This 1 Stock Is Undervalued by Almost 75%!

Description

We all have someone in our life that has experienced challenges with mobility. From difficulties climbing the stairs to getting in cars and getting out of a bathtub, mobility challenges plague our society and diminish the standard of living for those affected.

And that is where **Savaria** (TSX:SIS) comes in. The company is engaged in the designing, engineering, and manufacturing of personal mobility products. This includes home elevators, stair lifts, commercial elevators, and wheelchair van conversions.

The company has a global distribution network with dealers in Canada, the United States, and Europe.

In FY 2018, the company did $286 million in sales, which resulted in net income of $18 million and a net income margin of 6.2%. From FY 2014 to FY 2018, accumulated net income was $65 million.

With revenues and net income that have tripled since FY 2014, Savaria is poised to make good returns for its investors.

Increasing net income

In FY 2014, the company made a meagre $6 million of net income with $83 million of revenue. In FY 2018, it made $18 million of net income with $286 million of revenue. Talk about significant growth!

The increase in revenues and net income is driven by Savaria's accessibility segment, which includes the manufacturing and distribution of residential and commercial accessibility equipment. From FY 2017 to FY 2018, this segment grew by 55%.

Investors will be happy to hear that the company has aggressive growth plans, which will be accomplished through acquisitions. In FY 2018, the company acquired three businesses (H.E.S. Elevator Services Inc., Visilift LLC, and Garaventa Accessibility AG) for a total of $90 million.

Although the benefits of the acquisition will take years to fully realize, the company reported revenues of $45 million from the acquisitions alone, which represents 16% of FY 2018 revenues.

Assuming a five-year average growth rate for net income and a five-year average income tax expense, the company's net income for FY 2019 is estimated at $28.05 million, which suggests a share price of $21.25 by FY 2019.

That's a *74% gain* over the current share price of $12.23

Aging population

It's no secret that Canadians and Americans are aging.

Statistics Canada estimated that as of July 1, 2018, there were 6.4 million Canadians over the age of 65, which represents 17% of Canada's population.

The situation in the United States is no different with July 1, 2018, estimates by the U.S. Census Bureau indicating that 16% of the population is over 65 years old.

In Canada and the United States alone, there are 59 million potential customers for Savaria. This translates to more stair lifts, more home elevators, and more retrofitted vans, which ultimately means more money in investors' pockets.

Bottom line

Although Savaria is by no means a trending stock in a trending industry, net income is sexy, and by virtue of this, so is Savaria.

Savaria has proven for the past five years that it is able to generate profits, which is evidenced by net incomes that have increased from $6 million in FY 2014 to $18 million in FY 2018. The company has averaged a pretax income-growth rate of 29.77% in the past five years, which is exceptional.

Savaria is also in an industry that will see double-digit growth in demand over the next decade with 17% of Canada's population over 65 and 16% of the United States' population over 65.

This is the ideal company in an industry that will experience explosive growth in the near future.

So, are you in or out?

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