

# Quipt Home Medical Corp.

FQ2 Results Beat on Great Elm Synergies; Recent Financing and Surprise ATM Signals Aggressive M&A Plans; Maintaining Top Pick Rating and TP

QUIPT-TSXV: C\$8.25  
Buy  
C\$11.75 Target

**Event** – Top Pick Quipt reported solid FQ223 results that were ahead of expectations as the integration of the Great Elm Medical acquisition tracked ahead of plans, with the ~\$2M in annual synergies target being achieved a quarter ahead of expectations. However, unexpectedly, the Company announced a new At-the-Market equity program (ATM) for up to \$40M, which follows on the back of its recently closed \$31M equity financing. While these equity issues certainly signal that the company has likely M&A opportunities in its sights, barring the announcement of an accretive transaction, we think that the ATM may pressure the stock in the near-term. Nevertheless, we continue to view QUIPT as a compelling opportunity for longer-term investors and we reiterate our Buy and Top Pick ratings and maintain our C\$11.75/shr target price.

**Solid Top-line and Adj. EBITA Beat as Great Elm Synergies Ahead of Schedule** – FQ223 revenues came in at \$58.1M, which is ahead of ECM and consensus estimates of \$57.1M and \$56.9M, respectively. This represents impressive growth of 73.2% y/y (2.5% sequential organic growth), which was primarily driven by a \$16M revenue contribution from the Great Elm acquisition. Gross margin contracted by 373 bps y/y to 74.3%, impacted by the change in acquisition-related product mix. Adjusted EBITDA grew 85.9% y/y (45.6% q/q) to \$13.1M, which is ahead of our \$12.6M estimate and consensus at \$12.4M. This led to an Adj. EBITDA margin expansion of 153 bps y/y (50 bps q/q) to 22.5%, which was driven by the rapid integration of the recent Great Elm acquisition resulting in ~\$2M in annualized synergies being achieved. Diluted EPS came in at -\$0.02, which missed our \$0.07 estimate and consensus at \$0.06 mainly due to higher-than-expected acquisition related costs, D&A and finance costs.

**Reiterated Organic Growth 8-10%+ Outlook; Margins Expected to Expand in 2H23** – Management reiterated its positive outlook that C2023 organic growth will meet or surpass historical levels of 8-10% given the favourable reimbursement environment and the signing of a second national insurance contract with Aetna (CVS-NYSE, NR). In addition, the Company highlighted that supply chain conditions had normalized and that the integration of Great Elm had progressed ahead of plan. As such, margins are expected to continue to expand in 2H23 as Quipt continues to focus on driving incremental operational synergies.

**Equity Financing and Surprise ATM Announcement Signal Aggressive M&A Plans** – Quipt ended FQ223 with \$2.1M of cash and \$28M available on its senior credit facility. However, its current balance sheet, which includes net proceeds from the recently closed \$31M [equity offering](#), stands at \$18M in cash and \$41M available on its senior credit facility. With today's unexpected announcement of an up to \$40M ATM program providing potential for additional capital, we believe the Company has ample firepower to pursue its aggressive M&A plans and signals that it likely has near-term acquisition opportunities in its sights.

**Undervalued Relative to Peers Ahead of C2023 Catalysts** – While we have made a slight upward adjustment to our F2023 estimates based on solid FQ2 results, our estimates remain materially unchanged. As such, we reiterate our Top Pick rating and PT of C\$11.75, which is based on an 8.3x F2023E EV/EBITDA multiple. We view QUIPT as a compelling opportunity for investors ahead of C2023 catalysts, including up-listing to the TSX big board and potential inclusion into the Russell 2000 Index. QUIPT currently trades at 6.9x versus its broader North American peer group at a median valuation of 10.8x.

