



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

For the three and twelve months ended December 31, 2023

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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 March 12, 2024. It should be read in conjunction with our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2023.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q4 2023" are to our fiscal quarter ended December 31, 2023 and all references to "Q4 2022" are to our fiscal quarter ended December 31, 2022. All references in this MD&A to "YTD 2023" are to our year ended December 31, 2023 and to "YTD 2022" are to our year ended December 31, 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

Jamieson Wellness is a growing global manufacturer, distributor, and marketer of high-quality natural health products, with a leadership position in Canada. From our offices in Canada, the United States and China, and our production facilities in Ontario and California, we combine deep consumer insights with extensive research, development and manufacturing capabilities to deliver category-leading innovation and growth.

Established in 1922, our Jamieson brand is Canada’s #1 consumer health brand. Our youthery brand, acquired in 2022, is an established and growing lifestyle brand in the United States. Combined, these global brands are available in approximately 50 countries worldwide. We also offer a variety of innovative vitamins, minerals and supplements (“VMS”) as well as sports nutrition products to consumers in Canada with our 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, our trusted reputation and strong industry relationships, together with our high-quality production capabilities and certifications attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. More than “white label” manufacturing, this segment of the business is designed to support Jamieson Brands by allowing us to broaden customer relationships and improve asset utilization while providing direct benefit to strategic branded initiatives. We refer to this part of the business as our “Strategic Partners” segment.

VMS and sports nutrition are two large and growing segments of the global consumer health industry. Our reputation for product quality and trust, leading market position and brands, focus on innovation and extensive selection of products, make us the preferred partner for retailers.

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 (“Jamieson International”), 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, youtheory, Progressive, Iron Vegan, Smart Solutions, and Precision. Maintaining, enhancing and growing the reputation of our brands globally is critical to our continued success. Failure to do so 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

In our primary markets, 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 2023, 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 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, integration within our existing structure, and realization of synergies, all of which present financial, managerial, and operational challenges. Failure to successfully overcome these challenges 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:

	Estimated fair value as at April 28, 2023
	\$
Inventories	13,697
Customer relationships	8,900
Goodwill	4,867
Deferred tax liability	(1,641)
Total net assets acquired	25,823

The intangible assets acquired include customer relationships, which are amortized over approximately 15 years and expensed through the consolidated statements of operations and comprehensive income on a straight-line basis over the estimated useful life.

The estimated goodwill represents the future economic benefit arising from other assets acquired in the acquisition that are not individually identifiable and separately recognized. The estimated goodwill arising from the acquisition of \$4.9 million is attributable to expected future income and cash-flow projections and synergies we expect to achieve in leveraging our platform. Certain intangible assets and goodwill are not expected to be deductible for tax

purposes.

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”), less transaction costs of \$2.7 million.

The strategic partnership with DCP is another significant step forward as we accelerate our growth plans in the Chinese market. 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.

Refer to Note 5 of the Company’s audited consolidated annual 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) continued growth within our three key markets of Canada, the United States, and China led by product innovations within existing and into adjacent categories, continued growth of existing products in existing categories, and new distribution opportunities; (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 audited consolidated annual financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 26 in our audited consolidated annual financial statements for the disclosure on disaggregated revenue.

USD Denominated Revenue

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

Gross Profit

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour, other operating costs such as rent, repair and maintenance, and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the 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; (iv) acquisition related purchase consideration and post-closing adjustments; and (v) 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) amortization of fair value adjustments; (v) IT system implementation costs; (vi) acquisition related purchase consideration and post-closing adjustments; and (vii) 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) acquisition related purchase consideration and post-closing adjustments; (vi) amortization of fair value adjustments; (vii) accretion on preferred shares; and (viii) 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 audited consolidated annual financial statements and related notes. A quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings can be found below.

	Three months ended December 31		Twelve months ended December 31	
	2023	2022	2023	2022
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	220,365	192,775	676,172	547,369
Cost of sales	141,338	121,586	442,613	349,031
Gross profit	79,027	71,189	233,559	198,338
Gross profit margin ⁽¹⁾	35.9%	36.9%	34.5%	36.2%
Selling, general and administrative expenses	42,300	32,768	140,304	110,239
Acquisition related adjustments	(7,863)	-	(7,863)	-
Share-based compensation	1,534	1,317	5,868	4,910
Earnings from operations	43,056	37,104	95,250	83,189
Operating margin ⁽¹⁾	19.5%	19.2%	14.1%	15.2%
Foreign exchange loss	1,676	978	1,962	269
Interest expense and other financing costs	4,885	5,757	22,784	12,417
Accretion on preferred shares	1,965	-	4,833	-
Earnings before income taxes	34,530	30,369	65,671	70,503
Provision for income taxes	10,530	8,278	19,631	17,695
Net earnings	24,000	22,091	46,040	52,808
Net earnings attributable to:				
Shareholders	24,407	22,091	47,882	52,808
Non-controlling interests	(407)	-	(1,842)	-
	24,000	22,091	46,040	52,808
Adjusted net earnings ⁽²⁾	28,615	26,759	66,084	65,149
EBITDA ⁽²⁾	46,516	41,201	113,611	100,168
Adjusted EBITDA ⁽²⁾	50,628	48,871	138,063	123,761
Adjusted EBITDA margin ⁽³⁾	23.0%	25.4%	20.4%	22.6%
Weighted average number of shares				
Basic	42,062,117	41,683,753	41,960,516	40,998,065
Diluted	42,766,299	42,817,044	42,650,501	42,116,350
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.57	0.53	1.10	1.29
Diluted, earnings per share	0.56	0.52	1.08	1.25
Adjusted diluted, earnings per share ⁽³⁾	0.67	0.62	1.55	1.55

- (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.

(\$ in 000's)	As at December 31, 2023	As at December 31, 2022
Selected Consolidated Financial Position Data:		
Total assets	1,143,574	1,107,263
Total non-current liabilities	517,050	520,867

Results of Operations – three months ended December 31, 2023 and 2022

The following table provides a summary of our results for the three months ended December 31, 2023 and December 31, 2022.

(\$ in 000's, except as otherwise noted)	Three months ended December 31		\$ Change	% Change
	2023	2022		
Revenue	220,365	192,775	27,590	14.3%
Cost of sales	141,338	121,586	19,752	16.2%
Gross profit	79,027	71,189	7,838	11.0%
Gross profit margin	35.9%	36.9%	-	(1.0%)
Selling, general and administrative expenses	42,300	32,768	9,532	29.1%
Acquisition related adjustments	(7,863)	-	(7,863)	(100.0%)
Share-based compensation	1,534	1,317	217	16.5%
Earnings from operations	43,056	37,104	5,952	16.0%
Operating margin	19.5%	19.2%	-	0.3%
Foreign exchange loss	1,676	978	698	71.4%
Interest expense and other financing costs	4,885	5,757	(872)	(15.1%)
Accretion on preferred shares	1,965	-	1,965	100.0%
Earnings before income taxes	34,530	30,369	4,161	13.7%
Provision for income taxes	10,530	8,278	2,252	27.2%
Net earnings	24,000	22,091	1,909	8.6%
Net earnings attributable to:				
Shareholders	24,407	22,091	2,316	10.5%
Non-controlling interests	(407)	-	(407)	(100.0%)
	24,000	22,091	1,909	8.6%
Adjusted net earnings	28,615	26,759	1,856	6.9%
EBITDA	46,516	41,201	5,315	12.9%
Adjusted EBITDA	50,628	48,871	1,757	3.6%
Adjusted EBITDA margin	23.0%	25.4%	-	(2.4%)

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2023 and December 31, 2022.

