COGECO COMMUNICATIONS

News release

For immediate release

Cogeco Communications Releases Its Results for the Fourth Quarter of Fiscal 2018

- **Revenue increased by 14.9% (13.9% in constant currency(1)), to reach $633.9 million;**
- **Adjusted EBITDA(1) increased by 14.5% (13.8% in constant currency), to reach $283.1 million;**
- **Free cash flow(1) remained stable at $51.7 million, an increase of 1.7% (4.9% in constant currency) compared to the same period of the prior year; and**
- **A quarterly eligible dividend of $0.525 per share was declared, an increase of 10.5% compared to the fourth quarter of fiscal 2017.**

Montréal, October 31, 2018 – Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the fourth quarter ended August 31, 2018, in accordance with International Financial Reporting Standards ("IFRS").

For the fourth quarter of fiscal 2018:

- Revenue increased by 14.9% to reach $633.9 million mainly driven by growth of 55.9% in the American broadband services segment, partly offset by decreases of 1.6% in the Canadian broadband services segment and 1.3% in the Business information and communications technology ("Business ICT") services segment. On a constant currency basis, revenue increased by 13.9%, mainly explained as follows:
  - American broadband services revenue increased by 53.1% 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 rate increases implemented in September 2017, the continued growth in Internet and telephony services customers, partly offset by a decrease in video service customers;
  - Canadian broadband services revenue decreased by 1.6% in constant currency mainly as a result of a higher decline in primary service units due to the migration during the third quarter of 22 legacy customer management systems to a new advanced integrated system. The new system will allow Cogeco Connexion to provide improved customer service in terms of response time and greater digital interaction capabilities. Marketing activities were reduced during the stabilization phase, leading to lower new service activations. The implementation of the new system also resulted in a higher volume of billing inquiries related to an improved bill layout, as well as service provisioning issues, which impacted Cogeco Connexion's customer service level in its contact centers;
  - Business ICT services revenue decreased by 2.4% in constant currency primarily due to higher churn and competitive pricing pressures on the network connectivity services, partly offset by growth in the cloud services revenue;
- Adjusted EBITDA increased by 14.5% to reach $283.1 million. On a constant currency basis, adjusted EBITDA increased by 13.8%, mainly as a result of the following:
  - American broadband services adjusted EBITDA increased by 64.3% in constant currency mainly as a result of the MetroCast acquisition; and
  - Business ICT services adjusted EBITDA remained stable in constant currency; partly offset by
  - Canadian broadband services adjusted EBITDA decreased by 3.0% in constant currency as a result of a decline in revenue and stable operating expenses, including additional costs to support the implementation of a new advanced customer management system.

- Profit for the period amounted to $73.6 million, of which $70.5 million, or $1.43 per share, was attributable to owners of the Corporation compared to $71.3 million, or $1.45 per share, in the comparable period of fiscal 2017

resulting mainly from the improvement of adjusted EBITDA combined with a decrease in income taxes, partly offset by increases in depreciation and amortization and financial expense;

- Free cash flow increased by 1.7% to reach $51.7 million. On a constant currency basis, free cash flow increased by 4.9% as a result of the improvement in adjusted EBITDA and a decrease in current income taxes expense, partly offset by the increases in financial expense and in acquisitions of property, plant and equipment, intangible and other assets mostly resulting from the MetroCast acquisition;

- Cash flow from operating activities decreased by 17.3% to reach $286.1 million mainly due to a decrease in changes in non-cash operating activities primarily due to changes in working capital and increases in financial expense paid and income taxes paid, partly offset by the improvement of adjusted EBITDA;

- A quarterly eligible dividend of $0.475 per share was paid in the fourth quarter to the holders of multiple and subordinate voting shares, representing an increase of $0.045 per share, or 10.5%, compared to an eligible dividend of $0.43 per share paid in the fourth quarter of fiscal 2017; and

- At its October 31, 2018 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.525, an increase of 10.5%, compared to $0.475 per share paid in the fourth quarter of fiscal 2017.

