



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

**For the three and twelve months ended December 31, 2022**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **For the three and twelve months ended December 31, 2022**

The following management’s discussion and analysis of financial condition and results of operations (“MD&A”) of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as “Jamieson”, the “Company”, “we”, “us” or “our”, is dated as of February 22, 2023. It should be read in conjunction with our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2022.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to “Q4 2022” are to our fiscal quarter ended December 31, 2022 and to “Q4 2021” are to our fiscal quarter ended December 31, 2021. All references in this MD&A to “YTD 2022” are to our year ended December 31, 2022 and to “YTD 2021” are to our year ended December 31, 2021.

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

#### **Non-IFRS and Other Financial Measures**

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

#### **Forward-Looking Information**

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

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

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

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

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

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

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

## **Overview**

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

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada’s #1 overall consumer health brand by sales and Canada’s #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in greater than 50 countries and regions worldwide.

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

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

### **Summary of Factors Affecting Our Performance**

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

#### ***Impact of Ukraine Conflict***

We do not conduct any business operations in Russia or Ukraine and to date have not had any measurable disruption to our supply of raw materials and our ability to service customers. We did note that heightened inflation and consumer sentiment have caused uncertainty in international markets, especially in neighbouring Eastern European countries where we conduct business.

In particular, we continue to actively monitor for potential or accelerating impacts from the conflict including whether consumer purchasing patterns continue to soften affecting international business performance. The continued risk surrounding the Ukraine conflict and any escalations may have an adverse impact on our business, financial condition, and results of operations.

#### ***Our Brands***

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

#### ***Product Innovation and Planning***

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

#### ***Customer Relationships***

We have longstanding and deeply entrenched customer relationships with top retailers across the food, drug, mass (“FDM”), club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick-and-mortar stores and on their online e-commerce sites. Our partners service

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

### ***Sourcing and Production***

We have developed a strong, global supply chain based on long-standing relationships and have had relationships with the majority of our suppliers for over ten years. We purchase our ingredients from approximately 300 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2022, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into short to medium-term contracts for raw materials at fixed prices to provide time to address price increases and mitigate margin erosion.

### ***Distribution***

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

### ***Consumer Trends***

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

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

### ***Competition***

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

such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

### ***Foreign Exchange***

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

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

### ***Business Acquisitions***

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

### ***Implementation of Growth Strategies***

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

### ***Regulation***

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

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

and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

### **How We Assess the Performance of our Business**

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

### **Revenue**

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

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

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

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

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

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

As required for the audited consolidated annual financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 23 in our audited consolidated annual financial statements for the disclosure on disaggregated revenue.

### ***USD Denominated Revenue***

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

### ***Gross Profit***

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

### ***Gross Profit Margin***

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

### ***Normalized Gross Profit and Normalized Gross Profit Margin***

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

### ***SG&A***

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

### ***Normalized SG&A***

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

### ***Earnings from Operations***

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

### ***Operating Margin***

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

### ***Normalized Earnings from Operations and Normalized Operating Margin***

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

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

### ***EBITDA***

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

### ***Adjusted EBITDA***

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

### ***Adjusted EBITDA Margin***

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

### ***Adjusted Net Earnings***

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

### ***Adjusted Diluted Earnings per Share***

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

### ***Net Debt***

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

### ***Cash from Operating Activities Before Working Capital Considerations***

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

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

### Selected Consolidated Financial Information

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

	Three months ended		Twelve months ended	
	December 31		December 31	
	2022	2021	2022	2021
<i>(\$ in 000's, except as otherwise noted)</i>				
<b>Revenue</b>	<b>192,775</b>	<b>129,838</b>	<b>547,369</b>	<b>451,032</b>
Cost of sales	121,586	80,422	349,031	288,591
<b>Gross profit</b>	<b>71,189</b>	<b>49,416</b>	<b>198,338</b>	<b>162,441</b>
<b>Gross profit margin <sup>(1)</sup></b>	<b>36.9%</b>	<b>38.1%</b>	<b>36.2%</b>	<b>36.0%</b>
Selling, general and administrative expenses	32,768	19,521	110,239	80,739
Share-based compensation	1,317	1,021	4,910	5,672
<b>Earnings from operations</b>	<b>37,104</b>	<b>28,874</b>	<b>83,189</b>	<b>76,030</b>
<b>Operating margin <sup>(1)</sup></b>	<b>19.2%</b>	<b>22.2%</b>	<b>15.2%</b>	<b>16.9%</b>
Foreign exchange loss/(gain)	978	352	269	(92)
Interest expense and other financing costs	5,757	1,366	12,417	5,657
Earnings before income taxes	30,369	27,156	70,503	70,465
Provision for income taxes	8,278	6,966	17,695	18,383
<b>Net earnings</b>	<b>22,091</b>	<b>20,190</b>	<b>52,808</b>	<b>52,082</b>
<b>Adjusted net earnings <sup>(2)</sup></b>	<b>26,759</b>	<b>20,489</b>	<b>65,149</b>	<b>55,217</b>
<b>EBITDA <sup>(2)</sup></b>	<b>41,201</b>	<b>32,225</b>	<b>100,168</b>	<b>90,396</b>
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>48,871</b>	<b>33,771</b>	<b>123,761</b>	<b>100,096</b>
<b>Adjusted EBITDA margin <sup>(3)</sup></b>	<b>25.4%</b>	<b>26.0%</b>	<b>22.6%</b>	<b>22.2%</b>
<b>Weighted average number of shares</b>				
Basic	41,683,753	40,371,018	40,998,065	40,150,724
Diluted	42,817,044	41,921,765	42,116,350	41,680,934
<b>Earnings per share attributable to common shareholders:</b>				
Basic, earnings per share	0.53	0.50	1.29	1.30
Diluted, earnings per share	0.52	0.48	1.25	1.25
Adjusted diluted, earnings per share <sup>(3)</sup>	0.62	0.49	1.55	1.32

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

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

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

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

<i>(\$ in 000's)</i>	<u>As at December 31, 2022</u>	<u>As at December 31, 2021</u>
<b>Selected Consolidated Financial Position Data:</b>		
Total assets	1,107,263	652,475
Total non-current liabilities	520,867	226,832

***Results of Operations — three months ended December 31, 2022 and 2021***

The following table provides a summary of our results for the three months ended December 31, 2022 and December 31, 2021.

<i>(\$ in 000's, except as otherwise noted)</i>	<b>Three months ended December 31</b>		<b>\$ Change</b>	<b>% Change</b>
	<u>2022</u>	<u>2021</u>		
<b>Revenue</b>	<b>192,775</b>	<b>129,838</b>	<b>62,937</b>	<b>48.5%</b>
Cost of sales	121,586	80,422	41,164	51.2%
<b>Gross profit</b>	<b>71,189</b>	<b>49,416</b>	<b>21,773</b>	<b>44.1%</b>
<b>Gross profit margin</b>	<b>36.9%</b>	<b>38.1%</b>	-	<b>(1.2%)</b>
Selling, general and administrative expenses	32,768	19,521	13,247	67.9%
Share-based compensation	1,317	1,021	296	29.0%
<b>Earnings from operations</b>	<b>37,104</b>	<b>28,874</b>	<b>8,230</b>	<b>28.5%</b>
<b>Operating margin</b>	<b>19.2%</b>	<b>22.2%</b>	-	<b>(3.0%)</b>
Foreign exchange loss	978	352	626	177.8%
Interest expense and other financing costs	5,757	1,366	4,391	321.4%
Earnings before income taxes	30,369	27,156	3,213	11.8%
Provision for income taxes	8,278	6,966	1,312	18.8%
<b>Net earnings</b>	<b>22,091</b>	<b>20,190</b>	<b>1,901</b>	<b>9.4%</b>
<b>Adjusted net earnings</b>	<b>26,759</b>	<b>20,489</b>	<b>6,270</b>	<b>30.6%</b>
<b>EBITDA</b>	<b>41,201</b>	<b>32,225</b>	<b>8,976</b>	<b>27.9%</b>
<b>Adjusted EBITDA</b>	<b>48,871</b>	<b>33,771</b>	<b>15,100</b>	<b>44.7%</b>
<b>Adjusted EBITDA margin</b>	<b>25.4%</b>	<b>26.0%</b>	-	<b>(0.6%)</b>

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the three months ended December 31, 2022 and December 31, 2021.

