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Q4 2023 Investor Conference Call Transcript

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TELUS Corporate Participants

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Doug French - TELUS Corporation - EVP & CFO

Jeff Puritt - TELUS International, President, CEO & Director

Navin Arora - TELUS Corporation - EVP & President of TELUS Business Solutions

Robert Mitchell - TELUS Corporation - Head of IR

Tony Geheran - TELUS Corporation - Chief Operations Officer (COO) & EVP

Zainul Mawji - TELUS Corporation - EVP & President of TELUS Consumer Solutions

Analyst Participants

Jerome Dubreuil - Desjardins Securities

Maher Yaghi - Scotiabank

Simon Flannery - Morgan Stanley

Stephanie Price - CIBC Capital Markets

Vince Valentini - TD Securities Equity Research - Analyst

Presentation Transcript

Operator

Good day, and welcome to the TELUS 2023 Q4 Earnings Conference Call. I would like to introduce your speaker, Robert Mitchell. Please go ahead.

Robert Mitchell - Head of IR

Hello, everyone. Thank you for joining us today. Our fourth quarter 2023 results, news release, MD&A, financial statements and supplemental investor information were posted on our website this morning.

On our call today, we'll begin with remarks by Darren and Doug. For the Q&A portion, we will be joined by other members of the TELUS Executive Leadership Team.

Briefly prepared remarks, slides and answers to questions contain forward-looking statements. Actual results could vary materially from these statements, the assumptions on which they are based and the material risks that could cause them to differ are outlined in our public filings with the securities commissions in Canada and the U.S., including in our fourth quarter and annual 2023 MD&A.

With that, over to you, Darren.

Darren Entwistle - President, CEO & Director

Thanks, Robert, and hello, everyone. Throughout 2023, our team successfully navigated a highly competitive industry and overcame a challenging macroeconomic landscape and dynamic regulatory environment to achieve strong operational and financial results across our business.

Indeed, our results for the year demonstrate execution strength in our TTech business segment, characterized by the potent combination of leading customer growth and strong operational and financial results, enhanced by our significant and ongoing focus on cost efficiency.

These results were buttressed by improving a resilient fourth quarter profitability from our DLCX segment despite the continued challenging macroeconomic operating environment faced by TELUS International.

Robust performance in our core telecom business is underpinned by our globally leading broadband networks and superior customer-first culture. This enabled our strongest fourth quarter customer growth on record with industry-leading total net additions of 404,000. This represented an increase of 34% year-over-year, driven by strong demand for our leading portfolio of bundled services across mobility and fixed.

The fourth quarter capped off a record-setting year for industry best customer net additions of close to 1.3 million, surpassing our previous record high achieved in 2022 by more than 21%. Notably, 2023 marked the second consecutive year our team delivered more than 1 million new customer additions.

This robust performance included strong fixed subscriber growth of 259,000, our highest mobile phone net additions since 2010 with 443,000 net new customers and all-time record connected device and additions of 564,000. TELUS' industry-leading growth reflects the consistent potency of our operational execution and our unmatched bundled product offerings across mobile and home. Our team's passion for delivering customer service excellence contributed to strong loyalty across our key product lines, and we, of course, have done this on a continued basis.

Looking at our consolidated performance for the full year, operating revenue growth of 9.4% essentially met the lower end of our updated guidance range, reflecting the exogenous challenges we encountered, which we will discuss further on our call today.

Despite these challenges, we drove EBITDA growth of 7.6% for the year, just above the midpoint of our public guidance expectations. Moreover, we achieved strong free cash flow of approximately $1.8 billion, representing industry-leading growth of 38% for the year.

Let's now turn to take a look at the fourth quarter. TELUS once again achieved resilient operating revenues and strong EBITDA growth of 2.6% and 9.4%, respectively.

Looking at our TTech mobile results, TELUS realized robust customer growth of 329,000 net additions in the fourth quarter. This included healthy mobile phone net additions of 126,000, representing a year-over-year increase of 13% and notably, surpassing the 10 million mobile phone customer milestone.

This strength was driven alongside our continued focus on profitable and margin-accretive customer growth. Indeed, this consistent and disciplined approach will continue throughout 2024 and beyond to ensure our mobile customer growth drives EBITDA and cash flow accretion.

It also included an all-time quarterly record for connected device net additions of 203,000 close to double compared to the prior year. This reflects continued strong momentum with respect to our 5G and IoT B2B solutions that are so essential for our successful future.

Importantly, our team delivered another quarter of industry best loyalty results, which continues to be the hallmark of the TELUS organization and is emblematic of our customers' first culture in action by our team.

Whilst blended mobile phone churn of 1.4% was up against the backdrop of heightened competitive activity, and not at a level where we are content, it represented an industry best result by a rather substantial margin.

