Telus Corporation: 3 Reasons to Buy This Stock for Dividend Income

Description

Canadian telecom operators are among the best-run companies that provide stable and growing dividends to income investors. Just like banks, they regularly increase their dividends, too.

The reason of this superior performance is that Canadian telecom companies operate in a less competitive environment.

This works well for investors who are looking for opportunities in the telecom space in North America. Unlike the U.S., where competition is fierce and the regulatory environment is friendly for new entrants, the Canadian telecom market is dominated by the "Big Three."

As subscriber growth has dwindled in their fixed-line and cable TV segments, telecom companies are investing heavily in wireless technologies to grab the market share in this crucial battle.

In Canada, the telecom market is divided among four players which control about 80% of the broadband and video market and more than 90% of the wireless market.

Among the three operators, **Telus Corporation** (TSX:T)(NYSE:TU) offers an attractive opportunity to earn dividend income and benefit from the company's growth potential. Here is why.

Earning potential

Telus has positioned itself quite nicely to benefit from growing wireless demand in Canada. The company has invested significantly in improving its network's performance during the past two to three years. This has set the stage for a better retention and growth in subscribers both on wireless and wireline.

In the second quarter, Telus reported 121,000 new wireless postpaid, high-speed internet, and TV customers, up 29,000 over the same quarter a year ago.

The higher net additions included 99,000 wireless postpaid customers, taking the company's total wireless subscriber base to 8.7 million, which is up 3.2% from a year ago.

Dividend growth

Telus, with a current dividend yield of 4%, has grown its dividend by 10.3% during the past five years.

Many analysts believe Telus is in a much better position to grow its dividends going forward when compared to other operators, because the company has already invested heavily to improve its infrastructure.

Telus is targeting 7-10% growth in its dividend each year. And this target does not seem too ambitious, given the company's ability to generate more cash through its growing customer base throughout Canada.

Upside potential

Telus is likely to outperform other telecom players in 2018 on better dividend expectations and its technological advantage.

This was evident from the company's improving churn-rate metrics in the second quarter. In the postpaid segment, Telus produced a best-ever wireless monthly churn rate of 0.79%, which has now been below 1% for 15 of the past 16 quarters.

Trading at $47.12 a share, Telus is very close to the 52-week high. But I don't think the stock will stop its upward journey anytime soon. Its share price is still a buy for long-term investors.

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