

SHAW COMMUNICATIONS INC
Form 6-K
November 02, 2016
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For November 2, 2016

Commission File Number: 001-14684

Shaw Communications Inc.

(Translation of registrant's name into English)

Suite 900, 630 3rd Avenue S.W., Calgary, Alberta T2P 4L4 (403) 750-4500

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

The information contained in this report on Form 6-K and any exhibits hereto shall be deemed filed with the Securities and Exchange Commission (SEC) are incorporated by reference into and as part of the Registration Statement on Form F-10 (File No. 333-188260) filed by the registrant under the Securities Act of 1933, as amended.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Shaw Communications Inc.

Date: November 2, 2016

By: /s/ Vito Culmone
Name: Vito Culmone
Title: Executive Vice President, Finance and CFO
Shaw Communications Inc.

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Shaw Communications Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended August 31, 2016

November 2, 2016

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The following Management's Discussion and Analysis (MD&A), dated November 2, 2016, should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended August 31, 2016 and the 2015 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company's 2015 Annual Report. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards (IFRS) for interim financial statements and is expressed in Canadian dollars unless otherwise indicated. References to Shaw , the Company , we , us or our mean Shaw Communications Inc. and its subsidiaries and consolidated entities, unless the context otherwise requires.

Caution concerning forward-looking statements

Statements included in this MD&A that are not historic constitute forward-looking statements within the meaning of applicable securities laws. Such statements include, but are not limited to:

statements about future capital expenditures;

asset acquisitions and dispositions;

cost efficiencies;

financial guidance for future performance;

business and technology strategies and measures to implement strategies;

statements about Shaw's equity investments, joint ventures and partnership arrangements including any statements about write-downs, losses and liabilities;

competitive strengths; and

expansion and growth of Shaw's business and operations and other goals and plans.

They can generally be identified by words such as anticipate, believe, expect, plan, intend, target, goal and expressions (although not all forward-looking statements contain such

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words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many of which are confidential, include, but are not limited to:

general economic conditions;

interest;

income tax and exchange rates;

technology deployment;

content and equipment costs;

industry structure;

conditions and stability;

government regulation; and

the integration of recent acquisitions.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

general economic, market and business conditions;

changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies;

industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;

the Company's ability to execute its strategic plans and capital projects;

the Company's ability to achieve cost efficiencies;

technology, cyber security and reputational risks;

opportunities that may be presented to and pursued by the Company;

changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;

the Company's status as a holding company with separate operating subsidiaries; and

other factors described in this report under the heading "Known events, trends, risks and uncertainties". The foregoing is not an exhaustive list of all possible factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

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Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward looking statements contained in this MD&A are expressly qualified by this statement.

Non-IFRS and additional GAAP measures

Certain measures in this MD&A do not have standard meanings prescribed by IFRS and are therefore considered non-IFRS measures. These measures are provided to enhance the reader's overall understanding of our financial performance or current financial condition. They are included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a more consistent basis for comparison between periods. These measures are not in accordance with, or an alternative to, IFRS and do not have standardized meanings. Therefore, they are unlikely to be comparable to similar measures presented by other entities.

Please refer to Non-IFRS and additional GAAP measures in this MD&A for a discussion and reconciliation of non-IFRS measures, including operating income before restructuring costs and amortization, free cash flow and accelerated capital fund.

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Shaw Communications Inc.

Introduction

In 2016, we made several strategic moves to position Shaw as an enhanced connectivity provider dedicated to serving our customers for the long term. Amidst the transformative changes we were able to close out another year with solid financial results despite the competitive landscape and slowed economic environment in parts of western Canada. Our growth segments, comprised of Wireless, Business Network Services and Business Infrastructure Services, will continue to be key contributors to our success as we work towards building a stronger future for Shaw that drives long-term growth for all our stakeholders.

We enter fiscal 2017 with the necessary foundation in place to execute on our strategic initiatives. We continue to improve our wireline network through the implementation of DOCSIS 3.1 and use this strength to our advantage in the marketplace. The July launch of WideOpen Internet 150 builds upon the investments made over the past several years to enhance the quality and capacity of our broadband network, already one of North America's largest. WideOpen Internet 150 became available to a wide customer base in the fourth quarter and balances speed with affordability. The improvements give more than 90% of communities in our footprint the ability to immediately access to top-tier speeds. Early in the fiscal year, we enhanced speeds of our Shaw Go WiFi network six-fold for our mid-tier and top tier Internet customers to enjoy at approximately 85,000 hotspots across western Canada.

In the Wireless division, we added nearly 40,000 net new wireless subscribers and increased Average Revenue Per Unit (ARPU) by over 3% compared to the third quarter as customers continue to choose value plans. Significant progress has been made on our path towards an LTE Advanced network as we continue to integrate our hybrid fibre-coax, WiFi and wireless facilities to create a seamless converged network that is more efficient and cost effective¹. In time, customers can expect to see integrated offerings that provide them with high value for their dollar in terms of the quality of coverage and seamless connectivity experience.

