



TELUS vs. Verizon: Which Telecom Stock Is a Better Buy Right Now?

Description

Some might feel that investing in telecom stocks can be boring as these companies are part of a mature industry, which means that upside potential is limited. However, market leaders in the telecom industry have a huge customer base allowing them to generate steady and predictable cash flows while paying investors an attractive dividend yield. Moreover, these [dividend stocks](#) can be considered fairly recession-proof making them ideal bets for income-seeking investors.

Here, we take a look at two dividend-paying telecom giants in **TELUS** ([TSX:T](#))([NYSE:TU](#)) and **Verizon** ([NYSE:VZ](#)) to see which is a better stock to buy right now.

Verizon has a dividend yield of 4.5%

Verizon announced its second-quarter results last week and reported sales of US\$33.8 billion, an increase of 11% year over year. Its adjusted earnings grew 16% to US\$1.37 per share. Wall Street forecast sales at US\$32.7 billion while adjusted EPS was estimated at US\$1.30.

Analysts also expected Verizon to add 360,000 net post-paid wireless connections in the quarter. But the telecom leader easily surpassed these projections and added 528,000 net connections in Q2 as well as 92,000 net broadband users. Verizon's solid performance in Q2 allowed its management to raise the financial guidance for the rest of 2021, partially driven by the accelerated adoption towards 5G.

Verizon claims around 20% of its total wireless subscribers are equipped with a 5G capable smartphone but the sales impact of this shift has not been captured as yet.

Verizon stock is valued at a market cap of US\$231 billion and provides investors with [a tasty forward yield](#) of 4.5%. VZ stock is trading at a forward price to 2021 earnings multiple of less than 11 times, making it extremely cheap given its high dividend yield and consistent earnings growth.

It pays investors an annual dividend of US\$2.51 per share and has increased these payouts each year since 2007. In 2020, Verizon generated US\$23.6 billion in free cash flow and paid just over US\$10

billion in dividends making its payout extremely sustainable.

TELUS has a forward yield of 4.6%

Canada's telecom heavyweight TELUS is valued at a market cap of \$37.43 billion and provides investors with a forward yield of 4.6%. This company has increased its dividends each year for the last 17 years. In the last decade, these payouts have increased at an annual rate of 12%.

Similar to most other telecom companies, even TELUS is investing heavily in 5G. However, it's also expanding its suite of solutions. For example, earlier this month TELUS launched a Managed Cloud Security Service in collaboration with **Palo Alto Networks** to help Canadian companies access data and applications securely.

Currently, enterprises are looking to secure their hybrid workplace and this solution will provide a comprehensive security service through an integrated, cloud-delivered platform.

TELUS stock is trading at a forward price to earnings multiple of 25, which is significantly higher compared to Verizon. But the former is also growing earnings at a faster pace. Analysts expect TELUS to increase earnings at an annual rate of 13.6% in the next five years.

The Foolish takeaway

Both TELUS and Verizon are quality blue-chip companies that have consistently built long-term investor wealth, making it difficult to choose a winner between the two.

However, given its higher earnings growth estimates, TELUS looks better poised compared to Verizon to increase its dividend payouts going forward.

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Author

araghunath

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