	Three months ended			
	December 31		\$ Change	% Change
	2023	2022		
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings:	24,000	22,091	1,909	8.6%
<i>Add:</i>				
Provision for income taxes	10,530	8,278	2,252	27.2%
Interest expense and other financing costs	4,885	5,757	(872)	(15.1%)
Accretion on preferred shares	1,965	-	1,965	100.0%
Depreciation of property, plant, and equipment	3,589	3,579	10	0.3%
Amortization of intangible assets	1,547	1,496	51	3.4%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	46,516	41,201	5,315	12.9%
Share-based compensation ⁽¹⁾	1,534	1,317	217	16.5%
Foreign exchange loss	1,676	978	698	71.4%
Acquisition and divestiture related costs ⁽²⁾	2,846	3,165	(319)	(10.1%)
Amortization of fair value adjustments ⁽³⁾	2,621	793	1,828	230.5%
IT system implementation ⁽⁴⁾	3,274	1,417	1,857	131.1%
Acquisition related purchase consideration and post-closing adjustments ⁽⁵⁾	(7,863)	-	(7,863)	(100.0%)
Other	24	-	24	100.0%
Adjusted EBITDA	50,628	48,871	1,757	3.6%
Provision for income taxes	(10,530)	(8,278)	(2,252)	(27.2%)
Interest expense and other financing costs	(4,885)	(5,757)	872	15.1%
Depreciation of property, plant, and equipment	(3,589)	(3,579)	(10)	(0.3%)
Amortization of intangible assets	(1,547)	(1,496)	(51)	(3.4%)
Share-based compensation ⁽⁶⁾	(1,411)	(1,317)	(94)	(7.1%)
Tax effect of normalization adjustments	(51)	(1,685)	1,634	97.0%
Adjusted net earnings	28,615	26,759	1,856	6.9%

	Three months ended			
	December 31		\$ Change	% Change
	2023	2022		
<i>(\$ in 000's, except as otherwise noted)</i>				
Gross profit	79,027	71,189	7,838	11.0%
Amortization of fair value adjustments ⁽³⁾	2,621	793	1,828	230.5%
Normalized gross profit ⁽⁷⁾	81,648	71,982	9,666	13.4%
Normalized gross profit margin ⁽⁸⁾	37.1%	37.3%	-	(0.2%)
Selling, general and administrative expenses	42,300	32,768	9,532	29.1%
Acquisition and divestiture related costs ⁽²⁾	(2,846)	(3,165)	319	10.1%
IT system implementation ⁽⁴⁾	(3,274)	(1,417)	(1,857)	(131.1%)
Other	(24)	-	(24)	(100.0%)
Normalized selling, general and administrative expenses ⁽⁷⁾	36,156	28,186	7,970	28.3%
Earnings from operations	43,056	37,104	5,952	16.0%
Acquisition and divestiture related costs ⁽²⁾	2,846	3,165	(319)	(10.1%)
IT system implementation ⁽⁴⁾	3,274	1,417	1,857	131.1%
Amortization of fair value adjustments ⁽³⁾	2,621	793	1,828	230.5%
Acquisition related purchase consideration and post-closing adjustments ⁽⁵⁾	(7,863)	-	(7,863)	(100.0%)
Other	24	-	24	100.0%
Normalized earnings from operations ⁽⁷⁾	43,958	42,479	1,479	3.5%
Normalized operating margin ⁽⁸⁾	19.9%	22.0%	-	(2.1%)

- (1) The Company’s share-based compensation expense pertains to our long-term incentive plan (the “LTIP”) (refer to “*Share-based compensation*”), with stock options, 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, consulting and integration costs associated with the acquisition and integration of our former distributor partner in China on April 28, 2023, and the acquisition of youtheory in the U.S. on July 19, 2022.
- (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) To adjust for the fair value of purchase consideration accounted for as compensation on the 2022 youtheory acquisition, net of post-acquisition working capital adjustments to reflect acquired liabilities.
- (6) Costs pertaining to our LTIP, excluding PSUs granted to certain employees relating to business combinations.
- (7) 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.
- (8) This is a non-IFRS ratio and is used throughout this MD&A. See “*Non-IFRS and Other Financial Measures*” for more information on each non-IFRS ratio. See “*How we Assess the Performance of our Business*” for an explanation of the composition of such ratio.

The following table provides selected financial information for the Jamieson Brands operating segment for the three months ended December 31, 2023 and December 31, 2022.

Jamieson Brands

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

For the three months ended December 31,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	181,007	155,996	25,011	16.0%
Gross profit	73,082	65,345	7,737	11.8%
Gross profit margin	40.4%	41.9%	-	(1.5%)
Normalized gross profit	75,703	66,138	9,565	14.5%
Normalized gross profit margin	41.8%	42.4%	-	(0.6%)
Selling, general and administrative expenses	40,751	31,165	9,586	30.8%
Normalized selling, general and administrative expenses	34,631	26,583	8,048	30.3%
Acquisition related adjustments	(7,863)	-	(7,863)	(100.0%)
Share-based compensation	1,534	1,317	217	16.5%
Earnings from operations	38,660	32,863	5,797	17.6%
Operating margin	21.4%	21.1%	-	0.3%
Normalized earnings from operations	39,538	38,238	1,300	3.4%
Normalized operating margin	21.8%	24.5%	-	(2.7%)
Adjusted EBITDA	45,404	43,832	1,572	3.6%
Adjusted EBITDA margin	25.1%	28.1%	-	(3.0%)

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

For the three months ended December 31,

	2023	2022	\$ Change	% Change
Gross profit	73,082	65,345	7,737	11.8%
Amortization of fair value adjustments	2,621	793	1,828	230.5%
Normalized gross profit	75,703	66,138	9,565	14.5%
Normalized gross profit margin	41.8%	42.4%	-	(0.6%)
Selling, general and administrative expenses	40,751	31,165	9,586	30.8%
Acquisition and divestiture related costs	(2,846)	(3,165)	319	10.1%
IT system implementation	(3,274)	(1,417)	(1,857)	(131.1%)
Normalized selling, general and administrative expenses	34,631	26,583	8,048	30.3%
Earnings from operations	38,660	32,863	5,797	17.6%
Acquisition and divestiture related cost	2,846	3,165	(319)	(10.1%)
IT system implementation	3,274	1,417	1,857	131.1%
Amortization of fair value adjustments	2,621	793	1,828	230.5%
Acquisition related purchase consideration and post-closing adjustments	(7,863)	-	(7,863)	(100.0%)
Normalized earnings from operations	39,538	38,238	1,300	3.4%
Normalized operating margin	21.8%	24.5%	-	(2.7%)

The following table provides a quantitative reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2023 and December 31, 2022.

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

For the three months ended December 31,

	2023	2022	\$ Change	% Change
Earnings from operations	38,660	32,863	5,797	17.6%
Depreciation of property, plant, and equipment	2,785	2,781	4	0.1%
Amortization of intangible assets	1,547	1,496	51	3.4%
Share-based compensation	1,534	1,317	217	16.5%
Acquisition and divestiture related cost	2,846	3,165	(319)	(10.1%)
Amortization of fair value adjustments	2,621	793	1,828	230.5%
IT system implementation	3,274	1,417	1,857	131.1%
Acquisition related purchase consideration and post-closing adjustments	(7,863)	-	(7,863)	(100.0%)
Adjusted EBITDA	45,404	43,832	1,572	3.6%

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended December 31, 2023 and December 31, 2022.

