

Research Report

Quipt Home Medical Corp. (QIPT-V / QIPT-Q)

Healthcare: Healthcare Services

Chelsea Stellick
chelsea.stellick@iagto.ca | 1.403.705.4982

Associate: Paul Stewardson
paul.stewardson@iagto.ca | 1.250.891.9009

Associate: Christopher Pu
christopher.pu@iagto.ca | 1.587.590.4144

Q1/F22 Sets QIPT Up for Another Rapid Growth Year

Tuesday, February 15, 2022

Event

Yesterday, after market close, Quipt Home Medical Corp. (QIPT or the Company) released its Q1/F22 results.

Highlights

- Q1/F22 financials.** Quipt announced Q1/F22 revenues of \$29.5M, up 30% YoY and just shy of consensus which was \$30.2M (iA: \$30.3M). \$6.6M of the YoY growth in revenue was from acquisitions, the rest was organic. Adj. EBITDA was up 16% YoY to \$6.0M and similar to revenue was just shy of \$6.2M consensus (iA: \$6.1M). The Adj. EBITDA margin constitutes a sequential improvement from Q4/F21's Adj. EBITDA margin of 19.2% to 20.3% and puts QIPT on track to achieve an average margin above 20% across C2022 as guided in the last quarterly earnings. However, we note that \$2.1M of Adj. EBITDA is an adjustment for stock-based comp due to grants of RSUs and stock options in May 2021.
- Board appointment.** Since Quipt's late filing of the Q4/F21 earnings report, QIPT's Board of Directors added a fourth member to strengthen its financial reporting expertise with the appointment of Mr. Brian J. Wessel as an independent Director and Audit Committee Chair. Mr. Wessel was formerly a senior partner at Ernst & Young (Private) with expertise in acquisitions and with complex accounting, auditing, financial reporting, and internal control matters.
- Recall update.** The sleep device set-up queue has 8K patients, compared to the historical average of 1K, as demand is backlogged rather than lost as the recall holds back supply. The revenue impact was \$1.0-1.5M in Q1/F22.
- Health policy tailwinds.** Several recent supportive policies were implemented including Centers for Medicare & Medicaid Services permitting a 5% inflation cost adjustment for durable medical equipment products, well above the typical 1-3% inflation adjustment. Legislation was also enacted to delay cuts in Medicare payments originally planned under the Sequester Cuts Act. Lastly, Congress delayed until 2023 a 4% cut to Medicare reimbursements triggered by Pay-As-You-Go.
- Model updates.** We have updated our SG&A outlook for 2022.

Bottom Line

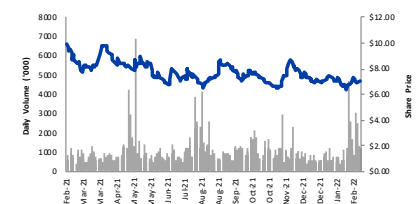
Q1/F22 was another solid quarter for QIPT that demonstrated the quality of the overall business as Quipt's expanding network consolidates customers from new acquisitions. Continued seamless growth through an ongoing series of accretive acquisitions dovetails with demographic and regulatory tailwinds. We believe a previously announced acquisition currently under non-binding LOI is likely to close by the end of Q2/F22, shortly before we anticipate conversion of debentures. QIPT has a \$135M revenue run rate (77% recurring) with an undiminished runway of acquisitive growth ahead of it which we are confident will reward shareholders with added value through integration synergies. We increase our target price to C\$14.00/share and maintain our Buy recommendation based on an EV/EBITDA valuation.

| | | |
|----------------------|-------------------|------------------------|
| Rating: | BUY | <i>(unchanged)</i> |
| Target Price: | C\$14.00 ↑ | <i>(from C\$13.50)</i> |
| Last Price: | C\$7.00 | |
| Ticker: | QIPT-V | |

| Market Data | |
|--|----------------|
| Target return (incl. dist.): | 100.0% |
| Dividend/yield: | C\$0.00 / 0.0% |
| Shares outstanding (M): | 33.4 |
| Market capitalization (C\$M): | 234 |
| Enterprise value (C\$M): | 181 |
| 52-week range (C\$): | 6.30 - 10.12 |
| Last Fiscal year end: | Sep. 30, 2021 |
| Average weekly volume: | 28,958 |
| Currency (unless otherwise indicated): | USD |

