



## Here's the Next TSX Stock I'm Going to Buy

### Description

Rising interest rates have weighed on stock valuations. After the drama in the stock market last year, investors are probably fed up with guessing where stock prices might go. Instead, it may be a good way to go to invest in Canadian Dividend Aristocrats that are backed by businesses with staying power.

At the top of my list of TSX stocks to buy, I have **TELUS** ([TSX:T](#)).

### Durable business

The big Canadian telecom has been around for more than 30 years. Since 2019, it has increased its revenues by over 21% — the best growth rate in the industry. Revenue growth is a critical first step that could trickle down to earnings growth. Sure enough, TELUS's net income increased 15% in the period.

None of TELUS's competitors are growing their revenues nearly as fast as TELUS, because TELUS's non-core businesses are growing at a fast pace. They include **TELUS International** ([TSX:TIXT](#)), and its health, security, and agriculture operations.

TELUS International is an IT services outsourcing and consulting firm that grew sufficiently large such that TELUS successfully listed it separately on the TSX in February 2021. The TIXT initial public offering (IPO) price was US\$25 per share. The selloff last year pressured the growth stock to as low as US\$18. At US\$22 at writing, it's still a 12% discount from the IPO price. TELUS still owns about half of TELUS International, which contributes to approximately 15% of its revenue.

TELUS maintains an investment-grade S&P credit rating of BBB. Its long-term liabilities to equity ratio improved from 2019's 2.06 times to the last reported ratio of 1.58 times. Also, on the positive, it has increased its stockholders' equity by 59% since 2019.

Its durable profits have allowed it to pay reliable dividends to its long-term shareholders.

## Reliable dividends

Investors get peace of mind from earning income from their investments. TELUS stock's reliable dividends can improve your returns stability through market cycles. Wouldn't it be awesome to earn a positive return on your investment without regard of the volatility price of the investment? You can achieve this with [dividend investing](#).

TELUS stock began paying a dividend since 1999. And it has increased its dividend every year since 2004. For reference, its five-, 10-, and 15-year dividend-growth rates are 6.6%, 8.3%, and 8.6%, respectively.

Its trailing 12-month payout ratio is sustainable at 57% of earnings. If need be, TELUS also has \$4.5 billion in retained earnings that it could draw from.

At \$28.29 per share at writing, the dividend stock offers a yield of close to 5%. Management is devoted to making semi-annual dividend increases that equate to annualized growth of 7-10% through 2025. This income growth predictability is wonderful for a defensive investment.

## The Foolish investor takeaway

Analysts believe TELUS stock trades at a discount of 13%. The [undervalued stock](#) has an underlying defensive business that produces durable earnings, supporting a growing dividend. The dividend yield of close to 5% is not bad. Conservative investors should look to buying shares now if not wait for a dip to \$27 or lower over the next six months, as further interest rate hikes could trigger another selloff in stocks.

### CATEGORY

1. Dividend Stocks
2. Investing

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## Date

2025/08/15

## Date Created

2023/01/17

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