



Buy This Cheap Canadian Telecom Stock Now to Take Advantage of its Global Momentum

Description

When Canadians think about the telecommunications industry in Canada, they focus on two or three dominant industry players with sprawling domestic operations but no avenues to harness global growth, especially in some of the fastest-growing regions of Asia.

I am going to explain how one of these great Canadian telecommunications giants actually has big “under-the-radar” growth happening in Asia right now. So, without creating too much suspense, I’ll spill the beans. It is **Telus** ([TSX:T](#))([NYSE:TU](#)).

My regular readers will remember that I discussed Telus’s cash flow growth and a few other [reasons why it is an excellent long-term investment](#).

In this article, I am going to explain why the company’s international division will be a catalyst for the share price to double over the next few years.

International growth is the secret weapon

If the fact that Telus has an international division is news to you, it’s because it is still small compared to the bigger and more established domestic wireless division and hasn’t proven its business model over the long term. However, there are a few reasons why this division should make investors fall in love with this stock.

First, Telus has been very smart about building its international business in a different direction than the traditional telecommunications channels of revenue. This division is all about IT services, not telecommunication services. More specifically, its services centre around digital experience, customer experience, IT lifecycle, and other related services.

Global size and scale

TELUS International has more than 32,000 employees operating in 10 countries across North and Central America, Asia, and Europe, supporting customers in more than 40 languages.

This isn't a backwater, small-potatoes operation. This is a significant part of the Telus ecosystem, and it's going to get bigger with time as it becomes a bigger part of the company's future.

Artificial intelligence and robotics

Telus International is deploying robots to their clients' customer service operations. From assessing the potential value of robotics to rolling out and revisions, the Telus team of digital engineers makes this complex technology easy to understand and simple to implement for clients.

This is just one example of how many ways Telus is using its digital and technology capabilities to add new sources of revenue.

Another example is Telus's work on the Internet of Things (IoT) arena, where the company is using its dedicated IoT and home automation pods to visualize and build connected ecosystems of products and services that keep effortless customer experiences front and centre.

Strategic partnerships with private equity

What I find most fascinating about the international story is that Telus International is 35% owned by a very strong Asian private equity shop by the name of Baring Capital. Baring bought its stake in 2016 for \$1 billion, which implies that it placed a value of about \$3 billion on the entire division.

Telus has about 600 million shares outstanding, so my back-of-the-envelope math would suggest that the international business at that relatively early stage was worth \$5 per share, or approximately 12% of Telus's current share price of \$47.

If that was the valuation in 2016, the division is likely worth substantially more at this point, given its steady increase in clients and the highly complementary 2018 acquisition of Xavient Technologies, a strong player in the IT services space in the U.S. and India.

I am going to venture a rough guess that the international division is worth \$7-\$8 per share today, but I don't think investors are including this gem in the current Telus stock price. I believe Telus's stock price today mostly reflects its Canadian business and domestic growth in the wireless area.

Investors at this point are likely getting the international division for free, including its super-charged growth over the next few years.

Foolish bottom line

Telus shares are changing hands at \$47 right now and have been stuck in the \$45-\$47 range for the last two years, even as it has grown revenue, net income, and cash flow during that time.

Long-term investors would do well to pick up shares below \$47 if possible and make this stock a [cornerstone of their long-term retirement portfolio](#)

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