This Core Holding Just Boosted its Dividend

Description

Dividend-growth companies, especially during times of heightened volatility, should be the backbone of your portfolio, right along with bonds and cash. While these stocks do not give you the sugar high that you get from high-growth stocks like **Shopify** and **Canopy Growth**, they will not generally give you whiplash from the stock price action either.

Telus (TSX:T)(NYSE:TU) is one of the best examples of steady, dividend-growth stocks that we have in Canada. The company just reported earnings that, once again, proved that slow and steady wins the race. There were no major surprises, no volatile numbers — just steady growth from this Canadian dividend stalwart.

With practically every human in Canada, all the way down to the third grader with the latest iPhone, desiring access to data and wi-fi, Telus is well positioned to grow slowly over time. Data access has evolved to be perceived as a need for most individuals today — a fact that is not likely to change any time soon. People are almost as dedicated to paying their phone bills as they are to paying their mortgages, building in stickiness to the business, which should provide stable earnings over time.

Besides its banner brand, Telus also owns many sub-brands such as Public Mobile and Koodo. These bargain service providers are popular for deal-seeking individuals and continue to fuel new avenues of growth for the company. Total subscribers increased by 4.1%, showing that there is still more room to grow for this company.

The results are everything you could want from your steady, growing dividend giants. Revenue grew 3.8% over Q1 2018. Net income was slightly higher at 6.1%, and EBITDA grew by a solid 8.6% year over year. This growth will help power its dividend payment and dividend growth in the future, with a targeted payout ratio of 60-75% of free cash flow.

Telus has been an amazing dividend payer over the past couple of decades. Since 2011, Telus has increased the dividend twice a year, making a total of 17 increases over that period. Last week, Telus continued this trend by raising its quarterly dividend by 3.2%. The company seeks to maintain this growth with an annual target of 7-10% dividend growth until 2022.

A core holding for dividend lovers

Canada's telecoms operate as an oligopoly, with only a few major players controlling the entire wireless spectrum. As such, these companies are practically utilities that control what amounts to a basic need for most Canadians. While they are subject to some churn as customers transition from one company to another, for the most part, a customer will tend to stay with the same provider for a long time, stabilizing earnings.

Telus should occupy a core position in your dividend portfolio. While the stock is not cheap at the moment, it has pulled back slightly over the past few weeks. Even at these prices, it is worthwhile picking up some shares of this Canadian dividend all-star. If you are really lucky, it will continue to fall further so you can add more at lower levels.

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