



Telus Corporation Results: Does the Miss Really Matter?

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is one of the largest telecoms in the country, offering subscription services in internet, TV, and wireless segments to customers. Of those segments, the wireless segment is often viewed with the most interest during earnings season, as the internet/phone/TV subscription model is both saturated and no longer keeping up with wireless growth.

Telus's recent quarterly results alluded to this point and also showed investors where the company thinks growth is set to stem from in the years ahead.

Quarterly results: good or bad?

In the most recent quarter, Telus reported \$3.27 billion in revenue, an increase of 3.9%. Net income for the quarter came in at \$386 million, or \$0.64 per share, down 7.2%. This drop is attributed to lower operating income and higher financing costs. Much of that decrease was attributed to increased spending on handset subsidies, which Telus sees as an investment for the future.

In that much-hyped wireless segment, Telus added 99,000 new wireless customers in the quarter, nearly doubling the 55,000 estimate that analysts had been calling for. Subscriber turnover also saw a marked improvement, coming in at a record low of just 0.79%, which is far below the rate that Telus's primary competitors reported.

That lower churn rate is a key advantage that Telus continues to work on improving. The customer-first strategy at Telus first took form in 2008 with Telus working to continually pull in more customers and keep them.

In total, the wireless division realized 5% growth in revenue — coming in at \$1.85 billion.

Telus's wireline business, which includes both internet and TV subscribers, saw a smaller but positive increase of 2.5% in revenue, closing the quarter at \$1.47 billion. Telus managed to add 17,000 new internet customers in the quarter, falling short of the 18,000 new additions in the same quarter last year. Telus realized just 5,000 new TV subscribers in the quarter — a notable decline from the 13,000 new subscribers in the same quarter last year.

Much of that decline can be attributed to both aggressive campaigns by Telus's competitors in the wireline segment as well as an increasing desire by customers to "cut the cord" of cable services, opting for online streaming services that offer more customized content selections for lower prices.

Is Telus a good investment?

While Telus's results may appear to be mixed at first glance, the investments that the company is making in the wireless segment will provide dividends to the company for years to come. Even while Telus's subscriber numbers were lower than expected in the wireline segment, the company is actively working on building a fibre-optic service in parts of the country that will not only recoup many of those subscriber numbers, but provide an avenue for growth to counter Telus's competitors, most of whom have IP-based TV packages that appeal to the growing "cut the cord" segment.

Perhaps one of the main reason that investors will continue to turn to Telus is for the company dividend. The quarterly dividend of \$0.49 per share amounts to a very respectable yield of 4.36%, making Telus a great buy-and-forget addition to any portfolio.

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