

July 11, 2022

**QUIPT HOME MEDICAL CORP. (QUIPT-TSXV, \$6.45)**

**Rating: BUY**  
**Target Price: \$13.00**

**HOMETOWN MEDICAL ACQUISITION**

Quipt Home Medical Corp.		QUIPT	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)			\$6.45
Target Price (\$)			\$13.00
Return to Target			102%
52-Week Trading Range (\$)		\$5.14 /	\$8.87
Average Daily Volume (90-Day)			28.9K
MARKET INFO			
Shares Outstanding (M)			33.5
Market Capitalization (\$M)			\$216.3
Enterprise Value (\$M)			\$225.1
FYE: SEP 30	F2021A	F2022E	F2023E
Revenue (US\$M)	\$102.4	\$141.6	\$170.1
Gross Margin (%)	72%	74%	73%
Adj. EBITDA (US\$M)	\$21.4	\$29.9	\$37.8
Net Income (US\$M)	(\$6.2)	\$9.9	\$13.5
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	8.1x	5.8x	4.6x
<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 that it has acquired Hometown Medical, LLC.** Hometown Medical is a respiratory DME provider based in Mississippi offering high quality full-service equipment and supplies. The acquisition marks Quipt's third acquisition in the last two months and fifth acquisition in CY2022, executing incredibly well on the crux of our investment thesis (its accretive roll-up strategy).

Hometown Medical has two locations in Mississippi, adding to QUIPT's existing two locations in the state. Mississippi represents a state with high prevalence of COPD, with the National Institutes of Health estimating that 211K people in the state are diagnosed with COPD. Furthermore, the CDC identified Mississippi as one of seven states with the highest estimates of COPD diagnosis, hospitalizations, and deaths.

The target company's business is heavily weighted to respiratory products, representing 60% of its product mix. This provides QUIPT with the opportunity to build out a ventilation therapy program and integrate its subscription-based resupply program for Hometown's patient base. The acquisition adds over 1,000 referring physicians and 11,000 active patients, bringing Quipt's totals to 21,600 referring physicians and over 200K active patients. Hometown Medical has a diversified payor mix and several important insurance contracts, which have been a key component in all QUIPT acquisitions.

The acquisition is expected to increase QUIPT's annual revenue by US\$7.0M and increase adjusted EBITDA by US\$1.4M post integration. The acquisition was in-line with QUIPT's previous acquisition multiples of 0.7-1.0x trailing sales. 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. Furthermore, Quipt's credit facility can be upsized to US\$100M if QUIPT needs additional capital for large-scale M&A.

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%+ annual organic growth. **We are maintaining our BUY rating and target price of \$13.00/share based on 9.0x 2023E adjusted EBITDA.**

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(\$USD Millions)											
Income Statement	1Q21A	2Q21A	3Q21A	4Q21A	FY21	1Q22A	2Q22A	3Q22E	4Q22E	FY22	FY23
<b>Revenue</b>	<b>22.8</b>	<b>24.2</b>	<b>26.2</b>	<b>29.1</b>	<b>102.4</b>	<b>29.5</b>	<b>33.6</b>	<b>36.0</b>	<b>42.6</b>	<b>141.6</b>	<b>170.1</b>
<i>YoY Growth</i>						<i>30%</i>	<i>38%</i>	<i>37%</i>	<i>46%</i>	<i>38%</i>	<i>20%</i>
<b>Gross Margin</b>	<b>16.7</b>	<b>18.1</b>	<b>18.5</b>	<b>20.9</b>	<b>74.2</b>	<b>21.9</b>	<b>26.2</b>	<b>25.9</b>	<b>30.7</b>	<b>104.6</b>	<b>124.1</b>
<i>Margin %</i>	<i>73%</i>	<i>75%</i>	<i>70%</i>	<i>72%</i>	<i>72%</i>	<i>74%</i>	<i>78%</i>	<i>72%</i>	<i>72%</i>	<i>74%</i>	<i>73%</i>
<b>Adjusted EBTIDA</b>	<b>5.1</b>	<b>5.4</b>	<b>5.3</b>	<b>5.6</b>	<b>21.4</b>	<b>6.0</b>	<b>7.0</b>	<b>7.2</b>	<b>8.9</b>	<b>29.9</b>	<b>37.8</b>
<i>Margin %</i>	<i>23%</i>	<i>22%</i>	<i>20%</i>	<i>19%</i>	<i>21%</i>	<i>20%</i>	<i>21%</i>	<i>20%</i>	<i>21%</i>	<i>21%</i>	<i>22%</i>

**Figure 1: Income Statement Projections**

Disclosure Code: None

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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	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
<b>Total</b>	<b>19</b>