



Why Telus (TSX:T) Is a Must-Buy in Q3 2021

Description

While the big telcos flex their muscles on the 5G network rollout, Canadians eagerly wait for lightning mobile data speeds and quicker access to the internet. Competition among the **BCE**, **Rogers Communications**, and **TELUS** ([TSX:T](#))([NYSE:TU](#)) is tough, if not fierce.

The [mega-merger](#) between Rogers and **Shaw Communications** might happen soon and relegate TELUS to the number three spot. Still, if I were to [invest in a 5G stock](#), my pick is TELUS for solid earnings growth and income.

No service revenue streams yet

The telco operators would have new service revenue streams, although it could come by 2022, not earlier. According to Lawrence Surtees, vice president of communications research at IDC Canada, network development is not the same thing as market development. He adds, “True 5G service revenue streams and sophisticated use cases are still in the future, about three years away.”

Big three 5G rollouts

In Canada, Telus began its 5G network rollout in June 2020. The initial coverage was in Calgary, Edmonton, Montreal, Toronto, and Vancouver. Rogers Communications was ahead of TELUS as it launched its first 5G network as early as January 2020.

The locations are the same as TELUS, but it added dozens more plus ten last year and 2021. BCE launched the country’s largest 5G wireless network also in June 2020. It offers unprecedented mobile data speeds and a broad selection of 5G-capable smartphones.

Meanwhile, TELUS boasts that by year-end 2021, its 5G network should reach more than 600 urban and remote communities in Canada, not to mention hundreds of indigenous communities. On its website, the \$38.09 billion telco also promises faster coverage in more places than anyone else.

TELUS Executive Vice-president and CFO Darren Entwistle revealed the focus is to enhance the fiber and 5G network coverage over the next 18 months. Management adjusted its capital guidance for 2021 higher to about \$3.5 billion. The CFO looks forward to new [growth opportunities](#) that would unlock new revenue streams.

Operational and financial highlights

Entwistle said, "Our first-quarter performance (quarter ended March 31, 2021) was backed by strong digital capabilities and superior service offerings over our world-leading wireless and fiber broadband networks."

During the quarter, operating revenues and other income increased 8.9% versus Q1 2020. Net income, however, fell by 5.7%. Nonetheless, the 145,000 net additions reflect strong demand for TELUS' superior connected experiences, innovative product sets, and premium bundled offerings.

Besides the core business, the services revenue of TELUS Health went up 10%, owing to the accelerated demand for virtual care. Notably, the membership in Canada almost tripled to 2 million in the last 12 months. Management also expects **TELUS International** to sustain its strong organic customer growth.

Stock performance

BCE and Rogers Communications will put up a good fight to become dominant players in the 5G era. However, TELUS has several growth catalysts not only in Canada but in the global market. Its international businesses should benefit from a budding global economy and capitalize on available opportunities.

As of July 13, 2021, TELUS investors are up 14.10%. At \$28.11 per share, the dividend yield is 4.5%. Management increased the dividend in Q1 2021, and it isn't remote the subsequent increase could be outsized due to sustainable free cash flow.

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