



# THE SOCIAL CAPITALISM COMPANY

Q1 2019 investor conference call  
May 9, 2019



## Caution regarding forward-looking statements

This presentation and answers to questions contain forward-looking statements about our objectives and our strategies to achieve those objectives, including statements relating to our 2019 targets, multi-year dividend growth plan, fibre network and other capital investments, leverage ratios, and the performance of TELUS. By their nature, forward-looking statements do not refer to historical facts and require the Company to make assumptions and predictions, and are subject to inherent risks. There is significant risk that the forward-looking statements will not prove to be accurate. There can be no assurances that TELUS will meet its 2019 targets and outlook, or that TELUS will maintain its multi-year dividend growth program. Readers and listeners of this presentation are cautioned not to place undue reliance on forward-looking statements as a number of factors (such as regulatory developments and government decisions, competition, technological substitution, economic performance in Canada, our cost reduction initiatives, our earnings and free cash flow, our capital expenditures and decisions regarding our dividend) could cause actual future performance and events to differ materially from those expressed in the forward-looking statements. Accordingly, all forward-looking statements made today are subject to the cautionary note and qualified by the assumptions (including assumptions for the 2019 annual targets, and semi-annual dividend increases through 2022), qualifications and risk factors as set out in our first quarter 2019 Management's discussion and analysis (MD&A) and in our 2018 annual MD&A, especially Sections 9 and 10, and in other TELUS public disclosure documents and filings with securities commissions in Canada (on SEDAR at [sedar.com](http://sedar.com)) and in the United States (on EDGAR at [sec.gov](http://sec.gov)). Except as required by law, TELUS disclaims any intention or obligation to update or revise forward-looking statements, and reserves the right to change, at any time at its sole discretion, its current practice of updating annual targets and guidance. The forward-looking statements in this presentation are presented for the purpose of assisting our investors and others in understanding certain key elements of our expected 2019 financial results as well as our objectives, strategic priorities and business outlook. Such information may not be appropriate for other purposes.



# Executing on our long-standing growth strategy

- Delivering strong first quarter results
- Focusing on margin accretive customer growth
- Achieving industry-leading customer loyalty
- Connecting Canadians with leading broadband technologies
- Extending industry-leading dividend growth program
- Stepping up to support the communities we serve

# Operating results



# Evolving our wireless subscriber reporting

- Disclosing mobile phones and mobile connected devices separately
- Adjusting 2018 metrics for comparability
- Aligning metrics with value creation, margin and lifetime value
- Preparing for evolution of subscriber loading in 5G ecosystem

Old Reporting		New Reporting		
Total Wireless		Mobile Phones	Mobile Connected Devices	
Smartphones	Internet Keys	Smartphones	Internet of Things	Internet Keys
Handheld Phones	Wearables	Handheld Phones	Mobile Health	Wearables
Tablets	Connected Cars		Tablets	Connected Cars



# Wireless results

**+60,000**

Total  
additions  
+22,000 y/y

**\$72.19**

Mobile phone  
ABPU  
+0.1% y/y

**1.02%**

Mobile phone  
churn  
(8) bps y/y

**>\$7,000**

Lifetime revenue  
per subscriber<sup>1</sup>  
+7.9% y/y

1 Lifetime revenue per subscriber calculated as mobile phone ABPU divided by mobile phone churn

Focus on high-quality customer growth  
delivering strong wireless results



# Wireline results

**+22,000**

High-speed  
Internet net adds  
unchanged y/y

**+17,000**

TELUS  
TV net adds  
+11,000 y/y

**(11,000)**

Residential  
NAL losses  
+5,000 y/y

**+28,000**

New wireline  
customer additions  
+16,000 y/y

Leading broadband network and attractive product offerings  
continue to drive strong customer growth



# Returning capital to shareholders

**\$11.5  
billion**

Dividends paid

**\$16.7  
billion**

Total capital returned

**\$2.25  
+7.1% y/y**

Annualized dividend

\$16.7 billion returned to shareholders since 2004,  
representing approximately \$28 per share

# Financial results



# Q1 2019 Wireless Results

**+1.8%**

Revenue  
(external)

\$1,924 million

**+1.4%**

Network  
revenue

\$1,492 million

**+8.4%**

Adjusted  
EBITDA<sup>1</sup>

\$917 million

<sup>1</sup> Using a retrospective IFRS 16 simulation to fiscal 2018 results, pro forma wireless Adjusted EBITDA growth was approximately 5.0%.

