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**QIPT-TSXV/QIPT-NASDAQ**

<b>Rating:</b>	<b>Buy</b>
<b>Target:</b>	<b>C\$14.50</b>
<b>Price:</b>	C\$7.00
<b>Return:</b>	107%
<b>Valuation:</b>	12.5x EV/EBITDA (F2023 estimate)

**Market Data**

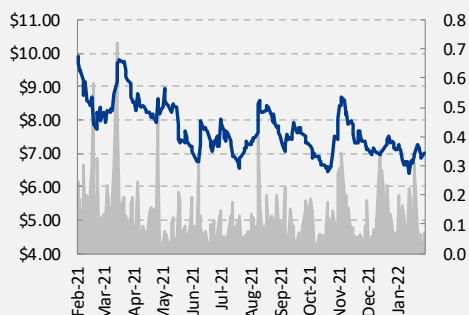
<b>Basic Shares O/S (M)</b>	33.4
<b>FD Shares O/S (M)</b>	38.1
<b>Market capitalization (US\$M)</b>	183.2
<b>Pro forma Ent Val (US\$M)</b>	178.3
<b>Pro forma cash (US\$M, most rec Q)</b>	17.0
<b>LT debt (US\$M, most rec Q)</b>	12.1
<b>52 Week Range</b>	<b>\$6.30-\$10.00</b>
<b>Avg. Weekly Volume (M)</b>	<b>0.59</b>
<b>Fiscal Year End</b>	<b>Sep-30</b>

**Financial Metrics**

In US\$	F2021A	F2022E	F2023E
<b>Total Revenue (US\$000)</b>	102,351	142,618	165,310
<b>EBITDA (US\$000)</b>	21,417	30,359	35,973
<b>Net Income (US\$000)</b>	(6,174)	2,192	16,937
<b>EPS (basic, US\$)</b>	(\$0.20)	\$0.07	\$0.51
<b>EPS (FD, US\$)</b>	(\$0.17)	\$0.06	\$0.45
<b>P/E</b>	NA	91.3x	11.8x
<b>EV/EBITDA</b>	8.3x	5.9x	5.0x

**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

**FQ122 Update. Acquisition Momentum Drives Top-Line Growth Without Sacrificing EBITDA Margin - Buy**

Kentucky-based respiratory medical equipment distributor Quipt Home Medical reported FQ122 financial data for the December-end quarter. Financial data fell a bit short of our projected revenue/EBITDA forecasts for the period, but mostly in our view from timing of integration of acquisitions that were announced in recent months, and with EBITDA margin recovering from transient relative softness in FQ421 to exceed 20% (was 20.5% to be exact) as it has in most quarters since FQ120.

**Bottom line.** Our key takeaway, as it was following disclosure of FQ421 financial data just two weeks ago, is that Quipt continues to exhibit strong revenue growth through a combination of organic growth of its core respiratory medical equipment distribution network and acquisition of several of its private regional peers, and without sacrificing EBITDA margin in the process. The firm’s quarterly EBITDA and margin have sustained an upward trajectory (influenced by acquisitions to be sure) even while pandemic logistics have compromised operating efficiencies during the last seven quarters, and we expect EBITDA to continue to scale upward, with pending and proposed acquisitions still on the horizon.

**Maintaining rating/PT and Top Pick status on leading US respiratory medical equipment distributor that continues to grow nationally in both scale and scope.** Accordingly, we are maintaining our BUY rating (and Top Pick status) and PT of C\$14.50 on QIPT, with our valuation still based on 12.5x multiple of our F2023 EBITDA forecast of US\$36.0M. Our EV calculation incorporates pro forma cash of US\$17.0M (FQ122 cash of US\$30.1M, less US\$13.1M in cash set aside for the pending acquisition of IN-based Home Medical Equipment, as announced in early Jan/22) and FQ122 total debt of US\$12.1M. We continue to base our projections on fully-diluted S/O of 38.1M. Our PT corresponds to a one-year return of 107%.

