The power of **our purpose**

Q2 2022 investor conference call transcript

Friday, August 5, 2022

TELUS Corporate Participants

Darren Entwistle - President and CEO

Doug French - EVP and CFO

Jim Senko - President of Mobility Solutions

Michael Dingle - Chief Operations Officer (COO), TELUS Health

Navin Arora - EVP of TELUS Business Solutions

Tony Geheran - EVP and COO

Zainul Mawji - EVP and President of Home Solutions and Customer Excellence

Robert Mitchell - Head of Investor Relations

Analyst Participants

David Joyce - Barclays

Drew McReynolds - RBC Capital Markets

Jerome Dubreuil - Desjardins Securities

Maher Yaghi - Scotiabank

Simon Flannery - Morgan Stanley

Vince Valentini - TD Securities

Presentation Transcript

Operator

Good day, everyone. Welcome to the TELUS 2022 Q2 Earnings Conference Call. I would like to introduce your speaker, Mr. Robert Mitchell. Please go ahead.

Robert Mitchell - TELUS Corporation - Head of IR

Thanks, Mihai. Hello, everyone, and thanks for joining us today. Our second quarter 2022 results news release, MD&A and financial statements and detailed supplemental investor information were posted on our website this morning at telus.com/investors.

On our call today, we'll start off with remarks by Doug and Darren. For the Q&A portion of our call, we will be joined by Zainul Mawji, who leads our Home Solutions and Customer Excellence; Jim Senko, who heads up Mobility Solutions; and Navin Arora, who leads Business Solutions; and Tony Geheran, COO; as well as Michael Dingle, who recently joined TELUS Health as Chief Operating Officer, is joining our call today.

Briefly on Slide 2. This 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 as outlined in our public disclosures, including our second quarter 2022 MD&A, our annual 2021 MD&A and filings with Securities Commissions in Canada and the U.S.

With that, over to you, Darren.

Darren Entwistle – President and CEO

Thanks, Robert, and hello, everyone. In the second quarter, the TELUS team once again demonstrated continued execution excellence, characterized by the consistent combination of industry-leading customer growth, resulting again in strong operational and financial results across our business.

Our robust performance reflects the potency of our globally leading broadband networks and customer-centric culture, which enabled record second quarter loading in terms of 247,000 net customer additions. This reflects strong demand for our superior bundled offerings and customer service over our world-leading broadband networks.

Furthermore, our leading customer growth is underpinned by our consistent industry best client loyalty across our mobile and fixed product lines. Notably, again this quarter, and for 7 of the last 9 quarters, Blended Mobile Phone, PureFibre Internet, Optic TV, Security and Voice Churn were all below 1%. Moreover, since the onset of the pandemic at the beginning of 2020, we now welcome more than 2.1 million new mobility and fixed customers. This represents an industry-leading result, including outpacing our next closest peer by a multiple of more than 2x and support strong financial performance today and well into the future.

In the second quarter, TELUS achieved strong consolidated revenue growth of 7.1%, while EBITDA was higher by 8.9% or 9.4% on an organic basis. Strength in our core telecom operations continues to be complemented by a highly differentiated and powerful asset mix that's geared towards high-growth, technology-oriented verticals.

Let's turn now to have a look at our mobile operating results. TELUS achieved healthy customer growth of 185,000 net additions. This included strong mobile phone net additions of 93,000, up close to 5% over last year, and our best second quarter result since 2011. It also included 92,000 connected device net additions, which is up 10% on a year-over-year basis.

Importantly, our team delivered another quarter of industry-best loyalty results, which, as you well know, is the hallmark of the TELUS organization and our customers-first culture. Blended mobile phone churn was 0.81%, similar to this time last year, and only 1 basis point off our all-time lowest churn rate ever achieved. Moreover, our industry-leading postpaid mobile phone churn of 0.64% was unchanged over the prior year period. This represents the seventh quarter out of the last 10 that we've realized a postpaid mobile phone churn rate below 0.8%.

Our consistently strong operating and financial performance is buttressed by our highly engaged team who are passionate about delivering superior service offerings and digital capabilities over our world-leading wireless and PureFibre broadband networks. Without question, more than ever before, Canadians value fast and reliable connections. The consistent recognition from a range of independent organizations worldwide reinforces the superior performance and attributes of TELUS' world-leading networks.

Last month, U.S.-based Ookla once again named TELUS the fastest mobile service provider in Canada for the tenth consecutive time. Furthermore, in June, TELUS was once again named the fastest Internet service provider in Canada by U.S.-based PCMag for the third consecutive year. These acknowledgments, alongside the numerous other third-party network awards that our skilled and dedicated team has earned, reinforce TELUS' leadership in terms of offering customers the fastest, most expansive and most reliable service in Canada across both our wireless and PureFibre networks.

Moreover, this recognition of the leadership of TELUS' national broadband networks underscores the value of our significant generational investments in world-leading network technologies, which will continue to drive extensive socioeconomic benefits to Canadians from coast-to-coast as well as meaningful future free cash flow for decades to come that will benefit all stakeholders of this organization, including securities holders.