Strategic Partners

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

For the three months ended December 31,

	2023	2022	\$ Change	% Change
Revenue	39,358	36,779	2,579	7.0%
Gross profit	5,945	5,844	101	1.7%
Gross profit margin	15.1%	15.9%	-	(0.8%)
Selling, general and administrative expenses	1,549	1,603	(54)	(3.4%)
Normalized selling, general and administrative expenses	1,525	1,603	(78)	(4.9%)
Earnings from operations	4,396	4,241	155	3.7%
Operating margin	11.2%	11.5%	-	(0.3%)
Normalized earnings from operations	4,420	4,241	179	4.2%
Normalized operating margin	11.2%	11.5%	-	(0.3%)
Adjusted EBITDA	5,224	5,039	185	3.7%
Adjusted EBITDA margin	13.3%	13.7%	-	(0.4%)

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

For the three months ended December 31,

	2023	2022	\$ Change	% Change
Selling, general and administrative expenses	1,549	1,603	(54)	(3.4%)
Other	(24)	-	(24)	(100.0%)
Normalized selling, general and administrative expenses	1,525	1,603	(78)	(4.9%)
Earnings from operations	4,396	4,241	155	3.7%
Other	24	-	24	100.0%
Normalized earnings from operations	4,420	4,241	179	4.2%
Normalized operating margin	11.2%	11.5%	-	(0.3%)

The following table provides a quantitative reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2023 and December 31, 2022.

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

For the three months ended December 31,

	2023	2022	\$ Change	% Change
Earnings from operations	4,396	4,241	155	3.7%
Depreciation of property, plant, and equipment	804	798	6	0.8%
Other	24	-	24	100.0%
Adjusted EBITDA	5,224	5,039	185	3.7%

Revenue

Revenue increased by 14.3%, or \$27.6 million, to \$220.4 million in Q4 2023. This was driven by 16.0% growth in Jamieson Brands revenue and 7.0% growth in Strategic Partners revenue compared with Q4 2022.

Revenue in the Jamieson Brands segment increased by \$25.0 million, or 16.0%, to \$181.0 million in Q4 2023. Canada revenue grew by 5.8% in Q4 2023, reflecting record consumption levels which outpaced record shipments as retailers reduced inventory below typical levels previously observed. Youtheory revenue increased 8.7% in Q4 2023 with growth across all channels driven by continued demand on existing products, successful innovations launched throughout the year and distribution gains. Youtheory shipments were impacted by timing of orders which were weighted in the third quarter of 2023. China shipments grew 151.1% in Q4 2023 on a reported basis, which reflects the seasonal impact of direct sales to consumers under the owned-distribution model beginning in the second quarter of 2023. On a pro forma and local currency basis, revenue grew 91.6% compared with Q4 2022, driven by strong fourth quarter promotional plans and cross border e-commerce growth through successful investments in social media platforms. Jamieson International grew 37.0% on a constant U.S. dollar basis, driven by growth in Europe compared to the prior year, while the volatility in the Middle East impacted sales in the region.

Revenue in the Strategic Partners segment increased by \$2.6 million, or 7.0%, to \$39.4 million in Q4 2023, reflecting timing of shipments and remaining orders on the close-out of a customer contract.

Gross profit

Gross profit increased by \$7.8 million to \$79.0 million in Q4 2023, while normalized gross profit increased by \$9.7 million mainly driven by higher revenues noted above. Gross profit margin decreased by 100 basis points to 35.9% in Q4 2023, due to the fair value amortization impact of acquisition-related inventories, while normalized gross profit margin was fairly consistent with the prior year.

Gross profit in the Jamieson Brands segment increased by \$7.7 million to \$73.1 million in Q4 2023, while normalized gross profit increased \$9.6 million mainly driven by revenue growth. Gross profit margin decreased by 150 basis points to 40.4%, while normalized gross profit margin decreased by 60 basis points to 41.8% impacted by category mix.

Gross profit in the Strategic Partners segment increased by \$0.1 million to \$5.9 million and gross profit margin decreased by 80 basis points to 15.1% in Q4 2023, with production efficiencies and pricing being offset by unfavourable customer mix.

Selling, general and administrative expenses

SG&A expenses of \$42.3 million in Q4 2023 increased by \$9.5 million, or 29.1%, compared to Q4 2022. Excluding the impact of specified costs, SG&A expenses increased by \$8.0 million or 28.3% in Q4 2023 reflecting the impact of our transition to an owned-distribution model in China, which includes direct investments to grow our brand. 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 \$6.1 million in Q4 2023 are mainly comprised of IT system implementation costs of \$3.3 million and costs associated with our China expansion and youtheory acquisition of \$2.8 million.

Acquisition related adjustments

In conjunction with the acquisition of youtheory on July 19, 2022, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A revaluation of the deferred consideration resulted in a gain of \$13.8 million, partially offset by \$5.9 million in other post-acquisition working capital adjustments reflected in accrued liabilities.

Share-based compensation

Share-based compensation increased by \$0.2 million to \$1.5 million in Q4 2023 reflecting wage inflation and additional grants in the current year.

Earnings from operations and operating margin

Earnings from operations increased by \$6.0 million driven by higher gross profit and acquisition related adjustments, partially offset by investments in SG&A. Operating margin increased by 30 basis points to 19.5% in Q4 2023. Normalized earnings from operations increased by \$1.5 million, or 3.5% in Q4 2023, and normalized operating margin was 19.9% compared with 22.0% in Q4 2022.

Earnings from operations in the Jamieson Brands segment increased by \$5.8 million and operating margin is 21.4%. Normalized earnings from operations increased by \$1.3 million driven by higher revenue and gross profit. Normalized operating margin decreased by 270 basis points to 21.8% in Q4 2023 due to lower gross profit margins and higher SG&A as a percentage of revenue.

Earnings from operations in the Strategic Partners segment increased by \$0.2 million due to higher gross profit, and operating margin decreased 30 basis points compared with the prior year. Normalized operating margin decreased by 30 basis points to 11.2% in Q4 2023 due to lower gross profit margin.

Foreign exchange loss

Foreign exchange loss of \$1.7 million in Q4 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 decreased by \$0.9 million to \$4.9 million in Q4 2023 resulting from lower average borrowings in the current period partially offset by higher interest rates.

Accretion on preferred shares

Preferred shares issued on May 16, 2023 as part of the Jamieson-DCP Partnership accrete at approximately 9.6% to its redeemable value of \$101.6 million at May 15, 2025. Accretion expense of \$2.0 million was realized during Q4 2023.

Provision for income taxes

Provision for income taxes was \$10.5 million in Q4 2023 compared with \$8.3 million in Q4 2022. Our Q4 2023 effective tax rate of 30.5% reflects the earnings mix in higher rate jurisdictions and non-deductible preferred share accretion compared with a Q4 2022 effective tax rate of 27.3%.

Net earnings and adjusted net earnings

Net earnings was \$24.0 million, while adjusted net earnings was \$28.6 million or \$1.9 million higher than Q4 2022, with higher normalized earnings from operations and lower interest expense in the current year.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests of \$0.4 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 of \$3.6 million was relatively consistent with Q4 2022.

Amortization

Amortization expense of \$1.5 million was relatively consistent with Q4 2022.

EBITDA and Adjusted EBITDA

EBITDA increased by \$5.3 million to \$46.5 million in Q4 2023, mainly driven by higher revenue, higher gross profit and a gain on revaluation of the deferred consideration in conjunction with the youthery acquisition.

