2 Reasons to Buy Jamieson Wellness Inc. After Q1 Earnings

Description

Jamieson Wellness Inc. (TSX:JWEL) is a Toronto-based manufacturer, marketer, and distributor of nutrition products and supplements. Shares of Jamieson dropped 1.29% on May 9 ahead of its first-quarter earnings release after trading concluded. The stock is up 5.8% in 2018 thus far.

Jamieson has put together an impressive run since its initial public offering in July 2017. As the stock nears its one-year anniversary, investors should keep the company on their radar and considering adding it to their portfolios. Let's look at two reasons why.

Growth of global supplements market

Jamieson leadership was optimistic when it released its IPO, largely because of the growth of the global supplements market. An aging population in the developed world is creating interest in nutrition, vitamins, and a broad array of other supplements. The largest transfer of wealth in history is also going to mean aging demographics will have deep pockets in the first half of this century. This is great news for Jamieson and other companies in this industry.

According to a recent report from Zion Market Research, the global dietary supplements market could grow to $220 billion by 2022. At the time of the report, this represents a compound annual growth rate (CAGR) of 8.8%.

A February 2018 report from Grand View Research projected that the dietary supplements market would reach nearly $280 billion by 2024 and post a CAGR of 9.6%. According to the report, changing lifestyles in the developing world has led to increased rates of cardiovascular disorders, diabetes, and obesity. The report predicts that individuals in high socioeconomic groups will opt for nutraceuticals and dietary supplements as an alternative to prescribed drugs.

Positive first-quarter results

Jamieson released its first-quarter results on May 9. Revenue climbed 8% year over year to $70.1 million, and adjusted EBITDA rose 11% to $12.7 million. The company reported a 13.2% increase in Jamieson Brands revenue, driven by 7.8% organic growth and the Body Plus acquisition. Strategic

Partners dipped 14.8% due to timing of customer orders and a customer-geared launch in Q1.

Operating income jumped 26.2% to $10.1 million. Net income was reported at $4.6 million compared to a $21.7 million net loss in the first quarter of 2017. Jamieson burned through $5.2 million in cash due to deferred compensation related to the acquisition of Body Plus and Sonoma as well as higher inventories due to aforementioned timing in the Strategic Partners segment.

Jamieson maintained its outlook for revenue between $325 and $335 million for the full year. It also anticipates diluted earnings per share in a range from $0.83 to $0.87. The company last declared a quarterly dividend of $0.08 per share, representing a 1% dividend yield.

It is hard not to like Jamieson going forward. Investors should feel comfortable betting on its global growth and the boost the industry will receive from the global demographic transition going forward. The stock even offers up a solid dividend for those seeking income in their portfolios.

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