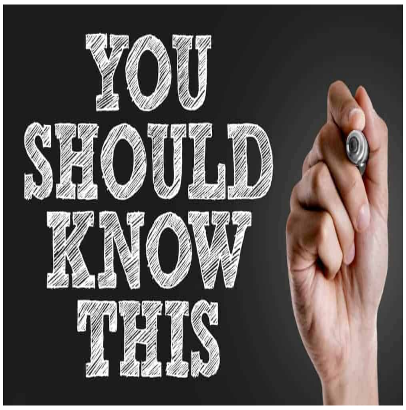

This Top Growth Stock Is on Sale

Description

Savaria (TSX:SIS) stock dropping about 20% from 2018 could be an excellent opportunity to buy shares in the incredible growth stock. Despite the decline, the stock has still delivered annualized returns of more than 36% per year since 2010. That is, a $10,000 investment would have transformed to nearly $175,000 for a 17-bagger!

Let's take a closer look at the growth stock that has generated great wealth for long-term shareholders.

Company overview

Savaria was founded in 1979 and is based in Laval, Quebec. It's a small-cap company with a market cap of about $622 million.

Savaria is a fabulous growth stock to consider for riding on the megatrend of a rising aging population. It's a global leader in the accessibility industry. It operates in three segments: accessibility (60% of 2017 revenue), adapted vehicles (15%), and Span (25%).

Notably, the Span segment only started contributing in June 2017 after the acquisition of South Carolina-based Span-America Medical Systems.

Specifically, Savaria designs, develops, and manufactures a wide range of products for personal mobility including stairlifts, wheelchair lifts, ceiling lifts, residential and commercial elevators, and the conversion and adaptation of vehicles.

Savaria has manufacturing operations in Canada and China and distributes products to the United States, Australia, South America, and Europe.

How Savaria has been growing

Savaria has been growing organically and via strategic acquisitions. From 2013-2017, the company has generated consistent returns on assets (ROA) of about 10-11%. In the period, it has also achieved incredible returns on equity (ROE) of 17-27% every year.

Recent results

Savaria has been growing rapidly. Revenue growth was about 44% per year over the last three years. The company reported 2018 revenue to be $286 million and adjusted EBITDA to be almost $40 million. This implies revenue and adjusted EBITDA growth of about 56% and 31% over 2017, resulting in an EBITDA margin of about 14.2%.

The stock has declined recently because returns have tapered off with trailing 12-month ROA and ROE of about 7% and 13%, respectively, which were below the five-year averages of 10% and 19%, respectively.

Management pointed out that the 2018 adjusted EBITDA was below expectations predominantly because of a challenging operating environment in Europe for the Garaventa Lift group and significant cost inflation within the Span segment.

In the near term, management is going to focus on integrating its acquisitions and realizing cost synergies and cost savings. However, it'll still be on the lookout for fitting acquisitions for long-term growth.

Dividend

Interestingly, despite being a growth stock, Savaria has paid a dividend since 2004. It's good for a yield of about 3% as of writing. However, investors shouldn't fully depend on the dividend because the company seems to reduce it (and increase it) whenever it sees fit.

Since 2004, Savaria has cut its dividend six times, but today the dividend is 14 times bigger than it was then.

Investor takeaway

Ultimately, investors should view Savaria as a growth stock that pays an erratic dividend. Currently, the analysts' mean 12-month target of $17.60 per share represents near-term upside potential of 28%. This means that Savaria is on sale, and interested investors who have been eyeing the stock should take a bite.

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