

Savaria Corporation (TSE: SIS) Industrials - Elevator and Moving Stairway Manufacturing

Company Profile

Savaria (TSE: SIS) is a leader in the accessibility industry. Savaria designs, builds, and retails personal mobility products in the accessibility (stairlifts, elevators, and platform lifts) and adapted vehicles (van conversions) segments. The company's accessibility and adapted vehicles segments represent 84% and 16% of revenues respectively. In terms of global exposure, 54% of total revenues come from the US, 37% from Canada, and 9% internationally. Savaria has generated solid five-year annual growth rates of 8.5% for revenue and 22.1% for EBITDA.

Well-Positioned to Serve the Aging Demographic

Savaria is well situated to service a population which is both aging and growing obese. Revenue drivers include the aging population, a growing desire to age at home, and high obesity rates. Savaria intends to grow through organic growth initiatives such as adding franchises and introducing new products, and possibly through inorganic acquisitions (as suggested by management). Savaria's strong balance sheet and cash flows should support growth initiatives and historically healthy dividends (forward 3.8% yield).

Valuation & Recommendation

Savaria is a leader in the accessibility industry which is experiencing strong macroeconomic tail-winds. However, the company has no observable economic moat, and therefore we cannot see the historical growth rates of 8.5% for revenue and 22.1% for EBITDA continuing. Based on a discounted cash flow valuation, the implied intrinsic value of the company's shares is approximately \$5.72, which is very close to the current market price, thus we recommend a hold rating. If the market price were to ever fall significantly below the intrinsic value, or if an investor was simply looking for a dividend stock (which yields a healthy 3.8%), we would support a buy decision.

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Equity Research Canada

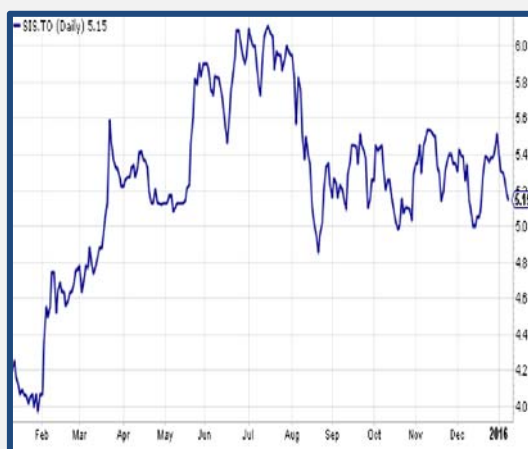
Price Target	CAD\$ 5.72
Rating	Hold
Current Share Price, close	CAD\$ 5.17
Total Return	10.6%

Key Statistics

52 week H/L	\$6.30/\$4.06
Market Capitalization	\$168M
Net Debt	-\$10M
Enterprise Value	\$158M
Diluted Shares Outstanding	33M
Free Float %	54%
Dividend Yield	3.8%
LTM P/E	20.7x
LTM EV/EBITDA	11.8x

WestPeak's Forecast

	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
Revenue	\$91.5M	\$96.1M	\$100.9M
EBITDA	\$12.1M	\$13.5M	\$15.1M
EBIT	\$10.3M	\$11.3M	\$12.8M
Net Income	\$8.1M	\$8.2M	\$9.2M



The Company

Products

1. Accessibility Products

The company's stairlifts, elevators, and platform lifts are manufactured, assembled, and personalized at the Brampton, Ontario, plant. The Huizhou, China, plant is the main supplier of components for the Brampton plant. Savaria expects continued margin expansion by increasing the quantity of components sourced from its Huizhou plant and by the introduction of new, higher margin products such as a stairlift for curved staircases. The accessibility segment also includes operations that came from the acquisition of Silver Cross in 2014, which include a franchise network through which new and used accessibility equipment is sold, and a sales lead generation program.



Source: Company website

2. Adapted Vehicles

The adapted vehicles segment adapts vans through the Van-Action and Freedom Motors subsidiaries located in Montreal, Quebec, and Brampton, Ontario, respectively. The vans are made wheelchair accessible through a lowered floor and ramp system. Vans are converted and are sold either directly to customers or through dealer resellers. They can be for personal use or commercial use (taxis).



