



4 Ways to Profit From the Aging Population

Description

It is no secret that in North America, the biggest demographic trend at work today is the aging population. This has already shifted dollars away from certain industries and toward others, and will continue to do so. In fact, this shift will accelerate in the years to come as this demographic trend increasingly takes hold.

As an investor, I want to be investing in those companies that will benefit from this shift; companies that will see a natural uptick in demand for their products or services for the simple fact that they are in the right business to cater to this aging population.

Healthcare

An obvious place to look for such ideas is in the healthcare sector. An aging population obviously means more demand for companies involved in this sector.

Catamaran Corp. (TSX: CCT)(NASDAQ: CTRX) is a provider of pharmacy benefit management services and technology that is poised to do well. The company helps its customers reduce the cost of their pharmacy benefits, while improving the care for its members. Things have been good for the company, which manages more than 350 million prescriptions each year. With prescriptions expected to increase almost 100% by 2020, the potential gains are huge. 2013 was another very strong year for Catamaran, as revenue increased 49%, EBITDA increased 79%, and cash flow from operations increased 90%.

Valeant Pharmaceuticals (TSX: VRX)(NYSE: VRX) has also been a very strong performer, but investors should be cautious with this name, as its strategy is to grow through acquisitions and the sustainability of this strategy is questionable. Furthermore, these acquisitions have largely been financed with debt, and the company currently has a heavy debt load on its balance sheet. The \$8.7 billion acquisition of Bausch and Lomb in August 2013 helped push the company to record a profit in the latest quarter after reporting losses in both 2012 and 2013.

REITs

REITs that are involved in some way in the care of seniors also have much to gain from the aging population. These businesses will see increased demand for their services, and the aging population will look more and more to higher-yielding investments in order to provide them with income.

Chartwell Seniors Housing Real Estate Investment Trust ([TSX: CSH.UN](#)) owns a large portfolio of retirement homes in Canada and the U.S., and is set to benefit from increasing demand for rooms in the coming years. Chartwell REIT has a dividend yield of 5.3%, which is fully covered by funds from operations. Although the company has recently struggled with weaker occupancy rates, in the coming years demand is expected to increase more than the new supply of retirement homes. Currently, occupancy levels are at 90% with the potential to increase a few percentage points as demand increases. The leverage to increases in occupancy rates is very significant.

Banking

The banking sector is also poised to benefit from the aging population, as wealth management services see increasing demand from the aging population. The banks are noticing and renewing their focus on wealth management.

CIBC ([TSX: CM](#))([NYSE: CM](#)) has intensified its focus on capturing some of the profit from this business, as its top priority is to build out its wealth management business. In fact, the company reported \$1.2 billion in net sales of long-term mutual funds in 2014. And the company's recently acquired Atlantic Trust Private Wealth Management added U.S. \$20 billion in assets under management. In the fourth quarter of 2013, the wealth management segment accounted for 12.4% of the company's net income, and achieved a 24% growth rate.

Foolish bottom line

The three companies and one REIT discussed stand to benefit greatly from the aging population. They have responded well to the shift in the demographics and have already begun to profit. But the coming years will be even better to these companies, as the demographic shift continues and intensifies.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CSH.UN (Chartwell Retirement Residences)

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