



## New to Investing? Buy Shares of This 1 Stock!

### Description

**Telus** ([TSX:T](#))([NYSE:TU](#)) provides a wide range of telecommunications services and products, including wireless and wireline voice and data.

Its data services include internet protocol, television, hosting, managed information technology and cloud-based services, healthcare solutions, customer care and business services, and home and business smart technology (including security).

Telus reports a market capitalization of \$30.44 billion with a 52-week high of \$51.43 and a 52-week low of \$44.51.

### Intrinsic price

Based on my calculations, using a comparable company analysis model, I've determined that Telus has an intrinsic value of \$55.80 per share.

At the time-of-writing share price of \$50.34, I believe Telus is trading at less than intrinsic value. Investors looking to buy shares of a telecommunications companies should look into [buying shares of Telus](#). At current prices, it is trading at an 11% discount to its intrinsic value.

Telus has an enterprise value of \$47.4 billion, which represents the theoretical price a buyer would pay for all of Telus's outstanding shares plus its debt.

### Financial highlights

For the nine months ended September 30, 2019, the company reported a solid balance sheet with \$4.7 billion in retained earnings. This is a good sign for investors, as it suggests the company's surpluses in previous years have been reinvested to fuel growth.

Telus reports shareholders' equity of \$10.9 billion, goodwill of \$5 billion and intangibles of \$12.4 billion

for tangible net worth of negative \$6.5 billion. This is not ideal as tangible net worth indicates the real value of a company. That said, the other telecom companies share a similar trait, which abates my concerns.

Revenues are up materially to \$10.8 billion in 2019 compared to \$10.6 billion in 2018 (+1.8%) coupled with relatively flat cost of goods sold and SG&A for pre-tax income of \$1.729 billion, up from \$1.686 billion in 2018 (+2.5%).

The company had a cash outflow of \$942 million with regards to the acquisition of spectrum licences. These licences give the company rights to broadcast over certain frequencies. The acquisition of licences suggests that Telus is expanding its services, which will drive revenues in the future.

Management takes a proactive approach to debt management, as indicated by the repayment of long-term debt of \$4 billion in 2019 and \$4.5 billion in 2018, offset by issuance of long-term debt amounting to \$5.3 billion and \$4.6 billion in 2019 and 2018, respectively.

Telus is a dividend-paying entity with a current dividend yield of 4.622%, which is achieved by quarterly dividends of \$0.5825.

## Foolish takeaway

Investors that are looking to diversify into the telecommunications industry should consider buying shares of Telus. At the current share price of \$50.34 compared to its intrinsic value of \$55.80, I believe Telus is trading at [a discount](#).

From a financial statement perspective, the company is strong with positive retained earnings, increasing revenues and profitability, investments in spectrum licences and the proactive management of debt.

My only concern with Telus is its cash balance of \$370 million with short-term debt of \$1.2 billion, which indicates the company does not have enough cash on hand to cover its current debt obligations.

I would like to see a company with this history have enough cash on hand to meet these obligations; however, given its credit facilities, it will not have any issues making these payments.

In conclusion, Telus is an undervalued stock that is the ideal addition to any TFSA or RRSP.

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