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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the TELUS 2020 Q1 Earnings Conference Call.

I would like to introduce your speaker, Mr. Robert Mitchell. Please go ahead.

Robert Mitchell - TELUS Corporation - Head of IR

Hello, everyone. Thank you for joining the call today. Our first quarter 2020 results news release, MD&A and financial statements and detailed supplemental information were posted on our website this morning at telus.com/investors.

On our call today, we have Darren Entwistle, President and CEO; Doug French, Executive Vice President and CFO; Zainul Mawji, President, Home Solutions; and Jim Senko, President, Mobility solutions.

Let me briefly direct your attention to Slide 2. Presentation and answers to questions contain forward-looking statements that are subject to risks and uncertainties and made based on certain assumptions. Accordingly, actual performance could differ from statements made today, so we ask that you do not place undue reliance upon them. We disclaim any obligation to update forward-looking statements, except as required by law, and we refer you to the risks and assumptions outlined in our public disclosures, including our first quarter 2020 MD&A, our 2019 MD&A and filings with securities commissions in Canada and the U.S.

With that, let me now turn the call over to you, Darren.

Darren Entwistle - TELUS Corporation - President, CEO & Director

Thanks, Robert, and hello, everyone. The COVID-19 pandemic has had a profound impact, as we all know, on the communities where we live, where we work and where we serve.

As I highlighted in my shareholder letter issued earlier today and posted on our website, our team is working diligently and with their characteristic grit, their collaboration and their innovation to ensure all Canadians stay connected at a time when the human connection has, frankly, never been



more important. Our robust and consistent performance over the longer term, including strong Q1 financial and operating results, coupled with the strength of our balance sheet and financial liquidity positions us well to navigate the uncertainty caused by the global health crisis and importantly, for the anticipated market opportunities thereafter.

As we responded to this unprecedented emergency, our focus has been on taking care of our team members, taking care of our customers and our communities whilst embracing our fiduciary responsibilities to you, our shareholders. Notably, we are leveraging our strong digital and work-from-home capabilities to safeguard team member and customer health and to support customer transactions to help offset the impacts within our store and call center operations that have been impacted.

Looking beyond this pandemic, we will continue to leverage our digital channels across the customer journey in order to meet evolving client needs as well as to harvest the resulting effectiveness and efficiency benefits of doing so.

Myself and the leadership team at TELUS continue to be inspired by the TELUS team as they literally work around the clock to keep Canadians connected.

With global physical distancing measures in place, our world-leading broadband services have never been more essential than what they are right now. Citizens are increasingly relying on this connectivity to stay in touch with loved ones and to access essential health and safety information. The strength, the speed and the consistency of our networks have bolstered our nation's productivity.

According to an independent global study, examining the impact of recent work-from-home measures, Canadians have recorded a 170% increase in remote work since emergency measures began taking effect, contributing to an overall increase in productivity of some 25%. By comparison, the same report found that the shift to remote work had the opposite effect in Europe and the United States, where productivity has declined by 8.2% and 7.2%, respectively, since self isolation policies came into effect.

Our technology teams continue to focus relentlessly on maintaining robust reliability and world-leading performance across all of our critical services whilst proactively managing record high-traffic levels, most notably, record highs in voice and video calling, messaging, TV viewership and home WiFi. Our ongoing investments in technology and infrastructure have allowed us to effectively manage a 50% daily increase in voice traffic, 4x the traffic that occurred on Mother's Day last year. And they've also enabled us to respond to a near doubling of our multi-messaging service, which is currently twice what we normally see on Christmas Day.

To put it all into perspective, our team's efforts to sustain our network throughout COVID-19 is akin to supporting Super Bowl level traffic each and every day, hour in hour out. Reflecting our significant efforts to ensure network excellence during this critical time, OpenSignal analyzed 4G download speeds globally on a weekly basis from January through to the end of March 2020. The report shows that not only are Canada's networks continuing to operate exceedingly well through the COVID-19 crisis, Canada is the fastest across 45 countries tested for 4G download speeds for mobile experience. By contrast, countries like Australia and the U.K. were challenged to support the added traffic and pressure, at times experiencing download speeds up to 15% and 30% slower, respectively.

Complementing this acknowledgment, TELUS was recognized in Tutela's Canada State of Mobile Networks Report in April of 2020 for its global network leadership, winning 3 of the national awards for core consistent quality, winning for download throughput and latency as well, whilst tying for excellent consistent quality delivered by our network. Furthermore, J.D. Power recognized Canada and TELUS as having the top wireless network in Canada, marking the sixth consecutive year that TELUS has earned a J.D. Power award for network quality. I think that's terrific for our company. And I think it's emblematic as it relates to the quality of technology and infrastructure in our country, and it's terrific to have that third-party validation from J.D. Power.

Indeed, these rankings build on the recognition TELUS has consistently earned from PCMag and Ookla in addition to OpenSignal, Tutela and J.D. Power for 3 or more years.

Moreover, TELUS' wireline broadband network has performed exceedingly well through the COVID-19 period. And this is in stark contrast to networks in many other countries around the globe where governments have had to step in and manage traffic volumes to help out.

As we navigate the current health crisis and continue to expand our innovative health technology and services across the country, our virtual care offerings have never been more important to Canadians.

With the introduction of virtual fee codes by provincial governments across Canada to enable remote patient care, TELUS Health launched virtual visit functionality integrated with TELUS Electronic Medical Records, or EMR, enabling the 26,000 Canadian doctors using our EMR solution to conduct virtual care with their patients.

Canadians continue to leverage our one-on-one virtual health solutions with Akira by TELUS Health, utilizing a combination of chat and secure video consultations for convenient, on-demand access for patients looking to interface with a nurse practitioner.

Akira is helping more than 1,000 of Canada's largest employers support the health and well-being of their employees during this challenging time with our employer-funded virtual care platform and every employer. And TELUS is tantamount to this, is thinking, first and foremost, about keeping their employees safe. And Akira is playing a huge role in making sure that, that axiom is a reality.

Additionally, we've experienced a tenfold surge in demand for our Babylon by TELUS Health virtual care service which is available in BC, Alberta and Ontario with other provinces across Canada launching shortly, including the French version in Québec. This provides patients with video access to a locally licensed doctor, which helps keep both the patient and the doctor safe, leveraging physical distancing with video consultations to deliver the best health outcomes in a way that's safe for the doc, in a way that's safe for the patient and delivers the Pareto Optimal health outcome. The Babylon service provides same-day appointments and continues to be rated 4.9 out of 5 by our patients, which is, by the way, the same rating that patients are giving our Akira platform on the employer health care front. Importantly, as it relates to our Babylon service, we are able to provide options to the 5 million Canadians that do not have a family doctor and the more than half of all Canadians that find it difficult to quickly access after hours medical care without going to the clinic or the emergency department. This is also particularly pertinent for Canadians living in rural communities.

We also continue to see tremendous adoption of our home health monitoring solution, which incorporates the COVID-19 protocol into the software, enabling hundreds of patients to be monitored by our acute care system. This solution has been implemented by the BC Ministry of Health and adopted by Saskatchewan and Nova Scotia with other provinces coming on board quickly.

We've also seen a considerable increase in the demand for our living well companion service that is focused on helping our seniors live independently, and caring for our seniors during this terrible time of the contagion and the disproportionate impact that it has on our elder citizens is a responsibility that TELUS takes particularly seriously.