Notably, postpaid mobile phone churn of 0.87% for the full year marks our 10th consecutive year at less than 1%. Not many companies can make that claim on a global basis. One key factor behind this consistent industry best performance is the superiority of our world-leading networks.

In this regard, in 2023, TELUS once again earned numerous accolades for network reliability, network expansiveness, speed and superiority. This included multiyear recognition from independent third-party organizations such as Opensignal and PCMag.

TELUS is recognized as Canada's most awarded network by Opensignal over 6 consecutive years now. Moreover, PCMag named TELUS Canada's best mobile carrier and best mobile carrier for business in their annual Reader's Choice Awards.

To close on mobile, fourth quarter ARPU of $58.50 was down slightly year-over-year as a result of intense promotional market activity and heightened activity, in particular, in the flanker space. This was mitigated, however, by our long-standing focus on AMPU-accretive loading driven by our team's passion for winning and retaining profitable customers, whilst remaining highly disciplined in respect of device subsidies.

Furthermore, connected devices and IoT will increasingly be an important contributor to network revenue, ARPU and AMPU growth in the quarters ahead. Indeed, our solid and resilient ARPU, which was up 1.2% in 2023, alongside our leading churn continued to drive our industry best mobile phone lifetime revenue. We consistently exceed our national peers in this regard by a considerable margin of up to more than 60% in 2023. This leadership is reflective of the combination of our continued focus on high-quality customer growth and leading client loyalty.

Now, let's take a look at our TTech fixed operating results, where TELUS delivered another quarter of industry best wireline customer growth. Indeed, our team achieved strong fourth quarter Internet net additions of 36,000. We also continue to drive healthy growth in our TV product line with industry-leading net additions of 23,000, up 35% over the prior year despite modestly higher churn. Modest residential voice losses of 7,000 again represented an industry best result.

Strong and leading security additions of 23,000 further reflect the momentum with respect to our successful multi-product penetration strategy. Overall, our industry-leading external fixed net additions of 75,000 demonstrate the strength of our unique and highly attractive bundled offers across our unmatched portfolio of products and services combined with our customer service excellence.

These are buttressed by our ever-expanding broadband networks, our leading customer centricity approach as well as our strong and highly differentiated social capitalism attributes that truly underpin the strength of the TELUS brand and culture in action in respect of our go-to-market activities.

Notably, PCMag recognized TELUS as the fastest Internet service provider in Canada for the fourth consecutive year in 2023. The accolades that we have won for the superiority of our broadband networks across both mobile and fixed, illustrate the TELUS team's steadfast commitment to connecting Canadians to the people and to the information that matter most.

Furthermore, the generational broadband network investments that TELUS has prudently made over the last decade, will continue to drive extensive socioeconomic benefits for Canadians and communities from coast to coast, whilst underpinning the continued advancement of our operational and financial performance at the TELUS organization.

Let's turn now and look at TELUS Business Solutions, or TBS, which continues to contribute meaningfully to the success of the wider TELUS organization. TBS once again delivered another strong quarter with continued revenue and EBITDA growth.

Impressively, TBS achieved its highest Q4 year-over-year EBITDA growth over the past three years. During the quarter, TBS continued its strong momentum in SMB and secured several notable wins with commercial and public sector organizations across Canada, accelerating the growth of both our core services and monetizing 5G through private wireless networks, connected worker, fleet and IoT connectivity management solutions.

TELUS Agriculture and Consumer Goods, or TAC, has recently delivered the best back-to-back sales quarters on record in over three years in consumer goods and also realized the best quarter on record for digital animal agriculture. As we move into 2024, we are looking to build upon this positive momentum and drive accelerated financial contributions on a consolidated basis.

To support the next chapter of our winning growth strategy and reflective of our commitment to use our technology and data services to lead the world in social capitalism, we recently moved our TELUS Health business into TBS. Similar to our earlier integration of TAC into TBS, this better positions our health business to leverage the expertise, the experience and high-performance culture and talent of our broader B2B teams.

Looking now at our TELUS Health business. We achieved fourth quarter revenues of $432 million, alongside 24% year-over-year EBITDA growth and delivered total annual revenues of $1.7 billion in 2023.

We continue to execute on our global growth strategy and demonstrate our progress towards our goal to be the most trusted well-being company in the world. And this includes our health care services and programs now covering 70 million lives around the world, an increase of almost 2 million on a year-over-year basis.

This includes supporting health outcomes on 610 million digital health transactions during 2023, up 5% over last year and this includes increasing our Virtual Care membership to 5.6 million, up more than 24% over the prior year.

Since acquiring LifeWorks in 2022, our team is committed to driving $427 million in annualized synergies by the end of 2025. This includes $327 million expected to be realized through operating cost synergies from continued integration and optimizing our organizational structure, our systems and our real estate portfolio.

