THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

T.TO - Q3 2019 Telus Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2019 / 2:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

Doug French *TELUS Corporation - Executive VP & CFO*

Robert Mitchell *TELUS Corporation - Director of IR*

CONFERENCE CALL PARTICIPANTS

Drew McReynolds *RBC Capital Markets, Research Division - Analyst*

Jeffrey Fan *Scotiabank Global Banking and Markets, Research Division - Director of Telecommunication Services & Canadian & U.S. Telecom and Cable Equity Research Analyst*

Maher Yaghi *Desjardins Securities Inc., Research Division - VP, Telecom, Media & Tech Analyst and Intellectual Property Analyst*

Simon Flannery *Morgan Stanley, Research Division - MD*

Vince Valentini *TD Securities Equity Research - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the TELUS 2019 Q3 Earnings Conference Call. I'd like to introduce your speaker, Mr. Robert Mitchell. Please go ahead.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thanks Mike. Hello, everyone. Thank you for joining the call today. The third quarter 2019 results, news release, quarterly report, and detailed supplemental information are posted on our Web site at telus.com/investors. On our call today, we have Darren Entwistle, President and CEO, who will provide opening comments. This will be followed by Doug French, our Executive Vice President and CFO who will review our third quarter results. Following that, we will move to the question-and-answer session.

Let me direct your attention to slide two. This presentation and answers to questions contain forward-looking statements that are subject to risk and uncertainties and made based on certain assumptions. Accordingly, actual performance could differ from statements made today, so that we ask you do not place undue reliance upon them. We also disclaim any obligation to update forward-looking statements, except as required by law. We refer you to the description of risk and assumptions in our third quarter MD&A and 2019 annual report and ask that you be aware of these.

Now, let me turn the call over to you, Darren, starting on Slide 3.

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

Thanks, Robert, and good morning everyone. As you've seen today, TELUS reported third quarter results that reflect strong operational and financial performance that are industry leading across multiple parameters. This included revenue and EBITDA expansion in both our wireless and wireline product portfolios, in concert with robust customer growth across the business. These results were backed by our team's unwavering focus on providing industry best customer experience in combination with the ongoing generational investments that we've been making in our globally leading wireline and wireless broadband networks. Importantly both of these are fundamental to the continued success of our long-term growth strategy at TELUS.

In the third quarter our industry leading consolidated operating revenue increased by 2.6% excluding our one-time gain on the sale of TELUS Garden in Q3 of last year. Consolidated EBITDA growth also industry leading at 4.1% or 8.3% before normalizing for IFRS 16. Notably, the robust and industry best expansion of our subscriber base by 246,000 customers was driven by high quality mobile phone net additions driven by strong growth in connected device subscribers and driven by industry leading wireline net additions. As a result total RGU growth was up 14% on a year-over-year basis.

Turning now to our wireless operations. We achieved solid year-over-year EBITDA growth in the third quarter of 4% or 7% before normalizing for IFRS 16. Total wireless revenue growth of 1.1% was impacted by decline in equipment revenue as a result of the intense competitive activity that we saw around device pricing and the busy back-to-school selling season including the persistence of high subsidies. Third quarter network revenue expanded by 2%, driven by strong high quality subscriber growth and supported by a moderation in ARPU decline. Wireless loading in the third quarter included 111,000 mobile phone net additions, down just slightly over last year. The year-over-year decline was largely due to TELUS purposely choosing to remain on the sidelines for some of the more aggressive and uneconomic competitive activity that occurred in the quarter. Our mobile phone loading was supported by strong smartphone-centric postpaid subscriber growth and a 6% increase in overall gross activations.

Consistent with our comment in recent quarters we've evolved our wireless loading strategy to intensify our focus on profitable postpaid and profitable prepaid subscriber customer loading on a smartphone basis. Net additions for mobile connected devices of 82,000 in the third quarter increased by some 64% driven by growth in our IoT offerings partly offset by reduced lower margin, subsidized tablet loading. As a reminder, connected devices including IoT subscriber connections like our innovative fleet management solutions in addition to connected cars, tablets and wearables are key examples of what is included within this portfolio. In totality wireless net additions inclusive of both mobile phones and connected devices were 193,000 in the third quarter which is a 13% increase over the previous year.

Our results reflect the first full quarter impact of our new Peace of Mind endless data rate plans alongside our attractive TELUS family discount offerings and Easy Payment device financing. As a testament to our longstanding commitment to put customers first, TELUS was the first national carrier to successfully launch these three innovative programs in combination, providing more value, more simplicity and greater transparency to Canadians than ever before. In addition to facilitating a substantially enhanced customer experience on the path to 5G, we expect these mobility service offerings to support sustainable and profitable client growth, significantly enhance bundling options as well as long-term financial performance including significant cost efficiencies. Indeed, the simplification attributes and device payment transparency are enabling significant opportunities to improve our cost structure and support operating margins whilst bolstering EBITDA and prospective free cash flow growth generation.

We're encouraged by the customer response to our new product offerings in the first full quarter following our well planned and executed launch and throughout the busy back-to-school period. This response includes strong adoption of the new offerings, increased step-ups to higher monthly recurring revenue and data usage increases and includes enhanced digital adoption up some 60% and increased leveraging of TELUS International given the simplicity attributes of the plans and it includes a reduction in customer calls and improved handling time efficiencies within our contact centers and sales channels. Whilst we've seen a decrease in the device promotional cost component associated with COA and COR, this was unfortunately meaningfully moderated in the back-to-school period due to the high level of competitive intensity around device promotions and the persistence of the subsidy model alongside unlimited data by some of our peers. Notwithstanding this Easy Payment provides compelling tools to enhance handset affordability such as 0% financing, certified pre-owned devices and trade-in and bring it back offerings. Notably, over half of the customers moving to our Peace of Mind plans are stepping up in terms of monthly recurring revenue, which is tracking favorably to our original business plan upon which the new structure was predicated.

Looking at customer loyalty, TELUS once again led the industry by a considerable margin with our mobile phone churn rate of 1.09% inclusive of both postpaid and prepaid. This represented a six basis point increase over last year and is reflective of intense competition in the consumer market and heightened industry wide churn in Q3 as new unlimited data and device financing offers were stress tested in the back-to-school selling season. The extent of our churn leadership is illustrated by our postpaid churn rate of 0.88% in the third quarter, we thought it was important to breakout that number for you on this particular occasion. Consistently strong customer loyalty is of course, a hallmark of the TELUS organization and our team continues this drive for overall mobile phone churn of sub 1% and we expect to achieve that objective at this organization given the strength of our customers' first culture, the quality of our service offerings and the excellence of our broadband networks. In this regard, leadership and network excellence continues to represent a key driver of our strong churn rate.

