Better Buy: Enbridge Stock vs. Telus

Description

Investors seeking reliable passive income and total returns inside a self-directed Tax-Free Savings Account (TFSA) are wondering which TSX dividend stocks might be good to buy today. **Enbridge** (TSX:ENB) and **Telus** (TSX:T) are two of Canada's top dividend stocks with long track records of distribution growth. Let's see if one these great Canadian stocks might be a better pick right now.

Enbridge

Enbridge doesn't produce oil or natural gas. The energy infrastructure giant simply transports the commodities from the production sites to storage facilities, refineries, utilities, or export terminals and charges a fee for providing the service. As long as fuel demand remans robust the pipelines and other energy infrastructure assets operated by Enbridge should be busy. As such, the fluctuations in commodity prices have a limited direct impact on revenue.

Enbridge also owns natural gas distribution utilities, renewable energy assets, and is building up its export business. Management knows the days of driving growth through the construction of large new oil pipelines is probably over, so the strategy is now focused on other opportunities. Enbridge's newer investments include the purchase of an oil export terminal in Texas and an equity position in a new liquified natural gas (LNG) plant being build in British Columbia.

Enbridge is expected to report solid fourth-quarter and full-year 2022 earnings on February 10, 2023. The board raised the dividend in each of the past 28 years, and the trend is expected to continue with growth in distributable cash flow coming from the $17 billion capital program and additional acquisitions that might emerge.

At the time of writing, Enbridge trades for close to $54.50 per share. That's down from the 2022 high around $59.50. Investors who buy ENB stock at the current level can get a 6.5% dividend yield.

Telus

Telus trades for close to $28 at the time of writing compared to the 12-month high above $34. The pullback appears overdone, considering the strong results the company delivered through the first three quarters of 2022 and the expected solid finish to the year. Telus plans to report the fourth-quarter and full-year 2022 earnings results on February 9, 2023.

The board intends to raise the dividend by 7-10% over the medium term, which is largely in line with its historical level of dividend growth. Management brought forward billions of dollars of capital spending in recent years to speed up the copper-to-fibre transition. This initiative is largely complete, and Telus expects its capital program to drop by $1 billion in 2023. The result should be more cash flow available for distributions and share buybacks.

Telus gets most of its revenue from essential mobile and internet subscription services, so the revenue stream should hold up well if the economy goes through a deeper downturn than anticipated.

Investors who buy Telus stock at the time of writing can get a 5% dividend yield.

Is one a better bet?

Enbridge and Telus are top TSX dividend stocks paying good dividends that should continue to grow. As such, I would probably split a new investment between the two stocks today for a TFSA focused on passive income.

If you only buy one, however, Telus looks more oversold right now and will likely deliver higher dividend growth in the next few years, so it might be a better buy right now for potential total returns.

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