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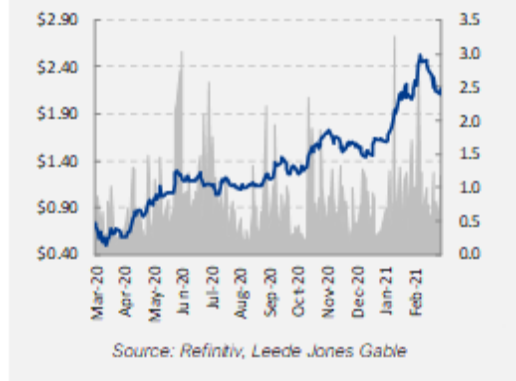
PTQ-TSXX	
Rating:	Buy
Target:	C\$3.25
Price:	C\$2.11
Return:	49.8%
Valuation:	12.5x EV/EBITDA (F2022 estimates)

Market Data	
Basic Shares O/S (M)	112.9
FD Shares O/S (M)	138.5
Market capitalization (CSM)	244.9
Enterprise Value (CSM)	238.6
Pro forma cash (CSM, most rec Q)	24.3
LT debt (CSM, most rec Q)	17.9
52 Week Range	\$0.47-\$2.54
Avg. Weekly Volume (M)	4.21
Fiscal Year End	Sep-30

Financial Metrics			
In US\$	F2020A	F2021E	F2022E
Total Revenue (US\$000)	73,285	101,060	128,847
EBITDA (US\$000)	15,519	23,006	29,411
Net Income (US\$000)	(2,606)	572	2,519
EPS (basic, US\$)	(\$0.03)	\$0.01	\$0.02
EPS (FD, US\$)	(\$0.02)	\$0.00	\$0.02
P/E	NA	NA	67.2x
EV/EBITDA	15.4x	10.4x	8.1x

Company Description

Protech Home Medical is a durable medical equipment firm focused on delivering respiratory care devices into home healthcare markets. The firm operates in 11 US states, with over 120,000 unique patients served in those geo-graphies. Acquisitive growth expected to continue.



FQ121 Data Continues to Bode Well for Top-Performing Home Respiratory Equipment Developer - BUY

Kentucky-based durable medical equipment and home healthcare services firm Protech Home Medical reported FQ121 financial data for the December-end quarter. Financial data for now does not include the recently-consummated acquisition of the private FL-based Mayhugh's Medical announced in Feb/21. Separately, the firm has formally switched its presentation currency from CAD to USD (a prudent move we endorse given the firm's revenues are virtually generated in the US), ahead of a move to list shares on the NASDAQ. As such, our commentary will use USD as the main currency in our report, unless otherwise stated. Since PTQ trades for now exclusively on the TSX Venture Exchange, we will continue to calculate our PT in CDN.

Robust FQ121 revenue growth from strong demand in respiratory resupply setups but with pending quarters to reveal full revenue impact from newly-acquired SleepWell. FQ121 revenue of \$22.8M reflected robust growth both sequentially at FQ420 revenue of \$19.9M (organic growth of +5%) and y/y at FQ120 revenue of \$17.3M (organic growth of +11%). Revenue of this magnitude for now does not incorporate contribution from the C\$5.8M/US\$4.4M Mayhugh Medical acquisition announced Feb/21 yet but likely begins to incorporate minor contribution from the GA-based respiratory equipment distributor SleepWell (acquired late FQ420) with integration now complete. Management commentary for now indicated SleepWell added \$10M in revenue and \$2.5M in adjusted EBITDA during the quarter.

Acquisition activity set to drive further EBITDA growth as reliance on relief funding now dissipates. EBITDA and resulting margin by our calculation was \$5.2M/22%, with revenue strength playing a role and no longer reflective of relief funding that had been incorporated in prior quarters' EBITDA calculation. For context, FQ420 EBITDA and margin was C\$6.1M/US\$4.8M/24% (and C\$4.4M/US\$3.3M after omitting the C\$1.75M in relief funding). But with relief funding no longer germane to Protech's EBITDA, we expect recent acquisitions to drive sequential EBITDA growth beyond the FQ121 data reported.

