



## Will Telus Corporation Hit \$50?

### Description

As **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)) approaches its all-time high, new investors are wondering if they should buy at the current level or wait for the stock to pull back.

Let's take a closer look at Telus to see if the stock deserves a place in your portfolio right now.

### Revenue growth

Telus just reported solid Q3 2014 results. All areas of the business are operating efficiently and driving gains in both revenue and earnings. Adjusted net income rose 6% compared to Q3 2013, and adjusted earnings per share jumped 10%.

In the company's wireless division, revenue jumped by \$95 million in the third quarter compared to the same period in 2013. The 6.6% increase is attributed to strong gains in total subscribers as well as higher data use on smartphones. Smartphone subscribers represent about 80% of Telus' postpaid wireless customers. Blended average revenue per unit (ARPU) increased by 3.2% and hit \$64.51 in the quarter. It was the sixteenth consecutive year-over-year quarterly ARPU gain.

The wireline division also performed well in the last quarter. Revenue increased by \$33 million or 2.5%, compared to Q3 2013. TELUS TV added 23,000 net new customers. High-speed internet net additions came in at 22,000. Increased revenue from Telus Health and the company's business process outsourcing services also helped year-over-year wireline earnings in the quarter increase by \$10 million or 3.1%.

### Happy customers

Telus has a mandate to put customers first in everything the company does. As a result, Telus enjoys the lowest postpaid customer churn rate in the industry. Less than 1% of Telus' lucrative mobile customers left in the third quarter. This is important because it costs phone companies about \$400 to acquire a new customer, and Telus' mobile customers spend more per month than those of **BCE Inc.** or **Rogers Communications Inc.**

## Dividend growth and share buybacks

Investors are also happy campers. Telus announced another big dividend increase when it reported the Q3 results. The company hiked the distribution by 11% to \$1.60 per share. It is the eighth increase in the past three years. Telus has committed to increasing the dividend by at least 10% every year through 2016.

Shareholders are also benefitting from an aggressive share repurchase program. Telus has already reached its 2014 objective of buying back \$500 million in stock and is moving forward its 2015 program.

Telus trades at about 18.5 times earnings. The \$1.60 per share dividend yields about 3.9%. The stock has increased by 145% in the past five years.

## Should you buy?

Telus continues to reward investors with dividend growth, share buybacks, and a steadily increasing stock price. The company is executing well in both its wireless and wireline divisions, and investors should pay close attention to the revenue potential in the Telus Health unit.

At nearly 19 times earnings, the stock isn't cheap, but income investors have few options right now when it comes to buying stable companies with predictable dividend growth.

Concerns about a new national competitor have faded away and the threat of an interest rate hike isn't on the radar either. As money rotates out of the commodity sector, Telus' stock price should continue to climb. If you like Telus, you'll love the next three picks listed in the report below.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

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