



1 Top 5G Play to Consider Post-Earnings

Description

The pandemic has been both good and bad for telecommunications stocks. Indeed, this pandemic has been a difficult one for investors to assess for telecom stocks.

On one hand, customers have relied heavily on high-speed internet connectivity to comply with work-from-home norms. On the other hand, telecom companies have not generated revenues from roaming charges as they had prior to the pandemic.

Accordingly, recent results have been murky for these stocks. That said, I think **Telus** ([TSX:T](#))([NYSE:TU](#)) is [well positioned for growth](#) in this environment. Here's why.

Growth outlook remains strong

Telus's growth outlook really hasn't changed much as a result of the pandemic.

During the past quarter, Telus saw a 9% revenue-growth rate year over year. That's not bad at all. Telus grew revenues to US\$4.02 billion, up from US\$3.94 billion from the same quarter last year.

Additionally, Telus has benefited from recent spinoffs of late. By selling its stake in **Telus International**, the company was able to pull in \$1.3 billion in cash.

Here's why that's a big deal.

Telus is spending heavily on updating its infrastructure. The company's spending plans for fibre optics is US\$750 billion alone. The total bill is likely to come to US\$3.5 billion for 2021. Raising capital in equity markets reduces the company's debt burden and makes its infrastructure rollout easier on its balance sheet.

Other subsidiaries also saw impressive revenue growth; for example, Telus Health had 10% revenue growth this past quarter. If other spinoffs materialize as expected, Telus could stand to benefit further from this trend.

5G catalyst remains key for telecom investments

The other key area of investment for Telus will be on upgrading its 5G network.

Indeed, from a wealth-creation perspective, 5G is one of the most profitable opportunities in the telecom sector. Telus seems to identify this opportunity well and is accelerating its expansion. With funds raised from equity and subsidiary spin-off, Telus also predicts installations will, for the most part, be done by 2022. Additionally, operational costs will begin to drop (and margins rise) in 2023.

For long-term investors, Telus provides an excellent risk/reward thesis at these levels. For those who believe in the cash flow-generating power of the 5G revolution, Telus's heavy investment today could pay massive dividends over the long term — both figuratively and literally.

I think Telus stock provides investors with the right mix of defensiveness, growth, and income today. The company's 4.8% dividend yield is one of the best bond-like returns investors can get in the market today. Combined with the 5G growth catalyst, this stock looks like a no-brainer for long-term investors.

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