MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the financial condition and financial performance of TELUS International (Cda) Inc. (TELUS International, TI, or the Company) for the three and six months ended June 30, 2021 and is dated July 30, 2021. This discussion and analysis of our financial condition and financial performance should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the related notes thereto for the three and six months ended June 30, 2021, which is included in the Company's Report on Form 6-K filed herewith with the SEC at www.sec.gov/edgar.shtml and on SEDAR at www.sedar.com, and the audited annual consolidated financial statements and the related notes thereto for the year ended December 31, 2020 and the risk factors identified under "Item 3D—Risk Factors", which are included in the Company's Annual Report on Form 20-F for the year ended December 31, 2020 (Annual Report) filed with the SEC and on SEDAR. This discussion is presented in U.S. dollars, except where otherwise indicated and based on financial information prepared in accordance with generally accepted accounting principles (GAAP). The GAAP that we use are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which might differ in material respects from accounting principles generally accepted in other jurisdictions, including the United States.

Information contained in this discussion, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. By their nature, forward-looking statements are subject to risks and uncertainties and are based on assumptions, including assumptions about future economic conditions, events and courses of action, many of which we do not control. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements. You should review the section at the end of this discussion entitled "Special Note Regarding Forward-Looking Statements," and the section entitled "Risk Factors" in our Annual Report for a discussion of important factors that could cause actual results to differ materially from the results projected, described in or implied by the forward-looking statements contained in the following discussion. In our discussion, we also use certain non-GAAP measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their most comparable GAAP measures in the "Non-GAAP Measures" section below.

Overview of the Business

TELUS International is a leading digital customer experience innovator that designs, builds and delivers next-generation solutions for global and disruptive brands. Our services support the full lifecycle of our clients' digital transformation journeys and enable them to more quickly embrace next-generation digital technologies to deliver better business outcomes. We work with our clients to shape their digital vision and strategies, design scalable processes and identify opportunities for innovation and growth. We bring to bear expertise in advanced technologies and processes, as well as a deep understanding of the challenges faced by all of our clients, including some of the largest global brands, when engaging with their customers. Over the last 16 years, we have built comprehensive, end-to-end capabilities with a mix of industry and digital technology expertise to support our clients in their customer experience and digital enablement transformations.

TELUS International was born out of an intense focus on customer service excellence, continuous improvement and a values-driven culture under the ownership of TELUS Corporation, a leading communications and information technology company in Canada. Since our founding, we have made a number of significant organic investments and acquisitions, with the goal of better serving our growing portfolio of global clients. We have expanded our agile delivery model to access highly qualified talent in multiple geographies, including Asia-Pacific, Central America, Europe and North America, and developed a broader set of complex, digital-centric capabilities.

We believe our ability to help clients realize better business outcomes begins with the talented team members we dedicate to supporting our clients because customer experience delivered by empathetic, highly skilled and engaged teams is key to providing a high-quality brand experience. We have a unique and differentiated culture that places people and a shared set of values at the forefront of everything we do. Over the past decade, we have made a series of investments in our people predicated upon the core philosophy that our "caring culture" drives sustainable team member engagement, retention and customer satisfaction.

We have expanded our focus across multiple industry verticals, targeting clients who believe exceptional customer experience is critical to their success. Higher growth technology companies, in particular, have embraced our service offerings and quickly become our largest and most important industry vertical. Today, we are a leading digital customer experience (CX) innovator that designs, builds and delivers next-generation solutions for global and disruptive brands. We believe we have a category-defining value proposition with a unique approach to combining both digital transformation and CX capabilities.

We have built comprehensive, end-to-end capabilities with a mix of industry and digital technology expertise to support our clients in their customer experience and digital enablement journeys. Our services support the full scope of our clients' digital transformations and enable clients to more quickly embrace next-generation digital technologies to deliver better business outcomes. We provide strategy and innovation, next-generation technology and IT services, and CX process and delivery solutions to fuel our clients' growth. Our highly skilled and empathetic team members together with our deep expertise in customer experience processes, next-generation technologies and expertise within our industry verticals are core to our success. We combine these with our ability to discover, analyze and innovate with new digital technologies in our digital centres of excellence to continuously evolve and expand our solutions and services.

We have built an agile delivery model with global scale to support next-generation, digitally-led customer experiences. Substantially all of our delivery locations are connected through a carrier-grade infrastructure backed by cloud technologies, enabling globally distributed and virtualized teams. The interconnectedness of our teams and ability to seamlessly shift interactions between physical and digital channels enables us to tailor our delivery strategy to clients' evolving needs. We have over 56,000 team members in 50 delivery locations and global operations across over 25 countries. Our delivery locations are strategically selected based on a number of factors, including access to diverse, skilled talent, proximity to clients and ability to deliver our services over multiple time zones and in multiple languages. We have established a presence in key global markets, which supply us with qualified, cutting-edge technology talent and have been recognized as an employer of choice in many of these markets. In addition, TELUS International AI Data Solutions (which includes the data annotation business we acquired from Lionbridge Technologies Inc. at the end of 2020) utilizes the services of crowdsourced contractors that are geographically dispersed across the globe.

Today, our clients include companies across high-growth verticals, including Tech and Games, Communications and Media, eCommerce and FinTech, Healthcare and Travel and Hospitality. Our relationship with TELUS Corporation, one of our largest clients and controlling shareholder, has been instrumental to our success. TELUS Corporation provides significant revenue visibility, stability and growth, as well as strategic partnership with respect to co-innovation within our Communications and Media industry vertical. Our master services agreement with TELUS Corporation (TELUS MSA) provides for a term of ten years beginning in January 2021 and a minimum annual spend of $200 million, subject to adjustment in accordance with its terms. For more information, see "Item 7B—Related Party Transactions—Our Relationship with TELUS —Master Services Agreement" in our Annual Report.

Recent Developments

On July 2, 2021, we completed the acquisition of Playment, a Bangalore, India-based leader in computer vision tools and services specialized in 2D and 3D image, video and LiDAR (light detection and ranging). The acquisition builds upon our existing deep domain expertise and experience in data annotation, uniquely positioning us to support technology and large enterprise clients developing AI-powered solutions across a variety of vertical markets. This acquisition was not material to our condensed interim consolidated financial statements.

On February 3, 2021, we completed our initial public offering (IPO) where we issued 20,997,375 subordinate voting shares at $25.00 per share. Net proceeds were used to repay a portion of outstanding borrowings under our credit agreement. As a result of the IPO, our subordinate voting shares are listed for trading on the New York Stock Exchange and the Toronto Stock Exchange.

On December 31, 2020, we acquired Lionbridge AI, the data annotation business of Lionbridge Technologies, Inc., pursuant to the terms of a stock purchase agreement, dated November 6, 2020 for cash consideration of $940 million, subject to post-closing adjustments. In the second quarter of 2021, we rebranded the business to TELUS International AI Data Solutions (TIAI). TIAI is one of only two globally-scaled, managed AI training data and data annotation services and platform providers in the world.

In April 2020, we acquired Managed IT Services business (MITS), a leading provider of managed IT services in Canada, offering a mix of cloud technologies, IT sourcing and managed hosting, from TELUS Corporation, our controlling shareholder, in exchange for share consideration with a value of $49 million.

On January 31, 2020, we completed the acquisition of Competence Call Center (CCC), a leading provider of higher-value-added business services with a focus on customer relationship management and content moderation, for cash consideration of $873 million.

We have consolidated TIAI, MITS and CCC in our financial results since the closing of each of the acquisitions.

