Operator
Good morning, everyone, and welcome to the TELUS 2021 Q2 Earnings Conference Call. I would like to introduce Mr. Robert Mitchell. Please go ahead.

Robert Mitchell - TELUS Corporation - Head of IR
Hello, everyone, and thank you for joining us today. Our second quarter 2021 results news release, MD&A and financial statements and detailed supplemental information were posted on our website this morning at telus.com/investors.

On our call today, we will have remarks by Darren Entwistle, President and CEO; Zainul Mawji, EVP, Home Solutions; and Doug French, EVP and CFO. As well for the Q&A portion of our call, we will be joined by Tony Geheran, EVP and Chief Customer Officer; François Gratton, EVP and Group President, TELUS Health, Telus Agriculture and TELUS Quebec; and Jim Senko, EVP, Mobility Solutions.

Very 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 2021 MD&A, our 2020 annual MD&A and filings with the Securities Commissions in Canada and the U.S.

With that, over to you, Darren.
Darren Entwistle - TELUS Corporation – President and CEO

Thanks, Mitch, and hello, everyone. For the second quarter, our team once again achieved strong operational and financial results at both TELUS and TELUS International. This continued execution excellence, realized against the backdrop of the ongoing global pandemic, was truly characterized by the consistent combination of industry-leading and profitable customer growth, yielding strong financial results across the totality of our business.

Our continuing robust performance reinforces the effectiveness of our globally-leading broadband networks and superior customer-centric culture, underpinned by our highly-engaged team and their passion for delivering outstanding connected experiences. This contributed to leading customer net additions of 223,000 and industry-best client loyalty across key mobile and fixed product lines. Notably, blended mobile phone, voice, fibre, internet and optic TV churn were all once again below 1% in the second quarter. Moreover, our results were buttressed by a highly differentiated and potent asset mix geared towards high-growth, technology-oriented verticals, which I'll discuss with you in just a moment.

Looking at our consolidated financial results for the second quarter, we achieved revenue and EBITDA growth of 10%, respectively, year-over-year. This performance reflects continued resilience and execution excellence and bolsters our unmatched capabilities and competitive position for the post-pandemic recovery.

Let’s take a look now at our mobile operating results. TELUS once again achieved industry-leading customer growth. This included healthy mobile phone net additions of 89,000, which were up close to 50% over this time last year. For connected devices, we realized strong net additions of 84,000, up 51,000 or 2.5x over last year, reflecting increased demand for IoT solutions from new and existing customers. Importantly, our team yet again delivered another quarter of best-in-class loyalty results. Blended mobile phone churn was 0.81% and was essentially flat over last year. This performance is backed by strong digital capabilities and superior service offerings over our world-leading broadband networks.

At a time when network connectivity is truly more important than ever, TELUS was once again recognized as having the fastest wireless network in Canada for the first half of 2021 by the independent U.S.-based Ookla organization. This is the fifth year in a row Ookla has ranked TELUS’s mobile network as #1 in Canada. This is a true demonstration of the incredible expertise and dedication of our entire team including our engineers, technologists and network innovators.

Against this backdrop, in the recently concluded spectrum auction, TELUS successfully acquired 25 megahertz of 3,500 spectrum licenses in our broadband footprint. Combined with the spectrum acquired privately previously, TELUS now holds on average 40 megahertz of 3,500 megahertz spectrum in our key markets. These licenses are going to enable TELUS to deliver enhanced mobile 5G broadband connectivity to our customers on a national basis.

By securing the critical spectrum necessary to bring transformational, next-generation 5G connectivity to Canadians, TELUS is able to continue to offer the globally leading network reliability, speed, coverage and low latency our fellow citizens need to realize improved outcomes in our digital world.

Importantly, having the fastest network on a global basis matters as it drives the innovation that enables the diversity, productivity and competitiveness of our country’s private sector supporting economic growth and job creation for our nation. It also matters because it helps us answer society’s most pressing social challenges in health, education, food security and environmental sustainability while improving economic equality for the benefit of all Canadians. That’s why 5G technology matters.

However, 5G spectrum auctions around the world confirm that international carriers pay much less for this resource than their Canadian counterparts. Indeed, Canada's position as a global network leader is being undermined by burdensome regulations governing access to spectrum and its cost. Going forward, if we are all to truly benefit in terms of Canadian, if we are going to accelerate the government's innovation and affordability agenda and if we are going to transition successfully into a 5G world, we need responsible, forward-looking and predictable regulatory
policy that ensures expeditious, fair and economical access to this national asset so that Canadians can continue to benefit from networks that are the best on a global basis because our country and our societies need it.

Going back to our wireless results and having a look at the financials. In the second quarter, ABPU and ARPU increased by 0.2%. The positive impact of the continued successful adoption of our Peace of Mind endless data plans was partially mitigated by ongoing industry-wide pressure on roaming associated with pandemic-related restrictions and, of course, reduced travel again in the quarter. Despite this, we drove a 3.7% year-over-year improvement in mobile network revenue. This is reflective of the high-quality customer growth and upgrades that we are achieving and the strong underlying ARPU improvements resulting from this, which will, of course, become increasingly evident as roaming eventually recovers.

