



Telus International (TSX:TIXT): There's a New Top Growth Stock in Town!

Description

Telus International ([TSX:TIXT](#))([NYSE:TIXT](#)) had a quiet spinoff from its parent company **Telus Corporation** earlier in the year.

In prior pieces, I'd praised the spinoff as being value-creative from the spinner and the spinee. The new entity, as you may be aware, is Telus's digital customer service and digital IT business, which is capable of some pretty meaningful growth for a reasonable valuation after TIXT stock's lack of action since it went live on the **TSX Index**.

Telus International isn't just your run-of-the-mill IT company, though. It's so much more. The company, I believe, is best described as a digital customer experience designer. With the incredible [innovation](#) going on behind the scenes, I'd label Telus International as more of a tech stock than a utility-like IT services business like **Tucows**, which leaves a lot to be desired on the growth front.

A robust first quarter for Telus International

Back in May, Telus International pulled the curtain on some pretty [remarkable](#) results. The company clocked in \$0.23 in EPS, up 240% year over year (YoY), beating the analyst consensus that called for \$0.20. Revenue came in at a solid \$505 million, up 57% YoY, beating the \$499 million consensus.

Telus International's first quarter was a solid beat. And it's going to be one of many that could propel shares of TIXT to potentially epic heights.

The real star to the show was the organic growth and margins, which were robust and could improve going forward, as the firm looks to move on from its days tied to the telecom behemoth it spun off from.

Looking ahead, the company is poised to make an aggressive move across various segments to win over new clients. The “tech and games” industry was one of the hotter growth markets for Telus International. Undoubtedly, the coronavirus lockdowns gave tech and gaming a nice boost, but it was Lionbridge AI, a firm Telus International recently scooped up, that helped do some of the heavy lifting for the quarter.

As the integration of Lionbridge AI continues going smoothly, count me as unsurprised if further synergies are unlocked. Thus far, it looks like the Lionbridge deal is a great success, so hats off to the brilliant management team.

What about valuation?

Now that the excitement surrounding the first-quarter beat has faded, I think Telus International stock is a compelling buy for growth investors who wouldn't mind paying up for quality.

At the time of writing, the stock is off just over 5% from its all-time high of \$40 and change. The stock trades at 4.7 times sales, 5.2 times book value, and 64.5 times trailing earnings. The multiple is undoubtedly rich at this juncture. Still, given that Telus International is firing on all cylinders with its incredible growth pipeline, I'd argue that the momentum may very well just be getting started. As such, I wouldn't at all be against picking up a few shares here.

Analysts are pretty mixed about their opinions on the stock, with as many buys as holds. Personally, I think Telus International stock is closer to a buy than a hold, as Telus International is a legitimate high-growth Canadian stock that rightfully deserves a premium price tag.

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