



3 Reasons Why Telus Corporation Is a Strong Buy Today

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)), one of the three largest telecommunications companies in Canada, has widely outperformed the overall market in 2015, rising just over 3% as the TSX Composite Index has fallen over 5%, and I think it could continue doing so for the next several years. Let's take a look at three of the primary factors that could send its shares higher in both the short and long term, so you can decide if it should become a core holding in your portfolio.

1. Its strong financial performance could support a higher stock price

On the morning of August 7, Telus announced very strong earnings results for its three and six-month periods ending on June 30, 2015, but its stock has fallen over 3.5% in the weeks since, primarily due to the downturn in the market.

Here's a summary of 10 of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income increased 8.2% to \$833 million
2. Adjusted earnings per share increased 10.5% to \$1.37
3. Operating revenues increased 4.9% to \$6.13 billion
4. Revenues increased 7.4% to \$3.42 billion in its wireless segment
5. Revenues increased 1.8% to \$2.82 billion in its wireline segment
6. Total subscriber connections increased 2.5% to 13.94 million
7. Adjusted earnings before interest, taxes, depreciation, and amortization increased 5.6% to \$2.29 billion
8. Operating income increased 4.3% to \$1.3 billion
9. Cash provided by operating activities increased 14.3% to \$1.66 billion
10. Free cash flow increased 14% to \$571 million

2. Its stock trades at inexpensive forward valuations

At today's levels, Telus's stock trades at just 17.5 times fiscal 2015's estimated earnings per share of \$2.47 and only 15.7 times fiscal 2016's estimated earnings per share of \$2.76, both of which are

inexpensive compared with the industry average price-to-earnings multiple of 20.1.

I think Telus's stock could consistently command a fair multiple of at least 18.5, which would place its shares upwards of \$45.50 by the conclusion of fiscal 2015 and upwards of \$51 by the conclusion of fiscal 2016, representing upside of more than 5% and 18%, respectively, from current levels.

3. It has a 3.9% dividend yield with a dividend-growth program in place

Telus pays a quarterly dividend of \$0.42 per share, or \$1.68 per share annually, which gives its stock a 3.9% yield at today's levels. The company has also increased its dividend nine times since announcing its multi-year dividend-growth program in May 2011, and it expects to increase it by another 10% annually through 2016.

Should you buy shares of Telus today?

I think Telus Corporation represents one of the best short-term and long-term investment opportunities in the market today. Its strong financial results in the first half could support a rally, its stock trades at inexpensive forward valuations, and it is dividend-growth play. Foolish investors should strongly consider making it a core holding.

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1. Dividend Stocks
2. Investing
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