

June 7, 2022

**QUIPT HOME MEDICAL CORP. (QUIPT-TSXV, \$6.54)**

**Rating: BUY**  
**Target Price: \$14.00**

**TEXTBOOK TUCK-IN ACQUISITION**

Quipt Home Medical Corp.		QUIPT	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)			\$6.54
Target Price (\$)			\$14.00
Return to Target			114%
52-Week Trading Range (\$)		\$5.14 /	\$8.87
Average Daily Volume (90-Day)			40.0K
<b>MARKET INFO</b>			
Shares Outstanding (M)			33.5
Market Capitalization (\$M)			\$219.3
Enterprise Value (\$M)			\$227.8
<b>FYE: SEP 30</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
Revenue (US\$M)	\$102.4	\$142.3	\$160.8
Gross Margin (%)	72%	74%	72%
Adj. EBITDA (US\$M)	\$21.4	\$31.2	\$37.3
Net Income (US\$M)	(\$6.2)	\$10.8	\$13.2
<b>MOST RECENT QUARTER</b>			
<b>Mar-21</b>			
Revenue (US\$M)			\$33.6
Gross Margin (%)			78%
Adj. EBITDA (US\$M)			\$7.0
Net Income (US\$M)			\$5.0
Cash (US\$M)			\$17.4
Debt (US\$M)			\$24.2
<b>VALUATION</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
EV/Revenue	1.8x	1.3x	1.1x
EV/EBITDA	8.5x	5.8x	4.9x
<b>PEER VALUATION</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
EV/EBITDA	13.3x	10.6x	9.2x
<b>DISCLOSURE CODE:</b>	None		
<i>(Please refer to applicable disclosures on the back page)</i>			
Source: M Partners, Capital IQ, Bloomberg, Company Documents			



Quipt Home Medical Corp. is a distributor of durable medical equipment (DME) across 15 states, with 170,000 active patients and 19,000 referring physicians in the U.S. Recently, QUIPT's focus has been on leveraging its financial strength and unique positioning to acquire smaller businesses in a rapidly consolidating industry.

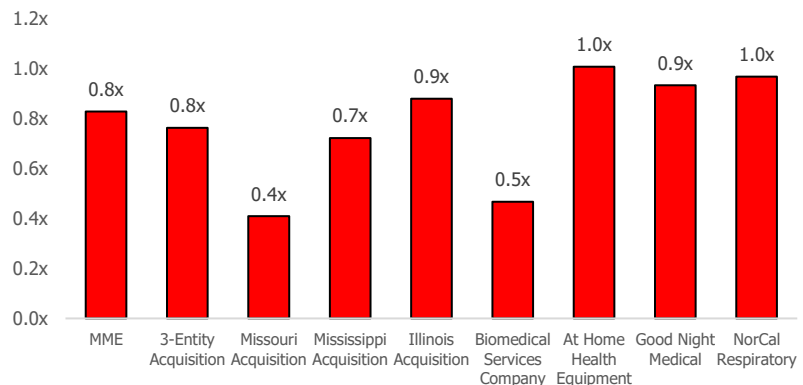
**This morning Quipt Home Medical announced the acquisition of California based respiratory supplier, NorCal Respiratory Inc.** NorCal has three locations in Northern California, growing QUIPT's total footprint to 90 locations. This will allow QUIPT to create a second hub in the Northern portion of California and target a region with a high prevalence of COPD. NorCal has several insurance contracts and is diversified among its referral and payor base. This acquisition represents QUIPT's second acquisition in Q3/22 (after the Good Night Medical acquisition announced April 19<sup>th</sup>).

The acquisition adds over 600 referring physicians, bringing Quipt's total network to 19,600 and adds over 3,600 active patients, bringing Quipt's active patient count to 184K. Given the target's focus on respiratory products (98% of its product mix), QUIPT will have the opportunity to introduce its ventilation therapy program to NorCal's patient base.

The target company posted US\$3.2M over the last twelve months and QUIPT expects it to generate US\$650K post integration. Quipt paid \$3.1M in cash for NorCal, implying 1.0x sales and 4.8x EBITDA (in line with QUIPT's previous acquisitions, see Figure 1).

We remind readers that QUIPT ended Q2/22 with US\$17.4M in cash and US\$20M in undrawn credit, providing ample dry powder to continue executing on its M&A roll-up strategy.

We would like to reiterate that Owens & Minor (OMI:NYSE) acquired Apria Inc. (APR:NASDAQ) for 7x 2022E EBITDA in March 2022, despite APR being the slowest growing competitor in our peer group (+1% 2022E revenue growth). We view this as a major positive and floor valuation for QUIPT, which currently trades at 4.9x forward EBITDA (the cheapest company in the DME group with the best growth rate). We continue to expect QUIPT to execute on its roll-up strategy (at <1.0x sales) and take advantage of the favourable reimbursement environment to post 8%+ organic growth. **We are maintaining our BUY rating and our \$14.00/share target price based on 10.0x 2023E adjusted EBITDA.**



**Figure 1: Acquisition Sales Multiples**

Disclosure Code: None

**Disclosure**

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	16
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	18