

January 4, 2022

QUIPT HOME MEDICAL CORP. (QUIPT-TSXV, \$7.27)

Rating: BUY
New Target Price: \$14.00
Old Target Price: \$13.00

QUIPT CLOSES MIDWEST ACQUISITION

QUIPT HOME MEDICAL CORP.		QUIPT	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)			\$7.27
Target Price (\$)			\$14.00
Return to Target			93%
52-Week Trading Range (\$)	\$6.080	/	\$10.16
Average Daily Volume (90-Day)			57.8K
MARKET INFO			
Shares Outstanding (M)			33.2
Market Capitalization (\$M)			\$241.4
Enterprise Value (\$M)			\$237.6
FYE: SEP 30	F2020A	F2021E	F2022E
Revenue (US\$M)	\$72.6	\$101.2	\$144.4
Gross Margin (%)	73%	73%	72%
Adj. EBITDA (US\$M)	\$15.5	\$20.4	\$33.9
Net Income (US\$M)	(\$4.8)	(\$4.0)	\$12.6
MOST RECENT QUARTER			
Jun-21			
Revenue (US\$M)			\$26.2
Gross Margin (%)			70%
Adj. EBITDA (US\$M)			\$5.3
Net Income (US\$M)			\$6.3
Cash (US\$M)			\$30.6
Debt (US\$M)			\$27.6
VALUATION	F2020A	F2021E	F2022E
EV/Revenue	2.6x	1.8x	1.3x
EV/EBITDA	12.1x	9.2x	5.5x
EV/EBITDA	F2020A	F2021E	F2022E
North American Small Cap Health Care	16.5x	11.5x	9.1x
DISCLOSURE CODE:			
None			
(Please refer to applicable disclosures on the back page)			
Website: https://www.quipthomemedical.com/			
Source: M Partners, Capital IQ, Bloomberg, Company Documents			



Quipt Home Medical Corp. is a distributor of durable medical equipment (DME) across 15 states, with 145,000 active patients and 18,500 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.

This morning Quipt Home Medical announced that it has closed its previously announced acquisition of At Home Health Equipment. QUIPT announced the LOI for this acquisition on November 16th. At Home Health is an Indiana-based private respiratory care company that has been a leader in respiratory services for over 25 years.

The acquisition now makes Indianapolis QUIPT's largest revenue market and expands QUIPT's footprint into a region with a high prevalence of Chronic Obstructive Pulmonary Disease (COPD). The acquisition adds 15K to Quipt's active patient count (now ~170K active patients). The target company generates over 30% of its revenue from exclusive contracts in the hospice segment, a new vertical for QUIPT that will be strategically built out in 2022. At Home Health is diversified across its referral sources and its payor base, with less than 20% exposure to Medicare. The target does not yet have exposure to ventilation therapy, allowing Quipt to introduce/cross-sell ventilation products and complimentary respiratory products to the target's userbase. QUIPT also expects to drive synergies by adding At Home Health patients to QUIPT's existing subscription-based resupply program.

In the last twelve months, the target company posted US\$13.0M in revenue, US\$1.6M in net income and QUIPT expects it to generate US\$2.9M in adjusted EBITDA post integration (22% margin). QUIPT acquired the business for US\$13.1M in cash, representing 1.0x sales and 4.5x adjusted EBITDA. The additional US\$2.9M adds \$1.00/share to our target price based on 11.0x EBITDA.

Quipt also reiterated its outlook for its CY2022 exit run-rate (Fiscal Q1/23 run-rate) of US\$180-190M in revenue and US\$38-43M in adjusted EBITDA. This includes future M&A which we do not model for (we are now modelling US\$156M in revenue and US\$36M in adjusted EBITDA in FY2023, which will be revised upward as acquisitions are closed).

We remind readers that QUIPT has another respiratory care LOI (announced November 22nd) which we expect to add US\$2M+ in adjusted EBITDA and ~\$0.70/share to our target price. Quipt also recently announced that it is in the final stages of securing a commitment on increasing its debt facility to US\$100M (from US\$20M). The debt facility will be used to fund large acquisitions and support working capital.

We are expecting QUIPT to continue with its rapid pace of acquisitions (at <1.0x sales) and take advantage of the favourable reimbursement environment. **We are maintaining our BUY rating and increasing our target to \$14.00/share (previously \$13.00/share) based on 11.0x 2022E EBITDA.**

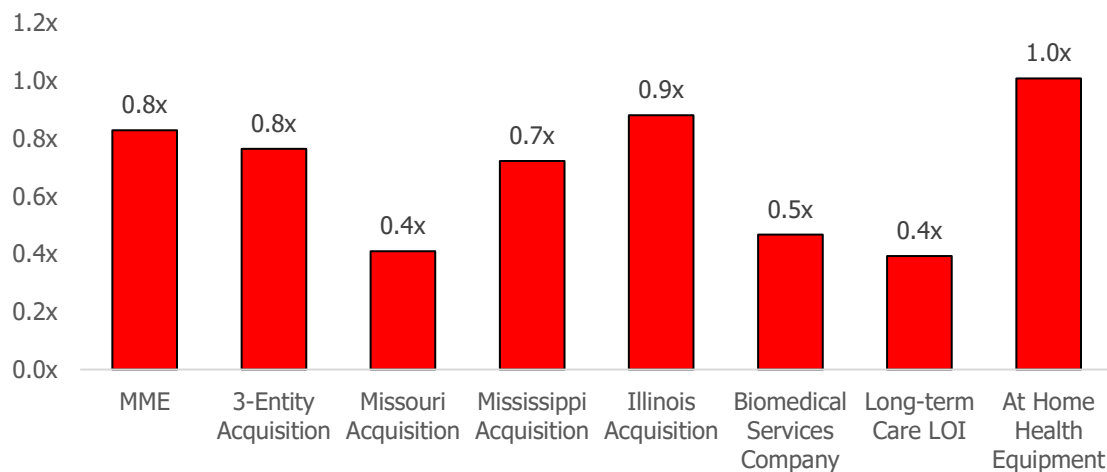


Figure 1: Acquisition Sales Multiples

Disclosure Code: None

Disclosure

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. Disclosure codes are used in accordance with Policy 3400 of IIROC.

Description of Possible Disclosure Codes

1. M Partners or its affiliates collectively beneficially own 1% or more of any class of equity securities of the company which is the subject of the research report.
2. The analyst or any associate of the analyst responsible for the report or public comment hold shares in the company.
3. M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceding 12 months, (may seek compensation for investment banking services from the company herein within the next 3 months).
4. The director, officer, employee or research analyst is an officer, director or employee of the company, or serves in an advisory capacity to the company.
5. The analyst has viewed the material operations of the company. We define material operations as an issuer's corporate head office and its main production facility or a satellite facility that is representative of the company's operations.
6. M Partners provided investment banking services for the company during the 12 months preceding the publication of the research report
7. The analyst preparing the report received compensation based upon M Partners investment banking revenues for this issuer

Dissemination

All final research reports and morning outlooks are disseminated to institutional clients of M Partners simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of M Partners. Reproduction of this report in whole or in part without permission is prohibited.

Research Analysts

The Research Analyst(s) who prepare this report certify that their respective report accurately reflects his/her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies. M Partners compensates its research analysts from a variety of sources and research analysts may or may not receive compensation based upon M Partners investment banking revenue.

Member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund
Participating organization of the Toronto Stock Exchange and the TSX Venture Exchange

http://www.mpartners.ca/email_disclaimer.html

Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	16
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	18