



Here's the Next Canadian Stock I'm Going to Buy

Description

Investors invest to make money. The higher the return you get, the more money you can make. It would be smart not to buy stocks and expect a quick profit, though, because businesses take time to grow. Here's a [growth stock](#) that can potentially outperform the market over the next three to five years, which is why it is the next Canadian stock I'm going to buy.

TELUS International ([TSX:TIXT](#)) designs, builds, and delivers digital customer experience solutions, including artificial intelligence and content moderation for global and disruptive brands. It generates revenue from five key verticals, including tech and games, communications and media, e-commerce and fintech, banking, financial services, and insurance, and travel and hospitality.

As you can probably tell by the name, TELUS International was spun off from **TELUS**, which still owns a significant stake in the company. Over the last 17 years, TELUS International has expanded and now operates in 28 countries across Asia-Pacific, Central America, Europe, and North America.

Rising interest rates have compressed valuations of growth stocks, including TELUS International. Specifically, the stock lost approximately 41% of its value in the stock market over the last year. However, the company has shown strong recent results. So, it's now a superb buying opportunity if it fits your investment strategy.

The growth stock has strong recent results

For one, the company's net-debt-to-adjusted-EBITDA-leverage ratio (EBITDA is earnings before interest, taxes, depreciation, and amortization) as per the credit agreement has improved from 2.1 times at the end of 2021 to 1.3 times at the end of the third quarter (Q3). Simultaneously, its available liquidity improved 18% to US\$982 million. Its lowered leverage ratio was supported by a 16% reduction in outstanding credit facility and 10% higher adjusted EBITDA, a cash flow proxy.

In the first nine months of the year, the growth stock's revenue rose 15% while operating expenses increased by less than 10%. This is despite the fact that the U.S. dollar has been relatively strong against other currencies and the company earns about 35% of its revenues in currencies other than

the greenback. Although it had a marginal decline in its adjusted EBITDA margin to 24.5%, it managed to increase its adjusted EBITDA by 13% year over year to US\$450 million. Its free cash flow also climbed 69% to US\$257 million. Its net income was US\$149 million with a net margin of 8.1%.

The Foolish investor takeaway

Management's latest outlook for 2022 is revenue growth of about 12.6% (17% based on constant currency) to approximately US\$2.47 billion, adjusted EBITDA margin of roughly 24.5%, and adjusted earnings-per-share growth of about 20%.

TELUS International is growing its top and bottom line at a double-digit rate. It's also in the position to make acquisitions. For example, its latest acquisition (its 10th one since 2005) is WillowTree for US\$1.23 billion, which will diversify its client base and especially propel it in the area of financial services clients. Virginia-based WillowTree is a digital design firm and app developer with 13 studios globally.

At US\$19.10 per share at writing, TIXT stock trades at below 16 times its 2022 estimated earnings. This is a cheap valuation for a company with growth potential and a solid financial position. Across 11 analysts believe TELUS International is undervalued by 33%. Buyers of the [tech stock](#) today are likely to pocket impressive price appreciation over the next three to five years.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:TIXT (Telus International)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/08/16

Date Created

2022/11/22

Author

kayng

default watermark

default watermark