In addition, we continue to anticipate $100 million or more from longer-term revenue synergies, driven by cross-selling health services products within our TELUS Health customer base and throughout our TELUS portfolio of assets, including TELUS Business Solutions, TELUS Partner Solutions, TELUS Agriculture & Consumer Goods and obviously, TELUS International.

To date, we've achieved $233 million in combined annualized synergies towards our overall objective of $427 million. These synergies will allow us to reinvest in the growth of our business and improve our profitability whilst we focus on delivering efficient, secure and best-in-class health and wellness solutions to our customers access the globe.

Now, let's take a look at TELUS International. Earlier today, TI reported its fourth quarter and full year 2023 results with solid revenue growth, notwithstanding a continued challenging operating environment.

Importantly, TI delivered on its commitment to improve profitability in the second half of the year, exiting the year with a strong margin profile more aligned with its historical trend. Our synergistic relationship offered incrementally more opportunities to partner with TI, alongside continued momentum fueled by the AI solutions that TI provides to companies like Google, its second largest client, offsetting an otherwise softer demand environment.

The improvement in TI's profitability also reflected meaningful cost efficiency efforts implemented during the year, realigning its cost base to better meet the near-term demand environment.

Over the longer term, TI remains a compelling growth story with meaningful opportunities driven by digital transformation underpinned by robust and highly differentiated AI capabilities.

Doug is going to provide further commentary on both TTech and TELUS International's results in just a moment.

Our team's ability to consistently drive profitable growth over the longer term on the back of our differentiated asset base, best-in-class customer experience and world-leading networks alongside our unique growth businesses, provides us with confidence in the robust outlook for our business and delivering on the annual targets that we've announced for 2024.

These include TTech operating revenues and adjusted EBITDA increases of 2% to 4% and 5.5% to 7.5%, respectively. It includes consolidated CapEx of approximately $2.6 billion, and it includes consolidated free cash flow of approximately $2.3 billion, up circa 30% over 2023, supported by strong EBITDA growth and stable capital investments.

On a consolidated basis, our 2024 performance will be supported by the annual targets TI announced this morning. This includes revenue and EBITDA growth of 3% to 5% and 7% to 10%, respectively, supporting robust profitability and leading free cash flow yield in line with TI's historical average.

Combining our outlook for TTech and TI, we expect consolidated operating revenues and adjusted EBITDA growth rates similar to those that were outlined for the TTech segment.

Furthermore, the unparalleled skill innovation and, of course, the execution excellence of our team on our consistent and winning strategy underpins our industry-leading multiyear dividend growth program now in its 14th year through to the end of 2025, and we look forward to communicating our multiyear dividend growth program at our AGM in May.

To further buttress the sustainability of our consistently strong performance against the backdrop of the rapid transformation in our industry due to the evolving regulatory, competitive and macroeconomic environment, we continue to focus on executing extensive efficiency and effectiveness initiatives across the TELUS organization.

Importantly, the transformational investments we have prudently made over the course of more than a decade in building the best culture and supporting industry-leading customer experiences over our globally leading wireless and PureFibre broadband networks, are enabling the progression of our accelerated plans to digitally revolutionize our business and further streamline our operating costs because this organization leads on digital and this organization has a unique asset in TI.

Our team's grit, resilience and ability to embrace change and continuously evolve the way that we operate have enabled us to achieve our targeted team member reductions in 2023 with the full run rate of annualized cost savings expected to be realized in the second quarter of 2024.

Furthermore, our intensified focus on cost efficiency is continuing into 2024, targeting restructuring investments of approximately $300 million over the course of the year. While these come with many difficult decisions, we continue to leverage our decade-long track record of successfully navigating exogenous factors in order to rise to the current challenges and future proof our business and deliver industry-leading operational, financial and value-creation results.

Against the backdrop of these ongoing challenges, our TELUS family continues to bring our caring culture to life. Last year, our team members and retirees logged in unprecedented 1.5 million hours of volunteerism in communities across the globe. This is an unparalleled accomplishment that is more than any other company in the world.

Due in part to our team's unsurpassed dedication to putting both our communities and customers first, the TELUS brand is increased in value from $10.3 billion in 2023 to circa $11.5 billion today as ranked in the Brand Finance 2024 global report.

Notably, TELUS moved up 2 places to become the most valuable telco brand in Canada and the eighth most valuable brand nationally. And to think this brand was worth $600 million back in 2000. Myself and our entire leadership team as well as the TELUS Board of Directors remain exceedingly grateful for our team's passionate efforts to support our global communities as we strive to deliver outstanding results for all of our stakeholders.

And on that note, I'll turn the call over to Doug.

