3 Reasons Why Telus Corporation Is My Only Telecom Investment

Description

Among the telecommunication companies, **Telus Corporation** (TSX:T)(NYSE:TU) should be the least affected by the contract-length change imposed by the Canadian Radio-television and Telecommunications Commission (CRTC).

In addition to the usual expiry of two-year contracts, on June 3 customers under three-year contracts could also cancel without a penalty.

Instead of three years, the telecoms now have a shorter two-year period to recoup the device subsidy, and the most direct way to do that is to increase the monthly price of cell phone plans.

About Telus

Telus is a domestic telecommunications company that provides a diversified range of communications products and services, such as wireless, data, Internet, voice, television, entertainment, and video.

It has an annual revenue of $12.1 billion, with its revenue profile split across wireless (55% of revenue), wireline data (29%), and wireline voice and other (16%).

On June 8 Telus unveiled public WiFi in 8,000 hotspots across British Columbia and Alberta. This WiFi is offered as a value-added service for Telus business Internet customers, allowing businesses to offer complimentary WiFi to all of their customers, whether Telus is or isn’t their service provider. This service should strengthen Telus’ brand in the minds of businesses and the general public in British Columbia and Alberta.

Here are four more reasons to like Telus as a long-term investment despite of the June 3 change.

1: Canada’s fastest-growing telecommunications company

I could have looked at metrics, such as the number of new wireless subscribers, but ultimately, for investors the most relevant fundamental metric to look at is a company's earnings per share (EPS) growth.

For the past five years, Telus' EPS grew from $1.41 to $2.4, a compounded annual growth rate (CAGR) of 11.2%. In the same period, **BCE Inc.**'s EPS grew at a rate of 4.9%, while **Roger Communications Inc.**'s was 3.4%. Telus' growth in earnings more than doubled the growth of its competitors.

2: Consistent dividend growth

Sure, companies can grow their earnings, but it's meaningless to its shareholders unless those earnings translate into higher share prices or growing dividends. The higher share price can't be controlled by the company, but the board could increase the dividend payout.

Between 2009 and 2014 Telus grew its annualized payout from $0.95 per share to $1.52, a CAGR of 9.9%. This year Telus continues to hike its dividend in alignment with its earnings growth. It currently pays a quarterly dividend of $0.42 per share, 10.5% higher than the quarterly dividend a year ago.

3: High customer loyalty

In the first quarter of 2015 Telus continues to demonstrate "industry-leading customer loyalty with monthly postpaid wireless churn of 0.91%—the seventh consecutive quarter below 1%," according to Telus' media release.

Wireless revenue makes up more than half of Telus' revenue. High customer retention in that area indicates that customers are happy with their wireless products and services at Telus. Happy customers are unlikely to switch to other providers.

4: Canada's largest healthcare IT provider

Telus Health was established in 2008 after acquiring Emergis, a company with a strong presence in health claims processing and pharmacy management systems in Canada. After investing more than $1 billion in health over a period of six years, Telus Health is now the largest electronic medical records provider in Canada.

In 2014 Telus' healthcare business was about $550 million in revenue, and Telus' investment should pay off down the road.

In conclusion

Existing shareholders of the big telecoms should keep an eye out for the metric of new wireless subscribers or wireless customer retention rates on these companies after the June 3 change.

That said, I believe Telus will continue to outperform the other two, and that's why it is the only telecom in my dividend-growth portfolio. At about $41 per share, it yields a little over 4%, and its shares aren't expensive, but they aren't cheap either. Any dips to $39-40 or more are opportunities to buy shares for more value.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/28
Date Created
2015/06/11
Author
kayng