



Why Sienna Senior Living Inc. Fell 2.78% on Tuesday

Description

What?

Senior living provider **Sienna Senior Living Inc.** ([TSX:SIA](#)) watched its stock fall 2.78% in Tuesday's trading session following its announcement that it has entered an agreement to acquire 10 senior-housing assets in Ontario for an aggregate purchase price of approximately \$382 million.

So what?

The 10 properties Sienna intends to acquire consist of "high quality private-pay independent supportive living and assisted living retirement residences," which have a total of 1,245 private-pay suites and are located in "growing, affluent communities primarily in the Greater Toronto Area and the Greater Ottawa Area."

In the press release, Sienna's chief executive officer Lois Cormack stated the following: "This Acquisition is expected to further strengthen Sienna's high-quality retirement portfolio, enhance our growth profile and drive long-term value creation for our shareholders. The acquired properties are leaders in their respective markets with unique programs and services in place and have over 750 team members who are experienced in seniors living and will further strengthen Sienna's team and operating platform."

Here are five other important notes to make about the transaction:

1. The acquisition will grow Sienna's portfolio to 85 residences.
2. The 1,245 suites that are being acquired are post-2000 construction and have a 93.6% occupancy rate as of December 31, 2017.
3. The acquisition is expected to be completed during the second quarter of 2018.
4. The acquisition will grow Sienna's retirement suite count by 63%.
5. The acquisition will be accretive to Sienna's adjusted funds from operations per common share in the first full fiscal year following completion.

To help fund the transaction, Sienna announced a \$160 million bought deal public offering of common

shares, in which it will issue 9,066,000 common shares to underwriters at \$17.65 per share. Sienna has also granted the underwriters an option to purchase an additional 1,359,900 shares at the same offer price, in whole or in part, within 30 days of the closing of the original offering, which means the gross proceeds of the offering have the potential to reach approximately \$184 million.

Now what?

The decline in Sienna's stock on Tuesday makes perfect sense, since the bought deal public offering will dilute its share count, and because it was priced at a 3.9% discount from its closing price of \$18.34 on Monday. That being said, I think the acquisition will be a huge benefit for shareholders in the long term, because I agree that it significantly enhances the company's growth profile. It's also worth noting that its [stock now yields](#) 5.05%, making it attractive from both a growth and income standpoint.

Including reinvested dividends, Sienna's stock has returned more than 32% since I first recommended it on [July 7, 2015](#), and I think it's still a strong buy today, so take a closer look and consider using the recent weakness to begin scaling in to long-term positions.

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