SHAW COMMUNICATIONS INC
Form 6-K
June 26, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

# FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER**

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

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of June 2014**

**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 x

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

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

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

The information contained in this report on Form 6-K and any exhibits hereto shall be deemed filed with the Securities and Exchange Commission ( SEC ) 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. 333-170416) filed by the registrant under the Securities Act of 1933, as amended.

**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.

Date: June 26, 2014

Shaw Communications Inc.

| | |
|---|---|
| By: | /s/ Steve Wilson |
| Name: | Steve Wilson |
| Title: | Executive V.P. Corporate Development & Chief Financial Officer |

**Shaw Communications Inc.**

## MANAGEMENT S DISCUSSION AND ANALYSIS

## MAY 31, 2014

**June 26, 2014**

**Certain statements in this report may constitute forward-looking statements. Included herein is a Caution Concerning Forward-Looking Statements section which should be read in conjunction with this report.**

**The following Management s Discussion and Analysis ( MD&A ) should also be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto of the current quarter and the 2013 Annual MD&A included in the Company s August 31, 2013 Annual Report including the Consolidated Financial Statements and the Notes thereto.**

**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.**

## CONSOLIDATED RESULTS OF OPERATIONS

## THIRD QUARTER ENDING MAY 31, 2014

**Selected Financial Highlights**

| | Three months ended May 31, | | | Nine months ended May 31, | | |
|---|---|---|---|---|---|---|
| *($ millions Cdn except per share amounts)* | **2014** | 2013 | Change % | **2014** | 2013 | Change % |
| **Operations:** | | | | | | |
| Revenue | **1,342** | 1,326 | 1.2 | **3,978** | 3,896 | 2.1 |
| Operating income before restructuring costs and amortization (1) | **601** | 585 | 2.7 | **1,737** | 1,724 | 0.8 |
| Operating margin (1) | **44.8%** | 44.1% | 0.7 | **43.7%** | 44.3% | (0.6) |
| Funds flow from operations (2) | **393** | 438 | (10.3) | **1,132** | 951 | 19.0 |
| Net income | **228** | 250 | (8.8) | **695** | 667 | 4.2 |
| **Per share data:** | | | | | | |
| Earnings per share | | | | | | |
| Basic | **0.47** | 0.52 | | **1.45** | 1.40 | |
| Diluted | **0.47** | 0.52 | | **1.44** | 1.39 | |
| Weighted average participating shares outstanding during period (millions) | **458** | 449 | | **456** | 447 | |

(1) See definitions and discussion under Key Performance Drivers in MD&A.

(2) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the unaudited interim Consolidated Statements of Cash Flows.

**Subscriber Highlights**

| | | Growth | | | |
|---|---|---|---|---|---|
| | **Total** | Three months ended May 31, | | Nine months ended May 31, | |
| | **May 31, 2014** | **2014** | 2013 | **2014** | 2013 |
| Subscriber statistics: | | | | | |
| Video customers | **1,977,795** | **(12,075)** | (26,578) | **(62,452)** | (79,980) |
| Internet customers | **1,918,418** | **12,399** | 4,157 | **27,912** | 17,469 |
| Digital phone lines | **1,374,220** | **4,834** | 17,719 | **14,260** | 47,694 |
| DTH customers | **887,229** | **(5,608)** | (2,930) | **(16,336)** | (5,623) |

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## Consolidated Overview

Consolidated revenue of $1.34 billion and $3.98 billion for the three and nine month periods improved 1% and 2%, respectively, over the comparable periods last year. Consolidated operating income before restructuring costs and amortization for the three month period of $601 million improved 3%, while the year-to-date amount of $1.74 billion improved 1% over the prior year. After adjusting for the net impact of acquisition and disposition activity, operating income before restructuring costs and amortization was up 4% for the quarter and 2% on a year-to-date basis.

