



Why 2015 Will Be Another Stellar Year for Telus Corporation

Description

This was a good year for **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)) shareholders.

After starting the year below \$37, the company's shares delivered the kind of steady performance owners have come to expect. As I write this, shares are over \$42 each, for a capital gain of almost 16%. Oh, and the company paid a dividend of \$1.52 per share, which included two dividend increases of \$0.02 per share, which works out to a yield of 4.2% on the original investment. Put it all together and Telus shareholders are probably feeling pretty good about themselves.

Will the party continue in 2015? Let's take a closer look at this fantastic company.

Great results

No matter which division we talk about, Telus delivered solid results.

Let's start with wireless, which is quickly becoming the company's crown jewel. During 2014 Telus not only delivered great wireless growth, but also reduced its churn, which is a measure of how many of its customers jump ship a competitor. Gaining customers is good, but as we all know, it's far cheaper to keep an existing one onboard.

The company has achieved this in a couple different ways, neither of which forced it to compete on price. First of all, it teamed up with **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)) and built a true coast-to-coast network with good reception in rural areas and solid 3G internet coverage to boot. But mostly, it invested heavily in customer service, giving its reps the freedom to discount rates and give freebies to dissatisfied customers. I can personally attest that my dealings with Telus customer service have been terrific.

Television growth

In an era where its competitors are slowly losing television market share because consumers are cutting the cord and getting rid of cable, Telus is bucking the trend by delivering cable and satellite TV growth by some 15% annually.

Although still a little smaller in size compared to its competitors in the space — **Shaw Communications Inc.** ([TSX: SJR.B](#))([NYSE: SJR](#)) has some 3 million television subscribers compared to Telus's 850,000 — the company's growth is more than making up for it.

Telus's success in television can be somewhat attributed to an idea borrowed from its wireless division. When customers sign up for a two- or three-year contract for TV service, the company throws in a freebie like a new TV or an Xbox, a free PVR rental, plus a discounted price for a few months. It's just like throwing in a free phone with a wireless contract.

The best thing about Telus's television division is that it's only television, while Telus's competitors own every major television station in Canada. This does result in them getting free content for their cable systems, but also sacrifices margins. Showing television is a good business. Producing it isn't quite as lucrative.

Giving back to shareholders

When it comes to giving back to its owners, Telus might be the finest large-cap company in Canada. Management is committed to maximizing shareholder value.

Not only has the company's top brass pledged to raise the dividend twice in 2015 — which would be the fifth year in a row of multiple dividend increases — but it's also aggressively buying back its own shares. The company is on pace to spend \$1 billion in share buybacks from 2013-14, and is expected to spend an additional \$500 million annually going forward. If it keeps up its current pace, there will be approximately 590 million shares outstanding at the end of 2016, which would mark a 10% reduction in total shares since the end of 2012. That's a 10% increase in earnings per share without needing to improve underlying earnings at all.

Telus is a great company that belongs in any portfolio. But our analysts have a stock that we think could perform even better. Check it out below!

CATEGORY

1. Investing

TICKERS GLOBAL

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

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