven by marketing, innovation and the timing of distribution into new markets. We expect revenues in the fourth quarter of 2023 to increase by 50.0% to 70.0% compared to a decline of 21% in the fourth quarter of the prior year.

Revenue in the Strategic Partners segment is expected to increase approximately 15.0% updated from our previous guidance from between 15.0% to 20.0% compared with fiscal 2022, reflecting pricing and program changes offset by the wind down of a current third party branded contract. Fourth quarter 2023 revenues are expected to increase by approximately 5% compared with the fourth quarter of 2022.

The outlook for Adjusted EBITDA growth and Adjusted diluted earnings per share reflect the following assumptions:

- Consolidated gross profit margins are anticipated to decline by up to 100 basis points impacted by mix, the full year impact of the youtheory acquisition and the transition to an owned-distribution model in China.
 - Jamieson Brands gross profit margins are anticipated to decline by 150 to 200 basis points impacted by in year product mix, and full year impact of youtheory and the transition to an owned-distribution model in China.
 - Strategic Partners gross profit margins are expected to improve by approximately 100 to 150 basis points impacted by customer and program changes discussed above.
 - In the fourth quarter of 2023 we anticipate consolidated gross profit margins to decline by approximately 130bps due to mix. Jamieson Brands margins are anticipated to decline by approximately 150bps, while Strategic Partner margin are anticipated to decline by up to 500 basis points due to customer and product mix.
- Normalized SG&A including marketing expenses are expected to increase 33.0% to 34.0% updated from our previous guidance of 31.0% to 35.0% to reflect the completion of the prioritization of brand and resource investments. Full year growth is based on the acquisition of youtheory and an accelerated investment in marketing, resources and infrastructure to support long-term growth opportunities in the United States and in China. In the fourth quarter of 2023, we expect normalized SG&A to increase 25.0% to 28.0% compared to the fourth quarter of 2022 reflecting the acquisition of youtheory, accelerated marketing investment and transition to an owned-distribution model in China.
- Depreciation and amortization expense will be approximately \$21.0 million reflecting the acceleration of our investment in capacity, tools and technology investments (assuming approximately \$15.0 million of capital additions as we invest to drive efficiency and improvements in our manufacturing facilities and in our IT infrastructure);
- Share-based compensation costs of \$5.0 to \$5.5 million;
- Interest expense of \$21.5 million to \$22.5 million;
- Income tax rates of approximately of 27.0% to 27.5% based on non-deductible stock-based compensation and jurisdictional mix;
- A fully diluted share count of approximately 42.5 million shares updated from our previous expectation of 43.0 million shares; and
- Average annual exchange rate between the U.S. and Canadian dollar of U.S. \$1.00 to CAD \$1.33.
- Average annual exchange between the Chinese Renminbi and Canadian dollar of RMB ¥1.00 to CAD \$0.20.

We expect Adjusted EBITDA margins of approximately 20.5% reflecting the margin profile of the acquired business and other factors discussed above. We expect Jamieson Branded Adjusted EBITDA margins of approximately 22.3% based on mix, the impact of youtheory including realized synergies, the timing of pricing and operating efficiencies offset by our investments in infrastructure and resources to drive long-term growth in the United States and in China.

During fiscal 2023 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, integration costs associated with the acquisition of youthery as well as costs associated with the acquisition and integration of our former distributor in China and Jamieson-DCP Partnership. These costs will impact net earnings while our expected Adjusted net earnings and Adjusted diluted earnings per share for fiscal 2023 will reflect the adding back of these expenses on a tax-effected basis.

Current Share and Option Information

As of the date hereof, an aggregate of 42,087,169 Common Shares and 2,527,121 preferred shares are issued and outstanding. As of the date hereof, the Company had 2,527,121 warrants, 2,787,592 options, 200,025 PSUs, 57,885 RSUs, and 42,081 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.

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. Our purchases of certain materials and inputs in U.S. dollars are partially offset by international sales in U.S. dollars. 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.