Neighbourly Pharmacy

A Community Pharmacy That Cares.

Financial Results for the Second Quarter 2023

October 25, 2022

Disclaimer

This presentation is dated October 25, 2022 and has been prepared in connection with the earnings reporting for the periods ended September 10, 2022 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”.

Forward-looking information in this presentation includes, among other things, statements relating to the acceleration of our growth, the pursuit of additional acquisition opportunities, the payment of dividends, same-store sales improvements and the expected impacts of the ongoing COVID-19 pandemic on our results of operation.

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 in light of its experience and perception of historical trends, current conditions and expected future developments, 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 ended September 10, 2022 and in the "Risk Factors" section of the Company's annual information form (the “AIF”) filed on June 23, 2022. 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.

Key Performance Indicators

This presentation makes reference to certain key performance indicators, such as Same-store sales and corporate, general & administrative costs. We monitor key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. These key performance indicators are also used to provide investors 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 securities analysts, investors and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies

Presenters

Chris Gardner

Chief Executive Officer

Terri Smyth

Chief Financial Officer

Q2.23 Highlights

✓ **Successfully Integrated 100 Rubicon Locations**
- >70% of projected synergies realized to date

✓ **Demonstrated Continued Acquisition Momentum**
- Eight pharmacies announced yesterday (BC 2, Atlantic Canada 6)
- Nine pharmacies acquired post Rubicon transaction

✓ **Announced a CFO Succession Plan**
- Billy Wong joined Neighbourly September 19, 2022

✓ **Continued to Deliver Strong Financial Performance**

National Footprint

284

Locations

Neighbourly Pharmacy

CFO Transition

Billy Wong

Joined Neighbourly September 19, 2022; set to transition into CFO role effective October 26, 2022

An accomplished finance leader with a strong foundation in retail and consumer businesses

Strong track record of identifying and implementing efficiencies to improve profitability

Continued Growth in Q2.23

+3.6%
SSSG%[1]

$178.9M
Revenue
+97%

$19.8M
Adj. EBITDA[2]
+98%
Adj EBITDA Margin[2]
11.1%

Highlights:

- Stronger pharmacy and front store revenue drove SSSG[1] growth
- Adjusted EBITDA[2] almost doubled vs Q2.22
- 11.1% Adj. EBITDA margin[2] and margin improvement reflecting strong Rubicon and base business contributions (including lower mix of clinics within store network), slightly offset by continuing labour headwinds

[1] Same-store sales represents sales from stores that were owned and operated by the Company for the entirety of both periods. Neighbourly calculates same-store sales using revenue determined in accordance with IFRS.
[2] Non-IFRS measure. See "Non-IFRS Measures" in the Disclaimer.

Q2.23 Operational Metrics

Same Store Sales Growth[1]

+3.6%

Q2.23 SSSG %

+1.8% in Q1.23, +1.2% in Q2.22

+4.2%

Pharmacy

- Total prescription spending remains strong with higher average values
- Same-store prescriptions down 1.9%, due to shift to longer day supply

+2.9%

Front Store

- Front Store sales strong
- Driven by high demand for over-the-counter cough and cold medication

-17.4%

Clinical Services

- Clinical Services down vs prior year (prior year's results was driven by strong initial wave of COVID-19 vaccinations)

[1] Same-store sales represents sales from stores that were owned and operated by the Company for the entirety of both periods. Neighbourly calculates same-store sales using revenue determined in accordance with IFRS.

Q2.23 Operational Metrics

Pharmacy is Foundational

3.1M

Q2.23 Total Prescription Count[1]

- Up 95%, almost double Q2.22 levels
- Pharmacy Revenue up 99% versus prior year
- Up from 1.9M scripts in Q1.23

78.8%

Q2.23 Pharmacy Revenue Percentage

- Pharmacy revenue comprises of prescription revenue of $138.6M, +99% and Clinical Services revenue of $2.3M, +83%
- Front Store accounted for 21.2% of revenue
- Increased Pharmacist Scope of Practice in Ontario and British Columbia to provide further upside

(1) Prescription Count represents the sum of transactions processed pursuant to an order by a prescriber in a given time frame (excludes Pharmacy Services such as vaccinations).

