



## 3 Things to Watch When Telus Reports Earnings

### Description

**Telus** ([TSX: T](#))([NYSE: TU](#)), Canada's fastest growing, national telecommunications company, announces first-quarter results tomorrow.

Telus has two operating units, and a total 13 million customer connection. Its wireless division provides prepaid and postpaid voice and data plans to 7.8 million customers nationally. Its wireline segment offers residential phone, Internet, television, and entertainment services to customers in B.C., Alberta and Eastern Quebec.

So far this year, the stock is up about 6%, not quite keeping pace with the 8% advance in the **S&P/TSX Composite Index** (TSX: ^OSPTX). But in 2013, Telus investors were rewarded with a 12% return, four percentage points better than the broader Canadian market.

When the company releases its first-quarter results on May 8, here are three areas investors should be watching closely.

#### 1. Higher wireless ARPU

Average revenue per user, or ARPU, is a metric watched closely by analysts and investors alike. It measures the average revenue per wireless customer — both prepaid and postpaid.

Intense competition, and lower roaming revenue has placed increased pressure on ARPU, which is being partially offset by greater smartphone penetration rates and higher pricing due to the government mandated reduction on maximum contract terms from three years to two.

In 2013, Telus's blended ARPU, which includes both prepaid and postpaid customers was \$61.38 per month. Investors should be concerned if ARPU during the first quarter does not compare favorably to the \$60.04 recorded during the first quarter of 2013.

#### 2. Lower customer defections

Telus believes the key to success, both current and future, is its ability to deliver upon the commitment

of making customers a top priority.

Telus ranked as the number one national full-service wireless carrier by J.D. Power and Associates in 2013. And during the fourth quarter of last year, Telus customer complaints to the Commissioner for Complaints for Telecommunications Services dropped by 27%. During the same period, the number of complaints for the industry as a whole increased 26%.

In 2013, Telus enjoyed a Canadian industry-leading average monthly postpaid churn, or defection rate, of 1.03% compared to an industry average well above 1.15%. Investors should pay close attention to Telus's customer churn rate during the first quarter, and any signs of improvement in the blended rate for prepaid and postpaid customers of 1.48% recorded by Telus during the first quarter of last year.

### 3. Revenue and earnings growth

In 2013, revenues and earnings before interest, taxes depreciation and amortization, or EBITDA, grew by over 4%, and basic earnings per share increased by more than 9%.

For 2014, Telus provided guidance of an increase of between 4% and 6% in operating revenues to approximately \$12 billion, and basic EPS of between \$2.25 and \$2.45 per share. In order to meet analyst and investor expectations, Telus will need to deliver first quarter revenue and EPS of \$2.87 billion and \$0.61 per share respectively.

### Promising future for Telus

Among the major telecommunication companies, Telus offers one of the lowest dividend yields at 3.7%. However, there is a lot to like with Telus, and its commitment to customer satisfaction appears to be giving it a competitive advantage over **BCE** ([TSX: BCE](#))([NYSE: BCE](#)) and **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)), and may just help deliver stronger ARPU and lower customer churn during the first quarter.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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