

Quipt Home Medical Corp.

FQ322 In Line as Supply Chain Issues Begin to Improve;
Reiterating Top Pick Rating and C\$11.25 TP

QIPT-TSXX: C\$7.09
Buy
C\$11.25 Target

Event – Top Pick Quipt reported FQ322 results that were largely in line with expectations, demonstrating strong execution despite ongoing, industry-wide supply chain issues and inflation-related challenges. With supply chain issues expected to abate throughout the year, a full M&A pipeline, and an attractive valuation, we continue to view QIPT as a compelling opportunity for investors. As such, we are reiterating our Top Pick rating and maintaining our C\$11.25/shr target price.

In Line Quarter Despite Supply Chain and Inflation Challenges – FQ322 revenues grew 40% y/y to \$36.7M, beating our \$35.8M estimate and in-line with consensus of \$36.9M. The company showed strong 2% sequential organic growth aided somewhat by improving CPAP supply chain allocations as its backlog decreased from ~6,500 patients to ~6,000 during the quarter (vs. ~1,000, typically). With demand demonstrably persistent, and expectations of improving allocations, the CPAP supply challenges of recent quarters are likely to become tailwinds later in the year as this backlog is relieved. Adjusted EBITDA came in at \$7.7M, an increase of 44% y/y and largely in-line with ECM and consensus expectations of \$7.5M and \$8.0M, respectively. The Adj. EBITDA margin of 21.0% remained flat sequentially despite the gross margin decreasing by 235bps to 75.7%, demonstrating strong operational execution in a challenging inflationary environment. Diluted EPS came in at \$0.00, versus our estimate of \$0.11 and consensus at \$0.05.

Continued M&A Execution, Upsized Credit Facility Provides More Firepower – Since FQ222, Quipt has made four tuck-in acquisitions representing ~30,000 active patients, \$25M in annual revenues and \$4.5M in post-integration expected EBITDA, for \$22.4M cash. Quipt ended FQ322 with \$18.5M of cash and earlier today announced that its has received a commitment letter to upsize its credit facility from \$20M to \$80M, providing it with ample firepower to act should the appropriate M&A opportunity arise. Additionally, the company recently exercised its right to convert the remaining \$9.8M of its 8% convertible debenture into 1.9M shares, further simplifying its capital structure. Management continues to signal its intent to strengthen its existing network and scale into other attractive US markets via accretive M&A consistent with the Company’s track record (see Exhibit 2). Such M&A could provide upside to our estimates and serve as a potential catalyst for the stock in both the near- and long-term.

Supply Deal with Cardinal Health to Drive Organic Growth Over Time – In July, the Company executed a supply contract with Cardinal Health, (CAH-NYSE, NR), allowing Quipt to sell disposable medical supplies, such as wound care and incontinence products, that Cardinal will supply and deliver nationwide. This contract represents an opportunity for Quipt to cross-sell complementary products and accelerate its organic growth rate over time, with sales from these products expected to ramp-up in the coming months and begin to have a meaningful financial impact by CQ123.

Undervalued Relative to Peers – We reiterate our Top Pick rating and target price of C\$11.25, which we are rolling forward based on an 8x EV/EBITDA multiple applied to our F2023 Adj. EBITDA estimate, in line with where its peers typically trade. We view QIPT as a compelling opportunity for investors as it currently trades at 5.7x versus its broader North American peer group currently at a median valuation of 7.6x.

Projected Return: 59%
Valuation: 8x F2023 EBITDA

All figures in USD unless otherwise stated

Quipt Home Medical Corp.

Market Cap.	Basic	C\$254M
		US\$200M
	FD	C\$287M
		US\$226M
Enterprise Value	FD	C\$310M
		US\$244M
Basic Shares O/S (M)		35.8
FD Shares O/S (M)		40.5
Avg. Daily Volume (K)		48.5

Financial Metrics

FYE - Sept 30	2021A	2022E	2023E
Revenue (US\$, M)	102.4	141.8	189.3
Adj. EBITDA (US\$, M)	21.4	29.1	43.0
EPS (US\$)	(\$0.20)	\$0.14	\$0.29