Source: Company website

Recent Acquisitions

Savaria acquired Concord Elevator and Van-Action in 2005, Liberty Motor Co. and Viewpoint Mobility in 2010, and Silver Cross in 2014. Silver Cross was acquired for cash consideration of \$4.7 MM (\$2.5 MM of which was due immediately and \$2.2 MM payable in eight semi-annual instalments beginning in six months from the purchase date).

Silver Cross operates 16 franchise retailers across Canada, plus 1 corporate store in Oakville, Ontario. These locations retail new and used accessibility equipment. It also operates a sales lead generation and distribution program. Revenue is generated from selling the sales leads to distribution partners and franchises for \$35 per lead, and from 5% royalty fees on all sales from the franchise locations. We believe this acquisition provides several growth opportunities for Savaria:

1. Lead Generation

Silver Cross collects sales leads through their internet website, which are then sold to distribution partners and franchises at \$35 per lead. Silver Cross will allow Savaria to increase accessibility and adapted vehicle revenues by selling leads to Savaria dealers which will increase the sales of Savaria's products.

2. Increases Sales of Savaria products

By acquiring Silver Cross, Savaria intends to strengthen the sales of its products across Canada through the Silver Cross stores and through the dealers to which Silver Cross distributes leads.

3. Increased Store Presence

Savaria plans to increase the number of Silver Cross franchise locations in North America to approximately 50 over the next 3-4 years. The franchise locations will be added in Canada first, before expanding into the US.

Lack of Economic Moat

Savaria has generated annual revenue growth rates of 8.5% for the past five years, but it lacks the economic moat required to continue generating excess returns. Savaria holds no patents and therefore competitors produce nearly homogenous products of similar quality. Additionally, individual customers usually represent a single sale, so brand value is limited. Nevertheless, Savaria has made an attempt to develop a moat through brand value by recognizing the importance of quality post-sales service and has marketed itself as the most reputable in the industry. Unfortunately, with little to no barriers to entry, Savaria's excess returns will eventually be eroded away.

Balance Sheet

A stock issue in Q2 2015 raised a net \$11.2 MM which leaves Savaria with a current cash position of \$27.5 MM. Savaria's debt is comprised of a series of loans and notes payable, which total to \$17.7 MM and have a weighted average interest rate of 4%. Debt is adequately covered by cash, and future cash flows are sufficient to cover future interest payments.

Dividend Policy

Savaria has paid dividends on common shares since 2005. The average payout ratio has been 77% (which excludes 2007 due to negative net income). The current dividend yield is a healthy 3.8%. This high payout ratio

is, on the surface, a positive signal for shareholders but may be indicative of a lack of future investment opportunities for the company.

Shareholder Base

With a market capitalization of less than \$200 MM, it is understandable that Savaria is not widely held by institutional investors. However, Fiera Capital holds 11.5% of shares outstanding, SEI Investments holds 1.7%, and Natcan Investment Management holds 1.0%. None of these firms have activist intentions or have seats on the board of directors. Finally, approximately 46% of shares outstanding are held by Marcel and Jean-Marie Bourassa, who are the CEO and CFO respectively.

