Don't Fear High Inflation: Beat it With High Stock Returns!

Description

Statistics Canada revealed that Canada's year-over-year inflation rate is 3.4% — the highest in almost a decade! Canadians would have felt the hit in higher food prices, gas, etc.

Inflated prices in basic materials like copper and lumber are rippling through related industries like semiconductor companies, data centres, IT companies, and home improvement retailers. In turn, these industries will impact other parts of the economy.

High inflation combined with low interest rates are hurting savers the most. To beat inflation and protect their purchasing power, Canadians must consider investing in stocks for higher returns.

Here are some top **TSX** stocks you can buy in May 2021, one of which is **Savaria** (TSX:SIS). It is a global company that provides accessibility solutions for the physically challenged to increase their comfort, mobility, and independence. It generates sales in more than 40 countries with 30 direct sales offices and over 1,000 dealers, and it has 15 manufacturing or distribution facilities in 12 countries.

Savaria's high returns

Although Savaria is a small-cap company, it has a track record of strong returns to prove its worth.

Its market cap stands at just north of $1.2 billion, while its last 12-month revenue was $378 million — up marginally year over year. Its first-quarter results were much stronger, suggesting a rebound from the pandemic-impacted macro environment.

For Q1 2021, its revenue climbed 27% to $112 million and adjusted EBITDA increased by 40% to $17 million versus Q1 2020. On a per-share basis, the adjusted EBITDA increased by 29% to $0.31.

The quarter's results were boosted by the Handicare Group AB acquisition completed on March 4. Handicare had an enterprise value of more than $520 million. The acquisition expanded Savaria's product offerings and geographical reach.

The dividend stock has outperformed the market returns in the past 12 months, five years, and 10 years. The stock's 10-year annualized returns are north of 30% — a 14-bagger!

A top TSX stock with a growing dividend

Savaria offers a nice yield of 2.5% to help pay the bills. The company's dividend history shows the kind of earnings volatility it could experience. It cut its dividend three out of the past 10 years, but its 10-year dividend-growth rate of 16% is still admirable.

It has increased its dividend for the past six years and is therefore a Canadian Dividend Aristocrat. Furthermore, the company has grown bigger and stronger in the past decade. With expected rising earnings, it has the capability to protect and increase its dividend going forward.

Growth

Management expects to double Savaria's revenue in about five years with a focus on product innovation and continuous improvement, production efficiencies, and organic sales growth, benefiting from a growing global aging population.

Investors should note that the small-cap stock does come with acquisition and integration risks. M&A is a double-edged sword after all. So, stock volatility is to be expected. If the stock corrects, do not panic, but reassess the situation objectively.

Currently, analysts think there's no downside risk to Savaria stock. They have a consensus 12-month price target that indicates an upside potential of 21% in the near term.

The Foolish takeaway

Savaria benefits from the tailwind of a global aging population. Currently, it provides a 2.5% yield, a growing dividend, and a 12-month price appreciation potential of 21%. This profile is more than enough to beat high inflation.

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