



Why Telus Corporation Is up 2% Today

Description

Telus Corporation ([TSX:T](#))([NYSE:TU](#)), Canada's third-largest and fastest-growing telecommunications company, announced its second-quarter earnings results this morning, and its stock has responded by rising about 2%. Let's break down the quarterly results and the fundamentals of its stock to determine if we should consider buying into this rally or if we should wait for a better entry point in the trading sessions ahead.

The results that ignited the rally

Here's a summary of the most notable statistics from Telus's three-month period ended on June 30, 2016, compared with what analysts had expected and its results in the same period in 2015:

Metric	Q2 2016 Actual	Q2 2016 Expected	Q2 2015 Actual
Revenues	\$3.15 billion	\$3.19 billion	\$3.10 billion
Adjusted Earnings Per Share	\$0.70	\$0.69	\$0.66

Source: Thomson Reuters

Telus's revenues increased 1.5% and its adjusted earnings per share increased 6.1% compared with the second quarter of 2015.

Its slight revenue growth can be attributed to growth in both of its operating segments, including a 1.8% increase to \$1.77 billion in its Wireless segment and a 1.3% increase to \$1.44 billion in its Wireline segment. The growth in its Wireless segment was driven by its subscriber base increasing 0.9% to 8.43 million and its blended average revenue per user increasing 1.3% to \$63.73 per month, and the growth in its Wireline segment was driven by its subscriber base increasing 1.9% to 4.07 million.

Its strong earnings-per-share growth can be attributed to its aforementioned revenue growth paired with its total operating expenses decreasing 1.1% to \$2.46 billion, and these results were amplified by its weighted-average number of diluted shares outstanding decreasing 2% to 594 million as a result of

its share-repurchase program.

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

1. Total subscriber connections increased 1.2% to 12.49 million
2. High-speed internet subscribers increased 6.4% to 1.62 million
3. TV subscribers increased 7.9% to 1.03 million
4. Residential network access lines decreased 6.3% to 1.42 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization increased 4.3% to \$1.19 billion
6. Free cash flow decreased 58% to \$126 million

Dividend? Yes, please!

Telus also announced that it would be maintaining its quarterly dividend of \$0.46 per share, and the next payment will come on October 3 to shareholders of record at the close of business on September 9.

Should you be a long-term buyer of Telus today?

The second quarter was a great success for Telus, so I think the market has responded correctly by sending its stock higher. I also think it will continue higher from here and that it represents a great long-term investment opportunity for two fundamental reasons.

First, it still trades at very attractive valuations. Telus's stock still trades at just 16.4 times fiscal 2016's estimated earnings per share of \$2.66 and only 15.9 times fiscal 2017's estimated earnings per share of \$2.75, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.6.

These multiples are also inexpensive given its estimated 6.8% long-term earnings-growth rate. With these statistics and the strength and stability of its business model in mind, I think its stock could consistently and safely trade at a multiple of about 18.

Second, it has one of the best dividends you will find. Telus pays a quarterly dividend of \$0.46 per share, representing \$1.84 per share on an annualized basis, which gives its stock a high yield of about 4.2%, and this yield is easily supported by its cash flows.

Investors must also note that its three dividend hikes since the start of 2015 have it on pace for 2016 to mark the 13th consecutive year in which it has raised its annual dividend payment and it has a dividend-growth target of 7-10% annually through 2019, making it both a high-dividend and dividend-growth play.

With all of the information provided above in mind, I think all Foolish investors should strongly consider making Telus a core holding for the long term.

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