



## Telus (TSX:T): Does Buying This Stock for Your TFSA Make Sense in 2020?

### Description

Telecom stocks in the past one year were not able to keep up the pace with Canada's benchmark index. The reasons behind this underperformance have been many, both company specific and ones that affected the whole telecom sector.

But if you're a buy-and-hold investor using your Tax-Free Savings Account (TFSA) to generate a solid passive income, then Canada's telecom stocks offer one of the best avenues. The reason I like [telecom utilities](#) is that they are cash cows. These companies, which provide telecom infrastructure to millions of customers, have already spent billions of dollars on their networks, and it's very hard to break their dominance.

In Canada, we have four players that control most of the market while operating in an oligopoly environment. Today, we analyze **Telus** ([TSX:T](#))([NYSE:TU](#)) to see if this stock offers a better value to TFSA investors in 2020.

### Telus

Telus is a smaller player in Canada's telecom market dominated by four utilities, but its growth momentum has been excellent in recent years.

One big reason that makes this stock attractive is that the company has already made major investments to improve its network. Investors believe the operator is in a much better position to return cash to shareholders in the form of dividends.

The Vancouver-based company raised its quarterly dividend to \$0.5825 per share in November from \$0.5625 a share and said it had returned \$1.3 billion in dividends to shareholders so far this year.

“Telus has now returned more than \$17 billion to shareholders, including over \$12 billion in dividends, representing approximately \$29 per share since 2004,” Darren Entwistle, president and CEO, said in an earnings statement. “Future dividend growth and affordability will also be supported by lower expected capital expenditures, in line with the preliminary guidance we are providing today for 2020 and 2021, and the resulting free cash flow expansion.”

[Telus is targeting 7-10% growth](#) in its dividend each year until 2022. And given the company's ability to generate more cash from its growing customer base throughout Canada, this target does not seem too ambitious.

To keep profit growing and support that shareholder payout, the company is targeting higher-value subscribers and counting on keeping costs under control at its wireless division. With a current dividend yield of 4.63%, Telus pays \$2.33 per share annually. Last year was the 16th straight year in which Telus hiked its annual dividend.

## Bottom line

Trading at \$50.28 at the time of writing and after rising more than 10% in the past one year, there is certainly more room for this stock to grow, as Canada's wireless market remains robust, and Telus tries to cut its costs to return more cash to investors. For long-term TFSA investors, Telus stock is a good bet to earn regularly growing income.

### CATEGORY

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2. TSX:T (TELUS)

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