	Three months ended			
	December 31		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
<b>Net earnings</b>	<b>22,091</b>	<b>20,190</b>	<b>1,901</b>	<b>9.4%</b>
<i>Add:</i>				
Provision for income taxes	8,278	6,966	1,312	18.8%
Interest expense and other financing costs	5,757	1,366	4,391	321.4%
Depreciation of property, plant, and equipment	3,579	2,629	950	36.1%
Amortization of intangible assets	1,496	1,074	422	39.3%
<b>Earnings before interest, taxes, depreciation, and amortization (EBITDA)</b>	<b>41,201</b>	<b>32,225</b>	<b>8,976</b>	<b>27.9%</b>
Share-based compensation <sup>(1)</sup>	1,317	1,021	296	29.0%
Foreign exchange loss	978	352	626	177.8%
Acquisition related cost <sup>(2)</sup>	3,165	-	3,165	100.0%
IT system implementation <sup>(3)</sup>	1,417	-	1,417	100.0%
COVID-19 related costs	-	72	(72)	(100.0%)
Amortization of fair value adjustments <sup>(4)</sup>	793	-	793	100.0%
Other	-	101	(101)	(100.0%)
<b>Adjusted EBITDA</b>	<b>48,871</b>	<b>33,771</b>	<b>15,100</b>	<b>44.7%</b>
Provision for income taxes	(8,278)	(6,966)	(1,312)	(18.8%)
Interest expense and other financing costs	(5,757)	(1,366)	(4,391)	(321.4%)
Depreciation of property, plant, and equipment	(3,579)	(2,629)	(950)	(36.1%)
Amortization of intangible assets	(1,496)	(1,074)	(422)	(39.3%)
Share-based compensation <sup>(1)</sup>	(1,317)	(1,108)	(209)	(18.9%)
Tax effect of normalization adjustments	(1,685)	(139)	(1,546)	(1112.2%)
<b>Adjusted net earnings</b>	<b>26,759</b>	<b>20,489</b>	<b>6,270</b>	<b>30.6%</b>
	Three months ended			
	December 31		\$ Change	% Change
	2022	2021		
<i>(\$ in 000's, except as otherwise noted)</i>				
<b>Gross profit</b>	<b>71,189</b>	<b>49,416</b>	<b>21,773</b>	<b>44.1%</b>
Amortization of fair value adjustments <sup>(4)</sup>	793	-	793	100.0%
<b>Normalized gross profit<sup>(5)</sup></b>	<b>71,982</b>	<b>49,416</b>	<b>22,566</b>	<b>45.7%</b>
<b>Normalized gross profit margin<sup>(6)</sup></b>	<b>37.3%</b>	<b>38.1%</b>	<b>-</b>	<b>(0.8%)</b>
<b>Selling, general and administrative expenses</b>	<b>32,768</b>	<b>19,521</b>	<b>13,247</b>	<b>67.9%</b>
Acquisition related cost <sup>(2)</sup>	(3,165)	-	(3,165)	(100.0%)
IT system implementation <sup>(3)</sup>	(1,417)	-	(1,417)	(100.0%)
COVID-19 related costs	-	(72)	72	100.0%
Other	-	(101)	101	100.0%
<b>Normalized selling, general and administrative expenses<sup>(5)</sup></b>	<b>28,186</b>	<b>19,348</b>	<b>8,838</b>	<b>45.7%</b>
<b>Earnings from operations</b>	<b>37,104</b>	<b>28,874</b>	<b>8,230</b>	<b>28.5%</b>
Acquisition related cost <sup>(2)</sup>	3,165	-	3,165	100.0%
IT system implementation <sup>(3)</sup>	1,417	-	1,417	100.0%
COVID-19 related costs	-	72	(72)	(100.0%)
Amortization of fair value adjustments <sup>(4)</sup>	793	-	793	100.0%
Other	-	101	(101)	(100.0%)
<b>Normalized earnings from operations<sup>(5)</sup></b>	<b>42,479</b>	<b>29,047</b>	<b>13,432</b>	<b>46.2%</b>
<b>Normalized operating margin<sup>(6)</sup></b>	<b>22.0%</b>	<b>22.4%</b>	<b>-</b>	<b>(0.4%)</b>

- (1) The Company's share-based compensation expense pertains to our long-term incentive plan (the "LTIP") (refer to "*Share-based compensation*"), with performance-based share units ("PSUs"), time-based restricted share units ("RSUs"), and deferred share units ("DSUs") expenses, along with associated payroll taxes.
- (2) Current quarter expense mainly pertains to integration costs relating to our acquisition of youtheory which closed on July 19, 2022 as well as legal and consulting costs associated with the acquisition of our distributor in China.
- (3) Current quarter expenses pertain to system development and implementation costs of our advanced supply chain planning system which was completed in 2022 as well as early-stage development costs for our Enterprise Resource Planning ("ERP") system implementation. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (4) This cost represents the post-closing amortization of the fair value increase of acquired inventories related to the youtheory acquisition.
- (5) This is a non-IFRS financial measure and is used throughout this MD&A. See "Non-IFRS and Other Financial Measures" for more information on each non-IFRS financial measure. See "*How we Assess the Performance of our Business*" for an explanation of the composition of such measure.
- (6) This is a non-IFRS ratio and is used throughout this MD&A. See "*Non-IFRS and Other Financial Measures*" for more information on each non-IFRS ratio. See "*How we Assess the Performance of our Business*" for an explanation of the composition of such ratio.

The following table provides selected financial information for the Jamieson Brands operating segment for the three months ended December 31, 2022 and December 31, 2021.

#### *Jamieson Brands*

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

For the three months ended December 31,

	2022	2021	\$ Change	% Change
<b>Revenue</b>	<b>155,996</b>	<b>99,784</b>	<b>56,212</b>	<b>56.3%</b>
<b>Gross profit</b>	<b>65,345</b>	<b>45,157</b>	<b>20,188</b>	<b>44.7%</b>
<b>Gross profit margin</b>	<b>41.9%</b>	<b>45.3%</b>	-	<b>(3.4%)</b>
Normalized gross profit	66,138	45,157	20,981	46.5%
Normalized gross profit margin	42.4%	45.3%	-	(2.9%)
Selling, general and administrative expenses	31,165	17,905	13,260	74.1%
Normalized selling, general and administrative expenses	26,583	17,781	8,802	49.5%
Share-based compensation	1,317	1,021	296	29.0%
Earnings from operations	32,863	26,231	6,632	25.3%
Operating margin	21.1%	26.3%	-	(5.2%)
Normalized earnings from operations	38,238	26,355	11,883	45.1%
Normalized operating margin	24.5%	26.4%	-	(1.9%)
<b>Adjusted EBITDA</b>	<b>43,832</b>	<b>30,468</b>	<b>13,364</b>	<b>43.9%</b>
<b>Adjusted EBITDA margin</b>	<b>28.1%</b>	<b>30.5%</b>	-	<b>(2.4%)</b>

The following table provides a quantitative reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see "*Non-IFRS and Other Financial Measures*" and "*How we Assess the Performance of our Business*" for further information on each non-IFRS financial measure), for the three months ended December 31, 2022 and December 31, 2021.

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

For the three months ended December 31,

	2022	2021	\$ Change	% Change
Earnings from operations	32,863	26,231	6,632	25.3%
Depreciation of property, plant, and equipment	2,781	2,018	763	37.8%
Amortization of intangible assets	1,496	1,074	422	39.3%
Share-based compensation	1,317	1,021	296	29.0%
Acquisition related cost	3,165	-	3,165	100.0%
IT system implementation	1,417	-	1,417	100.0%
COVID-19 related costs	-	61	(61)	(100.0%)
Amortization of fair value adjustments	793	-	793	100.0%
Other	-	63	(63)	(100.0%)
<b>Adjusted EBITDA</b>	<b>43,832</b>	<b>30,468</b>	<b>13,364</b>	<b>43.9%</b>

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended December 31, 2022 and December 31, 2021.