**Expect quarterly revenue/EBITDA to scale upward throughout F2022/23, both from organic growth and from acquisitions both closed and pending.** Importantly, Quipt has been clear in recent guidance that it expects its FQ422 revenue/EBITDA run-rate to be in the range of US\$180M-to-US\$190M and US\$38M-to-US\$43M, respectively. Both run-rates are above our current F2023 revenue/EBITDA forecasts, and so we assume that the firm is contemplating new bolt-on acquisitions for which details are not yet in the public domain. We are optimistic that Quipt can consummate notional future acquisitions on attractive terms, as it has throughout its public market history, and we are equally confident that it can hold firm on its legacy EBITDA margin of 20%-23%, as it also has in most recent quarters since FQ120. FQ122 financial data was consistent with that view, as we will summarize below.

Consolidated revenue in the quarter was US\$29.5M and thus only modestly above FQ421 revenue of US\$29.1M, with modest sequential growth in respiratory equipment sales (US\$14.5M vs US\$13.7M last quarter) essentially offset by modest sequential decline in medical equipment rentals (US\$15.0M vs US\$15.4M last quarter). Y/y comparisons are not overly meaningful at this stage of Quipt’s corporate evolution since it has closed on several acquisitions since FQ121 (GA-based Sleepwell LLC was acquired during FQ121 and FL-based Mayhugh Medical Equipment was acquired in FQ221).

Two of these were announced during FQ122 and should partially fuel revenue/EBITDA growth in FQ222 and beyond as our model already assumes. FQ122 EBITDA/margin of US\$6.0M/20.5M exhibited sequential growth on both metrics, if a bit below our projections as indicated above. But we continue to be impressed by Quipt's ability to hold EBITDA margin at or above (in some quarters, well above) 20%, which we consider to be strong in relative terms for a durable medical equipment distributor that necessarily must compete on organizational efficiency and relationship management and not on any technical patentable innovations that can support margin expansion on its own. As in most quarters during our QIPT coverage history, its non-cash income statement entries below the EBITDA line are considerable (amortization expense was US\$4.6M and stock option expense was US\$2.1M, collectively well above EBITDA) and so net income was predictably negative again, but with no impact on our investment thesis or valuation precisely because it is so heavily burdened by non-cash entries.

### 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	F2021A	F2022E	F2023E	F2024E
Sale of medical equipment & supplies	25,858	34,569	35,227	31,667	47,013	67,871	79,192	82,408
Rental of medical equipment & supplies	50,511	42,294	45,740	41,618	55,338	74,747	86,118	89,614
<b>Total revenue</b>	<b>\$76,369</b>	<b>\$76,863</b>	<b>\$80,967</b>	<b>\$73,285</b>	<b>\$102,351</b>	<b>\$142,618</b>	<b>\$165,310</b>	<b>\$172,022</b>
<i>Revenue growth (%)</i>	NA	0.6%	5.3%	(9.5%)	39.7%	39.3%	15.9%	4.1%
Direct costs	22,256	23,349	23,527	20,111	28,172	38,568	44,618	46,429
SG&A/other expense	53,056	35,981	36,896	32,472	44,805	58,522	68,569	71,573
<b>EBITDA</b>	<b>\$1,057</b>	<b>\$12,307</b>	<b>\$14,858</b>	<b>\$15,519</b>	<b>\$21,417</b>	<b>\$30,359</b>	<b>\$35,973</b>	<b>\$37,434</b>
<i>EBITDA growth (%)</i>	NA	NA	NA	4.4%	38.0%	41.8%	18.5%	4.1%
<i>EBITDA margin (%)</i>	1.4%	16.0%	18.4%	21.2%	20.9%	21.3%	21.8%	21.8%
Non-operating expenses	\$26,302	\$17,403	\$19,485	\$15,069	\$22,877	\$25,297	\$16,934	\$23,884
Interest expense (income)	\$1,400	\$1,908	\$2,510	\$1,859	\$2,166	\$632	(\$136)	(\$206)
Net income, fully-taxed	(\$27,094)	(\$6,967)	(\$9,141)	(\$2,606)	(\$6,174)	\$2,192	\$16,937	\$11,517
Fully-taxed EPS (basic)	(\$0.36)	(\$0.09)	(\$0.12)	(\$0.10)	(\$0.20)	\$0.07	\$0.51	\$0.35
<b>Fully-taxed EPS (fd)</b>	<b>(\$0.34)</b>	<b>(\$0.08)</b>	<b>(\$0.38)</b>	<b>(\$0.09)</b>	<b>(\$0.17)</b>	<b>\$0.06</b>	<b>\$0.44</b>	<b>\$0.30</b>
<i>P/E (basic)</i>	NA	NA	NA	NA	NA	91.3x	11.8x	17.4x
<i>EV/EBITDA</i>	NA	14.3x	11.9x	11.3x	8.2x	5.8x	4.9x	4.7x

