

Quipt Home Medical Corp.

Q122 Top Pick: Respiratory Medical Equipment Distributor With Strong M&A Track Record Riding Secular Growth Tailwinds

QIPT-TSXV: C\$7.08
Buy
C\$11.25 Target

Top Pick Status – Quipt remains a Top Pick as we remain bullish on the home care focussed durable medical equipment (DME) industry and the Company’s positioning in an M&A sweet spot. While the fragmented DME market provides ample opportunity for accretive acquisitions, Quipt has achieved a regional scale that would make it an attractive target for one of the handful of larger national players.

Solid Long-Term Organic Tailwinds – The US home care and DME markets are expected to grow at CAGRs of 7% and 6%, respectively, through 2028 due primarily to the demographics of the ageing population. Quipt is well-positioned at the intersection of these two markets, both of which provide cost savings to payors (e.g. insurance companies, Medicare) and convenience to patients.

The Company’s Regional Platform Brings Opportunity for Further Consolidation – The Company has grown to a revenue run rate of US\$112M, primarily via acquisitions. The vast majority of the over 6,000 DME suppliers in the US are very small players, providing Quipt with ample targets that fit its M&A criteria of ~\$5-20M in sales, EBITDA margins of 10-20% and attractive, accretive multiples (5-7x trailing EBITDA). Management has a consistent track record of quickly driving synergies and improving margins to its ~20% corporate level, resulting in post-integration prices closer to 2-4x EBITDA. In addition, Quipt is able to pay attractive prices as it rarely competes with the much larger national players for deals of this size.

Impressive Recent M&A Pace, Management Not Out of Breath Yet – In the second half of C2021, Quipt completed seven acquisitions for combined annual revenues of over \$17.5M, while its patient count has grown to over 150,000. The Company also has two outstanding executed non-binding LOIs that are expected to grow annual revenue by ~\$27M, net income by ~\$2.6M, and the active patient count by over 15,000. With an expected ~\$20M in cash upon the anticipated CQ122 closing of its recently announced deals, along with the planned upsizing of its credit facility from \$20M to \$100M, management continues to signal its intention to conduct accretive M&A to strategically strengthen its existing network and scale into other attractive US markets. Meaningful accretive M&A, consistent with the Company’s track record, could provide upside to our estimates and serve as a potential catalyst for the stock in both the near- and long-term.

Undervalued Relative to Peers – We reiterate our Top Pick rating and have increased our target price to C\$11.25 since the Q421 Top Picks report. This target price is based on a 10x EV/EBITDA multiple applied to our F2022 Adj. EBITDA estimate. We view QIPT as a compelling opportunity for investors as it currently trades at 6.5x, versus its broader North American peer group currently at a median valuation of 11.6x.

Projected Return: 59%
Valuation: 10x F2022 EBITDA

All figures in USD unless otherwise stated

Quipt Home Medical Corp.

Market Cap.	Basic	C\$235M
		US\$182M
	FD	C\$283M
		US\$219M
Enterprise Value	FD	C\$286M
		US\$221M

Basic Shares O/S (M)	33.2
FD Shares O/S (M)	40.0
Avg. Daily Volume (M)	61.5

Financial Metrics

FYE - Sept 30	2020A	2021E	2022E
Revenue (US\$, M)	73.8	101.1	147.8
Adj. EBITDA (US\$, M)	17.6	21.3	32.2
EPS (US\$)	(\$0.22)	(\$0.24)	\$0.30

Valuation Data

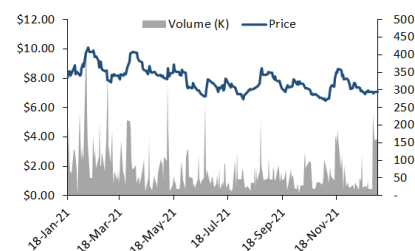
		2020A	2021E	2022E
EV/EBITDA	Current	12.6x	10.4x	6.9x
	Peers	30.8x	14.7x	11.7x
P/E	Current	NM	NM	18.4x
	Peers	30.1x	29.7x	25.2x

