



TELUS Corporation (TU)

Updated February 17th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$15	5 Year CAGR Estimate:	12.4%	Market Cap:	\$23.3 B
Fair Value Price:	\$13	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	3/11/2025
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.5%	Dividend Payment Date:	4/1/2025
Dividend Yield:	7.5%	5 Year Price Target	\$21	Years Of Dividend Growth:	21
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

TELUS Corporation is one of the 'big three' Canadian telecommunications companies along with BCE, Inc. (BCE) and Rogers Communications (RCI). TELUS is focused in Western Canada and provides a full range of communication products and services through two business segments: Wireline and Wireless. TELUS is cross-listed on the Toronto Stock Exchange and the New York Stock Exchange, where it trades under the tickers 'T' and 'TU', respectively. TELUS reports financial results in Canadian dollars but all the figures in this report are in USD. The stock currently has a market capitalization of \$23.3 billion. On March 17th, 2020, TELUS implemented a 2-for-1 stock split.

In mid-February, TELUS reported (2/13/25) financial results for the fourth quarter of fiscal 2024. The company posted decent customer growth. It posted total mobile customer growth of 70,000, growth of fixed customers by 64,000 and an industry-leading churn rate of 1.0% at its postpaid mobile business. Revenue grew 4% thanks to higher service revenues in TELUS digital experience segment. Earnings-per-share dipped -5%, from \$0.18 to \$0.17, mostly due to thinner operating margins. Management provided guidance for 2%-4% growth of revenue and 3%-5% growth of adjusted EBITDA in 2025. Accordingly, we expect earnings-per-share of \$0.75 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.86	\$0.75	\$0.95	\$1.03	\$1.08	\$0.84	\$0.84	\$0.87	\$0.71	\$0.73	\$0.75	\$1.21
DPS	\$0.62	\$0.65	\$0.75	\$0.79	\$0.85	\$0.89	\$1.02	\$1.04	\$1.09	\$1.13	\$1.13	\$1.13
Shares¹	1189	1180	1190	1200	1204	1296	1375	1436	1440	1492	1500	1500

TELUS pays out the majority of its earnings as dividends, which leaves little in the way of retained earnings to invest for growth. Still, the company managed to grow its earnings-per-share by 3.6% per year during 2010-2019. Moreover, thanks to the decent momentum of the company in wireless and wireline additions and especially the low comparison base formed this year, we expect annual earnings-per-share growth of 10% over the next five years.

In terms of dividend payments, before the onset of the pandemic, TELUS had a publicly communicated target of 7%-10% annual dividend growth through 2022. We have assumed a flat dividend over the next five years due to the high payout ratio of the company, in order to be on the safe side. Management has also stated that it intends to reduce the leverage ratio (Net Debt to EBITDA) to approximately 3.0x by the end of 2027.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.5	20.1	18.3	17.4	17.0	21.3	26.2	26.4	26.5	22.3	20.0	17.6
Avg. Yld.	3.9%	4.3%	4.3%	4.4%	4.6%	5.0%	4.6%	4.5%	5.8%	6.9%	7.5%	5.3%

Excluding the outlier years 2016 and 2020-2023, TELUS has traded at an average price-to-earnings ratio of 17.6 over the last decade, which we believe represents an approximation of fair value for this Canadian telecommunications

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TELUS Corporation (TU)

Updated February 17th, 2025 by Aristofanis Papadatos

corporation. The stock is currently trading at a price-to-earnings ratio of 20.0, which is higher than the historical average. If the stock reverts to its average valuation level over the next five years, it will incur a -2.5% annualized drag due to the contraction of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

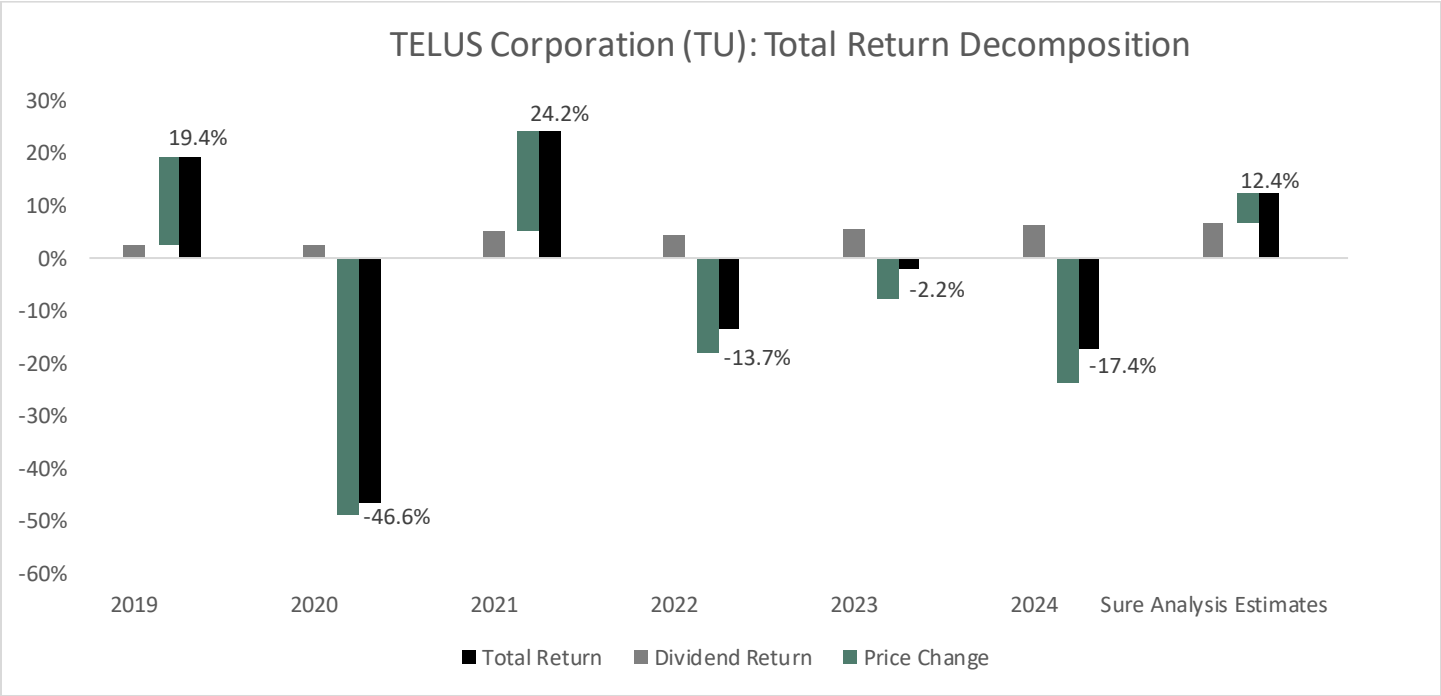
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	71.6%	87.4%	79.3%	76.9%	78.7%	106%	121%	120%	154%	155%	151%	93.6%