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

Shifting to cash flow, we calculate that FQ122 pure operating cash flow was US\$7.8M, or US\$0.21/shr, and thus well above most recent periods and comparable to FQ221 operating cash flow of US\$7.5M/US\$0.21/shr. On a cash flow per share run-rate basis, QIPT is currently trading at about 8.3x cash flow, an unjustifiably low multiple based on the firm's cash-flow-generating track record in our view. The firm has cumulatively generated US\$86.3M since FQ118, with only one negative cash flow quarter since then that was entirely driven by non-operating factors (the firm's cyber-attack on its cash balance transpired in that quarter). Offsetting pure operating cash flow however was a reasonably high working capital deficit of (US\$2.5M) in the period, driven mostly by accrued liabilities and inventory deficits that were only partially offset by an accounts receivable surplus in the period. We do continue to closely monitor working capital as a cash-requiring element of Quipt's operations – cumulative working capital deficit since and including FQ118 is (US\$24.3M).

We now know from Quipt's FQ122 MD&A that two of its acquisitions announced last quarter were MS-based Thrift Home Care (for US\$2.2M), which contributed revenue/net income of US\$0.55M/US\$0.1M in the quarter, and IL-based Heckman Healthcare Services & Supplies (for US\$2.4M), which separately contributed revenue/net income in the quarter of US\$0.4M/US\$0.10M (Heckman's acquisition closed in early Nov/21, but its full-quarter performance was US\$0.6M/US\$0.15M). These two acquisitions collectively contributed FQ122 pro forma revenue/net income of US\$0.95M/US\$0.25M, well within our expectations. Cumulative capital outlay for the two transactions was US\$4.5M, as indicated in the FQ122 cash flow statement and as we assumed in our prior pro forma cash balance calculation.

Quipt served >75,000 unique patients in the quarter and oversaw >118,000 equipment deliveries/installations in the period, with both metrics up substantially from 51,836/76,691 in FQ121. Number of deliveries/installations were up slightly from 108,878 in FQ421, which is proportional to magnitude of sequential revenue growth in the respective periods. Quipt exited FQ122 with

US\$30.1M in cash as we indicate above, but if we back out US\$13.1M that the firm has earmarked for its pending acquisition of IN-based Home Health Equipment, we calculate that its pro forma cash is currently about US\$17.0M, excluding any operating cash flow that it has generated in FQ222 so far. Net cash after subtracting US\$12.1M in debenture debt is thus US\$4.9M, which we incorporate into our EV calculation for the firm.

Exhibit 2. Valuation Summary for Quipt Home Medical

EV/EBITDA multiple	5x	10x	12.5x	15x	17.5x	20x
Implied share price <sup>1</sup>	\$4.60	\$9.33	<b>\$11.69</b>	\$14.05	\$16.42	\$18.78
<b>One-year QIPT target price (US\$) <sup>1,2</sup></b>	<b>\$11.69</b>					
<b>One-year QIPT target price (C\$) <sup>2</sup></b>	<b>\$14.88</b>					

