TFSA Investors: 2 Long-Term-Care Stocks That Boast Dividend Yields up to 7.9%

Description

Investors all over the world have been treated to a turbulent first half of this year. However, if you are a TFSA investor, there are good reasons to be excited. It has been years since the TSX Index has offered up so many high-quality equities for a discount. TFSA investors will have to stomach volatility in the near term, but looking ahead, there is a huge opportunity to rake in tax-free gains.

Today, I want to look at the opportunity in the long-term-care market. TFSA investors should already have their eyes on the promising healthcare sector. The COVID-19 outbreak has cast a spotlight on healthcare and exposed some tragic flaws all over the world. With luck, the private and public sector will learn from this crisis and invest in long-term-care facilities.

TFSA investors: Why you need to invest in long-term care

A recent report from Grand View Research projected that the global long-term-care market would be worth $1.7 trillion by 2027. Aging populations across the developed world will propel demand in this industry in the years and decades to come. By 2031, Statistics Canada estimates that one in four Canadians will be over the age of 65.

Fortunately, there are several solid options for investors who want exposure to this burgeoning industry. A $10,000 investment through your TFSA in these stocks could net a fortune by the end of this decade. Let’s dive in and take a snapshot of our targets today.

Sienna Senior Living

Sienna Senior Living (TSX:SIA) provides senior housing and long-term-care services throughout Canada. It is the largest long-term-care operator in Ontario. Shares of Sienna have dropped 37% over the past three months as of close on April 16. This has pushed the stock into negative territory for the year-over-year period.

The company released its fourth-quarter and full-year 2019 results on February 19. Revenue rose

4.3% year over year to $669 million and average occupancy was high at 98.3% in 2019. Sienna is well positioned to weather the COVID-19 pandemic and the subsequent lockdowns.

It boasts a strong balance sheet, a good payout ratio, and healthy liquidity. Moreover, 56% of Sienna's portfolio is long-term care. This receives full funding for vacancies caused by temporary closure of admissions due to an infectious outbreak.

Shares last had a favourable price-to-book value of 1.4. The stock is currently trading at the low end of its 52-week range. TFSA investors can also feast on Sienna's monthly dividend of $0.078 per share, which represents a tasty 7.9% yield.

Extendicare

Extendicare (TSX:EXE) provides care and services for seniors in Canada. Its stock has dropped 29% over the past three months. The company released its Q4 and full-year 2019 earnings on February 27.

Revenue rose 1.1% from 2018 to $1.13 billion, and earnings from continuing operations increased by $9 million to $17.1 million. Extendicare also boasted a strong liquidity position as at December 31, 2019. The company has delivered impressive earnings growth in the past year. However, it needs to demonstrate consistency in this regard after a lacklustre finish to the last half-decade.

On April 15, Extendicare announced a monthly distribution of $0.04 per share. This represents a strong 7.8% yield, putting it on par with Sienna. TFSA investors can gorge on attractive income from these long-term-care companies in the years to come. The demographic shift will bolster their businesses going forward.

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

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Author
aocallaghan