TELUS’ main competitive advantage comes from being an entrenched player in a capital-intensive and highly regulated industry. Indeed, according to Canada’s telecommunications regulator – the Canadian Radio-television and Telecommunications Commissions (CRTC) – the Top 5 telecommunications providers gather 85% of the industry’s revenues. This discourages potential competitors from entering the market and is a competitive advantage for TELUS. Due to the hefty capital expenses required in the telecommunications sector, the companies of this sector usually carry heavy amounts of debt. Indeed, the net interest expense of TELUS has exceeded its operating income by a wide margin in the last 12 months. We recommend avoiding stocks with a high debt level, as these stocks tend to underperform the broad market by a wide margin over the long run. At the security level, TELUS has traded with remarkably little stock price volatility since the 2007-2009 financial crisis. Since the onset of the pandemic, the volatility of the stock has increased but the business of TELUS proved resilient to this crisis.

Final Thoughts & Recommendation

TELUS Corporation is one of Canada’s largest telecommunications providers. Its attractive dividend yield, its overall business stability and its resilience to recessions make it attractive for conservative, income-seeking investors. TELUS is now hurt by a slowing economy and heating competition but we expect it to recover in the long run. The stock could offer a 12.4% average annual return over the next five years thanks to 10.0% earnings growth and its 7.5% dividend, partly offset by a -2.5% valuation headwind. The stock receives a hold rating due to its high debt load, which is outside our comfort zone.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TELUS Corporation (TU)

Updated February 17th, 2025 by Aristofanis Papadatos

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,739	9,609	10,266	10,877	10,992	11,450	13,430	14,060	14,816	14,691
Gross Profit	5,405	5,357	5,711	5,963	6,419	6,772	8,087	8,597	9,234	9,119
Gross Margin	55.5%	55.7%	55.6%	54.8%	58.4%	59.1%	60.2%	61.1%	62.3%	62.1%
SG&A Exp.	2,122	2,219	2,002	2,235	2,286	2,762	3,405	3,765	4,553	4,309
D&A Exp.	1,496	1,546	1,674	1,749	1,942	2,248	2,565	2,653	3,014	2,944
Operating Profit	1,825	1,619	2,060	1,996	2,209	1,773	2,123	2,183	1,677	1,869
Operating Margin	18.7%	16.8%	20.1%	18.4%	20.1%	15.5%	15.8%	15.5%	11.3%	12.7%
Net Profit	1,083	924	1,203	1,235	1,316	901	1,320	1,241	623	724
Net Margin	11.1%	9.6%	11.7%	11.4%	12.0%	7.9%	9.8%	8.8%	4.2%	4.9%
Free Cash Flow	(794)	243	668	913	25	1,308	(740)	895	954	1,065
Income Tax	411	322	455	426	353	337	463	464	164	212

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	19,029	21,566	24,694	24,270	29,071	33,982	37,642	39,822	42,316	40,429
Acc. Receivable	827	856	930	888	1,167	1,653	1,903	2,218	2,499	2,320
Inventories	259	237	302	276	335	319	351	396	365	438
Goodwill & Int.	9,906	10,496	11,844	11,513	13,889	17,457	19,424	20,886	22,448	21,695
Total Liabilities	13,500	14,867	17,173	16,678	20,911	24,099	25,047	26,811	29,273	28,724
Accounts Payable	343	1,728	570	504	683	671	951	1,018	751	785
Long-Term Debt	8,747	9,665	10,942	10,426	14,219	15,989	16,444	18,524	20,694	20,747
Total Equity	5,529	6,686	7,488	7,532	8,075	9,469	11,855	12,208	12,145	10,884
LTD/E Ratio	1.58	1.45	1.46	1.38	1.76	1.69	1.39	1.52	1.70	1.91

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.5%	4.5%	5.2%	5.0%	4.9%	2.9%	3.7%	3.2%	1.5%	1.8%
Return on Equity	18.1%	15.1%	17.0%	16.4%	16.9%	10.3%	12.4%	10.3%	4.8%	5.9%
ROIC	7.5%	6.0%	6.9%	6.8%	6.5%	3.7%	4.8%	4.1%	1.9%	2.2%
Shares Out.	1189	1180	1190	1200	1204	1296	1375	1403	1457	1493
Revenue/Share	8.06	8.10	8.66	9.11	9.13	8.96	9.94	10.02	10.17	9.84
FCF/Share	(0.66)	0.21	0.56	0.76	0.02	1.02	(0.55)	0.64	0.65	0.71

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.