These 2 Healthcare Stocks Have Yields Over 5%: Time to Buy?

Description

If you like to buy stocks with healthy dividend yields, there are two companies in the healthcare industry for you to consider. Let's take a look.

Extendicare Inc. (TSX:EXE), founded in 1968, is a Canadian-based company that owns and operates long-term care centres for senior citizens. The company's net income grew by 35.39% year over year during the last quarter to $0.13 per share. This was among the strongest growth in the industry. However, Extendicare's net profit currently sits at 3.5%, making it less effective than others in the industry at turning its revenue into profit. Over the last three years, revenue growth has averaged 10.61% annually, comparable to the industry average. Extendicare's return on equity is a healthy 25.74%.

Medical Facilities Corp. (TSX:DR), founded in 2004, owns controlling interest in five specialty hospitals in the U.S., but it's based in British Columbia. The company's net income grew by 91.12% year over year during the last quarter to a loss of $0.02 per share. However, Medical Facilities Corp.'s net profit currently sits at 12.40%, making it one of the most effective in the industry at turning revenue into profit. Over the last three years, revenue growth has averaged 3.17% annually, lower than the industry average. Its return on equity sits at 10.21%, lower than the 15-20% analysts usually look for in a stock.

Dividend history

How good are the dividends paid to stockholders?

Extendicare pays a monthly dividend of $0.04 per share for an annual dividend of $0.48 per share. This gives the stock a dividend yield of 5.26%. One important factor to note is this dividend has gone down over the years. In 2012, Extendicare paid a dividend of $0.84 per share for a yield of 10.98%, and it has been on the downswing since. So, while its current yield is nice, there is no guarantee it will stay this high.

Medical Facilities Corp. pays a monthly dividend of $0.094 per share for an annual dividend of $1.13 per share. This gives the stock a dividend yield of 7.72%. The company has also been on a bit of a downswing dividend-wise. In 2012, it paid a dividend of $1.11 per share for a yield of 8.02%. The rate dropped into the 6% range in 2013 and 2014 before going into the 7% range in 2015. It dropped back down into the 6% range in 2016 before moving up again in 2017. So, while the company's dividend has also lowered since its high five years ago, it hasn't lowered as much as Extendicare's, and it has moved both up and down in recent years. Therefore, this dividend seems a little more stable.

Investor takeaway

Both stocks have had some good results and numbers that cause concern. Both offer yields over 5%, but both dividends have fluctuated over the past five years. If you want a good dividend payout, Medical Facilities Corp. has the higher current offering and more stability in it dividends. If dividends are what you want, Medical Facilities Corp. is the safer bet.

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2. TSX:EXE (Extendicare Inc.)

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