



Telus (TSX:T): Should You Buy Before the 5G Boom?

Description

Telus ([TSX:T](#))([NYSE:TU](#)) isn't the same dividend darling that it used to be. [Capital gains](#) have been harder to come by in recent years. With intensifying competition in Canada's telecom scene, investors should curb their total return expectations when it comes to Steady Eddie telecom kings like Telus, even with the 5G boom on the horizon.

Telus rolling well with the punches amid COVID-19 pandemic

Amid the coronavirus crisis, Telus has held its own far better than its peers in the Canadian telecom space. The lack of a media division and the existence of non-traditional businesses (Health and International) have helped the company weather the COVID-19 storm.

Still, shares of the name are still quite depressed, currently down 12% from all-time highs at the time of writing. With the fifth generation (5G) of mobile technology ready to become the norm in Canada over the next few years, is now the time to be a buyer of cheap telecoms like Telus? Or will the transition to next-gen telecom tech fail to be a needle mover for Telus or its peers?

Telus stock: The risks

5G infrastructure is absurdly expensive. And Telus is going to pay a hefty bill to get its network up to speed on the latest and greatest in mobile technology. Worse, the company looks to be following through with its plan to use the controversial Huawei equipment for its 5G network.

If the federal government were to decide to ban Huawei technology in wireless infrastructure, Telus would have no other choice but to remove and replace around \$1 billion (or more) worth of Huawei equipment.

There's no telling whether Huawei technology will be banned at this juncture. Given recent tensions and potential pressure from the U.S., I wouldn't at all be surprised if a Huawei ban were to happen. Telus would take a bit of a hit, and its customers would likely have to pay a higher price of admission to

gain access to its 5G network.

Telus stock: The positives

Telus has a solid fibre-to-the-home buildout relative to its peers in the Big Three, which bodes well for the continued move towards 5G (the firm recently launched its 5G network in Canada's large metropolitan areas).

As a first mover with the next-gen in telecom tech, it's likely that many communities will be willing to pay up for Telus's services. The company has a track record of having a high-quality mobile network, and there's no question that the telecom could get a nice margin bump over the next year, as Canadians open up their wallets to gain access to the best network out there.

Such a 5G-related boost won't last forever, though, as Telus' competition will inevitably catch up on the 5G and fibre-to-home front in due time.

So should you buy T stock ahead of the 5G boom?

Telus remains an untimely investment at these valuations, as I think competitive forces could pressure margins, which could offset any immediate boost from next-gen telecom tech. Moreover, capital expenditures will remain high, and if Canada decides to ban Huawei equipment in Canadian wireless networks, Telus will have another thorn in its side.

If you seek a well-covered 4.8% yield and a modest amount of capital gains, Telus certainly isn't a terrible bet at these valuations.

Just don't expect Telus shares to make you rich from the recent launch of its 5G service with the limited number of 5G phones available and a [coronavirus recession](#) that could leave many Canadians connected to the last generation (LTE) of telecom tech for longer.

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