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

For the three months ended March 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three months ended March 31, 2020

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 May 12, 2020. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and our accompanying notes as at and for the three months ended March 31, 2020, our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2019 and the related annual MD&A.

Our unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" under International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q1 2020" are to our fiscal quarter ended March 31, 2020 and to "Q1 2019" are to our fiscal quarter ended March 31, 2019.

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 Financial Measures

This MD&A makes reference to certain non-IFRS measures. Management uses these non-IFRS 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 non-IFRS measures including "gross profit", "gross profit margin", "operating margin" "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted Net Income" and "Adjusted Diluted Earnings per Share", 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 measures in order to prepare annual operating budgets and to determine components of management compensation.

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 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 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 (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each financial year up to and including that in respect of 2021 on our growth targets disclosed in our final prospectus (the "IPO Prospectus") dated June 29, 2017 in respect of our initial public offering and secondary offering, including to provide information on our growth targets disclosed in such prospectus, actual results and a discussion of variances from our growth targets. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading "*Risk Factors*" and those discussed under the "*Risk Factors*" section of our most recent annual information form.

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

Overview

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

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada's #1 overall consumer health brand by sales and Canada's #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in over 40 countries worldwide.

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

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

Summary of Factors Affecting Our Performance

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

Our Brands

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

Product Innovation and Planning

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

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the food, drug, mass, 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 200 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 2019, our top ten suppliers accounted for approximately 45% 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.

Consumer Trends

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

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

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, iconic brand status, strong innovation capabilities and high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

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

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

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability. We believe we have demonstrated our ability to successfully identify, integrate and grow businesses that we acquire. Since 2016, management has successfully made two acquisitions in line with our strategy.

Implementation of Growth Strategies

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

Regulation

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

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, certain of which are not recognized under IFRS. See "*Non-IFRS Financial Measures*".

Revenue

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

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

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

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

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

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

As required for the interim consolidated financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 11 in our unaudited condensed consolidated interim financial statements for the disclosure on disaggregated revenue.

Gross Profit

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

Gross Profit Margin

"Gross profit margin" is defined as gross profit divided by revenue.

SG&A

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

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.

EBITDA

"EBITDA" is defined as net income before: (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) depreciation of property, plant, and equipment; and (iv) amortization of intangible assets.

Adjusted EBITDA

"Adjusted EBITDA" is defined as EBITDA before: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) international market expansion; (v) business integration; and (vi) other non-operating, non-recurring and non-cash costs. 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 and other one-time, non-recurring or non-cash expenses.

Adjusted EBITDA Margin

"Adjusted EBITDA margin" is defined as Adjusted EBITDA divided by revenue.

Adjusted Net Income

"Adjusted Net Income" is defined as consolidated net income adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) international market expansion; (v) business integration and (vi) other non-operating and non-recurring costs net of related tax effects. We believe Adjusted Net Income 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 and other one-time or non-recurring expenses.

Adjusted Diluted Earnings per Share

"Adjusted Diluted Earnings per Share" is defined as Adjusted Net Income divided by the total number of outstanding diluted shares at the end of the most recently completed quarter for the relevant period. We believe Adjusted Diluted Earnings per Share is a useful measure to assess the performance of our Company.

Selected Consolidated Financial Information

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

($ in 000's, except as otherwise noted)	**Three months ended March 31 2020**	**2019**	**$ Change**	**% Change**
Revenue	**84,523**	**72,578**	**11,945**	**16.5%**
Cost of sales	53,267	45,378	7,889	17.4%
Gross profit	31,256	27,200	4,056	14.9%
Gross profit margin	**37.0%**	**37.5%**	-	**(0.5%)**
Selling, general and administrative expenses	17,632	16,489	1,143	6.9%
Share-based compensation	1,265	800	465	58.1%
Earnings from operations	**12,359**	**9,911**	**2,448**	**24.7%**
Operating margin	**14.6%**	**13.7%**	-	**0.9%**
Foreign exchange (gain) loss	(749)	26	(775)	(2980.8%)
Other income	-	(3)	3	100.0%
Interest expense and other financing costs	1,928	2,422	(494)	(20.4%)
Income before income taxes	11,180	7,466	3,714	49.7%
Provision for income taxes	3,169	2,082	1,087	52.2%
Net income	**8,011**	**5,384**	**2,627**	**48.8%**
Adjusted net income	**7,800**	**6,469**	**1,331**	**20.6%**
EBITDA	**15,964**	**12,463**	**3,501**	**28.1%**
Adjusted EBITDA	**16,687**	**14,481**	**2,206**	**15.2%**
Adjusted EBITDA margin	**19.7%**	**20.0%**	-	**(0.3%)**
Weighted average number of shares				
Basic	39,099,112	38,305,895		
Diluted	40,028,774	39,659,791		
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.20	0.14		
Diluted, earnings per share	0.20	0.14		
Adjusted Diluted, earnings per share	0.19	0.16		

