

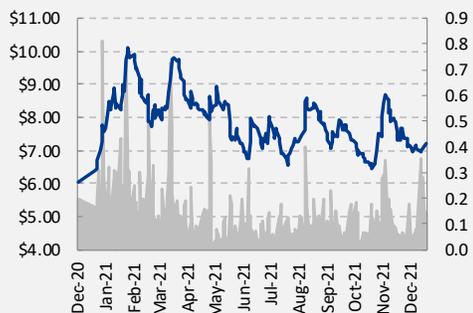
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QIPT-TSXV/QIPT-NASDAQ	
Rating:	Buy
Target:	C\$14.50
Price:	C\$7.20
Return:	101%
Valuation:	12.5x EV/EBITDA (F2023 estimate)

Market Data	
Basic Shares O/S (M)	33.2
FD Shares O/S (M)	38.0
Market capitalization (US\$M)	188.2
Pro forma Ent Val (US\$M)	188.6
Pro forma cash (US\$M, most rec Q)	13.3
LT debt (US\$M, most rec Q)	13.8
52 Week Range	\$6.35-\$10.16
Avg. Weekly Volume (M)	0.55
Fiscal Year End	Sep-30

Financial Metrics			
In US\$	F2021E	F2022E	F2023E
Total Revenue (US\$000)	101,553	146,170	162,005
EBITDA (US\$000)	21,652	31,427	34,831
Net Income (US\$000)	(4,533)	12,814	15,423
EPS (basic, US\$)	(\$0.14)	\$0.39	\$0.46
EPS (FD, US\$)	(\$0.12)	\$0.34	\$0.41
P/E	NA	15.6x	12.9x
EV/EBITDA	8.7x	6.0x	5.4x

Company Description
 Quipt Home Medical is a durable medical equipment firm focused on delivering respiratory care devices into home healthcare markets. The firm operates in 11 US states, with over 120,000 unique patients served in those geographies. Acquisitive growth expected to continue.



Source: Refinitiv, Leede Jones Gable

Ascribing Top Pick Status to Profitable Scalable US-Based Respiratory Medical Equipment Distributor - BUY

We are formally ascribing Top Pick status for Q122 to KY-based respiratory medical equipment distributor Quipt Home Medical as one of our two top picks for 2022. The firm has sustained both organic and acquisitive growth in its US respiratory therapy niche throughout our coverage history of the firm, invariably while preserving EBITDA and margin growth in the process. Our forecasts and the firm's own revenue/EBITDA run-rate guidance is consistent with the view that profitability trends should continue over the timeframe that our Top Pick designation applies. Our PT corresponds to a one-year return of 101%.

Strong track record of prudent acquisitions alongside cost synergies contribute to sustainably EBITDA positive momentum that is expected to continue in 2022. In the second half of 2021, Quipt's growth-by-acquisition strategy translated into a flurry of at least five acquisition announcements, with acquired entities operating mainly in Midwestern US. The most recent of these was Home Health Equipment, a transaction which we delved into further detail in our note issued yesterday. As part of this, Quipt reiterated that the firm remains on track to achieve annual revenue/EBITDA run rate in the US\$180M-to-US\$190M & US\$38M-to-US\$43M range, respectively.

Subsequently, we remain confident that the firm's track record on pace of acquisitions in the US home respiratory medical equipment distribution space can be sustained in the F2022/23 financial period during which this guidance applies. Importantly, our current revenue/EBITDA forecasts incorporate only acquisitions that have either formally closed or for which LOIs are pending, so there is a residual gap between our forecasts and FQ422 annualized run-rate projections from Quipt itself that could augment market value without any supplemental operating updates.

Active consolidator in a highly fragmented market and poised to capture gains through operational efficiencies and diverse product & service offerings. While Quipt typically focuses on tuck-in opportunities to expand its customer base and diversifying its existing product offering, we note that the firm has also been assessing other opportunities to complement its existing service offerings. In Nov/21, recall the firm acquired a Southeastern-based private biomedical repair services firm.