Notably in the quarter, TELUS was recognized as having the fastest mobile network in Canada by Ookla as well as by PCMag for the third year in a row. Additionally, our team once again earned top marks from Opensignal for mobile network experience across Canada, winning four of five categories, including best-in-class 4G availability, best in video experience, best in download speed and latency as well as time in respect for upload speeds in terms of being number one. These acknowledgements build on our outstanding record of achievement in terms of network excellence, having earned the top spot in all major mobile network reporting again this year, including J.D. Power and Tutela.

Our leading network rankings represent an important differentiator for TELUS and an important differentiator for Canada and reinforce the efficacy of our technology investments as well as the consistent superiority of TELUS's broadband network availability to Canadians across the country. Notably in September, Opensignal assessed the mobile network experience of rural Canadian wireless consumers as compared to their urban counterparts across the country and globally. They concluded that rural Canadians have access to speeds and availability that exceed or rival the overall figures of developed countries, and indeed "get what they pay for".

Opensignal went on to note that if rural Canada was a country, it would rank 12th in download speeds with rural Canadian users, on average, seeing faster 4G download speeds than mobile users in Sweden, New Zealand, France and 73 of the other countries that they report on, including any region of the United States. We also outperformed our neighbors to the south in terms of rate plan affordability, despite the fact that Canada has a larger, more challenging geography, and a smaller population density. Importantly, in addition to the excellence of our wireless network, we expect our churn leadership to be further bolstered by the combination of our well executed Peace of Mind endless data plans, family discount offering and Easy Payment device financing. In combination these offerings represent the next evolution in our decade plus journey to put our customers first in every single thing that we do, it is the hallmark of the culture of this organization and its reflected in our leading operational and financial results.

Returning to our wireless results, third quarter mobile phone ABPU was $75.06 which was once again up by 0.5% over the previous year. Moreover, whilst we indicated that there could be some initial ARPU pressure coming from endless data plans as high valued customers stepped down, we saw a continued positive trajectory on moderating ARPU declines. This has been achieved against the backdrop of robust data growth and increasing inclusive buckets across the industry which we've been navigating well in recent years and which the industry will continue to navigate with the ongoing transition to larger data plans leading up to the commercialization of 5G. Data overage has now become a very small part of our overall revenue and longer term we anticipate significant ARPU step-ups and network service revenue expansion as customers move to larger data plans.

Moving now to wireline and our consistently robust financial and operating results in that segment of our business. TELUS delivered another quarter of leading performance in respect of wireline revenue, wireline EBITDA and wireline subscriber growth buttressed by our premium, diversified and evolving product portfolio and the world's leading technologies and customer service that underpin them. Wireline revenues increased by almost 5%, excluding the sale of TELUS Garden last year, whilst EBITDA grew 4.3% in the third quarter or almost 11% before normalizing for IFRS 16. TELUS led the industry considerably on both wireline revenue and EBITDA growth in the quarter. Impressively, this marks our seventh full year of consecutive quarterly wireline EBITDA growth, a performance unrivaled amongst our global peer group. Importantly, wireline data revenue grew by 8.4% in the third quarter driven by robust high speed internet and TV customer growth, strong performance in both TELUS International and TELUS Health and solid growth in our SmartHome Security and smart business offerings. Internet net additions were robust at 32,000 in the third quarter. TV net additions were an industry leading 19,000 during the quarter, up a 1,000 over the same period last year. Moreover, strong residential voice resiliency continues to be a very positive story for TELUS and a differentiated story for TELUS coming in at 12,000 net losses in the third quarter, which was in line with last year, and another industry best. This represents our 11th consecutive quarter of flat or moderating voice losses.

Beginning this quarter, we've begun formally reporting our SmartHome Security subscriber numbers within our wireline RGU results. We added 14,000 security customers in the quarter bringing our base to over a 100,000 customers and securing our leadership as the fastest growing in the security industry in North America. This is on the back of the increasing scale and strong momentum that we've driven in that business in recent quarters, scale that will be enhanced significantly by our acquisition of ADT Canada, which I'll comment on momentarily.

In summary, we earned an industry leading 53,000 wireline net RGU additions in the third quarter and notably TELUS was the only carrier with positive wireline RGUs in the quarter. Looking at wireline performance more broadly, the narrative remains the same. TELUS is the only Canadian carrier with positive RGU growth on a year-to-date basis. Our strong and consistent wireline operating and financial results clearly highlight the importance of our dedicated focus on delivering customer service excellence over a world leading fibre network. These results also underscore the premium bundled offers available to customers across our diversified product portfolio. A product portfolio that includes the superior attributes of our internet, Optik TV, consumer health and SmartHome Security and home automation offerings.

On the topic of security yesterday, we announced the successful completion of our acquisition of ADT Canada. ADT Canada is the national leader in home and business security with approximately 500,000 customers and more than 1,000 team members across Canada. Importantly, the ADT Canada acquisition will accelerate our leadership position in the SmartHome Security and business security space. Moreover, the acquisition builds on TELUS's strategy and commitment to leverage our globally recognized wireless and PureFibre networks to continue to enhance connected home, business, safety and security, IoT, cyber security, smart building, smart city and health services for customers across the country as strive ardently to improve the lives of Canadians. Notably, the ADT acquisition will allow us to advance our consumer health strategy through innovative apps and remote patient care that provides customers with Peace of Mind and security in the confines of their own home. Additionally, the ADT transaction will enable our organization to further improve bundling opportunities across our innovative suite of security, home and business products and services. It will also enable richer solutions, higher up the value chain in respect of control, automation, security and health which further monetize our significant network investments on broadband wireless and broadband wireline.

A superior security offering particularly over our PureFibre network is a strong differentiator and powerful component within our bundle, one that has yielded double-digit basis point churn improvements when added to the overall telecom and data bundle. In addition, this acquisition gives us the sizeable subscriber base to which we can cross sell our other compelling product offerings thus also enhancing retention on the ADT customer base. We're excited to welcome ADT customers and team members to TELUS and we're quietly confident that we will achieve tremendous mutual benefits from this transaction.