Modest hike in bad debt expense but only because of lockstep increase in respiratory equipment and distributions. Shifting to Protech's bad debt expense, we did observe an increase in bad debt expense in the quarter of \$2.1M, which was higher on a sequential basis at \$1.7M and on a y/y basis at \$1.1M. But we observed that the uptick in bad debt expense was aligned with an increase in lockstep with the firm's acquisition activity expanding its respiratory equipment distribution, and not as a result of worsening macro-conditions. For context, bad debt was 9.1% of the quarterly respiratory equipment distribution revenue, and thus comparable to the 8.6%-8.8% range observed during all other financial periods in F2020.

Strong FQ121 operating cash flow despite working capital deficit. On cash flow, we calculate Protech's pure operating cash flow in the quarter was \$6.9M (\$0.05/shr) and up from FQ420 at \$3.2M (\$0.05/shr) and FQ120 at \$4.3M/ (\$0.05/shr). Working capital deficit was (\$4.1M) and in line with levels observed in FQ420, although working capital does tend to fluctuate on a q/q basis. Consolidated cash was \$2.8M was higher in Q121 but the variability in working capital was also reflected in Q420/Q120 consolidated cash of \$3.4M/(\$0.9M) respectively.

Exhibit 1. Financial Summary for Protech Home Medical

<i>Year-end September 30</i> <i>(US\$000, except EPS)</i>	F2020A	F2021E	F2022E	F2023E	F2024E
Sale of medical equipment & supplies	31,667	45,695	59,540	64,005	68,805
Rental of medical equipment & supplies	41,618	55,365	69,307	74,505	80,093
Total revenue	\$73,285	\$101,060	\$128,847	\$138,510	\$148,899
Revenue growth (%)	(9.5%)	37.9%	27.5%	7.5%	7.5%
Direct costs	20,111	27,505	35,012	38,783	41,692
SG&A/other expense	32,472	42,422	55,900	60,092	64,599
EBITDA	\$15,519	\$23,006	\$29,411	\$30,472	\$32,758
EBITDA growth (%)	4.4%	48.2%	27.8%	3.6%	7.5%
EBITDA margin (%)	21.2%	22.8%	22.8%	22.0%	22.0%
Non-operating expenses	\$15,069	\$19,082	\$23,799	\$24,723	\$26,567
Interest expense (income)	\$1,859	\$1,076	\$785	\$716	\$646
Net income, fully-taxed	(\$2,606)	\$572	\$2,519	\$2,670	\$3,046
Fully-taxed EPS (basic)	(\$0.03)	\$0.01	\$0.02	\$0.02	\$0.03
Fully-taxed EPS (fd)	(\$0.02)	\$0.00	\$0.02	\$0.02	\$0.02
P/E (basic)	NA	NA	67.2x	63.4x	55.6x
EV/EBITDA	15.4x	10.4x	8.1x	7.8x	7.3x

Source: Historical data – Company Information (Protech Home Medical), Forecasts/Estimates – Leede Jones Gable

Debt-based ratios remain well-above threshold levels, and thus indicative that the firm is maintaining aggressive acquisition activity while managing debt prudently. The firm exited with total debt of \$14.2M at the end of FQ121, mainly consisting of convertible debt and excluding lease liabilities and equipment loans by our calculation. Cumulative interest expense of \$0.5M consisted not only of interest from the firm's convertible debt, but also on interest from leases and equipment loans, incurring an average interest rate of 12%. Accordingly, the firm's convertible debt/EBITDA run-rate at 10.6x and debt/EBITDA of 0.7x continue to remain well above threshold levels that would elevate business risk for the firm.

Exhibit 2. Valuation Summary for Protech Home Medical

EV/EBITDA multiple, FY2022	5x	10x	12.5x	15x	17.5x	20x
Implied share price ¹	\$1.02	\$2.08	\$2.61	\$3.14	\$3.67	\$4.20
One-year PTQ target price (US\$)²			\$2.61			
One-year PTQ target price (C\$)²			\$3.47			

¹ Based on adjusted F2022 EBITDA of \$29.4M; EV incorporates FQ121 total debt of US\$14.2M and pro forma cash of US\$19.2M, which we adjust for cash required for Mayhugh acquisition; adjusted S/O of 138.5M

² Assumes a USD:CAD exchange rate of 1.33x

Source: Leede Jones Gable

Summary & valuation. As we show in Exhibit 2, we value PTQ by ascribing a 12.5x EV/EBITDA to our revised F2022 EBITDA forecast of US\$29.4M (was C\$41.5M). For our EV determination, we now use pro forma cash of \$19.2M (FQ121 cash of US\$23.5M, less US\$4.4M to acquire Mayhugh) while continuing to use FQ121 convertible debt of \$14.2M in the calculation. As we described in our last note, we will continue to exclude long-term leases and equipment loans from our total debt calculation,

just to facilitate valuation comparisons to peers from which we believe such long-term obligations are conventionally excluded from EV determinations.