Doug French – EVP & CFO

Thank you, Darren, and hello, everyone. In the fourth quarter, our team achieved strong operational and financial results, supported by our long-standing commitment to drive profitable customer growth, our product diversity, execution excellence, our leading customer service and our ongoing focus on efficiency and effectiveness.

In Mobility, continued mobile phone and connected device subscriber additions drove network revenue higher by 3.8% along with the moderating roaming revenue growth. We expect a highly competitive environment will continue to pressurize ARPU along with the lapping of the roaming recovery that we experienced in the first half of 2023.

Importantly, we continue to focus on AMPU to drive the right economic outcomes. Our ongoing focus on efficiency and effectiveness will help drive sustainable EBITDA growth and margin accretion. Our strong AMPU performance is further evidenced by our mobility direct margin contribution, increasing by nearly 5% in the quarter.

Fixed Data services grew 3.6% year-over-year, driven by strong customer growth across Internet, security, TV and higher but moderating revenue per customer.

Health Services revenue increased by 5.1% over the prior period, primarily driven by demand for our products and services and continued adoption of our virtual care solutions. At the segment level, TTech operating revenues were up 2.6%, while TTech adjusted EBITDA increased 8% and adjusted EBITDA margin expanded 190 basis points supported through our efficiency program flow-through.

In DLCX, operating revenues from our existing customers were higher by 6.8% year-over-year, primarily from growth in our tech and games, e-commerce, fintech and other clients arising from additional services provided to existing customers and new customers added since the prior year, including those from the acquisition of WillowTree. A strengthening of both the European euro and U.S. dollar against the Canadian dollar also benefited in the period.

During the fourth quarter, our TELUS International team continued to execute against its significant efficiency plans and meaningful of rightsizing to its cost structure. Notably, DLCX adjusted EBITDA was up 19% or closer to 6% when excluding the onetime earn out adjustment, while margins improved 120 basis points year-over-year.

Heading into 2024, TI's focus on efficiency and organic growth will continue as we address some of the continued macroeconomic pressures.

Overall, consolidated operating revenues increased by 2.6% year-over-year and adjusted EBITDA grew by 9.4%. Consolidated net income was up 17% year-over-year, while basic EPS was up 18%. On an adjusted basis, net income was slightly up by just under 1%, while EPS was relatively flat.

Free cash flow of $590 million in the fourth quarter increased by $267 million, driven by increased EBITDA growth, lower capital expenditures and taxes paid, partially offset by an increase in interest payments and higher restructuring disbursements.

For the full year, free cash flow of approximately $1.8 billion came in higher than our updated target of $1.5 billion. The result was higher primarily for two items. The increase in restructuring reserve that we had deferred until 2024 of payments, which will flow into the first quarter and partially the second quarter. In addition, the second was the handset financing of approximately $75 million, where promotions in the period were more focused on rate plans instead of device plans.

Looking forward to our financial targets for 2024 and leading of the period. As Darren highlighted, our TTech revenue growth that will grow by 2% to 4% and TTech adjusted growth of EBITDA of 5.5% to 7.5%.

Our financial outlook reflects continued healthy growth, while our core TTech business as we maintain our consistent focus on profitable growth driven by continued demand for superior bundled offerings over our leading networks. Our strategic focus to drive increased efficiency and effectiveness will also contribute to our financial outlook.

Furthermore, in 2024, we anticipate improving financial contributions from TELUS International as well as TELUS Health and our TELUS Agriculture & Consumer Goods. Consolidated capital expenditures are targeted to remain stable at $2.6 billion, representing a consolidated capital intensity ratio of 13%, which is a historic low for TELUS.

In addition, we have earmarked $100 million for capital for real estate development initiatives, similar to 2023, as we progress our copper decommissioning program and work towards delivering our strategy and co-developing certain surplus real estate assets within our footprint.

Lastly, consolidated free cash flow for 2024 is forecasted to be $2.3 billion, driven by higher EBITDA and stable CapEx. The strong growth includes higher cash restructuring payments related to our efforts undertaken in 2023 as discussed earlier as well as incremental restructuring targeted in 2024.

Putting it all together, and combined with TI's outlook announced earlier today, on a consolidated basis, we expect operating revenues and adjusted EBITDA to grow similar to that of TTech. As we progress through 2024, we anticipate our adjusted EBITDA growth to build as the year progresses.

A detailed list of our assumptions for 2024 are set out in our annual MD&A released today.

Overall, we remain bullish on our ability to continue generating strong free cash flow for the years to come, benefiting from our industry-leading growth profile that consistently showcases our superior asset mix, our leading customer service and our operational execution excellence.

The strong position further supports our industry-leading dividend growth program in place through 2025 and beyond. Along with the de-levering of our balance sheet while continuing to make key strategic investments and continuing advancing our winning growth strategy.

With that, Robert, back to you.