Customers continued to benefit from the combination of our network investments and our commitment to bring to market innovative products and services that are industry solutions led by global partners with scale. Our next generation video product roadmap enabled through Comcast's world-class X1 platform continues to progress with an increasing number of customers enjoying FreeRange TV. We are currently monitoring and reviewing the results of our in-home trials of the X1 set-top box and still on track for launching a best-in-class next generation video product. Our video and network product roadmap will ensure we have extraordinary experiences available for our customers and by the end of fiscal 2017 we expect to have the X1 set-top box available across western Canada.

Business Network Services continued to strengthen our position as trusted advisors to small and medium sized businesses. Applying a managed services strategy developed in partnership with Broadsoft, Cisco and Meraki, we have made it easy for businesses to harness seamless technology advances such as SmartVoice, SmartWiFi, and SmartSecurity for all of their connectivity needs.

Our Business Infrastructure Services division continues to focus on being a leading global provider of Hybrid IT Solutions. We have expanded capacity once again with the opening of our newest data centre in Plano, Texas. In addition, the recently launched Calgary data centre has positioned us as a top tier provider of private cloud, public cloud, colocation and related data centre services in the Canadian market.

1 See Risks and Uncertainties Competition for Wireless Operations

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Shaw Communications Inc.

Culture and People

During its realignment to an enhanced connectivity provider, the Company embarked on evolving its culture to enable it to deliver on its corporate and operational strategy. Building off the success of its Focus to Deliver program launched in 2014, the Company continues to maintain its efficiency and growth potential by ensuring business decisions are made in accordance with disciplined customer-centric criteria.

The Company believes its success and strength stems from its people and its commitment to making Shaw the place where the best people choose to work. Inspiring and engaging its employees to align with its strategy is the cornerstone of the Company's success. Shaw is grateful to have approximately 14,000 employees committed to delivering an exceptional enhanced connectivity experience for its customers and the communities it serves.

Table of Contents**Shaw Communications Inc.****Selected financial and operational highlights****Basis of presentation**

On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media Inc. (Shaw Media) to Corus Entertainment Inc. (Corus), a related party subject to common voting control for \$2.65 billion, comprised of \$1.85 billion in cash and 71,364,853 Corus Class B non-voting participating shares.

Accordingly, the operating results and operating cash flows for the previously reported Media division are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has been reclassified to present the Media division as a discontinued operation, and has therefore been excluded from both continuing operations and segmented results for all periods presented in this MD&A and the accompanying interim financial statements. This MD&A reflects the results of continuing operations, unless otherwise noted.

Financial Highlights

<i>(millions of Canadian dollars except per share amounts)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Operations:						
Revenue	1,306	1,131	15.5	4,884	4,486	8.9
Operating income before restructuring costs and amortization ⁽¹⁾	549	525	4.6	2,114	2,037	3.8
Operating margin ⁽¹⁾	42.0%	46.4%	(4.4pts)	43.3%	45.4%	(2.1pts)
Net income from continuing operations	144	247	(41.7)	456	666	(31.5)
Income from discontinued operations, net of tax ⁽²⁾	10	29	(65.5)	784	214	266.4
Net income	154	276	(44.2)	1,240	880	40.9
Per share data:						
Basic earnings per share						
Continuing operations	0.29	0.52		0.92	1.40	
Discontinued operations	0.02	0.05		1.59	0.40	
	0.31	0.57		2.51	1.80	
Diluted earnings per share						
Continuing operations	0.29	0.52		0.92	1.39	
Discontinued operations	0.02	0.05		1.59	0.40	
	0.31	0.57		2.51	1.79	
	485	473		480	468	

Weighted average participating shares outstanding during
period (millions)

Funds flow from continuing operations ⁽³⁾	369	326	13.2	1,483	1,398	6.1
Free cash flow ⁽¹⁾	9	35	(74.3)	482	653	(26.2)

- (1) See definitions and discussion under Non-IFRS and additional GAAP measures .
- (2) As of the date the Media division met the criteria to be classified as held for sale and for the period up to the transaction closing date of April 1, 2016, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the twelve month period, before tax, amounted to \$35 for program rights and \$6 for property, plant and equipment, intangibles and other, respectively.
- (3) Funds flow from operations is before changes in non-cash balances related to operations as presented in the unaudited interim Consolidated Statements of Cash Flows.

Table of Contents**Shaw Communications Inc.****Subscriber highlights**

	August 31, 2016	August 31, 2015	Change		Change	
			2016	2015	Year ended August 31, 2016	2015
Consumer						
Video Cable	1,671,059	1,764,523	(22,171)	(33,832)	(93,464)	(102,781)
Video Satellite	790,574	811,988	(6,332)	(7,953)	(21,414)	(38,144)
Internet ⁽¹⁾	1,787,642	1,772,293	10,341	265	15,349	12,493
Phone	956,763	1,027,266	(18,942)	(34,515)	(70,503)	(83,442)
Total Consumer	5,206,038	5,376,070	(37,104)	(76,035)	(170,032)	(211,874)
Business Network Services						
Video Cable	61,153	77,709	(1,602)	(5,483)	(16,556)	(12,616)
Video Satellite	30,994	31,435	(448)	(193)	(441)	944
Internet ⁽¹⁾	179,867	180,248	1,723	2,434	(381)	9,647
Phone	301,328	284,785	5,848	4,832	16,543	20,159
Total Business Network Services	573,342	574,177	5,521	1,590	(835)	18,134
Wireless ⁽²⁾						
Postpaid	667,028		27,031		667,028	
Prepaid	376,260		12,788		376,260	
Total Wireless	1,043,288		39,819		1,043,288	
Total Subscribers	6,822,668	5,950,247	8,236	(74,445)	872,421	(193,740)

(1) Internet subscribers at August 31, 2015 have been restated to reclassify 2,081 customers from Consumer to Business Network Services.

