

Protech Home Medical (PTQ – V)

Record Operations + Record Strong Balance Sheet = Multiple Expansion in the Offing

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- PTQ announced its preliminary Q3/FY20 (June) results this morning. Revenue is expected to be in the range of \$25.6 - \$25.9 million with adjusted EBITDA in the range of \$5.3 - \$5.5 million. Even at the low-end of these ranges, this would represent record sales and record EBITDA, from both an absolute and percentage basis (20.7%). Note that the high-end of the range would push EBITDA margins over 21%.
- Recall that Q2/FY20 revenue/EBITDA was \$24.1m/\$4.8m (20.2%). The anticipated “flow through” from the incremental revenue in Q3 versus Q2 would be ~\$0.6 million or drop at a ~35% level. This would also be a record for the company and, we believe, further indication that its operating leverage is working to drop material dollars to EBITDA and cash flow.
- From a growth perspective, the mid-point of the anticipated Q3 revenue would be +7.5% versus Q2 or 30% on an annualized basis. We believe some of this is FX related (C\$ weakened in the quarter relative to Q2). Nevertheless, we believe PTQ’s organic growth of ~15%-20% is almost 3x the industry average.
- With the pandemic still raging in the United States, we continue to believe this represents a tail-wind to much of PTQ’s product portfolio, particularly oxygen.
- Furthermore, with the recent closing of its equity financing, PTQ now has over \$40 million in cash and we would anticipate its M&A program to augment its already strong revenue growth profile.
- **Despite its record financial results and strongest balance sheet in the company’s history, shares of PTQ continue to trade at a massive discount to its peer group. We believe this gap will narrow and lead to a dramatic increase in the share price as rising earnings and a multiple expansion have a wonderful impact on stock prices.**
- We maintain our Buy recommendation and \$2.50 target price.

Q3/FY20 Preliminary Results

BUY (Unch) **\$2.50** (Unch)

Recent/Closing Price	\$1.20
12-month Target Price	\$2.50
Potential Return	108%
52 Week Price Range	\$0.47 - \$1.35

Estimates

YE: Sept. 30	FY19	FY20	FY21e
Revenue (\$MM)	\$81.0	\$101.1	\$111.2
EBITDA (\$MM)	\$14.9	\$19.2	\$24.5
Adj EPS	-\$0.11	-\$0.03	\$0.04

Valuation

	FY19	FY20	FY21e
EV/Sales	1.5x	1.2x	1.1x
EV/EBITDA	8.1x	6.3x	4.9x
P/E	-	-	28.6x

Stock Data (MM)

Shares Outstanding	
Basic	111
FD	149
Market Cap (C\$)	
Basic	\$134
FD	\$178
Net Cash	\$13
EV (C\$)	\$121

About the Company

PTQ is focused on a highly fragmented and developing market of small privately-held US companies servicing chronically ill patients with multiple disease states. PTQ is actively working to identify and evaluate profitable, annuity-based companies to acquire their patient databases and technical expertise at favorable prices. PTQ’s post acquisition organic growth strategy is to increase annual revenue per patient by offering multiple services to the same patient, consolidating the patient’s services and making life easier for the patient.

All prices in C\$ unless otherwise stated

Stock Performance



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As at June 30th, 2020	#Stocks	Distribution
BUY	54	70.1%
Speculative Buy	10	13.0%
Hold	2	2.6%
Sell	0	0.0%
Under Review	10	13.0%
Tender	1	1.3%
Total	77	100%

BUY Total 12-month return expected to be > 15%
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return is expected to be between 0% and 15%
 Sell Total 12-month return is expected to be negative
 Under Review
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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