Factors Affecting Our Performance and Related Trends

A comprehensive list of risk factors that may impact our business performance are described under section "Item 3D-Risk Factors" in our Annual Report. We believe that the key factors affecting our performance and financial performance include:

Our Ability to Expand and Retain Existing Client Relationships and Attract New Clients

We have a diverse base of clients, including leaders and disruptors across the industry verticals we serve. Through our commitment to customer experience and innovation, we have been able to sustain long-term partnerships with many clients, often expanding our relationship through multiple service offerings that we provide through a number of delivery locations.

To grow our revenue, we seek to continue to increase the number and scope of service offerings we provide to our existing clients. In addition, our continued revenue growth will depend on our ability to win new clients. We seek to partner with prospective clients that value premium digital IT and customer experience solutions and services.

Our ability to maintain and expand relationships with our clients, as well as to attract new clients, will depend on a number of factors, including our ability to maintain: a "customers-first" culture across our organization; our level of innovation, expertise and retention of team member talent; a consistently high level of service experience, as evidenced by, among others measures, the satisfaction ratings that our clients receive from their customers based on the services we provide; the technological advantages we offer; and our positive reputation, as a result of our corporate social responsibility initiatives and otherwise.

Our Ability to Attract and Retain Talent

As at June 30, 2021, we have over 56,000 team members located across over 25 countries in four geographic regions, servicing clients in almost 50 languages. In addition, our recently-acquired TIAI business utilizes the services of crowdsourced contractors that are geographically dispersed across the globe.

Ensuring that our team members feel valued and engaged is integral to our performance, as our team members enable us to maintain the organizational culture that is one of the key factors which differentiates us from our competitors, and creates a better experience for our clients' customers, enabling us to retain and enhance our existing client relationships and build new ones. As a result, we make significant investments to attract, select, retain and develop top talent across our product and service offerings. We have devoted, and will continue to devote, substantial resources to creating engaging, inspiring, world-class physical workplaces; recruiting; cultivating talent selection proficiencies and proprietary methods of performance measurement; growing employee engagement including rewards and development; supporting our corporate sustainability initiatives; and acquiring new talent and capabilities to meet our clients' evolving needs. Our ability to attract and retain team member talent will depend on a number of factors, including our ability to: compete for talent with competitive service providers in the geographies we operate; provide innovative benefits to our team members; retain and integrate talent from our acquisitions; and meet or exceed evolving expectations related to corporate sustainability.

Impact of COVID-19

The COVID-19 pandemic, which emerged in the first quarter of 2020, continues to have a pervasive global impact. This continues to impact our estimates regarding the economic environment, including economic growth and industry growth rates, which also form an important part of the assumptions on which we set our expectations. Our persistent focus to date has been on keeping all of our team members safe and healthy, while continuing to serve our clients and support our communities in this critical period. As of the date of this report, the majority of our team members continue to work remotely, as they have since the onset of the pandemic, and in some cases we have thoughtfully and strategically returned team members to site. We are closely tracking vaccine deployment in all of our regions and, in countries where permitted, we are working with local governments and healthcare officials to supplement vaccination acquisition and roll-out for our team members and their families.

Impact to our financial condition, financial performance and liquidity: We believe the impact of the COVID-19 pandemic on our business, operating results, cash flows and financial condition will be primarily driven by the severity and duration of the pandemic in the geographic regions where we and our clients operate, the pandemic's impact on the global economy and the markets where we operate, the vaccination progress in the countries where we operate, and the timing, scope and impact of stimulus legislation as well as other international, regional and local governmental responses to the pandemic. Those primary drivers are beyond our knowledge and control. As a result, the full impact the COVID-19 pandemic will have on our business, operating results, cash flows and/or financial condition is unknown. Through the date of this discussion, the

impact on our financial condition and financial performance was more significant in the second quarter of 2020 as a result of the temporary site closures enforced across our delivery sites. Although both revenue and net income were negatively affected by the pandemic, we were able to largely mitigate the negative impact on cash flow by taking steps to strategically contain costs. We are unable to quantify with precision the impact that the COVID-19 pandemic has had or will have on our revenue. The COVID-19 pandemic may also have an effect on assets and the ability to timely account for those assets, although we do not expect an impact on our ability to account for our assets on a timely basis.

Our access to capital has not been materially impacted by the COVID-19 pandemic. In February 2021, we completed our IPO and used the net proceeds to repay a portion of our long-term debt. We have not provided additional collateral, guarantees or equity to our lenders and we have not had material changes to our cost of capital due to the COVID-19 pandemic. There is no material uncertainty about our ongoing ability to meet the covenants in our credit agreement and we also do not expect to incur material COVID-19-related contingencies.

Material impairments. There has not been a material unfavorable change to our cash flow projections or key assumptions as a result of the COVID-19 pandemic and there are no other indicators of impairment. We did not recognize any impairment charge for the three-months and six-months ended June 30, 2021 based on our recoverability analysis.

Impacts to demand of our products and services. The COVID-19 pandemic has presented both challenges and opportunities in maintaining and expanding revenue. We also expect that the pandemic will create opportunities for a new delivery model such as our “Work from Anywhere” offering, as our clients look to refine their in-house business continuity practices and adopt a permanent new operating model. The challenges of the COVID-19 pandemic have also accelerated the digital transformation initiatives of many of our clients, giving us the opportunity to deepen client relationships by providing more of our services to address their evolving digital enablement and customer experience needs. We cannot precisely quantify the impact of such acceleration of digital transformation initiatives due to the COVID-19 pandemic.

Industry Trends

The industry trends affecting us and that may have an impact on our future performance and financial performance include the trends described in “Item 4B—Business Overview—Industry Background” in our Annual Report.

Seasonality

Our financial results may vary from period to period during any year. The seasonality in our business, and consequently, our financial performance, generally mirrors that of our clients. Our revenues are typically higher in the third and fourth quarters than in other quarters.

Foreign Currency Fluctuations

While our primary operating currency is the U.S. dollar, we are also party to revenue contracts denominated in the European euro and other currencies and a significant portion of our operating expenses are incurred in currencies other than the U.S. dollar. Movements in the exchange rates between the U.S. dollar and these other currencies have an impact on our financial results. The tables below outline revenue and expenses by currency and the percentage of each of the total revenue and expenses for each period. In January 2021, we amended the TELUS MSA to stipulate that amounts to be paid by TELUS Corporation in U.S. dollars, as compared to the previous agreement which required amounts to be paid in Canadian dollars, thus reducing our overall exposure to Canadian dollars and the related foreign exchange effects going forward.

