



Retirees: Is Fortis Inc. or Telus Corporation a Better Income Bet?

Description

Canadian income investors are searching for reliable companies with strong track records of dividend growth.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) to see if one is an attractive pick today.

Fortis

Fortis owns natural gas–distribution and electricity-generation assets in Canada, the United States, and the Caribbean.

The company has grown over the years through a combination of strategic acquisitions and organic development, and that trend continues today.

Two years ago Fortis spent US\$4.5 billion to purchase Arizona-based UNS Energy. The integration of the assets went well, and investors are seeing the benefits of the added revenue stream. In fact, the extra cash flow from UNS helped support a 10% increase in the dividend last fall.

Fortis also completed the expansion of its Waneta hydroelectric facility in British Columbia in 2015, and investors will see the first full year of benefits from that project this year.

Now management is in the process of spending US\$11.3 billion to acquire **ITC Holdings Corp.**, the largest independent transmission company in the United States.

Fortis says dividend growth should be about 6% per year through 2020. Investors have received an increase every year for more than four decades, so the odds are pretty good that management will deliver as planned.

The current quarterly distribution offers a yield of 3.7%.

Telus

Telus doesn't get as much attention as its peers, but the company has proven to be a rock-solid pick for long-term dividend investors.

Management has avoided the temptation to plough billions of dollars into media assets and has instead invested in making sure the company delivers the best level of service in the industry across state-of-the-art wireless and wireline networks.

That strategy appears to be paying off as Telus continues to add new mobile, internet, and TV subscribers at a healthy rate.

The company also boasts the lowest churn rate connected to fickle mobile customers with less than 1% of the clients leaving for other carriers in the most recent quarter.

Another initiative to watch is Telus Health, which is already Canada's leading provider of digital solutions to doctors, hospitals, and insurance companies. As the segment expands, investors could see revenue from this group become a significant part of the overall mix.

Telus has a fantastic track record of sharing profits with investors through share buybacks and dividend increases. The company plans to raise the dividend by 7-10% per year through 2019 as part of its multi-year dividend-growth program originally announced in 2011.

The current quarterly distribution offers a yield of 4.4%.

Is one a better bet?

Both stocks are attractive dividend-growth picks that tend to hold up well when the broader market hits a speed bump.

At the moment, I would give Telus the edge for its higher yield and better dividend-growth outlook over the medium term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:FTS (Fortis Inc.)
3. TSX:T (TELUS)

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