The Macro Environment

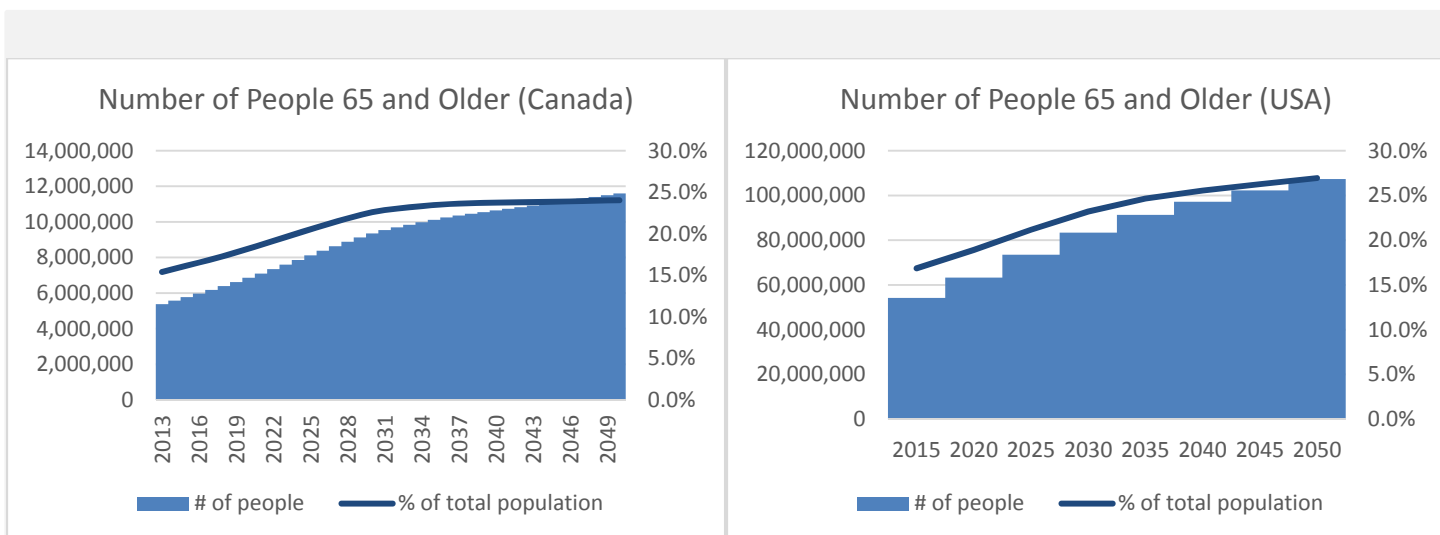
Prevalence of Mobility Disabilities Rises with Age

Mobility disability is Canada's third most prevalent disability at 7.2% of the population according to Statistics Canada. Seniors (65+) is the age group where this disability is most prevalent (20.5%). Similarly, in the United States, 7.1% of the population has an ambulatory disability according to the U.S. Census Bureau. The proportion rises to 23.2% when considering only the senior population.

Aging Demographic

The North American population is aging rapidly. The percent of the population which is 65 years or older is expected to rise from the current 15%, to 20% in 10 years, and to approximately 25% in 35 years according to Statistics Canada and the United States Census Bureau. This portion of the population is expected to grow at an approximate 3.5% annual growth rate for the next 20 years.

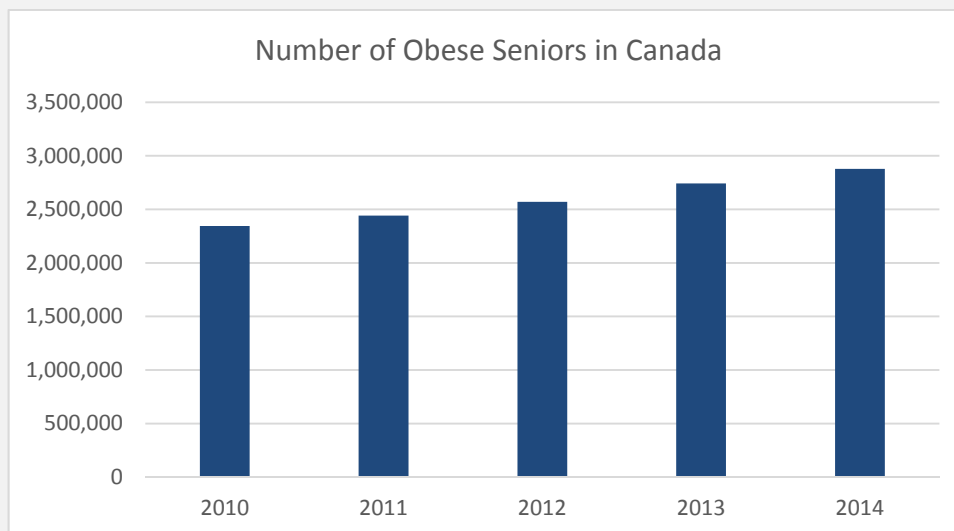
This demographic trend should drive revenues as the prevalence of mobility disabilities rises with age. Aging at home is also positive revenue driver for Savaria, as homes will need to be modified for use by those with mobility challenges.



Source: Statistics Canada and the United States Census Bureau

Obesity

The prevalence of obesity in both Canadian and American adults has historically been rising, which we believe will drive the need for mobility products. According to Statistics Canada, in 2012, 18% of Canadian adults were classified as obese (BMI 30+). The number seniors which are obese has grown by an annual growth rate of 5% in the last 10 years. A similar picture exists in the US with the Centers for Disease Control and Prevention reporting that 35% of US adults are obese.



