3 Cheap Dividend Stocks With Yields Above 7%

Description

Last week, the Federal Reserve of the United States raised base interest rates by 0.5%. Further, Jerome Powell, the central bank's chairman, stated that the bank would continue its monetary tightening initiatives, despite recession worries. The fear of recession and the comments from the chairman have made investors nervous, thus dragging the equity markets down. Since the beginning of the month, the S&P/TSX Composite Index has fallen by over 4.9%.

Amid the pullback, investors can buy the following three cheap dividend stocks with yields of over 7%. These stocks would help you in earning a stable passive income.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN) is a utility and renewable energy company that has lost over 46% of its stock value this year. The rising interest rates drove its interest expenses, thus increasing its net losses in the recently reported third quarter by 600% and dragging its stock price down. Meanwhile, the correction lowered its NTM (next 12-month) price-to-earnings ratio to 0.5, which is cheaper than its historical average.

Meanwhile, Algonquin Power has amended the terms of the Kentucky Power acquisition agreement by lowering its purchase prices by US$200 million. The company is developing multiple renewable facilities, which can add around 640 megawatts of power-producing capacity. So, given its regulated utility business and expanding renewable assets, I believe the company's payouts are safe. Meanwhile, its dividend yield currently stands at a juicy 10.4%.

So, despite the near-term volatility, I believe long-term investors can accumulate the stock to earn dividends at an attractive rate.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is another stock that has underperformed the broader equity markets this year, losing around 25% of its stock value. The real estate company, which invests primarily in healthcare properties, has been under pressure this year amid the rising interest rates. Also, its weak third-quarter performance amid an increase in non-recurring expenses and lower management fees has contributed to its decline.

However, I am bullish on the company due to its defensive healthcare portfolio, which would generate stable cash flows irrespective of the economic outlook. Its inflation-indexed leases and long-term rent agreements stabilize its financials. The company is also expanding its portfolio in high-growth markets. So, with a price-to-earnings ratio of 8.5 and a dividend yield of 8.2%, NorthWest Healthcare is an excellent bet for long-term investors.

Extendicare

With an NTM price-to-earnings ratio of 0.5, **Extendicare** (TSX:EXE) is my final pick. The company, which provides care and services for seniors through its 103 long-term-care homes and retirement communities, pays a monthly dividend of $0.04/share. Its dividend yield for the next 12 months stands at 7.26%. Amid the rising operating and administrative expenses, the company's adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) declined by 32% in the recently reported third quarter.

However, improving occupancy rate and expansion could boost Extendicare's financials in the coming quarters. The company is progressing with its 20 redevelopment projects, comprising 4,248 new or replacement beds. The company's management expects to complete these projects between the third quarter of 2023 and first quarter of 2024. The company's financial position looks healthy, with its cash and cash equivalents at $174.6 million. So, considering all these factors, Extendicare is an ideal choice for income-seeking investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:EXE (Extendicare Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/07/17
Date Created
2022/12/20
Author
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