For the fiscal year ended August 31, 2018:

- Revenue increased by 8.8% to reach $2.42 billion mainly driven by growths of 31.9% in the American broadband and stable revenue in the Canadian broadband services segments, partly offset by the decrease of 3.8% in the Business ICT services segment. On a constant currency basis, revenue increased by 10.2%, mainly explained as follows:
    - American broadband services revenue increased by 36.0% in constant currency mainly as a result of the MetroCast acquisition. The increase was also attributable to rate increases, the continued growth in Internet and telephony services customers, partly offset by a decrease in video service customers;
    - Canadian broadband services revenue remained stable mainly as a result of a higher decline in primary service units, during the second half of fiscal 2018, from lower new service activations due to the migration of 22 legacy customer management systems to a new advanced integrated system, offset by price increases implemented during the first quarter of the year. Excluding last year's non-recurring revenue related to settlements with suppliers of $2.1 million, revenue would also have remained stable;
    - Business ICT services revenue decreased by 2.8% in constant currency primarily as a result of higher churn and competitive pricing pressures on the hosting and network connectivity services combined with last year's $2 million in non-recurring revenue related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017. Excluding last year's non-recurring revenue of $2 million, revenue in constant currency would have decreased by 2.1%;

- Adjusted EBITDA increased by 8.1% to reach $1.09 billion. On a constant currency basis, adjusted EBITDA increased by 9.2%, mainly as a result of the following:
    - American broadband services adjusted EBITDA increased by 40.9% in constant currency mainly as a result of the MetroCast acquisition; partly offset by
    - Canadian broadband services adjusted EBITDA remained stable in constant currency and when excluding last year's non-recurring revenue of $2.1 million related to settlements with suppliers; and
    - Business ICT services adjusted EBITDA decreased by 5.8% in constant currency resulting mainly from a decline in revenue and non-recurring items. Excluding last year's non-recurring revenue of $2 million related to an IRU agreement and non-recurring $1.8 million gain on disposal of property, plant and equipment recognized as a reduction of operating expenses in the first quarter of fiscal 2017, adjusted EBITDA would have decreased by 1.7%.

- Profit for the year amounted to $356.3 million, of which $347.2 million, or $7.04 per share, was attributable to owners of the Corporation, compared to $299.2 million, or $6.08 per share, in 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 mainly due to the MetroCast acquisition, partly offset by increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense mostly related to the MetroCast acquisition;

- Free cash flow decreased by 12.6% to reach $326.5 million. On a constant currency basis, free cash flow decreased by 13.1% as a result of the increase in acquisitions of property, plant and equipment, intangible and

other assets combined with acquisition costs and additional financial expense mostly related to the MetroCast acquisition. The decrease was partly offset by the improvement of adjusted EBITDA and a decrease in current income taxes expense;

- Cash flow from operating activities decreased by 27.4% to reach $694.1 million mainly due to increases in income taxes paid of which $85.5 million was related to a deferral in income tax installments, financial expense paid and acquisition costs combined with a decrease in changes in non-cash operating activities primarily due to changes in working capital, partly offset by the improvement of adjusted EBITDA; and

- Dividends paid in fiscal 2018 totaled $1.90 per share compared to $1.72 per share in fiscal 2017.

(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 of the Corporation's 2018 Annual Report.

"At Cogeco Connexion, results were below expectations for the fourth quarter of fiscal 2018 as all our efforts were focused on implementing a new advanced customer management system," declared Philippe Jetté, President and Chief Executive Officer of Cogeco Communications Inc. "This new system will significantly improve our ability to offer digital experiences to our customers, while providing more tools to our contact center agents for an improved customer journey. The system stabilization period has however been more challenging than initially anticipated. Teams across Cogeco Connexion have been working tirelessly at restoring our customer service to its traditionally high level. This endeavor should be completed soon and our main focus will return to sales and marketing activities and improving our highly reputable service to our customers, which has always been part of our DNA."

"We continue to be pleased with the performance of Atlantic Broadband in the United States," stated Mr. Jetté. "In addition to strong organic growth in the last quarter, Atlantic Broadband has begun rolling out increased speeds and advanced TiVo services in its MetroCast markets thus enhancing the services available in our extended footprint."

"At Cogeco Peer 1, we have seen a continuous, relative stabilization of results when comparing quarterly trends," added Mr. Jetté. "Leadership teams are implementing thorough action plans for each of our regions to position Cogeco Peer 1 for growth and are focusing on providing exceptional service to our customers."

"I would also like to take this opportunity to sincerely thank Louis Audet, now Executive Chairman of the Board of Cogeco Communications, for his decades of commitment to Cogeco and his unequaled role as the driving force behind the company's success and impressive growth these past 25 years," concluded Mr. Jetté.

Fiscal 2019 Financial Guidelines

Cogeco Communications maintained its fiscal 2019 preliminary financial guidelines as issued on July 11, 2018. Please consult the "Fiscal 2019 financial guidelines" section of the Corporation's 2018 Annual Report for further details.

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), by way of 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).

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Analyst Conference Call:

Thursday, November 1, 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.

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