<sup>1</sup> Based on adjusted F2023 EBITDA of US\$36.0M; EV incorporates FQ122 total debt of US\$11.8M and pro forma cash of US\$17.0M (FQ122 cash of US\$30.1M, less US\$13.1M in cash required to fund pending acquisition of IN-based Home Health Equipment), fully-diluted S/O of 38.1M

<sup>2</sup> Assumes a USD:CAD exchange rate of 1.274x

Source: Leede Jones Gable

Exhibit 3. Competitive Landscape for Quipt Home Medical

Company	Curr	Sym	Shares out (M)	Share price 15-Feb		Mkt cap (\$M)		Ent val (\$M)		EV/EBITDA			Price/Earnings			Company description
				(C\$)	(C\$)	(C\$)	(C\$)	(T12M)	FY22	FY23	(T12M)	FY22	FY23			
<b>Canadian Healthcare Services Firms</b>																
Akumin Inc	CAD	AKU	89.0	\$1.54	\$137	\$137	\$1,472	\$1,472	NA	9.0x	7.6x	NA	NA	11.8x	US-based medical imaging clinic consolidator, focused on Florida &	
Assure Holdings Corp	CAD	#N/A	12.9	#N/A	#N/A	#N/A	\$66	\$66	NA	NA	NA	NA	NA	NA	US-based neuromonitoring services firm, operations in CO, TX, LA, UT	
CareRx Corp	CAD	CRRX	46.5	\$5.03	\$234	\$234	\$328	\$328	20.3x	7.8x	7.3x	NA	NA	24.0x	ON-based long-term care pharmacy operator	
Extendicare Inc	CAD	EXE	89.6	\$7.65	\$685	\$685	\$1,098	\$1,098	22.8x	12.1x	11.5x	26.1x	28.9x	25.1x	ON-based long-term care & home health-care services provider	
K-Bro Linen Inc	CAD	KBL	10.7	\$34.51	\$370	\$370	\$458	\$458	11.5x	8.8x	7.8x	39.5x	18.5x	14.0x	AB-based linen/laundry processing firm, focused on healthcare/ hospitality sectors	
Medical Facilities Corp	CAD	DR	31.1	\$10.13	\$315	\$315	\$426	\$426	4.7x	4.3x	4.1x	NA	13.3x	14.3x	US-based physician-owned surgical hospital operator	
Savaria Corp	CAD	SIS	64.2	\$18.31	\$1,176	\$1,176	\$1,537	\$1,537	17.9x	12.0x	10.8x	38.3x	20.9x	17.6x	QC-based mobility device manufacturer (elevators, wheel-chairs, stair, lifts)	
Viemed Healthcare Inc	CAD	VMD	39.6	\$5.36	\$212	\$212	\$147	\$147	6.2x	4.9x	4.2x	21.7x	18.0x	12.8x	LA-based post-acute respiratory services & disease management	
<b>Average</b>									<b>\$692</b>	<b>8.4x</b>	<b>7.6x</b>	<b>19.9x</b>	<b>17.1x</b>			
<b>US-based &amp; RoW home medical equipment distribution peers</b>																
