



How Telus Corporation Is Mastering the Game of Phones

Description

With the big three telecom companies taking up 90% of the available cellular market, competition is fierce as each company tries to outdo the other in order to retain customers. What was once the smallest of the big three in terms of wireless revenue, **TELUS Corporation** ([TSX: T](#))([NYSE: TU](#)), has managed to sneak past its competitors to be the best-performing wireless provider.

Earlier this year Telus managed to surpass **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)) as the No. 2 wireless provider, and now it is nipping at the heels of the crown prince, **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)). Thanks to this growth, faithful investors have been rewarded by the company with an 11.8% dividend increase.

Now Telus has released its second-quarter results and it's time to take a peek into whether Telus is lurking among the halls or striking at the gates of Rogers.

The company sees green in its second quarter

Thanks to an increase in wireless revenue of \$85 million, or 6.2%, total revenue in the quarter crested at \$2.95 billion, up from \$2.82 billion in Q2 2013. Net income marched closely behind, totaling \$381 million, or \$0.62 per share, up from \$286 million, or \$0.44 per share, during the same period last year.

Telus is attributing these positive results to its investments in service capabilities and growing its reputation among its customers. This customer loyalty has translated into a monthly postpaid wireless churn rate of 0.90% during the quarter. This is the lowest churn rate that Telus has seen in eight years, while BCE saw its lowest churn rate in six years, which was 1.16%.

Wireless services: If you charge for it, they will come

It was a very good quarter for the wireless division of Telus as it added 80,000 net new wireless customer connections. For the fourth time in five quarters, Telus has been the top gainer of post-paid subscriptions.

The added customers bring the company's total wireless subscription base to 7.88 million. This is just

within usurping distance of Rogers Communications' subscription base of 8.1 million and further cements its lead against BCE, which has 7.80 million.

Looking at the average monthly revenue per user among the big three, Telus was once again on top with \$65.51 compared to BCE's ARPU of \$59.49. The ARPU for Rogers, the only one of the three that saw a year-over-year decrease, fell to \$59.18.

The realms of TV and internet

Outside of wireless services, Telus managed to increase its subscription base in other areas as well. Its TV division brought in an additional 23,000 subscribers — it seems that those free 40-inch TVs have been paying off. This also seems to be going against the trend of cord-cutting among Canadians, which has been affecting most telecom companies. Internet subscriptions also increased in the quarter by 15,000 customers, or 5.6%, which brings the total subscription base to 1.4 million.

As mentioned earlier, Telus managed to increase its dividend program by 11.8%. It now pays out \$1.52 per year and has a yield of 3.96%. The quarter in general had very good news for investors, as generally the wireless/telecom market is seen as overly mature. Despite this, Telus has managed to spark a rush of growth throughout 2014. Though it has cost billions in infrastructure improvements, the customer loyalty it has received in return will continue to keep this company green.

CATEGORY

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
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