Accordingly, our valuation now derives a PT for PTQ of US\$2.61, which we believe is sufficiently similar to our prior C\$3.25 PT so as not to compel revision. With PTQ still trading at a measurable discount to our PT, **we continue to rate the stock as a BUY**, with our target corresponding to a one-year return of 49.8%.

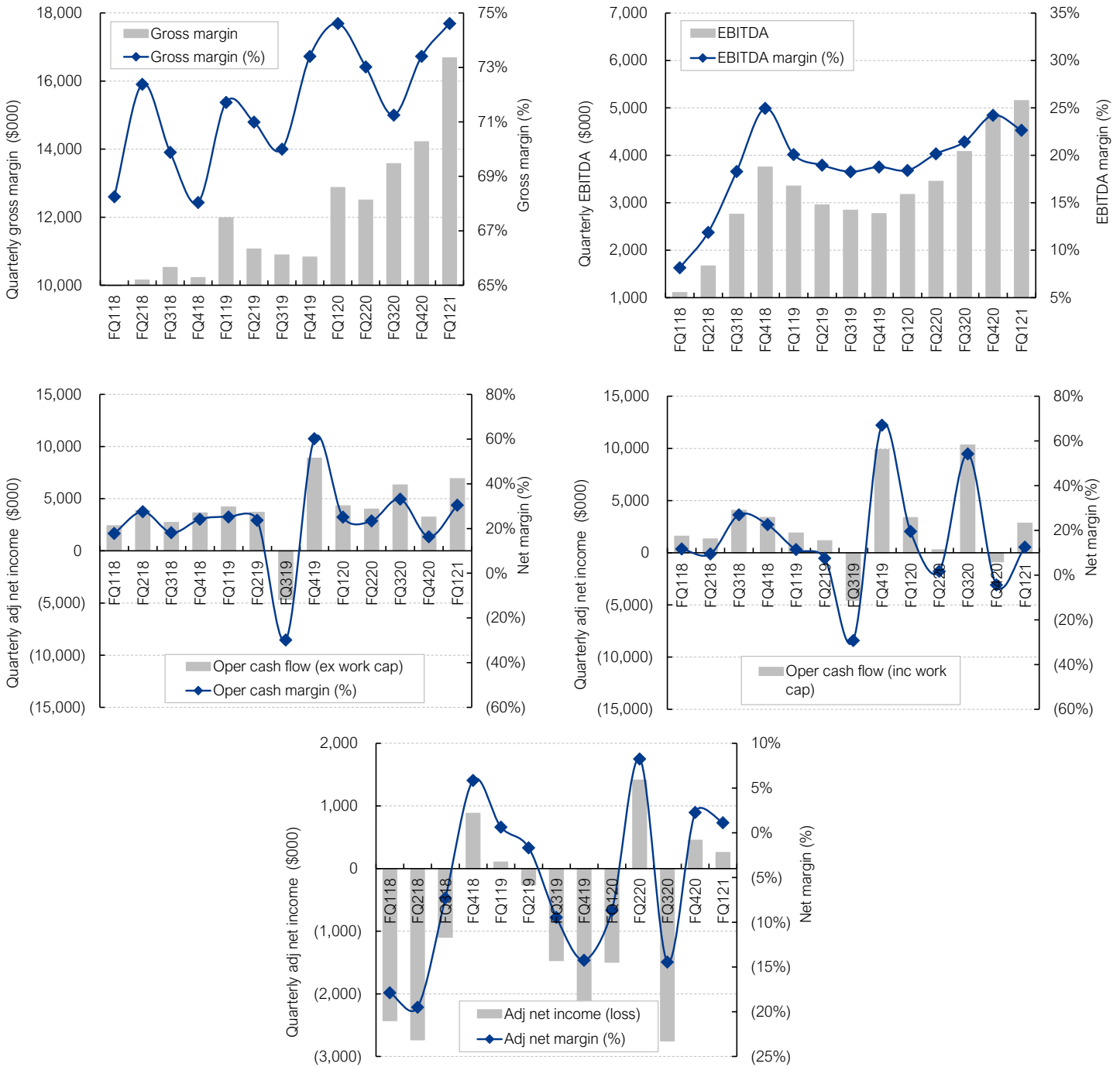
Exhibit 3. Valuation Summary for Protech Home Medical

