Telus Corporation (TSX:T): The Perfect Time to Buy?

Description

Telus Corporation (TSX:T)(NYSE:TU) is a Canadian staple. Not only is the name a core holding in the portfolios of many conservative income-oriented investors, but a ton of Canadian mutual funds and ETFs own the name, and it's not hard to see why — the telecom titan has clocked in astounding total returns since emerging from the depths of the last recession.

While Telus has delivered top-notch results in the past, it's important to remember that little piece of advice that's described in fine print on almost every mutual fund or ETF's performance page: past returns are no guarantee of future results.

While Telus is still a top-tier telecom that'll continue to reward shareholders with frequent and generous dividend hikes, it's important to remember that the industry environment that lies ahead is nowhere near as accommodating as the one that's in the rear-view mirror.

The bear case for Telus

We're no longer in a rock-bottom interest rate environment, and with subtle inflationary pressures that may suggest that the Bank of Canada is moving on with rate hikes despite a potentially more dovish stance taken by the federal government, Telus and the rest of the Canadian telecoms could be ready to face a bit of pressure.

Future cash flows may not be worth as much, while borrowing costs to finance the rollout of next-generation telecom tech inch higher. That doesn't bode very well for Telus, especially when you consider **Shaw Communications** will be breathing down its neck, not only in the Fibre internet business, but also in the wireless space.

It's a more competitive landscape, a pricier one to "keep up with the Joneses," which may not be to the liking of investors who've come to expect double-digit annualized total returns. Looking to the future, price wars may be a dampener on bottom-line growth, but on the bright side, Telus does have a reputation for besting its competition, which could bode well for the firm as it enters the next era in the Canadian telecom space.

Telus knows how to deliver the best performance in its markets of interest, as is evidenced by the firm's winning of the "fastest Canadian mobile network" title by PCMag. Telus has also delivered top-notch customer service that has put its peers to shame over the past decade. That focus on customer service has left Canadians with a warm and fuzzy feeling, and despite the falling switching costs and rising competitive forces, I do see a bit of a moat around Telus's subscriber-base.

The bull case for Telus

As worries about a recession strike the broader markets again, Telus may be a go-to buy despite the less favourable industry environment. At this juncture, it appears that some investors believe a recession is imminent, rates will return to zero, and Telus' steady cash flow stream will allow the name to hold up well moving forward.

At the time of writing, the stock trades at 16.4 times forward earnings, 2.8 times book, and an 8.6 EV/EBITDA. After the recent 5% pullback, shares aren't too expensive, but they're not a steal either. The 4.66% dividend yield may be appealing to some, but unless your portfolio lacks defensive positions, I'd take a raincheck on Telus, as there are better opportunities out there.

Foolish takeaway

Should Telus fall back to around $45 in the coming weeks, only then would I recommend pulling the trigger on shares. You'll have a dividend that's closer to 5% and a slightly wider margin of safety. For now, however, just keep the name on your radar and be ready to pounce when the time finally comes.

Stay hungry. Stay Foolish.

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