# Dividend Investors: Should Telus Corporation (TSX:T) Be in Your TFSA?

## Description

The Tax Free Savings Account (TFSA) protects dividends and capital gains from the taxman.

This is valuable for Canadian investors of all types, including retirees who might be looking for extra income or young investors who plan to invest the distributions in new shares and build a long-term retirement portfolio.



Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) to see if it might be an interesting pick today.

**Earnings**

Telus reported Q1 2018 adjusted net income of $435 million, compared to $418 million in the same period last year, supported by a 6% increase in consolidated operating revenue. Adjusted earnings per share rose from $0.71 to $0.73.

On a year-over-year basis, wireless network revenue increased 4% to $1.5 billion. Postpaid subscriber growth combined with higher data plans to drive the increase.

The average wireless billing per user per month (ABPU) increased 1.5% to $66.51. This was the 30th straight quarter of year-over-year ABPU growth.

Telus added 48,000 net new postpaid wireless customers in the quarter, and postpaid subscriber churn was 0.95%. The churn rate has been below 1% for 18 of the past 19 quarters, thereby reflecting the company's strong commitment to providing quality customer service.

The wireline operations include the Telus TV, internet, home-security and Telus Health segments. Telus added 22,000 net new internet subscriber and 6,000 net new Telus TV customers in the quarter.

**Risks**

Rising interest rates make debt more expensive and can put a pinch on cash flow available for distributions. In addition, the telecom sector has been a save haven for yield investors amid the era of falling rates. As interest rates increase, investors could dump go-to dividend stocks, such as Telus, and return to GICs.

These are important points to consider, but Telus shouldn't see a meaningful impact.

The company has passed the peak of its elevated capital program and is now beyond the 50% point of its fibre-optic coverage rollout.

Free cash flow doubled in Q1 compared to the same period last year, and the company is on track to be free-cash-flow positive after dividends for 2018.

**Dividends**

Telus just raised its dividend and is targeting annual distribution growth of 7-10% through 2019. The company has a strong track record of raising the payout, which should continue.

The stock provides a yield of 4.5% at the time of writing.

**Should you buy?**



Telus has thus far avoided the temptation to pump billions into a media division. While investors might have mixed opinions about the strategy, it doesn't appear to be hurting the company. In fact, aside from the sports assets, the media businesses of its peers are facing challenging times, so the strategy to avoid the sector could prove to be a wise one.

Telus is investing in its Telus Health Group and continues to upgrade and expand its network infrastructure to ensure it meets growing data demand and remains competitive in the Canadian communications market.

If you're looking for a rock-solid dividend stock for your TFSA, Telus deserves to be on your radar.

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**Date**
2025/08/12
**Date Created**
2018/06/25
**Author**
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