Telus Corporation Is Priced at Levels it Hasn't Seen Since 2013

Description

In the summer of 2013 when **Verizon Communications Inc.** was threatening to enter the Canadian market, **Telus Corporation** (TSX:T)(NYSE:TU), along with the other big two telecoms, fell in price. Telus's price fell about 10%. Verizon didn't end up entering the market. It turned out to be a great opportunity to scoop up some Telus shares.

This time, **Shaw Communications Inc.** is buying Wind Mobile (subject to approval). This news brought Telus's shares down again. Let's not forget that Telus already faces competition from **BCE Inc.** and **Rogers Communications Inc.** The company is used to competition.

Valuation

Interestingly, at $39, Telus is priced at a multiple of 15.3. This is essentially the same valuation that it traded at in the summer of 2013 when it traded around a multiple of 15.4 at just under $31.

Telus is considered to be fairly valued with a slight discount of about 7%. The shares are inexpensive, and this is an uncommon opportunity to grab Telus shares for a 4.5% yield.

Dividend

In 2013 Telus's annual payout was $1.36 per share. Its annual payout has increased 23.5% to $1.68 per share since then. This implies an annual increase of 11.1%.

When was the last time you got an 11% raise from your job?

Telus's payout ratio was 63% in 2013 and it is currently under 70%. Telus targets a payout-ratio range of 65-75%, so it should at least maintain its 4.5% yield.

Telus is committed to increasing dividends as it has done for 11 consecutive years. In fact, the telecom already stated on its website that it aims to increase dividends by about 10% in 2016.

The business remains strong

Telus claims to be the fastest-growing Canadian telecommunications company. It has 8.4 million wireless subscribers, 3.1 million wireline network access lines, 1.5 million Internet subscribers, and 980,000 Telus TV customers.

Telus's annual revenue is around $12.4 billion, of which, 56% comes from wireless, 30% comes from wireline data, and 15% comes from wireline voice and other.

Conclusion

Telus is a valuable brand and continues to be a well-run company. In the summer of 2013 at under $31, Telus yielded 4.4%. Today Telus yields 4.5%. Even if the dividend grows at a more conservative rate of 8% instead of 10%, investors can still expect returns of 12.5% from an investment today. As such, Telus is a good, quality investment today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TU (TELUS)
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kayng