



## A Telco & Tech Combo for Income and Growth in 2021 and Beyond

### Description

Canada's telecom industry is an oligopoly, which means only a few firms operate in the market. The Big Three, composed of **BCE**, **Rogers Communications**, and **TELUS** ([TSX:T](#))([NYSE:TU](#)), are the dominant players. Likewise, they are the top choices if you're looking for a [5G stock](#).

However, if you want to create a telco and tech combo for [income and growth](#), TELUS should be the logical choice for the telco side. On the tech side, the best complement is **TELUS International** ([TSX:TIXT](#))([NYSE:TIXT](#)). While TELUS owns 65% of TELUS International, you should look at the companies on a standalone basis.

### Core business

TELUS is a behemoth in the country's telecom industry with its \$37.62 billion market cap (second to BCE). It generates approximately \$14.4 billion in annual revenues. The customer base in its wide range of products and services is more than \$13 million.

Management has spent more than \$175 billion for infrastructure and upgrades since 2000. The total investments could reach \$215 billion, as TELUS prepares to add an \$40 billion over the next three years. Since 2013, TELUS has been laying down the groundwork for the 5G network since 2013. Investments in state-of-the-art mobile networks and Fibre to the Home technologies grew at a rapid pace.

TELUS anticipates a [cutthroat competition](#) with the biggies with the 5G rollout. Rogers is waiting to obtain regulatory approval to acquire **Shaw Communications**. Nonetheless, current investors are satisfied with the stock's performance thus far in 2021 and the last two decades. The year-to-date gain is 12.72%, while the total return over the last 20 years is 776.26% (11.45% CAGR).

While operating revenue increased 8.9% in Q1 2020 (quarter ended March 31, 2021) versus Q1 2020, net income declined 5.7%. The decline was due to higher operating expenses. Nevertheless, customer net additions were mighty impressive. Darren Entwistle, TELUS's president and CEO, said the company's highly differentiated and potent asset mix skews towards high-growth, technology-oriented

verticals.

## Solutions for the digital world

The core business of TELUS International or TIXT is entirely different, although it perfectly complements the telco giant. This \$9.52 billion company provides tailored solutions for the digital world. TIXT caters to industries such as fintech & financial services, communications & media, healthcare, e-commerce, and travel & hospitality.

TIXT is fresh from its successful market debut on February 2021 but has yet to gain steam. Nonetheless, the IPO was a historic milestone, because it was the TSX's largest tech IPO. Darren Entwistle said TIXT had been a pillar within TELUS's dynamic growth strategy, and the journey to future growth has just begun.

The Q1 2021 results (three months ended March 31, 2021) compared to Q1 2020 are very encouraging. TIXT's revenue ballooned 57% due to robust, double-digit organic growth and contributions from recent acquisitions. The most notable figure was the 90% growth in adjusted EBITDA. Currently, the share price of this promising tech stock is \$35.87, with return potential of 23.27% in the next 12 months based on analysts' forecasts.

## Double-whammy

TELUS and TELUS International could be the ideal mix for investors looking for income and growth. The dividends from the resilient telco will provide lasting income, while the tech stock will deliver massive capital gains. It's seldom you'll find a combination that is as good as this one.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

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

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