



Is Telus Corporation Canada's Finest Dividend Stock?

Description

It seems like dividend investing has never been more popular.

It's never really been unpopular, of course. With the possible exception of the tech boom in the late 1990s, most investors have always preferred to get dividends. But instead of dividend investing, people called the strategy different things, like "investing in blue chips" or "income investing."

Needless to say, even if interest rates go back up to normal levels, dividend investing will still be popular. People like the boost dividends provide. Besides, if you look at historical returns, one trend becomes pretty clear: dividends make up a large proportion of total returns.

The telecom industry has always been a popular one with dividend lovers. They're attracted to the steady stream of monthly revenue from customers who have committed to one company, the pricing power of Canada's three dominant incumbents, and the terrific profits delivered. These profits lead to some great dividends.

Every serious dividend investor should have at least one telecom stock in their portfolio. There's one telecom stock that rises above all the others, putting it in contention to be Canada's top dividend stock.

That company is **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). Here's why dividend stocks don't get much better than it.

Steady growth

The days of double-digit growth are behind Canada's telecoms as the industry has pretty much matured. And that's okay.

Telus is still posting pretty solid growth numbers. Revenue was up 1.5% in the company's latest quarter to \$3.1 billion on higher revenue from both wired and wireless data and from subscriber growth. Net additions included 61,000 wireless customers, 18,000 internet subscribers, and 13,000 Telus TV customers. Or, to put it another way, Telus attracted the equivalent of a medium-sized city worth of new subscribers in just one quarter.

One of the reasons why Telus continues to attract customers is its focus on customer service. By giving front-line customer service reps increased responsibilities, Telus has helped lower its churn to an industry-low 0.90%. Churn has been below 1% for 11 of the past 12 quarters. Simply put, Telus is better at keeping customers than its rivals.

Investors should also pay close attention to the company's growing Telus TV numbers. Unlike some of its rivals, Telus is actually growing TV subscribers. That's an impressive feat in 2016.

A focus on costs

In its most recent quarter, Telus posted a 1.5% increase in revenue and a 25% increase in earnings. Why such a huge difference?

The company did have some one-time charges in the quarter in 2015, but investors should be focusing on Telus's commitment to decreasing operating expenses. It managed to cut costs by more than 3% while increasing revenue. Even after adjusting for one-time items, Telus still increased earnings by more than 6%.

Finally, the dividend

Telus has made it a priority to give back to shareholders. There aren't many companies in Canada that can match its record.

Let's start with the dividend. Over the last decade, Telus has increased the quarterly payout from \$0.1375 per share to \$0.46. That's a raise for shareholders of more than 12% a year.

Dividend growth is expected to continue, although perhaps not quite as quickly. Telus has told shareholders it expects to deliver dividend increases of between 7% and 10% until at least 2019.

Telus shares currently yield 4.3%. If Telus raises its dividend by 7% in each of the next three years, investors who buy today would have a yield on cost of 5.3% in 2019. If it hits the top end of its range and increases the dividend by 10% over the next three years, investors would be looking at a 5.7% yield on cost.

Telus isn't just giving back to shareholders in the form of increased dividends. It continues to buy back shares at a fairly aggressive rate. At the end of 2012 Telus had 655 million shares outstanding. At the end of its most recent quarter that number had fallen all the way down to 592 million. The share-buyback program is another reason why investors can expect Telus to keep growing its dividend.

They don't get much better than Telus

Telus gives dividend investors a steadily rising payout combined with a very reasonable valuation and a terrific business. It truly is one of Canada's finest dividend stocks.

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