



## A Top Canadian Income Stock to Buy Now: Telus (TSX:T)

### Description

Canadian income stocks are not as easy to find as they were only a year ago. Last year around this time, millions of investors were hitting the sell button on both great and bad stocks alike. Consequently, the market was flush with some high-yielding, high-quality [dividend stocks](#).

You may look around today and feel like you might have missed out on locking in some great dividend yields. Yet, fortunately, there are still some areas of dislocation that I think income investors can benefit from over the long run.

### A forever-hold Canadian income stock

One great Canadian income stock that still looks relatively attractive is **Telus** ([TSX:T](#))([NYSE:TU](#)). The stock is down after Telus [announced](#) a \$1.3 billion secondary equity offering, along with a subsequent \$500 million debt offering. Yet it presents a decent entry point for new investors.

Firstly, the secondary offering will help Telus finish its build-out of high-quality fibre optic broadband across its entire network. That industry-best network will undoubtedly support Telus, as it broadly deploys its 5G wireless network across Canada. As well, the accelerated infrastructure spend will hopefully lead to strong future cash flow growth as capex spend diminishes after 2023.

Secondly, Telus was able to refinance a debenture with a 10.65% coupon for an unsecured 30-year note with a 4.1% coupon. That's not a bad trade off. With interest rates so low, there may be no better time to refinance debt instruments for the long term.

### Telus is more than a telecom business

Thirdly, while this Canadian income stock might be considered fairly valued here, over the long term (the next five to 10 years), it has some attractive upside. Not only is Telus's network well positioned for the 5G roll-out, it has a number of digital growth verticals that will also benefit directly from 5G. Telus has been investing heavily in digital customer experience, data analytics/machine learning, virtual/tele-

health, agri-tech, security, and the internet of things.

All of these business verticals match digital trends that are transforming the future. Many of these verticals are already substantial businesses. A great example is **Telus International**. Since 2005, Telus had been quietly building this customer experience business. This February, it IPO'd in Canada and the United States. It became one of the **TSX Exchange's** largest tech IPO in history to date.

## This Canadian stock has a lot of unrecognized value

Likewise, Telus Health has been growing into a large business. In fact, it is one of Canada's largest providers of tele-health and virtual health services. This company produces close to \$1 billion of revenue, yet hardly anyone has heard of it. Management has promised to begin disclosing more information about it as a separate operation in upcoming quarters. Considering the popularity of virtual health stocks right now, this should fetch a premium in Telus valuation metrics.

The point is, there is a lot of underlying growth in Telus's business that the market does not yet respect. It is not just a wireline/wireless business. It is a business set to function and lead in the increasingly digital society. Likewise, it is a business that is using those verticals as a means for positive change in society (through social impact investing, etc.).

## Income today and solid total returns for a lifetime

The stock pays a 5% dividend today and plans to raise that by 7-10% a year to 2022. Yet, this is more than a Canadian dividend stock. Telus is a progressive innovator with a lot of swords in the fire, per se. Give it time, and investor will enjoy a great balance of low risk and solid total (capital gains and dividends) returns over the next three, five, and 10 years.

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