### Strategic Partners

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

For the three months ended December 31,

	2022	2021	\$ Change	% Change
<b>Revenue</b>	<b>36,779</b>	<b>30,054</b>	<b>6,725</b>	<b>22.4%</b>
<b>Gross profit</b>	<b>5,844</b>	<b>4,259</b>	<b>1,585</b>	<b>37.2%</b>
<b>Gross profit margin</b>	<b>15.9%</b>	<b>14.2%</b>	<b>-</b>	<b>1.7%</b>
Selling, general and administrative expenses	1,603	1,616	(13)	(0.8%)
Normalized selling, general and administrative expenses	1,603	1,567	36	2.3%
Earnings from operations	4,241	2,643	1,598	60.5%
Operating margin	11.5%	8.8%	-	2.7%
Normalized earnings from operations	4,241	2,692	1,549	57.5%
Normalized operating margin	11.5%	9.0%	-	2.5%
<b>Adjusted EBITDA</b>	<b>5,039</b>	<b>3,303</b>	<b>1,736</b>	<b>52.6%</b>
<b>Adjusted EBITDA margin</b>	<b>13.7%</b>	<b>11.0%</b>	<b>-</b>	<b>2.7%</b>

The following table provides a quantitative reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “Non-IFRS and Other Financial Measures” and “How we Assess the Performance of our Business” for further information on each non-IFRS financial measure), for the three months ended December 31, 2022 and December 31, 2021.

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

For the three months ended December 31,

	2022	2021	\$ Change	% Change
Earnings from operations	4,241	2,643	1,598	60.5%
Depreciation of property, plant, and equipment	798	611	187	30.6%
COVID-19 related costs	-	11	(11)	(100.0%)
Other	-	38	(38)	(100.0%)
<b>Adjusted EBITDA</b>	<b>5,039</b>	<b>3,303</b>	<b>1,736</b>	<b>52.6%</b>

### Revenue

Revenue increased by 48.5%, or \$62.9 million, to \$192.8 million in Q4 2022. This was driven by 56.3% growth in Jamieson Brands revenue and 22.4% growth in Strategic Partners revenue compared with Q4 2021.

Revenue in the Jamieson Brands segment increased by \$56.2 million, or 56.3%, to \$156.0 million in Q4 2022. Youtheory contributed \$50.6 million driven by seasonally higher promotions ahead of new year offset by lower retail inventory levels as specific partners reduced stocks on-hand in support of 2022 innovation plans, while organic revenue in Jamieson Brands increased \$5.6 million or 5.6% this quarter. Canada revenues increased by 6.3% in Q4 2022, reflecting continued consumer demand supporting our elevated base, higher average retailer inventories in conjunction with a severe cold and flu season, and in-year pricing. China grew 41.5% in Q4 2022 reflecting strong consumer demand for immunity products, while other international declined 21.0% as a result of geopolitical and

economic pressures in eastern Europe impacting consumer demand and delayed entries into certain markets due to regulatory changes.

Revenue in the Strategic Partners segment increased by \$6.7 million, or 22.4%, to \$36.8 million in Q4 2022 reflecting pricing to maintain existing margin structure and program changes with existing customers.

#### Gross profit

Gross profit increased by \$21.8 million to \$71.2 million in Q4 2022 mainly driven by higher revenue, including the acquisition of youtheory. Gross profit margin decreased by 120 basis points to 36.9% in Q4 2022, driven by 80 basis points from youtheory with a relatively lower gross profit margin profile and 40 basis points due to a higher proportion of Strategic Partner sales.

Gross profit in the Jamieson Brands segment increased by \$20.2 million to \$65.3 million in Q4 2022 mainly driven by higher revenue, including the acquisition of youtheory. Gross profit margin decreased by 340 basis points to 41.9% mainly due to the addition of youtheory. Jamieson Brands gross profit margin improved by 10 basis points excluding the impact of the acquisition as operating efficiencies were offset by higher depreciation expense from capacity expansions in prior periods.

Gross profit in the Strategic Partners segment increased by \$1.6 million to \$5.8 million and gross profit margin increased by 170 basis points to 15.9% in Q4 2022 mainly due to customer mix while pricing offset higher supply chain and input costs.

#### Selling, general and administrative expenses

SG&A expenses increased by \$13.2 million to \$32.8 million in Q4 2022. Excluding the impact of specified costs of \$4.6 million and the addition of youtheory of \$7.0 million, SG&A expenses increased by \$1.8 million or 9.6% in Q4 2022 largely driven by investments in Jamieson Brands to support its strategic initiatives and increased marketing to support its brands. SG&A in the Strategic Partners segment was relatively flat compared to Q4 2021.

Specified costs of \$4.6 million in Q4 2022 are mainly comprised of acquisition related costs and IT system development and implementation costs to advance our supply chain planning infrastructure. Specified costs of \$0.2 million in Q4 2021 were mainly related to additional safety measures implemented at our facilities, including the establishment of rapid testing programs at each of our manufacturing facilities.

#### Share-based compensation

Share-based compensation increased by \$0.3 million to \$1.3 million in Q4 2022 reflecting higher compensation, lower forfeitures and the timing of payroll taxes on the exercise of share-based awards.

#### Earnings from operations and operating margin

Earnings from operations increased by \$8.2 million as a result of higher revenue and gross profit, partially offset by higher SG&A. Operating margin decreased by 300 basis points to 19.2% in Q4 2022 due to factors affecting gross profit margin discussed above and higher SG&A expenses as a percentage of revenue, which were largely acquisition related. Normalized earnings from operations increased by \$13.4 million, or 46.2% in Q4 2022 and normalized operating margin was 22.0% compared with 22.4% in Q4 2021.

Earnings from operations in the Jamieson Brands segment increased by \$6.6 million and operating margin decreased by 520 basis points to 21.1% in Q4 2022. Normalized operating margin decreased 190 basis points to 24.5% largely due to factors impacting gross profit margin discussed above.

Earnings from operations in the Strategic Partners segment increased by \$1.6 million due to higher gross profit. Operating margin increased by 270 basis points to 11.5% in Q4 2022 due to factors impacting gross profit margin discussed above.

### Foreign exchange loss

Foreign exchange loss of \$1.0 million in Q4 2022 resulted from changes in the USD/CAD exchange rate on our USD denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations in the USD/CAD exchange rates between the date of transaction and when cash is realized.

### Interest expense and other financing costs

Interest expense and other financing costs increased by \$4.4 million to \$5.8 million in Q4 2022 resulting from higher average borrowings to support the youtheory acquisition and higher prevailing interest rates.

### Provision for income taxes

Provision for income taxes was \$8.3 million in Q4 2022 compared with \$7.0 million in Q4 2021. Our Q4 2022 effective tax rate of 27.3% and Q4 2021 effective tax rate of 25.7% includes the impact of non-deductible share-based compensation expenses.

### Depreciation

Depreciation expense increased by \$0.9 million to \$3.6 million in Q4 2022 resulting from prior period investments to increase capacity and higher depreciation from the acquisition impact of youtheory.

### Amortization

Amortization expense increased by \$0.4 million to \$1.5 million in Q4 2022 due to the amortization of acquired intangibles for youtheory.

### EBITDA and Adjusted EBITDA

EBITDA increased by \$9.0 million to \$41.2 million in Q4 2022 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$15.1 million to \$48.9 million driven by higher volumes, offset by lower operating margin. Adjusted EBITDA margin decreased by 60 basis points to 25.4% for the quarter reflecting lower margins in Jamieson Brands partially offset by favourable margin in Strategic Partners.

