3 Ways Telus Corporation Stays Ahead of the Competition

Description

The telecom space in Canada is starting to adjust to a new norm. For as long as we've had cellular network providers in Canada, the Big Three – often referred to as RoBelUs, has reigned supreme. Whenever a new provider steps up to the plate, it's only a matter of time before one of the Big Three steps up and acquires the new entrant.

One telecom that continues to impress me is **Telus Corporation** (TSX:T)(NYSE:TU). Telus has grown incredibly over the past decade — more so than any of the other major telecom operators — which comes down to an aggressive growth and investment strategy, a focus on shareholder value, and customer retention.

Aggressive growth and investment

While all three of the major telecoms provide wired, wireless, internet, and TV subscription services, few would argue that the wireless segment is where future growth is slated to come from. While there are numerous reasons for this, the continued adoption of smartphones among preteens and the elderly are responsible for a significant portion of that growth.

Offering and maintaining a coast-to-coast wireless network is something that requires a significant amount of investment to stay current and keep up with growth. Telus announced earlier this month plans to invest $4.2 billion to upgrade broadband and wireless infrastructure in Alberta over the next three years, with $900 million slated for this year alone.

Looking beyond maintaining the existing network, Telus is also looking towards the future. The next major evolution in wireless communications is 5G, which is rumoured to provide speed increases of up to 200 times faster over the current generation 4G-LTE networks currently in use.

While the governing body responsible or defining 5G connectivity will not release the final specification for 5G networks until sometime next year, this hasn't stopped Telus and others from working on the technology and conducting tests — most recently this week with a hardware partner in Vancouver.

Focus on shareholder value

One thing that has always impressed me about Telus is how the company rewards its shareholders. This has been done primarily in two ways over the years: through a series of share buybacks and hiking its dividend.

From a growth perspective, Telus has appreciated nearly 50% over the past four years; while impressive, this pales in comparison to the company's dividend, which is the real value of investing in Telus.

Telus's quarterly dividend stands at $0.49 per share, which provides a very appetizing 4.37% yield at the current stock price. Even more impressive is the fact that Telus has developed a knack for upping that dividend. In the past six years, Telus has hiked the dividend 13 times while maintaining a sustainable payout ratio. This factor alone puts Telus into the buy-and-forget group of stocks.

Customer retention and results

Having a great dividend and an aggressive growth strategy will only go so far, and if you can't attract and keep customers, then everything else is a moot point.

Fortunately, Telus maintains the best churn rate among all the telecoms. In the most recent quarter, Telus announced a churn rate of just 0.93%. This has helped Telus continue to grow and maintain most new subscribers that sign up with the telecom.

In the most recent quarter, Telus announced 75,000 new customers across all segments — more than double the growth registered in the same quarter last year. This translated into strong revenue growth of 2.9% and an uptick in the average revenue per user of 3.9%, coming in at $65.53.

For these reasons and more, in my opinion, Telus should be a core holding in nearly every portfolio.

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