TELUS 2017 Q1Call
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rising above

Corporate Participants

Darren Entwistle	President and CEO
Doug French	EVP and CFO
Paul Carpino	VP Investor Relations

Conference call participants

Greg MacDonald, Macquarie Research
Maher Yaghi, Desjardins Securities
Phillip Huang, Barclays
Simon Flannery, Morgan Stanley
Richard Choe, JP Morgan

Presentation
Check against delivery

Operator
Good morning, ladies and gentlemen. Welcome to the TELUS 2017 Q1 Earnings Conference Call. I would like to introduce your speaker, Mr. Paul Carpino. Please go ahead.

Paul Carpino
Great. Thank you, Cheryl. Good afternoon, everyone, and good morning to those in the West. Thank you for joining us today. Our first quarter news release and detailed supplemental investor information are posted on our website at TELUS.com/investors. Fresh from our AGM earlier this morning and joining me in Toronto for the call today will be President and CEO, Darren Entwistle, who will provide opening comments, followed by a review of first quarter operational and financial results by Doug French, our CFO. After our prepared remarks, we will conclude with a question-and-answer session. In consideration of your day, we are going to try to keep this call to under one hour.

Let me direct your attention to Slide 2. This presentation, answers to questions and statements about future events, including 2017 annual targets and guidance, multi-year dividend growth and share repurchase programs, fibre network and other capital investments and leverage ratios are subject to risks and assumptions. Accordingly, actual performance could differ materially from statements made today, so do not place undue reliance on them. We also disclaim any obligation to update forward-looking statements, except as required by law. I ask that you read our disclaimers and refer you to the risks and assumptions outlined in our public disclosures, in particular, in sections 9 and 10 of TELUS' annual MD&A and filings with the securities commissions in both Canada and the United States.

Let me now turn the call over to Darren Entwistle.

Darren Entwistle
Thanks, Paul, and good afternoon to everyone. TELUS has a long-standing history of delivering industry-best performance in terms of revenue and EBITDA growth, customer loyalty and lifetime revenue, leading performances in terms of balanced contributions from both our wireless and wireline assets, leading the way in terms of successful generational investments in our core broadband assets, and of course, leading the way as it relates to unmatched multi-year and transparent dividend growth programs.

TELUS' first quarter results are in keeping with this performance tradition. Our Q1 results include industry-leading growth in both consolidated revenue and EBITDA. Moreover, our results continue to be underpinned by strong customer growth and the best client loyalty in our industry. In the first quarter, our consolidated operating revenue was up 2.9%, and our EBITDA was up 6.4%, both of which are industry bests for this quarter. These results reflect higher data revenue and subscriber growth in both our wireless and wireline operations as well as the benefits of successfully executing on our efficiency and growth initiatives.

In wireless, network revenue grew 6.4%, and EBITDA increased a strong 7.4%. Postpaid wireless net additions were 44,000, which is 36,000 higher from the first quarter of 2016. Our leadership and customer loyalty remains unmatched, with wireless postpaid churn at an industry-leading 0.93%, 4 basis points better on a year-over-year basis. We have enjoyed unprecedented continuity in terms of leadership on a global basis as it relates to customer loyalty and retention. Impressively, excluding higher CDMA churn, TELUS' churn for the first quarter was 0.90% on a normalized basis the CDMA impact. Our leadership in this is the result of TELUS team's dedication over the past 10 years to deliver on a customer service strategy that has truly set a standard of excellence. Thanks to the passion and commitment of our team, TELUS has delivered a churn rate of less than 1% in 14 of the last 15 quarters and still counting.

Blended ARPU was higher by 3.9% at $65.53 and represents TELUS' 26th consecutive quarter of year-over-year growth in this regard. With strong churn and ARPU results, TELUS' current lifetime revenue was more than $5,500 per subscriber. This puts TELUS at a notable 15% and 42% higher than our two national competitors.

Moving to our wireline business. External revenues increased slightly just below 1%, whilst our world-leading EBITDA grew an impressive 4.7%. Net additions of high-speed Internet subscribers were 24,000 or 12,000 higher than Q1 last year. We also added 7,000 net TELUS TV customers, the largest number versus any competitor in Canada. We have now led the country in this regard for 5 consecutive quarters, and notably, 24 of 29 quarters since 2010. Clearly, this reflects the quality, value, flexibility and strong featured differentiation offered by our Optik TV platform. We will continue to introduce exciting new enhancements throughout the year that differentiate our TV products for the benefit of our customers.

Our leadership in TV innovation was further elevated in May, with the launch of our Pik TV service offering, which we are now starting to roll out to our TELUS footprint. Pik TV is another example of how TELUS puts customers first and is driving innovation in the video space. The offering is a video service designed from the ground up with direct input from customers who have slimmed down their TV subscriptions. As we did when we first introduced Optik back in 2010, we've challenged the paradigm by enabling a simple, self-installable solution that doesn't require a contract and comes with TELUS content options as well as the Google Play store embedded for access to a broad app entertainment ecosystem.

