



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

For the three months ended March 31, 2019

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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 May 7, 2019. 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, 2019, our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2018 and the related annual MD&A.

Our unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019 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 2019" are to our fiscal quarter ended March 31, 2019 and to "Q1 2018" are to our fiscal quarter ended March 31, 2018.

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 the annual information form of the Company for the year ended December 31, 2018.

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 Lorna Vanderhaeghe Health Solutions Inc. ("LVHS") brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands (which we acquired through the acquisition of Body Plus Nutritional Products Inc. ("Body Plus")), all of which we refer to as our "Jamieson Brands" segment. Revenues generated from our previous acquisitions of Body Plus and LVHS are known as "Specialty Brands", with distribution across food, drug and health food channels. 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 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, LVHS, 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 nearly 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 2018, 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 one-year contracts for raw materials at fixed prices to provide additional 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 consumer spending and 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 consumer 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, our iconic brand status, our strong innovation capabilities and our 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 US-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, either at FOB shipping or FOB destination. 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 gives 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 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 13 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 sales, general, and administrative ("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 (loss) 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) purchase consideration accounted for as compensation expense; (v) international market expansion; (vi) business integration; and (vii) 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 (loss) adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) purchase consideration accounted for as compensation expense; (v) international market expansion; (vi) business integration; and (vii) 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 dividing Adjusted Net Income 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 consolidated financial position data for the periods indicated.

<i>(\$ in 000's)</i>	<u>As at March 31,</u> <u>2019</u>	<u>As at December 31,</u> <u>2018</u>
Selected Consolidated Financial Position Data:		
Total assets	545,968	549,021
Total non-current liabilities	216,623	205,739

Results of Operations — three months ended March 31, 2019 and 2018

The following table provides a summary of our results for the three months ended March 31, 2019 and March 31, 2018. The adoption of IFRS 15 in Fiscal 2018 resulted in a reclassification in the presentation of certain consideration paid to customers relating to the comparative figures within these unaudited condensed consolidated interim financial statements. Specifically, certain payments for customer-specific programs did not meet the specific criteria within the new guidance of providing a “distinct” good or service, and therefore an amount of \$3.3 million was reclassified from cost of sales to reductions to revenue, with no impact to net income, for the period ended March 31, 2018.

In addition, we have reclassified the presentation of certain costs on the unaudited condensed consolidated interim statements of operations and comprehensive income to be consistent with current presentation.

<i>(\$ in 000's, except as otherwise noted)</i>	Three months ended		\$ Change	% Change
	March 31			
	<u>2019</u>	<u>2018</u>		
Revenue	72,578	66,779	5,799	8.7%
Cost of sales	45,378	41,159	4,219	10.3%
Gross profit	27,200	25,620	1,580	6.2%
Selling, general and administrative expenses	16,489	16,799	(310)	(1.8%)
Share-based compensation	800	427	373	87.4%
Earnings from operations	9,911	8,394	1,517	18.1%
Operating margin	13.7%	12.6%	-	1.1%
Foreign exchange loss	26	200	(174)	(87.0%)
Other income	(3)	(12)	9	75.0%
Interest expense and other financing costs	2,422	2,176	246	11.3%
Income before income taxes	7,466	6,030	1,436	23.8%
Provision for income taxes	2,082	1,404	678	48.3%
Net income	5,384	4,626	758	16.4%
Adjusted net income	6,469	5,760	709	12.3%
EBITDA	12,463	10,339	2,124	20.5%
Adjusted EBITDA	14,481	12,686	1,795	14.1%
Adjusted EBITDA margin	20.0%	19.0%	-	1.0%
Weighted average number of shares				
Basic	38,305,895	37,831,159		
Diluted	39,659,791	39,666,424		
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.14	0.12		
Diluted, earnings per share	0.14	0.12		
Adjusted Diluted, earnings per share	0.16	0.15		

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the three months ended March 31, 2019 and March 31, 2018.

