



TELUS Corporation (TU)

Updated February 13th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	\$14	5 Year CAGR Estimate:	14.4%	Market Cap:	\$22 B
Fair Value Price:	\$13	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	3/11/2026
% Fair Value:	106%	5 Year Valuation Multiple Estimate:	-1.2%	Dividend Payment Date:	4/1/2026
Dividend Yield:	8.8%	5 Year Price Target	\$21	Years Of Dividend Growth:	22
Dividend Risk Score:	F	Sector:	Communication Services	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 \$22 billion. On March 17th, 2020, TELUS implemented a 2-for-1 stock split.

In mid-February, TELUS reported (2/12/26) financial results for the fourth quarter of fiscal 2025. The company posted decent customer growth. It posted total mobile customer growth of 50,000, growth of fixed customers by 327,000 and a healthy churn rate of 0.97% at its postpaid mobile business. However, revenue grew only 2% over the prior year's quarter and earnings-per-share declined -12%, from \$0.17 to \$0.15, mostly due to thinner operating margins. Management provided decent guidance for 2026, expecting 2%-4% growth of revenue, 2%-4% growth of adjusted EBITDA and 10% growth of free cash flow. Nevertheless, we are concerned over the volatile earnings of TELUS, its unreliable business performance amid intense competition and the hefty issuance of new shares.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$0.75	\$0.95	\$1.03	\$1.08	\$0.84	\$0.84	\$0.87	\$0.71	\$0.73	\$0.68	\$0.75	\$1.21
DPS	\$0.65	\$0.75	\$0.79	\$0.85	\$0.89	\$1.02	\$1.04	\$1.09	\$1.13	\$1.19	\$1.23	\$1.23
Shares¹	1180	1190	1200	1204	1296	1375	1436	1440	1492	1549	1600	1800

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 stock, in order to be on the safe side. Management raised the dividend by 3.5% (in CAD) last year. It 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.1	18.3	17.4	17.0	21.3	26.2	26.4	26.5	22.3	22.2	18.7	17.6
Avg. Yld.	4.3%	4.3%	4.4%	4.6%	5.0%	4.6%	4.5%	5.8%	6.9%	7.9%	8.8%	5.8%

¹ In millions.

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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 corporation. The stock is currently trading at a price-to-earnings ratio of 18.7, 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 -1.2% annualized drag due to the contraction of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	87.4%	79.3%	76.9%	78.7%	106%	121%	120%	154%	155%	175%	164%	102%

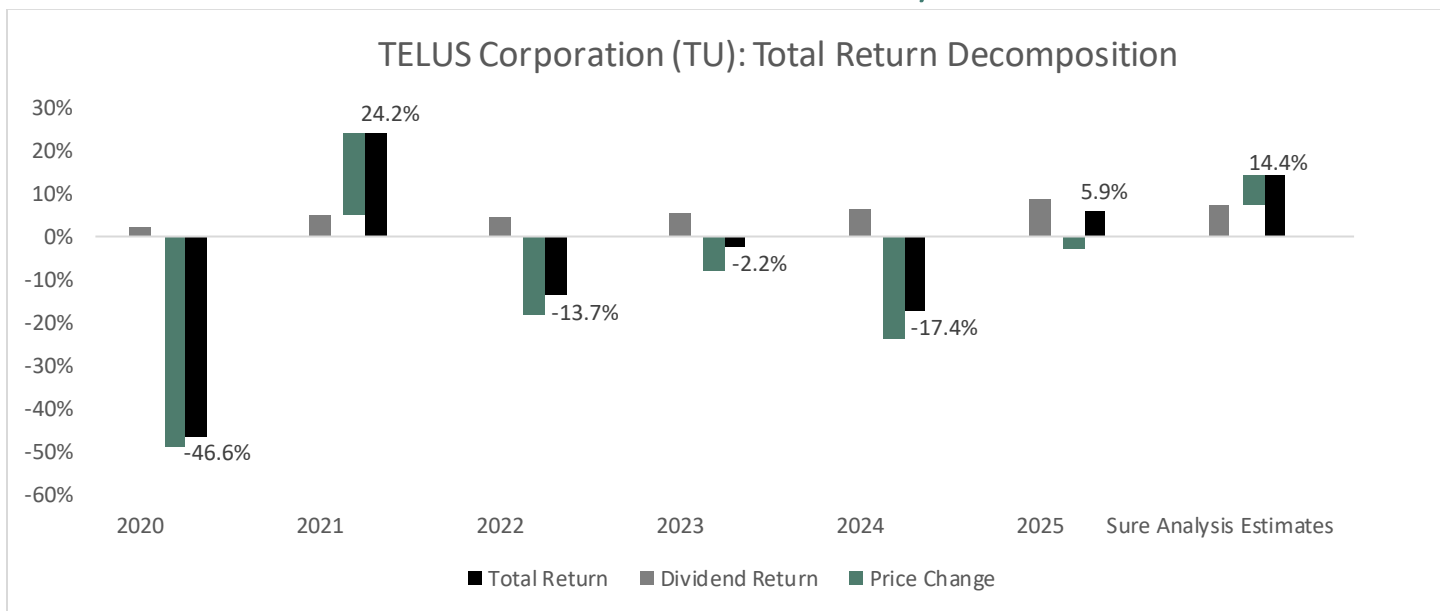
TELUS' main competitive advantage comes from being an entrenched player in a capital-intensive and highly regulated industry. Indeed, according to Canada's telecommunications regulator – the Canadian Radio-television and Telecommunications Commissions (CRTC) – the Top 5 telecommunications providers gather 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 consumed 82% of operating income 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. Indeed, TELUS has vastly underperformed the S&P 500 over the last decade (-3% vs. +255%). At the security level, TELUS has traded with remarkably little stock price volatility since the 2007-2009 financial crisis. However, since the onset of the pandemic, the volatility of the stock has increased.

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 somewhat attractive for conservative, income-seeking investors. However, TELUS is now hurt by a slowing economy and heating competition. We are concerned over sustained weak business performance in the last three years. The stock could offer a 14.4% average annual return over the next five years thanks to 10.0% earnings growth and its 8.8% dividend, partly offset by a -1.2% valuation headwind. TELUS maintains its hold rating but it carries a high amount of risk due to its poor underlying business performance.

Total Return Breakdown by Year



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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.

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