Adjusted EBITDA in the Jamieson Brands segment increased by \$13.4 million to \$43.8 million and Adjusted EBITDA margin decreased by 240 basis points to 28.1% driven by lower gross profit margins, offset by lower SG&A costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment increased by \$1.7 million, to \$5.0 million and Adjusted EBITDA margin increased by 270 basis points to 13.7% impacted by mix and lower SG&A costs as a percentage of revenues.

**Results of Operations — year ended December 31, 2022 and 2021**

The following table provides a summary of our results for the year ended December 31, 2022 and December 31, 2021.

	Twelve months ended		<b>\$ Change</b>	<b>% Change</b>
	December 31			
	<b>2022</b>	<b>2021</b>		
<i>(\$ in 000's, except as otherwise noted)</i>				
<b>Revenue</b>	<b>547,369</b>	<b>451,032</b>	<b>96,337</b>	<b>21.4%</b>
Cost of sales	349,031	288,591	60,440	20.9%
<b>Gross profit</b>	<b>198,338</b>	<b>162,441</b>	<b>35,897</b>	<b>22.1%</b>
<b>Gross profit margin</b>	<b>36.2%</b>	<b>36.0%</b>	-	<b>0.2%</b>
Selling, general and administrative expenses	110,239	80,739	29,500	36.5%
Share-based compensation	4,910	5,672	(762)	(13.4%)
<b>Earnings from operations</b>	<b>83,189</b>	<b>76,030</b>	<b>7,159</b>	<b>9.4%</b>
<b>Operating margin</b>	<b>15.2%</b>	<b>16.9%</b>	-	<b>(1.7%)</b>
Foreign exchange loss/(gain)	269	(92)	361	392.4%
Interest expense and other financing costs	12,417	5,657	6,760	119.5%
Earnings before income taxes	70,503	70,465	38	0.1%
Provision for income taxes	17,695	18,383	(688)	(3.7%)
<b>Net earnings</b>	<b>52,808</b>	<b>52,082</b>	<b>726</b>	<b>1.4%</b>
<b>Adjusted net earnings</b>	<b>65,149</b>	<b>55,217</b>	<b>9,932</b>	<b>18.0%</b>
<b>EBITDA</b>	<b>100,168</b>	<b>90,396</b>	<b>9,772</b>	<b>10.8%</b>
<b>Adjusted EBITDA</b>	<b>123,761</b>	<b>100,096</b>	<b>23,665</b>	<b>23.6%</b>
<b>Adjusted EBITDA margin</b>	<b>22.6%</b>	<b>22.2%</b>	-	<b>0.4%</b>

The following tables provide a quantitative reconciliation of net earnings to EBITDA, Adjusted EBITDA, and Adjusted net earnings, as well as gross profit to normalized gross profit, SG&A to normalized SG&A, earnings from operations to normalized earnings from operations, each of which are non-IFRS financial measures (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure), for the year ended December 31, 2022 and December 31, 2021.

(\$ in 000's, except as otherwise noted)	Twelve months ended		\$ Change	% Change
	December 31			
	2022	2021		
<b>Net earnings</b>	<b>52,808</b>	<b>52,082</b>	<b>726</b>	<b>1.4%</b>
<i>Add:</i>				
Provision for income taxes	17,695	18,383	(688)	(3.7%)
Interest expense and other financing costs	12,417	5,657	6,760	119.5%
Depreciation of property, plant, and equipment	12,153	10,006	2,147	21.5%
Amortization of intangible assets	5,095	4,268	827	19.4%
<b>Earnings before interest, taxes, depreciation, and amortization (EBITDA)</b>	<b>100,168</b>	<b>90,396</b>	<b>9,772</b>	<b>10.8%</b>
Share-based compensation <sup>(1)</sup>	4,910	5,672	(762)	(13.4%)
Foreign exchange loss/(gain)	269	(92)	361	392.4%
Acquisition related cost <sup>(2)</sup>	12,919	-	12,919	100.0%
IT system implementation <sup>(3)</sup>	4,527	-	4,527	100.0%
COVID-19 related costs <sup>(4)</sup>	175	2,409	(2,234)	(92.7%)
Business integration <sup>(5)</sup>	-	1,852	(1,852)	(100.0%)
Amortization of fair value adjustments <sup>(6)</sup>	793	-	793	100.0%
Other	-	(141)	141	100.0%
<b>Adjusted EBITDA</b>	<b>123,761</b>	<b>100,096</b>	<b>23,665</b>	<b>23.6%</b>
Provision for income taxes	(17,695)	(18,383)	688	3.7%
Interest expense and other financing costs	(12,417)	(5,657)	(6,760)	(119.5%)
Depreciation of property, plant, and equipment	(12,153)	(10,006)	(2,147)	(21.5%)
Amortization of intangible assets	(5,095)	(4,268)	(827)	(19.4%)
Share-based compensation <sup>(7)</sup>	(6,309)	(5,497)	(812)	(14.8%)
Tax effect of normalization adjustments	(4,943)	(1,068)	(3,875)	(362.8%)
<b>Adjusted net earnings</b>	<b>65,149</b>	<b>55,217</b>	<b>9,932</b>	<b>18.0%</b>

	Twelve months ended			
	December 31			
	2022	2021	\$ Change	% Change
<i>(\$ in 000's, except as otherwise noted)</i>				
<b>Gross profit</b>	<b>198,338</b>	<b>162,441</b>	<b>35,897</b>	<b>22.1%</b>
Business integration <sup>(5)</sup>	-	653	(653)	(100.0%)
Amortization of fair value adjustments <sup>(6)</sup>	793	-	793	100.0%
<b>Normalized gross profit</b>	<b>199,131</b>	<b>163,094</b>	<b>36,037</b>	<b>22.1%</b>
<b>Normalized gross profit margin</b>	<b>36.4%</b>	<b>36.2%</b>	<b>-</b>	<b>0.2%</b>
<b>Selling, general and administrative expenses</b>	<b>110,239</b>	<b>80,739</b>	<b>29,500</b>	<b>36.5%</b>
Acquisition related cost <sup>(2)</sup>	(12,919)	-	(12,919)	(100.0%)
IT system implementation <sup>(3)</sup>	(4,527)	-	(4,527)	(100.0%)
COVID-19 related costs <sup>(4)</sup>	(175)	(2,409)	2,234	92.7%
Business integration <sup>(5)</sup>	-	(1,200)	1,200	100.0%
Other	-	141	(141)	(100.0%)
<b>Normalized selling, general and administrative expenses</b>	<b>92,618</b>	<b>77,271</b>	<b>15,347</b>	<b>19.9%</b>
<b>Earnings from operations</b>	<b>83,189</b>	<b>76,030</b>	<b>7,159</b>	<b>9.4%</b>
Acquisition related cost <sup>(2)</sup>	12,919	-	12,919	100.0%
IT system implementation <sup>(3)</sup>	4,527	-	4,527	100.0%
COVID-19 related costs <sup>(4)</sup>	175	2,409	(2,234)	(92.7%)
Business integration <sup>(5)</sup>	-	1,853	(1,853)	(100.0%)
Amortization of fair value adjustments <sup>(6)</sup>	793	-	793	100.0%
Share-based compensation <sup>(7)</sup>	-	914	(914)	(100.0%)
Other	-	(141)	141	100.0%
<b>Normalized earnings from operations</b>	<b>101,603</b>	<b>81,065</b>	<b>20,538</b>	<b>25.3%</b>
<b>Normalized operating margin</b>	<b>18.6%</b>	<b>18.0%</b>	<b>-</b>	<b>0.6%</b>

- (1) The Company's share-based compensation expense pertains to our LTIP (refer to "*Share-based compensation*"), with PSUs, RSUs, and DSUs expenses, along with associated payroll taxes. Prior year includes the acceleration of share-based compensation expense on our CEO transition in Q1 2021.
- (2) Current year expense mainly pertains to costs for legal, investment banking, financing, consulting, due diligence, regulatory, tax, and fairness opinions primarily relating to the youtheory acquisition and integration.
- (3) Current year expenses relate to system development and implementation costs as we build out our advanced supply chain planning infrastructure and ERP system. Unlike other system improvement projects with costs capitalized, due to its cloud-based nature, these system implementation costs are expensed accordingly.
- (4) These costs are primarily associated with the implementation of additional COVID-19 initiatives to maintain continuity and safety measures at our facilities, including the use of rapid testing to detect and prevent spread in our manufacturing facilities.
- (5) Prior year expenses mainly pertained to start-up costs to complete our transition to a third-party logistics provider to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities.
- (6) This cost represents the post-closing amortization of the fair value increase of acquired inventories related to the youtheory acquisition.
- (7) Costs pertaining to our LTIP and a \$1.4 million tax benefit realized on the vesting of certain share-based awards. Prior year expenses included the acceleration of share-based compensation expense in relation to our CEO transition, net of \$0.9 million in tax benefits realized on the vesting of certain share-based awards (refer to "*Share-based compensation*").