To conclude our industry leading wireline performance is reflective of our team's steadfast focus, on leveraging the competitive differentiation inherent in the attributes of our leading PureFibre network. In this regard during the third quarter, our team expanded our PureFibre coverage to approximately 67% of our high speed broadband footprint on our way to 70% coverage by the end of 2019 and 80% coverage by the end of 2020. This ongoing expansion enables an increasing number of customers to access our leading broadband technologies and products and to benefit from the associated marked improvements in the customer experience across a unique and evolving services portfolio. This strong performance driven by our enhanced broadband network and PureFibre offerings will support the continued and sustainable growth of wireline and wireless services positioning us superbly for the commercial rollout of 5G. Through our ongoing broadband investments and the consistent execution of our longstanding strategy, we're able to continue building on our track record of providing investors with the industries best multiyear dividend growth program.

The dividend increase that we announce today reflects the 18th increase since 2011 and is the 6th in our most recent three-year dividend growth program targeting annual growth between 7% and 10% through to the conclusion of 2019. Your company TELUS has established an enviable track record in respect of an attractive balance sheet and strong operational performance which enable us to successfully execute on our consistent, our transparent and our industry leading shareholder friendly program in terms of returning cash to shareholders. Of course, this is made possible but a significant value creation from our unwavering focus on profitable customer growth underpinned by the strong value for money that we offer our clients with the best client experience on our world leading networks.

Notably, TELUS has now returned more than $17 billion to shareholders including over $12 billion in dividends representing approximately $29 per share since 2004. In May, we announced the extension of our multiyear dividend growth program from 2020 through 2022; again targeting annual growth of 7% to 10%. This reflects the confidence that we have in the future market opportunity, stemming from our long standing and highly successful growth strategy. Our strategic investments in 2020 and 2021 will complement significant tax and spectrum remittances over the same period to our federal, provincial and municipal governments supporting economic, educational, cultural, environmental and health opportunities for Canadians further to the more than $41 billion that TELUS has remitted the government since 2000. Moreover, future dividend growth and affordability will also be supported by moderating capital expenditures in line with the preliminary guidance that we are providing today for both 2020 and 2021 and the resulting free cash flow expansion from the anticipated downward CapEx trajectory as we move beyond our fibre build. Lower capital investments in 2020 and 2021 will yield a notable improvement in capital intensity and of course the free cash flow progression that follows.

I'd like to close my remarks by congratulating and expressing my appreciation to the entire TELUS team for continually delivering on our commitments through thick and thin and embracing the responsibility that we have to our customers, our shareholders and the communities that we serve. Reflecting our team's belief that in order to do well in our business, we must do good in our communities, we continue to leverage our technology to drive significant positive social outcomes. This is evidenced by our teams efforts in the third quarter that include providing nearly 5,500 low income families with low cost high speed internet. They include helping a 1,000 youth aging out of foster care with a free smartphone and free 3 gig data plan.

And they include more than 2,500 patient visits through our TELUS mobile healthcare clinics supporting a lot of people that are living on the streets of our country.

Moreover, thanks to our teams commitment to social and environmental responsibility TELUS was named to the Dow Jones Sustainability World Index for the fourth consecutive year and to the North America Index for the 19th year in a row; a feat unequalled by any North American telecommunications or cable company.

On that inspiring note, I'll now turn the call over to Doug to provide additional color in respect of our third quarter results.

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

Thank you Darren, and hello everyone. Before we get started, please recall that our year-over-year reported comparisons include the impact of a one-time revenue gain in the third quarter of 2018 of a $171 million related to the sale of our TELUS Garden building in Vancouver and the $118 million donation to the TELUS Future Friendly foundation which was funded with the proceeds from the sale of TELUS garden.

From a revenue and EBITDA perspective, this was allocated 50/50 to our wireless and wireline segments. So, the numbers that I'll be talking to in the year-over-year comparisons will exclude those one-time items. Let's begin with the review of our third quarter results starting with the wireless side on Slide 10. External revenues increased by 1.1% driven by network revenue growth of 2% and partly offset by 1.6% decline in lower margin equipment revenue due to the intense competition around device promotions in the quarter. Network revenue increased $31 million, or 2% , up sequentially by 30 basis points, reflecting 5.5% growth in our subscriber base over the past 12 months. This growth was also supported by a moderating decline in our mobile phone ARPU as Darren discussed. Adjusted wireless EBITDA increased by 7% reflecting higher network revenue growth, lower operating costs and the implementation of IFRS 16. The adjusted wireless EBITDA margin also increased by 260 basis points to 46.5%. On a pro forma basis, after IFRS 16, wireless adjusted EBITDA increased by a strong 4%.

Moving to Slide 11, in wireline external revenue was up 4.7% driven by organic data revenue growth of 8.4% reflecting organic growth in TELUS International and TELUS Health, increased internet and enhanced data service revenues reflecting higher revenue per customer, as well as a 6.7%increase on our internet subscriber base over the past 12 months. Increased TV revenues reflecting subscriber growth a 7.1% over the last 12 months and revenues from our home and business smart technology business lines including security. Adjusted wireline EBITDA of 487 million increased by 11% reflecting an increased margin contribution from TELUS International higher internet margins, higher TELUS Health margins and the implementation of IFRS 16. Adjusted wireline EBITDA margin increased by a 140 basis points in that time period. On a pro forma basis, after IFRS 16, wireline adjusted EBITDA growth was 4.3%. Notably, we once again led the industry on wireline EBITDA growth both on a reported basis and excluding IFRS 16. Furthermore, when normalizing the impacts of IFRS 16, we're the only carrier in the industry to drive positive wireline EBITDA growth, a notable achievement reflecting the quality of our wireline assets including the unique TELUS International and TELUS Health businesses.