Q2.23 Operational Metrics

Revenue Highlights

$179M **+$88M or +97%**

Q2.23 Revenue

Same Store Basis	Locations Acquired in Past 12 Months	Rubicon
$90M	**$25M**	**$64M**
+$3M or 3.6%	+$21M	+$64M

Neighbourly Pharmacy

Q2.23 Financial Metrics

Adjusted EBITDA[1] Highlights

$19.8M

Q2.23 Adj. EBITDA[1]
Up +98%

11.1%

Q2.23 Adj. EBITDA Margin[1]
9.8% in Q1.23, 11.0% in Q2.22

- Adjusted EBITDA growth was driven by strong SSSG, along with contribution and scale from recent acquisitions
  - 100 pharmacies acquired with Rubicon transaction contributed ~40% of Adjusted EBITDA in the quarter
- Adjusted EBITDA margin improved due to improved geographic and store format mix
- Adjusted EBITDA continued to be impacted by temporary pharmacist relief costs, but significant progress being made
  - Vacant pharmacy positions down by ~25% since end of Q2.23

(1) Non-IFRS measure. See "Non-IFRS Measures" in the Disclaimer

Q2.23 Financial Metrics

Scalable Platform Provides Operating Leverage

3.8%

Q2.23

CG&A[1] as a Percentage of Revenue

4.0%	3.9%	4.2%	4.0%
Q2.22	**Q3.22**	**Q4.22**	**Q1.23**

Historical Quarterly

- A sequential improvement from Q1.23, demonstrating NBLY's growing scale
- Q2.23 reflects a full quarter of public company costs (vs the prior year) as well as the incremental CG&A from the Rubicon Acquisition
- This metric is expected to improve over time as Neighbourly's scalable platform gains increased operating leverage, as it did with the addition of Rubicon

(1) Corporate, general & administrative costs represents costs incurred at the corporate level (as opposed to costs incurred at the store level) and is a component of Operating, general and administrative expenses.

Pro Forma Capitalization

000's	Current	Announced Acquisitions	Proforma
Debt	$251,174	$9,473	$260,647
Lease Liabilities	$72,374	$2,200	$74,574
Total Debt	**$323,548**	**$11,203**	**$335,221**
Less Cash	*$9,094*	*($6,000)*	*$5,494*
Net Debt	**$314,454**		**$329,727**
Proforma Adjusted EBITDA[1]	$94,037	$2,733	$96,771
Leverage	**3.3x**		**3.4x**

- Balance Sheet remains well positioned to continue to fund acquisition strategy
  - $140M of available debt capacity
  - $5.5M of cash on hand, PF announced acquisitions; in addition to $16.7M of assets held for sale
- Long term leverage target remains at 2.5x

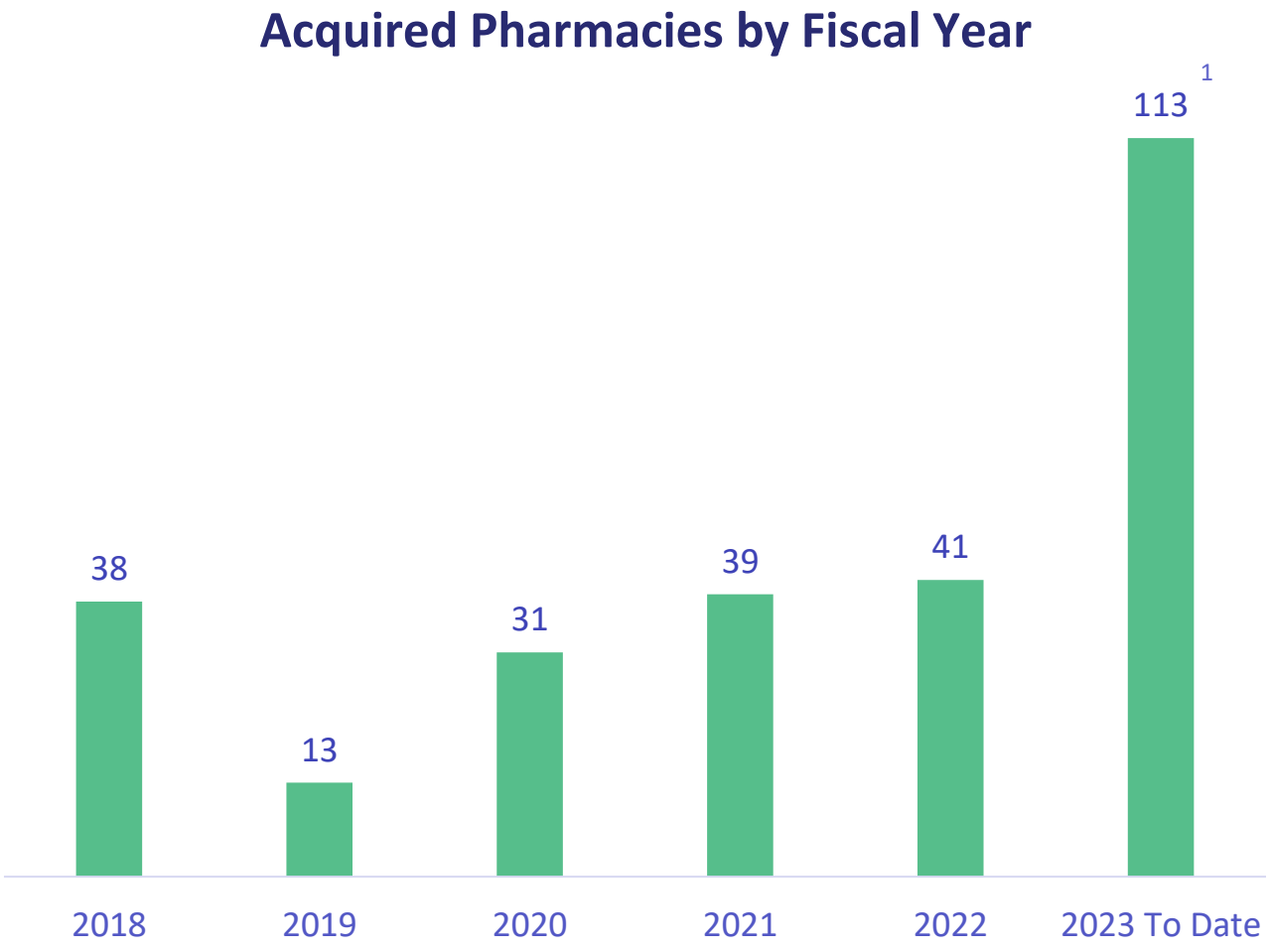
(1) Non-IFRS measure. See "Non-IFRS Measures" in the Disclaimer.

