



3 Reasons Wireless Demand Can Carry Telus Corporation to New Heights

Description

Rising demand for wireless services has given telecommunications companies a second wind in light of the decline of cable. In 2016, **Rogers Communications Inc.**, **BCE Inc.**, and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) combined added almost 850,000 wireless subscribers. The skyrocketing demand has created an intensely competitive environment.

The best in the business

Telus has ambitiously committed to attract the most wireless customers of the three telecom giants. The Vancouver-based company released its second-quarter results on August 11. It reported an additional 99,000 contract subscribers in the second quarter, and wireless revenue increased 7.2%, posted at \$1.85 billion. This beat analyst subscriber expectations by over 40,000. Customers have been moved to higher-rate plans like Premium Plus. Telus also demonstrated growth in data usage and higher roaming revenues.

Total operating revenue increased 3.9% to \$3.3 billion compared to the second quarter of 2016. Adjusted EBITDA increased 3.6% on higher revenue growth and increased operation efficiency. Telus managed to offset large operational expenses with this growth, though profit still experienced a decline relative to the same period the year previous.

Data usage is growing exponentially

North Americans are expected to use an average of almost nine gigabytes per month by 2018. This pales in comparison to the growth rates seen in the developing world, but the common trend of greater consumption in North America shows no signs of dissipating. North Americans also tend to benefit from the fastest mobile data speeds in the world.

Smartphones have retained the largest market share when it comes to data usage, making up almost 50% of the total. A survey by Catalyst Research revealed that 55% of Canadians owned a smartphone in 2014. That number has grown by 38% to 76% ownership in 2016 and is all but certain to climb above the 80% mark this year. The survey also showed an increase in mobile bank usage as well as mobile payments.

Providers in Canada make the most of usage fees

The telecom research firm Tefficient released a study in late 2016 that showed Canadians are charged the most per gigabyte of data of any country in the world. Perhaps most surprisingly, the survey also shows that Canadians make limited use of the data available to them compared to consumers in other nations. This is likely due to the high data-usage fees. Thus, wireless providers have been able to make the more revenue per gigabyte than international competitors.

Recent developments show that this trend is likely to continue. Rogers and BCE both hiked overage fees in 2017; in the case of the former, the charge was \$20 per gigabyte. Telus has not yet raised its overage fee, but the charge raises dramatically for every bit of data used over one gigabyte.

After nearing all-time highs in early August, Telus stock has dropped almost 2%. It boasts a 4.5% dividend yield of \$0.49 per share. Telus has surged past analyst expectations in subscriber growth and is making big investments in its wireless division. Investors who add the stock to their portfolio now could be getting it at a nice value with the promise of income.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/25

Date Created

2017/08/24

Author

aocallaghan

default watermark

default watermark