Leading wireless broadband network  
delivering strong financial results



# Q1 2019 Wireline Results

**+6.4%**

Revenue  
(external)

\$1,582 million

**+11.9%**

Data services  
revenue

\$1,219 million

**+9.0%**

Adjusted  
EBITDA<sup>1</sup>

\$498 million

<sup>1</sup> Using a retrospective IFRS 16 simulation to fiscal 2018 results, pro forma wireline Adjusted EBITDA growth was approximately 3.3%.

Delivering leading wireline financial results reflecting consistent customer growth and diversified asset mix



# Q1 2019 Consolidated Results

**+3.8%**

Revenue  
(external)

\$3,506 million

**+8.6%**

Adjusted  
EBITDA<sup>1</sup>

\$1,415 million

**+2.9%**

Basic  
EPS

\$0.71 per share

1 Using a retrospective IFRS 16 simulation to fiscal 2018 results, pro forma consolidated Adjusted EBITDA growth was approximately 4.4%.

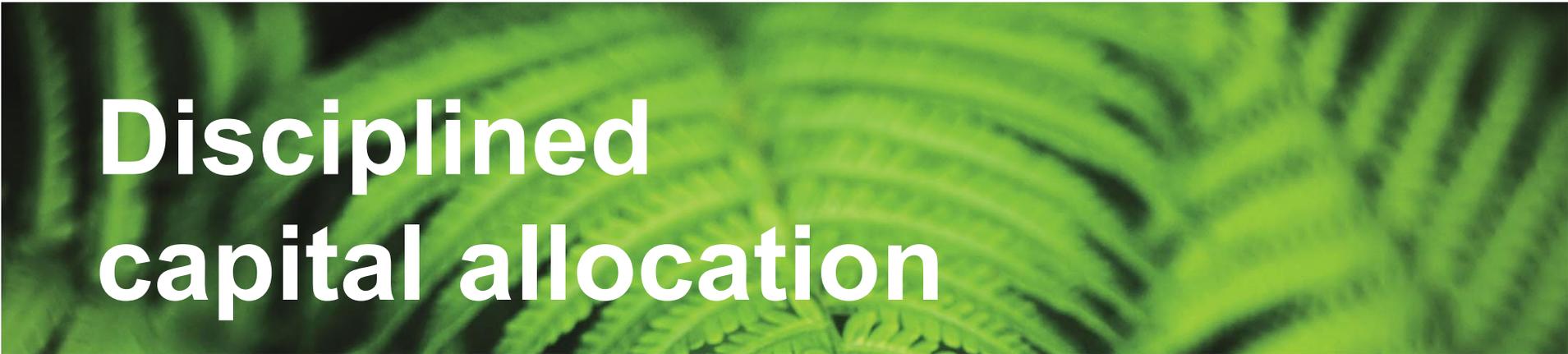
Consolidated financial results  
driven by both wireless and wireline

# Investing in our leading broadband network

- 1.94 million premises now have immediate access to our PureFibre network, up 400,000 over Q1-18
- 63% PureFibre coverage of our more than 3.1 million high-speed broadband footprint
- LTE covering 99% of Canadians, LTE-A covering 93% of Canadians

**\$646  
million**

consolidated capex  
(0.6%) y/y



# Disciplined capital allocation

- Dividend growth program extended through 2022 targeting 7-10% annually
- Target dividend payout guideline revised to 60-75% of free cash flow on a prospective basis (effective January 1, 2020)
- Ready access to capital markets
- Reaffirming our 2019 consolidated financial targets



# Questions?

Investor relations  
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## Appendix – Q1 2019 EPS analysis