The following table provides selected financial information for the Jamieson Brands operating segment for the year ended December 31, 2022 and December 31, 2021.

*Jamieson Brands*

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

For the twelve months ended December 31,	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenue</b>	<b>439,147</b>	<b>343,245</b>	<b>95,902</b>	<b>27.9%</b>
<b>Gross profit</b>	<b>184,039</b>	<b>148,371</b>	<b>35,668</b>	<b>24.0%</b>
<b>Gross profit margin</b>	<b>41.9%</b>	<b>43.2%</b>	<b>-</b>	<b>(1.3%)</b>
Normalized gross profit	184,832	149,024	35,808	24.0%
Normalized gross profit margin	42.1%	43.4%	-	(1.3%)
Selling, general and administrative expenses	103,996	74,056	29,940	40.4%
Normalized selling, general and administrative expenses	86,423	70,854	15,569	22.0%
Share-based compensation	4,910	5,672	(762)	(13.4%)
Earnings from operations	75,133	68,643	6,490	9.5%
Operating margin	17.1%	20.0%	-	(2.9%)
Normalized earnings from operations	93,499	73,412	20,087	27.4%
Normalized operating margin	21.3%	21.4%	-	(0.1%)
<b>Adjusted EBITDA</b>	<b>113,088</b>	<b>90,301</b>	<b>22,787</b>	<b>25.2%</b>
<b>Adjusted EBITDA margin</b>	<b>25.8%</b>	<b>26.3%</b>	<b>-</b>	<b>(0.5%)</b>

The following table provides a quantitative reconciliation from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure) for the year ended December 31, 2022 and December 31, 2021.

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

For the twelve months ended December 31,	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	75,133	68,643	6,490	9.5%
Depreciation of property, plant, and equipment	9,583	7,864	1,719	21.9%
Amortization of intangible assets	5,095	4,268	827	19.4%
Share-based compensation	4,910	5,672	(762)	(13.4%)
Acquisition related cost	12,919	-	12,919	100.0%
IT system implementation	4,527	-	4,527	100.0%
COVID-19 related costs	128	1,990	(1,862)	(93.6%)
Business integration	-	1,782	(1,782)	(100.0%)
Amortization of fair value adjustments	793	-	793	100.0%
Other	-	82	(82)	(100.0%)
<b>Adjusted EBITDA</b>	<b>113,088</b>	<b>90,301</b>	<b>22,787</b>	<b>25.2%</b>

The following table provides selected financial information for the Strategic Partners operating segment for the year ended December 31, 2022 and December 31, 2021.

*Strategic Partners*

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

For the twelve months ended December 31,	2022	2021	\$ Change	% Change
<b>Revenue</b>	<b>108,222</b>	<b>107,787</b>	<b>435</b>	<b>0.4%</b>
<b>Gross profit</b>	<b>14,299</b>	<b>14,070</b>	<b>229</b>	<b>1.6%</b>
<b>Gross profit margin</b>	<b>13.2%</b>	<b>13.1%</b>	<b>-</b>	<b>0.1%</b>
Selling, general and administrative expenses	6,243	6,683	(440)	(6.6%)
Normalized selling, general and administrative expenses	6,195	6,417	(222)	(3.5%)
Earnings from operations	8,056	7,387	669	9.1%
Operating margin	7.4%	6.9%	-	0.5%
Normalized earnings from operations	8,104	7,653	451	5.9%
Normalized operating margin	7.5%	7.1%	-	0.4%
<b>Adjusted EBITDA</b>	<b>10,673</b>	<b>9,795</b>	<b>878</b>	<b>9.0%</b>
<b>Adjusted EBITDA margin</b>	<b>9.9%</b>	<b>9.1%</b>	<b>-</b>	<b>0.8%</b>

The following table provides a quantitative reconciliation from earnings from operations to Adjusted EBITDA, which is a non-IFRS financial measure (see “*Non-IFRS and Other Financial Measures*” and “*How we Assess the Performance of our Business*” for further information on each non-IFRS financial measure) for the year ended December 31, 2022 and December 31, 2021.

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

For the twelve months ended December 31,	2022	2021	\$ Change	% Change
Earnings from operations	8,056	7,387	669	9.1%
Depreciation of property, plant, and equipment	2,570	2,142	428	20.0%
COVID-19 related costs	47	419	(372)	(88.8%)
Business integration	-	70	(70)	(100.0%)
Other	-	(223)	223	100.0%
<b>Adjusted EBITDA</b>	<b>10,673</b>	<b>9,795</b>	<b>878</b>	<b>9.0%</b>

Revenue

Revenue increased by 21.4%, or \$96.3 million, to \$547.4 million in YTD 2022. Jamieson Brands revenue increased 27.9%, with 0.4% growth in Strategic Partners revenue year-over-year.

Revenue in the Jamieson Brands segment increased by \$95.9 million, or 27.9%, to \$439.1 million in YTD 2022. Youtheory contributed \$68.2 million while organic revenues in Jamieson Brands increased \$27.7 million or 8.1%. Canada revenues increased by 8.7% over prior year, reflecting an expanded consumer base, customer pricing, and higher average retailer inventory levels in support of increased consumer growth in response to a post covid severe cold and flu season. China grew 36.3% over prior year reflecting strong consumer demand, along with the strengthening of the U.S. dollar. This was partially offset by a 12.0% decline in other international as we transitioned our Jamieson branded products in the U.S. to focus on youtheory branded innovations along with the geopolitical and economic pressures in eastern Europe impacting consumer demand in surrounding regions.

Revenue in the Strategic Partners segment increased by \$0.4 million, or 0.4%, to \$108.2 million in YTD 2022 reflecting order timing and the strategic exit of certain programs to streamline our production processes.

### Gross profit

Gross profit increased by \$35.9 million to \$198.3 million in YTD 2022, mainly driven by higher revenue, including the acquisition of youtheory. Gross profit margin increased by 20 basis points to 36.2% in YTD 2022, while excluding the impact of the youtheory acquisition gross profit margin increased by 70 basis points mainly reflecting the mix impact of proportionally higher Branded sales including youtheory. Normalized gross profit increased \$36.0 million and normalized gross profit margin increased by 20 basis points to 36.4% when taking into account the amortization of a fair value adjustment to inventory on purchase accounting in the current year and start-up costs for a third-party logistics transition in the prior year.

Gross profit in the Jamieson Brands segment increased by \$35.7 million mainly driven by revenue growth, including the acquisition of youtheory. Gross profit margin decreased by 130 basis points to 41.9% compared with YTD 2021 mainly due to the addition of youtheory with a relatively lower gross profit margin profile. Jamieson Brands gross profit margin improved by 30 basis points excluding the impact of the acquisition as operating efficiencies were offset by higher depreciation expense.

Gross profit in the Strategic Partners segment increased by \$0.2 million to \$14.3 million and gross profit margin remained flat to YTD 2022 as higher input costs were passed through to customers.

### Selling, general and administrative expenses

SG&A expenses increased by \$29.5 million to \$110.2 million in YTD 2022. Excluding the impact of specified costs of \$17.6 million in YTD 2022, SG&A expenses increased by \$15.3 million or 19.9% to \$92.6 million in YTD 2022 largely from the addition of youtheory SG&A expenses of \$11.2 million. Normalized SG&A increased by 5.4% excluding the impact of the youtheory acquisition largely driven by investments in Jamieson Brands to support its strategic initiatives and increased marketing to support its brands. SG&A in the Strategic Partners segment was relatively flat compared to YTD 2021.

