

Capital Structure and Market Position for TELUS Communication

Executive Summary

The Executive summary presents a plan for calculating the Weighted Average Cost of Capital for TELUS. The Weighted Average Cost of Capital is also known as the WACC. TELUS is a Canadian Corporate Company which consists of providing telecommunication. The Weighted Average Cost of Capital represents the average rate that TELUS is expected to pay to be financing its assets. It also assists in as a significant, and analytic level for investment decisions. This analysis is derived from the 2021 TELUS Annual Report alongside the current market indicators as of March 20, 2026. The cost of equity is calculated using the Capital Asset Price Model. I used the present 10 years bond rate of the Government of Canada as the risk-free rate is 3.55% I estimated the Beta as 0.73. I calculated the beta by downloading the TELUS Historical Data in the previous year. I then calculated the covariance, and variance. I then divided them with each other to calculate the beta. I used 6% of market risk premium as it was instructed. The cost of equity was calculated using the formula $R_e = 3.55\% + (0.73 * 6\%) = 0.0787 = 7.93\%$. A beta of 0.73 indicates that TELUS is substantially little to no damage to the stock market. The TELUS corporation provides telecommunication services constantly regardless of the economy and the financial, and economic cycle. The cost of debt is calculated from the data derived from the 2021 TELUS Annual Reports. The Pre-tax cost of debt is 3.82%. The corporate tax rate is 25.46%. The after-tax cost of debt is 2.85%. The after-tax cost of debt is 2.85%, indicating it is less than the cost of equity which is 7.93%. This tells us that the low risk is being controlled by the debt holders and the tax shield benefit provided by the reduction of the interest. The WACC, which is the Weighted Average Cost of Capital is calculated at 5.77%. A WACC which is calculated at the range of 5-6 is usually connected to low-risk industry standards, and capital-intensive structure and all infrastructure companies in Canada.

Data from Investing and TMX

TELUS Share Price		\$18.04
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Outstanding Shares		1,561,000,000.00
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Government of Canada Bond Yield		3.55%
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Data Derived from the 2021 TELUS Report

Financing Costs Interest		\$796
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Long Term Debt	\$2,927,000+17,925,000	\$20,852 million
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Income Tax Expense		\$580
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Income Before Taxes		\$2,278
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Return on Equity

Risk-free Rate		3.55%
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Beta	0.001014/0.0013983	0.73
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Risk Premium		6%
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CAPM Return	$R_e = R_f + \beta * (R_m - R_f)$ =3.55%+(0.73*6%)	7.93%
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After-Tax Cost of Debt

Pre-Tax Cost	796/ 20,852	3.82%
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Tax Rate	580/2,278	25.46%
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After-Tax Cost	3.82*(1-0.2546)	2.85%
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Total Market Value

Equity (E)	\$18.04*1,561,000,000	\$28,160 million
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Debt (D)	\$2,927,000+17,925,000	\$20,852 million
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Market Value (V)	\$20,852+28160	\$49,012 million
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E/V	28,160/49,012	57.46%
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D/V 20,852/49,012 42.54%

WACC (57.46%*7.93%) +(42.54%*2.85%) 5.77%

Month	TELUS Price	TELUS Return (Y)	Market Return (X)	Rm	-R ^m	R ^s -R ^m	Covariance	Variance
November	\$18.34	-10.58%	-4.80%	-0.0253	-0.0818	0.0021	0.0006	er
December	\$18.09	-1.36%	2.05%	0.0432	0.0104	0.0005	0.0019	er
January	\$19.00	5.03%		-1.20%	0.0107	0.0743	0.0008	0.0001
February	\$18.70	-1.58%		-0.12%	0.0215	0.0082	0.0002	0.0005
March	\$18.04	-3.53%		-7.28%	-0.0501	-0.0113	0.0006	0.0025
Total				-0.1202	-0.1135	0.0000	0.0000	0.0056

$\bar{R}_m$	Sum of Telus Return (Y)/5	-2.27%
$\bar{R}_s$	Sum of Market Return (X)/5	-2.40%
Covariance	Sum of Covariance/4	0.001014
Variance	Sum of Variance/4	0.0013983
Beta (β)	Covariance/Variance	0.73

References

- “Canada Government Bond 10Y | 1985-2020 Data | 2021-2022 Forecast | Quote | Chart.” *Tradingeconomics.com*, tradingeconomics.com/canada/government-bond-yield.
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