



## Telus Corporation: Add This Terrific Forever Stock to Your RRSP

### Description

Billions of dollars will flow towards online stockbrokers this week as procrastinating Canadian investors scramble to make their RRSP contributions. As long as the contribution is made before the February 29th deadline, investors will be able to claim the tax credit on this year's return.

This creates a new problem for many investors—they're not sure what to invest in. With markets down handily compared with this point last year, many investors are nervous. Nobody wants to put money to work only to have the market fall. The whole point of investing is to make money, not lose it, even temporarily.

That's the wrong attitude. Instead, investors should be excited to load up on terrific stocks that are finally on sale for the first time in years. Investing now can lay the foundation for a retirement that could easily last 20-30 years. Picking great stocks that are poised to deliver attractive returns over time is paramount to securing those golden years, at least economically.

Here's why I think **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) is one of the best choices in today's market.

### A great moat

Warren Buffett constantly tells investors to look for a moat when investing. If a company has an advantage over potential competition that isn't easily replicated, that's the sort of investment that should be attractive.

Think about it this way. If I gave you \$10 billion, could you put Telus out of business? I know I sure couldn't. I'm not even sure I could make a big dent.

Just looking at the wireless business, Telus owns spectrum that would cost upwards of \$10-20 billion alone just to replicate. That's not counting the value of the company's brand, its millions of customers, or its thousands of retail locations spread across Canada. And that's just the wireless business. Telus also provides Internet, home phone, and television services to millions more.

And for the most part, Telus is isolated from competition. Sure, the wireless space is crowded, but for

most of its wireline customers in western Canada, there's really only one competitor. This allows prices to remain high—which is good for business, but bad for our wallets.

### **Reasonable valuation**

Telus is the kind of company that isn't likely to get incredibly cheap. As long as earnings don't fall off a cliff, investors view the company's 4.4% dividend as a highly attractive bond substitute.

Shares currently trade hands at 17.4 times trailing earnings. With earnings expected to increase to \$2.70 per share in 2016 and \$2.89 in 2017, shares are trading hands at 14.7 and 13.7 times forward earnings, respectively.

If we assume Telus can maintain the same valuation it enjoys today going forward, this would translate into a share price of \$46.98 a year from now, good enough for a gain of 18.3%. Add in the dividend, and investors are looking at a potential 23% gain in just a year. That's pretty attractive, especially considering the price support offered by the dividend.

### **Speaking of the dividend...**

Perhaps the strongest reason to own Telus is its demonstrated history of dividend growth.

Since 2012 the company has hiked its quarterly payout twice per year. At the beginning of that year, the quarterly dividend was \$0.29 per share. It's currently at \$0.44 per share, a 52% increase in just three plus years. Investors could reasonably expect the quarterly dividend to hit \$0.48 per share by the end of the year. That would only be a payout ratio of 71% of expected earnings, an improvement compared to the 77% payout ratio currently.

The beauty of the dividend is it spins off a constant stream of cash investors can reinvest. Ploughing that money into more Telus shares probably isn't a bad idea, or investors can use the cash to buy shares in other undervalued companies.

Telus shares don't often go on sale. Today is one of those times with shares currently some 10% off recent highs. Taking advantage of such a sell-off is pretty close to a no-brainer.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

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### **Date**

2025/07/08

**Date Created**

2016/02/22

**Author**

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