Our GPS enabled personal emergency response service with fall detection provides 24/7 access to care. A trained operator can assess the situation and contact loved ones and/or alert emergency personnel to dispatch help right away wherever and whenever they need it, again, putting our most vulnerable citizens, not just at the forefront of our hearts and minds, but in terms of leveraging our technology to take care of them.

Let's turn now to have a look at our Q1 performance. TELUS once again achieved strong financial and operational results in the first quarter, characterized by our hallmark of meaningful customer growth, together with enhanced profitability, in spite of the challenging circumstances we faced in the month of March. If the last 20 years has proven anything, TELUS team members are at their very best when things are at their very worst.

In Q1, consolidated revenue and EBITDA were up 5.4% and 4.2%, respectively, combined with strong free cash flow of \$545 million. Notably, had we not experienced the impact of the pandemic on our business, we would have delivered consolidated EBITDA growth of 6.2%. These trends -- these impacts included lower wireless roaming revenue and the temporary closure of certain TELUS International centers as well as TELUS Health Medisys and Copeman clinics.

Our team delivered strong first quarter customer growth of 106,000 client net additions, up 12,000 over the same period last year, reflecting continued broadband network leadership and customer service excellence, and these are industry-leading results.



Looking at wireless. First quarter network revenue expanded by 1.3% year-over-year, driven by our consistent focus on profitable, high-quality smartphone-centric subscriber growth. This was diluted by the impact of the COVID-19 pandemic in March, primarily due to a reduction in roaming revenue as well as our efforts to support our customers, inclusive of waiving international roaming charges, inclusive of deferred planned pricing increases and inclusive of offering customized payment arrangements for the financially challenged. TELUS achieved year-over-year wireless EBITDA growth of 2.6% with higher network revenue, equipment margins as well as cost efficiency savings, partly offset by the impacts of the pandemic that I just discussed.

We once again led the industry by a considerable margin with our mobile phone churn rate of 0.94%, inclusive of both postpaid and our prepaid results. And our traction here continues to be excellent, and it's great to see the hallmark of our organization exemplified during the contagion. The 8 basis point year-over-year improvement is indeed reflective of the continued success of our customers first culture in action, and it's also emblematic of our leading network quality on a global basis. It also reflects less switching activity as clearly customers reduced their physical shopping habits in the final weeks of March.

In a minute, Jim Senko will provide further details on our strong performance in wireless and provide further color in respect of our continued industry-leading loyalty and subscriber net additions on the wireless front.

Let's now turn and have a look at our wireline results. TELUS again delivered another quarter of industry-leading performance, buttressed by our premium diversified and evolving product portfolio over our globally leading network which is underpinned, of course, by our industry best customer service.

What a duality that is between world-leading network excellence and world-leading customer service. First quarter wireline revenues increased by 17%, and wireline data revenue grew by 18.5%, which is a modern record for TELUS in respect of data revenue growth. This growth was driven by continued customer growth in high-speed internet and TV, which came in at 26,000 and 8,000 net additions, respectively. It was driven by growth from new and existing customers in TELUS International, including the acquisition of Competence Call Center and it was diluted a little bit by the COVID-19 impacts that have been dilutive to the overall TELUS International results.

Our growth in respect of wireline was driven by strong results in home and business security with the inclusion of ADT Canada, and our home and business security came in, delivering net adds of 15,000 in the quarter, which I think is a leading result in all of North America as it relates to net additions on home and small business security. This was partly offset by decreased revenue from our business customers as they redeployed resources to answer the unique challenges that they are facing within their B2B environment.

Lower revenues in TELUS Health resulting primarily from the closure of our Medisys and Copeman clinics were partly offset by increased revenues from our hyperscaling virtual care solutions.

Wireline EBITDA increased by 7.2%, driven by growth in Internet, growth in security services and an increased contribution from TI despite the pandemic dilution. Zainul is going to have an opportunity to provide further operating color on our wireline performance in a few minutes.

Our strong and consistent wireline financial and operating results clearly highlight the importance of our dedicated focus on delivering customer service excellence over what is truly a world-leading fiber network.

In this regard, during the first quarter, our team expanded our PureFibre coverage to approximately 71% of our high-speed broadband footprint on our way to 80% coverage by the end of 2020. Indeed, the current environment underscores the efficacy, the potency and the reliability of our TELUS PureFibre network.

PureFibre enables millions of Canadians to work, to learn, to access entertainment, to transact online and to socialize virtually from home on a significantly intensified basis. All as we, as a nation, as citizens, as consumers and as businesses take a quantum leap into the digital society and digital economy that will endure and grow well beyond the current global health crisis. It's hard to believe how fast time goes to think that we're only merely a few months away from our fiber footprint, covering 80% of our original broadband topology.

Notably, for 2019, speaking of the power of our wireline network, TELUS was recognized as Canada's #1 Netflix streaming experience and is the country's best WiFi provider. TELUS is also recognized as Canada's best gaming Internet service provider for major ISPs in 2020 by PCMag. These awards are a testament to the significant investments that we've made in our leading PureFibre network and the innovation and spirited teamwork exemplified by the TELUS team in putting customers first in every single thing that we do.

In addition to our broadband growth engine, our wireline results continue to be supported by our unique TELUS Health and TELUS International growth businesses.

Despite the impact in TELUS Health resulting from the closure of our clinics, we've seen a transformational step-up in the utility, coverage and adoption of digital health care services in general and virtual care, in particular. This will be a legacy of the current health crisis and one which TELUS is extraordinarily well positioned to lead.

Looking at TELUS International, our team responded swiftly and thoughtfully as a number of our service delivery centers closed in response to various government decisions and ensuing announcements.

Impressively, we have now enabled 85% of our TELUS International team to work and support their clients from home or a modified work location, protecting the health and safety of our team members and that of their families and society, whilst enhancing the operating resiliency of the TI organization and providing continuity of service for our highly valued customers.

We entered the current global health emergency in a position of strength, quite clearly. Despite the impacts of COVID-19, TELUS delivered solid first quarter financial results, strong subscriber growth that's industry leading, leading customer churn and very robust free cash flow generation, both for Q1 and what we're postulating prospectively. We have a strong balance sheet, further supported by our successful and indeed timely \$1.5 billion equity offering in February, and we ended the quarter with available liquidity in excess of \$3 billion. This puts us in an enviable position to not only manage the current period of uncertainty but to continue to grow our business adeptly and to prosper in the post COVID-19 environment as we put some of our tuition value to work.

Whilst our -- with our first quarter now behind us and a new normal settling over our country, we have chosen to defer the updating of our annual financial guidance in light of the evolving nature of the global COVID-19 health crisis. We will look to provide updated annual guidance for 2020 when we report Q2 results at the end of July.

Whilst we navigate this crisis, we are continuing to drive near-term efficiencies. Every crisis is accompanied by its opportunities, and we've identified more than \$250 million of cost reduction and margin accretion initiatives to date and counting, and we intend to leverage those. This will allow us to mitigate the transient impacts related to the current crisis, manage through various stakeholder initiatives, position our business for future opportunities and remain focused on driving free cash flow towards our original expectation that we set out for 2020.

The criticality of technology and infrastructure to the well-being and productivity of our economy and society highlights the importance of continuing to invest smartly in the advancement of our world-leading broadband networks and digital capabilities in order to meet accelerating customer demand. These investments will clearly drive both near and longer-term revenue and operating efficiency benefits as well as sustainable cash flow and future dividend growth.