Source: Statistics Canada

Taxi-cab Accessibility

Several North American cities have considered making 100% of their taxis wheel-chair accessible. In 2005, the Accessibility for Ontarians with Disabilities Act (AODA) was passed, which set a goal and timeframe to make Ontario wheel-chair accessible by 2025. As of July 1, 2014, all new taxicab licences issued in Toronto will be wheelchair accessible. The 100% accessibility goal is unlikely, and therefore have not included this directly into our model. However, it should be taken as an indication for general regulatory pushes for accessibility and may be a possible future growth catalyst.

Acquisitions

Management has stressed that the company's pipeline of potential acquisitions has never contained as many opportunities. We believe that Savaria is well positioned to take advantage of this strong pipeline with the support of its healthiest balance sheet in years. At the end of Q3 2015, Savaria had \$27.5 MM in cash following a net \$11.2 MM equity offering in Q2. However, without knowing what will be acquired, we cannot include this possibility for revenue growth in our model.

Competitors

There are two main competitors in North America that offer similar product lines, Bruno Independent Living Aids and Garaventa. Competing products are of high quality and sold at competitive prices, but Savaria believes that what differentiates the company from its competitors is "the reliability and safety of its products and the quality of its aftersales service." It is worth noting that both Garaventa and Bruno Independent Living Aids have

similar beliefs. Garaventa believes “reliability, safety and innovation” set them apart, while Bruno Independent Living Aids takes pride in “an unwavering focus on quality, safety and continuous improvement.”

One of Savaria’s main competitors, ThyssenKrupp Access, ceased its operations in the US in 2012, and as a result, Savaria was able to gain market share. ThyssenKrupp Access said in a statement that the closure was due to “ongoing weakness in the American housing market and sluggish U.S. economic recovery.” While this is initially troubling, the economic trends that forced the closure of ThyssenKrupp Access do not appear to have materially affected Savaria.

Management

Marcel Bourassa: President and CEO

Savaria was purchased by Marcel Bourassa in 1989 for \$200,000. Savaria has been publicly traded since 2002 and Mr. Bourassa has consistently remained the largest shareholder with a current equity interest of 36%, which suggests that his incentives are well aligned with shareholders. It should also be noted that at 64 years old, Mr. Bourassa is nearing retirement, and the company will likely suffer without his leadership.

Jean-Marie Bourassa: CFO

Jean-Marie Bourassa has been Savaria’s CFO and a Director since the IPO in 2002. He has been also the President and Director of Bourassa Boyer Inc., a CPA firm, since 1980. Jean-Marie owns 10% of Savaria.

Risks

Competition

Savaria is competing against other accessibility equipment companies, some of which may have larger financial, technical, R&D, marketing, and sales resources. Additionally, the two main competitors are private companies, which make this risk difficult to quantify.

Product-Related

Most of Savaria’s sales are currently derived from a small number of products, and these products are expected to account for a substantial portion of Savaria’s revenues in the future. Additionally, Savaria’s products currently meet the requirements of the Canadian Standards Association (CSA) and the American Society of Mechanical Engineers (ASME) which set requirements for design, construction, and testing. However, there can be no guarantee that the codes and standards will not change or that Savaria can ensure quality in new product offerings.

Key Personnel

Savaria’s future success likely depends on key personal, specifically Marcel Bourassa (President and CEO) because of his experience and knowledge regarding the business. It should be noted that at 64 years old, Mr. Bourassa is nearing retirement, and the company will likely suffer without his leadership. Additionally, failure to attract and retain personnel, particularly sales and technical personnel, could make it difficult for Savaria to meet growth objectives.

Acquisition Activity

Management has made it clear that acquisitions are part of the company's growth plan. As such, there is a risk that it does not find suitable targets at the right price or that it faces challenges when integrating firms.

Foreign Exchange

With over half of revenue coming from the United States and a portion of manufacturing operations in China, Savaria is exposed to exchange rate fluctuations. The risk is mitigated by raw material purchases in US dollars and a hedging strategy using forward contracts to guarantee a certain CAD/USD exchange rate. As per the hedging policy, anticipated sales in US dollars can be hedged up to a maximum of 75%.