Putting it all together on Slide 12, consolidated revenue and adjusted EBITDA growth continued to be driven by positive contributions from both our wireline and wireless operating segments. And with and without -- sorry, the impacts of IFRS 16. We recognize the strongest consolidated adjusted growth of amongst all our peers. Adjusted basic EPS of $0.76 increased by $0.02 or 2.7% due to EBITDA growth partially offset by higher depreciation and amortization reflecting growth in our capital asset base and increased financing costs. Please see the appendix of our Q3 presentation for further summary of EPS. As highlighted on Slide 13 consolidated CapEx, a $748 million was down 1.8% compared to Q3 last year and reflected a CapEx intensity of 20% flat to last year. At the end of the quarter, more than 2.1 million premises or 67% of our high speed broadband footprint or approximately 3.2 million premises were covered by TELUS pure fibre. This is an increase of over 400,000 pure fibre premises over the past 12 months. Free cash flow before income taxes increased 18% to $417 million. Free cash flow of $320 million increased by $17 million or 5.6%over the same period a year ago. It's important to remind investors that the adoption of IFRS 16 as with IFRS 15 is an accounting change only and does not affect our economic results, our economic financial position or the cash flows of any business.

Our free cash flow metric is calculated accordingly and summarized in our free cash flow continuity in the appendix of our presentation. I'd like to highlight under the alternative free cash flow definitions being used by our peers, a free cash flow growth would have been between 20% and

30%. Overall, we delivered another quarter of very strong financial and operating results building on our Q3 year-to-date results that remain on track to achieve our full-year 2019 consolidated financial targets. Today, we're reiterating our 2019 guidance targets that we set back in February. We also provide a preliminary CapEx target for 2020 and 2021 and expect capital expenditures of approximately $2.75 billion in each year. Our CapEx plan reflects the continud expansion of our leading fibre footprint, and positions our converged network for future capabilities that 5G networks will enable while supporting our sustainable cash flow expansion.

Looking further out, we remain excited about the future cash flow opportunities as we increasingly near the completion of our generational converged broadband build while maintaining our transparent leading dividend growth program and our commitment to balancing the interest of all TELUS stakeholders.

With respect to our dividend payout ratio, we continue to expect to be within a free cash flow of payout guideline of 60% to 75% on a prospective basis in 2020 as discussed previously.

Let me now turn it back to Robert for the Q&A.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thank you, Doug. Mike, can you please proceed with the questions from the queue.

QUESTIONS AND ANSWERS

Operator

Okay. First question comes from Maher Yaghi from Desjardins Securities. Please go ahead.

Maher Yaghi - *Desjardins Securities Inc., Research Division - VP, Telecom, Media & Tech Analyst and Intellectual Property Analyst*

Thank you for taking my question. I have just one on the wireline and the second on the wireless. The margins on wireline were notably higher, can you discuss a little bit about the sustainability of those margins or your -- the path that you see going forward on that what's helping in driving that positive performance. It's been a long time since we've seen that kind of a move in your margins in the wireline. And the second question more I would say bigger picture Darren. When you look at the environment in wireless in kind of an it has shifted and investors are more concerned about the profitability of the industry. You've been working and leading businesses in that segment for a long time. Can you talk about how you see the telecom wireless business in Canada in general compared to its historical profitability matrix, has it changed, is ROIC different as you view with going forward with the launch of unlimited the fact that companies are continuing to subsidize with these plans and the profitability as you look into 2020, 2021?

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

Maybe I'll kick it off and let Doug top up in terms of anything that you want to just say on the wireline margins. The wireline margins if you normalize for IFRS 16 are about flat modestly diminished on an apples to apples basis year-over-year in the circa 29% zone which is I think a positive thing for us given certain maturation characteristics of the business and what we want to do in terms of getting over the 30% threshold in the near term and getting the 35% wireline margins over the medium term which I think certainly is achievable for this organization. And so, if you look at what's going to get us the 35% margins on wireline that I believe are achievable. Firstly, I would say improving margins at both our TI operations and to a lesser extent TELUS Health. TI is as you know is still processing the acquisitions of both Xavient and Voxpro and the maturation of those two acquisitions as we develop our ITO franchise within TI's operations. We look at where the margins are now within TI, they're slightly above 20% on a IFRS 16 basis and we think with certain moves in the future we can move those margins up to circa 25% or slightly better than that. And then, with the scaling of our TI operations which is scaling extremely well right now, the weighted average mathematics within the totality of our wireline base I think is going to support significantly our desire to cross 30% and hit our 35% goal in the medium term.

Second thing that I think will help on this particular front is the acquisition of ADT and the overall growth of our security business. Our security business has been growing very well for TELUS organically. So, I'm very hopeful that this acquisition will buttress what is an already strong performance within organization. And that's going to help us in terms of economies of scope in terms of the home bundle as we go from voice and data and entertainment to health and security. That will be very attractive in both the revenue generation level but also at the cost efficiency and retention level. Indeed, we have seen that where we have security included within the overall telecom data and entertainment package, we are seeing double digit decreases in churn which helps significantly the economics of our wireline offering. So, the bundling play there is going to be key. The other thing that's going to support TELUS in terms of hitting 35% margins is the ubiquity of our fibre footprint. As we're about to hit 70% and on our way to 80% coverage of our original optic footprint by the end of 2020, that's going to be very meaningful to our economics because multi-product penetration is significantly greater on fibre than it is on copper and churn is significantly better on fibre than it is on copper. And that holistically is going to help our business overall. And then lastly, as we continue to simplify our business holistically, what we have done on wireless in terms of smart simplification is also indicative of what we're doing on our wireline operations and taking cost out of our business is of paramount importance to us. And it's a lot easier to do when the business is simple versus when the business is complicated and that comment is extensible from rate plans right through to the systems that support the go-to market operations of the organization and our service quotient.
And then finally, the other thing that's going to support our margins hitting 35% within TELUS wireline, are two key components, one is the continued progression of our digital thrust and the digital transformation of our business which again is easier when we're making the business simpler. And secondly, having the secret weapon of TI where we can leverage cost efficiency quite significantly and we don't give up any dilution in customer service excellence because that's as much a hallmark of that organization as it is at TELUS on a domestic basis. So, that's kind of the progression as to where we're going on the margins front and I thought it was appropriate to give you a level set in that regard and I'm pretty bullish on what we can do on that growth. And when you look at what we delivered on wireline in terms of globally leading EBITDA a progression and the fact that our RGU net additions are not just positive but they're materially positive. I believe that those things are a potent combination and I'm looking forward to them along with wireless making a tidy contribution to the free cash flow of this organization in the future as we wind down our fibre build of having answered the preponderance of that challenge as we go through 2020, '21, '22 and the like.
In terms of your question on wireless. I don't know that TELUS is wanting to be an anarchist here but I remain very bullish on our wireless business. And let me tell you why in this regard. Firstly, the quality of our loading was extremely high and economically accretive as we focus smartly on value. We're getting great resonance with our Peace of Mind plans with our Easy Payment device financing plans with our family discounts and what we're doing with initiatives like bring it back and that traction is both an absolute comment but also on a relative basis. And I would say that our new service offerings are performing well and the responsiveness from customers is meeting or exceeding our expectations. Secondly, I think these are a very welcome bolstering to our premium TELUS brand. A lot of wireless in the later years has been all about the flanker brands but I think this provides a rejuvenation of the premium TELUS brand and I think that will be a very good thing for investors leveraging smartly and astutely our balance sheet as it relates to Easy Payment device financing is enabling more customers to choose. And more customers to afford next generation devices whilst mitigating significantly the subsidy that we've been absorbing and frequently the unrecoverable subsidy that's been dilutive to overall economics and I think that's a smart thing for us to do. And this particular structure that we've now set up isn't just good in terms of customer service excellence responsiveness and the like. I think it's going to be significantly accretive prospectively to the financial objectives of the organization because it'll support operational excellence.