After the Board has thoughtfully weighed the interests of our many stakeholders, alongside the critical initiatives that have been so numerous that we've undertaken in response to the global health crisis, we as the Board made the decision to defer our scheduled dividend increase this quarter, which was planned as part of our ongoing rigorous multiyear dividend growth program. Our quarterly dividend declared today for our dividend payment in July remains unchanged from our April payment and represents a 3.6% increase over the same period last year. Importantly, our decision to defer our dividend increase exemplifies our sensitivity to the unique circumstances our team members, our customers and fellow Canadians are currently experiencing as well as our commitment and prioritization to effectively manage our resources to help out our country and our citizens in need as we work collectively to move past these uncertain times and into a period of economic recovery and digital stimulation. As such, we're hopeful that conditions will permit us to meet or indeed exceed our targeted dividend increase when we report our third quarter results in early November and look to carry on with our well-established dividend growth model.

Obviously, we remain confident in the outlook for our business and the significant opportunities in front of us to further elevate the TELUS brand and to leverage our digital capabilities and our winning growth strategy that's been so successful for so many years that's playing out so fruitfully, given the challenging conditions that we're weathering due to the contagion.

In conclusion, our team's unwavering commitment, and they deserve all the credit. Their commitment to improving outcomes for our fellow citizens in concert with our leading financial and operating results and our superior asset mix continues to define TELUS' leadership in social capitalism and the symbiotic relationship between our company and the communities that we serve. The incredible innovations we are driving in response to the current crisis and the tuition value gleaned over the past number of months will help us evolve our operating model and further enhance the resiliency and success of our organization, ensuring that we continue to be positioned strongly for the new normal on the other side of this pandemic.

In closing, from the head and from the heart, I would like to thank the entire TELUS team for their tireless efforts, aiding our amazing health care workers, our government partners, our customers, our communities and coming to the assistance of each other. It's been a breathtaking response from the team. I'm both proud and grateful.

And on that note, I'll turn the call over to Jim to provide further color on our strong performance and our recent innovations in wireless that have proven successful. Jim, over to you.

Jim Senko - *TELUS Corporation - President of Mobility Solutions*

Thanks, Darren. Our investments in simplification, customer experience and network superiority continue to drive very strong wireless subscriber and financial performance in Q1 2020.

As Darren outlined, we continue to offer our clients exceptional client experiences over a world-leading network. Our network has held up very well as our customers evolve and adjust their daily lives in response to COVID-19. Data usage has been stable as more people are using home WiFi while, as Darren outlined, we have seen a significant increase in other areas like voice and video calling.

Total subscriber net additions were 70,000, up a healthy 10,000 over Q1 2019. High-value mobile phone net additions were 21,000, an increase of 10,000 year-over-year as strong growth in January and February was offset with slower growth in March.

Once again, TELUS led the industry by a considerable margin with our mobile phone churn rate of 0.94%, inclusive of both postpaid and prepaid results as a result of our customer-first approach. Our postpaid churn rate was an amazing 0.73%, a 9 basis point improvement year-over-year. We continue to successfully manage the transition to no overage plans. 60% of our rate plan changes are now step-ups or flat versus 40% step downs. The value of step up and step-downs are converging. The volume of step-ups and step-downs is decreasing. And we're really, really happy by what we're seeing on device financing as device financing has helped us reduce subsidy, not recovered in the device payment by 45%.

We are holding up really well under COVID. We felt the impacts of the health emergency in mid-March as gross loading started to slow down. This was offset by a significant reduction in churn as customers' usual activity of switching between carriers decreased. With 90% of stores closed, we quickly adapted to a new mode of operation while leveraging all our digital capabilities, customer experience teams, and simplified offers to support customers and maintain strong operating momentum.

Digital orders increased markedly from previous run rate in the final weeks of March, and we continue to see an acceleration of performance in April. Our customer experience team performance also helped our operational performance in this new COVID-19 environment. The bottom line, wireless continues to perform in a solid fashion from a loading, channel, customer service and churn perspective.

Protecting our employees and customers is our first priority. Our flexible work-from-home capabilities really helped our ability to redeploy people between channels and importantly, support our customers. We kept 10% of our stores open to provide essential services through a touchless, in-store experience and ensured adherence to incredibly strong safety protocols. What we learned during this experience lays an amazing foundation for superior execution as we begin to reopen our stores.

We continued to provide client assistance programs to our customers, further reinforcing our customer-first culture. We waived 2 months of service for frontline health care workers in Ontario, Quebec, Alberta and British Columbia. We provided thousands of devices to long-term care facilities, hospitals and school boards as part of our Mobility for Good program.

And as Darren mentioned, we continue to help our customers with support, including waiving roaming fees, flexible payment terms and offering deferred payment options. So as we move forward, we see roaming revenue as the biggest headwind that we are facing as travel is expected to slowly come back over time. And even as stores open up, customers will be hesitant to return to the mall and hence, returning to business as usual will take time. We believe we'll continue to see lower COA spend, which will support cash flow, and Doug will talk about that more later. Our digital capabilities, the investments we made last year in simplifying the customer experience and our incredible team are helping us perform well in this environment.

Lastly, a huge shout out to our team members who have been resilient, flexible and just frankly, amazing during the pandemic.

Now I'd like to hand it over to Zainul to discuss Home Solutions.

Zainul Mawji - *TELUS Corporation - President of Home Solutions*

Thank you, Jim. As Darren mentioned in his remarks, the unparalleled capacity, reliability, privacy and symmetry, delivered by our ongoing investments in PureFibre have never been more important.

Our world-class network continues to be recognized in ways that are meaningful to our customers. TELUS PureFibre ranks as the #1 major Internet service provider in Canada for gaming by PC Magazine, and Netflix named TELUS PureFibre #1 in Canada for 17 consecutive months through February.

Wireline customer expansion has seen an industry-leading 36,000 wireline net RGU additions in Q1, up 2,000 year-over-year, and strong Internet additions of 26,000 in Q1, up a healthy 4,000 over the first quarter of 2019. These results were bolstered by the introduction of our whole home bundle, which combines the attributes of our Internet, TV, security, home automation and mobility offerings into a simplified and robust value proposition. The quality loading and product intensity dynamics of these subscribers are favorable and yield solid churn performance. TV net additions were 8,000, despite heightened competitive intensity and an evolving landscape of increased streaming services.

We are well positioned as the only TV provider in our market to offer flexible packaging, fully integrate premium over-the-top subscription services and offer a streaming TV alternative. These differentiated value propositions recognize consumer demand for both linear TV and streaming content and are particularly relevant in our current environment.

Residential voice net losses of 13,000 reflect continued substitution by wireless and Internet-based services, partially mitigated by our expanding fiber footprint, bundled product offerings and strong retention efforts. Security net additions of 15,000 were up 9,000 over last year despite challenges in March due to COVID-19 impacts. These results were strengthened by our digital capabilities and our innovations in virtual and do-it-yourself installations. Meanwhile, ADT by TELUS enables us to bundle our services nationally. Both residential and business customers are responding positively to our consolidated security and automation offers. We've seen solid cross-selling benefits in both segments, and our integration efforts are progressing on schedule.

Shifting to Consumer Health. It is particularly uplifting for our team members to be able to provide affordable, accessible health care solutions to our customers and our most vulnerable citizens during this time of need. This portfolio is truly unique in market, providing significant product intensification benefits for our wireline segment. Demand for our Consumer Health services, including Babylon by TELUS Health, LivingWell Companion and Direct Alert have increased significantly year-over-year in Q1. This surge in demand can be attributed to a fundamental shift in how Canadians Access health care. The value and importance of these products has been reinforced in recent weeks, and the strength of our consumer health portfolio enables both cost of acquisition and retention savings and solid improvements in customer loyalty.