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

($ in 000's)	**As at March 31, 2020**	**As at December 31, 2019**
Selected Consolidated Financial Position Data:		
Total assets	579,465	561,775
Total non-current liabilities	240,639	229,265

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the three months ended March 31, 2020 and March 31, 2019.

	Three months ended March 31			
($ in 000's, except as otherwise noted)	**2020**	**2019**	**$ Change**	**% Change**
Net income	**8,011**	**5,384**	**2,627**	**48.8%**
Add:				
Provision for income taxes	3,169	2,082	1,087	52.2%
Interest expense and other financing costs	1,928	2,422	(494)	(20.4%)
Depreciation of property, plant, and equipment	1,920	1,660	260	15.7%
Amortization of intangible assets	936	915	21	2.3%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**15,964**	**12,463**	**3,501**	**28.1%**
Share-based compensation (1)	1,265	800	465	58.1%
Foreign exchange (gain) loss	(749)	26	(775)	(2980.8%)
Termination benefits and related costs (2)	-	480	(480)	(100.0%)
International market expansion (3)	13	501	(488)	(97.4%)
Business integration (4)	107	134	(27)	(20.1%)
Other (5)	87	77	10	12.9%
Adjusted EBITDA	**16,687**	**14,481**	**2,206**	**15.2%**
Provision for income taxes	(3,169)	(2,082)	(1,087)	(52.2%)
Interest expense and other financing costs	(1,928)	(2,422)	494	20.4%
Depreciation of property, plant, and equipment	(1,920)	(1,660)	(260)	(15.7%)
Amortization of intangible assets	(936)	(915)	(21)	(2.3%)
Share-based compensation (6)	(1,121)	(610)	(511)	(83.8%)
Other	59	-	59	100.0%
Tax effect of normalization adjustments	128	(323)	451	139.6%
Adjusted net income	**7,800**	**6,469**	**1,331**	**20.6%**

(1) The Company's share-based compensation expense pertains to our long-term incentive plan (the "LTIP") (refer to "*Share-based compensation*"), with performance-based share units ("PSUs") and time-based restricted share units ("RSUs") expenses, and associated payroll taxes included within the current period.

(2) In Q1 2019, we incurred severance costs and salary continuance related to reorganization activities undertaken in order to gain the capabilities and structure to meet our long-term goals.

(3) In Q1 2019, we incurred initial set-up expenses while establishing our presence in China including entering into regulatory, distribution and supply agreements, and a study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences.

(4) We incurred expenses related to the integration of our offices, warehouses and supply chain activities with our acquired business. Current year expense pertains to a pre-existing contractual obligation, associated with the acquisition and subsequent integration, which terminates at the end of 2020.

(5) Costs in Q1 2020 consist primarily of a donation of products to China during the COVID-19 pandemic while Q1 2019's costs included consulting services to understand the acquisition landscape.

(6) Costs pertain to our LTIP, excluding one-time PSUs granted to certain employees on May 31, 2018 and RSUs granted to certain employees on November 6, 2018 (refer to "*Share-based compensation*").

The following table provides selected financial information for our two operating segments for the three months ended March 31, 2020 and March 31, 2019.

Jamieson Brands

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

For the three months ended March 31,	**2020**	**2019**	**$ Change**	**% Change**
Revenue	69,794	56,041	13,753	24.5%
Gross profit	29,275	23,711	5,564	23.5%
Gross profit margin	41.9%	42.3%	-	(0.4%)
Selling, general and administrative expenses	16,056	14,915	1,141	7.7%
Share-based compensation	1,265	800	465	58.1%
Earnings from operations	11,954	7,996	3,958	49.5%
Operating margin	17.1%	14.3%	-	2.8%
Adjusted EBITDA	15,787	12,073	3,714	30.8%
Adjusted EBITDA margin	22.6%	21.5%	-	1.1%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended March 31, 2020 and March 31, 2019.