Adapthealth	USD	AHCO	132.2	\$17.60	\$2,327	\$2,965	\$4,224	\$5,382	9.3x	6.2x	5.5x	NA	12.7x	10.0x	PA-based medical equip provider; 66% equip sales vs 34% rental; 16% is respiratory	
Amedisys	USD	AMED	32.6	\$138.09	\$4,502	\$5,737	\$4,869	\$6,204	16.1x	16.3x	14.2x	20.7x	23.5x	20.1x	LA-based home healthcare & hospice services provider	
Apria	USD	APR	35.5	\$37.22	\$1,322	\$1,685	\$1,488	\$1,896	6.4x	7.2x	6.1x	18.6x	20.3x	18.9x	IN-based home healthcare equipment provider	
Owens & Minor	USD	OMI	75.5	\$41.25	\$3,113	\$3,966	\$4,032	\$5,138	7.5x	8.7x	8.3x	13.1x	12.3x	10.9x	VA-based med supplies/services in diabetes, wound care, urology, ostomy	
Envista Holdings	USD	NVST	161.4	\$46.86	\$7,562	\$9,635	\$7,804	\$9,944	15.8x	14.4x	13.1x	29.3x	23.0x	20.7x	CA-based dental products devel-oper	
Fisher & Paykel Healthcare	NZD	FPH	577.1	NZD 28.1	NZD 16,223	\$13,715	NZD 16,049	\$13,568	20.4x	25.1x	25.7x	31.3x	41.2x	42.0x	NZ-based med device developer; respiratory, acute care, obstructive sleep apnea	
Inogen Inc	USD	INGN	22.7	\$31.41	\$714	\$909	\$469	\$597	13.1x	NA	12.0x	NA	NA	NA	CA-based portable O2 concentrator marketer (One G4-G3-G2-At Home systems)	
Inspiration Healthcare Group PLC	GBP	IHC	68.1	£97.00	£6,608	\$11,394	\$61	\$105	9.1x	10.8x	NA	NA	NA	NA	UK-based respiratory care, thermoregulation, neonatal resusc device developer	
Linde PLC	USD	LIN	512.6	\$293.51	\$150,440	\$191,691	\$163,230	\$207,988	16.1x	14.8x	13.9x	40.1x	24.9x	22.4x	UK-based distributor of industrial gases, acquired FL-based Lincare in Q312, TN-based American Home Patient in Q415	
ResMed	USD	RMD	146.2	\$233.62	\$34,163	\$43,531	\$34,649	\$44,149	30.5x	27.7x	24.5x	NA	38.2x	33.5x	CA-based medical equipment producer (respiratory, sleep & SaaS software)	
Vapotherm	USD	VAPO	26.1	\$15.07	\$393	\$501	\$364	\$464	NA	NA	NA	NA	NA	NA	NH-based ventilator support & nasal cannula developer	
<b>Average</b>									<b>\$26,858</b>	<b>14.6x</b>	<b>13.7x</b>	<b>24.5x</b>	<b>22.3x</b>			
<b>Quipt Home Medical <sup>1</sup></b>	<b>CAD</b>	<b>QIPT</b>	<b>33.4</b>	<b>\$5.49</b>	<b>\$184</b>	<b>\$234</b>	<b>\$176</b>	<b>\$224</b>	<b>3.9x</b>	<b>5.7x</b>	<b>4.7x</b>	<b>NA</b>	<b>27.8x</b>	<b>15.0x</b>	<b>US-based home medical equip rental/sales, respiratory care</b>	

