

BUY
ANALYSIS OF SALES/EARNINGS

Financial Summary

Changes	Previous	Current
Rating	—	Buy
Target Price	—	C\$12.75
FY21A EPS	—	\$(0.20)
FY22E EPS	\$0.51	\$0.32
FY21A Revenue	—	\$102.4
FY22E Revenue	\$144.5	\$145.7

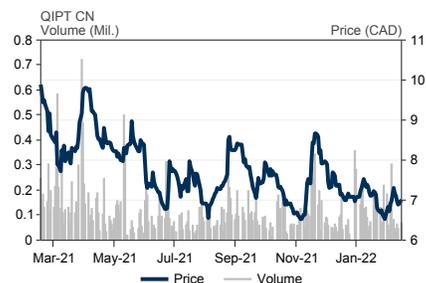
Price (02/15/22):	C\$6.84
52-Week Range:	C\$10 - C\$6
Market Cap.(mm):	\$177.8
Shr.O/S-Diluted (mm):	33.1
Enterprise Val. (mm):	\$230.0
Avg Daily Vol (3 Mo):	120,563
Dividend / Yield:	C\$0.00 / 0.0%
FYE	Sep

Price: Intraday 02-15-22.

	2020A	2021A	2022E
Revenue	\$97.8A	\$102.4A	\$145.7
EV/Rev	2.4x	2.2x	1.6x
EBITDA	\$20.8A	\$21.4A	\$33.2
EV/EBITDA	11.1x	10.7x	6.9x
EPS	\$(0.30)A	\$(0.20)A	\$0.32

F2020 figures are denominated in CAD. Figures for F2021 and F2022 are denominated in USD.

Price Performance



FQ1 (end Dec.): Growth remains high but some supply chain headwinds surface

Summary

QIPT released FQ1 results this morning (end Dec.) after reporting delayed FQ4 results (end Sept.) about two weeks ago. Q1 sales were US\$29.5mm, up 30% YoY but slightly below our estimate and the street of US\$31mm. The lower sales were said to be impacted by supply chain constraints with a industry-wide product recall for Philips sleep devices. Philips is not a material supplier to QIPT but the product recall has further exacerbated general supply chain headwinds. Despite the lower sales, QIPT generated good adj. EBITDA of US\$6mm (20% margins), up 16% YoY but also slightly missing our estimate of US\$6.9mm. Cash generation was a highlight in FQ1 with CFO of US\$5.3mm, up 90% YoY and well above our forecast of (US\$3.9mm), assuming working capital investment. Overall, we see FQ1 as well navigated and the company expects supply chain constraints to ease in 2h 2022, setting up for growth to re-accelerate.

Key Points

Valuation: Our forecasts are largely unchanged as we maintain a C\$12.75 price target. QIPT is trading at only 7x 2022 EBITDA, where peers are trading much higher at 13x. As QIPT continues to build out its national network with scale benefits, we anticipate that valuation will re-rate higher as national networks typically warrant higher valuation as compared to regional operators.

Investment Thesis

We see QIPT as offering important respiratory infrastructure services within healthcare that help keep patients out of the hospital or lead to early discharges, something that has become increasingly important. We expect a good organic growth rate to trend higher with increasing preference for at-home care, spurred by Telehealth and related innovation. QIPT is also seeking scale by rolling up smaller competitors with an aggressive, but disciplined, approach that includes an M&A playbook that works. We expect the combination of organic growth and M&A in an increasingly valuable home healthcare space to result in a positive re-rating in valuation and a much higher share price.

Target Price Methodology/Risks

Our C\$12.75 target price is based on 11x F2022e EBITDA.

Acquisition risk: QIPT's strategy includes growth by acquisition. Expected synergies may not materialise for these acquisitions or integration costs may be more than expected.

Reimbursement changes: QIPT's business model is based on reimbursement from Medicare, Medicaid and private insurance in the U.S. The industry is subject to competitive bid processes that may result in lower pricing for certain services and/or products.

Supply chain: There are a concentrated number of suppliers from which QIPT sources its equipment, and they are largely domestic. If there were disruptions in this supply chain, growth and the ability to serve customers well could be affected.

Bad debt expense: QIPT's customers may not return medical equipment or equipment may otherwise be damaged under a rental/lease model. QIPT has the ability to turn off some products remotely, and serialisation of equipment helps prevent theft, but some bad debt expense exists.

COVID-19: QIPT's business has been deemed an essential service. Providing healthcare infrastructure at home, thereby keeping patients healthy and out of the hospital or resulting in early discharges, is increasingly important now. QIPT's business has not been materially affected by COVID-19, speaking to the resilience of the model, but prolonged periods of shutdowns could impact the business, including unforeseen risks.

Company Description

QIPT provides in-home monitoring and disease management services, with a specific focus on offering end-to-end respiratory solutions for patients in the U.S. 80% of QIPT's business is providing respiratory equipment rental/leases with associated consumable supplies and 20% related to mobility and related home equipment. QIPT's respiratory segment breaks down further to 40% related to Oxygen and Ventilator services and 40% for sleep therapy solutions.

Quipt Home Medical (TSXV:QUIPT)		CAD	USD	USD	USD	USD	USD	USD
Income Statement		2020	Q1/21	Q2/21	Q3/21	Q4/21	2021	2022e
Revenue	\$mm	\$98	\$23	\$24	\$26	\$29	\$102	\$146
COGS	\$mm	\$27	\$6	\$6	\$8	\$8	\$28	\$40
Gross Profit	\$mm	\$71	\$17	\$18	\$18	\$21	\$74	\$106
Margin	%	73%	73%	75%	70%	72%	72%	72%
OPEX	\$mm	\$70	\$15	\$17	\$20	\$24	\$76	\$92
Adj. EBITDA	\$mm	\$21	\$5	\$5	\$5	\$6	\$21	\$33
Margin	%	21%	23%	22%	20%	19%	21%	23%
EPS	\$/sh	(\$0.30)	\$0.00	(\$0.43)	\$0.19	(\$0.01)	(\$0.20)	\$0.32
Cash flow Statement		2020	Q1/21	Q2/21	Q3/21	Q4/21	2021e	2022e
Cash from Ops	\$mm	\$18	\$2	\$3	\$5	\$8	\$19	\$13
Cash from Investing	\$mm	(\$11)	(\$7)	(\$2)	(\$4)	(\$5)	(\$18)	(\$28)
Cash from Financing	\$mm	\$19	(\$3)	\$2	\$2	\$3	\$4	(\$5)
Free Cash Flow	\$mm	\$13	\$1	\$3	\$4	\$6	\$14	\$5

Source: Stifel GMP estimates, Company disclosures

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Quipt Home Medical Corp. (QIPT CN) as of February 14, 2022 (in CAD)



*Represents the value(s) that changed.

Buy=BUY; Speculative Buy=SBUY; Hold=HOLD; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

For a price chart with our ratings and target price changes for QIPT CN go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=QIPT CN>

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Stifel Canada or an affiliate expects to receive or intends to seek compensation for investment banking services from Quipt Home Medical Corp. in the next 3 months.

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Buy - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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¹ This rating is only utilized by Stifel Canada.

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The recommendation contained in this report was produced at 15 February 2022 15:48EST and disseminated at 15 February 2022 15:48EST.

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