



A Community  
Pharmacy  
That Cares.

# Fourth Quarter and Fiscal 2021 Results

June 24, 2021

# Disclaimer

This presentation is dated June 24, 2021, and has been prepared in connection with the earnings reporting for the period ending March 27, 2021 of Neighbourly Pharmacy Inc. ("the Company", "Neighbourly", "us" or "we").

## Forward Looking Statements

This presentation contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward-looking information may relate to our future financial results and may include information regarding our financial position, business strategy, growth strategies, financial results, taxes, dividend policy, plans, and objectives. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "expects", "estimates", "outlook", "forecasts", "projection", "prospects", "intends", "anticipates", "believes", or variations of such words and phrases or statements that certain actions, events, or results "may", "could", "would", "might", "will", "will be taken", "occur", or "be achieved".

This forward-looking information includes, among other things, statements relating to the acceleration of our growth, the pursuit of additional acquisition opportunities, the payment of dividends, and same-store sales improvement.

This forward-looking information and other forward-looking information are based on the Company's opinions, estimates, and assumptions in light of its experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that the Company currently believes are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates, and assumptions will prove to be correct.

Forward-looking information is necessarily based on a number of opinions, estimates, and assumptions that the Company considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors set forth in the Company's Management's Discussion and Analysis for the twelve-weeks and fiscal year ended March 27, 2021. If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

The forward-looking information contained in this presentation represents the Company's expectations as of the date of this presentation (or as the date they are otherwise stated to be made), and are subject to change after such date. However, the Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events, or otherwise, except as required under applicable securities laws in Canada.

## Non-IFRS Measures

This presentation makes reference to certain non-IFRS measures, such as Adjusted EBITDA, Pro-Forma Adjusted EBITDA, and Pro-Forma Revenue. These measures are not recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide readers with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that market participants frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. See the "Appendix" of this presentation for reconciliations of Adjusted EBITDA, Pro-Forma Adjusted EBITDA, and Pro-Forma Revenue to the most directly comparable IFRS measures.

# | Presenters



**Chris Gardner**

Chief Executive Officer

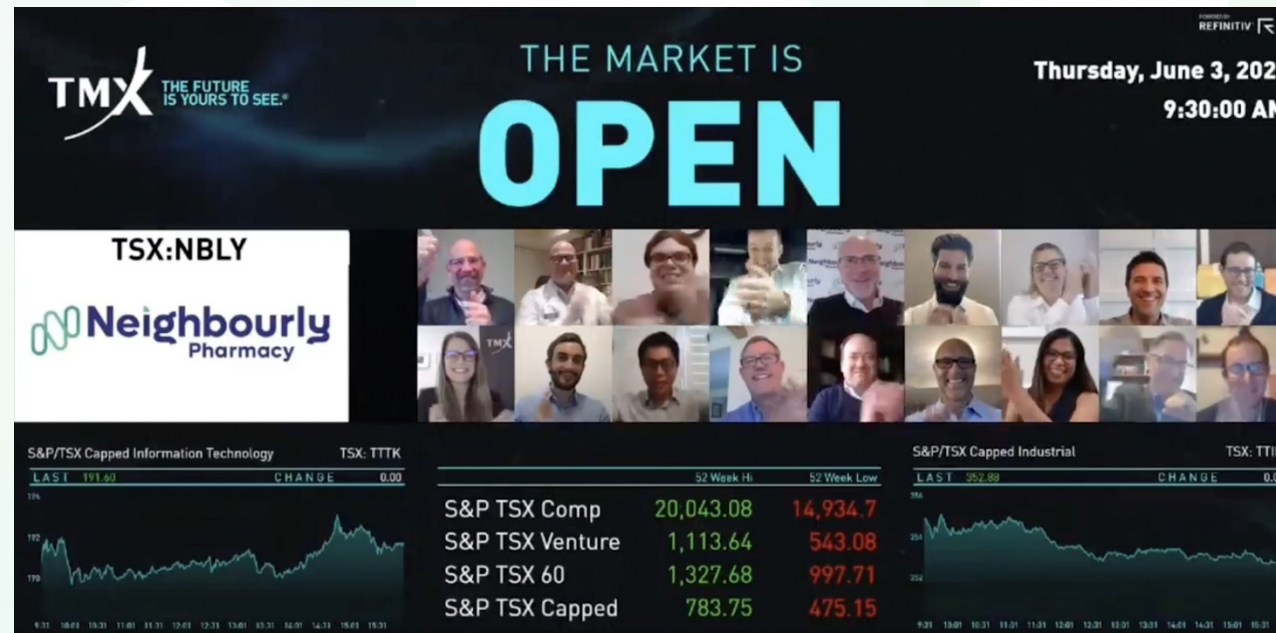


**Terri Smyth**

Chief Financial Officer

# Positioned for Future Growth

IPO raised \$175M in gross proceeds to enhance Neighbourly's position as Canada's fastest growing network of community pharmacies



