



2 Reasons I Like Telus Corporation for Income Investors

Description

For investors looking to acquire new stocks that are going to pay them income, there are few companies that I would recommend more than **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). It services 8.1 million subscribers for voice, Internet, wireless, and television across the country.

While Telus is certainly not the only telecommunications company in Canada, it is one of my favourites as an investor for two reasons. The first is because, despite its size, it is experiencing tremendous growth. The second reason is because it is also growing its dividend handsomely.

Let's break down these reasons in more detail.

Telus is growing

In the third quarter, Telus added 24,000 Internet subscribers, 26,000 new TV customers, and 119,000 new customers to its wireless/wireline divisions. While adding 169,000 subscribers to its business in a quarter is quite nice, that's not the growth I'm looking at.

One of the ways that companies are able to grow is by milking more revenue out of each customer. If the customer spends \$50, that's great. If that same customer can spend \$75, that's even better. Telus has been able to increase the average revenue per user every single year for 19 years. A customer 19 years ago is paying much more today than they did when they signed up because Telus has been able to sell them more.

This is because Telus offers services that the customers like. To do that, it invests in the right programs. In 2015 Telus has spent close to \$4.5 billion to increase both its spectrum and infrastructure. Never before has the company spent this kind of money, but I am confident that when these projects are done, Telus will even stronger.

Rewards to investors are growing

What makes this company particularly attractive to income investors is the fact that the dividend and other rewards to investors are growing. Even while the company is spending billions on growth, it is

able to also grow the amount of money it returns to investors. It does this in two ways.

The first is through its dividend, which is \$0.44 per quarter, per share. This comes out to a handsome yield of 4.52%. Not only is the dividend lucrative, it is increasing. In 2015 alone, Telus increased the dividend twice. Over the past five years, it increased the dividend 12 times. All told, it has increased the dividend about twice a year on average.

The other way that it returns money to investors is through its generous share-buyback plan. In the second quarter, it purchased 7.9 million shares from investors. In the third quarter, it spent an additional \$110 million buying shares from investors. All told this year, it has spent \$412 million buying shares. Since 2004, it has spent \$4.7 billion reducing the size of the share pool. This is good because every share that goes away increases your holding and yield.

Fundamentally, the reason why Telus is able to both grow its business and its dividend is because of its moat. To launch a competitive product would cost tens of billions of dollars setting up wirelines, buying spectrum, and then marketing the products. Because new competition is unlikely, Telus can focus on offense, not on defense. That makes this stock one of the top income investments.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TU (TELUS)
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