SHAW COMMUNICATIONS INC
Form 6-K
April 09, 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

April 9, 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):

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: April 9, 2019

By: /s/ Trevor English
Name: Trevor English
Title: Executive Vice President, Chief Financial & Corporate Development Officer

Shaw Communications Inc.

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NEWS RELEASE

Shaw Announces Second Quarter and Year-To-Date Fiscal 2019 Results

- **Consolidated operating income before restructuring costs and amortization[1] improved 13.7% year-over-year due to continued growth in the Wireline and Wireless segments**

- **Strong Wireless operating income before restructuring costs and amortization performance supported by postpaid subscriber net additions of approximately 65,000 and continued average billing per subscriber unit (ABPU[2]) growth of 7.5% to $41.34**

- **Focus on Wireline execution and broadband growth resulted in Consumer Internet net additions of approximately 11,100 and a 280-basis points year-over-year increase in Wireline operating margin to over 46% in the quarter**

Calgary, Alberta (April 9, 2019) Shaw Communications Inc. (Shaw or the Company) announces consolidated financial and operating results for the quarter ended February 28, 2019, reported in accordance with the newly adopted IFRS 15 accounting standard, *Revenue from contracts with customers* (IFRS 15). Consolidated revenue decreased by 1.0% to $1.32 billion compared to the second quarter in fiscal 2018 and operating income before restructuring costs and amortization increased 13.7% year-over-year to $549 million.

We continue to make progress on our strategic priorities and journey to a modern Shaw. Second quarter results include stable Wireline performance, improved broadband execution and solid subscriber growth in our Wireless business. While we still have lots of work ahead of us, our second quarter and year-to-date results reflect improvement on all these initiatives, combined with a meaningful reduction in our cost structure that resulted in strong margin performance in the quarter, said Brad Shaw, Chief Executive Officer.

Wireless results include postpaid net subscriber additions of approximately 65,000, bringing the total Freedom Mobile customer base to over 1.5 million as of the end of February. As part of its network expansion plans in fiscal 2019, the Company launched wireless services in several new markets including Victoria and Red Deer on February 8 and an additional six communities in Eastern Ontario in early March. Freedom Mobile will continue to launch in new markets throughout fiscal 2019, primarily in Western Canada. Continuous network enhancements, including the deployment of 700 MHz spectrum, remain a priority as network quality contributes to the significant postpaid churn reduction, which improved approximately 30 basis points year-over-year to 1.36% in the quarter. Subsequent to the quarter end, the Company finalized an agreement with its third national retail partner, Mobilinq, and expects to launch prepaid services throughout the 50 additional locations beginning in April.

Our Wireless subscriber and financial performance in fiscal 2019 reflects the execution of our strategic priorities. We continued to attract high quality subscriber growth in the second quarter against the backdrop of a less active market compared to a year ago, when we saw record subscriber performance for the Company as the iPhone became available for Freedom Mobile customers and we launched our Big Gig data plans. We delivered ABPU growth, up 7.5% in the quarter compared to a year ago, as more Canadians purchase our value-based offerings that focus on bigger data buckets. At the same time that we are growing our subscriber base, we are also improving the profitability of our Wireless business, with operating income before restructuring and amortization improving to $52 million this quarter.

Our network investments are clearly paying off and, while our focus remains on growing our postpaid subscriber base, we have recently introduced refreshed prepaid plans to participate more effectively in this competitive segment of the market, Mr. Shaw said.

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Second quarter Wireline performance reflects improved Consumer Internet subscriber growth of approximately 11,100 RGUs, offset by continued Video RGU losses, resulting in stable year-over-year Consumer revenue while the Business segment delivered consistent top-line growth with revenue increasing 5.7% in the quarter. Combined with reduced operating expenses, primarily due to the voluntary departure program (VDP), Wireline margin of approximately 46% improved 280 basis points over the second quarter fiscal 2018, as the Company continues to focus on profitable and stable growth.

The Company has announced several significant Wireline enhancements related to its broadband service. In late November, Shaw doubled Internet speeds of its top residential tiers, and more recently, introduced a new brand platform to support the launch of additional broadband services Shaw BlueCurve - which launched on April 4.

Shaw BlueCurve is a simple and powerful new technology that gives customers more coverage and greater control over their home Wi-Fi experience while helping redefine their relationship with in-home connected devices. The BlueCurve Home app is the latest innovative in-home consumer product that Shaw has brought to market through its partnership with Comcast, and is available with Shaw s BlueCurve Gateway modem the hub of customers in-home content and connectivity experience. Shaw BlueCurve Pods expand in-home coverage by creating a mesh Wi-Fi network that reduces the challenge of Wi-Fi dead spots. Shaw BlueCurve Pods are easily self-installed, plug directly into indoor electrical outlets, and can be easily moved to meet customers distinct coverage needs.

Mr. Shaw continued, We are capitalizing on the network investments that we have made, and continue to make, in pursuit of providing customers with a superior connectivity experience. The broadband technology that we offer completely changes the conversation with our customers from just speed to speed, coverage and control. Through this enhanced customer experience, we can more effectively differentiate ourselves from the competition, while building upon our journey to a modern Shaw.

