Should Telus Corporation Be Atop Your Long-Term Buy List?

Description

Telus Corporation (TSX:T)(NYSE:TU), one of the three largest telecommunication companies in Canada, announced first-quarter earnings results on the morning of May 7, and its stock has responded by making a slight move to the upside. Let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should wait for a better entry point in the trading sessions ahead.

Subscriber growth leads to satisfactory first-quarter results

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

Metric	**Reported**	**Expected**	**Year-Ago**
Adjusted Earnings Per Share	$0.70	$0.66	$0.62
Operating Revenues	$3.03 billion	$3.03 billion	$2.90 billion

Source: Financial Times

Telus' adjusted earnings per share increased 12.9% and its operating revenues increased 4.6% compared with the first quarter of fiscal 2014. The company's double-digit percentage increase in earnings per share can be attributed to its adjusted net income increasing 11.5% to $427 million, which was helped by its operating expenses before depreciation and amortization increasing just 4.1% to $1.89 billion, and its weighted average number of common shares outstanding decreasing 2.3% to 608 million.

Its strong revenue growth can be attributed to the company adding 81,000 new wireless postpaid, TV, and high-speed Internet subscribers compared with the year-ago period, leading to revenues increasing 7.5% to $1.67 billion in its Wireless segment and 1.2% to $1.36 billion in its Wireline segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Total customer connections increased 2.5% to 13.87 million
2. Wireless subscribers increased 3.1% to 8.3 million
3. High-speed Internet connections increased 5.8% to 1.5 million
4. TV subscribers increased 11% to 937,000
5. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 6.2% to $1.15 billion
6. Operating income increased 10.6% to $679 million
7. Income before income taxes increased 9.8% to $562 million
8. Cash provided by operating activities increased 20.1% to $718 million
9. Free cash flow decreased 6.9% to $271 million
10. Return on common equity improved 170 basis points to 18.5%

Telus also announced a 10.5% increase to its quarterly dividend to $0.42 per share, and the next payment will come on July 2 to shareholders of record at the close of business on June 10.

Is now the time to buy shares of Telus?

It was a great quarter for Telus, so I think its stock has responded correctly by moving higher. However, I think there is still plenty of room to the upside for the stock.

First, Telus' stock trades at just 16.9 times its median earnings per share outlook of $2.50 for fiscal 2015 and only 15.3 times analysts' estimated earnings per share of $2.75 for fiscal 2016, both of which are very inexpensive compared with the industry average price-to-earnings multiple of 22.2.

Second, Telus now pays an annual dividend of $1.68 per share, giving its stock a very high 4% yield at current levels. The company has also increased its dividend nine times since announcing its multi-year dividend-growth program in May of 2011, and this shows that it is strongly dedicated to maximizing the amount of capital it returns to shareholders.

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. Foolish investors should take a closer look and strongly consider making it a core holding.

CATEGORY

1. Dividend Stocks
2. Investing

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Date

2025/08/27
Date Created
2015/05/08
Author
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