(\$ in 000's, except as otherwise noted)	Three months ended		\$ Change	% Change
	March 31			
	2019	2018		
Net income	5,384	4,626	758	16.4%
<i>Add:</i>				
Provision for income taxes	2,082	1,404	678	48.3%
Interest expense and other financing costs	2,422	2,176	246	11.3%
Depreciation of property, plant, and equipment	1,660	1,263	397	31.4%
Amortization of intangible assets	915	870	45	5.2%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	12,463	10,339	2,124	20.5%
Share-based compensation ⁽¹⁾	800	427	373	87.4%
Foreign exchange loss	26	200	(174)	(87.0%)
Termination benefits and related costs ⁽²⁾	480	1,732	(1,252)	(72.3%)
Purchase consideration accounted for as compensation expense ⁽³⁾	-	(1,066)	1,066	100.0%
International market expansion ⁽⁴⁾	501	-	501	100.0%
Business integration ⁽⁵⁾	134	961	(827)	(86.1%)
Other	77	93	(16)	(17.2%)
Adjusted EBITDA	14,481	12,686	1,795	14.1%
Provision for income taxes	(2,082)	(1,404)	(678)	(48.3%)
Interest expense and other financing costs	(2,422)	(2,176)	(246)	(11.3%)
Depreciation of property, plant, and equipment	(1,660)	(1,263)	(397)	(31.4%)
Amortization of intangible assets	(915)	(870)	(45)	(5.2%)
Share-based compensation ⁽⁶⁾	(610)	(427)	(183)	(42.9%)
Tax effect of normalization adjustments	(323)	(786)	463	58.9%
Adjusted net income	6,469	5,760	709	12.3%

- (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 included within the current period.
- (2) As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance. Specifically in Q1 2018, costs were primarily related to the integration of LVHS and Body Plus, which includes the consolidation of our supply chain activities.
- (3) In conjunction with the acquisition of Body Plus and Sonoma on January 31, 2017, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of \$9.4 million was due to be paid on the one-year anniversary of the acquisition with the remaining balance paid in July 2018.
- (4) We incurred one-time expenses pertaining to professional fees in establishing our presence in China including regulatory, distribution and supply agreements, and a one-time study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences.
- (5) We incurred non-employee related expenses associated with the integration of our LVHS and Body Plus businesses including the consolidation of offices, warehouses, supply chain activities, consulting fees and transition counselling.
- (6) In 2019, we normalize for 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, 2019 and March 31, 2018.

Jamieson Brands

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

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	56,041	56,569	(528)	(0.9%)
Gross profit	23,711	23,058	653	2.8%
Gross profit margin	42.3%	40.8%	-	1.5%
Selling, general and administrative expenses	14,915	15,227	(312)	(2.0%)
Share-based compensation	800	427	373	87.4%
Earnings from operations	7,996	7,404	592	8.0%
Operating margin	14.3%	13.1%	-	1.2%
Adjusted EBITDA	12,073	11,352	721	6.4%
Adjusted EBITDA margin	21.5%	20.1%	-	1.4%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended March 31, 2019 and March 31, 2018.

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

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	7,996	7,404	592	8.0%
Depreciation of property, plant, and equipment	1,207	919	288	31.3%
Amortization of intangible assets	911	870	41	4.7%
Share-based compensation	800	427	373	87.4%
Termination benefits and related costs	464	1,732	(1,268)	(73.2%)
International market expansion	501	-	501	100.0%
Business integration	121	-	121	100.0%
Other	73	-	73	100.0%
Adjusted EBITDA	<u>12,073</u>	<u>11,352</u>	<u>721</u>	<u>6.4%</u>

Strategic Partners

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

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	16,537	10,210	6,327	62.0%
Gross profit	3,489	2,562	927	36.2%
Gross profit margin	21.1%	25.1%	-	(4.0%)
Selling, general and administrative expenses	1,574	1,572	2	0.1%
Earnings from operations	1,915	990	925	93.4%
Operating margin	11.6%	9.7%	-	1.9%
Adjusted EBITDA	2,408	1,334	1,074	80.5%
Adjusted EBITDA margin	14.6%	13.1%	-	1.5%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended March 31, 2019 and March 31, 2018.

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

For the three months ended March 31,	2019	2018	\$ Change	% Change
Earnings from operations	1,915	990	925	93.4%
Depreciation of property, plant, and equipment	453	344	109	31.7%
Amortization of intangible assets	4	-	4	100.0%
Termination benefits and related costs	16	-	16	100.0%
Business integration	13	-	13	100.0%
Other	7	-	7	100.0%
Adjusted EBITDA	2,408	1,334	1,074	80.5%

Revenue

Revenue increased 8.7%, or \$5.8 million, to \$72.6 million in Q1 2019. This was mainly driven by 62.0% growth or \$6.3 million in Strategic Partners revenue and slightly lower Jamieson Brands revenue by 0.9% or \$0.5 million quarter-over-quarter.

