

**BUY**  
**ANALYSIS OF SALES/EARNINGS**

Financial Summary		
Changes	Previous	Current
Rating	—	Buy
Target Price	C\$2.60	C\$3.10
FY21E EPS	—	\$0.00
FY22E EPS	\$0.14	\$0.11
FY21E Revenue	\$130.3	\$104.5
FY22E Revenue	\$165.5	\$125.9

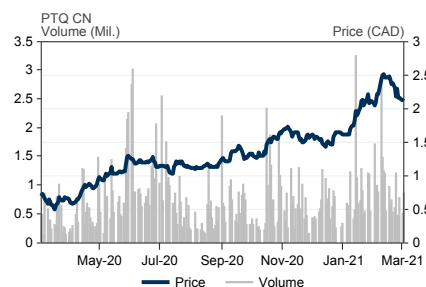
Price ( 03/02/21 ):	C\$2.12
52-Week Range:	C\$3 - C\$0.47
Market Cap.(mm):	\$207.4
Shr.O/S-Diluted (mm):	123.4
Enterprise Val. (mm):	\$213.2
Avg Daily Vol (3 Mo):	839,999
Dividend / Yield:	C\$0.00 / 0.0%

PTQ has switched its reporting currency to USD, effective FQ1 2021. "Previous" estimates in the Financial Summary above are denominated in CAD, while "Current" estimates are denominated in USD.

Revenue	2020A	2021E	2022E
FY (Sep)	\$97.8A	\$104.5	\$125.9
EV/Rev	2.2x	2.0x	1.7x
EBITDA	\$20.8A	\$23.1	\$28.9
EV/EBITDA	10.3x	9.2x	7.4x
EPS	\$(0.07)A	0.00	\$0.11

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

**Price Performance**



**Momentum building, except for valuation**

**Summary**

PTQ reported solid Q1 2021 results (end Dec.), slightly beating our estimates with +32% YoY top line growth (~10% organic) and 300bps of adj. EBITDA margin expansion YoY. Management reiterated its bullish outlook for the year on the conference call, highlighting continued solid organic growth and a robust M&A pipeline. PTQ's CEO has acquired over 20 businesses with an M&A playbook that works and we view acquisitions as catalysts. PTQ is also in the process of listing its shares on the NASDAQ, expected to occur in 1H 2021. In anticipation of the listing, PTQ switched to reporting in USD and our estimates reflect the change. We also rolled forward our valuation to be based on F2022 EBITDA (vs. F2021 previously), leading to our target price increasing from C\$2.60 to C\$3.10. Valuation remains well below peers for PTQ at 10x C2021 EBITDA vs. 14-15x and we expect a catch up trade.

**Key Points**

**Key metrics overview:**

- **Revenue** was ~US\$22.8mm, up ~32% YoY and compared to our estimate of ~US\$21.6mm (C\$27.4mm). Recurring revenue now represents ~75% of total revenue and should continue to trend higher as the Sleepwell acquisition makes its first full quarter contribution in Q2.
- **Adjusted EBITDA** was ~US\$5.1mm (~22.5% margin), compared to US\$3.3mm (~19.5% margin) YoY and vs. our estimate of ~US\$4.7mm (~C\$6mm or ~22% margin).
- **Diluted EPS** was breakeven, in-line with our estimate and compared to a loss of US\$0.02 YoY.
- **Cash flow:** PTQ generated ~US\$2.8mm in cash from its operations, compared to a US \$3.6mm in-flow YoY and our estimate of a ~US\$1.6mm (C\$2mm) in-flow.
- **Balance sheet:** PTQ finished Q1 with US\$23.6mm in cash, US\$20mm left undrawn on a credit facility, and US\$24.8mm in total debt.

**Rating:** We have rolled forward our valuation to now be based on F2022 estimates. Applying an 11x multiple to our F2022 EBITDA, we arrive at our new target price of C\$3.10. The stock continues to trade at a wide discount to peers at ~10x C2021e EBITDA vs 14x-15x. We believe continued solid execution, M&A, and the NASDAQ listing should help bridge the valuation gap.

**Investment Thesis**

*We see PTQ 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. PTQ 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\$3.10 target price is based on 11x F2022e EBITDA.

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

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

**COVID-19:** PTQ'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. PTQ'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**

Protech 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 PTQ's business is providing respiratory equipment rental/leases with associated consumable supplies and 20% related to mobility and related home equipment. PTQ's respiratory segment breaks down further to 40% related to Oxygen and Ventilator services and 40% for sleep therapy solutions.

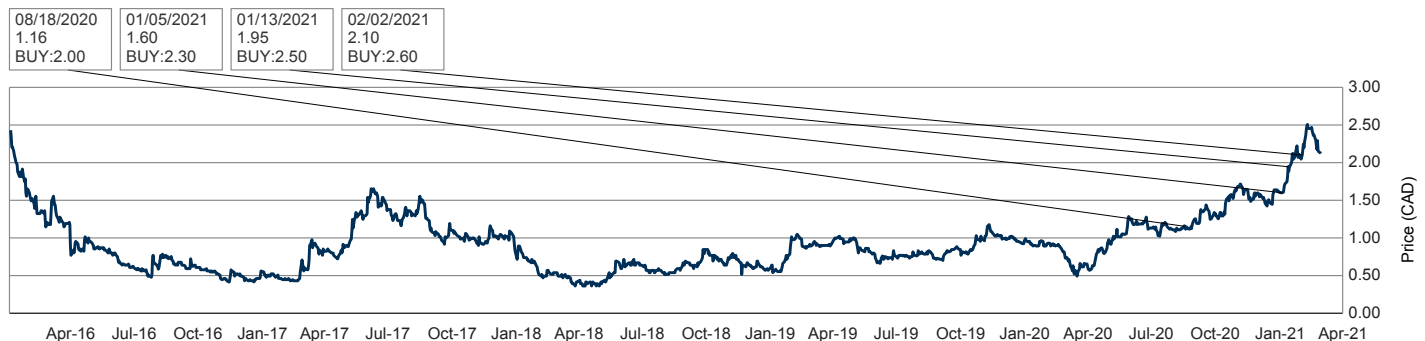
Protech Home Medical (TSXV:PTQ)		CAD	CAD	USD	USD	USD	USD	USD	USD
Income Statement		2019	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021e	2022e
Revenue	\$mm	\$81	\$98	\$23	\$25	\$26	\$30	\$105	\$126
COGS	\$mm	\$24	\$27	\$6	\$7	\$7	\$8	\$29	\$35
Gross Profit	\$mm	\$57	\$71	\$17	\$18	\$19	\$22	\$76	\$91
Margin	%	71%	73%	73%	72%	72%	72%	72%	72%
OPEX	\$mm	\$59	\$70	\$15	\$18	\$18	\$21	\$72	\$75
Adj. EBITDA	\$mm	\$15	\$21	\$5	\$6	\$6	\$7	\$23	\$29
Margin	%	18%	21%	23%	22%	22%	22%	22%	23%
EPS	\$/sh	(\$0.09)	(\$0.07)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.11

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### Protech Home Medical (PTQ CN) as of March 01, 2021 (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 PTQ CN go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=PTQ CN>**

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<sup>1</sup> This rating is only utilised by Stifel Canada.

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