Valuation

Discounted Cash Flow

A discounted free cash flow valuation is driven by future free cash flows and a discount rate. Therefore, we will discuss each assumption required to calculate the unlevered free cash flow and the weighted average cost of capital below.

1. Operating Income

Savaria has generated five-year annual revenue growth rates of 8.5%. However, based on a lack of economic moats, we do not see this trend continuing. Instead, we have based our 5% annual revenue growth for the next five years (2016-2020) on the following four factors:

- A. Forecasted 3.5% annual population growth of seniors.
- B. Historical senior obesity annual growth trend of 5%.
- C. Increased sales of Savaria products through Silver Cross stores.
- D. Increase of Silver Cross franchise locations.

Due to the ambiguity surrounding the ability to maintain excess growth, we have sensitized our model to the five-year growth rate. Next, in the five years following (2021-2025), we expect to see a decline in growth as Savaria approaches the forecasted perpetual growth rate of 2%, which represents the approximate rate of GDP growth in North America. Additionally, as per management guidance, we have forecasted a gross margin improvement from 32% to 36% over the next five years due to the introduction of higher margin products such as a stairlift for curved staircases and an increase Chinese-sourced components.

2. Depreciation and Amortization

We have forecasted depreciation and amortization based on historical values as a percent of property, plant, and equipment (PPE). We expect that as PPE rises, the amount of depreciation will rise at the same rate. Annual depreciation has historically represented approximately 13% of PPE and we do not expect this to change in the future.

3. Capital Expenditures

We have forecasted capital expenditures based on historical values as a percent of sales. We expect that as sales rise, the firm will need to invest in more machinery, larger factories, etc. Capital expenditures

have historically represented approximately 4% of sales and we do not expect this to change in the future.

4. Change in Net Working Capital

A. Current Assets

In our model, we have represented current operating assets as a percent of sales. As sales increase, current assets such as receivables and inventories will rise. Historically, current operating assets have represented approximately 36% of sales and we do not expect this to change.

B. Current Liabilities

We have represented current operating liabilities as a percent of COGS. As sales, and therefore COGS rise, we can expect current liabilities such as payables and warranty provisions to rise. Historically, current operating liabilities have represented approximately 30% of COGS and we do not expect this to change.

5. Weighted Average Cost of Capital

The weighted average cost of capital (WACC) is the rate of return that investors expect from Savaria. We calculated Savaria's WACC to be approximately 9% after taking firm specific factors such as the ratios of financing methods, tax rates, debt interest rates, and equity beta into account. It is worth noting that Savaria has no publicly traded debt, therefore a book value of debt and market value of equity have been used to calculate the ratios of financing methods. Savaria's WACC is seemingly low for such a small capitalization company, but this is easily explained by the company's beta of less than one and by low debt interest rates. In case any of these values change in the near future, we have sensitized our model to WACC.

Comparable Company Analysis

There are no pure comparable companies for Savaria, as all accessibility and adapted vehicles competitors are privately owned. However, for references sake, we have included a comparable company analysis which compares Savaria with the following companies:

1. ThyssenKrupp AG

ThyssenKrupp AG is a Germany-based technology holding company. Its Elevator Technology division is active in the construction and servicing of elevators, escalators, moving walks, and platform lifts.

2. Kone Corp.

Kone Corp. is a Finland-based engineering company that operates within the elevator and escalator sector. It offers products such as elevators, escalators, autowalks, and automatic door systems.

3. United Technologies Corp.

United Technologies Corp. provides technology products and services to the building systems and aerospace industries across the world. The company designs, manufactures, sells, and installs a range of passenger and freight elevators, as well as a line of escalators and moving walkways.

4. Prism Medical Ltd.

Prism Medical Ltd. is a provider of equipment and services used to move and handle mobility challenged individuals. The company manufactures a line of products, including fixed ceiling lifts, portable ceiling lifts, floor lifts, slings, shower chairs, and other ancillary patient handling products.

5. Hill-Rom Holdings Inc.

Hill-Rom Holdings Inc. partners with health care providers in more than 100 countries to focus on patient care solutions that improve clinical and economic outcomes. The company produces hospital beds, furniture, other medical equipment, and medical technology systems.

6. Henry-Schein Inc.

Henry Schein Inc. provides health care products and services to office-based dental, animal health, and medical practitioners. The health care distribution segment of the company distributes consumable products, laboratory products, equipment repair services, surgical products, and diagnostic tests, among others.