To close on mobile, second quarter ARPU was up 2.1% on a year-over-year basis. This was supported by higher roaming revenues that are now at 100% of pre-pandemic levels. Notably, mobile phone lifetime revenue of $7,100 was up 30%, and that was a significant delta versus our peers in terms of being 30% higher within our peer group contrast. This is reflective of the combination of our consistent focus on high-quality customer growth and leading client loyalty.

Let's take a look now at our fixed operating results. TELUS delivered another quarter of industry-best wireline customer growth. We achieved industry-leading second quarter Internet net additions of 34,000, up 4,000 on a year-over-year basis despite modestly higher churn compared to the very low rates during heightened pandemic restrictions this time last year. We continue to drive healthy growth in TV with net additions of 15,000, which were up 4,000 over the prior year.

Furthermore, residential voice line losses of 7,000 were down 3,000 on a year-over-year basis. Strong security net additions of 20,000 were up 1,000 over this time last year. Overall, industry-leading total external fixed net additions of 62,000 were up 12,000 or some 24% on a year-over-year basis, representing an all-time second quarter record for the TELUS organization. What a great testament to the team's commitment and execution and the receptivity of our services in terms of customer affinity. This reflects the strength of our unique and highly attractive bundled offers across our industry best portfolio of products and services, buttressed by our ever-expanding broadband networks, our leading customer-centric culture as well as our strong and differentiated social capitalism attributes that underpin the TELUS brand.

Now let's take a look at our TELUS Health operations. Our team once again drove attractive year-over-year health services revenue growth, whilst continuing to meaningfully scale our health operations, including covering now more than 22 million lives in Canada with our health care programs, an increase of 24% on a year-over-year basis. It includes executing 145 million digital health transactions during the quarter, which is up 6% over last year, and it includes earning 1.4 million net new virtual health care members in the last 12 months, increasing our membership now to 3.6 million, representing a 64% increase on a year-over-year basis.

We continue to leverage our leading position in health care, technology solutions and data analytics to deliver improved health outcomes for employees and citizens alike through access to better health information, which, of course, has never been more critical within our society.

Just last week, we had the pleasure of welcoming Michael Dingle as our Chief Operating Officer at TELUS Health. Michael is on the call with us today, brings deep experience at the intersection of health and technology most recently as Chief Product and Technology Officer and partner at PwC in the health and technology practices.

TELUS Health scale will, of course, be significantly enhanced by our acquisition of LifeWorks announced in June and approved yesterday by LifeWorks shareholders. The potent combination of the respective skills and capabilities of LifeWorks and TELUS Health will create a world-leading end-to-end digital first employee primary and preventative health care, mental health and wellness platform covering more than 50 million lives in Canada and beyond our borders.

Importantly, LifeWorks International relationships will be complemented by TELUS International's proven expertise in digital, analytics and cloud transformation capabilities, and of course, their client service excellence, as well as their expansive client base and delivery teams now spanning

30 countries worldwide to allow us to extend our digital health offering to customers globally and to buttress the distribution strength on an international basis that we will secure through the LifeWorks acquisition.

We remain highly confident in receiving the appropriate regulatory approvals, and in turn, closing this transaction in the second half of the year and look forward to welcoming LifeWorks employees and their significant product and capabilities on the technology front as well as their venerable customer base into the wider TELUS Health family, and we look forward to realizing the significant potential for these assets in the years ahead.

Let's turn now to TELUS Agriculture & Consumer Goods, recently rebranded to reflect a broader business strategy to deliver data insights and a wide range of digital solutions to consumer packaged goods producers and customers across the agricultural sector and beyond. As we continue to scale our business globally, we have a compelling opportunity to create more value for the entire value chain, whilst improving the safety, quality and sustainability of food and other goods all in a way that is traceable and clear to the end consumer. This includes a significant opportunity to help effectively manage the disconcerting amount of goods that never end up in the hands of consumers due to wastage, spoilage, quality issues and inaccurate forecasting, something that can be addressed by better data analytics and dynamic insights.

At TELUS Agriculture & Consumer Goods, our team drove revenue growth of 40% over the same period last year as a result of our team's ongoing efforts to integrate and grow this compelling business and the assets that we're assembling and integrating. This performance is illustrative of the significant value we are creating as the leading provider of agriculture and consumer goods technology solutions around the world as we advance the sector's efficiency and effectiveness through data analytics.

Let's turn now and take a look at TELUS International. Earlier today, TELUS International, once again, announced excellent double-digit revenue growth, coupled with leading profitability and strong cash flow growth in the quarter. TI's continued robust results demonstrate its consistent execution, its attractive end-to-end digital capabilities and the position of TI as the leading partner of choice for premier digital customer experiences and IT services for some of the world's largest companies and best-known brands.

Doug is going to have an opportunity to provide further commentary on both TTech and TELUS International financials shortly.

