SHAW COMMUNICATIONS INC
Form 6-K
January 14, 2019
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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

January 14, 2019

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):

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) solely for purpose of being and hereby are incorporated by reference into and as part of the Registration Statement on Form F-10 (File No. 333-222653) and the Registration Statement on Form F-3(File No. 333-215151), each filed by the registrant under the Securities Act of 1933, as amended, and into each prospectus outstanding thereunder.

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 14, 2019

By: /s/ Trevor English
Name: Trevor English
Title: Executive Vice President and Chief Financial & Corporate Development Officer
Shaw Communications Inc.

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MANAGEMENT S DISCUSSION AND ANALYSIS

For the three months ended November 30, 2018

January 14, 2019

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Advisories

The following Management s Discussion and Analysis (MD&A) of Shaw Communications Inc. is dated January 14, 2019 and should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended November 30, 2018 and the 2018 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company s 2018 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 , u 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 information within the meaning of applicable securities laws. Such statements can generally be identified by words such as anticipate , believe , expect , plan , intend , target , goal and similar expressions (although not all forward-looking statements contain such words). Forward looking statements in this MD&A include, but are not limited to statements related to:

future capital expenditures;

proposed asset acquisitions and dispositions;

expected cost efficiencies;

financial guidance and expectations for future performance;

business and technology strategies and measures to implement strategies;

the Company s equity investments, joint ventures and partnership arrangements;

competitive strengths;

expected project schedules, regulatory timelines, completion/in-service dates for the Company s capital and other projects;

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- expected number of retail outlets;
- timing of new product and service launches;
- expected number of customers using Voice over LTE (VoLTE);
- the deployment of: (i) network infrastructure to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- expected growth in the Company s market share;
- expected growth in subscribers and the products/services to which they subscribe;
- the cost of acquiring and retaining subscribers and deployment of new services;
- the total restructuring charges (related primarily to severance and employee related costs as well as additional costs directly associated with the Company s Total Business Transformation (TBT) initiative) expected to be incurred in connection with the TBT initiative;
- the anticipated annual cost reductions related to the Voluntary Departure Program (VDP) (including reductions in operating and capital expenditures) and the timing of realization thereof;
- the impact that the employee exits will have on Shaw s business operations;
- outcome of the TBT initiative, including the timing thereof and the total savings at completion; and
- expansion and growth of the Company s business and operations and other goals and plans.

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 management expectations with respect to:

- general economic, market and business conditions;
- future interest rates;
- previous performance being indicative of future performance;
- future income tax and exchange rates;
- technology deployment;
- future expectations and demands of our customers;
- subscriber growth;
- the Company being able to successfully deploy: (i) network infrastructure required to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- short-term incremental costs associated with growth in Wireless handset sales;
- pricing, usage and churn rates;
- availability of devices;
- content and equipment costs;
- industry structure, conditions and stability;

government regulation;

the completion of proposed transactions;

the TBT initiative being completed in a timely and cost-effective manner and yielding the expected results and benefits, including: (i) resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw s consumers needs and expectations (including the products and services offered to its customers) and (ii) realizing the expected cost reductions;

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- the Company being able to complete the employee exits pursuant to the VDP with minimal impact on business operations within the anticipated timeframes and for the budgeted amount;
- the cost estimates for any outsourcing requirements and new roles in connection with the VDP;
- the Company being able to gain access to sufficient retail distribution channels;
- the Company being able to access the spectrum resources required to execute on its current and long term strategic initiatives; and
- the integration of recent acquisitions.

You should not place undue reliance on any forward-looking statements. Many risk 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:

- changes in general economic, market and business conditions;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- changes in value of the Company s equity investments, joint ventures and partnership arrangements;
- the Company s failure to execute its strategic plans and complete capital and other projects by the completion date;

the Company s failure to grow subscribers;

the Company s failure to grow market share;

the Company s failure to close any transactions;

the Company s failure to have the spectrum resources required to execute on its current and long term strategic initiatives;

the Company s failure to gain sufficient access to retail distribution channels;

the Company failure to complete the deployment of: (i) network infrastructure required to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;

the Company s failure to achieve cost efficiencies;

the Company s failure to implement the TBT initiative as planned and realize the anticipated benefits therefrom, including: (i) the failure of the TBT to result in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw s consumers needs and expectations (including the products and services offered to its customers) and (ii) the failure to realize the expected cost reductions;

the Company s failure to complete employee exits pursuant to the VDP with minimal impact on operations;

technology, privacy, 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 MD&A under the heading Risks and Uncertainties and in the MD&A for the year ended August 31, 2018 under the heading Known events, Trends, Risks, and Uncertainties.

The foregoing is not an exhaustive list of all possible risk 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.

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This MD&A provides certain future-oriented financial information or financial outlook (as such terms are defined in applicable securities laws), including the financial guidance and assumptions disclosed under Outlook, the expected annualized savings to be realized from the VDP and the total anticipated TBT restructuring costs for fiscal 2019. Shaw discloses this information because it believes that certain investors, analysts and others utilize this and other forward-looking information to assess Shaw s expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company cautions that such financial information may not be appropriate for this or other purposes.

