



## Will Telus Corporation Continue to Outperform?

### Description

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) is up more than 90% in the past five years, and investors are wondering if the trend will continue.

It's a reasonable question given the fact that the Canadian telecom industry is undergoing some major changes, and the era of rock-bottom interest rates is closer to its end than to its beginning.

Let's take a look at Telus to see if it still belongs in your portfolio.

### CRTC changes

The Canadian Radio-television and Telecommunications Commission (CRTC) made some changes in the past year that are causing issues for Canada's mobile, TV, and Internet service providers.

Last fall the CRTC forced Telus and its peers to drop the one-month notice rule for cancelling services. In June, all three-year mobile contracts went the way of the dodo, and next year, TV subscribers will be given the opportunity to buy a scaled-down package for a basic fee and then add specialty channels on a pick-and-pay basis.

How will all this affect Telus?

On the wireline side, Telus might actually be benefiting from the new rules. The company is seeing strong subscriber growth for its Telus TV and broadband Internet offerings.

In the second quarter, net new TV subscriptions jumped by 17,000 and Internet customers increased by 22,000. Many of the new clients are switching from cable providers.

As for the pick-and-pay rules, there is a big debate going on as to what will happen. I think subscribers will simply add channels until they hit their current package rate. If that's the case, Telus shouldn't see any material impact because it is the content provider, not the content creator.

This is an important point to consider when evaluating investments in the Canadian media and telecom

space.

Unlike its peers, Telus has avoided the temptation to invest billions in media assets. As a result, the company isn't at risk of losing the ad revenue that tends to prop up channels currently included in bundled packages. The most popular specialty channels will do well under the new rules, but all the borderline ones are at risk.

Telus has the advantage that it can negotiate deals with the content owners to offer the channels its customers request.

If Telus were a small operation, it would be at risk of getting squeezed out by the content owners who could use their channels as bait to get customers to switch to their services. But Telus has 8.4 million wireless customers, 1.5 million high-speed Internet customers, and nearly one million Telus TV subscribers.

That's too big an audience for the content creators to ignore, so they will all make their programming available to Telus, as we have seen recently with the new streaming services.

As for the wireless business, Telus has the lowest churn rate in the industry and regularly earns the highest average revenue per user.

## **Dividends**

Telus is a dividend-growth juggernaut. The company has increased the distribution 11 times in the past five years, and investors should see the trend continue. The current payout of \$1.68 per share yields 3.9%.

## **Should you buy Telus?**

There is little reason to believe Telus will suffer more than its peers from changes in the industry, and the company's dividend growth should offset any impact of rising interest rates in the coming years. At this point, the stock still looks like a solid holding for any Canadian portfolio.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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2. TSX:T (TELUS)

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