



## Why Telus Corporation Is Down Over 1%

### 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 falling over 1% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if this decline represents a long-term buying opportunity or if we should wait for an even better entry point in the trading sessions ahead.

### Breaking down the Q2 results

Here's a quick breakdown of eight of the most notable statistics from Telus's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Operating revenues	\$3,273 million	\$3,148 million	3.9%
Adjusted EBITDA	\$1,230 million	\$1,188 million	3.6%
Adjusted EBITDA margin	37.6%	38%	(40 basis points)
Adjusted net income	\$404 million	\$415 million	(2.7%)
Adjusted basic earnings per share (EPS)	\$0.68	\$0.70	(2.9%)
Cash provided by operating activities	\$1,126 million	\$892 million	26.2%
Free cash flow	\$260 million	\$126 million	106.3%
Total subscriber connections	12.81 million	12.494 million	2.5%

### What should you do with Telus now?

It was a solid quarter overall for Telus, despite the slight drop in earnings, and it capped off a quality first half of the year for the company. Its operating revenues increased 3.4% to \$6.47 billion, its

adjusted EBITDA increased 5% to \$2.5 billion, its adjusted EPS increased 2.2% to \$1.42, and its free cash flow increased 103.8% to \$477 million. However, the second-quarter results came in mixed compared with the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted EPS of \$0.70 on operating revenues of \$3.26 billion, so I think that is what's causing the weakness in its stock today.

With all of this being said, I think the decline represents a very attractive entry point for long-term investors for two fundamental reasons.

First, it's undervalued. Telus's stock now trades at just 16.4 times fiscal 2017's estimated EPS of \$2.73 and only 15.5 times fiscal 2018's estimated EPS of \$2.88, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 18.4. These multiples are also inexpensive given its estimated 4.7% long-term earnings-growth rate.

Second, it has one of the best dividends in the market. Telus currently pays a quarterly dividend of \$0.4925 per share, equal to \$1.97 per share annually, which gives it a lavish 4.4% yield. The company is also on pace for 2017 to mark the 14th consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth program in place that calls for annual growth of 7-10% through 2019, which makes it both a high-yield and dividend-growth play today.

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

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