

SHAW COMMUNICATIONS INC

Form 6-K

January 12, 2017

[Table of Contents](#)

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

January 12, 2017

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)

Edgar Filing: SHAW COMMUNICATIONS INC - Form 6-K

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):

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.

Table of Contents

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: January 12, 2017

By: /s/ Vito Culmone

Name: Vito Culmone

Title: Executive Vice President and Chief Financial
Officer Shaw Communications Inc.

Table of Contents

Shaw Communications Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended November 30, 2016

January 12, 2017

Contents

<u>Introduction</u>	7
<u>Selected financial and operational highlights</u>	8
<u>Overview</u>	9
<u>Outlook</u>	12
<u>Non-IFRS and additional GAAP measures</u>	12
<u>Discussion of operations</u>	15
<u>Supplementary quarterly financial information</u>	19
<u>Other income and expense items</u>	21
<u>Financial position</u>	22
<u>Liquidity and capital resources</u>	23
<u>Accounting standards</u>	24
<u>Related party transactions</u>	25
<u>Financial instruments and other instruments</u>	25
<u>Risk and uncertainties</u>	25
Advisories	

The following Management's Discussion and Analysis (MD&A), dated January 12, 2017, should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended November 30, 2016 and the 2016 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company's 2016 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 the Company's equity investments, joint ventures and partnership arrangements including any statements about write-downs, losses and liabilities;

competitive strengths; and

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

Table of Contents

Shaw Communications Inc.

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 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 the Company 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.

Table of Contents

Shaw Communications Inc.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, the Company 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 and free cash flow.

Table of Contents

Shaw Communications Inc.

Introduction

With the completion of two transformative transactions in 2016 and other significant strategic initiatives and acquisitions in recent years, we have strengthened Shaw's growth profile. The addition of the Wireless division enables Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within our operating footprint. We are focused on operational efficiency to ensure we execute on our strategic priorities and build on delivering an exceptional customer experience that is centered on our world-class converged network and strategic partnerships with best in-class providers.

We enter fiscal 2017 with a solid foundation in place to execute on the strategic initiatives we set out to achieve. Our broadband advantage is supporting the continued momentum in the WideOpen Internet 150 offering with most new Internet customers opting for our two-year value plan, underlining the value we are providing with much faster speeds at affordable prices across 95% of our footprint. We continue to enhance our wireline network and are on track to complete our DOCSIS 3.1 upgrade by the end of fiscal 2017.

We are also excited to be the first in Canada to offer a best-in-class TV experience powered by our strategic partnership with Comcast. This next chapter in our video technology roadmap marks an important and exciting milestone in Shaw's history. Our new X1 TV experience, named BlueSky TV, provides ease-of-use and customization that is unprecedented in Canada. Its innovative voice remote technology provides a whole new way for our customers to quickly and easily discover what they want to watch. We are pleased to offer this leading technology experience to customers in Calgary, with subsequent launches in the remaining major cities in our footprint planned throughout fiscal 2017.

In Wireless, we continued taking the necessary steps to becoming an enhanced connectivity provider and in the quarter reached three important milestones. First, the launch of the new Freedom Mobile brand, anchored by a commitment of trust and transparency for our customers. Second, the rollout of our LTE-Advanced network in the key markets of central Toronto and central Vancouver. Third, the introduction of the Freedom Wi-Fi trial, allowing customers to connect to over 65,000 Shaw Go WiFi hotspots across Alberta and British Columbia.

Shaw continues to be disciplined in driving efficiencies throughout the business. In the quarter, we shifted our In-Home Technician team to a hybrid unit-based installation and service technician model, combining a foundation of customer experience with technical skill that will deliver annualized operating cost savings of approximately \$16 million. This initiative resulted in a non-recurring restructuring charge of \$10 million in the quarter.

In 2017, we are focused on delivering exceptional customer experiences through the launch of BlueSky TV, Freedom Mobile and continuously building our converged network. In our Wireless division, we will continue with the rollout of our LTE-Advanced upgrade which is expected to be complete in our existing major markets by the end of fiscal 2017. The Business Network Services division continues 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 its industry leadership in providing hybrid IT solutions, including colocation, cloud and managed services, by leveraging ViaWest's established track record.

This is an exciting time for Shaw as we capitalize on our broadband advantage and strengthen our wireless network delivering significant value to both our customers and our shareholders.