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2021		**2020**		**2021**		**2020**	
(millions except percentages)	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
U.S. dollar	**$ 300**	**56 %**	$ 124	32 %	**$ 587**	**56 %**	$ 250	35 %
European euro	**201**	**38**	162	41	**389**	**38**	281	39
Canadian dollar	**32**	**6**	105	27	**62**	**6**	182	26
Total Revenue	**$ 533**	**100 %**	$ 391	100 %	**$ 1,038**	**100 %**	$ 713	100 %

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2021		**2020**		**2021**		**2020**	
(millions except percentages)	**Expenses**	**% of total**	**Expenses**	**% of total**	**Expenses**	**% of total**	**Expenses**	**% of total**
U.S. dollar	**$ 245**	**50 %**	$ 147	39 %	**$ 471**	**49 %**	$ 290	42 %
European euro	**97**	**20**	85	23	**184**	**19**	151	22
Philippines peso	**54**	**11**	46	12	**103**	**11**	91	13
Canadian dollar	**46**	**9**	36	10	**93**	**10**	52	8
Other	**51**	**10**	60	16	**112**	**11**	99	15
Total Operating Expenses	**$ 493**	**100 %**	$ 374	100 %	**$ 963**	**100 %**	$ 683	100 %

The following table presents information on the average exchange rates between the U.S. dollars and the key currencies to which we have exposure:

	Six Months Ended June 30,	
	2021	**2020**
Foreign exchange rates		
U.S. dollar to European euro	**0.8301**	0.9079
U.S. dollar to Philippine peso	**48.2347**	50.6335
U.S. dollar to Canadian dollar	**1.2468**	1.3671

Results of Operations

(millions, except per share amounts and percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	**2020**	**$ change**	**% change**	**2021**	**2020**	**$ change**	**% change**
Revenue	**$ 533**	$ 391	$ 142	36 %	**$ 1,038**	$ 713	$ 325	46 %
Operating Expenses								
Salaries and benefits	**299**	233	66	28 %	**581**	439	142	32 %
Goods and services purchased	**103**	74	29	39 %	**197**	122	75	61 %
Share-based compensation	**19**	10	9	90 %	**45**	12	33	275 %
Acquisition, integration and other	**7**	7	—	— %	**12**	26	(14)	(54)%
Depreciation	**29**	26	3	12 %	**56**	47	9	19 %
Amortization of intangible assets	**36**	24	12	50 %	**72**	37	35	95 %
	$ 493	$ 374	$ 119	32 %	**$ 963**	$ 683	$ 280	41 %
Operating Income	**$ 40**	$ 17	$ 23	135 %	**$ 75**	$ 30	$ 45	150 %
Changes in business combination-related provisions	**—**	(51)	51	(100)%	**—**	(74)	74	(100)%
Interest expense	**12**	12	—	— %	**26**	25	1	4 %
Foreign exchange (gain) loss	**(1)**	3	(4)	(133)%	**2**	3	(1)	(33)%
Income before Income Taxes	**29**	53	(24)	(45)%	**47**	76	(29)	(38)%
Income taxes	**13**	10	3	30 %	**28**	22	6	27 %
Net Income	**$ 16**	$ 43	$ (27)	(63)%	**$ 19**	$ 54	$ (35)	(65)%
Earnings per Share								
Basic Earnings per Share	**$ 0.06**	$ 0.19	$ (0.13)	(68)%	**$ 0.07**	$ 0.25	$ (0.18)	(72)%
Diluted Earnings per Share	**$ 0.06**	$ 0.19	$ (0.13)	(68)%	**$ 0.07**	$ 0.25	$ (0.18)	(72)%

Revenue

We earn revenue pursuant to contracts with our clients that generally take the form of a master services agreement (MSA), or other service contracts. MSAs, which are framework agreements with terms generally ranging from three to five years, with the vast majority having a term of three years, are supplemented by statements of work (SOWs) that identify the specific services to be provided and the related pricing for each service. There are a number of factors that impact the pricing of the services identified in each SOW or service contract, including, but not limited to, the nature and scope of services being provided, service levels and, under certain of our MSAs, we are able to share the inflation and foreign exchange risk arising from currency fluctuations. The substantial majority of our revenue is earned pursuant to MSAs or service contracts that are engagements based on per-hour or per-transaction billing models.

Most of our contracts, other than with TELUS Corporation, do not commit our clients to a minimum annual spend or to specific volumes of services. Although the contracts we enter into with our clients provide for terms that range from three to five years, the arrangements may be terminated by our clients for convenience with limited notice and without payment of a penalty or termination fee. Additionally, our clients may also delay, postpone, cancel or remove certain of the services we provide without canceling the whole contract. Many of our contracts contain provisions that would require us to pay penalties to our clients and/or provide our clients with the right to terminate the contract if we do not meet pre-agreed service level requirements.

From period to period, the fluctuation in our revenue is primarily a function of changes in service volumes from existing SOWs, new SOWs with existing clients, MSAs signed with new clients, and the impact of foreign exchange on non-U.S. dollar-denominated contracts.

During the three- and six-month periods ended June 30, 2021, we had three clients which exceeded 10% of our revenue. Our largest client, a leading social media company, generated 16.9% and 16.3% of our revenue, respectively (2020 - 16.4% and 14.6%, respectively); TELUS Corporation, our second largest client and controlling shareholder, generated 16.2% and 16.2% of our revenue, respectively (2020 - 19.2% and 20.7%, respectively); Google, our third largest client, generated 11.0% and 11.4% of our revenue, respectively (2020 - 8.0% and 8.8%, respectively).

We deliver tailored solutions to a diverse set of clients active in various verticals from our delivery locations around the world. However, these services are marketed, sold and delivered to clients in an integrated manner in order to provide a unified, seamless sales and delivery experience. Our chief operating decision maker reviews financial information presented on a consolidated basis for the purposes of evaluating financial performance and making resource allocation decisions. Accordingly, we report our results and manage our business as a single operating and reporting segment.

The following table sets forth our revenue from our top five industry verticals and other industries based on a percentage of revenue for the periods presented:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in millions)	**2021**	2020	$ change	% change	**2021**	2020	$ change	% change
Revenue by Industry Vertical								
Tech and Games	**$ 244**	$ 153	$ 91	59 %	**$ 468**	$ 272	$ 196	72 %
Communications and Media	**132**	119	13	11 %	**261**	230	31	13 %
eCommerce and FinTech	**61**	41	20	49 %	**116**	77	39	51 %
Travel and Hospitality	**13**	11	2	18 %	**27**	25	2	8 %
Healthcare	**11**	7	4	57 %	**23**	16	7	44 %
Other[1]	**72**	60	12	20 %	**143**	93	50	54 %
Total	**$ 533**	$ 391	$ 142	36 %	**$ 1,038**	$ 713	$ 325	46 %

1 Includes, among others, retail and other financial services; none of the verticals included in this category are individually more than 3% of revenue.

In the three-month and six-month periods ended June 30, 2021, the revenue generated from our Tech and Games industry vertical increased 59% and 72%, respectively. This growth is largely attributable to the acquisition of TIAI, which has contributed almost 70% of the growth in Tech and Games, with the balance attributable to continued growth within our existing clients and the addition of new clients. The revenue generated from the eCommerce and FinTech industry vertical has grown 49% and 51%, respectively, which is primarily attributable to new clients as well as growth within our existing client base. The revenue generated from the Communications and Media industry vertical grew 11% and 13%, respectively over the same period, predominantly driven by the increase in revenue from TELUS Corporation.

We serve our clients, who are primarily domiciled in North America, from multiple delivery locations across four geographic regions. In addition, our TIAI clients are largely supported by crowdsourced contractors that are globally dispersed and not limited to the physical locations of our delivery centres. The table below presents the revenue generated in each geographic region, based on the location of our delivery centre or where the services were provided from, for the periods presented.

	Three Months Ended June 30,				Six Months Ended June 30,			
(millions except percentages)	**2021**	2020	$ change	% change	**2021**	2020	$ change	% change
Revenue by Geographic Region								
Europe	**$ 227**	$ 162	$ 65	40 %	**$ 437**	$ 282	$ 155	55 %
North America	**123**	91	32	35 %	**238**	156	82	53 %
Asia-Pacific	**106**	75	31	41 %	**210**	158	52	33 %
Central America	**77**	63	14	22 %	**153**	117	36	31 %
Total	**$ 533**	$ 391	$ 142	36 %	**$ 1,038**	$ 713	$ 325	46 %

Comparison of Three Months Ended June 30, 2021 and 2020. Our revenue increased $142 million, or 36%, to $533 million during the three months ended June 30, 2021. Of this increase, $61 million or 16% was attributable to inorganic growth generated from our acquisitions, particularly from our Tech and Games clients as noted earlier. The remainder of the growth was organic, coming from growth in services provided to existing clients as well as new clients added since the comparative period in the prior year. Our year over year growth was favorably impacted by a $20 million or 5% foreign currency impact, predominantly driven by the EUR:USD rate as compared to the second quarter of 2020. We are unable to quantify with precision the impact of COVID-19 on our revenue for the three months ended June 30, 2021.