Projected Return: 42%  
Valuation: 8.3x F2023 EBITDA

*All figures in USD unless otherwise stated*

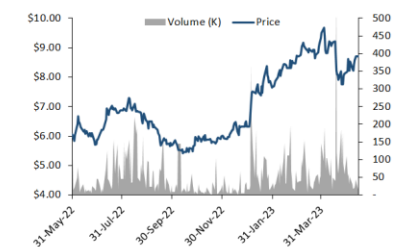
Quipt Home Medical Corp.		
Market Cap.	Basic	C\$347M US\$259M
	FD	C\$389M US\$290M
Net Debt - FD		C\$141M US\$105M
Enterprise Value	FD	C\$530M US\$395M
Basic Shares O/S (M)		42.0
FD Shares O/S (M)		47.1
Avg. Daily Volume (K)		73.6
52 Week Range (\$C)		\$5.33 - \$9.75

Financial Metrics			
FYE - Sept 30	F2021A	F2022A	F2023E
Revenue (US\$, M)	102.4	139.9	222.2
Adj. EBITDA (US\$, M)	21.4	29.2	52.8
EPS (US\$)	(\$0.20)	\$0.13	\$0.03

Valuation Data				
		C2021A	C2022A	C2023E
EV/EBITDA	Current	17.7x	12.3x	6.9x
	Peers	17.9x	11.8x	10.8x
P/E	Current	NM	41.4x	103.4x
	Peers	58.0x	45.4x	27.7x

Quarterly Data					
		FQ1	FQ2	FQ3	FQ4
Revenue (\$M)	2021	22.8	24.2	26.2	29.1
	2022	29.5	33.6	36.7	40.1
	2023	40.8	58.1	60.1	63.2
Adj. EBITDA (\$M)	2021	5.2	5.4	5.3	5.6
	2022	6.0	7.0	7.7	8.4
	2023	9.0	13.1	13.6	14.7
EPS	2021	\$0.04	(\$0.43)	\$0.19	(\$0.04)
	2022	(\$0.06)	\$0.14	\$0.00	\$0.05
	2023	\$0.01	(\$0.02)	(\$0.02)	(\$0.00)

**Company Description**  
Headquartered in Kentucky, USA, Quipt Home Medical provides in-home monitoring and chronic disease management services including end-to-end respiratory solutions for patients in the United States healthcare market. Presently, the firm operates in 26 US states in 115 locations. It oversees ~690,000 unique deliveries/equipment setups, annually, to 270,000+ unique patients via ~32,500 referring physicians.



Source: Consensus Data - Cap IQ, Forecasts - ECM

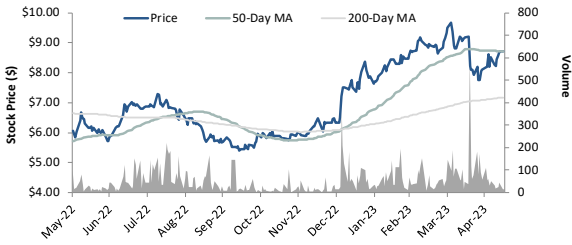
**Exhibit 1 – Quipt Home Medical FQ223 Financial Results Summary**

US\$M (except EPS)	ECM Est.	FQ223 Act.	Delta vs. ECM Est.	Prev. Yr FQ222	Y/Y	Prev. Q FQ123	Q/Q
<b>Revenue</b>	<b>57.1</b>	<b>58.1</b>	<b>1.9%</b>	<b>33.6</b>	<b>73.2%</b>	<b>40.8</b>	<b>42.4%</b>
<b>Gross Profit</b>	<b>43.4</b>	<b>43.2</b>	<b>-0.3%</b>	<b>26.2</b>	<b>64.9%</b>	<b>30.7</b>	<b>40.6%</b>
<i>Gross Margin</i>	<i>76.0%</i>	<i>74.3%</i>	<i>-165 bps</i>	<i>78.1%</i>	<i>-373 bps</i>	<i>75.3%</i>	<i>-97 bps</i>
<b>Adj. EBITDA</b>	<b>12.6</b>	<b>13.1</b>	<b>4.1%</b>	<b>7.0</b>	<b>85.9%</b>	<b>9.0</b>	<b>45.6%</b>
<i>Adj. EBITDA Margin</i>	<i>22.1%</i>	<i>22.5%</i>	<i>49 bps</i>	<i>21.0%</i>	<i>153 bps</i>	<i>22.0%</i>	<i>50 bps</i>