Quipt had disclosed its intent to acquire used respiratory equipment and conduct in-house repair services, thereby allowing for the redeployment of equipment on its patient population and lowering acquisition costs. Although early days for the firm but as a thought exercise, we could plausibly see Quipt roll out this service to its other regional facilities from which the firm overlays its distribution and technology infrastructure to enhance cost synergies and economies of scale with its acquired entities, and accordingly represents a novel business line for the firm. For now, we do not incorporate this in our current financial projections but will revisit this when additional color is disclosed in the future.

Quipt remains attractively valued and currently trades at a steep discount to peers. Presently QIPT shares trade at 6.1x EV/F2022 EBITDA, as compared to Canadian

healthcare services peers at 8.6x (with admittedly wide variability from the mean across this group of healthcare services firms) and the firm's direct US peer group at 18.3x respectively. Despite the firm's robust track record of EBITDA/operating cash flow generation, we see no reason why the firm is trading at a discount relative to peers. Separately, we note with interest that medical equipment/medtech peer Hillrom was acquired by Baxter (BAX-NY, NR) in a US\$10.5B transaction (US\$156/share) that was consummated in mid Dec/21. The transaction effectively values Hillrom at 3.6x 2020 revenue and 19.0x 2020 EBITDA respectively. We were also encouraged that Baxter had identified respiratory health as one of Hillrom's six higher-growth categories, with a global category size exceeding US\$6.0B and CAGR expected between 4%-5%.

Exhibit 1. Income Statement & Financial Forecast Data for Quipt Home Medical

<i>Year-end September 30</i> <i>(US\$000, except EPS)</i>	F2017A	F2018A	F2019A	F2020A	F2021E	F2022E	F2023E	F2024E
Sale of medical equipment & supplies	25,858	34,569	35,227	31,667	46,723	68,991	77,992	81,159
Rental of medical equipment & supplies	50,511	42,294	45,740	41,618	54,830	77,179	84,013	87,424
Total revenue	\$76,369	\$76,863	\$80,967	\$73,285	\$101,553	\$146,170	\$162,005	\$168,583
Revenue growth (%)	NA	0.6%	5.3%	(9.5%)	38.6%	43.9%	10.8%	4.1%
Direct costs	22,256	23,349	23,527	20,111	27,728	39,840	44,148	45,941
SG&A/other expense	53,056	35,981	36,896	32,472	40,240	59,933	67,195	70,139
EBITDA	\$1,057	\$12,307	\$14,858	\$15,519	\$21,652	\$31,427	\$34,831	\$36,245
EBITDA growth (%)	NA	NA	NA	4.4%	39.5%	45.1%	10.8%	4.1%
EBITDA margin (%)	1.4%	16.0%	18.4%	21.2%	21.3%	21.5%	21.5%	21.5%
Non-operating expenses	\$26,302	\$17,403	\$19,485	\$15,069	\$18,098	\$16,208	\$17,178	\$15,837
Interest expense (income)	\$1,400	\$1,908	\$2,510	\$1,859	\$1,595	\$717	\$543	\$473
Net income, fully-taxed	(\$27,094)	(\$6,967)	(\$9,141)	(\$2,606)	(\$4,533)	\$12,814	\$15,423	\$18,248
Fully-taxed EPS (basic)	(\$0.36)	(\$0.09)	(\$0.12)	(\$0.10)	(\$0.14)	\$0.39	\$0.46	\$0.55
Fully-taxed EPS (fd)	(\$0.34)	(\$0.08)	(\$0.38)	(\$0.09)	(\$0.12)	\$0.34	\$0.41	\$0.48
P/E (basic)	NA	NA	NA	NA	NA	15.6x	12.9x	10.9x
EV/EBITDA	NA	15.3x	12.7x	12.2x	8.7x	6.0x	5.4x	5.2x