Quarterly Data

		Q1	Q2	Q3	Q4
Revenue (\$M)	2020	17.3	17.9	18.6	19.7
	2021	22.8	24.2	26.2	27.9
	2022	30.3	34.5	37.4	45.6
Adj. EBITDA (\$M)	2020	3.3	4.1	4.4	5.7
	2021	5.1	5.4	5.3	5.5
	2022	6.5	7.4	8.2	10.0
EPS	2020	(\$0.06)	\$0.05	(\$0.13)	(\$0.09)
	2021	\$0.04	(\$0.43)	\$0.19	(\$0.08)
	2022	\$0.06	\$0.08	\$0.09	\$0.07

Company Description

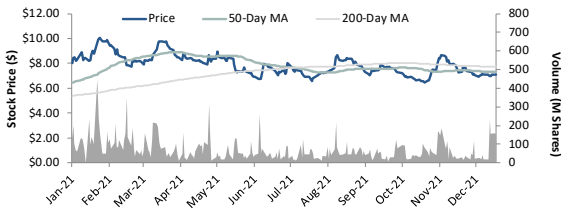
Quipt Home Medical provides in-home monitoring and chronic disease management services in the United States healthcare market. Presently, the firm operates in 19 US states in 71 locations, & oversees over 260,000 deliveries/equipment setups annually. The firm is headquartered in Wilder, Kentucky, USA.



Source: Consensus Data - Cap IQ, Forecasts - ECM

Quipt Home Medical Corp. (QIPT-CA, \$7.08) - Data Sheet

BUY | PT: \$11.25



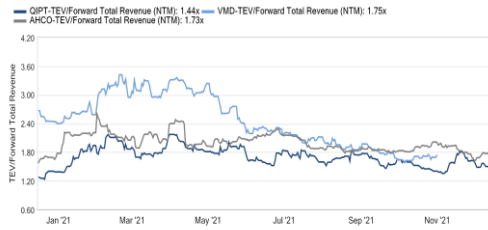
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Consensus	3 Mths Ago (C\$)	Current (C\$)	Return
Rating:	Buy	Buy	
Target:	C\$11.98	C\$11.93	68%
Median:	C\$12.40	C\$12.38	75%
High:	C\$13.50	C\$15.50	119%
Low:	C\$9.50	C\$7.50	6%

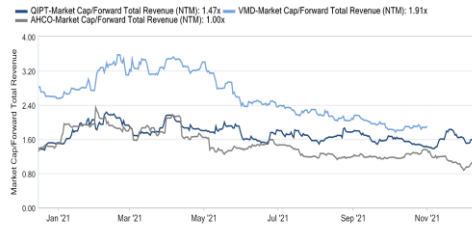
Consensus Distribution	
Sector Outperform/Buy	12
Sector Perform/Hold	0
Sector Underperform/Sell	0
# Est	12

Historical Valuations

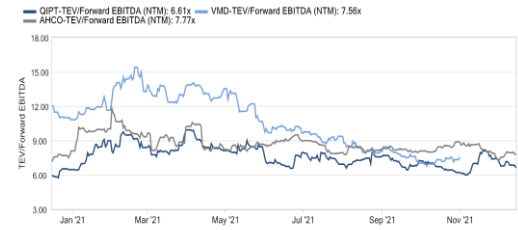
EV/Sales



Price/Sales



EV/EBITDA



Key Financial Metrics

Financial Summary (US\$ '000)	F2018	F2019	F2020	FQ121	FQ221	FQ321	FQ421E	F2021E	FQ122E	FQ222E	FQ322E	FQ422E	F2022E
Consolidated													
Revenue	61,490	63,154	73,805	22,755	24,240	26,238	27,869	101,102	30,346	34,485	37,383	45,582	147,796
Growth y/y	NM	14.8%	16.9%	31.9%	35.7%	41.3%	41.5%	37.0%	33.4%	42.3%	42.5%	63.6%	46.2%
Revenue Consensus (\$M)							28,633	100,762	30,970	32,454	34,482	37,266	132,159
Adj. EBITDA	10,052	11,545	17,592	5,126	5,370	5,340	5,518	21,321	6,524	7,414	8,224	10,028	32,191
Growth y/y	NM	14.9%	52.4%	53.3%	29.5%	21.3%	-3.2%	21.2%	27.3%	38.1%	54.0%	81.7%	51.0%
Margin	16.3%	18.3%	23.8%	22.5%	22.2%	20.4%	19.8%	21.1%	21.5%	21.5%	22.0%	22.0%	21.8%
EBITDA Consensus (\$M)							6,064	21,903	6,826	7,166	7,622	8,237	30,671

