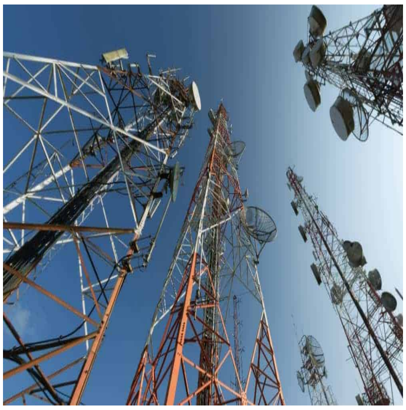

Telus vs. AT&T: Which Dividend Stock Is a Better Buy?

Description

Telecom companies are part of a recession-proof sector, allowing them to generate stable and predictable cash flows across business cycles. Most telecom stocks also pay investors dividends, making them attractive to income investors. We'll compare a domestic telecom giant in **Telus** (TSX:T)(NYSE:TU) with a heavyweight south of the border, **AT&T** (NYSE:T).

Telus stock offers a forward yield of 4.4%

One of the largest companies on the TSX, Telus stock is valued at a market cap of $39 billion and an enterprise value of $58.3 billion. It offers multiple telecom and information technology products while operating via two primary business segments.

The wireless business includes network revenue that consists of data and voice as well as equipment sales from mobile technologies. Comparatively, the wireline segment consists of data services revenue, including internet protocol, television, hosting, managed information technology, among others.

After accounting for dividend payments, Telus stock has returned 74% to investors in the last five years. In the last 10 years, the stock has more than tripled and is up 240% since September 2011. Despite these impressive gains, Telus currently offers investors a dividend yield of a tasty 4.4%.

In the second quarter of 2021, the customer net additions for Telus stood at 223,000 — up 82,000 year over year and driven by continued adoption of the company's suite of premium bundled offerings. Mobile phone net additions were 89,000, reflecting an increase of 28,000 year over year due to higher gross loading. Comparatively, fixed customer net additions were 50,000 in Q2.

While revenue grew by 10% year over year to $4.1 billion, EBITDA and net income rose by 9.2% and 8.7%, respectively, in the second quarter of 2021. Telus increased dividends by 8.6% showcasing the company's strong and consistent operational execution on the back of a diversified asset mix.

Telus reaffirmed its 2021 financial targets and forecast revenue and EBITDA growth at 10% and 8%, respectively.

AT&T has underperformed the market

While Telus has delivered generous returns to investors, AT&T stock has returned just 70% in the last 10 years, after adjusting for dividends. Comparatively, the S&P 500 has surged 353% in this period.

AT&T's stock price has declined recently, as the company said it will integrate the WarnerMedia business with **Discovery** to form a new entity. Its quite evident that AT&T aims to focus on its legacy telecom business going forward.

In the first six months of 2021, AT&T sales touched US$88 billion, which was higher than prior-year sales of US$83.7 billion in 2020. AT&T's mobility segment, which is also the company's largest business segment, saw sales rise by 10.4% year over year. This segment derives revenue from wireless services and equipment sales.

The mobility business reported sales of $18.9 billion in Q2, which was higher than the 2019 figure of $17.3 billion. AT&T added 1.2 million postpaid subscribers in Q2 compared to a loss of 154,000 subscribers in the prior-year period. In fact, net additions in this vertical have been AT&T's best ever in the last 10 years.

Investors should note that the business restructuring will also include a dividend resizing given the company's massive debt, which stands at $180 billion.

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