Source: Historical data – Company Information (Quipt Home Medical), Forecasts/Estimates – Leede Jones Gable

Summary & valuation. We remain impressed by Quipt's ability to supplement its geographic footprint in the US home respiratory medical equipment universe at prudent (in our view) valuations (usually at 1x/4x revenue/EBITDA) and without sacrificing EBITDA margin, even transiently, while integration activities ensue. For now, we continue to ascribe a 12.5x EV/EBITDA multiple to F2023 EBITDA projections, deriving a one-year PT for QIPT of C\$14.50 and corresponding to an implied one-year return of 101%. Our EV calculation incorporates pro forma cash of US\$13.3M, FQ321 total debt of US\$13.8M, and fd S/O of 38.0M.

Exhibit 2. Valuation Summary for Quipt Home Medical

EV/EBITDA multiple	5x	10x	12.5x	15x	17.5x	20x
Implied share price ¹	\$4.59	\$9.17	\$11.46	\$13.75	\$16.04	\$18.33
One-year QIPT target price (US\$) ^{1,2}			\$11.46			
One-year QIPT target price (C\$) ²			\$14.56			

¹ Based on adjusted F2023 EBITDA of US\$34.8M; EV incorporates FQ321 total debt of US\$13.8M and pro forma cash of US\$13.3M (FQ321 cash of US\$30.6M includes US\$6.4M from warrant exercise in the period, less US\$17.3M in cumulative cash deployed for MS/IL/IN-based acquisitions post-quarter-end), post-consolidation fully-diluted S/O of 38.0M