Valuation Data

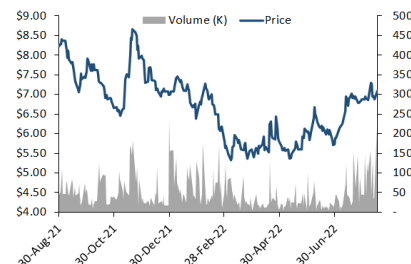
	Current	2021A	2022E	2023E
EV/EBITDA	11.4x	17.9	8.4x	5.7x
	Peers	13.0x	9.3x	7.6x
P/E	NM	49.3x	24.7x	23.8x
	Peers	33.2x	33.9x	23.8x

Quarterly Data

	2020	Q1	Q2	Q3	Q4
Revenue (\$M)	16.6	17.9	18.6	19.7	19.7
	2021	22.8	24.2	26.2	29.1
	2022	29.5	33.6	36.7	42.0
Adj. EBITDA (\$M)	1.2	4.1	4.4	5.7	5.7
	2021	5.2	5.4	5.3	5.5
	2022	6.0	7.0	7.7	8.8
EPS	(\$0.22)	\$0.14	(\$0.12)	\$0.01	(\$0.05)
	2021	\$0.04	(\$0.43)	\$0.19	(\$0.05)
	2022	(\$0.06)	\$0.14	\$0.00	\$0.06

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 19 US states in 94 locations. It oversees 350,000+ unique deliveries/equipment setups, annually, to 200,000+ unique patients via ~21,600 referring physicians.



Source: Consensus Data - Cap IQ, Forecasts - ECM

Exhibit 1 – Quipt Home Medical FQ322 Financial Results Summary

US\$M (except EPS)	ECM Est.	FQ223 Act.	Delta vs. ECM Est.	Prev. Q FQ222	Q/Q	Prev. Yr FQ321	Y/Y
Revenue	35.8	36.7	2.4%	33.6	9.4%	26.2	39.8%
Gross Profit	28.0	27.8	-0.6%	26.2	6.1%	18.5	50.3%
<i>Gross Margin</i>	<i>72.0%</i>	<i>75.7%</i>	<i>373 bps</i>	<i>78.1%</i>	<i>-235 bps</i>	<i>70.5%</i>	<i>525 bps</i>
Adj. EBITDA	7.5	7.7	2.3%	7.0	9.2%	5.3	44.2%
<i>Adj. EBITDA Margin</i>	<i>21.0%</i>	<i>21.0%</i>	<i>-2 bps</i>	<i>21.0%</i>	<i>-2 bps</i>	<i>20.4%</i>	<i>63 bps</i>
Diluted EPS	\$0.11	\$0.00	-96.1%	\$0.14	-97.0%	\$0.19	-97.7%

Source: Company Press Releases and Filings

Exhibit 2 – Quipt Home Medical M&A History

Date Announced	Target	Consideration	Deal Multiples		Product/Service Offerings	Locations	Pre-Acquisition	
			Rev.	EBITDA			Revenue	EBITDA
Jul 2022	Hometown Medical	\$5.7M	0.8x	4.0x	Respiratory services, DME	MS	\$7.0M	\$1.4M **
Jun 2022	Access Respiratory Homecare	\$6.6M	1.0x	5.1x	Respiratory services, DME	LA	\$6.5M	\$1.3M **
Jun 2022	NorCal Respiratory	\$3.1M	1.0x	4.4x	Respiratory services, DME	CA	\$3.2M	\$0.7M **
Apr 2022	Good Night Medical	\$7.0M	0.9x	4.7x	Respiratory services, DME	AR, CA, GA, MA, NC, OH, TX	\$7.5M	\$1.5M **
Nov 2021	Southeastern Biomedical Services	\$0.7M	0.5x	NA	Biomedical Services	Southeastern US	\$1.5M	NA
Nov 2021	At Home Health Equipment	\$13.1M	1.0x	5.0x	Respiratory services, DME	IN	\$13.0M	\$2.9M **
Nov 2021	Heckman Healthcare	\$2.4M	1.0x	4.1x	Respiratory services, DME	IL	\$2.5M **	\$0.6M **
Oct 2021	Thrift Homecare Inc.	\$2.2M	0.8x	4.3x	DME	MS	\$2.7M **	\$0.5M **
Aug 2021	Undisclosed	\$2.3M	0.4x	2.0x	DME	MO	\$5.5M	\$1.1M **
Jul 2021	3 Undisclosed Entities	\$4.0M	0.8x	7.6x	Respiratory services, DME	AR, CA, MO, MS	\$5.3M	\$0.5M
Jan 2021	Mayhugh's Medical	\$4.5M	0.8x	4.8x	Respiratory services, DME	FL	\$5.4M	\$0.9M
Oct 2020	SleepWell	\$10.4M	1.0x	4.2x	Sleep services	GA, OH	\$10.0M	\$2.5M
Aug 2020	Health Technology	\$4.2M	1.0x	3.3x	Respiratory services	IL	\$4.2M	\$1.3M
Dec 2019	Acadia Medical	\$1.8M	0.6x	2.9x	Respiratory services	ME	\$3.1M*	\$0.6M*
Oct 2019	Cooley Medical	\$3.1M	0.4x	2.3x	Respiratory services	KY	\$6.9M*	\$1.3M*
Dec 2018	Riverside Medical	\$0.1M	-	-	Respiratory services, DME	TN	-	-
Dec 2018	Central Oxygen	\$0.3M	-	-	Respiratory services	IN	-	-
Sep 2018	Coastal Med-Tech	\$0.7M	0.2x	0.9x	Respiratory services, DME	ME	\$3.1M*	\$0.8M*
Average			0.7x	4.0x				
Median			0.8x	4.2x				