(2) Wireless subscribers (or Revenue Generating Units (RGUs) - Recurring RGUs (e.g. cellular phone, smartphone, tablet or mobile Internet device) that has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring.

Shaw's subscriber highlights include Business Network Services subscriber measures for which the method of counting is at the individual unit level. These measures are suited for traditional offerings such as analog video, and phone, including non-cloud based Internet products, because larger installations result in subscriber additions that

correlated with the increase in revenues.

With the introduction of SmartWiFi and SmartSecurity cloud based solutions, subscriber additions are generally recorded at the customer level so that a single customer is reported when an installation may involve several units. The result is that when new customers subscribe for our cloud based services, the subscriber impact is minimal. The effects are greater when existing customers upgrade from traditional business Internet with additional subscriptions to our cloud based solutions because the customer that was formerly counted as multiple units is now counted as a single subscriber. This means that, as the Company succeeds by attracting new and existing customers to its new offerings, the number of Business Network Services subscribers for Internet may fall even as revenues increase.

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Shaw Communications Inc.

Overview

Our fiscal 2016 fourth quarter financial results represent improvements in revenue and operating income before restructuring costs and amortization over the fourth quarter of fiscal 2015. Highlights of the fourth quarter financial results are as follows:

Revenue for the quarter of \$1.31 billion, an increase of 15.5% from \$1.13 billion for the fourth quarter of 2015

Fourth quarter operating income before restructuring costs and amortization of \$549 million, an increase of 4.6% from \$525 million for the fourth quarter of 2015

Operating margin for the fourth quarter of 42.0%, down from 46.4% for the fourth quarter of 2015

Net income for the fourth quarter of \$154 million, a decrease of 44.2% from \$276 million for the fourth quarter of 2015

Free cash flow for the fourth quarter of \$9 million, a \$26 million decrease from \$35 million for the fourth quarter of 2015

The period ended with 6,822,668 RGUs, inclusive of 1,043,288 Wireless subscribers. Wireless subscribers increased by 39,819 in the fourth quarter. Consumer and Business Network Services had a combined 31,583 RGU decline in the fourth quarter compared to a decline of 75,445 for the fourth quarter of 2015.

Revenue increased 15.5% and 8.9% for the three and twelve month periods, respectively, primarily due to the acquisition of WIND on March 1, 2016 contributing Wireless revenues of \$148 million and \$280 million for the respective periods. Business Network Services and Business Infrastructure Services divisions also contributed to revenue increases for the three and twelve month periods, primarily driven by customer growth and the December 2015 acquisition of INetU by the Business Infrastructure Services division.

Operating income before restructuring costs and amortization of \$549 million and \$2.11 billion for the three and twelve month periods improved 4.6% and 3.8% compared to \$525 million and \$2.04 billion for fiscal 2015. The improvement in the fourth quarter reflects the addition of the Wireless division and growth in the Business Infrastructure Services and Business Network Services divisions attributable to profitable customer growth and the acquisition of INetU. This improvement was partially offset by lower operating income before restructuring costs and amortization in the Consumer division related primarily to higher costs associated with the deployment of FreeRange TV and programming.

Revenue and operating income before restructuring costs and amortization increased \$23 million and decreased \$6 million, respectively, compared to the third quarter of fiscal 2016. The increase in revenue was primarily due to customer growth in the Business Network Services division and RGU growth in the Wireless division. The decrease in operating income before restructuring costs and amortization was primarily due to higher costs in the Consumer division related to the launch of WideOpen Internet 150 and employee related costs.

The Wireless division finished the quarter with 1,043,288 RGUs, adding 27,031 postpaid and 12,788 prepaid subscribers in the period. Consumer and Business Network Services, excluding named and wholesale customers, had a combined 5,779,380 million RGUs as at August 31, 2016. During the quarter, Consumer RGUs declined by 37,104, an improvement compared to declines of 47,256 RGUs in the third quarter of 2016 and 76,035 RGUs in the fourth quarter of 2015. Consumer RGU decline in the current quarter was comprised of 18,942 phone, 6,332 satellite video and 22,171 cable video, partially offset by Internet gains of 10,341.

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Net income was \$154 million and \$1.24 billion for the three and twelve months ended August 31, 2016, respectively, compared to \$276 million and \$880 million for the same periods last year. The changes in net income are outlined in the following table.

<i>(millions of Canadian dollars)</i>	August 31, 2016 net income compared to:		
	Three Months ended May 31, 2016	Three Months ended August 31, 2015	Year ended August 31, 2015
Increased (decreased) operating income before restructuring costs and amortization ⁽¹⁾	(6)	24	77
Decreased restructuring costs	21	1	16
Increased amortization	(3)	(33)	(93)
Decreased (increased) interest expense	6	(1)	(18)
Change in net other costs and revenue ⁽²⁾	109	(138)	(239)
Decreased (increased) income taxes	(41)	44	47
Increased (decreased) income from discontinued operations, net of tax	(636)	(19)	570
	(550)	(122)	360

(1) See definitions and discussion under **Non-IFRS and additional GAAP measures** .

