News release

For immediate release

Cogeco Reports Strong Performance For The First Quarter Of Fiscal 2021

- **Revenue increased by 4.5% (4.7% in constant currency[1]) compared to the same period of the prior year to reach $646.4 million;**
- **Adjusted EBITDA[1] reached $321.1 million, an increase of 10.5% (10.7% in constant currency);**
- **Free cash flow[1] reached $148.2 million, an increase of 36.1% (36.3% in constant currency);**
- **Cogeco is revising its fiscal 2021 financial guidelines following the acquisition of DERYtelecom, the third largest cable provider in the province of Québec; and**
- **A quarterly eligible dividend of $0.545 was declared.**

MONTRÉAL, Jan. 14, 2021 /CNW Telbec/ - Today, Cogeco Inc. (TSX: CGO) ("Cogeco" or the "Corporation") announced its financial results for the first quarter ended November 30, 2020, in accordance with International Financial Reporting Standards ("IFRS").

OPERATING RESULTS

For the first quarter of fiscal 2021:

- Revenue increased by 4.5% to reach $646.4 million. On a constant currency basis, revenue increased by 4.7%, mainly explained as follows:
  - Canadian broadband services revenue increased by 2.2% as a result of the cumulative effect of sustained demand for residential high speed Internet since the beginning of the pandemic due to customers spending more time at home for work, online education and entertainment purposes, and rate increases implemented for certain services, partly offset by a decline in video service customers; and
  - American broadband services revenue increased by 9.8% in constant currency resulting mainly from strong residential Internet service additions, rates increases, the impact of the Thames Valley Communications acquisition completed on March 10, 2020 and increased political advertising revenue related to the United States' presidential election. Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 8.2%; partly offset by
  - lower revenue in the media activities due to a decline of the radio advertising market resulting directly from the COVID-19 pandemic.
- Adjusted EBITDA increased by 10.5% to reach $321.1 million. On a constant currency basis, adjusted EBITDA increased by 10.7%, mainly explained as follows:
  - Canadian broadband services adjusted EBITDA increased by 8.8% in constant currency mainly due to an increase in revenue combined with a decrease in operating expenses attributable primarily to sales and marketing activity deferred to the second half of the year in the context of the COVID-19 pandemic;
  - American broadband services adjusted EBITDA increased by 14.3% in constant currency mainly due to an increase in revenue, the impact of the Thames Valley Communications acquisition and the timing of certain initiatives deferred to the second half of the year. Excluding adjusted EBITDA from Thames Valley Communications, adjusted EBITDA in constant currency increased by 12.8%.
- Profit for the period amounted to $120.4 million of which $40.5 million, or $2.55 per share, was attributable to owners of the Corporation compared to $94.2 million, $31.3 million, and $1.96 per share, respectively, in the comparable period of fiscal 2020. The increase resulted mainly from higher adjusted EBITDA and lower financial expense, partly offset by the increase in income taxes;
- Free cash flow increased by 36.1% to reach $148.2 million. On a constant currency basis, free cash flow increased by 36.3% as a result of higher adjusted EBITDA combined with decreases in acquisition of property,

plant and equipment due to the timing of certain initiatives, financial expense and current income taxes;
- Cash flows from operating activities increased by 55.9% to reach $235.5 million mainly due to changes in non-cash operating activities primarily due to changes in working capital, combined with higher adjusted EBITDA and the decrease in financial expense paid, partly offset by the increase in income taxes paid;
- On December 14, 2020, Cogeco Connexion, completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments; and
- At its January 14, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.545 per share compared to $0.475 per share in the comparable quarter of fiscal 2020.

(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.

"We are pleased with the overall performance of Cogeco for the first quarter of 2021," declared Philippe Jetté, President and Chief Executive Officer of Cogeco Inc.

"Both our Canadian and American broadband segments showed strong increases in EBITDA compared to the first quarter of last year, largely explained by unique circumstances that were favourable to our business," said Mr. Jetté. "In particular, the pandemic continued to accelerate changes in customer behavior and highlight the value of our fixed broadband product while allowing for the deferral of certain operating activities to the second half of the year. This resulted in a strong operating performance which, combined with lower capital expenditures, allowed us to increase free cash flow by 36% compared to the same period last year."