The pandemic has irrevocably shifted how we work and live with our services supporting every aspect of our customers' lives. Our team members are committed to keeping our customers and our communities connected, working remotely, safe, healthy, educated and entertained. We are incredibly grateful and deeply humbled by the innovation, grit and passionate execution demonstrated across our TELUS team.

TELUS' continued investments in superior networks, product diversification and digital capabilities, coupled with our long-standing culture of customers first will position us well through 2020 and beyond.

Over to you, Doug, to provide additional insight into our financial results.

Doug French - *TELUS Corporation - Executive VP & CFO*

Thank you, Zainul, and hello, everyone. I want to wish everyone good health and safety as we overcome the COVID-19 pandemic together. I also just want to thank our amazing team for their continued dedication and adaptability and the corporate affairs and finance team who have continued to lead in transparent quality reporting.

Let me begin by providing some specific COVID-19 updates, including some recent trends we are seeing and how these changes -- how these will change and impact the expectations for the rest of the year.

We entered the pandemic with a position of strength, which enabled us to deliver strong financial and operational results to start the year. You heard that from Jim, from Zainul and Darren altogether. In addition, with over \$3 billion of liquidity and strong balance sheet, we have the flexibility needed to financially navigate through the crisis and invest strategically.

Notably, our long-term debt average term to maturity is 12.3 years, and our weighted average cost of long-term debt is only 3.92%. Additionally, access to capital markets remains strong for TELUS, although we don't have any debt maturities until 2021.

As Jim detailed, we've seen a slowdown in subscriber activity for our wireless business that we expect will continue, while physical distancing measures are in place and as business resumes in stages across the country. However, our customer churn is expected to still remain favorable. Consistent with our expectation for lower customer transactions during the crisis, our upfront cash outlays for mobile phones will correspondingly decrease due to the lower handset financing and subsidies required.

Similar to our global peers, we experienced declines in roaming revenue in the final weeks of March. Additionally, data overages declined as restrictions were put into place, and we also saw significant increases though in voice and SMS traffic. These roaming trends netted to a \$13 million impact in the final weeks of March. We expect continued roaming pressures as travel restrictions continue, followed by a slow travel recovery period.

Our wireline business continues to display strength during the pandemic, as Zainul outlined. We've already seen a notable increase in home Internet usage. However, to support our customer base that have not already moved to unlimited data plans, we have waived Internet over usage charges through to June 30. As Zainul highlighted, though, we also expect churn to remain low for most or all of our wireline products. With respect to the revenues from our business customers, although we did not see a material impact in the first quarter, we expect lower contribution from small and medium-sized businesses going forward as some of their businesses were required to close or reduce their operation.

TELUS International has shown exceptional resiliency. Over a short period of time, it has enabled 85% of its workforce safely from work or a modified work location.

As Darren noted, TELUS Health has seen very strong virtual care growth. It's uncertain though when we'll see our Medisys and Copeman clinics fully operational when spending -- and when spending for preventative health programs will resume. While we are looking closely -- working closely with our customers during this period to offer additional flexibility on payments, we do expect to see a slight increase in bad debt expense and have increased our collectibility provisions in the quarter by approximately \$10 million. Overall, we remain confident in the outlook of our business and the significant opportunities in front of us to execute our growth strategy, both during and beyond the pandemic.

In wireless for the quarter, revenue declined 2.1% as network revenue growth of 1.3% was offset by 12.4% decline in equipment revenue. The decline in equipment revenue was largely a result of fewer handset sales in the final weeks of March, due to reduced shopping activity. Network revenue increased 1.3% over the same period last year, reflecting a 5.6% growth in our subscriber base and was partially offset by previously mentioned COVID-19 impacts. Excluding those impacts, our network revenue would have grown approximately 2.2%.

On a reported basis, phone ABPU grew by 0.2% and ARPU decreased by 1.2%. These improving underlying trends are driven in part by the increased adoption of the attractive service offerings, including our Peace of Mind unlimited data plans and easy payment device financing plans, as Jim noted. We -- as we continue our measured transition to unlimited plans, we'll continue to see data overage decline.

Wireless adjusted EBITDA increased 2.6%, reflecting our network revenue growth, savings from our cost efficiency programs. Excluding the COVID-19 impacts on wireless, EBITDA growth would have been over 4%. Impressively, when we look at our Q1 wireless performance using a proxy cash flow view that we've continued to show The Street, excluding IFRS and the device payments, our year-over-year growth would have been over 10% in wireless, even including the COVID-19 impacts.

In wireline, external revenue was up more than 14%, driven by acquisitions and data growth of over 18%, as Darren highlighted earlier. This strong growth was achieved despite the COVID impacts from the temporary closure of our health clinics, closure of certain international centers as well as waiving Internet overages, delayed implementation of price increases and a reduction in equipment revenue from lower business sales.

On a combined basis, these items impacted our wireline revenue in the quarter by approximately \$24 million. Adjusted EBITDA increased by 7.2%, reflecting an increase in the contribution from TELUS International, growth of our subscriber bases and higher Internet margins. Excluding the offsetting margin from COVID-19, which was approximately \$15 million, wireline adjusted EBITDA would have been over \$10 million. In the information posted today, you will see those summarized numbers and restatement numbers for the impact of COVID-19. Consolidated CapEx of \$665 million was up 2.9% over last year, primarily in support of our ongoing fiber build in preparation for 5G.

In summary, our consistent strategy and market execution, we are driving hard to mitigate the impacts of this pandemic while continuing to deliver exceptional experiences on the best network. Through these unprecedented times and beyond, we will continue to focus on economically accretive customer loading, which will support our future profitability and sustainable cash flow growth. We continue to drive near-term and sustainable efficiencies to help mitigate the impacts related to the current crisis as well as position us well into the future, and contribute to driving our free cash flow towards our original expectation for 2020.

Robert, back to you for Q&A.

Robert Mitchell - TELUS Corporation - Head of IR

Thank you, Doug. Mike, can we please proceed with questions at this point?

QUESTIONS AND ANSWERS

Operator

So first question comes from Vince Valentini from TD Securities.

Vince Valentini - TD Securities

Two things, if I can. Darren, can I get your perspectives on the changes to society we're seeing in terms of more embracing of technology and also more work-from-home. And how you see, not during the crisis, but a year or more down the road, how you see that net impact on TELUS' business given you'll have, maybe less people in offices or fewer business lines but more residential connectivity, perhaps? And the second, if you don't

mind commenting on as well as, Shaw talked about some imbalances between retail pricing in Western Canada versus Ontario, especially when it comes to Internet in as much as a \$30 price gap. I'm just wondering if you have any thoughts on Western versus Eastern Internet pricing and what -- if that's an opportunity for you?

Robert Mitchell - *TELUS Corporation - Head of IR*

Darren over to you.