(2) Net other costs and revenue includes business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, equity loss of an associate or joint venture, equity income of investments in associates and other losses as detailed in the unaudited Consolidated Statements of Income and in the prior period distributions from a venture capital fund investment.

Fourth quarter net income decreased \$550 million compared to the third quarter of fiscal 2016 mainly due to lower income from discontinued operations relating primarily to the gain on the divestiture of the former Media division recorded in the third quarter, decreased operating income before restructuring costs and amortization, and higher income taxes. Partly offsetting the decrease in net income were decreases in net other costs and revenue and restructuring costs. Net other costs and revenue decreased primarily due to non-recurring charges recorded in the third quarter, including a \$17 million impairment of goodwill relating to the Tracking business, a \$51 million impairment of the Company's joint venture interest in shomi, a \$20 million write-down of a private portfolio investment, \$12 million acquisition related costs and a \$10 million loss from an equity accounted associate. See **Other income and Expense** for further detail on non-operating items.

Net income for the current quarter decreased \$122 million relative to the fourth quarter of fiscal 2015 mainly due to higher net other costs and revenue in the prior period, primarily the result of a \$158 million gain on the sale of wireless spectrum. Also contributing to the decrease in net income were increased amortization and decreased income from discontinued operations, net of tax, which was more than fully offset by higher operating income before

restructuring costs and amortization and a decrease in income taxes.

Net income for the twelve month period increased \$360 million relative to the comparable period primarily due to higher income from discontinued operations, net of tax, higher operating income before restructuring costs and amortization and a decrease in income taxes. Partly offsetting the improvement were increases in net other costs and revenue, higher interest expense and amortization, and reduced income from discontinued operations, net of tax, for the period following the divestiture. Net other costs and revenues improved primarily due to amounts incurred in the third quarter related to the acquisition of WIND, the impairment of goodwill relating to the Tracking business, the equity losses incurred and the impairment of the Company's joint venture interest in shomi, the write-down of private portfolio investment and a \$10 million loss from an equity accounted associate. See Other income and Expense for further detail on non-operating items.

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Free cash flow of \$9 million and \$482 million for the three and twelve months ended August 31, 2016, respectively, compared to \$35 million and \$653 million for the comparable periods. The free cash flow decrease in each of the three and twelve month periods were primarily the result of higher planned capital expenditures and equipment costs and a reduction in free cash flow from discontinued operations following the sale of the Media division, partly offset by the incremental operating income before restructuring costs and amortization from continuing operations and the added Wireless division, lower cash taxes and dividends from equity accounted associates.

Outlook

Shaw is introducing its fiscal 2017 guidance which includes consolidated operating income before restructuring costs and amortization to range between \$2.125 - \$2.175 billion and free cash flow is expected to exceed \$400 million.

For consolidated capital, as previously disclosed, investment in fiscal 2017 is expected to be \$1.3 billion.

See Caution concerning forward-looking statements .

Non-IFRS and additional GAAP measures

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure documents may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings, and sub-totals included in the financial statements.

The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and pay dividends from distributable cash flow to shareholders. The non-IFRS financial measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance required by IFRS.

Below is a discussion of the non-IFRS financial measures and additional GAAP measures used by the Company and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Table of Contents**Shaw Communications Inc.****Operating income before restructuring costs and amortization**

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ongoing ability to service and/or incur debt, and is therefore calculated before one-time items such as restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

<i>(millions of Canadian dollars)</i>	Three months ended August 31, Year ended August 31,			
	2016	2015	2016	2015
Operating income from continuing operations	295	303	1,134	1,134
Add back (deduct):				
Restructuring costs	1	2	23	39
Amortization:				
Deferred equipment revenue	(15)	(19)	(67)	(78)
Deferred equipment costs	35	41	151	164
Property, plant and equipment, intangibles and other	233	198	873	778
Operating income before restructuring costs and amortization	549	525	2,114	2,037

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change	2016	2015	Change
Consumer	44.6%	46.3%	(1.7pts)	44.4%	44.9%	(0.5pts)
Business Network Services	50.0%	50.4%	(0.6pts)	48.4%	49.2%	(0.8pts)
Business Infrastructure Services	37.2%	35.3%	1.9pts	36.8%	38.6%	(1.9pts)
Wireless	19.6%			21.1%		

Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items

Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items is calculated as revenue less operating, general and administrative expenses from discontinued operations. This measure is used in the determination of free cash flow.