By comparing Savaria with lift manufacturers and healthcare product manufacturers, we are able to gain insight on how the market is pricing Savaria versus similar companies. It is worth noting that the healthcare product manufacturers trade at much higher multiples than the lift manufacturers. If we weight the median output from the three multiples (EV/EBITDA, EV/EBIT, and P/E) used in the valuation evenly, we receive a share price of \$6.21. This is significantly higher than the current share price of Savaria and must be taken with some skepticism due to the poor comparable base. With no pure comparable companies, we will not be placing any weight on the comparable company valuation and have simply included it for reference.

Recommendation

Savaria is a leader in the accessibility industry which is experiencing strong macroeconomic tail-winds due to the aging population, obesity, and a drive to improve accessibility. Savaria intends to grow through organic growth initiatives, such as adding franchises and introducing new products, and possibly through inorganic acquisitions. However, the company has no observable economic moat, and therefore we cannot see the historical growth rates of 8.5% for revenue and 22.1% for EBITDA lasting. After modelling the lower than historical growth and otherwise stable business, the implied intrinsic value of the company's shares is approximately \$5.72, which implies a trivial 10.6% upside.

Therefore, due to current market pricing we recommend a hold on Savaria (TSE: SIS). If the market price were to fall significantly below the intrinsic value, or if an investor was simply looking for a dividend stock (which yields a healthy 3.8%), we would recommend a buy decision.

Appendix 1: Discounted Cash Flow Model

BALANCE SHEET

SAVARIA CORP.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Cash & Cash Equivalents	1968	16280	27535	26488	25840	22695	14694	13476	14594	15826	17170	18974	20906
Other Current Operating Assets	26932	29860	33238	34604	36334	38151	40058	42061	43743	45493	47313	48732	50194
Net Property, Plant & Equipment	12302	12122	16326	18048	19739	21412	23079	24753	26395	28019	29633	31195	32717
Other Non-Current Assets	7811	13158	15349	16341	17158	18016	18916	19862	20657	21483	22342	23012	23703
* Total Assets	49013	71420	92448	95481	99071	100273	96748	100151	105389	110821	116458	121914	127521
Revolving Credit Facilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Short-Term Portion of Debt	2864	2833	2781	2985	2985	2985	2433	958	958	958	958	958	958
Other Current Operating Liabilities	11287	15669	19069	19609	20286	20983	21698	22432	23330	24263	25234	25991	26770
Long-term Debt	12731	12521	14927	14927	14927	12163	4791	4791	4791	4791	4791	4791	4791
Other Non-Current Liabilities	1898	3941	7252	7190	7438	7694	7956	8225	8554	8896	9252	9530	9816
* Total Liabilities	28780	34964	44029	44711	45637	43825	36878	36407	37633	38909	40235	41270	42335
Share Capital	14734	31746	42039	42039	42039	42039	42039	42039	42039	42039	42039	42039	42039
Additional Paid-In Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	5499	4710	6380	8731	11395	14409	17832	21705	25717	29873	34184	38606	43146
* Total Shareholder Equity	20233	36456	48419	50770	53434	56448	59871	63744	67756	71912	76223	80645	85185

Appendix 2: Discounted Cash Flow Model

INCOME STATEMENT

SAVARIA CORP.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	76078	82919	91544	96121	100927	105974	111272	116836	121509	126370	131425	135367	139428
Cost of Goods Sold	51888	55820	61897	65362	67621	69943	72327	74775	77766	80877	84112	86635	89234
* Gross Profit	24190	27099	29647	30759	33306	36031	38945	42061	43743	45493	47313	48732	50194
Sale of Goods and Administration	15085	16565	17516	17302	18167	19075	20029	21030	21872	22747	23656	24366	25097
* EBITDA	9105	10534	12131	13457	15139	16956	18916	21030	21872	22747	23656	24366	25097
Depreciation and Amortization	1596	1769	1828	2122	2346	2566	2784	3000	3218	3431	3642	3852	4055
* EBIT	7509	8765	10303	11335	12793	14390	16133	18030	18654	19315	20014	20514	21042
Interest Expense (Income)	290	-27	-883	452	458	434	289	95	84	72	58	40	21
* Pre-Tax Earnings	7219	8792	11186	10883	12335	13955	15843	17935	18570	19243	19956	20474	21021
Tax	1920	2401	3083	3047	3454	3908	4436	5022	5200	5388	5588	5733	5886
* Net Income	5299	6391	8103	7836	8881	10048	11407	12913	13370	13855	14368	14741	15135

