Q1 2024 Investor Conference Call Transcript

Thursday, May 9, 2024

TELUS Corporate Participants

Darren Entwistle - TELUS Corporation - President, CEO & Director

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

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

Analyst Participants

Drew McReynolds – RBC Capital Markets

Jerome Dubreuil – Desjardins Securities

Matthew Griffiths – BofA Securities

Maher Yaghi – Scotiabank

Sebastiano Petti – JPMorgan Chase & Co

Simon Flannery – Morgan Stanley

Stephanie Price – CIBC Capital Markets

Vince Valentini – TD Cowen

Presentation Transcript

Operator

Good day, and welcome to the TELUS 2024 Q1 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 first quarter 2024 news release MD&A, financial statements and detailed supplemental investor information were posted on our website earlier this morning. On our call today, we will begin with remarks by Darren and Doug. For the Q&A portion, we will be joined by other members of our executive leadership team. Briefly, prepared remarks, slides and answers to questions contain forward-looking statements. Actual results could differ materially from those statements, the assumptions in 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 our first quarter 2024 and annual 2023 MD&A. With that, over to you, Darren.

Darren Entwistle - President, CEO & Director

Thanks. Hello, everyone. In the first quarter, our team once again delivered against our differentiated growth strategy, leveraging our superior asset portfolio, consistent execution track record and proactive cost efficiency initiatives to deliver industry-leading customer additions and solid financial results.

This was achieved against the backdrop of a pretty dynamic operating environment as you all well know. Our robust performance is underpinned by our strategic focus on margin-accretive customer growth, our customer-centric culture and our globally leading broadband networks. This enabled our strongest first quarter on record with industry-leading total customer net additions of 209,000, up 28% on a year-over-year basis.

TELUS' industry best growth reflects the consistent potency of our operational execution and our unmatched bundled portfolio offerings across mobile and home. Our team's passion for delivering customer service excellence contributed to continued leading loyalty across our key product lines. In the first quarter, TELUS achieved resilient EBITDA growth of 4.3% and margin expansion of 170 basis points. These results reflect the progression of our ongoing transformational efficiency programs that are clearly bearing fruit.

Looking at our TTech mobile results, TELUS realized robust first quarter customer growth of 146,000 net additions, our strongest first quarter on record. This included healthy mobile phone net additions of 45,000, relatively stable as compared to this time last year. This consistent result was driven alongside our continued focus on profitable, margin-accretive customer growth. And of course, that's a hallmark of our organization. Indeed, we are continuing and now doubling down on this consistent and disciplined approach as we progress through 2024 and beyond. Our efforts in this regard will ensure our mobile customer growth drives EBITDA and cash flow accretion. That is the formula for this organization.

Mobile subscriber growth also included record first quarter connected device net additions of 101,000, which represents a 74% increase over the prior year. This reflects continued strong momentum with respect to our 5G and IoT B2B solutions. Importantly, our team delivered another quarter of leading loyalty results, which continues to be the hallmark of the TELUS team. Blended mobile phone churn of 1.13% was up against the backdrop of elevated competitive activity relative to seasonal trends and not clearly at a level where this organization is content. However, this represented an industry-best result by a substantial margin of up to 46 basis points versus our peers.

Notably, postpaid mobile phone churn was 0.91% as we now have entered the 11th consecutive year below the 1% level. This is an outstanding result, and it's an outstanding result on a global basis, reflective of the industry-based customer experience that we deliver that's best-in-class and it's done time and again by our TELUS team delivering over our world-leading broadband networks. And that, for us, is the blend, network excellence combined with the excellence of our people and our digital technology at work.

The close on mobile, first quarter ARPU of $59.31 was down year-over-year. This was a result of intense promotional market activity and heightened competition and, in particular, across device financing subsidies. Our flanker brands offer strong customer value in certain segments with lower associated ARPU, however, notably attractive AMPU attributes. Through digital transformation, we are lowering our cost to serve across the board inclusive of supporting a compelling AMPU for BYOD and flanker activity. Furthermore, with respect to our premium brand, we are doubling down to reinforce our long-standing and distinctive focus on AMPU-accretive loading.

Notably, last week, we implemented changes to evolve our go-to-market offerings across our brands and particularly in order to enrich our premium TELUS offering and afford customers enhanced and differentiated value. These efforts will continue to be supported by our team's passion for winning and retaining profitable customers, whilst remaining highly disciplined in respect of device subsidies.

Furthermore, we continue to expect connected devices and IoT to increasingly contribute to network revenue, ARPU and AMPU growth as we move forward, regardless of the external environment within which we find ourselves. First quarter ARPU, alongside leading customer loyalty continue to drive our industry best mobile phone lifetime revenue which consistently exceeds our national peers by a considerable margin, a considerable margin of up to 44% again in Q1.

Now let's take a look at our TTech fixed operating results where TELUS delivered another quarter of industry-best total wireline customer growth. Indeed, our team achieved robust first quarter Internet net additions of $30,000. We also continue to drive healthy growth in our TV product line with industry-leading net additions of 19,000, more than double the prior year.

