



Telus Corporation: a Top Pick for Conservative Income Investors

Description

The lingering oil rout is starting to impact the broader Canadian economy and some analysts are even discussing the possibility of a recession.

With dark clouds on the horizon, investors who rely on dividends to supplement their income are now searching for companies with distributions that will survive an economic downturn.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is one of the names that should hold up well if things start to get ugly.

Strong Earnings

Telus reported strong Q1 2015 results in both its wireless and wireline operations, with total net income of \$415 million, a year-over-year gain of 10%. On a per-share basis, the profits jumped 11.5%.

Wireless revenues continue to remain strong as customers consume more data. Telus's blended average revenue per user (ARPU) rose to \$62.34 for the first quarter. The strong number was the 18th consecutive quarter of year-over-year ARPU gains.

Telus is also getting solid results from its wireline division as its Telus TV and broadband Internet offerings continue to pick up additional subscribers. Many of the new customers are migrating from the cable operators.

Customer focus

Telus has a strong commitment to customer care and the company is reaping the rewards of its investments in this area.

As of last month, all Canadian mobile subscribers on a three-year plan can walk away from their contracts without incurring a penalty. The rule change has all the carriers scrambling to retain clients and Telus will likely come out as a net beneficiary because it already has the industry's lowest postpaid mobile churn rate.

Client retention is very important because it costs a carrier more than \$400 to acquire each new customer. Telus's strong ARPU numbers also suggest that happy customers tend to spend more.

Dividend growth and share buybacks

Dividend stability is important for every income investor. Telus recently hiked its payout to \$1.68 per share, the ninth increase in the past four years. The distribution currently yields 3.8%.

The company also has an aggressive share-repurchase program. This means shareholders get a bigger slice of the pie every time Telus buys back and cancels stock.

Should you buy Telus?

The Canadian telecom market is a lucrative one and Telus remains an industry leader. If the economy goes into the tank, people will still use their phones, surf the Internet, and watch their favourite TV programs.

Long-term income investors can rely on the company's rock-solid dividend and should be comfortable buying the stock at the current price.

CATEGORY

1. Dividend Stocks
2. Investing

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