Turning now to our wireline operating results. TELUS once again delivered another quarter of robust customer growth, which was industry-leading again across the board. We achieved total fixed net additions of 50,000 in the second quarter, driven by continued strong internet loading and strength in security and TV as well as continued moderate and stable residential voice losses.

Total wireline subscribers were up more than 5% on a year-over-year basis, while net additions in the quarter were up more than 6%. The increase in net loading was in spite of the COVID-related impact in the prior year period. This included heightened demand for internet services as initial lockdowns took effect a year ago in addition to a marked slowdown in market activity and client moves. Ongoing robust wireline customer loading comes on the back of our accelerated broadband expansion program, which is now well underway. In a minute, Zainul is going to have an opportunity to provide further commentary on our leading fixed results as well as our broadband expansion program.

This leading performance underscores the unique and highly attractive bundled offers available to customers across our superior product portfolio, coupled with our team’s focus on leveraging the distinctive competitive differentiation inherent in our pure fibre network, which is becoming increasingly ubiquitous.

Notably, independent U.S.-based PCMag recently ranked TELUS as the fastest internet service provider in Canada for the second year in a row. This recognition from PC Mag and from Ookla, both highly regarded third-party organizations that are independent, comes at a time when the human connection is more important than ever, with people continuing to work, learn and access health services from the confines of their homes. This best-in-class standing across both our wireless and our wireline networks has also been consistently recognized by other notable independent third-party organizations, including U.S.-based open -- our U.K.-based Opensignal, Canada-based Tutela and U.S.-based J.D. Power. TELUS once again delivered impressive fixed data revenue growth of 14%.

This comes through a combination of higher revenues from our diverse service and solution offerings, including robust growth in internet and third-wave data services, strong growth in home and business smart technology solutions, inclusive of our security solutions portfolio in and of itself. It comes from resilient performance once again from our TV offering. And finally, it comes from uniquely increased revenues from our information technology-centric growth businesses.

Looking at TELUS Health. Our team drove 26% year-over-year growth in health services revenue with strong key operating metrics. This included earning 1 million new virtual health care customers over the last 12 months, representing an 83% increase on a year-over-year basis. We continue to leverage our leading position in health care technology solutions to deliver improved health outcomes for citizens through access to better and highly accessible health information.

Moreover, we continue to grow and integrate our TELUS agriculture business and expect it will also generate double-digit revenue growth and EBITDA growth prospectively, resulting now in increasing annual revenues in agriculture of approximately $400 million that we’re looking to achieve in 2021. With more than 1,200 team members supporting clients in over 50 countries, we currently provide digital agriculture solutions to 6 of the top 10 food suppliers globally and 9 of the top 10 agriculture customers in the world. As we continue to progress this business and our agriculture-related disclosure, we are confident that investors will gain meaningful insights into
this highly valuable asset we are creating as a globally-leading provider of agriculture technology, software and
data-centric solutions within our digital world.

Overall, revenue for TELUS Technology Solutions or TTech, which, as a reminder, includes both our mobile and
our fixed products and services, increased by 11% on a year-over-year basis, whilst EBITDA was up in excess of
7% and 8% when you normalize on an organic basis. Doug is going to have some more details on our TTech
financials in just a moment.

Turning to our digitally-led customer experiences or DLCX segment, which incorporates the results of TELUS
International's products and services. Earlier this morning, TI announced strong double-digit operating revenue and
EBITDA growth for the second quarter. TI is clearly demonstrating its position as the partner of choice for premier
digital customer experiences as it continues to win more business from existing and new clients alike. Indeed, our
passionate and talented team at TI are powering differentiated customer experiences for leading global brands through
end-to-end, next-gen digital solutions and services including its unique mix of content moderation and leading
artificial intelligence capabilities. Doug will also provide further details on DLCX financials during his commentary,
including the upward revision that they've undertaken to their 2021 guidance.

To conclude, we remain extremely bullish with respect to the continued and consistent operational and financial
prospects for our business. This is underpinned by the ongoing smart investments we are making in our leading
broadband networks, combined with our continued focus on customer experience leadership and digital
transformation and the resulting significant growth trajectory and efficiency benefits that these are certainly yielding.
Our confidence in the robust outlook for our business and expected resulting free cash flow expansion, amplified by
significant value creation in our emerging growth businesses, reinforces the long-term sustainability of our industry-
leading dividend growth program, which is now unbelievably in its 11th year.

Before handing off to Zainul, I'd like to take a quick moment to acknowledge the wildfires that have continued to
ravage many provinces across the country. The thoughts of the entire TELUS team are with those impacted by the
fires, including the families evacuated from their communities as well as the firefighters and first responders working
so tirelessly to keep our communities and fellow citizens safe. Here in BC, I'd like to take a moment to thank our
TELUS team members who have literally been working around the clock to support evacuees and local authorities
across the impacted regions, leveraging our cell towers on wheels, in addition to deploying TELUS's smart hubs
and hundreds of satellite and cell phones to keep everyone connected and keep everyone safe. In addition, we're
providing care kits and waiving fees for those tragically displaced from their homes as a result of the wildfires.

