SHAW COMMUNICATIONS INC
Form 6-K
November 02, 2016
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

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)

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.

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: November 2, 2016

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

2

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS

For the three and twelve months ended August 31, 2016

November 2, 2016

Contents

Advisories

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

4

Shaw Communications Inc.

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.

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, 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.

Table of Contents

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 effective[1]. 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

7

Table of Contents

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

	Three months ended August 31,			Year ended August 31,		
(millions of Canadian dollars except per share amounts)	**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.

9

Table of Contents

Shaw Communications Inc.

Subscriber highlights

			Change		Change	
			Three months ended August 31,		Year ended August 31,	
	August 31, 2016	August 31, 2015	**2016**	2015	**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.

Table of Contents

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.

Table of Contents

Shaw Communications Inc.

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.

	August 31, 2016 net income compared to:		
(millions of Canadian dollars)	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)	