Overall, we realized strong Q1 results across both wireless and wireline during a highly competitive environment, and we continue to feel confident with respect to our outlook for the full year of 2017. As announced in our press release this morning, we are increasing our 2017 targets to reflect additional opportunities with respect to revenue and EBITDA growth as well as earnings per share. In addition, we will be increasing our investment in the rapid expansion of our MTS advanced wireless network for our customers in Manitoba as well as supporting the continued deployment of our successful fibre program. As noted by our U.S. and Canadian peers who are both organically investing and acquiring fibre at a rapid pace, the near and long-term value of this generational investment is significant. Our goal is to put the power of a fibre network, including 5G wireless capabilities, in the hands of Canadian customers and businesses and the public sector in an expeditious manner. Our products and capabilities have a track record of making a difference to our customers, communities and society in general, and this next wave of technology will advance these benefits even further. The current environment is excellent for completing this now on both the strategic and a cost of capital basis. Additionally, with new spectrum auctions, likely a couple of years away, progressing with this build now in a targeted and success-based manner further supports our accelerated approach. Already, fibre is available to approximately 30% of our Optik footprint. And by early 2018, we will be halfway completed this generational investment.

Importantly, as we approach the halfway point of this build in 2018, we are also targeting to be free cash flow positive next year and chronically so thereafter. Additionally, even as we come through this elevated investment cycle for the right reasons, we anticipate that our already-modest leverage in 2018 will decline from current 2.7x back to our targeted range of between 2 to 2.5x, excluding of course, any extraordinary items. TELUS' return to a free cash flow position and our targeted leverage ranges is a testament to this team's ability to execute on a very successful strategy.

Today, we also announced our 13th dividend increase in our multi-year annual dividend growth program that we first introduced at the AGM back in 2011. With today's increase, our annualized dividend now stands at $1.97 or 7.1% higher than the same period last year. Notably, our 88% increase in our dividend since the program was first instituted 6 years ago at our 2011 AGM is double the growth rate of our next closest telco or cable-co peer. Importantly, we continue to provide the consistency in our results that enables us to complete these shareholder-friendly programs, while simultaneously making significant growth-oriented capital investments to ensure our future for many years to come. At other organizations, these initiatives are mutually exclusive. And at TELUS today, I can tell you these initiatives are mutually inclusive.

I'd like to close by congratulating our team for continually delivering on our commitments, particularly those for both customers and investors, and for building a company that embraces the responsibilities we have to our clients, our shareholders and the communities we serve. I'll now turn the call over to Doug so that he can provide you some additional colour in respect of our first quarter results.

Doug French
Thank you, Darren, and good afternoon, everyone. I'm on Slide 8. We had a very good first quarter in wireless, building off our strong results delivered throughout 2016. Notably, network revenue growth of 6.4% resulted from strong postpaid subscriber growth and a 3.9% increase in ARPU. This was driven by a 12% increase in data revenue, reflecting a larger portion of higher rate smartphone plans, including Premium Plus plans, and a continued data usage growth.

Reported EBITDA grew by 8.6%. While excluding restructuring and other costs, adjusted EBITDA was higher by 7.4%, driven by our strong network revenue growth and lower operating and marketing costs. Adjusted EBITDA margin as a percentage of total revenue expanded 120 basis points to 45.8%, adding to the 70 basis point improvement we delivered in 2016.

Turning to wireline. Revenues grew 0.7% as Internet, TV, business process outsourcing and TELUS Health revenues were partially offset by continued declines in legacy voice and equipment revenues. We're seeing continuing levels of competition and the ongoing impacts of economic pressures, particularly in the business market. As well, TELUS International had a slower start to the year as one of its significant corporate customers downsized their services. Our strong focus on efficiency and effectiveness resulted in leading wireline EBITDA growth to 4.7% and a margin expansion of 110 basis points to 30.2%.

On a consolidated basis, TELUS generated 2.9% revenue growth, with a service revenue growth of 3.5%, offsetting an 8% decline in equipment revenue. Excluding restructuring and other costs, adjusted EBITDA rose 6.4%, reflecting strong wireless margin growth and lower costs resulting from our efficiency and effectiveness programs in the current and prior years.

Adjusted earnings per share, excluding restructuring and other costs, increased to $0.74 as a result of higher operating income, partially offset by higher financing and depreciation costs. See the appendix for an EPS breakdown.

We continue to invest in our fibre optic network to connect more Canadians and to support our small cell technology strategy to improve wireless coverage and prepare for a more efficient and timely evolution to 5G. CapEx totaled $724 million in the first quarter. We now have 1.15 million homes and businesses with immediate access to our gigabyte-capable TELUS PureFibre network. This is up 400,000 over this time last year. Our 4G LTE network continues to be expanded and enhanced, including in Alberta and in Manitoba, with LTE Advanced now available in more -- to more than 80% of Canadians. Free cash flow roughly doubled to $217 million year-over-year as higher EBITDA and lower cash taxes paid more than offset the increase in capital investments for our networks.

