COGECO COMMUNICATIONS

News release

For immediate release

Cogeco Communications Reports Strong Performance for the Fourth Quarter of Fiscal 2020

- **Revenue increased by 3.7% (3.0% in constant currency) compared to the same period of the prior year to reach $605.2 million;**
- **Adjusted EBITDA[1] reached $294.5 million, an increase of 6.9% (6.2% in constant currency);**
- **Cogeco Communications announced the acquisition of DERYtelecom, the third largest cable provider in the province of Québec;**
- **Cogeco Connexion announced network expansion projects in the provinces of Ontario and Québec; and**
- **A quarterly eligible dividend of $0.64 was declared, compared to $0.58 for the fourth quarter of fiscal 2019.**

MONTRÉAL, Oct. 27, 2020 /CNW/ - Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the fourth quarter ended August 31, 2020, in accordance with International Financial Reporting Standards ("IFRS").

COVID-19 PANDEMIC

Our efforts again this quarter have been focused on offering our customers the highest quality of service while providing a safe working environment to our employees. Demand for our high speed Internet product was sustained both in Canada and in the United States, which translated into strong primary service units[2] performance. We remained disciplined in managing our operating costs through that period and have tightly managed our collection activities, which resulted in lower bad debt expenses than in the previous quarter. Although these COVID-19 related impacts did not have a material effect on our results, we remain cautious in our management of this situation as uncertainties remain on the potential human, operating and financial impact of the pandemic.

OPERATING RESULTS

For the fourth quarter of fiscal 2020:

- Revenue increased by 3.7% to reach $605.2 million. On a constant currency basis, revenue increased by 3.0%, mainly explained as follows:
    - American broadband services revenue increased by 4.9% in constant currency resulting from growth in both residential and business Internet service customers as more customers work from home in the context of the COVID-19 pandemic, rate increases mostly implemented during the fourth quarter of fiscal 2019 and the impact of the Thames Valley Communications acquisition completed on March 10, 2020, partly offset by the temporary waving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic. Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.5%.
    - Canadian broadband services revenue increased by 1.3% as a result of rate increases implemented during the first and the fourth quarters of fiscal 2020 for certain services, customers' transition to higher value offerings and continued growth in Internet service customers, partly offset by a decline in video service customers and lower net pricing from

consumer sales primarily as a result of product bundles being promoted more actively from the fourth quarter of fiscal 2019 to the second quarter of fiscal 2020.

- Adjusted EBITDA increased by 6.9% to reach $294.5 million. On a constant currency basis, adjusted EBITDA increased by 6.2%, mainly explained as follows:
    - American broadband services adjusted EBITDA increased by 7.2% in constant currency mainly as a result of organic growth and the impact of the Thames Valley Communications acquisition. Excluding adjusted EBITDA from Thames Valley Communications, adjusted EBITDA in constant currency increased by 5.9%.
    - Canadian broadband services adjusted EBITDA increased by 5.8% in constant currency mainly due to higher revenue combined with lower operating expenses mainly due to non-recurring elements of approximately $4 million and lower marketing expense.
- Profit for the period from continuing operations amounted to $96.1 million, of which $90.8 million, or $1.90 per share, was attributable to owners of the Corporation compared to $92.4 million, $87.9 million, and $1.78 per share, respectively, in the comparable period of fiscal 2019. The increase resulted mainly from higher adjusted EBITDA, partly offset by the increases in income taxes, depreciation and amortization and integration, restructuring and acquisitions costs;
- Profit for the period amounted to $96.1 million, of which $90.8 million, or $1.90 per share, was attributable to owners of the Corporation compared to $94.3 million, $89.8 million, and $1.82 per share, respectively, in the comparable period of fiscal 2019. The variation is mainly due to the elements mentioned for the profit for the period from continuing operations, partly offset by a profit from discontinued operations in the comparable period of the prior year;
- Free cash flow[(1)] increased by 32.2% to reach $111.4 million. On a constant currency basis, free cash flow increased by 32.0% as a result of higher adjusted EBITDA combined with the decrease in acquisition of property, plant and equipment due to the timing of certain initiatives;
- Cash flows from operating activities decreased by 16.4% to reach $254.7 million mainly due to the decrease in changes in non-cash operating activities primarily due to changes in working capital and the increase in financial expense paid, partly offset by higher adjusted EBITDA and the decrease in income taxes paid; and
- At its October 27, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share compared to $0.58 in the comparable quarter of fiscal 2019.

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(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 this press release, including reconciliation to the most comparable IFRS financial measures
(2)	Represents the sum of Internet, video and telephony customers

"Given that we were still in the midst of the COVID-19 pandemic throughout the summer, we are very pleased with our operational and financial performance for the fourth quarter," declared Philippe Jetté, President and Chief Executive Officer of Cogeco Communications Inc. "We remained focused on executing our profitable growth strategy, investing in our state of the art broadband networks and offering the best services and support to our customers."