My sincere thanks go out to the countless TELUS team members who continue to demonstrate day in and day out
that when things are at their worst, our TELUS team is at their very best. Indeed, our TELUS team's passionate
efforts to support our communities and our customers and our fellow citizens further exemplifies our leadership in
social capitalism and our long-standing commitment to give back to the communities where we live, work and
serve. I remain exceedingly proud of and grateful for the entire TELUS team and the culture that we've created and
that they exude in action to deliver outstanding results for all of our stakeholders.

On that note, Zainul, over to you.

Zainul Mawji - TELUS Corporation - President of Home Solutions

Thank you, Darren. As our results have consistently demonstrated, our customer-first strategy is generating positive
returns. Customers continue to recognize the superior value of our bundled offerings and the significantly higher
broadband capacity, reliability, privacy and speed symmetry that our unparalleled TELUS PureFibre internet
services enable across homes and businesses.

As Darren mentioned, our world-class network continues to win international recognition. In June, U.S.-based
PCMag ranked TELUS as the fastest internet service provider in Canada for the second year in a row.
Impressively, PCMag experienced peak download speeds on our PureFibre network of up to 969 megabits per
second and upload speeds more than 9x faster than other widely available plans in Western Canada.
Notably, we increased our lead relative to our peers. In the quarter, we also launched PureFibre X, Canada’s fastest internet speed tier with upload and download speeds of 2.5 gigabits per second and the capability to deliver up to 10 gigabits per second. This next-generation fibre technology, combined with the new WiFi 6, the fastest home WiFi connection, will enable even better quality connectivity, further advancing the customer experience.

As we continue to roll out new capabilities, whether it’s PureFibre or 5G, it is with superiority in mind and the customer benefits at the forefront, resulting in strong take rates and healthy economics. These innovations and strategic investments are also reflected in our industry-leading mobility results led by Jim and his team, and we continue to enable strong customer growth and significant product intensification benefits across our home and mobility portfolio, driving further brand affinity and loyalty.

As Darren outlined, we delivered a record second quarter result with respect to wireline customers with an industry-leading 50,000 net additions, up 3,000 year-over-year. Supporting this outstanding result is our Whole Home bundle, leading to solid growth across all of our key product lines. Internet net additions totaled 30,000, our best second quarter result compared to all non-pandemic periods since 2002. Despite being down slightly over the same period last year, which was flattered by certain pandemic-related impacts, this strong result continues to reflect the ongoing robust demand for our leading PureFibre service.

We continue to drive strong TV attach rates with TV net additions totaling 11,000. Notably, we remain the only provider in North America to consistently deliver positive TV growth as customers recognize the unique value of our flexible packaging, fully integrating premium over-the-top streaming.

Residential voice net losses of 10,000 remained low and stable with prior periods as we successfully leveraged our expanding fibre footprint, bundled product offerings and strong retention efforts. Finally, our industry-leading security and automation net additions of 19,000 were up 7,000 over last year, reflecting the strength of our digital capabilities and innovations in virtual and do-it-yourself installations. We are continuing to expand our bundle of home and security automation, most recently with the successful launch of TELUS online security, providing both physical and cybersecurity solutions.

The second quarter marked the first full quarter of our accelerated broadband build with targeted investments across fibre, 5G and digitization. Back in 2013, we had the foresight to embark on our PureFibre journey with grit and performance-based community-driven outcomes, and we will continue to deliver on that investment. With the committed supply chain and labour force in place, our team enabled nearly 60,000 homes and businesses with fibre in the quarter, enhancing the significant opportunity for us to drive strong profitable customer growth on a sustained basis.

Our copper to fibre migration program is actively underway and building momentum with over 30,000 customers migrated to our PureFibre network during the quarter. Our efforts towards decommissioning copper are ahead of our peers, and we remain on track to complete the migrations by the end of 2023.

As we have shared previously, moving our legacy copper customers to PureFibre improves customer lifetime value on several dimensions. Across our PureFibre base, we see 25% higher product intensity than copper, supporting a 15% higher ARPU per home and a churn profile that is 20% lower as well as significant efficiencies with our cost to serve for PureFibre that is 25% to 30% lower.

Shifting to Consumer Health. In June, our team successfully launched LivingWell Companion on Apple Watch. This is a first in the Canadian market and revolutionizes the way aging Canadians experience wearable personal emergency response services. Demand for our consumer health services, including TELUS Health MyCare, have all continued to experience strong year-over-year growth in the second quarter and contributed to our total virtual care members, which now stands at 2.2 million members. This increased demand reflects the growing adoption of digital tools by Canadians that enable safe, efficient and effective access to health care.

As we look towards life on the other side of this pandemic, we remain committed to keeping our customers and communities connected, safe, healthy, educated and entertained. We are incredibly grateful and deeply humbled by the innovation, grit and passionate execution of our team, and we firmly believe that our continued investments in
superior networks, product diversification and digital capabilities, coupled with our long-standing culture of customers first, positions us to succeed now and well into the future.

