

Solid Growth in Preliminary Q4/F21 Results

Thursday, December 16, 2021

Event

This morning before market open, Quipt Home Medical Corp. (QIPT or the Company) released preliminary Q4/F22 results and reported delayed filing of year end financials.

Highlights

- Preliminary Q4/F21 results.** Quipt announced Q4/F22 preliminary revenues of \$27.6-28.1M, slightly below consensus of \$28.9M. Preliminary Adj. EBITDA was \$5.3-5.6M which constitutes a 19-20% margin, slightly missing the consensus Adj. EBITDA margin estimate of 21%. This revenue and Adj. EBITDA show continued strong YoY numbers in both organic and M&A growth but could have been even better if not for continued supply chain difficulties exacerbated by the Philips Respironics (subsidiary of Royal Philips, PHG-N, Not Rate) recall. We expect margins to climb in late F2022 as acquisitions are integrated and Quipt continues to scale. Cash position is \$34.6M and the \$180-190M revenue and \$38-43M Adj. EBITDA run rate guidance for C2022 year-end are intact.
- Competitive position improving through a supply chain crunch.** As telegraphed in our [Sept 22 note](#), QIPT is beginning for the first time to build a backlog since the supply squeeze is industry-wide and the ability of competitors to meet demand is impeded. Therefore, what is beginning to look like prolonged supply chain disruptions will cement QIPT's market position and function to defer revenue rather than reduce it, since patients in need of medical equipment are unlikely to reduce purchases due to backlogs. Although we lack visibility on the timeline to normalization, we are convinced that QIPT offers a clear value proposition in an industry with strong, structural, long-term tailwinds and will exit this period of supply chain difficulties in a stronger competitive position.
- Delayed financials.** Since listing on the Nasdaq in May 2021, the deadline for filing year end financials became shorter compared to when QIPT only traded on the TSX Venture. The Company has announced that F2021 audited financials will be filed no later than the historical deadline of January 28, 2022.
- Model updates.** Since Quipt confirmed that the two targets under non-binding LOIs are on track for closing on schedule, we incorporate these acquisitions for the first time at a 50% probability of success. We update the FX rate to 1.28 (previously 1.27) and EV/EBITDA multiple to 15.0x (previously 14.0x).

Bottom Line

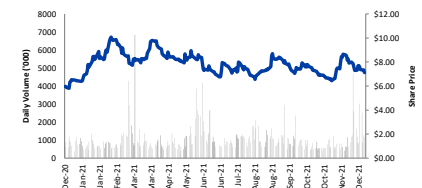
QIPT continues its rapid expansion through organic and acquisitive growth, and although supply chain difficulties have prevented Quipt from beating estimates in H2/F21, the fundamental value proposition and M&A momentum have strengthened and promise to make F2022 an even better year for Quipt than F2021. Recent acquisitions have demonstrated the value creation opportunities that make QIPT our top pick. We maintain our unchanged target of C\$13.50/share and maintain our Buy recommendation based on an EV/EBITDA valuation, noting the upside to our model if more acquisitions are closed.

Rating:	BUY	<i>(unchanged)</i>
Target Price:	C\$13.50	<i>(unchanged)</i>
Last Price:	C\$7.12	
Ticker:	QIPT-V	

Market Data	
Target return (incl. dist.):	89.6%
Dividend/yield:	C\$0.00 / 0.0%
Shares outstanding (M):	33.4
Market capitalization (C\$M):	238
Enterprise value (C\$M):	186
52-week range (C\$):	5.64 - 10.16
Last Fiscal year end:	Sep. 30, 2021
Average weekly volume:	34,904
Currency (unless otherwise indicated):	USD

Forecast summary	F19A	F20A	F21E	F22E
Revenue (\$M)	63.6	76.8	101.2	136.0
<i>Previous</i>			102.4	133.7
Adj. EBITDA (\$M)	14.8	16.3	20.9	28.3
<i>Previous</i>			21.2	29.4
EPS fd (\$)	(0.08)	(0.06)	(0.14)	0.47
<i>Previous</i>			(0.13)	0.51

Key trading multiples	F19A	F20A	F21E	F22E
EV/Revenue	1.0x	1.0x	1.8x	1.4x
EV/adj. EBITDA	12.6x	11.4x	8.9x	6.6x