In closing, our confidence in the strong outlook for our business and the long-term sustainability of our industry-leading dividend growth program is underpinned by our ongoing smart investment in technology infrastructure, including 5G and our accelerated broadband build program, our digital capabilities, our leading data analytics and our exploitation of the significant opportunities that we have in growth markets that enable the continued advancement of our robust operational and financial performance because we do those 2 things in concert at TELUS.

Our compelling free cash flow outlook and dividend affordability will be backed by our strong EBITDA growth outlook in our telecom data services portfolio, complemented by significant value creation in our TI, Health and Agriculture & Consumer Goods businesses. This will be further bolstered by the significant reduction in capital expenditures in terms of the reduction in our run rate by approximately $1 billion beginning in 2023 as our fibre build approaches completion.

It will also be supported by enhanced efficiencies as we largely conclude our copper-to-fibre migration by year-end, and continue retiring our remaining copper infrastructure, whilst pursuing other increased digitization and cost reduction programs that are available to this organization.

Finally, I'd like to recognize the way our TELUS team continues to give where we live day in and day out. By way of example, thus far in 2022, 65,000 TELUS team members, retirees and their families have volunteered for our 17th annual TELUS Days of Giving now celebrated in 20 countries on a global basis. It's thanks to their passionate and their committed level of dedication that TELUS is the most giving company in the world and well on our way to achieving our goal of contributing 1.5 million hours of volunteerism in 2022 to improve outcomes for people in need around the world.

I remain exceedingly grateful to the entire TELUS team for exemplifying our world leadership in social capitalism as we strive to deliver outstanding results for all of our stakeholders in pursuit of making the future friendly for everyone. And on that note, I'll hand the call over to uncle Doug. Uncle Doug, over to you.

Doug French - TELUS Corporation - Executive VP & CFO

Thank you, Darren, and hello, everyone. Our Q2 results showcase our consistent execution excellence and leading asset mix across all our business offerings. Mobile network revenue improved 6.4% year-over-year, demonstrating improving momentum as compared to the 4.9% in the first quarter of 2022. Furthermore, mobile network revenue was higher by 6.6% compared to the pre-pandemic Q2 2019 period, showcasing our strong consistent growth. This is reflective of our consistency and resilience through the unprecedented times and beyond, and continued focus on high-quality customer growth, excellent customer base management, superior and diversified product offerings on the best networks.

We continue to see a steady improvement in roaming revenue, with a Q2 amount at approximately 103% of pre-pandemic levels despite volumes still in the low 90s, leaving more room for growth. These improving roaming trends will continue to support ARPU growth as we progress through the back half of 2022.

Beyond roaming, we remain focused on driving sustainable ARPU growth by executing on our 5G monetization strategy. Furthermore, customer reception to our launch of Stream+ has been very strong, further supporting increased customer adoption of our premium unlimited data plans. Additionally, we continue to make meaningful investments in digitization and simplification, driving down our cost structure while also improving our effectiveness and our customer experience.

Fixed data revenue which, as a reminder, excludes revenue from health services and agriculture and consumer product services, grew 4.5% year-over-year and nearly 6% when considering the divestiture of our financial services business towards the end of last year. Underlying our fixed data growth, our residential Internet revenue growth was an impressive 13% growth year-over-year as we continue to drive market share gains as well as higher ARPU as customers continue to move to higher speeds and recognize the compelling value of our superior PureFibre and bundled offerings.

On the B2B front, inclusive of mobile and fixed services, we saw positive trends continue with both revenue and EBITDA up on a year-over-year basis. TELUS International, Health and Agriculture & Consumer Goods all showed strong growth once again, reflecting the high-growth nature of our unique data-centric asset mix, which sets us apart from our global peer group.

Furthermore, with the acquisition of LifeWorks, we anticipate being able to drive significant cross-selling synergies between our respective organizations, striving for more than $200 million annually within a 3- to 5-year period or sooner. This includes leveraging TELUS International's extensive capabilities and client base.

At the segment level, TTech external revenue was up 4.7% or circa 7% when excluding mobile equipment revenue. The lower equipment revenue reflects a continuation of consumers holding on to their devices longer, benefiting from the transparency of our equipment installment plans as well as greater BYOD loading. However, the back half of the year will be influenced by the level of contracted renewal volumes that are more seasonally weighted to Q3 and Q4 with back-to-school, Black Friday and the Christmas season.

TTech adjusted EBITDA grew 6.1% year-over-year or 6.7%, excluding the impact of the financial services divestiture, while adjusted EBITDA margin improved by 50 basis points to 38.4%. DLCX external revenue was higher by 22% and adjusted EBITDA up 36%, with margins improved 250 basis points year-over-year.

TI reaffirmed its full guidance today, and the team remains on track for another strong year of double-digit growth and attractive margin profile even with certain foreign exchange headwinds. Consolidated adjusted EBITDA grew 8.9% year-over-year or 9.4% on an organic basis, demonstrating strong sequential growth as we progress as plans towards our 8% and 10% targets.

