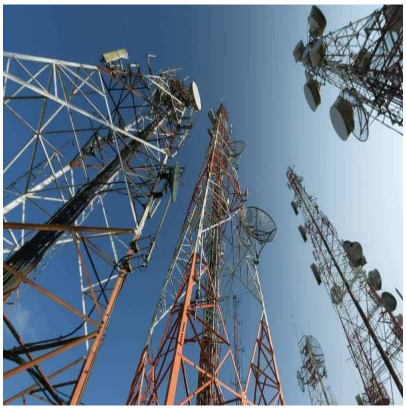

2 Telecom Stocks for Growth and Income

Description

Telecom stocks have held up well during the coronavirus-led stock market crash. Telecom services are deemed essential, making the companies operating in the sector relatively immune to the economic cycles.

Besides their resilient business, the steady dividend payouts and potential for capital appreciation make them attractive long-term investments. Here are the top two telecom stocks for your portfolio, offering both growth and income.

Telus

Telus (TSX:T)(NYSE:TU) is among the Big Three telecom players in Canada and is known for its long history of higher payouts. The company is performing pretty well, which is reflected through its robust operating metrics.

Telus's total subscribers increased by 1,213,000 in the last 12 months (period ending on March 31, 2020). The growth in subscriber base was broad based, reflecting a 2.6% increase in mobile phone subscribers and a 25.4% rise in mobile connected device subscribers. Besides, a 5.9% increase in internet subscribers and a 5.2% rise in TV subscribers further supported growth.

Moreover, in the first quarter of 2020, Telus reported net client additions of 106,000, which is 12,000 more than the net client additions in the prior-year period. The company's wireless business continues to perform exceptionally, driven by higher net additions and lower churn rate.

The steady growth in its subscriber base supports its cash flows, in turn, its dividend payouts. Investors should note that Telus has returned about $13 billion in the form of dividends since 2004. The company, through its multi-year dividend-growth program, targets semi-annual dividend increase, resulting in annual growth of 7-10% in its dividends.

Though the company has deferred its dividend hike till the third quarter of 2020, I don't expect any cut in the payouts. Growth in the subscriber base, business acquisitions, higher-value sales mix, and cost-reduction initiatives continue to support its margins and cash flows.

Besides, Telus's strong investments in wireless spectrum licences set the stage for its evolution to 5G wireless services, which should drive future growth. Currently, Telus offers an attractive yield of about 5%.

Shaw Communications

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is relatively a smaller company as compared to Telus. However, it has been performing exceptionally well, thanks to its innovative pricing. The company's wireless business is performing well, reflecting growth in subscriber base and higher ARPU and ABPU. Further, it has consistently paid dividends, making it a perfect stock for investors seeking growth and income.

Shaw Communications has maintained its dividends in the past four years, despite investing $4.3 billion in network infrastructure and spectrum. The company's investments in the wireless business paves the way for long-term dividend growth.

In the first half of fiscal 2020, Shaw Communications reported an 8.8% growth in its adjusted EBITDA. Meanwhile, the adjusted EBITDA margin expanded 240 basis points. Strong margins continue to support free cash flows, which increased by 16.1% during the same period.

The COVID-19 outbreak has added a lot of uncertainty, forcing companies to withdraw guidance. However, Shaw Communications expects to deliver growth in its adjusted EBITDA in 2020. Further, the company expects its free cash flows to remain higher, supporting its payouts. Shaw Communications stock currently offers a healthy dividend yield of about 5.2%.

CATEGORY

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2. Dividend Stocks
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