Retirees: 2 Canadian Heavyweights for Your Portfolio

Description

When you retire, you want your investments to generate sustainable passive income. With stocks, this can either be via dividends or capital appreciation or both. This also means retirees need to be risk averse and invest primarily in large-cap stocks that have strong fundamentals. And yes, investing in a market leader always helps.

Here we look at two Canadian giants that fit most of the above-mentioned criteria.

Telus is one of the biggest service providers in Canada

Telus (TSX:T)(NYSE:TU) is a telecom company. It provides various services, including wireless voice and data, managed information technology, and cloud-based services. Valued at $30.6 billion, it is one of Canada's top large-cap companies.

Shares of Telus are trading at $50.86. The stock has returned 13.5% in 2019. In the September quarter, Telus increased sales by 2.6% year over year to $3.7 billion. EBITDA was up 6.3% at $1.4 billion, driven by higher wireless network revenue growth and a rise in wireline data service margins.

Analysts expect the company's sales to rise from $14.37 billion in 2018 to $15.82 billion in 2021. They also expect the company earnings to grow by an annual rate of 5.5% over the next five years.

Telus expects revenue growth to be driven by strong performance in data services and its investment in advanced broadband technologies. Its focus on customer service and operational efficiency will result in a higher retention rate and expanding profit margins over the long term.

Telus is also looking to grow inorganically. Telus International is a subsidiary that provides customer service outsourcing and digital support services to clients. Telus International acquired Competence Call Center (CCC) for $1.3 billion. CCC is estimated to report revenue of $450 million in 2019.

Telus will use a mix of debt and equity to fund this acquisition. In addition to capital appreciation, Telus has also increased shareholder value via dividends. It pays an annual dividend of $2.33 per share, indicating a dividend yield of a healthy 4.7%.

Telus has increased its dividend payment by 10% in the last year and has returned $16 billion to shareholders since 2004. Its payout ratio stands around 75%. With a debt balance of $17.3 billion and an operating cash flow of $4.05 billion, Telus has enough reserves to keep paying dividends and interests.

Barrick Gold offers diversification

Barrick Gold (TSX:ABX)(NYSE:GOLD) is a Canada-based gold mining company. It offers investors a diversification option in a slowdown. Historically, gold stocks have outperformed traditional equity investments in a bear market, as investors look for other financial instruments to park their funds.

Shares of Barrick Gold have fallen 58% in the last eight years. Once at the brink of insolvency, Barrick has successfully managed to turnaround its business by restructuring efforts.

Investors bore the brunt when commodities prices crashed a few years back, and the company's mounting debt did not inspire confidence. Barrick monetized its non-core assets and reduced its debt balance from US$13 billion to US$3.2 billion.

This has helped the firm increase dividends payouts as well. Barrick stock is trading at a forward price-to-earnings multiple of 22.9. Analysts expect revenue growth of 33.2% in 2019 and 11.6% in 2020.

Comparatively, the company is estimated to grow earnings by 48.6% in 2019, 44.2% in 2020, and at an annual rate of 26.3% in the next five years. Add a dividend yield of 1.2%, and we can see that the stock has significant upside potential. Barrick stock has already gained 42% since June 2019.

CATEGORY

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