4 New Ways to Play the Ageing Demographic Theme

Description

This week's news of the **Loblaw** takeover of **Shoppers Drug Mart** (TSX:SC) has implications for Canadian investors on a number of levels. You can get more on our takeover thoughts by checking out this recent Fool.ca post or this week's edition of Take Stock.

One of the big repercussions for Canadian investors is that the whole thesis behind investing in Shoppers Drug Mart has changed. This had been one of Canada's great ways to play the dominant demographic theme of our day – the baby boom. Simply, as this demographic ages, they're going to need more health related products. There is no Canadian entity better suited to supplying these products than Shoppers. Loblaw clearly understands this.

Canadian investors looking for a pure-play on the ageing demographic must now change their tune.

Here are 4 ways that you can deploy your Shoppers' proceeds and continue on with a similar exposure:

Walgreen's (NYSE:WAG) – Why not do a little cross border shopping? You can very easily hop from Canada's leading drug store chain into the leading drug retailing chain south of the border. With its $71 billion in annual revenues, Walgreen's dwarfs Shoppers' mere $11 billion or so and with an EV/EBITDA multiple of 10.6, the two trade at a similar valuation.

If however, you'd like to keep your money in the Canadian market, here are some other options….

Jean Coutu (TSX:PJC.A) – The Quebec based pharmacy has always been somewhat of an also ran relative to Shoppers in the eye of many market participants. However, with Shoppers set to fade from the public markets, Canadian pharmacy investors now have but one place to turn. The company recently offloaded a nearly $200 million stake in U.S. pharmacy **Rite-Aid**, a position that has been somewhat of an albatross over the years. The stock however has responded to the lancing of Rite-Aid, as well as the Shoppers transaction, as it has climbed by more than 30% thus far in 2013 and trades with an EV/EBITDA multiple of 12.4, eclipsing both Shoppers and Walgreen's current valuations.

Extendicare (TSX:EXE) and **Chartwell Retirement Residences** (TSX:CSH.UN) – moving away from the pharmaceutical theme, two other names that should benefit from an ageing demographic operate in the realm of seniors housing and care. Both of these names appear to be playing in the right sandbox, and pay seemingly attractive yields of 7.1% for Extendicare and 5.3% for Chartwell, but you'll want to do your homework on each before jumping in. Over the past 5 years or so, though both have performed quite well in dividend adjusted terms, the road hasn't exactly been a smooth one for shareholders in either company.

The Foolish Bottom Line

Over the long-term, investing in the baby-boomers has been a good way to make a lot of money. It's very clear where this population bubble is headed, and getting positioned a tad early could result in big rewards for investors. For Canadian investors, even though Shoppers is about to disappear, other options still exist.

Shoppers was one of the 5 stocks suggested in our special **FREE** report "**5 Stocks to Replace Your Canadian Index Fund**". To download this report and learn about the remaining 4, simply click here now.

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Fool contributor Iain Butler doesn't own shares in any of the companies mentioned at this time. The Motley Fool doesn't own shares in any of the companies mentioned.

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1. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:EXE (Extendicare Inc.)

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