Telus Corporation: 1 Dividend Growth Stock to Buy and Hold Forever

Description

Lots of companies hike their dividends, but few are as steady as **Telus Corporation** (TSX: T)(NYSE: TU).

For more than a decade the telecom giant has raised its dividend almost every single year between $0.02 and $0.04 per share. That includes the most recent bump in May, when the company hiked its quarterly payout 5.5% to $0.38 per share.

Those increases may seem rather small in isolation, but they add up to some hefty gains for shareholders. Telus's dividend has grown nearly five-fold since the dark days of 2002, when the collapse of the tech bubble forced the firm to chop its dividend by more than half.

Can the company keep the distribution hikes coming? There're a number of good reasons to believe Telus can continue to deliver hefty dividend growth for shareholders.

First, business is booming. Telus's postpaid wireless operations grew by 78,000 subscribers in the second quarter, well ahead of both **BCE Inc** and **Rogers Communications Inc**. What's more, the firm's average revenue per user rose 2.3% to $62.51, also leading the Big Three.

One reason for Telus's robust showing is its ability to retain subscribers thanks to strong customer service. Its monthly postpaid "churn" rate was just 0.90%, one of the lowest in North America. That strong customer loyalty (which I can vouch for personally) sends a good signal for an industry that is the regular target of consumer wrath.

And wireless isn't the only growing division. The firm's wireline business also added 15,000 high-speed Internet customers and 23,000 TV subscribers last quarter. This more than made up for any loses of its legacy phone line operations.

Finally, management is also committed to rewarding shareholders. Last year, executives pledged to raise the dividend twice a year through 2016 at a 10% annual clip. Of course, that's no guarantee that they will follow through. But it seems unlikely that management would raise expectations if they weren't confident they could deliver.

Telus isn't risk free. The possible entry of a new, deep-pocket rival (cough… cough… **Verizon Communications Inc.**) could alter the outlook for the industry. The Federal government remains committed to increasing competition in the telecom space, which could crimp the firm's margins.

Shareholders will have to wait for a resolution on these issues. But in the mean time, Telus should continue to deliver earnings growth by adding subscribers, hiking prices, and cutting costs. All of which suggests that the company will be delivering dividend hikes for many years to come.

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Date
2025/08/27
Date Created
2014/11/03
Author
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