Adjusted EBITDA increased by \$1.8 million to \$50.6 million, reflecting higher sales volumes and gross profit. Adjusted EBITDA margin decreased by 240 basis points to 23.0% 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 \$1.6 million to \$45.4 million driven by higher revenue and gross profit. Adjusted EBITDA margin decreased by 300 basis points to 25.1% due to lower gross profit margin noted above and higher SG&A as a percentage of revenue.

Adjusted EBITDA in the Strategic Partners segment increased by \$0.2 million, to \$5.2 million while Adjusted EBITDA margin decrease by 40 basis points to 13.3% due to lower gross profit margin noted above.

Results of Operations – twelve months ended December 31, 2023 and 2022

The following table provides a summary of our results for the twelve months ended December 31, 2023 and December 31, 2022.

	Twelve months ended December 31		\$ Change	% Change
	2023	2022		
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	676,172	547,369	128,803	23.5%
Cost of sales	442,613	349,031	93,582	26.8%
Gross profit	233,559	198,338	35,221	17.8%
Gross profit margin	34.5%	36.2%	-	(1.7%)
Selling, general and administrative expenses	140,304	110,239	30,065	27.3%
Acquisition related adjustments	(7,863)	-	(7,863)	(100.0%)
Share-based compensation	5,868	4,910	958	19.5%
Earnings from operations	95,250	83,189	12,061	14.5%
Operating margin	14.1%	15.2%	-	(1.1%)
Foreign exchange loss	1,962	269	1,693	629.4%
Interest expense and other financing costs	22,784	12,417	10,367	83.5%
Accretion on preferred shares	4,833	-	4,833	100.0%
Earnings before income taxes	65,671	70,503	(4,832)	(6.9%)
Provision for income taxes	19,631	17,695	1,936	10.9%
Net earnings	46,040	52,808	(6,768)	(12.8%)
Net earnings attributable to:				
Shareholders	47,882	52,808	(4,926)	(9.3%)
Non-controlling interests	(1,842)	-	(1,842)	(100.0%)
	46,040	52,808	(6,768)	(12.8%)
Adjusted net earnings	66,084	65,149	935	1.4%
EBITDA	113,611	100,168	13,443	13.4%
Adjusted EBITDA	138,063	123,761	14,302	11.6%
Adjusted EBITDA margin	20.4%	22.6%	-	(2.2%)

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 twelve months ended December 31, 2023 and December 31, 2022.

	Twelve months ended			
	December 31			
	2023	2022	\$ Change	% Change
<i>(\$ in 000's, except as otherwise noted)</i>				
Net earnings	46,040	52,808	(6,768)	(12.8%)
<i>Add:</i>				
Provision for income taxes	19,631	17,695	1,936	10.9%
Interest expense and other financing costs	22,784	12,417	10,367	83.5%
Accretion on preferred shares	4,833	-	4,833	100.0%
Depreciation of property, plant, and equipment	14,410	12,153	2,257	18.6%
Amortization of intangible assets	5,913	5,095	818	16.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	113,611	100,168	13,443	13.4%
Share-based compensation ⁽¹⁾	5,868	4,910	958	19.5%
Foreign exchange loss	1,962	269	1,693	629.4%
Acquisition and divestiture related costs ⁽²⁾	8,385	12,919	(4,534)	(35.1%)
Amortization of fair value adjustments ⁽³⁾	8,440	793	7,647	964.3%
IT system implementation ⁽⁴⁾	7,743	4,527	3,216	71.0%
Acquisition related purchase consideration and post-closing adjustments ⁽⁵⁾	(7,863)	-	(7,863)	(100.0%)
Other	(83)	175	(258)	(147.4%)
Adjusted EBITDA	138,063	123,761	14,302	11.6%
Provision for income taxes	(19,631)	(17,695)	(1,936)	(10.9%)
Interest expense and other financing costs	(22,784)	(12,417)	(10,367)	(83.5%)
Depreciation of property, plant, and equipment	(14,410)	(12,153)	(2,257)	(18.6%)
Amortization of intangible assets	(5,913)	(5,095)	(818)	(16.1%)
Share-based compensation ⁽⁶⁾	(5,458)	(4,910)	(548)	(11.2%)
Tax deduction from vesting of certain share-based awards ⁽⁷⁾	(1,022)	(1,399)	377	26.9%
Tax effect of normalization adjustments	(2,761)	(4,943)	2,182	44.1%
Adjusted net earnings	66,084	65,149	935	1.4%
	Twelve months ended			
	December 31			
	2023	2022	\$ Change	% Change
Gross profit	233,559	198,338	35,221	17.8%
Amortization of fair value adjustments ⁽³⁾	8,440	793	7,647	964.3%
Normalized gross profit	241,999	199,131	42,868	21.5%
Normalized gross profit margin	35.8%	36.4%	-	(0.6%)
Selling, general and administrative expenses	140,304	110,239	30,065	27.3%
Acquisition and divestiture related cost ⁽²⁾	(8,385)	(12,919)	4,534	35.1%
IT system implementation ⁽⁴⁾	(7,743)	(4,527)	(3,216)	(71.0%)
Other	83	(175)	258	147.4%
Normalized selling, general and administrative expenses	124,259	92,618	31,641	34.2%
Earnings from operations	95,250	83,189	12,061	14.5%
Acquisition and divestiture related costs ⁽²⁾	8,385	12,919	(4,534)	(35.1%)
Amortization of fair value adjustments ⁽³⁾	8,440	793	7,647	964.3%
IT system implementation ⁽⁴⁾	7,743	4,527	3,216	71.0%
Acquisition related purchase consideration and post-closing adjustments ⁽⁵⁾	(7,863)	-	(7,863)	(100.0%)
Other	(83)	175	(258)	(147.4%)
Normalized earnings from operations	111,872	101,603	10,269	10.1%
Normalized operating margin	16.5%	18.6%	-	(2.1%)

- (1) The Company's share-based compensation expense pertains to our LTIP (refer to "Share-based compensation"), with stock options, PSUs, RSUs, and DSUs expenses, along with associated payroll taxes.
- (2) Current period expense mainly pertains to legal, consulting and integration costs associated with the acquisition and integration of our former distributor partner in China on April 28, 2023, and acquisition of youtheory in the U.S. on July 19, 2022.
- (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) To adjust for the fair value of purchase consideration accounted for as compensation on the 2022 youtheory acquisition, net of post-acquisition working capital adjustments to reflect acquired liabilities.
- (6) Costs pertaining to our LTIP, excluding PSUs granted to certain employees relating to business combinations.
- (7) 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 twelve months ended December 31, 2023 and December 31, 2022.