Modest residential voice losses of some 8,000 were flat over last year and again represented an industry-best result. Strong and leading security net additions of 22,000 were also similar to last year and continue to reflect our successful multiproduct penetration strategy, and also reflect a distinctive performance premium unloading versus our peers. And of course, that's reflected as well within the way we bundle security within the FFH portfolio at TELUS.

Overall, our industry-leading external fixed net additions of 63,000, notably, again, a Q1 record demonstrate the strength of our unique and highly attractive bundled offers across our unmatched portfolio of products and services. These will be further enhanced by continued and significant innovation on our home automation road map and the products that are resonant within that particular ecosystem that really does create a level of excitement in terms of new revenue sources to come in the quarters ahead.

Our superior bundled offerings are buttressed by our leading customer experience over our ever-expanding world-leading PureFibre and wireless broadband networks. These results are also bolstered by our strong and highly differentiated social capitalism attributes that truly underpin the strength of the TELUS brand.

Let's turn now and look at TELUS Business Solutions, or TBS, which delivered another strong quarter and again, differentiates us from telco B2B performance on a global basis. In the first quarter, TBS achieved robust EBITDA and cash flow contribution growth of 4% and 9% on a respective basis. Building on our track record of continued profitable growth, TBS experienced strong demand and product growth across all areas of our business. These efforts are progressing our goal of leading the market across both core telecom capabilities as well as our 5G powered Software as a Service and Data Insights Industry Solutions.

In TELUS Agriculture & Consumer Goods, on the back of record sales performances over the past 2 quarters, we accelerated our momentum in the first quarter. Indeed, we achieved a 36% year-over-year increase in bookings in Consumer Goods & Agri business. Furthermore, we delivered 8% revenue growth in animal agriculture. We remain confident in the strong growth potential in this business and anticipate positive mid- to high single-digit revenue growth in the second half of the year.

Let's turn now and take a look at our TELUS Health business. We achieved first quarter revenues of $420 million, alongside 28% EBITDA contribution growth. On the back of on-target sales and bookings in Q1, we expect steady improvement in health services revenue growth in the quarters ahead. Strong first quarter EBITDA growth was supported by the achievement of $251 million in combined annualized LifeWorks integration and other cost synergies to date, leveraging TELUS International along the way.

We continue to work towards our overall TELUS Health synergy objective of $427 million to be realized by the end of 2025 as we've committed to the Street in that regard. Furthermore, we drove a 7% year-over-year increase in our global lives covered that is now reaching nearly 72 million people. Moreover, we supported health outcomes on close to 160 million digital health transactions in the quarter, up 7% on a year-over-year basis.

In addition, we increased our virtual care membership to nearly 6 million people, up 13.5% on a year-over-year basis again. As we continue to make strong progress scaling TELUS Health and TELUS Agriculture & Consumer Goods, we remain intensely focused on accelerating the significant growth profile of these highly differentiated global businesses that are thirsty for digital disruption to deliver better client outcomes. Importantly, we are leveraging the expertise, experience and high-performance culture and talent of our entire team inclusive of leveraging significant cross-selling synergies across all lines of our business. This is buttressed by the blue chip customer relationships leading digital customer experience and AI cost transformation capabilities of TELUS International.

On that note, earlier today, TI also reported its first quarter results. Jeff and the team announced robust cash flow generation amidst what remains a challenging global macroeconomic operating environment and a difficult prior year comparable. Despite the near-term top line challenges, our TI team has executed to gain significant cost efficiency programs over the past 10 months. These efforts are positioning the business to deliver a strong 2024 in totality. TI's capacity to generate strong cash flows remains highly visible in its quarterly results.

Committed to delivering profitable growth, TI's ability to service further efficiency gains will also help fuel its investment in sales and marketing, along with ongoing technology innovation. TELUS remains highly confident in TI's strategy and investment thesis. This is amplified by meaningful opportunities in respect of digital transformation and particularly with TI's capabilities in AI solutions including generative AI and this technology's proliferation on a worldwide basis.

The continuing critical importance of differentiated digital customer experience solutions in the market including a welcome and needed disruption from Gen AI is enabling us to serve customers better and win incremental business along the way. This is creating a vibrant tailwind for both TI and TELUS that will bear fruit over the medium and longer term in terms of growth and profitability. Doug is going to have an opportunity in a minute to provide further commentary on both TTech and TELUS International's results.

In closing, the record customer growth we continue to report is underpinned by our dedicated team who are passionate about delivering superior service offerings and digital capabilities over our world-leading wireless and PureFibre broadband networks. The significant broadband network investments we've made are driving extensive socioeconomic benefits for Canadians and communities across the country, and we'll continue to do so for decades to come. These investments also enable the continued advancement of our financial and operational performance at TELUS and the long-term sustainability of our industry-leading dividend growth program.

