



4 Reasons to Put Telus Corporation in Your RRSP

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) has experienced a rare pullback in recent months, and investors with an eye on long-term value should consider adding the stock to their portfolios.

Here's why.

1. Competition concerns overdone

When news broke that **Shaw Communications Inc.** is buying Wind Mobile, Telus dropped about 8%. The stock recovered the losses in the following trading sessions, but has since drifted lower again.

Shaw and Telus compete heavily for TV and Internet subscribers in western Canada. The market is concerned that Shaw will be a bigger threat to Telus now that it can offer its customers a mobile option.

This will certainly make things more interesting, but Telus is already holding its own in the rest of the country against **Rogers** and **BCE**. I don't think Shaw is going to be a more formidable foe than the larger peers.

The Wind Mobile deal doesn't close until late 2016, and Shaw will have to invest significant funds to expand the mobile network. That gives Telus ample time to prepare for battle.

As for pricing, consumers shouldn't expect a sudden drop in their mobile bills. Shaw's reason for buying Wind Mobile is more about stopping the losses on the cable side of its business than about forcing its competitors into a price war.

Telus will have to sharpen its game, but the entrance of Shaw into the mobile market is probably not as big a threat as the market thinks.

2. No content worries from pick and pay

Telus is the only major telecom company that doesn't own media content. Pundits have long debated whether or not this is a good thing, and the market is going to find out in the coming months.

Beginning in March Canadian TV subscribers will have the option of keeping their existing packages or opting for a base package for \$25 and adding channels on a pick-and-pay basis.

Telus doesn't own any content, so it isn't at risk of taking losses on shows and channels that might not make the cut under the new system.

The competing providers would love to use their content as a carrot to lure customers away from Telus, but the company has such a large subscriber base that the other providers have to make the content available.

We saw this with the new Shomi and Crave streaming services.

As such, I see the lack of a media division as a benefit right now rather than a hindrance for the company.

3. Earnings strength and subscriber growth

Telus reported Q3 2015 adjusted net income of \$398 million, a 3% gain over the same quarter in 2014. The results are steady and all parts of the business are moving in the right direction.

During Q3 Telus added 70,000 net new wireless subscribers, 24,000 new Internet customers, and 26,000 new Telus TV viewers.

One aspect of the company's appeal is its commitment to providing industry-leading customer service. That should help retain subscribers as competition heats up in the next 12-18 months.

4. Dividend growth and share buybacks

Telus generated free cash flow of \$310 million in Q3 2015, up more than 40% from the same period in 2014. That's a nice chunk of spare change, and the company does a good job of kicking the profits back to shareholders.

Telus has increased the dividend 12 times in the past five years. The current quarterly payout of \$0.44 per share yields about 4.7%.

The company also likes to buy back its stock, which is great for investors because it gives them a bigger slice of the pie. In the first nine months of 2015, Telus repurchased \$412 million in shares.

CATEGORY

1. Investing

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Date

2025/08/26

Date Created

2016/01/12

Author

aswalker

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