	Q1	Q2	Q3	Q4	YE
Revenue (\$M)					
F2019	16.1	16.4	15.8	15.3	81.0
F2020	17.9	18.9	20.3	19.6	76.8
F2021	22.8	24.2	26.2	27.9	101.2
F2022	30.3	33.6	35.1	37.0	136.0
Adj. EBITDA (\$M)					
F2019	2.9	3.0	3.0	2.8	11.6
F2020	3.5	3.9	4.4	4.6	16.3
F2021	5.1	5.4	5.3	5.5	21.3
F2022	6.1	6.7	7.4	8.1	28.3
EPS fd (\$)					
F2019	0.00	(0.00)	(0.11)	0.06	(0.08)
F2020	(0.02)	0.02	(0.03)	(0.02)	(0.06)
F2021	0.04	(0.43)	0.19	0.02	(0.13)
F2022	0.05	0.09	0.13	0.16	0.43

shaded values above are IAS forecasts

Company Profile

Quipt Home Medical is a market-leading healthcare services company that aims to improve the home management of chronic illness by providing a diverse offering of home durable medical equipment (DME) and services to patients in the US.

Valuation & Recommendation

Valuation Summary

Our target price is determined by an EV/Adj. EBITDA valuation approach. Below, we have updated the FX rate for CAD/USD to 1.28 (previously 1.27) and added the two acquisitions under non-binding LOI to the financials at a 50% probability of completion due to the confirmation that the negotiations are on track.

Due to the advantageous competitive position Quipt is in through supply chain disruptions (described in detail here: [Supply Chain Disruption May Create Opportunities](#)) compared to peers, and the drag on EBITDA margin of recently acquired businesses compared to the post-integration run-rate, we give Quipt one turn on its EV/EBITDA multiple above peers.

EV/Adj. EBITDA Valuation. We continue to note that the Company is trading at a significant discount to peers on both an EV/Adj. EBITDA and EV/Revenue basis. We believe the discrepancy is unwarranted given management's strong track record of successfully increasing each acquired businesses' EBITDA margin, its strong recurring revenue model, and aggressive growth trajectory to achieve \$250M in revenue at 25% EBITDA margins in three to five years. As such, we think that Quipt should trade in line with its comparables on an EV/Adj. EBITDA multiple basis. However, given that multiple acquisitions will be integrated during F2022 in our model and the temporary drag that newly acquired businesses have on EBITDA margin (until they are integrated and synergies brings the margin in line with the rest of the business), as well as the advantageous competitive position Quipt has compared to competitors facing the industry-wide supply chain challenges, we give Quipt one turn on its EV/EBITDA multiple above peers. Therefore, we add a turn to the average of 2021 and 2022 EV/EBITDA multiple from peers to derive a 15.0x (previously 14.0x) multiple for our valuation. This results in our unchanged C\$13.50/share target price and our Buy recommendation.