Robust Acquisition Pipeline

Yesterday we announced the acquisition of eight additional pharmacies; including six in Atlantic Canada

Acquisition Criteria

- Share Neighbourly's values
- Operate within smaller markets or established medical clinics
- Act as a significant healthcare provider for their community
- Derive the majority of their revenue from prescriptions
- Possess meaningful scale



[1] includes greenfield location opened and recently announced acquisitions

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Appendix

Reconciliation of Adjusted EBITDA

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

in 000's	12 weeks ended		24 weeks ended		28 weeks ended
	2023	***2022***	***2023***	***2022***	***2022***
Income (loss) and comprehensive income (loss) for the period	134	(3,394)	(610)	(80,329)	7,934
Income tax expense (recovery)	3,383	774	3,895	4,027	(10,071)
Finance costs, net	(5,180)	2,003	(2,665)	(5,104)	5,108
Fair value changes of financial assets and liabilities	(37)	-	(37)	67,228	-
Depreciation and amortization	9,314	5,414	16,203	10,159	15,195
Impairment loss	-	23	-	23	301
Acquisition, transaction and integration costs	10,997	3,567	12,110	21,919	4,718
Share-based compensation[1]	1,165	1,585	2,140	2,195	2,587
Adjusted EBITDA	19,776	9,972	31,036	20,118	25,772
Revenue	178,875	90,668	293,251	176,012	251,497
Adjusted EBITDA margin	*11.1%*	*11.0%*	*10.6%*	*11.4%*	*10.2%*

1. Represents non-cash expenses recognized in connection with share-based compensation in respect of our legacy stock option plan and omnibus long-term equity incentive equity compensation plan.

Reconciliation of Pro-Forma Figures

in 000's

Pro-Forma Adjusted EBITDA	
Adjusted EBITDA for the 24 weeks ended September 10, 2022	31,036
Adjusted EBITDA for the 28 weeks ended March 26, 2022	25,772
Incremental Adjusted EBITDA for new stores acquired after September 11, 2021 as if owned on September 11, 2021[2]	36,732
Incremental Adjusted EBITDA for stores acquired, or to be acquired on or after September 10, 2022 to date as if owned on September 11, 2021[3]	2,733
Adjustment for professional, other fees and COVID-related for the 28 weeks ended March 26, 2022[4]	498
Pro-forma Adjusted EBITDA for the 52 weeks ended September 10, 2022	**96,771**

Pro-Forma Revenue	
Revenue for the 24 weeks ended September 10, 2022	293,251
Revenue for the 28 weeks ended March 26, 2022	251,497
Incremental Revenue for new stores acquired after Septebmer 11, 2021 as if owned on September 11, 2021[5]	262,375
Incremental Revenue for stores acquired, or to be acquired on or after September 10, 2022 to date as if owned on September 11, 2021[6]	21,416
Pro-forma Revenue for the 52 weeks ended September 10, 2022	**828,539**

Notes:

[1] Represents non-cash expenses recognized in connection with share-based compensation in respect of our legacy stock option plan and omnibus long-term equity incentive compensation plans.

