Telus Corporation Is Still a Great Buy Despite Job Cuts

Description

Telus Corporation (TSX:T)(NYSE:TU) is one of the largest communications companies in the country with a national footprint in the wireless sector and a smaller but prominent TV and Internet services footprint.

Telus announced third-quarter results recently, which were in line with analyst's expectations, with increases across the board in net and adjusted income. Revenue growth was also up by a respectable amount. Telus also announced an increase to the company dividend–a 10% increase to $0.44 per share that is payable on January 4.

Despite these positive results, the company announced plans to eliminate 1,500 jobs, citing an efficiency initiative with projected savings from those jobs at $125 million.

Telus has sent a mixed message with these results, leaving investors wondering if there is a reason to be concerned and if the company is still a sound investment for growth and dividends.

Let's take a look at the company and why it should remain in your portfolio.

Telus is investing in the future

During the most recent quarter Telus added 119,000 new customers in the wireless/wireline division and 26,000 and 24,000 new TV and Internet subscribers, respectively.

To stay competitive, to attract more customers, and to continue to grow, Telus is spending $4.5 billion on infrastructure and spectrum increases this year–the most that the company has ever spent in a single year on capital projects.

The company is also participating in share buybacks. In the past two quarters the company has repurchased more than eight million shares. Year-to-date the company spent over $410 million, and each share that is repurchased increases shareholder value on existing shares.

Telus posted great quarterly results

Telus’s third-quarter results showed significant increases in a number of areas that shareholders should feel pleased about. Compared the same quarter with last year, free cash flow increased by 22.4% to $881 million, adjusted net income was up by 6.3% to $1.23 billion, and operating revenues were up by 4.6% to $9.29 billion.

Telus pays out a quarterly $0.44 per share dividend, or $1.76 annually, for a yield of 4.2%, making it an impressive dividend stock to own. Even more impressive is the fact that Telus has raised the dividend consecutively for 11 years and is planning to continue to raise the dividend by 10% until 2016.

Despite the job losses and the subsequent drop in the share price, in my opinion, Telus remains one of the best companies to invest in. Telus is a company that not only shows significant growth prospects for the future, but it also pays out a handsome dividend to investors.

Investors seeking long-term growth who appreciate some dividend income would struggle to find a better option than Telus in the current market.

CATEGORY

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1. Editor's Choice

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