

TELUS Corporation

4Q23 First Look: Solid quarter; guidance in-line with expectations

Maintain Rating: BUY | PO: 30.00 CAD | Price: 22.96 CAD

Adj. EBITDA ahead of BofA and the Street

TELUS reported a solid 4Q. Adjusted EBITDA was slightly ahead of the Street and BofA estimates while FCF of \$590mn beat our forecast of \$329mn and the Street at \$331mn. Both wireless gross additions and churn were elevated in a very competitive 4Q. Wireless net adds and broadband net adds were slightly better than forecast (see Exhibit 1). We maintain our Buy rating on solid 4Q results and an in-line 2024 guide.

Guidance in-line with expectation

TELUS is guiding to Ttech segment operating revenue and adjusted EBITDA growth of 2.0% - 4.0% and 5.5% - 7.5%, respectively. The company expects consolidated growth to be at similar levels to its Ttech outlook. At the mid-point, this implies consolidated 2024E operating revenue and adjusted EBITDA of \$20.6bn and \$7.6bn, respectively, which is in-line with BofA and the Street. FCF guidance is \$2.3bn with capex of \$2.6bn (both inline).

On the conference call we expect updates on...

On the conference call today at 12:30AM ET, we are looking for management to comment on 1) the regulatory environment, 2) cost efficiency initiatives, 3) wireless and broadband competitive intensity, and 4) capital allocation priorities.

Exhibit 1: TELUS 4Q23 results summary

TELUS 4Q23 adj. EBITDA ahead of expectations

	4Q23A Actual	4Q23E BofA	4Q23E Cons.	A/E %	A/C %	Growth y/y %
Consolidated						
Revenue	5,156	5,170	5,256	-0.3%	-1.9%	1.6%
Adjusted EBITDA	1,847	1,789	1,819	3.2%	1.5%	9.4%
Adjusted EPS	0.24	0.22	0.22	9.0%	7.5%	3.5%
Ttech (Telecom)						
Revenue	4,460	4,439	4,476	0.5%	-0.4%	2.1%
Adj. EBITDA	1,598	1,574	1,602	1.5%	-0.3%	8.0%
Wireless service revenue	1,759	1,754	1,753	0.3%	0.4%	3.8%
Capex	497	422	362	17.8%	37.2%	-21.3%
Mobile phone net adds	126	106	117	18.4%	7.5%	12.5%
Broadband net adds	36	33	35	9.1%	2.1%	-14.3%
TV net adds	23	16	14	42.4%	65.8%	35.3%
Post-paid churn	1.40	1.27	1.26	10.2%	11.4%	14.8%
Blended ARPU	58.50	58.40	58.36	0.2%	0.2%	-0.3%
DLCX (TELUS International)						
Revenue	969	936	940	3.6%	3.1%	13.3%
Adj. EBITDA	249	215	217	15.9%	14.5%	18.6%
Capex	36	38	36	-5.6%	-1.2%	9.1%

Source: BofA Global Research

BofA GLOBAL RESEARCH

09 February 2024

Equity

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Stock Data

Price (TOR / NYS)	22.96 CAD / 17.06 USD
Price Objective	30.00 CAD / 22.00 USD
Date Established	6-Oct-2023 / 6-Oct-2023
Investment Opinion	B-1-7 / A-1-7
52-Week Range	21.15 CAD - 28.95 CAD
Market Value (mn)	33,593 CAD
Free Float	99.8%
Average Daily Value	90.61 USD
Shares Outstanding (mn)	1,463.1 / 1,463.1
BofA Ticker / Exchange	YT / TOR
BofA Ticker / Exchange	TU / NYS
Bloomberg / Reuters	T CN / T.TO
ROE (2023E)	7.8%
Net Dbt to Eqty (Dec-2022A)	136.9%
ESGMeter™	High

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Ttech: TELUS Technology Solutions

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 09 February 2024 09:43AM EST

Price objective basis & risk

TELUS Corporation (YT / TU)

Our C\$30 (US\$22) price objective is based on a forward EV/EBITDA of 9.3x, which is a premium to TELUS's historical average of 8.2x but within its range of 6.9x - 9.8x. We believe the premium is justified by its higher growth, more attractive business mix, and solid execution.

Downside risks to our PO are a decline in historically high sector multiples, an acceleration of wireless margin/average revenue per user (ARPU) compression in a maturing and competitive market, ARPU pressure from more aggressive regulation and competition from Freedom Mobile, further economic slowdown in Western Canada, and, in the wireline segment, and failure to show progress in expanding cash flow margins.

Upside risks are better-than-expected revenue growth driven by strong execution, with the key drivers being continuing investments in fibre-to-the-premise (FTTP) and increasing wireless data consumption, and better-than-expected improvement in wireline cash flow margins.

Analyst Certification

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TELUS Corp (YT) Price Chart



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TELUS Corp (TU) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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