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<i>(millions of Canadian dollars)</i>	Three months ended August 31, Year ended August 31,			
	2016	2015	2016	2015
Income from discontinued operations, net of tax	10	29	784	214
Add back (deduct):				
Gain on divestiture, net of tax	(10)		(625)	
Income taxes		10	57	76
Restructuring costs				13
Amortization:				
Property, plant and equipment, intangibles and other		7	11	30
Other non-operating items		2	2	9
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items		48	229	342

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Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and pay dividends to shareholders. Free cash flow is calculated as free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow from continuing operations is comprised of operating income before restructuring costs and amortization adding dividends from equity accounted associates, changes in receivable related balances with respect to customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the Company's Cumulative Redeemable Rate Reset Preferred Shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow from continuing operations has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are reported on a combined basis for Consumer and Business Network Services due to the common infrastructure and for Business Infrastructure Services is separately reported. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow from discontinued operations is comprised of income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items after deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions and adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), cash taxes paid or payable, program rights amortization on assets held for sale, cash amounts associated with funding CRTC benefit obligations related to media acquisitions, recurring cash funding of pension amounts net of pension expense and excludes non-controlling interest amounts that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

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Free cash flow is calculated as follows:

<i>(millions of Canadian dollars)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Revenue						
Consumer	938	938		3,752	3,752	
Business Network Services	140	133	5.3	548	520	5.4
Business Infrastructure Services	86	68	26.5	334	246	35.8
Wireless	148		n/a	280		n/a
	1,312	1,139	15.2	4,914	4,518	8.8
Intersegment eliminations	(6)	(8)	25.0	(30)	(32)	6.3
	1,306	1,131	15.5	4,884	4,486	8.9
Operating income before restructuring costs and amortization ⁽¹⁾						
Consumer	418	434	(3.7)	1,667	1,686	(1.1)
Business Network Services	70	67	4.5	265	256	3.5
Business Infrastructure Services	32	24	33.3	123	95	29.5
Wireless	29		n/a	59		n/a
	549	525	4.6	2,114	2,037	3.8
Capital expenditures and equipment costs (net):⁽²⁾						
Consumer and Business Network Services	266	300	(11.3)	915	954	(4.1)
Business Infrastructure Services	51	70	(27.1)	155	152	2.0
Wireless	69		n/a	121		n/a
	386	370	4.3	1,191	1,106	7.7
Accelerated capital fund investment ⁽¹⁾		(59)	100.0		(150)	100.0
	386	311	24.1	1,191	956	24.6
Free cash flow before the following	163	214	(23.4)	923	1,081	(14.6)
Less:						
Interest	(72)	(71)	(1.4)	(299)	(281)	(6.4)
Cash taxes	(78)	(97)	19.6	(266)	(304)	12.5
Other adjustments:						
Dividends from equity accounted associates	21		n/a	34		n/a
Non-cash share-based compensation	1	1		3	4	(0.3)

Pension adjustment	(24)	(28)	14.3	(40)	(47)	14.9
Customer equipment financing	1	3	(66.7)	8	13	(38.5)
Preferred share dividends	(3)	(3)		(13)	(13)	
Free cash flow from continuing operations	9	19	(52.6)	350	453	(22.7)
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items		48	n/a	229	342	(33.0)
Less:						
Capital expenditures		(8)	n/a	(5)	(16)	68.8
Cash taxes		(8)	n/a	(26)	(71)	63.4
Program rights			n/a	(33)		n/a
CRTC benefit obligation funding		(12)	n/a	(11)	(31)	64.5
Non-controlling interests		(5)	n/a	(20)	(26)	23.1
Pension adjustment		1	n/a	(2)	2	n/a
Free cash flow from discontinued operations		16	n/a	132	200	(34.0)
Free cash flow	9	35	(74.3)	482	653	(26.2)

(1) See definitions and discussion under Non-IFRS and additional GAAP measures .

(2) Per Note 4 to the unaudited interim Consolidated Financial Statements.

Accelerated capital fund

In fiscal 2013, the Company established a notional fund, the accelerated capital fund, of \$500 million with proceeds received from several strategic transactions. The accelerated capital initiatives were funded through this fund and not cash generated from operations. Key investments included the Calgary data centres, further digitization of the network and additional bandwidth upgrades, expansion of Shaw

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Go WiFi, and additional innovative product offerings related to Shaw Go WiFi and other applications to provide an enhanced customer experience. Approximately \$110 million was invested in fiscal 2013, \$240 million in fiscal 2014 and \$150 million in fiscal 2015. The accelerated capital fund closed in fiscal 2015.

Statistical and financial measures

The following measures are industry metrics that are useful in assessing the operating performance of a wireless entity, but do not have a standardized meaning under IFRS.

Wireless ARPU - ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month.

Wireless subscribers (or RGUs) A recurring RGU (e.g. cellular phone, smartphone, tablet or mobile Internet device) has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring.

Discussion of operations**Consumer**

<i>(millions of Canadian dollars)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Revenue	938	938		3,752	3,752	
Operating income before restructuring costs and amortization ⁽¹⁾	418	434	(3.7)	1,667	1,686	(1.1)
Operating margin ⁽¹⁾	44.6%	46.3%	(1.7pts)	44.4%	44.9%	(0.5pts)

⁽¹⁾ See definitions and discussion under Non-IFRS and additional GAAP measures .

During the quarter, Consumer RGUs declined by 37,104 with cable video, phone and Satellite decreasing 22,171, 18,942, and 6,332 respectively. These declines were offset by increased Internet RGUs of 10,341. The combined RGU results represent a significant improvement over the same quarter last year and the prior quarter. The improvement over the prior year was due primarily to the launch of WideOpen Internet 150 into the market, together with a reduction in phone unbundling activity and other market factors. The improvement over the third quarter included the introduction of WideOpen Internet 150 and the reinstatement of customers in Fort McMurray following the temporary disconnects that occurred in the third quarter. Despite the significant improvements, the economic slowdown in parts of western Canada, competitive pressures and wireline substitution continue to put downward pressure on Consumer RGUs.