We're updating our outlook for 2017 to reflect the impact of our acquisition and wireless expansion in Manitoba. We now see revenue growth at 3% to 4%, EBITDA growth of 3.5% to 7% and EPS to 2% to 9%. Aligned with our higher revenue and EBITDA outlook and supported by strong Q1 results, we also raised our full CapEx targets to approximately $3 billion. As mentioned by Darren, the higher CapEx reflects increased wireless network and channel investment in Manitoba as we improve coverage capacity and speeds to enhance the customer experience and maximize the return on our recently acquired subscribers as well as the continued success of our connected homes and businesses on our fibre network. And as mentioned as well importantly, there is no change to our goal of becoming free cash flow positive in 2018 or to be within the range of our long-term net debt to EBITDA range of 2.0 to 2.5x by the end of 2018.

Paul, back to you for questions.

Paul Carpino
Great. Thank you, Doug. Cheryl, can you please proceed with the questions from the queue for Darren and Doug?

Question and Answers

Operator
Our first question is from Phillip Huang at Barclays.

Phillip Huang
The strong Internet subscriber growth was certainly a positive surprise, structurally given this is a seasonally lighter quarter, and Shaw's portion of WideOpen plans and bundling the new BlueSky TV. Darren, I know you've always been very committed with the expansion of your fibre footprint. And I know you've given us a bit of colour in terms of the build-out plans and milestones. Do you believe that this has reached the critical mass or inflection point because the acceleration of broadband subscriber this quarter certainly seems pretty encouraging. Do you see some of the new normal for the love of (inaudible) subscriber growth going forward?

Darren Entwistle
Yes, I'm not going to give too much of a prospective view on HSIA loading on a go-forward basis, but I think some of the assumptions that you've articulated are accurate. Firstly, when you look at the fibre deployment that we're driving the technology at thrust perspective, clearly, we're starting to experience a greater scale. We are in the throes of approaching the halfway mark as it relates to our fibre deployment across a 3.4 million at home base that, as you heard in my remarks, we're looking to get there by the first half of 2018. So I think the scale that we're enjoying on the fibre front is buttressing our overall results, particularly as it relates to HSIA. The feature differentiation that we get from a speed perspective is certainly deeply attractive. To have 150Mbps symmetrical which we can expand to 250 symmetrical and so on and so forth because the fibre network is gigabyte-enabled is extremely potent because, as you know, within both consumer and business constituencies, there are people that are valuing the uplink as much as the downlink. And when you have the speed advantage over your competitor on the uplink that's up to 10x faster, that's very attractive in terms of supporting the Internet growth that we aspire to. It also gives people the opportunity to determine what type of relationship do they want to have with our organization. Is it going to be a premium relationship across the breadth of our Internet, wireless, voice and TV services? Or is it going to be more of a premium on Internet and mobility? And maybe looking at something, like our Pik platform as it relates to the way they consume content. So I think this is a tremendously potent backbone for the organization and will be a long-term extremely fruitful investment that we will harvest economically for the benefit of investors.

The other thing that we're doing is that, TELUS has always looked at access as something we can achieve through a multiplicity of technologies. And one of the opportunities for us on the HSIA front within nonurban or more rural areas of our overall footprint is to use wireless as the access mechanism. When you've got the type of capabilities that we're deploying on, LTE and LTE Advanced, it gives you very attractive bandwidths that you can deliver and to deliver those more economically as an access mechanism in preference over wireline in more challenging rural communities. That turned out to be a strong thesis for the TELUS organization. So offering services like high-speed Internet access over LTE is something that we're finding very fruitful to expand economically our addressable market in a way that makes good sense for us. So some of those customers previously would have been economically challenging to reach from an access mechanism point of view on a wired basis, but using wireless as the access mechanism, in this case, LTE, and delivering high-speed over LTE within those rural areas, has opened up an additional addressable market for us that we're harvesting to good effect. And that's really an innovation that came out of our team in Quebec. It's something that we did in the more rural regions in Quebec within the HSPA technology stratification back in 2010. And we've now expanded that to Western Canada and of course elevated it to LTE technology.

So I think those are the things that have helped the loading. The one other point that I would make is that, the #1 priority at TELUS is putting customers first. And our customer loyalty and retention on the HSIA front was at a premium in Q1. We did very well. And of course, anytime we do very well on the churn front because of the effort that put into customer service excellence and how that manifests itself, embedded loyalty and retention, you're going to see net adds flattered, and that was buttressing the overall Q1 outcome.

Phillip Huang
That's very helpful. Maybe a quick follow-up on the dividend side. You raised it by 7% (inaudible) some new plan.

Darren Entwistle
7.1%.

Phillip Huang
7.1%. Maybe a question for you. Obviously, there's -- you guys are investing in prioritizing investment. But what conditions would need to be present for the dividend growth to come at the higher end of, say, 10%? And then I'll pass the line.

Darren Entwistle
I think a few things on that front might be helpful. So the -- you've got a pecking order that you can draw inference from. Firstly, if -- it's going to be closer to 10% than 7%, look for stronger levels of EBITDA growth. We delivered very strong EBITDA growth in Q1 at 6.4%. And I think any time you're north of 6% on the EBITDA growth, it gives you some latitude as to whether you want to be more ambitious in respect of the dividend. So for us, that's really the goal, grow at above 6% at the EBITDA level, and it opens up opportunities to you in terms of dividend increases within the 7% to 10% fold. So we kind of look at 6% as a floor, if you will, at our organization, and that's the ambition that we have.

