

PALOS

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Weekly Commentary

Issue No. 49 | NOVEMBER 23, 2020

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By Charles Marleau CIM[®] and William Mitchell CIM[®]

Jamieson Wellness Inc. – Helping to Keep Canadians Healthier

Jamieson Wellness Inc. (TSX: JWEL) is a leading manufacturer and retail distributor of a wide variety of health products that includes vitamins, sports nutrition beverages, supplements, and non-prescription remedy products. The Jamieson brand, which is well recognized on pharmacy shelves, is Canada’s number one seller of vitamins, minerals, and supplements (VMS). In business since 1922, the company also operates internationally and offers manufacturing and development services on a contractual basis to external parties and retail.

On November 5 JWEL reported 3rd quarter results. Revenue increased by 19% to \$105 million compared with Q3 2019 and EBITDA (Earnings Before Interest, Taxes, Amortization) grew by 18% to \$22.9 million. CEO Mark Hornick attributed the positive results to “strong growth across all segments and elevated demand both domestically and internationally”. The company has seen impressive organic growth with CAGR at approximately 9% per year since 2013. JWEL continues to expand market share in China, Europe and the Middle East. The growth strategy continues to focus on retail partnerships, e-commerce and expanding manufacturing capacity to meet the growing demand.

Research has suggested that Vitamin D can play an important preventative role in relation to respiratory infections. While the jury is still out, some studies have indicated that Covid-19 patients with a deficiency of Vitamin D have a greater susceptibility to the virus. The potential benefits of Vitamin D have led to a strong increase in demand. Also trending positively, is the growing attention being paid by consumers to “personal wellness” which includes the intake of vitamins and supplements. These trends are likely to continue given awareness generated from the pandemic.

Looking forward, management increased the revenue outlook for the remainder of the year. For fiscal 2020, revenue in the range of \$395 to \$400 million is anticipated versus \$385 to \$390 million in FY 2019. While Covid has had an impact on manufacturing facility safety measures and supply chains, increased demand has more than offset the financial impact of these challenges. Following JWEL declared a quarterly dividend of 12.5 cents per share which is an annualized dividend of \$0.50/share. Quarterly dividends have been increased four times since 2017 and the current dividend yield is approximately 1.4%.

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We view JWEL as an ideal growth story. The health and wellness industry is clearly on a high growth trajectory and we believe JWEL is well positioned to capitalize on this generational trend. Management recently commented that the focus will be on organic growth. We have owned JWEL shares in The Palos Income Fund and The Palos Income Fund LLP since 2017 and we continue to have an optimistic outlook.

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Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.30	6.55%
Palos Equity Income Fund - RRSP	PAL101	\$6.01	6.83%
Palos Merchant Fund L.P. (Dec 31, 2019) ²	PAL500	\$1.71	20.15%
Palos WP Growth Fund - RRSP	PAL210	\$11.23	46.68%
Palos-Mitchell Alpha Fund ³	PAL300	\$10.48	1.00%
S&P TSX Composite (Total Return with dividends reinvested)			2.69%
S&P 500 (Total Return with dividends reinvested)			11.95%
S&P TSX Venture (Total Return with dividends reinvested)			28.53%
Chart 2: Market Data ¹			Value
US Government 10-Year			0.82%
Canadian Government 10-Year			0.65%
Crude Oil Spot			US \$42.15
Gold Spot			US \$1872.40
US Gov't10-Year/Moody BAA Corp. Spread			238 bps
USD/CAD Exchange Rate Spot			US \$0.7637

¹ Period ending November 20, 2020. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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