



Dividend Investors: 3 Reasons to Make Telus Corporation Your Top Telecom Bet

Description

Canada's media and communications industry is going through some interesting changes and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) might be the best pick moving forward.

Here are the reasons why I think investors should consider adding Telus to their portfolios.

1. Customer service

In cities where customers have the opportunity to choose among the big three, many people are making the decision based on the quality of service they get. This is especially true when it comes to wireless contracts and broadband Internet.

How do we know who is actually the best when every phone, cable, Internet, and satellite service provider says it is focused on customer service?

The answer is in the numbers.

Telus has the lowest post-paid subscriber-churn rate in the industry at just 0.94% and consistently earns the most per customer on a monthly basis. In fact, the company's blended average revenue per user (ARPU) was an industry high of \$64.20 in Q4 2014. The amount increased by nearly 4% compared to Q4 2013 and represented the company's 17th year-over-year quarterly ARPU increase.

As smart phone penetration increases, providers are fighting tooth and nail to secure these high-value customers. Sales people are always taught that it's much easier to keep a customer than to get a new one. In the telecom business, it's also a lot cheaper. The gross cost of acquisition (COA) per new subscriber is now well above \$400 for the major players and that adds up fast when there are millions of customers at stake.

2. No media assets

Telus has avoided the temptation to plough billions of dollars into television stations and specialty channels. At the moment, this is looking like a very smart move because Canadians are finally about to

see the beginning of “pick and pay” content subscriptions.

Why is this important?

Telus’ competitors rely on bundling to help pay for specialty-channel content, but Canadian cable and satellite subscribers continuously complain that they are forced to pay for content they never watch. A recent CRTC decision will force companies to offer a much smaller and cheaper basic package beginning in 2016. This could be bad news for the channels that will be excluded from the list because subscribers will now have the option to add in the content they want.

Telus is in a great position because it can do deals with any of the content creators to put together its own packages. For example, it can offer an Internet streaming service from one provider, the sports package from another, and sprinkle in some top kids programming from a third competitor. In a perfect world, Telus’ TV, Internet, and mobile competitors would prefer to keep their content exclusive, using it as bait to steal distribution subscribers. But Telus has a massive customer base (13.7 million) and the other companies can’t afford to cut Telus out.

By avoiding the media binge, Telus has also been able to spend billions to build out its fibre network and commit the necessary funds to truly embrace a customer-first approach to doing business.

3. Dividend growth and share buybacks

Telus not only cares about its customers, the company also looks after its shareholders. In the past 11 years, Telus has increased the dividend 15 times and returned \$11 billion to stockholders in the form of distributions and share repurchases.

The company pays a dividend of \$1.60 per share that yields about 3.7%. Investors should see at least one more increase this year and probably two more in 2016, according to the current dividend plan.

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