The second thing that I would address your attention to would be our dividend payout ratio range. Given that the dividend is the providence of the board in terms of making that adjudication on a quarterly basis, and we, rather uniquely, in many ways, are one of the few that stick to a dividend payout ratio range of net income, which gives you transparency in terms of where we're going to go with dividend and dividend increases. We like camping out in the 65% to 75% zone of net income on a prospective basis. So to the extent to which we're at the midpoint of the range, you can expect us to be kind of steady eddie on the dividend increases. If we are at the higher end of the range, then we're going to be at the lower end of the 7% to 10% dividend postulation that we've rendered for 2017 through 2019. If we're at the lower end of the range, then that gives us latitude to take the dividend a little bit higher in terms of the growth percentage, and I think that's a sensible way to calibrate your expectations of this organization.

And then the third area is what I would call affordability. And that really speaks to free cash flow. So as we have postulated in terms of advanced guidance for 2018, we have said that we're going to go free cash flow positive in 2018 and look to remain so thereafter, harvesting the fruits of the investments that we've been making on the CapEx front with the exception or normalization of anything special, like a spectrum auction by case in point. And so getting back into that free cash flow positive zone, I think, buttresses dividend affordability. And I think that correlation makes good sense. And I'll make one final comment. If -- when we started to make the generational investments in fibre and, at the same time, digesting the CapEx requirements of several spectrum auctions in succession, we went into a free cash flow negative mode at that point, but we thought it was the right thing to do because we felt that fibre and spectrum were truly generational investments that would enshrine the sustainability of dividend growth over very, very, very long term for this organization. So we thought that, that was the right thing to do. But we knew that the negative cash flow period would be transient. It would be limited, rather than something that would carry on in perpetuity. And so as a result of that, we saw no reason to disrupt our dividend model. If we felt we were going to be a chronic negative cash flow environment, then we would have made a dividend adjustment, but we thought that we were in a transient negative free cash flow environment for the right reasons, given the generational investments that we're making, which I would like to point out the number of organizations globally are now emulating in this low cost of capital environment, recognizing the strategic necessity of fibre not just to support HSIA and TV, but everything from home automation to 5G wireless with its densified small cell topology. So it is the right thing to do, but it was transient. It was limited. And limited in this case means 2017 is the end, and we're going to go free cash flow positive in 2018.

So to the extent which we achieve that particular ambition, and I think we've got a pretty good track record in terms of delivering against the expectations, I think that supports the affordability of the dividend increases that we would like to deliver through 2019. And then lastly, because 2019, as we get older and older, seems to come more quickly in terms of the years going by. When we get close to 2019 and people are postulating, what are we going to do for 2020 through 2022, I would say our ability to continue to grow the dividend unabated is going to be down to harvesting the investments that we're making today in fibre, the investments that we're making today in products, the investments that we're making today in cost efficiency, which is critical, and the investments that we're making in everything from LTE Advanced through the 5G wireless topology so that we can make it sustainable. So those are really the 3 ticks at the end of the day that you can draw inference from: EBITDA growth, dividend payout ratio range and free cash flow continuity.

Operator
Our next question is from Greg MacDonald, Macquarie Securities.

Greg MacDonald
Question, Darren, I have on the growth outlook in both the country and in Alberta. The MD&A noted the change in assumptions for growth for Canada. 3 months ago, you're at 1.8%. Now 2.2%. And then Alberta 3 months ago, 1% to 2%. Now at 2.4%. Recognized in the writeup there that there's both questions on the U.S. administration with respect to protectionism but also the Alberta economy. Can you just talk, generally, about the factors that are affecting the confidence? Particularly, we're interested in the Alberta economy, obviously, given your profile there.

Darren Entwistle
Okay. Greg, I would say that we're cautiously optimistic about the Alberta economy. We have seen signs of strengthening, and you've seen some of the movement is transpiring in terms of oil prices, but we're not betting on the improvement, and that's a really important point to put across. There's too many variables at play here to factor that into the target setting that we've got for 2017 or what we want to get done over the next couple of years. So we are decidedly cautious in that regard. And we're taking a more long-term orientation that, yes, there will be recovery. It's not a question of if, but the duration of the recovery. And we think it's prudent to be conservative in that view and have a longer-term orientation and not to factor in any favorable expectations in terms of our 2017 targeting or 2018 planning.

Secondly, and I wouldn't mind your view on this, I'd be grateful if you can comment on our Q1 results at the financial level and at the operational level given the duress that we are weathering within Alberta. That's got to speak volumes for the quality and the diversity of our assets, both physical and human. We generated an excellent Q1, and maybe just let me put this into perspective for you for a second as it relates to weathering the economic climate in Alberta. We led our industry in 2016 in terms of revenue growth and EBITDA growth. We led our industry holistically in terms of operational performance across wireline and wireless. And we led our industry in terms of customer service excellence in 2016 as well, and I think you recognize that. We also led our immediate peers in terms of total shareholder return in 2017, whether it comes from capital appreciation or the combination with our dividend growth model. So whether it's financial, whether it's operational, whether it's customer service or total shareholder return, we led the industry in 2016, and we did the same again in Q1 of 2017. And I would note that, that's the past, and we led in '16. Look at the present, leading in Q1. And when I look at my targets and juxtapose those versus the peer group for the full year 2017, if we achieve them, I think we'll lead once again. So I think that continuity from past to present to future is pretty telling when it comes to our performance from the people delivering it to the assets upon which it's predicated, and Q1, I think, is an exemplification of just that.