Comparison of Six Months Ended June 30, 2021 and 2020. Our revenue increased $325 million, or 46%, to $1,038 million during the six months ended June 30, 2021. Of this increase, $182 million was attributable to growth generated from our acquisitions, particularly from our Tech and Games clients as noted earlier. The balance of the increase is largely attributable to growth in revenue from services provided to existing clients and revenue from new clients. Revenue from our top 10 clients for the six-month period ended June 30, 2021 was 61%, compared to 65% in the comparative six-month period ended June 30, 2020. Similar to the quarter-over-quarter trending, our year-to-date results were also favorably impacted by a $38 million favorable foreign exchange impact, driven predominantly by the EUR:USD rate as compared to the first half of 2020. We are unable to quantify with precision the impact of COVID-19 on our revenue for the six months ended June 30, 2021.

Salaries and benefits

The principal components of salaries and benefits expense include all compensation and benefits (excluding share-based compensation) paid to our front-line and administrative employees, including salaries, benefits and other fringe benefits.

Comparison of Three Months Ended June 30, 2021 and 2020. Salaries and benefits increased $66 million, or 28%, to $299 million for the three months ended June 30, 2021 as a result of business growth, which has resulted in a higher team member count coupled with higher salaries and wages.

Comparison of Six Months Ended June 30, 2021 and 2020. Salaries and benefits increased $142 million, or 32%, to $581 million for the six months ended June 30, 2021 as a result of business growth, which has resulted in a higher team member count coupled with higher salaries and wages.

Goods and services purchased

Goods and services purchased include items such as software licensing costs that are required to support our operations, contracted labor costs to supplement our team member base in the digital services portfolio, sales and marketing expenses associated with promoting and selling our services, compliance expenses such as legal and audit fees and business taxes, incremental IT expenditures, bad debt expenses and facility expenses.

Our goods and services purchased expenses have increased as we continue to expand our operations via acquisitions and organically.

Comparison of Three Months Ended June 30, 2021 and 2020. Goods and services purchased increased $29 million, or 39%, to $103 million during the three months ended June 30, 2021. This increase was largely due to our acquisitions, in particular TIAI's crowdsourced contractors, for which the contracted labor costs are recognized in goods and services.

Comparison of Six Months Ended June 30, 2021 and 2020. Goods and services purchased increased $75 million, or 61%, to $197 million during the six months ended June 30, 2021. This was largely due to our acquisitions, in particular TIAI's crowdsourced contractors, where the contracted labor costs are recognized in goods and services. The balance is attributable to an increase in software license and other administrative costs to support our growing business.

Share-based compensation

Share-based compensation relates to restricted share unit awards and share option awards granted to employees. These awards include a combination of liability-accounted awards, which require a mark-to-market revaluation against our share price, and equity-accounted awards.

Comparison of Three Months Ended June 30, 2021 and 2020. Share-based compensation increased $9 million to $19 million during the three months ended June 30, 2021. The increase was primarily due to mark-to-market adjustments on liability-accounted awards due to the increase in our share price. Additionally, new awards granted under our 2021 Long-Term Incentive Plan are equity-settled, generally vesting annually over a four-year period (the graded-vesting method), compared to our past awards which vest at the end of the vesting period (the cliff-vesting method), generally over a period of up to five years. The graded-vesting method will result in more expense being recognized in the earlier years of the vesting period in comparison to awards subject to the cliff-vesting method, however these awards are not subject to mark-to-market adjustments.

Comparison of Six Months Ended June 30, 2021 and 2020. Share-based compensation increased $33 million to $45 million during the six months ended June 30, 2021. The increase was primarily due to mark-to-market adjustments on liability-accounted awards due to the increase in our share price at the initial public offering and thereafter.

Acquisition, integration and other

Acquisition, integration and other is comprised primarily of costs related to our business acquisitions, including transaction costs and integration activities, which could vary from year to year depending on the volume, nature and complexity of the transactions completed in each fiscal year.

We also, from time to time, incur costs associated with streamlining our operations, including ongoing and incremental efficiency initiatives, which may include personnel-related costs and rationalization of real estate. Other costs may also include external costs that are unusual in nature or their significance, such as incremental costs incurred in connection with the COVID-19 pandemic, adverse litigation judgments or regulatory decisions, and other costs that do not contribute normally to the earning of revenues.

Comparison of Three Months Ended June 30, 2021 and 2020. Acquisition, integration and other was steady at $7 million during the three months ended June 30, 2021. Current period costs primarily related to the integration of TIAI, whereas costs incurred in the comparative period primarily related to incremental costs incurred in connection with the COVID-19 pandemic.

Comparison of Six Months Ended June 30, 2021 and 2020. Acquisition, integration and other decreased $14 million, or 54%, to $12 million during the six months ended June 30, 2021. Current period costs primarily related to the acquisition and integration of TIAI and IPO related costs, as well as integration costs relating to CCC. The higher costs in the comparative period related primarily to the costs associated with the acquisition of CCC.

Depreciation and amortization

Depreciation and amortization includes depreciation of property, plant and equipment and right-of-use leased assets as well as amortization expense for software and intangible assets recognized in connection with acquisitions. Given our strategy to continuously enhance our service offerings through organic investment and strategic acquisitions, we expect depreciation and amortization will continue to grow.

Comparison of Three Months Ended June 30, 2021 and 2020. Depreciation and amortization expense increased $15 million, or 30%, to $65 million for three months ended June 30, 2021. The increase was largely due to the incremental amortization recognized on the intangible assets acquired as part of the TIAI business and other prior acquisitions.

Comparison of Six Months Ended June 30, 2021 and 2020. Depreciation and amortization expense increased $44 million, or 52%, to $128 million for six months ended June 30, 2021. The increase was largely due to the incremental amortization recognized on the intangible assets acquired as part of the TIAI business and other prior acquisitions.

Changes in Business Combination-related Provisions

Changes in business combination-related provisions reflects non-cash accounting gains recognized on the revaluation or settlement of assets and liabilities during the period.

Comparison of Three Months Ended June 30, 2021 and 2020. Changes in business combination-related provisions was $nil for the three months ended June 30, 2021, compared to a gain of $51 million in the prior comparative period, which related to the revaluation of a put option to acquire the remaining non-controlling interest in our subsidiary Xavient. This put option was settled on April 30, 2020.

Comparison of Six Months Ended June 30, 2021 and 2020. Changes in business combination-related provisions was $nil for the six months ended June 30, 2021, compared to a gain of $74 million in the prior comparative period, which related to the revaluation of a put option to acquire the remaining non-controlling interest in our subsidiary Xavient.

Interest Expense

Interest expense includes interest expense on long-term and short-term borrowings, accretion expense recognized on provisions on the balance sheet, and interest expense recognized for our lease liabilities.

Comparison of Three Months Ended June 30, 2021 and 2020. Interest expense was steady at $12 million for the three months ended June 30, 2021 compared to the prior comparative period, as the increase in the weighted average debt balance outstanding was offset by a lower weighted average interest rate.

