



Telus Corporation Is the Right Telecom for Long-Term Investors

Description

Investors looking for a stock that can act as a foundation and, more importantly, doesn't keep them up at night should seriously consider adding **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) to their portfolios. In my opinion, this is an attractive point of entry for investors looking to maximize yield and also see future capital gains.

There are a few reasons why I believe Telus is a smart buy.

The first has to do with its moat. I pay very close attention to technological trends, and I don't see very many new advancements that are going to have a negative impact on the company. The only way that Telus will get beaten is if another company comes along with tens of billions of dollars to invest.

Consider that Telus operates in the wireless, wireline, cable, and Internet business, and then consider how much it would cost to create competitive products. It's not likely that a new competitor will emerge because the Canadian market is not all that lucrative. The population of Canada is approximately 10% of the population in the United States. If you were going to launch a telecommunications company, would it be in Canada or the U.S.?

Because the company doesn't have to worry about being disrupted by some Silicon Valley technology or a new entrant into the space, it is able to focus on growing its business and rewarding investors.

Telus has seen significant growth over the past few years. In the most recent quarter, its wireless segment increased by 2.1% to 8.46 million subscribers. Its landline division increased its subscription base by 2.3% to 4.04 million. Even its TV subscriptions rose by 9.7% to 1.01 million, running counter to claims of mass cord cutting.

On top of all this, the business has been increasing its average revenue per user (ARPU). In its wireless business, it saw a 0.6% ARPU, which is impressive. Over the past 19 years Telus has found continuous success increasing its ARPU, which has also allowed it to focus on rewarding investors.

In 2013 the company initiated a \$2.5 billion plan to buy back shares from investors. In fiscal 2014, it bought 15.8 million shares at \$612 million. In fiscal 2015, it bought back 15.6 million shares for \$635

million. If trends continue, I expect it to buy back up to 16 million shares sometime this year. This is a good move for investors because when the number of shares outstanding decreases, the earnings per share increases.

On top of that, Telus pays a very lucrative 4.49% yield, which comes out to \$0.44 per quarter. To further reward investors, Telus continues to increase the dividend. Since 2010 it has increased the dividend twice per year, which is incredibly lucrative. I expect that the dividend will rise again this year.

All told, Telus is in a solid position, it has little to fear from competition, and it is increasing its revenue from all of its operations, thus allowing it to reduce the outstanding share count and increase the dividend. This stock checks all my boxes. I think it is a buy for investors looking to hold it and forget it.

CATEGORY

1. Dividend Stocks
2. Investing

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