And when you peel the onion and its early days on this just yet. And there is an aspect of the J curve that we're going through here and I would say TELUS is weathering this J curve in an extremely ardent fashion if you look at both ABPU and ARPU. But to give you some tangible empirical evidence that you can point to. As it relates to today's migrations, 50% of the migrations are step ups. In our original business plan, we anticipated 70% of the migrations to be step downs. Now, there is a reality of that from a weighted average mathematics point of view that the magnitude of the step ups is not as great as the magnitude of the step downs and that's the J curve that we're going through. But we're weathering it very well. And I would say that we're ahead of our business plan in that regard. Clearly, we're experiencing improved results on the unrecoverable subsidy component compared to what we were experiencing in our legacy plans because God knows that was a reality and we were doing quasi financing in any event.

And I would expect that particular economic sobriety to be more consistent and more pervasive across the industry into the future. Third, because this is all about smart simplification, not just for the customer and making it easier to do business with us but also our company. This is driving significant digital adoption. I made the comment that digital adoption was up 60% , it was up a 120% in the month of September. And when you got that degree of simplification, it allows you to deliver better service more cost effectively for this organization. And when I talk about better cost efficiency, I'm talking about fewer inbound calls to our call centers, I'm talking about the digital adoption component, I'm talking about fewer contract credits, I'm talking about easier to put more business with TI offshore, shorter training cycles and the like.

The other thing that I think is encouraging in terms of where we want to go with network revenue growth prospectively and the EBITDA flow through that comes from it is that data is up in terms of usage by circa 50% for those people that are migrating to the new plans. And then, there is always smart things that we can do. If you look at our most recent launch or Peace of Mind connect where we are facilitating the sharing of data by a consumer across their multiple devices whether it be their tablet, their watch, their wearable, if you will or connected car and of course their smartphone. Being able to do that on a connected basis and share data amongst their multiplicity devices, we price that at $85 and traction on that particular program is going well. And that will help accrete our ARPU prospectively. And I just feel that doing stuff that's smart for consumers, but also economic for our company is going to be very positive for investors prospectively.

So, I'll pause there and see if Doug wants to make any comments on the wireline margins front.

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

I think you covered wireline margins very well Darren. I think the only maybe thing on wireless I will top-up on is when we changed our reporting to break out mobile phones versus connected devices, it was to absolutely focus on value for our customers and delivering to them what they want, while maximizing the margin component and not chasing a loading number at all costs. And I think that's the other way we're managing through it of giving customers exactly what they want while managing the financial outcomes associated with that and that change was absolutely related to doing that.

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

And it's good as well because one of the other things that doesn't get discussed because of the purity of our focus on smartphones is that, our connected devices portfolio was up significantly on a year-over-year basis for TELUS. And as we scale our IoT business that is going to make a tidy contribution to wireless revenue growth, wireless ARPU, revenue growth and EBITDA flow through in the years ahead because the margins on our IoT business are extremely attractive for this organization and I think doing those things in combination with some of the cost efficiency characteristics of our new plans will be very positive for cash generation.

Robert Mitchell - *TELUS Corporation - Director of IR*

Mike, next question?

Operator

Yes, next question comes from Vince Valentini from TD Securities. Please go ahead.

Vince Valentini - *TD Securities Equity Research - Analyst*

Thanks very much. And thanks again guys, your outlook commentary on free cash flow and dividends and now CapEx is very appreciated relative to what we get from most of your peers. So, with this $2.75 billion number, is it fair to say that your wireless CapEx intensity is unlikely to decline in 2020 and 2021, as you start to rollout more 5G network elements, so most of this decline you'd be expecting is on the wireline side?

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

I think that's a fair assumption, Vince.

Vince Valentini - *TD Securities Equity Research - Analyst*

Great. And just one follow-up, you've probably been busy with your own numbers this morning. But, if you saw Quebecor/Videotron announced a pretty huge increase in sub adds year-over-year I mean, given that they only cover Quebec, they added 57,000 subs, it seems to be them taking a lot of market share. I know you said, the overall market was competitive in Q3 and back-to-school season. Can you comment at all is Quebec sort of an extra step up in competitive intensity versus what you may see in other provinces or is it just par for the course?

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

I would say, it's slightly more acute within the province of Quebec, given the competitive characteristics of that market with the players that are entrenched there. And some of the bundling strategies that are deployed is some more challenging market economically, on average, having a lower ARPU than the rest of the country. So, the bump and grind within Quebec is indicative of the industry in totality, in terms of the competitiveness. But I would say, it's fair comment to articulate that it's more acute within Quebec.

Vince Valentini - *TD Securities Equity Research - Analyst*

Thanks.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thanks, Vince. Mike next question.

Operator

Next question comes from Drew McReynolds from RBC. Please go ahead.

Drew McReynolds - *RBC Capital Markets, Research Division - Analyst*

Thanks very much. Good morning. My question is around your migration path to unlimited Darren and Doug, you've provided some pretty good context here this morning. Obviously, for the big national players that migration path looks slightly different here. Can you comment on your timeframe for migration? We're seeing Rogers, clearly do it quick perhaps BCE do it much slower. Just wondering kind of your thoughts on that timeframe and whether Q3 KPIs such as ARPU and margin here is somewhat indicative of what to expect going forward maybe how those trend based on your expectations today? Thank you.