Darren Entwistle - *TELUS Corporation - President, CEO & Director*

Sorry, I was on mute there. Apologies. Given the virtual nature of the call, Vince, and for everyone else, I'll steward the questions along the way here. And I'll hand them off to the appropriate person on the TELUS team. Zainul, I'll foreshadow for you that as it relates to the geo aspects of Internet pricing, I'll hand that one over to you in just a second. Vince, as it relates to your first question in terms of the impact and what I think is interesting prospectively in how we leverage the tuition value and the transformational aspects coming out of COVID-19 to position ourselves for success into the future. A number of things I would highlight in that regard. Firstly, I think the importance of being a digital-first organization is going to be paramount. Clearly, we are seeing a level of digital adoption and digitization across our economy and across our societies through health, education, even bridging divides, be they geographic or socioeconomic in terms of the reach of that technical capability on the digital front. So I think that would be #1. And that's really something that is very much akin to our existing strategy at TELUS in terms of leveraging our digital capabilities, which is why I think you have seen us weather the pressures of the pandemic in terms of our operational loading and the dilution that it had on our physical channels extremely well because that's a good competency set within TELUS, in terms of our digital-first mentality and the assets that we've constructed that we're now leveraging in that regard.

Second thing that is key is the ability to work from home, both ourselves and to enable that for our clients. And if you think about fiber ubiquity and 5G ubiquity, enabling people to work at the office, but also employees to work from home or to enable them to work on a fully mobile basis is a pretty big productivity opportunity. It's great for business continuity or disaster planning, and we're clearly seeing the teleworking benefits related to the pandemic. But as we get broadband technology into a ubiquitous state from businesses to consumers, from urban to rural, this will be a huge enablement factor as it relates to the productivity of our society, and you heard me quote some stats as to what the productivity uplift has been in Canada as it relates to teleworking. And that teleworking would only be possible with the incredible broadband technology that we've got pervasively across this country.

And here, again, it's kind of vending into the momentum at TELUS. We've had a Workstyles Program at TELUS for 10 years in terms of enabling our team members to both work from home and on a mobile basis. And I think the opportunity there for both us and to enable this for businesses and their employees is extremely significant. And taking this capability and extending it into TI, where it's incredible to see TI having 85% of their team members working from home or a specialized location.

Other areas that I would look to going forward would be what happens with real estate topology on the back of what we do on a teleworking basis to drive efficiencies and resiliencies in that regard. And the other aspect of teleworking that's very interesting is not only is it something that allows technology to leverage productivity, but it also drives up team member engagement. So to the extent to which it's an earned right, you earn that right through performance. With higher engagement, you get better execution. Better execution, you get a better stock price along the way. It's also good for the environment. And so there's lots of additional benefits associated with this. Even the economics of where people can afford to buy a home these days, again, facilitated by teleworking. I think there'll be an opportunity to drive better simplification prospectively.

We've had very complex businesses that have presented their challenge on building products, presented their challenges in terms of bureaucracy or speed, presented their challenges in respect of efficiency. It's been fantastic to see Jim Senko and Zainul drive smart simplification, what a thesis that's been that has allowed us to deploy technology more quickly, launch products more expediently to meet customer needs, to simplify our customer interfaces and digitize those along the way, to harvest efficiencies that can be quite attractive and take bureaucracy out of our business. And clearly, one of the byproducts of COVID is that it's been empowering in terms of decisiveness within organization. It's surprising what you can see happen when people are forced to make it happen along the way. I think it's going to have an impact on our channels in terms of our distribution



strategies, our channels to market, the balance between physical channels and online channels within the digital world, how we move between channels and, in particular, how we synergize channels between the digital and the physical. I think that's the Pareto optimal result from a selling perspective, from a service perspective and from a shareholder value efficiency perspective along the way. I think the customer service paradigm is going to change. It's not just the channel component, but the service component, the fulfillment component and how we leverage the best of the online world, how we strike the right quotient between having the best culture, having the customers first ideology, having the best team members on the planet as we do, but also enabling them and complementing them with the best technology, leveraging everything from robotic process automation, to chat bots to AI to be able to deliver these services more effectively and not just deliver, but care and provide future service in that regard.

I think you're going to see increasing virtualization of our society, the ubiquity of virtualization. So that distance learning, distance-based health care and I talked a lot about virtual care, are not just artifacts of the pandemic, but they're the new FMO for our society in terms of how we learn, how we take care of our health and how we're productive as human beings and businesses within that particular environment. I think it's going to be absolutely critical that people understand, and clearly this has been made blisteringly clear around the world as a result of this pandemic, the criticality of ubiquitous broadband investment. If people didn't understand the efficacy of us embarking upon our fiber strategy in 2013 or what we have spent on successive generations of the wireless evolution, they sure as heck get it now as to why it's important. It's that technology that underpins the digital acceleration of our society. It's our broadband technology and the ubiquity of fiber and 5G that's going to support the productivity of our private sector, the innovation of our private sector, the innovation of our private sector as well as the productivity, but also thinking about provinces like Alberta, the diversification of our private sector. But it's not just about the private sector commercial benefits in terms of that broadband. It's about its extensibility into the digital transformation of health, the digital transformation of education, what digital transformation means in terms of shrinking our carbon footprint and the pressure that we put on our planet. And for those organizations like us, which I think is another byproduct in terms of learning from COVID-19, organizations that get the thesis of social capitalism, the symbiotic relationship between companies and the community and that one cannot prosper in the absence of the other, that's going to come to the forefront. And we got to make sure that we leave no one behind in our digital economy and digital society. And that means putting social capitalism on steroids and investing so that we can bridge the socioeconomic digital divide so that we do not have a society of haves and havenots. We lift people up, and we also extend our reach, so that when we look at our broadband capabilities, it's not about a concentration in an urban environment, it's about extensibility into the rural environment, so we give everyone the same platform and the same opportunity to realize their potential, whether it's humanistic or commercial along the way.

And the last thing I would say is we're fools if we don't leverage the cost efficiency component of this. There is a lot of opportunities here, leveraging technology, leveraging processes, leveraging human innovation to materially improve our cost paradigms and leveraging fantastic assets that we have at our disposition, like a mature TELUS International business where you get 2 outcomes for the price of one. You get fantastic labor arbitrage and best-in-class customer service. And I think a lot of people are going to be interested in the TI thesis because if you're looking at TI, you're looking at a company that can provide you everything from enabling your digital transformation as a business to what you want to achieve on your cost efficiency and service excellence goals. So I think that's kind of our thinking in this particular space, and we're going to back it up with our investments, such as our belief in the prospects for the future and what we can do to leverage tuition value out of COVID. Zainul, over to you.

Zainul Mawji - *TELUS Corporation - President of Home Solutions*

Thanks, Darren. So I'm not going to get into the details of any of our pricing strategies. I'm not sure that's appropriate. But what I will say is competitive intensity in the West is not new. That's been fairly consistent over the course of time. And we certainly have incredibly healthy competition that forces us to rise to the challenge of giving our customers more differentiated value. We're really focused on our efforts on our whole home bundle and reducing any barriers to entry to various services within our bundle, coupled with customers first and smart simplification. We think about our pricing across the bundle, and we're really focused on ensuring that customers have the simple ability to step up to different services and the differentiating characteristics that I talked about in my remarks, across the various elements of our bundle. So the bottom line that I would say is that it's not new to have significant competitive intensity in our environment. And various competitors approach it with different pricing strategies.

Operator

Next question comes from Jeff Fan from Scotiabank.

Jeffrey Fan - Scotiabank

I hope everyone is doing well. First, just a clarification on the numbers. In terms of the outlook, probably for Doug, it sounds like you are looking to achieve or try to hit the free cash flow guidance for the year. Wondering if we can just unpack that a little bit and give us your assumptions regarding CapEx for the year? And also maybe the subsidies, lower subsidy spending for this year. And then my second question is just probably for Darren regarding TELUS Health. I totally agree with you that this could be a game changer in terms of how society and everyone views health, especially telehealth, virtual care, especially. I wonder if you can help us understand the size of that business within TELUS Health and whether do you think there is an opportunity here to surface value like what you have looked upon for TELUS International?