Robert Mitchell - Head of IR

Thanks, Doug. Operator, please proceed with questions.

Operator

Of course. First question comes from Vince Valentini from TD Securities.

Vince Valentini - TD Securities

The first thing I want to ask is about the DRIP. Your free cash flow growth has been very strong and now seems to fully cover the dividend. Are we getting close to removing the DRIP discount, Doug?

Doug French - EVP & CFO

Yes. We are assessing that as we speak. We're going to look to the completion of the next spectrum auction, but we are definitely considering that as a future near or midterm opportunity.

Vince Valentini - TD Securities

And related to free cash flow, one follow-up. As you may have noticed there's some working capital gyrations in some places in the industry. Your free cash flow definition is very clean, but you do not include working capital. Any color you can give there on 2024? Is there any notable increase in working capital usage that we should be aware of?

Doug French - EVP & CFO

No, there isn't. We actually had a -- you'll see in our statements a significant decline in accounts payable at the end of 2023 based on our capital acceleration from the year before. We do not see any blips in 2024.

Operator

Next question comes from Maher Yaghi from Scotiabank.

Maher Yaghi - Scotiabank

We saw a Public Mobile quite active in the marketplace in Q4, and I suspect that this helped your loading in the quarter. We also saw one of your competitors had a significant amount of prepaid to postpaid switching. So, while this is probably dilutive to ARPU, Darren, could you talk a little bit about the comparative metrics on AMPU for Public Mobile versus your existing wireless space, just to be able to understand the impact and the changes of the mix for future profitability.

And the second question I have is on Health Services. We're seeing probably an improving momentum here in the business. What would you like to see for this segment in terms of achievement in 2024 for revenue growth? And any kind of information on EBITDA margins or what you'd like to see in EBITDA margins in '24, that would be helpful.

Darren Entwistle - President, CEO & Director

Okay. Thanks, Maher, for both questions. I think I'll let Zainul answer the first question. It's a pretty good new story, particularly as it relates to the quality of our loading, the integrity between post and pre, the digital construct of public and what that portends at an AMPU level.

So, I'll hand over to Zainul for that. And Navin, I'll let you handle what our expectations are for Health in 2024. I'm sure they'll be both laudable and very ambitious and exciting. So, Zainul and Navin over to the both of you.

Zainul Mawji – EVP & President of TELUS Consumer Solutions

Thank you, Darren. And, Maher, thanks for the question. I think Public, one of the things to really highlight is that we think about it internally as our IPO, our initial public offering, because it is a new offering. It's the first digital-only subscription offering and it has resonated in the market and it's resonated in a demographic and a space that I think that we've been underpenetrated in, in the past, and I think you can see that in our prepaid results.

What you can actually glean from that though is that when you load a Public Mobile customer, because it is absolutely digital only, we get a 6x improvement on AMPU relative to a traditional subscriber. And so, that is incredibly accretive in our AMPU story.

And I would say that the additional element of that is that we have been very focused on leveraging the assets that we have that are differentiated relative to our peers in the market. And one of those is TELUS International.

And by leveraging the digital capabilities of TELUS International, we're able to advance these kinds of offers that are unique to the market and that can get a lot of traction going forward. So, we think that this is a great growth area for our business. It's resonating in terms of the digital-only subscription model. It's a very seamless experience for customers.

So, the journey, we get a lot of great feedback on the journey, and we think there's good upside potential, and it will continue to support our AMPU growth.

Navin Arora - EVP & President of TELUS Business Solutions

And indeed, our Health ambitions are laudable and exciting. So, we're very excited to bring the teams together across our B2B portfolio. I think it's really going to give us an opportunity that amplify our cross-sell ambitions and really drive some highly differentiated growth opportunities.

I think it's important to remember that for the health team today, we operate in 160 countries. And so, a big part of our increased growth momentum that we're planning in 2024 is really around leveraging our presence in those 160 countries today and driving improved product penetration as well as improved customer expansion in those geographies.

Our health and well-being solutions are really unmatched in the market today, and we continue to develop improved capabilities. And again, that will be a significant focus in 2024 around accelerating the development of those products and services.

And in addition to that, in 2024, we're going to be looking to leverage the significant investments we did in sales and distribution channel strength to drive top line revenue. We're going to be focused aggressively on improving our margins by bringing in much more automation and AI capabilities by leveraging our TELUS International team.

We'll do some tuck-in acquisitions where it makes sense. We're very focused on the development of our industry-leading mental health products and services. And we have the opportunity to intelligently and on an anonymized basis, monetize vast amounts of data. So, we'll be looking at what we can do in that regard and provide additional value through analytics and insights.

In terms of the LifeWorks integration, as Darren mentioned, we're about $233 million of synergies on a plan of $427 million. And so, 2024 is a lot about continuing to drive those synergies, continue to drive EBITDA margin expansion.