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

For the three months ended March 31,	**2020**	**2019**	**$ Change**	**% Change**
Earnings from operations	11,954	7,996	3,958	49.5%
Depreciation of property, plant, and equipment	1,441	1,207	234	19.4%
Amortization of intangible assets	936	911	25	2.7%
Share-based compensation	1,265	800	465	58.1%
Termination benefits and related costs	-	464	(464)	(100.0%)
International market expansion	13	501	(488)	(97.4%)
Business integration	107	121	(14)	(11.6%)
Other	71	73	(2)	(2.3%)
Adjusted EBITDA	**15,787**	**12,073**	**3,714**	**30.8%**

Strategic Partners

($ in 000's, except as otherwise noted) For the three months ended March 31,	**2020**	**2019**	**$ Change**	**% Change**
Revenue	14,729	16,537	(1,808)	(10.9%)
Gross profit	1,981	3,489	(1,508)	(43.2%)
Gross profit margin	13.4%	21.1%	-	(7.7%)
Selling, general and administrative expenses	1,576	1,574	2	0.1%
Earnings from operations	405	1,915	(1,510)	(78.9%)
Operating margin	2.7%	11.6%	-	(8.9%)
Adjusted EBITDA	900	2,408	(1,508)	(62.6%)
Adjusted EBITDA margin	6.1%	14.6%	-	(8.5%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended March 31, 2020 and March 31, 2019.

($ in 000's, except as otherwise noted) For the three months ended March 31,	**2020**	**2019**	**$ Change**	**% Change**
Earnings from operations	405	1,915	(1,510)	(78.9%)
Depreciation of property, plant, and equipment	479	453	26	5.7%
Amortization of intangible assets	-	4	(4)	(100.0%)
Termination benefits and related costs	-	16	(16)	(100.0%)
Business integration	-	13	(13)	(100.0%)
Other	16	7	9	128.6%
Adjusted EBITDA	**900**	**2,408**	**(1,508)**	**(62.6%)**

Revenue

Revenue increased 16.5%, or $11.9 million, to $84.5 million in Q1 2020. This was mainly driven by 24.5% growth in Jamieson Brands revenue with a decline of 10.9% in Strategic Partners revenue quarter-over-quarter.

Revenue in the Jamieson Brands segment increased by $13.8 million, or 24.5%, to $69.8 million in Q1 2020 due to strong growth in domestic and international Jamieson Brands sales of $11.2 million and $2.6 million respectively. The impact of COVID-19 has accelerated the demand for our products in March leading to the reported increase in shipments. Our domestic Jamieson Brands sales increased by 21.9% reflecting the continued success of our consumer and trade programs as well as the acceleration of sales due to the impact of higher demand for immunity and general health supplements. Our international business continues to grow, increasing 51.3% compared to Q1 2019, led by strong growth in multiple geographies as demand for immunity products increased significantly, particularly in China and Europe.

In prior periods, we separately reported revenues from our specialty brands consisting of Progressive, Precision, Iron Vegan and Smart Solutions by Lorna Vanderhaeghe brands (“Specialty Brands”) which were primarily sold through the Canadian health food channel. Through our commercial integration initiatives, we expanded our Specialty Brands into new channels including food, drug, e-commerce and international markets, while re-launching the Jamieson Brand into the health food channel, which has resulted in the convergence of our brands and domestic channels. Beginning in the first quarter of 2020, we have consolidated our domestic branded revenues combining the results of the Jamieson brand and Specialty Brands. Similarly, any Specialty Brands volumes sold in the international market is combined with our international Jamieson branded revenues.

Revenue in the Strategic Partners segment decreased 10.9%, or $1.8 million, to $14.7 million in Q1 2020 due to the timing of new programs launched in the first half of the prior year, partially offset by incremental revenue related to the change in billing practices for a key Strategic Partner.