Darren Entwistle - TELUS Corporation - President, CEO & Director

Doug, you want to take the first one on confirming our expectations for free cash flow within COVID-19 related to our original target expectations?

Doug French - TELUS Corporation - Executive VP & CFO

Sure. As we mentioned, obviously, we're going to update The Street in July when we do our Q2 results and try at more specificity around that. That being said, we obviously have put in the initiatives that Darren highlighted in his presentation on over \$250 million of margin-enhancing and cost reduction initiatives that will help contribute to offset the impacts and the revenue impacts that we described throughout the presentation. I think as we evolve that and as we implement the learnings, I think it will be more -- they will be more transparent when we get to July, we'll be able to discuss that a little bit more openly. And I think we're obviously striving to do exactly that. On the capital front, there's obviously certain capital initiatives that we can't execute throughout a COVID environment. But that being said, we definitely went and reallocated to step up to infrastructure spend, such as fiber in Alberta and other items to make sure that we continue to invest strategically where it makes sense to do so. And so we'll update both in July. But as of right now, that is what we're driving to between those 2 initiatives. We'll probably won't show or give you the handset savings at the moment. But we did include that in the appendix for the 2-week period in which you could probably extrapolate some based on the volume.

Darren Entwistle - TELUS Corporation - President, CEO & Director

In terms of your question, Jeff, as it relates to the previous financial disclosure that we've given on the health front, about half of our business is in the digital health, primary care health ecosystem portfolio. So thinking about what we're doing with consumers, what we're doing with docs, clinicians and allied health on the EMR front. Thinking about what we're doing with pharmacy management systems and the like. It is right now about half of our business as it relates to the previously disclosed financials. It is the part of the business that is growing most rapidly for us. As I said earlier, as it relates to virtual care, telehealth, if you will, it is hyperscaling. That business is growing at a pace where we're actually having challenges keeping up on the supply side in terms of everything from physician and clinician and nurse recruitment right through to operational considerations at the clinical level. Such is the pace of the appetite as it relates to customer demand, which is why, to me, it's all the more impressive when you see Babylon increasing tenfold, which I think is a fairly logarithmic definition of hyperscaling, and you've got Akira growing at a blistering pace towards 1 million employee connections within their employer-based virtual care solution. And the fact that on the EMR front, enabling video consultations between doctors and their patients, we only launched that capability a few weeks ago. And already, we are between 25% and 30% penetration of our 26,000 physicians within the EMR base after effectively a month. And that really does reflect the pace of the scaling that we've been seeing, and it's tremendously encouraging.

And what's I think very much a testament to the operational commitment, excellence and ingenuity of the team is that they have been enabling that growth, answering the demands of that growth and bringing new products to market like the EMR video consult with alacrity without sacrificing

customer service along the way. The service ratings judged by the customer, not us, on both Babylon and Akira as it relates to the health application, the health consult, whether it's a nurse or a doc or they feeling an usefulness of the platform in and of itself is 4.9 out of 5 on both of them. And so I think it's tremendously exciting. And we're still just scratching the surface. Like if you look at the employer care market, the upside is absolutely massive. And if you think about employers, what they're thinking about right now is the health of their employees. They're thinking about the productivity of their employees, the engagement of their employees and the avoidance of absenteeism amongst their employees.

I'll give you one example as to how much it means financially for employers. If TELUS reduces our average absenteeism as a company by 1 day, that's \$10 million of EBITDA for us. So it's a pretty interesting value prop in terms of employer base, the health care. So I think the upside here is huge. And not just within the enterprise market, but mid-market, all the way down to small businesses, as we drive the democratization of precision medicine and the affordability of digital health tools, leveraging, if you will, Moore's Law along the way. On the Babylon front, that's an increase, and we're only operating in BC, Alberta and just getting going in Ontario. We'll soon be launching in Atlantic Canada, in Québec and Manitoba and Saskatchewan. So there's huge upside there to be realized. The other thing that people haven't really focused in on is what does health mean in the bundle? Firstly, it's deeply synergistic with security. So what a great fit for our hyperscaling security practice, if you look at how well we're doing relative to our peer group on that front, and there's a beautiful adjacency between security and health. But when we have a Babylon solution within a high speed Internet, TV and security relationship, it lowers the churn appreciably. So in addition to delivering a great health outcome, it gives us a better churn outcome by having health within the overall future friendly home bundle. And that's tremendously exciting. And of course, there's extensibility on that front with home health monitoring and what we can do there, what we can do with data capture and where we could take AI on the health front, what we can do with our emergency response system, particularly as it relates to elder care. I mean, the upside here is huge.

And then lastly, what's great about it is think about when you spend billions of dollars on fiber and 5G, you better have an intellectual rhythm on economy of scope, economy of scope, economy of scope, how can I get more RGUs, create more revenue stream -- more revenue streams off the fixed cost investment related to fiber and 5G. And I think the opportunity to expand RGUs and to expand and develop new revenue streams over that fiber and 5G connection is absolutely huge in that regard. And to answer your final component, do we think that we can surface the same value on the health front as we have on the TI front? And is that thesis analogist or applicable to health? The answer is unequivocally, yes. And that is very much the go-forward intention of this organization, to surface that value on health the same way we have on the TI front. And I think that's tremendously exciting. And I don't think we're going to be going back to the legacy paradigm in a pre-COVID nondigital world. I think the future is very bright in this particular space, to say the least.

Operator

Next question comes from Maher Yaghi from Desjardins Securities.

Maher Yaghi - Desjardins Securities

Darren, you discussed the opportunities for TI in the medium to long-term as the economy reopens and companies reassess their business models and look to become more agile, potentially offering upside to TI. But I wanted to ask you how the pandemic has affected your TI business in the short-term as well as if it has affected your plans to surface value from that business. I think there were 4 IPOs in April in the U.S., and they were all biotech. So I know it's hard to forecast how the market will behave in the next few months. But I just wanted to see how you're viewing that surfacing of value in TI. And second question, just quickly on your wireless business. As you entered the pandemic, you are starting to see some improved momentum in ARPU and not turning positive year-on-year, but the slope of the curve is starting to improve. Can you maybe, Doug, tell us what the dollar amount of roaming that you could potentially lose because of the pandemic and the overage as we try to model the business going forward?

Darren Entwistle - TELUS Corporation - President, CEO & Director

Doug, why don't you and Jim tag team on the second question. I think both could give some good color and insight to Maher on that one. Firstly, as it relates to TI, we are still on the path and quite intentional as it relates to taking that business public within 12 to 24 months time. Obviously, I don't have a crystal ball, and it's contingent upon what the market is like at that particular juncture. We're not going to do anything where we're



forced, but I see nothing right now that would knock us off of that rhythm, and we can evaluate at that juncture in terms of what the state of the economy is. And to make sure that if we do take it public, we can realize the full value of that business given the significant potential inherent in TI. The other thing that's important to know is 12 to 24 is not a hard rule. It's a goal. And we're in a position to treat that on a discretionary basis. It's not like we're forced to do the monetization. It's not like we need the cash or the liquidity. This is a business that we intend to control. And the singular reason that we're taking IPO public -- are taking TI public is to effect a transaction currency. So it's not about, as I said, the monetization or cash consideration, but it's about establishing a transaction currency that can be used in servitude to the growth strategy. So how do we create another funding arm, so to speak? How do we create a transaction currency that can allow us to pursue acquisitions that we think are very exciting to support the scaling, to support the diversification, to support the vertical portfolio, the product portfolio and the technology portfolio of TI as well as the human component along the way? That's the reason that we're taking to public, to support the growth strategy, not as it relates to financial engineering or monetization considerations.