"We were also pleased to announce the completion of the DERYtelecom acquisition, the third-largest cable operator in the province of Québec, enabling us to significantly expand our activities in more than 200 municipalities in Québec and adding approximately 100,000 customers to Cogeco Connexion's client base."

"As for Cogeco Media, we are satisfied with its results and have been maintaining our financial discipline given the continued impact of the pandemic on the advertising market," concluded Mr. Jetté.

COVID-19 PANDEMIC

The COVID-19 pandemic continued to impact our day-to-day operations. Our priority remained on ensuring the well-being of our employees, customers and business partners. During the quarter, we continued to experience some of the trends from past quarters. Those primarily relate to sustained demand for our residential high speed Internet product and a reduction of certain expenses due to a more stable customer base (fewer connections and disconnections). In these unusual circumstances, we have also decided to delay certain sales and marketing expenses to the second half of the year in both countries.

As for our radio operations, they were negatively impacted by the pandemic with a revenue decline of 13% in the quarter compared to the previous year, due to certain segments of the retail industry reducing or cutting their advertising activities. However, the decline in revenue was an improvement compared to the previous quarter which had 29% year-over-year revenue decline. As it did in prior quarters, Cogeco Media managed its operating expenses tightly while maintaining quality programming.

Although we are pleased with the financial results to date under the circumstances, we remain cautious in our management of this situation as uncertainties remain on the potential human, operating and financial impact of the pandemic. The Corporation's results discussed herein may not be indicative of future operational trends and financial performance.

FISCAL 2021 REVISED FINANCIAL GUIDELINES

The Corporation revised its fiscal 2021 financial guidelines giving effect to the impact from the acquisition of DERYtelecom which was completed on December 14, 2020, and considering the strong fiscal 2021 first-quarter financial results. On a constant currency basis and consolidated basis, the Corporation expects mid to high single-digit percentage growth in revenue and adjusted EBITDA, and high single-digit growth in free cash flow for fiscal 2021. The acquisition of DERYtelecom is expected to have a positive impact of approximately 3% on fiscal 2021 revenue and adjusted EBITDA.

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).

For information:

Investors
Patrice Ouimet
Senior Vice President and Chief Financial Officer
Cogeco Inc.
Tel.: 514-764-4700
patrice.ouimet@cogeco.com

Media
Marie-Hélène Labrie
Senior Vice President and Chief Public Affairs, Communications and Strategy Officer
Cogeco Inc.
Tel.: 514-764-4700
marie-helene.labrie@cogeco.com

Analyst Conference Call:	**Friday, January 15, 2021 at 9:30 a.m.** (Eastern 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/cgo/en/investors/investor-relations/
	The conference call on Friday, January 15, will be followed by a live webcast of the virtual Annual Shareholders' Meetings at 11:30 a.m. Information to join the virtual Annual Shareholders' Meetings is available on the Cogeco Inc. and Cogeco Communications Inc. websites. You will be able to log into the virtual Annual Shareholders' Meetings at https://web.lumiagm.com/494965290 starting at 10:30 a.m. on January 15, 2021. Note that the Annual Shareholders' Meetings are not accessible via the Internet Explorer web browser.

FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency [1][2]	Foreign exchange impact [1]
(In thousands of Canadian dollars, except percentages and per share data)	**$**	$	%	%	$
Operations					
Revenue	**646,355**	618,469	4.5	4.7	(1,171)
Adjusted EBITDA [2]	**321,090**	290,509	10.5	10.7	(510)
Integration, restructuring and acquisition costs [3]	**1,181**	80	—		

Profit for the period	**120,447**	94,216	27.8		
Profit for the period attributable to owners of the Corporation	**40,489**	31,284	29.4		
Cash flow					
Cash flows from operating activities	**235,532**	151,071	55.9		
Acquisition of property, plant and equipment [4]	**116,491**	122,030	(4.5)	(4.2)	(391)
Free cash flow [2]	**148,236**	108,893	36.1	36.3	(151)
Financial condition [5]					
Cash and cash equivalents	**429,647**	406,113	5.8		
Total assets	**7,046,015**	7,024,696	0.3		
Indebtedness [6]	**3,225,794**	3,290,354	(2.0)		
Equity attributable to owners of the Corporation	**793,308**	761,501	4.2		
Per share data [7]					
Earnings per share					
Basic	**2.55**	1.96	30.1		
Diluted	**2.53**	1.94	30.4		
Dividends	**0.545**	0.475	14.7		