| Forecast summary | F20A | F21A | F22E | F23E |
|--------------------------|--------|--------|--------|-------|
| Revenue (\$M) | 76.8 | 102.4 | 136.2 | 162.2 |
| <i>Previous</i> | | | 136.0 | 162.7 |
| Adj. EBITDA (\$M) | 16.3 | 21.5 | 29.2 | 37.3 |
| <i>Previous</i> | | | 28.3 | 35.8 |
| EPS fd (\$) | (0.06) | (0.20) | (0.00) | 0.50 |
| <i>Previous</i> | | | (0.06) | 0.19 |

| Key trading multiple | F20A | F21A | F22E | F23E |
|----------------------|-------|------|------|------|
| EV/Revenue | 1.0x | 1.0x | 1.3x | 1.1x |
| EV/adj. EBITDA | 11.1x | 8.4x | 6.2x | 4.9x |



| | Q1 | Q2 | Q3 | Q4 | YE |
|--------------------------|--------|--------|--------|--------|--------|
| Revenue (\$M) | | | | | |
| F2020 | 17.9 | 18.9 | 20.3 | 19.6 | 76.8 |
| F2021 | 22.8 | 24.2 | 26.2 | 29.1 | 102.4 |
| F2022 | 29.5 | 33.6 | 35.1 | 38.0 | 136.2 |
| F2023 | 34.4 | 39.8 | 42.2 | 45.9 | 162.2 |
| Adj. EBITDA (\$M) | | | | | |
| F2020 | 3.5 | 3.9 | 4.4 | 4.6 | 16.3 |
| F2021 | 4.5 | 5.4 | 5.9 | 5.6 | 21.4 |
| F2022 | 5.7 | 7.1 | 7.7 | 8.7 | 29.2 |
| F2023 | 7.9 | 9.1 | 9.7 | 10.5 | 37.3 |
| EPS fd (\$) | | | | | |
| F2020 | (0.02) | 0.02 | (0.03) | (0.02) | (0.06) |
| F2021 | 0.04 | (0.43) | 0.19 | (0.05) | (0.20) |
| F2022 | (0.06) | (0.03) | 0.02 | 0.07 | (0.00) |
| F2023 | 0.06 | 0.12 | 0.14 | 0.18 | 0.50 |

shaded values above are iAS forecasts

Company Profile

Quipt Home Medical is a market-leading healthcare services company that aims to improve the home management of chronic illness by providing a diverse offering of home durable medical equipment (DME) and services to patients in the US.

Valuation & Recommendation

Valuation Summary

Our target price is determined by an EV/Adj. EBITDA valuation approach. We increase our SG&A margin by 1% to be more conservative in our estimates as inflation drives operating expenses up for companies like QIPT.

EV/Adj. EBITDA Valuation. We continue to note that the Company is trading at a significant discount to peers on both an EV/Adj. EBITDA and EV/Revenue basis. We believe the discrepancy is unwarranted given management's strong track record of successfully increasing each acquired businesses' EBITDA margin, its strong recurring revenue model, and aggressive growth trajectory to achieve \$250M in revenue at 25% EBITDA margins in three to five years. As such, we conservatively estimate that Quipt should trade closer to its comparables on an EV/Adj. EBITDA multiple basis. Therefore, we apply the C2022 EV/EBITDA multiple from peers to derive a 12.0x multiple for our valuation. This results in our increased C\$14.00/share (previously C\$13.50/share) target price and justifies our Buy recommendation.

