



3 Reasons to Buy and Hold Telus Corporation

Description

Telus Corporation ([TSX: T](#))([NYSE: TU](#)) is a favourite amongst income investors. And it's not hard to see why.

The company is one of those Forever Stocks: a giant, cash-gushing business that has rewarded shareholders for generations. Since 1916, the telecom giant has paid out steady dividends, which have compounded into impressive returns. So if Telus isn't in your portfolio already, here are three reasons to buy and hold this stock.

1. A big, wide moat

What is the most important trait of a wonderful business? A competitive advantage.

Simply put, a competitive advantage is a set of traits that makes a business difficult to compete with. To determine whether or not a business has one, you should ask yourself: "If I had a billion dollars, how much could I hurt this company?"

In the case of Telus, you wouldn't stand a chance. There's no way you could acquire the wireless spectrum or construct all of the needed transmission towers. This means Telus can crank out steady profits without the worry of new rivals eating into margins.

2. Excellent customer loyalty

The ability to retain a loyal customer base is a hallmark of a wonderful business. These firms can generate superior profit margins and strong free cash flows, putting them in a better position to return money to shareholders.

Thanks to strong customer service, Telus has shown a notable ability to retain subscribers. According to RBC Dominion Securities, the company's monthly postpaid "churn" rate was just 0.99%, the lowest in North America. In an industry where companies are frequent targets of consumer wrath, Telus' low churn rate sends a positive signal.

The business is growing as well. Last quarter, Telus added 78,000 net new wireless subscribers, 23,000 TV customers, and 15,000 Internet subscribers. That handily beat both **BCE Inc.** and **Rogers Communications Inc.**

3. Shareholder-friendly management team

Of course, nothing matters if management isn't looking out for shareholders. That said, it's clear Telus executives are on the same page with investors.

In 2014, the company has paid \$648 million in combined dividends and share buybacks. That tremendous amount of cash shows management is dedicated to lining its shareholders' pockets.

Telus is also the most predictable dividend grower around. Last year, management pledged to raise the dividend twice annually through 2016. And judging by the growth numbers mentioned above, I don't expect it will have any trouble keeping its promise.

One stock to buy and hold forever

Of course, all of these points are common sense — strong companies with loyal customers that take care of their shareholders should do better over the long run. It doesn't take a Ph.D. to figure that out.

That said, there are no sure things in investing. Even seemingly rock-solid businesses aren't guaranteed to deliver a good return. But if you invest in companies with simple traits, such as Telus, then you have the best chance of making money over the long haul.

CATEGORY

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Author

rbailieul

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