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News release

For immediate release

Cogeco disappointed by CRTC decision on final rates for wholesale high-speed internet services

Montréal, August 19, 2019 – Cogeco Inc. and Cogeco Communications Inc. ("Cogeco") responded with surprise and disappointment today to the CRTC's recent decision to again significantly lower aggregated wholesale high-speed Internet services rates and to apply the new rates on a retroactive basis. While Cogeco supports fair competition in the Canadian telecommunications market, just and reasonable wholesale rates are paramount to ensure continued and sustained investments in networks, especially in unserved areas. Cogeco is currently reviewing the details of the CRTC decision and assessing its options going forward.

The CRTC decision is unexpected given the state of competition in the Canadian Internet market, as revealed in the recent market study conducted by the Competition Bureau. This report states that independent Internet service providers, who benefit from mandated access to facilities-based providers' networks at regulated wholesale rates, have now become established players with up to 20% market share in areas where they have focused their marketing efforts. The Bureau highlights that the strength of Canada's Internet networks is built on large investments made by facilities-based providers, such as Cogeco, and underscores the importance of setting wholesale access rates at the correct level in order to ensure that investment incentives are maintained for the future.

As a result of the CRTC decision, Cogeco Inc. and Cogeco Communications Inc. expect to record a charge of approximately $25 million in the current quarter to account for the retroactive impact of the lower rates, of which $15 million relates to fiscal years 2016, 2017 and 2018, and $10 million to fiscal year 2019. Excluding the impact of the $15 million charge relating to prior fiscal years, Cogeco Inc. and Cogeco Communications Inc. are maintaining their respective financial guidelines for fiscal year 2019, issued on April 9, 2019 and preliminary financial guidelines for fiscal year 2020, issued on July 10, 2019.

As Cogeco is currently assessing options, no further comment will be made on the subject at this time.

ABOUT COGECO

Cogeco Inc. is a diversified holding corporation which operates in the communications and media sectors. Its Cogeco Communications Inc. subsidiary provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks, operating in Québec and Ontario, Canada, under the Cogeco Connexion name, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida). Its Cogeco Media subsidiary owns and operates 23 radio stations with complementary radio formats and extensive coverage serving a wide range of audiences mainly across the province of Québec, as well as Cogeco News, a news agency. Cogeco's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Communications Inc. are also listed on the Toronto Stock Exchange (TSX: CCA).

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SOURCE:

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