Today, we announced a 7% dividend increase, reflecting our unwavering commitment in delivering superior value to our shareholders. This builds on our extraordinarily consistent track record of delivering on our multiyear dividend growth program, first established in 2011 and most recently extended through 2025, targeting annual growth in the range of 7% to 10%.

Today's increase represents our 26th over the past 14 years. It also reflects our unwavering confidence in delivering leading operational and financial results on a chronic basis prospectively. Importantly, our strong outlook includes anticipated and continued free cash flow expansion in the years ahead, driven by ongoing strong EBITDA growth and moderating CapEx intensity. This will further support the long-term sustainability and the quality and growth of our dividend expansion program.

Finally, reflecting our team's long-standing belief in the synergistic relationship between doing well in business and doing good in our communities, May marks the official kickoff of our 19th Annual TELUS Days of Giving. And we're glad that we've created emulators in this regard given the societal benefit for all. This year, with the support of our extended TELUS family, I have every confidence that we will exceed our goal of inspiring 80,000 volunteers, supporting positive outcomes in communities across the 32 countries in which we now operate as an organization.

Indeed, thanks to the unparalleled level of caring and commitment that our team members and retirees globally have contributed 2.2 million Days of Giving since 2000, and this is more than any other company on the planet. And the cultural connection that we have to giving back and what it does for engagement at TELUS is the same recipe that underpins the customer service excellence at this organization and the very low churn rates that we consistently deliver again, such as the alchemy in that regard.

Myself, our leadership team and our Board of Directors remain consistently and exceedingly grateful for our team's passionate efforts to support our global communities as we strive to deliver outstanding results for all of the stakeholders that we serve.

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

Doug French – EVP & CFO

Thank you, Darren, and hello, everyone. In the first quarter, our team navigated a highly competitive environment and challenging global macroeconomic climate to achieve strong operational and financial results. Despite the exogenous headwinds, our results are supported by our long-standing commitment to drive profitable customer growth, product intensity, execution excellence and our ongoing focus for efficiency and effectiveness. In mobility, continued mobile phone and connected device subscriber additions drove higher network revenue by 2.9%, partially offset by the high impact of competitive intensity.

As we progress through the remainder of 2024, we expect a highly competitive environment could continue to pressurize ARPU in the near term along with the lapping of some roaming recovery experience in the first half of 2023. Importantly, we continue to focus on AMPU to drive the right economic outcomes. This is supported by driving lower cost to serve and leveraging our significant digital and self-serve capabilities, along with critical support from TI.

Our significant and ongoing focus on cost efficiency will help offset top line pressures across the business, driving sustainable EBITDA and margin accretion. Fixed data service revenue grew 2.7% year-over-year, driven by strong customer growth across Internet, security and TV along with increased B2B revenue contribution. This solid growth reinforces our superior product diversity within the home and business, enabled by our world-leading PureFibre network.

At the segment level, TTech operating revenues were up slightly by 0.4%, while TTech adjusted EBITDA increased by 4.1%. Adjusted EBITDA margin expanded by 160 basis points to over 39%, reflecting a 4% decline in employee benefits expense from our efficiency programs.

Turning to DLCX. For more additional and comprehensive details, please listen to the TELUS International webcast that occurred earlier today. DLCX had continued impact from the challenging macroeconomic environment that resulted in operating revenues declining by 4.6% year-over-year. The decline was primarily driven by lower revenue from a leading social media client and a reduction in revenue in other industry verticals, notably, e-commerce, fintech and travel and hospitality.

This was partially offset by growth in services provided by existing customers, including TELUS and Google as well as other new clients added over the past 12 months. DLCX adjusted EBITDA was up 11%, including the earn-out adjustment with respect to WillowTree. In addition, the efficiency and effectiveness programs executed on to address operating expenses included decrease of over 3% in employee benefits.

Looking forward, new opportunities with new and existing clients, supported by building on our momentum with an AI adopted solutions, revenue will continue to improve as the year progresses while TI's ongoing focus on efficiency also puts them in a strong position to manage through some of the macroeconomic pressures as we progress throughout 2024.

Overall, TELUS consolidated operating revenues decreased by 1.2% year-over-year and adjusted EBITDA grew by 4.3%. Consolidated net income was down 38% year-over-year, while basic EPS was lower by 40%, in part driven by adjusted EBITDA growth being offset by higher restructuring, depreciation, amortization and financing costs. On an adjusted basis, net income and EPS were essentially unchanged year-over-year. Free cash flow of $396 million was lower by $139 million, primarily driven by higher cash restructuring disbursements totaling $225 million in the quarter of which $185 million was related to the 2023 restructuring that we had discussed and disclosed in February.

We remain focused on driving towards achieving our financial targets for 2024, which we reiterated today. This includes targeting TTech operating growth of 2% to 4% and TTech adjusted EBITDA growth of 5.5% to 7.5%. Consolidated capital expenditures, excluding circa $100 million that is earmarked for real estate development are still targeted to remain approximately $2.6 billion.