Furthermore, we saw strong margin expansion in the quarter with consolidated adjusted EBITDA margin up 70 basis points year-over-year to 36.9%, reflecting the strong expansion in TTech and DLCX. This margin expansion reflects the benefits from our ongoing investments in simplification and digitization, which are both enhancing the customer experience, while improving our cost structure on a permanent basis.

Consolidated net income was up 45% year-over-year, while EPS grew 36%. The strong growth was driven by higher EBITDA and lower financing costs, partially offset by higher depreciation and amortization. During the quarter, we observed an $80 million unrealized benefit included in our financing costs related to our 3 virtual power purchase agreements, or VPPAs, that became operational in Q2, supporting our environmental targets. These agreements generate renewable efficiency certificates that we will use in helping us achieve our Scope 1 and Scope 2 science-based greenhouse gas reduction targets, along with reaching our goal to be net carbon neutral in 2030.

By the end of 2023, 80% of our national energy needs will be met by clean sources, and we'll be striving to hit our 25% target of 100% from electricity requirements from renewable or low remitting sources or even sooner to that target.

On an adjusted basis, which excludes this tax effected benefit, net income and EPS are higher, 21% and 23%, respectively. The $80 million unrealized gain that we recognized in the quarter represents the fair value as at a current balance sheet date on a present value basis for the future cash flow model. The VPPAs meet IFRS accounting for hedge accounting, and therefore, must be recognized this way.

Free cash flow of $205 million in Q2 was down slightly by $5 million over last year, as strong EBITDA growth was partially offset by our higher capital expenditures as planned as part of our prefunded accelerated broadband build program. For 2022, we continue to target our free cash flow of $1 billion to $1.2 billion, and with regards to capital expenditures, our annual target of $3.4 billion remains unchanged.

In Q3, we expect a similar level of capital expenditures compared to Q2 before tapering off in Q4 as we advance towards a lower run rate in 2023 of approximately $2.5 billion. Our balance sheet also remains very healthy, including total availability of liquidity of over $1.5 billion and a weighted average interest rate of 3.72%, essentially flat as compared to 1 year earlier and an average term to maturity of 12 years.

Our debt-to-EBITDA leverage ratio for the quarter is at 3.23x, up from 3.11x 1 year earlier. However, excluding the impact of acquiring spectrum licenses, our net debt-to-EBITDA leverage ratio at Q2 would have been 2.76x.

We also remain committed to our dividend payout ratio guideline of 60% to 75% on a prospective basis. Excluding our accelerated broadband capital investments, which we prefunded with our equity offering last year, our dividend payout ratio at the end of Q2 was 56%. As we progress through the remainder of the year and into 2023 and beyond, we are confident that we will continue to execute at the high level our stakeholders expect, building on strong value creation along the way.

With that, Robert, I'll pass it back to you for Q&A.

Robert Mitchell - Head of Investor Relations

Thanks, Doug. Mihai, please proceed with questions.

Question and Answer Period

Operator

First question comes from Maher Yaghi from Scotiabank.

Maher Yaghi - Scotiabank

Darren, you articulated very well the reasons that drove to acquire LifeWorks. As we get closer to the end of your accelerated CapEx cycle and look forward to the improved cash production, can you discuss a little bit what your additional capital need might be for TELUS Ag and TELUS Health to get them to where you want them to be in order to become independent or do similar outcomes to TELUS International, i.e., trying to understand little bit more what more -- what additional investments you need to make in those 2 assets that can take money away from maybe debt reduction or improved dividend growth?

Darren Entwistle – President and CEO

Thanks, Maher. The way that investors should look at TELUS is balancing the interest of all 3 constituencies. So the economic strength of our organization allows us to simultaneously invest for the future, including in key high-growth areas like health and ag on an organic and inorganic basis, and at the same time, pursue our deleveraging goals, and at the same time, underpin the affordability of our long-term dividend growth model. And so if the past is prescient, I think we have historically done a terrific job balancing the interest of all securities holders, so both the equity and on the debt side.

And as we move now into an era at TELUS in 2023 and beyond, where the sources of cash will chronically exceed the uses of cash, we will have plentiful resources to support the growth ambitions of our Health business and our Ag business, bringing them to scale as well as bringing them to some exciting multiple monetization events, and at the same time, achieve the goals that we've set out for ourselves with our balance sheet and, of course, underpinning the affordability of our dividend growth program. And I think these things taking place in combination are important because they're synergistic.

I said before, it won't be long before returning the conversation to what's happening with the dividend growth model in 2025 to 2028. Our ability to sustain that dividend growth model is contingent upon the smart investments that we make today, whether it's in our core telecoms business on fibre and 5G, or the exciting opportunities that lie ahead for TELUS International, TELUS Health and TELUS Agriculture. Those growth investments will also yield significant returns that allows us to further strengthen our balance sheet to support future growth, but also to weather some economic challenges that come and go as the years roll by.

The other thing that's important is that in addition to entering into that chronic period where the sources of cash exceed the uses, and that's buttressed by the continuing expansion of EBITDA at TELUS as well as the reduction in our capital appetite in 2023 and well beyond.

