



Is Telus Corporation the Top Telecom Stock to Buy Today?

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is one of the three largest telecommunications companies in Canada, and its stock has the potential to be one of the market's top performers over the next several years. Let's take a look at four of the primary reasons why you should consider buying shares today.

1. Consistent earnings growth to support a higher stock price

On February 12, Telus released very strong earnings results for its fiscal year ending on December 31, 2014, but its stock has responded by falling over 2.5% in the weeks since. Here's a breakdown of 10 of the most notable statistics from the report compared to the year-ago period:

1. Net income increased 10.1% to \$1.43 billion
2. Diluted earnings per share increased 14.9% to \$2.31
3. Operating revenues increased 5.2% to \$11.4 billion
4. Subscriber connections increased 2.9% to 13.68 million
5. Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 4.9% to \$4.22 billion
6. Operating income increased 7.5% to \$2.22 billion
7. Income before income taxes increased 8.9% to \$1.93 billion
8. Basic weighted-average equity shares outstanding decreased 3.8% to 616 million
9. Cash provided by operating activities increased 5% to \$3.41 billion
10. Free cash flow increased 0.6% to \$1.06 billion

2. A very positive outlook on fiscal 2015

In its earnings report on February 12, Telus also provided its outlook on fiscal 2015 and is calling for the following performance:

- Basic earnings per share in the range of \$2.40-2.60, an increase of 4-13% from fiscal 2014
- Operating revenues in the range of \$12.35-12.55 billion, an increase of 3-5% from fiscal 2014
- EBITDA in the range of \$4.35-4.5 billion, an increase of 3-7% from fiscal 2014

3. The stock trades at inexpensive current and forward valuations

At today's levels, Telus' stock trades at just 18.4 times fiscal 2014's diluted earnings per share of \$2.31, only 17 times its median earnings per share outlook of \$2.50 for fiscal 2015, and a mere 15.3 times analysts' estimated earnings per share of \$2.77 for fiscal 2016, all of which are inexpensive compared to the industry multiple of 21.5.

I think Telus' stock could consistently command a fair multiple of at least 18, which would place its shares upwards of \$45 by the conclusion of fiscal 2015 and upwards of \$49.75 by the conclusion of fiscal 2016, representing upside of more than 6% and 17.5%, respectively, from current levels.

4. A bountiful 3.8% dividend yield

Telus pays a quarterly dividend of \$0.40 per share, or \$1.60 per share annually, which gives its stock a bountiful 3.8% yield at current levels. Also, the company has increased its dividend 15 times since 2004, showing that it is deeply dedicated to maximizing shareholder returns, and its consistent free cash flow could allow for another increase in fiscal 2015.

Is now the time to buy Telus?

Telus Corporation represents one of the best long-term investment opportunities in the market today. It has the support of consistent earnings growth; its outlook on fiscal 2015 is very positive; its stock trades at inexpensive valuations; and because it has a 3.8% dividend yield. All long-term investors should take a closer look and strongly consider initiating positions.

CATEGORY

1. Dividend Stocks
2. Investing

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