5iResearch

COMPANY REPORT / 5i OPINION

Savaria Corp

- Integrity
- Independence
- Insight
- Individually-focused
- Investments

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- Stay at home trends support business
- Stable fundamentals with growth expected
- Debt trending lower
- Higher valuation historically
- Rating maintained at 'B+'

AUGUST 27, 2020

Traded as:	SIS (TSX)
Price:	C$15.27
Dividend:	3.01%
Debt:	Low-Medium
Market Cap:	$773.86 Million
Beta:	0.82

"B+"

5i Report Card

Metric	Value	Grade
Industry	Industrials	
Expected 1 year Revenue Growth	18.5%	B+
5 Yr. Revenue Growth	31.5%	A+
5 Yr. EPS Growth	14.1%	B+
5 Yr. ROE	8.7%	B
Gross Margin	34.3%	A-
Net Margin	7.6%	B
Current Ratio	2.5	A-
Debt/Equity	0.28	A-
Insider Ownership	38.0%	A+
Recessionary EPS (2008/2009)	0.06/0.09	B+
5 Yr Dividend Growth	27.0%	A+
Qualitative	Excellent management	B+
Rating -		B+

Recent Results

SIS generated revenue of $84.7 million, down 9.9% compared to the same period in 2019, but beating estimates by 2%. Gross margin improved from 34.1% to 34.6%, but gross profit slipped 8.6% to $29.3 million. Adjusted EBITDA of $14.5 million improved 1.8% on an annual basis, beating estimates by 10%. Garaventa Lift related synergies also helped results. Management continues to see strong bookings going forward despite slowed earnings due to the pandemic. Overall, it was a good quarter with the bottom line remaining stable and margins improved.

Valuation

Following a string of good quarters, SIS has recovered nicely from its pandemic lows. Sales have doubled in the past three years and EPS has gained nicely as well. Management's cost cutting initiatives are helping margins and following a capital raise in April 2019, the balance sheet remains strong. Its net debt to adjusted EBITDA has moderated, creating more room for free cash flows. Trading at 25.7x forward earnings, this is on the higher end than what the company historically trades at. However, SIS has largely worked through its past issues and should be ready to get back on to the growth path. While management has declined to provide guidance, we expect sales to improve, as a larger number of people would prefer staying at home rather than being helped at a care facility.

Summary

As one of the global leaders in the accessibility industry, Savaria has continued to do as promised. Investors can gain some reassurance as SIS continues to show stability even during the pandemic lows. While the pace has been slow, management has been focused on integration and improving efficiencies. Shares are now trading 7% higher on a year-to-date basis helped by growth in all segments. Strong management and material insider ownership also support the case for owning shares. We continue seeing upside and maintain a 'B+' rating.