Comparison of Six Months Ended June 30, 2021 and 2020. Interest expense increased $1 million, or 4%, to $26 million for the six months ended June 30, 2021. The increase was due to an increase in the weighted average debt balance outstanding, which was offset in part, by a lower weighted average interest rate.

Foreign Exchange

Foreign exchange is comprised of gains and losses recognized on certain derivatives, as well as foreign exchange gains and losses recognized on the revaluation and settlement of foreign currency transactions. Please refer to “Item 11—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk” in our Annual Report for a discussion of our hedging programs.

Comparison of Three Months Ended June 30, 2021 and 2020. Foreign exchange gain was $1 million for the three months ended June 30, 2021, compared to a foreign exchange loss of $3 million, an improvement of $4 million over the prior comparative period. These reflect changes in foreign exchange rates in the currencies we operate in.

Comparison of Six Months Ended June 30, 2021 and 2020. Foreign exchange loss was $2 million for the six months ended June 30, 2021, compared to a foreign exchange loss of $3 million, a decrease of $1 million. These reflect changes in foreign exchange rates in the currencies we operate in.

Income tax expense

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(millions)	**2021**	**2020**	**2021**	**2020**
Income tax expense	$ 13	$ 10	$ 28	$ 22
Income taxes computed at applicable statutory rates	24.9 %	24.4 %	23.6 %	25.4 %
Effective tax rate	44.8 %	18.9 %	59.6 %	28.9 %

Comparison of Three Months Ended June 30, 2021 and 2020. Income tax expense increased by $3 million for the three months ended June 30, 2021 and the effective tax rate increased from 18.9% to 44.8% compared to the comparative period. The increase in the effective tax rate is primarily due to an increase in withholding and other taxes and a reduction to the prior year effective tax rate due to adjustments recognized in the current period for income tax of prior periods.

Comparison of Six Months Ended June 30, 2021 and 2020. Income tax expense increased by $6 million for the six months ended June 30, 2021 and the effective tax rate increased from 28.9% to 59.6% compared to the comparative period. The increase in the effective tax rate is primarily due to an increase in non-deductible items, an increase in withholding and other taxes and a reduction in the prior year effective tax rate due to adjustments recognized in the current period for income tax of prior periods. A significant portion of the non-deductible items are a result of our IPO and are expected to be non-recurring.

Non-GAAP Measures

We regularly review certain non-GAAP measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also use the measures to monitor compliance with debt covenants and manage our capital structure. We believe that these measures help investors compare our operating performance with our results in prior periods. These non-GAAP financial measures are provided as supplemental information to the financial measures presented in this discussion that are calculated and presented in accordance with GAAP. These non-GAAP measures may not be comparable to GAAP measures and may not be comparable to similarly described non-GAAP measures reported by other companies, including those within our industry. Consequently, our non-GAAP measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable GAAP measure and our condensed interim consolidated financial statements for the periods presented. The non-GAAP financial measures we present in this discussion should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

TI Adjusted Net Income, TI Adjusted Basic Earnings per Share and TI Adjusted Diluted Earnings per Share. We regularly monitor TI Adjusted Net Income, TI Adjusted Basic EPS and TI Adjusted Diluted EPS as they are useful for management and investors to evaluate our operating performance, to better understand our ability to manage operational costs, and to facilitate a period-over-period comparison of our results. We calculate TI Adjusted Net Income by adjusting net income for the period for changes in business combination-related provisions, acquisition, integration and other, share-based compensation, foreign exchange gains or losses and amortization of purchased intangible assets, and the related tax impacts of these adjustments. These items are excluded as we do not believe they are indicative of our ongoing operating performance. TI Adjusted Basic EPS is calculated by dividing TI Adjusted Net Income by the basic total weighted average number of equity shares outstanding during the period. TI Adjusted Diluted EPS is calculated by dividing TI Adjusted Net Income by the diluted total weighted average number of equity shares outstanding during the period.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions, except per share amounts)	**2021**	**2020**	**2021**	**2020**
Net income	**$ 16**	$ 43	**$ 19**	$ 54
Add back (deduct):				
Changes in business combination-related provisions[1]	**—**	(51)	**—**	(74)
Acquisition, integration and other[2]	**7**	7	**12**	26
Share-based compensation[3]	**19**	10	**45**	12
Foreign exchange (gain) loss[4]	**(1)**	3	**2**	3
Amortization of purchased intangible assets[5]	**34**	21	**67**	33
Tax effect of the adjustments above	**(12)**	(7)	**(23)**	(13)
TI Adjusted Net Income	**$ 63**	$ 26	**$ 122**	$ 41
TI Adjusted Basic Earnings Per Share	**$ 0.24**	$ 0.12	**$ 0.47**	$ 0.19
TI Adjusted Diluted Earnings Per Share	**$ 0.24**	$ 0.12	**$ 0.46**	$ 0.19

1 Changes in business combination-related provisions relate to the revaluation of a written put option liability to acquire the remaining non-controlling interests in a subsidiary that was settled in the second quarter of 2020.

2 Acquisition, integration and other is comprised primarily of business acquisition transaction costs and integration expenses associated with these acquisitions and other restructuring, which are not reflective of our ongoing operations. These costs are dependent on a number of factors and are generally inconsistent in amount and frequency, as well as significantly impacted by the timing and size of related acquisitions. Additionally, the size, complexity and volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and volume of future transactions.

3 Share-based compensation includes the mark-to-market revaluation of liability-accounted share-based awards based on changes in our share price, which do not correspond to the cash outlay in any given reporting period. This revaluation may fluctuate significantly period over period, which can prevent a comparison of our operating results among the periods. In addition, new equity awards granted under our 2021 Long-Term Incentive Plan are equity-settled through shares from treasury.
4 Foreign exchange gains or losses are derived from fluctuations in the market foreign exchange rates relative to our operating currencies, which are generally not reflective of the underlying operations of our business.
5 Purchased intangible assets primarily relate to acquired customer relationships, brand and crowdsource assets. Amortization of these intangible assets are excluded as it is a non-cash expense, and it allows management and investors to evaluate our operating results as if these assets had been developed internally rather than acquired in a business combination. We do not exclude the revenue generated by such purchased intangible assets from our revenues and, as a result, TI Adjusted Net Income includes revenue generated, in part, by such purchased intangible assets.

TI Adjusted EBITDA. We regularly monitor TI Adjusted EBITDA because this is a key measure regularly used by management to evaluate our business performance. As such, we believe it is useful to investors in understanding and evaluating the performance of our business. This measure excludes from net income items that do not reflect the underlying operations of our business and should not, in our opinion, be considered in a valuation metric, or should not be included in an assessment of our ability to service or incur debt. These items were added back for the same reasons described above in TI Adjusted Net Income. TI Adjusted EBITDA should not be considered an alternative to net income in measuring our performance, and it should not be used as an exclusive measure of cash flow. We believe a net income measure that excludes these items that do not reflect the underlying operations of our business is more reflective of underlying business trends and our operational performance and overall business strategy.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2021**	**2020**	**2021**	**2020**
Net income	**$ 16**	$ 43	**$ 19**	$ 54
Add back (deduct):				
Changes in business combination-related provisions[1]	—	(51)	—	(74)
Acquisition, integration and other[2]	**7**	7	**12**	26
Share-based compensation[3]	**19**	10	**45**	12
Foreign exchange (gain) loss[4]	**(1)**	3	**2**	3
Depreciation and amortization	**65**	50	**128**	84
Interest expense	**12**	12	**26**	25
Income taxes	**13**	10	**28**	22
TI Adjusted EBITDA	**$ 131**	$ 84	**$ 260**	$ 152