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

So to hit the question right on the head, Q3 I think is a good indicator of what you can anticipate in Q4 and Q1 as we go through the transitional period in terms of the robustness and resiliency of our overall performance, we expect ARPU to be relatively stable. And so, let me give you the specificity of that clarity by highlighting that the Q3 results are indeed indicative, if you're drawing inference in terms of forward-looking expectations. A couple of things in terms of speed, maybe a good way to look at it is, we're not pushing it overtly in terms of speed of migration. We're being responsive to customers. But, it's not something that we're overtly looking to rush. However, we want to get on with it and get through this particular period, so we can harvest significantly the benefit. So, I would say, maybe a positioning point for us would be somewhere in between Bell and Roger. Secondly, for this organization, as I said on the previous call, we put about nine months of effort in compiling our activities on unlimited or what we call Peace of Mind endless data plans and device financing. So, our level of preparedness on this was significant. Our systems preparedness, our channel preparedness on this front, our call center preparedness culturally within this organization, as well as certain cost efficiency moves that were preparatory in nature, for the advent of these plans. And I think that is a credit to TELUS as an organization, which is allowing us to do a very good job, not just weathering this transition, but leveraging this transition and delivering very solid results on the wireless front, both operationally and financially.

Secondly, if you look at things that get diluted or mitigated, let's pull out data overage by way of example, dealing with that reality has been something that TELUS has been proactively coming to grips with for years now. We were the first to drive real time notifications and overage protection, which were excellent precursors to shallowing out the J curve on Peace of Mind. If you look at the pie chart of our revenue composition, blended data overage only represents mid single-digit as a percentage point of our total network revenue composition. So, our exposure there is significantly modest. Thirdly, we're getting a great offset. As I said, we expected about a 70% down drift on the migrations, and what we've seen is a 50% up drift on the migrations. We are very transparent about saying that that the magnitude of the up drift is slightly asymmetric. It's not as big as some of the down drift draft on that but nevertheless, the increased data usage of people that are migrating being at 50% is having a significant benefit to this organization. And it's paying for the down drift on the rerate.

The other thing that is a reality is that the number one dissatisfier for customers was data plan breaching was overage and the hidden costs associated with that number one client dissatisfier on the breaching of their data plans and not having that security or Peace of Mind was extremely significant for this organization. And to be able to launch the Peace of Mind plans and the device financing and smartly drive a cost reduction strategy that has been thoughtfully planned month-over-month-over-month in preparation for this implementation has been key. We are driving down inbound call volumes to our call centers, our channels are executing better because they don't have to 1,700 factorial combination of rate plans and devices. Our digital thesis has enjoyed a quantum uptake, the number of contra apologies and goodwill credits that we've been giving to our customers has slowed. And then lastly, it's easier to up-sell a happy customer as it relates to multi product bundling than one that's got a lot of dissonance because of unexpected charges on data plan breaches and the like, I could go into it further, but I'll just put a cap on it by also saying that addition to digital, the complementary component to that is, it allows us to more easily leverage our TI asset.

And then going forward, I like what's going to happen post the shallowing out of the J-curve with what I can see in relentless continued data demand, supported by data applications and data devices that will make a tidy contribution in network revenue and EBITDA growth that will be exciting. I'll expect to see step ups get to the point where they're now net mathematically accretive economically for this organization as we progress through the J-curve. And there is oodles of upside on the wireless business as it relates to IoT. You look at the IoT growth that we delivered, they're great numbers, but we not yet scaled, the scale opportunity on IoT on the retail front, on the wholesale front, on the B2B front. And as it relates to key verticals for this organization including health and AG tech, I think it could be very exciting the type of growth that we can deliver from that into the future. So, I want to apologize for being bullish on wireless because I think there's a long way to go. And I think the new rate plan construct has a lot of economic efficacy to it.

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

And Darren maybe just to top up a tiny bit, I think the transparency around your rate plan versus your handset has also been a very key simplification and we have the tab construct where customers know exactly where they are on their handset versus their rate plan and now on T-brand having a split between device financing and the limitless data. It also makes simplicity and a trust with our customer base that allows for that loyalty and incremental benefits that Darren suggested.

Drew McReynolds - *RBC Capital Markets, Research Division - Analyst*

Thank you.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thanks Drew. Mike, next question?

Operator

Next question comes from Simon Flannery from Morgan Stanley. Please go ahead.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Thanks very much. Good morning. Congratulations on closing the ADT purchase, can you just talk about the plans for integration there and to kind of stabilize the operations of that unit? And then given the election, Darren would be great to get your perspective on how you see the regulatory environment for you and for the industry in 2020 and beyond? Thanks.

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

Thanks, Simon. A couple of things, one is today, we've been operating our SmartHome Security and Smart Business Security unit as a distinct complementary business of TELUS and ADT is going to get folded into that distinct operation. And we think that's the right way to integrate the asset for the near-term. Longer term, we can look at more significant integration, but right now, we're very keen on building a very strong consumer and B2B security practice at the TELUS organization given the significant upside that we see here. Secondly, as it relates to stabilizing the business, I would say, we're encouraged empirically by the evidentiary documentation that I've seen in terms of what we have done post the AlarmForce acquisition. Organically, we grew by 14,000 in Q3 with our security practice that's the fastest growing security practice in North America. And we've shown that not only could we buy security operations and we made additional procurements in that regard beyond just the AlarmForce, not only could we just -- could we do better than just stabilizing those businesses, but that we could turn them into being both RGU accretive and financially accretive.

And one of the key factors, of course, is the way that despite the fact that we are running a distinct security practice, we are bundling our security product line in a very beautiful, elegant and potent fashion with the totality of our future friendly home portfolio. And maybe just to give you some, I think some interesting stats on why we like the investment in ADT and building on what are very strong foundational organic operations on the security practice. If we look at the circa 500,000 clients that we're now bringing in, we're adding them to a organic operation, where about 50% of the smart security customers that we're generating are new to security. So, we are expanding the size of the security market. And we intend to significantly expand the addressable market for security solutions from managed security solutions to productized security solutions, to do it yourself, security solutions. Kind of the best way to describe it, we're taking an approach to expanding the addressable market on security that would be emblematic of the wireless approach on TELUS, Koodo and Public Mobile. And so we're looking to significantly extend the reach of security and introduce a lot more clients to one of the three versions of our security offering being managed, productized or DIY.

