2 Great Investments You Don’t Want to Miss

Description

The stock market usually turns bearish after an extended bull run. On November 26, 2021, the TSX’s skid was a sign of weakness, but it doesn’t mean it entered bear market territory, and it has to drop at least 20% to formalize its entry. While the index is still up 18.36% year to date, there’s no telling if the recent selloff is a prelude to a sharper correction.

Meanwhile, investors are better off staying on instead of sitting out the market. There are investment opportunities you don’t want to miss. You can seek safety in a consumer-defensive stock, like **North West** (TSX:NWC), or take a position in **Medical Facilities** (TSX:DR) for superior returns in 2022.

Retail monopoly

North West is a no-frills, straight-up choice for risk-averse investors. This $1.66 billion food retailer and general merchandise provider is one of Canada’s oldest companies. The markets in extreme geographies or remote communities that very few dare to serve have been the focus for decades. Thus, it has benefited from a monopoly up to the present.

Performance-wise, NWC investors are up 9.99% year to date. At $34.59 per share, the consumer staples stock pays a hefty 4.33% dividend. In the last 31.2 years, the total return is 60,049.09% (22.76% CAGR). In Q2 2021 (quarter ended July 31, 2021), the company increased its quarterly dividend by 2.8%.

After the first half of this year, net earnings grew 10.5% to $82.68 million. Regarding the performance in the second quarter, NWC president and CEO Dan McConnell said, “This has been another strong quarter particularly considering the extraordinary pandemic-related same-store sales and earnings increases in 2020.”

McConnell added that NWC is doing its part by adapting to the evolving business conditions to keep market share gains captured in 2020. The challenges are ongoing given the lowest vaccination rates and significant increases in COVID cases in the markets it serves.

For would-be investors, take note of the seasonal pattern of the business. Historically, sales are lowest in the first quarter and highest in the fourth quarter due to the holiday season. Moreover, e-commerce poses no significant threat to NWC. The stock price may not appreciate that much, but the dividends should be consistent and rock steady.

Rapid return of demand

Medical Facilities owns a portfolio of highly rated, high-quality surgical facilities in the United States. The COVID-19 pandemic disrupted elective surgical services in the country last year. However, the demand should return rapidly when the economy fully reopens or stabilizes.

In Q3 2021 (quarter ended September 30, 2021), facility service revenue and net income from operations declined 0.1% and 5.8% versus Q3 2020. Robert O. Horrar, president and CEO of Medical Facilities, said, “While our case volumes have not fully returned to pre-pandemic levels, we are pleased with our solid financial results over the first nine months of 2021.”

Because of the strong cash flow performance and improving financial flexibility, management increased the quarterly dividend by 15%. According to Horrar, the increase is consistent with the company’s objective of paying a competitive and sustainable dividend. DR’s share price is $8.12, while the dividend yield is 4% if you invest today.

Valuable additions

Buy North West and Medical Facilities shares if you need to fortify your dividend stock portfolio. Both companies could deliver steady income streams in 2022.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:DR (Medical Facilities Corporation)
2. TSX:NWC (The North West Company Inc.)

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