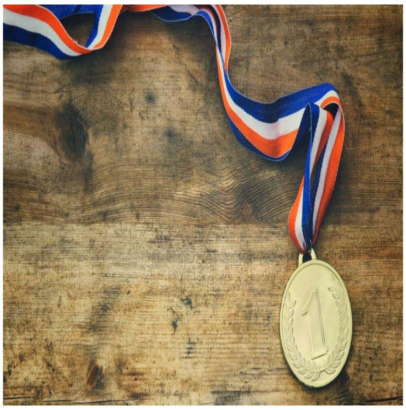

3 Reasons Telus Corporation (TSX:T) Might Be the Best Dividend Stock

Description

There is no shortage of dividend stocks out there for investors to choose from. However, you have to be careful in picking one because you could be taking on some big risks with your returns if you focus solely on yield. One dividend stock that stands out from the rest is **Telus** (TSX:T)(NYSE:TU), and there are three reasons why I think it may be the best one on the TSX.

Stable, dominant force in its industry

Telus is among the leaders in its industry, and there's no imminent danger in that changing any time soon.

Unless the CRTC were to open competition in the industry to U.S. companies, which is a long shot, then Telus is going to remain a dominant player in telecom that's going to continue to grow. Revenues of $12 billion in 2014 have increased to over $14 billion this past year. With rising prices and new products, there are many ways that Telus and its competitors can increase sales without having to worry about finding new markets to expand into.

The business is sound and so is its future, and that's something that investors may often take for granted when evaluating a dividend stock. After all, if the future is in doubt, then the dividend will be as well.

Good dividend-payout ratio

Another important factor for a dividend stock is its payout ratio. If a stock is paying a dividend ratio of over 90%, then that could be a cause for concern, because it means there's not a big buffer if the company needs to free up cash, and it might make a dividend cut a necessary evil. Currently, quarterly payments of 54.5 cents mean that Telus is paying shareholders $2.18 per share every year. Over the past four quarters, the company's earnings per share have totalled $2.68, meaning that Telus pays out about 81% of its earnings.

Although that may be a bit higher than investors would like to see, it's still a manageable payout, especially given that the company is mature and doesn't require a significant amount of capital expenditure.

Dividends are high and have risen over the years

Five years ago, Telus was paying its shareholders a dividend of 38 cents, which means quarterly payments have risen by more than 43% for a compounded annual growth rate of 7.5%. That's a good, healthy rate, and it's a realistic increase that investors could expect on an annual basis. While other stocks might certainly have higher rates of increase, they're not always sustainable. And given that Telus currently pays a dividend of 4.3%, it's a lot more challenging to raise those payouts than if the company were only paying a yield of 2%.

Bottom line

Telus is a very stable investment for investors and one that I would have no concerns about buying and forgetting. It's very likely that investors will not only get a good dividend from owning the stock, but they'll also benefit from a rising share price as well. It's hard to find any negatives with owning one of the best blue-chip stocks on the TSX.

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