We also have significant opportunities for monetizing further the assets that we're building within the emerging market areas. So there are still significant opportunities for value creation within TI and multiple monetization opportunities as it relates to Health and Ag, whether that's taking a page out of TI's book and saying, wow, okay, our growth ambitions and our scale ambitions and our international reach ambitions in both Health and Ag would be better served in the near to medium term by bringing on a partner as we did back in 2016 with TI.

And then down the road, if we bring on the right partner, that provides the right resources, the right connectivity, the right level of expertise, then that sets us up if we execute well, making smart organic and inorganic investments for another play in terms of taking those businesses public.

And that's the role that we're on at this organization, and there's a convergence in terms of economic growth, supporting, underpinning the investments that we need to make as well as achieving our deleveraging goals as well as supporting the continued ability to fund our dividend with the significant headroom that we will have from both cash expansion and within the dividend payout ratio as per the comments that Doug made earlier. So D, all of the above.

Robert Mitchell - Head of Investor Relations

Mihai, next question, please.

Operator

Our next question comes from David Joyce from Barclays.

David Joyce - Barclays

Could you please update us on your thoughts about further decommissioning benefits? I know you did mention there was some -- the closing of the infrastructure. How much of your infrastructure is left to be retired? So I think there have been some comments in the past about possible real estate monetization. So any fresh thoughts on the savings and the timing on that would be appreciated.

Darren Entwistle - President and CEO

Zainul, given that you're somewhat involved with our fixed business, why don't you talk about some of the savings from getting to homogeneity within our PureFibre footprint? Tony can have a top-up on that if he wants to make some other comments in terms of our technology thesis. And Doug, given that this is your favorite subject, that you can talk with Tony in terms of real estate development and monetization opportunities. Zainul, over to you.

Zainul Mawji - EVP and President of Home Solutions and Customer Excellence

Thank you, Darren, and thanks for the question. So I just want to highlight that, as Darren mentioned, we now have about 7% of our remaining internet and wireline customers on copper that are accessible in our PureFibre footprint. Our goal and desire is to get that close to zero by the end of the year. And we have demonstrated some great traction with respect to achieving those migrations.

Before we get into some of the technology retirement opportunities in the real estate monetization that I know Tony and Doug will top up on, just in terms of the savings opportunity and the overall flow-through, as we've highlighted before, the difference between a copper and a fibre customer is quite stark in terms of the overall profitability and contribution to the organization. We see a significantly higher AMPU, we see greater product intensity and we see lower cost to serve as well as incremental churn.

And so when you look at that delta, it has consistently been a minimum of a 40% customer lifetime value delta between copper and fibre. And so we are very bullish about the flow-through, given that a number of those migrations would have occurred in the last year. And we will continue as we complete our fibre build to aggressively migrate existing copper customers.

We also take the opportunity, in addition to that customer lifetime value benefit, to look at retiring the ultimate value chains, processes, systems that supported copper and migrate them into fibre. And so there's fixed cost opportunities in terms of the flow-through to that margin accretion.

And in addition to that, with fibre customers, we do see a greater product intensity, an opportunity to increase product intensity as our product roadmap expands and our opportunity to fulfill that product intensity on a digital-first basis with new platform development. So there is significant runway. We'll continue to see that accretion and those flow-through benefits through the coming months and years.

And I will now hand it over to Tony to talk a little bit more about the technology.

Tony Geheran – EVP and COO

Thank you, Zainul. I'd say, I'd just add up that we've been very successful in reducing the copper footprint and will be substantially complete by the end of the year in our fibre footprint area. For those areas outside of fibre, we're relying on responsible and effective spectrum policy that will allow us to leverage the wireless infrastructure effectively to provide broad and wideband services to those consumers more remote and rural. And we're leveraging our 4G and 5G spectrum allocations to do that within our operating area. And when we get the millimeter wave spectrum, we'll have yet another technical element to provide broadband, wideband services to remote and rural customers.

And with that, I'll pass to you, Doug, on the opportunity around real estate that this represents.

Douglas French – EVP and CFO

Yes. So our real estate opportunity is a multi-year initiative. We currently have approximately 5 started and pilots underway on building between commercial to residential real estate on property that we own that we do not need for our networks anymore. And there's a list of 15 to 30 more opportunities into the future that we look to develop over that time frame. And so it will be a multi-year as the land frees up. Each property could take anywhere from 1 to 3 to 5 years to actually get from, call it, permit to build. And so you'll see that phased in as we continue to move forward as Zainul and Tony's comments come to fruition.

Robert Mitchell - Head of Investor Relations

Mihai, next question, please.

Operator

Next question comes from Jerome Dubreuil from Desjardin Securities.

Jerome Dubreuil - Desjardins Securities

I have two today. Good to see the copper-to-fibre migration is on track here. And since you expect the TV and Internet customers will be substantially migrated by year-end, should we maybe expect a bit higher churn in the back half of the year? That's the first question.

The second one, in terms of the churn on the wireless side we're seeing declining again, which is great, but is there -- maybe a more philosophical question. Is there a floor level at which you consider this is not efficient anymore? Don't get me wrong, I get the lifetime value impact, but interested in your perspective here.