Exhibit 1: Comps Table

Company	Ticker	Close	Mkt Cap (\$M)	Debt+Pref (\$M)	Ent. Value (\$M)	EBITDA (\$M)			Debt/EBITDA 21	EV/EBITDA			Revenue			EV/Revenue		
						2020A	2021E	2022E		2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
Fisher & Paykel Healthcare Corp Ltd	FPH-NZ	31.77	18,330	218	18,548	422.0	835.6	639.3	3.8x	43.9x	22.2x	29.0x	1,232	2,086	1,747	15.1x	8.9x	10.6x
Envista Holdings Corp	NVST-K	42.05	6,650	681	7,331	281.2	499.5	542.1	0.7x	26.1x	14.7x	13.5x	2,217	2,514	2,629	3.3x	2.9x	2.8x
Amedisys Inc	AMED-O	157.47	5,160	369	5,529	270.4	296.8	304.3	0.8x	20.4x	18.6x	18.2x	2,074	2,206	2,377	2.7x	2.5x	2.3x
Adapthealth Corp	AHCO-O	20.87	2,780	1,900	4,680	189.5	574.4	676.7	0.3x	24.7x	8.1x	6.9x	1,031	2,439	2,850	4.5x	1.9x	1.6x
Owens & Minor Inc	OMI-N	40.69	3,080	919	3,999	312.5	491.7	439.0	0.5x	12.8x	8.1x	9.1x	8,275	9,755	9,705	0.5x	0.4x	0.4x
Inogen Inc	INGN-O	32.52	750	(245)	505	17.5	19.3	14.7	-0.1x	28.9x	26.2x	34.4x	304	356	376	1.7x	1.4x	1.3x
Savaria Corp	SIS-T	18.66	1,210	363	1,573	59.6	100.2	128.2	0.3x	26.4x	15.7x	12.3x	354	655	771	4.4x	2.4x	2.0x
Apria Inc.	APR-O	29.28	1,080	164	1,244	n/a	212.6	212.0	1.3x	n/a	5.9x	5.9x	n/a	1,141	1,198	n/a	1.1x	1.0x
Viemed Healthcare Inc	VMD-T	6.96	280	(84)	196	37.2	26.9	30.8	-0.3x	5.3x	7.3x	6.4x	132	115	126	1.5x	1.7x	1.6x
Medical Facilities Corp*	DR-T	8.82	270	122	392	96.7	100.6	99.9	0.8x	4.1x	3.9x	3.9x	389	405	414	1.0x	1.0x	0.9x
Akumin Inc	AKU-T	2.18	190	1,327	1,517	63.1	78.5	172.9	0.1x	24.0x	19.3x	8.8x	260	418	760	5.8x	3.6x	2.9x
IntriCon Corp	IIN-Q	14.57	130	(31)	99	2.9	8.0	11.5	-0.3x	34.5x	12.4x	8.6x	100	124	138	1.0x	0.8x	0.7x
CareRx Corporation*	CRRX-T	5.25	220	95	315	12.9	24.1	42.0	0.3x	24.4x	13.1x	7.5x	168	257	381	1.9x	1.2x	0.8x
BIOLASE Inc	BIOL-Q	0.38	60	(19)	41	(14.4)	(13.5)	(7.5)	0.7x	n/a	n/a	n/a	23	37	44	1.8x	1.1x	0.9x
Inspiration Healthcare Group PLC	IHC-L	113.48	80	(7)	73	2.1	4.9	5.6	-0.7x	35.3x	14.8x	13.0x	18	37	41	4.1x	2.0x	1.8x
Dynatronics Corp	DYNT-Q	1.06	20	3	23	n/a	n/a	n/a	n/a	n/a	n/a	n/a	53	47	44	0.4x	0.5x	0.5x
Totals / Average			40,300	361	46,100	1,750	3,260	3,310	0.6x	26.3x	14.1x	13.9x	16,630	22,590	23,600	2.8x	2.0x	2.0x
Quipt Home Medical (iA)	QIPT-V	7.12	240	(54)	186	16.3	21.3	28.3	-2.5x	11.4x	8.7x	6.6x	76.8	101.2	136.0	2.4x	1.8x	1.4x

*indicates our coverage universe

Source: Quipt Home Medical, Refinitiv, iA Capital Markets

Exhibit 2: Valuation and Target Price

EV/adj. EBITDA Valuation	
NTM Adj. EBITDA (\$M)	23,601
Multiple	15.0x
Enterprise Value (\$M)	354,020
Net cash (debt) end of 2021e (\$M)	4,184
Market Cap (\$M)	358,204
S/O end of F21	33,754
Target Price	\$10.61
USD/CAD FX	1.28
Target Price (C\$)	\$13.50

