



3 Reasons to Add Telus Corporation to Your Portfolio Today

Description

Over the last few decades, few sectors have performed as well as Canada's telecoms.

We've slowly moved away from the landline telephone, but that addiction has been more than supplemented by our thirst for wireless and Internet. Even the television part of the business has been struggling lately, but incumbents have made up for that by passing through price increases and by offering discounts for customers to bundle television with other services, like Internet.

The beauty of the telecom business is the stickiness of revenue. People are going to keep paying their wireless or Internet bill because they perceive a need for the service. Although declines in home phone and cable TV business make headlines, the fact is the vast majority of people who subscribe to those services see value in them, and will continue to gladly pay, so they don't have to do without.

Many investors have telecoms as the bedrock of their portfolios. But which telecom is the best? There are arguments for buying each of Canada's so-called Big Three, but perhaps the best choice is **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). Here are three reasons why.

Wireless strength

In the wireless part of the telecom business, there are two main measures investors like to look at. There's the average revenue per user, which is pretty self-explanatory. And then there's the churn rate, which measures how many customers leave to go to another competitor. The industry average churn rate in Canada is approximately 1.5% annually.

Minimizing churn is where Telus really shines. The company's churn rate has been comfortably below 1% since 2013, which is easily the best among its competitors. This has been accomplished in a number of ways, including allowing customers to bundle wireless with other services for a discount, and having competitive plans. But perhaps the biggest thing going for Telus is its investment in customer service.

Telus's management decided to give frontline employees the ability to make many decisions without escalating the call to a supervisor. This leads to a more satisfied customer who sticks around longer.

Better growth

Telus has become the wireless company of choice for many Canadians. This has led to some pretty solid growth.

In the most recent quarter, Telus reported that total wireless revenue was up 6.4% compared with last year, on the strength of 3.1% subscriber growth. Not only is Telus doing a terrific job of keeping its own customers, but it's also doing a good job stealing from competitors.

Wireline data has also been a good performer. Revenue from home Internet grew more than 7% compared with the same quarter last year, driven by a combination of both subscriber increases and price increases to existing customers. This helped offset the only real area of weakness: home phone connections.

And finally, Telus actually grew its cable and satellite television division, adding some 37,000 subscribers in the latest quarter. This happened because of a combination of aggressive sign-up bonuses for new customers and by moving into new service areas.

Giving back to shareholders

Especially over the past few years, Telus has been aggressively rewarding shareholders with dividend hikes and share buybacks.

Telus currently pays a \$0.42 per share quarterly dividend, good enough for a 3.8% yield. Since the beginning of 2010 that dividend has increased 11 times for a compound annual growth rate of almost 15%. Management has gone on record saying that they plan to boost the payout twice in 2016, too.

There's also the company's share-buyback program. Since the end of 2013 shares outstanding have slipped from 623 million to just 605 million. By the end of 2015 the total number of shares outstanding will likely dip below 600 million. Unlike many companies that just repurchase enough shares so executive options don't dilute current shareholders, Telus is actually serious about its buyback.

There's a lot to like about Telus. At current levels, it looks to be about fairly valued. Warren Buffett made a legacy out of buying great companies at fair prices. Perhaps investors should look to do the same with Telus.

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1. Dividend Stocks
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