



3 Reasons Why Telus Corporation Should Be One of Your Core Holdings

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)), one of the three largest telecommunications companies in Canada, has watched its stock remain relatively flat in 2015, but it has the potential to be one of the market's top performers in both the short and long term. Let's take a look at three of the primary reasons why this could happen and why you should consider making it a core holding in your portfolio today.

1. Strong first-quarter earnings to support a near-term rally

Telus announced very strong first-quarter earnings results before the market opened on May 7, but its stock has remained relatively unchanged in the trading sessions since. Here's a breakdown of 10 of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 11.5% to \$427 million
2. Adjusted earnings per share increased 12.9% to \$0.70
3. Operating revenues increased 4.6%% to \$3.03 billion
4. Revenues increased 7.5% to \$1.67 billion in its Wireless segment
5. Revenues increased 1.2% to \$1.36 billion in its Wireline segment
6. Total customer connections increased 2.5% to 13.87 million
7. Adjusted earnings before interest, taxes, depreciation, and amortization increased 6.2% to \$1.15 billion
8. Operating income increased 10.6% to \$679 million
9. Cash provided by operating activities increased 20.1% to \$718 million
10. Free cash flow decreased 6.9% to \$271 million

2. The stock trades at inexpensive forward valuations

At today's levels Telus' stock trades at just 16.8 times its median earnings per share outlook of \$2.50 for fiscal 2015 and only 15 times analysts' estimated earnings per share of \$2.79 for fiscal 2016, both of which are inexpensive compared with its long-term growth rate.

I think Telus' stock could consistently command a fair multiple of at least 18, which would place its

shares around \$45 by the conclusion of fiscal 2015 and upwards of \$50 by the conclusion of fiscal 2016, representing upside of more than 7% and 19%, respectively, from current levels.

3. A dedication to maximizing shareholder returns

Telus pays a quarterly dividend of \$0.42 per share, or \$1.68 per share annually, giving its stock a 4% yield at today's levels. The company has also increased its dividend nine times since announcing its multi-year dividend growth program in May of 2011, showing that it is strongly dedicated to maximizing the amount of capital it returns to shareholders.

Is there a place for Telus in your portfolio?

I think Telus Corporation represents one of the best short-term and long-term investment opportunities in the market today. It has the support of very strong first-quarter earnings results, its stock trades at inexpensive forward valuations, and it has a 4% dividend yield with an extensive track record of increasing its payout.

With of all the information provided above in mind, I think all Foolish investors should take a closer look and strongly consider making Telus a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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1. Editor's Choice

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