Source: iA Capital Markets

Exhibit 3: Financial Snapshot

	F2019 Sep-19	Q1-20 Dec-19	Q2-20 Mar-20	Q3-20 Jun-20	Q4-20 Sep-20	F2020 Sep-20	Q1-21 Dec-20	Q2-21 Mar-21	Q3-21 Jun-21	Q4-21 Sep-21	F2021 Sep-21	F2022 Sep-22	F2023 Sep-23	F2024 Sep-24
Balance Sheet in US\$ thousands														
Current Assets														
Cash and cash equivalents	12,855	6,568	4,877	35,091	30,620	30,620	23,593	27,158	30,594	37,184	37,184	56,105	85,118	120,401
Accounts receivable	12,390	9,251	11,818	9,874	9,523	9,523	9,055	10,870	11,702	14,577	14,577	19,302	23,424	28,287
Other	5,538	5,628	6,988	7,553	7,298	7,298	8,884	10,673	19,394	8,316	8,316	10,083	12,302	14,817
Total Current Assets	30,783	21,448	23,684	52,519	47,441	47,441	41,232	48,701	61,690	60,077	60,077	85,491	120,845	163,505
Asset held for distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Current Assets														
Property and equipment, net	19,590	19,855	20,522	17,579	17,537	17,537	17,884	18,719	20,252	17,277	17,277	9,166	6,251	5,561
Goodwill	1,881	4,223	4,511	4,324	4,080	4,080	7,962	11,485	11,436	20,286	20,286	20,286	20,286	20,286
Intangible assets, net	2,911	2,057	2,109	1,895	5,845	5,845	10,874	10,337	12,713	12,258	12,258	10,438	8,618	6,758
Total Non Current Assets	24,382	26,135	27,142	23,801	28,066	28,066	37,042	41,027	44,852	50,272	50,272	40,341	35,606	33,096
Total Assets	55,165	47,583	50,825	76,320	75,507	75,507	78,274	89,728	106,542	110,349	110,349	125,832	156,451	196,601
Current Liabilities														
Trade payables and accrued liabilities	10,441	10,117	11,387	9,881	12,341	12,341	9,619	11,633	13,008	12,734	12,734	14,932	17,634	20,825
Financial lease payable	8,528	8,372	6,969	7,762	6,651	6,651	2,362	2,481	2,594	2,570	2,570	3,932	5,967	6,314
Other liabilities	-	-	-	5,966	4,665	4,665	5,319	12,005	7,305	7,305	7,305	7,305	7,305	7,305
Total Current Liabilities	18,969	18,489	18,356	23,610	25,547	25,547	23,494	34,339	32,330	31,062	31,062	29,833	33,327	36,863
Liabilities held for distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Current Liabilities														
Long-term finance lease obligations	3,081	4,093	6,069	4,396	6,240	6,240	3,704	3,321	3,399	8,023	8,023	10,086	9,511	8,793
Debtentures	13,968	11,543	9,541	12,143	13,545	13,545	14,193	17,327	13,792	13,792	13,792	13,792	13,792	13,792
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	189	191	196	587	587	2,994	1,577	122	-	-	-	-	-
Total Non Current Liabilities	17,047	15,825	15,800	16,735	20,372	20,372	21,494	23,295	18,094	22,596	22,596	24,659	24,084	23,366
Total Liabilities	36,016	34,314	34,156	40,345	45,919	45,919	44,988	57,634	50,424	53,658	53,658	54,493	57,410	60,229
Shareholders' Equity														
Total Shareholders' Equity	19,149	13,270	16,669	35,975	29,588	29,588	33,286	32,094	56,118	56,671	56,671	71,340	99,041	136,372
Total Liabilities & Shareholders' Equity	55,165	47,583	50,825	76,320	75,507	75,507	78,274	89,728	106,542	110,349	110,349	125,832	156,451	196,601
Income Statement in US\$ thousands														
Revenue														
Sale of medical equipment and supplies	27,600	7,746	7,937	8,325	9,169	33,177	10,402	10,401	13,751	10,544	45,098	49,608	54,569	60,026
Rental of medical equipment / patient monitoring	35,900	10,137	10,993	11,993	10,479	43,602	12,353	13,839	12,487	17,395	56,074	86,419	108,111	135,988
Total Revenue	63,500	17,883	18,929	20,318	19,648	76,779	22,755	24,240	26,238	27,940	101,173	136,027	162,680	196,013
Cost of Revenue	17,800	4,735	5,107	5,841	5,386	21,070	6,071	6,122	7,747	7,935	27,875	36,997	42,297	50,964
Gross Profit	45,800	13,148	13,823	14,477	14,262	55,709	16,684	18,118	18,491	20,005	73,298	99,030	120,383	145,050
Operating Costs	48,000	13,477	13,688	14,255	13,500	54,920	15,198	16,684	15,512	19,030	70,424	83,433	92,630	108,406
Net income from continuing operations before financing expenses, taxes and discontinued operations	(2,200)	(329)	134	222	668	895	1,430	1,418	(1,113)	975	2,710	15,598	27,753	36,644
Financing expenses	2,790	474	487	236	961	2,158	590	6,296	(3,919)	480	3,447	2,213	2,437	2,513
Net income from continuing operations before taxes	(4,990)	(1,381)	1,649	(2,892)	(1,638)	(4,261)	(41)	(12,490)	5,794	495	(6,242)	13,384	25,316	34,131
Recovery for income taxes	210	-	35	38	62	135	(1,407)	-	(535)	(46)	(1,988)	(1,236)	(2,338)	(3,152)
Net income from continuing operations after taxes and before discontinued operations	(5,200)	(1,381)	1,615	(2,930)	(1,700)	(4,396)	1,366	(12,490)	6,329	541	(4,254)	14,620	27,653	37,283
Discontinued operations	1,910	-	(327)	-	(583)	(910)	-	-	-	-	(910)	(583)	(583)	-
Net income	(3,290)	(1,381)	1,288	(2,930)	(2,011)	(5,034)	1,366	(12,490)	6,329	541	(4,254)	14,620	27,653	37,283
Net income per share														
Basic – continuing operations	(0.08)	(0.02)	0.02	(0.03)	(0.02)	(0.06)	0.05	(0.43)	0.20	0.02	(0.14)	0.47	0.90	1.21
Diluted – continuing operations	(0)	(0.02)	0.02	(0.03)	(0.02)	(0)	0.04	(0.43)	0.19	0.02	(0.13)	0.43	0.82	1.10
Weighted average number of common shares outstanding														
Basic	82,860	83,589	83,657	84,261	90,884	83,589	28,177	29,294	30,893	30,893	30,893	30,893	30,893	30,893
Diluted	82,860	83,589	88,496	84,261	90,884	90,884	30,466	29,294	33,754	33,754	33,754	33,754	33,754	33,754
Cash Flow Statement in US\$ thousands														
Operating Activities														
Net income from continuing operations	(9,141)	(1,381)	1,615	(2,930)	(1,700)	(4,396)	1,366	(12,490)	6,447	541	(4,254)	14,620	27,653	37,283
Adjustments to reconcile net loss														
Items not affecting cash	21,283	5,291	5,397	6,016	5,782	22,487	6,130	10,833	3,047	6,236	28,388	20,091	15,444	13,893
Change in Working Capital	(5,060)	(997)	(3,470)	4,805	(5,239)	(4,900)	(5,793)	(2,064)	(1,452)	6,193	(3,116)	(11,687)	(11,045)	(11,601)
Cash Flow from Operating Activities	8,913	3,491	1,214	10,494	(1,352)	13,848	3,090	3,535	5,296	12,971	24,892	23,025	32,052	39,574
Investing Activities														
Cash Flow from Investing Activities	2,339	(3,229)	34	(299)	(4,808)	(8,302)	(6,873)	(1,822)	(3,884)	(9,909)	(22,488)	(2,721)	(3,254)	(3,920)
Financing Activities														
Cash Flow from Financing Activities	(5,060)	(3,911)	(3,194)	20,356	1,417	14,669	(2,573)	1,611	2,001	3,528	4,567	(1,383)	215	(371)
Net change in cash and cash equivalents	6,192	(3,648)	(1,945)	30,551	(4,742)	20,214	(6,356)	3,324	3,413	6,590	6,971	18,921	29,014	35,283
Effect of exchange rate changes on cash held in foreign currencies	174	120	254	(337)	271	309	721	242	23	-	986	-	-	-
Cash, beginning of year	4,331	10,097	6,568	4,877	35,091	10,097	29,227	23,592	27,158	30,594	30,620	37,184	56,105	85,118
Cash and cash equivalents, end of year	12,855	6,568	4,877	35,091	30,620	30,620	23,592	27,158	30,594	37,184	37,184	56,105	85,118	120,401
EBITDA	9,342	3,433	3,796	4,297	4,536	16,062	4,517	5,358	3,651	5,464	19,136	28,248	35,742	43,075
Adj. EBITDA	14,801	3,466	3,868	4,354	4,648	16,337	5,126	5,370	5,340	5,476	20,864	28,296	35,790	43,123
Adj. EBITDA Margin (%)	23%	19%	20%	21%	24%	21%	23%	22%	20%	20%	21%	21%	22%	22%