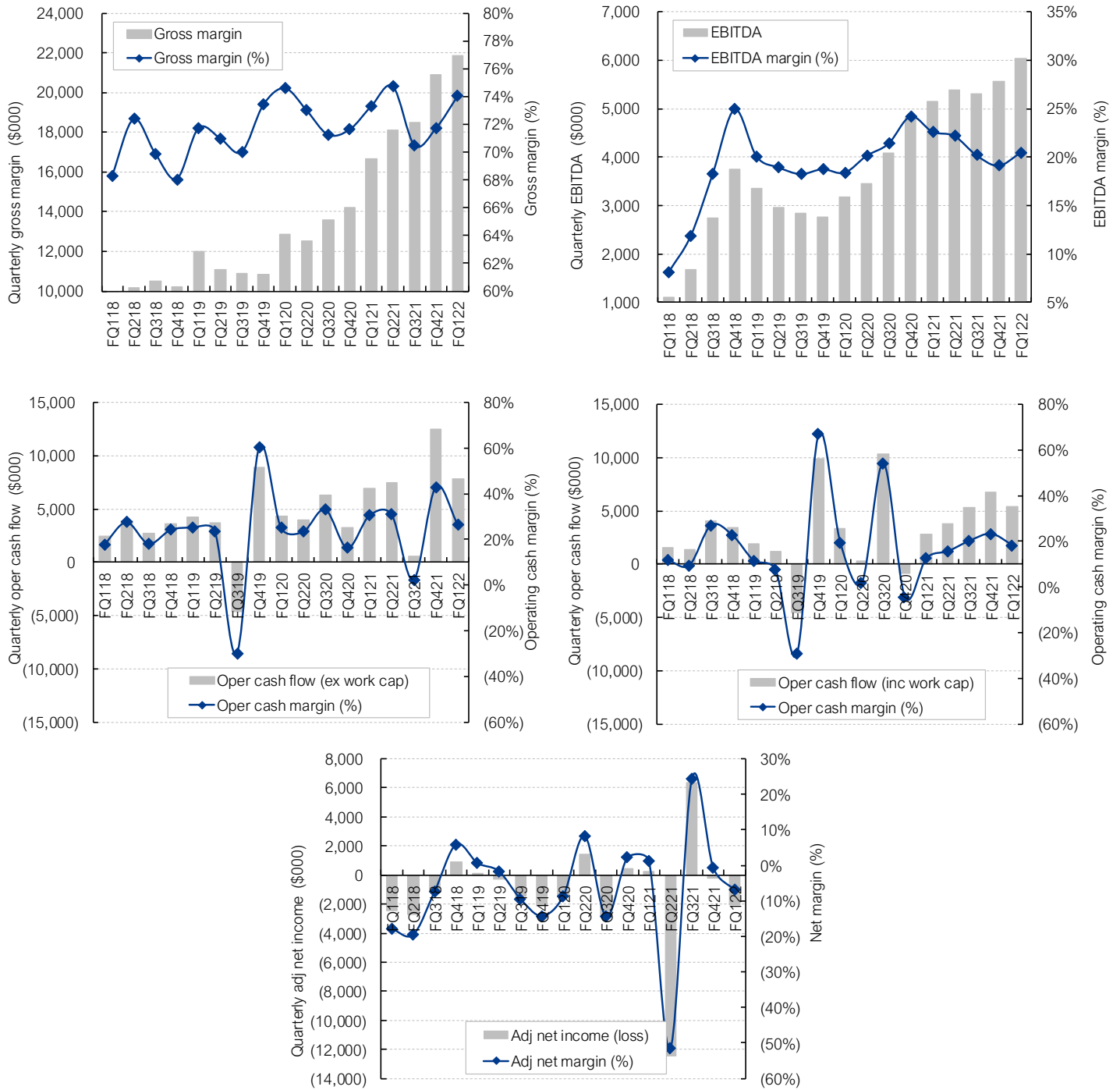
<sup>1</sup> QIPT share price indicated in USD, was C\$7.00 on TSX at Feb 14/22