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

Doug French - TELUS Corporation - Executive VP & CFO

Thank you, Zainul, and hello, everyone. Consistent with our proven track record, Q2 results continued to showcase our operational excellence and strong execution, powered by an industry-best customer service and leading asset mix.

Our mobile phone net additions were up 46% over last year and, impressively, 9% over Q2 2019 prior to COVID. The strong loading, alongside a 23% increase in customer renewals, supported mobile equipment revenue growth, which was up $143 million or 40% over last year. Importantly, we sustained our focus on high-quality customer growth with 70% of our mobile rate plan changes either step-ups or flat from a revenue perspective, up from 65% in Q1 and 60% in Q4. In addition, our Peace of Mind unlimited data plans have continued to increase by at least 10% per quarter throughout 2020 and continuing into 2021. These attributes are driving strong network revenue and industry-low churn.

Accordingly, our mobile network revenue improved for the fourth consecutive quarter, and our mobile phone ARPU returned to growth for the first time since Q1 2018. This is an outstanding accomplishment against the backdrop of continued pandemic-related roaming revenue pressure, which was ARPU dilutive on a year-over-year basis and flat on a year-over-year basis on an absolute dollar basis. As we focus on the back half of the year, our roaming recovery will be linked to the easing of border restrictions, especially in the U.S., alongside trends around return to travel. We anticipate these factors will drive stronger ARPU growth in Q4 and certainly into 2022.

On the fixed side, our business impressively had 14% data service revenue growth that showcases our consistent execution of targeting profitable customer growth and success in driving higher product intensity. Total fixed net additions were up 6% over Q2 2020 and up 16% over Q2 2019, a strong result considering the record levels of loading we considered throughout the pandemic in 2020, highlighting our leading PureFibre network, our customer-friendly sales and support and our strong digital capabilities.

In total, TTech revenue grew 11% and adjusted EBITDA was 7.3%, reflecting robust growth of all products, strong cost containment efforts across the entire organization and the lapping of certain COVID impacts in the prior year. In DLCX, operating revenue grew 26% or 36% excluding the year-over-year change in U.S. dollar to Canadian dollar exchange rate. This was backed by strong organic growth across key verticals, including tech and games as well as e-commerce and fintech. This strong ongoing growth reflects the expansion of our services to existing customers, combined with successful new client wins. Business acquisitions also contributed to the growth.

Adjusted EBITDA increased by 37%, or 55% excluding the year-over-year foreign exchange impacts, due primarily to the flow-through of revenue growth and strong cost containment. Earlier today, TI revised its annual U.S. dollar financial guidance, including its revenue range up by $20 million and EBITDA up by $7 million for 2021. Please see the TELUS International press release for further detail.

As a reminder, while our DCX segment is entirely represents TELUS International operations, there are reporting differences compared to TI’s public disclosure. To help reconcile these differences on revenue and adjusted EBITDA, we have provided a walk-down reconciliation in the appendix of our posted investor presentation.

Our consolidated results had revenue and adjusted EBITDA growth of 10% in the quarter. This results a fourth consecutive quarter of sequential improvement and demonstrates our ability to manage through the impacts of the pandemic underpinned by our team’s agility and being able to adjust our operations to the ever-changing environment.

Free cash flow of $210 million was down from the prior year. The decrease was primarily due to $157 million of increased CapEx as we ramped up our accelerated broadband build. Additionally, cash taxes were higher by
$120 million as the prior year COVID-related installment deferrals did not reoccur in 2021. The cash tax impact of our stronger-than-planned customer loading and renewals also impacted free cash flow.

As we look to the remainder of 2021 today, we are reaffirming our annual consolidated financial targets, including revenue and adjusted EBITDA growth of up to 10% and 8%, respectively. While there may be some seasonality in the back half of 2021, we are confident in our outlook as the world continues to reopen, and as we execute on our capital acceleration program alongside our leading asset mix and premier customer experience.

Our balance sheet remains very healthy, including total liquidity of over $5.1 billion. Even when factoring in our 3,500 megahertz spectrum auction investment and the early redemption of our $1 billion Series CT notes next month, our liquidity position will remain very strong at approximately $2.1 billion.

It's also worth highlighting, excluding the 3,500 megahertz auction, our strategic investments in acquiring wireless spectrum and strategic acquisitions over the past 12 months only has contributed to our leverage by 0.57 basis points. When excluding these investments, our leverage ratio would have been 2.54x, highlighting the strength of our underlying operations as we invest in long-term assets.

Notably, with the successful inauguration of our Sustainability-Linked bond offering in June, our average cost of long-term debt declined by 10 basis points to an all-time low of 3.70%, further enhancing the quality and strength of our balance sheet and underpinning our ability to make the necessary investments to continue to advance our growth strategy while remaining committed to our investment-grade credit ratings and our social purpose.

Importantly, with our robust balance sheet and financial flexibility, coupled with an attractive cash flow outlook, we remain committed to our long-term dividend growth program while achieving our leverage target over the medium term.

