What Makes Telus Corporation Canada's Best Dividend Stock?

Description

If you're looking for quality dividend stocks in Canada without paying too much, there aren't a lot of options. But there's a great place to start: the Big 3 telecommunications providers. They face limited competition, are protected by high barriers to entry, and make money off subscriptions — perfect for predictable revenue and a stable dividend.

In fact, there is a strong argument for holding all three names, if dividends are what you're after. But one name stands out in particular: **Telus Corporation** (TSX: T)(NYSE: TU). Below we take a look at what makes Telus an especially good dividend stock.

Telus: the best-in-class telecom provider

Of the Big 3, Telus has been posting the best numbers recently. It's been adding more wireless customers than its peers — including 378,000 last year alone — and keeping them happier, too. In fact, customer complaints at Telus decreased by 27% in 2013, despite increasing by 26% for the industry overall.

As a result, the company has been posting some impressive numbers. In 2013, its lifetime revenue per customer reached an astonishing $4,350, tops in the industry. Also, revenue grew by 4.4% last year, also highest amongst its peers.

Best of all, Telus has a very attractive dividend. Since 2004, the payout has been increased by over 400%, and yields a respectable 3.9%.

What makes Telus better than BCE?

BCE Inc. (TSX: BCE)(NYSE: BCE) is also a very popular dividend stock, and it is easy to see why. At 5.2%, BCE's yield places it in the top 5 of the **S&P TSX 60**. But watch out: BCE is not as good as Telus, for a number of reasons.

First of all, BCE has not done as good a job at adding customers — last year, its wireless subscriber count increased by only 100,000. Making matters worse, the company still derives a good chunk of revenue from its fixed wireline business, which is in decline. As a result, BCE's overall subscriber count actually decreased last year, and total revenue increased by only 2.1%.

Worse still, BCE trades at 18.1 times earnings, which is a higher multiple than Telus'. And its dividend, while yielding a higher number, has grown much more slowly than Telus' over the past decade, having only doubled.

What makes Telus better than Rogers?

Rogers Communications (TSX: RCI.B)(NYSE: RCI) is also an attractive-looking dividend stock. After all, it is cheaper than both of its peers, trading at just 15.3 times earnings. But it is cheap for a reason.

Rogers has not kept its customers very happy, and that has started to show up with some weak results. For example, last year the company added only 66,000 wireless subscribers. Making matters worse, it derived over a quarter of revenue from cable subscriptions, a business whose subscriber count decreased by 4% in 2013.

As a result, revenue only increased by 1.8% last year. If this keeps up, Rogers will have a tough time growing its dividend as quickly as Telus is. So even though Rogers' dividend yields above 4%, it's still not your best option.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

Category

1. Dividend Stocks
2. Investing

Date
2025/07/24
Date Created
2014/09/17
Author
bensinclair