



Will Telus's Investments Pay Off?

Description

The 700 MHz wireless auction is over and **Telus** ([TSX:T](#))([NYSE:TU](#)) has come out of it with nine separate spectrum blocks, comprising a national average of 16.6 MHz of the available airspace.

While Telus did not spend as much as its main competitor **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)), it did spend \$1.14 billion on its newly acquired spectrum. This 700Mhz range was coveted by all of the “big 3” carriers for its ability to penetrate buildings and travel longer distances.

The newly acquired spectrum combined with the spectrum Telus acquired from Novus wireless and Public Mobile means Telus will increase the percentage of the population it can service from 80% to 97%. This should dramatically affect its ability to service rural Canadians who have been “left out” from much of the wireless advances in recent years. Telus will also be able to service its mainly urban 7.8 million customers with a spectrum that is better able to feed the demand of data usage and video streaming.

Mobile payment app

Another recent investment Telus has made is a new mobile payment app launched in partnership with **CIBC** ([TSX:CM](#))([NYSE: CM](#)). Telus and CIBC are following a growing trend of wireless providers and banks teaming up. For both the banks and the carriers, the ability to collect additional fees on each purchase is a very tempting proposition. An interesting fact about this agreement is that CIBC already has a mobile payment app partnership with Rogers, and now has access to Canada’s top two wireless carriers’ customers.

As more of these partnerships are announced, retailers have been forced to step up and meet the demand. Currently, 19 of the top 25 merchants (by volume) accept contactless payment and 250,000 contactless payment readers are in operation in Canada.

New internet data center

Another recent investment made by Telus is the opening of its new \$75 million Internet Data Center in Kamloops, B.C. This is the eighth data center Telus has built to serve as the foundation of its next-

generation cloud computing services. This is being geared to be used by business clients as more and more corporations make the move to “access info anywhere” cloud storage/computing. This new center is a small drop compared to the \$3 billion spent in BC over the past two years on infrastructure and facility upgrades.

Foolish bottom line

Just because Telus has finally jumped to being the number two wireless carrier doesn't mean it is time for it to rest on its laurels. The fruits of years of capital expenditures have finally begun to reap tangible rewards. Telus has spent around \$2.4 billion in spectrum acquisitions since 2008 and has spent \$30 billion in technology infrastructure since 2000. The cost of growth has weighed heavily on the company, but with recent surges in customers and a low “churn rate” the benefits are at last coming to light.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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