



## TD Bank (TSX:TD) or Telus (TSX:T): Which Is a Better Buy?

### Description

There are a few names that are often tossed around in Canadian investment discussions. Often, it is because those companies have a very wide moat in their respective sectors. These companies are often also reliable dividend payers. Two companies that are highly respected in Canada are **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Telus** ([TSX:T](#))([NYSE:TU](#)). Which one should you add to your portfolio today?

### Overview

TD Bank is a company [I have featured](#) previously. The company was founded in 1955 after the merger of the Bank of Toronto and the Dominion Bank. Today, TD Bank is the largest Canadian bank in terms of assets and the second largest in market cap. It is also known as a top 10 bank in North America, as judged by Standard & Poor's, and the 26th largest bank in the world.

Telus was founded in 1990, and currently headquartered in Vancouver, BC. Since its founding, the company has become one of the largest communication companies in Canada. Telus is currently the leader in mobile coverage in Alberta, covering 70% of the province. The company has four subsidiaries: Telus Communications, Telus Mobility, [Telus Health](#), and Telus International.

Both companies are components of the **S&P/TSX 60**, an index of 60 large companies trading in Canada. This indicates that TD Bank and Telus are leaders in their industries, as the index is meant to track leading companies in important sectors within the country.

### Performance and valuation

Year-to-date, the stocks of both companies have struggled to impress investors. During the COVID-19 market crash, TD Bank stock crashed over 35% and Telus stock declined 28%. For a better picture of how both companies have performed, we can turn to each company's respective five-year chart.

Dividends excluded, TD Bank stock has increased 18% over that period. Telus stock increased just half of that (9%), over the past five years.

In terms of valuation, TD Bank is much more attractive than Telus. TD Bank currently has a forward price to earnings (PE) ratio of 10.43, compared to that of Telus which has a forward PE of 17.50. TD Bank also has a lower price to book (PB) ratio than Telus (1.25 vs 2.56). Keep in mind that value investors generally look for stocks that have a PB ratio under two.

## Dividends

TD Bank is a favourite among dividend-paying companies in Canada. It currently has a forward dividend yield of 5.22%. Its payout ratio is 52.81%, which indicates that the company has room to grow its dividend in the future. TD Bank is a Canadian Dividend Aristocrat, having successfully increased its dividend distribution for the past nine years.

Telus has a strong forward dividend yield of 4.85%. However, its payout ratio is quite high (98.72%). This is worrisome to me, as it demonstrates that the company is paying very lofty dividends relative to its earnings. Telus has been able to increase its dividend distributions for the past 16 years, making it a Canadian Dividend Aristocrat as well.

Given this history of effective capital management, its dividend distribution will remain consistent in the future.

## Foolish takeaway

Both companies are undeniable leaders in their respective industries. TD Bank stock has shown much better performance over the past five years and its dividend appears safer and of better value. Because of these reasons, I would consider investing in TD Bank before Telus.

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## TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TD (The Toronto-Dominion Bank)

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