

June 2, 2021

QUIPT HOME MEDICAL CORP. (QUIPT-TSXV, \$7.89)

Rating: BUY

Target Price: \$13.00

Q2 RESULTS – EXPECT AN ACQUISITIVE H2/2021

(was \$3.50 pre-consolidation)

| QUIPT HOME MEDICAL CORP. | | QUIPT | |
|--|---------------|---------------|---------------|
| <i>(Currency is C\$ unless noted otherwise)</i> | | | |
| Last Price (\$) | | | \$7.89 |
| Target Price (\$) | | | \$13.00 |
| Return to Target | | | 65% |
| 52-Week Trading Range (\$) | | \$4.08 / | \$10.16 |
| Average Daily Volume (90-Day) | | | 96.6K |
| MARKET INFO | | | |
| Shares Outstanding (M) | | | 28.8 |
| Market Capitalization (\$M) | | | \$227.3 |
| Enterprise Value (\$M) | | | \$231.0 |
| FYE: SEP 30 | F2020A | F2021E | F2022E |
| Revenue (US\$M) | \$72.6 | \$102.5 | \$123.0 |
| Gross Margin (%) | 73% | 73% | 72% |
| Adj. EBITDA (US\$M) | \$15.5 | \$23.8 | \$29.5 |
| Net Income (US\$M) | (\$4.8) | (\$9.6) | \$10.7 |
| MOST RECENT QUARTER | | | |
| Mar-21 | | | |
| Revenue (US\$M) | | | \$24.2 |
| Gross Margin (%) | | | 75% |
| Adj. EBITDA (US\$M) | | | \$5.4 |
| Net Income (US\$M) | | | (\$12.5) |
| Cash (US\$M) | | | \$27.2 |
| Debt (US\$M) | | | \$30.3 |
| VALUATION | F2020A | F2021E | F2022E |
| EV/Revenue | 2.6x | 1.9x | 1.6x |
| EV/EBITDA | 12.4x | 8.1x | 6.5x |
| EV/EBITDA | F2020A | F2021E | F2022E |
| North American Small Cap Health Care | 17.0x | 12.7x | 10.1x |
| DISCLOSURE CODE: | | | |
| 2, 6 | | | |
| (Please refer to applicable disclosures on the back page) | | | |
| Website: https://www.protechhomemedical.com/ | | | |
| Source: M Partners, Capital IQ, Bloomberg, Company Documents | | | |



Quipt Home Medical Corp. is a distributor of durable medical equipment (DME) across 11 states, with 120,000 active patients and 17,000 referring physicians in the U.S. Recently, QUIPT's focus has been on leveraging its financial strength and unique positioning to acquire smaller businesses in a rapidly consolidating industry.

Quipt Home Medical reported record Q2/21 financial results Monday after market close. QUIPT once again demonstrated its robust growth strategy, posting 11% YoY organic growth, in addition to, contributions from the recently acquired MME. The organic growth was mostly driven by the Company's sleep and oxygen products. Recurring revenue represented 75% of total revenue in the quarter (in line QoQ).

The strong quarterly results were supported by continued operational growth in QUIPT's customer base (up 41% YoY to 57K unique patients), respiratory resupply set-ups/deliveries (up 155% YoY to 36K) and unique set-ups/deliveries (up 31% YoY to 84K).

Additional highlights from Q2 include:

- Revenue of US\$24.2M vs. our expectations of US\$24.6M and US\$22.8M in the prior quarter.
- Gross margin of 75% vs. our expectations of 73% and 73% in Q1.
- Adjusted EBITDA of US\$5.4M (22% margin) vs. our expectations of US\$5.6M (23%) and US\$5.1M (23%) last quarter.
- CFO for the quarter of US\$3.5M. QUIPT ended Q2 with a cash balance of US\$27.2M and US\$20M in undrawn credit from the CIT facility.

On the conference call, management reiterated the 12-month run-rate target for revenue of US\$135M and adjusted EBITDA margins over 22%. Within three to five years, management continues to expect Quipt to topline over US\$250M at 25% adjusted EBITDA margins. Management also provided updates on MME including, a \$6M revenue run-rate, 1-2 quarters to get MME fully integrated and a similar organic growth profile to QUIPT. Furthermore, management highlighted that the CMS has published a new oxygen fee schedule, resulting in an increase in reimbursement rates on oxygen products by 5-11% starting April 1 (oxygen represents 23% of the product mix).

NASDAQ LISTING & NAME CHANGE

In anticipation of its listing on the NASDAQ, Protech Home Medical Corp. announced a name change (to Quipt Home Medical Corp.), ticker change (to QUIPT-TSXV) and 4:1 share consolidation. The Company commenced trading on the NASDAQ on May 27.

These changes are part of QUIPT's core strategy to build brand equity across its 51 sites as the Company integrates new acquisitions. The Company now has a presence in 11 states and has the war chest (US\$27.2M in cash and US\$20M in undrawn credit) to continue expanding to build a true national DME footprint. Management continues to assess M&A opportunities in the \$5-20M+ range and has 15+ targets in the pipeline currently. Given management's track record, we believe it is likely that QUIPT can close on an accretive target in the coming months. We do not model any acquisitions and note there is considerable upside to our target.

We are maintaining our BUY recommendation and revising our target price to \$13.00/share (was \$3.50/share pre-consolidation) based on 11x 2022 EBITDA.

Disclosure Code: 2, 6

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