



Sienna Senior Living Inc. (LWSCF)

Updated March 24th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$11.27	5 Year CAGR Estimate:	2.5%	Market Cap:	\$1.03 B
Fair Value Price:	\$9.50	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/31/2025
% Fair Value:	119%	5 Year Valuation Multiple Estimate:	-3.4%	Dividend Payment Date:	04/15/2025
Dividend Yield:	5.8%	5 Year Price Target	\$9.50	Years Of Dividend Growth:	N/A
Dividend Risk Score:	F	Retirement Suitability Score:	N/A	Rating:	Sell

Overview & Current Events

Sienna Senior Living provides senior housing and long-term care (LTC) services in Canada. The company offers a range of seniors' living options, including independent and assisted living, memory care, long-term care, and specialized services, as well as management services. As of its latest report, Sienna owned and operated a total of 82 senior living residences, including 40 retirement residences, 34 LTC communities, and 8 seniors' living residences. The company also manages an additional 12 senior living residences. Sienna generates around \$670 million in annual revenues and is based in Markham, Canada.

It's worth noting that while its operations involve heavy use of its real estate assets and reports AFFO (Adjusted Funds from Operations) instead of EPS, the company has not registered itself as a REIT. Additionally, the stock is originally listed on the TSX (Toronto Stock Exchange). All numbers in this report have been converted to USD unless otherwise noted.

On February 19th, 2025, Sienna Senior Living posted its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, revenues grew by 12.5% year-over-year to \$170.9 million. Growth was mainly driven by annual rental rate raises, occupancy growth, and higher care and ancillary revenues in both the Retirement and LTC segments.

AFFO rose by 41.3% year-over-year to approximately \$17.3 million. The increase in AFFO was primarily attributable to higher NOI in both segments, particularly due to substantial same-property NOI growth—15.3% in Retirement and 29.0% in LTC—as well as government funding increases and retroactive support from British Columbia. On a per-share basis, AFFO grew by about 25.1% to \$0.21, positively impacted by improved operating margins and lower maintenance capital expenditures. For the year, AFFO came in at \$0.93 per share, reflecting continued growth across the portfolio.

Management expects long-term fundamentals in Canadian senior living to remain strong, driven by the rising needs of seniors, who are the fastest-growing demographic in the country. For FY2025, they expect strong NOI growth, backed by occupancy gains toward a 95% target, margin expansion, and contributions from redevelopment and acquisitions of nearly \$207 million USD. To be prudent and account for any FX headwinds, though, we expect AFFO/share of \$0.95.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO/Share	\$0.89	\$1.13	\$1.15	\$1.05	\$1.01	\$0.82	\$0.85	\$0.70	\$0.84	\$0.93	\$0.95	\$0.95
DPS	\$0.65	\$0.67	\$0.72	\$0.66	\$0.71	\$0.74	\$0.74	\$0.69	\$0.71	\$0.65	\$0.65	\$0.65
Shares¹	36.4	40.5	47.3	63.8	66.5	67	67	71.6	73	76.3	76.3	80.0

Sienna Senior Living's AFFO/share has been slowly but gradually growing in its original CAD reporting. However, due to the depreciation of the Canadian Dollar against the U.S. dollar during some years, American investors have seen slightly weaker financials. The same applies to DPS, which the company pays out on a monthly basis. Since 2010, DPS on the TSX has gradually grown from C\$0.071 per month to C\$0.078 as of now. However, shares trading over the counter (OTC) have suffered FX fluctuations, resulting in lower dividends over time. While we expect the company to slightly grow its

¹ Share count is in millions.

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AFFO following occupancy levels returning to normal and new sites under development coming online, we estimate 0% growth in both AFFO/share and DPS going forward. This is to be prudent against an inflationary environment with rising interest rates, which could negatively affect both the company's operating and financial expenses. FX effects could also sway results either way, hence our neutral stance.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/AFFO	13.5	11.7	11.3	12.9	14.1	13.7	14.1	14.5	10.4	8.8	11.9	10.0
Avg. Yld.	5.2%	5.1%	5.1%	5.0%	5.1%	5.1%	6.0%	6.8%	8.6%	6.9%	5.8%	6.8%

Investors have priced shares with a relatively low multiple over the years. The company has been able to produce resilient results and even grow its dividend slowly, but gradually in CAD\$ terms. Given that rates remain high and that Sienna lacks meaningful growth prospects on a per-share basis in our view, so we maintain our fair multiple at 10. The current P/AFFO of 11.9 likely overvalues Sienna's prospects. The 5.8% yield is notable, and should contribute most of the stock's expected future returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

