Investors: Don’t Miss Out on This +$1 Trillion Opportunity

Description

Sometimes, investing can be incredibly complex as we really dig into the core of a company.

Other times, it can be incredibly easy.

One example of easy investing is following a massive trend that everyone knows is coming, yet hasn’t really been noticed by the market. Investors can pick up companies at a decent valuation today, holding (and collecting dividends) until things really start to get exciting.

Such a trend is just beginning in the healthcare space, thanks to a massive glut of baby boomers who will need everything from prescription medicine to assisted-living facilities, and everything in between. In Canada alone, caring for an aging population is expected to cost more than $1 trillion over the next 30-40 years.

Here are three ways investors can cash in on this upcoming opportunity.

Jean Coutu

Jean Coutu Group PJC Inc. (TSX:PJC.A) is one of Canada’s largest owners and franchisors of pharmacies with 420 stores located across Ontario, Quebec, and New Brunswick.

There’s a lot to like about the pharmacy business. As someone gets older, the amount of medicine they take tends to increase. The relationship between pharmacist and patient is usually long term in nature. And there’s steady profits in dispensing pills every month.

As our population continues to age, pharmacists are only going to get busier. Increased volume in existing locations will encourage expansion. Naturally, Jean Coutu will get its share of the spoils.

Shares today trade at $19.42, which is approximately 17 times trailing earnings–a reasonable valuation. The dividend is $0.12 per share quarterly, which is good enough for a 2.5% yield.

Extendicare

Extendicare Inc. (TSX:EXE) continues to be my favourite way to play an aging population.

The company recently sold off its U.S. operations, freeing up cash it is currently using to expand here at home. Major moves in the past 18 months include acquiring six retirement communities, breaking ground on developing a few more, and nearly doubling the size of its home-health business by acquiring a competitor.

Home health might be the more exciting opportunity than retirement homes. As more and more folks look to stay in their homes and delay moving into the dreaded old folks' home a little while longer, home-health workers can bridge that gap. It's also a far cheaper option for governments that are often left footing the bill.

Through the first two quarters of 2016, Extendicare posted adjusted funds from operations of $0.34 per share, putting it on pace to earn $0.68 per share for the year. That puts shares at 12.7 times earnings–a very reasonable number. It also pays a 5.6% dividend, which is a nice reward for patient shareholders.

Northwest Health

Northwest Health Prop Real Est Inv Trust (TSX:NWH.UN) is a little more of an indirect play on an aging population, but it's still worth noting. It owns real estate that is leased to medical professionals throughout Canada, Germany, Australia, and New Zealand. Its total portfolio has 9.3 million square feet of space over 139 different properties.

Northwest is just getting started. Management has a goal over the next three to five years to increase assets from $3.5 billion to $5 billion by further expanding around the world. Expansion into the United States seems very likely, as well as other acquisitions in areas with higher cap rates than here in Canada.

In the meantime, investors are getting a yield of 7.5% with a payout ratio of approximately 85%.

Conclusion

Smart investors know simple investing can be the best kind. Taking advantage of the aging trend today before the market wakes up to it could end up paying dividends for years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
3. TSX:TLRY (Aphria)

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Date
2025/07/07
Date Created
2016/08/23
Author
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