[2] The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired during the 52 weeks prior to September 10, 2022 on September 11, 2021, it would have recorded additional Adjusted EBITDA of $36,732 for the 52 weeks ended September 10, 2022. This estimate is based on the amount of EBITDA budgeted by the Company for each of the acquired pharmacies to be earned at the time of their acquisition. There can be no assurance that if the Company had acquired these pharmacies on September 11, 2021, they would have actually generated such budgeted EBITDA, nor is this estimate indicative of future results.

[3] The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired or has announced to be acquired after September 10, 2022 on September 11, 2021, it would have recorded additional Adjusted EBITDA of $2,733 for the 52 weeks ending September 10, 2022. This estimate is based on the amount of EBITDA budgeted by the Company for each of the acquired pharmacies to be earned at the time of their acquisition. There can be no assurance that if the Company had acquired these pharmacies on September 11, 2021, they would have actually generated such budgeted EBITDA, nor is this estimate indicative of future results.

[4] Represents the acute incremental labour and releif costs incurred during the third quarter 2022 as a result of increased absenteeism related to the Omicron variant of the COVID-19 pandemic that are not expected to recur. These costs were estimated based upon incremental sick pay related to mandatory quarantine requirements and the corresponding higher cost to cover an absent employee shift including relief related travel and other costs.

[5] The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired during the 52 weeks prior to September 10, 2022 on September 11, 2021, it would have recorded additional Revenue of $262,375 for the 52 weeks ended September 10, 2022. This estimate is based on the amount of Revenue budgeted by the Company for each of the acquired pharmacies to be generated at the time of their acquisition. There can be no assurance that if the Company had acquired these pharmacies on September 11, 2021, they would have actually generated such budgeted Revenue, nor is this estimate indicative of future results.

[6] The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired or has announced to be acquired after September 10, 2022 on September 11, 2021, it would have recorded additional Revenue of $21,416 for the 52 weeks ended September 10, 2022. This estimate is based on the amount of Revenue budgeted by the Company for each of the acquired pharmacies to be generated at the time of their acquisition. There can be no assurance that if the Company had acquired these pharmacies on September 11, 2021, they would have actually generated such Revenue, nor is this estimate indicative of future results.

Reconciliation of Adjusted Income (Loss)

in 000's

in 000's	12 weeks ended *2023*	12 weeks ended *2022*	24 week ended *2023*	24 week ended *2022*
Income (loss) and comprehensive income (loss) for the period	**134**	**(3,394)**	**(610)**	**(80,329)**
Adjustments, pre-tax:				
Fair value changes of financial assets and liabilities	(37)	-	(37)	67,228
Amortization on customer lists	3,041	2,543	6,166	4,983
Impairment loss	-	23	-	23
Acquisition, transaction and integration costs	10,997	3,567	12,110	21,919
Share-based compensation[1]	1,165	1,585	2,140	2,195
Gain on Debt Modification[2]	(8,703)	-	(8,703)	(10,356)
Income tax impact on non-GAAP adjustments	(3,438)	(1,531)	(4,374)	(6,700)
Deferred tax expense[3]	1,956	84	1,967	2,797
Adjusted net income	**5,116**	**2,877**	**8,658**	**1,760**
Adjusted weighted average number of shares (000's)[4]	43,216	33,443	38,762	29,232
Adjusted Earnings per share	0.12	0.09	0.22	0.06

Notes:

[1] Represents non-cash expenses recognized in connection with share-based compensation in respect of our legacy stock option plan and omnibus long-term equity incentive compensation plans.

[2] Represents the non-cash gain on debt modification related to the revaluation of the Company's credit facility that was refinanced concurrent with the IPO with an extended maturity and more favourable interest rate terms and further refinanced concurrent with the Rubicon acquisition with extended principal repayments.

[3] Represents the portion of the Company's tax provision that is deferred as detailed in the notes to the Interim Financial Statements.

[4] Adjusted weighted average number of shares outstanding adjusted to reflect all preferred shares and related accrued dividends outstanding as though they were converted to common shares at the beginning of the respective period.