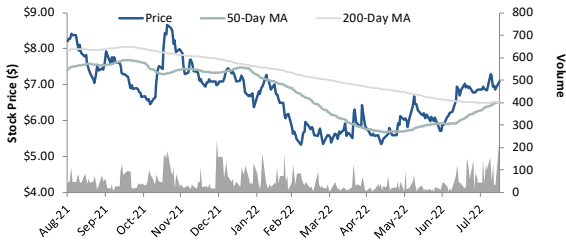
* Estimated

** Post integration

Source: Company Press Releases and Filings

Quipt Home Medical Corp. (QIPT-CA, \$7.09) - Data Sheet

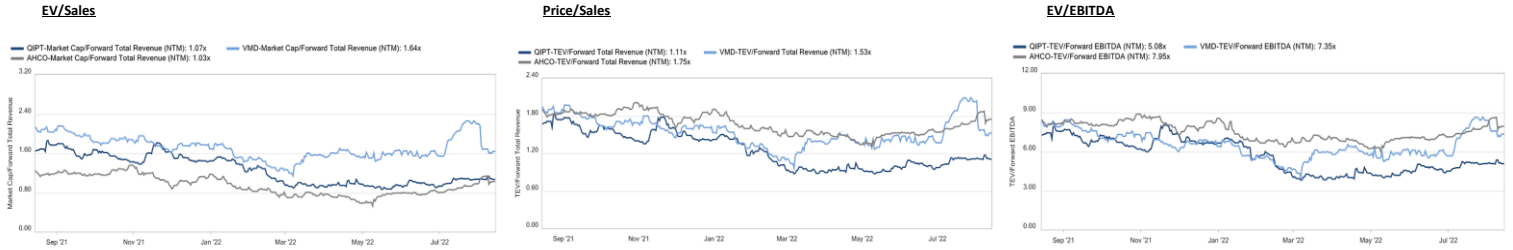
BUY | PT: \$11.25



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 19 US states in 94 locations. It oversees 350,000+ unique deliveries/equipment setups, annually, to 200,000+ unique patients via ~21,600 referring physicians.

Consensus	3M Ago (C\$)	Current (C\$)	Return
Rating	Buy	Buy	
Target	\$12.81	\$12.75	80%
Median	\$13.50	\$13.00	83%
High	\$16.00	\$16.00	126%
Low	\$8.00	\$8.00	13%
Consensus Distribution			
Outperform/Buy			10
Perform/Hold			0
Underperform/Sell			0
# Est			10