And as we continue to scale this asset, there is a significant opportunity for us to show the significant value this business adds and how it contributes to TELUS' asset mix and positively differentiates in terms of the valuation it contributes to TELUS.

So, in terms of specific goals, we're definitely looking for double-digit EBITDA contribution and significant expansion on our cash contribution from this business. Back to you, Darren.

Darren Entwistle - President, CEO & Director

Well, that sounds really exciting, Navin. Sure, like your trajectory on 11% EBITDA growth in Q2, 20% EBITDA growth in Q3, 24% EBITDA growth in Q4. So, I'm sure it would be disappointing not to hit circa 20% in 2024, given your leadership, the cross-selling opportunities, the cost synergy opportunities and the TI support. Robert, let us go to the next question. Thanks, Maher.

Operator

And the next question comes from Jerome Dubreuil from Desjardins.

Jerome Dubreuil - Desjardins Securities

Just following on the DRIP questions and comments. I think towards the end of last year, you were thinking more about deleveraging versus maybe historically, you've been spending more on M&A. If you can maybe reiterate if deleveraging is still top of mind at this point, and if you have set deleveraging targets, obviously, depending on your decision on the DRIP?

And then second question, if you can maybe provide a bit more colour on long-term fibre potential and copper decommissioning. We've had global players talking about longer-term fibre CapEx intensity in the 10% range. Is that something you are also seeing longer term?

Doug French - EVP & CFO

On your first question, we will continue to de-lever in 2024. It will be a little slower than we expect subsequent to '24 with having to do the two spectrum auction payments in 2024 is our estimate. And so, I would say, yes, we're still on a positive trajectory based on the strength of our free cash flow, but it will be a bit slower in '24 and accelerate a bit more into '25 and beyond. On M&A, we'll continue with strategic M&A. And I would say at this moment, we don't anticipate an impact on leverage at all, and we do have an amount built into our plan and so far tracking to that.

Darren Entwistle - President, CEO & Director

And, Tony, why don't you talk about copper decommissioning?

Tony Geheran - COO & EVP

Sure. Hi, Jerome, as you'll have seen, PureFibre and 5G deployments now cover over 3.2 million premises and 86% of the Canadian population, respectively. We surpassed actively 1.6 million PureFibre customers across BC, Alberta and Quebec, which reflects a global leading penetration of built footprint, a build penetration measure that we think sets the bar for what good looks like.

So, with that impressive fibre investment, we're seeing great strategy returns. Our churn performance on a PureFibre base is less than 1% and has been so for 15 of the last 16 quarters. It presents a great product intensity opportunity for home and businesses, that far surpasses other networks, be they copper or coax.

Combined with 5G, we got an impressive broadband network resiliency for homes and businesses and we support higher value loading, which we saw in Q4, a 12% year-over-year increase in the base penetration of our 1 gig plus plans.

And, of course, the fibre is really accentuating the future proofing as Internet bandwidth demands continue to increase. Our PureFibre can easily accommodate higher speeds with minimal incremental investment per subscriber, a very different picture from those networks on legacy copper or coax which have a much more costly journey of investment and upgrade required.

Talking about the exciting copper retirement opportunities this represents, we decommissioned in 2023, 14 central offices and the copper serving areas they serviced. And that presents a unique and differentiated real estate development opportunity for our business.

So, let's talk about urban mining as we like to call it. We provided improved the capability in multiple geographies in Victoria, Edmonton and the Lower Mainland, and we determined that we can create a profitable transformation of this retired copper asset. And this paves the way for unlocking real estate opportunities and importantly, supporting critical social need through the delivery of affordable housing in the hearts of the communities we serve.

In 2024, we yearn to retire a further 25 central office and associated service areas for copper retirement and opening up the opportunity of urban mining, building on the 14, as I mentioned, we achieved in 2023.

So, I think it represents an exciting part for us. And then, we're exploring some innovative ideas around how we can continue to build out in those markets, not yet deployed with PureFibre. And we'll have more to say on that subject at a later date, but there are some exciting partnerships that we're developing, which I think will help us to continue to capitalize on the extreme benefits fibre represents.

Darren Entwistle - President, CEO & Director

And, of course, the recycling of the copper provides significant positive opportunities on the environmental front as well. Okay, Robert?

Operator

The next question comes from Stephanie Price from CIBC World Markets

Stephanie Price - CIBC Capital Markets

I was hoping that just given the increasing spend with TI going over to TI as CFO. Maybe you can talk a little bit about how you see that relationship with TI evolving over time?

And then for my second question, hoping you can touch on the additional restructuring costs of roughly $300 million in 2024. In a tougher economic environment, do we assume more of an annual cadence to restructuring as you look to optimize the business?

