



## Buy 355 Shares of This TSX Stock to Earn \$500/Year in Passive Income

### Description

If you are looking to lock in some solid passive income, now is a great time to be buying TSX [dividend stocks](#). Interest rates have risen and that has put pressure on the valuations of many dividend stocks.

The great news is you can buy great quality, highly reliable dividend payers at attractive prices. One stock that I have on my radar is **TELUS** ([TSX:T](#)). With as little as \$9,600 of capital, you can buy 355 shares and earn \$500 worth of dividends every year. Here's why TELUS is a great dividend stock to look at today.

### TELUS: A top Canadian telecom stock

With a [market cap](#) of \$38.5 billion, TELUS is Canada's second-largest provider of telecommunication services. For the past several years, TELUS has been leading its peers in customer additions, earnings growth, and dividend growth. The company is providing bundled services (television, internet, wireless, and even security) that have proven to be very attractive to its customer base.

For example, last quarter, it had its best quarter for customer growth ever. It added 347,000 net customers, which was up almost 3% over last year.

In the third quarter, revenues, adjusted EBITDA (earnings before interest, tax, depreciation, and amortization), net income, and earnings per share all increased respectively 10%, 11%, 54%, and 48%. Free cash flow grew 63% to \$331 million in the quarter.

### Strong free cash flow expected in 2023

The company has been investing heavily to bring fibre optic and 5G infrastructure to its entire network. Likewise, it has spent richly on acquisitions like LifeWorks and [WillowTree](#) in 2023.

Consequently, at 3.28 times net debt to EBITDA, its debt is a little bit higher at than its historic rate. Fortunately, its capital spend should drastically decline in 2023. TELUS expects to yield an elevated

level of free cash flow for shareholders in 2023 and beyond.

## TELUS stock has a great track record of dividend growth

In fact, TELUS is so confident that it has planned to increase its dividend in the range of 7-10% annually, all the way to 2025. TELUS already has a great history of regularly increasing its dividend. In 2022, it increased its dividend rate twice. Since 2012, it has grown its dividend by a compound annual growth rate (CAGR) of 8.3%. Its current dividend rate is 744% higher than it was in 2004!

TELUS stock is down over 10% in the past year. It trades with a price-to-earnings (P/E) ratio of 18.3, which is down from its five and 10-year averages of 21.8 and 20.1 times. It trades with a very attractive 5.3% dividend yield, which is likewise above its 10-year average of 4.15%.

## Undervalued growth

The interesting thing about TELUS is that it is much more than just a telecommunications business. Over the past decade, it has been investing excess cash into several digital verticals.

Last year, it spun out **TELUS International**, which is a leading supplier of artificial intelligence and customer experience services. It has grown TELUS Health into one of the largest Canadian providers of virtual and employment health services. TELUS Agriculture is making strong developments to streamline the agricultural and food sector. These differentiated businesses are hardly factored into the stock valuation.

Overall, TELUS is a very intriguing stock for income and modest growth ahead. For a nice dividend that should grow at a good rate for years to come, TELUS stock can provide a combination of modest risk and solid future returns.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
TELUS	\$27.00	355	\$0.35	\$124.25	Quarterly

Prices as of January 6, 2022

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