Year-end September 30 (US\$000)	FQ120	FQ420	FQ121E*	FQ121	% chg Q/Q	% chg Y/Y
Sale of medical equipment & supplies	7,472	9,206	9,909	10,402	13.0%	39.2%
Rental of medical equipment & supplies	9,779	10,645	12,222	12,353	16.0%	26.3%
Revenue	17,251	19,851	22,131	22,755	14.6%	31.9%
Gross margin	12,872	14,218	16,271	16,684	17.3%	29.6%
Gross margin (%)	74.6%	73.4%	73.5%	74.6%	1.6%	0.0%
Operating expenses						
SG&A expense, less bad debt	8,193	9,034	9,174	9,450	4.6%	15.3%
EBITDA	3,176	4,809	5,205	5,155	7.2%	62.3%
EBITDA margin (%)	18.4%	24.2%	23.5%	22.7%	(6.5%)	23.0%
Interest expense (income)	457	968	226	487	(49.7%)	6.6%
Provision (recovery) for taxes	0	62	252	0	(100.0%)	NA
Net income, fully-taxed	(1,328)	(2,449)	755	229	(109.4%)	(117.2%)
<i>Net margin (%)</i>	<i>(7.7%)</i>	<i>(12.3%)</i>	<i>3.4%</i>	<i>1.0%</i>	<i>NA</i>	<i>NA</i>
EPS (basic, fully-taxed)	(\$0.02)	(\$0.02)	\$0.01	\$0.00	(109.6%)	(112.8%)
EPS (fd, fully-taxed)	(\$0.01)	(\$0.02)	\$0.01	\$0.00	(109.5%)	(111.9%)
Shares outstanding (basic)	83,589	115,345	115,345	112,866	(2.1%)	35.0%
Shares outstanding (fd)	95,348	140,771	140,771	138,536	(1.6%)	45.3%
Operating Cash (before WC)	4,329	3,242	6,620	6,935	113.9%	60.2%
Adjusted Operating Cash (with WC)	3,368	-869	4,186	2,841	(426.9%)	(15.7%)
Cash flow per share	\$0.05	\$0.02	\$0.05	\$0.05	117.3%	10.3%

*Prior estimates in CAD; USD forecasts based on USD:CAD exchange rate of 1.33x

Source: Historical data – Company Information (Protech Home Medical), Forecasts/Estimates - Leede Jones Gable

Exhibit 4. Trailing Income Statement and Margin Data for Protech Home Medical – Trendlines on Both Gross Margin and EBITDA Margin are Favorable, Even While a Sizable Proportion of Growth in Recent Quarters was Acquisitive



Source: Historicals - Protech Home Medical, modified for presentation by Leede Jones Gable