Also, in terms of our existing operations to-date of the new security clients that we're winning, 25% are new to TELUS. So again, this is not just about product intensity, but also going out there on a hunting basis and securing new relationships for the TELUS organization and I like those two particular metrics significantly. The other thing that is attractive is the gross synergy. This is not a gross synergy story that is exclusive to consumer FFH. This is a gross synergy story that's got great legs on B2B. To complement what we're doing with third wave data solutions on B2B, it's got great growth synergies with health, particularly within the consumer market. It's a potent combination to combine Peace of Mind security, with Peace of Mind consumer health and to drive health and security along with telecoms data and entertainment into overall home automation. It's also an acquisition and a growth thesis in security that's building a nice vertical play for our TELUS International Business. Because not only is TELUS International going to support the cost economics of TELUS in terms of growing and scaling our security operations, but it's going to take that practice and it's going to sell external to TELUS in that regard to the overall global market, leveraging TELUS as an anchored client within the newly developing TI security vertical.

The other thing where I like it from a synergy or an adjacency perspective is that, this has set up very well to amplify TELUS's cyber security practice as a result of this acquisition, which I think is going to get all the more relevant within the 5G world. And it's not just cyber security adjacency in the 5G world, but it's also what our growing security practice can do in terms of smart buildings and smart cities, which is going to be a fantastic leveraging of the combination of security with 5G wireless, with PureFibre and I would say from both an economy of scope point of view as well as an economy of scale point of view, the security acquisition is going to be accretive to the ROI that we're going to be deriving from both our fibre and our 5G CapEx programs. I like the fact that it diversifies our asset base, we don't talk a lot about risk management. But, I could imply within your second question in terms of what's going to happen within the federal government landscape that risk management is an overall consideration. Well, I would say, moving into security, which is, not been a heavily regulated industry helps do in many, many ways, not just regulation, but diversify our asset base and help us build a more resilient portfolio, all at the same time giving us great commercial cross-selling opportunities either security into our existing telecom base or our telecom base into the ADT security footprint.

And then lastly, I really do like what it does for our churn. And as I said at the start, we've got the empirical evidence from what we have seen post the AlarmForce acquisition and the building of our security practice that where we have security inside a future friendly home bundle, including internet and TV. We've seen a double-digit reduction in internet and TV churn. And I think that's a very attractive economic factor overall. So, I'd say that's kind of the rationale behind what we're doing on security in general and why we thought the ADT investment was a smart thing for this to do. For this organization to do and why we're frankly very excited about what we can build under Jason MacDonnell, who is the President of our security business and he has a significant mandate to drive a material level of RGU accretion on the security front by 2022, where we want to hit a million security subscribers. And this particular acquisition was a great step in that direction.

On the federal election front, I think, early days, in terms of commenting at this juncture. What I would say is that Canada has got an absolutely fantastic story to tell. And the government should be both provincially and federally upholding the leadership positions that we've been out to establish as it relates to the technology within our industry. And I would make that argument because broadband progression in Canada matters disproportionately in comparison to our G-8 or G-20 group. When you've got the demographic and topographical challenges that we have in this country, we need to have broadband ubiquity to bridge time and distance and to support digital transformation for the betterment of consumer lifestyles, the productivity of our private sector and the effective and efficient running of our public sector operations. And in particular, leveraging digital transformation to drive critical changes that are necessary in key social thrusts such as education, health, the environment and bridging both the geographic digital device, as well as the socioeconomic digital devides within this country. And that's exactly what TELUS has been doing to put an empirical point on it, when you're looking to hit 80% fibre coverage of your original optic footprint, by the end of 2020, we're putting our money where our mouth is. And we're going to do exactly the same thing as it relates to 5G. And every time we've launched a wireless technology in Canada, it hasn't been exclusively for the betterment of those people living within our urban confines. But we've driven that particular technology into the rurals hitting levels of coverage that have been circa 99.7% in terms of our wireless footprint and our technology progression.

Secondly, when we do this in Canada, we don't do it on an average basis. We do it on a world leading basis. Go back several years now and say where does Canada stand when it comes to broadband technologies both wireless and wireline in terms of speed, coverage and reliability. On average, we're number one globally. And so, it's great that it matters more in Canada. And when it comes to the Olympics of broadband excellence, we've got the gold medal hanging around the neck of this particular country and it's not been through happenstance. If you look at the OECD data, we typically ranked number one up when it comes to investment per capita.

We've done a lot of discussion on this particular call about the Peace of Mind plans and device financing and this supports significant progression as it relates to wireless affordability in this country. And we're now in a position where we can state unequivocally and with the analytics to back it that we are significantly better than our peer group not just when it comes to the quality of service, but we are extremely attractive when it comes to the affordability of our wireless offerings including being more affordable in Canada than the U.S. and offering significantly better service than the U.S. when it comes to wireless speeds and wireless coverage and I think that's a great by-product component of the Peace of Mind offerings that have gone out there. And I think they really support the supposition that the necessity for government intervention in our industry is not just reduced dramatically, it's basically at odds on with what the reality is within the client experience whether it's the affordability of the service, the transparency of the service, the ability to finance the wireless offering, the comparability of the economics where it's better value in Canada than other jurisdictions like the U.S. that enjoy superior demographics. And at the end of the day the excellence of the service whether it's the speed, where the speeds in Canada are twice that of the U.S., whether it's the coverage where it's not just excellent in urban but it's excellent within the rural dominions and the reliability of the service we consistently lead on fewest number of dropped calls or best-in-class on access failure rates. This is a terrific a Canadian story.

And then finally, look at what we're doing to leverage that technology for society. I talked about three of them within my opening remarks today, but as it relates to the income quintiles in Canada and people that are economically challenged, people that are on the more challenging end of the socioeconomic digital devide, TELUS is out there offering very low-cost, below-cost highly subsidized internet for those homes so that people are not left by the wayside in terms of participating within our digital society. We're out there helping our youth that are aging out of foster care with free phones and free 3 gig data plans so they too can participate in our digital society when they are looking to go-to-school or apply for a job or stay connected with their support group along the way or within our universal healthcare system not tolerating those people that have to sit outside of the system because they're living on the streets that they can't come to the healthcare system, we'll take the digital health care system to them through mobile clinics and take a more inclusive approach and again have them enjoy the benefits of what digitization can do to healthcare. So, I think the reality of all these points has to eventually permeate the hearts and minds and decision makers in Ottawa and allow them to take fact-based policies into the future that are predicated upon the longer-term good of Canada and are based on empirical evidence, evidentiary documentation and facts rather than rhetoric.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Right, thanks for that.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thank you, Simon. Mike, we have time for one more question.

