This Small-Cap Dividend Stock Will Give Your Portfolio a Lift

Description

Like a lot of small-cap stocks, **Savaria Inc.** (TSX:SIS) tends to trade all over the place, so if you're a risk-averse investor, you might want to look elsewhere.

However, if you're an investor who's comfortable with a little volatility, I believe you'll like Savaria's business now and in the future, whether you're after income, growth, or both.

At the end of last year, I'd recommended three stocks I thought would do well in 2018; Savaria was one them. Unfortunately, despite my picks being up 5.7% year to date on average, 317 basis points better than the TSX, Savaria is barely above breakeven for the year.

Was I wrong to have recommended the manufacturer of wheelchair lifts and other accessibility products? No, I don't think I was. Here's why.

Savaria grows organically and through acquisitions

Two of the best TSX stocks for integrating acquisitions that I can think of are **Premium Brands Holdings Corp.** and **Constellation Software Inc.**, both of which have made a name for themselves as a result of their frenetic pace of buying companies and seamlessly integrating them into their existing businesses.

It's not nearly as easy as it looks. Savaria also happens to be good at making and integrating acquisitions — an essential piece of its growth strategy. Its revenues have grown by 22% annually over the past five years from $67 million in 2012 to $181 million in 2017.

Its growth is a big reason why Mike Archibald, an associate portfolio manager with **AGF Management Limited,** really likes the Montreal-based company.

On July 10, Savaria announced that it would acquire **Graventa Accessibility AG**, a Swiss maker of wheelchair lifts, for $98 million.

The deal gives Savaria a platform from which to grow its European business as well as expand its North American operations, where Garavanta has a strong west coast presence that includes a new 120,000-square-foot manufacturing facility in Vancouver.

In 2017, the Swiss company's revenues were $108 million with EBITDA of $8.3 million; the acquisition increases its annual sales by 60% on a pro forma basis.

"The company has done a tremendous job of integrating previous acquisitions (Span-America), realizing significant cost-savings and cross-selling synergies, so we expect this will continue in a much larger way with this latest acquisition," Archibald told Bloomberg *BNN* recently. "There remains a lot of upside both organically and through further M&A in the future as the population continues to age and look for mobility solutions like stair lifts, home elevators, wheelchair lifts and ceiling lifts."

Where to from here?

As I said in the beginning, it's a very volatile stock. On two occasions, year to date, it's traded above or close to $19 and below $16 on three times. As I write this, it's trading just below $18 and has rebounded quite nicely over the past month.

In mid-July, Fool contributor Victoria Hetherington recommended Savaria's stock because it's expected to grow earnings by more than 30% in the coming year and is the Canadian leader in mobility products, such as wheelchair lifts, giving it a decent-sized moat.

That's the growth angle. However, it also has a 2% dividend yield, which is more than respectable for a company with its growth potential. Trading slightly below where it traded in December when I recommended its stock, I've seen nothing to change my opinion.

Savaria is a big buy.

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