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. 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

Three months ended November 30,			
<i>(millions of Canadian dollars except per share amounts)</i>	2016	2015	Change %
Operations:			
Revenue	1,313	1,143	14.9
Operating income before restructuring costs and amortization ⁽¹⁾	539	508	6.1
Operating margin ⁽¹⁾	41.1%	44.4%	(3.3pts)
Net income from continuing operations	89	138	(35.5)
Income from discontinued operations, net of tax		80	(100.0)
Net income	89	218	(59.2)
Per share data:			
Basic and diluted earnings per share			
Continuing operations	0.18	0.28	
Discontinued operations		0.15	
	0.18	0.43	
Weighted average participating shares outstanding during period (millions)			
	487	480	
Funds flow from continuing operations ⁽²⁾	414	347	19.3
Free cash flow ⁽¹⁾	158	173	(8.7)

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

⁽²⁾

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**

			Change	
	November 30, 2016	August 31, 2016	2016	2015
Consumer				
Video Cable	1,657,913	1,671,059	(13,146)	(18,029)
Video Satellite	774,905	790,574	(15,669)	(12,927)
Internet	1,804,606	1,787,642	16,964	9,433
Phone	938,918	956,763	(17,845)	(22,227)
Total Consumer	5,176,342	5,206,038	(29,696)	(43,750)
Business Network Services				
Video Cable	57,955	61,153	(3,198)	(2,871)
Video Satellite	30,959	30,994	(35)	299
Internet	177,000	179,867	(2,867)	(1,015)
Phone	306,692	301,328	5,364	2,497
Total Business Network Services	572,606	573,342	(736)	(1,090)
Wireless				
Postpaid	681,335	667,028	14,307	
Prepaid	371,423	376,260	(4,837)	
Total Wireless	1,052,758	1,043,288	9,470	
Total Subscribers	6,801,706	6,822,668	(20,962)	(44,840)

Overview

Our fiscal 2017 first quarter financial results represent improvements in consolidated revenue and operating income before restructuring costs and amortization over the first quarter of fiscal 2016.

Highlights of the first quarter financial results are as follows:

Revenue for the quarter of \$1.31 billion, an increase of 14.9% from \$1.14 billion for the first quarter of 2016

Edgar Filing: SHAW COMMUNICATIONS INC - Form 6-K

First quarter operating income before restructuring costs and amortization of \$539 million, an increase of 6.1% from \$508 million for the first quarter of 2016

Operating margin for the first quarter of 41.1%, down from 44.4% for the first quarter of 2016

Net income for the first quarter of \$89 million, a decrease of 59.2% from \$218 million for the first quarter of 2016

Free cash flow for the first quarter of \$158 million, a \$15 million decrease from \$173 million for the first quarter of 2016

The period ended with 6,801,706 RGUs, inclusive of 1,052,758 Wireless subscribers. Wireless subscribers increased by 9,470 in the first quarter. Consumer and Business Network Services had a combined 30,432 RGU decline in the first quarter compared to a decline of 44,840 for the first quarter of 2016.

Revenue increased 14.9% for the quarter, primarily due to the acquisition of Freedom Mobile (formerly, WIND) on March 1, 2016, contributing Wireless revenues of \$138 million. The Consumer, Business Network Services and Business Infrastructure Services divisions also contributed to the consolidated

Table of Contents

Shaw Communications Inc.

revenue increases for the quarter. In Consumer, the improvement was driven primarily by the August 2016 rate increases, growth in Internet RGUs and a year-over-year decrease in promotional costs. Revenue increases in the Business Network Services and Business Infrastructure Services divisions were driven by customer growth in the quarter and the year-over-year impact of the December 2015 acquisition of INetU.

Operating income before restructuring costs and amortization of \$539 million for the quarter improved 6.1% compared to \$508 million for fiscal 2016. The improvement in the first quarter reflects the added contribution of \$30 million from the Wireless division and increases in the Business Infrastructure Services and Business Network Services divisions attributable to profitable customer growth and the acquisition of INetU. These improvements were partially offset by lower operating income before restructuring costs and amortization in the Consumer division where higher revenue was more than fully offset by increased costs, primarily programming related.

As compared to the fourth quarter of fiscal 2016, consolidated revenue for the quarter increased 0.5% or by \$7 million to \$1.31 billion and operating income before restructuring costs and amortization decreased 1.8% or by \$10 million to \$539 million. The improvement in revenue was primarily due to the August 2016 rate increases in the Consumer division and customer growth in each the Business Network Services and Business Infrastructure Services divisions offset partially by decreased revenue in the Wireless division due mostly to lower handset sales. The decrease in operating income before restructuring costs and amortization was driven primarily by higher costs in the Consumer division related to an increase in programming costs and the timing of sponsorship related marketing costs.