Jamieson Brands

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

For the twelve months ended December 31,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	551,171	439,147	112,024	25.5%
Gross profit	214,293	184,039	30,254	16.4%
Gross profit margin	38.9%	41.9%	-	(3.0%)
Normalized gross profit	222,733	184,832	37,901	20.5%
Normalized gross profit margin	40.4%	42.1%	-	(1.7%)
Selling, general and administrative expenses	133,951	103,996	29,955	28.8%
Normalized selling, general and administrative expenses	118,002	86,423	31,579	36.5%
Acquisition related adjustments	(7,863)	-	(7,863)	(100.0%)
Share-based compensation	5,868	4,910	958	19.5%
Earnings from operations	82,337	75,133	7,204	9.6%
Operating margin	14.9%	17.1%	-	(2.2%)
Normalized earnings from operations	98,863	93,499	5,364	5.7%
Normalized operating margin	17.9%	21.3%	-	(3.4%)
Adjusted EBITDA	121,836	113,088	8,748	7.7%
Adjusted EBITDA margin	22.1%	25.8%	-	(3.7%)

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

For the twelve months ended December 31,

	2023	2022	\$ Change	% Change
Gross profit	214,293	184,039	30,254	16.4%
Amortization of fair value adjustments	8,440	793	7,647	964.3%
Normalized gross profit	222,733	184,832	37,901	20.5%
Normalized gross profit margin	40.4%	42.1%	-	(1.7%)
Selling, general and administrative expenses	133,951	103,996	29,955	28.8%
Acquisition and divestiture related costs	(8,385)	(12,919)	4,534	35.1%
IT system implementation	(7,743)	(4,527)	(3,216)	(71.0%)
Other	179	(127)	306	240.9%
Normalized selling, general and administrative expenses	118,002	86,423	31,579	36.5%
Earnings from operations	82,337	75,133	7,204	9.6%
Acquisition and divestiture related costs	8,385	12,919	(4,534)	(35.1%)
IT system implementation	7,743	4,527	3,216	71.0%
Amortization of fair value adjustments	8,440	793	7,647	964.3%
Acquisition related purchase consideration and post-closing adjustments	(7,863)	-	(7,863)	(100.0%)
Other	(179)	127	(306)	(240.9%)
Normalized earnings from operations	98,863	93,499	5,364	5.7%
Normalized operating margin	17.9%	21.3%	-	(3.4%)

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 twelve months ended December 31, 2023 and December 31, 2022.

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

For the twelve months ended December 31,

	2023	2022	\$ Change	% Change
Earnings from operations	82,337	75,133	7,204	9.6%
Depreciation of property, plant, and equipment	11,192	9,583	1,609	16.8%
Amortization of intangible assets	5,913	5,095	818	16.1%
Share-based compensation	5,868	4,910	958	19.5%
Acquisition and divestiture related costs	8,385	12,919	(4,534)	(35.1%)
Amortization of fair value adjustments	8,440	793	7,647	964.3%
IT system implementation	7,743	4,527	3,216	71.0%
Acquisition related purchase consideration and post-closing adjustments	(7,863)	-	(7,863)	(100.0%)
Other	(179)	128	(307)	(239.8%)
Adjusted EBITDA	121,836	113,088	8,748	7.7%

The following table provides selected financial information for the Strategic Partners operating segment for the twelve months ended December 31, 2023 and December 31, 2022.

Strategic Partners

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

For the twelve months ended December 31,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	125,001	108,222	16,779	15.5%
Gross profit	19,266	14,299	4,967	34.7%
Gross profit margin	15.4%	13.2%	-	2.2%
Selling, general and administrative expenses	6,353	6,243	110	1.8%
Normalized selling, general and administrative expenses	6,257	6,195	62	1.0%
Earnings from operations	12,913	8,056	4,857	60.3%
Operating margin	10.3%	7.4%	-	2.9%
Normalized earnings from operations	13,009	8,104	4,905	60.5%
Normalized operating margin	10.4%	7.5%	-	2.9%
Adjusted EBITDA	16,227	10,673	5,554	52.0%
Adjusted EBITDA margin	13.0%	9.9%	-	3.1%

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

For the twelve months ended December 31,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Selling, general and administrative expenses	6,353	6,243	110	1.8%
Other	(96)	(48)	(48)	(100.0%)
Normalized selling, general and administrative expenses	6,257	6,195	62	1.0%
Earnings from operations	12,913	8,056	4,857	60.3%
Other	96	48	48	100.0%
Normalized earnings from operations	13,009	8,104	4,905	60.5%
Normalized operating margin	10.4%	7.5%	-	2.9%

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 twelve months ended December 31, 2023 and December 31, 2022.

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

For the twelve months ended December 31,

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	12,913	8,056	4,857	60.3%
Depreciation of property, plant, and equipment	3,218	2,570	648	25.2%
Other	96	47	49	104.3%
Adjusted EBITDA	16,227	10,673	5,554	52.0%

Revenue

Revenue increased by 23.5%, or \$128.8 million, to \$676.2 million in YTD 2023. This was driven by 25.5% growth in Jamieson Brands revenue and 15.5% growth in Strategic Partners revenue compared with YTD 2022.

Revenue in the Jamieson Brands segment increased by \$112.0 million, or 25.5%, to \$551.2 million in YTD 2023. Canada revenue increased by 1.5% in YTD 2023 with continued strength in consumer demand, partially offset by a reduction in inventory levels by our customers and distributor partners in response to higher costs of capital. Youtheory contributed \$152.3 million, representing 123.4% growth on a reported basis, and 17.4% growth on a pro forma basis driven by successful innovation in club, growth in existing channels, e-commerce, and continued distribution gains. China contributed \$51.3 million, representing 80.2% growth on a reported basis, reflecting the transition to an owned-distribution model, continued consumer demand in cross border e-commerce and growth in domestic retail. On a pro forma local currency basis, China grew 45.1%. Jamieson International increased by 1.6% on

a reported basis and declined by 2.0% on a constant U.S. dollar basis, impacted by the current conflict in the Middle East and slowdowns in post-COVID regulatory environments impacting planned growth in new and existing markets.

Revenue in the Strategic Partners segment increased by \$16.8 million, or 15.5%, to \$125.0 million in YTD 2023 driven by customer growth and pricing.

Gross profit

Gross profit increased by \$35.2 million to \$233.6 million in YTD 2023, while normalized gross profit increased \$42.9 million mainly driven by higher revenue noted above. Gross profit margin decreased by 170 basis points to 34.5% in YTD 2023, while normalized gross profit margin decreased by 60 basis points to 35.8% 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 \$8.4 million was attributable to inventories sold YTD 2023 and included in gross profit.

Gross profit in the Jamieson Brands segment increased by \$30.3 million to \$214.3 million in YTD 2023, while normalized gross profit increased by \$37.9 million, mainly driven by higher revenue, including organic growth and the acquisition of youtheory. Gross profit margin decreased by 300 basis points to 38.9%, while normalized gross profit margin decreased by 170 basis points to 40.4%, reflecting the lower gross profit margin profile of youtheory, along with category mix.

Gross profit in the Strategic Partners segment increased by \$5.0 million to \$19.3 million and gross profit margin increased by 220 basis points to 15.4% 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 \$30.1 million to \$140.3 million in YTD 2023. Excluding the impact of specified costs and the addition of youtheory SG&A of \$29.0 million, SG&A expenses increased by \$13.8 million or 17.0% in YTD 2023 largely reflecting global expansion initiatives through resources, marketing and infrastructure to support our growth in China.

Specified costs of \$16.0 million in YTD 2023 are mainly comprised of acquisition and divestiture related costs of \$8.4 million and IT system development and implementation costs of \$7.7 million.

Acquisition related adjustments

In conjunction with the acquisition of youtheory on July 19, 2022, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A revaluation of the deferred consideration resulted in a gain of \$13.8 million, partially offset by \$5.9 million in other post-acquisition working capital adjustments reflecting our acquired liabilities.

Share-based compensation

Share-based compensation increased by \$1.0 million to \$5.9 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 \$12.1 million driven by higher gross profit and acquisition related adjustments, partially offset by investments in SG&A. Operating margin decreased by 110 basis points to 14.1% in YTD 2023, reflecting the margin profile of youtheory and higher investments in SG&A. Normalized earnings from operations increased by \$10.3 million, or 10.1% in YTD 2023 and normalized operating margin was 16.5% compared with 18.6% in YTD 2022.