In conclusion, our Q2 results reflect the strength of our asset mix, the consistent execution and our commitment to sustainable, long-term value creation for all shareholders. As we enter into the second half of the year, we look forward to continuing our strong operating momentum and further advancing our growth strategy.

Robert, back to you for Q&A.

Robert Mitchell - TELUS Corporation - Head of IR

Thank you, Doug. Mihai, can we proceed with the questions, please?

Question and Answer Period

Operator

First question comes from Jeffrey Fan from Scotiabank.

Jeffrey Fan - Scotiabank

Thanks for all the color. I guess the one thing that's on everyone's mind is related to the spectrum auction. Wondering if you can talk a little bit about given the higher-than-expected costs across the board, or tell specifically how you plan to deleverage going forward. What are some of the steps -- I guess you guys have talked about possible monetization of TELUS Health and TELUS Agriculture. Can you provide a little bit of an update on that, please?
Darren Entwistle - TELUS Corporation – President and CEO

Doug, why don't you take Jeff through the litany of balance sheet parameters that are at our disposition that are potent and extensive?

Doug French - TELUS Corporation - Executive VP & CFO

Absolutely. So we're continuing to plan to invest in our long-term growth, and we're investing in assets that have a very, very long useful life. So with the starting point to delevering is obviously our exceptional track record of turning these investments into operational results that you saw today.

Our leading EBITDA growth is absolutely going to be one of the strategies in which we obviously will continue to delever over time. And when you look at the impact on those, the acquisition that we did of Lionbridge during the TI IPO, which obviously impacted our leverage at that time, but it unleashed over $6 billion of liquidity in a publicly-traded subsidiary of TI, being one of the flexibility points.

With Ag and Health, as you suggested, we're going to continue to build and nurture that asset with the opportunity to bring in a third party when the appropriate -- timing is appropriate and the right party is there with a future IPO subsequent to that. We also have a significant amount of real estate opportunities, as Zainul has been talking about, the copper to fibre migrations and talking about our evolution to fibre. It does free up some assets that are -- we'll be able to monetize over that time frame.

And then we have significant cost containment initiatives internally. And as we implement those, you're going to see continued digitization, continuous margin opportunity, and even copper to fibre is going to drive that margin opportunity. So those are some of the highlights. We have flexibility in other areas, if necessary, but our investment thesis dividend program are still very committed to, and we do see delevering in the medium term to the levels that we have suggested.

Operator

Next question comes from Jerome Dubreuil from Desjardins.

Jerome Dubreuil - Desjardins Securities

I hope you're ready for the question. Still on the spectrum auction, just in light of the results that were published last night. Are there any incremental details that you can provide, maybe on the wireless strategy following the results?

Darren Entwistle - TELUS Corporation – President and CEO

Okay. Well, I think it's pretty straightforward for us. We secured critical 5G spectrum, given the importance of the mid-band ecosystem to the 5G deployment. It's our job now to get on with operationalizing that spectrum. I think that's the most important thing at the end of the day, and our goal is to have a coverage footprint on 5G by 75% of the population by the end of 2021.

So it's one thing to go and participate in an auction and get critical spectrum. The important thing is the deployment thereafter of that spectrum so that you get the right coverage footprint, and we want to take that to 75%. And then you get the right attributes in terms of speed, coverage, reliability and low latency. And that's what we're focused on. If we can do that right, we'll get great customer outcomes and we'll generate great economic returns, which is what this organization has done historically.

The spectrum that we procured was expensive, particularly if you look at it on a relative basis. I don't think that there's any surprise behind that: when you artificially constrain supply and you exacerbate that with an asymmetric set-aside, you're going to get a cost escalation of the spectrum, particularly when the spectrum is important to the 5G ecosystem.
I do think that the cost of the spectrum for all players within the open spectrum construct was inconsistent with what I think our country's agenda should be in respect of our digital economy, our digital society and the government's own affordability agenda. If you have a cost escalation in your factors of production, that's inconsistent with a de-escalation from a price perspective.

Notwithstanding all of that, I can tell you, TELUS will focus on doing what we do best as an organization, and our track record on this front is without parallel. So we're going to get on with deploying the spectrum and leading the world when it comes to network performance, and we have consistently led not just the country but led the world when it comes to wireless network performance. Our 4G performance proves that in and of itself, as it's outperformed a lot of 5G networks on a global basis. And so we'll lead on speed, coverage, reliability and latency.

We will complement that with the global-best performance in customer service, thanks to our people, our culture and our digital technology. We simply offer the best service. And I can tell you one thing with certainty. The quality of that service at a humanistic and at a digital level will be better tomorrow than it is today.

And then the combination of network leadership, technology leadership and service leadership, we will generate the best operational results as it relates to the loading across our business. Wireless and Wireline will generate the best financial results, and we'll generate the best economic results for our shareholders as it relates to our dividend growth model. And we'll do that in terms of returning capital in a way that also respects the needs of our balance sheet and the future strength and investment profile that we want to pursue as an organization.