² Assumes a USD:CAD exchange rate of 1.274x

Source: Leede Jones Gable

Exhibit 3. Comparable firms for Quipt Home Medical

Company	Curr	Sym	Shares out (M)	Share price 5-Jan	Mkt cap (\$M)		Ent val (\$M)		EV/EBITDA			Price/Earnings			Company description	
					(curr)	(C\$)	(curr)	(C\$)	(T12M)	FY21	FY22	(T12M)	FY21	FY22		
Canadian Healthcare Services Firms																
Akumin Inc	CAD	AKU	89.0	\$2.22	\$198	\$198	\$1,521	\$1,521	NA	22.3x	9.8x	NA	NA	NA	US-based medical imaging clinic consolidator, focused on Florida &	
Assure Holdings Corp	CAD	IOM	12.8	\$6.80	\$87	\$87	\$80	\$80	NA	NA	NA	NA	NA	NA	US-based neuromonitoring services firm, operations in CO, TX, LA, UT	
CareRx Corp	CAD	CRRX	43.7	\$5.52	\$241	\$241	\$336	\$336	20.8x	13.9x	8.0x	NA	NA	NA	ON-based long-term care pharmacy operator	
Extencare Inc	CAD	EXE	89.6	\$7.42	\$665	\$665	\$1,078	\$1,078	22.4x	13.3x	11.2x	25.4x	43.6x	24.7x	ON-based long-term care & home health-care services provider	
K-Bro Linen Inc	CAD	KBL	10.7	\$34.93	\$374	\$374	\$463	\$463	11.6x	10.3x	8.7x	39.9x	35.5x	17.4x	AB-based linen/laundry processing firm, focused on healthcare/ hospitality sectors	
Medical Facilities Corp	CAD	DR	31.1	\$9.17	\$285	\$285	\$403	\$403	4.4x	4.0x	4.0x	NA	21.1x	12.1x	US-based physician-owned surgical hospital operator	
Savaria Corp	CAD	SIS	64.2	\$18.51	\$1,189	\$1,189	\$1,550	\$1,550	18.1x	15.5x	12.1x	38.8x	29.5x	21.1x	QC-based mobility device manufacturer (elevators, wheel-chairs, stair, lifts)	
Viemed Healthcare Inc	CAD	VMD	39.6	\$7.04	\$279	\$279	\$200	\$200	8.5x	7.5x	6.6x	28.5x	33.1x	23.7x	LA-based post-acute respiratory services & disease management	
Average								\$704		12.4x		8.6x		32.6x	19.8x	
US-based & RoW home medical equipment distribution peers																
Adapthealth	USD	AHCO	132.2	\$23.29	\$3,079	\$3,913	\$4,976	\$6,324	10.9x	8.7x	7.3x	NA	20.7x	16.8x	PA-based medical equip provider; 66% equip sales vs 34% rental; 16% is respiratory	
Amedisys	USD	AMED	32.6	\$165.63	\$5,400	\$6,862	\$5,767	\$7,329	19.1x	19.4x	19.2x	24.9x	27.9x	28.2x	LA-based home healthcare & hospice services provider	
Apria	USD	APR	35.5	\$31.49	\$1,117	\$1,419	\$1,285	\$1,633	5.5x	6.0x	6.1x	15.7x	18.0x	17.2x	IN-based home healthcare equipment provider	
Owens & Minor	USD	OMI	75.5	\$44.20	\$3,335	\$4,238	\$4,255	\$5,407	7.9x	8.7x	9.7x	14.1x	11.0x	13.3x	VA-based med supplies/services in diabetes, wound care, urology, ostomy	
Envista Holdings	USD	NVST	161.4	\$44.84	\$7,236	\$9,195	\$7,912	\$10,054	13.7x	15.9x	14.4x	22.7x	24.4x	22.2x	CA-based dental products devel-oper	
Fisher & Paykel Healthcare	NZD	FPH	577.1	NZD 33.2	NZD 19,131	\$16,611	NZD 18,957	\$16,460	24.1x	22.7x	29.7x	36.9x	33.9x	48.5x	NZ-based med device developer; respiratory, acute care, obstructive sleep apnea	
Inogen Inc	USD	INGN	22.7	\$34.00	\$773	\$982	\$527	\$670	14.8x	27.3x	35.9x	NA	NA	NA	CA-based portable O2 concentrator marketer (One G4-G3-G2-At Home systems)	
Inspiration Healthcare Group PLC	GBp	IHC	68.1	£123.00	£8,379	\$14,434	\$78	\$135	11.7x	15.9x	14.0x	NA	NA	NA	UK-based respiratory care, thermoregul-ation, neonatal resusc device developer	
Linde PLC	USD	LIN	512.6	\$344.81	\$176,734	\$224,594	\$190,175	\$241,674	19.2x	18.6x	17.3x	50.7x	32.5x	29.5x	UK-based distributor of industrial gases, acquired FL-based Lincare in Q312, TN-based American Home Patient in Q415	
ResMed	USD	RMD	145.7	\$253.44	\$36,932	\$46,933	\$37,462	\$47,606	33.4x	35.0x	29.1x	NA	47.9x	40.0x	CA-based medical equipment producer (respiratory, sleep & SaaS software)	
Vapotherm	USD	VAPO	26.1	\$20.11	\$524	\$666	\$495	\$630	NA	NA	NA	NA	NA	NA	NH-based ventilator support & nasal cannula developer	
Average								\$30,720		17.8x		18.3x		27.1x	27.0x	
Quipt Home Medical ¹	CAD	QIPT	33.4	\$5.67	\$189	\$240	\$189	\$240	4.2x	8.8x	6.1x	NA	NA	19.4x	US-based home medical equip rental/sales, respiratory care	

¹ QIPT share price indicated in USD, was C\$7.08 on TSX at Jan 4/22

Source: Refinitiv, Leede Jones Gable

Disclosures none

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RECOMMENDATION	NO. OF COMPANIES	%
Buy	8	42%
Speculative Buy	6	32%
Hold	5	26%
Sell	-	-
Tender	-	-
Under Review	-	-

Historical Target Price