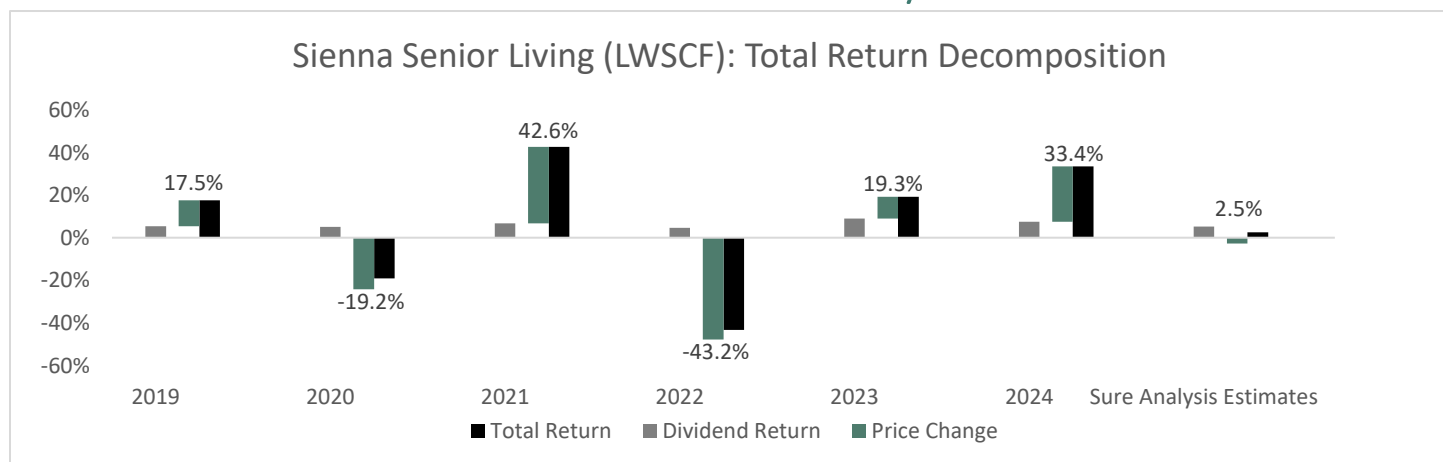
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	73%	59%	63%	63%	70%	90%	87%	99%	85%	70%	68%	68%

Sienna Senior Living's dividend should remain covered for now. DPS fluctuations have been entirely due to CAD/USD fluctuations, as management has been increasing DPS throughout the years. While the company doesn't hold any significant competitive advantage, its robust revenue generation during the adverse environment caused by COVID-19 showcases a likely strong performance amid a prolonged future recession. Additionally, its Ontario and British Columbia residents, which comprise the majority of its rental revenues, received full funding for vacancies from the Canadian government during the pandemic. This was reflected in last year's rental collection rate, which was nearly 100%. Government funding is likely to be resumed during any potential shock in the economy, shielding the company. Sienna's liquidity now stands at nearly C\$435 million, while its average cost of debt remained stable year-over-year at 3.8%.

Final Thoughts & Recommendation

Sienna Senior Living is a conservatively managed company providing relatively stable returns to its shareholders. Due to the lack of sufficient growth catalysts both in its AFFO/share and DPS and the possibility of notable valuation headwinds ahead, we forecast annualized returns of just 2.5% in the medium-term. Shares earn a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	355	376	430	495	505	496	533	552	582	652
SG&A Exp.	14	14	16	16	19	15	23	25	23	25
D&A Exp.	27	30	29	55	58	58	42	36	37	37
Operating Profit	24	30	46	46	41	21	48	38	46	75
Operating Margin	6.7%	8.0%	10.8%	9.3%	8.2%	4.2%	9.0%	7.0%	7.9%	11.6%
Net Profit	6	9	17	8	6	(18)	16	8	5	28
Net Margin	1.6%	2.3%	3.8%	1.5%	1.1%	-3.7%	3.1%	1.5%	0.9%	4.3%
Free Cash Flow	31	29	35	34	49	37	45	37	46	(0)
Income Tax	2	2	5	2	4	(7)	6	0	2	11

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	686	893	1,109	1,287	1,296	1,316	1,262	1,238	1,278	1,296
Cash & Equivalents	19	20	15	17	16	75	23	28	18	89
Accounts Receivable	5	6	6	8	10	14	17	13	12	13
Goodwill & Int. Ass.	161	229	279	319	307	290	285	263	273	251
Total Liabilities	558	671	794	870	890	965	944	918	996	961
Accounts Payable	45	55	65	72	24	30	42	33	40	43
Long-Term Debt	461	557	670	746	759	810	745	721	759	705
Shareholder's Equity	127	223	315	417	406	351	318	320	282	335
LTD/E Ratio	3.62	2.50	2.13	1.79	1.87	2.31	2.34	2.25	2.69	2.11

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.8%	1.1%	1.6%	0.6%	0.4%	-1.4%	1.3%	0.7%	0.4%	2.2%
Return on Equity	3.8%	4.9%	6.1%	2.1%	1.4%	-4.8%	4.9%	2.6%	1.7%	9.1%
ROIC	0.9%	1.2%	1.9%	0.7%	0.5%	-1.6%	1.5%	0.8%	0.5%	2.7%
Shares Out.	36.4	40.5	47.3	63.8	66.5	67	67	71.6	73	76.3
Revenue/Share	9.06	8.70	8.60	7.64	7.59	7.40	7.95	7.72	7.97	8.54
FCF/Share	0.80	0.67	0.70	0.53	0.73	0.55	0.67	0.52	0.64	(0.00)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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