Consumer revenue for the current quarter and twelve month period of \$938 million and \$3.8 billion respectively were comparable to the prior year periods. Improvements in revenue from annual August rate increases and growth in Internet RGUs were offset by video, phone and satellite RGU declines and lower On Demand revenues.

Operating income before restructuring costs and amortization for the quarter of \$418 million was lower by 3.7% relative to the comparable quarter. The quarter results reflect the impact of flat revenues and higher expenses, including implementation and recurring costs attributable to the launch of FreeRange TV, higher programming costs and the timing of certain administrative costs. Operating income before restructuring costs and amortization for the twelve-month period was 1.1% lower than in the comparable period. The year-to-date result was similarly affected by flat revenues and higher expenses including FreeRange TV costs, and programming costs due to annual contracted increases and new content, offset partially by lower employee related costs due in part to the efficiency program enacted in the third

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quarter. The efficiency program initiated by the Company during the third quarter of fiscal 2016 will deliver fiscal 2017 operating cost and capital efficiencies, in aggregate, of approximately \$75 million.

The current quarter revenue showed a moderate improvement over the third quarter of fiscal 2016 while operating income before restructuring costs and amortization decreased 2.1% or by \$9 million. The revenue improvements driven by an August 2016 rate increase, lower promotional costs and a full quarter of revenue from reconnected customers in Fort McMurray were more than fully offset by RGU losses, lower On Demand revenues and higher expenses including employee related costs, marketing costs in support of the WideOpen Internet 150 launch and timing of various other administrative costs.

In July, Shaw introduced its new WideOpen Internet 150 offering available in over 90% of its customer footprint. WideOpen Internet 150 is offered at an affordable price and when paired with our improved two-year Value Plans, it provides cost certainty for our customers which we expect will improve customer retention. Shaw also improved its carrier-grade Shaw Go WiFi service in the first half of fiscal 2016 by making it six times faster for our mid-tier and top-tier Internet customers. These upgrades support the continuing growth in the number of devices that Shaw's customers are connecting to our network. Over 2.5 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are approximately 85,000 access points covering locations from British Columbia to Ontario.

Business Network Services

<i>(millions of Canadian dollars)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Revenue	140	133	5.3	548	520	5.4
Operating income before restructuring costs and amortization ⁽¹⁾	70	67	4.5	265	256	3.5
Operating margin ⁽¹⁾	50.0%	50.4%	(0.4pts)	48.4%	49.2%	(0.8pts)

⁽¹⁾ See definitions and discussion under Non-IFRS and additional GAAP measures. Revenue of \$140 million and \$548 million for the current quarter and twelve month period were up 5.3% and 5.4%, respectively, over the comparable periods, primarily due to customer growth in both small to medium size businesses and in large enterprise markets as well as an August 2016 rate increase for video, Internet and phone products. The business, excluding satellite services, increased revenues 6.6% in the current quarter and 7.0% on a full year basis, reflecting continued customer growth converting to or adding Shaw's Smart suite of products.

Operating income before restructuring costs and amortization of \$70 million and \$265 million for the quarter and year-to-date improved 4.5% and 3.5%, respectively, over the comparable periods. Consistent with the growth trend that was achieved throughout fiscal 2016, current quarter improvements were due mainly to customer growth partially offset by the incremental costs associated with pursuing new customer opportunities including additional employee

and marketing costs incurred relating to the Smart suite of products, specifically with the launch of SmartSecurity.

In the fourth quarter, revenue increased by \$4 million over the third quarter of fiscal 2016, primarily due to customer growth in both small to medium size businesses and large enterprise markets as well as a rate increase in our video, Internet and phone products introduced in August 2016. Also contributing to the fourth quarter improvement was the reduction in service credits offered to business customers affected by the Fort McMurray wildfires in the third quarter. Operating income before restructuring costs and amortization also increased by \$4 million over the third quarter due mainly to revenue growth and reduction in service credits.

Further broadening our footprint in the Smart suite of products and building on our portfolio of managed service offerings, in July the Company introduced SmartSecurity, a fully-managed network security

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platform tailored for small businesses and deployed over Cisco's Meraki platform. SmartSecurity protects a wired and Wi-Fi network at the edge with access control, the ability to control which applications run on the network, content filtering and connecting branch locations.

Business Infrastructure Services

<i>(millions of Canadian dollars)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Revenue	86	68	26.5	334	246	35.8
Operating income before restructuring costs and amortization ⁽¹⁾	32	24	33.3	123	95	29.5
Operating margin ⁽¹⁾	37.2%	35.3%	1.9pts	36.8%	38.6%	(1.8pts)

⁽¹⁾ See definitions and discussion under Non-IFRS and additional GAAP measures .