Source: Company Press Releases and Filings

**Quipt Home Medical Corp. (QIPT-CA, \$8.25) - Data Sheet**

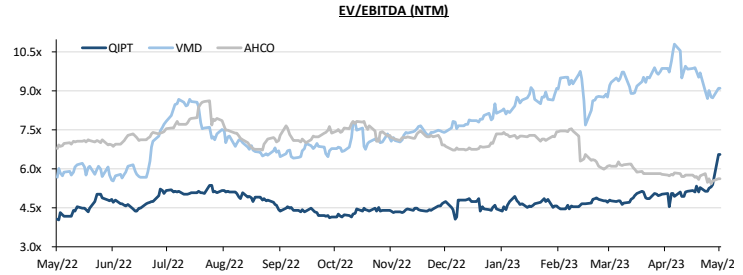
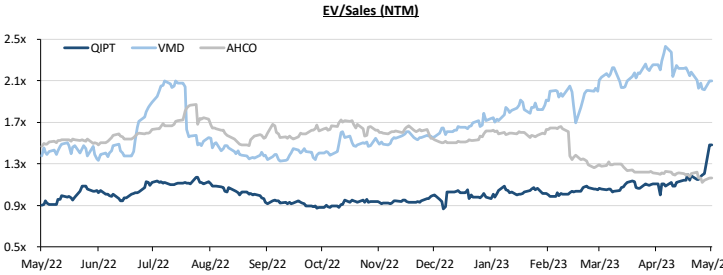
**BUY | PT: \$11.75**



**Company Description**  
Headquartered in Kentucky, USA, Quipt Home Medical provides in-home monitoring and chronic disease management services including end-to-end respiratory solutions for patients in the United States healthcare market. Presently, the firm operates in 26 US states in 115 locations. It oversees ~690,000 unique deliveries/equipment setups, annually, to 270,000+ unique patients via ~32,500 referring physicians.

Consensus	3M Ago (C\$)	Current (C\$)	Return
Rating	Buy	Buy	
Target	C\$13.67	C\$13.67	66%
Median	C\$13.50	C\$13.50	64%
High	C\$18.50	C\$18.50	124%
Low	C\$10.00	C\$10.00	21%
Consensus Distribution			
Outperform/Buy			10
Perform/Hold			0
Underperform/Sell			0
# Est			10

**Historical Valuations**



**Key Financial Metrics**

Financial Summary (US\$M)	F2019	F2020	F2021	FQ122	FQ222	FQ322	FQ422	F2022	FQ123	FQ223E	FQ323E	FQ423E	F2023E
<b>Consolidated</b>													
Revenue	63.2	72.6	102.4	29.5	33.6	36.7	40.1	139.9	40.8	58.1	60.1	63.2	222.2
Growth y/y	2.7%	15.0%	40.9%	29.8%	38.4%	39.8%	37.7%	36.6%	38.2%	73.2%	63.8%	57.7%	58.9%
Consensus Revenue										0.0	60.0	64.0	218.8
Adj. EBITDA	11.5	15.5	21.4	6.0	7.0	7.7	8.4	29.2	9.0	13.1	13.6	14.7	52.8
Growth y/y	191.6%	33.8%	38.3%	15.9%	31.2%	44.2%	51.1%	36.5%	49.8%	85.9%	76.2%	73.9%	80.9%
Margin	18.3%	21.3%	20.9%	20.3%	21.0%	21.0%	21.0%	20.9%	22.0%	22.5%	22.6%	23.2%	23.8%
Consensus EBITDA										0.0	13.2	14.3	48.8
EPS	(\$0.28)	(\$0.16)	(\$0.20)	(\$0.06)	\$0.14	\$0.00	\$0.05	\$0.13	\$0.01	(\$0.02)	(\$0.02)	(\$0.00)	\$0.03
EPS Consensus										\$0.00	\$0.02	\$0.04	\$0.16

Key Statistics		
52-Week High	C\$9.75	18%
52-Week Low	C\$5.33	(35%)
Avg Vol (90D)	73.6	
S/O (M)	42.0	
MC, Basic (M)	C\$346.7	US\$258.7
Net Debt (M)	C\$141.0	US\$105.2
EV, FD (M)	C\$529.9	US\$395.4
FYE	30/Sep	

Top Institutional Ownership		% Held
Claret Asset Management Corp		10.3%
Crawford, Gregory J.		3.6%
Hillsdale Investment Manager		2.6%
First Manhattan Co. LLC		2.4%
Kennedy Capital Management LL		2.1%
<b>Total</b>		<b>21.0%</b>

