



A 4.87% Dividend the Smart Money Loves

Description

The volatility in global capital markets may have scared off most investors, but the professionals are pouring in. Institutional buyers like hedge funds, pension funds, and asset management companies generally have the right mix of liquidity and expertise to take advantage of market downturns.

Savvy retail investors with some cash lying around should use the flow of so-called smart money as an indicator of signal of value. And that signal is shining bright at Canada's third-largest telecommunications company, **Telus** ([TSX:T](#))([NYSE:TU](#)).

Vancouver-based Telus holds 23.2% of the Canadian wireless market. Along with its two biggest rivals, **Rogers** and **BCE**, the top three telecom players hold a jaw-dropping 94.5% of the total market. This stranglehold has allowed all three players to reap extraordinary cash flow over the past few years.

Much of this cash has been passed on to investors in the form of dividends. And Telus is one of the most robust dividend payers of the lot. It currently pays out 82.4% of earnings, which results in a dividend yield of 4.87%.

Part of the reason the dividend yield is so high is the fact that the company has been adding subscribers and expanding cash flow, even as its stock price stays flat. The stock has barely budged from its \$45 level since early 2017.

Institutional investors seem to be taking this phenomenon as a sign of undervaluation. A number of hedge funds, including Glassman Wealth Services, Chicago Partners Investment Group, Riverhead Capital Management and PNC Financial Services have boosted their ownership of the company in the most recent quarter.

Royal Bank owns 7.74% of all outstanding shares, while TD Asset Management owns 3.8%. Altogether, institutional investors control 58.3% of all common stock. The smart money, it seems, is heavily invested here.

However, the company faces some near-term risks.

Challenges

The ministry of Innovation, Science, and Economic Development Canada (ISED) is gearing up for a major spectrum sale in 2019. The last major spectrum sale was in 2015, which tilted the market towards the three biggest players.

This year, ISED is proactively trying to reserve 43% of the radio-frequency spectrum for regional and new operators to counteract the market dominance of the biggest players.

Canada's telecommunications market is widely considered to be one of the most expensive in the world. The government has recognized that the lack of competition in the sector is the underlying cause for this premium. By allocating spectrum more widely in upcoming actions for 3,500 MHz (5G) and 600 MHz, the price of data can finally be deflated.

The average consumer will agree that this action has been long overdue.

I believe these auctions, [potential disruption](#) from players like **Shaw Communications**, and the upcoming price competition will have an impact on Telus's bottom line. However, the stock trades at a remarkably modest valuation, which may justify the risks for some investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/27

Date Created

2019/01/20

Author

vraisinghani

default watermark