



## If You Don't Buy Telus (TSX:T) Shares Today, You'll Be Kicking Yourself Later

### Description

I believe the key to investment success is really quite simple. All investors need to do is buy excellent companies at reasonable prices. Then the investment must be held for a long time, which gives compounding time to do its magic.

All the rest is, as they say, details.

This doesn't mean you'll beat the market, but I'd argue that's a goal that doesn't really matter. As long as you're getting enough return to make all of your financial dreams come true, then an investment is a success — even if it returns 8% annually while the overall stock market did 9%.

One titan of Canadian industry looks to be a little undervalued today, making now an excellent entry point. Here's why you should be seriously considering loading up on **Telus** ([TSX:T](#))([NYSE:TU](#)) shares today.

### The skinny

Telus is firmly entrenched among Canada's largest telecoms, a sector that has virtually every Canadian locked into wireless and wireline services contracts. Telus has some nine million wireless subscribers, as well as millions more signed up for its television, home internet, and home phone services. If you live in Western Canada, chances are, too much of your cash goes to Telus every month.

The company is also expanding in a couple of interesting side areas. It recently bolstered its home security division with a big acquisition of ADT's Canadian operations. And the company has been slowly growing its healthcare business for years, including purchasing a high-end clinic to add to its healthcare enterprise solutions division. These businesses are nice add-ons to the main telecom part of the company.

One thing I really like about the telecom sector is the succulent margins it generates. Telus has consistently posted operating margins north of 40%. Sure, it has high interest and depreciation costs,

but it still has solid profits every year. In fact, those profits should slowly grow over time as the company gets bigger. And, unlike its competition, Telus doesn't water down its excellent telecom business with an expansion into media, a sector that isn't [nearly as profitable](#).

Despite being in an excellent business with solid growth prospects, Telus shares aren't really expensive today. The stock trades at just 16.3 times trailing earnings, which is a fair price. Shares get even cheaper on a forward price-to-earnings perspective, currently trading at less than 15 times projected 2020 earnings.

Analysts are also bullish, with six of the eight analysts who cover the stock giving it a buy rating. One analyst has a \$62 price target one year out, while the average price target is in the \$55-per-share range.

## The dividend

Telus offers Canadian investors a unique combination of a nice yield today and the potential for dividend growth going forward.

Currently, shares yield an already robust 4.7%. That's an excellent payout, especially in a world where a medium-term government bond barely yields 1.5%.

But the more exciting part is definitely the dividend-growth potential. Telus told investors back in May it plans to continue its streak of semi-annual dividend increases through 2022, targeting a 7-10% annual increase. Which means if Telus can hit the top end of that range, investors who buy today could have a yield on cost approaching 6.3% by the end of 2022.

Telus has delivered consistent dividend growth for the better part of two decades now, only pausing these increases for a brief moment during the 2008-09 financial crisis. It has hiked the payout semi-annually since 2010, more than doubling the dividend during the nine-year period.

## The bottom line

Telus has been an excellent performer, returning more than 16% annually over the last 10 years, including reinvested dividends. I can't promise the same results over the next decade, but I think total returns of at least 10% are very possible.

I already own Telus shares. You'll be kicking yourself if you don't join me. Today is a great opportunity to start buying.

### CATEGORY

1. Dividend Stocks
2. Investing

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