



## Neighbourly Pharmacy (TSX:NBLY): Top Healthcare Stock for Q3 2022

### Description

The **TSX's** healthcare sector has been a perennial underperformer. The primary reason it lacks excitement since 2020 is because of cannabis stocks. Thus far this year, the sector is the worst performer (-44.1%). However, a non-cannabis producer like **Neighbourly Pharmacy** ([TSX:NBLY](#)) is an interesting [growth stock](#) pick for Q3 2022.

The strong Q4 and full-year fiscal 2022 results promise tremendous growth potential and massive returns for would-be investors. At \$24.43 per share, this healthcare stock trades at a deep discount. Its 52-week high is \$40.07.

Despite the year-to-date loss of 38.74%, market analysts covering the stock see an upside potential between 36.9% and 71.9% in 12 months. The overall return should be higher if you include the 0.66% dividend.

### Successful IPO

Neighbourly Pharmacy went public on May 25, 2021, and generated nearly \$200 million in proceeds from the IPO. The \$841.15 million company acquires independent pharmacies and promote drugstores as primary healthcare hubs for communities.

The growth of its network (+29.5%) is fast, given the present store count of 171 from 132 last year. Paul Gardner from Avenue Investment Management is extremely bullish on the pharmacy network consolidator. He said the healthcare stock has defensive properties because of the nature of the business. Customers visit drugstores daily to buy medicines and for other medical care services.

### Financial highlights

In fiscal 2022 (12 months ended March 26, 2022), total revenue increased 39.5% to \$427.5 million versus fiscal 2021 on a 3.1% year-over-year same-store sales growth. According to management, the financial results were impressive, considering the impact of the virulent Omicron variant and staffing

shortages that persisted until the end of fiscal 2022.

Chris Gardner, CEO of Neighbourly Pharmacy, said, "Since our IPO, we have nearly doubled in size, and looking forward to fiscal 2023. The strength and essential nature of our business, our financial flexibility and strong EBITDA growth position us well to pursue our robust pipeline of acquisitions to continue to drive future growth."

## The next growth driver

On June 28, 2022, Neighbourly Pharmacy announced the complete acquisition of Rubicon Pharmacies for \$435 million. Gardner said, "This acquisition represents a combination of Canada's community pharmacy leaders. Rubicon's locations are ideally positioned to expand Neighbourly's presence from Manitoba to British Columbia, providing us with a significant and complementary footprint."

Like Neighbourly, Rubicon pharmacies are present in rural, underserved communities where they act as centres of healthcare delivery. Management will integrate Rubicon's pharmacies into its network to establish itself at scale with the 275 additional locations.

In March 2022, Chelsea Stellick, an analyst at IA Capital Markets, said, "Neighbourly's acquisition of Rubicon Pharmacies aligns with management's superb track record of aggressive expansion without compromising on and executing on only the most complementary deals." She added that there are thousands more stores for Neighbourly to acquire in Canada.

## Compelling opportunities

Gardner revealed that the company has already exceeded its historical pace of acquisition. Nevertheless, he believes that the Canadian pharmacy landscape continues to offer a robust pipeline of compelling opportunities. Neighbourly will proceed with the execution of its growth strategy.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:NBLY (Neighbourly Pharmacy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

## PP NOTIFY USER

1. cliew
2. kduncombe

## Category

1. Investing

## Date

2025/06/28

## Date Created

2022/06/29

## Author

cliw

default watermark

default watermark