<b>Basic EPS as reported (Q1 2018)</b>	<b>\$0.69</b>
Restructuring and other costs	\$0.04
<b>Adjusted basic EPS (Q1 2018)</b>	<b>\$0.73</b>
Higher Adjusted EBITDA	\$0.14
Higher depreciation and amortization	(\$0.08)
Higher net financing costs	(\$0.02)
Other	(\$0.02)
<b>Adjusted basic EPS (Q1 2019)</b>	<b>\$0.75</b>
Restructuring and other costs	(\$0.04)
<b>Basic EPS as reported (Q1 2019)</b>	<b>\$0.71</b>

Higher Adjusted EBITDA, depreciation and amortization as well as net financing costs in part reflect the transition to IFRS 16 as results prior to fiscal 2019 have not been retrospectively adjusted 16

## Appendix – free cash flow (\$M)

	<u>Q1 - 2018</u>	<u>Q1 - 2019</u>
EBITDA	1,269	1,379
Non-cash gains from the sale of property, plant, and equipment	(8)	(5)
Restructuring and other costs, net of disbursements	(4)	(33)
Effect of contract asset, acquisition and fulfilment (IFRS 15)	18	38
Effects of lease principal (IFRS 16)	-	(88)
Leases formerly accounted for as finance leases	-	13
Items from the Consolidated statements of cash flows:		
Share-based compensation	18	19
Net employee defined benefit plans expense	25	20
Employer contributions to employee defined benefit plans	(21)	(16)
Interest paid, net <sup>1</sup>	(148)	(177)
Capital expenditures (excluding spectrum licenses) <sup>2</sup>	(650)	(646)
<b>Free Cash Flow before income taxes</b>	<b>499</b>	<b>504</b>
Income taxes paid, net of refunds	(56)	(351)
<b>Free Cash Flow</b>	<b>443</b>	<b>153</b>
Issue of shares by subsidiary to non-controlling interest	24	-
Dividends paid to holders of Common Shares	(279)	(303)
Cash payments for acquisitions and related investments	(204)	(162)
Real estate joint ventures	(5)	(7)
Working Capital and Other	(333)	(156)
<b>Funds available for debt repayment</b>	<b>(354)</b>	<b>(475)</b>
Net issuance of debt	260	649
<b>Increase (decrease) in cash</b>	<b>(94)</b>	<b>174</b>

<sup>1</sup> First quarter of 2019 includes \$15 million interest paid on lease liabilities.

<sup>2</sup> Refer to Note 31 of the interim consolidated financial statements for further information.

# Appendix – definitions

Our presentation and answers include the following non-GAAP measures, which may not be comparable to similar measures used by other issuers:

- Our results for 2019 reflect the application of IFRS 16, Leases. Our results for periods prior to fiscal 2019 have not been retrospectively adjusted.
- EBITDA is a non-GAAP measure and does not have any standardized meaning prescribed by IFRS-IASB. We issue guidance on and report EBITDA because it is a key measure used to evaluate performance. For further definition and explanation of this measure, see ‘Non-GAAP and other financial measures’ in our Q1 2019 news release.
- Adjusted EBITDA for the first quarters of 2019 and 2018 excludes restructuring and other costs of \$36 million and \$34 million respectively.
- Adjusted basic EPS is a non-GAAP measure and does not have any standardized meaning prescribed by IFRS-IASB. This term is defined in this presentation as excluding from net income attributable to common shares **and** basic EPS (after income taxes), restructuring and other costs. For further analysis of adjusted basic EPS, see ‘Non-GAAP and other financial measures’ in our Q1 2019 news release.
- Free cash flow is a non-GAAP measure and does not have any standardized meaning prescribed by IFRS-IASB. For further definition and explanation of this measure, see ‘Non-GAAP and other financial measures’ in our Q1 2019 news release.

## Appendix – subscriber definitions

- Effective for the first quarter of 2019, with retrospective application, we have revised our definition of a wireless subscriber unit and now report mobile phone units and mobile connected device units as separate subscriber bases. As a result of the change, total subscribers and associated operating statistics (gross additions, net additions, churn, ABPU and ARPU) have been adjusted to reflect (i) the movement of certain subscriber units from the mobile phones subscriber base to the newly created mobile connected devices subscriber base, and (ii) the inclusion of previously undisclosed Internet of Things (IoT) and mobile health subscriber units in our mobile connected devices subscriber base. For additional information on our subscriber definitions, see Section 11.2 in our first quarter 2019 MD&A.