



3 Reasons to Invest in Telus Corporation Today

Description

Telus Corporation ([TSX: T](#))([NYSE: TU](#)) is one of Canada's "Big 3" telecommunications companies and it has been building wealth for shareholders since its initial public offering in 1990. Even though its stock has traded in the open market for 14 years now, it still represents an incredible opportunity today, so let's take a look at the three top reasons you should initiate a long-term position today.

1. Admirable growth with tremendous upside potential

Telus has shown consistent growth over the last decade and this continued in its most recent earnings report. On August 7, the company released second-quarter results and it showed earnings per share increasing 41% to \$0.62 and revenue increasing 4.4% to \$2.95 billion.

Telus added 80,000 net new customers during the quarter and it now has approximately 7.9 million wireless subscribers, 1.4 million high-speed internet subscribers, and 865,000 television subscribers. Google estimates that Canada has a population of 35.16 million people, so there is still an immense amount of upside potential for Telus' subscriber base.

2. Dedication to the shareholder

As Telus has continued to deliver subscriber, earnings, and revenue growth, it has also continued to increase its returns to shareholders. Many companies prefer reinvesting all of their cash into their business, but Telus has found a balance of reinvesting to stimulate growth while paying out billions of dollars in dividends. Here's the total dividends paid per share by Telus since 2010, with the estimated payment in 2014.

Year	2010	2011	2012	2013	2014 (estimate)
Dividends Paid Per Share	\$1.00	\$1.1025	\$1.22	\$1.36	\$1.52

Source: Telus Corporation

In 2011, Telus stated that it planned to increase its dividend by more than 10% annually, through two

dividend increases each year in May and November, and it has delivered on this promise. The company plans to continue doing this through 2016, but I think it could easily extend this plan for several more years, supported by continued growth and free cash flow generation.

3. An inexpensive valuation

Today, Telus' stock sits about 8% below its 52-week high of \$42.40 reached back in June, yields approximately 3.9%, and trades about 17.5 times trailing 12 months earnings. A multiple of 17.5 seems fair currently, but long-term investors care more about where the stock is going than where it is today and Telus trades at just 16.5 times fiscal 2014's estimated earnings per share of \$2.37 and only 14.9 times 2016's estimated earnings per share of \$2.61.

If the stock continued to trade at a fair multiple of 17.5, shares could trade upwards of \$41 by the end of fiscal 2014 and over \$45 by the conclusion of fiscal 2015, representing healthy gains from today's levels and that is not including the added returns from reinvested dividends.

Is there a spot for Telus in your portfolio?

Telus Corporation is one of the most well run companies in Canada and its growth, dedication to shareholders, and the inexpensive valuation of its stock makes it one of the best investment opportunities in the market. Foolish investors seeking an investment in the telecommunications industry or those seeking growth paired with a high dividend should take a closer look and consider initiating long-term positions in Telus today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

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