Exhibit 1: Comps Table

| Company | Ticker | Close | Mkt Cap (\$M) | Debt+Pref (\$M) | Ent. Value (\$M) | EBITDA (\$M) | | | Debt/ EBITDA 22 | EV/EBITDA | | | Revenue | | | EV/Revenue | | |
|-------------------------------------|--------|--------|---------------|-----------------|------------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|---------------|---------------|---------------|-------------|-------------|-------------|
| | | | | | | 2021A | 2022E | 2023E | | 2021A | 2022E | 2023E | 2021A | 2022E | 2023E | 2021A | 2022E | 2023E |
| Fisher & Paykel Healthcare Corp Ltd | FPH-NZ | 28.11 | 16,220 | (150) | 16,070 | 835.6 | 639.3 | 625.2 | -0.2x | 19.2x | 25.1x | 25.7x | 2,086 | 1,747 | 1,730 | 7.7x | 9.2x | 9.3x |
| Envista Holdings Corp | NVST-K | 46.86 | 7,560 | 244 | 7,804 | 490.6 | 541.1 | 596.3 | 0.5x | 15.9x | 14.4x | 13.1x | 2,493 | 2,674 | 2,866 | 3.1x | 2.9x | 2.7x |
| Amedisys Inc | AMED-O | 138.09 | 4,500 | 369 | 4,869 | 297.2 | 298.7 | 344.0 | 1.2x | 16.4x | 16.3x | 14.2x | 2,205 | 2,372 | 2,621 | 2.2x | 2.1x | 1.9x |
| AdaptHealth Corp | AHCO-O | 17.60 | 2,330 | 1,894 | 4,224 | 574.5 | 677.1 | 772.3 | 2.8x | 7.4x | 6.2x | 5.5x | 2,439 | 2,848 | 3,203 | 1.7x | 1.5x | 1.3x |
| Owens & Minor Inc | OMI-N | 41.25 | 3,110 | 922 | 4,032 | 491.2 | 461.3 | 485.8 | 2.0x | 8.2x | 8.7x | 8.3x | 9,752 | 9,780 | 10,068 | 0.4x | 0.4x | 0.4x |
| Inogen Inc | INGN-O | 31.41 | 710 | (241) | 469 | 19.6 | 10.5 | 39.1 | -23.0x | 23.9x | 44.6x | 12.0x | 358 | 363 | 406 | 1.3x | 1.3x | 1.2x |
| Savaria Corp | SIS-T | 18.31 | 1,180 | 357 | 1,537 | 100.2 | 128.2 | 141.9 | 2.8x | 15.3x | 12.0x | 10.8x | 655 | 771 | 817 | 2.3x | 2.0x | 1.9x |
| Apria Inc. | APR-O | 37.21 | 1,320 | 168 | 1,488 | 207.9 | 205.8 | 244.7 | 0.8x | 7.2x | 7.2x | 6.1x | 1,142 | 1,200 | 1,258 | 1.3x | 1.2x | 1.2x |
| Viemed Healthcare Inc | VMD-T | 5.36 | 210 | (63) | 147 | 26.8 | 30.1 | 35.0 | -2.1x | 5.5x | 4.9x | 4.2x | 115 | 125 | 140 | 1.3x | 1.2x | 1.1x |
| Medical Facilities Corp* | DR-T | 10.13 | 310 | 116 | 426 | 100.6 | 99.9 | 104.0 | 1.2x | 4.2x | 4.3x | 4.1x | 405 | 414 | 396 | 1.1x | 1.0x | 1.1x |
| Akumin Inc | AKU-T | 1.54 | 130 | 1,342 | 1,472 | 71.6 | 162.8 | 194.8 | 8.2x | 20.6x | 9.0x | 7.6x | 413 | 759 | 801 | 3.6x | 1.9x | 1.8x |
| IntriCon Corp | IIN-Q | 16.52 | 150 | (32) | 118 | 8.0 | 11.2 | 19.7 | -2.9x | 14.8x | 10.6x | 6.0x | 124 | 136 | 161 | 1.0x | 0.9x | 0.7x |
| CareRx Corporation* | CRRX-T | NULL | 230 | 98 | 328 | 24.1 | 42.0 | 45.2 | 2.3x | 13.6x | 7.8x | 7.3x | 257 | 381 | 400 | 1.3x | 0.9x | 0.8x |
| BIOLASE Inc | BIOL-Q | 0.38 | 60 | (22) | 38 | (13.5) | (7.5) | n/a | 2.9x | -2.8x | -5.1x | n/a | 39 | 44 | 53 | 1.0x | 0.9x | 0.7x |
| Inspiration Healthcare Group PLC | IHC-L | 95.05 | 70 | (9) | 61 | 4.9 | 5.6 | n/a | -1.6x | 12.4x | 10.9x | n/a | 37 | 41 | n/a | 1.7x | 1.5x | n/a |
| Dynatronics Corp | DYNT-Q | 0.80 | 10 | 9 | 19 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 47 | 44 | 47 | 0.4x | 0.4x | 0.4x |
| Totals / Average | | | 38,100 | 313 | 43,100 | 3,240 | 3,310 | 3,650 | -0.3x | 13.3x | 13.0x | 11.8x | 22,570 | 23,700 | 24,970 | 1.9x | 1.8x | 1.7x |
| Quipt Home Medical (IA) | QIPT-V | 7.00 | 230 | (49) | 181 | 21.4 | 29.2 | 37.3 | -1.3x | 8.5x | 6.2x | 4.9x | 102.4 | 136.2 | 162.2 | 1.8x | 1.3x | 1.1x |

