



## Is Telus Corporation a Buy Following its Strong Q4 Performance?

### Description

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), Canada's third-largest and fastest-growing telecommunications company, announced its fourth-quarter earnings results on Thursday morning, and its stock started the day by slowly moving higher before ending the day down just over 0.6%. Let's break down the quarterly results and the fundamentals of its stock to determine if we should be buyers of the stock today.

### A very strong quarterly performance

Here's a quick breakdown of 10 of the most notable statistics from Telus's three-month period ended on December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Wireless revenues	\$1,982 million	\$1,856 million	6.8%
Wireline revenues	\$1,546 million	\$1,515 million	2.0%
Total revenues	\$3,467 million	\$3,305 million	4.9%
Adjusted EBITDA	\$1,164 million	\$1,110 million	4.7%
Adjusted EBITDA margin	33.8%	33.7%	10 basis points
Adjusted net income	\$328 million	\$316 million	3.8%
Adjusted basic earnings per share (EPS)	\$0.55	\$0.53	3.8%
Cash provided by operating activities	\$979 million	\$732 million	33.7%
Free cash flow (use)	\$274 million	(\$191 million)	N.M.
Total subscriber connections	13.05 million	12.673 million	3.0%

### Introducing its 2018 outlook

In the press release, Telus also introduced its outlook on 2018; here's a breakdown of what it expects to accomplish:

Metric	2017 results	2018 targets	Growth
Revenues	\$13,304 million	\$13,835 million to \$14,100 million	4-6%
Adjusted EBITDA	\$4,891 million	\$5,105 million to \$5,230 million	4-7%
Basic EPS	\$2.46	\$2.53 to \$2.68	3-9%
Free cash flow	\$966 million	Up to \$1.4 billion	Up to 45%

### Should you buy Telus today?

It was a great quarter overall for Telus, highlighted by "robust customer growth," and it capped off a solid year for the company, in which its total operating revenues increased 3.9% to \$13.3 billion, its adjusted EBITDA increased 3.8% to \$4.89 billion, and its adjusted basic EPS increased 1.9% to \$2.63 compared with 2016; with these strong results and its positive outlook on 2018 in mind, I think its stock should have responded by soaring, but I think weakness in the overall market is what held it back.

Looking beyond its quarterly and annual performance in 2017, I think Telus's stock represents a very attractive investment opportunity for two fundamental reasons.

First, it's undervalued. Telus's stock currently trades at just 17.1 times fiscal 2017's adjusted EPS of \$2.63 and only 15.8 times the consensus analyst estimate of \$2.84 for fiscal 2018, both of which are inexpensive compared with its five-year average multiple of 18.9; these multiples are also inexpensive given its [long-term growth](#) potential.

Second, it has one of the best dividends around. Telus currently pays a quarterly dividend of \$0.505 per share, representing \$2.02 per share annually, which gives it a 4.5% yield. It's also important to note that the telecom giant's [recent dividend hikes](#) have it on track for 2018 to mark the 15th straight year in which it has raised its annual dividend payment, and that it has a dividend-growth program in place that calls for annual growth of 7-10% through 2019, making it one of my favourite dividend stocks in the market today.

With all of the information above in mind, I think all Foolish investors should strongly consider initiating long-term positions in Telus today.

### CATEGORY

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