

PALOS

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Palos Weekly Commentary

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Palos Funds

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Savaria Is Recovering from The Garaventa Indigestion

It has been almost 1 year since Savaria's (TSX:SIS) acquisition Garaventa Lift took place. The business was acquired based on an annual \$8.3 million EBITDA. In the first six months following the acquisition, Garaventa delivered \$5.3 million EBITDA, also including a seasonally weak Q1. Their EBITDA margin also improved from 7.5% in 1Q19 to 9.5% in 2Q19. That being said, it is clear that management synergies and efficiency plans are working.

As for the company as a whole, I am pleased with its progress. Savaria's reported Q2 results affirmed an EBITDA that was \$14.4 MM ahead of the street. Additionally, margin in both the accessibility and patient handling segments was better than expected. This was particularly seen in the accessibility segment, thanks to improvements at Garaventa.

For the future, Savaria reiterated their outlook for the remainder of 2019. The company is confident that they can deliver on \$385M to \$400M in revenue, and \$55M to \$60M in EBITDA, which I believe are realistic financials. The company is also slowly deleveraging and are most likely getting ready for their next wave of acquisition.

Disclaimer: Palos Funds are shareholders of SIS.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.01	6.32%
Palos Equity Income Fund - RRSP	PAL101	\$5.46	5.67%
Palos Merchant Fund L.P. (Dec 31, 2018) ²	PAL500	\$1.82	6.59%
Palos WP Growth Fund - RRSP	PAL210	\$7.17	1.30%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019) ³	PAL300	\$9.29	-1.13%
S&P TSX Composite (Total Return with dividends reinvested)			14.12%
S&P 500 (Total Return with dividends reinvested)			14.75%
S&P TSX Venture (Total Return with dividends reinvested)			3.84%
Chart 2: Market Data ¹			Value
US Government 10-Year			1.58%
Canadian Government 10-Year			1.15%
Crude Oil Spot			US \$55.23
Gold Spot			US \$1,515.90
US Gov't10-Year/Moody BAA Corp. Spread			220 bps
USD/CAD Exchange Rate Spot			US \$0.7508

¹ Period ending August 14, 2019. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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