# | The Neighbourly Model

**We consolidate independent pharmacies.**

- Operate in smaller markets, established medical clinics or near primary care providers
- Significant healthcare delivery provider to their communities
- Generate 70% to 80% of revenues from prescriptions
- Share our values
- Possess meaningful scale

**We improve with minimal disruption.**

- Minimal changes to the pharmacy banner, staffing, and layout
- Introduce enhancements to merchandising, services, scheduling, and inventory
- Keep our suppliers and benefit from procurement scale
- Support transition using dedicated centralized and regional teams

# Three Growth Drivers - Acquisitions

- **Acquisitions**
- **Organic Improvement**
- **External Tailwinds**

- Acquired and integrated 70 stores over the past two years
- Highly fragmented market: 6,500 of Canada's 11,000 pharmacies are independent
  - 3,600 of these represent potential acquisition targets
- Move rapidly, closing within eight weeks of an LOI, or at owner's preferred pace
- Flexibility, close rate, minimal disruption, and protection of established legacies have all cemented Neighbourly as the industry's acquirer of choice

# Three Growth Drivers – Organic Improvement

- **Acquisitions**
- **Organic Improvement**
- **External Tailwinds**

- Introducing new services - Clinical services revenue per prescription filled grew by more than 20% from 2018 to 2021
- Introducing new products and pricing – Use of analytics to add products and services while optimizing pricing and merchandising
- Leveraging technology to increase access to care and optimize merchandising, inventory, and labour
- Same-store sales growth consistently exceeds observed industry rate
- Growing national network creates purchasing power and economies of scale

# Three Growth Drivers – External Tailwinds

- **Acquisitions**
- **Organic Improvement**
- **External Tailwinds**

- Pharmacy is a highly regulated, resilient, and growing industry
- Pharmacists' scope of practice is undergoing significant expansion, allowing them to offer valuable new services
- The Canadian population aged 65 and over is expected to increase by 50% from 2020 to 2035
  - Prescription demand increases meaningfully after age 45, and meaningfully again after age 65
- Canadian retail prescription sales were \$22.7 billion in 2016, and are expected to grow to almost \$30 billion by 2024



# Pharmacy is Foundational



**~50,000**

**COVID-19 vaccinations administered  
at Neighbourly locations to date**

**55%**

of Canadians visit  
a pharmacy every week

**10x**

frequency of visits to  
pharmacies than any other  
healthcare provider

**80%**

of Canadian customers  
return to the same pharmacy

**90%**

of Canadians are insured by  
either public or private plans

## Acquisitions Drive Revenue

**\$83.3M**

**Fourth Quarter '21 Revenue**

**+57.8%**

**\$306.5M**

**Fiscal '21 Revenue**

**+64.2%**

Improvements driven by the 40 locations added to Neighbourly's network over the course of the year, 39 of which were the result of acquisitions. Revenue from acquisitions completed since the beginning of the fiscal year accounted for \$24.4 million (29.4%) of Fourth Quarter Revenue and \$54.1 million (17.6%) of Fiscal 2021 Revenue.

## Adjusted EBITDA More Than Doubles

**\$9.0M**

**Fourth Quarter '21 Adj. EBITDA<sup>1</sup>**  
**+114.8%**

**\$35.1M**

**Fiscal '21 Adj. EBITDA**  
**+65.7%**

Improvements also driven by locations added to Neighbourly's network

**10.8%**

**Fourth Quarter '21 Adj. EBITDA Margin**  
7.9% in Fourth Quarter '20

**11.4%**

**Fiscal '21 Adj. EBITDA Margin**  
11.3% for Fiscal '20

## Focused on Pharmacy First

1.4M

### Total Prescription Count

- +45.2% in Fourth Quarter of 2021
- Prescriptions filled at acquisitions more than offset a modest COVID-driven decline in same-store prescriptions

76.5%

### Pharmacy Revenue Percentage

- 77.0% in Fourth Quarter of 2020
- Consistency reflects strategy of pharmacy-first locations

## Scalable Platform Provides Operating Leverage

4.3%

Fourth Quarter '21  
CG&A as a Percentage of Revenue

6.3%

FY2018

4.2%

FY2019

4.3%

FY2020

3.8%

FY2021

Historical

- Declining trend expected to continue as operating leverage grows
- Anticipated one-time increase due to costs of becoming a public company

## Fourth Quarter Operating Metrics

# Same Store Variability

### Same-Store Sales Growth

**0.4%**

Fourth Quarter 2021

**3.1%**

Fiscal 2021

**6.4%**

Q4/20

**0.1%**

Q1/21

**6.0%**

Q2/21

**5.5%**

Q3/21

**0.4%**

Q4/21

Historical

- 14.7% in final month of Q4/20 due to shifts in consumer behaviour at the onset of the pandemic
- 3.1% for Fiscal 2021, in-line with historical trend
- Trailing eight-quarter average of 3.2%