Earnings from operations in the Jamieson Brands segment increased by \$7.2 million and operating margin decreased by 220 basis points to 14.9% in YTD 2023. Normalized operating margin decreased by 340 basis points to 17.9% in YTD 2023 due to the lower gross profit margin profile of youtheory and higher investments in SG&A.

Earnings from operations in the Strategic Partners segment increased by \$4.9 million due to higher revenue and gross profit. Operating margin increased by 290 basis points to 10.3% 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 \$2.0 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 period. 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 \$10.4 million to \$22.8 million in YTD 2023 resulting from higher average borrowings 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 9.6% to its redeemable value of \$101.6 million at May 15, 2025. Accretion expense of \$4.8 million was realized during YTD 2023.

Provision for income taxes

Provision for income taxes was \$19.6 million in YTD 2023 compared with \$17.7 million in YTD 2022. Our YTD 2023 effective tax rate of 29.9% is higher than YTD 2022 of 25.1% mainly due to the earnings mix in higher rate jurisdictions and the impact of non-deductible preferred share accretion of \$4.8 million.

Net earnings and adjusted net earnings

Net earnings was \$46.0 million, while adjusted net earnings was \$66.1 million or \$0.9 million higher than YTD 2022, with higher normalized earnings from operations partially offset by higher interest expense.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests of \$1.8 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 \$2.3 million to \$14.4 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 \$5.9 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 \$13.4 million to \$113.6 million in YTD 2023 with higher revenue, gross profit and a gain on revaluation of the deferred consideration in conjunction with the youtheory acquisition being offset by investments in SG&A.

Adjusted EBITDA increased by \$14.3 million to \$138.1 million reflecting higher volumes, gross profit and investments in SG&A. Adjusted EBITDA margin decreased by 220 basis points to 20.4% for YTD 2023 reflecting lower Adjusted EBITDA margins in Jamieson Brands, partially offset by higher adjusted AEBITDA margins in Strategic Partners.

Adjusted EBITDA in the Jamieson Brands segment increased by \$8.7 million to \$121.8 million driven by higher revenue and gross profit, partially offset by investments in SG&A. Adjusted EBITDA margin decreased by 370 basis points to 22.1% due to category mix and higher SG&A investments to grow our international operations, specifically in China and the U.S.

Adjusted EBITDA in the Strategic Partners segment increased by \$5.6 million, to \$16.2 million largely driven by higher revenue and gross profit. Adjusted EBITDA margin increased by 310 basis points to 13.0% 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by segment								
Jamieson Brands	181,007	129,138	132,916	108,110	155,996	112,248	87,715	83,188
Strategic Partners	39,358	22,367	34,661	28,615	36,779	26,681	24,275	20,487
Total revenue	220,365	151,505	167,577	136,725	192,775	138,929	111,990	103,675
Earnings from operations	43,056	18,957	18,609	14,628	37,104	16,319	14,581	15,185
Net earnings	24,000	7,771	7,204	7,065	22,091	10,882	10,094	9,741
Adjusted net earnings	28,615	14,991	13,670	8,808	26,759	14,221	13,415	10,744
EBITDA	46,516	25,512	22,277	19,306	41,201	21,744	18,785	18,438
Adjusted EBITDA	50,628	31,871	31,056	24,508	48,871	29,505	24,439	20,945
Basic, earnings per share	0.57	0.18	0.17	0.17	0.53	0.26	0.25	0.24
Diluted, earnings per share	0.56	0.18	0.17	0.17	0.52	0.26	0.24	0.23
Adjusted diluted, earnings per share	0.67	0.35	0.32	0.21	0.62	0.34	0.32	0.26

Revenue

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

- 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
- foreign currency fluctuations; and
- impact of global conflicts in Eastern Europe and the Middle Eastern regions

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;
- 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;
- revaluation of contingent consideration from the acquisition of youtheory; and
- foreign currency fluctuations.

Selected Annual Information

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

	For the year ended		
	December 31		
<i>(\$ in 000's, except share and per share amounts)</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue by segment			
Jamieson Brands	551,171	439,147	343,245
Strategic Partners	125,001	108,222	107,787
Total revenue	676,172	547,369	451,032
Earnings from operations	95,250	83,189	76,030
Net earnings	46,040	52,808	52,082
Adjusted net earnings	66,084	65,149	55,217
EBITDA	113,611	100,168	90,396
Adjusted EBITDA	138,063	123,761	100,096
Basic, earnings per share	1.10	1.29	1.30
Diluted, earnings per share	1.08	1.25	1.25
Adjusted diluted, earnings per share	1.55	1.55	1.32
Selected consolidated financial position data:			
Total assets	1,143,574	1,107,263	652,475
Total non-current liabilities	517,050	520,867	226,832
Dividends declared for the year:			
Cash dividends per common share	0.72	0.64	0.55

Over the three-year period, revenue increased year-over-year driven by strong growth in the Jamieson Brands segment through an expanded consumer base and international expansion in addition to revenues from acquired operations in 2022 and 2023.

Total assets have increased over the three-year period reflecting acquired assets in 2022 and 2023, as well as investments in working capital, property, plant, and equipment designed to improve efficiency and expand capacity. In 2021, significant investments were made to expand production capacity in response to growing demands driven by the COVID-19 pandemic, including right-of-use lease assets pertaining to our transition to a third-party logistics model.

Liquidity and Capital Resources

Overview

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

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

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

Credit Facilities

As at December 31, 2023, the Company had \$211.9 million in cash and available revolving and swingline facilities and net debt of \$288.1 million.

<i>(\$ in 000's)</i>	<u>As at December 31, 2023</u>	<u>As at December 31, 2022</u>
Long-term debt	325,000	400,000
Cash	(36,863)	(26,240)
Net debt ⁽¹⁾	<u>288,137</u>	<u>373,760</u>

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

On 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 twelve months ended December 31, 2023, JLL made drawings of \$57.1 million and \$206.0 million, and debt repayments of \$33.0 million and \$281.0 million, respectively, applied against the Credit Facilities. For the twelve months ended December 31, 2023, the weighted average interest rate on the Credit Facilities was 6.1% (2022 – 3.7%). A portion of the Credit Facilities outstanding is fixed through an interest rate swap.

Analysis of Cash Flows — three months ended December 31, 2023 and 2022

	Three months ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2023	2022		
Cash, beginning of period	23,260	7,316	15,944	217.9%
Cash flows from (used in):				
Operating activities	26,081	40,799	(14,718)	(36.1%)
Investing activities	(2,549)	(2,692)	143	5.3%
Financing activities	(9,929)	(19,183)	9,254	48.2%
Cash, end of period	36,863	26,240	10,623	40.5%
Cash flows from operating activities	26,081	40,799	(14,718)	(36.1%)
Net change in non-cash working capital	(5,713)	(11,741)	6,028	51.3%
Cash from operating activities before working capital considerations	20,368	29,058	(8,690)	(29.9%)

Cash Flows Generated from Operating Activities

In Q4 2023, cash flows generated from operating activities totalled \$26.1 million compared with \$40.8 million in Q4 2022. Cash from operating activities before working capital considerations of \$20.4 million was \$8.7 million lower mainly due to investments in marketing, IT infrastructure costs and acquisition related costs. Cash generated in working capital decreased by \$6.0 million impacted by the timing of vendor and income tax payments made.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2023 totalled \$2.5 million compared with \$2.7 million in Q4 2022. Purchases of property, plant and equipment were relatively consistent compared with Q4 2022.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in Q4 2023 totalled \$9.9 million compared with \$19.2 million used in Q4 2022. In Q4 2023, we repurchased shares under the normal course issuer bid (“NCIB”) for \$29.0 million, distributed \$8.0 million of dividends to common shareholders, and we made payments of \$1.1 million on our lease liabilities, partially offset by net proceeds of \$24.0 million on our Credit Facilities and proceeds of \$4.7 million from the exercise of stock options and our employee share purchase plan (“ESPP”). In Q4 2022, we made net repayments of \$11.4 million on our Credit Facilities, distributed \$7.1 million of dividends to common shareholders, and made payments of lease liabilities of \$1.1 million, partially offset by proceeds of \$0.4 million for the exercise of stock options and our ESPP.

