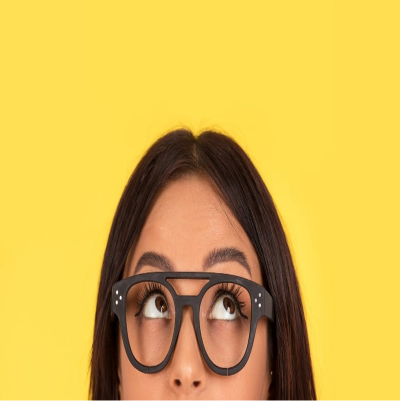

Stock Market Correction: Is This Stock a Safe Haven?

Description

The global stock market is in the midst of a painful correction. Tech and growth stocks have been declining for months. Now, the downturn is spreading to other sectors of the economy. Most investors haven't seen a decline like this since the pandemic panic in 2020.

At times like these, investors must seek out safe havens to protect capital. A robust company with a strong balance sheet and an essential product could sail through this correction better than others. With that in mind, here's a potential safe-haven stock that should be on everyone's radar in the months ahead.

Telus stock

Telus (TSX:T)(NYSE:TU) is one of Canada's largest telecommunications companies. The industry is a bit of an oligopoly, which puts the market leaders in a safe position. Meanwhile, wireless phone services and broadband are as essential as any other utility now. Telus is unlikely to lose subscribers, even if economic stress persists.

Put simply, Telus is more resilient to economic shocks than most other stocks on the market. That's what makes it a safe-haven asset for investors.

Financial position

Telus recently reported financial results for the first quarter of 2022. Earnings came in ahead of expectations. Revenue was up 6.4%, while net income was up 21% year over year. Telus also reported strong free cash flow growth of 29% over the same period.

All this momentum gives management the ability to raise shareholder rewards. This quarter, the team announced a 7.1% hike to the quarterly dividend rate. That's the 22nd dividend raise since 2011. The company is already a Dividend Aristocrat. Now, it's forecasting steady dividend growth of 7-10% for 2023 through 2025.

The potential for double-digit growth makes Telus's 4.25% dividend yield a lot more attractive.

Valuation

Telus has held up better than most of the stock market. Nevertheless, the company has shed 7.5% of its value over the past month. It now trades at a price-to-earnings ratio of 25. That's a fair price for a rock-steady dividend-growth stock.

However, the company's valuation is higher than its peers. **BCE**, for instance, trades at 21 times earnings and offers a better dividend yield of 5.3%. Telus also has more debt on its book. At the time of writing, the debt-to-equity ratio is 131%. If the cost of borrowing keeps rising, Telus may have to slow down its dividend-growth trajectory.

Bottom line

The global stock market is facing its deepest correction in years. Rising inflation, higher interest rates, and inflated valuations are coming together at the worst possible time. Investors must seek safe havens during these market selloffs.

Telus could be a safe haven. The telecom company is essentially a utility with steady recurring revenue and strong cash flow. Management believes dividend payouts could grow 7-10% every year for the foreseeable future. I believe the growth rate could be slower if management needs to pay down debt.

In either case, Telus is a strong position to withstand the crisis and anchor your portfolio. I encourage you to take a closer look.

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