Source: Quipt Home Medical, Refinitiv, IA Capital Markets

Exhibit 2: Valuation and Target Price

| EV/adj. EBITDA Valuation | |
|------------------------------------|----------------|
| NTM Adj. EBITDA (\$M) | 29,184 |
| Multiple | 12.0x |
| Enterprise Value (\$M) | 350,207 |
| Net cash (debt) end of 2022e (\$M) | 19,256 |
| Market Cap (\$M) | 369,463 |
| S/O end of F22 | 33,346 |
| Target Price | \$11.08 |
| USD/CAD FX | 0.79 |
| Target Price (C\$) | \$14.00 |

Source: IA Capital Markets

Exhibit 3: Financial Snapshot

| | Q1-21 Dec-20 | Q2-21 Mar-21 | Q3-21 Jun-21 | Q4-21 Sep-21 | Q1-22 Dec-21 | Q2-22 Mar-22 | Q3-22 Jun-22 | Q4-22 Sep-22 | Q1-23 Dec-22 | Q2-23 Mar-23 | Q3-23 Jun-23 | Q4-23 Sep-23 | F2021 Sep-21 | F2022 Sep-22 | F2023 Sep-23 | F2024 Sep-24 | F2025 Sep-25 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Balance Sheet in US\$ thousands | | | | | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 23,593 | 27,158 | 30,594 | 34,612 | 30,089 | 43,973 | 43,244 | 53,427 | 61,299 | 67,324 | 65,485 | 82,250 | 34,612 | 53,427 | 82,250 | 118,000 | 156,862 |
| Accounts receivable | 9,055 | 10,370 | 11,702 | 11,338 | 10,453 | 17,911 | 18,517 | 19,840 | 17,942 | 21,214 | 22,270 | 23,923 | 11,038 | 19,840 | 23,923 | 28,729 | 34,821 |
| Other | 8,584 | 10,673 | 19,394 | 10,683 | 11,889 | 10,209 | 15,383 | 10,628 | 9,800 | 11,228 | 21,003 | 13,041 | 10,683 | 10,628 | 13,041 | 15,525 | 18,791 |
| Total Current Assets | 41,232 | 48,701 | 61,690 | 57,233 | 52,431 | 72,093 | 77,144 | 83,895 | 89,041 | 99,767 | 108,758 | 119,214 | 56,333 | 83,895 | 119,214 | 162,255 | 210,074 |
| Asset held for distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non Current Assets | | | | | | | | | | | | | | | | | |
| Property and equipment, net | 17,884 | 18,719 | 20,252 | 23,594 | 24,483 | 20,274 | 16,937 | 14,326 | 12,164 | 10,543 | 9,294 | 8,368 | 23,594 | 14,326 | 8,368 | 6,421 | 6,230 |
| Goodwill | 7,962 | 11,485 | 11,436 | 12,456 | 15,654 | 15,654 | 15,654 | 15,654 | 15,654 | 15,654 | 15,654 | 15,654 | 12,456 | 15,654 | 15,654 | 15,654 | 15,654 |
| Intangible assets, net | 10,674 | 10,337 | 12,713 | 14,874 | 14,427 | 13,950 | 13,553 | 13,086 | 12,639 | 12,192 | 11,745 | 11,298 | 14,874 | 13,086 | 11,298 | 9,510 | 7,722 |
| Total Non Current Assets | 37,042 | 41,027 | 44,982 | 51,340 | 54,945 | 50,289 | 46,505 | 43,447 | 40,838 | 38,770 | 37,074 | 35,701 | 51,340 | 43,447 | 35,701 | 31,966 | 29,987 |
| Total Assets | 78,274 | 89,728 | 106,542 | 108,573 | 107,376 | 122,382 | 123,649 | 127,342 | 129,879 | 138,536 | 145,833 | 154,915 | 107,673 | 127,342 | 154,915 | 194,221 | 240,061 |
| Current Liabilities | | | | | | | | | | | | | | | | | |
| Trade payables and accrued liabilities | 9,619 | 11,633 | 13,008 | 13,044 | 11,531 | 14,305 | 13,748 | 13,888 | 13,303 | 15,563 | 15,613 | 16,391 | 13,044 | 13,888 | 16,391 | 19,338 | 22,950 |
| Financial lease payable | 2,362 | 2,481 | 2,594 | 2,981 | 2,819 | 3,182 | 3,540 | 3,832 | 4,363 | 4,840 | 5,371 | 5,967 | 2,981 | 3,832 | 5,967 | 10,909 | 2,334 |
| Other liabilities | 5,319 | 12,095 | 7,305 | 7,268 | 7,834 | 7,834 | 7,834 | 7,834 | 7,834 | 7,834 | 7,834 | 7,834 | 7,268 | 7,834 | 7,834 | 7,834 | 7,834 |
| Total Current Liabilities | 23,494 | 34,339 | 32,330 | 32,737 | 30,874 | 32,436 | 30,661 | 29,616 | 27,887 | 30,625 | 31,206 | 32,580 | 32,737 | 29,616 | 32,580 | 40,468 | 35,505 |
