



A Community
Pharmacy
That Cares.

Financial Results for the Fourth Quarter and Fiscal Year 2022

June 23, 2022

Disclaimer

This presentation is dated June 23, 2022, and has been prepared in connection with the earnings reporting for the periods ended March 26, 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 June 19, 2021 and under the heading “Risk Factors” in the final long form prospectus dated May 17, 2021 filed in connection with the IPO. 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

Strong Growth in Fiscal 2022

3.1%

FY SSSG¹

+40%

FY Revenue
Growth

+31%

FY EBITDA²
Growth

Key Highlights

- Over 7.2 million prescriptions filled in F2022, +33.5% from F2021
- Pro-forma revenue of \$798 million, up 92% or almost double from a year ago
- Acquired 41 locations, at the high end of our previously stated acquisition range
- Announced Rubicon acquisition of 100 locations, obtained Competition Bureau clearance; closing scheduled for June 27th

(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.



Neighbourly Pharmacy



National Footprint

275
Locations

- Neighbourly
- Rubicon
- Rubicon Central Fill
- ★ Neighbourly HQ

Neighbourly Store Formats

	Community	Clinic
Neighbourly Stores	106 61% of total	67 39% of total
Neighbourly Stores (Post Rubicon)	183 66% of total	92 34% of total
Key Highlights	<ul style="list-style-type: none">• Located in communities with populations <100,000• Limited competition• Longstanding operations and relationships lead to loyal patients	<ul style="list-style-type: none">• Located near or within clinics or hospitals• High penetration among clinic and hospital patients• More than half (21 of 41) of pharmacies acquired in F2022 were clinic format pharmacies

Key Performance Metrics in Q4.22

2.3%

SSSG¹

+35%

Revenue
Growth

+26%

Adj. EBITDA²
Growth

- Same store sales growth +2.3%, same store RX count +1.8%
- Excluding Clinic pharmacies (66 or 40% of our network), RX count on same store basis was +3.1%
- New prescription volumes continue to remain approximately 15% below pre-pandemic levels, especially at clinic pharmacies
- Additional temporary pharmacy staffing required related to Omicron and to accommodate accelerated timing of vaccination boosters

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Serving our Communities

170,000

COVID-19 Vaccinations

55,000

Influenza Vaccinations

Q4 Operational Metrics

Same Store Sales and Script Count

1.9 million prescriptions filled in Q4 2022, +30% from Q4 2021

2.3%

Q4.22 Same Store Sales¹ Growth

0.4%	8.2%	1.2%	2.2%
Q4.21	Q1.22	Q2.22	Q3.22

Historical

- Trailing eight-quarter average of 3.2%

1.8%

Q4.22 Same Store Rx Count² Growth

-0.8%	-2.1%	2.9%	2.7%
Q4.21	Q1.22	Q2.22	Q3.22

Historical

- Growth of 3.1% (excluding clinic format)
- Growth of 3.8% for all stores when including Pharmacy Services (vaccinations/testing/other)

Revenue Highlights - Pharmacy is Our Foundation

\$112.3M

Q4.22 Revenue
+\$29M or +34.9%

- Revenue from acquired locations accounted for 93% of Neighbourly's Q4.22 increase
- Continued upside as in-person visits resume

1.9M

Q4.22 Total Prescription Count¹

80.0%

Q4.22 Pharmacy Revenue Percentage

- Consistency reflects strategy of patient-focused locations

(1) Prescription Count represents the sum of transactions processed pursuant to an order by a prescriber in a given time frame.

EBITDA Highlights

\$11.3M

Q4.22 Adj. EBITDA¹
+26.3%

10.1%

Q4.22 Adj. EBITDA Margin¹
10.8% in Q4.21 ; 10.4% in Q3.22

- Adjusted EBITDA benefited from new locations and same store growth across the network, offset by temporary increase in labour costs associated with acute relief due to Omicron-related absenteeism
- Although overall staff turnover has remained consistent with historic levels, it is taking longer to fill vacancies

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

Scalable Platform Provides Operating Leverage

4.2%

Q4.22

CG&A¹ as a Percentage of Revenue

4.2%

FY2019

4.3%

FY2020

3.8%

FY2021

3.9%

FY2022

Historical

- Flat to 4.2% in Q4.21, reflecting customary corporate costs at year-end (audit, inventory count, etc.)
- This metric is expected to improve over time as Neighbourly’s scalable platform gains increased operating leverage, as it will 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

(\$, Millions)

	Q4.22	Offering Proceeds	Rubicon Acquisition	Other Acquisitions Post Q4.22	Pro-Forma
Debt	\$100.1		\$141.0		\$241.1
Lease Liabilities	\$51.9		\$29.4	\$0.2	\$81.5
Total Debt	\$151.9		\$170.4		\$322.5
Less Cash	\$40.4	\$287.9	(\$316.0)	(\$7.8)	\$4.6
Net Debt	\$111.5				\$317.9

Pro-Forma Adjusted EBITDA¹

\$98.5M

Net Debt / Pro-Forma Adjusted EBITDA

3.2X

- Balance Sheet remains well positioned to continue to fund acquisition strategy as a result of the attractive financing solution
- Rapid deleveraging profile and long-term leverage target remains 2.5x

