1 Oversold Dividend Stock I'd Buy in Bulk This October

Description

A volatile market has driven valuations of several stocks lower in the first nine months of 2022. But the ongoing selloff has also increased the dividend yields of companies, as this metric is inversely proportional to stock prices.

I have identified an undervalued TSX stock in **Savaria** (TSX:SIS). It is oversold and offers a generous dividend yield to investors. Let's see why Savaria is a dividend stock that should be on top of your shopping list right now.

Is Savaria stock a buy?

Savaria has been among the top-performing stocks on the TSX and has returned 1,220% to investors in dividend-adjusted gains since September 2012. Despite its market-thumping performance, Savaria offers investors a tasty dividend yield of 3.8%. But the stock is also down 40% from all-time highs, allowing you to buy the dip.

Savaria manufactures and sells a wide range of mobility products that include home elevators, stairlifts, ceiling lifts, and adapted vehicles. The company has manufacturing facilities in North America, Europe, and China, allowing it to reach global markets and meet customer requirements efficiently.

In the last two years, Savaria has been wrestling with multiple headwinds, including COVID-19, supply chain disruptions, soaring freight costs, labour shortages, and inflation. But the company has managed to increase sales from $374.3 million in 2019 to $661 million in 2021.

Savaria closed the acquisition of Handicare in March 2021, driving its top-line growth significantly higher last year while providing it with opportunities to expand its geographical reach and the stairlift product line.

Savaria is still a small-cap company and is valued at a market cap of $892 million. Analysts expect its sales to reach $777.5 million in 2022 and $826 million in 2023. In fact, Savaria is confident about clocking $1 billion in annual sales in 2025.

An increase in the top line should also allow Savaria to expand its profit margins. Bay Street expects Savaria to increase adjusted earnings by 62% in 2022 and by 42% in 2023. Comparatively, Savaria stock is priced at 1.2 times forward sales and 23 times forward earnings, which is very reasonable given its growth forecasts.

Additionally, Savaria stock is trading at a discount of more than 50% compared to average price target estimates.

Savaria currently pays investors a monthly dividend of $0.043 per share. In the last five years, its payouts have increased by 7.5% annually. Based on its free cash flow, the company has a payout ratio of 74%, indicating it has some room to increase dividends in the future.

The Foolish takeaway

Savaria's products are available in 40 countries globally, suggesting it can gain traction in several other regions. According to the company's chief executive officer and president Marcel Bourassa, "the population of people aged 65 and over is growing faster than any other age group, and by 2030, it's expected that 1.4 billion people will be 60 or older."

Investing in a stock like Savaria that has multiple growth drivers should help investors outpace the broader market over time. Additionally, Savaria is trading at an attractive valuation and offers massive upside potential right now.

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