CTV NEWS

Telus slashes dividend and reports Q2 loss as new CEO Victor Dodig takes the helm

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The Telus offices are seen in Ottawa on Friday, Aug. 4, 2023. THE CANADIAN PRESS/Justin Tang

Telus Corp. cut its dividend by more than half on Friday as it reported a loss in its latest quarter, signalling a new direction following a change in the company's top job.

The company reported a loss attributable to common shareholders of $1.8 billion or $1.17 per share for the quarter ended June 30. The results compared with a profit of $7 million in the same quarter last year.

It came as Telus slashed its quarterly dividend, a move it said is expected to generate around $2.7 billion in savings through 2028, which it will use to reduce its debt.

It will now pay shareholders a quarterly dividend of 18.75 cents per share, down around 55 per cent from its previous payout of 41.84 cents per share.

Telus also announced it would remove its discounted dividend reinvestment plan effective Oct. 1. The plan has allowed shareholders to use their dividends to buy Telus shares from the company at a discount to the market price.

It had previously said late last year it would begin phasing out the program in 2026, eventually removing the discount entirely by 2028.

“The macro environment has shifted and we are responding with clarity and discipline,” said Telus’ new president and CEO Victor Dodig, who marked his first earnings report with the company on Friday.

Dodig, the former chief executive of CIBC, took the helm at Telus earlier this month. He succeeded longtime CEO Darren Entwistle, who had led the company for more than 25 years.

Dodig said in a news release that the changes announced are meant to “strengthen our financial foundation, sharpen our operational focus and concentrate our resources on the opportunities where Telus is best positioned to win.”

“Our focus is on disciplined execution and ensuring maximum returns on every dollar of capital we deploy,” he said.

Meanwhile, the telecommunications giant also updated its guidance for the year, saying it now expects consolidated service revenue to be flat to negative two per cent, compared with its previous forecast of two to four per cent growth.

Telus attributed the downgrade to pressures on fixed data, Telus Digital and slower-than-anticipated growth in Telus Health.

Capital expenditures for 2026 are now expected to be approximately $2.6 billion, up from $2.3 billion, reflecting inflation and supply chain dynamics, investment toward AI data centres, along with network infrastructure upgrades.

Scotiabank analyst Maher Yaghi said the dividend cut “was necessary to restore financial flexibility,” as he called it a “weak quarter” for the company.

“The action is the right one, but the size of the guidance reduction shows it was not discretionary,” he said in a note.

“The debate now moves to execution: cost reduction, (capital expenditure) normalization, and monetization proceeds will determine whether the new framework will decisively turn around expectations.”

On an adjusted basis, Telus said it earned 16 cents per share in its latest quarter compared with an adjusted profit of 22 cents per share a year earlier.

Operating revenue and other income totalled $4.92 billion in the quarter, down from $5.08 billion a year earlier.

"In combination, the dividend reset, termination of the DRIP discount and proceeds from our monetization initiatives provide a path to achieve our leverage and free cash flow objectives," said the company's new chief financial officer Gopi Chande.

"Our commitment to reducing capital intensity, combined with a disciplined focus on operational efficiency across the business, reinforce that path further."

RBC analyst Drew McReynolds said although the dividend cut was "widely expected," it will weigh on the company's stock price.

"We believe this much anticipated 'reset' by the new management team (including a material downward revision to 2026 guidance) points to unanticipated short-term pain, which we expect to pressure the shares today," he said in a note.

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