



Telus Stock: Should You Buy Now?

Description

Telus ([TSX:T](#))([NYSE:TU](#)) just reported Q3 2021 earnings. Investors who held back on buying the communications provider this year are wondering if now is the time to add Telus stock to their [TFSA](#) or RRSP portfolios.

Telus Q3 2021 earnings

Telus reported Q3 operating revenue of \$4.25 billion compared to \$3.98 billion in the same period last year. Adjusted EBITDA increased 7.1% to \$1.56 billion. Adjusted net income jumped 10.1% to \$392 million and increased 3.6% on a per-share basis to \$0.29. Free cash flow came in at \$203 million in the quarter, up 26.1% over Q3 2020.

Subscriber growth

Telus had record total mobile and fixed-line customer growth of 320,000 in the quarter. Mobile phone net additions came in at 135,000 and connected device net additions hit 110,000.

On the wireline side, the expansion of the company's fibre optic network helped boost customer net additions by 75,000. Telus saw strong uptake in its internet, security, and TV services. Telus is ramping up its broadband expansion program, as it switches out its legacy copper lines for fibre-optic ones.

As the copper-to-fibre migration nears completion Telus expects to see cash flow improve as a result of cost structure efficiencies. Larger broadband capacity can also lead to higher revenue per user, as clients have access to more services.

Telus expects to switch the majority of its customers from copper to fibre by the end of 2022.

5G network

Telus spent \$1.9 billion on new 3500MHz spectrum in 2021 to drive the growth of its [5G](#) network. Work continues on the initiative and Telus said its 5G services are now available to 64% of the Canadian population. The rollout will continue in the coming months.

Telus Health and Telus Agriculture

Telus doesn't have a media division like its peers. Instead, the company has invested in building businesses to serve industries that are ripe for digital disruption.

Telus Health saw health services revenue increase by more than 10% compared to Q3 2020. The company continues to expand its services that reached 19 million people in the quarter, representing an increase of 21% year over year.

Telus Health processed more than 138 million digital health transactions in Q3 and added nearly a million new virtual healthcare members over the past 12 months. That's a 64% increase. Telus Health provides doctors, hospitals, and insurance companies with digital solutions.

Telus Agriculture expects revenue to hit \$400 million in 2021. The group provides farmers with digital solutions to help improve efficiency across their businesses.

Dividends

Telus just announced a 5.2% increase to the dividend. It is the 21st payout increase in the past 10 years.

Looking ahead, Telus sees capital expenditures slowing down in 2023. This will free up more cash for distributions. Telus also expects Telus Health, Telus Agriculture, and **Telus International** to drive EBITDA and value expansion to support dividend hikes.

Should you buy Telus stock?

The new dividend provides an annualized yield of 4.5% at the current share price near \$28.90. Telus traded as high as \$30 earlier this year, so investors can still buy the stock on a bit of a dip. Telus should benefit from higher roaming fees in 2022, as more people travel outside the country. At the same time, Telus Health and Telus Agriculture offer attractive growth potential.

If you have some cash to put to work in a TFSA or RRSP portfolio focused on dividends, Telus deserves to be on your buy list.

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