



Now This Growth Stock Is Getting Attractive

Description

Jamieson Wellness ([TSX:JWEL](#)) stock has corrected about 15% since it reported its third-quarter results last Tuesday. However, the stock was actually weak earlier than that. Specifically, after it peaked in late September, the stock has lost about 30% of its value from about \$27 to below \$19 per share.



The business

Jamieson manufactures, distributes, and markets branded natural healthcare products, including vitamins, minerals, and supplements.

It has a number one position in Canada with a market share of 25% at food, drug, and mass stores, such as Superstore and London Drugs.

Jamieson operates in two business segments. Its branded segment offers a diversified range of premium products across multiple distribution channels. Last year, this segment contributed to 79% of revenue and 86% of adjusted EBITDA.

Its strategic partners segment are co-manufacturing partnerships with select blue-chip consumerhealth companies and retailers around the world, aiming to leverage infrastructure and reduce costs.Last year, this segment contributed to 21% of revenue and 14% of adjusted EBITDA.

Q3 results

Here are some key metrics compared to the same period in 2017:

	Q3 2017	Q3 2018	Change
Revenue	\$80.1 million	\$83.1 million	3.7%
Earnings from operations	\$11.3 million	\$12.7 million	12.5%
Adjusted net income	\$7.8 million	\$8.9 million	13.6%
Adjusted EBITDA	\$16.1 million	\$17.9 million	10.7%
Adjusted diluted earnings per share	\$0.20	\$0.22	13.6%

I showed adjusted metrics above because there were public offering costs of \$2.6 million that was recorded in Q3, for example. These are costs related to the initial public offering that occurred in 2017. In the first nine months of this year, Jamieson recorded \$9.5 million of such costs. The adjusted metrics should give a better picture of Jamieson's profitability.

Year over year, Jamieson's gross profit margin and operating margin improved from 33% to 33.2% and 14.1% to 15.3%, respectively.

Jamieson's nine-month results

Here are some key metrics compared to the same period in 2017:

	Q1-Q3 2017	Q1-Q3 2018	Change
Revenue	\$216.3 million	\$230.3 million	6.5%
Earnings from operations	\$30 million	\$33 million	10%
Adjusted net income	\$17.8 million	\$21.5 million	20.7%
Adjusted EBITDA	\$42.6 million	\$44.7 million	4.8%
Adjusted diluted earnings per share	\$0.45	\$0.54	20.7%

Year over year, Jamieson's gross profit margin and operating margin improved from 34.2% to 34.4% and 13.9% to 14.3%, respectively. Also notable is that its number of outstanding shares remained constant, which is a positive.

Recent international growth developments

Jamieson products are available in more than 40 countries around the world. Recently, Jamieson made advancements in its growth strategy in China. Instead of only selling its products via an online store, it obtained the right to sell in physical stores as well. It's also setting up an office and warehouse in Shanghai.

Furthermore, after signing a five-year partnership agreement, Jamieson's products will begin selling this month in MedPlus, India's second-largest pharmacy chain. MedPlus has 1,500 retail locations and plans to more than triple its locations by 2023.

Investor takeaway

Jamieson is a [growth stock](#), and it has been priced at high multiples since its initial public offering. It has mostly traded at a price-to-earnings multiple (P/E) in the 30s. At \$18.75 per share, the company is much more [attractive](#) for double-digit growth at an estimated 2018 P/E of about 21.8.

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