



## Telus Corporation Shares Fall 4% Despite Solid Q3 Results: Should You Buy on the Dip?

### Description

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), one of the largest telecommunication companies in Canada, announced third-quarter earnings results that satisfied analysts' expectations before the market opened on November 5, but its stock responded by falling over 4%. Let's take a closer look at the results to determine if this weakness represents a long-term buying opportunity or a sign of things to come.

### Strong subscriber growth leads to top- and bottom-line gains

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

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted Earnings Per Share	\$0.66	\$0.64	\$0.64
Operating Revenues	\$3.16 billion	\$3.16 billion	\$3.03 billion

Source: *Financial Times*

Telus's adjusted earnings per share increased 3.1% and its operating revenues increased 4.2% compared with the third quarter of fiscal 2014. Its slight earnings-per-share growth can be attributed to its adjusted net income increasing 2.8% to \$398 million and its weighted-average number of common shares outstanding decreasing 2% to 601 million.

Its strong revenue growth can be attributed to its wireless subscriber base increasing 2.8% to 8.42 million and its wireline subscriber base increasing 1.3% to 5.61 million, which led to its revenues increasing 5.1% to \$1.78 billion in its Telus Wireless segment and 3% to \$1.43 billion in its Telus Wireline segment.

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

1. Total customer connections increased 2.2% to 14.03 million
2. High-speed Internet subscribers increased 6.3% to 1.54 million
3. TV subscribers increased 10.4% to 980,000
4. Network access lines decreased 3.5% to 3.08 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 2.2% to \$1.12 billion
6. Adjusted EBITDA margin contracted 70 basis points to 35.5%
7. Blended average revenue per user (ARPU) increased 1.1% to \$64.22 in its Telus Wireless segment
8. Free cash flow increased 41.6% to \$310 million

Telus also announced a 4.8% increase to its quarterly dividend to \$0.44 per share, and it will be paid out on January 4 to shareholders of record at the close of business on December 11.

### **Should you buy shares of Telus on the dip?**

It was a solid quarter overall for Telus, and its dividend increase was a major positive, so I think its stock should have reacted by moving higher. With this being said, I think the 4% drop represents nothing more than a long-term buying opportunity, especially because the stock now trades at even more attractive forward valuations and because it is a high dividend and dividend-growth play.

First, Telus's stock now trades at just 16.8 times fiscal 2015's estimated earnings per share of \$2.50 and only 15.2 times fiscal 2016's estimated earnings per share of \$2.75, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 17 and its industry average multiple of 19.9.

With the average multiples and its 9% long-term growth rate in mind, I think Telus's stock could consistently trade at a fair multiple of at least 18, which would place its shares around \$49.50 by the conclusion of fiscal 2016, representing upside of more than 18% from today's levels.

Second, Telus now pays an annual dividend of \$1.76 per share, which gives its stock a 4.2% yield, and this is significantly higher than the industry average yield of 2.6%. It is also very important for investors to note that it has raised its dividend for 11 consecutive years, and it has a dividend-growth program in place to grow its dividend by another 10% in 2016, making it one of the market's top dividend-growth plays.

With all of the information provided above in mind, I think Telus Corporation represents one of the best investment opportunities in the market today. All Foolish investors should strongly consider initiating long-term positions.

### **CATEGORY**

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

### Category

1. Dividend Stocks
2. Investing

### Date

2025/08/25

### Date Created

2015/11/06

### Author

jsolitro

default watermark

default watermark