Revenue in the Jamieson Brands segment decreased 0.9%, or \$0.5 million, to \$56.0 million in Q1 2019 due to a shift in timing of domestic Jamieson sales of \$1.2 million and reduction in our Specialty Brands revenue decline of \$0.5 million offset by strong international growth of \$1.1 million. Our international business continues to demonstrate consistent growth, increasing by 29.3% versus prior quarter, led by strong demand in Europe, the Middle East, and Asia. Our domestic Jamieson sales decreased by 3.0% impacted by strong customer purchases in anticipation of our February 2018 price increase along with timing, as consumer purchases have outpaced shipments which has led to a decline in retailer inventories in the current period. Specialty Brands volumes experienced a lower quarter-over-quarter decline of 3.9% due to improved retailer engagement as we continue to execute on our improvement initiatives surrounding customer, consumer and culture.

Revenue in the Strategic Partners segment increased 62.0%, or \$6.3 million, to \$16.5 million in Q1 2019. Revenue increase was mainly driven by new contracts and timing of shipments due to demand for our customers' branded products.

Gross profit

Gross profit increased by \$1.6 million in Q1 2019 mainly driven by revenue growth and operating efficiencies. Gross profit margin decreased by 90 basis points to 37.5% in Q1 2019 impacted by the proportion of Strategic Partners revenue with inherently lower margins and margin improvements within Jamieson Brands.

Gross profit in the Jamieson Brands segment increased by \$0.7 million in Q1 2019 driven by favourable mix, production efficiencies and timing of sales promotional incentives to our customers partially offset by lower volumes. Gross profit margin increased by 150 basis points to 42.3% in Q1 2019 due to the same factors mentioned above.

Gross profit in the Strategic Partners segment increased by \$0.9 million to \$3.5 million in Q1 2019. The increase was primarily driven by higher volumes partially offset by an expected reduction of margin resulting from customer mix. Gross profit margin decreased by 400 basis points to 21.1% in Q1 2019 primarily due to customer and product mix discussed above.

Selling, general and administrative expenses

SG&A expenses decreased by 1.8%, or \$0.3 million, to \$16.5 million in Q1 2019. Excluding the impact of lower business integration, international market expansion, termination benefits and other non-recurring costs of \$0.6 million, SG&A expenses increased by \$0.3 million due to investments in resources for e-commerce and international growth in the Jamieson Brands segment. In the Strategic Partners segment, SG&A expenses was consistent with the same period in the prior year.

Share-based compensation

Share-based compensation increased by \$0.4 million to \$0.8 million in Q1 2019 due to the timing and cumulative effect of our annual stock-based equity grants since our initial public offering on July 7, 2017.

Earnings from operations and operating margin

Earnings from operations increased by \$1.5 million in Q1 2019 mainly driven by increase in gross profit in both segments and decreases in fixed costs within the Jamieson Brands segment. Operating margin increased by 110 basis points to 13.7% due to the impact of lower SG&A expenses partially offset by increased share-based compensation in the current quarter.

Earnings from operations in the Jamieson Brands segment increased by \$0.6 million and operating margin increased 120 basis points to 14.3% in Q1 2019 mainly due to gross profit margin improvements discussed above and decreases in fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment increased by \$0.9 million and operating margin increased by 190 basis points to 11.6% in Q1 2019 due to consistent SG&A expenses over higher volumes partially offset by the planned reduction in gross profit margin discussed above.

Foreign exchange loss

Foreign exchange loss is immaterial and relatively consistent with the same period in the prior year.

Interest expense and other financing costs

Interest expense and other financing costs increased by \$0.2 million to \$2.4 million in Q1 2019 mainly due to higher prevailing rates and the impact of our adoption of IFRS 16, "Leases" (refer to "*Recently adopted accounting standards*" below) which includes the recognition of interest expense on our lease liabilities.

Provision for income taxes

Provision for income taxes was \$2.1 million in Q1 2019 compared to \$1.4 million in Q1 2018. Our Q1 2019 effective tax rate of 27.9% was impacted by non-deductible share-based compensation. Our Q1 2018 effective tax rate of 23.3% was impacted by a \$1.1 million accounting gain for deferred purchase consideration associated with the acquisition of Body Plus and Sonoma and non-deductible share-based compensation.

Depreciation

Depreciation expense increased by \$0.4 million to \$1.7 million in Q1 2019 due to increases in our capital investments and the adoption of IFRS 16, "Leases" ("IFRS 16") (refer to "*Recently adopted accounting standards*") while taking into account the change in useful life estimates on buildings, machinery and equipment (refer to "*Change in accounting estimates*").

