Better Buy: Telus Stock or TD Bank?

Description

Top TSX dividend stocks still trade at discounted prices. Telecoms and banks, for example, are still well off their 2022 highs and now offer attractive yields and good prospects for dividend growth.

default watermark

Telus

Telus (TSX:T) is one of those dividend stocks investors should be able to buy and simply forget for years. The communications provider has a strong competitive position in the Canadian market and provides essential mobile and internet services that households and businesses need, regardless of the state of the economy.

A recession could certainly impact new phone sales, and some people might even cancel their TV subscriptions if cash flow gets really tight, but Telus should generate solid revenue and profits in 2023 and 2024, even if the economy hits a rough patch.

Investors might even see larger dividend increases than they received in the past couple of years. Telus is wrapping up its copper-to-fibre transition initiative. The result is expected to be a $1 billion drop in annual capital expenditures in 2023. This could free up excess cash to send back to investors in the form of higher dividends or share buybacks.

Telus trades from less than $29 per share at the time of writing compared to the 2022 high above $34. Investors who buy the stock on the dip can get a solid 4.9% dividend yield and look forward to future dividend increases to boost the return on the initial investment.

TD Bank

TD (TSX:TD) just reported good fiscal results for the fourth quarter (Q4) of 2022 results, capping off a solid year, despite the economic challenges in recent months.

The bank generated adjusted net income of $4.01 billion in fiscal Q4 2022 compared to $3.87 billion in the same period last year. For the fiscal year, TD earned adjusted net income of $15.4 billion compared to $14.7 billion in 2021.

TD is using its war chest of cash to make two strategic acquisitions in the United States. The US$13.4 billion purchase of **First Horizon** will add more than 400 branches to the existing U.S. business and will make TD a top-six bank in the American market.

TD is also buying **Cowen**, an investment bank, for US$1.3 billion. This will boost TD's capital markets capabilities.

TD said it expects to meet its 2023 target of 7-10% earnings-per-share growth, as long as there isn't a dramatic shift in macroeconomic conditions. Based on this outlook, the stock is probably undervalued at the current share price near $91, even after the recent rally. TD traded as high as $109 earlier this year.

A dividend increase should be on the way in 2023, and investors who buy the stock at the current level can get a 3.9% dividend yield.

Is one a better buy?

default watermark

Telus offers a better yield and attractive dividend-growth prospects, while TD probably has better upside potential in the next couple of years. Investors seeking passive income might want to make Telus the first choice. I would probably split a new investment between the two stocks for a portfolio focused on total returns.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker

2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/20
Date Created
2022/12/01
Author
aswalker

default watermark

default watermark