It Would Be Unwise to Ignore Telus Corporation

Description

One of the problems with the markets today is that investors and analysts are focused on the quarter-to-quarter results. If a company doesn't have a pristine quarter, its stock gets hit hard. The company could be one of the best in the market, but because of one less-than-stellar quarter, it gets hit.

This has happened to **Telus Corporation** (TSX:T)(NYSE:TU). I believe the recent drop in price is unwarranted and presents an incredibly lucrative opportunity for investors. In my eyes, you'd be unwise to ignore this stock.

For context, analysts had been expecting the company to earn adjusted earnings per share of $0.55 in the Q4 2015. Instead, it earned $0.54. Its operating revenues were $3.22 billion whereas analysts expected $3.25 billion. The thing is, the company increased its adjusted earnings per share by 1.9% year over year, and its operating revenue increased 2.8%. But because it missed analysts' expectations, the stock tumbled.

Investors should be thinking about the long term and the fact that Telus is an incredible company. Here are a few reasons why you should consider buying this stock.

Telus is increasing the number of subscribers. Its wireless segment increased by 2.1% to 8.46 million subscribers. Its landline division increased its subscribers by 2.3% to 4.04 million. Finally, its TV subscribers increased by 9.7% to cross over to 1.01 million.

But even better, the company continues to increase its revenue per user. For example, its average revenue per user in its wireless business increased by 0.6%. That's not an anomaly either. For 19 years straight, it has increased the average revenue per user. This is a sign that customers value what Telus is selling them, which is tremendously significant considering that everyone hates their cable company.

The final reason why you should consider buying this stock is because the yield is incredible. At current prices the company pays a 4.59% yield, which is $0.44 per share. The lower the stock price goes, the higher the yield. The good news is, the company can more than afford to pay that yield, so it has no plans to cut it.

It doesn’t stop there, though … In the spring of 2013 the company initiated a $2.5 billion plan to purchase its shares back from investors. If a company decreases the number of outstanding shares, the earnings per share goes up. In fiscal 2014 it bought 15.8 million shares at $612 million. In fiscal 2015 it purchased 15.6 million shares for $635 million. I expect the company will purchase up to 16 million shares in 2016. These are big chunks of the company that increase the value of the stock for investors.

All told, investors have been looking at one bad quarter and dumping their shares of this stock. I, on the other hand, believe in buying amazing companies when the markets are treating them poorly. Telus Corporation is seeing growth in all of its sectors, its average revenue per user is growing, and between stock buybacks and its lucrative yield, investors are being rewarded.

Don’t be unwise; buy Telus.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2016/02/17
Author
jaycodon