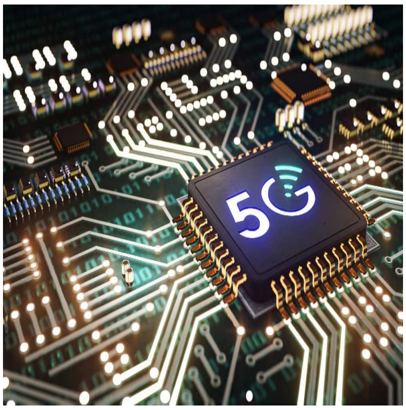

Should You Buy Telus Stock for its 4.8% Dividend Yield?

Description

Dividend stocks remain attractive picks for investors looking to get through an uncertain market. Generally, dividend-paying companies are able to generate stable cash flows across business cycles, allowing the investor to derive a stable stream of recurring income. One such recession-proof dividend stock on the TSX is telecom giant **Telus** (TSX:T)(NYSE:TU).

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Telus is Canada's second-largest telecom player. It recently reported its results for the first quarter of 2021, and it missed its EPS estimate of $0.28 by $0.01. However, that doesn't take away anything from the stock, and it continues to be a solid dividend player as well as a great option for capital appreciation. Telus is also heavily focusing on the 5G expansion, and that is why it makes for a good buy.

Capex overdrive

Telus's blazing-fast 5G network, providing a speed of up to 1.7 GBPS, will be made available to 529 new Canadian communities by the end of 2021, which make up over 70% of the Canadian population.

Telus has invested $51 billion in Alberta since 2000 and will be investing a further $14.5 billion in infrastructure and operations across the province through 2024. Now, around 136 communities in Alberta will benefit from Telus's 5G connections.

Telus has invested $47 billion in British Columbia since 2000 and will be investing an additional $13 billion in infrastructure and operations as per its capex plan. Around 187 communities in BC will soon have access to 5G connections.

Telus is also partnering with St. Clair College as well as the University of Windsor to convert both of them into 5G campuses.

How did Telus perform in Q1?

In the first quarter of 2021, Telus and saw its consolidated operating revenues, as well as other income, go up 8.9% from the same period in 2020 to $4 billion. EBITDA grew by 1.9%, while net income decreased by 5.7% to $333 million from 2020. Adjusted net income of $359 million decreased 10% year over year to $41 million, or $0.27 per share, in the March quarter.

Telus Health Services's revenue saw a healthy growth of 10%, which was driven by accelerated demand for virtual care. It also saw customer additions of 145,000 that reflected robust demand for its superior connection experiences, innovative product sets, as well as premium bundled offerings. Further, there were 31,000 mobile phone net additions, which was an increase of 10,000 over the past year, along with 63,000 connected device net additions, which were up from 14,000 the previous year.

Telus recorded free cash flow of approximately $750 million. The quarterly dividend was raised to $0.3162 per share, up by 8.6% from 2020.

The stock closed last week at $26.42. Analysts have given it a target price of $29.64, an upside of over 12%. Telus also has a forward yield of 4.82%. That's a total return of over 17%.

The Foolish takeaway

The company is in an ideal position to capitalize on the 5G boom, and the dividend would make for a great defensive moat in your portfolio. Telus is a stock that could be added to your investment list.

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araghunath

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