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.

Additional Information

Additional information concerning the Company, including the Company s Annual Information Form is available through the Internet on SEDAR which may be accessed at www.sedar.com. Copies of such information may also be obtained on the Company s website at www.shaw.ca, or on request and without charge from the Corporate Secretary of the Company, Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4, telephone (403) 750-4500.

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 the net debt leverage ratio.

Introduction

In fiscal 2018 we demonstrated the emerging strength of our Wireless operations and our focus on profitability and sustainable cost savings in our core Wireline business. In fiscal 2019 we continue to execute on our Wireline and Wireless operating priorities while continuing our transformation into an agile, lean and digital-first organization that meets the needs of its customers now and into the future.

Wireless

Our Wireless operations have enabled a strategic and transformative shift that supports our long-term, sustainable growth ambitions. Our footprint now covers approximately 16 million people in some of Canada s largest urban centres, or almost half of the Canadian population. In fiscal 2019, we expect to expand to an additional population of 1.3 million, primarily in Western Canada, including Victoria and Red Deer which are set to launch in the coming weeks.

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In fiscal 2018, we added over 255,000 Wireless subscribers and ended the year at over 1.4 million customers, a 22% increase compared to a year earlier. The growth of Freedom Mobile s subscriber base was complemented by strong financial performance reflecting the appeal of our differentiated value proposition. Our affordable and innovative Big Gig and Big Binge Bonus data plans combined with the latest devices available in the market continue to attract high lifetime value customers to Freedom Mobile. In addition, our Wireless service is now even more accessible to Canadians through the addition of 240 locations with national retail partners, Loblaws The Mobile Shop and Walmart. The Company has introduced a new format to its corporate stores which it will continue to roll out and expand into new markets in fiscal 2019. These retail growth initiatives will substantially improve the accessibility of our Wireless products and help close our historical retail distribution gap. When combined with our existing corporate and dealer store network, Freedom Mobile had over 600 retail locations operational at the end of the quarter.

Supporting our Wireless sales growth are significant investments in our network and customer service capabilities. We are executing a step-by-step plan to improve our network and deploy spectrum in the most efficient way. In fiscal 2018, we completed the deployment of the 2500 MHz spectrum, refarmed 10 MHz of AWS-1 spectrum and most recently, in October 2018, we launched our Extended Range LTE in Calgary, Edmonton, Vancouver and Southwestern Ontario, leveraging 700 MHz spectrum to provide customers with improved service in-building as well as extending service at the edge of the current coverage area. The Company continues to deploy its 700 MHz spectrum, which is now approximately 25% complete, including initial deployment in all its major markets. We have also introduced Voice-over-LTE (VoLTE) enabled on approximately 35 devices using Freedom Mobile s network. Approximately 800,000 Freedom customers are now able to use VoLTE.

The Company continues to deploy small cell technology (low-powered wireless transmitters and receivers with a range of 100 m to 200 m), designed to provide network coverage to smaller areas. As tall high-power macro towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality, speed, capacity and coverage improvements in these high traffic areas. These network investments support continued growth in our Wireless business and are the potential building blocks for future technologies, such as 5G.

Wireline

As we look to fiscal 2019, we are focused on delivering stable Wireline results, including improved broadband growth through more effective targeting and customer segmentation while also shifting our efforts in Video to optimize profitability.

Our team is modernizing all aspects of our operations as we work to better meet the needs of today s customer. We are leveraging insights from data to help us better understand customer preferences and provide them with the services they want. We are shifting customer interactions to digital platforms and driving more self-help, self-install and self-service.

We are starting to see the results of these efforts as our teams begin to think and work differently to deliver a modern connectivity experience anchored in broadband. As the key product in the customer s home, our broadband service is a significant and cost-effective competitive advantage. We have deployed DOCSIS 3.1 across our extensive wireline network to give us the ability to deliver gigabit speeds across virtually all of our cable footprint.

We have taken some important steps in our Wireline segment this quarter, adding Consumer Internet subscribers, doubling the speeds of our top two Internet tiers, and stabilizing revenue through our fresh approach to base management, which includes a balanced and digital focus on acquisition and retention. While we are still early days in our journey towards a modern Shaw, we are encouraged by the progress we

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have made as we improve upon the fundamentals of our business, further supporting the delivery of our broadband strategy through fiscal 2019.

Our best-in-class partnerships enable us to leverage the latest technology and applications, including Comcast s XB6 Advanced WiFi modem the heart of the Shaw connected home. In early 2019, we will enable additional internet protocol (IP) services such as xFi and WiFi extenders that will differentiate our broadband service from the competition. In addition, in 2019 we will begin deploying a full IPTV experience to our customers. With this service, we will reduce the amount of equipment needed in the home and simplify the installation process enhancing the ability of customers to self-install.

