COGECO COMMUNICATIONS

PRESS RELEASE
For immediate release

# Cogeco Communications Inc. Releases Its Results for the Second Quarter of Fiscal 2018

- **Revenue increased by 6.8% (8.8% in constant currency[(1)]), to reach $598.9 million;**
- **Adjusted EBITDA[(1)] reached $268.1 million, increasing by 5.6% (7.4% in constant currency) compared to the second quarter of fiscal 2017;**
- **Closing of the MetroCast acquisition on January 4, 2018; and**
- **A quarterly eligible dividend of $0.475 per share was declared.**

**Montréal, April 12, 2018** – Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the second quarter ended February 28, 2018, in accordance with International Financial Reporting Standards ("IFRS").

For the second quarter of fiscal 2018:

- Revenue increased by $38.1 million, or 6.8%, to reach $598.9 million mainly driven by growth of 28.8% in the American broadband services segment and stable revenue in the Canadian broadband services segment, partly offset by a decrease of 7.8% in the Business information and communications technology ("Business ICT") services segment. On a constant currency basis, revenue increased by 8.8%, mainly explained as follows:
    - American broadband services revenue increased by 35.2% in constant currency mainly as a result of the acquisition of substantially all the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast") on January 4, 2018. The increase was also attributable to organic growth from rate increases implemented in September 2017, the continued growth in Internet and telephony services customers combined with a smaller decrease in video service customers;
    - Canadian broadband services revenue remained stable resulting from promotional pricing provided to customers and a decline in video and telephony services customers, offset by rate increases implemented in September 2017 and November 2017 in Ontario and Québec, respectively;
    - Business ICT services revenue decreased by 6.5% in constant currency primarily as a result of higher churn and competitive pricing pressures on the hosting and network connectivity services and prior year's non-recurring revenue of $2 million related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017 (4.0% decrease excluding prior year's non-recurring revenue of $2 million);

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

- Adjusted EBITDA increased by $14.2 million, or 5.6%, to reach $268.1 million. On a constant currency basis, adjusted EBITDA increased by 7.4%, mainly as a result of the following:

  - American broadband services adjusted EBITDA increased by 41.7% in constant currency mainly as a result of the MetroCast acquisition; partly offset by

  - Canadian broadband services adjusted EBITDA decreased by 1.7% in constant currency as a result of operating expenses growth and stable revenue;

  - Business ICT services adjusted EBITDA decreased by 13.8% in constant currency resulting mainly from a decline in revenue (6.2% decrease excluding prior year's non-recurring revenue of $2 million);

- Profit for the period amounted to $141.8 million, of which $138.9 million, or $2.82 per share, was attributable to the owners of the Corporation compared to $76.7 million, or $1.56 per share, in the comparable period of fiscal 2017 mainly as a result of the $89 million (US$70 million) reduction in deferred income taxes related to the recent US tax reform and the improvement of adjusted EBITDA, partly offset by the increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense as a result of the MetroCast acquisition;

- Free cash flow[1] amounted to $64.0 million, a decrease of $52.8 million, or 45.2% compared to the same period of the prior year. On a constant currency basis, free cash flow decreased by 46.8% as a result of the increase in acquisitions of property, plant and equipment, intangible and other assets mainly attributable to the acquisition for $21.2 million (US$16.8 million) of several dark fibres from FiberLight, LLC combined with $16.0 million primarily in acquisitions costs as well as additional financial expense resulting from the MetroCast acquisition. The decrease was partly offset by the increase of adjusted EBITDA;

- Cash flow from operating activities decreased by $31.0 million, or 12.6%, to reach $214.5 million mainly due to increases in income taxes paid, integration, restructuring and acquisition costs and financial expenses paid, partly offset by the increase in changes in non-cash operating activities primarily due to changes in working capital and the improvement in adjusted EBITDA; and

- At its April 12, 2018 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.475 compared to $0.43 per share paid in the comparable period of fiscal 2017.