And I think the other factor here is the resiliency of TELUS. We have a very unique asset mix. So we have a level of unparalleled performance not just from our core business, and you can see that in Q2 in respect of our wireline and wireless operations. It's clearly highlighted in Q2, the absolute and relative performance of our business at a core level, but it's complemented with a unique mix of emerging growth assets. You saw that in TI's Q2 results and what they're intending to do in the back 6 months of the year and thereafter prospectively. I think it's a tremendous growth story, and that growth story is indicative of what's to come on Health and Ag. And when I look around globally within our sector, I don't see another company that has that level of growth and resiliency in combination, and I think it makes us an exciting investment story.

Jerome Dubreuil - Desjardins Securities

Great. And then a second one, if I may, maybe for François. Can you expand a bit on TELUS Agriculture strategy, maybe in terms of where we are in terms of business maturity? And are we still at the time of integration or deployment of new products? And then if you can share what part of growth is organic at this point.

François Gratton - TELUS Corporation - Executive VP & Group President

Thanks, Jerome, for the question. So I think we're at a very exciting stage of our growth here within TELUS Agriculture. As you know, the mission that we set for ourselves is to allow and enable for better access to food in the future and food that we can trace the quality, safety, security of, between the time there is a seed that is put into the soil to the time we have food on our plate. And the way we've gone about to do that and to achieve this is to put a collection of assets over the last 24 months that really are second to none on a global basis.

When you look at the 3 verticals in agriculture, whether it's one at the end of the spectrum with input manufacturers, what we call the agri-business side of things, or the other end of the spectrum with the retail, the food and retail side of things or the farmers themselves in the middle, we are actually able to offer now with our suite of assets the capability to enable a more efficient operations along the way. And where we're going in the future and where we're growing interestingly is we want to do what we did in Health in the past, which is to break down the silos and enable better exchange of information across the entire spectrum and across the entire food value chain.

In terms of growth capabilities, you've seen our increasing disclosure this quarter. And I'm very excited to say that we're shooting for the $400 million mark at the end of 2021, which represents a double-digit growth, two-thirds of which will be digital info-tech solutions and one-third of which is on the telecom side. And in terms of future growth, I think you can see, and gauge from my excitement on this and the excitement of our team, and the fact that we're...
bringing together something that really doesn't exist today but it has a lot of demand for. You have to think about TELUS Agriculture that will continue to be a meaningful and growing contributor to the top line. We're going to do so profitably and increasing cash flows along the way. And I think you should expect it to continue to scale quickly, given again, the opportunity that we have in front of us.

Operator

Next question comes from Vince Valentini from TD Securities.

Vince Valentini - TD Securities

Yes. First, on that real estate comment, Doug, I hadn't heard that before. Any way you can ballpark quantify for that -- that for us? Is it like a north of $1 billion opportunity? Second question, the 26% health care revenue growth looks very impressive. Are you willing to give us any sense of what the organic portion of that was? And then maybe the bigger one is to stay with Agriculture for a second. I sense from your comments and from giving us this $400 million figure that you'd like to see us start to strip that out, and the comps in that space trade at much higher multiples than core telecom businesses. If we're going to do that, we kind of have to have some idea of how much EBITDA to take out if we take out the revenue. Are you willing to give us any ballpark on what goes with the $400 million? Is it $10 million of EBITDA? Is it $50 million? Is it $100 million? I really have no idea, so I suspect others don't, and it's difficult to break it out if we can't take out both revenue and EBITDA.

Doug French - TELUS Corporation - Executive VP & CFO

Let me take that one. Sorry, Darren.

Darren Entwistle - TELUS Corporation – President and CEO

Yes, why don't you kick it off?

Douglas French - TELUS Corporation - Executive VP & CFO

So maybe on the land one, yes, we have sight to a multi-year program that could be in excess of $1 billion. So it will be multi-year, obviously. And to be a strategy of development to development, sales, partnership, et cetera. So that's definitely the magnitude that we are looking at over the multi-year product -- or multi-year program.

Darren Entwistle - TELUS Corporation – President and CEO

And Vince, on the Ag front, François, why don't you go ahead? I'll close on the guidance parameters.

François Gratton - TELUS Corporation - Executive VP & Group President

Yes. So at the Ag front, we're not disclosing at this point the EBITDA contribution, although it is positive and growing, and so we could see increased disclosure in the future. There are some aspects of our Agriculture business that are healthy in terms of margins, others that are nascent and more of a J-curve investment to it.

On the Health side of things, we've talked about the strong 26% revenue growth. You have to think about that growth in the context of COVID and as it reflects really the strength and diversity of our assets. In the context of COVID, you've got pieces of our business like the health benefit management or the clinics that have been impacted by the lockdown measures, on a national basis. But you also have very strong growth on areas like virtual care as an example, and the metrics we've been disclosing now for 2 quarters kind of exemplify that.

From a virtual care member perspective, you've seen an 83% year-over-year growth in terms of number of members. You've seen our health lives covered also grew almost at a 17% clip over the last year. And same thing
on the digital transaction, if you take a quarter-over-quarter from 2020 to 2021, at 10.5% growth. So you get through
that an idea of where we are at in terms of our organic growth and where we aim to be in the future as well.