Gross profit

Gross profit increased by $4.1 million in Q1 2020 mainly driven by revenue growth and segment mix. Gross profit margin decreased by 50 basis points to 37.0% in Q1 2020 compared to Q1 2019 primarily due to physical distancing measures taken within our facilities and lower Strategic Partner gross profit margins.

Gross profit in the Jamieson Brands segment increased by $5.6 million in Q1 2020 driven by revenue growth. Gross profit margin decreased by 40 basis points to 41.9% in Q1 2020 due to the implementation of physical distancing initiatives in our production facilities in response to COVID-19, reducing throughput and offsetting operational efficiencies that normally accompany higher volumes.

Gross profit in the Strategic Partners segment decreased by $1.5 million to $2.0 million in Q1 2020. The decrease was primarily driven by customer mix, the billing change of a key customer and the timing of volume related efficiencies. Gross profit margin decreased by 770 basis points to 13.4% in Q1 2020 due to the factors noted above.

Selling, general and administrative expenses

SG&A expenses increased by 6.9%, or $1.1 million, to $17.6 million in Q1 2020. Excluding the impact of lower non-recurring costs of $0.7 million, SG&A expenses increased by $1.8 million. The increase in Jamieson Brands was driven by higher domestic marketing program costs, plus the investment in resources for e-commerce and international growth, including in the United States. SG&A expenses in the Strategic Partners segment remained consistent with the same period in the prior year.

Share-based compensation

Share-based compensation increased by $0.5 million to $1.3 million in Q1 2020 due to the alignment of our grant timing to reflect annual performance targets, the cumulative effect of our stock-based equity grants since our initial public offering on July 7, 2017, and associated payroll taxes on the exercise of stock options.

Earnings from operations and operating margin

Earnings from operations increased by 24.7%, or $2.4 million and operating margin increased by 90 basis points to 14.6% in Q1 2020 as a result of higher revenue and gross profit offset by higher SG&A and share-based compensation expenses discussed above.

Earnings from operations in the Jamieson Brands segment increased by $4.0 million and operating margin increased by 280 basis points to 17.1% in Q1 2020 mainly due to higher volumes discussed above and lower fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment decreased by $1.5 million and operating margin decreased by 890 basis points in Q1 2020 primarily due to lower volumes and gross profit margin discussed above.

Foreign exchange gain or loss

Foreign exchange gain of $0.8 million in Q1 2020 resulted from fluctuations in the USD/CAD exchange rates between the date of transaction and cash is realized. Our USD denominated net asset position combined with a rising USD/CAD rate environment resulted in the gain noted above.

Interest expense and other financing costs

Interest expense and other financing costs decreased by $0.5 million to $1.9 million in Q1 2020 mainly due to lower interest rates as a result of our amended and restated credit agreement (refer to "*Credit Facilities*").

Provision for income taxes

Provision for income taxes was $3.2 million in Q1 2020 compared to $2.1 million in Q1 2019. Our Q1 2020 effective tax rate is 28.3% which includes the impact of non-deductible share-based compensation.

Depreciation

Depreciation expense increased by $0.3 million to $1.9 million in Q1 2020 due to increases in our capital investments to increase capacity and improve efficiencies.

Amortization

Amortization expense remained relatively consistent with the same period in the prior year.

EBITDA and Adjusted EBITDA

EBITDA increased by $3.5 million to $16.0 million in Q1 2020 primarily due to the factors discussed above.

Adjusted EBITDA increased by $2.2 million to $16.7 million in Q1 2020 and Adjusted EBITDA margin decreased by 30 basis points to 19.7% in Q1 2020 mainly due to higher volumes in the Jamieson Brands segment, offset by lower volumes and gross profit margins in the Strategic Partners segment.

Adjusted EBITDA in the Jamieson Brands segment increased by $3.7 million to $15.8 million in Q1 2020 and Adjusted EBITDA margin increased by 110 basis points to 22.6% in Q1 2020. The increase was primarily driven by higher volumes and lower fixed costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment decreased by $1.5 million to $0.9 million in Q1 2020 and Adjusted EBITDA margin decreased by 850 basis points to 6.1% in Q1 2020. The decrease was mainly due to the impact of lower volumes and gross profit margins discussed above.

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. We have reclassified the presentation of certain costs on the unaudited condensed consolidated interim financial statements and our accompanying notes to be consistent with current presentation.