In addition to the improved residential broadband services, Shaw Business customers will also benefit from speed increases that are now available on eligible Business Internet and SmartWiFi 150 and 300 plans moving to 300Mbps and 600Mbps, respectively. In March, Shaw Business also announced the launch of gigabit download speeds for customers that need to keep up with the demands of their growing business.

Selected Financial Highlights

Fiscal 2019 and restated fiscal 2018 results are reported in accordance with IFRS 15. Supplementary information is provided in the accompanying Management s Discussion and Analysis (MD&A), under the heading Accounting Standards, which discusses our previous revenue recognition policies and the changes on adoption of the new standard.

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars except per share amounts)	**2019**	2018 (restated)(1)	Change %	**2019**	2018 (restated)(1)	Change %
Revenue	**1,316**	1,329	(1.0)	**2,671**	2,574	3.8
Operating income before restructuring costs and amortization(2)	**549**	483	13.7	**1,094**	963	13.6
Operating margin(2)	**41.7%**	36.3%	14.9	**41.0%**	37.4%	9.6
Free cash flow(2)	**160**	124	29.0	**324**	187	73.3

Net income (loss) from continuing operations	**155**	(175)	>100.0	**341**	(58)	>100.0
Net loss from discontinued operations, net of tax					(6)	100.0
Net income (loss)	**155**	(175)	>100.0	**341**	(64)	>100.0
Basic earnings (loss) per share	**0.30**	(0.35)		**0.66**	(0.13)	
Diluted earnings (loss) per share	**0.30**	(0.35)		**0.66**	(0.13)	

(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 in the accompanying MD&A.

(2) See definitions and discussion under Non-IFRS and additional GAAP measures in the accompanying MD&A.

In the quarter, the Company added approximately 47,800 net Wireless RGUs, consisting of 64,700 postpaid additions and 16,900 prepaid losses. The continued increase in the postpaid subscriber base reflects

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customer demand for premium smartphones combined with affordable device pricing and packaging options. The decrease in the prepaid customer base reflects migrations to higher value postpaid plans as well as an increasingly competitive environment targeting the prepaid segment.

Wireless service revenue for the three-month period increased by 26% to $169 million over the comparable period in fiscal 2018 due to the growing penetration of Big Gig data plans. Wireless equipment revenue decreased by 40% to $78 million as the comparable period included record subscriber performance, the majority of whom purchased a device through Freedom Mobile. Second quarter ABPU grew approximately 7.5% year-over-year to $41.34 reflecting the increased number of customers that are subscribing to higher service plans and purchasing a device through Freedom Mobile.

Wireless operating income before restructuring costs and amortization of $52 million improved 189% year-over-year due primarily to increased service revenue and a more significant impact in the second quarter of fiscal 2018 related to the impact of the accounting treatment of handset discounts under IFRS 15.

Wireline RGUs declined by approximately 44,600 in the quarter compared to a loss of approximately 25,600 in the second quarter of fiscal 2018. The current quarter includes growth in Consumer Internet RGUs of approximately 11,100 whereas the mature products within the Consumer division, including Video, Satellite and Phone declined in aggregate by 59,500 RGUs. The Company remains focused on growing broadband subscribers and on attracting and retaining high quality video subscribers which supports our consumer profitability objectives.

Second quarter Wireline revenue and operating income before restructuring costs and amortization of $1,071 million and $497 million increased by 0.5% and 6.9% year-over-year, respectively. Consumer revenue remained flat at $923 million compared to the prior year as contributions from rate adjustments and growth in Internet revenue were offset by declines in Video, Satellite and Phone subscribers and revenue. Business revenue increased 5.7% year-over-year to $148 million, reflecting continued demand for the SmartSuite of business products. Wireline results also include operating costs savings of approximately $27 million related to the VDP, favorable provision releases of approximately $5 million as well as lower marketing and other costs compared to the second quarter of fiscal 2018.

Capital expenditures in the second quarter of $279 million was comparable to a year ago. Wireline capital spending decreased by approximately $30 million primarily due to lower network investments. Wireless spending increased by approximately $28 million year-over-year due to continued deployment of 700 MHz spectrum and expansion of the wireless network into new markets.

Free cash flow for the quarter of $160 million compared to $124 million in the prior year. The increase for the quarter was largely due to higher operating income before restructuring costs and amortization, offset in part by higher cash taxes and lower dividends received from equity accounted associates.

Net income for the quarter of $155 million compared to a net loss of $175 million in the second quarter of fiscal 2018 driven primarily by an increase in operating income before restructuring costs and amortization and restructuring costs in the second quarter of fiscal 2018 in the amount of $417 million related to the Total Business Transformation (TBT) initiative (primarily VDP).

In the second quarter of fiscal 2019, approximately 200 employees exited the Company, bringing the total number of employees who departed under the VDP to over 1,700 since the program commenced in March 2018. This led to operating cost savings of approximately $27 million and capital cost savings of approximately $6 million in the quarter. See also Introduction, Other Income and Expense Items, and Caution Concerning Forward Looking Statements, in the accompanying MD&A for a discussion of the TBT, the VDP and the risks and assumptions associated therewith.