And because of that, given that we're thinking about the transaction currency component, I want to take it public at a big multiple. The bigger the multiple, the bigger the addressable market of acquisition opportunities prospectively. So we'll be judicious in terms of the market conditions at the time. And we'll be sensitive to making sure that those market conditions are optimized to the IPO of TI, so we can maximize the multiple, i.e., the value, not for financial aggrandizement, but for the establishment of the highest value currency to increase the addressable market of acquisition opportunities to support the growth tenets that I just articulated from geo reach to diversification, to vertical, to product, to people along the way.

The other thing that I think is important to say about TI is that, yes, it got whacked in Q1 by the closures. They happened unceremoniously, they were government edicts, and they happened very fast. The response from the TI team was unbelievable. It was absolutely fantastic. I can't say enough about the way they acted, the leadership, the collaboration, the speed, the sensitivity to employee requirements, the way they dealt with government, the way they harvested the computers within our call centers for home deployment along the way, the way they thought about the safety of all the constituencies involved in this process, it was absolutely a classic example of team members being at their very best in the most challenging circumstances. If you'd asked me a year ago, what's the maximum number of TI employees that could work from home or a secondary location, I would have said best case scenario, maybe 60%. So when you see the 85% that we've achieved and how fast the team achieved the 85% in the face of the enforced closures is just a hugely laudable achievement by the TI organization, and they're up and running and doing great things.

The other thing is that what's happened on COVID has been a double-edged sword to TI. So yes, as it relates to certain verticals, they've been impacted. They've been diminished. They've been harmed by what's happened on COVID-19. The travel vertical that we focus on and the clients that we have within that is one case in point. But there have been other verticals where we've experienced disproportionate growth, again, because of the byproducts of COVID-19. TI is a big server of the games vertical around the world, about 10% of the games revenue around the world is supported from a user or gamer experience point of view by TI. And of course, as you know with the sequestering of people within their homes, that particular part of the business has grown markedly. The social media component has grown as we've all obviously seen along the way, and the need for content moderation has grown. So that's been another upside as well as the e-commerce component as people are looking to self serve, to transact within the online world and companies that are providing or providing extensibility into e-commerce have all been upside for TI that they've been able to seize to try and offset the dilution in some of the more obvious areas impacted by COVID. I think it's also important for investors to understand, given the magnitude of the investment that we made in Competence Call Centers and how new that investment is, having been consummated in February, to let you know that, that business is performing very well. One area that wasn't as badly impacted in Q1 was Competence Call Centers. They met their Q1 goal against the business plan upon which we predicated the investment in the first place. And as it relates to the business plan for Competence Call Centers for the full year 2020, they're looking to meet or exceed the EBITDA goal within that original plan. And I think, again, they've been an organization that's worked hard, has earned the business but poised to leverage the growth attributes in areas like social media and content moderation, but it's nice to see a purchase of an asset performing well within this environment and meeting or exceeding its original business case expectations.

And then lastly, on TI, I think there's some really exciting attributes. One, as it relates to what happens economically around the world, now that we operate in 21 countries, we've got a lot of geo diversification and a lot of vertical diversification. I just talked about the latter, but we now have that with 21 countries that we're operating in being matched by the geo diversification. And we've got an exposure to 10 incremental countries as a result of the purchase of Competence Call Center. So I think that gives us an element of risk management that we lacked previously on the geo diversity front to match the vertical diversification. Secondly, back to the question that was asked earlier, what's going to happen post COVID? Well, companies are going to have a huge appetite for digital transformation. While the core value proposition at TI is supporting your digital

transformation from RPA to bots to the human technology quotient along the way, the core value proposition of TI is, let us enable your digital transformation. And I think the appetite, the customer demand post COVID in that area is going to be huge for TI. And then the third thing, think about the areas of economic duress or the appetite for efficiency related to the economic duress. Well, again, that plays into the strength of TI because they can offer you better efficiency than what you're getting right now at a level of service that's better than what you're getting right now. They're one of the few organizations in the world that can drive efficiency and the elevation of customer service at the same time and TELUS can provide the testimonial to that effect.

And the last thing I think, Maher, on TI which should be encouraging is I believe what's happened on COVID is going to enhance the IPO value for TI. Because if TI can deliver strong results and we'll come back to you in Q2, and we'll talk about this through Q2, Q3 and Q4. If they can deliver strong results in the face of COVID-19, what does that say about the strength, the resiliency and the potential of that business as we get going through an IPO, let alone what it can do on digital transformation, efficiency and service excellence. So I actually think it's going to be net accretive at the end of the day when people see the resiliency of that business. Jim, Doug, over to you.

Doug French - *TELUS Corporation - Executive VP & CFO*

Thanks, Darren. So part of the reason we can't give full guidance now is the assumption around roaming. But that being said, Jim is going to give you some high level assumptions and volatility that we're expecting to the back end of the year. The only other thing on data, if you remember, we had been talking about data overage already being in low single digits. And so as that continues to evolve through what Jim was talking about on the unlimited plans that we're getting as many step-ups now or more step-ups and step-downs on a proportionate basis, that will continue to moderate. So I would suggest that is probably a normal course, slightly accelerated impact, but not as material as the roaming. It is in our assumptions on the ARPU impact, the largest volatility factor on that front. But Jim, maybe you can top-up on how you see that going through the rest of the year?

Jim Senko - *TELUS Corporation - President of Mobility Solutions*

For sure, Doug, thanks. So from service revenue, I think the challenge is expected with transient headwinds, but not unique to TELUS and not structural. We expect temporary ARPU fall off in Q2 and beginning to recover in Q3 and sort of back to pre-COVID towards the end of Q4. Revenue -- roaming revenue, obviously, is our biggest headwind. And there's a lot of uncertainty there. I think offsetting that, though, we are seeing some positive trends as well. So for example, the increase in voice usage is in turn driving step-ups to unlimited talk and text plans in Koodo. And we're seeing a general trend on increase in changes for more rate plans with unlimited talk and text and larger data buckets, which is great. And as I mentioned earlier, we're quite pleased with the transition in the Peace of Mind. So we're seeing the majority of our step-ups now are neutral to positive. And the value of the step-up is converging with the value of the step down. And overall, step down volumes are decreasing. So all in all, like I think there's some really positive underlying trends in there.

Robert Mitchell - *TELUS Corporation - Head of IR*

Mike, we have time for one last question, please.

Operator

Next question comes from Simon Flannery from Morgan Stanley.

Simon William Flannery - *Morgan Stanley*

Just a clarification on the dividend. Should we be expecting that you basically do 2 semiannual increases in the 3.5%, so it'd be 7% in total increase in November. Is that the idea? Or 7% to 10%? And then just a little bit on the economy more broadly. Are you seeing any different trends in Alberta? And how do you think this compares for that market compared to some of the prior energy crises?