| Liabilities held for distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non Current Liabilities | | | | | | | | | | | | | | | | | |
| Long-term finance lease obligations | 3,704 | 3,321 | 3,399 | 4,784 | 5,232 | 17,656 | 17,950 | 18,137 | 18,206 | 18,144 | 17,936 | 17,562 | 4,784 | 18,137 | 17,562 | 12,249 | 15,272 |
| Debt covenants | 14,193 | 17,327 | 13,792 | 11,784 | 12,102 | 12,102 | 12,102 | 12,102 | 12,102 | 12,102 | 12,102 | 12,102 | 11,784 | 12,102 | 12,102 | 12,102 | 12,102 |
| Deferred tax liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 2,994 | 1,577 | 122 | 121 | - | - | - | - | - | - | - | - | 121 | - | - | - | - |
| Total Non Current Liabilities | 21,494 | 23,295 | 18,094 | 17,214 | 17,900 | 30,203 | 30,497 | 30,684 | 30,753 | 30,691 | 30,483 | 30,109 | 17,214 | 30,684 | 30,109 | 24,798 | 27,819 |
| Total Liabilities | 44,988 | 57,634 | 50,424 | 49,951 | 48,774 | 62,639 | 61,157 | 60,300 | 58,640 | 61,316 | 61,689 | 62,688 | 49,951 | 60,300 | 62,688 | 65,264 | 63,325 |
| Shareholders' Equity | | | | | | | | | | | | | | | | | |
| Total Shareholders' Equity | 33,286 | 32,094 | 56,118 | 58,622 | 58,602 | 59,743 | 62,492 | 67,042 | 71,239 | 77,221 | 84,145 | 92,227 | 58,622 | 67,042 | 92,227 | 128,957 | 176,736 |
| Total Liabilities & Shareholders' Equity | 78,274 | 89,728 | 106,542 | 108,573 | 107,376 | 122,382 | 123,649 | 127,342 | 129,879 | 138,536 | 145,833 | 154,915 | 107,673 | 127,342 | 154,915 | 194,221 | 240,061 |
| Income Statement in US\$ thousands | | | | | | | | | | | | | | | | | |
| Revenue | | | | | | | | | | | | | | | | | |
| Sale of medical equipment and supplies | 10,402 | 10,401 | 13,751 | 12,459 | 14,543 | 11,441 | 15,126 | 13,705 | 15,997 | 12,585 | 16,639 | 15,075 | 47,013 | 54,815 | 60,297 | 66,326 | 72,959 |
| Rental of medical equipment / patient monitoring | 12,353 | 13,839 | 12,487 | 16,659 | 14,982 | 22,142 | 19,979 | 24,322 | 18,391 | 27,191 | 25,582 | 30,777 | 55,338 | 61,426 | 101,941 | 128,332 | 161,577 |
| Total Revenue | 22,755 | 24,240 | 26,238 | 29,118 | 29,525 | 33,584 | 35,105 | 38,027 | 34,389 | 39,776 | 42,221 | 45,852 | 102,351 | 136,241 | 162,237 | 194,659 | 234,536 |
| Cost of Revenue | 6,071 | 6,122 | 7,747 | 8,232 | 7,659 | 9,403 | 9,478 | 9,887 | 8,941 | 10,342 | 10,977 | 11,922 | 28,172 | 36,428 | 42,182 | 50,611 | 60,979 |
| Gross Profit | 16,684 | 18,118 | 18,491 | 20,886 | 21,866 | 24,180 | 25,627 | 28,140 | 25,447 | 29,434 | 31,243 | 33,931 | 74,179 | 99,813 | 120,056 | 144,047 | 173,557 |
| Operating Costs | 15,198 | 16,684 | 19,512 | 24,012 | 22,984 | 24,565 | 24,500 | 25,322 | 22,945 | 25,260 | 26,182 | 27,785 | 75,406 | 97,371 | 102,171 | 115,344 | 134,723 |
| Net income from continuing operations before financing expenses, taxes and discontinued operations | 1,430 | 1,418 | (1,113) | (3,195) | (1,180) | (885) | 1,127 | 2,818 | 2,503 | 4,174 | 5,061 | 6,146 | (1,460) | 2,380 | 17,884 | 28,703 | 38,834 |
| Financing expenses | 590 | 6,296 | (3,919) | 71 | 199 | 517 | 533 | 547 | 560 | 572 | 581 | 589 | 3,038 | 1,795 | 2,302 | 2,378 | 2,227 |
| Net income from continuing operations before taxes | (41) | (12,490) | 5,794 | (2,592) | (1,983) | (902) | 595 | 2,270 | 1,943 | 3,603 | 4,480 | 5,557 | (9,329) | (20) | 15,582 | 26,325 | 36,607 |
| Recovery for income taxes | (1,407) | - | (535) | (1,213) | 148 | 67 | (44) | (169) | (145) | (269) | (334) | (415) | (3,155) | 1 | (1,163) | (1,965) | (2,732) |