The Company confirms that it remains on track to meet its fiscal 2019 guidance, which includes consolidated operating income before restructuring costs and amortization growing 4% to 6% over fiscal 2018; capital investments of approximately $1.2 billion; and free cash flow in excess of $500 million. The expected growth rate of 4% to 6% in consolidated operating income before restructuring costs and

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amortization is based on adjusted fiscal 2018 results that include the impact of IFRS 15. The Company s guidance includes assumptions related to cost savings that will be achieved through the TBT initiative (specifically the VDP savings) that are expected to amount to a combined $140 million in fiscal 2019 (approximately $85 million attributed to operating expenses and approximately $55 million attributed to capital expenditures). See also Caution Concerning Forward Looking Statements in the accompanying MD&A.

Mr. Shaw concluded, We have delivered solid financial performance in the first half of fiscal 2019 and while growth in the second half of the year will be tempered by reinvestments back into the business and more difficult year-over-year comparable results, I continue to believe we have many opportunities ahead that support our strategy of delivering long-term, sustainable growth. For the remainder of the year we will stay focused on our Wireless network expansion and subscriber growth through a more balanced approach to both the postpaid and prepaid segments of the wireless market and in our Wireline business we are committed to deliver consistent and stable results. Our growth drivers and the successful transition through VDP remain our top priorities as we progress through the remainder of fiscal 2019 and beyond.

Shaw Communications Inc. is a leading Canadian connectivity company. The Wireline division consists of Consumer and Business services. Consumer serves residential customers with broadband Internet, Shaw Go WiFi, video and digital phone. Business provides business customers with Internet, data, WiFi, digital phone and video services. The Wireless division provides wireless voice and LTE data services through an expanding and improving mobile wireless network infrastructure.

Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE SJR, and TSXV SJR.A). For more information, please visit www.shaw.ca

The accompanying MD&A forms part of this news release and the Caution concerning forward-looking statements applies to all the forward-looking statements made in this news release.

For more information, please contact:

Shaw Investor Relations

Investor.relations@sjrb.ca

1 See definitions and discussion under Non-IFRS and additional GAAP measures in the accompanying MD&A.

2 See definitions and discussion of ABPU, ARPU, RGUs and Wireless Postpaid Churn under Key Performance Drivers in the accompanying MD&A.

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS

For the three and six months ended February 28, 2019

April 9, 2019

Contents

Advisories

The following Management s Discussion and Analysis (MD&A) of Shaw Communications Inc. is dated April 9, 2019 and should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended February 28, 2019 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, us, or our 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 wor 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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the expected number of retail outlets;

the expected impact of new accounting standards, recently adopted or expected to be adopted in the future;

the expected impact of government regulations or regulatory developments on the Company s business, operations, and/or financial performance;

timing of new product and service launches;

the 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;

the expected growth in the Company s market share;

the 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;

the outcome of the TBT initiative, including the timing thereof and the total savings at completion; and the 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 and legislation;

the completion of proposed transactions;

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- 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;
- 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;

disruptions to service, including due to network failure or disputes with key suppliers;

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

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- 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.

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 2019 we continue to demonstrate the emerging strength of our Wireless operations and our focus on profitability and sustainable cost savings in our core Wireline business. We are executing on our 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.

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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 launched in February, and an additional six communities in Eastern Ontario that launched in early March 2019.

Freedom Mobile continues to grow its subscriber base, surpassing 1.5 million combined postpaid and prepaid customers in the quarter, a significant milestone for the Company. The growth of our subscriber base was complemented by strong financial performance reflecting the appeal of our differentiated value proposition. Our affordable and innovative Big Gig data plans and Big Binge Bonus promotion, 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 accessible to Canadians through the addition of approximately 240 locations, in fiscal 2019, with national retail partners, Loblaws The Mobile Shop and Walmart. Subsequent to the quarter end, the Company finalized an agreement with its third national retail partner, Mobilinq, and expects to launch prepaid services to 50 additional locations beginning in April. When combined with our existing corporate and dealer store network, Freedom Mobile expects to have over 650 retail locations operational at the end of 2019. The Company has also 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 have substantially improved the accessibility of our Wireless products and help reduce our historical retail distribution gap.

Supporting our Wireless revenue growth and improved Wireless postpaid churn results are the significant investments in our network and customer service capabilities. We are executing a step-by-step operating 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 and refarmed 10 MHz of AWS-1 spectrum. We are currently deploying our Extended Range LTE in Calgary, Edmonton, Vancouver and Southwestern Ontario which leverages our 700 MHz spectrum to provide customers with improved in-building service as well as extending service at the edge of the current coverage area. The Company will continue to deploy its 700 MHz spectrum throughout fiscal 2019 and 2020.

The Company continues to deploy small cell technology (low-powered wireless transmitters and receivers with a range of 100 meters to 200 meters), 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 building blocks for emerging technologies, such as 5G.

Wireline

We continue to focus on execution and delivery of stable and profitable Wireline results. This includes improved broadband growth through more effective targeting and customer segmentation, with a shift in broadband focus from just speed to speed, coverage, and control, while also shifting our efforts in Video to optimize profitability.

