



## Telus Corporation Falls Short of Q4 Estimates: What Should You Do Now?

### Description

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), one of the largest telecommunication companies in Canada, announced weaker-than-expected fourth-quarter earnings results on the morning of February 11, and its stock has responded by moving lower.

Let's take a closer look at the quarterly results, an important announcement made by the company, and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity or if we should wait for an even better entry point in the trading sessions ahead.

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

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

| Metric                      | Q4 2015 Actual | Q4 2015 Expected | Q4 2014 Actual |
|-----------------------------|----------------|------------------|----------------|
| Adjusted Earnings Per Share | \$0.54         | \$0.55           | \$0.53         |
| Operating Revenues          | \$3.22 billion | \$3.25 billion   | \$3.13 billion |

Source: *Financial Times*

Telus's adjusted earnings per share increased 1.9% and its operating revenues increased 2.8% compared with the fourth quarter of fiscal 2014. Its slight earnings-per-share growth can be attributed to its weighted-average number of shares outstanding decreasing 2.1% to 598 million, which more than offset its 1.2% decline in adjusted net income to \$324 million.

Its strong growth in operating revenue can be attributed to growth in both of its major segments, including 1.7% growth to \$1.79 billion in its Telus Wireless segment and 4.3% growth to \$1.49 billion in its Telus Wireline segment.

The slight growth in its wireless segment can be attributed to its total number of subscribers increasing 2.1% to 8.46 million and its average revenue per user increasing 0.6% to \$63.74, while the strong

growth in its wireline segment can be attributed to its total subscribers increasing 2.3% to 4.04 million and its data service revenues increasing 8.8% to \$991 million.

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

1. Total customer connections increased 2.2% to 12.5 million
2. High-speed Internet subscribers increased 6.2% to 1.57 million
3. TV subscribers increased 9.7% to 1.01 million
4. Network access lines decreased 5.7% to 1.47 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization increased 4.9% to \$1.08 billion
6. Free cash flow decreased 41.5% to \$197 million

### **Dividends? Yes, please**

Telus also announced that it will be maintaining its quarterly dividend of \$0.44 per share, and the next payment will come on April 1 to shareholders of record at the close of business on March 11.

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

It was a decent quarter overall for Telus, but the results did fall short of analysts' expectations, so I think the weakness in its stock is warranted. With this being said, I also think the decline represents a great long-term buying opportunity for two reasons in particular.

First, its stock is undervalued. It now trades at just 15.1 times fiscal 2015's adjusted earnings per share of \$2.58 and only 14.5 times fiscal 2016's estimated earnings per share of \$2.70, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.3 and the industry average multiple of 22.8.

With the multiples above and its estimated 6.4% long-term earnings growth rate in mind, I think Telus's stock could consistently trade at a fair multiple of at least 17, which would place its shares around \$46 by the conclusion of fiscal 2016, representing upside of more than 17% from today's levels.

Second, it has a great dividend. Telus pays an annual dividend of \$1.76 per share, which gives its stock a yield of about 4.5%. Investors must also note that the company has raised its annual dividend payment for 12 consecutive years, and it is currently on pace for 2016 to mark the 13th consecutive year with an increase.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Telus's stock to begin scaling in to long-term positions.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Tech Stocks

### **TICKERS GLOBAL**

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

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