Darren Entwistle – President and CEO

Zainul, why don't you hit the first one, and Jim, you hit the second.

Zainul Mawji - EVP and President of Home Solutions and Customer Excellence.

Yes. I think it's a great question, and it's natural to assume that you might see some customers that don't make the journey from copper-to-fibre. But with respect to our customers and our experience on this, which has been extensive in terms of getting to the 7% rate, we have seen a very minimal, if any, impact. And that has been overcome or offset by the significant superiority of churn benefit when customers are served by fibre. And a lot of that comes from having access to higher speed tiers, which also gives you the ARPU benefit, but it comes from the product intensity and the bundling capabilities of having enhanced services.

So if you think about things like the ability to which fibre symmetry supports multiple video streams in the home to support security, support multiple video conferences and Teams in my world, at least, gaming and streaming, we see a lot more adoption of services, and therefore, a superior churn outcome. So I don't expect to see a churn uptick. I think there are macroeconomic and post-pandemic impacts that Darren has spoken to that have had a minimal impact on our churn performance in the wireline business. We'll continue to likely see the same delta on those fronts. But with respect to the migrations, we've demonstrated a strong capability to bring customers through that journey successfully.

Darren Entwistle – President and CEO

Jim, over to you.

Jim Senko - EVP and President of Mobility Solutions.

Thanks, Darren. Yes, on wireless, we're focused on high-quality customer additions really defined by contribution to lifetime value and AMPU. So we're looking for long-tenured customers that have strong EBITDA return. And in terms of a floor for churn, one example is our prepaid churn is now at around 2.13%. And that's substantially lower than our peer groups who are both over 4%. I think there's more room for churn reduction on the prepaid side as we are seeking quality prepaid subscribers that have longer tenure.

And then on the postpaid side, I do think that there's still some more room for churn. But I think one of the notable things about that 0.64% churn rate is the -- in parallel to that, is the trend in the market towards more BYOD. So we've been able to drive down our churn in a market with less contracts, and then at the same time, driving improvements on lifetime value. So our lifetime value is 30% greater than our peers. And so like -- we're really pleased with our quality customer growth. If you look at it, we've been consistent quarter in, quarter out, year in, year out, and that low churn dynamic is really helping.

And if you look at it through the pandemic period, we've led the industry with nearly 800,000 mobile phone net additions, and that's 147,000 more than our closest peer. So we really like the dynamic that we're seeing right now and the contribution to lifetime value, which is really, really playing in our favor.

Darren Entwistle – President and CEO

Jerome, also the thing that is worth looking at in terms of the right lens from a value creation point of view, if there is such a thing as a threshold on the diminishing return on depressed churn, that still gets lowered by doing more effective bundling between our mobile and home services. So that would lower the point of the diminishing return as per your question, on a theoretical basis, speaking to the quality of the economics when we bring together our mobility and Internet product lines and the other capabilities that we have within the fixed space.

Robert Mitchell - Head of Investor Relations

Next question please, Mihai.

Operator

Next question comes from Vince Valentini from TD Securities.

Vince Valentini - TD Securities

Three things, if I could throw them at you. One in your portfolio investments this quarter of $286 million, it cites and investment in LifeWorks. Can you just clarify if you already own LifeWorks shares so that we don't overestimate how much to put in our model when we assume closing?

Second, the prepaid, I mean, it hasn't been a big factor for a while, but it seems for your peers, it had a much bigger impact in Q2. I think it's about 30,000 for Bell and about 50,000 for Rogers. So can you give us any at least directional color of how much of your 93,000 mobile phone adds were prepaid this quarter?

And then third and last, you mentioned the impact from scaling the Health Care and Agriculture businesses as a bit of a detriment to EBITDA growth for TTech this quarter. Is there any way you can quantify that a little bit for us? It's never easy for us to predict what's going on with those J-curves without your help.

Darren Entwistle – President and CEO

Doug, why don't you take questions 1 and 3 in terms of the front-loading on LifeWorks shares that we undertook. And Jim, you can answer the question on the prepaid front.

Doug French – EVP and CFO

Okay. Got it. So for the first one, we had acquired a little less than 10% of -- so high 9s per cent of LifeWorks over the last little while at a price of a little less than $31. So that was the initial payment or the initial investment that we had made.

We did disclose the organic growth in both EBITDA and on revenue when you exclude those J-curves that we had invested in M&A on Health and Ag. So I think that's your best proxy for the J-curve this quarter. The existing Health and Ag businesses are EBITDA positive, and it was more the incremental of some of the investments that took us down.

Darren Entwistle – President and CEO

Jim, you want to take on prepaid?

Jim Senko - EVP and President of Mobility Solutions.

Yes. So Vince, we don't disclose that mix. But what I can say is that we're traditionally lower on prepaid volume, and it comes back to what I was saying earlier, which is that we're really looking for long tenure or longer tenured subscribers. As an example, a traveler prepaid would typically be 1, 1.5 months of revenue, and then go into a suspend pool and deact out in 3 months. And those subscribers are difficult to make money on because of your channel compensation costs and your promotional costs.