(1)	Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.
(2)	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, including reconciliation to the most comparable IFRS financial measures.
(3)	For the three-month period ended November 30, 2020, integration, restructuring and acquisition costs resulted mostly from due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020.
(4)	For the three-month period ended November 30, 2020, acquisition of property, plant and equipment in constant currency amounted to $116.9 million.
(5)	At November 30, 2020 and August 31, 2020.
(6)	Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.
(7)	Per multiple and subordinate voting share.

12. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regards to our business units. Reconciliations between "free cash flow" and "adjusted EBITDA" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisition of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. In addition, this MD&A refers to the capital intensity of the Canadian broadband services and the American broadband services segments, a key performance indicator used by Cogeco Communications' management and investors to assess the Cogeco Communication's investment in capital expenditures in order to support a certain level of revenue. This financial measure does not have standard definitions prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Non-IFRS financial measures	**Application**	**Calculation**	**Most comparable IFRS financial measures**

Adjusted EBITDA	Adjusted EBITDA is a key measure commonly reported and used in the telecommunications industry, as it allows comparisons between companies that have different capital structures and is a more current measure since it excludes the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco's business units is equal to the segment profit reported in Note 4 of the condensed interim consolidated financial statements.	Adjusted EBITDA: - Profit for the period add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
Free cash flow [1]	Management and investors use free cash flow to measure Cogeco's ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow [1]: - Adjusted EBITDA add: - Amortization of deferred transaction costs and discounts on long-term debt; - Share-based payment; - Loss (gain) on disposals and write-offs of property, plant and equipment; - Defined benefit plans expense, net of contributions; deduct: - Integration, restructuring and acquisition costs; - Financial expense [2]; - Current income taxes; - Acquisition of property, plant and equipment [3]; and - Repayment of lease liabilities.	Cash flows from operating activities
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisition of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis is obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year.	No comparable IFRS financial measure
Capital intensity	Capital intensity is used by Cogeco Communications' management and investors to assess the Cogeco Communication's investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment [3] divided by: - Revenue	No comparable IFRS financial measure

(1)	During the second quarter of fiscal 2020, the Corporation modified the calculation method of its free cash flow in order to reflect how the Corporation analyzes and makes projections of its free cash flow. This modification has no impact on the result under the current and former calculation, and therefore free cash flow for the comparable periods were not affected by this change.
(2)	Excludes the non-cash gain on debt modification.
(3)	Excludes the acquisition of right-of-use assets and the purchases of spectrum licenses.

12.1 ADJUSTED EBITDA RECONCILIATION

The reconciliation of adjusted EBITDA to the most comparable IFRS financial measure is as follows:

	Three months ended	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**120,447**	94,216
Income taxes	**37,639**	31,548
Financial expense	**36,279**	40,402
Depreciation and amortization	**125,544**	124,263
Integration, restructuring and acquisition costs	**1,181**	80
Adjusted EBITDA	**321,090**	290,509

12.2 FREE CASH FLOW RECONCILIATION

The reconciliation of free cash flow to the most comparable IFRS financial measure is as follows:

	Three months ended	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars)	**$**	$
Cash flows from operating activities	**235,532**	151,071
Amortization of deferred transaction costs and discounts on long-term debt	**2,297**	2,558
Changes in non-cash operating activities	**19,262**	86,656
Income taxes paid	**42,188**	17,221
Current income taxes	**(21,313)**	(25,300)
Financial expense paid	**24,462**	40,684
Financial expense	**(36,279)**	(40,402)
Acquisition of property, plant and equipment	**(116,491)**	(122,030)
Repayment of lease liabilities	**(1,422)**	(1,565)
Free cash flow	**148,236**	108,893

SOURCE Cogeco Inc.