



Better Buy: Telus Stock vs. Canadian National Railway Stock

Description

With a new year ahead of us, many Canadians are thinking of entering the stock market as a way of taking control of their finances. I believe it won't be very long until new investors stumble upon **Telus** ([TSX:T](#)) and **Canadian National Railway** ([TSX:CNR](#)). Both companies are [well established](#) in their respective industries and are well-known [dividend payers](#). However, which one would make the better investment today? Keep reading to see which one I think is the better buy.

Company overviews

Both of these companies are very well known by Canadians, but it would be a disservice to omit an overview. Telus is one of the largest telecom providers in Canada. It offers a suite of personal and professional services. This includes mobile network coverage, home internet and cable, healthcare services, and many more.

You may be familiar with Canadian National Railway as well. However, did you know that its rail network stretches nearly 33,000 km? It operates track from British Columbia to Nova Scotia. Canadian National also operates in the United States as far south as Louisiana.

Which one has a better hold of its industry?

With those overviews in mind, which company has a better hold of its industry? This is important to consider because it tells investors whether a company has a competitive advantage. Being the dominant player in an industry provides many benefits, including things like pricing power. That could allow a company to set the prices in its industry, causing others to follow suit.

Telus's network coverage area accounts for 99% of the Canadian population. However, despite that, the company is only the third-largest telecom company in Canada. This means that its main competitors, **BCE** and **Rogers**, could theoretically squeeze out this company or give it problems in the future.

Canadian National is the largest railway company in Canada. In fact, this company is so formidable that it ranked as the seventh-largest railway company in the world in 2021. For comparison, the next largest Canadian railway company, **Canadian Pacific Railway**, failed to reach the top 10. With that said, I believe Canadian National is the more impressive stock in terms of market dominance.

Taking a look at the dividends

As I mentioned earlier, both Telus and Canadian National Railway are respected dividend stocks. Telus has increased its dividend distribution in each of the past 18 years. Canadian National has raised its dividend for 26 straight years. By that metric, Canadian National edges out Telus by a decent margin.

However, dividend increases aren't the only thing to keep in mind. Investors should look at how fast a dividend grows and how sustainable it might be. Looking at its dividend growth over the past 18 years, Telus comes in at a compound annual growth rate (CAGR) of 10.7%. Canadian National's dividend has posted a CAGR of 14.7%. Telus [aims to maintain](#) a dividend-payout ratio of 60-75%, whereas Canadian National's payout ratio stands at about 40%.

In terms of its dividend-growth streak, growth rate, and payout ratio, Canadian National appears to be in better shape.

Which one would I buy today?

By the metrics I've covered today, it's clear that Canadian National stands out as the better stock to buy. However, that's not to say that Telus isn't a good stock to hold. In fact, I think Canadians could do very well holding Telus stock in their portfolio over the long term. But if I had to choose one stock, I'd say Canadian National is the better buy today.

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