

June 21, 2022

QUIPT HOME MEDICAL CORP. (QUIPT-TSXV, \$6.30)

Rating: **BUY**

New Target Price: **\$13.00**

ACCELERATING THE PACE OF ACQUISITIONS AGAIN

Old Target Price: **\$14.00**

Quipt Home Medical Corp.		QUIPT	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)			\$6.30
Target Price (\$)			\$13.00
Return to Target			106%
52-Week Trading Range (\$)		\$5.14 /	\$8.87
Average Daily Volume (90-Day)			35.8K
MARKET INFO			
Shares Outstanding (M)			33.5
Market Capitalization (\$M)			\$211.2
Enterprise Value (\$M)			\$220.0
FYE: SEP 30	F2021A	F2022E	F2023E
Revenue (US\$M)	\$102.4	\$140.2	\$163.5
Gross Margin (%)	72%	74%	73%
Adj. EBITDA (US\$M)	\$21.4	\$29.6	\$37.9
Net Income (US\$M)	(\$6.2)	\$9.7	\$13.6
MOST RECENT QUARTER		Mar-21	
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
VALUATION	F2021A	F2022E	F2023E
EV/Revenue	1.7x	1.2x	1.0x
EV/EBITDA	8.0x	5.7x	4.5x
DISCLOSURE CODE:	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 that it has acquired Access Respiratory Homecare, LLC. Access Respiratory is a respiratory and ventilation product supplier with operations in Louisiana, a new state for QUIPT. The acquisition marks Quipt's second acquisition this month alone and fourth in CY2022, returning to the rapid pace we saw in 2021.

Access Respiratory has two locations in Louisiana, including large markets such as New Orleans and Lafayette (each of which will be a hub for QUIPT). Louisiana represents another region with a high prevalence of COPD, with 304K people diagnosed with COPD in the state.

Access Respiratory's product mix is heavily weighted to respiratory products, including a robust ventilation therapy program. The acquisition adds over 1,000 referring physicians and 6,000 active patients, bringing Quipt's totals to 20,600 referring physicians and 190K active patients. The target company has several insurance contracts that will be instrumental to its future growth. The acquisition will allow QUIPT to cross-sell its subscription-based resupply program to Access Respiratory patients, with 2,400 patients set to join the program and provide immediate revenue synergies.

In April, QUIPT announced the execution of a national insurance contract with a top five health insurer. Quipt will be able to leverage this contract when entering Louisiana and immediately begin onboarding clients from the health insurer. We think this element of the QUIPT story has gone relatively unnoticed in the past few months.

Today's acquisition is expected to increase QUIPT's annual revenue by US\$6.5M and increase adjusted EBITDA by US\$1.3M post integration. The acquisition was in-line with QUIPT's previous acquisition multiples of 0.7-1.0x trailing sales. Quipt again reiterated its guidance for its CY2022 exit run-rate (Fiscal Q1/23 run-rate) of US\$180-190M in revenue and US\$38-43M in adjusted EBITDA. This includes future M&A which we do not model for. We remind readers that QUIPT ended Q2/22 with US\$17.4M in cash and US\$20.0M in undrawn credit, providing ample dry powder to continue executing on its M&A roll-up strategy.

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. Our view on QUIPT's fundamentals remains unchanged; however, with multiples compressing across DMEs in the space (VMD trading at 5.2x 2023E EBITDA, AHCO trading at 6.3x 2023E EBITDA), we are lowering our target multiple to 9.0x – still reflecting a premium for QUIPT's superior organic growth and M&A program. **We are maintaining our BUY rating and are revising our target price to \$13.00/share (previously \$14.00/share) based on 9.0x 2023E EBITDA.**

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