

Quipt Home Medical Corp.

(QIPT-TSXV/NASDAQ: C\$7.00)

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BUY

Target: C\$13.50

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Quipt's FQ122 Results Reflect Ongoing Growth

Quipt announced its fiscal Q1 2022 results which came largely in line with our estimate for EBITDA while posting a slight miss on the top-line owed largely to the timing of supply setups/deliveries in the quarter ending in December where it saw a \$1-1.5M impact from a backlog of setups related to supply chain challenges that it expects to be resolved in H2-22.

For the quarter ending in December 2021, revenue was up 30% y/y, coming in at \$29.5M (Est. \$30.4M), and adj. EBITDA was \$6.0M (Est. \$6.2M) compared to \$5.2M in Q1/21, representing a 16% increase year-over-year. Gross margin was 74.1%, above our estimate, and it benefitted from the impact of revenue mix as recurring revenue is at 77%, up from 75% in the comparative period; and Quipt's operations continue to maintain above-20% adj. EBITDA margin, as its 20.3% margin came closely in-line with our estimate of 20.5%. As another sign of its prudent operational execution, we note that bad debt expense was 8.2% compared to 9.1% for the corresponding period in 2021, an improvement that we believe reflects the Company's ability to scale and add more revenue through add-on acquisitions without compromising its billing capabilities.

Figure 1 - Financial results summary

QIPT FYE Sept-30 Values US\$, Millions	Year ago	Qtr Ago	Est.	Cons.	Act.	Est. vs Act.	Est.		Cons.		Act.	
	Q121	Q421	Q122	Q122	Q122		Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q
Revenue	22.8	29.1	30.4	30.3	29.5	-0.8	33%	4%	33%	4%	30%	1%
Gross Profit	16.7	20.9	21.9	21.9	21.9	0.0	31%	5%	32%	5%	31%	5%
Gross Profit Margin	73.3%	71.7%	72.0%	72.5%	74.1%	2%	-1%	0%	-1%	1%	1%	2%
Adj. EBITDA	5.2	5.6	6.2	6.3	6.0	-0.2	20%	11%	22%	13%	16%	7%
Adj. EBITDA Margin	22.8%	19.2%	20.5%	20.9%	20.3%	0%	-2%	1%	-2%	2%	-2%	1%

Source: Company Reports, Eight Capital

Pursuing National Scale, Amid a Surge in Demand: Quipt is scaling from a regional to a national player, expanding into new states, at a time when a respiratory disease has impacted ~50M+ Americans, some of whom may have long-term side-effects and may stand to benefit from respiratory care. Given that Quipt's revenue relates to the treatment of respiratory diseases, it is worth noting that the building evidence of the long-term effects of COVID could translate to another large patient group that can benefit from Quipt's end-to-end respiratory supplies and solutions offering.

Valuation

We continue to value Quipt using an 11x multiple on our estimate for 2023 EBITDA (unchanged), and we maintain our Buy rating and \$13.50 target. This is in-line with peers at 11.7x, while Quipt currently trades at 7x.

Figure 2 - Financial summary and outlook

QIPT-TSXV / NASDAQ FYE Sept-30 US\$, Millions, unless otherwise stated	2019 Act.	Q120 Act.	Q220 Act.	Q320 Act.	Q420 Act.	2020 Act.	Q121 Act.	Q221 Act.	Q321 Act.	Q421 Act.	2021 Act.	Q122 Act.	Q222 Est.	Q322 Est.	Q422 Est.	2022 Est.	2023 Est.
Revenue	61.0	16.6	17.9	18.6	19.6	72.6	22.8	24.2	26.2	29.1	102.4	29.5	35.2	37.2	37.6	139.6	161.9
Growth %	15%	7%	14%	23%	34%	19%	37%	36%	41%	48%	41%	30%	45%	42%	29%	36%	16%
Revenue Consensus												30.3	34.7	38.0	41.3	145.3	174.5
Gross Profit	43.3	12.0	13.1	13.4	13.7	52.1	16.7	18.1	18.5	20.9	74.2	21.9	25.5	27.1	27.5	101.9	118.9
Gross Profit Margin	70.9%	72.2%	73.3%	71.9%	69.7%	71.7%	73.3%	74.7%	70.5%	71.7%	72.5%	74.1%	72.3%	72.7%	73.2%	73.0%	73.4%
Gross Profit Consensus												21.9	25.2	28.0	29.4	104.3	131.0
Implied Cons. Gross Profit Margin												72.5%	72.8%	73.6%	71.0%	71.8%	75.1%
Adj. EBITDA	11.1	1.2	4.2	4.4	5.6	15.5	5.2	5.4	5.3	5.60	21.4	6.0	7.5	8.2	8.5	30.2	37.1
Adj. EBITDA Margin	18.3%	7.5%	23.5%	23.7%	28.6%	21.3%	22.8%	22.2%	20.4%	19.2%	20.9%	20.3%	21.3%	21.9%	22.7%	21.6%	22.9%
Adj. EBITDA Consensus (\$M)												6.3	7.3	8.2	9.1	31.6	39.3
Implied Cons. EBITDA Margin %												20.9%	21.0%	21.6%	21.9%	21.7%	22.5%
EPS	-\$0.26	-\$0.22	\$0.15	-\$0.12	-\$0.01	-\$0.20	\$0.05	-\$0.43	\$0.20	-\$0.02	-\$0.20	-\$0.06	\$0.06	\$0.07	\$0.07	\$0.14	\$0.39
EPS Consensus												\$0.02	\$0.02	\$0.04	\$0.05	\$0.19	\$0.34

Source: Company Reports, Eight Capital

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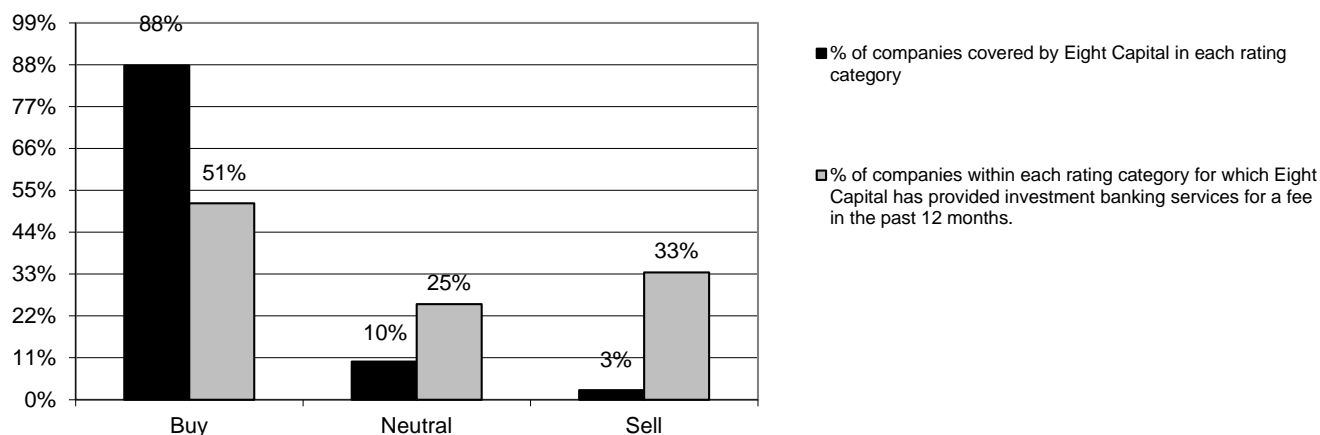
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