	2020	2019				2018		
($ in 000's, except per share amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue by segment								
Jamieson Brands	**69,794**	78,803	70,184	60,816	56,041	69,715	61,787	55,701
Strategic Partners	**14,729**	24,450	18,374	19,776	16,537	29,430	17,872	18,492
Total revenue	**84,523**	103,253	88,558	80,592	72,578	99,145	79,659	74,193
Earnings from operations	**12,359**	20,332	13,265	11,940	9,911	16,973	12,664	9,126
Net income	**8,011**	13,163	4,928	8,186	5,384	10,046	7,213	4,788
Adjusted net income	**7,800**	14,253	9,492	7,897	6,469	12,217	8,853	6,903
EBITDA	**15,964**	22,902	12,221	15,007	12,463	19,220	14,771	10,967
Adjusted EBITDA	**16,687**	25,641	19,394	16,392	14,481	22,933	17,856	14,153
Basic, earnings per share	**0.20**	0.34	0.13	0.21	0.14	0.26	0.19	0.13
Diluted, earnings per share	**0.20**	0.33	0.12	0.21	0.14	0.25	0.18	0.12
Adjusted Diluted, earnings per share	**0.19**	0.36	0.24	0.20	0.16	0.31	0.22	0.17

Revenue

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

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

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

- available capacity when considering demand for Jamieson Brands products;
- launch of new programs with existing or new customers, which include initial pipeline shipments;
- availability of customer supplied materials;
- innovation and geographic demand for high quality certified manufacturers;
- the impact of a change from a turnkey arrangement to tolling for certain products;
- 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;
- improvements in production efficiencies and higher economies of scale;
- raw material costs in native currency;
- timing of marketing spend and variable compensation; and
- foreign currency fluctuations.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under the 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 the Credit Facilities (refer to "*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 the 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, our 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 March 31, 2020, the Company had $107.2 million in cash and available revolving and swingline facilities.

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

We concluded that the amendments to the Initial Credit Agreement represent a substantial modification of the terms with its lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of $2.0 million. Financing costs of $1.4 million were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded as interest expense and other financing costs.

Prior to amendment, JLL entered into the Initial Credit Agreement on January 31, 2017 with a syndicate of lenders. The Initial Credit Agreement provided a secured term credit facility of $195.0 million (with the option to increase the facility up to $255.0 million) and a secured revolving credit facility of $75.0 million (including a $10.0 million swingline facility). Financing costs of $4.3 million and $1.5 million were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

For the three months ended March 31, 2020, JLL made drawings of $20.6 million applied against the Credit Facilities. For the three months ended March 31, 2020, JLL made debt repayments of $12.5 million applied against the Credit Facilities. As at March 31, 2020, the aggregate amount outstanding under the Credit Facilities was approximately $173.0 million.

For the three months ended March 31, 2020, the weighted interest rate on the Credit Facilities was 4.1%.

The Credit Facilities are secured by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens.

Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00.

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

Analysis of Cash Flows — three months ended March 31, 2020 and 2019

	Three months ended March 31			
($ in 000's, except as otherwise noted)	**2020**	**2019**	**$ Change**	**% Change**
Cash, beginning of period	**198**	**12,445**	**(12,247)**	**(98.4%)**
Cash flows from (used in):				
Operating activities	2,877	(9,942)	12,819	128.9%
Investing activities	(2,411)	(1,970)	(441)	(22.4%)
Financing activities	4,563	2,781	1,782	64.1%
Cash, end of period	**5,227**	**3,314**	**1,913**	**57.7%**

Cash Flows Generated from Operating Activities

In Q1 2020, cash flows generated from operating activities totalled $2.9 million compared to cash used in operating activities of $9.9 million in Q1 2019. Cash from operating activities before working capital considerations of $12.6 million was higher by $3.5 million primarily due to increased earnings in the current quarter. Lower cash used in working capital reflected an increase in safety stocks in the prior year which did not repeat in Q1 2020.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q1 2020 totalled $2.4 million compared to $1.9 million for the same period in the prior year. Additions of intangible assets increased by $0.3 million reflecting international product registrations, with the remaining increase due to purchases of property, plant and equipment. Our capital expenditures consist primarily of manufacturing and packaging equipment required to expand production capacity in response to growing demands.

