

Quipt Home Medical Corp (QIPT – V)

Another Record Quarter

- QIPT announced its Q1/FY22** (Dec 31) results this morning that were in-line with expectations and were **another quarterly record**. Headline revenue was \$29.5 million, +30%, y/y and +1.5% sequentially with EBITDA of \$6 million, +17% y/y and +7% q/q as the company's margin rebounded to 20%+ after dipping to 19.2% in Q4.
- Note that sequential organic growth has been hampered due to the ongoing supply issues that primarily impact its sleep segment. The company indicated that these issues negatively impacted revenue by ~\$1-\$1.5 million in the quarter. We do not believe this revenue is "lost" as QIPT has a record "backlog" of 8,000 patients waiting to be onboarded versus the typical 1,000 during normal times. **As such, in effect, its true sequential growth was closer to 6.7% or 27% annualized, driven by a combination of organic and acquisition growth.**
- We remind clients that Resmed (RMD – US, NR) expects the supply chain issues to persist in the March quarter but then begin to loosen-up in the June quarter. If so, we would expect QIPT's "backlog" to transition to revenue and therefore see an uptick in its reported organic growth in the coming quarters.
- We also note that the Q1 results did not include the full impact of 2 acquisitions completed during the quarter nor one completed on Jan 3, 2022.** In its filing statement, QIPT itemized the reported impact from its acquisitions as well as their proforma impact. If all of its acquisitions, including the largest, At Home Health completed Jan 3, were included in its results, its revenue would have been \$33.1 million with ~\$6.2 million in EBITDA (**\$132m/\$25m annualized**). This 19% EBITDA margin would be prior to the integration of At Home Health and the realization of material synergies. Once integrated, we believe the proforma run-rate EBITDA would be closer to **\$26.5 million**.
- Likewise on its balance sheet, period ended cash was \$30 million but it noted that it paid \$11.8 million in cash for Indiana-based At Home Health. As such, **its proforma cash position is closer to \$18 million**.
- Finally, recall that ResearchandMarkets.com recently released its forecast for the sleep tech device market and it expects a 14.5% CAGR to 2030 with sales reaching \$50 billion versus \$12.9 billion in 2020. Such growth is expected to be driven by an increasingly prevalence of sleep disorders as well as a growing awareness about the ill effects of it if it goes untreated. Furthermore, the industry is in the midst of the most benign regulatory environment in recent memory headlined by the removal of 13 product categories removed from competitive bid and a 5% CPI increase on Medicare re-imbursements, which should ensure visibility on future margins.
- In conclusion, therefore, QIPT is producing record quarterly results, has a strong balance sheet and the most conducive environment for continued growth we have seen (ie. strong M&A pipeline, benign regulatory environment). Yet the stock continues to trade at 6.5x run-rate EBITDA and 5.4x our FY22 forecast on which we believe we have a high degree of visibility.**
- We maintain our Buy recommendation and C\$16.00 target price based on 12x our FY23 EBITDA forecast.

Q1/FY22 Results

Buy (unch) C\$16.00 (unch)

Recent/Closing Price	C\$6.98
12-month Target Price	C\$16.00
Potential Return	129%
52 Week Price Range	C\$6.30 - C\$10.16

Estimates

YE: Dec 31	FY21E	FY22E	FY23E
Revenue (\$M)	\$102.4	\$146.7	\$165.6
EBITDA (\$M)	\$21.4	\$32.3	\$36.4
Adj EPS	(\$0.20)	\$0.32	\$0.46

Valuation

YE: Dec 31	FY21E	FY22E	FY23E
EV/Revenue	1.7x	1.2x	1.0x
EV/EBITDA	8.0x	5.3x	4.7x
P/E	-26.5x	17.0x	11.7x

Stock Data

Shares Outstanding (M)	
Basic	33.2
Fully Diluted	40.2
Market Cap (C\$M)	
Basic	\$232
Fully Diluted	\$281
Net Cash (\$M)	\$10.0
Fully Diluted EV (\$M)	\$222

About the Company

QIPT is focused on a highly fragmented and developing market of small privately-held US companies servicing chronically ill patients with multiple disease states. QIPT is actively working to identify and evaluate profitable, annuity-based companies to acquire their patient databases and technical expertise at favorable prices. QIPT's post acquisition organic growth strategy is to increase annual revenue per patient by offering multiple services to the same patient, consolidating the patient's services and making life easier for the patient.

All prices in US\$ unless otherwise stated

Stock Performance



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As of January 31, 2022	#Stocks	Distribution		
BUY	72	76.6%	BUY	Total 12-month return expected to be > 15%
Speculative Buy	18	19.1%	Speculative Buy	Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
Hold	2	2.1%	Hold	Total 12-month return is expected to be between 0% and 15%
Sell	0	0.0%	Sell	Total 12-month return is expected to be negative
Under Review	2	2.1%	Under Review	
Tender	0	0.0%	Tender	Clients are advised to tender their shares to a takeover bid or similar offer
Total	94	100%		

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