In the quarter, the Company continued its momentum of improving subscriber trends. Consumer revenue generating units (RGUs) in the first quarter declined by 29,696, a meaningful improvement over the declines of 37,104 RGUs in the fourth quarter of 2016 and 43,750 RGUs in the first quarter of 2016. The year-over-year improvement was driven by a reduction in cable video and phone RGU losses in addition to strong Internet RGU net gains of 16,669 reflecting a full quarter impact of our WideOpen Internet 150 offering launched in August 2016. The decline in Consumer RGUs was also impacted by the anticipated seasonal disconnections of satellite Video subscribers in the amount of 15,704 RGUs. The Wireless division added a net 9,470 RGUs, a shortfall from the net gains achieved in the fourth quarter of fiscal 2016, finishing the period with a total 1,052,758 RGUs. The wireless subscriber results reflect our focus on the launch of Freedom Mobile, the rollout of our LTE-Advanced network and significantly heightened competitive activity

Table of Contents**Shaw Communications Inc.**

Net income for the current fiscal quarter of \$89 million compared to \$154 million in the prior quarter (August 31, 2016) and \$218 million in the comparable quarter of the prior year (November 30, 2015). The changes in net income are outlined in the following table.

<i>(millions of Canadian dollars)</i>	November 30, 2016 net income compared to:	
	Three months ended August 31, 2016	Three months ended November 30, 2015
Increased (decreased) operating income before restructuring costs and amortization ⁽¹⁾	(10)	31
Increased restructuring costs	(11)	(12)
Increased amortization	(2)	(32)
Change in net other costs and revenue ⁽²⁾	(62)	(60)
Decreased (increased) income taxes	30	24
Decreased income from discontinued operations, net of tax	(10)	(80)
	(65)	(129)

(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 income and losses of an associate or joint venture and other losses as detailed in the unaudited Consolidated Statements of Income.

First quarter net income decreased \$65 million compared to the fourth quarter of fiscal 2016 primarily due to a non-recurring provision in the amount of \$107 million related to the wind down of shomi operations included in net other costs and revenue for the current quarter offset partially by \$27 million in equity income from our investment in Corus. Also contributing to the decrease in net income was lower operating income before restructuring costs, higher restructuring costs and lower income from discontinued operations, partially offset by lower income taxes.

Net income for the current quarter in the amount of \$89 million decreased by \$129 million relative to the first quarter of fiscal 2016 mainly due to the non-recurring provision in the amount of \$107 million related to the wind down of our investment in shomi. Net income in the quarter also reflects a decrease in income from discontinued operations, net of tax, in the amount of \$80 million due to the sale of the former Media division in the third quarter of the prior year which is offset partially by the equity income of \$27 million in the quarter from our investment in Corus.

Free cash flow of \$158 million for the quarter compared to \$173 million for first quarter of fiscal 2016. The free cash flow decrease was primarily the result of a reduction in free cash flow from discontinued operations in the amount of \$74 million following the sale of the Media division in 2016 and the addition of the Wireless division, where capital expenditures of \$64 million exceeded \$30 million of operating income before restructuring and amortization for the quarter. These decreases were partially offset by lower capital investment by Consumer and Business Network

Services and Business Infrastructure Services, a reduction in cash taxes, increased dividends from equity accounted associates and lower pension funding during the quarter.

Table of Contents**Shaw Communications Inc.****Outlook**

Shaw confirms at this time that there are no changes to our previously issued fiscal 2017 guidance. Operating income before restructuring costs and amortization is expected to range between \$2.125 and \$2.175 billion and free cash flow is expected to exceed \$400 million. Consolidated capital investment targets also remain unchanged from previously provided guidance at \$1.3 billion for the year.

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 return cash 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.

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.

	Three months ended November 30,	
<i>(millions of Canadian dollars)</i>	2016	2015
Operating income from continuing operations	272	285
Add back (deduct):		
Restructuring costs	12	
Amortization:		
Deferred equipment revenue	(14)	(19)
Deferred equipment costs	34	40

Property, plant and equipment, intangibles and other	235	202
Operating income before restructuring costs and amortization	539	508

Table of Contents**Shaw Communications Inc.****Operating margin**

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

	Three months ended November 30,		
	2016	2015	Change
Consumer	42.8%	44.4%	(1.6pts)
Business Network Services	50.0%	47.1%	2.9pts
Business Infrastructure Services	35.6%	34.2%	1.4pts
Wireless	21.7%		n/a
	41.1%	44.4%	(3.3pts)

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.

	Three months ended November 30,	
(millions of Canadian dollars)	2016	2015
Income from discontinued operations, net of tax		80
Add back (deduct):		
Gain on divestiture, net of tax		
Income taxes		29
Restructuring costs		
Amortization:		
Property, plant and equipment, intangibles and other		7
Other non-operating items		2
	&	