3 Reasons to Buy the Safe Telus Corporation

Description

When trying to build a portfolio of really great companies, it helps to have a solid foundation to work off of. Having a few core companies to anchor your portfolio will ensure that dividends are coming in while you build positions in other companies. In my opinion, **Telus Corporation** (TSX:T)(NYSE:TU) is one of the names that you should consider holding.

However, there are three fundamental reasons why I believe you should buy Telus.

1. Giant moat

One of the very first things I look for is whether the moat is wide or not. A moat is best described as how difficult it is for another company to launch a competitive product. A moat can be anything from network effect, such as with a social network, or significant infrastructure, such as with a railroad and a telecommunications company.

If you think about it, how much money would it cost for you to try to launch a competing company against Telus? Most of its competitors were all built around the same time as Telus, so they were all small companies that grew. But getting into the field now would be incredibly difficult. It's not impossible, but it certainly is difficult.

That means that Telus is able to protect its earnings for the long term because another company won't come along and poach its clients.

2. Earnings are strong

Telus reported a very strong first-quarter numbers, with net income rising 10% year over year to $415 million. This increase in net income is because the company is having a lot of success increasing its revenue per user. According to the company, its ARPU rose to $62.34 in the first quarter, which gives it even more room to generate income. And this isn't just a fluke. The company consistently increases its revenue per user, a strong indicator that the company is doing well.

The primary reason earnings are so strong is because the company is focused on helping the customer. There is a history of telecommunication companies gouging their customers and not really providing much benefit. Telus focuses on customer service, and as long as that remains the case, I predict the earnings to continue staying strong.

3. Dividends

Over the past four years the company has increased its dividend nine times. Based on today's price, that yield is right around 3.82%, which means that the company is paying its investors a lucrative $1.68 per share.

But it's not just dividends. In an effort to reduce the total number of shares, Telus has aggressively been buying back and canceling shares. If there are one hundred thousand shares and you own 100 shares, you own .1% of the company. If they retire 10% of the shares, you increase your holding by 10%. That means you'd own 0.11%. However, the value of the company doesn't change, so the price per share increases.

Buying this stock is smart

At the end of the day, Telus is a company that is not going to disappear because customers will always use their phones. And because there is little chance of another competitor showing up, the lucrative dividends and share buybacks should remain.

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