The Stock Picker's Guide to Telus Corporation for 2015

Description

Last year was yet another strong one for **Telus Corporation** (TSX:T)(NYSE:TU) and its shareholders, with the stock increasing nearly 15% during the year. The stock has now increased by over 50% during the last three years, well ahead of rivals **BCE Inc.** (TSX:BCE)(NYSE:BCE), whose shares have gained 25%, and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) (only 14%).

So why have Telus shares performed so well? And most importantly, should you buy the company's stock as we head into 2015? Below we take a look.

Telus is the country's best wireless provider

Let's face it. Canada's telecommunications providers are not exactly loved by their customers. Rogers is a perfect example – its new CEO has even acknowledged the company has "neglected" its customers "for years".

But Telus is an exception. To illustrate, in 2013 its customer complaint count decreased by 27%, even though complaints increased by 26% for the industry as a whole. As a result, the company has been winning more wireless customers than its peers – in the last quarter alone, Telus added 113,000 postpaid subscribers. By comparison, BCE added just 91,000 postpaid subscribers and Rogers added only 17,000.

Telus has also done a better job of keeping its customers. Last quarter, just 0.9% of postpaid subscribers cancelled their service in an average month. That figure compares to 1.20% at BCE and 1.31% at Rogers.

Growth is strong

In the most recent quarter, Telus's revenue grew by more than 5% year-over-year. This compares to 1.9% at BCE and 0.9% at Rogers. Of course the company's ability to win subscribers is a main reason.

But there are other reasons why Telus is growing faster than its peers. It is more heavily exposed to the wireless business, which is benefiting from increased data usage on smartphones. Just last quarter, the percentage of Telus's subscribers using smartphones increased to 80%. Just last year, that number was 75%. Meanwhile, Telus has little exposure to wireline voice (unlike BCE) or cable television (unlike Rogers). So I would expect Telus to keep growing faster than its rivals.

So should you buy the stock?

There are other reasons to like Telus. Its most recent dividend hike was its eighth since May 2011. And since the beginning of 2013, the company has returned roughly $3.3 billion to shareholders through dividends and share buybacks.

Better yet, the shares are not overly expensive, trading at 18 times earnings (about in line with BCE). This isn't a bad price for a company performing this well.

As a result, the dividend yields a respectable 3.9% – not bad for a best-in-class performer growing dividends at 10% per year. Anyone looking for a strong, growing dividend should hold this stock in 2015 and beyond.

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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