The revenue growth in the Cable division, primarily driven by pricing adjustments and growth in Business, were partially reduced by various expense increases including employee related amounts and programming. Media s revenue and operating income before restructuring costs and amortization were down primarily due to reduced advertising revenues partially offset by increased subscriber revenues as well as the favorable impact of a retroactive adjustment in the first quarter of the year related to distant signal retransmission royalties. Revenue growth in the Satellite division, primarily due to pricing adjustments, was more than offset by higher expenses including operating costs related to the new Anik G1 satellite and programming expenses. Within all segments, the comparable nine month period benefitted from a one-time adjustment related to certain broadcast license fees totaling approximately $14 million.

The Company s strategy is to balance financial results with maintenance of overall revenue generating units ( RGUs ). The Cable and Satellite divisions have 6.2 million RGUs which represents the number of products sold to customers. During the quarter overall RGUs declined by 450. The Video loss of 12,075 benefitted from a strong quarter of Business net additions of approximately 6,000.

During the quarter, the Company announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading content and network experience company. Shaw s residential and enterprise services will be reorganized into new Consumer and Business units while the Media division will continue to be managed as a standalone unit. In connection with the restructuring of its operations, the Company recorded $53 million primarily in respect of the approximate 400 management and non-customer facing roles which were affected by the organizational changes. The anticipated annual savings, net of hires to support the new structure, is approximately $50 million. The Company expects to commence reporting on the new divisions of Consumer, Business and Media in the first quarter of fiscal 2015.

Shaw added to its TV Everywhere content strategy during the quarter with the launch of three additional Shaw Go kids apps, giving families on-the-go access to their favorite programming. Shaw also continued to invest in Shaw Go WiFi and now has over 40,000 hotspots and over 1,000,000 devices registered on the network, reflecting the value of the service to our customers.

During the quarter Shaw entered into a marketing, content and promotion partnership with Rdio, Inc. ( Rdio ) a leading digital music service with a catalog of over 20 million songs. The service allows users to listen anywhere the web, phone, or offline and complements Shaw s broadband and Shaw Go WiFi services. As part of the arrangement Shaw made a financial investment in Rdio s holding company, Pulser Media Inc. ( Pulser ). In addition this quarter, Shaw also made a minority investment in SHOP.CA, one of Canada s leading on-line ecommerce destinations.

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Last year, Shaw entered into a number of transactions with Corus Entertainment Inc. ( Corus ), a related party subject to common voting control. In a series of agreements to optimize its portfolio of specialty channels, Shaw agreed to sell to Corus its 49% interest in ABC Spark and 50% interest in its two French-language channels, Historia and Series+. In addition, Corus agreed to sell to Shaw its 20% interest in Food Network Canada. The ABC Spark and Food Network Canada transactions closed April 30, 2013 and Historia and Series+ closed on January 1, 2014. The Company recorded a gain of $49 million on the sale of Historia and Series+.

Net income was $228 million and $695 million for the three and nine months ended May 31, 2014 compared to $250 million and $667 million for the same periods last year. Outlined below are details on operating and non-operating components of net income for each period.

| *($ millions Cdn)* | Nine months ended **May 31, 2014** | **Operating** | **Non-operating** | Nine months ended **May 31, 2013** | **Operating** | **Non-operating** |
|---|---|---|---|---|---|---|
| **Operating income** | **1,105** | **1,105** | | 1,093 | 1,093 | |
| Amortization of financing costs long-term debt | **(3)** | **(3)** | | (3) | (3) | |
| Interest expense | **(203)** | **(203)** | | (234) | (234) | |
| Gain on sale of media assets | **49** | | **49** | | | |
| Gain on sale of cablesystem | | | | 50 | | 50 |
| Acquisition and divestment costs | | | | (8) | | (8) |
| Gain on sale of associate | | | | 9 | | 9 |
| Accretion of long-term liabilities and provisions | **(4)** | | **(4)** | (7) | | (7) |
| Debt retirement costs | **(8)** | | **(8)** | | | |
| Other losses | **(6)** | | **(6)** | (9) | | (9) |
| **Income before income taxes** | **930** | **899** | **31** | 891 | 856 | 35 |
| Current income tax expense (recovery) | **276** | **281** | **(5)** | 147 | 240 | (93) |
| Deferred income tax expense (recovery) | **(41)** | **(41)** | | 77 | (17) | 94 |
| **Net income** | **695** | **659** | **36** | 667 | 633 | 34 |

