Investing for the Long Term? Try Sienna Senior Living Inc. and Extendicare Inc.

Description

The 2016 Canadian Census revealed that, for the first time in the history of the census, there were more seniors living in Canada than children. This gap is expected to widen in the coming decades, as the baby boomer generation enters retirement age. The demographic shift will result in significant social, political, and economic change.

One of the biggest challenges will be providing long-term care for a growing population of seniors. The recent flu outbreak in North America has disproportionately affected seniors in the U.S. and Canada. Today, we are going to compare two companies that offer long-term care facilities and determine whether or not both have a place in your portfolio going forward.

Extendicare Inc. (TSX:EXE)

Extendicare is a Toronto-based company that provides long-term care operations, home healthcare operations, and management and consulting services with its subsidiaries. Shares of Extendicare have dropped 9.5% in 2018 as of close on February 15. The company is set to release its 2017 fourth-quarter and full-year results on February 28.

Extendicare posted its 2017 third-quarter results on November 9, 2017. Revenue was up 1.9% in the quarter to $273.2 million, and net operating income inched down 0.9% to $34.7 million. The company experienced a reduced contribution from its home healthcare business and saw lower investment income. A one-time executive compensation charge saw earnings drop $3.4 million year over year.

In the nine months ending September 30, Extendicare posted revenue of $815.9 million — a 4% rise from the same period in 2016. Net operating income had also climbed 4% to $100.2 million due to an increase in home healthcare volumes, long-term, care-funding enhancements, and growth in its retirement operations.

Sienna Senior Living Inc. (TSX:SIA)

Sienna is a Toronto-based company that owns and operates long-term care homes, retirement homes, and independent-living facilities. In addition to this, Sienna also provides healthcare aides, nurses, and other staff for care homes and private care. Sienna stock has dropped 4.8% in 2018 thus far.

Sienna released its 2017 fourth-quarter and full-year results on February 15. Revenue was up 6% from Q4 2016 to $146.3 million, and net income rose 3.8% to $4.2 million. Debt to gross book value experienced a drop of 190 basis points. For the full year, Sienna saw revenue rise to $557 million from $503 million in 2016, and net income surged to $21.8 million compared to $2.9 million in 2016. The company also delivered a dividend yield of 5.2%.

Sienna stock continues to be one of the more attractive long-term options on the TSX and should benefit tremendously from demographic trends. Its highly attractive dividend also makes it a solid option for those seeking income.

Extendicare is trading down over 20% from its all-time high of $10.75 reached in March 2017. The company is worth monitoring ahead of its Q4 and full-year results, but I prefer the value at Sienna right now.

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