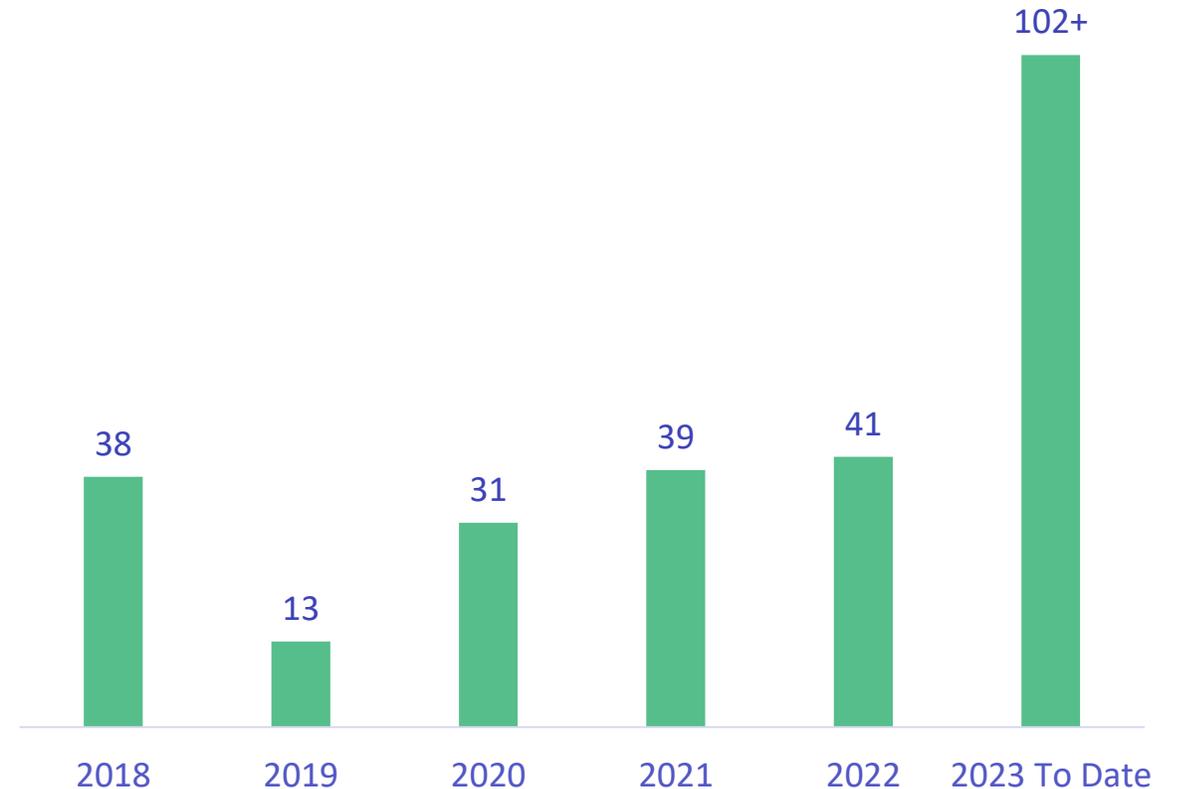
(1) Non-IFRS measure. See "Non-IFRS Measures" in the Disclaimer.