Our Wireline Business division contributed solid results again in early fiscal 2019, leveraging our SmartSuite products that deliver enterprise-grade services to small and medium size businesses. SmartSuite products are the foundation for growth in Shaw Business and we expect to continue increasing market share, revenue and profitability, as we focus on delivering our services in targeted strategic verticals. Our SmartSuite products can scale to larger businesses as well giving us opportunities to deliver services across Canada.

Selected financial and operational highlights

Fiscal 2019 and restated fiscal 2018 results are reported in accordance with the newly adopted IFRS 15, *Revenue from contracts with customers* (IFRS 15). Supplementary information is provided in Accounting Standards , reflecting the previous revenue recognition policies and the changes from the adoption of the new standard.

Basis of presentation

On May 31, 2017, the Company entered an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company s Wireline segment, to an external party. The transaction closed on September 15, 2017.

Accordingly, the operating results and operating cash flows for the Shaw Tracking business (an operating segment within the Wireline division) are presented as discontinued operations separate from the Company s continuing operations. This MD&A reflects the results of continuing operations, unless otherwise noted.

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Financial Highlights

	Three months ended November 30,		
(millions of Canadian dollars except per share amounts)	**2018**	2017 (restated)[1]	Change %
Operations:			
Revenue	**1,355**	1,245	8.8
Operating income before restructuring costs and amortization[2]	**545**	480	13.5
Operating margin[2]	**40.2%**	38.6%	1.6pts
Net income from continuing operations	**187**	117	59.8
Loss from discontinued operations, net of tax		(6)	(100.0)
Net income	**187**	111	68.5
Per share data:			
Basic earnings (loss) per share			
Continuing operations	**0.36**	0.23	
Discontinued operations		(0.01)	
	0.36	0.22	
Diluted earnings (loss) per share			
Continuing operations	**0.36**	0.23	
Discontinued operations		(0.01)	
	0.36	0.22	
Weighted average participating shares for basic earnings per share outstanding during period (millions)	**507**	498	
Funds flow from continuing operations[3]	**439**	367	19.6
Free cash flow[2]	**164**	64	>100.0

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy related to the treatment of digital cable terminals (DCTs) to record as property, plant and equipment where under the previous policy DCTs were initially recorded as inventory upon acquisition. See Accounting Standards.

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

(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.

Key Performance Drivers

Shaw measures the success of its strategies using a number of key performance drivers which are defined and described under Key Performance Drivers Statistical Measures in the 2018 Annual MD&A and in this MD&A below, which includes a discussion as to their relevance, definitions, calculation methods and underlying assumptions. The following key performance indicators are not measurements in accordance with IFRS, should not be considered alternatives to net income or any other measure of performance under IFRS and may not be comparable to similar measures presented by other issuers.

Commencing this fiscal year, we are disclosing Wireless average billing per subscriber unit (ABPU) and Wireless postpaid churn as key performance indicators.

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Subscriber (or revenue generating unit (RGU)) highlights

	November 30, 2018	August 31, 2018	Change Three months ended **November 30, 2018**	November 30, 2017
Wireline Consumer				
Video Cable	**1,561,464**	1,585,232	**(23,768)**	(18,008)
Video Satellite	**721,510**	750,403	**(28,893)**	(20,505)
Internet	**1,882,550**	1,876,944	**5,606**	17,694
Phone	**837,890**	853,847	**(15,957)**	(17,418)
Total Consumer	**5,003,414**	5,066,426	**(63,012)**	(38,237)
Wireline Business				
Video Cable	**49,352**	49,606	**(254)**	(705)
Video Satellite	**35,389**	34,831	**558**	(512)
Internet	**174,107**	172,859	**1,248**	(494)
Phone	**363,561**	354,912	**8,649**	6,097
Total Business	**622,409**	612,208	**10,201**	4,386
Total Wireline	**5,625,823**	5,678,634	**(52,811)**	(33,851)
Wireless				
Postpaid	**1,115,787**	1,029,720	**86,067**	33,050
Prepaid	**352,686**	373,138	**(20,452)**	1,260
Total Wireless	**1,468,473**	1,402,858	**65,615**	34,310
Total Subscribers	**7,094,296**	7,081,492	**12,804**	459

In Wireless, the Company continued to add wireless subscribers, gaining a net combined 65,615 postpaid and prepaid subscribers in the quarter. This represents an increase of almost double the 34,310 net additions gained in the first quarter of fiscal 2018. The increase in the postpaid customer base reflects continued customer demand for premium smartphones combined with device pricing and affordable packaging options, data centric plans, and the Company s ongoing execution of its wireless growth strategy to improve the network and customer experience. More than half of the prepaid losses in the quarter included customer migrations to higher value postpaid plans while the other half was attributable to an active competitive environment targeting the prepaid segment.

Wireline RGUs declined by 52,811 in the quarter compared to a loss of 33,851 RGUs in the first quarter of 2018. The current quarter includes a decline in Consumer RGUs of 63,012 due primarily to the Company s continued discipline with subscriber acquisition offers resulting in lower gross RGU additions.

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Wireless Postpaid Churn