Our team is modernizing several 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, including the recently introduced Shaw BlueCurve Home app

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and Pods as described below. 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. 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. As the key product in the customer s home, our broadband service has a significant and cost-effective competitive advantage.

We remain focused on growing our Wireline broadband customer base and improving execution. In the second quarter, we added approximately 11,100 Consumer Internet subscribers and significantly improved Wireline profitability through disciplined cost control, including the execution of the VDP. While we are only part of the way through our journey towards a modern Shaw, we are encouraged by the progress we have made as we improve upon the fundamentals of our Wireline business, further supporting the delivery of our broadband strategy through fiscal 2019.

The Company has announced several significant Wireline enhancements related to its broadband service for its customers. In late November, Shaw doubled Internet speeds of its top residential tiers, and more recently, introduced a new brand platform to support the launch of additional broadband services Shaw BlueCurve.

Shaw BlueCurve is a simple and powerful new technology that gives customers more coverage and greater control over their home Wi-Fi experience while helping redefine their relationship with in-home connected devices. The BlueCurve Home app is the latest innovative in-home consumer product that Shaw has brought to market through its partnership with Comcast, and it is available with Shaw s BlueCurve Gateway modem the hub of our customers in-home content and connectivity experience. Shaw BlueCurve Pods expand in-home coverage by creating a mesh Wi-Fi network that reduces the challenge of Wi-Fi dead spots. Shaw BlueCurve Pods are easily self-installed, plug directly into indoor electrical outlets, and can be easily moved to suit customers distinct coverage needs.

We are capitalizing on the network investments that we have made, and continue to make, in pursuit of providing customers with an enhanced connectivity experience. The broadband technology that we offer completely changes the conversation with our customers from just speed to speed, coverage and control. Through this enhanced customer experience, we can more effectively differentiate ourselves from the competition, while building upon our journey to a modern Shaw.

Our Wireline Business division contributed solid results again this quarter, 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. Shaw Business customers will also benefit from speed increases that are now eligible on Business Internet and SmartWiFi 150 and 300 plans moving to 300Mbps and 600Mbps, respectively. Shaw Business also announced the launch of gigabit download speeds, which will help customers keep up with the demands of their growing businesses.

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Shaw Communications Inc.

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.

Financial Highlights

(millions of Canadian dollars except per share amounts)	Three months ended February 28, 2019	Three months ended February 28, 2018 (restated)[1]	Change %	Six months ended February 28, 2019	Six months ended February 28, 2018 (restated)[1]	Change %
Operations:						
Revenue	**1,316**	1,329	(1.0)	**2,671**	2,574	3.8
Operating income before restructuring costs and amortization[2]	**549**	483	13.7	**1,094**	963	13.6
Operating margin[2]	**41.7%**	36.3%	14.9	**41.0%**	37.4%	9.6
Net income (loss) from continuing operations	**155**	(175)	>100.0	**341**	(58)	>100.0
Loss from discontinued operations, net of tax					(6)	100.0
Net income (loss)	**155**	(175)	>100.0	**341**	(64)	>100.0
Per share data:						
Basic earnings (loss) per share						
Continuing operations	**0.30**	(0.35)		**0.66**	(0.12)	
Discontinued operations					(0.01)	
	0.30	(0.35)		**0.66**	(0.13)	
Diluted earnings (loss) per share						
Continuing operations	**0.30**	(0.35)		**0.66**	(0.12)	
Discontinued operations					(0.01)	

	0.30	(0.35)		**0.66**	(0.13)	
Weighted average participating shares for basic earnings per share outstanding during period (millions)	**510**	500		**509**	499	
Funds flow from continuing operations(3)	**444**	(49)	>100.0	**883**	318	>100.0
Free cash flow(2)	**160**	124	29.0	**324**	187	73.3

(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.

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Shaw Communications Inc.

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 revenue, 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.

Subscriber (or revenue generating unit (RGU)) highlights

			Change Three months ended		Change Six months ended	
	February 28, 2019	August 31, 2018	**February 28, 2019**	February 28, 2018	**February 28, 2019**	February 28, 2018
Wireline Consumer						
Video Cable	**1,532,511**	1,585,232	**(28,953)**	(17,715)	**(52,721)**	(35,723)
Video Satellite	**711,883**	750,403	**(9,627)**	(4,301)	**(38,520)**	(24,806)
Internet	**1,893,655**	1,876,944	**11,105**	5,476	**16,711**	23,170
Phone	**816,974**	853,847	**(20,916)**	(14,842)	**(36,873)**	(32,260)
Total Consumer	**4,955,023**	5,066,426	**(48,391)**	(31,382)	**(111,403)**	(69,619)
Wireline Business						
Video Cable	**47,887**	49,606	**(1,465)**	(400)	**(1,719)**	(1,105)
Video Satellite	**36,219**	34,831	**830**	1,330	**1,388**	818
Internet	**172,667**	172,859	**(1,440)**	162	**(192)**	(332)
Phone	**369,397**	354,912	**5,836**	4,655	**14,485**	10,752
Total Business	**626,170**	612,208	**3,761**	5,747	**13,962**	10,133
Total Wireline	**5,581,193**	5,678,634	**(44,630)**	(25,635)	**(97,441)**	(59,486)
Wireless						
Postpaid	**1,180,457**	1,029,720	**64,670**	93,508	**150,737**	126,558
Prepaid	**335,799**	373,138	**(16,887)**	(3,806)	**(37,339)**	(2,546)
Total Wireless	**1,516,256**	1,402,858	**47,783**	89,702	**113,398**	124,012