Analysis of Cash Flows — twelve months ended December 31, 2023 and 2022

	Twelve months ended		\$ Change	% Change
	December 31			
<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	31,713	50,589	(18,876)	(37.3%)
Investing activities	(35,131)	(256,530)	221,399	86.3%
Financing activities	14,041	225,406	(211,365)	(93.8%)
Cash, end of period	36,863	26,240	10,623	40.5%
Cash flows from operating activities	31,713	50,589	(18,876)	(37.3%)
Net change in non-cash working capital	32,126	27,012	5,114	18.9%
Cash from operating activities before working capital considerations	63,839	77,601	(13,762)	(17.7%)

Cash Flows Generated from Operating Activities

In YTD 2023, cash flows generated from operating activities totalled \$31.7 million compared with \$50.6 million in YTD 2022. Cash from operating activities before working capital considerations of \$63.8 million was \$13.8 million lower due to lower earnings in the period including acquisition and divestiture related costs. Cash invested in working capital increased by \$5.1 million mainly due to the timing of vendor and income tax payments made.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in YTD 2023 totalled \$35.1 million compared with \$256.5 million in YTD 2022, mainly driven by the acquisition of our Chinese distributor in the current year and the acquisition of youthery in the prior year. Purchases of property, plant and equipment was \$5.1 million lower reflecting the significant investments made to capacity expansion and equipment in YTD 2022.

Cash Flows Generated from Financing Activities

Cash flows generated from financing activities in YTD 2023 totalled \$14.0 million compared with \$225.4 million in YTD 2022. YTD 2023 was impacted by the issuance of redeemable preferred shares and warrants of \$84.6 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 \$9.1 million from the exercise of stock options and our ESPP. These were partially offset by net repayments of \$75.0 million on our Credit Facilities, \$30.3 million of dividends to common shareholders, \$29.0 million repurchase of common shares, and payments of lease liabilities of \$4.5 million. In YTD 2022, we had net proceeds of \$250.9 million on our Credit Facilities and proceeds of \$4.2 million from the exercise of stock options and our ESPP, partially offset by the distribution of \$26.3 million of dividends to common shareholders, and payments of lease liabilities of \$3.3 million.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2023.

<i>(\$ in 000's)</i>	2024	2025-2028	Thereafter	Total
Operating leases ⁽¹⁾	\$ 5,622	\$ 18,049	\$ 5,260	\$ 28,931
Trade and other payable	135,520	-	-	135,520
Contingent consideration	2,778	19,845	-	22,623
Post retirement benefits	-	1,078	-	1,078
Revolving credit facility ⁽²⁾	-	325,000	-	325,000
Total contractual obligations	\$ 143,920	\$ 363,972	\$ 5,260	\$ 513,152

1) We have entered into several operating leases for vehicles, production equipment, computer and communications equipment, office equipment, and office and warehouse space. In 2023, we assumed a new office lease in Shanghai in support of our growing investment in China.

(2) The Credit Facilities provide for a secured revolving facility of \$500.0 million, with the option to increase the revolving facility by \$250.0 million. The Credit Facilities mature on July 19, 2027 with the outstanding principal repayable in full on this date.

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

As at December 31, 2023, we have a \$3.3 million holdback on the purchase price and contingent consideration fair valued at \$22.6 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 the three and twelve months ended December 31, 2023 is \$1.5 million and \$5.9 million, respectively (2022 - \$1.3 million and \$4.9 million).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases and our international sales. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income. As of December 31, 2023, \$9.7 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

	Common Shares	
	#	\$
As at January 1, 2023	41,694,203	307,200
Exercise of stock options	684,901	12,301
Employee stock purchase plan	22,181	591
Repurchase of shares	(849,800)	(7,499)
As at December 31, 2023	41,551,485	312,593
	Common Shares	
	#	\$
As at January 1, 2022	40,406,940	268,214
Exercise of stock options	342,655	6,066
Employee stock purchase plan	17,996	572
Issuance of shares to acquire businesses	926,612	32,348
As at December 31, 2022	41,694,203	307,200

As at December 31, 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.

Normal Course Issuer Bid

On November 3, 2023, the Toronto Stock Exchange (“TSX”) accepted our notice of intention to make a NCIB. The NCIB permits us to repurchase for cancellation, at our discretion, up to 4,165,201 common shares of the Company (“Common Shares”) in accordance with the NCIB procedures of the TSX. Under the NCIB, we are entitled to repurchase up to 25,729 Common Shares through the TSX during each trading day (excluding any purchases made pursuant to the block purchase exception in accordance with TSX rules).

The NCIB commenced on November 7, 2023 and remains in effect until the earlier of November 6, 2024 and the date on which the Company has either acquired the maximum number of Common Shares permitted under the NCIB or otherwise decided not to make any further repurchases. Purchases under the NCIB are made by means of open market transactions through the facilities of the TSX and through alternative trading systems in Canada. The price paid by us for any such repurchased Common Shares is the market price at the time of acquisition or such other price as a securities regulatory authority may permit. All Common Shares repurchased under the NCIB will be cancelled.

In connection with the NCIB, we also entered into an automatic share purchase plan (“ASPP”) with a designated broker, to allow for purchases of our Common Shares during certain pre-determined black-out periods,

subject to certain parameters. The ASPP constitutes an “automatic securities purchase plan” under applicable Canadian securities laws, has been approved by the TSX and was implemented effective December 14, 2023.

During the year ended December 31, 2023, we purchased for cancellation 970,200 Common Shares under our NCIB program for an aggregate consideration of \$28.8 million at an average price per Common Share of approximately \$29.72. At December 31, 2023, we recorded an obligation in liabilities of \$0.9 million for the commitment to purchase Common Shares under the ASPP. For the year ended December 31, 2023, we also recorded transaction costs of \$0.2 million as a charge to retained earnings in connection with the NCIB. As at March 12, 2024, we had purchased 29,800 Common Shares under the ASPP at an average price per Common Share of \$31.85.

We believe that, from time to time, the market price for the Common Shares may not reflect our strong financial performance and growth prospects, and that in such circumstances, using the NCIB to repurchase Common Shares is an attractive investment opportunity and a prudent way to return capital to our shareholders.

Preferred Shares

	Preferred Shares
	\$
As at December 31, 2022	-
Issuance of preferred shares	86,603
Transaction costs	(2,027)
Accretion expense	4,833
As at December 31, 2023	89,409

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 \$2.0 million. The Preferred Shares accrete at approximately 9.6% 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 \$4.8 million, respectively, for the three and twelve months ended December 31, 2023.

Warrants

	Warrants	
	#	\$
As at December 31, 2022	-	-
Issuance of warrants	2,527,121	14,962
Transaction costs	-	(257)
As at December 31, 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. The Warrants are classified as equity in the consolidated 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, 2023. Items subject to significant estimate uncertainty and critical judgments which have the most impact on the amounts recognized in the audited consolidated annual financial statements are included both below and in the annual audited financial statement notes.