1 Changes in business combination-related provisions relate to the revaluation of a written put option liability to acquire the remaining non-controlling interests in a subsidiary that was settled in the second quarter of 2020.
2 Acquisition, integration and other is comprised primarily of business acquisition transaction costs and integration expenses associated with these acquisitions and other restructuring, which are not reflective of our ongoing operations. These costs are dependent on a number of factors and are generally inconsistent in amount and frequency, as well as significantly impacted by the timing and size of related acquisitions. Additionally, the size, complexity and volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and volume of future transactions.
3 Share-based compensation includes the mark-to-market revaluation of liability-accounted share-based awards based on changes in our share price, which do not correspond to the cash outlay in any given reporting period. This revaluation may fluctuate significantly period over period, which can prevent a comparison of our operating results among the periods. In addition, new equity awards granted under our 2021 Long-Term Incentive Plan are equity-settled through shares from treasury.
4 Foreign exchange gains or losses are derived from fluctuations in the market foreign exchange rates relative to our operating currencies, which are generally not reflective of the underlying operations of our business.

TI Free Cash Flow. We calculate TI Free Cash Flow by adjusting our cash provided by operating activities by deducting capital expenditures. We use TI Free Cash Flow to evaluate and conduct our business because, although it is similar to cash provided by operating activities, we believe it is a more conservative measure of cash flows that better reflects our ongoing operations since capital expenditures are a necessary component of our ongoing operations and our liquidity assessment.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2021**	2020	**2021**	2020
Cash provided by operating activities	**$ 96**	$ 50	**$ 132**	$ 84
Less: capital expenditures	**(25)**	(16)	**(43)**	(29)
TI Free Cash Flow	**$ 71**	$ 34	**$ 89**	$ 55

TI Adjusted Gross Profit and TI Adjusted Gross Profit Margin. TI Adjusted Gross Profit and TI Adjusted Gross Profit Margin are useful measures for management and investors alike to assess how efficiently we are servicing our clients and to be able to evaluate the growth in our cost base, excluding depreciation and amortization, as a percentage of revenue. We calculate TI Adjusted Gross Profit by excluding depreciation and amortization from Gross Profit. We exclude depreciation and amortization expense because the timing of the underlying capital expenditures and other investing activities do not correlate directly with the revenue from contracts with clients in a given reporting period. TI Adjusted Gross Profit subtracts delivery costs from revenue, including salaries, bonuses, fringe benefits, contractor fees and client-related travel costs for our team members who are assigned to client projects as well as licensing fees, network infrastructure costs and facilities costs required to service our clients. We calculate Gross Profit Margin as gross profit divided by revenue arising from contracts with clients. We calculate TI Adjusted Gross Profit Margin as TI Adjusted Gross Profit divided by revenue arising from contracts with clients.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions, except percentages)	**2021**	2020	**2021**	2020
Revenues	**$ 533**	$ 391	**$ 1,038**	$ 713
Less: Operating expenses	**(493)**	(374)	**(963)**	(683)
Add back: Indirect and administrative expenses	**107**	101	**221**	183
Gross profit	**147**	118	**296**	213
Add back: Depreciation and amortization	**65**	50	**128**	84
TI Adjusted Gross Profit	**$ 212**	$ 168	**$ 424**	$ 297
Gross Profit Margin (%)	**27.6 %**	30.2 %	**28.5 %**	29.9 %
TI Adjusted Gross Profit Margin (%)	**39.8 %**	43.0 %	**40.8 %**	41.7 %

Summary of Consolidated Quarterly Results and Trends

The following table sets forth our unaudited quarterly statements of operations data for each of the last eight quarters ended June 30, 2021. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included in our Annual Report and, in the opinion of management, includes all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes thereto included in our Annual Report. These quarterly results of operations are not necessarily indicative of our future results of operations that may be expected for any future period.

(millions, except per share amounts, percentages, and team member count)	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
REVENUE	**$ 533**	$ 505	$ 442	$ 427	$ 391	$ 322	$ 273	$ 265
OPERATING EXPENSES								
Salaries and benefits	**299**	282	259	249	233	206	161	159
Goods and services purchased	**103**	94	55	67	74	48	48	44
Share-based compensation	**19**	26	12	5	10	2	6	2
Acquisition, integration and other	**7**	5	25	8	7	19	3	3
Depreciation	**29**	27	27	25	26	21	20	19
Amortization of intangible assets	**36**	36	23	23	24	13	5	5
	493	470	401	377	374	309	243	232
OPERATING INCOME	**40**	35	41	50	17	13	30	33
OTHER (INCOME) EXPENSES								
Changes in business combination-related provisions	**—**	—	—	—	(51)	(23)	(12)	—
Interest expense	**12**	14	11	10	12	13	8	9
Foreign exchange loss (gain)	**(1)**	3	(4)	(1)	3	—	(1)	2
INCOME BEFORE INCOME TAXES	**29**	18	34	41	53	23	35	22
Income taxes	**13**	15	13	13	10	12	8	7
NET INCOME	**$ 16**	$ 3	$ 21	$ 28	$ 43	$ 11	$ 27	$ 15
Basic earnings per share	**$ 0.06**	$ 0.01	$ 0.09	$ 0.12	$ 0.19	$ 0.05	$ 0.14	$ 0.08
Diluted earnings per share	**$ 0.06**	$ 0.01	$ 0.09	$ 0.12	$ 0.19	$ 0.05	$ 0.14	$ 0.08
Other financial information[1]								
TI Adjusted Net Income	**$ 63**	$ 59	$ 66	$ 53	$ 26	$ 15	$ 26	$ 24
TI Adjusted Basic Earnings per Share	**$ 0.24**	$ 0.23	$ 0.27	$ 0.23	$ 0.12	$ 0.07	$ 0.14	$ 0.13
TI Adjusted Diluted Earnings per Share	**$ 0.24**	$ 0.23	$ 0.27	$ 0.23	$ 0.12	$ 0.07	$ 0.14	$ 0.13
TI Adjusted EBITDA	**$ 131**	$ 129	$ 128	$ 111	$ 84	$ 68	$ 64	$ 62
Cash provided by operating activities	**$ 96**	$ 36	$ 95	$ 84	$ 50	$ 34	$ 49	$ 56
TI Free Cash Flow	**$ 71**	$ 18	$ 70	$ 64	$ 34	$ 21	$ 33	$ 44
Gross Profit Margin	**27.6 %**	29.5 %	33.0 %	33.7 %	30.2 %	29.5 %	34.1 %	34.3 %
TI Adjusted Gross Profit Margin	**39.8 %**	42.0 %	44.3 %	45.0 %	43.0 %	40.1 %	43.2 %	43.4 %
Team member count	**56,171**	51,387	50,618	48,324	47,660	46,209	38,102	37,184

1 See "—Non-GAAP Measures" above.

The trend of quarter-over-quarter increase in consolidated revenue reflects the growth in both our organic customer base, as well as successful scale-up of new service programs provided to existing clients. Increased revenue also includes revenues from business acquisitions, including our acquisition of CCC which closed on January 31, 2020 and MITS which closed on April 1, 2020. The acquisition of TIAI closed on December 31, 2020 and did not contribute to our revenue growth prior to 2021.

The trend of quarter-over-quarter increases in employee benefits expense reflects increases in our team member base as a result of acquisitions and as required to service growing volumes from both our existing and new customers and the expansion of our service offerings.