Revenue of \$86 million for the current quarter increased 26.5% over the comparable period primarily due to the December 2015 acquisition of INetU and continued customer growth throughout the year. For the twelve month period, revenue of \$334 million increased 35.8% over the prior year also due primarily to the acquisition of INetU and customer growth as well as a favourable foreign exchange rate and a full year of results from AppliedTrust, acquired in the fourth quarter of 2015. Excluding the effect of foreign exchange, revenue for the U.S. based operations increased by 25.6% to US\$66 million for the three month period and by 24.3% to US\$252 million for the twelve month period. Excluding the effect of INetU, revenue for the U.S. based operations increased by 8.9% to US\$58 million for the three month period and by 12.0% to US\$227 million for the twelve month period.

Operating income before restructuring costs and amortization improved over the comparable period by 33.3% for the current quarter and by 29.5% for the twelve-month period. Improvements were primarily due to the revenue increases discussed above and reduced expense attributed to share appreciation rights offset slightly by costs associated with the completion of Calgary1 data centre in Calgary, Alberta and Portland, Oregon.

Compared to the third quarter of 2016, revenue and operating income before restructuring costs and amortization were comparable as the impact of a one-time anticipated departure of a customer in a single-tenant data centre and higher costs due mainly to seasonality of utility costs were offset by customer growth in other parts of the business. Excluding the impact of foreign exchange, revenue and operating income before restructuring costs and amortization for U.S. based operations increased 0.6% and decreased 4.5%, respectively, compared to the third quarter of 2016, reflecting the previously mentioned customer departure.

The Company completed construction and testing for its newest data centre in Plano, Texas, which opened in September 2016. In addition, the recently launched Calgary1 data centre has positioned us as a top-tier hybrid IT provider of private cloud, public cloud, colocation and related data centre services in the Canadian market.

Wireless

<i>(millions of Canadian dollars)</i>	Three months ended August 31, 2016	Year ended August 31, 2016
Revenue	148	280
Operating income before restructuring costs and amortization ⁽¹⁾	29	59
Operating margin ⁽¹⁾	19.6%	21.1%

⁽¹⁾ See definitions and discussion under Non-IFRS and additional GAAP measures .
The Company is reporting its second full quarter of results from the newly created Wireless division.

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Revenue for the quarter increased by \$16 million over the third quarter due mainly to the nearly 40,000 added RGUs, a 3.0% increase in ARPU to \$37.40 and higher handset revenue. Operating income before restructuring costs and amortization was comparable to the prior quarter as the increase in revenue was offset by an increase in expenses, including dealer commissions on higher customer activations, and commercial cost increases.

During 2016, WIND reached a milestone in acquiring its one-millionth combined postpaid and prepaid subscriber. The year ended with 667,028 postpaid subscribers and 376,260 prepaid subscribers.

Capital expenditures and equipment costs

<i>(millions of Canadian dollars)</i>	Three months ended August 31,			Year ended August 31,		
	2016	2015	Change %	2016	2015	Change %
Consumer and Business Network Services						
New housing development	27	28	(3.6)	105	106	(0.9)
Success based	74	80	(7.5)	275	284	(3.2)
Upgrades and enhancements	124	135	(8.1)	401	353	13.6
Replacement	13	14	(7.1)	43	35	22.9
Building and other	28	43	(34.9)	91	176	(48.3)
Total as per Note 4 to the unaudited interim consolidated financial statements	266	300	(11.3)	915	954	(4.1)
Business Infrastructure Services						
Total as per Note 4 to the unaudited interim consolidated financial statements	51	70	(27.1)	155	152	2.0
Wireless						
Total as per Note 4 to the unaudited interim consolidated financial statements	69		n/a	121		n/a
Consolidated total as per Note 4 to the unaudited interim consolidated financial statements ⁽¹⁾	386	370	4.3	1,191	1,106	7.7

⁽¹⁾ The three and twelve months ended August 31, 2015 included \$59 million and \$150 million, respectively, related to certain capital investments that were funded from the accelerated capital fund as defined under Non-IFRS and additional GAAP measures. The accelerated capital fund was closed in fiscal 2015.

Capital investment was \$386 million and \$1.2 billion in the current three month and twelve month periods. Capital investment for the comparable periods was \$370 million and \$1.1 billion and included \$59 million and \$150 million,

respectively, of investment funded through the accelerated capital fund. The accelerated capital fund initiatives, which were completed in the fourth quarter of 2015, included investment on new internal and external Calgary data centres, increasing network capacity, next generation video delivery systems, back office infrastructure upgrades, and expediting the WiFi infrastructure build.

Consumer and Business Network Services

Success based capital for the three and twelve month periods of \$74 million and \$275 million were moderately lower than the comparable periods last year. The current quarter spend reflected higher customer set-top box installations as customers migrated into our two year Value Plans, offset by lower phone installations and a decrease in advanced Internet WiFi modem purchases driven by timing of delivery. Satellite success based capital spend was comparable with the prior year quarter.

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On a year-to-date basis, the decrease in success based capital was due primarily to lower phone installations and decreased advanced Internet WiFi modem spend partially offset by higher Satellite success based capital spend driven by higher customer activations, increased equipment discounts and lower rental returns. Rental returns decreased in the year due mainly to the termination of the Satellite rental program.

For the three and twelve month periods, investment in the combined upgrades and enhancement and replacement categories was \$137 million and \$444 million respectively. The decrease from the comparable quarter was primarily due to the timing of license purchases and related equipment to support the launch of our Smart suite of products in Business Network Services. The current quarter also included higher spend on network capacity upgrades in support of enhanced broadband capacity partly offset by lower spending on the WiFi network, various other fibre projects and video on demand capacity scaling.

