



## The Best TSX Stock to Buy for Retirement

### Description

It's been a while since I've discussed retirement home stocks listed on the TSX, but early in June I happened to notice that both **Extendicare Inc.** ([TSX:EXE](#)) and **Sienna Senior Living Inc.** ([TSX:SIA](#)) were on the *Globe and Mail's* weekly list of oversold stocks, so I'm back to take a look around.

Perhaps one or more of Extendicare, Sienna, or even **Chartwell Retirement Residences** ([TSX:CSH.UN](#)) are ready for a reversal in direction.

### The most likely

Sienna is a stock I recommended last October when it was trading around \$17.75. Down 5.2% since then, it's a company that I believe is poised for further growth.

When I was writing about Sienna, it had a total of 5,733 beds in 35 retirement home facilities across Ontario and B.C. [According](#) to Fool contributor Brian Paradza, who wrote about Sienna in April, it's grown the number of beds and facilities to 11,756 and 85, respectively, due to acquisitions.

As a result of these acquisitions, Sienna's adjusted funds from operations (AFFO) during the first quarter increased by 24.9% to \$20.8 million, and its healthy increases in cash flow should continue given the healthy development pipeline Sienna has in the works.

With almost six months in the books for 2018, Sienna is experiencing the worst year from a stock performance perspective since it went public in 2010.

I expect SIA stock to turn around in the second half and into 2019. In the meantime, enjoy the 5.4% dividend yield.

### It could happen

Almost two years ago to the day I compared Extendicare with Chartwell concluding that while both were good businesses, Chartwell was the better stock to buy because it looked to be a bigger buyer of assets than Extendicare.

“According to Steve Hiscox, senior director of Seniors’ Housing and Health Care at CBRE Ltd., the top 15 operators in Canada own or manage just 38.2% of the total seniors’ housing units available in this country,” I [wrote](#) June 21, 2016. “Chartwell is at the top of the list and operates more than 21,000 units. With approximately 85,608 units in the hands of the 15 largest operators (latest figures as of Q2 2015), another 138,499 are owned by countless smaller operators from coast to coast.”

I concluded that Chartwell, not Extendicare, would be the more significant buyer of some of the 138,499 units operated by smaller operators utilizing a roll-up strategy to generate economies of scale and higher cash flow.

In the same article in which Paradza discussed Sienna, he also covered Chartwell, suggesting it now has 30,685 suites, 51% higher than 24 months earlier.

Importantly, the average age of the properties Chartwell acquires is 7.2 years, while it tends to sell properties when they are 25 years old for an average hold of 18 years.

I could see Chartwell performing better in the latter half of the year, but it’s not quite as attractive to me as Sienna.

### **The least likely**

This leaves me with Extendicare, and although it’s not a horrible business, its stock hasn’t performed nearly as well year to date — it’s down 16.5% through June 25 versus -5.3% for Sienna and -4.3% for Chartwell — or over the past five years where it gained just 8.6% on an annualized basis — 312 basis points less than Sienna and 517 basis points worse than Chartwell.

In a rising interest rate environment, it pays to own quality, and unfortunately for Extendicare, it doesn’t provide nearly as much value to investors, despite the bigger decline year to date.

I wouldn’t say you absolutely shouldn’t own its stock, but you can do better with Sienna or Chartwell.

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1. Investing

### **POST TAG**

1. Editor's Choice

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2. TSX:EXE (Extendicare Inc.)
3. TSX:SIA (Sienna Senior Living Inc.)

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washworth

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