4 Simple Reasons to Own Telus Corporation

Description

As the broader market looks more and more like it is headed for a sizeable correction, dividend investors want to put new money into names that tend to hold up well in a volatile environment. One of those stocks is **Telus Corporation** (TSX:T)(NYSE:TU).

Let's look at four reasons why Telus is a good pick right now.

1. Earnings growth

Telus continues to steal customers from its competitors in both the wireline and wireless operations and this is leading to solid gains on both the revenue and earnings side. In fact, Canada's fastest growing telecom company reported solid Q1 net income of $415 million, a 10% year-over-year increase. Earnings per share fared even better, rising by 11.5%.

Wireless revenues in Q1 rose by $92 million or 6.4% as customers continue to consume more data. On a per user basis the company's blended average revenue (ARPU) rose to $62.34, the 18th consecutive year-over-year quarterly gain. This is an important metric in the wireless business because companies want to squeeze as much revenue as possible out of every account to maximize margins.

The wireline segment is also delivering strong results as Telus TV and the company's broadband Internet service continue to see growth, mostly at the expense of the cable competitors.

2. Loyal customers

Every telecom company claims to be focused on customer service, but Telus is the one that seems to deliver on its promises and that commitment has resulted in Telus claiming the lowest postpaid wireless churn in the industry. This is critically important this month because all Canadians on a three-year mobile subscription can now walk away fro their contracts without without incurring a penalty.

Happy mobile customers are likely to stick with their provider, whereas many frustrated ones will migrate to the carrier with the best level of service. In Canada, that company is Telus.

3. No media assets

Next March, Canadians will have the opportunity to pay a lot less for their cable or satellite TV packages. The CRTC is forcing operators to offer a basic package at $25 and then allow customers to add on the additional channels and programs they want on a pick-and-pay basis.

Fears that TV service providers will see a huge drop in revenues are probably overblown, but there is a risk that producers of the content will take a big hit if their shows and programs are not popular.

Unlike its competitors, Telus doesn’t have billions of dollars invested in media assets so it doesn’t face the same risks. It simply operates as a distributor, and because Telus has such a large subscriber base, media companies have to negotiate with Telus for distribution of their shows. Ideally, competitors would prefer to use their content as a carrot to lure away subscribers but they can’t afford to risk losing all the potential added revenue.

4. Rising dividends and share buybacks

Telus recently increased its dividend to $1.68 per share. It was the ninth increase in the past four years and the distribution currently yields more than 4%. The company also has a strong commitment to repurchasing and cancelling its shares and that trend should continue.

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