The trend of quarter-over-quarter increases in goods and services purchased reflects increases in external labor to support the growth in our digital business, increases in our software licensing costs associated with our growing team member base and increase in administrative expenses to support growth in the overall business and business acquisitions.

The trend of quarter-over-quarter increases in share-based compensation reflects increases in the value of our equity, and the mark-to-market revaluation of liability-accounted awards. As we shift our share-based compensation grants to equity-accounted awards, we expect less volatility in this expense as these awards are not subject to the mark-to-market revaluation impact of liability-accounted awards.

The trend of quarter-over-quarter changes in acquisition, integration and other costs are dependent on a number of factors and are generally inconsistent in amount and frequency, as well as significantly impacted by the timing and size of business acquisitions.

The trend of quarter-over-quarter increases in depreciation and amortization reflects increases due to growth in capital assets, which is supporting the expansion of our sites required to service customer demand and growth in intangible assets recognized in connection with business acquisitions.

The trend in changes of business combination-related provisions primarily reflects non-cash accounting adjustments recognized on the revaluation or settlement of provisions in connection with an acquisition prior to the quarters presented.

The trend of quarter-over-quarter increases in interest expense reflects an increase in long-term debt outstanding, mainly associated with our acquisitions, and increase in lease liabilities for leased assets. Interest expense also includes accretion on provisions for written put options, which were settled in the second quarter of 2020, thereby partially offsetting any increases subsequent to the second quarter of 2020. Subsequent to the IPO, we have paid down a portion of the borrowing under our credit facility, as such we expect that interest expense will decrease.

The trend in net income reflects the items noted above, as well as the relative mix of income among the geographic areas and the associated tax rates for the countries within those areas and varying amounts of foreign exchange gains or losses. Historically, the trend in basic earnings per share has been impacted by the same trends as net income.

Related Party Transactions

Recurring Transactions with TELUS Corporation

In 2021, we entered into an amended and restated TELUS MSA, which provide for a ten-year master services agreement and we also entered into a ten-year transition and shared services agreement with TELUS Corporation. Revenues earned pursuant to the TELUS MSA are recorded as revenue and fees incurred in connection with the shared services agreement for certain shared services provided to us are recorded as goods and services purchased. The following table summarizes the transactions with TELUS and its subsidiaries:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(millions)	**2021**	**2020**	**2021**	**2020**
Revenue	**$ 86**	$ 75	**$ 168**	$ 147
Management Fees and Other Services	**(6)**	(9)	**(16)**	(10)
Total	**$ 80**	$ 66	**$ 152**	$ 137
Amounts Received from TELUS Corporation	**$ 86**	$ 73	**$ 168**	$ 131
Amounts Paid to TELUS Corporation	**$ 13**	—	**$ 17**	—

Amounts receivable from TELUS Corporation were $48 million and $23 million as at June 30, 2021 and June 30, 2020, respectively, and amounts payable to TELUS Corporation were $52 million and $33 million as at June 30, 2021 and June 30, 2020, respectively.

Liquidity and Capital Resources

Capital resources

As at June 30, 2021, we had approximately $815 million (December 31, 2020 - $285 million) of available liquidity, comprised of cash and cash equivalents of $119 million (December 31, 2020 - $153 million), and available borrowings under a revolving credit facility of $696 million (December 31, 2020 - $132 million). Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk levels.

In the management of capital and in its definition, we include owners' equity (excluding accumulated other comprehensive income), long-term debt (including long-term credit facilities and any hedging assets or liabilities associated with long-term debt items, net of amounts recognized in accumulated other comprehensive income) and cash and cash equivalents. We manage capital by monitoring the financial covenants prescribed in our credit facility. For additional information, see (Note 16(b) in the notes to the audited consolidated financial statements as at and for the year ended December 31, 2020 included in our Annual Report).

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of our business. In order to maintain or adjust our capital structure, we may issue new shares, issue new debt with different terms or characteristics which may be used to replace existing debt, or pay down our debt balance with cash flows from operations. We believe that our financial objectives are supportive of our long-term strategy.

We monitor capital utilizing the financial covenants prescribed in our credit facility. As at June 30, 2021, we were in compliance with all of our covenants including net debt to EBITDA ratio of less than 5.25:1.00.

The following table presents a summary of our cash flows and ending cash balances for the three-month periods ended June 30, 2021 and 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2021**	**2020**	**2021**	**2020**
Cash provided by operating activities	**$ 96**	$ 50	**$ 132**	$ 84
Cash used in investing activities	**(24)**	(67)	**(38)**	(873)
Cash (used in) provided by financing activities	**(72)**	5	**(126)**	845
Effect of exchange rate changes on cash	**2**	(1)	**(2)**	(1)
Increase (decrease) in cash position during the period	**$ 2**	$ (13)	**$ (34)**	$ 55
Cash and cash equivalents, beginning of period	**$ 117**	$ 148	**$ 153**	$ 80
Cash and cash equivalents, end of period	**$ 119**	$ 135	**$ 119**	$ 135

Operating activities

Comparison of Three Months Ended June 30, 2021 and 2020. We generated cash from operating activities of $96 million in the three months ended June 30, 2021, an increase of $46 million from the comparative period. This increase was primarily attributable to an increase in net income adjusted for non-cash items due to growth in our organic business as well as the income generated from our recent acquisitions, which was offset in part by higher taxes paid.

Comparison of Six Months Ended June 30, 2021 and 2020. We generated cash from operating activities of $132 million in the six months ended June 30, 2021, an increase of $48 million from the comparative period. This increase is primarily attributable to an increase in net income adjusted for non-cash items due to growth in our organic business as well as the income generated from our recent acquisitions, which was offset in part by higher taxes paid and lower net change in non-cash operating capital compared to the prior year due to the working capital of acquired entities. In addition, during the six-months ended June 30, 2021, we paid $17 million to settle certain liability-accounted share-based compensation awards that became exercisable as a result of our IPO.

Investing activities

Comparison of Three Months Ended June 30, 2021 and 2020. For the three months ended June 30, 2021 we invested $24 million into the business, a decrease of $43 million compared to $67 million in the comparative period. The decrease was primarily due to the $50 million payment to acquire the remaining non-controlling interest in Xavient Digital LLC in the second quarter of 2020.

Comparison of Six Months Ended June 30, 2021 and 2020. For the six months ended June 30, 2021 we invested $38 million into the business, a decrease of $835 million compared to $873 million in the comparative period. The decrease was primarily due to the acquisition of CCC in the first quarter of 2020.

Financing activities

Comparison of Three Months Ended June 30, 2021 and 2020. For the three months ended June 30, 2021, we used $72 million of cash associated with financing activities compared to a cash inflow of $5 million in the comparative period. The change was primarily due to $72 million of long-term debt repayments in the second quarter of 2021. During the three-months ended June 30, 2020, we repaid $70 million of long-term debt, which was offset by $75 million of cash received related to the purchase of incremental shares by TELUS Corporation.

Comparison of Six Months Ended June 30, 2021 and 2020. For the six months ended June 30, 2021, we used $126 million of cash associated with financing activities compared to a cash inflow of $845 million in the comparative period. The change was primarily due to $1,145 million of long-term debt issued in the first quarter of 2020, partially offset by $631 million repayment of our credit facility.

In connection with our IPO on February 3, 2021, we received gross proceeds of $525 million, reduced by share issuance costs of $32 million. On February 5, 2021, we used the net proceeds from our IPO to repay a portion of the outstanding balance under the revolving component of our credit facility.