**Vince Valentini - TD Securities**
Francois, are all those customer and sort of operating metrics, organic?

**Francois Gratton - TELUS Corporation - Executive VP & Group President**
These are the growth, yes, year-over-year and a mix of organic and acquisition.

**Darren Entwistle - TELUS Corporation – President and CEO**
But they're not flattered by the acquisitions in terms of the profitability profile, Vince, given the nascent nature of
the J-curve profile and the developing profitability prospectively.

And on the Ag front, Vince, you will get Health-like disclosure publicly on, let's say, top 3 key parameters for the
2022 financial year. So sit tight for a couple of quarters. Focus on the great results on the Q2 front, the very
electing results on the health front, the inaugural disclosure on Ag on the $400 million and the digital
composition and software composition of that, and then you'll get a level of heightened specificity that you can
measure us against and draw inference from as it relates to valuations for the ‘22 financial year and beyond. And
you are indeed quite right that the multiples on the Ag side are significantly higher than what we see in telecoms.

**Operator**
Next question comes from Simon Flannery from Morgan Stanley.

**Simon Flannery - Morgan Stanley**
Great. Following up on the spectrum auction. Could you give us some sense of how fast you expect to build out
the 3,500 spectrum? Is that part of your 75% this year? Or will that take a little bit longer? And given the higher
spectrum band, does that require more densification around that? And is this already included in your CapEx
plans?

**Darren Entwistle - TELUS Corporation – President and CEO**
Yes, it requires densification or cell splitting, Simon. Yes, it's included in our CapEx plans and our CapEx
acceleration plans. Yes, 3,500 is included as a piece part within the 75% coverage footprint number that I gave
you by the end of 2021. But the preponderance of operationalizing that spectrum will be in 2022, just because of
sheer timing considerations and the like.

**Simon Flannery - Morgan Stanley**
And does that then drive the 5G speeds higher? And any sense of how much more you'll be able to achieve with
the 40 megahertz in the key markets?

**Darren Entwistle - TELUS Corporation – President and CEO**
Yes. So right now, we're at a situation of 1.7 gigabits per second. I would be seeing TELUS exit the year at 2
gigabits per second. Is that specific enough?
Simon Flannery - Morgan Stanley
That's great

Operator
The next question comes from Aravinda Galappatthige from Canaccord Genuity.

Aravinda Galappatthige - Canaccord Genuity
Two from me. I wanted to focus on the TTech margins. Obviously, good results in Q2. And when I look at it from a service perspective, it looks like the margins actually expanded in Q2. I was wondering if you can help frame the upside to the TTech margins from here. When you look at the components, wireline obviously has upside as we have discussed over the years. As Health and Ag Tech ramps up, naturally there should be some -- or there could be some upside there. Given that we now look at TTech holistically, I was wondering if you can talk to the sort of the upside to margins.

And secondly, really quickly, Darren, I was wondering if you can just talk to B2B trends, particularly as we start to emerge from the pandemic. What -- any worthwhile takeaways to discuss there?

Darren Entwistle - TELUS Corporation – President and CEO
Okay. Doug, why don't you kick it off? Zainul and Jim, I think you should kick in on that front. And maybe as it relates to margins and economies of scope, you can also talk about the success on the mobile and home bundling, but you can give the specificity of the individual product lines as well as it relates to growing profitability. Doug, over to you.

Doug French - TELUS Corporation - Executive VP & CFO
Thank you, Darren. So maybe within the product sets, obviously, wireless margins were impacted more from roaming than anything else. And as you see roaming recovery happen, you will see that impact on the TTech margins from the wireless perspective. We also, both in all of our products that continued on the digitization path, which does drive efficiency and effectiveness to helping on the margin front, right, from a team member perspective and labour to commissioning, et cetera, so driving efficiency and effectiveness on that side.

We still had pressures with Health Care, and AgTech for that matter, with COVID, and margins from that perspective were pressured with the top line pressure that happened. And so as we look forward, as we get the recovery in health care, as more preventative health is being put back through the system, we -- our margins will improve on the health care side. And AgTech, as Darren highlighted some of that J-curve organic growth, will also be driving that margin front.

And we also then, back to the bigger conversation of copper to fibre. Zainul highlighted a lot of the copper to fibre benefits and the traction we're getting on the migration of those customers, which is also margin-accretive. So those are the main driving factors. I'll leave the B2B then, which is also a driving factor, but I'll leave that for one of my other team members.

Darren Entwistle - TELUS Corporation – President and CEO
Zainul, Jim?

Zainul Mawji - TELUS Corporation - President of Home Solutions
Yes. So I'll top up, maybe. Thanks, Doug. So I think you covered a number of the main highlights in terms of where our margin accretion opportunities can be incurred. Maybe I'll pop up with a few other parameters. When we took on our capital acceleration program, with respect to our investments, obviously, the broadband components, including the
acceleration of fibre and 5G are at the forefront, but we've also undertaken an even expanded journey from a
digitization perspective. And we see significant margin opportunity in terms of our drive to self-serve capabilities, our
drive to ensure that we advance our platforms on which we deliver services to more margin-accrative platforms and
our ability to extract cost from our initiatives like copper to fibre migrations by moving our customers to more
digital experiences. So those are certainly margin-accrative opportunities.