**Comparables Financials**

Name	Last Price (Local)	Avg PT (Local)	52-Week High	52-Week Low	1M	Returns 3M	YTD	C2021	Revenue C2022	C2023E	Revenue Growth % C2022	C2023E	Est. 3 yr. Rev CAGR	C2021	Gross Margin (%) C2022	C2023E
<b>Quipt Home Medical Corp.</b>	<b>\$8.25</b>	<b>\$13.67</b>	<b>(15%)</b>	<b>55%</b>	<b>(12%)</b>	<b>(4%)</b>	<b>28%</b>	<b>109.1</b>	<b>151.2</b>	<b>248.3</b>	<b>39%</b>	<b>64%</b>	<b>40%</b>	<b>72%</b>	<b>76%</b>	<b>77%</b>
Akumin Inc.	\$0.53	\$0.50	(83%)	2%	(30%)	(66%)	(42%)	421.1	747.0	781.8	77%	5%	41%	23%	NA	NA
Savaria Corporation	\$17.00	\$21.56	(2%)	41%	8%	2%	21%	522.3	582.9	629.2	12%	8%	30%	33%	30%	31%
Viemed Healthcare, Inc.	\$14.57	\$14.74	(10%)	117%	4%	23%	40%	117.1	139.3	179.3	19%	29%	19%	63%	51%	47%
CareRx Corporation	\$2.27	\$4.68	(52%)	11%	(9%)	(9%)	(12%)	207.5	281.9	279.4	36%	(1%)	45%	29%	21%	29%
Linde plc	\$368.80	\$398.35	(1%)	41%	2%	10%	12%	30793.0	33972.5	34416.4	10%	1%	6%	43%	38%	41%
AdaptHealth Corp.	\$11.11	\$17.23	(60%)	11%	(9%)	(51%)	(43%)	2465.1	2978.6	3148.5	21%	6%	71%	59%	53%	54%
InfuSystem Holdings, Inc.	\$9.15	\$15.17	(16%)	50%	(2%)	(14%)	(2%)	117.1	139.3	179.3	20%	17%	10%	49%	41%	42%
Inogen, Inc.	\$10.81	\$18.67	(66%)	2%	(15%)	(54%)	(45%)	358.0	376.0	381.5	5%	1%	1%	49%	41%	42%
ResMed Inc.	\$232.49	\$258.18	(6%)	22%	2%	6%	10%	3443.8	3726.1	4522.8	8%	21%	12%	58%	NA	NA
<b>Peer Average (excl. Outliers)</b>			<b>(31%)</b>	<b>35%</b>	<b>(6%)</b>	<b>(16%)</b>	<b>(3%)</b>				<b>19%</b>	<b>15%</b>	<b>23%</b>	<b>48%</b>	<b>44%</b>	<b>45%</b>
<b>Peer Median</b>			<b>(16%)</b>	<b>31%</b>	<b>(6%)</b>	<b>(7%)</b>	<b>4%</b>				<b>19%</b>	<b>7%</b>	<b>24%</b>	<b>49%</b>	<b>41%</b>	<b>42%</b>

**Comparables Valuations**

Name	Ticker	Market Cap, Basic (US\$M)	EV, FD (US\$M)	EBITDA			EV/EBITDA			P/E		
				C2021	C2022	C2023E	C2021	C2022	C2023E	C2021	C2022	C2023E
<b>Quipt Home Medical Corp.</b>	<b>QIPT</b>	<b>259</b>	<b>395</b>	<b>22</b>	<b>32</b>	<b>58</b>	<b>17.7x</b>	<b>12.3x</b>	<b>6.9x</b>	<b>NM</b>	<b>41.4x</b>	<b>103.4x</b>
Akumin Inc.	AKU	35	1,656	62	144	155	26.7x	11.5x	10.7x	NM	NM	NM
Savaria Corporation	SIS	817	1,080	63	89	100	17.2x	12.2x	10.8x	47.5x	33.3x	23.6x
Viemed Healthcare, Inc.	VMD	436	413	22	29	40	18.9x	14.4x	10.3x	61.4x	76.9x	28.7x
CareRx Corporation	CRRX	170	240	13	23	22	17.9x	10.3x	10.8x	NM	NM	NM
Linde plc	LIN	181,940	197,121	10,136	10,816	11,940	19.4x	18.2x	16.5x	58.0x	45.4x	26.8x
AdaptHealth Corp.	AHCO	1,506	3,749	534	622	649	7.0x	6.0x	5.8x	10.3x	20.5x	13.8x
InfuSystem Holdings, Inc.	INFU	196	235	16	22	21	14.7x	10.8x	11.0x	221.5x	2427.1x	80.7x
Inogen, Inc.	INGN	250	98	19	(8)	(19)	5.1x	NA	NA	NM	NM	NM
ResMed Inc.	RMD	34,272	35,756	1,087	1,212	1,449	32.9x	29.5x	24.7x	57.9x	53.8x	33.7x
<b>Peer Average (excl. Outliers)</b>							<b>17.8x</b>	<b>14.1x</b>	<b>12.6x</b>	<b>76.1x</b>	<b>30.2x</b>	<b>34.5x</b>
<b>Peer Median</b>							<b>17.9x</b>	<b>11.8x</b>	<b>10.8x</b>	<b>58.0x</b>	<b>45.4x</b>	<b>27.7x</b>

