COVID-19 Investing: 2 Healthcare Stocks to Hold for Decades

Description

The COVID-19 pandemic has been particularly dangerous to elderly populations across the globe. Over 80% of Canada's COVID-19 fatalities have occurred in long-term care (LTC) facilities since the outbreak began. This has drawn criticism and calls for reform. Today, I want to look at two healthcare and real estate stocks that operate in this space. Let's dive in.

Why you should target healthcare stocks in the LTC space

All the way back in 2018, I'd discussed why investors should target stocks that are positioned to grow due to aging demographics. According to Statistics Canada, the senior population in this country will number over 9.5 million by 2030. This would represent roughly 23% of the total population.

The explosion in the senior population will trigger rising demand for long-term care facilities. A November 2017 report from the Conference Board of Canada projected that the country would need an additional 199,000 long-term care beds by 2035. Moreover, this increased capacity would require approximately $64 billion in capital spending and $130 billion in operating spending between 2018 and 2035.

Below are two healthcare stocks that operate LTC facilities. Investors should consider this increased demand as we review these equities.

Sienna Senior Living

Sienna Senior Living (TSX:SIA) is the first healthcare stock I want to focus on. It provides senior and long-term care services in Canada. Sienna's shares have dropped 38% in 2020 as of early afternoon trading on May 22. The company released its first- quarter 2020 results on May 13 and provided an operations update.

Revenue increased 1.7% year over year to $166.4 million in Q1 2020. Meanwhile, adjusted funds from operations per share climbed 8.2% to $0.382 per share. Sienna has also worked to bolster its cash situation. As of March 31, 2020, the company saw its liquidity increase to $222.4 million compared to $144 million at December 31, 2019.

Shares of Sienna last had a favourable price-to-book value of 1.4. Moreover, the stock still offers a monthly dividend of $0.078 per share, which represents a monster 8.5% yield.

Extendicare

Extendicare (TSX:EXE) is the other healthcare stock that interests me in the LTC space. The company also provides care and services for seniors in Canada. Its stock has plunged 27% in 2020 so far. Extendicare released its first-quarter 2020 results on May 14.

The company saw its revenue increase 2.3% year over year to $268.8 million. Extendicare saw a boost from LTC funding enhancements, COVID-19 funding, and growth in retirement living. Adjusted EBITDA rose $0.3 million from the prior year to $19.9 million.

The company has put together impressive earnings growth over the past year. Moreover, it has managed to maintain its hefty dividend in the face of the COVID-19 pandemic.

Shares of Extendicare had a favourable price-to-earnings ratio of 16 at the time of this writing. It last paid out a monthly dividend of $0.04 per share, representing a tasty 8.1% yield.

Both healthcare stocks are poised to post growth on the back of rising LTC demand in this decade. Better yet, these stocks also offer great monthly income.

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

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