And related, Doug, I think you mentioned that you expect EBITDA growth to build over the year, and I assume that might be restructuring related as well.

Darren Entwistle - President, CEO & Director

Zainul, given the criticality of the relationship between our consumer business and TI, why don't you speak to that? And, Jeff, you're on the call, if you've got a few things that you want to top up on post-Zainul's answer, I think that would be great. And, Doug, you and I can handle restructuring. Zainul.

Zainul Mawji - EVP & President of TELUS Consumer Solutions

Okay. Thank you. Thanks, Stephanie. Great question. I think you'll definitely see us, as I mentioned around the Public review as well that we're going to continue to synergize and leverage TI effectively across our business. And you can see that there are AMPU opportunities from an end-to-end perspective.

Customers are wanting more digitized solutions. And what we're doing with TI is also ensuring that we build exciting new product road map capabilities that we can own ourselves. We can license from an end-to-end perspective to other peers in the industry globally and that reduce our costs and create an opportunity for us to really own our destiny in terms of our product road maps.

So, you'll see more of that to come and it accelerates our opportunity to drive those gains because we're not dependent on a third party. We have a synergistic relationship with TI across development.

And then on the overall cost per customer perspective, leveraging TI enables us to support the demands of our customers in a product intensity environment. We're serving our customers across numerous products. And we're able to leverage TI to scale those capabilities and provide quality and excellence in our customer service profile.

And so, while we're going to continue to digitize our customer support and ensure that we build a more streamlined customer journeys as we've done with Public Mobile, we're also able to lean on our relationship with TI and the depth of experience in TI in terms of supporting our business over years and over the transitions we've made from things like copper to fibre and from new products that we've offered in the market.

So, I think you'll continue to see that synergistic relationship evolve, and you'll see it as bidirectional with respect to supporting us on our growth and AMPU objective and us supporting TI in terms of leveraging those solutions more globally. Maybe, Jeff, you wanted to top up.

Jeff Puritt - TELUS International - President, CEO & Director

Sure. Thanks Zainul. Hi, Stephanie, nice to hear your voice again. A few things I would add. The symbiotic relationship between TELUS and TI is by no means new. That has been in place as part of our originating thesis first instance, TELUS International enabling TELUS in its digital transformation and delighting customers through the combination of talent and technology.

But at the same time, TELUS International, then repatriating that learnings from serving other customers, bringing those back to TELUS. And then what we do within for TELUS enables us to go and take that show on the road, so to speak, and serve other customers, certainly principally in the Telecom & Media segment, but by no means exclusively given the obvious similar dynamics in the buying behaviors and challenges that customers in the BFSI, health care and other segments are challenged with as well.

I think consistent with that symbiotic dynamic now, whilst we're certainly saddened to see Vanessa leave, bringing Gopi on board is a part of the robust coordinated succession planning, again, an opportunity for both TI and TELUS to benefit from one another's access to a global talent pool and Gopi having proven herself as a trusted leader and adviser and advocate within the TELUS organization for the past 14 years, brings to TI an opportunity to further strengthen the connection between the two organizations.

And as Zainul just pointed out, there are opportunities prospectively to continue to enable one another. And similarly, on Navin's comments earlier on the health care front, I think the environment just becomes that much more target-rich bi-directionally.

Darren Entwistle - President, CEO & Director

Doug, do you want to comment on restructuring?

Doug French - EVP & CFO

Yes. On the restructuring side, we still have an elevated amount of restructuring within the real estate portfolio. So, as Tony highlighted, we have a significant opportunity on the rationalization of real estate, not just in coordination with the copper decommissioning, but even within our own office footprint and aligning the way we do business and the way our team members work today versus at the old historical footprint that we have.

So, I'd say a little more than one-third of it is going to be the elevated real estate, which we'd have in a year again. There's a portion of it for M&A and integration and some of the items that we would normally see as well. And then the remaining is the ongoing efficiency and effectiveness program.

And if you remember, our ongoing run rate is generally $150 million to $200 million. So, we are elevated maybe $100 million next year, but it's a combination of all those items and trying to leverage all the assets that we have in front of us.

Operator

Next question comes from Simon Flannery.

Simon Flannery - Morgan Stanley

I wanted to just come to the '24 outlook and particularly around the wireless industry. Maybe you could just talk about the sustainability we've seen across the whole industry this quarter, this year, really strong loading. I know the government is looking at foreign student visas or permits.

How do you think about the sustainability of the current growth rates for the industry? And then you specifically called out the churn has been better than peers, but still not where you want it to be. So, perhaps just unpack how you think you can bring that down? Are you already seeing some normalization in Q1?

