



Telus (TSX:T): The Perfect Dividend Growth Stock

Description

Telus ([TSX:T](#))([NYSE:TU](#)) is, not surprisingly, one of the most resilient dividend stocks on the market right now. After recouping all the losses accrued in 2020, the stock has retained its value throughout 2021. It still offers a 4.66% dividend yield and some intriguing growth prospects.

Here's a look at why Telus could be the ultimate dividend growth stock for the years ahead.

Growth opportunities

The impressive performance comes down to the company being a leading player in the provision of fiber optic broadband across Canada. The company is also flexing its muscle on [5G technology](#) as it looks to become a digital infrastructure leader in the future.

Fiber optic deployment is turning out to be a booming business for Telus and is expected to be another key driver of revenue growth. The average revenue per user on the [fiber optics](#) network is 50% higher. Additionally, operating expenses in supporting fiber optics are 20% lower. Fiber optic offerings combined with 5G offerings should propel Telus growth.

Telus also has exposure to the telehealth sector. The company's telehealth and medical software business hit hyper growth during the pandemic last year. Management claims the number of users [nearly quintupled](#) during the course of 2020. As the virtual healthcare apps attract more users and the medical records platform gains more clients, this segment of Telus's operations could be yet another key growth engine.

Analysts are extremely bullish about Telus prospects, with RBC capital projecting revenues of \$3.95 billion and an adjusted EBITDA of \$1.486 billion. A proposed \$1.5 billion capital spending program should also allow Telus to profit from the 5G rollout.

Valuation

For investors looking for growth, Telus would be an ideal pick. Its exposure to the ongoing three technological revolutions — 5G, telehealth, and fiber optics — render this an ideal growth play.

The stock is trading at 2.3 times sales and 3.5 book value. The stock is fairly valued going by industry average multiples of 2.5 times and 7.8 times respectively.

Similarly, Telus is a dividend growth king, having increased its dividend offering by 8.6% in the recent quarter to 4.8%. The company's dividend has grown at a compound annual growth rate of 9%, affirming its ability to generate passive income.

Telus has a higher dividend yield and better dividend growth than most other large-cap Canadian stocks. Its position in the telecommunications oligopoly makes it one of the most reliable passive income stocks on the market.

Bottom line

Canada's telecom giants have stable cash flows and attractive margins. Telus is pushing the envelope by deploying its cash in three interesting growth opportunities. Its recent investments have placed it ahead of the curve on the 5G and telehealth revolutions. The company is also securing a tight grip on Canada's expanding fiber-optic infrastructure.

These initiatives should help the company sustain its steady pace of dividend expansions. It's a safe bet for investors seeking dividend growth over the long term.

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