



If You'd Invested \$1,000 in Telus (TSX:T) at the Start of the Decade, Here's What You Would've Made

Description

Finding high-quality stocks that operate in an industry that you know will be around 10 years from now is a great way to secure long-term portfolio growth.

An example of a high-quality industry that isn't going anywhere is the telecommunications industry.

Telecommunications have quickly become a mainstay in our economy and more than just a luxury, but in today's day and age, it's become a basic need to function in society.

The telecom industry is a great industry for investors and long term will continue to grow, especially as technology continues to improve, such as the potential growth from 5G.

When you do find a high-quality investment in the telecom industry, it won't ever need to be sold, as we'll see from our example below.

If you'd invested \$1,000 in **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) at the start of the decade, you would have more than \$3,000 today, that's a more than 200% return in just under 10 years.

An investment in Telus at the start of the decade would have been prudent and ideal, as it was building out its business in Western Canada.

Now that it's a well-established company and one of the [industry titans](#) becoming one of the big three telecom companies in Canada, does opportunity still exist?

The answer is a resounding yes. Going forward, telecoms still have a major growth opportunity on the horizon, with the introduction of 5G technology opening up a number of possibilities.

The growth potential is uncapped going forward, which means that this could be another huge decade for Telus as well as all the other telecoms.

Canadian companies will have a huge runway for growth, as wireless contracts per capita in Canada

lags behind a number of the other similar nations such as America and many high-income European countries.

Plus, Telus is a solid company all together, as it's been growing its operations considerably with earnings before interest, taxes, depreciation and amortization (EBITDA) up 28% over the last three years.

You can see in its numbers just how well it's improved its margins and operating performance. In the third quarter, its revenue in the wireless segment was up just 1.1% year over year, but its EBITDA grew by 7%.

It was the same story, in the wire line segment, with revenue up 4.7% but EBITDA growing by a whopping 10.9%.

In total, its consolidated revenue increased by 2.6%, while its consolidated adjusted EBITDA grew by 8.3%.

The free cash flow it's been generating and will continue to generate is outstanding, as it continues to build out its infrastructure while keeping its capital expenditures conservative at just under \$750 million this year.

The massive free cash flow allows it to fund its highly sustainable dividend, which is part of the reason why it's included on the Canadian Dividend Aristocrats list. The stock currently yields roughly 4.7% and its payout ratio is just 75%.

The company has an extremely low mobile churn rate, the rate at which customers leave for another carrier, a direct result of the impressive customer service that Telus offers.

The last five years its return on equity has been extremely consistent and averaged more than 18%. You would think with these impressive numbers that the stock has been bid up to overvalued prices, but it actually still trades at a pretty reasonable value.

Its enterprise value to EBITDA ratio stands below 9.0 times, which is very reasonable for a well-run and mature blue chip. On a price-to-earnings basis too, the stock is still fairly valued trading at less than 17.5 times.

It's clearly an incredible company providing huge returns for shareholders. On top of the more than 200% it's gained in the last decade, it's also returned more than \$16 billion in the form of dividends and buybacks since 2004.

Going forward, I don't expect much to change. Telus will continue to grow at exceptional levels and continue to return large sums of its profits to shareholders, making it one of the best stocks an investor can buy today and own for the next decade.

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Author

danieldacosta

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