| Net income from continuing operations after taxes and before discontinued operations | 1,366 | (12,490) | 6,329 | (1,379) | (2,131) | (959) | 639 | 2,440 | 2,087 | 3,871 | 4,814 | 5,972 | (6,174) | (21) | 16,745 | 28,290 | 39,339 |
| Discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Income | 1,366 | (12,490) | 6,329 | (1,379) | (2,131) | (959) | 639 | 2,440 | 2,087 | 3,871 | 4,814 | 5,972 | (6,174) | (21) | 16,745 | 28,290 | 39,339 |
| Net income per share | | | | | | | | | | | | | | | | | |
| Basic - continuing operations | 0.05 | (0.43) | 0.20 | (0.05) | (0.06) | (0.03) | 0.02 | 0.07 | 0.06 | 0.12 | 0.14 | 0.18 | (0.20) | (0.00) | 0.50 | 0.85 | 1.18 |
| Diluted - continuing operations | 0.04 | (0.43) | 0.19 | (0.05) | (0.06) | (0.03) | 0.02 | 0.07 | 0.06 | 0.12 | 0.14 | 0.18 | (0.20) | (0.00) | 0.50 | 0.85 | 1.18 |
| Weighted average number of common shares outstanding | | | | | | | | | | | | | | | | | |
| Basic | 28,177 | 29,294 | 30,893 | 30,438 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 30,438 | 33,346 | 33,346 | 33,346 | 33,346 |
| Diluted | 30,466 | 29,294 | 33,754 | 30,438 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 | 30,438 | 33,346 | 33,346 | 33,346 | 33,346 |
| Cash Flow Statement in US\$ thousands | | | | | | | | | | | | | | | | | |
| Operating Activities | | | | | | | | | | | | | | | | | |
| Net income from continuing operations | 1,366 | (12,490) | 6,447 | (1,497) | (2,131) | (959) | 639 | 2,440 | 2,087 | 3,871 | 4,814 | 5,972 | (6,174) | (21) | 16,745 | 28,290 | 39,339 |
| Adjustments to reconcile net loss | | | | | | | | | | | | | | | | | |
| Items not affecting cash | 6,130 | 10,833 | 3,047 | 9,081 | 9,617 | 9,390 | 8,583 | 7,927 | 7,445 | 7,007 | 6,661 | 6,453 | 32,991 | 35,518 | 27,566 | 24,200 | 23,244 |
| Change in Working Capital | (5,793) | (2,064) | (1,452) | 100 | (2,577) | (4,956) | (8,324) | 1,573 | 103 | (4,473) | (12,793) | 5,036 | (9,209) | (14,285) | (12,127) | (12,478) | (13,680) |
| Cash Flow from Operating Activities | 3,080 | 3,535 | 5,296 | 6,771 | 5,392 | 3,465 | 898 | 11,940 | 9,635 | 6,406 | (1,318) | 17,461 | 18,692 | 21,695 | 32,184 | 40,014 | 48,904 |
| Investing Activities | | | | | | | | | | | | | | | | | |
| Cash Flow from investing Activities | (6,873) | (1,822) | (3,884) | (5,259) | (5,340) | (672) | (702) | (761) | (688) | (796) | (844) | (917) | (17,838) | (7,474) | (3,245) | (3,893) | (4,691) |
| Financing Activities | | | | | | | | | | | | | | | | | |
| Cash Flow from Financing Activities | (2,573) | 1,611 | 2,001 | 2,871 | (4,590) | 11,091 | (924) | (997) | (1,075) | 415 | 323 | 222 | 3,910 | 4,580 | (116) | (371) | (5,551) |
| Net change in cash and cash equivalents | (6,366) | 3,324 | 3,413 | 4,383 | (4,538) | 13,884 | (729) | 10,163 | 7,872 | 6,025 | (1,839) | 16,765 | 4,764 | 18,800 | 28,823 | 35,750 | 38,662 |
| Effect of exchange rate changes on cash held in foreign currencies | 721 | 242 | 23 | (365) | 15 | - | - | - | - | - | - | - | 621 | 15 | - | - | - |
| Cash, beginning of year | 29,227 | 23,592 | 27,158 | 30,594 | 34,612 | 30,089 | 43,244 | 53,427 | 61,299 | 67,324 | 65,485 | 82,250 | 34,612 | 53,427 | 82,250 | 118,000 | 131,310 |
| Cash and cash equivalents, end of year | 23,592 | 27,158 | 30,594 | 34,612 | 30,089 | 43,973 | 43,244 | 53,427 | 61,299 | 67,324 | 65,485 | | | | | | |

