3 Reasons to Invest in Telus Corporation

Description

Telus Corporation (TSX: T)(NYSE: TU) is Canada's fastest-growing telecommunications company.

Recent fears about competition and interest rate hikes have driven down its shares; investors are wondering if now is a good time to buy the stock before the Q2 2014 earnings release on August 7.

Here are three reasons why I think Telus Corporation is a compelling buy for long-term investors.

1. Commitment to dividend growth and share buybacks

Higher interest rates are often seen as a negative for dividend stocks but the company's commitment to dividend hikes and share buybacks should mitigate any negative effects from rate increases.

Telus is committed to 10% annual growth in its dividend through 2016, and the company's share repurchase history has been aggressive. These two factors will be extremely important going forward if interest rates begin to rise next year.

2. Continued growth in both wireless and wireline markets

Amid all the noise about the Canadian government's determination to increase competition in the Canadian telecom market, Telus continues to grow its business at a solid rate. Whether a fourth national carrier will emerge is still up in the air, but Telus is well positioned to compete.

Telus is the industry leader at keeping its customers happy. Its Q1 2014 postpaid wireless subscriber churn was less than 1%.

The company also gets these customers to pay more every quarter, as the Q1 blended average revenue per unit, or ARPU, increased to $61.24. This was the fourteenth consecutive quarter of year-over-year ARPU growth.

Telus continues to invest in building its broadband networks. Its average cost of long-term debt is below 5%, and strong free cash flow allows it to continue to invest while giving cash back to shareholders.

The wireline segment saw an 18.3% jump in total TV subscribers and a 5.5% jump in high-speed Intenet subscribers during the first quarter.

The report on Thursday should show continued growth across both the wireless and wireline business units.

3. The health care sector

Few investors pay attention to the investment Telus has made in becoming Canada's largest provider of electronic medical records. The company has invested nearly $1 billion in its health solutions unit over the past six years. Health revenue represents only 5% of the company's total current revenue, but the growth potential for this high-margin business is significant.

The bottom line

The recent pullback in the stock provides a great entry point. Its second quarter results are expected to be $0.58 per share. Telus has missed the consensus in three of the last four quarters, so conservative investors looking to initiate a position might want to wait for the earnings report to come out. However, as a long-term investment, Telus is a solid place to put your money. The current dividend of $1.52 yields about 4%.

CATEGORY

1. Investing

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1. NYSE:TU (TELUS)
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Date
2025/08/28
Date Created
2014/08/06
Author
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