Source: Refinitiv, Leede Jones Gable

Quipt remains attractively valued and currently trades at a steep discount to peers. Presently QIPT shares trade at 4.7x EV/F2023 EBITDA, as compared to Canadian healthcare services peers at 7.6x (with admittedly wide variability from the mean across this group of highly-diversified healthcare services firms) and QIPT's direct US peer group of durable medical equipment

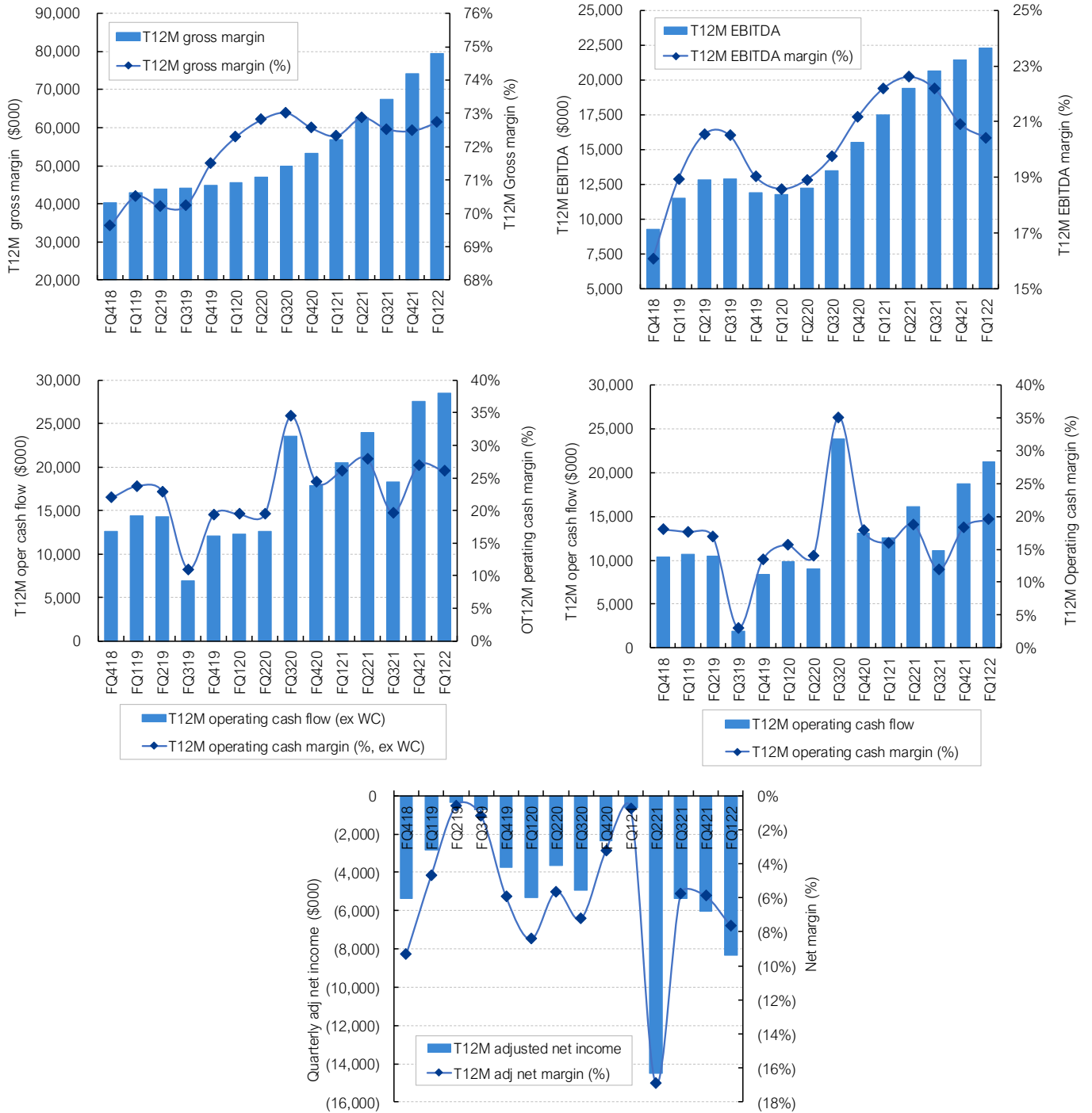
or home medical equipment distributors is trading at an even higher premium of 13.7x respectively. Quipt's best US peers are admittedly trading at a bit closer to the F2023 consensus EBITDA multiples currently ascribed to Quipt, but still at a premium. Adapthealth (AHCO-Q, NR), for example is trading at 5.5x F2023 consensus EBITDA and VA-based healthcare giant Owens & Minor (OMI-N, NR) is trading at 8.3x F2023 consensus EBITDA. Separately, Owens just acquired IN-based home healthcare services provider Apria (APR-Q, NR) for 6.4x T12M EBITDA (US\$1.45B total acquisition value).

Exhibit 4. Summary of Historic Quarterly EBITDA, Margin and Cash Flow Trends for Quipt Home Medical



Source: Refinitiv, Leede Jones Gable

Exhibit 5. Summary of T12M EBITDA, Margin and Cash Flow Trends for Quipt Home Medical



Source: Refinitiv, Leede Jones Gable

**Disclosures** none

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<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
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<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12 month time horizon.
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RECOMMENDATION	NO. OF COMPANIES	%
Buy	9	47%
Speculative Buy	6	32%
Hold	4	21%
Sell	-	-
Tender	-	-
Under Review	-	-

**Historical Target Price**

