Dividend Stock Showdown: Suncor (TSX:T) vs. Telus (TSX:TU)

Description

A good strategy when looking for recurring dividend income is to stick to blue-chip stocks. Companies with large market caps with strong histories that have been generally stable investments over the years can be some of the better options to put your money into.

On the **TSX**, two of the bigger names in that regard are **Suncor Energy Inc** (TSX:SU)(NYSE:SU) and **Telus Corporation** (TSX:T)(NYSE:TU). Today, I'll assess both of these dividend stocks to see which one is the better buy for long-term investors.

Comparing their yields

An easy place to start is by comparing their dividend yields today. Currently, Suncor pays its shareholders a quarterly dividend of $0.21 per share. The stock's trading at around $23 and if you were to buy it at that price, the yield you'd be earning today would be over 3.6%.

That's not a bad payout and if you were to invest $25,000 into Suncor, the stock would generate $900 per year in dividend income for your portfolio. What's incredible is that Suncor's paying that high of a yield even after slashing its payouts.

Previously, the energy giant was paying $0.465 every quarter. However, the COVID-19 pandemic put a dent into its financials and cutting or suspending dividend payments is what many oil and gas companies have resorted to doing this year in response to the uncertainty that lies ahead.

Telus is in a bit more of a stable industry and hasn't cut its dividend this year. The stock's currently paying its shareholders a quarterly dividend of $0.29125. At a share price of around $24, the stock's dividend yield comes in at about 4.8%. That's a much higher payout than Suncor and the same $25,000 investment here would earn you $1,200 per year.

Although the company's in a bit more of a stable industry, Telus is also showing some restraint amid COVID-19. Investors were expecting a dividend increase earlier this year but management saidanother hike may not come until November due to the pandemic and the downturn in the economy.

Which yield is safer?

An important consideration for investors is to look at which dividend stock is the safer investment. A high yield isn't all that exciting if it won't last. However, in this situation, Telus also looks to be in better shape moving forward. In its most recent earnings, Suncor's free cash flow was a negative $1.5 billion.

Telus, however, was still generating positive free cash flow of $768 million, more than enough to cover dividend payments totaling $240 million during the quarter. The telecom company's arguably in a much safer industry amid the pandemic whereas Suncor's likely to feel the effects of low oil prices and people travelling less in the foreseeable future.

Which is the better buy?

There's not much of a competition between these two dividend stocks. While Suncor may be relatively safe in the oil and gas industry, once investors look at other sectors it becomes less of an appealing investment to hold on to. With a higher dividend yield and more stability in the near future, Telus is the better dividend stock to own today.

There's less uncertainty facing the company and investors may even see an increase to their dividend payments this year.

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Date
2025/08/18
Date Created
2020/08/15
Author
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