
# TFSA Investors: This Telecom Stock Has Powerful Appeal for You

## Description

Canadian telecom stocks operate in a sweet spot where the competition is not that intense as you'll witness south of the border. They are gradually expanding their customer base with strong earnings growth.



These qualities make this sector a lucrative place for investors, such as those who invest through their Tax Free Savings Account (TFSA), to build wealth over the long run. At some point last year, these dividend-paying stocks weren't attracting investors, as climbing bond yields diminished their investment appeal.

But with the central bank on the sideline for at least this year, their high dividend yields and growing payouts are offering an attractive preposition. Among Canada's big three telecom companies, **Telus Corp.** (TSX:T)(NYSE:TU) is certainly a good option to consider if you have some space available in your TFSA.

**Strong growth momentum**

In an earnings announcement on Feb. 14, Telus again showed that demand for its services remain strong and that it's adding more subscribers to its network. For the fourth quarter of 2018, Telus added 112,000 new wireless contract subscribers in the period, ahead of average forecasts for about 105,000.

On the residential side of its business, Telus added more subscribers than expected, with 24,000 new television customers and 28,000 new internet clients.

Profit at the company increased by 4% to $368-million, or $0.60 a share. On an adjusted basis, Telus earned $0.69 cents a share, ahead of analyst estimates. Revenue increased by 6.3% to $3.76-billion as the company booked gains from data services on both wireless and home internet.

**Potential bump in the road**

If you want to buy Telus stock, then you should be aware of one risk that this company is facing due to a possible ban for using equipment by Chinese vendor **Huawei Technologies Co. Ltd**. Telus has a long relationship with Huawei and plans to use its gear in the deployment of its 5G networks.

Canada’s telecom operators, including Telus, have been dragged into this trade dispute between the U.S. and China. Telus has publicly warned of a material risk of higher costs if the Canadian government bans wireless carriers from working with Huawei.

Ottawa is conducting a cybersecurity review of the use of the Chinese company’s gear for 5G networks. Three of Canada’s Five Eyes intelligence allies – the United States, New Zealand and Australia – have already announced restrictions on Huawei equipment for the build-out of next-generation cellular service.

In Britain, the government is also reviewing its telecom-equipment supply chain and whether to continue using Huawei gear.

**Bottom line**

Telus share, at $46.74, have slightly underperformed other operators in the current rally for dividend paying companies due to its exposure to Huawei equipment. But in my view, the government will compensate telecom operators for any potential losses, or an escalation of costs if it takes a political decision and bans Huawei equipment sale.



For long-term TFSA investors, any dip in Telus stock should be a buying opportunity to take advantage of its growing dividend yield. Telus currently pays $2.18 a share annual payout, yielding 4.65%.

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hanwar