Amortization

Amortization expense remained relatively consistent with the same period in the prior year. A minor increase was due to our continued investment in international product registrations and website development costs.

EBITDA and Adjusted EBITDA

EBITDA increased by \$2.1 million to \$12.5 million in Q1 2019 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$1.8 million to \$14.5 million and Adjusted EBITDA margin increased by 100 basis points to 20.0% for the quarter mainly due to gross profit margin improvements in the Jamieson Brands

segment and higher volumes of Strategic Partners activity in the quarter.

Adjusted EBITDA in the Jamieson Brands segment increased by \$0.7 million to \$12.1 million and Adjusted EBITDA margin increased by 140 basis points to 21.5% for the quarter. This was mainly driven by gross profit margin improvements discussed above partially offset by higher SG&A expenses.

Adjusted EBITDA in the Strategic Partners segment increased by \$1.1 million, to \$2.4 million and Adjusted EBITDA margin increased by 150 basis points to 14.6% in Q1 2019 mainly due to consistent SG&A expenses over higher volumes partially offset by lower 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. As of January 1, 2018, the Company has adopted IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") using the modified retrospective method. The adoption of IFRS 15 resulted in a reclassification in the presentation of certain consideration paid to customers, which was made to the annual consolidated financial statements for the year ended December 31, 2018. Management has revised all prior quarters in 2018 for this reclassification in the below summary. Due to the adoption of IFRS 15 and other factors listed below, the results of operations for any quarter are not necessarily indicative of the result of operations for the fiscal year.

(\$ in 000's, except per share amounts)	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue by segment								
Jamieson Brands	56,041	69,715	61,787	55,701	56,569	65,545	61,889	56,647
Strategic Partners	16,537	29,430	17,872	18,492	10,210	18,773	18,256	14,608
Total revenue	72,578	99,145	79,659	74,193	66,779	84,318	80,145	71,255
Earnings from operations	9,911	16,973	12,664	9,126	8,394	13,300	11,281	10,699
Net income (loss)	5,384	10,046	7,213	4,788	4,626	3,733	1,089	(6,958)
Adjusted net income	6,469	12,217	8,853	6,903	5,760	9,749	7,793	7,870
EBITDA	12,463	19,220	14,771	10,967	10,339	11,194	8,346	3,255
Adjusted EBITDA	14,481	22,933	17,856	14,153	12,686	18,848	16,134	15,071
Basic, earnings (loss) per share	0.14	0.26	0.19	0.13	0.12	0.10	(0.24)	(13.37)
Diluted, earnings (loss) per share	0.14	0.25	0.18	0.12	0.12	0.09	(0.24)	(13.37)
Adjusted Diluted, earnings per share	0.16	0.31	0.22	0.17	0.15	0.25	0.20	0.20

Results for the three months ended March 31, 2019 and for the year ended December 31, 2018 are presented under the new revenue guidance under IFRS 15, while results for the year ended December 31, 2017 have not been adjusted and continue to be reported in accordance with historical accounting guidance under IAS 18. In addition, we have reclassified the presentation of certain costs on the unaudited condensed consolidated interim statements of operations and comprehensive income to be consistent with current presentation.

Revenue

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

- 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; 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 Branded Products;
- 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 and media spend;
- improvements in production efficiencies and higher economies of scale;
- raw material costs in native currency; 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 Revolving Credit Facility (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 Revolving Credit Facility 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

On January 31, 2017, Jamieson Laboratories Ltd. (“JLL”), a wholly-owned subsidiary of Jamieson, entered into a credit agreement (the “Credit Agreement”) with a syndicate of lenders. The 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) (collectively, the “Credit Facilities”). The Credit Facilities mature on January 31, 2021 with the outstanding principal repayable in full on this date. 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.

As at March 31, 2019, the aggregate amount outstanding under the Credit Facilities was approximately \$174.5 million (\$49.0 million under the Revolving Credit Facility and \$125.5 million under the Term Loan Facility) and the weighted average interest rate on this facility was 4.6%.

For the three months ended March 31, 2019, JLL made drawings of \$nil and debt repayments of \$2.4 million applied against the term credit facility. For the three months ended March 31, 2018, JLL made drawings of \$14.5 million and debt repayments of \$6.4 million applied against the revolving credit facility.