Cash Flows Generated from Financing Activities

Cash flows from financing activities in Q1 2020 totalled $4.6 million compared to $2.8 million in Q1 2019. In Q1 2020, we paid $4.3 million of dividends to common shareholders and made payments of lease liabilities of $0.5 million, offset by net proceeds of $8.2 million from our Credit Facilities and $1.2 million received for the exercise of stock options and our employee share purchase plan (“ESPP”). In Q1 2019, we obtained net proceeds of $5.6 million from our Credit Facilities as well as $1.1 million for the exercise of stock options and our ESPP, offset by the issuance of $3.4 million of dividends to common shareholders and payment of lease liabilities of $0.5 million.

Contractual Obligations

Other than the repayments and drawings noted in the above "Credit Facilities" section, there was no material change in our remaining contractual obligations and commitments from the annual MD&A as at and for the year ended December 31, 2019.

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

Share-based compensation

The LTIP is an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the board of directors of the Company, at its discretion may grant share options, restricted shares, RSUs, PSUs, stock appreciation rights and deferred share units. The awards are settled in common shares of the Company ("Common Shares") and have no cash settlement alternatives. We also maintain the ESPP for all eligible employees for the purchase of Common Shares.

Our share-based compensation expense, for the three months ended March 31, 2020 is $1.3 million (2019 - $0.8 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. 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.

Outstanding Share Capital and Redeemable Preferred Shares

	Common Shares	
	#	$
As at December 31, 2019	**38,989,942**	**243,224**
Exercise of stock options	274,188	1,890
Employee stock purchase plan	5,274	125
As at March 31, 2020	**39,269,404**	**245,239**

	Common Shares	
	#	$
As at December 31, 2018	38,207,114	239,404
Exercise of stock options	102,263	1,536
Employee stock purchase plan	6,820	131
As at March 31, 2019	38,316,197	241,071

As at March 31, 2020, the authorized share capital consisted of:

a) Unlimited number of Common Shares with no par value. 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.
b) Unlimited number of Preference Shares, issuable in series.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income 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, 2019. Items subject to significant estimate uncertainty and critical judgements which have the most significant impact on the amounts recognized in the unaudited condensed consolidated interim financial statements are included both below and in the annual audited financial statement notes.

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. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically.

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 judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units (“CGU”) 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 assumption. 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.

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 income, and comprehensive income will be affected in future periods.

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

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 patterns 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 income, and comprehensive income will be affected 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 judgement 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 the future expected cash flows arising from the tangible and intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date which approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20 of the consolidated annual financial statements.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgement regarding the carrying values of assets and liabilities which 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 judgements 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.

Significant Accounting Policies

Our unaudited condensed consolidated interim financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our annual audited financial statements for the year ended December 31, 2019.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company (collectively, 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.

There have been no changes in the Company's ICFR during the three-month period ended March 31, 2020 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

We believe that any Disclosure Controls and Procedures 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

Consistent with the guidance provided in our 2019 annual MD&A, we expect our fiscal 2020 revenue will grow between 5.5% to 9.0% and range between $364 and $376 million. We anticipate Adjusted EBITDA to range between $80.0 and $84.0 million and Adjusted Diluted Earnings per Share to range between $1.02 and $1.10.

Revenue in the Jamieson Brands segment is expected to increase between 6% and 9% driven by growth in the following categories:

- Domestic Jamieson Brands to grow between 3% to 5% as we expect strong consumer demand in Canada for Jamieson and our Specialty Brands products. Our guidance reflects the impact of the new Jamieson media launched in fall 2019, our 2020 innovation plans, the strength of the current cold and flu season and strong Specialty Brands growth across e-commerce, food and drug channels. While branded volumes in Canada will be up to 15% higher through the first half of 2020, we will take until the end of the second quarter to assess the impact of accelerated purchases on our full year expectations.
- International growth of between 25% to 35%, driven by our growth in China as well as growth in existing and new international markets. This estimate includes the impact of a slower domestic rollout in China following COVID-19 measures taken in China and excludes the impact of our test launch in the United States immediately preceding the COVID-19 outbreak.