Historical Valuations



Key Financial Metrics

Financial Summary (US\$M)	F2019	F2020	FQ121	FQ221	FQ321	FQ421	F2021	FQ122	FQ222	FQ322	FQ422E	F2022E	F2023E
Consolidated													
Revenue	63.2	72.6	22.8	24.2	26.2	29.1	102.4	29.5	33.6	36.7	42.0	141.8	189.3
Growth y/y, %	3%	15%	37%	36%	41%	48%	41%	30%	38%	40%		44%	39%
Consensus Revenue												42.5	145.4
Adj. EBITDA	11.5	15.5	5.2	5.4	5.3	5.5	21.4	6.0	7.0	7.7	8.8	29.1	43.0
Growth y/y	192%	34%	318%	29%	21%	-3%	38%	16%	31%	44%	60%	36%	48%
Margin	18%	21%	23%	22%	20%	19%	21%	20%	21%	21%		21%	23%
Consensus EBITDA												9.2	30.7

Key Statistics		
52-Week High	C\$8.87	25%
52-Week Low	C\$5.14	-28%
Avg Vol (90D)	48.5	
S/O (M)	35.8	
MC, Basic (M)	C\$253.8	US\$199.8
Net Debt (M)	C\$23.0	US\$18.1
EV, FD (M)	C\$310.4	US\$244.4
FYE	30-Sep	
Top Institutional Ownership % Held		
Claret Asset Management Corp.		8.6%
Gregory J. Crawford		3.9%
First Manhattan Co.		2.8%
Fiera Capital Corporation		1.7%
Kennedy Capital Management In		1.2%
Total		18.3%

Comparables Financials

Name	Last Price (Local)	Avg PT (\$US)	52-Week High	52-Week Low	1M	Returns 3M	YTD	2020A	Revenue 2021A	2022E	Revenue Growth % 2021A	2022E	Est. 3 yr. Rev CAGR	Gross Margin (%) 2021A	2022E	2023E
Quipt Home Medical Corp.	\$7.09	\$12.75	-20%	38%	3%	29%	0%	72.6	102.4	141.8	41%	39%	32%	72%	76%	77%
Akumin Inc.	\$0.96	NA	-73%	66%	37%	-19%	-57%	245.6	425.4	766.8	73%	80%	46%	NA	NA	NA
Savaria Corporation	\$14.93	\$22.56	-34%	24%	20%	15%	-21%	264.6	524.8	609.7	98%	16%	29%	35%	35%	36%
Viemed Healthcare, Inc.	\$8.40	\$11.37	-19%	85%	-10%	26%	27%	131.3	114.8	137.6	-13%	20%	20%	63%	61%	63%
CareRx Corporation	\$3.80	\$7.25	-43%	6%	-9%	-16%	-33%	121.1	205.4	295.0	70%	44%	46%	30%	30%	31%
Linde plc	\$312.21	\$357.91	-11%	18%	13%	1%	-9%	27243.0	30266.7	33672.1	11%	11%	6%	44%	42%	44%
AdaptHealth Corp.	\$23.20	\$27.75	-19%	104%	15%	43%	-5%	1070.7	2439.3	2951.2	128%	21%	77%	60%	56%	58%
InfuSystem Holdings, Inc.	\$8.11	\$19.67	-58%	20%	3%	35%	11%	601.0	114.8	137.6	58%	20%	19%	47%	44%	46%
Inogen, Inc.	\$30.85	\$35.67	-51%	37%	7%	22%	-9%	308.5	357.0	373.8	16%	5%	1%	47%	44%	46%
ResMed Inc.	\$237.11	\$252.50	-21%	25%	5%	20%	-9%	2957.0	3116.0	3574.2	5%	15%	11%	59%	58%	58%
Peer Average			-35%	42%	8%	16%	-10%				49%	27%	29%	51%	50%	51%
Peer Median			-28%	31%	6%	21%	-9%				49%	20%	24%	47%	44%	46%

