

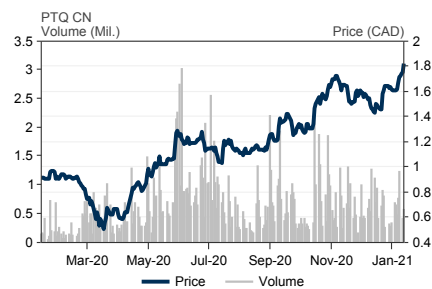
**BUY**  
**COMPANY UPDATE**

Financial Summary		
Changes	Previous	Current
Rating	—	Buy
Target Price	C\$2.30	C\$2.50
FY21E EPS	—	C\$(0.01)
FY22E EPS	—	C\$0.13
FY21E Revenue	—	C\$130.3
FY22E Revenue	—	C\$165.5

Price ( 01/13/21 ):	C\$1.96
52-Week Range:	C\$2 - C\$0.47
Market Cap.(mm):	C\$241.9
Shr.O/S-Diluted (mm):	123.4
Enterprise Val. (mm):	C\$232.8
Avg Daily Vol (3 Mo):	713,305
Dividend / Yield:	C\$0.00 / 0.0%
Price: (intraday 1-13-21)	

Revenue	2020E	2021E	2022E
<b>FY (Sep)</b>	C\$98.9	C\$130.3	C\$165.5
<b>EV/Rev</b>	2.4x	1.8x	1.4x
<b>EBITDA</b>	C\$20.4	C\$27.4	C\$36.4
<b>EV/EBITDA</b>	11.4x	8.5x	6.4x
<b>EPS</b>	C\$(0.05)	C\$(0.01)	C\$0.13
<b>P/E</b>	NM	NM	15.1x

**Price Performance**



**Becoming the hospital**

**Summary**

Protech Home Medical announced today that it submitted an application to list on NASDAQ, which could help bridge the wide disconnect in valuation with PTQ trading at 8x C2021 EBITDA vs. peers at ~14x. We also see PTQ's infrastructure-like respiratory rental and supply business (~80% of total sales) as continuing to increase in importance with the unfortunate pandemic backdrop but also as home healthcare gains traction. As a result, we assign a slightly higher target multiple for PTQ of 11x our F2021 EBITDA estimate (10x prior), which is more in-line with some of its U.S. peers but still well below average. We also expect PTQ to continue acquiring smaller companies with an M&A playbook that works, in reaching greater scale, leading to operating leverage and more EBITDA and cash flow. Combined, we see lots to like in PTQ and our target price increases from \$2.30 to \$2.50. **BUY**.

**Key Points**

**More M&A in 2021:** We expect PTQ to continue its M&A pursuits with a playbook that works with six near-term targets that represent \$40mm in combined sales but with hundreds of other potential targets to acquire in a fragmented industry. PTQ will continue to focus its efforts on acquiring profitable companies in the annual revenue range of C\$5mm-C\$20mm+.

Figure 1 - Recent M&A Summary

Target	Type	Date	Consid. TTM			
			C\$M	Sales	EV/Sales	EV/EBITDA
Unnamed	Respiratory	Q1/2021	TBD	7.0	TBD	TBD
Sleepwell, LLC	Sleep	Q4/2020	14.4	13.0	1x	4x
Health Technology Resources, LLC	Respiratory	Q3/2020	5.4	5.5	1x	3x
Acadia Medical, Inc.	Respiratory	Q4/2019	2.3	4.0	0.5x	3x
Cooley Medical, Inc.	Respiratory	Q4/2019	4.0	9.0	0.5x	2x
Riverside Medical & Central Oxygen	Respiratory	Q4/2018	0.9	n.d.	n.d.	n.d.
Coastal Med Tech Inc.	Respiratory	Q3/2018	0.9	4.0	0.2x	1x

Source: Company filings, Stifel GMP

**Recent updates to forecasts:** We updated our estimates last week to reflect recent M&A and greater than expected organic growth, along with rolling out our 2022 forecasts. For F2021, we increased our sales estimate from C\$115mm to ~C\$130mm, up 30% YoY, which is in-line with the current annual run rate of the business. Our F2022 estimates account for a combination of continued solid organic growth and additional M&A, leading to \$165mm in sales, up 27% YoY. **We see a combination of ~30% average sales growth and 20%+ EBITDA margins over the next nine quarters as leading to a much greater share price.**

**Rating:** PTQ shares are up ~40% over the last 3 months but continue to trade at a deep discount of ~8x C2021e EBITDA vs peers at ~14x. We believe continued solid execution, M&A, and the NASDAQ listing should help bridge the valuation gap. Our new \$2.50 target price is based on 11x F2021 EBITDA estimates (10x prior) and compares to our prior \$2.30 target. Our conviction in PTQ remains high. **BUY**

**Investment Thesis**

*We see PTQ as offering important respiratory infrastructure services within healthcare that help keep patients out of the hospital or lead to early discharges, something that has become increasingly important. We expect a good organic growth rate to trend higher with increasing preference for at-home care, spurred by Telehealth and related innovation. PTQ is also seeking scale by rolling up smaller competitors with an aggressive, but disciplined, approach that includes an M&A playbook that works. We expect the combination of organic growth and M&A in an increasingly valuable home healthcare space to result in a positive re-rating in valuation and a much higher share price.*

**Target Price Methodology/Risks**

Our \$2.50 target price is based on 11x F2021e EBITDA.

