



3 Telecom Stocks With Yields of 4-5% to Buy Now

Description

Telecom stocks have always been very popular with investors, largely because they typically offer very high dividend yields as a result of their consistent cash flows, but also because their business models are easy to understand and because they face limited competition due to the high barriers for entry into the industry.

With all of this in mind, I've scoured the industry and selected three stocks with high and safe dividend yields of 4-5%, so let's take a quick look at each to determine which would be the best fit for your portfolio.

1. Telus Corporation

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is Canada's third-largest telecommunications company with over 14 million customer connections, and it's the country's second-largest wireless carrier with more than eight million subscribers and an estimated 29% market share. It pays a quarterly dividend of \$0.44 per share, or \$1.76 per share annually, which gives its stock a yield of about 4.2% at today's levels.

It is also important to make two notes.

First, Telus has raised its annual dividend payment for 12 consecutive years, and its two increases in the last 12 months, including its 4.8% hike in November 2015, has it on pace for 2016 to mark the 13th consecutive year with an increase.

Second, the company has a program in place to raise its dividend by another 10% in 2016, so investors should look for its next dividend hike when it reports its first-quarter earnings results on May 5.

2. Shaw Communications Inc.

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) is one of Canada's leading pure-play connectivity providers, and it's the country's fourth-largest wireless carrier through its WIND Mobile brand, which has an estimated 3% market share. It pays a monthly dividend of \$0.09875 per share, or

\$1.185 per share annually, which gives its stock a yield of about 4.8% at today's levels.

It is also important to make two notes.

First, Shaw has raised its annual dividend payment for 12 consecutive years, and its 7.7% hike in March 2015 has it on pace for 2016 to mark the 13th consecutive year with an increase.

Second, I think the company's ample free cash flow generation, its increased amount of cash thanks to its recent \$2.65 billion sale of Shaw Media Inc., and the additional free cash flow that will come from its recent acquisition of WIND Mobile will allow it to raise its dividend when it releases its second-quarter earnings results on Thursday.

3. Manitoba Telecom Services Inc.

Manitoba Telecom Services Inc. (TSX:MBT) is Manitoba's largest wireless provider through its MTS Inc. subsidiary, and one of its leading providers of security solutions through its AAA Security subsidiary. It pays a quarterly dividend \$0.325 per share, or \$1.30 per share annually, which gives its stock a yield of about 4% at today's levels.

It is also important to make two notes.

First, Manitoba Telecom Services has maintained its current quarterly dividend rate since the second quarter of 2015 following a 23.5% reduction to maintain its strong balance sheet and to bring its payout ratio to a more sustainable level of 70-80% of its free cash flow.

Second, I think the company's increased amount of free cash flow, its increased financial flexibility as a result of its \$465 million all-cash sale of its Allstream Inc. subsidiary, and the fact that its payout ratio was at the low end of its target range in 2015 will allow it to raise its dividend when it reports its first-quarter earnings results on May 11.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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