3 Big Reasons to Buy Telus Corporation

Description

Telus Corporation (TSX:T)(NYSE:TU) has been under pressure in recent months, but the weakness should be viewed as an opportunity to buy the stock.

Here's why:

1. Earnings strength

In its Q1 2015 earnings statement Telus reported net income of $415 million, a 10% year-over-year gain. Earnings per share increased by 11.5%

Wireless revenues increased by $92 million or 6.4% compared with Q1 2014, driven largely by a 19% improvement in data revenue. Blended average revenue per user (ARPU) rose to $62.34. This is the 18th consecutive quarter of year-over-year ARPU growth.

Wireline revenues increased by $16 million or 1.2% compared with the same period last year. Telus is seeing continued growth in high-speed Internet and Telus TV subscription, mostly at the expense of its cable competitors.

Telus is also making a strong push into business-process outsourcing and health services. These operations are growing quickly and should help diversify the company's revenue stream in the coming years.

2. Customer loyalty

Competition for mobile customers is heating up in Canada, as smart phone penetration continues to grow and carriers battle for high-value users. Telus has a strong focus on customer service in all areas of the business and that commitment is paying off.

The company's postpaid wireless subscriber churn rate for the first quarter was 0.91%, the seventh straight quarter the company lost less than 1% of its customers.

This is extremely important right now because three-year mobile contracts are about to expire and customers will be able to walk away free of charge once that happens.

Telus and its peers are frantically trying to entice subscribers to sign up for new two-year agreements before the June 3 deadline. Having the industry's happiest customers makes that job easier.

3. Dividend growth and share buybacks

Telus just increased its quarterly dividend to $0.42 cents per share. This is the ninth increase in the past four years. Investors like to focus on dividends, but the company's aggressive share repurchase program is just as important. Telus plans to buy back as much as $500 million in stock during the 12-month period ending October 1. As of April 30, Telus had already purchased and cancelled $292 million in shares.

Risks?

The Canadian telecom industry is going through some changes. The end of three-year mobile contracts means companies will have to spend more on customer retention. On the TV side, next year's changes to bundling rates could have a large impact on TV subscription revenues.

Telus does not own media assets such as specialty channels or TV networks. It simply distributes the content to its customers. When pick and pay comes into effect next year, Telus should be exposed to less risk because it doesn't have billions tied up in media properties. Some customers will take advantage of the basic package to reduce their overall TV expenses, but most will probably add on specialty channels until they hit their current subscription rate. If that's the case, Telus wins.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/08/27
Date Created
2015/05/20
Author
aswalker