



3 Reasons to Buy Telus Corporation Right Now

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)), one of the three largest telecommunications companies in Canada, has watched its stock post a disappointing performance so far in 2015, but it has the potential to head significantly higher in both the short and long term. Let's take a look at three of the primary reasons why I think the stock will head higher and why you should be a buyer today.

1. Its strong financial performance could support a rally

On November 5, Telus announced very strong earnings results for its three- and nine-month periods ending on September 30, 2015, but its stock has responded by falling over 4% in the weeks since. Here's a summary of 10 of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 6.3% to \$1.23 billion
2. Adjusted earnings per share increased 8% to \$2.03
3. Operating revenues increased 4.6% to \$9.29 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 4.5% to \$3.41 billion
5. Operating income increased 2.4% to \$1.89 billion
6. Cash provided by operating activities increased 7.6% to \$2.68 billion
7. Free cash flow increased 22.4% to \$881 million
8. Total customer connections increased 2.2% to 14.03 million
9. Total wireless subscribers increased 2.8% to 8.42 million
10. Total wireline subscribers increased 1.3% to 5.61 million

2. Its stock trades at very attractive forward valuations

At today's levels, Telus's stock trades at 17.3 times fiscal 2015's estimated earnings per share of \$2.42 and 15.2 times fiscal 2016's estimated earnings per share of \$2.74, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 17.7 and the industry average multiple of 19.6, and the latter of which is inexpensive compared with its five-year average multiple of 17.2.

With its average multiples above in mind, I think Telus's stock could consistently trade at a fair multiple of at least 18, which would place its shares upwards of \$49 by the conclusion of fiscal 2016, representing upside of more than 17% from current levels.

3. It has a high dividend and is a dividend-growth play

Telus pays a quarterly dividend of \$0.44 per share, or \$1.76 per share annually, giving its stock a 4.2% yield. It is also very important to note that the company has raised its dividend for 11 consecutive years, and it has a program in place to grow the dividend by another 10% annually through 2016, and I think it will announce a new dividend-growth program as soon as this one expires.

Does Telus belong in your portfolio?

Telus has the potential to be one of the market's top performing stocks going forward, so all Foolish investors should strongly consider establishing positions today.

CATEGORY

1. Dividend Stocks
2. Investing

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