Robust Acquisition Pipeline

Acquisition Criteria

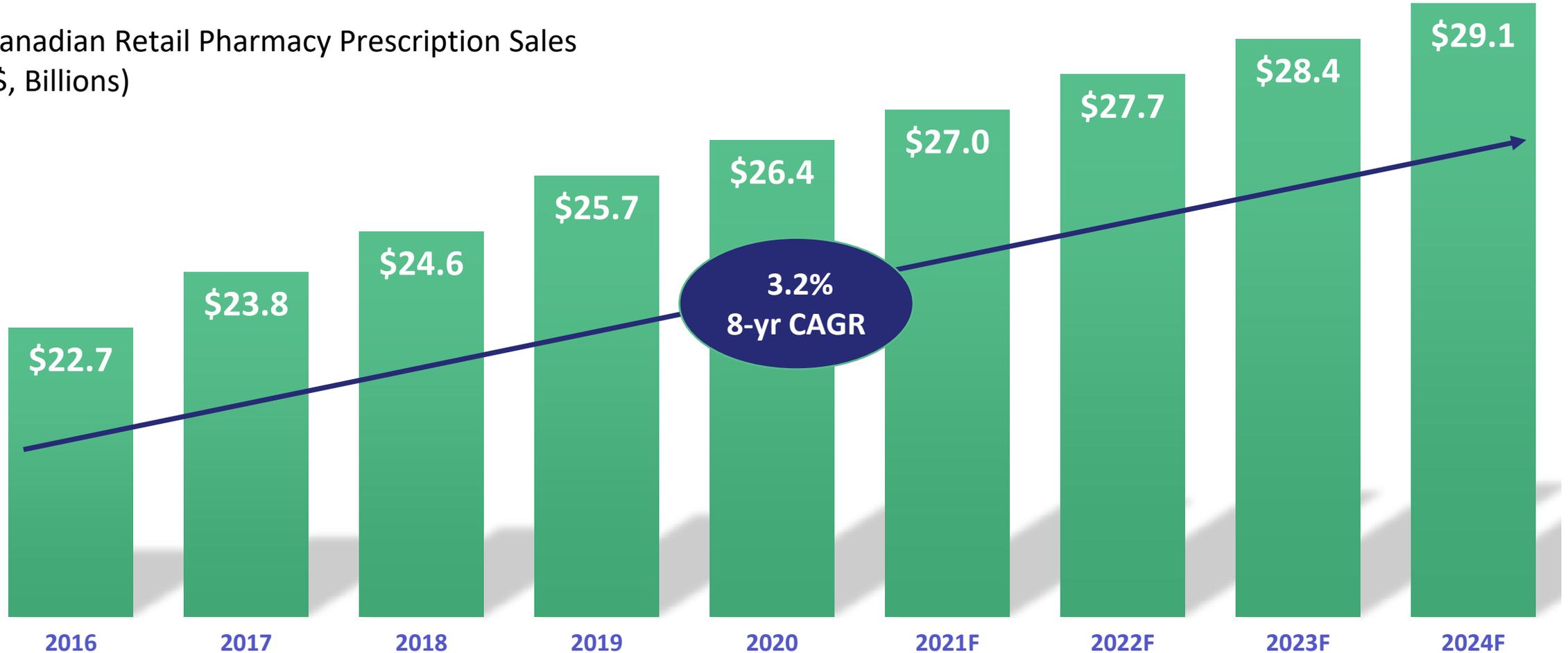
- Share Neighbourly's values
- Operate within smaller markets or established medical clinics
- Act as a significant healthcare provider for their community
- Derive the majority of their revenue from prescriptions
- Possess meaningful scale

Acquired Pharmacies by Fiscal Year



Pharmacy – Stability, Resilience, Growth

Canadian Retail Pharmacy Prescription Sales
(\$, Billions)





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Visit:

www.neighbourlypharmacy.ca

Contact:

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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	Fourth quarter		Fiscal	
	2022	2021	2022	2021
Income (loss) and comprehensive income (loss) for the period	8,586	30,269	(72,395)	(90,517)
Income tax expense (recovery)	(10,934)	1,775	(6,044)	2,591
Finance costs, net	2,456	5,788	4	16,004
Fair value changes of financial liabilities	-	(37,934)	67,228	80,405
Depreciation and amortization	7,200	5,783	25,354	19,118
Impairment loss	-	116	324	116
Acquisition, transaction and integration costs	2,886	3,113	26,637	7,179
Share-based compensation ¹	1,120	47	4,782	186
Adjusted EBITDA	11,314	8,957	45,890	35,082
Revenue	112,317	83,273	427,509	306,494
Adjusted EBITDA margin	10.1%	10.8%	10.7%	11.4%

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 52 weeks ended March 26, 2022	45,890
Incremental Adjusted EBITDA for new stores acquired after March 27, 2021 as if owned on March 27, 2021 ¹	9,567
Incremental Adjusted EBITDA for stores acquired, or to be acquired on or after March 26, 2022 to date as if owned on March 27, 2021 ²	42,575
Adjustment for professional, other fees and COVID-related for the 52 weeks ended March 26, 2022 ³	498
Pro-forma Adjusted EBITDA for the 52 weeks ended March 26, 2022	98,530

Pro-Forma Revenue

Revenue for the 52 weeks ended March 26, 2022	427,509
Incremental Revenue for new stores acquired after March 27, 2021 as if owned on March 27, 2021 ⁴	62,498
Incremental Revenue for stores acquired, or to be acquired on or after March 26, 2022 to date as if owned on March 27, 2021 ⁵	308,015
Pro-forma Revenue for the 52 weeks ended March 26, 2022	798,023

1. The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired during Fiscal 2022 on the first day of the fiscal year 2022, it would have recorded additional Adjusted EBITDA of \$9,567 for Fiscal 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 the first day of Fiscal 2022, they would have actually generated such budgeted EBITDA, nor is this estimate indicative of future results.
2. 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 Fiscal 2022 on the first day of Fiscal 2022, it would have recorded additional Adjusted EBITDA of \$42,575 for Fiscal 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 the first day of Fiscal 2022, they would have actually generated such budgeted EBITDA, nor is this estimate indicative of future results.
3. Represents the acute incremental labour and relief costs incurred 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.
4. The Company regularly acquires pharmacies and estimates that if it had acquired each of the pharmacies that it acquired during Fiscal 2022 on the first day of the fiscal year 2022, it would have recorded additional Revenue of \$62,498 for Fiscal 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 the first day of Fiscal 2022, they would have actually generated such budgeted Revenue, nor is this estimate indicative of future results.
5. 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 Fiscal 2022 on the first day of Fiscal 2022, it would have recorded additional Revenue of \$308,015 for Fiscal 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 the first day of Fiscal 2022, they would have actually generated such Revenue, nor is this estimate indicative of future results.