



TELUS International (TSX:TIXT): The Likely Tech Winner in 2022?

Description

The [technology sector](#) continues to lose favour with investors, as evidenced by its mounting losses (-36.29% year to date). The free fall of sector leader **Shopify**, along with other [prominent names](#), continues this month. It's hard to tell which tech stock could rise from the abyss faster than others.

TELUS International ([TSX:TIXT](#))([NYSE:TIXT](#)) is among the beaten-down stocks, although it could end up as the tech winner in 2022. Its recent quarterly results showed strong organic business growth. Moreover, it has the backing of **TELUS Corp.**, its controlling shareholder and Canada's second-largest [telco](#).

Organic business growth

TELUS International designs, builds, and delivers next-gen solutions, including AI and content moderation. The customer base of this \$7.49 billion digital experience solutions provider are global and disruptive brands. This tech stock underperforms and is down 32.66% year to date. However, TIXT advanced 4.3% to \$28.15 on May 6, 2022, after management reported impressive Q1 2022 results.

In the three quarters ended March 31, 2022, net income rose 1,033.33% to US\$34 million versus Q1 202 on revenue growth of 18.61%. Its president and CEO Jeff Puritt said, "TELUS International started the year on a strong note, delivering solid double-digit revenue and profitability growth and triple-digit cash flow growth year over year."

Puritt stressed that the first-quarter results were achieved through continued strong organic business growth. He also noted the meaningfully larger scale of TELUS International today. The flagship Tech and Games vertical was the highest revenue contributor in the quarter.

However, the e-commerce and Fintech vertical reported the second-fastest growth pace year over year due to TIXT's exceptional traction with clients. Puritt also mentioned the meaningful contribution of the AI Data Solutions team to business growth.

Growing profitability

TIXT's CFO Vanessa Kanu said profitability continues to grow as service mix, pricing, and productivity gains offset the impact of current labour market dynamics and continued purposeful investments in the business. Notably, free cash flow and cash from operating activities went up 450% and 244% year over year, respectively.

Despite the tight labour market and fierce competition for talent, TIXT recorded the highest manpower increase in a single quarter. At the end of Q1 2022, the global full-time team member count was approximately 5,800. Kanu added, "We continue to maintain ample liquidity for thoughtful acquisitions to amplify and accelerate the realization of our strategy and growth trajectory."

Excited for future opportunities

Puritt and his management team are excited for the opportunities ahead. He said, "I have no doubt that we will continue to rise up to meet the needs and expectations of our clients and the communities where we operate." TIXT will continue to scale and expand its existing high-value client relationships.

Google is its third-largest client to date after a leading social media firm and the world's largest e-commerce company. In Q1 2022, new sign-ups include a major tech-enabled disruptor in the real estate sector and a fast-growing fintech company plus a leading travel portal in Germany.

Potential tech winner

TELUS International projects revenue growth of 16.2% to 18.5% (between US\$2.55 billion and US\$2.6 billion) in 2022. With a strong business outlook for this year, TIXT is a potential winner in the technology sector. Market analysts forecast a price appreciation of 32% to 42% in 12 months.

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