Buy This Top Stock in 1 of the Hottest Growth Industries for 2020

Description

One of the top growth industries when investing for the future is the retirement and healthcare sector, especially as baby boomers get older. Already, a number of companies have been reporting strong growth figures as a result of the aging population and increased care that seniors need. This is creating a great opportunity for investors, especially if you know which stocks to choose.

One of the best performers over the last decade has got to be **Sienna Senior Living** (TSX:SIA).

Sienna has made returns for investors of more than 240% since its IPO in 2010, or a 27.8% compounded annual growth rate (CAGR) of the shares. This far outpaced not only the S&P/TSX Composite Index during that time period, but also the S&P/TSX Capped REIT Index, which only appreciated 160%, or at a 21.1% CAGR.

Sienna is one of the best operators around and has been in business for 47 years. It currently owns 70 locations and manages another 14. It operates in Ontario and B.C., but 80% of the residences it owns or manages are located in Ontario.

Its portfolio is made up of retirement residences and long-term-care facilities, and investors will be keen to know that it has the third-largest long-term-care portfolio in Canada.

The company is split pretty evenly, with roughly 55% of its net operating income (NOI) being funded by the government and 45% is paid for privately. This is a massive change from Sienna's IPO, when nearly 95% of its NOI was funded by the government. Its goal over the medium term is to get its portfolio as close to 50/50 as possible.

The growth in the retirement side of the business has resulted in a massive increase to NOI for that segment, with a 300% increase since 2014. On the long-term-care side, which the company hasn't been as focused on growing, the NOI has increased a modest 40% since 2014.

Altogether, though, Sienna has strengthened its NOI even more by strengthening its margins. In 2014, it had a NOI margin of 18%, and the company has executed well to have increased it substantially to nearly 24% today.

Sienna's business is positioned well to grow, especially through its long-term-care division as the population ages. Furthermore, the long-term-care portion will be boosted by longer life expectancy, which is expected to increase the population of seniors over 80 years old by more than double in the next 20 years.

Demand is expected to grow so fast that Sienna believes it will far outpace the level of new supply that comes on in the markets it operates in, creating a huge opportunity.

Currently, it has an average occupancy rate of nearly 90% in its retirement segment year to date and a 98.3% occupancy rate in its long-term-care segment.

It plans to grow through strategic acquisitions, upgrades, and developments to existing properties or newly acquired properties and, of course, through organic growth from its strong development pipeline.

Sienna has also been doing a lot to improve its occupancy rates. One of the creative ways it's doing this is by trying to drive growth through the transition of its residents from independent living residences to assisted-living residences.

It's done this through targeted marketing and is mainly aiming to keep the move-in rates more consistent, as they are affected by seasonality, with significantly fewer people moving in the winter months.

This will definitely help the company to grow its same-property net operating income, which is one of the main targets analysts and investors look at to see the strength of Sienna's business.

All in all, Sienna is one of the best retirement companies available in Canada, and with its 5.1% dividend, it's rewarding investors today as well as offering tonnes of future potential in a growing industry.

With its stock down roughly 10% off its high in the summer, now looks like the perfect time to gain some exposure and take advantage of the solid opportunity that awaits.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:SIA (Sienna Senior Living Inc.)

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