Appendix 3: Discounted Cash Flow Model

CASH FLOW STATEMENT

SAVARIA CORP.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net Income	5299	6391	8103	7836	8881	10048	11407	12913	13370	13855	14368	14741	15135
Depreciation and Amortization	1596	1769	1828	2122	2346	2566	2784	3000	3218	3431	3642	3852	4055
Changes in Current Operating Assets	-1949	-3501	-4717	-1366	-1730	-1817	-1908	-2003	-1682	-1750	-1820	-1419	-1462
Changes in Current Operating Liabilities	1178	3712	913	540	678	696	715	734	897	933	971	757	780
Other Adjustments	845	842	1523										
Change in Net Working Capital	3127	7213	5631	1905	2408	2513	2623	2737	2580	2683	2790	2176	2242
* Cash from Operations	6969	9213	7650	9132	10175	11494	12999	14645	15803	16470	17161	17931	18508
Capital Expenditures	-1476	-3529	-6126	-3845	-4037	-4239	-4451	-4673	-4860	-5055	-5257	-5415	-5577
Dispositions	21	15	0	0	0	0	0	0	0	0	0	0	0
Other Investing Activities	54	23	0	-1054	-569	-603	-638	-677	-465	-484	-503	-393	-404
* Cash from Investing	-1401	-3491	-6126	-4899	-4606	-4841	-5089	-5350	-5326	-5539	-5760	-5807	-5982
Revolving Credit Facilities				0	0	0	0	0	0	0	0	0	0
Dividends	-3258	-6345	-5049	-5485	-6217	-7034	-7985	-9039	-9359	-9699	-10058	-10319	-10594
Change in Debt	-2829	-3046	1740	204	0	-2764	-7925	-1474	0	0	0	0	0
Change in Equity	552	18027	13691	0	0	0	0	0	0	0	0	0	0
* Cash from Financing (Pre-Revolver)	-5535	8636	10382	-5281	-6217	-9798	-15910	-10514	-9359	-9699	-10058	-10319	-10594
Beginning Cash Balance			16280	27535	26488	25840	22695	14694	13476	14594	15826	17170	18974
Changes in Cash (Pre-Revolver)			11905	-1047	-648	-3145	-8001	-1219	1118	1233	1343	1805	1932
Ending Cash Balance (Pre-Revolver)				26488	25840	22695	14694	13476	14594	15826	17170	18974	20906
* Ending Cash Balance			27535	26488	25840	22695	14694	13476	14594	15826	17170	18974	20906

Please see legal disclaimer at bottom.

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Appendix 4: Discounted Cash Flow Model

DISCOUNTED CASH FLOW ANALYSIS

SAVARIA CORP.

	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Current Debt Value			17708										
Current Equity Value			168440										
Debt to Value Ratio			9.5%										
Equity to Value Ratio			90.5%										
Current Tax Rate			28%										
Current Weighted Average Debt Yield-to-Maturity			4%										
Current Expected Market Return			10%										
Current Risk Free Rate			3%										
Current LTM Equity Beta			0.95x										
Current Weighted Average Cost of Capital (WACC)			9.01%										
Long-term Perpetuity Growth Rate			2.00%										
EBIT				11,335	12,793	14,390	16,133	18,030	18,654	19,315	20,014	20,514	21,042
<i>Tax Rate</i>				28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Depreciation and Amortization				2,122	2,346	2,566	2,784	3,000	3,218	3,431	3,642	3,852	4,055
Capital Expenditure				-3,845	-4,037	-4,239	-4,451	-4,673	-4,860	-5,055	-5,257	-5,415	-5,577
Change in Net Working Capital				1,905	2,408	2,513	2,623	2,737	2,580	2,683	2,790	2,176	2,242
Unlevered Free Cash Flow				8,344	9,928	11,201	12,571	14,046	14,368	14,966	15,586	15,384	15,870
Discounted Unlevered Free Cash Flow				7,654	8,355	8,647	8,903	9,126	8,564	8,183	7,818	7,079	6,699
Present Value of Projected Cash Flows	\$		81,027										
Present Value of Perpetuity Cash Flows	\$		95,595										
Total Enterprise Value	\$		176,622										
Total Debt	\$		17,708										
Cash	\$		27,535										
Total Equity Value	\$		186,449										
Shares Outstanding (thousands)			32,580										
Price/Share	\$		5.72										