**Acquisition risk:** PTQ's strategy includes growth by acquisition. Expected synergies may not materialize for these acquisitions or integration costs may be more than expected.

**Reimbursement changes:** PTQ's business model is based on reimbursement from Medicare, Medicaid and private insurance in the U.S. The industry is subject to competitive bid processes that may result in lower pricing for certain services and/or products.

**Supply chain:** There are a concentrated number of suppliers from which PTQ sources its equipment, and they are largely domestic. If there were disruptions in this supply chain, growth and the ability to serve customers well could be affected.

**Bad debt expense:** PTQ's customers may not return medical equipment or equipment may otherwise be damaged under a rental/lease model. PTQ has the ability to turn off some products remotely, and serialisation of equipment helps prevent theft, but some bad debt expense exists.

**COVID-19:** PTQ's business has been deemed an essential service. Providing healthcare infrastructure at home, thereby keeping patients healthy and out of the hospital or resulting in early discharges, is increasingly important now. PTQ's business has not been materially affected by COVID-19, speaking to the resilience of the model, but prolonged periods of shutdowns could impact the business, including unforeseen risks.

**Company Description**

Protech provides in-home monitoring and disease management services, with a specific focus on offering end-to-end respiratory solutions for patients in the U.S. 80% of PTQ's business is providing respiratory equipment rental/leases with associated consumable supplies and 20% related to mobility and related home equipment. PTQ's respiratory segment breaks down further to 40% related to Oxygen and Ventilator services and 40% for sleep therapy solutions.

### Protech Home Medical (TSXV:PTQ)

Income Statement		2019	2020e	2021e	2022e
Revenue	\$mm	\$81	\$99	\$130	\$166
COGS	\$mm	\$24	\$27	\$38	\$48
Gross Profit	\$mm	\$57	\$72	\$93	\$118
Margin	%	71%	72%	71%	71%
OPEX	\$mm	\$59	\$72	\$91	\$98
Adj. EBITDA	\$mm	\$15	\$20	\$27	\$36
Margin	%	18%	21%	21%	22%
EPS	\$/sh	(\$0.09)	(\$0.05)	(\$0.01)	\$0.13

Cash flow Statement		2019	2020e	2021e	2022e
Cash from Ops	\$mm	\$11	\$23	\$17	\$31
Cash from Investing	\$mm	\$2	(\$6)	(\$9)	(\$10)
Cash from Financing	\$mm	(\$5)	\$17	\$0	\$0
Free Cash Flow	\$mm	(\$1)	\$17	\$8	\$21

Balance Sheet		2019	2020e	2021e	2022e
Cash & Equivalents	\$mm	\$13	\$47	\$54	\$75
Total Receivables	\$mm	\$12	\$16	\$27	\$29
<b>Total Current Assets</b>	<b>\$mm</b>	<b>\$31</b>	<b>\$72</b>	<b>\$93</b>	<b>\$118</b>
PP&E	\$mm	\$19	\$20	\$5	\$0
<b>Total Assets</b>	<b>\$mm</b>	<b>\$55</b>	<b>\$99</b>	<b>\$105</b>	<b>\$125</b>
Accounts Payable	\$mm	\$8	\$10	\$16	\$17
Curr. Portion of Leases	\$mm	\$9	\$10	\$10	\$10
<b>Total Current Liabilities</b>	<b>\$mm</b>	<b>\$19</b>	<b>\$32</b>	<b>\$37</b>	<b>\$39</b>
LT Debt	\$mm	\$14	\$15	\$15	\$15
<b>Total Liabilities</b>	<b>\$mm</b>	<b>\$36</b>	<b>\$53</b>	<b>\$58</b>	<b>\$60</b>
Common Stock	\$mm	\$198	\$225	\$227	\$228
Retained Earnings	\$mm	(\$213)	(\$218)	(\$218)	(\$202)
<b>Total Equity</b>	<b>\$mm</b>	<b>\$19</b>	<b>\$46</b>	<b>\$47</b>	<b>\$65</b>

Source: Stifel GMP estimates, Company disclosures

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### Protech Home Medical (PTQ CN) as of January 12, 2021 (in CAD)



\*Represents the value(s) that changed.

Buy=BUY; Speculative Buy=SBUY; Hold=HOLD; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

**For a price chart with our ratings and target price changes for PTQ CN go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=PTQ CN>**

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<sup>1</sup> This rating is only utilised by Stifel Canada.

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