INTRO:

At Perritt Capital Management, we take focused positions in companies where we have a high conviction in their success; companies that are out of the mainstream of small cap investing. To highlight our process, we are pleased to present the newest installment in our ongoing series "Marvelous Microcaps - Big Ideas on Small Companies." This series profiles companies that we believe have a niche in their existing markets or are launching a product that could disrupt their marketplace.

THE COMPANY:

Quipt Home Medical Corp. (QIPT) is a provider of durable medical equipment, respiratory aids, and medical equipment and supplies for in-home use throughout the U.S.A. The company offers a wide range of products that address chronic health issues including cardiovascular and pulmonary diseases, sleep apnea, and other chronic health issues.

They offer a wide range of products including bariatric equipment, bathroom safety products, mobility products, CPAP machines, and hospital beds. They are the fifth largest provider of home medical equipment in the country, utilizing a network of 32,500 referring physicians to serve 270,000 plus patients. The company estimates they will make 690,000 plus deliveries in 2023 increasing from 516,328 in 2022. 79.7% of their revenue is from their respiratory product mix.

They currently have 115 locations in 26 states, with over 1,000 employees. They have a solid presence in the Southwest and Midwest regions of the country and are pursuing a series of strategic acquisitions to expand their footprint and increase their market penetration throughout the country.

They primarily offer equipment for lease which gives the company a strong recurring revenue stream. Based on their current projections for the next year, they estimate 82% of their revenue stream to be recurring, with the other 18% being made up of sales. 82% of their revenue is from Medicare, Medicaid, and private insurance programs with the other 18% made up of private payers.

WHY WE OWN: THE PERRITT ADVANTANGE:

We made an investment in Quipt Medical in both funds due to both strong organic growth opportunities due to a favorable patient demographics as well as the company's own internal growth initiatives via a strategic roll-up strategy.

On a macro level, Quipt is well positioned for growth due to demographic trends for the U.S. over the next several years. Per the company's presentation, 10,000 Americans turning 65 every day and that segment of the population is expected to grow from 56 million in 2020 to 73 million in 2030. The aging population will require more at home health care. Additionally, they estimate that 31.7% of the population suffers from two or more chronic conditions, with that number expected to grow from 157 million in 2020 to 171 million in 2030. Many of these conditions are undiagnosed and represent unserved markets. Within respiratory conditions, the company estimates there are 24 million Americans suffering from undiagnosed sleep apnea. They also estimate there are 16 million patients suffering from COPD (Chronic Obstructive Pulmonary Disease) and they target market with higher rates of COPD patients for market expansion opportunities given their product mix.

The company has also been executing on a roll-up strategy, making 18 acquisitions since 2018. These acquisitions have brought in an additional $148 million in annualized revenues and account for much of the growth the company has experienced since that time. The market for home medical equipment leasing companies is highly fragmented, with most of the players being small private companies. Quipt targets companies with a focus on respiratory products and has certain margin requirements that weed out distressed candidates. They are dually focused on expanding their geographic footprint and infilling their markets with a more favorable mix of offerings, insurance contracts, and payor mixes.

So far, the combination of these organic growth trends and strategic growth initiatives has paid off for Quipt. For their fiscal year 2022 (their fiscal year ending in September, 2022) they saw revenues increase by 36.6% from $102.4 million to $139.9 million with similar growth in EBITDA going from $20.8 million to $32.03. For their fiscal year 2023 analyst estimates are for $223.26 million in revenue, or a 56% growth rate and EBITDA of $55 million, or a 76% growth rate. If the company meets these growth targets, we believe that will represent evidence of both leverage in their business model and continued success in their acquisition program.

Data here is obtained from what are considered reliable sources. We consider the data used to be relevant and reliable.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please click PRCGX and PREOX for a list of the top ten holdings.

EBITDA - (Earnings before Interest, Taxes, Depreciation and Amortization) is used as approximation of a firm's operating income.

Before you invest in the Perritt MicroCap Opportunities Fund or Perritt Ultra MicroCap Fund, please refer to the prospectus for important information about the investment company, including investment objectives, risks, charges, and expenses. You may also obtain a hard copy of the prospectus by calling 800-331-8936. The prospectus should be read carefully before you invest.

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