



Is Sienna Senior Living Inc. a Good Investment?

Description

One of the most intriguing sectors of the economy to invest in is healthcare. Advancements in technology and science are bringing about new tests, machinery, and the tools necessary to diagnose and treat a larger number of medical conditions with each passing day.

Companies that provide senior care and living assistance are an emerging and lucrative business opportunity for investors, and **Sienna Senior Living Inc.** ([TSX:SIA](#)) is one such company.

Sienna is one of the largest owner-operators of senior care in the country with over 50 residences in Ontario and British Columbia that employ +9,000 people. Sienna offers independent and assisted-living options as well as long-term and specialized-care options for seniors.

Sienna's unique opportunity

Canada, like much of the western world, has an aging population, and better treatment options have helped to push life expectancies higher. This has resulted in a greater demand and need among seniors for medical procedures for which wait lists have steadily risen across the country.

That void is also growing thanks to a changing dynamic in families; people are working for longer hours, retiring later, and having families later. This results in seniors that are too independent to want to burden their families for help and families that are unable to provide the care their aging parents need.

Sienna fills both these needs by providing senior living accommodations as well as alternatives to long-term hospital stays. Beyond simple accommodation needs, Sienna also provides both short- and long-term care solutions for seniors, which has helped the company maintain an occupancy rate of over 94%.

That high occupancy rate and market opportunity were part of the reason that Sienna is aggressively growing. Earlier this year, Sienna acquired a majority interest in a new 118-bed senior residence in Kelowna, British Columbia, and Sienna is exploring other opportunities for further growth.

Sienna's first-quarter results

In terms of results, Sienna has been on the market for just under a decade. The 2010 IPO fetched \$190 million, and since that time the company stock has soared over 120% to its current position of just over \$17.

Investors looking for dividend income will be more than satisfied with the generous monthly dividend Sienna provides, which currently stands at \$0.075 per share, providing a very impressive 5.08% yield.

In the most recent quarter, Sienna posted net income from continuing operations of \$4.7 million, bettering the \$101,000 loss posted in the same quarter last year. Net operating income came in at \$27.5 million for the quarter, beating the \$21.4 million for the same quarter last year. Net operating income across same properties increased by 4%, or \$800,000, in the quarter when compared to the same quarter last year.

Sienna maintains a strong and improving balance sheet with a debt-to-gross book value of 52.4% for the quarter, registering a marked improvement over the year-over-year 55.2% value.

Is Sienna a good investment?

Sienna is operating in an emerging segment of the economy that holds a significant amount of potential, particularly over the long term. The conditions that created the aging population and, by extension, Sienna's opportunity are not likely to be eliminated anytime soon, and Sienna's size and exposure to the market put the company in a prime position to realize further growth.

Some critics of Sienna have mentioned in the past that the company's debt levels are a reason to hold off on investing, but, in fact, Sienna has managed to keep growth in check while paying down debt and offering shareholders a healthy dividend. That growth will only accelerate as the company continues to pay down debt.

In my opinion, Sienna represents a unique opportunity for investors to diversify their portfolios while benefiting from a generous dividend.

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