Darren Entwistle - TELUS Corporation - President, CEO & Director

Okay, Zainul and Navin, I'll hand that over to you to comment on, so we cover off both the consumer side but also the B2B side, particularly in respect of IoT as well. Zainul, why don't you go first and Navin, you can complement.

Zainul Mawji – EVP & President of TELUS Consumer Solutions

Yes. Thank you so much for the question. So, I think we are focused on continued premium and high-quality product intensity loading.

And we're also focused, as I mentioned in some of the discussion on Public on penetrating areas that where we have been underpenetrated in the past, and I think that there is tremendous growth opportunity for us and our organization in that regard that can -- we will obviously be impacted by the macroeconomic environment, but I think that there are growth prospects for us as we have been underpenetrated in some of those segments.

And we've been underpenetrated from a product intensity perspective in some regions of Canada, which I think we can continue to pursue.

So, when it comes to churn, as Darren highlighted, we have been, of course, ahead of the industry and ahead of our peers, but we're not satisfied. And what it's taught at us from a performance perspective is that we're going to have to continue to advance our product intensity and bundling plays for all segments of the market and have more attractive bundles for all segments of the market.

And when you look at the assets that we have and our ability to accelerate the go-to-market of those assets, as we discussed with TI, we have tremendous upside opportunity.

Clients are responding to our desire to see greater product intensity and create greater value from them. And I think you can see that in areas like security and smart home automation, which we will continue to evolve.

You can see that in areas like health and other areas that we're continuing to bundle. And you can see it in our very unique and differentiated content strategies. And as an example, we were the first in the world to launch the new version of Stream+ 2.0, which bundles Netflix, Disney+ and Amazon Prime for the first time ever.

And so, these types of offers are going to continue to resonate with our base and continue to drive product intensity and continue to differentiate us relative to our peers. And I think that those are the kinds of areas that we'll continue to lean into to improve our churn results.

Darren Entwistle - President, CEO & Director

I appreciate the commentary on judicious loading in respect of quality and the potency on our retention front. The continued focus on efficiency due to the AMPU level and how we win in the marketplace as it relates to bundling. Navin, do you want to comment?

Navin Arora - EVP & President of TELUS Business Solutions

Yes. Thanks, Darren. Just building on Zainul's comments. Similar thought process on the B2B side. So, first and foremost, we are very focused on high-quality, good margin loading. We're not going to chase non-profitable or low profitable loading.

I think there's a significant market growth opportunity that we still have on the B2B space. There are natural geographies where we have a lot more addressable market to go after, and that's what we're focused on.

I think on the bundling point, again, as I mentioned on my response in health, what a great differentiator for our B2B organizations, and we can leverage that in terms of the cross-sell and strategic value or solution value we can provide customers with a combination of telecommunications and health capabilities. So, lots we can do there and lots of opportunity for growth and intensity.

And then on the 5G or monetizing 5G side, we continue to remain very bullish in terms of our ability to monetize 5G and as you heard and saw in our results, really strong momentum with IoT and connected device growth.

We have a natural differentiator there with Canada's only dedicated IoT core network. Data monetization, it's a bit of a marathon, not a sprint, but it is becoming more and more of a growth story across both our vertical and horizontal services and applications. Private wireless network, we had very, very strong momentum in 2023 and an even stronger funnel in 2024.

And so, we'll continue to look at intelligent ways to monetize 5G. We will look at smart tuck-in acquisitions where it makes sense. We recently bought Badal, which really is a leader in supporting data migration to the cloud, data management excellence and data analytics and a great opportunity for us to bring that capability across health across TELUS Agriculture & Consumer Goods and then our core B2B capabilities along with our vertical and horizontal industry solutions capabilities on the IoT side.

So, lots of opportunities for us to differentiate, drive product intensity and drive significant revenue growth, all underpinned by our focus on cost and leveraging our partners in TI to help drive that really strong digital generative AI and automation and self-serve capabilities. Back to you, Darren.

Darren Entwistle - President, CEO & Director

Simon, one thing that's exceedingly clear in terms of a differentiated TELUS story on a global basis is that our growth is phenomenally well underpinned across both business and consumer because of our customer service excellence and what it delivers on a client loyalty and retention basis.

And that's true, whether it's digital, whether it's our great people and our culture or whether it's TI supporting those service excellence outcomes and for us, that's just good business in supporting the growth. And at the end of the day, keeping the customers that we have sets up the right platform, but it also gives us the right upselling opportunity as we drive product penetration with our bundling strategy.

So, that's the ecosystem and our philosophy, and you can expect more of the same in 2024. Thanks for the excellent question.

Robert Mitchell - Head of IR

Thank you, Simon, and thank you, everyone, for joining us today. Please feel free to reach out to the IR team with any follow-ups you may have.

Operator

This concludes the TELUS 2023 Q4 Earnings Conference Call. Thank you for your participation, and have a nice day.