Toronto-Dominion Bank vs. Telus Corporation: Which Is the Best Investment for 2015?

Description

The Canadian stock market is threatening to end 2014 with a loss and investors are wondering where they can safely put new money to get some dividend income and a bit of capital appreciation in the new year.

Toronto-Dominion Bank (TSX: TD)(NYSE: TD) and **Telus Corporation** (TSX: T)(NYSE: TU) have rewarded investors for years. Let's take a look at both companies to see if one is a better pick for 2015.

Toronto-Dominion Bank

Toronto-Dominion is betting big on the U.S. for future revenue growth. The company currently has more than 1,300 branches in the U.S., making it one of the 10 largest banks in the country.

The company's Q4 2014 earnings results came in weaker than expected, after several quarters of stellar growth. Increased competition for loans put pressure on margins in the U.S. operations. Canadian retail had a strong quarter with a year-over-year adjusted earnings increase of 7%.

Toronto-Dominion warned that 2015 would be challenging for all parts of the business.

Margin pressure is expected in Canada as low interest rates and increased competition for business impact earnings. As such, the Canadian retail group is expected to see moderated earnings growth in the new year. The U.S. operation is also expected to have a difficult time in the next 12 months as gains from acquisitions are reduced and net interest margins compress.

Toronto-Dominion pays a dividend of $1.88 that yields about 3.6%. The stock trades at about 12.8 times earnings.

Telus Corporation

Telus has become the fastest growing communications company in Canada by focusing on customer service and investing billions in new technology. Strong leadership and a solid growth plan have enabled the company to successfully transition from the old wireline business to a modern wireline and wireless powerhouse.

In its Q3 2014 earnings statement, Telus reported strong revenue growth in each of its core business units.

The wireline division continues to benefit from increased Telus TV subscriptions as well as a growing client base of high-speed Internet users. The little-known Telus Health unit also continued it expansion as more physicians and their patients used Telus' secure network to exchange vital data.

Telus' mobile division is the envy of its peers. With its industry-leading blended average revenue per unit (ARPU) of $64.51 in the third quarter, the company easily beat both **BCE Inc.** and **Rogers Communications Inc.** in sales per postpaid mobile user.

Telus is committed to returning cash to its shareholder through an aggressive share repurchase program and dividend payouts. Telus bought back and cancelled more than $500 million in stock in 2014 and already moved up the start of its 2015 program.

The company also just increased its distribution by 11%. Telus currently pays a dividend of $1.60 per share that yields about 3.8% and the company is targeting increases of 10% per year through 2016.

Which should you buy?

Given the tough outlook for the financials heading into 2015, it is probably better to go with Telus at this point in time. Telus' dividend growth will likely be better in the next couple of years and the telecom companies should continue to benefit from a rotation out of energy and financials.

Finding stable Canadian stocks is a challenge in the current environment and some investors are looking south of the border to diversify their portfolios. If you are considering U.S. stocks for your 2015 watch list, the following free report is worth reading.

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