Lastly, consolidated free cash flow for 2024 is forecasted to be approximately $2.3 billion, driven by higher EBITDA and stable CapEx. While top line growth was pressured at the beginning of the year, in part to the aggressive pricing environment, we remain laser-focused on profitable customer growth as evidenced by our recent and differentiated multi-brand pricing suite and continued to drive demand in our superior bundled offerings over our leading broadband networks. Furthermore, we anticipate improvement from TELUS International, particularly in the second half of the year as well as TELUS Health and TELUS Agriculture & Consumer Goods.

Overall, we remain positive on our ability to continue to generate strong free cash flow for years to come, benefiting from our industry-leading growth profile that consistently showcases our superior asset mix and operational execution. This strong position further supports our industry-leading dividend growth program in place for 2025. Our commitment to deliver on this program is underpinned by our confidence in executing our growth strategy and generating meaningful free cash flow on a sustained basis. This is balanced with maintaining a strong balance sheet and providing us ample flexibility to support our future growth ambitions, leverage reductions and capital returns to shareholders.

With that, I'll turn it back to Robert.

Robert Mitchell – Head of IR

Thanks, Doug. We're ready to proceed with questions, please.

Operator

First question comes from Vince Valentini from TD.

Vince Valentini – TD Cowen

Couple of things. The 4.1% is obviously a bit below the 5.5% to 7.5%. I think that was planned, Doug, but can you just confirm that you expect EBITDA growth for TTech to pick up with passing quarters and you're still confident not necessarily even at the low end, but just somewhere in the guidance range?

Doug French – EVP & CFO

That is correct, Vince.

Vince Valentini – TD Cowen

Perfect. Second on that is, you're focused on AMPU. And I'm sure it's happening, but as you know, we can't really see it visibly. Is it fair to say that wireless segment EBITDA would have been above that 4.1% total TTech?

Doug French – EVP & CFO

We actually don't go to that level on a full allocation. I would say it was directionally in that zone. The profitability on FFH is also very strong with our bundled offering. So I would say, it's directionally where you're highlighting, but we don't go to that level, so I can't confirm it.

Vince Valentini – TD Cowen

Okay. And one last one. On your free cash flow calculation table where you break everything down nicely. There's the effective lease principle for $178 million this quarter. Can you confirm like that comes out of your free cash flow for guidance purposes and when you're doing a dividend payout ratio, and I'm just wondering why, like what are those? Can you give us some examples of those real cost of the business as opposed to just some sort of fabricated financing charge?

Doug French – EVP & CFO

Yes. When the accounting changed and you put leasing on your books, we were the only ones that went pulled in that if it was an operating lease before and it's now a lease on your books that we would still charge it through free cash flow where others haven't. So it is a clean view to the previous accounting, and it would be anything from building leases to equipment leases to any of those environments. So it's all 100% supporting our business across the board, and it is in alignment with the accounting principles that were established with IFRS 16 a few years ago. And yes, they are completely legit and they are completely on board to supporting our business.

Operator

Next question comes from Jerome Dubreuil from Desjardins.

Jerome Dubreuil – Desjardins Securities

Yes. You've been talking about lower CapEx objective during the conference season lately. Maybe in the context of the dividend increase, if you could maybe just provide some more color on potentially reaching a 10% CapEx intensity down the road and maybe a time line for that objective?

Doug French – EVP & CFO

Yes. So we've been holding our CapEx flat with the opportunity to continue to bring it down. You've seen our growth trajectory, and we're going to be 12% or lower even in the current year. And so as we assess our capital needs into the future, we're going to have continued growth, and we do not see growth in our capital number. If anything, we can continue to bring it down as we've discussed. So that is how we will get to circa 10, let's say. But that is still significantly lower than others in the industry. And it's the result of all the investments we made in our fiber way earlier than all of our peers. And the fact that we're bringing that to conclusion ahead of our peers at rates that were lowest in history -- at labor rates that were lowest in history is an advantage that we have that our peers don't. And I think that's why you're going to see it through that capital intensity level complemented by an improving revenue profile.

Jerome Dubreuil – Desjardins Securities

Second from me is, if you can provide more color on the rationale for giving 5G on the public mobile brand? I get totally the AMPU strategy, but just looking forward to that, it seems like this marks a clear sign that this is difficult to monetize.

Darren Entwistle - President, CEO & Director

Zainul?

Zainul Mawji - EVP & President of TELUS Consumer Solutions

Sure. So I think there's a couple of things. So there are bifurcated offers on public mobile for both 4G and 5G, depending on the profile of the customer. I think fundamentally, it is a digital-first and subscription on-demand brand. And that shouldn't prevent it from offering services on the best network that we have.

And secondly, I think the key here is that it's a completely eSIM, digital-only, no contact, no store, no device opportunity. And that digital-first entity does resonate with the population of the market that is looking for 5G service in a bring-your-own device market. So we're playing in that market accordingly. We're being very clear about differentiating our bundles with respect to premium. As Darren mentioned, we have launched new premium capabilities in the market, and are really pushing the value of our premium loading as well as the fact that we are looking at the Koodo brand and working through bundling options for our customers in that value segment as well. So that's our rational.

