
# 1 Top Dividend Stock to Buy Before it Bounces Back

## Description

When I'd recommended **Telus Corporation** (TSX:T)(NYSE:TU) stock for long-term investors in November, it was a tough call to make.

Its stock was trading close to the 52-week high, and its valuation was a bit stretched. But since then, Telus stock has fallen ~9%, as it's been caught up in the middle of this market correction and re-pricing of risks.



Trading at $44.73 a share at the time writing, Telus stock remains my top dividend stock, despite the recent setback. Here is why.

**Strong fundamentals**

Fundamentally, nothing has changed for Telus's business and the its future outlook. Rising interest rates in Canada and the expectations for more hikes have made some investors nervous about companies that borrow heavily to fund their growth. Telecom operators and utility stocks such **Enbridge Inc.** are among them.

As bond yields rise, bonds start to look more attractive relative to stocks that investors want to own for steady dividends.

I find this stalemate just a bump in the road for Telus's long-term investors. Its fourth-quarter earnings show the company has strong momentum, and that will likely continue this year. In the quarter, Telus added 121,000 wireless postpaid customers — about 34,000 more than a year ago, as the operator spends heavily to attract more wireless subscribers amid fierce competition.

The company said its postpaid churn — the number of customers switching to other networks — rose to 0.99% from 0.98% in the same quarter a year earlier, which is among the industry's lowest rates.

**Dividend growth**

Telus, with a current dividend yield of 4.35%, has become an attractive target for long-term income investors. It pays a quarterly dividend of $0.505 a share, which translates into $2.02 per share annually. The company is well on track for 2018 to mark the 15th straight year in which it has hiked its annual dividend.

Telus is targeting 7-10% growth in its dividend each year through 2019. And this target does not seem too ambitious, given the company's ability to generate more cash through its growing customer base throughout Canada.

Many analysts believe Telus is in a much better position to grow its dividends going forward when compared to other operators, because the company has already invested heavily to improve its infrastructure.

**The bottom line**

Trading at $44.73 a share, Telus is very close to the 52-week low, and that's a good entry point for those who wanted a bargain for this top dividend stock. The stock has all its takes to bounce back quickly once this bearish spell is over.

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hanwar