So I think there is a bit of that dynamic. We had made some moves in the market, which you probably saw this quarter. We've moved public mobile to digital, and we've slotted in Koodo prepaid into all of the major retail locations. And that's for a number of reasons. One, Koodo has better brand equity within the Walmart's of the world. Number two, we can support our customers better on Koodo prepaid. Number three, a single SIM on Koodo means that we can migrate more customers to postpaid and move them up the ladder to higher-value, longer tenure customers. So it's all playing into that strategy that I talked about before.

Robert Mitchell - Head of Investor Relations

Mihai, next question, please?

Operator

Next question comes from Simon Flannery from Morgan Stanley.

Simon Flannery - Morgan Stanley

It's been refreshing to have this call go on and really not much talk about macro or inflation pressures or anything like that. Perhaps you could just let us know what, if anything, are you seeing out there? Are you seeing anything amongst your low-end consumer base? And how are you managing with inflationary pressures in your cost base from energy labour costs, et cetera? And then could you comment on the outage by your competitor? And what are you seeing in the marketplace in terms of customers looking to perhaps diversify their network vendors and maybe switch away to you?

Darren Entwistle - President and CEO

So for the first part of the question, Simon, I think we'll have Doug talk about what we're doing on the cost front, what we're doing on the supply chain front, leveraging everything from our efficiency initiatives, explicit cost reduction initiatives, cost synergies related to legacy M&A activity, that will be important as well as the strength that we have on digital transformation, which allows us to achieve the 4-point game of better customer outcomes achieved at a lower cost.

I'll ask Navin to speak more specifically about what we're seeing within the B2B market on the inflation front or some of the economic stress that's out there. I think we're weathering it quite well on the consumer side, as you can see in respect of our results. And I'll kick it off while they formulate their responses as it relates to the Rogers outage.

We are not going to comment on the Rogers outage. I don't believe, from a value basis, it's the appropriate thing to do. What you can expect from us going forward is more of the same. We'll focus on quality loading, quality execution and quality financials in Q3, just like we did in all the previous quarters before it. The focus of this organization is leveraging the strength of our network performance. And you can see that in terms of the independent third-party attestations as it relates to speed, coverage and the reliability attributes of our network. But it's the combination of that with the fact that we have the best customer service at TELUS within our industry by a distinct margin on a global basis.

And when you've got the best technology, infrastructure and products and you've got the best people delivering the highest quality of service, leveraging things like our digital efficiency also along the way, that is a potent combination. And that's what you can expect from us going forward. And I think the hallmark of our organization pre-pandemic, during the pandemic, post the pandemic or any other exogenous event or any other industry development that happened is going to be consistency and excellence in execution, strong operational, leading to strong financial results, leading to strong economic returns for shareholders.

Doug, Navin, over to you.

Doug French – EVP and CFO

Yes. So I'll start off. So on the customer side and the customer payment side, we have seen a small slowing of, call it, days outstanding, and we have provided for it accordingly but it's insignificant in the big scheme of things. So far, not any kind of material impact by any means.

On the labour front, there continues to be, as you highlighted, inflationary pressures on that. In our budget, we had put in some incremental position for this exact issue. And so, so far, we're within our budget on meeting the expectations on that front because we had actually built in a cushion for a better term to make sure that we had -- able to address this as we saw the pressures coming.

On the supply chain, we've always used a multi-vendor approach, and we're trying to consolidate vendors and scale vendors so that we can get the best outcome. We've also signed multi-year contracts with vendors, and Tony has done an excellent job with that, to ensure that we get a fixed supply, and a lot of times, at fixed rates into the future to ensure we can accomplish what we need.

And then to Darren's point on cost efficiencies, we have numerous irons in the fire, to Darren's point, on the integration. We've done significant M&A that we're currently under the way to do those integrations, which will drive efficiencies right from integrated systems to support to marketing, et cetera, that will allow us to bring down the cost structure on a prospective basis.

And as we're planning for LifeWorks, that will be built into our 2023 targets as well. As Darren highlighted, we have the digitization and simplification program. And I think we showed that during COVID, when you have a strong digitization and simplification program, you can still execute extremely well in a digital format and a cheaper format. And so we're continuing to leverage that while providing excellent customer experience.

And then as we do the copper-to-fibre migration, as we talked about earlier in this call, we will be able to, again, align on more integrated systems, one product or delivery model from our networks, which again will allow us to streamline that cost structure. So as we're dealing with the inflationary pressures, we have enough and looking to accelerate some of those cost opportunities to mitigate the impacts.

Darren Entwistle – President and CEO

Navin, do you want to make a comment on B2B?

Navin Arora - EVP of TELUS Business Solutions

Yes. Thanks, Darren. Thanks, Doug. So just on B2B, the one thing I'd say upfront is we have a very strong track record of absorbing external market changes or economy-related pressures, and really the current environment is no different in that regard. We have a lot of natural diversity across our B2B segments and geographies within the overall B2B business. And that really allows us to manage the external impacts in one part of the business with strength in another part. And we're watching what's happening closely.