Key Statistics	Value	
52-Week High	C\$10.16	44%
52-Week Low	C\$6.08	(14%)
Avg Vol (3-Mo)	61.5	
Shares Outstanding	33.2	
Market Cap, Basic	C\$235M	US\$182M
Net Debt	C\$3M	US\$2M
EV FD	C\$286M	US\$221M
FYE	Sep 30	

Top Institutional Ownership	% Held
Claret Asset Management	8.3%
Gregory J. Crawford	4.0%
Wellington Management Group	1.9%
Acadian Asset Management	1.0%
First Manhattan Co.	0.9%
Total	16.1%

Comparables

Name	Last Price (US\$)	Avg PT (\$US)	52-Week High	52-Week Low	1 Month	Returns 3 Month	YTD	2020A	Revenue 2021E	2022E	Revenue Growth % 2021E	2022E	Est. 3 yr. Rev CAGR	2020A	Gross Margin (%) 2021E	2022E
Quipt Home Medical Corp.	\$5.48	\$9.33	-32%	14%	-11%	-11%	10%	74	101	148	37%	46%	34%	73%	72%	72%
Akumin Inc.	\$2.22	NA	-44%	48%	12%	-28%	-42%	246	424	770	72%	81%	46%	30%	NA	NA
Savaria Corporation	\$19.16	\$19.52	7%	70%	3%	-6%	36%	265	523	609	98%	17%	29%	34%	35%	36%
Viemed Healthcare, Inc.	\$6.60	\$9.77	-39%	31%	2%	-6%	-34%	131	115	125	-13%	9%	16%	61%	63%	67%
CareRx Corporation	\$5.69	\$7.07	4%	108%	12%	9%	48%	121	205	301	69%	47%	47%	29%	30%	31%
Apria, Inc.	\$32.60	\$39.20	-19%	62%	16%	-12%	40%	1,109	1,141	1,198	3%	5%	3%	80%	75%	74%
Linde plc	\$346.43	\$363.76	0%	44%	9%	18%	33%	27,243	30,150	32,159	11%	7%	4%	44%	43%	45%
AdaptHealth Corp.	\$24.46	\$37.90	-41%	34%	25%	5%	-35%	1,056	2,439	2,851	131%	17%	75%	60%	60%	60%
Inogen, Inc.	\$34.00	\$43.50	-59%	16%	11%	-21%	-24%	308	356	376	15%	6%	1%	45%	47%	45%
ResMed Inc.	\$260.48	\$266.50	-14%	45%	2%	-1%	23%	2,957	3,116	3,831	5%	23%	14%	60%	59%	57%
Peer Average			-24%	47%	8%	-5%	6%				43%	26%	27%	51%	54%	54%
Peer Median			-25%	45%	10%	-6%	17%				26%	17%	23%	52%	59%	57%

