

## 3 Reasons to Buy Telus Corporation

### Description

With the market cooling a bit and trading sideways, it's important to find stocks that are going to be secure in the event that anything negative happens to the economy. Because of that, it's important to find stocks that carry a series of traits that I believe are most important for them to succeed.

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), a diversified telecommunications company, is one company that should reward investors for many years. There are three reasons that I believe this ...

#### 1. Large moat

The only way that a company can reward its investors with lucrative dividends and, simultaneously, invest in growth is if that company doesn't have to be defensive. Specifically, if it doesn't have to cut its prices to keep competitors out.

Fortunately, Telus has an incredibly wide moat to keep competitors from interfering. How much money would it cost for you to set up the infrastructure, such as towers, plus purchase all the spectrum required to create a telecommunications company? Billions. Tens of billions.

And for what? Access to 35 million people in Canada? There are more lucrative markets in other parts of the world, so I seriously doubt that there will be much new competition launching in the country.

#### 2. Growth and low churn

Now that the company is secure, the next step is growth. But you can't have growth if you are consistently losing customers. I don't know about you, but my cable company is one of the companies I hate most. Prices keep going up and my experience never gets any better. Further, the customer service is abysmal.

Telus doesn't have this problem.

Because the customer service at Telus is so good, the company has been able to limit its churn to under 1%. In other words, the company loses less than 1% of its customers a year, which is more than offset by the growth the company has.

Part of this growth is through competitive acquisition. **BCE Inc.** recently announced that it would be acquiring **Manitoba Telecom Services Inc.** for \$3.9 billion. So it can get regulatory approval, BCE plans to sell a third of Manitoba's subscribers to Telus, which already owns 10% of the company. And with a 1% churn, Telus should expect that these customers will stick around for the long-term.

In its most recent quarter, it grew its wireless division by 1.2% and increased its revenue per subscriber by 1.2% to \$63.06. TV subscriptions increased 8.4% to 1.02 million. And high-speed Internet subscriptions increased by 6.7% to 1.6 million.

Mix that kind of growth with low churn and you have a recipe for tremendous success.

### 3. Lucrative yield

The final reason I really like Telus is because of its yield. At present day prices, it pays a yield of 4.28%, which comes out to \$0.46 per share per quarter.

While this is lucrative in and of itself, it's the growth that should have investors excited. Back in 2006, Telus paid a quarterly dividend of \$0.138 per share. Fast forward to today and what you've got is an average annual increase of 13%.

Now, I don't expect that the company will continue to increase it by that much, it does have plans to increase the yield by anywhere from 7-10% each year through 2019. So not only is the company growing, its yield is growing.

Because of these three reasons, I believe Telus is a smart buy. It's safe, growing, and pays generous income.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

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