



Is Telus the Best Telecommunications Stock for Your Portfolio?

Description

With the release of **Telus's** ([TSX: T](#))([NYSE: TU](#)) first-quarter results last week, the future looks very friendly indeed for Telus and its investors.

Compared to the same period a year earlier, total revenues increased 5% to \$2.9 billion, and earnings before interest, taxes, depreciation and amortization, or EBITDA, increased 4% to \$1.08 billion. And reported earnings per share increased 9%, from \$0.56 to \$0.61 per share.

By most accounts, it was a strong quarter for Telus. But let's look closely at the company's performance to determine whether investors shopping for a telecommunications stock should add Telus to their portfolio.

Exceeding expectations

Analysts' expected earnings were for \$0.60 per share and revenue of \$2.87 billion for the quarter. Telus exceeded expectations on both counts. In addition, Telus reaffirmed its guidance for 2014, namely to grow revenue by up to 6% and EPS somewhere between 11% and 21%

As long-term investors, we should not be consumed with whether a company meets expectations in a given quarter. But it is important to understand what is driving its performance, and whether a hit or miss is the beginning of a longer-term trend.

Customers staying, and spending more

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%

During the first quarter of this year, a 12 basis point improvement in monthly postpaid wireless subscriber churn from the same period last year resulted in a rate of 0.99% — the third consecutive quarter this metric was below 1%. In fact, Telus has one of the best postpaid churn results in North America.

In 2013, Telus's blended average revenue per user, or ARPU, which includes both prepaid and postpaid customers was \$61.38 per month. For the first quarter, ARPU grew 2% over the same period a year earlier, to \$61.24. An excellent result considering that competitor **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)) saw its ARPU decline 3.1% in the first quarter.

Home subscriber growth

The wireline segment, which accounts for around 46% of revenue, performed well during the quarter as well.

Telus's TV subscriber base is up 18% from the Q1 2013, while high-speed internet connection grew 5.5% to 1.4 million. Telus' significant investment in broadband technology is paying off, in particular, its Optik TV service.

Secret ingredient for success

Telus's recipe for success may be as simple as treating both customers and investors with the respect they deserve.

Telus ranked as the number one national full-service wireless carrier by J.D. Power and Associates in 2013. And over the past 10 years, Telus has returned just over \$10 billion to shareholders — \$4 billion through share buybacks and \$6 billion via dividends. For potential investors, it's hard to argue the stock is inexpensive. However, for long-term investors who want to add a telecommunication stock to their portfolio, it doesn't get much better than Telus.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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