For the six-month period ended February 28, 2018 :

- Revenue increased by $42.6 million, or 3.8%, to reach $1.15 billion mainly driven by growths of 13.7% in the American broadband and of 1.3% in the Canadian broadband services segments, partly offset by the decrease of 6.2% in the Business ICT services segment. On a constant currency basis, revenue increased by 5.8%, mainly explained as follows:

  - American broadband services revenue increased by 19.7% in constant currency mainly as a result of the MetroCast acquisition. The increase was also attributable to rate increases implemented in September 2017, the continued growth in Internet and telephony services customers combined with a lower decrease in video service customers;

  - Canadian broadband services revenue increased by 1.3% due to rate increases implemented in September 2017 and November 2017 in Ontario and Québec, respectively, combined with continued growth in Internet service customers, partly offset by promotional pricing provided to customers and a decline in video and telephony services customers;

  - Business ICT services revenue decreased by 4.4% in constant currency primarily as a result of higher churn, competitive pricing pressures on the hosting and network connectivity services and of $2 million in non-recurring revenue related to an IRU agreement in the prior year (3.1% decrease excluding prior year's non-recurring revenue of $2 million);

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- Adjusted EBITDA increased by $12.0 million, or 2.4%, to reach $515.6 million. On a constant currency basis, adjusted EBITDA increased by 4.0%, mainly as a result of the following:

    - American broadband services adjusted EBITDA increased by 17.7% in constant currency mainly as a result of the MetroCast acquisition;

    - Canadian broadband services adjusted EBITDA increased by 1.1% in constant currency mainly due to revenue growth exceeding operating expenses growth; partly offset by

    - Business ICT services adjusted EBITDA decreased by 9.7% in constant currency resulting mainly from a decline in revenue, partly offset by a decline in operating expenses (1.9% decrease excluding prior year's non-recurring revenue of $2 million recognized in the second quarter of fiscal 2017 and a non-recurring gain on disposal of property, plant and equipment of $1.8 million recognized as a reduction of operating expenses in the first quarter of fiscal 2017);

- Profit for the period amounted to $218.2 million, of which $215.4 million, or $4.37 per share, was attributable to the owners of the Corporation, compared to $151.7 million, or $3.09 per share, in the comparable period of fiscal 2017 mainly as a result of the $89 million (US$70 million) reduction in deferred income taxes related to the recent US tax reform and the improvement of adjusted EBITDA, partly offset by increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense as a result of the MetroCast acquisition;

- Free cash flow amounted to $166.3 million, a decrease of $51.8 million, or 23.8% compared to the same period of the prior year. On a constant currency basis, free cash flow decreased by 25.2% as a result of the increase in acquisitions of property, plant and equipment, intangible and other assets mainly attributable to the acquisition for $21.2 million (US$16.8 million) of several dark fibres from FiberLight, LLC combined with $16.4 million primarily in acquisitions costs as well as additional financial expense resulting from the MetroCast acquisition. The decrease was partly offset by the increase of adjusted EBITDA; and

- Cash flow from operating activities decreased by $148.2 million, or 40.2%, to reach $220.8 million mainly due to increases in income taxes paid, integration, restructuring and acquisition costs and financial expenses paid, partly offset by the improvement in adjusted EBITDA.

“Our results overall for the second quarter of 2018, which is also our first quarter since closing the acquisition of the MetroCast cable systems, are stable and in line with expectations,” declared Louis Audet, President and Chief Executive Officer of Cogeco Communications Inc. “Results for Cogeco Connexion, our Canadian broadband subsidiary, remained steady despite the highly competitive market environment.”

“At Atlantic Broadband, results are aligned with our forecasts and we are satisfied with the current direction of our strategy in the United States,” stated Mr. Audet. “We are very pleased with the work being done to ensure the smooth integration of the MetroCast acquisition which is progressing according to plan. In addition, our American broadband subsidiary has seen an increase in primary service units in the last quarter most notably thanks to our successful expansion in Florida.”

“Our Business ICT subsidiary, Cogeco Peer 1, remains focused on building and offering a relevant suite of solutions and providing expert advice in a constantly evolving and intensely competitive market,” concluded Mr. Audet.

**ABOUT COGECO COMMUNICATIONS**

Cogeco Communications Inc. is a communications corporation. It is the 8th largest cable operator in North America, operating in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in 11 states along the East Coast, from Maine to Florida. Cogeco Communications Inc. provides its residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Through its subsidiary Cogeco Peer 1, Cogeco Communications Inc. provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and managed services), through its 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).



**Source:**

**Cogeco Communications Inc.**
Patrice Ouimet
Senior Vice President and Chief Financial Officer
Tel.: 514-764-4700

**Information:**

**Media**
René Guimond
Senior Vice-President, Public Affairs and Communications
Tel.: 514-764-4700

**Analyst Conference Call:**

**Friday, April 13, 2018 at 11:00 a.m.** (Eastern Daylight Time)
Media representatives may attend as listeners only.

Please use the following dial-in number to have access to the conference call by dialing five minutes before the start of the conference:

Canada/United States Access Number: **1-877-291-4570**
International Access Number: **+ 1-647-788-4919**

In order to join this conference, participants are only required to provide the operator with the company name, that is, Cogeco Inc. or Cogeco Communications Inc.