Future Capital Requirements

We believe that our existing cash and cash equivalents combined with our expected cash flow from operations and liquidity available under our credit facilities will be sufficient to meet our projected operating and capital expenditure requirements for at least the next 12 months and we possess the financial flexibility to execute our strategic objectives, including the ability to make acquisitions and strategic investments in the foreseeable future. Our ability to generate cash, however, is subject to our performance, general economic conditions, industry trends and other factors. To the extent that existing cash and cash equivalents and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through equity or debt financing. If we raise funds through the issuance of additional debt, we may be subject to additional contractual restrictions on our business. There is no assurance that we would be able to raise additional funds on favorable terms or at all. See “Item 3B—Risk Factors—Risks Related to Our Business—We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms, which could lead us to be unable to expand our business” in our Annual Report.

Net debt and adjusted EBITDA, both as per our credit agreement, are used to calculate our leverage ratio debt covenant (Net Debt to Adjusted EBITDA Leverage Ratio), as presented below. We seek to maintain a Net Debt to Adjusted EBITDA Leverage Ratio in the range of 2-3x. As of June 30, 2021, our Net Debt to Adjusted EBITDA Leverage Ratio was 2.3x. We may deviate from our target Net Debt to Adjusted EBITDA Leverage Ratio to pursue acquisitions and other strategic opportunities that may require us to borrow additional funds and, additionally, our ability to maintain this targeted ratio depends on our ability to continue to grow our business, general economic conditions, industry trends and other factors.

The following table presents a reconciliation of our Net Debt to Adjusted EBITDA Leverage Ratio for the six-months ended June 30, 2021, compared to December 31, 2020.

As at (millions except for ratio)	June 30, 2021	December 31, 2020
Outstanding credit facility	**$ 983**	$ 1,568
Contingent facility utilization	**7**	7
Net derivative	**39**	56
Cash balance[1]	**(100)**	(100)
Net Debt as per credit agreement	**$ 929**	$ 1,531
TI Adjusted EBITDA[2] (trailing 12 months)	**$ 499**	$ 391
Adjustments required as per credit agreement	**$ (97)**	$ (20)
Net Debt to Adjusted EBITDA Leverage Ratio as per credit agreement	**2.3**	4.1

1 Maximum cash balance of $100 million is used in accordance with the credit agreement; cash balance as of June 30, 2021 and December 31, 2020 was $119 million and $153 million, respectively.
2 TI Adjusted EBITDA is a non-GAAP financial measure, see section "—Non-GAAP Financial Measures" for more information.

Capital Expenditures

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2021	2020	2021	2020
Capital expenditures	**$ 25**	$ 16	**$ 43**	$ 29

Comparison of Three and Six Months Ended June 30, 2021 and 2020.

For the three- and six-month periods ended June 30, 2021, capital expenditures increased to $25 million and $43 million, respectively, compared to $16 million and $29 million, respectively, for the comparative prior periods. The increase was primarily attributable to additional investment in our Asia Pacific, Central America and Europe regions to service growth in business volumes.

Contractual Obligations

Our principal sources of liquidity are cash generated from operations, our available credit facility, and to a lesser extent, our cash and cash equivalents. For the three and six months ended June 30, 2021, our cash provided by operations was $96 million and $132 million, respectively, and as at June 30, 2021, we had $696 million of available borrowing under our credit facility. Additionally, we had cash and cash equivalents of $119 million as at June 30, 2021.

Our primary uses of liquidity are cash used in our normal business operations such as employee compensation expense, goods and services purchases, and working capital requirements. In addition, we are required to meet the payment obligations under our credit facility and lease agreements. We expect that our cash flow from operations and our available cash and cash equivalents (including the revolving component of our credit facility) will be sufficient to meet our ongoing cash flow needs and operating requirements. The expected maturities of our undiscounted financial liabilities, excluding long-term-debt, do not differ significantly from the contractual maturities, other than as noted below. With respect to long-term-debt maturities, we repaid a portion of our credit facility on February 5, 2021, using the net proceeds from our IPO. The contractual maturities of our undiscounted financial liabilities, as at June 30, 2021 including interest thereon (where applicable), are as set out in the following table:

For each fiscal year ending December 31, (millions)	Non-derivative				Derivative			
			Composite long-term debt		Currency swap agreement amounts to be exchanged			
	Non-interest bearing financial liabilities	Due to affiliated companies	Long-term debt, excluding leases	Leases	(Receive)	Pay	Interest rate swap agreement	Total
2021 (balance of year)	$ 360	$ 52	$ 21	$ 33	$ (78)	$ 78	$ 3	$ 469
2022	21	—	268	56	(57)	56	1	345
2023	—	—	30	48	(28)	25	—	75
2024	—	—	30	31	(29)	25	—	57
2025	—	—	634	21	(321)	347	—	681
Thereafter	—	—	—	56	—	—	—	56
Total	$ 381	$ 52	$ 983	$ 245	$ (513)	$ 531	$ 4	$ 1,683

Off-Balance Sheet Arrangements

We do not have any material obligations under guarantee contracts or other contractual arrangements other than as disclosed in Note 18 “Contingent Liabilities” in the notes to our audited consolidated financial statements for the year ended December 31, 2020 included in our Annual Report. We have not entered into any transactions with unconsolidated entities where we have financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to us, or engages in leasing, hedging, or research and development services with us.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Amounts drawn on our long-term debt facilities expose us to changes in interest rates. Holding other variables constant, including the total amount of outstanding indebtedness, a 25-basis-point increase in interest rates on our variable-rate debt would cause an estimated increase in interest expense of approximately $2 million per year based on the amounts outstanding at June 30, 2021, excluding the impact of any hedging activities.

Foreign Currency Risk

Our consolidated financial statements are reported in U.S. dollars but our international operating model exposes us to foreign currency exchange rate changes that could impact the translation of foreign denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. The European euro is the foreign currency to which we currently have the largest exposure. The sensitivity analysis of our exposure to foreign currency risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The European euro, Canadian dollar and Philippine peso denominated balances as at the statement of financial position dates have been used in the calculations below.

Six months ended June 30,	Net income 2021	Net income 2020	Other comprehensive income 2021	Other comprehensive income 2020	Comprehensive income 2021	Comprehensive income 2020
Reasonably possible changes in market risks						
10% change in US$: European euro exchange rate						
United States Dollar appreciates	$ —	$ —	$ 10	$ 10	$ 10	$ 10
United States Dollar depreciates	$ —	$ —	$ (10)	$ (10)	$ (10)	$ (10)
10% change in US$: Cdn.$ exchange rate						
United States Dollar appreciates	$ —	$ 1	$ —	$ —	$ —	$ 1
United States Dollar depreciates	$ —	$ (1)	$ —	$ —	$ —	$ (1)
10% change in US$: Peso exchange rate						
United States Dollar appreciates	$ (1)	$ —	$ —	$ —	$ (1)	$ —
United States Dollar depreciates	$ 1	$ —	$ —	$ —	$ 1	$ —

We therefore face exchange rate risk through fluctuations in relative currency prices, which are unpredictable and costly to hedge. Appreciation of foreign currencies against the United States dollar will increase our cost of doing business and could adversely affect our business, financial condition or financial performance. Our foreign exchange risk management includes the use of swaps to manage the currency risk associated with European euro denominated, as well as foreign currency forward contracts to fix the exchange rates on short-term Philippine peso denominated transactions and commitments.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business, result of operations and financial condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "seek", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements are based on our current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management's beliefs and assumptions, and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those factors listed under “Risk Factors” in our Annual Report for the year ended December 31, 2020, filed with the SEC on EDGAR and on SEDAR.