Source: Consensus Data - Cap IQ, Historical Data - Company Filings, Forecasts/Estimates - Echelon Capital Markets

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**Company:** Quipt Home Medical | TSXV:QIPT, NASDAQ:QIPT

I, Stefan Quenneville, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

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Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? None; and, 2) What type of security is it? N/A.	No
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Is Echelon Wealth Partners Inc. a market maker in the issuer's securities at the date of this report?	No
Have any services been provided by any partner, director or officer of the firm or analyst involved in the preparation of a report, other than services provided in the normal course investment advisory or trade execution services to the issuer for remuneration, during the preceding 12 months immediately preceding the date the research report or recommendation was issued.	No

**RATING DEFINITIONS**

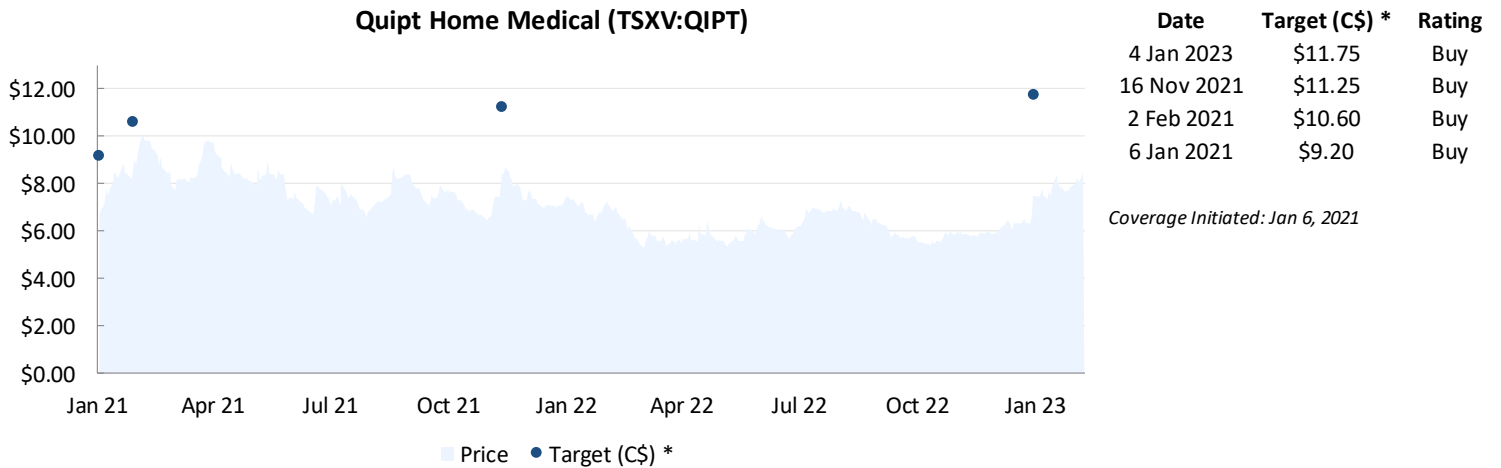
<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<b>Speculative Buy</b>	The security is considered a BUY but in the analyst’s opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
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**RATINGS DISTRIBUTION**

Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	29	44	6	0	10	3	2
% of Total (excluding Restricted)	33%	49%	7%	0%	11%		
Number of investment banking relationships	5	14	0	0	3	1	0
% of Total (excluding Restricted)	23%	64%	0%	0%	14%		

**PRICE CHART, RATING & PRICE TARGET HISTORY**

**Quipt Home Medical (TSXV:QIPT)**



Data sourced from: Cap IQ

\* Prior Coverage analyst PT/Rating history available upon request

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