Monthly Passive Income: The Best Canadian Dividend Stock to Buy in 2023

Description

The stock market has showcased strength in January so far after witnessing a selloff in 2022. While the **TSX Composite Index** has recovered by more than 6% this month, it doesn't mean the macroeconomic worries that haunted investors last year have suddenly disappeared. In fact, consistently high inflationary pressures and a possibility of a looming recession in the short term continue to keep investors on their toes.

To avoid risks in such an unpredictable market condition, it makes sense for you to add some quality Canadian dividend stocks to your portfolio that can help you make reliable monthly passive income, irrespective of the economic cycle. In this article, I'll talk about one of the best monthly dividend stocks in Canada you can buy in 2023 to earn extra cash every month.

The best Canadian monthly dividend stock in 2023

Most stock market beginners mainly look at a stock's dividend yield and usually ignore other aspects of its business before making their final investment decision. But doing so is never a good idea because it could expose your portfolio to big risks as dividend yields and payouts keep changing over time. Instead, focusing on the strengths of a dividend stock's business model and fundamental growth prospects could help you pick a safe stock for the long term.

With this principle in mind, **Sienna Senior Living** (TSX:SIA) could be one of the best Canadian monthly dividend stocks to buy in 2023. This Markham-headquartered firm primarily focuses on providing a variety of living options to seniors across Canada, with its properties located in British Columbia, Ontario, and Saskatchewan provinces. The company currently has a market cap of $881.6 million, as its stock trades at $12.10 per share with 11% year-to-date gains. At the current market price, this Canadian stock offers a 7.7% annual dividend yield and distributes its dividends payout every month.

What makes it a great stock for monthly passive income?

In the first three quarters of 2022, the average total occupancy rate at Sienna's retirement segment stood at 86.5% — far better than 78.7% in the first three quarters of 2021. During the same period, these improvements led to a 10% YoY (year-over-year) increase in its total adjusted revenue to $543.6 million. While Sienna's net profit in the three quarters ended in September 2022 also increased by 8% YoY to $17.3 million, its profit margin was affected by factors like inflationary pressures and post-pandemic labour shortages, which drove its operating expenses up.

Besides the broader market selloff, Sienna's weakening margins could be the key reason for hurting investors' sentiments and triggering a sharp correction in its share prices last year. Nonetheless, I find this Canadian monthly dividend stock undervalued after the recent correction, as these factors might not majorly affect the company's long-term growth outlook.

In fact, the strengthening occupancy rates across its properties, despite the ongoing economic challenges reflect that the demand for Sienna's long-term care and retirement segments remains strong. This strong demand could help the company accelerate its financial growth in the long run. Given that, you can consider buying this seemingly cheap Canadian monthly dividend stock in January 2023.

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