



Reviewing 2017 IPOs: Jamieson Wellness Inc.

Description

The Toronto-based vitamin and natural health products company **Jamieson Wellness Inc.** ([TSX:JWEL](#)) had its initial public offering (IPO) on July 7. It followed another high-profile IPO **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)), which launched in March. Jamieson Wellness was acquired by U.S. private equity firm CCMP Capital Advisors in 2014.

The company plans to capitalize on rising global health and wellness consumer trends. It sold \$300 million worth of shares and a secondary offering price of \$15.75 per share. Shares of Jamieson Wellness have risen 10.92% since the IPO as of the end of trading on August 11. The company has plans to use the proceeds from the IPO for repayment of debt as well as payment of the dividend and return of capital to preferred shareholders.

The company controls close to 25% of the vitamin market in Canada. It also plans to expand further into eastern Europe, the Middle East, and Asia, where it already has a foothold in several key markets. The market research firm Euromonitor said the Canadian vitamin and multivitamin industry was worth \$431.7 million in 2016.

On August 9, Jamieson Wellness announced its second-quarter results. Revenue saw 6.3% growth to \$71.3 million compared to Q2 2016. Revenue growth was aided by the acquisition of natural health products manufacturer Body Plus. Gross profit increased 18.4% to \$25.3 million from \$21.4 million in the second quarter the previous year. Strategic Partners revenue saw a decline after a switch to a tolling from a turnkey arrangement for selected high-volume products with the partner's customers. Operating income experienced growth of 29.8%, and operating margins increased to 15% from 12.3% in Q2 2016.

The company posted a net loss of \$7 million compared to net income of \$1.8 million in Q2 2016. Selling, general, and administrative costs saw a 10.7% increase to \$13.2 million from \$11.9 million in the same period the previous year. Interest income and financing costs made up \$8.1 million of income compared to \$5.7 million in the second quarter of 2016.

The third quarter is also expected to include IPO-related expenses; they are projected to total

approximately \$11.5 million for the year. At the end of the second quarter, the company received \$232.1 million of net IPO proceeds.

Jamieson Wellness has a revenue target of \$390 million for the year and hope that it will reach \$410 million by 2021. The company is also planning to launch a line of vitamin-induced protein powder in 2018. A cough and cold prevention pill is slated for release in the fall of this year.

The stock rose 9.84% on the date of its IPO. CCMP Capital Advisors holds a +40% stake in the company, while management holds roughly 8%.

The health supplement industry is experiencing a great deal of growth in Canada and all of North America. An aging population with a great deal of disposable income will contribute to this uptrend, and it is a strategic outlook which Jamieson Wellness has explicitly endorsed.

Third-quarter results will take into account the next round of expenses from the IPO, but long term, the outlook is fantastic for this company. Jamieson Wellness holds a quarter stake in a booming industry and is a good growth stock to add to your portfolio.

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