Revenue in the Strategic Partners segment is expected to increase between 5% and 10%. This includes revenue growth of up to 5% from higher volumes and 5% incremental revenue from the full year impact of a change in billing practices. The change in billing practices will result in lower reported gross profit margin and related operating margins reported within the Strategic Partners segment (due to higher revenues) but will not affect the level of gross profit or operating profit earned on the segment business.

In fiscal 2020, we expect to incur non-recurring costs associated with COVID-19 including shift premiums for our front-line employees as well as the donation of personal protective equipment and essential vitamins in support of local front-line medical workers. These non-recurring costs will impact net income while our expected Adjusted EBITDA range for fiscal 2020 reflects the normalization of these expenses. Our Adjusted Net Income and Adjusted Diluted Earnings per Share for fiscal 2020 will also reflect the adding back of these expenses on a tax-effected basis.

Our revenue growth and costs increase have been impacted by COVID-19 and as a result, will not be linear or consistent with seasonal trends observed in previous periods. The following factors will impact growth in the second quarter of 2020:

- Jamieson Brands domestic revenue is expected to grow by between 5% and 10% in Q2 2020 due to continued strong demand, partially offset by accelerated purchases realized in the latter part of Q1 2020 and the temporary closures of retail outlets focused on sports nutrition;
- We expect international growth of between 30% to 50% with increases across our existing geographies as global demand for immunity products remains strong. In addition, the impact of increased distribution and product registrations is expected to drive growth in the domestic Chinese market;
- Our Strategic Partners segment volumes are expected to be up to 10% lower than the prior year reflecting the timing of new programs launched in the first half of 2019.

The foregoing financial outlook is based on the following assumptions for fiscal 2020, amongst others:

- an average annual exchange rate between the U.S. and Canadian dollar of U.S.$1.00 = $1.35;
- normalized SG&A expenses will increase 6% to 9% to support growth in international markets and our e-commerce initiatives, including increased marketing to drive accelerating growth in China and the launch of Jamieson in the United States;
- depreciation will increase by approximately 10% reflecting accelerated capital additions to expand our available capacity;
- stock-based compensation costs of approximately $5.0 million, reflecting a shift in timing for the 2020 grant and grants to certain employees, and are expected to normalize over our first four years as a public company;
- interest expense between $7.0 to $7.5 million based on our estimated borrowing and prevailing rates;
- income tax rates of approximately 28.0% based on non-deductible stock-based compensation; and
- a fully diluted share count of between 40.0 and 40.5 million shares

Considering the recent outbreak of COVID-19 and physical distancing measures taken around the world, there exists the risk of a second wave and further escalation in measures required to control the outbreak including prolonged retail and manufacturing closures that could impact our estimates for 2020. Extended closure of retail outlets could potentially impact revenues in multiple markets and delay our launch and distribution build in the domestic Chinese market. Limitations on transportation may affect the delivery of international and domestic shipments as well as deliveries to customers. Manufacturing closures have the potential to impact our ability to provide finished goods as well as affect the availability of purchased finished goods and raw materials.

While physical distancing in Canada has significantly impacted certain industries, our industry and supply chain are considered essential. We have not seen significant retail closures and our products remain widely available in retail and e-commerce channels. Consumer response to COVID-19 has resulted in the acceleration of demand for both immunity and general health supplements. Higher demand will be slightly constrained while we experience a temporary increase in absenteeism and manage the impact of physical distancing measures in our facilities. In support of our employees, we have increased sanitation, maximized physical distancing and where possible, established shift gaps to avoid congestion during shift changeovers. We have adapted rapidly to the changing environment to minimize the risk of business interruption due to COVID-19 while ensuring a steady supply of products to our consumers. The extent of 2020 gross profit margin pressures will be a function of the depth and duration of recommended physical distancing policies in the weeks and months to come.

The description of our 2020 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment o f the opportunities for our business and the consumer health industry a s a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The description of our 2020 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "Forward-Looking Information" and "Risk Factors" for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 39,273,542 Common Shares are issued and outstanding. As of the date hereof, the Company had 3,161,450 options, 256,894 PSUs and 18,000 RSUs outstanding.

Additional Information

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

Risk Factors

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

Credit risk

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

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

Market Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our accounts receivable and accounts payable are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. We manage our interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

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 also 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.