The Credit Facilities are secured by a general security agreement and first charge over the assets including property, plant and equipment of JLL and its subsidiaries, subject to permitted liens. Under the terms of the Credit Facilities, JLL is 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 4.05:1.00. JLL is in compliance with all covenants as at the date of this MD&A.

Analysis of Cash Flows — three months ended March 31, 2019 and 2018

	Three months ended		\$ Change	% Change
	March 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2019	2018		
Cash, beginning of period	12,445	4,833	7,612	157.5%
Cash flows from (used in):				
Operating activities	(9,942)	(5,159)	(4,783)	(92.7%)
Investing activities	(1,970)	(3,066)	1,096	35.7%
Financing activities	2,781	5,765	(2,984)	(51.8%)
Cash, end of period	3,314	2,373	941	39.7%

Cash Flows Used in Operating Activities

In Q1 2019, cash flows used in operating activities totalled \$9.9 million compared to \$5.2 million for the same period in the prior year. Cash from operating activities before working capital considerations of \$9.1 million was higher by \$2.3 million primarily due to increased earnings in the current quarter. This was offset by an investment in cash used in working capital of \$19.0 million or a \$14.1 million increase due to timing of tax payments and increased inventories to smooth our seasonal production demand, to support our strategic partner programs and to improve customer fill rates. In the prior comparable period, we had deferred compensation of \$7.0 million associated with our acquisition of Body Plus and Sonoma.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q1 2019 totalled \$2.0 million compared to \$3.1 million for the same period in the prior year. Expenditures on property, plant, and equipment decreased by \$1.2 million due to the expansion of our production capacities in the prior comparable period compared to minor upgrades made in the current quarter. This was partially offset by a \$0.1 million increase in intangible assets from increases in domestic and international product registrations and additional patents.

Cash Flows Generated from Financing Activities

Cash flows generated from financing activities in Q1 2019 totalled \$2.8 million compared to \$5.8 million for the same period in the prior year. In Q1 2019, we obtained net proceeds of \$5.6 million from our Credit Facilities and \$1.1 million in the exercise of stock options and our employee share purchase plan (“ESPP”), offset by the issuance of \$3.4 million of dividends to common shareholders and payment of lease liabilities of \$0.5 million. In Q1 2018, we obtained net proceeds of \$8.2 million from our Credit Facilities and \$0.6 million in the exercise of stock options and our ESPP, offset by the issuance of \$3.0 million of dividends to common shareholders.

Contractual Obligations

Other than the repayments and drawings noted in the above “*Credit Facilities*” section, there was no material change in our Company’s remaining contractual obligations and commitments from the annual MD&A as at and for the year ended December 31, 2018.

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

We have an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the Board of Directors, at its discretion may grant share options, restricted shares, RSUs or 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, 2019 is \$0.8 million (2018 - \$0.4 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 (loss).

Outstanding Share Capital and Redeemable Preferred Shares

	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
	Common Shares	
	#	\$
As at December 31, 2017	37,740,121	234,908
Exercise of stock options	131,648	899
Employee stock purchase plan	3,487	69
As at March 31, 2018	37,875,256	235,876

As at March 31, 2019, the authorized share capital consisted of:

- 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.
- 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, 2018. Items subject to significant estimate uncertainty and critical judgements which have the most significant impact on the amounts recognized in the consolidated 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. 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.

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 (loss), and comprehensive income (loss) 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 (loss), and comprehensive income (loss) will be affected in future periods.

Employee benefit plans

The cost of post-employment medical benefits and the present value of the benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future benefit cost increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Inflation, health care and dental costs are based on expected trend rates for the respective segment.

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 (loss), and/or comprehensive income (loss) will be affected in future periods.

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 (loss) 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, 2018, with the exception of the change in accounting estimates and recently adopted accounting standards discussed below.

Change in accounting estimates

As of January 1, 2019, we reassessed the useful lives of certain depreciable assets. **The refinement of these estimated useful lives is accounted for prospectively.** As a result, the change in expected useful lives are as follows:

Buildings	20-30 years
Machinery and equipment	3-20 years

Recently adopted accounting standards

The following accounting policies are applicable for the three month period ended March 31, 2019 and onwards. Please refer to the accounting policies we have outlined in our annual audited consolidated financial statements for the year ended December 31, 2018 for details on the accounting policies applicable to comparative amounts.