Specified costs of \$17.6 million in YTD 2022 are mainly comprised of acquisition related costs and IT system development and implementation costs to advance our supply chain planning infrastructure. Specified costs of \$3.5 million in YTD 2021 were mainly related to additional safety measures implemented at our facilities, including the establishment of rapid testing programs at each of our manufacturing facilities.

### Share-based compensation

Share-based compensation reduced by \$0.8 million in YTD 2022 mainly due to accelerated share-based compensation expense in relation to our CEO transition in the prior year.

### Earnings from operations and operating margin

Earnings from operations increased by \$7.2 million in YTD 2022 as a result of higher revenue and gross profit, offset by higher SG&A. Operating margin decreased by 170 basis points to 15.2% in YTD 2022 mainly due to factors impacting gross profit margin discussed above and higher SG&A expenses as a percentage of revenue. Normalized earnings from operations increased by \$20.5 million, or 25.3% in YTD 2022 and normalized operating margin increased by 60 basis points to 18.6% in YTD 2022.

Earnings from operations in the Jamieson Brands segment increased by \$6.5 million to \$75.1 million and operating margin decreased by 290 basis points to 17.1% in YTD 2022. Normalized operating margin of 21.3% remained relatively unchanged compared with YTD 2021.

Earnings from operations in the Strategic Partners segment increased by \$0.7 million to \$8.1 million and operating margin increased by 50 basis points to 7.4% in YTD 2022 primarily due to factors impacting gross profit margin discussed above.

### Foreign exchange loss

Foreign exchange loss of \$0.3 million in YTD 2022 is due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash is realized.

### Interest expense and other financing costs

Interest expense and other financing costs increased by \$6.8 million to \$12.4 million in YTD 2022 resulting from higher average borrowings to support the youtheory acquisition and higher prevailing interest rates.

### Provision for income taxes

Provision for income taxes was \$17.7 million in YTD 2022 compared with \$18.4 million in YTD 2021. Our YTD 2022 effective tax rate of 25.1% was lower than YTD 2021 of 26.1%, largely reflecting a higher tax benefit of \$1.4 million from the vesting of certain share-based awards compared with \$1.0 million in the prior year.

### Depreciation

Depreciation expense increased by \$2.1 million to \$12.2 million in YTD 2022 resulting from prior period investments to increase capacity and higher depreciation from the acquisition impact of youtheory.

### Amortization

Amortization expense increased by \$0.8 million to \$5.1 million in YTD 2022 due to the amortization of acquired intangibles for youtheory.

### EBITDA and Adjusted EBITDA

EBITDA increased by \$9.8 million to \$100.2 million in YTD 2022 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$23.7 million to \$123.8 million driven by higher volumes and higher normalized operating margin. Adjusted EBITDA margin increased by 40 basis points to 22.6% mainly due to a higher proportion of Jamieson Brands volumes, including the acquisition impact of youtheory.

Adjusted EBITDA in the Jamieson Brands segment increased by \$22.8 million to \$113.1 million and Adjusted EBITDA margin decreased by 50 basis points to 25.8% in YTD 2022 due to factors impacting gross profit margin discussed above, offset by lower SG&A expenses as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment increased by \$0.9 million, to \$10.7 million and Adjusted EBITDA margin increased by 80 basis point to 9.9% is driven by volume growth and lower SG&A expenses as a percentage of revenue.

## Summary of Consolidated Quarterly Results

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

(\$ in 000's, except per share amounts)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Revenue by segment</b>								
Jamieson Brands	155,996	112,248	87,715	83,188	99,784	85,175	82,391	75,895
Strategic Partners	36,779	26,681	24,275	20,487	30,054	27,193	28,165	22,375
<b>Total revenue</b>	<b>192,775</b>	138,929	111,990	103,675	129,838	112,368	110,556	98,270
<b>Earnings from operations</b>	<b>37,104</b>	16,319	14,581	15,185	28,874	20,593	16,043	10,520
<b>Net earnings</b>	<b>22,091</b>	10,882	10,094	9,741	20,190	14,284	11,472	6,136
<b>Adjusted net earnings</b>	<b>26,759</b>	14,221	13,415	10,745	20,489	14,051	12,041	8,636
<b>EBITDA</b>	<b>41,201</b>	21,744	18,785	18,438	32,225	24,794	19,424	13,953
<b>Adjusted EBITDA</b>	<b>48,871</b>	29,505	24,439	20,946	33,771	25,456	22,327	18,542
<b>Basic, earnings per share</b>	<b>0.53</b>	0.26	0.25	0.24	0.50	0.35	0.29	0.15
<b>Diluted, earnings per share</b>	<b>0.52</b>	0.26	0.24	0.23	0.48	0.34	0.28	0.15
<b>Adjusted diluted, earnings per share</b>	<b>0.62</b>	0.34	0.32	0.26	0.49	0.34	0.29	0.21

### Revenue

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

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

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

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

### Earnings from operations

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

- revenue factors impacting price and volume noted above;
- return on incremental promotion and marketing programs;
- improvements in production efficiencies and higher economies of scale;
- temporary increases to production costs driven by physical distancing initiatives, rapid antigen testing and other safety measures established within our facilities to protect our employees as a result of the COVID-19 pandemic;

- supply continuity costs including air freight and third-party manufacturing and packaging costs to meet higher demand during the COVID-19 pandemic;
- additional costs incurred in our transition to a third-party logistics model to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities;
- increases to supply chain costs due to the impact of COVID-19 pandemic and other global geopolitical factors;
- raw material costs in native currency;
- timing of marketing spend and variable compensation;
- accelerated recognition of share-based compensation expense in relation to our CEO transition;
- IT systems implementation costs;
- costs incurred in business acquisition; and
- foreign currency fluctuations.

### Selected Annual Information

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

	For the year ended		
	December 31		
<i>(\$ in 000's, except share and per share amounts)</i>	2022	2021	2020
<b>Revenue by segment</b>			
Jamieson Brands	439,147	343,245	316,423
Strategic Partners	108,222	107,787	87,238
<b>Total revenue</b>	<b>547,369</b>	<b>451,032</b>	<b>403,661</b>
<b>Earnings from operations</b>	<b>83,189</b>	76,030	63,572
<b>Net earnings</b>	<b>52,808</b>	52,082	41,598
<b>Adjusted net earnings</b>	<b>65,149</b>	55,217	47,948
<b>EBITDA</b>	<b>100,168</b>	90,396	75,299
<b>Adjusted EBITDA</b>	<b>123,761</b>	100,096	87,985
Basic, earnings per share	<b>1.29</b>	1.30	1.05
Diluted, earnings per share	<b>1.25</b>	1.25	1.01
Adjusted diluted, earnings per share	<b>1.55</b>	1.32	1.16
<b>Selected consolidated financial position data:</b>			
Total assets	<b>1,107,263</b>	652,475	609,341
Total non-current liabilities	<b>520,867</b>	226,832	225,929
<b>Dividends declared for the year:</b>			
Cash dividends per common share	<b>0.64</b>	0.55	0.47

Over the three-year period, revenue increased year-over-year driven by strong growth in the Jamieson Brands segment through an expanded consumer base and international expansion in addition to revenues from acquired operations in 2022. Strategic Partners segment revenue was impacted in 2021 large driven by expanded programs and increased demand from existing customers.

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

## Liquidity and Capital Resources

### Overview

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

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

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

### Credit Facilities

As at December 31, 2022, the Company had \$126.2 million in cash and available revolving and swingline facilities and net debt of \$373.8 million.

