



## Better Buy: Telus vs. Telus International

### Description

Recently, the subsidiary of Vancouver-based **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), **Telus International** ([TSX:TIXT](#))([NYSE:TIXT](#)), has gathered some steam in the market.

However, investors seem to be divided in their opinion when picking the better play between the two. While [Telus](#) is extremely well positioned to ride the [5G wave](#), its subsidiary manifests a promising growth prospect in a recovering economy.

That said, here's what I think about the debate and which stock is the better pick.

## Excellent earnings fail to stir momentum for Telus International

Telus International has created a nice niche for itself in recent years. This leading provider of outsourcing customer services has garnered some pretty significant clients. The list includes **Uber Technologies**, **Fitbit**, and **Zynga**.

Recently, the company released its Q1 earnings report, which was quite solid. The company produced year-over-year revenue growth of 20%. Additionally, Telus International pulled in a profit of \$3 million during the same period. These results were boosted due to a recent acquisition in the first quarter.

However, nothing newsworthy has happened since the company announced earnings. Telus International saw its stock price take off post-Initial Public Offering (IPO). However, of late, momentum appears to be waning for Telus International of late.

There's a pervasive belief that perhaps too much exuberance was priced in during the rally following the company's IPO. That's understandable. Additionally, some investors may simply be on the fence until a track record of growth can be developed by the company.

In either case, it appears Telus International is out of favour with the market right now.

## Could Telus be a safer play down the road?

As far as 5G plays go, I prefer the Canadian telecom players. And among the peer group, Telus remains one of the best.

The company is one of the top three telecommunication firms in Canada today. It's a company with size and scale focused on Western Canada. Additionally, Telus has continued to produce incredible results over time. These results could be enhanced via long-term cash flow growth stemming from the company's recent infrastructure upgrades.

Telus's appeal as a steady cash flow growth play remains intact. This steady cash flow helps support a healthy dividend yield of 4.7% at the time of writing. Given where bond yields are today, this bond proxy looks even more attractive in this light.

If Telus can continue to raise its dividend by high-single digits in the years to come, as it plans to do, I think Telus shareholders could come out with a win.

## Bottom line

Right now, Telus is the winner in this comparison.

Both companies are great. However, Telus's spinoff of its outsourcing business is only bullish for investors in the core business. Telus's management team can focus on its core business, while still benefiting from capital appreciation of its former subsidiary. It's a win-win for shareholders.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. dividend
2. dividend stock
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### TICKERS GLOBAL

1. NYSE:TIXT (Telus International)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TIXT (Telus International)

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