Why TELUS Chose SAP HANA for Implementing SAP Revenue Accounting

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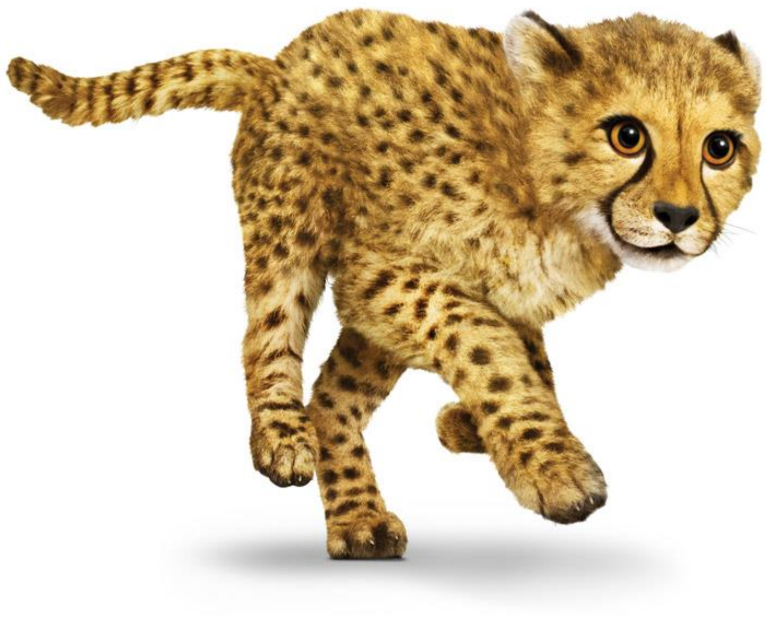
Agenda

- About TELUS
- Challenge Summary
- IFRS Revenue Recognition – Impact to Telcos
- Key Considerations

About TELUS

- **One of Canada's largest Telecom Providers**
  - $12 billion CDN annual revenue
  - 8.1 million wireless subscribers
  - 3.2 million network access lines
  - 1.5 million internet subscribers
  - > 900 thousand TV subscribers
- **National wireless coverage**
- **Wireline coverage in western Canada and Quebec**



Challenge Summary

Business Drivers

- Compliance requirements – new international standard for reporting revenue in corporate financials and pre-requisite for being listed on international market exchanges
- Urgency – effective January 1, 2018 the quarterly and annual financial statements must comply with the international standard. In addition, 2017 and in some cases 2016 must be restated retroactively
- Dual reporting required for transition year
- Opening balances need to be generated for start of transition year

Desired Business Outcomes

- Assess the financial impact of the IFRS 15 accounting standard
  - Ability to prepare the market, external stakeholders and internal customers for impacts of IFRS 15
- Operate in compliancy with regulations by January 1, 2017
  - Support dual reporting for transition year – posting under both sets of standards
  - Support planning and budgeting under new standards going forward
  - Support IFRS reporting post January 1, 2018

IFRS Revenue Recognition
Impact for Telcos

IFRS Revenue Recognition
Telco scope considerations

- Large number of small contracts
- Accounting for multiple performance obligations within each contract
- Uncertain or variable consideration / determining the transaction price from many sources
- Allocation of the transaction price and establishing stand-alone selling prices
- Contract costs / customer acquisition cost

The complex regulations and the new calculation schemes require a software solution, which fully complies with the new accounting standards, provides flexibility and supports an end-to-end audit trail.

Example*:

- Customer closes 24 month contract
- Monthly fee: 40 €
- Activation fee: 30 €
- Phone: 0 € (100% subsidized)
- Phone stand alone selling price: 300 €
- Phone purchase price: 290 €

	Contract start	Month 1	Month 2	Month 3	Σ Month 4-24	Total
Current IFRS	30	40	40	40	840	990
New IFRS	236	31,42	31,42	31,42	659,74	990

Current IFRS:

- Accounting matches cash and billing flow

New IFRS:

- Match revenue to performance of obligations – does not match cash or billing flow
- Need to shift timing of recognition of revenue

* Source: IRZ, 2013, p. 17 (Patrick Lüpold, PWC AG)

Key Considerations

1. **Requires end-to-end solution strategy**
   - Data Sourcing → Data Hub → SAP Revenue Accounting → Analytics for reporting and impact analysis
2. **Think beyond meeting the compliance requirements**
   - How can you leverage the investment to enhance your Financial Analytical capabilities
3. **Not Just an “IT Project”**
   - Requires significant planning and collaboration with the business
4. **Requires Collaboration an support across your vendor ecosystem**
   - Internal, Auditors, System Integrators, SAP Consulting, other software vendors