



Should You Buy, Sell, or Hold Telus Corporation Today?

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)), one of the three largest telecommunication companies in Canada, announced fourth-quarter earnings on the morning of February 12, and the results surpassed analysts' expectations on both the top and bottom lines. Let's take a closer look at the results and the company's outlook on fiscal 2015 to determine if we should consider initiating long-term positions today, or if we should look elsewhere for an investment instead.

Breaking down the earnings beat

Here's a summary of Telus' fourth-quarter earnings compared to what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings per share	\$0.53	\$0.51	\$0.49
Revenue	\$3.13 billion	\$3.11 billion	\$2.95 billion

Source: *Financial Times*

Telus' earnings per share increased 8.2% and its revenue increased 6.1% compared to the fourth quarter of fiscal 2013, driven by adjusted net income increasing 8.6% to \$327 million and revenues increasing in both of its major segments, including 10.2% growth to \$1.76 billion in its Wireless segment and 1.6% growth to \$1.43 billion in its Wireline segment.

The company also noted that it attracted 135,000 net new customer connections in the fourth quarter, including 118,000 postpaid wireless customers, 28,000 television subscribers, and 22,000 high-speed Internet customers, but this growth was partially mitigated by the loss of prepaid wireless customers and network access lines.

Here's a breakdown of 10 other important statistics and updates from the report compared to the year-ago period:

1. Total wireless subscriber base increased 3.8% to 8.1 million.
2. Total high-speed Internet connections increased 5.7% to 1.48 million.
3. Total Telus TV subscribers increased 12% to 916,000.
4. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 4.4% to \$1.03 billion.
5. Adjusted EBITDA margin contracted 60 basis points to 32.8%.
6. Operating profit increased 8.8% to \$533 million.
7. Operating margin expanded 40 basis points to 17%.
8. Cash provided by operating activities increased 26.3% to \$917 million.
9. Free cash flow increased 147.8% to \$337 million.
10. Returned approximately \$345 million to shareholders during the quarter in the form of dividends and share repurchases.

Also, Telus announced that it will be maintaining its quarterly dividend of \$0.40 per share, and the next payment will come on April 1 to shareholders of record at the close of business on March 11.

Lastly, Telus provided its outlook on fiscal 2015, calling for the following results:

- Earnings per share in the range of \$2.40-\$2.60, an increase of 4%-13% from fiscal 2014.
- Revenue in the range of \$12.35 billion-\$12.55 billion, an increase of 3%-5% from fiscal 2014.
- EBITDA in the range of \$4.325 billion-\$4.5 billion, an increase of 3%-7% from fiscal 2014.

Should you buy shares of Telus today?

Telus Corporation is one of the largest telecommunications companies in Canada, and increased demand for its services led it to a better-than-expected fourth-quarter performance.

I think Telus' stock represents a great long-term investment opportunity, regardless of how it responds to the earnings release, because it trades at favorable valuations, including just 18 times fiscal 2014's adjusted earnings per share of \$2.41 and only 16.7 times analysts' estimated earnings per share of \$2.60 for fiscal 2015, both of which are inexpensive compared to the industry average price-to-earnings multiple of 19.2 and its long-term growth potential.

Also, the company pays an annual dividend of \$1.60 per share, giving its stock a bountiful 3.7% yield, and I think this makes it both a value and dividend investment play today.

With all of the information provided above in mind, I think Telus Corporation represents one of the best long-term investment opportunities in the market today, so Foolish investors should strongly consider making it a core holding.

CATEGORY

1. Investing

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1. Editor's Choice

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