Source: Quipt Home Medical, iA Capital Markets

Investment Recommendation Rating System

- Strong Buy:** Expected to provide a substantial return over the next 12 months, with a lower level of risk than comparable investments.
- Buy:** Expected to provide a reasonably positive return over the next 12 months.
- Speculative Buy:** Expected to provide a positive return over the next 12 months, but with a high level of risk, or based on a future uncertain event.
- Hold:** Expected to remain in a trading range near the current share price for the next 12 months.
- Sell:** Expected to deliver a negative return over the next 12 months.
- Under Review:** Currently available information is inadequate to provide an investment rating.
- Tender:** Investors should tender their shares to the current offer.

Company Related Disclosures

Issuer Company	Ticker	Exch.	Disclosures
CareRx Corp.	CRRX	T	3
Medical Facilities Corp	DR	T	-
Quipt Home Medical Corp	QIPT	V / Q	-

See legend of Disclosures below.

Rating & Target Price History



Source: iA Capital Markets, Bluematrix, Refinitiv

General Disclosures

Please note that Industrial Alliance Securities Inc. merged with MGI Securities Inc. on April 1, 2014 and continued their operations as Industrial Alliance Securities Inc. As a result, the enclosed disclosures may relate to either Industrial Alliance Securities Inc. or to MGI Securities Inc. for the period prior to April 1, 2014. All appropriate disclosure will be included until no longer needed.

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