We're looking at all of our segments and regions carefully. But it's also really important to note that the technology and services we provide our customers really help them weather these shocks by reducing their costs, improving their customer experience, helping enable their employees to be more efficient, drive better margins and revenues for them. And with our health portfolio, really take care of their #1 asset, which is their team members, their engagement, their health and their productivity. So there's a real strong opportunity for growth in these economic conditions as well.

I'd also say that the strong work, as mentioned previously, that we've done in regards to significantly reducing our cost through digital, through automation and simplification of our business, puts us in a very resilient position. And all of that combined really has led to our B2B business to be a growth business, and we're pleased to see that growth on a revenue, EBITDA and cash basis steadily increase 2022 over '21. And we really remain bullish looking ahead with not only strong growth in our core products and services, but also opportunities to monetize 5G, IoT and key industry solutions capabilities across the verticals and horizontals we want to play in.

So I'll pass it back to you, Darren. Thanks.

Robert Mitchell - Head of Investor Relations

We have time for one more question, please, Mihai.

Operator

The last question comes from Drew McReynolds from RBC.

Drew McReynolds - RBC Capital Markets

Just one question, and it's a bigger picture one on data consumption. It seems to be a theme here coming out of COVID where we're seeing or hearing from operators step-up to premium plans, and obviously, TELUS has talked about this. We've got a fairly bullish medium-term outlook on content inflection period, which I obviously won't get into here, but essentially translating to a major step-up in data consumption. So just wondering, and I don't know who wants to answer this, but just what you are seeing out there on data consumption, particularly on the 5G handset-enabled subscriber as well as with your premium internet plans for gamers and streamers, et cetera? Just any high-level kind of insight there would be extremely helpful.

Darren Entwistle – President and CEO

Jim, Zainul, why don't you do a duet on this one, given the attributes, and you can cover the range from step-ups and percentage of step-ups in terms of larger data appetites and what we're seeing as well as the advent of new services on the Stream+ front as it relates to the content component. And then what we see in terms of the capability on the gaming front from mobile networking to broadband capabilities in the home. Over to you.

Jim Senko - EVP and President of Mobility Solutions.

Perfect. Why don't I start, Zainul. Yes, we're really excited. If you look at with our ARPU this quarter, ARPU is up 2.1%. And we're driving sequential improvement on both ARPU and pre-pandemic revenue growth versus Q1, which we're very happy about. And when you dig underneath that, we're seeing a nice step-up to 5G as data usage is increasing. So in fact, we're up -- we saw a 27% increase year-over-year on our step-ups to 5G.

But the other thing that is really powerful is when you look at rate plan changes across all of our transaction types, activations, renewals, migrations between brands, rate plan changes, every one of those transactions are driving net accretive value to the rate plan value. In fact, the average rate plan value on those step-up transactions is up 5x year-over-year, and that's all coming from adoption of more data usage and that mix shift up towards unlimited and 5G.

And then even within the 5G unlimited category, we're seeing 20% of our unlimited 5G activations now going to 5G+. And I think part of that is the take-up of Stream+ as customers are using their 5G device now to actually stream a Netflix or an Apple TV program because they have the cost certainty, they have a large data bucket and they have the large speeds. And as we deploy 3,500 MHz, those 5G+ speeds will continue to increase and drive even better experiences. So I think that all bodes well to kind of the trajectory that we're seeing on ARPU. Zainul?

Zainul Mawji - EVP and President of Home Solutions and Customer Excellence.

Thanks, Jim. So I think there's a similar story to tell on the wireline side. If you look at our overall customer sort of take rate and base, first off, just to tie it back to the ARPU number, Doug spoke to a 13% improvement on the data ARPU for our Internet customers, we see that continuing to improve. We've got less than half of our customers loading on 1-gig plus plans, but a steady improvement in the proportion of customers loading on those plans.

And then if you look at the base, the overall base of our customers, we still have a minimum -- like we don't have that 50% across our base. So we have upside opportunity to upgrade those customers, and as we complete the copper-to-fibre migrations, and sometimes we don't get the upgrade on the initial migration, but as customers start to complete the migration and see what services are available through security, through video options, through incremental streaming and gaming, they start to adopt those upgrades post the initial migration.

So I think there is a significant amount of upside. I think you've seen a lot of speed wars. We see our customers really navigating towards that 1-gig profile or a little bit above that. And we're really confident that more customers will see more value in those services and see value in the symmetry of the Internet services we provide, which is a significant differentiation capability.

Darren Entwistle – President and CEO

Thanks very much, everyone. Appreciate the excellent questions and the support as always. Enjoy the weekend. Take care.

Robert Mitchell - Head of Investor Relations

Please feel free to reach out to IR team with any follow-ups. Thanks, everyone.

Operator

This concludes the TELUS 2022 Q2 Earnings Conference Call. Thank you for your participation, and have a nice day.