COGECO COMMUNICATIONS

News release

For immediate release

Cogeco Communications Announces the Acquisition of DERYtelecom

MONTREAL, Oct. 21, 2020 /CNW Telbec/ - Cogeco Communications Inc. (TSX: CCA) announced today that following the satisfactory completion of the due diligence process, its Canadian subsidiary Cogeco Connexion has entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Quebec for $405 million.

DERYtelecom is based in Saguenay, Quebec and offers Internet, television and telephony services to approximately 100,000 customers in over 200 municipalities across several regions in Quebec, including Estrie, Lanaudière, Montérégie and the Laurentians. Revenue and adjusted EBITDA for the fiscal year ended August 31, 2020 are estimated to be $105 million and $44 million, respectively.

"The acquisition of DERYtelecom is a strong strategic fit which will allow Cogeco Connexion to increase its presence in areas that are adjacent to its Quebec footprint and to build on the long history of mutual respect, collaboration and friendship between the two companies," said Philippe Jetté, President and Chief Executive Officer of Cogeco Communications Inc. "Our proven track-record in the successful integration of regional cable businesses, having acquired five companies in the U.S. and Canada over the past five years alone, demonstrates our commitment to bring superior connectivity to regional and rural communities."

"As a Quebec-based company which is committed to its employees and its regional communities and with a history similar to ours, Cogeco presented itself as the best possible partner for us. This new beginning bodes well for the future of DERYtelecom, its clients and employees," stated Bryan Godbout, President and General Manager of DERYtelecom.

"We are excited at the prospect of adding the DERYtelecom customers, employees and networks into the Cogeco Connexion fold," said Frédéric Perron, President of Cogeco Connexion. "DERYtelecom's customer base and networks are complementary to those of Cogeco Connexion and we know that together, bolstered by the core values that we share, we can augment the service offering, increase the customer base and deliver superior revenue growth."

Acquisition Rationale

- DERYtelecom's regional operations in Quebec are very similar to Cogeco's.
- Opportunity to leverage Cogeco Connexion's product and sales expertise to add to DERYtelecom's service offering, increase the customer base and deliver superior revenue growth.
- Annual run-rate synergies of approximately $3 million to be realized gradually over the 1st year as operations are integrated and economies of scale are realized.
- Opportunity to further expand our rural footprint through network extensions, including through government funding programs, of which some were already awarded to DERYtelecom.

Valuation Highlights and Acquisition Financing

DERYtelecom will be purchased for $405 million. As the transaction will be executed essentially through an asset purchase, Cogeco Connexion expects to realize tax benefits with a present value of approximately $40 million. These benefits are due to the tax amortization of tangible and intangible assets which are both stepped up to current market value in an asset purchase transaction. The transaction represents an acquisition multiple of 7.8x EBITDA, accounting for the projected synergies and tax benefits.

The purchase price will be financed with a combination of cash on hand and Cogeco's term revolving facility. The

transaction is subject to regulatory approvals under the Competition Act along with other customary closing conditions and is expected to close no later than the second quarter of the fiscal year 2021.

NON-IFRS MEASURES

Financial information related to DERYtelecom is based on Accounting Standards for Private Enterprises ("ASPE") in Canada which differ from the International Financial Reporting Standards ("IFRS") used to prepare Cogeco Communications' consolidated financial statements. The estimated revenue and adjusted EBITDA were adjusted by Cogeco Communications to reflect IFRS to the best of its knowledge. Cogeco Communications has presented in this press release a multiple of tax adjusted purchase price based on the estimated fiscal 2020 adjusted EBITDA of the business being acquired, including the projected synergies. Adjusted EBITDA is a financial measure that does not have a standard definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Adjusted EBITDA represents profit for the year before income taxes, financial expense, depreciation and amortization, adjusted to exclude integration, restructuring and acquisition costs, which are non-recurring items. Adjusted EBITDA is a key measure to value a company and its financial health. Cogeco Communications' estimation of the fiscal 2020 adjusted EBITDA of the business being acquired is based on financial information that was provided by the current management of DERYtelecom. The annual run-rate synergies are based on Cogeco Communications' best estimate of synergies which could be realized gradually over the first year of operations based on its due diligence review. Cogeco Communications has not provided a quantitative reconciliation of the non-IFRS or non-ASPE financial measures included in this press release to the most comparable financial measures presented in accordance with IFRS due to the forward looking nature of the financial information being presented. For more details, please consult the "Non-IFRS financial measures" section of Cogeco Communications' Management Discussion & Analysis ("MD&A") for the third quarter of fiscal 2020.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications, Cogeco Connexion and DERYtelecom's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Cogeco Communications, Cogeco Connexion and DERYtelecom's future operating results and economic performance, the estimated tax benefits of the acquisition of assets rather than shares, the expected fiscal 2020 revenue and estimated adjusted EBITDA of the business being acquired, the expected timing of closing of the Transaction and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, purchase price allocation, tax rates, weighted average cost of capital, performance and business prospects and opportunities, which Cogeco Communications, Cogeco Connexion and DERYtelecombelieve are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Cogeco Communications, they may prove to be incorrect. Cogeco Communications cautions the reader that the economic downturn related to the COVID-19 pandemic makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from Cogeco Communications' expectations. It is impossible for Cogeco Communications to predict with certainty the impact that current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of Cogeco Communications' 2019 annual MD&A and third quarter of fiscal 2020 MD&A) that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include, namely, risks such as competitive risks, business risks, regulatory risks, public health crisis and emergencies such as the current COVID-19 pandemic, technology risks, financial risks, economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond Cogeco Communications' control. Therefore, future events and results may vary significantly from what management currently foresees. In addition, Cogeco Communications' and DERYtelecom's ability to close the transaction within the expected timeframe, if at all, is dependent upon the parties' ability to comply with the closing conditions, some of which are beyond the control of the parties. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, Cogeco Communications is under no obligation and does not undertake to, update or alter this information at any particular time, except as may be required by law.

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 along the East Coast of the United

States under the Atlantic Broadband brand (in 11 states from Maine to Florida). The Corporation provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

SOURCE Cogeco Communications Inc.