On the consumer side of things in Alberta, we've seen some encouraging stability. So to give you additional colour, our ARPU is up where it previously had been impacted. Our churn is down, and it's already a very good churn rate in Alberta, so that's positive. But our net adds on a year-over-year basis are still down. They're just modestly more -- less down in Q1 of '17 versus where they were in Q1 of 2016, where they were down in a more considerable fashion. So the net adds on a year-over-year basis are down, but they have moderated to a great extent.

On the business side in Alberta, we are weak right now in B2B, and you can see a little bit of that in our wireline revenue results, at slightly less than 1%. Although you can make comments in terms of year-over-year, it's a bit weak, and it's challenged by our B2B activities within the Alberta market. So we're still feeling the pressure there in that regard. As it relates to business on the wireless side, it's a better story overall. The nets are almost flat. So we've reduced the bleeding in that regard. So we don't have the growth, but on a year-over-year basis, at least we're holding ourselves neutral in that regard.
We're still declining on the ARPU front, in the B2B wireless market, but it's far less significant than what it was a back in Q1 of 2016. We're in a low single-digit ARPU bleed on B2B, where we were almost close to double digits on the ARPU bleed this time last year. And the churn is much better again, thanks to the efforts of our B2B team. So that gives you some pretty good colour in Alberta across consumer and bids and across wireline and wireless.

I'd also point out that the Alberta environment is not in our 2017 targets in terms of any expected improvement. We basically modeled out our 2017 targets based on the status quo with the appropriate amount of risk management in that regard. And then lastly, it just --in addition to speaking to the quality of our assets and the team's execution, it speaks to the diversity of our assets. We've got very attractive growth opportunities to go after in BC. We've got attractive growth opportunities to go after in the multicultural market. We've got very attractive growth opportunities to go after in Ontario and Quebec. So we're not a one-geolocation organization, and we've got lots of growth upside to pursue in other geographies in Canada that are experiencing less of a duress as it relates to impact on the resource sector there. And then finally, it's imperative that we continue to take costs out of our business. And we do it for 3 reasons: one, to weather economic storms like Alberta; two, to fund J-curve investments like Optik TV and fibre; and three, so we can deliver stronger profitability results to the street. And I think that was well-demonstrated by the 4.7% EBITDA growth on the wireline side of our business despite the Alberta impact. And I would say that 4.7% EBITDA growth, even the modest revenue growth are best-in-class versus our incumbent global peers when looking at their wireline businesses. And that speaks to the two -- the dual-tenet growth strategy at TELUS organization.

Greg MacDonald
That's a lot of good colour. One point of clarification. Are the economic forecasts internal or are they external i.e. from Bank of Canada?

Darren Entwistle
They're external.

Doug French
From the Bank of Canada.

Darren Entwistle
Yes. From the Bank of Canada, correct.

Greg MacDonald
I just wanted to make sure as to your comment on being cautiously optimistic relative to growth...

Darren Entwistle
That level of GDP growth that you have seen, the upward revision is not factored into our plan. So we would be the happiest people that has come to fruition and happy for the people and citizens of Alberta, but we're not factoring it into our planning thesis. So that will be upside, should it transpire.

Greg MacDonald
And presumably, you'd see that impact first on pricing powers, hence, your comments on -- low single-digit ARPU bleed on the B2B side, right?

Darren Entwistle
Yes. And you've got to remember, in addition to that, our consumer HSIA TV offering has done very well, despite the economic duress in Alberta. So you'll see improvements or less pressure on B2B that's been weathering the brunt of the storm. You'll see an acceleration in terms of the consumer wireless recovery. And hopefully, you'll see continuity in terms of our HSIA and TV growth backed by PureFibre that's not really been diluted as a result of the economic duress in the province. So that has actually exceeded our expectations in terms of doing well despite the face of the economic climate that we find ourselves in.

Operator
Our next question is from Simon Flannery, Morgan Stanley.

Simon Flannery
So another good wireless quarter for the entire industry, and it certainly is a breath of fresh air, sitting in New York and what we've seen down here. But...

Paul Carpino
Cheryl, is Simon still on the line?

Operator
Unfortunately, his line has disconnected.

Operator
We will ask Maher Yaghi from Desjardins Bank.

Maher Yaghi
Congrats on the results. I wanted to start by talking about the wireline margins. We saw a nice pickup year-on-year in margins. I assume a good portion of that is due to the recent restructuring that you did. How much of -- how much more upside can we see in EBITDA margins on wireline continuing in the next couple of quarters?

And the second question I have is, can you comment on the recent launch of a competitor of Shaw, I guess, of TV product in Western Canada? Have you -- what kind of initial impact you're seeing on your internal loading and kind of results on profitability and original metrics are from the recent launch? And I have a final question, going back to your initial introductory comments, Darren. You talked about how you deploy capital. Looking back, you -- I calculated some kind of a $29 average buyback program that you did on the shares. Now we are in a period where cash flow is scarce, and I mean, you're deploying it in CapEx. Next cycle, we'd be reducing debt. Is there any plan longer term to get back on the buyback program? Because it's done well for you in the past.

