



Telus Corporation: A Top Choice for Income Investors

Description

Telecommunications companies are some of the top stocks for income primarily because their product is a necessity for society today. Whether you want to admit it or not, I need my cell phone, my internet, and the ability to watch TV. When a product or service goes from want to need, there's opportunity. And **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) represents one of the best opportunities in the telecom space for those hungry for yield.

Its earnings show this. Telus reported in its Q2 2016 earnings results consolidated operating revenue of \$3.1 billion, up 1.5% year over year. Even better, its adjusted net earnings were up 2.2% to \$415 million, which beat analyst expectations by a penny per share. Although growth is slowing, that is primarily because of the mature market that Telus operates in.

Yet it does continue to add new customers. It added 61,000 net new wireless customers, 18,000 internet subscribers, and 13,000 TV subscribers. These aren't exceptional numbers, but they compound because of Telus's ability to keep customers. Unlike other companies, Telus has a churn of only 1%. That means that every year Telus only loses 1% of its customers. That's huge.

The primary reason for this is because the customer service is so good. Telus reps are given the room to truly help customers and give discounts where they are necessary. This doesn't appear to be hurting the company because its average revenue per customer rose 1.4% to \$64.38. For 23 quarters, the ARPU has increased year over year. The cost to keep a current customer is much less than the cost to get a new one.

Telus intends to spend an additional \$200 million on top of the \$2.65 billion to upgrade its copper wire networks to fibre-optic tech, and the company was able to reduce costs by more than 3%. That's a recipe for a great company to own.

So let's talk about what really matters to investors: the dividend.

The company currently pays a yield of 4.27%, which is a very lucrative \$0.46 per quarter. But what's impressive is that the dividend continues to grow rather nicely and should continue to grow through 2019. Management told investors that they should expect a 7-10% increase every year over the next

few years. And Telus has the ability to do it. From 2016 to 2016 the dividend was increased by approximately 12% per year.

To make matters even better, the dividend is very secure. Its payout ratio in the first half of the year was 67.2%, which is on the low end of its range. So long as the dividend stays in this range, there's little reason management will stop increasing it.

But it's not just dividends that Telus rewards investors with. It is consistently buying back shares, which increases the ownership of every stock holder that remains. Although there are 592 million outstanding shares, that number was as high as 655 million in 2012. This also does something else: it reduces how much Telus has to pay out in total dividends because there are fewer shares. This gives it the ability to grow the dividend for the remaining shares even faster.

All in all, I believe Telus is a great stock to own and is well worth your investigation.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TU (TELUS)
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