Total Subscribers	**7,097,449**	7,081,492	**3,153**	64,067	**15,957**	64,526

In Wireless, the Company continued to add wireless subscribers, gaining a net combined 47,783 postpaid and prepaid subscribers in the quarter. The increase in the postpaid customer base reflects customer demand for premium smartphones combined with affordable device pricing and packaging options. The decrease in the prepaid customer base reflects migrations to higher value postpaid plans as well as an increasingly competitive environment targeting the prepaid segment.

Wireline RGUs declined by 44,630 in the quarter compared to a loss of 25,635 RGUs in the second quarter of 2018. The current quarter includes growth in Consumer Internet RGUs of 11,105 whereas the mature products within the Consumer division of Video, Satellite and Phone, continued to decline (combined net loss of 59,496 RGUs).

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Shaw Communications Inc.

Wireless Postpaid Churn

To assist in understanding the performance of our Wireless business, this fiscal year we commenced disclosing Wireless postpaid subscriber or RGU churn (postpaid churn). Subscriber churn measures success in retaining subscribers. Wireless postpaid churn is a measure of the number of postpaid subscribers that deactivated during a period as a percentage of the average postpaid subscriber base during a period, calculated on a monthly basis. It is calculated by dividing the number of Wireless postpaid subscribers that deactivated (in a month) by the average number of postpaid subscribers during the month. When used or reported for a period greater than one month, postpaid churn represents the sum of the number of subscribers deactivating for each period incurred divided by the sum of the average number of postpaid subscribers of each period incurred.

Postpaid churn of 1.36% in the second quarter of fiscal 2019 compares to 1.66% in the second quarter of fiscal 2018 reflecting the significant and ongoing enhancements to the wireless customer experience.

Wireless average billing per subscriber unit (ABPU)

To assist in understanding the underlying economics of our Wireless business, this fiscal year we commenced disclosing Wireless average billing per subscriber per month (ABPU). This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. We use ABPU as a measure that approximates the average amount the Company invoices an individual subscriber unit on a monthly basis. ABPU helps us to identify trends and measures the Company s success in attracting and retaining higher lifetime value subscribers. Wireless ABPU is calculated as service revenue (excluding the allocation of the device subsidy attributable to service revenue under IFRS 15) plus the monthly re-payments of the outstanding device balance owing from customers on contract, divided by the average number of subscribers on the network during the period and is expressed as a rate per month.

ABPU of $41.34 in the second quarter of fiscal 2019 compares to $38.44 in the second quarter of fiscal 2018 reflecting the increased number of customers that are subscribing to higher value service plans and purchasing a device through Freedom Mobile.

Wireless average revenue per subscriber unit (ARPU)

Wireless 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. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. ARPU helps to identify trends and measure the Company s success in attracting and retaining higher-value subscribers.

ARPU of $37.58 in the second quarter of fiscal 2019 increased 3.5% compared to the second quarter of fiscal 2018 and reflects the impact of changes in accounting policies upon the adoption of IFRS 15, whereby a portion of the device subsidy, previously fully allocated as a reduction to equipment revenue, is now partially allocated as a reduction to service revenue.

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Shaw Communications Inc.

Overview

For detailed discussion of divisional performance see Discussion of operations . Highlights of the consolidated first quarter financial results are as follows:

Revenue

Revenue for the **second quarter** of fiscal 2019 of $1.32 billion decreased $13 million or 1.0% from $1.33 billion for the second quarter of fiscal 2018, highlighted by the following:

The year-over-year decrease in revenue was primarily due to a $17 million or 6.4% decrease in the Wireless division driven by a $52 million or 40.0% decrease in equipment revenue compared to the second quarter of fiscal 2018 partially offset by higher service revenues which contributed an incremental $35 million or 26.1% to consolidated revenue driven primarily by higher postpaid RGUs (approximately 290,000 since February 28, 2018) and a 7.5% and 3.5% year-over-year increase in ABPU to $41.34 and ARPU to $37.58, respectively.

The Business division contributed $8 million or 5.7% growth over the second quarter of fiscal 2018 to consolidated revenue driven primarily by consistent customer demand for Shaw s SmartSuite of products and the impact of annual rate increases.

Consumer division revenue for the quarter decreased $3 million or 0.3% compared to the second quarter of fiscal 2018 mainly due to the impact of Video and Phone RGU losses and the change in Video customer and package mix partially offset by higher Internet revenues and the impact of rate increases in the period.

Compared to the first quarter of fiscal 2019, consolidated revenue for the quarter decreased 2.9% or $39 million. The decrease in revenue over the prior quarter relates primarily to a decrease of $28 million in equipment revenue in the Wireless division, lower ABPU (down from $41.99 in the first quarter of fiscal 2019 to $41.34 in the current quarter) and lower ARPU (down from $38.64 in the first quarter of fiscal 2019 to $37.58 in the current quarter) as well as a decrease in Wireline revenues as a result of lower Video, Phone, and Satellite RGUs.

