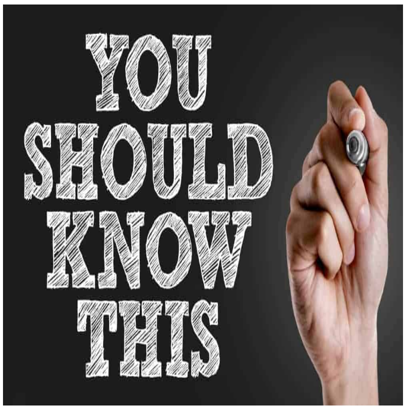

An Undervalued Dividend Growth Star in the Making

Description

Jamieson Wellness (TSX:JWEL) stock appreciated as much as 9% on Monday. Earlier in the month, I wrote that this growth stock was becoming attractive. At the time, the stock traded at $18.75 per share. Since then, it has appreciated more than 12%.

There was no news on the company, which means that the market found the stock to be too cheap and had to bid it up. This is also evidenced by the fact that the trading volume was more than triple the average volume according to Yahoo Finance.

What does Jamieson do?

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. Its products can also be bought online at **Amazon** and **Costco**.

Jamieson has multiple growth factors

There's growth potential in Jamieson as there's an increasing population, especially the aging population, which is becoming more and more health conscious.

Jamieson offers a diversified range of premium products across multiple distribution channels. Last year, this branded segment contributed to 79% of revenue and 86% of adjusted EBITDA. It will continue to come out with innovative products to attract consumers.

Other than its branded segment, Jamieson also partners with manufacturers, select blue-chip consumer health 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.

Jamieson has been growing its international sales channels. Recently, it made advancements in its growth strategy in China. Instead of just selling its products via an online store, it obtained the right to sell in physical stores as well.

Additionally, Jamieson has a five-year partnership agreement to sell its products in India's second-largest pharmacy chain, MedPlus, which is growing its store count at a rapid pace — more than tripling its locations to over 4,500 stores by 2023.

A growth stock that pays a growing dividend

Jamieson is a dividend growth star in the making! Last year, it began paying a dividend. Although it offers a small yield of 1.7%, it has good coverage of its dividend with a payout ratio of about 42%. Its quarterly dividend is 12.5% higher than it was a year ago. Given Jamieson's profile, it wouldn't be surprising to see the company continue increasing its dividend over time.

Investor takeaway

A good combination of selling online and through brick-and-mortar stores is the way to go. It seems Jamieson is doing exactly that in Canada and elsewhere around the world.

Seeing as the stock had a strong upward price action on Monday, we might see some profit taking in the short term. However, the growth stock has recently traded north of a price-to-earnings multiple of 32, so it can easily trade at $24-26 per share again over the next 12 months with the high end indicating a multiple of close to 30. As a result, it would be a decent entry point to buy Jamieson at the $18-21 range.

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Date
2025/07/02
Date Created
2018/11/29
Author
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