3 Small-Cap Healthcare Dividend Plays Worth Considering

Description

While there aren't too many options for investing in the Canadian healthcare market apart from pharmaceutical companies, it's a space worth researching, considering the long-term tailwinds. Here are three companies worth looking at. The first two have a healthy dividend payment with room to grow, while the third would be a special-situation purchase.

Creating investor value

By operating long-term care homes and retirement living centres, **Extendicare Inc.** (TSX:EXE) is uniquely positioned to capitalize on demographic trends and should rapidly grow its footprint in Canada to meet the demands of an aging population. The company has a network of 112 owned and managed homes as well as a home health services business.

The sale of its U.S. home nursing business has given it a large amount of capital to put towards increasing shareholder value.

Instead of spending the cash enlarging the company in whatever way possible, management has identified a few key areas that will boost returns the most. After the completion of the sale, Extendicare will begin buying back 7.5 million shares, equating to 10% of shares outstanding. The company also plans to renovate three existing homes and build three new assisted-living facilities, with a goal to reach a return on equity of 15%.

Plus, investors get a 7.2% dividend yield while waiting for the growth prospects to take hold. In the meantime, massive share buybacks should help prop up the stock price.

A reliable income option

Medical Facilities Corp. (TSX:DR) owns a controlling interest in five specialty surgical hospitals located in South Dakota, Oklahoma, and Arkansas, as well as an ambulatory surgery centre in California. The specialty surgical hospitals perform scheduled surgical, imaging, and diagnostic procedures. The ambulatory surgery centre specializes in outpatient procedures, with patient stays of less than 24 hours.

The company pays out a majority of its free cash flow to shareholders through a monthly dividend. This payout has proven very consistent, with no disruptions in the payout over the past five years. With a current 6.5% yield and a stable underlying business, Medical Facilities is a very under-followed income play.

The special situation

Amica Mature Lifestyles Inc. (TSX:ACC) is a Vancouver-based provider of luxury senior residences. Since 2006, the company has paid out a consistently growing dividend, reaching a high of 6% this year. In September, however, it agreed to be acquired by a pension-fund-backed company, extending a growing wave of industry-wide consolidation. The deal will combine Amica, which has 26 properties in Ontario, British Columbia and Alberta, with BayBridge, which has 41 senior communities across Canada and the U.S.

At its current price, shares have only 3% upside compared to the buyout offer of $18.75 a share. However, this upside has nearly doubled since the deal was originally announced. If shares continue sliding, conservative investors could get a solid annualized yield in a low-risk situation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DR (Medical Facilities Corporation)
2. TSX:EXE (Extendicare Inc.)

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created
2015/11/10
Author
rvanzo