Telus Corporation Just Reached an All-Time High: Should You Be Selling?

Description

Telus Corporation (TSX:T)(NYSE:TU) made a new 52-week high of $46.29 on June 16, which was also an all-time high for the company's common shares.

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Entering today's trading, Telus shares could be had for $45.35 — not very far off that mark.

Many investors will interpret a stock reaching a new 52-week high to mean that it's more than likely the next move will be down, according to "Gambler's Fallacy" or the "Law of Mean Reversion."

But is it really that simple?

Looking deeper into Telus's performance

Telus shares have risen 24% over the past 18 months largely because the company is outperforming rivals **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Rogers Communications Inc.** (TSE:RCI.B)(NYSE:RCI).

Amid the threats of cord cutting and price competition on wireless rates, BCE and Rogers have struggled to grow the top line.

BCE's sales were virtually flat last year, up just 1%, while Rogers did slightly better, bringing in 2% more revenue than it did in 2015.

Telus, meanwhile, generated 3.3% sales growth in the most recent quarter and is forecast to grow another 3.4% and 3.1%, respectively, over the next two years.

The company has been successful in translating this revenue growth into profits as well; it reported $0.56 EPS in Q1 and beat analyst estimates by 5.7%.

Do Telus shares still offer value?

Telus shares trade at a forward P/E of 15.5 times.

This gives the company's shares a slight edge against peers BCE and Rogers, which, respectively, trade at 16.7 and 17.7 times.

However, we can gain even more insight on whether Telus is a buy, sell, or hold by comparing Telus shares today to the valuation the market has given it historically.

Looking back on historical data, Telus has typically traded at a P/E of between 11 and 18 times.

So, while Telus isn't exactly a bargain at 15.5 times next year's earnings, there may still be room for shares to move higher.

What about the dividend?

Given that Telus as a telecom company and operates with utility-like qualities, we can also expect that a fair number of the current shareholders own Telus primarily for the dividend yield.

With that in mind, it's wise to review the dividend yield Telus has historically traded at in the market.

Telus has historically traded with a dividend yield of between 3.5% and 6%. Today's dividend yield of 4.22% is closer to the mid-point of that range, confirming our analysis of the price-to-earnings ratio and telling us that Telus shares haven't quite reached the point where we need to be thinking about selling.

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Conclusion

Keeping the theories of "Mean Reversion" and "Gambler's Fallacy" front of mind can serve as useful tools for investors by helping to keep their emotions in check.

After all, the real lesson from "Gambler's Fallacy" is to avoid upping your ante after a large lot has been won, emotionally reasoning that the "run" has no end in sight.

Meanwhile, it's important to keep in mind that these simple heuristics have no economic relationship to a company's share price. Having *sustainable success* in the stock market is a lot more complex than "buying low and selling high."

Investors holding Telus shares need not worry that a collapse in the company's share price is imminent and may want to continue to hold until circumstances dictate, unless they find that there is a better opportunity to put their money to use elsewhere.

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