Operator

Next question comes from Drew McReynolds from RBC.

Drew McReynolds – RBC Capital Markets

So 2 from me. Obviously, on the wireless ARPU side, I think a bunch of us are increasingly thinking it's in a relevant metric, like we continue to see denominator tweaks over the years. And I think yours actually worked against you this quarter, if I'm reading that footnote right in your deck. And any of that would just -- I think I know the answer, but would love to hear your view on the relevance of wireless ARPUs and KPI and why we're just not focused on network revenue growth instead?

And then second, just with respect to the leverage target, maybe for you, Doug, we saw a BCE raise its target to 3x. Obviously, I don't need to comment on that. But just with reference to your 2.2 to 2.7x leverage target, just what are the puts and takes to you either doing the same or maintaining that over time?

Darren Entwistle - President, CEO & Director

Zainul, why don't you kick it off and then Doug, you can provide commentary and then you can move on to leverage, okay?

Zainul Mawji - EVP & President of TELUS Consumer Solutions

I think the key thing that you're really zooming in on and highlighting is the degree to which ARPU as a metric is a driver of how we're managing the business. And of course, we are always focused on the profitability and the segmentation of our customer base and the right pricing dynamic. But I think more so, what you're going to see out of us is that we're focused on household AMPU across our mobile and home business and customer lifetime value.

So the key elements that are going to reflect within that metric, our product intensity, our churn value, the level of wallet share that we are able to glean and gain traction to in our customer base, and more so, what we want to achieve is we want to ensure that areas that customers are already spending money, whether it's streaming services or you'll see that we're coming out with new home automation capabilities that save our customers' money on their energy bill, those are the kinds of things that we're going to drive in the market from a differentiation perspective and will lead more to the indicator of household AMPU in terms of improving our cost to serve over a broader revenue base and customer lifetime value in terms of driving better retention outcomes across a broader revenue base as well. So that's a more relevant metric for us in terms of how we want to manage the business.

Doug French – EVP & CFO

And just confirming, you are correct because we apply the adjustment retroactively, so you could have clean comparisons. It actually was negative to us on our ARPU growth in the quarter, and treated prospectively, it would have been a completely different story. So trying to be transparent to the Street on the retroactive impact on that front.

On the leverage side, we definitely are managing to an optimal cost of capital. And that optimal cost of capital as you look back in where we are today, allowed us to be a little bit higher, but delevering is obviously in our objective to get down to that 3 or below 3. We've taken the position. We will not change our -- it's not even guidance, but our benchmark on what we want to be in for leverage until we are closer to that metric because we want to make sure we are in the right to do that.

So do I think that range of anywhere around the 3 to below 3 is the right zone? Yes. Is that probably where the optimal long-term cost of capital is? Yes. And we'll reassess it when we get closer to it. But our goal right now is to ensure we invest appropriately and continue to have a strong balance sheet. Just as a quick highlight as well, even the spectrum purchases as we've done in the past 12 months at 44 basis points to our numbers. So we'd be in the low 3s without the high cost of spectrum as being one of the key drivers.

Operator

Next question comes from Maher Yaghi from Scotiabank.

Maher Yaghi – Scotiabank

I wanted to touch base on -- touch on your fixed data services revenue growth rate. Last year, fixed data services was growing at 7% and now that growth is running around 3%. You indicated in the MD&A that ARPU for Internet customers is now flat year-on-year versus growing last year. Can you dissect for us the forces at play here? And what is causing your Internet ARPU to come under pressure? More importantly, I wondered if you can give us your view on where that line item growth rate is heading to and if achieving your revenue guidance for the year depends on seeing that growth rate reaccelerating in the back half of the year?

Darren Entwistle - President, CEO & Director

Zainul, why don't you take that?

Zainul Mawji - EVP & President of TELUS Consumer Solutions

So I think the answer to that is very simple and clear. There is competitive pressure in the market, and we've talked about that before. I think fundamentally, you've seen that we've been able to grow based on the volume of our growth. You've seen that come through in the overall fixed data revenue, the ARPU similar to wireless is under significant pressure. We are seeing customers step up -- continue to step up to higher broadband speeds. And we are seeing customers continue to value our fiber capabilities. And what's really important there as well is that our PureFibre churn on high-speed is well under 0.9.

So we're continuing to see resonance in the market with our offering. But at the lower end of the market and for the customers that are willing to make the switch, there is an ARPU pressure. I think the way that we think about that goes back to my answer on household AMPU, we're focused on product intensity, continued revenue drivers and a significant focus on cost to serve, which you've seen come through in our restructuring efforts as well as our digitization efforts leveraging TI, both for our product development as well as for our digitization and cost to serve improvement and customer experience improvement. So we have significant upside from a profitability perspective in that regard.

Maher Yaghi – Scotiabank

And what's your view on expected growth rate of that line item going forward?