<i>(\$ in 000's)</i>	<u>As at December 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2021</u>
<b>Long-term debt</b>	<b>400,000</b>	<b>149,125</b>
Cash	(26,240)	(6,775)
<b>Net debt <sup>(1)</sup></b>	<b>373,760</b>	<b>142,350</b>

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

On September 27, 2019, Jamieson Laboratories Ltd. (“JLL”), a wholly owned subsidiary of Jamieson, amended and restated its credit agreement to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of \$275.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility by \$200.0 million (collectively, the “Credit Facilities”). As of July 19, 2022, our newly acquired subsidiary, Nutrawise Health & Beauty LLC, was added as a Borrower under the Credit Facilities which increased from \$275.0 million to \$500.0 million under its revolving credit facilities, plus an expanded accordion feature of up to \$250.0 million with an extended maturity to July 19, 2027.

The Credit Facilities are collateralized by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens. Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.50:1.00.

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

For the three months and year ended December 31, 2022, JLL made drawings of \$24.9 million and \$339.4 million, and debt repayments of \$36.3 million and \$88.5 million, respectively, applied against the Credit Facilities. For the year ended December 31, 2022, the weighted average interest rate on the Credit Facilities was 3.7% (2021 –

2.7%) and is composed of variable rates. A portion of the Credit Facilities outstanding is fixed through the interest rate swap.

Cash of \$26.2 million as at December 31, 2022 was \$19.5 million higher than December 31, 2021 due to foreign currencies (U.S. dollars) held for short-term obligations in Canada as well as the impact of our expanded global operations.

***Analysis of Cash Flows — three months ended December 31, 2022 and 2021***

	Three months ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2022	2021		
Cash, beginning of period	7,316	9,150	(1,834)	(20.0%)
Cash flows from (used in):				
Operating activities	40,799	34,309	6,490	18.9%
Investing activities	(2,692)	(5,399)	2,707	50.1%
Financing activities	(19,183)	(31,285)	12,102	38.7%
Cash, end of period	<u>26,240</u>	<u>6,775</u>	<u>19,465</u>	<u>287.3%</u>
Cash flows from operating activities	<b>40,799</b>	<b>34,309</b>	<b>6,490</b>	<b>18.9%</b>
Net Change in non-cash working capital	(11,741)	(9,799)	(1,942)	(19.8%)
Cash from operating activities before working capital considerations	<u>29,058</u>	<u>24,510</u>	<u>4,548</u>	<u>18.6%</u>

**Cash Flows Generated from Operating Activities**

In Q4 2022, cash flows generated from operating activities totalled \$40.8 million compared with \$34.3 million in Q4 2021. Cash from operating activities before working capital considerations of \$29.1 million was \$4.5 million higher due to increased earnings in the current quarter. Cash generated from working capital increased by \$1.9 million mainly driven by favourable timing on payables and accelerated inventory purchases realized earlier in 2022.

**Cash Flows Used in Investing Activities**

Cash flows used in investing activities in Q4 2022 totalled \$2.7 million compared with \$5.4 million in Q4 2021. Purchases of property, plant and equipment was \$2.6 million lower reflecting the acceleration of our capacity expansion plans in 2021.

**Cash Flows Used in Financing Activities**

Cash flows used in financing activities in Q4 2022 totalled \$19.2 million compared with \$31.3 million in Q4 2021. In Q4 2022, we made net repayments of \$11.4 million on our Credit Facilities, distributed \$7.1 million of dividends to common shareholders, and made payments of lease liabilities of \$1.1 million, partially offset by proceeds of \$0.4 million for the exercise of stock options and our employee share purchase plan (“ESPP”). In Q4 2021, we made net repayments of \$25.3 million on our Credit Facilities, distributed \$6.1 million of dividends to common shareholders, and made payments of lease liabilities of \$0.8 million, partially offset by proceeds of \$0.8 million from the exercise of stock options and our ESPP.

***Analysis of Cash Flows — for the year ended December 31, 2022 and 2021***

	Twelve months ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2022	2021		
Cash, beginning of period	6,775	1,166	5,609	481.0%
Cash flows from (used in):				
Operating activities	50,589	44,405	6,184	13.9%
Investing activities	(256,530)	(22,284)	(234,246)	(1051.2%)
Financing activities	225,406	(16,512)	241,918	1465.1%
Cash, end of period	<u>26,240</u>	<u>6,775</u>	<u>19,465</u>	<u>287.3%</u>
Cash flows from operating activities	<b>50,589</b>	<b>44,405</b>	<b>6,184</b>	<b>13.9%</b>
Net Change in non-cash working capital	27,012	27,326	(314)	(1.1%)
Cash from operating activities before working capital considerations	<u>77,601</u>	<u>71,731</u>	<u>5,870</u>	<u>8.2%</u>

**Cash Flows Generated from Operating Activities**

In YTD 2022, cash flows generated from operating activities totalled \$50.6 million compared with \$44.4 million in YTD 2021. Cash from operating activities before working capital considerations of \$77.6 million was \$5.9 million higher primarily due to higher earnings. Cash generated from working capital was relatively flat to prior year as reduced working capital investments and timing of tax payments in our base business were offset by initial working capital investments required for our newly acquired youtheory business.

**Cash Flows Used in Investing Activities**

Cash flows used in investing activities in YTD 2022 totalled \$256.5 million compared with \$22.3 million for the same period in the prior year primarily due to the acquisition of youtheory of \$242.0 million. Purchases of property, plant and equipment of \$13.9 million was \$7.6 million lower reflecting the acceleration of our capacity expansion plans in 2021.

**Cash Flows Used in Financing Activities**

Cash flows generated in financing activities in YTD 2022 totalled \$225.4 million compared with \$16.5 million used in YTD 2021, an increase largely due to net drawings of \$250.9 million from our Credit Facilities. Additionally, we distributed \$26.3 million of dividends to common shareholders and made payments of lease liabilities of \$3.3 million, partially offset by \$4.2 million for the exercise of stock options and our ESPP. In YTD 2021, we distributed \$22.1 million of dividends to common shareholders and made payments of lease liabilities of \$3.2 million, partially offset by proceeds of \$8.7 million from the exercise of stock options and our ESPP, while drawings on our Credit Facilities netted to \$0.1 million.

***Contractual Obligations***

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2022.

<i>(\$ in 000's)</i>	2023	2024-2027	Thereafter	Total
Operating leases <sup>(1)</sup>	\$ 5,286	\$ 18,965	\$ 9,047	\$ 33,298
Trade and other payable	142,566	-	-	142,566
Contingent consideration	542	36,693	-	37,235
Post-retirement benefits	-	-	929	929
Revolving credit facility <sup>(2)</sup>	-	400,000	-	400,000
<b>Total contractual obligations</b>	<b>\$ 148,394</b>	<b>\$ 455,658</b>	<b>\$ 9,976</b>	<b>\$ 614,028</b>

- (1) We have entered into several operating leases for vehicles, production equipment, computer and communications equipment, office equipment, and office and warehouse space. In 2022, we assumed a lease in Irvine, California related to the acquisition of youtheory.
- (2) The Credit Facilities provide for a secured revolving facility of \$500.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility by \$250.0 million. The Credit Facilities mature on July 19, 2027 with the outstanding principal repayable in full on this date.

### ***Off-Balance Sheet Arrangements***

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

### ***Related Party Transactions***

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

As at December 31, 2022, we have a \$3.4 million holdback on the purchase price and contingent consideration fair valued at \$37.2 million payable to the former owners of youtheory.

### ***Share-based compensation***

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

Our share-based compensation expense, for the three and twelve months ended December 31, 2022 is \$1.3 million and \$4.9 million, respectively (2021 - \$1.0 million and \$5.7 million).

### ***Financial Instruments***

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases and our international sales. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income. As of December 31, 2022, no foreign exchange hedges were outstanding as the impact of our newly acquired youtheory operations provided a natural hedge against our pre-acquisition net U.S. dollars exposure.