		Discount Rate (WACC)								
		7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	
5yr Projected Growth Rate	2.00%	\$6.86	\$6.24	\$5.72	\$5.27	\$4.90	\$4.57	\$4.28	\$4.03	
	3.00%	\$7.23	\$6.57	\$6.02	\$5.56	\$5.16	\$4.82	\$4.52	\$4.26	
	4.00%	\$7.61	\$6.92	\$6.34	\$5.86	\$5.44	\$5.08	\$4.77	\$4.49	
	5.00%	\$8.00	\$7.28	\$6.68	\$6.17	\$5.73	\$5.35	\$5.02	\$4.73	
	6.00%	\$8.41	\$7.65	\$7.02	\$6.49	\$6.03	\$5.63	\$5.28	\$4.98	
	7.00%	\$8.84	\$8.04	\$7.38	\$6.82	\$6.34	\$5.92	\$5.56	\$5.23	
	8.00%	\$9.28	\$8.44	\$7.75	\$7.16	\$6.66	\$6.22	\$5.84	\$5.50	
	9.00%	\$9.73	\$8.86	\$8.13	\$7.52	\$6.99	\$6.53	\$6.13	\$5.78	

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Appendix 5: Comparable Company Analysis

TRADING COMPARABLES ANALYSIS

SAVARIA CORP.

Company	Industry	Price	Mkt-Cap	Cash	T. Debt	EV	LTM				EV/EBITDA	EV/EBIT	P/E
							Sales	EBITDA	EBIT	Net Income			
ThyssenKrupp AG	Lifts	16.36	9314.20	4616.00	7955.00	12653.20	42778.00	2345.00	948.00	309.00	5.40	13.35	30.14
Kone Corp.	Lifts	36.31	19077.50	1505.20	199.20	17771.50	8251.40	1357.20	1260.20	872.60	13.09	14.10	21.86
United Technologies Corp.	Lifts	90.35	80376.53	5477.00	22667.00	97566.53	58794.00	11558.00	9668.00	5803.00	8.44	10.09	13.85
Prism Medical Ltd.	Healthcare Products	9.70	47.91	1.39	15.66	62.18	52.79	4.12	1.42	0.28	15.09	43.79	171.11
Hill-Rom Holdings Inc.	Healthcare Products	46.33	3019.28	192.80	2233.20	5059.68	1988.20	201.70	83.50	47.70	25.09	60.59	63.30
Henry Schein Inc.	Healthcare Products	150.28	12462.09	60.48	798.45	13200.06	10480.90	907.97	749.50	482.08	14.54	17.61	25.85
SAVARIA CORP.		5.17	168.44	27.50	17.70	158.64	90.16	13.43	11.59	7.79	11.81x	13.69x	21.62x
High											25.1x	60.6x	171.1x
Average											13.6x	26.6x	54.4x
Median											13.8x	15.9x	28.0x
Low											5.4x	10.1x	13.9x
											EV/EBITDA	EV/EBIT	P/E
Implied Price Per Share - High											\$10.64	\$21.86	\$40.91
Implied Price Per Share - Average											\$5.91	\$9.76	\$13.00
Implied Price Per Share - Median											\$6.00	\$5.94	\$6.69
Implied Price Per Share - Low											\$2.53	\$3.89	\$3.31

Appendix 6: Valuation Summary

VALUATION SUMMARY

SAVARIA CORP.

Price Per Share	Low	Implied	High
Discounted Cash Flow	5.08	5.72	6.49

Price Per Share	Bear	Median	Bull
EV/EBITDA	5.40	6.00	6.60
EV/EBIT	5.35	5.94	6.54
P/E	6.02	6.69	7.36

Discounted Cash Flow	\$5.08	\$1.41	\$6.49
EV/EBITDA	\$5.40	\$1.20	\$6.60
EV/EBIT	\$5.35	\$1.19	\$6.54
P/E	\$6.02	\$1.34	\$7.36



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