



TFSA Investors: Buy This High-Yield Dividend Stock Today and Then Never, Ever Sell

Description

Warren Buffett and millions of other investors have stumbled upon a deceptively simple investing strategy, a method that anyone reading this article can easily emulate.

That strategy is to just buy great companies at a reasonable valuation, and then wait to get rich.

I like to call these kinds of companies one-decision stocks, meaning the only decision you need to make is when to buy. Since I have no intention to sell any of these names, the only thing I need to worry about is when to buy.

Through careful pruning and years of implementing this strategy, I've now transformed my portfolio into something that primarily owns these kinds of stocks. The only decision I have left is when to buy a new one-decision stock, or if I want to buy more shares of something I already own.

I think I've found just the company to add, a high-quality organization that happens to be selling at a rock-bottom price. Oh, and shares pay a generous dividend, too. Let's take a closer look.

The skinny

Last week was not one **Sienna Senior Living** ([TSX:SIA](#)) wants to remember.

The long-term-care and retirement residence owner and operator released fourth-quarter and full-year numbers, and investors were disappointed with the results. Occupancy in the retirement residence part of the portfolio fell from 91% in the fourth quarter last year to 85% more recently, thanks to slower-than-expected occupancy at one of its new facilities and oversupply in the Ottawa market.

It wasn't all bad. Long-term care, which represents about 55% of the company's revenue, was still strong. Occupancy was in the 98% range, and earnings from that part of the business remained steady. That's the beauty of the long-term-care industry. It just keeps on producing predictable earnings.

Spooked by the weak retirement residences results, investors sent Sienna shares cratering. The company's stock fell some 8% on the day, although shares did recover slightly by the end of the week. This represents a rare buying opportunity — something long-term investors should strongly consider. Here's why.

The opportunity

First, let's talk about the opportunity in the seniors living sector in more general terms.

There are some nine million [baby boomers](#) in Canada. Thanks to advances in health care and a greater emphasis on healthy living, most of these folks can expect to live well into their 80s. As they age, they will increase their spending on health care accordingly, which will likely include a stay in a retirement residence of some sort and perhaps time in long-term care as well.

There currently aren't close to enough beds to properly house these folks, either. This gives the operators of these types of businesses two potential growth avenues — they can both expand and raise prices for existing assets.

Another reason why investors should be excited about Sienna specifically is the company's valuation. It generated \$1.40 per share in adjusted funds from operations in 2019 — a decline of about 3% compared to the year before. Rather than focus on the decline, investors should look at Sienna's multiple of just over 13 times trailing adjusted funds from operations. That's a downright cheap valuation, especially for a company with good long-term growth potential.

Finally, thanks to this recent sell-off, Sienna pays a pretty [generous dividend](#). The current yield is 5.1%, and the company has raised the payout in both 2018 and 2019. Look for another dividend hike here in 2020, as the payout ratio is only in the 65-70% range, which isn't abnormal for this type of business.

The bottom line

If you've been looking for an opportunity to invest in one of Canada's major growth stories or are simply looking to lock in an attractive yield, Sienna Senior Living looks to be a good choice. It's a great name to stash in your TFSA for a very long time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/19

Date Created

2020/02/24

Author

nelsonpsmith

default watermark

default watermark