Growth & Value: This All-in-1 Stock Is Poised to Run in 2018

Description

Analysts are forecasting that value stocks will see the light of day after underperforming growth stocks last year. Can you have your cake and eat it too with companies that have value and growth? A deeper dive into **Savaria Corporation** (TSX:SIS), a company that increased 70% last year, may answer that question.

Savaria is a small-cap company, valued at $775 million, which has been around for decades, trading on the TSX since 2001. The business model is to make it easier for people with disabilities to get around, both within the home and via vehicles. Another Fool is right to point out this business is quite recession-proof. Savaria operates in three segments: lifts, adapted vehicles, and medical products.

Here is a review of successful moves:

Acquisitions

In 2016, Savaria made a brilliant acquisition, buying the automotive division of Shoppers Home Health Care. Gaining this foothold helped to propel Savaria forward by providing wheelchair van conversions and mobility adaptation for vehicles.

One year later, in May 2017, Savaria purchased an $80 million company called Span-America Medical Systems, Inc. Savaria expects it will only take one year of sales from this new division to recoup the $80 million acquisition cost. That's pretty solid. The U.S. accounts for 64% of the revenue, mostly from accessibility equipment. The company now has an easier job selling into the U.S. market. It's also worth pointing out that the U.S., despite 1990 legislation in the America Disability Act, still has a long way for accessibility. Savaria plays a key role by coming up with individual solutions for customers.

Just one month ago, the company made one more move by acquiring all assets of a Master Lifts Australia Pty Ltd. The purchase price, $3 million, is a small price to pay to get into a new market. The company forecasts this deal will generate $8.2 million in new revenue dollars. North American Savaria plants are located in Quebec, Ontario, South Carolina. Whereas Australasia customers will get goods from the company's only plant outside North America in China. Personally, I think this method of global expansion is quite a nice way to ease into Asian markets.

As a potential investor, there's a high price to pay in owning Savaria shares; it has a wildly high valuation. But isn't this simply the market telling us this company can beat competitors? The price-to-earnings ratio continues to climb. Investors must view this small-cap darling as something they must own. The price-to-sales ratio (P/S) could provide some valuation solace, but it too is high. The current P/S is 4.8. The TSX composite index has a P/S of 1.8, more than half.

After over a decade of a flat share price, the stock rallied +70% each year from 2016 to the present value. Company insiders used 2017 to sell off their shares. I'd interpret this as healthy profit takingafter years of patience, so we'll just ignore that factoid for the time being.

Take home

Now is a good time to dip a toe and own Savaria shares for growth and future value. The stock blew past a resistance level, $18 per share, to end 2017. All indications point to another great year!

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