Doug French
So I'll start off with the margin, it's Doug French. Darren sort of or did highlight earlier the revenue growth opportunities that we're looking at on wireline. And the margin that we hit this quarter was driven through more of the cost initiatives that were also discussed. And we're going to continue to drive margins wherever possible, and we continue to have a focus on our efficiency and effectiveness within our

organization. So I think it's all going to be dependent on our ability to grow the revenue line. But we will continue to have those cost reductions and those cost-containment initiatives as we look forward. And as we look at those, it's leveraging of our fibre footprint, which is driving operational synergies. It's leveraging off customers first, which drives operational synergies. It's leveraging off supply chain and some of the opportunities we can get from our third-party suppliers. So looking at all of those initiatives, it would allow us to be more flexible on our internal resource planning and allow us to keep our cost structure to meet the needs as laid out by Darren for growth initiatives. So I would say yes, we are going to continue to strive for margin higher, but I wouldn't suggest material step functions in the short term. We'll continue to work at it as we go forward on our profitability front.

Darren Entwistle
Maher, maybe taking your last question first. You were close with your calculation in terms of our share buybacks. The average cost has been $28 per share, which is close to a 40% discount over our current trading price. And I do think that speaks to the efficacy of the program that we've pursued. In fact, the IRR on that program was 12.5%. And when you look at the low cost of money environment that we're in today, I would say a 12.5% IRR represents a pretty good return overall. We'll never remove the NCIB program from our repertoire. It's just are the circumstances right for us to deploy it? Let me highlight the priority for you: Our priority is our dividend growth model. Everything, as it relates to financial engineering, is in servitude to our dividend growth model. The nicest feature that we liked about the NCIB program is that it was synergistic with the dividend growth model because if prospectively, you're planning to increase your dividend outflows, then buying back and canceling those shares helps ameliorate those dividend outflows. So we really did like the combination between the two. But the NCIB program was always in servitude to two questions: Does it support the overall dividend thesis? And can we afford to undertake it versus other uses that we would have for that cash, including the generational investments that I've articulated on the course of this call.

If you're wondering, okay, give me another checklist similar to what we did on the dividend as to when we would use it again, I would say, okay, number one, from a pure-play thesis point of view, it's got to be synergistic in terms of helping our dividend growth model prospectively and ameliorating dividend outflows. Secondly, we have to be in a situation where the sources of cash are chronically exceeding the uses of cash, be it either organic or acquisitive in terms of uses. So in a situation like that, then we think, okay, how are we going to use our surplus cash? The other parameters that you need to look for if we're going to use it prospectively is, are we back in our net debt to EBITDA range? Right now, we're at 2.7x, and I've made a commitment to the street that we'd get back to the 2 to 2.5x range. So if we get back into that particular range and we're in a situation where the sources are chronically exceeding the uses, both acquisitive and organic, and it can support the dividend growth model, then maybe we'll give it due consideration at that juncture, and we'll keep it as a weapon in our repertoire. The one other use of it that I think is important, and I think it's truly reflective by the excellence of the TELUS team, we have been opportunistic with that program. So when you look at the exogenous shocks that impact our industry, equity-market-related, credit-market-related, regulatory-related, technology-related, competitive-landscape-related, when we get hit with those exogenous shocks, we have a high degree of confidence in our long-term strategy. They represent very attractive buying opportunities for us. And we have stepped into the market and acted upon that. So when we've taken hits because there's a view that Verizon is coming to Canada with a sense of immediacy or there's a regulatory event transpiring, or certain conditions are being prevalent within spectrum auctions that favor new entrants, we see those as buying conditions that are appropriate for us to use our balance sheet in that regard. And I think the empirical results speak for themselves, given where we're trading today versus the average cost of $28 and the IRR at 12.5%. And the one other measure that I wouldn't mind people looking at in terms of the TELUS organization, look at our EBITDA growth per share versus our peer group. I think it's an interesting number.

And your last question was related to Shaw. Sure, we feel the competitive intensity. It would be BS not to recognize that. If you look at where Shaw has gone on 150 anywhere, what they're doing with the Xfinity BlueSky platform or the acquisition of WIND into Freedom, that's the reality. But I would say to you give me that dynamic competitive environment any day of the week versus onerous regulation. We know how to grow value for investors as it relates to a dynamic competitive environment. Regulatory intervention is punitive. It's a bit more difficult to figure out. And to the extent to which dynamic competition that's good for consumers, at the end of the day, leads to a more benign regulatory approach. That's one heck of a silver lining as it relates to the Western Canadian competitive dynamic. And so yes, we feel it. But look at what we're doing. Number one, we're standing behind our 2017 targets. And we've taken them up modestly, reflecting the strength of our Q1 results, buttressed by the acquisition of the MTS subs. So I think that's a pretty good thing. Look at how we're doing as it relates to the performance of our business financially, operationally, client service excellence, shareholder returns. Q1, I think, is a great example of that.

