



## TELUS International (TSX:TIXT): This Tech Stock's Breakout Is Coming

### Description

The Refinitiv report on the earnings and revenue of TSX companies for the second quarter (Q2) 2022 is pretty decent. As of August 11, 2022, actual revenue growth is 29.5%. On the earnings dashboard, the energy sector is tops (+84.8%), while healthcare hugs the rear with -318%. The earnings season isn't over, and the big banks are due to present their Q3 fiscal 2022 earnings this week.

While revenues of [high-growth tech companies](#) are +10.2%, the earnings growth is -2.2%. However, one tech stock not named **Shopify** stands tall. **TELUS International** ([TSX:TIXT](#)) reported impressive top- and bottom-line results. In the quarter ended June 30, 2022, revenue increased 17.1% versus Q2 2022. Its net income soared 250% to US\$56 million compared to the same quarter in 2021.

Notably, cash provided by operating activities and free cash flow (FCF) grew 61% and 79% year over year, respectively. Jeff Puritt, president and CEO of TELUS International, said, "Our global TELUS International team members generated continued momentum, executing at a high level throughout the second quarter of 2022."

Although TELUS International is still down 6.41% year to date, the stock is likely to rebound faster than others in the badly beaten technology sector. Because of the trends in client demand, management expects TIXT's digital capabilities to be meaningful drivers of continued profitable growth.

### Symbiotic relationship

TELUS International went public in Canada and the U.S. on February 3, 2021. **TELUS Corp.** is the controlling shareholder of the \$10.4 billion diverse digital services company. Darren Entwistle, president and chief executive officer of TELUS, said, "TELUS International has been a pillar within TELUS's dynamic growth strategy,

On initial public offering, Puritt said that the growth of TIXT would not be in the form of moving away from its partnerships with Canada's second-largest telecom firm. He added, "We've enjoyed a highly symbiotic relationship with TELUS since our inception, and we anticipate that it will continue throughout the future."

## Strong momentum across all key verticals

Today, the former provider of customer contact-centre services for other companies offers an ever-growing list of services. Among its prominent clients are **Alphabet**, **Uber**, and TikTok. In Q2 2022, the company scored new client wins, including a leading digital marketplace for sports, entertainment, and event tickets.

Among the expanding relationships are with the world's largest e-commerce company, a global leader in digital media & digital marketing solutions, and a global staffing & recruiting company. The same is ongoing with one of the largest bulk transportation carriers in Western Canada.

Its chief financial officer Vanessa Kanu noted the strong growth momentum across all the company's key verticals. However, she said Tech and Games clients remain the top contributor to revenue growth. Also, the company can create more capacity for thoughtful acquisitions because of the improved leverage ratio during the quarter. It also has available liquidity for potential opportunities to magnify profitable growth.

## Revenue-growth estimate

Management estimates revenue growth of 16.2% to 18.5% for the full-year 2022. Its guidance range is between \$2.55 billion and \$2.6 billion. Ms. Kanu is confident that TELUS International can thrive, despite a challenging macro backdrop. Hence, sustained, strong double-digit revenue and profitability growth at scale is achievable.

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