By Internet at http://corpo.cogeco.com/cca/en/investors/investor-relations

COGECO COMMUNICATIONS

# SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2018

# FINANCIAL HIGHLIGHTS

| | Three-months ended | | | | | Six-months ended | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | February 28, 2018 | February 28, 2017 | Change | Change in constant currency [1] | Foreign exchange impact [2] | February 28, 2018 | February 28, 2017 | Change | Change in constant currency [1] | Foreign exchange impact [2] |
| *(in thousands of dollars, except percentages, per share data and the number of shares)* | $ | $ | % | % | $ | $ | $ | % | % | $ |
| **Operations** | | | | | | | | | | |
| Revenue | 598,938 | 560,875 | 6.8 | 8.8 | (11,159) | 1,152,563 | 1,109,965 | 3.8 | 5.8 | (21,800) |
| Adjusted EBITDA[1] | 268,083 | 253,839 | 5.6 | 7.4 | (4,603) | 515,565 | 503,542 | 2.4 | 4.0 | (8,078) |
| Adjusted EBITDA margin[1] | 44.8% | 45.3% | | | | 44.7% | 45.4% | | | |
| Integration, restructuring and acquisition costs[3] | 15,999 | — | — | | | 16,391 | — | — | | |
| Profit for the period | 141,763 | 76,663 | 84.9 | | | 218,232 | 151,687 | 43.9 | | |
| Profit for the period attributable to the owners of the Corporation | 138,887 | 76,663 | 81.2 | | | 215,356 | 151,687 | 42.0 | | |
| **Cash flow** | | | | | | | | | | |
| Cash flow from operating activities | 214,514 | 245,550 | (12.6) | | | 220,781 | 369,011 | (40.2) | | |
| Acquisitions of property, plant and equipment, intangible and other assets[4] | 127,264 | 86,199 | 47.6 | 52.4 | (4,133) | 223,422 | 182,693 | 22.3 | 26.6 | (7,865) |
| Free cash flow[1] | 64,017 | 116,787 | (45.2) | (46.8) | 1,868 | 166,317 | 218,166 | (23.8) | (25.2) | 3,184 |
| **Financial condition**[5] | | | | | | | | | | |
| Cash and cash equivalents | | | | | | 173,650 | 211,185 | (17.8) | | |
| Short-term investments | | | | | | 34,000 | 54,000 | (37.0) | | |
| Total assets | | | | | | 7,185,645 | 5,348,380 | 34.4 | | |
| Indebtedness[6] | | | | | | 4,087,502 | 2,598,058 | 57.3 | | |
| Equity attributable to owners of the Corporation | | | | | | 1,869,746 | 1,599,267 | 16.9 | | |
| **Capital intensity**[1] | 21.2% | 15.4% | | | | 19.4% | 16.5% | | | |
| **Per Share Data**[7] | | | | | | | | | | |
| Earnings per share | | | | | | | | | | |
| Basic | 2.82 | 1.56 | 80.8 | | | 4.37 | 3.09 | 41.4 | | |
| Diluted | 2.79 | 1.55 | 80.0 | | | 4.33 | 3.06 | 41.5 | | |
| Dividends | 0.475 | 0.43 | 10.5 | | | 0.95 | 0.86 | 10.5 | | |
| **Weighted average number of multiple and subordinate voting shares outstanding** | 49,285,885 | 49,190,249 | 0.2 | | | 49,287,026 | 49,167,153 | 0.2 | | |

(1) The indicated terms do not have standardized definitions prescribed by the International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars and GBP currency at the foreign exchange rates of the comparable periods of the prior year. For the three and the six-months periods ending February 28, 2017, the average foreign exchange rates used for translation were 1.3210 USD/CDN and 1.6439 GBP/CDN and 1.3238 USD/CDN and 1.6597 GBP/CDN, respectively.

(3) For the three and six-month periods ended February 28, 2018, integration, restructuring and acquisitions costs were related to the MetroCast acquisition completed on January 4, 2018.

(4) For the three and six-month periods ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $131.4 million and $231.3 million, respectively.

(5) At February 28, 2018 and August 31, 2017.

(6) Indebtedness is defined as the aggregate of bank indebtedness, balance due on a business combination and principal on long-term debt.

(7) Per multiple and subordinate voting share.