Dividend Investors: 2 TSX Stocks Yielding Over 8%

Description

Data from the official Canadian government website says that the country's population is aging fast. The country's seniors are living longer and healthier lives than previous generations. Canadian seniors are expected to account for 23% of the country's population, up from 15.6% in 2014. Average life expectancy is also expected to rise from 84.2 years to 86.2 years for women, and to 82.9 years from 80 years for men.

Senior citizens have higher levels of disposable income and need to be taken care of. This presents a good business opportunity for companies in the senior citizens' healthcare space. Two companies that look good in this sector are **Extendicare** (TSX:EXE) and **Sienna Senior Living** (TSX:SIA).

COVID-19 makes a mark

Extendicare provides care for senior citizens in Canada in a two-pronged approach that includes retirement living services and home care services. It operates 122 long-term care homes and retirement communities, as well as home health care operations under the Extendicare, Esprit Lifestyle, ParaMed, Extendicare Assist, and SGP Purchasing Partner Network brands.

For the six months ended June 30, 2020, its business was impacted negatively because of the pandemic. While revenue was up 3.5% to $550.8 million, its net operating income was down by $13.8 million to $50.3 million, while its EBITDA slumped by $16.6 million to $28.3 million. The company spent almost $20 million on pandemic-related expenses and $1.2 million in COVID-19 related administrative costs.

This hasn't stopped the company from declaring a dividend of $0.04 per share for August, indicating a forward yield of 8.2%. The company has cash equivalents of $122 million-plus $71.9 million in undrawn credit facilities. As of now, liquidity is not a major concern for Extendicare.

Sienna Senior Living has a dividend yield of 8.4%

Sienna's net operating income was down 20% to $31.9 million and the company posted a loss of $6.7 million compared to a profit of $2.2 million in June 2019. This was mainly due to pandemic expenses that were approximately $7.7 million. The average total occupancy at the company's facilities fell to 92.6% from 98.3% in 2019.

Sienna has higher liquidity than Extendicare with cash, cash equivalents, and credit facilities totaling $240.5 million. This is a 67% increase from its number of $144 million on December 31, 2019. The company also paid off $60 million of credit after Q2 of 2020. Sienna has a forward dividend yield of 8.4%, which will ensure a steady stream of passive income to investors.

The Foolish takeaway

If you invest $5,000 each in the two companies, you can generate over $830 in annual dividend income. The two stocks can also move higher over the long-term and increase investor wealth via capital appreciation.

As lockdown restrictions are lifted, occupancy ratios will improve and as the effects of the pandemic start to ebb, COVID-19 expenses will come down and will positively affect the bottom line of both companies.

Analysts' targets for both companies indicate upside of over 15% (Extendicare 18%, and Sienna at 24%) from current levels. Both are good options to explore in the senior care space especially given their tasty dividend yields.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks

3. Investing

Date
2025/07/19
Date Created
2020/09/02
Author
araghunath