



Telus Corporation vs. TransCanada Corporation: Which Is the Best Dividend Investment?

Description

Telus Corporation ([TSX: T](#))([NYSE: TU](#)) and **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)) have been excellent investments for several years. New investors looking to add a top name to their portfolios might be wondering which stock offers the better opportunity for dividend growth and capital appreciation.

Let's examine each company to see if one is a better choice right now.

Telus Corporation

Telus is Canada's fastest growing communications company offering customers a variety of wireless and wireline products and services. In its Q3 2014 earnings statement Telus reported strong earnings driven by growth in smartphone subscribers, Telus TV users, and high-speed Internet connections.

Telus consistently wins customer service awards and does a great job of retaining its clients once they sign up. The company's postpaid wireless subscriber churn rate leads the industry at less than 1%. This is important for investors because smartphone customers continue to increase their data use. Telus said its blended average revenue per unit (ARPU) increased by 3.2% to \$64.51 in the third quarter. It was the sixteenth consecutive year-over-year quarterly ARPU gain.

Happy customers apparently spend more because Telus has a higher ARPU than both **BCE Inc.** and **Rogers Communications Inc.**

Investors are also pleased with the company. Telus just increased its dividend by 11% to \$1.60 per share. The payout yields about 3.9%. Dividend growth is expected to be 10% per year through at least 2016.

TransCanada Corporation

Most of the chatter around TransCanada deals with the uncertainty linked to Keystone XL and Energy East. Both pipelines are certainly important projects for TransCanada and Western Canadian oil

companies, but they are not necessary to justify owning TransCanada's stock.

The company currently has a total of \$46 billion in projects under construction or approved and ready for development. The important part for investors is that these projects are all commercially secured. This means TransCanada's customers have committed to using the pipelines once they are built.

The result for shareholders is predictable revenue growth. TransCanada has stated it plans to increase dividend distributions in step with the increase in cash flow connected to the new projects. Most of the current development portfolio will be in service by the end of 2020.

TransCanada is traditionally known as a natural gas pipeline company, but it is now taking advantage of the boom in North American oil and gas liquids production. In its Q3 2014 earnings report, TransCanada said the project portfolio includes \$24 billion of liquids pipelines, \$20 billion of natural gas pipelines, and \$2 billion allocated to power-generation projects.

TransCanada pays a dividend of \$1.92 per share that yields about 3.7%.

Which should you buy?

Both Telus and TransCanada are good long-term investments. In the current environment, Telus is probably a safer choice given the uncertainty around the oil sector. TransCanada's customers are under a lot of pressure right now and the market is shunning everything connected to oil.

If you are interested in adding a few more top dividend stocks to your watch list for 2015, the following free report is worth reading.

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