



Telus (TSX:T) Stock: Should You Buy Now?

Description

Telus ([TSX:T](#))([NYSE:TU](#)) is up 14% in 2021. Investors who missed the rally this year are wondering if Telus stock is still a good buy for their TFSA or RRSP portfolios.

Telus Q3 2021 earnings

Telus added a record 320,000 new customers in Q3 of this year. Mobile net additions came in at 135,000, supported by very low churn rates. Telus regularly reports the lowest loss of customers in the industry. Net additional of connected devices hit a record 110,000 in the quarter.

On the wireline side, Telus reported net additions of 75,000. Telus is attracting new clients with its fibre network and retaining existing ones, as it replaces copper lines with the fibre connections.

Overall, it was a solid performance, even with pandemic challenges still in place. Consolidated revenue increased 6.8% and EBITDA rose 7.1% compared to the same period last year.

Growth potential

Telus spent \$1.9 billion on new 3500 MHz spectrum auctioned by the Canadian government this year. The investment is the foundation for the expansion of the company's [5G](#) network. The next step in the evolution of mobile communications opens up a variety of new revenue opportunities for Telus in the next few years.

Telus is also building out its Telus Health and Telus Agriculture subsidiaries. Telus Health saw the use of its products and services jump during the pandemic, and the trend is expected to continue in 2022 and beyond. Telus Health provides health professionals, hospitals, and insurance companies with a broad portfolio of digital health solutions.

Telus Agriculture is another group to watch. The division helps farmers use digital solutions to make their businesses more efficient.

Telus Health and Telus Agriculture are expected to deliver revenue growth of better than 10% in 2021.

Revenue should improve in 2022. The removal of travel restrictions will likely drive up lucrative roaming fees next year, as more people travel out of the country for work and holidays. Retail sales of new devices should also get a boost now that malls are open again and people can go into the stores and kiosks to see the new phones.

Dividends

Telus announced a 5.2% dividend increase when it reported the Q3 2021 results. The company has a great track record of dividend growth and expects to boost the payout steadily in the coming years. Telus has increased the dividend 21 times since 2011.

Telus will see its capital expenditures start to drop in 2023. This should free up more cash flow for distributions.

Should you buy the stock now?

Telus trades near \$29 per share at the time of writing. That's a bit below the 2021 high around \$30 and looks reasonable at the current price-to-earnings multiple. Revenue and cash flow growth should pick up steam in the next few years, as the new network investments wrap up and Telus is able to offer new service and migrate more people to higher-priced plans.

Investors who buy now can pick up a solid 4.5% dividend yield and wait for steady distribution hikes to continue in the coming years. If you have some cash to put to work in a TFSA or RRSP portfolio this stock deserves to be on your radar.

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