And if you look at our wireline positioning as it relates to everything from net adds to profitability results, I think we compare extremely favorably, and not just to our immediate competitor in Western Canada but to our competitors on a national basis. And then look at the investments that we're making. I like the competitive juxtaposition that our PureFibre investment gives us. And we're starting to get scale now with that coverage. And I think there's lots of competitive advantages and a capability set that reflects that in terms of where we can take that technology into the future. I think as it relates to premium bundling, we've got a great wireline and wireless story. So that's not seeing any negative about Freedom, but it will be a long time before it can match the innovation, the featured differentiation, the quality, the reliability of TELUS mobility and Koodo and all the devices and applications that we have within that ecosystem and the way that we integrate that with our wireline offering. I think if you got your competitor bringing new capabilities to market, while you're focused on market-based differentiation and investments, you should also have one eye on cost efficiency so that you can fuel your future, recycle those cost efficiencies into a more smart, competitive, dynamic future, both product differentiation and making sure that you can protect the margins that you've been aspiring to deliver, like the 30% margin on the wireline front. Our wireline margins are up 110 bps. And I've been saying that we'll get to 30% on the wireline front for about two years now. So it's nice to enjoy it for a couple of seconds in terms of that achievement.

I really like the Optik ecosystem versus BlueSky. We've got fantastic differentiation in that regard, whether it's being exclusive on 4k content and 4k delivery capability, whether it's our content, that superiority, 2x the amount of HD content, almost 2x the amount of multicultural content. I like what we've done in terms of inculcating OTT players within the fold of our Optik ecosystem. I think Netflix is a great example to that effect and Netflix on a 4k basis as well. I like what we're doing in terms of wireless set-top box flexibility, which allows people to move your viewing mechanisms around their home without being tethered to a wireline connection. Customers like flexibility. And speaking of flexibility, I like our packages. They offer good value for money. They are attractive pricing, and they offer a lot of flexibility in terms of customizing the content with what our viewers actually want to pay for in terms of their content preferences. I like what we've got in terms of Optik on the go. We've got more content in terms of accessibility of content when our subs are on the move through our Optik on the go platform. And I like the fact that we offer remote recording because we all lead busy lives and when there's major sports events happening and we want to be able to record it or something else to that effect for the non-sports crowd, having that remote recording is fantastic.

We've just launched Restart TV so that people don't miss a minute of their programming along the way. And we've just launched right now Pik TV, which I think is going to be great for value seekers, a very simple package. Yes, lower ARPU, very attractive AMPU, right? And where did you hear that before? You heard that before in Koodo, all right? And so we know how to do it. It's a self-install product, beautiful, simplistic streamlined offering overall between linear TV and VOD. And when customers can do self-install in a digital world and get the content that they want, that's an attractive offering for us. And there's two markets for us there that we think are attractive: one, go out there and offer that to the value-seeking crowd that would otherwise be a cord shaver; and number two, it's a nice combative positioning versus the thrust on the OTT font. So I think that's good for us a versus the Shaw organization. And I think it's good for us in terms of technology substitution, abating the drive as it relates to singularly OTT and only having an HSIA connection. So we're excited by that product. Nice to bring it to market. Once again, it's a first from TELUS. And we're going to focus on offering it to our Internet-only customers, and I think it should get some nice traction because it's a very, very well-engineered product with attractive features that we can grow into the future. So I feel pretty good about the thing overall as it relates to our competitive juxtaposition with the Shaw organization (inaudible).

Just one last point to make as it relates to risk management, and I don't hear a lot of discussion in terms of risk management. But when you look at the diversity of our sources of both revenue and profit, it's interesting to note that our business, from a TELUS point of view, only has a 57% overlap with Shaw, whereas Shaw's business has a 90% overlap with TELUS. We have an EBITDA growth rate on wireline close to 5%. That's not where they are in terms of their financial performance on the wireline side of the business. So when it comes to making smart, economic decisions, I think I've got a lot more latitude within the TELUS organization because of our financial strength and diversity, also including our balance sheet, whereas our competitors, I think, are going to have to be quite circumspect as to their market-based activities going forward.

Operator
So our next question is from Simon Flannery, please go ahead, from Morgan Stanley.

Simon Flannery
Darren, another strong quarter for you in wireless, and also frankly for the Canadian industry. That's a nice difference from what we're seeing down here.

Can you just...(technical difficulty)

continue to drive industry subscriber growth, upsizing to larger data buckets, the ability to keep both the volume and the ARPU growing over the next year or 2 for TELUS and for the Canadian industry. And then perhaps, any early update you can give us on the Manitoba migration?

Darren Entwistle
The Manitoba migration is really too early, Simon, to comment on at this juncture. So I think why don't you park that question and ask me again when we have our call in August? I think we'll have some better results to draw inference from at that juncture. It's just -- it's too early days at this point. The only thing I could say is that, in terms of bringing the dealers on board, that's gone extremely well, and I think they're excited to be part of the TELUS organization and getting our network positioning in place, both our organic network and what we're going to have on (inaudible) basis with Bell and Rogers. Those two key development factors are proceeding according to plan so we're very pleased. But we'll have some better operational results come the end of Q2, and I can share that with you in August when we have the Q2 investor call.