Operator

The last question comes from Jeffrey Fan from Scotiabank. Please go ahead.

Jeffrey Fan - *Scotiabank Global Banking and Markets, Research Division - Director of Telecommunication Services & Canadian & U.S. Telecom and Cable Equity Research Analyst*

Thanks and thanks for squeezing me in. I wanted to just touch on the CapEx guidance for the next couple of years and I'm just trying to understand what's going on with respect to that and the messaging behind it. It sounds like the slowdown or it is related to the fibre build. Are there any regulatory impact related to how you think about the investment just tying it back to the last question, there are some decisions that are coming down the road. I'm wondering whether that has any impact on how you think about the investment for the next couple of years. And then just financially, are we expected to kind of just think about the CapEx reduction as a direct flow through to your free cash flow for the next couple of years? Thanks.

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

Jeff, let me again in TELUS style try and answer this question very directly and transparently. The forward-looking CapEx guidance that we're providing and the nominal CapEx number that we are articulating for 2020 and 2021 does not include or anticipate any diminution related to regulatory policy, regulatory intervention or government intervention. The moderating CapEx as I said earlier, is predicated off the back of an easing appetite in wireline CapEx because of the progression of the fibre build that this organization has delivered that is the preponderance of the explanation in that regard. And there's nothing fancy about it. It's the fact that we started earlier on fibre deployment and I can tell you it wasn't an easy decision that we took in 2013. There were a lot of pundits even within TELUS we were a house divided and there was a certain amount of bloody mindedness that was supplied to say that we were going to tackle this challenge we were going to do it earnestly, we were going to do it at scale and we were going to earn our way. And so, the reason that we're at the point now of hitting 70% coverage of original optic footprint by the end of this year and only a few weeks away or 80% plus by the end of 2020 isn't because we founded some new deployment technology or discovered some great micro trenching strategy. It's because of the fact that we began earlier, we took that risk and we put our hearts and minds and our skill into doing that.

The second thing that was key Jeff, is that we made a moral contract within the organization back in 2013 which said, so long as we generate great wireline results, we will keep making the fibre investments. So that's the balancing act at TELUS. We have to earn our way to the CapEx related to scale significant fibre employment. So at the end of the day, if we don't deliver great RGUs and great financials we're going to see a diminishment in our fibre spend. That was the moral contract that was struck back in 2013. We said if we're going to do this and if investors are going to back us we have to earn the way to that CapEx deployment by delivering excellent results in terms of net RGUs on the FFH front, complemented by very strong results on the financial front. And you can see that quarter in, quarter out, seven years of EBITDA growth in that regard. Look at what we've delivered: 53,000 RGUs this past quarter; that's up 20% on a year-over-year basis and it compares decidedly favorably with our peer group. I would say we're earning our way on that fibre investment. If you look at our internet base over the last 12 months, our base is up 7%. If you look at the fibre math, we're now at about 800,000 fibre relationships in 127 communities and what we call product intensity, what you would call multi product bundling it's significantly greater on fibre than it is on copper and the churn is significantly lower on fibre than what it is on copper. So it really does support the overall bundling thesis and I include wireless within that particular bundling comment.

And so now, as we're getting to that 70% to 80% zone what we're doing is, we are foreshadowing a moderating appetite as it relates to the fibre and the key economy of scope that we articulated a long time ago when we began the fibre journey is that the fibre progression isn't just to support faster internet or multi product bundling or economies of scope yada, yada, yada, it's a fibre build that will eventually be the backbone of our 5G wireless network, which is exactly what's came to fruition. And as 5G gets commercialized over 2020 and 2021, isn't it a fantastic position for TELUS to be in where we've broken the back of our fibre build and can deploy it the good of that to be the front haul delivery and the backhaul redistribution of our 5G wireless traffic. I mean, could you imagine us being in any better of a strategic position that we're in right now and on top of that part of the moderating CapEx is that with 80% fibre coverage, you can be very judicious as to do we do fibre direct there to the prem or do we start looking 3.5 gig or millimeter wave spectrum to do point-to-multipoint fixed wireless as the access mechanism because the economics are superior. What a great discretionary position for us to be in that regard.

And then lastly, against the moderating CapEx we have two additional contributing factors. We are the transactional one that the hygienic one maybe the less meaningful one is the fact that the non-recurring tax hit on cash taxes that we took in 2019 won't be repeating itself in 2020. The more meaningful, the more sustainable, the more chronic one is that the moderating CapEx is going to be met by significant continued EBITDA growth and EBITDA expansion coming from EBITDA contributions on wireline, like what I just articulated. EBITDA expansion coming on wireless in the matter that I've just articulated as it relates the data demand and IoT growth. But also the missing component that gets frequently overlooked at TELUS which is the EBITDA and value contribution that we expect to see from the scaling at TELUS International, the scaling of TELUS Health and the scaling of our agriculture technology business. And then finally, EBITDA growth coming from continued cost efficiency driven by the smart simplification of our business and so that's going to support I think a chronic and progressive free cash flow story for TELUS that's going to be very, very attractive for investors for years to come in general and on a micro basis supporting continued growth as it relates to our dividend policy and that's the bones of it from A to Z in terms of all the parameters underpinning it.

The only other comment I would make is that if we do get extremely onerous or interventionist activity by the government, we would rethink our investment policies as any prudent organization would do in the face of a regulatory abnormality that is not economically conducive. But that's not the driving force and that's not what's in the profile that I just articulated to you that combination of moderating CapEx and EBITDA growth and exposure to the emerging businesses on TI, health, AG Tech all underpinned by great cost efficiency supporting that free cash flow growth story and dividend accretion.

Robert Mitchell - *TELUS Corporation - Director of IR*

Thanks, Jeff. And thank you everyone for taking the time to join us today. If you have any follow-up questions please feel free to reach out to the IR team later today.

Operator

Ladies and gentlemen, this concludes the TELUS 2019 Q3 earnings conference call. Thank you for your participation and have a nice day.