Darren Entwistle - President, CEO & Director

We're not going to give a view on the line item expected growth rate in terms of forward-looking guidance. But to maybe answer your question in a different way, our confirmation of our guidance range and what we're going to do is not contingent upon resurrecting that fixed data line growth back to the 2023 levels. That would be nice, and we would welcome it if supported by the competitive dynamic, but we think that we have sufficient opportunities on the ARPH front, we have sufficient opportunities on the bundling and volume extension front, and we have sufficient opportunities on new product development to support getting into our established guidance range.

Operator

Next question comes from David Barden from Bank of America.

Matthew Griffiths – BofA Securities

It's Matt sitting in for Dave. I guess, first, I wanted to, if I could just please revisit the kind of margin expansion within TTech? I heard you guys obviously stay driven by like the efficiency program. I was wondering if you could maybe give some color around how much of the -- if there should be more efficiency gains from that program that are coming in subsequent quarters, should we be thinking that, that 160 basis point range is something that could be sustained or grow, just some commentary around there?

And then maybe secondarily, Zainul, I heard twice in responses to answers, you're highlighting the important or the in-house measures of product intensity in churn, I think, primarily on some of the wireline products and cost to serve. And I think you gave a broad range on what churn is for Internet, if I'm not mistaken, for the quarter. Is there any thought to providing on a more regular basis some of these measures, which are obviously internally important providing them externally to the extent that you feel comfortable?

And then maybe finally, just on the broadband net adds, I know that there's -- obviously, they're still fairly robust even like by historic trends. But I was wondering -- I know there is some wholesale that's included in there, out of territory kind of Internet ads. I was wondering if you could provide any color on what that split might be if it's material, if it's growing, any type of color would be helpful?

Darren Entwistle - President, CEO & Director

Okay. I'll hand it over to Doug to talk about the margin expansion. It's 170 bps, Matt, not 160. And the answer simply, to your question about whether it was finished and we're just seeing the impact of last year or whether it's still ongoing, it is indeed still ongoing as it relates to our major cost efficiency program in so far as staff-level reductions are concerned, that won't be complete until the end of July.

So there's more to come on the efficiency front to support what we're delivering in terms of EBITDA growth and margin expansion. But Doug can provide some additional color, and then Zainul can follow up and answer the second part of your question or second 2 parts of your question.

Doug French – EVP & CFO

Yes. So you would have seen in our disclosure that we actually had a 4% reduction in our employee benefits cost and that would equate to over $50 million in the quarter on its own, which is not complete yet. There will still be more as we complete there, finish the program and continue to drive digitization and efficiencies as the year goes on.

We're also well through the health savings that we've talked to and hitting our health target, as Darren highlighted in his previous remarks. And so the combination of the 2 absolutely gets us on a trajectory that, that will be sustainable and will grow as a year goes. We will start to lap a little bit of the -- those savings as you get in the back end of the year, but the margin expansion will hold.

Zainul Mawji - EVP & President of TELUS Consumer Solutions

I think both your question and Drew's lead us to kind of want to take away and think about some better leading indicators with respect to whether it's product intensity revenue growth, customer lifetime value on a prospective basis, we'll think about that in terms of what we should take away. On an ad hoc basis, one of the things I can highlight as an example is that our product intensity is now 3.21 on a PureFibre household basis. And that has grown significantly, and it will continue to grow not just on the back of the existing products that we have, but the new products that we're going to be introducing as well.

In terms of your question on the split of Internet, I would say that relative to the TPIA side of the business, it's fairly modest. It continues to be modest. We continue to see and drive growth on the back of our existing PureFibre footprint, which does see some incremental household releases and newcomer, as well as new household introduction growth as well. And I think the most critical element to give you some insight into how we're going to be managing that part of the business, we certainly feel that you need to have a high product intensity and a bundled capability to be successful in a lease network environment.

And we are operating under the axiom that on an overall basis, the return on investment for any bundled household, whether it is on a lease network, has to be equal to or better what we would achieve in terms of our own build. And that's delivered on the back again of product intensity, of looking at both mobile and home, of leveraging our differentiated brand so that you're leveraging the premium aspects of your brand and on the back of cost to serve and churn improvements as well. But that's the way we're looking at making sure that we're focused on economic value loading and not hollow loading.

Operator

Next question comes from Stephanie Price from CIBC.

Stephanie Price – CIBC Capital Markets

The prepared remarks mentioned a few times increases in competition on device financing. Just curious about what you're seeing in the market and how you think about competing in that type of environment?

Darren Entwistle - President, CEO & Director

Doug?

Doug French – EVP & CFO

So what we've seen on that end is a lot of our offerings on device financing, we kept the floor and made sure we held economics, strong economics, where there's our times through the competitive side where that hasn't held and the device financing floors have come down which would then open up lower ARPU customers to a high subsidy and/or a long-term financing cost. So I'd say that intensity is really what we've seen throughout and February was probably as intense as Black Friday was, and that's where you've seen that or even more intense. And that's what the reference was. And it's primarily lowering the floor so that you're giving more subsidy to lower ARPU customers which becomes very dilutive, the lower you go.