Exhibit 5. Comparable Companies For Protech Home Medical

Company	Curr Sym	Shares out (M)	Share price 3-Mar	Mkt cap (\$M)		Ent val (\$M)		EV/EBITDA			Price/Earnings			Company description
				(curr)	(C\$)	(curr)	(C\$)	(T12M)	FY20	FY21	(T12M)	FY20	FY21	
Canadian Healthcare Services Firms														
Akumin Inc	CAD AKU	70.2	\$4.57	\$321	\$321	\$730	\$730	8.7x	10.8x	8.9x	NA	NA	43.5x	US-based medical imaging clinic consolidator, focused on Florida & neighboring geographies
Assure Holdings Corp	CAD IOM	56.4	\$1.99	\$112	\$112	\$101	\$101	NA	NA	NA	32.8x	NA	NA	US-based neuromonitoring services firm, operations in CO, TX, LA, UT; planned expansion
CareRx Corp	CAD CRRX	28.0	\$5.15	\$144	\$144	\$211	\$211	24.1x	16.4x	9.2x	NA	NA	NA	ON-based long-term care pharmacy operator
CRH Medical Corp	CAD CRH	71.4	\$4.88	\$348	\$348	\$398	\$398	12.9x	15.0x	10.7x	NA	NA	NA	US-based GI anesthesiology/ endoscopy services
Extendicare Inc	CAD EXE	89.5	\$7.07	\$633	\$633	\$1,018	\$1,018	24.3x	8.4x	11.9x	15.8x	41.6x	24.8x	ON-based long-term care & home health-care services provider
K-Bro Linen Inc	CAD KBL	10.7	\$39.09	\$417	\$417	\$520	\$520	15.9x	13.3x	12.2x	NA	NA	37.2x	AB-based linen/laundry processing firm, focused on healthcare/ hospitality sectors
Medical Facilities Corp	CAD DR	31.1	\$7.27	\$226	\$226	\$365	\$365	4.5x	3.8x	4.1x	8.9x	17.7x	21.1x	US-based physician-owned surgical hospital operator
Savaria Corp	CAD SIS	51.1	\$17.62	\$900	\$900	\$928	\$928	16.1x	15.6x	9.8x	31.8x	31.7x	25.0x	QC-based patient mobility device manufacturer (elevators, wheel-chairs, stair & ceiling lifts)
Viemed Healthcare Inc	CAD VMD	39.2	\$13.13	\$515	\$515	\$387	\$387	13.0x	10.4x	13.7x	19.0x	20.6x	36.7x	LA-based post-acute respiratory services & disease management
Average								\$517	11.7x	10.1x		27.9x	31.4x	
US-based & RoW home medical equipment distribution peers														
Adapthealth	USD AHCO	95.7	\$30.49	\$2,917	\$3,689	\$3,387	\$4,283	27.1x	17.9x	7.2x	NA	NA	24.1x	PA-based medical equip provider; 66% equip sales vs 34% rental; 16% of business is respiratory
Owens & Minor	USD OMI	73.5	\$31.89	\$2,344	\$2,964	\$3,247	\$4,106	9.5x	10.4x	7.2x	25.7x	16.5x	9.7x	VA-based med supplies/services in diabetes, wound care, urology, ostomy
Envista Holdings	USD NVST	160.1	\$38.66	\$6,189	\$7,826	\$7,095	\$8,972	20.5x	25.2x	14.8x	NA	46.5x	22.9x	CA-based dental products devel-oper
Fisher & Paykel Healthcare	NZD FPH	576.4	NZD 28.8	NZD 16,622	\$15,231	NZD 16,574	\$15,186	28.0x	39.3x	20.0x	42.7x	60.0x	29.7x	NZ-based med device devel; respiratory, acute care, obstructive sleep apnea
Hill-Rom Holdings	USD HRC	66.4	\$103.15	\$6,845	\$8,656	\$8,417	\$10,644	13.3x	14.0x	13.6x	28.6x	19.0x	17.7x	IL-based med equip developer, focused on respiratory care, medical diagnostics surg supplies
Inogen Inc	USD INGN	22.2	\$48.34	\$1,076	\$1,360	\$844	\$1,068	NA	NA	NA	NA	NA	NA	CA-based portable O2 concentrator marketer (One G4-G3-G2-At Home systems)
Inspiration Health-care Group PLC	GBP IHC	68.1	£105.00	£7,153	\$12,609	\$66	\$116	18.3x	31.9x	13.4x	NA	NA	NA	UK-based respiratory care, thermoregulation, neonatal resusc device developer
Linde PLC	USD LIN	522.8	\$247.55	\$129,428	\$163,675	\$144,093	\$182,220	16.3x	16.7x	15.1x	52.6x	30.6x	26.7x	UK-based distributor of industrial gases, acquired FL-based Lincare in Q312, TN-based American Home Patient in Q415
Resmed	USD RMD	145.5	\$190.21	\$27,677	\$35,001	\$28,247	\$35,721	26.8x	30.2x	26.1x	39.8x	42.4x	36.3x	CA-based medical equipment developer, focused on respiratory, sleep & SaaS software for out-of-hospital services
Vapotherm	USD VAPO	25.8	\$23.44	\$605	\$765	\$512	\$648	NA	NA	NA	NA	NA	NA	NH-based ventilator support & nasal cannula developer
Average								\$26,296	23.2x	14.7x		35.8x	23.9x	
Protech Home Medical	PTQ	117.5	\$2.13	\$250	\$317	\$204	\$258	4.7x	9.9x	7.8x	NA	NA	37.9x	US-based home medical equipment rental/sales, respiratory care

Source: Refinitiv

Disclosures none

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RECOMMENDATION	NO. OF COMPANIES	%
Buy	6	40.0%
Speculative Buy	7	46.7%
Hold	2	13.3%
Sell	-	-
Tender	-	-
Under Review	-	-

Historical Target Price