Control of China Operations

The Jamieson-DCP Partnership (refer to "*Chinese Operations Strategic Partnership*") is governed by a board consisting of six members, including four from us and two from DCP, with certain reserved matters requiring a vote of two-thirds of the directors present at the board meeting, including at least one DCP director. Management's judgment is involved when determining whether these reserved matters affect our current ability to direct the relevant activities and whether we have the ability to use our power over this strategic partnership to affect the amount of our returns. We have determined that we control the China Operations based on all facts and circumstances assessed during the period. Therefore, the Jamieson-DCP Partnership is consolidated into our audited consolidated annual financial statements. DCP's 33% minority interest in the Jamieson-DCP Partnership is recorded as non-controlling interest.

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 9, 14, 17, 18, 20 and 23 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2023.

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.

We consider the earnings of certain non-Canadian subsidiaries to be indefinitely invested outside of Canada on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. If we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period that we determine that the earnings will no longer be indefinitely invested outside of Canada.

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.

Summary of Accounting Policies

Our audited consolidated annual financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2023.

Recently adopted accounting standards

Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants

Effective January 1, 2023, we adopted the amendments to IAS 1, issued in January 2020, which clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. On October 31, 2022, the IASB issued Non-Current Liabilities with Covenants (further amendments to IAS 1). These amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current as of the reporting date. These amendments are effective in the same period the entity adopts the January 2020 amendments which for the Company is January 1, 2023.

The amendments had no material impact on the consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates

Effective January 1, 2023, we adopted the amendments to IAS 8 which introduce a definition of "Accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and accounting policies as well as the correction of errors. Additionally, the IASB clarifies how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no material impact on the consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

Effective January 1, 2023, we adopted the amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, the IASB has provided guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no material impact on the consolidated financial statements.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P as at December 31, 2023 and have concluded that the Company's DC&P was effective as at December 31, 2023.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company's ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as at December 31, 2023 and have concluded that the Company's ICFR was effective as at December 31, 2023.

There have been no changes in the Company's ICFR during the three-month period ended December 31, 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 twelve months ended December 31, 2023, we have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of the business of our former distribution partner in China which we acquired as of April 28, 2023.

Included in our audited consolidated annual financial statements for three and twelve months ended December 31, 2023 are the following amounts pertaining to the acquired business.

<i>(\$ in 000's)</i>	As at December 31, 2023	Twelve months ended December 31, 2023 ⁽¹⁾	
Selected Financial Position Data:		Selected Statements of Operations Data:	
Total assets	38,736		
Total liabilities	15,809	Revenue	39,553

(1) Results reflect the eight 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

In fiscal 2024 we are expecting another strong year of growth in our Jamieson Brands segment, partially offset by a temporary decline in our Strategic Partners segment. We cycled off a Strategic Partners customer contract in late fiscal 2023 and are working to fill this gap, leveraging our pipeline of high potential opportunities.

Jamieson Brands Segment:

Expected revenue range is \$615.0 to \$650.0 million (+12% to +18%)

- Jamieson Canada revenue of +4.0% and +7.5%, including consumption growth, lower customer inventories and pricing
- U.S. business (youtheory) revenue of +13% and +20%, building innovation and distribution on our strong 2023 double digit growth momentum
- Jamieson China revenue of +60% to +80%, building on our strong double digit 2023 growth and a strategic decision to rapidly accelerate demand generating and brand building investment behind our exceptional recent growth
- Jamieson International revenue of +5% to +15%, including consumption and expansion to new markets
- Gross profit margin growth of 150 to 200 basis points driven by volume and segment mix
- Adjusted EBITDA of +5.5% to 8.5%, and margin range of 20.3% to 20.8%, primarily due to increased investment in China and the U.S. to drive accelerated scale, and the impact of business unit mix

Jamieson Brands Mix Commentary:

Each business unit has its own margin structure with growth rates in each impacting the consolidated profit margin. Our most mature base businesses of Canada and International with single digit revenue growth and a decade under professional management, have the strongest margin structures and are stable/growing. Our U.S. business, acquired in 2022, has strong yet slightly lower margins that are growing as we synergize and scale that business. Our fastest growing China business under its new owned model as of April 2023 has positive, yet inherently lower margins than the remainder of our branded business, as we invest and establish a margin baseline from which to grow as we scale the business at an accelerated rate.

Strategic Partners Segment:

Expected revenue range is \$100.0 to \$113.0 million (-10% to -20%)

- Reflecting our transition out of a customer contract, partially offset as we onboard new opportunities. Typical time lapse between ending a contract and starting a new one is 9-12 months.
- Gross profit margin decline of 200 and 250 basis points due to lower sales and reduced manufacturing efficiency
- Adjusted EBITDA margins expected to decline -300 basis points

Consolidated:

Guidance reflects temporary factors impacting our earnings, including the decline in Strategic Partners volumes, reduced manufacturing efficiency from planned lower production volumes to right size inventory, and strategic investment choices in our Jamieson Brands growth pillars noted above.

- Revenue to range between \$720.0 to \$760.0 million (+6.5% to +12.5% growth)
- Gross Profit margins growth of between +200 and +250 basis points
- Normalized SG&A including marketing expenses is expected to increase 20% to 35%
- Share-based compensation costs of approximately \$7.0 million
- Adjusted EBITDA to range from \$138.0 to \$144.0 million (up to +4.5% growth)
- Adjusted EBITDA margin decline of -120 and -170 basis points
- Adjusted diluted earnings per share to range from \$1.55 to \$1.65 (up to +6.5% growth)
- A fully diluted share count of approximately 42.5 million shares
- We expect to incur approximately \$8.0 million in certain non-capital costs related to the enhancement of our IT systems and between \$3.0 to \$4.0 million in costs associated with the temporary closure of our Windsor manufacturing facility
- We expect to generate between \$85.0 and \$95.0 million in cash from operations before working capital, IT systems enhancements and other certain non-operating costs

In fiscal 2025, our long-term earnings trajectory is expected to return to low double-digit growth with Adjusted EBITDA of between \$155.0 and \$165.0 million. We expect profitability in 2025 to be driven by Jamieson Brands revenue growth of 10% to 15%, including resolution of the following items impacting our fiscal 2024 expectations:

- Higher revenue and manufacturing efficiency from balanced consumption, shipments and production levels from stabilizing finished good, customer and distributor inventories
- Realized manufacturing efficiency within our soft gel operations with a return to previous Strategic Partners volumes
- Following the step change investment in brand building activities, in 2025 we expect to limit investment in headcount, infrastructure and marketing to a rate consistent with Jamieson Brands revenue growth.

In the first quarter of 2024, we expect revenue to range between \$118.0 to \$128.0 million (-14% to -7%):

- Revenue in the Jamieson Brands segment is expected to increase by up to 6% to approximately \$106.0 to \$114.0 million
- Revenue in the Strategic Partners segment is expected to decline between 50% and 60%
- We anticipate Adjusted EBITDA to range from \$13.0 to \$16.0 million. Our guidance reflects investments to drive brand awareness and growth in the U.S. and China, the temporary closure of our Windsor tablet manufacturing facility impacting shipment timing in Canada, International and Strategic Partners, and temporary manufacturing inefficiencies based on lower internal and customer inventories.

Current Share and Option Information

As of the date hereof, an aggregate of 41,434,460 Common Shares and 2,527,121 preferred shares are issued and outstanding. As of the date hereof, the Company had 2,527,121 warrants, 2,441,631 options, 198,915 PSUs, 57,964 RSUs, and 42,346 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.