Here’s My Top Growth Stock to Buy Right Now

Description

After a consistent selloff all year, there are numerous high-quality growth stocks to buy in this environment. Furthermore, plenty of these top growth stocks trade at attractive valuations that we haven’t seen for years, making this the ideal time to put your capital to work.

If you’re looking for just a single stock to buy today, though, it’s crucial to focus on companies that could have catalysts for growth in this environment.

While there are plenty of growth stocks trading cheaply, especially in sectors such as tech, it still could be some time before many of these stocks begin to recover fully.

But one stock that has a tonne of growth potential is trading undervalued and could continue to operate well and grow in this environment is **Neighbourly Pharmacy** (TSX:NBLY).

Neighbourly’s defensive qualities make it ideal in this market environment

As the market continues to face severe uncertainty, finding growth stocks that also offer defensive qualities is ideal. That’s why a high-quality stock like Neighbourly, which operates in the healthcare space, is my top growth stock to buy now.

Throughout the last few months, many stories that have dominated media headlines have revolved around consumers’ budgets being impacted and how that could weigh on consumer spending.

Yet at the same time, as the flu season approaches and COVID-19 cases increase again, we’re also seeing an increase in spending on pharmaceuticals and over-the-counter drugs, which has led to shortages.

This is a good reminder for investors that companies like Neighbourly that sell these essential products can be ideal investments in this high-inflation environment.

Of course, Neighbourly is also consistently growing by acquisition, so, naturally, its revenue will increase each quarter.

However, in Neighbourly's most recent earnings report (its fiscal 2023 second quarter), the stock also reported same-store sales growth (SSSG) for pharmacy revenue that was up 4.2% year over year. This goes to show that even as consumers may be spending less on discretionary items, Neighbourly and the essential items it sells are more immune to these economic conditions.

The bulk of Neighbourly's growth, however, has come from the consistent acquisitions it's made, now with over 275 pharmacies in its portfolio across the country.

Neighbourly's impressive acquisitions make it my top growth stock to buy now

While SSSG accounted for an increase in pharmacy revenue and store-front revenue by 4.2% and 2.9%, respectively, in Neighbourly's last quarter, the bulk of its growth came from the new acquisitions it made.

In total, Neighbourly reported year-over-year growth in its sales of more than 97%. In addition, its margins also slightly increased at a time when inflation has been shrinking many other companies' margins. The higher margins helped Neighbourly to report year-over-year earnings before interest, taxes, depreciation and amortization (EBITDA) growth upwards of 98% year over year.

This just goes to show how well Neighbourly is operating and how well its acquisitions are paying off. Not only is the company seeing an increase in revenue, but it can also start to experience important synergies, which will help lower its costs.

In total, for fiscal 2023, analysts expect Neighbourly's revenue to increase by over 77% and another 25% in its fiscal 2024 year.

Therefore, while Neighbourly trades at an enterprise value (EV) to EBITDA ratio of just 11.6 times, which is down from more than 20 times at the start of the year, it's my top growth stock to buy.

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1. Investing

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