Revenue for the **six-month period** ended February 28, 2019 of $2.67 billion increased $97 million or 3.8% from $2.57 billion for the comparable period in fiscal 2018.

The year-over-year improvement in revenue was primarily due to the Wireless division contributing revenues of $520 million, an increase of $85 million or 19.5% compared to the comparable six-month period of fiscal 2018.

The Business division contributed $15 million or 5.4% to the consolidated revenue improvements for the six-month period driven primarily by customer growth.

Consumer division revenues decreased $2 million or 0.1% compared to the comparable six-month period of fiscal 2018.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization for the **second quarter** of fiscal 2019 of $549 million increased by $66 million or 13.7% from $483 million for the second quarter of fiscal 2018, highlighted by the following:

The year-over-year improvement in the Wireless division of $34 million was mainly due to postpaid RGU growth and the impact of a 7.5% higher ABPU.

The year-over-year improvement in the Wireline division of $32 million driven primarily by higher revenues, lower employee-related costs attributed to the VDP and other cost saving initiatives.

Operating margin for the **second quarter** of 41.7% increased 540 basis points compared to 36.3% in the second quarter of fiscal 2018 due primarily to a 280 basis points increase in the Wireline operating margin

Shaw Communications Inc.

driven primarily by VDP related cost savings, as well as a significant increase in the Wireless operating margin as a result of the additional equipment sales in the prior year quarter and the lower resulting upfront margin when loading new subscribers.

Compared to the **first quarter** of fiscal 2019, operating income before restructuring costs and amortization for the current quarter increased $4 million primarily due to lower Wireless equipment costs partially offset by lower Wireline revenues attributed to net RGU losses.

For the **six-month period**, operating income before restructuring costs and amortization of $1.1 billion increased $131 million or 13.6% from $963 million for the comparable prior year period.

Wireless operating income before restructuring costs and amortization for the six-month period increased $46 million or 90.2% over the comparable period driven primarily by subscriber and ABPU growth.

Wireline operating income before restructuring costs and amortization for the six-month period increased $85 million or 9.3% over the comparable period primarily as a result of lower operating costs mainly related to VDP.

Free cash flow

Free cash flow for the **second quarter** of fiscal 2019 of $160 million increased $36 million from $124 million in the second quarter of fiscal 2018, mainly due to a $66 million increase in operating income before restructuring costs and amortization partially offset by higher interest and cash taxes and lower dividends from equity-accounted associates.

Net income (loss)

Net income of $155 million and $341 million for the three and six months ended February 28, 2019, compared to a net loss of $175 million and $64 million for the same period in fiscal 2018. The changes in net income are outlined in the following table.

	February 28, 2019 net income compared to:		
	Three months ended		Six months ended
(millions of Canadian dollars)	November 30, 2018	February 28, 2018 (restated)(1)	February 28, 2018 (restated)(1)
Increased (decreased) operating income before restructuring costs and amortization(2)	4	66	131
Decreased (increased) restructuring costs	1	417	416
Increased amortization	(1)	(9)	(11)

Change in net other costs and revenue[3]	(30)	(23)	(36)
Decreased (increased) income taxes	(6)	(121)	(101)
Increased income from discontinued operations, net of tax			6
	(32)	330	405

[1] Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

[2] See definitions and discussion under Non-IFRS and additional GAAP measures

[3] Net other costs and revenue include equity income (loss) of an associate or joint venture, business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, realized and unrealized foreign exchange differences and other losses as detailed in the unaudited Consolidated Statements of Income

Restructuring costs in the **second quarter** of fiscal 2018 of $417 million related to the TBT initiative. The costs related mainly to severance and other employee costs attributable to the group of eligible employees who accepted the VDP package during the period, as well as other costs directly associated with the TBT initiative.

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Shaw Communications Inc.

Outlook

The Company confirms that it remains on track to meet its fiscal 2019 guidance, which includes consolidated operating income before restructuring costs and amortization growing 4% to 6% over fiscal 2018; capital investments of approximately $1.2 billion; and free cash flow in excess of $500 million. The expected growth rate of 4% to 6% in consolidated operating income before restructuring costs and amortization is based on adjusted fiscal 2018 results that include the impact of IFRS 15. The Company s guidance includes assumptions related to cost savings that will be achieved through TBT initiatives (specifically the VDP savings) that are expected to amount to a combined $140 million in fiscal 2019 (approximately $85 million attributed to operating expenses and approximately $55 million attributed to capital expenditures).

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.

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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.

