This Top Dividend Growth Stock Is Now Absurdly Cheap

### Description

The TSX Index is on fire to start the year. Year to date, the Index has gained 12.32% and is once again, nearing all-time highs. We are nearing the point once again were value investors are having a difficult time finding entry points. Likewise, the pace of rising interest rates is expected to slow, which is leading to another rotation back into dividend stocks. This is driving up the price of high-quality dividend companies.



However, if you look hard enough, you can find some great bargains. Case in point, **Savaria** (TSX:SIS ). Savaria, a designer and manufacturer of products for personal mobility, has been a high-performer over the past number of years. Its stock price has returned a whopping 444.35% over the past five years. The past year however, has been a different story.

Year to date, the company's stock price is flat and it has lost 30% of its value over the past year. Is this a blip on the radar or the start of a concerning trend? Let's take a look.

## Preliminary results

At the heart of the company's most recent struggles was that it issued a preliminary fourth-quarter results that came in below expectations. Although revenue is expected to come in above guidance, earnings before interest, taxes, depreciation and amortization (EBITDA) missed the mark. The company's margins are expected to slip below its industry-leading target of 15%. It also reduced 2019 revenue and EBITDA guidance as it works through some of its challenges — challenges that are directly linked to recent acquisitions.

Since the news, the company has slipped from $16.50 and has settled in around $13.00, a 20% drop, effectively wiping out all gains achieved in 2019; that's the bad news.

The good news is that despite lowering revenue and EBITDA targets, it's still growing at an impressive pace. Revenue and EBITDA are expected to climb by more than 40%, not including future acquisitions. This is a good transition to explain why the company is absurdly cheap.

## Top value stock

For starters, the company's most recent acquisition integration issues are a onetime event. The company has a solid history of growth through acquisition and this is still a well-managed company. Even the best-of-the-best don't bat one thousand. Thanks to the most recent pullback, investors have a great opportunity to acquire the company on the cheap.

The company is trading at a cheap 18 times forward earnings and is below its historical price-to-earnings (P/E), price-to-book and price-to-sales ratios. Likewise, Savaria has a P/E to growth ratio (PEG) ratio below one. This is also a sign of undervaluation, as the company's stock price is not keeping up with expected growth rates.

## Foolish takeaway

Savaria is a small cap that is more susceptible to volatile price swings. However, Savaria has a solid history of growth through acquisitions and operates in a sector that takes full advantage of the aging population. The company is also a Canadian Dividend Aristocrat, having raised dividends by the double digits (20%+) for six consecutive years. Combined with expected growth rates, Savaria is cheap at today's valuations.



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