



TELUS (TSX:T) Is a Top Dividend Stock

Description

Some of the most reliable income stocks can be found in the telecommunications space. In Canada, the Big Three dominate the industry and have been paying out reliable dividends for years. In terms of dividend growth, **TELUS** ([TSX:T](#))([NYSE:TU](#)) leads the trio with a 16-year growth streak.

This is tied for the 20th-longest dividend-growth streak in the country. Likewise, the company's high single-digit growth rate tops its Big Three peers.

Last quarter, the company did not announce its usual bi-annual raise. In light of the pandemic, the company chose to keep the dividend steady.

Given this, income investors were [anxiously awaiting](#) quarterly results. How did TELUS perform? Let's take a look.

The earnings report

Before the bell on Friday, the company reported financial results for the second quarter ending June 30, 2020:

Metric	Reported	Expected
Earnings per share	US\$25	\$0.26
Revenue	US\$3.73 billion	\$3.54 billion

It was a mixed quarter for Canada's second-largest telecom. Earnings of \$0.26 per share missed by a penny — a 29% decrease over the second quarter of 2019. On a positive note, revenue of \$3.73 billion beat by \$190 million — a 3.6% increase over last year.

Much like we saw from Rogers earlier this week, lower wireless roaming growth was a big headwind in the quarter. Lower roaming revenue was a result of waiving fees and restricted travel.

One area in which TELUS showed strength was in terms of its subscriber base. The expectation was for negative growth, yet TELUS posted a net increase of 4.9% in its wireless subscriber base. In total, it added 151,000 new customers across all of its segments.

Strong wireless subscriber growth was partially offset by a decrease of 5.8% decline in mobile phone ARPU, which led to a segment revenue drop of 3.3% year over year. Overall, I'd consider these to be decent results considering the once-in-a-lifetime pandemic headwind.

What about [TELUS Health](#)? Unfortunately, it continues to be a black box. The only commentary provided was as follows:

“While TELUS Health’s virtual care solutions continued to see strong demand through the second quarter of 2020, we experienced a decrease in revenues coming from our Medisys (MDYO) and Copeman clinics, as these remained closed for most of the quarter and have only begun gradually reopening in recent weeks.”

It also briefly touched on TELUS Health’s “growth attributes” in a general statement. Overall, there is not much to go on and the lack of clarity in this area is frustrating.

The year ahead

Income investors might be wondering about the dividend. The good news is that the dividend was kept steady at \$0.2913 per share. Unfortunately, this means that the company’s bi-annual pattern of dividend growth is over.

Investors can expect the next raise to come along with third-quarter results in November. The company alluded to as much in the first quarter.

A lack of dividend raise this quarter is also a signal that uncertainty remains. Furthermore, the company refrained from reinstating guidance. “The impact on our business cannot be accurately forecasted as of the date of this news release.”

However, the company did announce it expects to update outlook and guidance next quarter. Only then will investors receive more clarity.

Is TELUS stock a buy today?

TELUS remains a strong option for investors. Despite the current pandemic, the company is showing its capacity for resilience. Although the uncertainty is far from over, the company is still managing to grow the top line.

Furthermore, the dividend remains well protected, as cash flow generation remains strong. In the quarter, free cash flow grew by 57% over the second quarter of 2019. This helps offset the concerns around the big earnings drop.

TELUS has a considerable moat and has proven to be a consistent and reliable performer. It remains a top dividend stock for income investors.

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