1 Telecom Stock for Stable Income and Growth Potential in the Current Crisis

Description

With COVID-19 storming onto the world stage, markets took an absolute beating in March before recovering significant ground in April. With the despair of March volatility still fresh in investors' memories, and the euphoria of April's rally starting to fade, investors are left struggling to make sense of what comes next. While flocking to safe(r) investments is a common strategy at times like this, that flight to safety doesn't have to come at the expense of growth. **Telus** (TSX:T)(NYSE:TU) is a prime example.

Safe and stable dividends

The telecom industry is renowned for the stability of its dividends, even in times of crisis, as people still need to communicate. This was evident during the 2007/2008 financial crisis, as none of the "Big Three" cut their dividends. However, as they did in 2007/2008, telecoms may postpone or delay dividend increases. Telus even alluded to this in its Q1 2020 earnings. Nonetheless, given the stability of the telecom industry and the essential role its services will continue to play during the pandemic, and the importance of dividends to their investment thesis, it is unlikely that any of the Big Three will cut dividends, even if dividend amounts begin to temporarily exceed free cash flows.

Since all three companies have relatively similar offerings in the telecom space, what has a big potential to set each company apart, during and after the current crisis, will be their other lines of business.

The Big Three's other ventures

Each of the Big Three telecom companies have ventures outside their main telecom business. However, Telus is the only one whose side venture stands to thrive in the current environment.

BCE and **Rogers** are heavily invested in media and sports.

BCE's subsidiary, Bell Media, owns several traditional, linear media properties including radio stations, specialty TV channels, pay TV services, and conventional networks. BCE also owns the CraveTV streaming platform. Additionally, BCE is part owner of Maple Leafs Sports and Entertainment (MLSE), the owner of most of the professional sports teams in Toronto, except for Major League Baseball's Blue Jays.

Rogers is also invested in traditional media, owning radio stations and television stations, as well as digital properties including websites and apps. Rogers, however, does not have an online streaming platform, having shut down Shomi (which it co-owned with Shaw) at the end of 2016. Rogers is also part owner of MLSE and is 100% owner of the Blue Jays.

The bottom line is that professional sports leagues, and their franchise owners, are certainly struggling under the weight of global lockdowns. The NHL, NBA, and (soon) MLB seasons are affected by the current health crisis. When you factor in the importance of live sports to traditional media (given that almost every other type of content can be easily streamed), it becomes unclear how the traditional media empires of BCE and Rogers will fare in the current environment.

However, Telus has charted a different path and placed an emphasis on healthcare.

Back in 2007, Telus acquired the Healthcare IT solutions provider Emergis for $763 million. Emergis later became Telus Health and serves as the backbone of Telus's healthcare offerings.

Telus Health offers a suite of IT solutions for the healthcare industry, including virtual care offerings, electronic medical records, home health monitoring, and personal emergency response services. These offerings are likely to see increased attention and demand, as healthcare spending increases and healthcare providers look to digitally transform their offerings to cope with surging demand and increased precautions around personal contact.

Takeaway

It is impossible to predict whether any of the Big Three's stocks will go up or down in the future. However, the stability of the telecom business in addition to the growth potential of Telus Health makes Telus a clear stand-out amongst the Big Three in the current environment.

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