Darren Entwistle - President, CEO & Director

Zainul, you want to add some color in terms of what we are doing on brand segmentation and premium?

Zainul Mawji - EVP & President of TELUS Consumer Solutions

Absolutely. I think Doug covered the highlights, but it's really important to kind of zone in on the 2 or 3 levers that impact dilution the most. So one of them is the amount of subsidy. The second one is the rate at which you offer that subsidy on a device because that has a significant flow-through impact from your base to step down when it's an attractive market for devices.

And then the third piece actually is to bring it back value. And one of the things we've seen relatively stable in the market up until Q1 was to bring it back value, but we saw that increase in competitiveness towards the back end of Q1 as well. So what we're really focused on is really differentiating our brands so that we are creating a higher value step up on the device financing floor and reducing the level of potential re-rate for our customers.

And so when the promotional intensity creeps up, you're not seeing that rerate materialize when customers see promotions for devices. And then, on the flanker side, that's where you have to look at most of the volume being on bring your own device. But what's important there is to really think about the right bundles, like our Koodo Happy Stack which offers streaming and Internet and a lower data plan on mobility as a really attractive bundle so that you can curtail some of the switching behavior that would be dominant in that part of the market. So that's how we're kind of trying to ensure we differentiate our brands.

Stephanie Price – CIBC Capital Markets

And one other one for me, just on TELUS Health. It looks like revenue was down a bit year-over-year. Just curious about the revenue drivers in the quarter and how we should think about cross-sell at this point from TELUS Health?

Darren Entwistle - President, CEO & Director

Navin, do you want to speak to that one, please?

Navin Arora – EVP & President of TELUS Business Solutions

Yes, absolutely, Darren. So you're absolutely right, Stephanie. We were unhappy with where our revenue growth landed in Q1, but our focus on channel expansion, distribution and customer experience, excellent investments is notably starting to pay off. So just to give you an example, year-to-date, we've driven a strong performance, delivering about 111% target on our sales bookings across our health lines of business.

And that represents a 17% year-over-year increase in volume of deals and $175 million in total contract value. And then as another example of the momentum we're building, our pay-vider business unit had its best sales quarter on record. So we're going to still continue to see some macroeconomic headwinds, but through our aggressive focus on growth and synergies, we actually expect a very steady improvement in revenue growth and profitability in the coming quarters.

And with the big parts of our integration of LifeWorks behind us, we actually see a pretty great growth opportunity ahead of us working as one team, one unified culture, one unified set of priorities and really driving some increased sales performance that's going to drive that revenue growth.

So we're actually expecting strong revenue growth coming in Q2 and beyond. And tied to that, we're actually seeing some very good success working with TELUS International in terms of not only driving cost savings but really driving digital and automation capabilities and those capabilities are not going to only help us on the cost side, but they're also going to help create differentiation in our capabilities, which again is going to allow us to drive greater revenue opportunities.

And then the last thing I would say is we have tremendous cross-sell opportunity across TELUS Health and the rest of our B2B telecom and other assets, and those opportunities are already starting to bear fruit for us. And I see that as a very important developing story that's going to give us a competitive advantage going forward and it really elevates the conversation with our customers at a strategic level and that's going to become more and more part of our growth as we go forward.

Operator

Next question comes from Sebastiano Petti from JPMorgan.

Sebastiano Petti – JPMorgan Chase & Co

Just wanted to follow up, Doug, on one of your comments towards the end of prepared remarks, just anticipating the improvement in TI and Health and Agriculture as you kind of get into the second half of the year. Is that because you get to easier comps? Or do you see demonstrable change in demand within those different business lines?

And specifically on TELUS Health, I mean, the guidance that TELUS Health has given -- TELUS International has given, sorry, anticipates sequential declines and then exit rates -- sequential exit rates that are, again, pretty healthy. Again, just trying to underpin or just trying to think about the underlying drivers of demand and what is implied within that? And what is giving you confidence in that? And then just kind of going back to Maher's question, and just thinking about the revenue context within the TTech revenue guidance, what do we need to see within consumer within Health to kind of feel more comfortable about that revenue range?

Darren Entwistle - President, CEO & Director

Okay. We'll do a bit of a daisy chain on this. Doug, we'll kick it off briefly, then I'll ask Navin to make the commentary on B2B health, Zainul on Consumer Health and Jeff, as it relates to TI. Doug, why don't you go ahead?

Doug French – EVP & CFO

Yes. So just overall, we have confidence from the perspective of we've been going through our plans on the funnel, as you've heard from Navin, and you'll hear from Jeff in a moment on the losses that we had in TI and it's on a path recovery based on sales with TELUS, with Google, with others and confidence in Ag as we've talked from Navin on the funnel, in conjunction with the largest sales we've had in the last 2 quarters.

So it is all aligned with our projection, it is all aligned with our guidance. We do believe the contributions are aligned with what we have been suggesting to the Street and our market, our targets for Health, Ag and TI. There's nothing abnormal in any of those beyond what we've already highlighted.