Darren Entwistle - TELUS Corporation - President, CEO & Director

Okay. I'll take the dividend question. I'll kick it off on Alberta. And then, Zainul, I'll ask you to top-up given that you sit on Premier Kenney's Advisory Council. I think it would be important for investors to hear your insights as it relates to Alberta. Simon, just to be clear, our twice a year model, we're not moving away from. Clearly, what happened here is a unique set of circumstances peculiar to the pandemic, but the axiom of the 2 increases per year rhythm is something that we would intend to stick with prospectively. I think it's important to point out, and I tried hard to convey this appropriately in the letter that I wrote to you. We could have clearly increased the dividend in Q1. At the end of the day, the nominal amount on the accretion was \$9 million. So it's not a question of doability or affordability. And if you look at how strong our Q1 results were financially and operationally, you look at our free cash flow position, not just in Q1, but what Doug has conveyed on a full year basis in terms of our intention to hit our original target and when you look at our liquidity at a near all-time high in excess of \$3 billion, this is clearly something that we could have done. We just didn't think as a Board that it was the right thing to do within the context of the current environment. We didn't think that it was appropriate or sensitive to the environment and the impacts being felt by our stakeholders at a societal level or the economic impact as it relates to some of our business relationships. And so we thought it was appropriate to defer it. We also thought, at the end of the day, shouldn't we be prioritizing our resources right now to help out our country? Shouldn't that be our #1 goal at the moment, to support our country, to support our vulnerable citizens, to support our frontline health care workers, to support our kids get educated, to support our businesses weather the duress? Isn't that really what we should be doing right now? Supporting our employees that are working their a** off to provide essential services to Canadians during this period, which is exactly what the TELUS employees are doing. And it's not just effort, it's intellect and ingenuity that they're deploying along the way. And so we just thought, not now, just not the right thing to do.

We've been very purposeful in our foreshadowing in terms of what to expect in Q3. We could have said, we'll give you an update on Q2. But again, back to your point on the 2 cycle rhythm per year, we thought it was right to deal that up in November. And at that time, we highlighted that what we were going to do, contingent upon the environment, obviously, right, this is always the case, and it's always the providence of the Board to make this particular decision. But contingent upon the environment, and we're optimistic as we have foreshadowed in this regard, given the financial resiliency, the operational resiliency, the strategic resiliency of TELUS that we will be able to carry on with our dividend growth model at that juncture. And at that time, we'll either meet the target in terms of the dividend growth model or will exceed the target, i.e., we'll do a catch-up for what we missed out on in Q1. And again, the variability of that is really just down to market conditions at that time, coupled with the ongoing resiliency and execution of the TELUS organization.

And then lastly, COVID has really demonstrated the criticality of social capitalism and that symbiotic relationship that I've talked about quite frequently. And sometimes you got to make decisions that are not always convenient. And in this particular instance, we thought here's an opportunity to demonstrate the ideology of the TELUS organization in terms of always balancing the interest of society, the welfare of society, our customers as well as our shareholders. And that's the decision that we've made. But I still feel compelled to say that the outlook is obviously very bright, and you see the strength of the TELUS organization being not just reflected in our Q1 results, but some of our core businesses that are just scaling so quickly because of what's going on within COVID-19. And I think our investment in digital health has been unbelievably prescient. And if you look at the collection of assets that we've assembled from pharmacy management systems to electronic medical records to our virtual care capabilities to e-prescribing, there's no other company in the world that has those digital health assets. And I look forward to highlighting the value creation related to that in the years ahead, the same way we intend to do on the TI front. Zainul, you might want to comment on Alberta. Maybe I'll give it to you, and I'll top-up on it, I think, if required.

Zainul Mawji - TELUS Corporation - President of Home Solutions

Thanks so much, Darren. Being on the ground in Alberta, I'm just so impressed and inspired by the people who continue to show incredible resilience in the face of adversity. And our TELUS team in Alberta has been no exception to that. Our results have withstood the test of many downturns. In fact, since 2014, 2015, most businesses materially streamlined their operations and have not resumed their previous spend levels. Over the last number of years, we've also markedly diversified our revenue streams with a lower dependence on Alberta and specifically in the enterprise oil and gas sector. The current bulk of our revenues in Alberta are in the residential and consumer space, which have proven to be more resilient. And our services are very essential. We continue to see strong demand for those services. And we also have a higher proportion of those customers that are bundled customers with solid churn characteristics.

The entrepreneurial spirit in Alberta is very alive, and Albertans are demonstrating a stronger desire to reopen the economy post-COVID relative even to other provinces. And TELUS' significant financial and technology investments reinforce our commitment to supporting a strong Alberta through the turnaround. I think it's been stated in our results and in our disclosures that we have advanced capital investments in Alberta. And we have significant positive acknowledgment across sectors of the Alberta economy. In terms of positive sentiment, not only towards our infrastructure investments, but we're also seen as a significant partner in a leadership role that we can play in driving diversification, particularly across lines of business like security, IoT, health, AgTech, where we are also underpenetrated. So we have a strong opportunity there. Just finally, it would be very remiss if I didn't make a very quick comment that our hearts go out to those who were impacted by the flooding in Fort McMurray. Our TELUS team, with the support of our emergency management operating committee and business continuity office has worked with impacted municipalities and first responders to quickly enable emergency action and maintain our networks, provide supplies to evacuees and offer a number of sources of support as is in our nature. We hope to see Fort Mac and all of Alberta recover stronger than ever, powered by TELUS.

Darren Entwistle - *TELUS Corporation - President, CEO & Director*

Simon, it's not the situation it was 20 years ago. I think it would be fair to say in terms of the amount of business that we derived from Alberta, given the national expansion of TELUS and the product diversification of TELUS, we're now in a situation where 20% to 25% of our revenues are derived from the province of Alberta. Such has been the success of our national expansion and our product expansion. And to Zainul's excellent point, of that particular composite, two-thirds of it comes from the consumer market, which has been not just particularly resilient but the essential service component is huge. The economic and operational attributes of clients in Alberta are very attractive for this organization. And our business has performed well in terms of being countercyclical, which I think you would expect in terms of an essential service, and the criticality of mobile services, Internet services, health services and the like. And we've looked and learned on how to weather the ups and downs as Albertans have had to do during this particular time period. I think what's important for us is that we're committed to Alberta, our relationship with the people of the province and the government is precious to this organization. We didn't sign up for blue skies all the time in Alberta. We signed up to be there through thick and thin, and that's what the government and the citizens of Alberta should expect from TELUS. And they're going to see it in terms of our investment commitment to the province as it relates to fiber, 5G, as it relates to health and AgTech, as Zainul articulated, and the technology investment is going to be particularly key because it's going to support the necessary diversification that will underpin the longer-term growth and resiliency of the Alberta economy.

And then lastly, you got to remember, one of the value propositions of our industry is that not only do we offer technology for growth purposes, we offer technology for efficiency purposes. So when companies are under economic duress, if we can offer them technology solutions that improve their efficiency, their effectiveness in serving customers or leveraging certain offshore attributes like TI, they can be very, very valuable for when times are particularly challenging, such is the complexion of the value proposition that we put forth. But we'll be there through thick and thin, and we're putting our money where our mouth is in terms of the elevated investment that Zainul referred to and our overall commitment to the province and its people.

Robert Mitchell - *TELUS Corporation - Head of IR*

Thank you, Darren, and thank you, everyone, for taking the time to join us today. Stay safe, take care, and please feel free to reach out to the IR team with any follow-up questions you may have. Mike, back over to you.

Operator

Ladies and gentlemen, this concludes the TELUS 2020 Q1 Earnings Conference Call. Thank you for your participation, and have a nice day.



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