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2019**	2018 (restated)[1]	**2019**	2018 (restated)[1]
Operating income from continuing operations	**285**	(188)	**567**	32
Add back (deduct):				
Restructuring costs		417	**1**	417
Amortization:				
Deferred equipment revenue	**(5)**	(8)	**(11)**	(17)
Deferred equipment costs	**21**	28	**45**	58
Property, plant and equipment, intangibles and other	**248**	234	**492**	473
Operating income before restructuring costs and amortization	**549**	483	**1,094**	963

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

Operating margin

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

	Three months ended February 28,			Six months ended February 28,		
	2019	2018 (restated)[1]	Change %	**2019**	2018 (restated)[1]	Change %
Wireline	**46.4%**	43.6%	6.4	**46.3%**	42.6%	8.7
Wireless	**21.1%**	6.8%	>100.0	**18.7%**	11.7%	59.8
Combined Wireline and Wireless	**41.7%**	36.3%	14.9	**41.0%**	37.4%	9.6

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards

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 February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2019**	2018	**2019**	2018
Loss from discontinued operations, net of tax				
Add back (deduct):				
Loss on divestiture, net of tax				(6)
Loss from discontinued operations before restructuring costs, amortization, taxes and other non-operating items				(6)

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Shaw Communications Inc.

Net debt leverage ratio

The Company uses this ratio to determine its optimal leverage ratio. Refer to Liquidity and capital resources for further detail.

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 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) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow 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 also reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

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Shaw Communications Inc.

Free cash flow is calculated as follows:

(millions of Canadian dollars)	Three months ended February 28, 2019	Three months ended February 28, 2018 (restated)(1)	Change %	Six months ended February 28, 2019	Six months ended February 28, 2018 (restated)(1)	Change %
Revenue						
Consumer	**923**	926	(0.3)	**1,859**	1,861	(0.1)
Business	**148**	140	5.7	**295**	280	5.4
Wireline	**1,071**	1,066	0.5	**2,154**	2,141	0.6
Service	**169**	134	26.1	**336**	261	28.7
Equipment	**78**	130	(40.0)	**184**	174	5.7
Wireless	**247**	264	(6.4)	**520**	435	19.5
	1,318	1,330	(0.9)	**2,674**	2,576	3.8
Intersegment eliminations	**(2)**	(1)	100.0	**(3)**	(2)	50.0
	1,316	1,329	(1.0)	**2,671**	2,574	3.8
Operating income before restructuring costs and amortization(2)						
Wireline	**497**	465	6.9	**997**	912	9.3
Wireless	**52**	18	>100.0	**97**	51	90.2
	549	483	13.7	**1,094**	963	13.6
Capital expenditures and equipment costs (net):(3)						
Wireline	**195**	225	(13.3)	**400**	448	(10.7)
Wireless	**84**	56	50.0	**150**	173	(13.3)
	279	281	(0.7)	**550**	621	(11.4)
Free cash flow before the following	**270**	202	33.7	**544**	342	59.1
Less:						
Interest	**(68)**	(63)	7.9	**(130)**	(123)	5.7
Cash taxes	**(50)**	(43)	16.3	**(100)**	(87)	14.9
Other adjustments:						
Dividends from equity accounted associates	**5**	23	(78.3)	**5**	46	(89.1)
Non-cash share-based compensation	**1**	1		**2**	2	

Pension adjustment	**3**	4	(25.0)	**6**	8	(25.0)
Customer equipment financing	**1**	2	(50.0)	**1**	3	(66.7)
Preferred share dividends	**(2)**	(2)		**(4)**	(4)	
Free cash flow	**160**	124	29.0	**324**	187	73.3

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

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

(3) Per Note 3 to the unaudited interim Consolidated Financial Statements

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Shaw Communications Inc.

Discussion of operations

Wireline

(millions of Canadian dollars)	Three months ended February 28, **2019**	2018 (restated)[1]	Change %	Six months ended February 28, **2019**	2018 (restated)[1]	Change %
Consumer	**923**	926	(0.3)	**1,859**	1,861	(0.1)
Business	**148**	140	5.7	**295**	280	5.4
Wireline revenue	**1,071**	1,066	0.5	**2,154**	2,141	0.6
Operating income before restructuring costs and amortization[2]	**497**	465	6.9	**997**	912	9.3
Operating margin[2]	**46.4%**	43.6%	6.4	**46.3%**	42.6%	8.7

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards

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

In the **second quarter** of fiscal 2019, Wireline RGUs decreased by 44,630 compared to a 25,635 RGU loss in the second quarter of fiscal 2018. The current quarter includes growth in Consumer Internet RGUs of 11,105 whereas the mature products within the Consumer division, Video, Satellite and Phone, continued to decline.

Revenue highlights include:

Consumer revenue for the **second quarter** of fiscal 2019 decreased slightly, by $3 million or 0.3%, compared to the second quarter of fiscal 2018 as additional revenue generated by annual rate adjustments and incremental Internet RGUs was fully offset by reductions to Video and Phone RGUs.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue decreased by $13 million or 1.4%, primarily due to the reduction in Video and Phone RGUs.

Business revenue of $148 million for the **second quarter** of fiscal 2019 was up $8 million or 5.7% over the second quarter of fiscal 2018. Growth was led by the continued success of selling the SmartSuite of products, specifically SmartVoice and SmartWiFi, as well as the impact of annual rate adjustments.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue increased $1 million or 0.7%, primarily due to Phone RGU gains.

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization for the **second quarter** of fiscal 2019 of $497 million was up 6.9% or $32 million from $465 million in the second quarter of fiscal 2018. The increase related primarily to higher revenues in Business and lower operating costs driven by VDP-related reductions of approximately $27 million and decreased programming costs.