IFRS 16, “Leases”

IFRS 16 replaces IAS 17, “Leases” (“IAS 17”), and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Transition to IFRS 16

As at January 1, 2019, we have adopted IFRS 16 using the modified retrospective approach and measured the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date. We elected to use the practical expedients allowing the use of a single discount rate to a portfolio of reasonably similar characteristics, use of hindsight to determine if the lease term of the contract contains options to extend or terminate the lease, and allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. We also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The impact of adopting IFRS 16 as at January 1, 2019 (debit/(credit)) is as follows:

	\$
Property, plant and equipment	7,434
Accounts payable and accrued liabilities	300
Deferred income tax liabilities	85
Deficit	239
Prepaid expenses and other current assets	(259)
Other long-term liabilities	(7,799)

Changes in Accounting Policy

Before the adoption of IFRS 16, we classified each of our leases (as lessee) at the inception date as either a finance lease or an operating lease. We did not have finance leases and all operating lease payments were recognized as an operating expense in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, we applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

We recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, we recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

We have applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether we are reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also 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, 2019 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

In fiscal 2019, consistent with the guidance provided within our 2018 annual MD&A, we continue to expect revenue to grow between 5% and 9% and range between \$336.0 and \$348.0 million. We continue to anticipate Adjusted EBITDA to range between \$73.0 million and \$76.0 million and Adjusted Diluted Earnings per Share to range between \$0.90 and \$0.95.

Revenue in the Jamieson Brands segment is expected to increase between 5% and 9% driven by growth in the following categories:

- Expected growth within the Jamieson domestic brand of 3% to 5% taking into consideration long-term growth trends within our industry and the potential for distributor and retailer inventory movement
- We expect continued growth above our long-term guidance in international markets as the Company adds more resources and continues to expand into new geographies. Our 2019 estimate for our international growth is between 25% and 35%.
- An expected return to growth within our Specialty Brands group as we return to fundamentals and focus on our customers, consumers and innovation. We estimate growth in Specialty Brands to be between 1% and 5%.

Revenue in the Strategic Partners segment is expected to grow between 5% and 8% due to expanded programs with our existing customers and strong consumer demand for our customer branded products.

We expect to incur certain expenses related to international expansion, e-commerce development and termination related costs. The expected Adjusted EBITDA range for fiscal 2019 referred to above reflects the normalization of these expenses and will impact net income. Our Adjusted Net Income and Adjusted Diluted Earnings per Share for fiscal 2019 will also reflect the adding back of these expenses on a tax-effected basis.

Our revenues growth and costs increases will not be linear throughout fiscal 2019. The following factors will impact the period in which we expect to grow in the coming year:

- Jamieson domestic revenue in the second quarter of 2018 were impacted by the February 2018 price increase and as such, we expect Jamieson domestic revenue to increase by 5-10% in the second quarter
- We expect Specialty Brands performance to improve through the year. We expect growth for our Specialty Brands will be realized in the last six months of the year once our innovation, customer and consumer programs show identifiable results.
- Our strategic partners are launching new programs in 2019, based on timing we expect Strategic Partners revenue to decline up to 5% in the second quarter with up to 10% growth in the third quarter

The foregoing financial outlook is based on the following assumptions for fiscal 2019, amongst others:

- the current exchange rate between the U.S. and Canadian dollar whereby U.S.\$1.00 = \$1.33;
- normalized SG&A expenses will increase 11% to 15% to support growth in international markets and our e-commerce initiatives, increased head-office facility costs and higher marketing investment primarily for our Specialty Brands as well as normalization of variable compensation and Specialty Brands commissions compared to the prior year. Based on timing of our marketing initiatives, we expect second quarter SG&A increase near the top of this range;

- depreciation will increase and includes the impact of accelerated capital additions to expand our capacity and the capitalization of operating leases with the implementation of IFRS 16;
- our stock-based compensation costs are expected to grow to \$3.5 million as these costs normalize over our first four years as a public company;
- interest rates ranging between 4.5% to 5.5% and interest expense of \$9.0 to \$9.5 million based on our borrowing plus our deferred financing fees;
- income tax rates of approximately 28% based on stock compensation remaining non-deductible; and
- a fully diluted share count of approximately 40.0 million shares

Overall, we continue to believe we are on track to meet our 2021 growth targets as disclosed within our IPO Prospectus.

The description of our 2019 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The description of our 2019 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 38,322,782 Common Shares are issued and outstanding. As of the date hereof, the Company had 2,889,678 options, 95,706 PSUs and 27,000 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.

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 US 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 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.