Capital investment in combined upgrades and enhancements, and replacement categories increased \$56 million for the twelve months over the comparable period primarily due to: i) investment in the wireline network including significant bandwidth and upgrade programs; ii) next generation video delivery platforms necessary to support the rollout of Comcast's X1 and TVE products; iii) timing of bulk material and vehicle purchases; iv) initial investment in support of Satellite MPEG2 to MPEG4 upgrade; v) investment in Business Network Services managed WiFi and SmartVoice products; and vi) mainline upgrade activities. Increased investments were partly offset by lower spend on Shaw Go WiFi access points and fibre builds in support of Business Network Services.

Investment in buildings and other of \$28 million and \$91 million for the three and twelve month periods were down \$15 million and \$85 million, respectively, over the comparable periods. The decreases in each of the current quarter and year-to-date periods relate to lower spend on the internal data centre, Shaw Court refurbishment expenditures, lower internal network, software and equipment upgrades and lower capitalized interest.

Capital spend on new housing development for the three and twelve month periods was \$27 million and \$105 million, respectively and were comparable to the \$28 million and \$106 million from the prior year period.

Business Infrastructure Services

Capital investment of \$51 million and \$155 million for the three and twelve month periods, respectively, was primarily growth related capital investment in core infrastructure and equipment to expand existing facilities in Denver, Colorado and Portland, Oregon along with development of the newest data center in Plano, Texas. Also included in the twelve-month period is \$11 million related to investment in the Calgary1 data centre located in Calgary, Alberta.

Wireless

Capital investment of \$69 million and \$121 million for the quarter and for the six months since the formation of the Wireless division, respectively, represented investment for the continued improvement in the network infrastructure primarily in the LTE Advanced core and radio network rollout readiness project across the network as well as capital investments made on the upgrade of back office systems.

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	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Revenue		232	610	1,080
Eliminations ⁽¹⁾		(20)	(46)	(78)
		212	564	1,002
Operating, general and administrative expenses				
Employee salaries and benefits		44	109	180
Purchases of goods and services ⁽²⁾		140	272	558
		184	381	738
Eliminations ⁽¹⁾		(20)	(46)	(78)
		164	335	660
Restructuring costs				13
Amortization ⁽²⁾		7	11	30
Accretion of long-term liabilities and provisions		1	2	4
Other losses		1		5
Income from discontinued operations before tax and gain on divestiture		39	216	290
Income taxes		10	57	76
Income from discontinued operations before gain on divestiture		29	159	214
Gain on divestiture	10		672	
Income taxes on gain			47	
Income (loss) from discontinued operations, net of tax	10	29	784	214

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

(2) As of the date the Media division met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in twelve month period amounted to

\$35 for program rights and \$6 for property, plant and equipment, intangibles and other. For the twelve month period, revenue of \$564 million and income from discontinued operations, net of tax, of \$784 million compared to \$1.0 billion and \$214 million last year, respectively. The revenue decrease was the result of seven months of results in the current year prior to the divestiture of the former Media division on April 1, 2016. The increase in income from discontinued operations, net of tax, was primarily due to the \$672 million gain on the divestiture offset by the impact of lower income from discontinued operations before gain on divestiture, the result of only seven months of results in the current year, and income taxes on the gain.

Table of Contents**Shaw Communications Inc.****Supplementary quarterly financial information**

Quarter	Revenue	Operating income before restructuring costs and amortization	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income	Basic and Diluted earnings per share from continuing operations	Basic and Diluted earnings per share
<i>(millions of Canadian dollars except per share amounts)</i>							
2016							
Fourth	1,306	549	144	154	154	0.29	0.31
Third	1,283	555	58	700	704	0.11	1.44
Second	1,151	502	116	156	164	0.24	0.32
First	1,144	508	138	209	218	0.28	0.43
2015							
Fourth	1,131	525	247	272	276	0.51	0.57
Third	1,135	527	136	202	209	0.28	0.42
Second	1,118	498	135	163	168	0.28	0.34
First	1,100	487	148	219	227	0.31	0.46

(1) See definition and discussion under Non-IFRS and additional GAAP measures .

(2) Net income attributable to both equity shareholders and non-controlling interests

Fourth quarter net income decreased \$550 million compared to the third quarter of fiscal 2016 mainly due to lower income from discontinued operations relating primarily to the gain on the divestiture of the former Media division recorded in the third quarter, decreased operating income before restructuring costs and amortization, and higher income taxes. Partly offsetting the decrease in net income were decreases in net other costs and revenues and restructuring costs. Net other costs and revenue decreased primarily due to non-recurring charges recorded in the third quarter, including a \$17 million impairment of goodwill relating to the Tracking business, a \$51 million impairment of the Company's joint venture investment in shomi, a \$20 million write-down of a private portfolio investment, \$12 million acquisition related costs and a \$10 million loss from an equity accounted associate. See Other income and Expense for further detail on non-operating items.

Net income for the third quarter increased \$540 million compared to the second quarter of fiscal 2016 mainly due to higher income from discontinued operations relating primarily to the gain on the divestiture of the former Media division, increased operating income before restructuring costs and amortization and lo