



Telus Corporation: Just Buy This Forever Stock Already

Description

If there's anything billionaire investor Warren Buffett has taught us, it's to buy quality companies with easily identifiable sustainable competitive advantages, which is also referred to as having a moat. Although he's talked about it countless times over the years, it can be best summed up with one quote — "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

Over the years, investors who have stuck to that rule have done pretty well. Sure, it's often easier to identify the best companies with the benefit of hindsight, but for the most part they're still around. Many of the best stocks of the 1980s and 1990s are still alive and thriving today, surviving everything from runaway inflation to the tech bubble.

These stocks are the companies you interact with often. They produce the gasoline that goes in your car. They make the soda and snacks you buy for your Grey Cup party. They own the office building where you go to work each day. And in the case of **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)), it provides you with wireless, home phone, television, and internet services. You might even subscribe to more than one of the company's services.

Let's take a closer look at Telus.

The moat

Remember Buffett's lesson on buying companies with a moat? Telus's moat might be one of the best in the entire stock market.

For years, the Canadian government has practically begged a 4th nationwide wireless provider to compete with the incumbents. Certain companies have taken a look (we know **Verizon** did), but all have said no. The reason? It would take at least \$10 billion to build a network that could effectively compete with the likes of Telus. Perhaps even more. Which is why it looks unlikely that it'll ever happen.

Even among its competitors, Telus is doing a terrific job in wireless. It continues to poach customers from both **Rogers Communications Inc.** ([TSX: RCI.B](#))([NYSE: RCI](#)) and **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)), as well as doing a bang-up job keeping its current customers happy. Telus's rate of churn is

much lower than its competitors because management has invested so heavily in customer service. Every company talks about delivering better service. Telus is making it happen.

Television

Telus is doing a couple of things right when it comes to TV.

Firstly, it's staying away from buying broadcast assets. While owning channels does provide a telco with cheap content, it's often at a cost of significantly less return on capital compared to providing television. This keeps Telus's margins high.

It's also the new kid on the block, with less than a million television subscribers. By using aggressive promotional giveaways in exchange for signing up customers to long-term contracts, the company is bringing a bit of wireless strategy to television. With growth in television subscribers coming in at 15% annually, Telus is trouncing its competitors. Look for this to continue.

Giving back to shareholders

Telus recently announced another increase to its quarterly dividend, which will rise to 40 cents per share in January. That's a yield of 3.8%.

Dividend growth has been nothing short of phenomenal. The company has raised its dividend every six months since the end of 2009, almost doubling it in just 5 short years.

Telus is also buying back shares like crazy. Since the beginning of 2013, it has bought back more than \$1.5 billion worth of its own stock, eliminating 40 million shares. If you combine the dividend and the share buybacks, management is returning approximately 8% of the value of the company back to shareholders annually. That's a fantastic dividend for a company that's also growing the top line by 5% annually.

Telus is a great company. Every investor should consider buying it and tucking it away for a couple of decades. But we have a stock that might be even better. Check out our free report below.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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