Darren Entwistle - President, CEO & Director

Jeff, do you want to follow up quickly, briefly?

Jeff Puritt – TELUS International – President, CEO & Director

Sure. We guided at first instance and then reiterated first half, second half split for revenue, 48%, 52% for adjusted EBITDA of 45-55. That seasonality is somewhat consistent over the past several years and further reinforced by the visibility we have for the wins we've had in Q1, in particular, just over the last couple of months.

To Doug's comment a moment ago, it's also predicated upon stabilization in the historical decline and now hopefully coming out of that with our social media clients as well as continued strong growth, 30% year-over-year for the quarter serving Google and 22% year-over-year in the first quarter serving TELUS. So we think that the view we've reaffirmed is prudent and appropriate reflective of what we're actually seeing. And it's not entirely inconsistent with our historical seasonal profile.

Darren Entwistle - President, CEO & Director

Thanks, Jeff. Navin?

Navin Arora – EVP & President of TELUS Business Solutions

Yes. Thanks, Darren. So just to answer the question directly, is it real growth? It absolutely is. I shared the sales booking numbers for Health in Q1. And that absolutely translates into the revenue growth. And we, in terms of the drivers of the demand, I really believe in both Health and Agriculture, we have really excellent set of assets, really differentiated products and capabilities.

And one of the things that we've been really focused on is investing in our channel and distribution strength to really drive the volume and the quality of sales. And so we've made those investments throughout 2023, but really accelerated them in the back half of 2023. And now we're starting to see those investments pay dividends.

And so for example, as Darren mentioned, we had our best 2 back-to-back quarters in terms of sales growth in the Agriculture business as well, our Agriculture and Consumer Goods business. And in our animal agriculture space, we're starting to really see that high single revenue growth kick in now quarter after quarter.

So I think we've got a great story to tell, differentiated products and services, now the right investments around channel and distribution, and we should see that actually accelerate month-over-month as those investments start to really mature and we get through the learning curve on how to sell these products and services and start to see that acceleration in growth.

And the last thing I'll say is we've got an amazing list of our base of customers across TELUS Business Solutions, across TELUS International, across TELUS Agriculture and we're just starting on our journey in terms of driving health penetration or health product penetration into that base. And so when we look at it from a B2B perspective, our product intensity opportunity there goes beyond just telecom services, but obviously, into these great health capabilities. And with the latest health capability of our total mental health product, we just see that accelerating on top of our existing health products and services. So I think it's a really good developing story, and we're going to see some nice steady acceleration as the quarters go.

Darren Entwistle - President, CEO & Director

Zainul, do you want to pile on consumer health? Or do you want to leave it there?

Zainul Mawji - EVP & President of TELUS Consumer Solutions

I can maybe just offer one element and just say that, fundamentally, I don't think our revenue -- on our revenue profile, we can comment on what we think the competitive environment will do or won't do. What we're going to focus on is insulating ourselves accordingly with the capabilities that we have that are differentiated and continuing to grow those capabilities, whether they are consumer health-oriented or on the back of our home automation capability suite or on the back of our very differentiated OTT offerings.

So we're going to continue to focus on that and in parallel on cost to serve, and continue to differentiate our brands accordingly and add more value to customers based on those differentiated offerings that are really unmatched in the market. And because of our relationship with TI, our speed-to-market capability and delivery as well as our ability to own those assets and own the IP of those assets is also differentiated relative to our peers and changes the cost to serve profile of offering new services.

Operator

Last question in the queue comes from Simon Flannery from Morgan Stanley.

Simon Flannery – Morgan Stanley

Great. If I could return to the convergence and the bundling question. We've seen Verizon and now AT&T really lean into fixed wireless for business, and they like the lower usage characteristics versus a consumer product now that you've rolled out 5G and we're seeing a lot of interesting business use cases, whether that's for backup or for tougher to cover locations. It would be great to see how you're thinking about that as an extra product to leverage your 5G network outside, particularly where you have fiber?

Darren Entwistle - President, CEO & Director

Navin, you want to speak to that as it relates to the B2B component or saying aphoristically? Navin, go ahead.

Navin Arora – EVP & President of TELUS Business Solutions

Yes, absolutely, we're looking at how we can bring fixed wireless in for business. You hit the comment bang on because the usage characteristics are different. And also the timing of usage is different. And so that allows us to manage spectrum in an inefficient way as we look to do this. So we are absolutely looking at it. We're looking at how we accelerated in relation to where we have PureFibre and other network capabilities. And it's something that we'll talk more about into the future.

Darren Entwistle - President, CEO & Director

Yes, we saw it off there, but it's I think important to point out, we've been deploying fixed wireless as an access methodology since about 2009. So a well familiar complement to what we're doing on broadband wireline and wireless along the way. Thank you, Simon.

Robert Mitchell - Head of IR

Thanks, Simon. Thanks, everyone, for joining us today. If there's any follow-ups, please feel free to reach out to the IR team.

Operator

This concludes the TELUS 2024 Q1 Earnings Conference Call. Thank you for your participation, and have a nice day.