Investment Recommendation Rating System

- Strong Buy:** Expected to provide a substantial return over the next 12 months, with a lower level of risk than comparable investments.
- Buy:** Expected to provide a reasonably positive return over the next 12 months.
- Speculative Buy:** Expected to provide a positive return over the next 12 months, but with a high level of risk, or based on a future uncertain event.
- Hold:** Expected to remain in a trading range near the current share price for the next 12 months.
- Sell:** Expected to deliver a negative return over the next 12 months.
- Under Review:** Currently available information is inadequate to provide an investment rating.
- Tender:** Investors should tender their shares to the current offer.

Company Related Disclosures

| Issuer Company | Ticker | Exch. | Disclosures |
|-------------------------|--------|-------|-------------|
| CareRx Corp. | CRRX | T | 3 |
| Medical Facilities Corp | DR | T | - |
| Quipt Home Medical Corp | QIPT | V / Q | - |

See legend of Disclosures below.

Rating & Target Price History



Source: iA Capital Markets, Bluematrix, Refinitiv

General Disclosures

Please note that Industrial Alliance Securities Inc. merged with MGI Securities Inc. on April 1, 2014 and continued their operations as Industrial Alliance Securities Inc. As a result, the enclosed disclosures may relate to either Industrial Alliance Securities Inc. or to MGI Securities Inc. for the period prior to April 1, 2014. All appropriate disclosure will be included until no longer needed.

The information and opinions contained in this report were prepared by iA Capital Markets. iA Capital Markets is a trademark, business name and a division of iA Private Wealth Inc. iA Private Wealth Inc. is a wholly owned subsidiary of Industrial Alliance Insurance and Financial Services Inc., a life and health insurance company which operates under the trade name iA Financial Group. Industrial Alliance Insurance & Financial Services Inc. is a TSX Exchange listed company (IAG-T) and as such, iA Capital Markets is an affiliate of Industrial Alliance Insurance & Financial Services Inc. The opinions, estimates and projections contained in this report are those of iA Capital Markets as of the date of this report and are subject to change without notice. iA Capital

Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iA Capital Markets makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to iA Capital Markets that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company.

Definitions

"Research Analyst" means any partner, director, officer, employee or agent of iA Capital Markets who is held out to the public as a research analyst or whose responsibilities to iA Capital Markets include the preparation of any written report for distribution to clients or prospective clients of iA Capital Markets, which includes a recommendation with respect to a security.

