



Income Investors Should Consider Telus Corporation

Description

Part of what makes a dividend company such a good investment is its ability to stay stable and, if possible, continue to grow over time. Growth can be a tricky thing for many very large companies, so they do what Peter Lynch calls “diworsify.” This is when a company tries to buy new companies to create diverse revenue streams, but the outcome is mediocrity.

One company that is focused on what it does is **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), which makes it a very solid income investment. All of Telus’s investments are focused on helping it be a solid telecommunications company. In my opinion, one of the first things to ask yourself when trying to decide on an income investment is, is it focused?

From there, we have to ask ourselves whether or not the company can continue to grow. Dividends that don’t grow are not ideal, unless the yield is so incredible that no other company can compete. Fortunately, Telus has some growth prospects.

Because **BCE Inc.** is acquiring **Manitoba Telecom Services Inc.** for \$3.9 billion, Telus benefits. To get through regulation, BCE Inc. is going to have to sell a third of the subscribers to Telus, which already owns 10% of the company. Anytime you can get a serious influx of customers, you know your growth prospects are solid.

There are also rumours that the Saskatchewan crown company, SaskTel, could be put up for sale in an attempt to take it private. Naturally, if that were to happen, you have to expect that Telus will pounce. There are no guarantees that this will occur, so I don’t recommend buying on this news.

But what this means for income investors is that the company is slowly growing, which could translate into growth for the dividend. Its earnings per share were \$0.85 on \$5.87 billion, which was up a penny year over year. Part of the reason for the earnings increase is because it saw a 1.2% increase in wireless subscribers to 8.39 million, a 6.7% increase to high-speed internet subscribers to 1.6 million, and a 8.4% increase to TV subscribers to 1.02 million.

Yet what really matters is the dividend. And there are two things that matter most. The first is whether or not the yield is strong, which I would say that it is at 4.43%. That gets you a quarterly dividend of

\$0.46 per share, or \$1.84 per year.

The second thing that matters is, like I said above, growth. For 12 consecutive years, Telus has increased the dividend, which is exactly what you as an investor want to hear. Further, since January 2015, it has increased the dividend three times. In May alone, it increased it by 4.5%. It also expects to continue hiking the dividend by anywhere from 7-10% a year through 2019.

Telus Corporation is a slowly growing company. It's not high flying, it's not revolutionary, and it's not going to be incredibly volatile. However, it is going to pay consistent and growing dividends for years to come. For income investors, that's all that should matter.

CATEGORY

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2. Investing

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1. NYSE:TU (TELUS)
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