Telus Stock: A Great Dividend Stock to Watch Before Earnings

Description

Telus (TSX:T)(NYSE:TU) is attempting to stage a comeback after a 9% pullback on the back of broader weakness in the telecoms. Undoubtedly, investors have plenty of options in the Canadian telecom space. Still, after an incredible 2020 that saw Telus perform well despite profound headwinds, Telus has proven it's resilient enough to be worth a hefty premium. With a solid 4.5% dividend yield and a means to grow faster than the likes of its top rival **BCE**, investors should look to the name if they seek a lofty dividend poised to grow at an industry-leading pace.

Undoubtedly, Telus stock proves that you can have solid growth alongside a hefty dividend, making the telecom giant a rare play that caters to the passive income crowd and younger, growth-savvier investors seeking greater diversification in an increasingly volatile stock market environment.

With fourth-quarter earnings on tap for November 4, it could be a make or break for T stock. Telus has steadily climbed higher over these past few weeks, but the stock remains off over 5% from its high in anticipation of a challenging second half of 2021. Thus far, earnings haven't been great. Many firms with a knack for topping earnings have failed to do so this season. **Shopify**, a firm that's famous for beating and raising guidance, finally missed revenue expectations.

Telus walks into another challenging quarter

Still, the stock didn't crumble as some may have thought. In fact, the stock actually soared over 7% in response. What does that show? Many stocks stuck in a rut ahead of the third quarter have already been punished for a likely miss. In Shopify's case, the stock was priced for a brutal miss! That's why its narrower-than-expected miss moved the needle much higher on shares.

This begs the question, will quality blue-chips like the telecoms, which (mostly) corrected ahead of the third-quarter reveal, be spared if there's a miss?

Possibly. In the case of Telus, whose fundamentals still shine, a modest miss may be forgiven by investors. In any case, the bar set ahead of Telus seems to be quite low, with the analyst consensus calling for an EPS of $0.28 alongside $4.3 billion in revenue. Analysts expect flat per-share earnings growth, but if Telus posts negative EPS, investors can't really blame the management team.

After missing the mark on earnings in five out of the last six quarters, I don't think investors will at all be shocked if Telus came up a few pennies short of the $0.28 EPS consensus. As such, Telus stock seems to be an intriguing value play for those focusing on the 5G boom that could pay off big on the other side of the pandemic.

The bottom line on Telus stock

After a mild pullback, I do think the margin of safety is baked in here. Even if Telus misses the mark in Q3, investors should be more forgiving given the challenging macro environment that could turn a corner as soon as next year.

The stock trades at 30.2 times trailing earnings and 2.2 times sales. While not exactly a cheap stock, for the calibre of business you're getting, I'd argue that Telus stock could be a relative bargain in this kind of market.

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