As it relates to ARPU growth, we are very pleased with Q1 at 3.9% overall and a very solid postpaid ARPU performance within that 3.9%, which I think really does speak to the thesis at TELUS in terms of pursuing quality loading rather than just pure volume. And secondly, what can help us is if we can see a reduction in the ARPU dilution coming out of Alberta. I think that would be a nice development factor into the future, given the ARPU dilution that we've been experiencing on the consumer and business front over the past 18 months in that regard. Thirdly, I'm excited by continued deployments on the technology front. The more deployment we do at the LTE level, at the LTE Advanced level, some of the small cell deployments and having devices that actually leverage those technologies, there's a high R squared in terms of driving up overall data usage, and that gets reflected in our ARPU results. Next for us, a lot of roaming upside is still to be realized outside of the North American context, both global in-roaming and global out-roaming outside of the North American footprint. So a lot of that is on the come, but I'm hopeful. We now have international easy roam available in about 127 countries. And I think there is price elasticity of demand that we can leverage and offer people very good services, a fair price for basically exporting with them their domestic plans and features so that they can control their usage when they're roaming internationally. That gives them greater confidence in keeping their device turned on.

I think there's ARPU upside that's still within the Koodo fold, particularly as it relates to higher tier smartphone devices. On the machine-to-machine front, there's a lot of weight through revenue growth as it relates to IoT within wireless. We don't count that within our loads, but we do count that within our wireless revenue. And so that can be a nice contributor as it relates to ARPU accretion on a go-forward basis. Our Premium Plus programs have been very successful for TELUS. We're going to carry on with those. And one of the things that we like about Premium Plus is it engenders a level of customer activity that transpires out of our discrete heavy seasonal period. And from an operations engineering perspective, that's actually a more cost-efficient way to run our business overall. And at the same time, at Premium Plus, we're getting a nice ARPU result and a benefit on the AMPU level as well because originally, when we launched Premium Plus, we went through J-curve-like dilution. And we're now getting into the accretion phase, and I think that's worth looking forward to.

As it relates to our data packages, people are buying bigger data packages from a gig to 2 to 3, sometimes independently, sometimes within the fold of Share Plus. But whether they're increasing their data packages on a permanent basis through TELUS' step-up offering or whether they're doing it on a nonrecurring basis purely in month when they're about to go over their data bucket and just topping up within the month, either way, it's nice data accretion that flatters both our revenue as well as our EBITDA profitability within the fold of our wireless business.

So those -- and I can keep going on in that regard. I like some of the features that I'm seeing within the digital society, more RGUs per human being, if you want. I like some of the demographics that are transpiring in terms of the age continuum, which is supporting device procurement and device usage along the way. We are seeing expansion of our country in terms of immigration, and I think that provides nice opportunities for us within a multicultural environment. It's an attractive situation. And when we're generating 7.4% of the profitability level, 6.4% in terms of top line revenue, almost 4% as it relates to ARPU, margins accreting on the wireless front at 120 bps, lots of smart investments in new technologies that will inspire greater data growth prospectively, I don't want to be unduly optimistic, but I think we're doing the right things to support the positive economic growth of our business. And then lastly, from -- as it relates to Doug, he's always the first person to say, all that stuff is great, but let's make sure that we have the same thesis of cost efficiency on wireless based on what we learned on the wireline front. And I think that's a very astute way to manage your business, not just looking at ARPU, but what the heck is going on at AMPU line because revenue is vanity and margin is sanity, and that's the way that we need to engineer the wireless business accordingly.

Operator
We have Richard Choe from JPMorgan.

Richard Choe
Great. I just wanted one clarification on the wireless side. With the CDMA shutdown coming, what should we look for, both in negative and then on the positive side? And then in wireline, how much of the benefit in the HSIA was DSL being less stag? Or was it more of a benefit from the IP broadband side?

Doug French
So on the CDMA side, you would have seen or discussed, the impact in Q1 was about 3 basis points on churn from the elevated churn that we're seeing from a CDMA perspective. So going forward, you'll see a small sub base adjustment for the remaining part as we shut the network down but it's not that significant. So a lot of the high-value customers have already been migrated. And we have a higher-ARPU longer-term customer. But you'll see slight improvement in churn based on churn that we've seen off that side and a higher ARPU from that, the contracting of the high-value customers. And then we'll see the small adjustment into Q2 of the residual.

Darren Entwistle -
G\The results on HSIA came from a nice result as it relates to fibre-based loading, loading over HSIA over LTE. And the reduction at the churn level, which was sub 1.3, to give you some additional empirical cover on that. It was a nice contribution from all 3 parameters. It was not over-indexed as it relates to the churn rate. It really was PureFibre in supporting our HSIA expansion improvement in the addressable market, leveraging wireless access technologies on LTE for HSIA, modestly buttressed by a solid churn rate for us that helped the year-over-year performance. And clearly something that's consistent with our customers for a strategy that we're going to want to carry on with. Is that okay?

Paul Carpino
Great. Thanks, Richard. Thanks, everyone, for joining the call. If you have any questions, please follow-up with the Investor Relations team. Thank you.

Operator
Ladies and gentlemen, this concludes the TELUS 2017 Q1 Earnings Conference Call. Thank you for your participation, and have a nice day.