As **compared to the first quarter** of fiscal 2019, Wireline operating income before restructuring costs and amortization for the current quarter decreased by $3 million driven primarily by lower Consumer revenue as a result of RGU losses partially offset by lower operating costs including lower planned marketing costs related to sponsorships.

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Shaw Communications Inc.

Wireless

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars)	**2019**	2018 (restated)[1]	Change %	**2019**	2018 (restated)[1]	Change %
Service	**169**	134	26.1	**336**	261	28.7
Equipment and other	**78**	130	(40.0)	**184**	174	5.7
Wireless revenue	**247**	264	(6.4)	**520**	435	19.5
Operating income before restructuring costs and amortization[2]	**52**	18	>100.0	**97**	51	90.2
Operating margin[2]	**21.1%**	6.8%	>100.0	**18.7%**	11.7%	59.8

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards
(2) See definitions and discussion under Non-IFRS and additional GAAP measures

The Wireless division added 47,783 RGUs in the **second quarter** of fiscal 2019 as compared to 89,702 RGUs gained in the second quarter of fiscal 2018. The continued increase in the postpaid customer base reflects customer demand for premium smartphones combined with affordable device pricing and packaging options. The decrease in the prepaid customer base reflects migrations to higher value postpaid plans as well as an increasingly competitive environment targeting the prepaid segment. Wireless postpaid churn of 1.36% represents a 30 basis point improvement from 1.66% in the second quarter of fiscal 2018 due to significant and ongoing enhancements to the network and customer experience.

Revenue highlights include:

Revenue of $247 million for the **second quarter** of fiscal 2019 decreased $17 million or 6.4% over the second quarter of fiscal 2018. The decrease in revenue was driven primarily by a year-over-year decrease in equipment revenue of $52 million or 40% as the comparable period included record subscriber performance, the majority of whom purchased a device through Freedom Mobile. This decrease was partially offset by an increase in service revenue which grew by 26.1% as a result of increased postpaid RGUs and improved ABPU of $41.34 and ARPU of $37.58 as compared to $38.44 and $36.30, respectively, in the second quarter of fiscal 2018.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue decreased $26 million or 9.5%, ABPU decreased by $0.65 or 1.6% (ABPU of $41.99 in the first quarter of fiscal 2019), and ARPU decreased by $1.06 or 2.7% (ARPU of $38.64 in the first quarter of fiscal

2019). The quarter-over-quarter decline in both ABPU and ARPU was driven primarily by our increased promotional activity in the current quarter.

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization of $52 million for the **second quarter** of fiscal 2019 improved by $34 million over the second quarter of fiscal 2018. The improvements were driven primarily by increased subscribers at higher ABPU/ARPU combined with lower distribution and handset costs associated with loading fewer new customers in the current quarter compared to a year ago.

As **compared to the first quarter** of fiscal 2019, operating income before restructuring costs and amortization for the current quarter increased $7 million or 15.6%.

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Shaw Communications Inc.

Capital expenditures and equipment costs

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[1]	Change %	Six months ended February 28, 2019	2018 (restated)[1]	Change %
Wireline						
New housing development	**33**	29	13.8	**63**	58	8.6
Success-based	**57**	63	(9.5)	**126**	143	(11.9)
Upgrades and enhancements	**93**	104	(10.6)	**158**	197	(19.8)
Replacement	**6**	6		**11**	13	(15.4)
Building and other	**6**	23	(73.9)	**42**	37	13.5
Total as per Note 3 to the unaudited interim consolidated financial statements	**195**	225	(13.3)	**400**	448	(10.7)
Wireless						
Total as per Note 3 to the unaudited interim consolidated financial statements	**84**	56	50.0	**150**	173	(13.3)
Consolidated total as per Note 3 to the unaudited interim consolidated financial statements	**279**	281	(0.7)	**550**	621	(11.4)

(1) Fiscal 2018 reported figures have been restated as a result of a change in accounting policy. See Accounting Standards

In the **second quarter** of fiscal 2019, capital investment was $279 million, comparable to the prior year period. Lower Wireline spend of $30 million was almost fully offset by an increase in Wireless spend.

Wireline highlights include:

Success-based capital for the quarter of $57 million was $6 million lower than in the second quarter of fiscal 2018. The decrease was driven primarily by lower Video activations in the current quarter.

For the quarter, investment in combined upgrades, enhancements and replacement categories was $99 million, an $11 million or 10% decrease over the prior year driven by lower planned Wireline spend on system network infrastructure.

Investments in buildings and other in the amount of $6 million was $17 million lower year-over-year primarily related to costs associated with back-office system upgrades and other corporate related costs incurred in the comparable period.

Wireless highlights include:

Capital investment of $84 million in the second quarter increased relative to the second quarter of fiscal 2018 primarily due to the timing of expenditures. In fiscal 2019 there will be a continued focus on investment in the Wireless network and infrastructure, specifically the deployment of 700 MHz spectrum, LTE and small cells as well as retail expansion in new and existing markets and enhancements to the back-office systems. Network expansion related investment and the deployment of our 700 MHz spectrum is planned to increase over the coming quarter and for the remainder of fiscal 2019.

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Shaw Communications Inc.

Supplementary quarterly financial information