On the B2B side, we have seen -- we have -- are projecting improvements through the latter half of the year in
terms of margin improvement as well as take rates on customer value for the services we provide, and we are
leveraging opportunities to move to cloud-based services for our customers, and leveraging agile capabilities for
business to business in terms of providing IP-based services over our portfolio. So maybe Jim wants to top up with
further comments.

Jim Senko - TELUS Corporation - President of Mobility Solutions

For sure. So on the wireless side, we've talked about ARPU quite a bit, but we are seeing a nice, steady
quarter-over-quarter underlying ARPU improvement. This quarter actually represented the fourth straight quarter of
sequential improvement to our ARPU. Roaming. Our roaming result this quarter was 23% of 2019, but flat year-
over-year. We would expect to start to see recovery kind of starting in the Q4 time frame. And we really, really like
the acceleration that we're seeing in terms of step-up to unlimited.

I think there's a couple of other things that are important to note. One is we've worked really hard to diversify our
channels. Direct-to-consumer, omnichannel, physical channels are delivering really strong, high-quality subscriber
growth, and most importantly, flexibility. So strong growth whether we're in COVID lockdowns or if we're open in
physical retail. And this quarter, we were very pleased with the resiliency of our subscriber growth as we opened.
And we're seeing strong results in Ontario, and that's carrying right on through to July. So a really nice result there.

I think one tie-in to business on the wireless side is the same dynamics that we're seeing on ARPU and consumer
we're seeing in small and medium business, which is really great to see. And we're seeing tremendous growth in
connected devices. So this quarter at 84,000 was 154% year-over-year growth. And that's good, high-margin
revenue that's contributing.

And then I'd say the last thing to point out is that really seeing healthy cost management as we're seeing nice
efficiencies in our direct-to-consumer channels and then more productivity in our corporate stores. So our direct-to-
consumer channels are reducing our commission costs. We're – our investments in omnichannel are helping us
optimize our inventory while providing our customers the ability to process transactions online and pick up in store
and giving them the ultimate flexibility. So some really, really nice drivers beneath the business, and those are
going to carry forward.

Darren Entwistle - TELUS Corporation – President and CEO

On the B2B side, Navin and the team are doing a fantastic job within our B2B operations as it relates to reverting
the profitability of that business. Clearly, it's been softened as a result of the pandemic, the economic impact, other
circumstances as well. It's an upside opportunity for TELUS that's material in terms of the B2B recovery. Right now,
it's dilutive to our profitability. Prospectively in 2022, it's going to be accretive to our profitability. So that when you
look at the strength of our Q2 results, that's not reflective of the contribution that we're going to see prospectively
on the B2B front.

That's absorbing the dilution of profitability on B2B and still generating terrific Q2 results. I think as we go from
dilutive to accretive on the B2B front in 2022, it is a very bright story for this organization prospectively. And it's not
one that is too difficult to understand in the post-pandemic world. We will benefit from the recovery. We'll benefit from
the great work that Navin and the team have been doing in the development of that business, from the growth
agenda to very, very important cost efficiency measures that they've undertaken. The 5G conversation that we've
been having on this call is most pertinent to our B2B operations, in particular a number of verticals that are intimate
to TELUS.
So you don't have to have much of an imagination to understand what 5G can do on the Health front, what it can do on the Ag front, what it can do to our IoT businesses, and you saw the level of outperformance on connected devices that we delivered within Q2, what it can do to our security strategy, whether it's commercial or whether it's cyber-related. The opportunity there is significant prospectively.

On the fibre front, that's not been an area that historically has been benefiting our B2B operations. And I think it's the mandate of this management team to make sure that fibre does for business what it's done for our consumer operations, and we intend to drive that to fruition extremely aggressively in that regard.

And one of the key areas that we're pursuing from a growth perspective is on the small and medium business side. That is a current, bright news story for us on B2B, which I think will be aided and embedded by the fibre thesis, the 5G thesis and the digital capability set. One of the big areas that's growing for us on B2B is helping clients from a cloud collaboration point of view, cloud transformation point of view, digital transition point of view, dynamic data insights point of view. A lot of upside opportunity there still to be secured.

So I would expect this developing story for us to be increasingly accretive to the EBITDA of the organization over the 2022 time frame and then thereafter and a nice complement to the success that we've been driving on consumer wireless and consumer wireline. And it's interesting to note in terms of early foreshadowings, we've had a terrific wireless performance out of our B2B operations, which has buttressed our corporate results and continuing to build on that component of the momentum and complement that with excellence on the wireline front, leveraging what we can do on fibre and digital, particularly within key verticals. Certainly a good news story on to come.

Robert Mitchell - TELUS Corporation - Head of IR

Okay. Thank you, Mihai, and thank you, everyone, for taking the time to join us today. Please feel free to reach out to the IR team with any follow-ups. Take care, everyone, and for those of you in Canada, we wish you a wonderful long weekend.

Operator

Everyone, this concludes the TELUS 2021 Q2 earnings conference call. Thank you for your participation, and have a nice day.