We also use interest rate swaps to manage our long-term interest rate exposure with respect to interest on our Credit Facilities which is based on fluctuating CDOR. We have entered into an interest rate swap with an effective date of October 1, 2020 to September 27, 2024 with a notional principal of \$140.0 million and an annual amortization of \$10.0 million on the first business day of each year. The notional principal of the interest rate swap is \$120.0 million as at the end of this reporting period. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

## Outstanding Share Capital

	Common Shares	
	#	\$
<b>As at January 1, 2022</b>	<b>40,406,940</b>	<b>268,214</b>
Exercise of stock options	342,655	6,066
Employee stock purchase plan	17,996	572
Issuance of shares to acquire businesses	926,612	32,348
<b>As at December 31, 2022</b>	<b>41,694,203</b>	<b>307,200</b>

  

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

As at December 31, 2022, the authorized share capital of the Company consisted of:

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

## Critical Accounting Estimates and Judgments

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

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2022. Items subject to significant estimate uncertainty and critical judgments which have the most impact on the amounts recognized in the audited consolidated annual financial statements are included both below and in the annual audited financial statement notes.

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

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

We provide for estimated payments to customers based on various trade programs and sales promotional incentives. We estimate the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

We update our expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments

differ from estimates of the related liability, accounts payable and accrued liabilities, net earnings, and comprehensive income will be affected in future periods.

### ***Valuation of inventory***

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

### ***Receivables and allowance for expected credit losses***

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

### ***Long-lived assets valuation***

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

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

### ***Measurement of fair values***

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

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

To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 8, 13, 16, 17 and 20 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2022.

## ***Taxes***

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

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

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

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

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

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

## **Significant Accounting Policies**

Our audited consolidated annual financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2022.

## **Recently adopted accounting standards**

No recent accounting standard changes have been identified as applicable for the three and twelve month period ended December 31, 2022 and onwards.

## **Disclosure Controls and Procedures**

The Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, disclosure controls and procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P as at December 31, 2022 and have concluded that the Company's DC&P was effective as at December 31, 2022.

## **Internal Control over Financial Reporting**

The Certifying Officers, along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding

the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company's ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as at December 31, 2022 and have concluded that the Company's ICFR was effective as at December 31, 2022.

There have been no changes in the Company's ICFR during the three-month period ended December 31, 2022 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

### **Limitations of an Internal Control System**

We believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

### **Outlook**

In fiscal 2023, we expect revenue to range between \$670.0 to \$700.0 million (+22% to +28%). We anticipate Adjusted EBITDA to range from \$140.0 to \$146.0 million (+13% to +18%) and Adjusted diluted earnings per share to range from \$1.62 to \$1.72 (+5% to +11%). Our guidance reflects an accelerated investment in marketing, resources and infrastructure to support long-term growth opportunities in the United States and in China along with higher prevailing interest rates.

Revenue in the Jamieson Brands segment is expected to increase between 24.0% to 30.0% to \$545.5 to \$572.5 million compared with fiscal 2022, driven by the following growth factors:

- Jamieson Canada revenue growth of 3.0% to 6.0%, reflecting continued consumer demand, marketing plans, innovation and the impact of our prior year pricing. We expect revenues in the first quarter of 2023 to increase by up to 3% compared with the first quarter of 2022, reflecting timing of shipments as retailers ordered for cold and flu in the fourth quarter of 2022.
- Youtheory revenue of between \$145.0 and \$155.0 million (approximately 11.5% to 19.0% growth on a pro-forma basis) with growth driven by product innovation, expanded e-commerce initiatives and distribution gains. We expect revenue in the first quarter of 2023 to be between \$14.0 and \$17.0 million based on our seasonally slowest period combined with a continued reduction of customer inventories as we prepare to launch new innovation in the second quarter.
- Jamieson China revenue growth of between 65.0% to 75.0% reflecting a transition to an owned distribution model expected to be completed in the second quarter and the related step-up to distributor level pricing along with continued consumer demand in e-commerce and distribution gains in the domestic retail channels (growth of approximately 25.0% to 30.0% on a pro-forma basis). We expect revenues in the first quarter of 2023 to increase by 20% to 25% compared with the first quarter of 2022, reflecting continued strong demand for immunity solutions and new distribution.
- Jamieson International revenue growth of between 5.0% to 20.0% driven by marketing, innovation and distribution into new markets as well as expansion across key regions as we increase our local capabilities and brand investments. We expect revenues in the first quarter of 2023 to be between \$6.0 and \$7.0 million as consumption patterns in Eastern Europe normalize following the second quarter.

Revenue in the Strategic Partners segment revenue growth of between 15.0% to 20.0% compared with fiscal 2022, reflecting pricing to maintain our existing margin structure and program changes with existing customers. First

quarter 2023 revenues are expected to increase by 20.0% to 30.0% compared with the first quarter of 2022, reflecting the timing of available production in the fourth quarter and pricing.

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

- Consolidated gross profit margins are anticipated to be consistent with the prior year impacted by segment mix, the full year impact of the youtheory acquisition and the transition to an owned distribution model in China.
  - Jamieson Brands gross profit margins are anticipated to decline approximately 100 basis points impacted by the full year inclusion of youtheory and the transition to an owned distribution model in China. Excluding the full year impact of youtheory and transition to an owned distribution model in China our Jamieson branded margin is anticipated to be consistent with fiscal 2022 as operating efficiencies offset inflationary cost pressures, geographic and product mix.
  - Strategic Partners gross profit margins are expected to improve by approximately 150 basis points due to customer and program mix.
  - In the first quarter we anticipate consolidated gross profit margins to decline by approximately 50 basis points due to segment mix.
- Normalized SG&A including marketing expenses are expected to increase 35.0% to 40.0% based on the acquisition of youtheory and an accelerated investment in marketing, resources and infrastructure to support long-term growth opportunities in the United States and in China. In the first quarter of 2023, we expect normalized SG&A to increase 34.0% to 38.0% compared to the first quarter of 2022 reflecting the acquisition of youtheory and changes to program timing.
- Depreciation and amortization expense will be approximately \$21.0 million reflecting the acceleration of our investment in capacity, tools and technology investments (assuming approximately \$15.0 million of capital additions as we invest to drive efficiency and improvements in our manufacturing facilities and in our IT infrastructure);
- Share-based compensation costs of \$5.0 to \$5.5 million;
- Interest expense of \$17.5 to \$18.5 million based on our estimated borrowing and prevailing rates;
- Income tax rates of approximately 27.5% based on non-deductible stock-based compensation;
- A fully diluted share count of approximately 43.0 million shares; and
- Average annual exchange rate between the U.S. and Canadian dollar of U.S. \$1.00 to 1.30.

We expect Adjusted EBITDA margins to decline by approximately 175 basis points reflecting the margin profile due to the factors discussed above. We expect Jamieson Branded AEBITDA margins to decline approximately 300 basis points year-over-year based on the impact of youtheory including realized synergies, the timing of pricing and operating efficiencies offset by our investments in resources to drive long-term growth in the United States and in China as well as the factors previously noted impacting gross margins.

During fiscal 2023 we expect to incur certain non-capital costs related to the enhancement of our IT systems to improve operating efficiencies and augment our system infrastructure, integration costs associated with the acquisition of youtheory as well as costs associated with the acquisition of our China distribution partner. These costs will impact net earnings while our expected Adjusted net earnings and Adjusted diluted earnings per share for fiscal 2023 will reflect the adding back of these expenses on a tax-effected basis.

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

## **Current Share and Option Information**

As of the date hereof, an aggregate of 41,731,312 Common Shares are issued and outstanding. As of the date hereof, the Company had 2,788,435 options, 158,857 PSUs, 838 RSUs, and 23,865 DSUs outstanding.

## **Additional Information**

Additional information relating to our Company, including our most recent annual report and annual information form are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risk Factors**

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below. *Credit risk*

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

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

### ***Market Risk***

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

#### ***Foreign Exchange Risk***

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

#### ***Interest Rate Risk***

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

#### ***Commodity Price Risk***

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

### ***Liquidity Risk***

Liquidity risk is the risk we will not be able to meet our financial obligations associated with financial

liabilities. We are exposed to this risk mainly in respect of our accounts payable and accrued liabilities, various long-term debt agreements, obligations under our post-retirement benefits plan and lease liabilities.

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