"Research Report" means any written or electronic communication that iA Capital Markets has distributed or will distribute to its clients or the general public, which contains an analyst's recommendation concerning the purchase, sale or holding of a security (but shall exclude all government debt and government guaranteed debt).

Conflicts of Interest

The research analyst and or associates who prepared this report are compensated based upon (among other factors) the overall profitability of iA Capital Markets, which may include the profitability of investment banking and related services. In the normal course of its business, iA Capital Markets may provide financial advisory services for the issuers mentioned in this report. iA Capital Markets may buy from or sell to customers the securities of issuers mentioned in this report on a principal basis.

Analyst's Certification

Each iA Capital Markets research analyst whose name appears on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about the issuer and securities that are the subject of this report and all other companies and securities mentioned in this report that are covered by such research analyst and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.

Analyst's Ethics

As a condition of employment, analysts are required to adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute (formerly Association for Investment Management and Research 'AIMR').

Analyst Trading

iA Capital Markets permits analysts to own and trade in the securities and or the derivatives of the issuer under their research coverage, subject to the following restrictions. No trades can be executed in anticipation of coverage for a period of 30 days prior to the issuance of the report and 5 days after the dissemination of the report to our clients. For a change in recommendation, no trading is allowed for a period of 24 hours after the dissemination of such information to our clients. A transaction against an analyst's recommendation can only be executed for a reason unrelated to the outlook of the stock for the issuer and with the prior approval of the Director of Research and the Chief Compliance Officer.

Research Dissemination Policy

iA Capital Markets makes its research available in electronic and printed formats and makes every effort to disseminate research simultaneously to all eligible clients. Research is available to our institutional clients via Bloomberg, Capital IQ, FactSet, Thomson Reuters as well as through our sales representatives via email. Electronic versions are distributed in PDF format. Additionally, the research is only intended to be distributed in jurisdictions where iA Capital Markets is licensed.

For Canadian Residents: This report has been approved by iA Capital Markets which accepts responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions in any such issuer discussed should do so through a qualified salesperson of iA Capital Markets in their particular jurisdiction.

For US Residents: iA Private Wealth Inc. is not a US broker-dealer and therefore is not governed by US laws, rules or regulations applicable to US broker-dealers. Consequently, the persons responsible for the content of this publication are not licensed in the US as research analysts in accordance with applicable rules promulgated by the US self-regulatory organizations. Any US institutional investor wishing to effect trades in any security referred to herein should contact Industrial Alliance Securities Inc. (USA) Inc., a US broker-dealer affiliate of iA Private Wealth Inc.

Disclosure Legend

1. Within the last 12 months, iA Capital Markets has received compensation for fiscal advisory and M&A services, or provided other investment banking services with respect to the securities of the issuer.
2. iA Capital Markets expects to receive or intends to seek compensation for investment banking services from the issuer covered in this report within the next three months.
3. In the past 12 months, iA Capital Markets has managed or co-managed a public offering of securities for the issuer which may include new issues, underwriting, or agency agreements.
4. iA Capital Markets makes a market in the securities of the issuer.
5. iA Capital Markets beneficially owned 1% or more of the common equity (including derivatives exercisable or convertible within 60 days) of the issuer as of the month end preceding this report.
6. The iA Capital Markets analyst(s), who cover the issuer discussed, members of the research analyst's household, research associate(s) or other individual(s) involved directly or indirectly in producing this report:
 - a. have a long position in its common equity securities.
 - b. have a short position in its common equity securities.
7. The analyst has visited the issuer's operations. No payment or reimbursement was received from the issuer for the associated travel costs.
8. In the past 12 months, the issuer is (or has been) a client of iA Capital Markets and received non-banking and non-securities related services for which Industrial Alliance Securities Inc. received or expects to receive compensation.
9. In the past 12 months iA Capital Markets, its officers, directors, or analysts involved in the preparation of this report has provided services to the issuer for remuneration other than normal course investment advisory or trade execution services.
10. An officer or director of iA Capital Markets, outside of the Equity Research Department, or a member of his/her household is an officer or director of the issuer or acts in an advisory capacity to the issuer.
11. The analyst has relied in the preparation of the recommendation on material provided by a third party which will be disclosed on request.

Copyright

All rights reserved. All material presented in this document may not be reproduced in whole or in part, or further published or distributed 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 iA Capital Markets.

iA Private Wealth Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.

© 2021 iA Private Wealth Inc. All rights reserved.

INVESTED IN YOU.