"We are pleased with the results of Cogeco Connexion in Canada which reported increases in revenue and adjusted EBITDA," stated Mr. Jetté. "These were largely driven by a healthy demand for our Internet services coupled with disciplined operations. In addition, Cogeco Connexion announced network expansions in several regions across our Canadian footprint and started offering our new IPTV platform."

"Atlantic Broadband, our American subsidiary, also reported positive results. Adjusted EBITDA and primary service units increased compared to last year, in large part thanks to organic growth as well as the integration of Thames Valley Communications in Connecticut," concluded Mr. Jetté.

ACQUISITION OF DERYTELECOM

On October 21, 2020, Cogeco Communications announced that following the satisfactory completion of the due diligence process, Cogeco Connexion has entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Québec, for $405 million. 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 Québec footprint. 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 end of the second quarter of the fiscal year 2021.

FISCAL 2021 FINANCIAL GUIDELINES

The Corporation released its fiscal 2021 financial guidelines. On a constant currency basis and consolidated basis, the Corporation expects low-single digit percentage growth in revenue, adjusted EBITDA and free cash flow for fiscal 2021. Capital intensity is expected to be at approximately 20%.

FINANCIAL HIGHLIGHTS

	Three months ended						Years ended					
	August 31, 2020	August 31, 2019[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]		**August 31, 2020**	August 31, 2019[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]	
(in thousands of Canadian dollars, except percentages and per share data)	**$**	$	%	%	$		**$**	$	%	%	$	
Operations												
Revenue	**605,168**	583,673	3.7	3.0	4,214		**2,384,283**	2,331,820	2.2	1.5	16,477	
Adjusted EBITDA	**294,535**	275,610	6.9	6.2	1,846		**1,148,729**	1,107,940	3.7	3.0	7,176	
Adjusted EBITDA margin	**48.7**	% 47.2	%				**48.2**	% 47.5	%			
Integration, restructuring and acquisition costs[3]	**3,955**	712	—				**9,486**	11,150	(14.9)			
Profit for the period from continuing operations	**96,148**	92,403	4.1				**396,591**	356,908	11.1			
Profit for the period from discontinued operations	**—**	1,920	(100.0)				**—**	75,380	(100.0)			
Profit for the period	**96,148**	94,323	1.9				**396,591**	432,288	(8.3)			
Profit for the period from continuing operations attributable to owners of the Corporation	**90,834**	87,850	3.4				**375,174**	339,973	10.4			
Profit for the period attributable to owners of the Corporation	**90,834**	89,770	1.2				**375,174**	415,353	(9.7)			
Cash flow												
Cash flows from operating activities	**254,745**	304,702	(16.4)				**917,819**	868,711	5.7			
Acquisition of property, plant and equipment[4]	**128,195**	145,099	(11.6)	(12.5)	1,247		**483,990**	434,545	11.4	10.2	5,088	
Free cash flow	**111,372**	84,250	32.2	32.0	198		**455,436**	454,059	0.3	0.2	369	
Capital intensity	**21.2**	% 24.9	%				**20.3**	% 18.6	%			
Financial condition												
Cash and cash equivalents							**366,497**	556,504	(34.1)			
Total assets							**6,804,197**	6,951,079	(2.1)			
Indebtedness[5]							**3,179,926**	3,454,923	(8.0)			

Equity attributable to owners of the Corporation							**2,268,246**		2,199,789		3.1	
Per share data[6]												
Earnings per share												
Basic												
From continuing operations	**1.90**		1.78		6.7		**7.74**		6.89		12.3	
From discontinued operations	**—**		0.04		(100.0)		**—**		1.53		(100.0)	
From continuing and discontinued operations	**1.90**		1.82		4.4		**7.74**		8.41		(8.0)	
Diluted												
From continuing operations	**1.88**		1.77		6.2		**7.67**		6.83		12.3	
From discontinued operations	**—**		0.04		(100.0)		**—**		1.51		(100.0)	
From continuing and discontinued operations	**1.88**		1.80		4.4		**7.67**		8.35		(8.1)	
Dividends	**0.58**		0.525		10.5		**2.32**		2.10		10.5	

(1)	IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated
(2)	Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the prior year. For the three-month period and year ended August 31, 2019, the average foreign exchange rates used for translation were 1.3222 USD/CDN and 1.3255 USD/CDN, respectively
(3)	For the three-month period and year ended August 31, 2020, integration, restructuring and acquisition costs resulted mostly from organizational changes initiated across the Corporation, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract. For the year ended August 31, 2019, integration, restructuring and acquisition costs were mostly related to an operational optimization program
(4)	For the three-month period and year ended August 31, 2020, acquisition of property, plant and equipment in constant currency amounted to $126.9 million and $478.9 million, respectively
(5)	Indebtedness is defined as the total of bank indebtedness and principal on long-term debt
(6)	Per multiple and subordinate voting share

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

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).

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Analyst Conference Call:	**Wednesday, October 28, 2020 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

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