Comparables Valuations

Name	Ticker	Market Cap, Basic (US\$M)	EV, FD (US\$M)	EBITDA			EV/EBITDA			P/E		
				2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
Quipt Home Medical Corp.	QIPT	200	244	21	29	43	11.4x	8.4x	5.7x	NM	49.3x	24.7x
Akumin Inc.	AKU	67	1,687	68	220	249	24.7x	7.7x	6.8x	NM	NM	NM
Savaria Corporation	SIS	745	1,036	79	98	109	13.0x	10.6x	9.5x	29.5x	27.7x	21.6x
Viemed Healthcare, Inc.	VMD	249	232	27	28	37	8.7x	8.2x	6.3x	36.9x	40.0x	22.7x
CareRx Corporation	CRRX	140	237	19	25	32	12.4x	9.4x	7.4x	NM	NM	36.8x
Linde plc	LIN	155,311	169,065	10,178	10,815	11,484	16.6x	15.6x	14.7x	29.5x	26.2x	23.8x
AdaptHealth Corp.	AHCO	3,120	5,347	575	634	721	9.3x	8.4x	7.4x	17.7x	17.6x	14.0x
InfuSystem Holdings, Inc.	INFU	168	205	26	22	27	7.8x	9.3x	7.6x	135.2x	221.2x	34.3x
Inogen, Inc.	INGN	704	506	20	(4)	9	25.8x	NA	55.0x	NM	NM	NM
ResMed Inc.	RMD	34,719	35,363	1,064	1,175	1,327	33.2x	30.1x	26.6x	44.8x	41.3x	36.3x
Peer Average							16.8x	12.4x	15.7x	48.9x	62.3x	27.1x
Peer Median							13.0x	9.3x	7.6x	33.2x	33.9x	23.8x

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

Important Information and Legal Disclaimers

Echelon Wealth Partners Inc. is a member of IIROC and CIPF. The documents on this website have been prepared for the viewer only as an example of strategy consistent with our recommendations; it is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular investing strategy. Any opinions or recommendations expressed herein do not necessarily reflect those of Echelon Wealth Partners Inc. Echelon Wealth Partners Inc. cannot accept any trading instructions via e-mail as the timely receipt of e-mail messages, or their integrity over the Internet, cannot be guaranteed. Dividend yields change as stock prices change, and companies may change or cancel dividend payments in the future. All securities involve varying amounts of risk, and their values will fluctuate, and the fluctuation of foreign currency exchange rates will also impact your investment returns if measured in Canadian Dollars. Past performance does not guarantee future returns, investments may increase or decrease in value, and you may lose money. Data from various sources were used in the preparation of these documents; the information is believed but in no way warranted to be reliable, accurate and appropriate. Echelon Wealth Partners Inc. employees may buy and sell shares of the companies that are recommended for their own accounts and for the accounts of other clients.

Echelon Wealth Partners compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of Echelon Wealth Partners including, Institutional Equity Sales and Trading, Retail Sales and Corporate and Investment Banking.

Research Dissemination Policy: All final research reports are disseminated to existing and potential clients of Echelon Wealth Partners Inc. simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of Echelon Wealth Partners Inc. Clients may also receive Echelon Wealth Partners Inc. research via third party vendors. To receive Echelon Wealth Partners Inc. research reports, please contact your Registered Representative. Reproduction of any research report in whole or in part without permission is prohibited.

Canadian Disclosures: To make further inquiry related to this report, Canadian residents should contact their Echelon Wealth Partners professional representative. To effect any transaction, Canadian residents should contact their Echelon Wealth Partners Investment advisor.

U.S. Disclosures: This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. Echelon Wealth Partners Inc. is not registered as a broker-dealer in the United States and is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. Any resulting transactions should be effected through a U.S. broker-dealer.

U.K. Disclosures: This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. ECHELON WEALTH PARTNERS INC. IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS. The contents hereof are intended solely for the use of and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

Copyright: This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of Echelon Wealth Partners.

ANALYST CERTIFICATION

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.

IMPORTANT DISCLOSURES

Is this an issuer related or industry related publication?	Issuer
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
The name of any partner, director, officer, employee, or agent of the Dealer Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer.	No
Does Echelon Wealth Partners Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
Does Echelon Wealth Partners Inc. and/or one or more entities affiliated with Echelon Wealth Partners Inc. beneficially own common shares (or any other class of common equity securities) of this issuer which constitutes more than 1% of the presently issued and outstanding shares of the issuer?	No
During the last 12 months, has Echelon Wealth Partners Inc. provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?	No
During the last 12 months, has Echelon Wealth Partners Inc. received compensation for having provided investment banking or related services to this Issuer?	No
Has the Analyst had an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst or any Partner, Director or Officer been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst received any compensation from the subject company in the past 12 months?	No
Is Echelon Wealth Partners Inc. a market maker in the issuer's securities at the date of this report?	No