Name	Ticker	Market Cap (\$M), Basic	EV, FD	2020A	EBITDA 2021E	2022E	2020A	2021E	2022E	EV/EBITDA 2021E	2022E	2020A	P/E 2021E	2022E
Quipt Home Medical Corp.	QIPT	182	221	18	21	32	12.6x	10.4x	6.9x			NM	NM	18.4x
Akumin Inc.	AKU	156	1,747	46	69	160	37.8x	25.4x	10.9x			NM	NM	NM
Savaria Corporation	SIS	972	1,259	39	80	101	32.5x	15.8x	12.4x			39.0x	29.7x	20.8x
Viemed Healthcare, Inc.	VMD	207	188	31	27	30	6.1x	7.0x	6.2x			6.7x	24.5x	17.5x
CareRx Corporation	CRRX	197	271	6	19	33	43.5x	14.1x	8.3x			NM	NM	71.1x
Apria, Inc.	APR	1,156	1,384	219	232	234	6.3x	6.0x	5.9x			0.7x	17.3x	17.9x
Linde plc	LIN	176,328	189,769	8,732	10,217	10,965	21.7x	18.6x	17.3x			73.7x	32.7x	29.6x
AdaptHealth Corp.	AHCO	3,234	5,294	172	555	652	30.8x	9.5x	8.1x			NM	17.2x	14.9x
InfuSystem Holdings Inc.	INFU	352	387	21	26	33	18.5x	14.7x	11.7x			21.3x	141.9x	69.5x
Inogen, Inc.	INGN	773	555	7	19	15	84.7x	29.0x	37.7x			NM	NM	NM
ResMed Inc.	RMD	38,082	38,722	923	1,064	1,303	42.0x	36.4x	29.7x			61.0x	49.2x	41.1x
Peer Average (excl. Akumin)							31.8x	16.8x	15.3x			33.7x	44.6x	35.3x
Peer Median (excl. Akumin)							30.8x	14.7x	11.7x			30.1x	29.7x	25.2x

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

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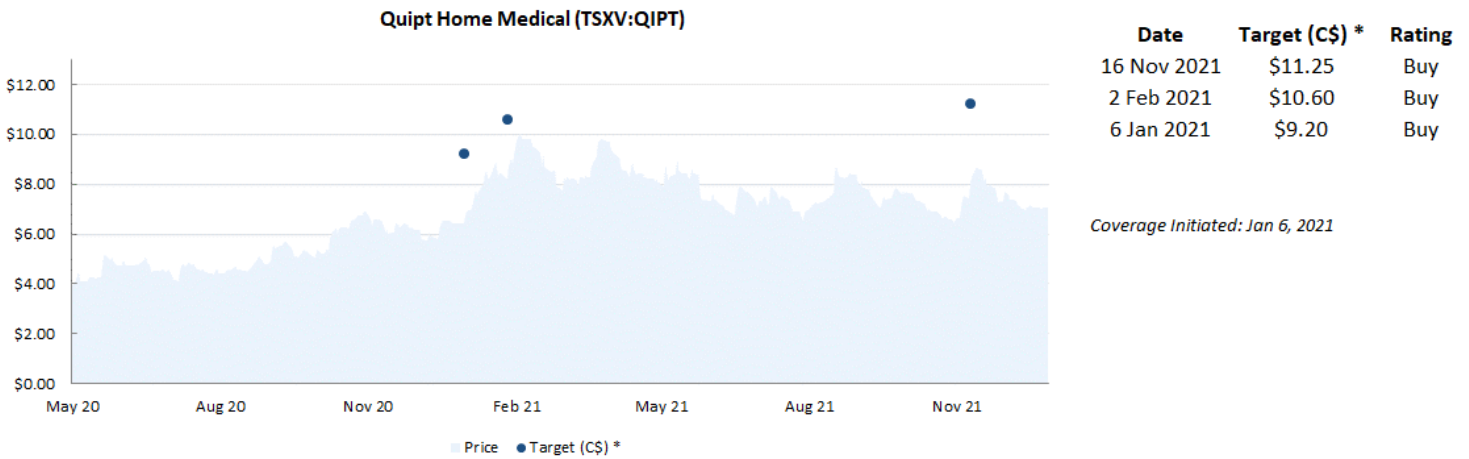
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Buy	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
Speculative Buy	The security is considered a BUY but in the analyst’s opinion possesses certain 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.
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% of Total (excluding Restricted)	42%	51%	1%	0%	5%		
Number of investment banking relationships	19	34	0	0	1	0	0
% of Total (excluding Restricted)	35%	63%	0%	0%	2%		

PRICE CHART, RATING & PRICE TARGET HISTORY



Data sourced from: Cap IQ

* Prior Coverage analyst PT/Rating history available upon request

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