



Will Telus Corporation Be the Top Performing Telecom Stock in 2015?

Description

Telus Corporation ([TSX: T](#))([NYSE: TU](#)), one of the three largest telecommunications companies in Canada, has been one of the market's best performing stocks in 2014, rising more than 15%, and it is well positioned to post a similar performance in 2015. Let's take a look at four of the primary catalysts that could send its shares higher and determine if you should consider initiating a long-term position today.

1. Strong earnings to support a rising stock price

Telus has shown consistent earnings growth over the last few years and this trend continued when it released third-quarter earnings on November 6. Here's a breakdown of what it accomplished compared to the same period a year ago:

- Adjusted net income increased 6% to \$387 million.
- Adjusted earnings per share increased 10.3% to \$0.64.
- Revenue increased 5.4% to \$3.03 billion.
- Operating profit increased 6.7% to \$1.96 billion.
- The operating margin expanded 80 basis points to 64.8%.
- Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 4.3% to \$1.1 billion.

In the first nine months of fiscal 2014, Telus' adjusted earnings per share increased 11.9% to \$1.88 and its revenue increased 4.9% to \$8.87 billion, putting it on track for the best financial performance in its history.

2. A growing customer base

In the third quarter, Telus added a total of 136,000 net new customer connections, which included 113,000 wireless postpaid customers, 23,000 TELUS TV subscribers, and 22,000 high-speed internet connections. In comparison to the third quarter of fiscal 2013, Telus' total wireless subscriber base has increased 2.3% to 8 million, its high-speed internet connections have increased 5.7% to 1.45 million, and its TELUS TV subscriber base has increased 14% to 888,000, showing that its services are in high

demand.

3. Inexpensive current and forward valuations

At current levels, Telus' stock trades at approximately 17.9 times fiscal 2014's estimated earnings per share of \$2.35 and approximately 16.1 times fiscal 2015's estimated earnings per share of \$2.61, both of which are inexpensive compared to the company's trailing 12 months price-to-earnings multiple of 18.8 and its long-term growth rate.

I think Telus' stock could consistently trade at a fair multiple of around 18.5, which would place shares upwards of \$48 by the conclusion of fiscal 2015, representing growth of more than 14% from current levels, and this does not include the additional returns from reinvested dividends.

4. A company that is dedicated to its shareholders

As Telus has grown its earnings and revenues, it has continued to increase its returns to shareholders, primarily in the form of dividends. Take a look at this chart of the total dividends paid per share by Telus since 2010:

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

Source: Telus Corporation

On November 6, Telus announced an 11.1% increase to its quarterly dividend to \$0.40 per share, or \$1.60 annually, giving its stock a yield of approximately 3.8% at today's levels. This marked the eighth dividend increase since the company began its Dividend Growth Program in 2011, in which it stated that it planned to increase its dividend by 10% or more annually through 2016. Telus has achieved the goals of the Dividend Growth Program thus far by increasing its dividend in May and November of each year, so I think it is safe to assume that this trend will continue in 2015.

Should you buy shares of Telus today?

Telus Corporation has been one of the market's best performing stocks in 2014 and it could rally much higher in 2015, because it has the support of strong earnings, a growing customer base, trades at inexpensive current and forward valuations, and has a bountiful 3.8% dividend that will continue to attract investors. With these four factors in mind, I think Foolish investors should take a closer look at Telus and strongly consider initiating long-term positions today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TU (TELUS)
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