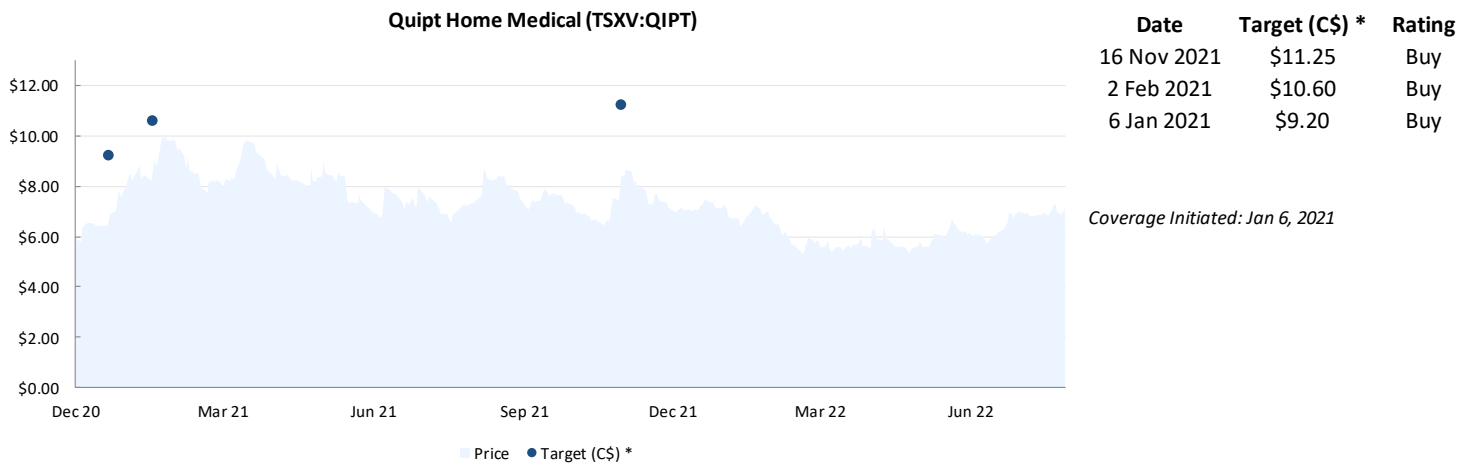
RATING DEFINITIONS

Buy	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
Speculative Buy	The security is considered a BUY but in the analyst’s opinion possesses certain operational and/or financial risks that are higher than average.
Hold	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
Sell	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
Under Review	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.
Tender	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
Dropped Coverage	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

RATINGS DISTRIBUTION

Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	32	40	3	0	12	2	0
% of Total (excluding Restricted)	37%	46%	3%	0%	14%		
Number of investment banking relationships	11	25	0	0	8	2	0
% of Total (excluding Restricted)	25%	57%	0%	0%	18%		

PRICE CHART, RATING & PRICE TARGET HISTORY



Data sourced from: Cap IQ

* Prior Coverage analyst PT/Rating history available upon request

Toronto Wealth Management

181 Bay St, Suite 2500
Toronto, ON M5J 3T9
416-572-5523

Calgary Wealth Management

525 8th Ave SW, Suite 400
Calgary, AB T2P 1G1
403-218-3144

Edmonton Wealth Management

8603 104 St NW
Edmonton, AB T6E 4G6
1-800-231-5087

Vancouver Wealth Management and Capital Markets

1055 Dunsmuir St, Suite 3424, P.O. Box 49207
Vancouver, BC V7X 1K8
604-647-2888

Toronto Capital Markets

181 Bay St, Suite 2500
Toronto, Ontario M5J 3T9
416-572-5523

Calgary Wealth Management

123 9A St NE
Calgary, AB T2E 9C5
1-866-880-0818

London Wealth Management

235 North Centre Rd, Suite 302
London, ON N5X 4E7
519-858-2112

Victoria Wealth Management

730 View St, Suite 210
Victoria, BC V8W 3Y7
250-412-4320

Montreal Wealth Management and Capital Markets

1000 De La Gauchetière St W., Suite 1130
Montréal, QC H3B 4W5
514-396-0333

Oakville Wealth Management

1275 North Service Road, Suite 612
Oakville, ON L6M 3G4
289-348-5936

Ottawa Wealth Management

360 Albert St, Suite 800
Ottawa, ON K1R 7X7
613-907-0700