### Same-Store Rx Count Growth

**-0.75%**

Fourth Quarter 2021

**3.5%**

Fiscal 2021

**6.5%**

Q4/20

**8.0%**

Q1/21

**5.6%**

Q2/21

**3.1%**

Q3/21

**-0.8%**

Q4/21

Historical

- Increased in Q4/20 due to shifts in consumer behaviour at the onset of the pandemic
- 3.5% for Fiscal 2021, in-line with historical trend
- Trailing eight-quarter average of 4.6%

# Pro-Forma Capitalization

(In \$ Millions)

	Fourth Quarter 2021	Net IPO Proceeds	Debt Repayment	Acquisitions	Pro-Forma
<b>Debt</b>	\$202.1		-\$100.7	\$-	\$101.4
<b>Lease Liabilities</b>	\$36.1			\$5.0	\$41.1
<b>Total Debt</b>	\$238.2		-\$100.7	-\$5.0	\$142.5
<b>Cash</b>	<i>\$45.9</i>	<i>\$166.8</i>	<i>-\$100.7</i>	<i>-\$35.9</i>	<i>\$76.1</i>
<b>Net Debt</b>	<b>\$192.3</b>				<b>\$66.4</b>

<b>Pro-Forma Adjusted EBITDA<sup>1</sup></b>	<b>\$51.5</b>
<b>Net Debt / Pro-Forma Adjusted EBITDA</b>	<b>1.29x</b>

# | Continuing to Expand our Footprint

40

Pharmacies  
added in Fiscal 2021

14

Pharmacies  
added in Fiscal 2022 YTD

## Pro-Forma Financials

\$414.6M

Revenue<sup>1</sup>

\$51.5M

Adj. EBITDA<sup>2</sup>



# Investment Highlights

- Leading national operator
- Acquirer of choice in a fragmented market
- Successful integration history
- Highly scalable platform
- Strong demographics support a growing, regulated industry





A Community  
Pharmacy  
That Cares.

Contact:

[investorrelations@nbly.ca](mailto:investorrelations@nbly.ca)



A Community  
Pharmacy  
That Cares.

# Appendix

# Reconciliation of Adjusted EBITDA

The following table provides a reconciliation of loss and comprehensive loss to EBITDA and to Adjusted EBITDA for the periods indicated:

in 000's	Fourth Quarter		Fiscal	
	2021	2020	2021	2020
<b>Income (Loss) and comprehensive income (loss) for the period</b>	\$30,269	(\$8,231)	(\$90,517)	(\$23,344)
Income tax expense (recovery)	\$1,775	\$148	\$2,591	\$422
Finance costs, net	\$5,788	\$2,238	\$16,004	\$12,460
Fair value changes of financial liabilities	(\$37,934)	\$4,671	\$80,405	\$13,578
Depreciation and amortization	\$5,783	\$3,926	\$19,118	\$13,781
Impairment loss	\$116	\$52	\$116	\$52
Acquisition, transaction and integration costs	\$3,113	\$1,220	\$7,179	\$4,071
Share-based compensation	\$47	\$145	\$186	\$148
<b>Adjusted EBITDA</b>	\$8,957	\$4,169	\$35,082	\$21,168
Revenue	\$83,273	\$52,771	\$306,494	\$186,627
<b>Adjusted EBITDA Margin</b>	10.8%	7.9%	11.4%	11.3%

# Reconciliation of Pro-Forma

in 000's

## **Pro-Forma Adjusted EBITDA**

Adjusted EBITDA for the 52 weeks ended March 27, 2021	\$35,082
Incremental Adjusted EBITDA for new stores acquired after March 28, 2020 as if owned on March 28, 2020	\$7,313
Incremental Adjusted EBITDA for stores acquired, or to be acquired on or after March 27, 2021 to date as if owned on March 28, 2020	\$6,462
Adjustment for professional, other fees and COVID-related expenses for the 52 weeks ended March 27, 2021	\$2,639
<b>Pro-forma Adjusted EBITDA for the 52 weeks ended March 27, 2021</b>	<b>\$51,496</b>

## **Pro-Forma Revenue**

Revenue for the 52 weeks ended March 27, 2021	\$306,494
Incremental revenue for new stores acquired after March 28, 2020 as if owned on March 28, 2020	\$55,927
Incremental revenue for stores acquired, or to be acquired on or after March 27, 2021 to date as if owned on March 28, 2020	\$52,208
<b>Pro-forma Revenue for the 52 weeks ended March 27, 2021</b>	<b>\$414,629</b>