2 High-Yielding TSX Stocks to Scoop Up Before They Recover

Description

Between high inflation, rising interest rates, and broader economic uncertainty, it is not surprising to know that the **S&P/TSX Composite Index** has spent most of the year in a bear market territory. Of course, this volatility is not all bad. For the savvier income-seeking investors, bear markets create opportunities for them to capture high-yielding dividends.

Broader market selloffs cause valuations to decline across the board. Even the most defensive TSX stocks can see their share prices go down. High-quality dividend stocks see dividend yields become inflated due to lower valuations. Supported by steady cash flows and resilient business models, these companies pay juicier dividends, allowing income-seeking investors to benefit greatly in the long run.

For this purpose, it is essential to identify and invest in dividend stocks that can sustain high-yielding dividend payouts amid market volatility. Today, I will discuss two of my top picks among dividend stocks offering excellent yields.

Extendicare

Extendicare (TSX:EXE) is a $576.12 million for-profit company providing long-term-care services. Offering housing, care, and other related services to seniors, Extendicare operates over 100 care facilities across Canada.

Headquartered in Markham, it is a business supported by steady and stable cash flows. The company generates significant revenue through long-term-care services and gets ample money through home healthcare services, and it is constantly growing its operations.

When the company posted its third-quarter earnings for fiscal 2022, it reported an 8.7% growth in its revenue. Despite the growth, it reported an overall adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) decline of 32%, owing to increased wages and higher operating and administrative expenses. Despite the drop in its financial performance, the company's improving occupancy rate can drive growth in the coming quarters.

As of this writing, Extendicare stock trades for $6.66 per share. Down by 16.75% from its 52-week high, Extendicare stock boasts a juicy 7.21% forward dividend yield that is too attractive to ignore.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is a $2.37 billion market capitalization real estate investment trust (REIT) specializing in the healthcare industry. Headquartered in Toronto, NorthWest Healthcare Properties owns and operates over 230 healthcare properties across several countries. Most of its portfolio has long-term rental agreements, bringing in stable and predictable cash flows.

With an average lease expiry on most of its properties standing at around 14 years, NWH REIT's cash flows are likely secured enough to see it through the current market volatility. Its high occupancy and rent collection rates reflect its financial strength.

Despite its defensive business model, the REIT reported some decline in its third-quarter earnings for fiscal 2022. A few non-recurring expenses combined with higher interest rates, increased leverage, and lower management fees caused its adjusted funds from operations to drop by 22% in the quarter.

Despite the decline, the company's management is hopeful for improvements in the coming months. With several measures set in place to decrease its leverage and plans to expand to more profitable markets, it looks well positioned to recover soon.

As of this writing, NWH REIT trades for $9.88 per share. Down by 31.48% from its 52-week high, it boasts a juicy 8.10% dividend yield that it pays out in monthly distributions.

Foolish takeaway

A warning to eager investors: despite the defensive nature of the underlying businesses, these two stocks can post further declines in the coming weeks. Investing in the two companies at current levels will let you capture high-yielding dividend income.

If and when the stocks recover, their dividend yields will go down. You must invest in these two stocks with care, considering that more trouble in the market can send their valuations down further.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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