| *($ millions Cdn)* | Three months ended **May 31, 2014** | **Operating** | **Non-operating** | Three months ended **May 31, 2013** | **Operating** | **Non-operating** |
|---|---|---|---|---|---|---|
| **Operating income** | **365** | **365** | | 373 | 373 | |
| Amortization of financing costs long-term debt | **(1)** | **(1)** | | (1) | (1) | |
| Interest expense | **(62)** | **(62)** | | (75) | (75) | |
| Gain on sale of media assets | | | | | | |
| Gain on sale of cablesystem | | | | 50 | | 50 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Acquisition and divestment costs | | | | (8) | | (8) |
| Gain on sale of associate | | | | 9 | | 9 |
| Accretion of long-term liabilities and provisions | **(1)** | | **(1)** | (2) | | (2) |
| Debt retirement costs | | | | | | |
| Other losses | **(4)** | | **(4)** | (3) | | (3) |
| **Income (loss) before income taxes** | **297** | **302** | **(5)** | 343 | 297 | 46 |
| Current income tax expense (recovery) | **89** | **101** | **(12)** | 62 | 85 | (23) |
| Deferred income tax expense (recovery) | **(20)** | **(20)** | | 31 | (8) | 39 |
| **Net income** | **228** | **221** | **7** | 250 | 220 | 30 |

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The changes in net income are outlined in the table below.

| | May 31, 2014 net income compared to: | | |
|---|---|---|---|
| | Three months ended | | Nine months ended |
| *($ millions Cdn)* | February 28, 2014 | May 31, 2013 | May 31, 2013 |
| Increased operating income before restructuring costs and amortization [1] | 73 | 16 | 13 |
| Restructuring costs | (53) | (53) | (53) |
| Decreased amortization | 19 | 29 | 52 |
| Decreased interest expense | 6 | 13 | 31 |
| Change in net other costs and revenue [2] | (41) | (51) | (4) |
| Decreased (increased) income taxes | 2 | 24 | (11) |
| | 6 | (22) | 28 |

(1) See definitions and discussion under Key Performance Drivers in MD&A.

(2) Net other costs and revenue includes gains on sale of media assets and cablesystem, acquisition and divestment costs, gain on sale of associate, accretion of long-term liabilities and provisions, debt retirement costs and other losses as detailed in the unaudited interim Consolidated Statements of Income.

Basic earnings per share were $0.47 and $1.45 for the current quarter and year-to-date periods, respectively, compared to $0.52 and $1.40 in the same periods last year. The year-to-date improvement was primarily due to lower amortization and interest expense partially offset by restructuring costs. The current quarter declined as the net impact of the aforementioned items and lower income taxes was more than offset by the gain on sale of Mountain Cablevision Limited (  Mountain Cable  ) in the comparable quarter.

Net income in the current quarter was comparable to the second quarter of fiscal 2014. In the current quarter higher operating income before restructuring costs and amortization of $73 million, primarily due to seasonality in the Media business, and lower amortization was offset by $53 million of restructuring costs and the gain recorded in the prior quarter on the sale of certain media assets.

Free cash flow for the quarter of $240 million improved from $138 million in the comparative three month period primarily due to lower capital investment of $87 million. Free cash flow for the year-to-date period of $555 million was comparable to $543 million in the same period last year.

**Key Performance Drivers**

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.

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The following contains a listing of non-IFRS financial measures and additional GAAP measures used by the Company and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company s ongoing ability to service and/or incur debt, and therefore it is calculated before one-time items like 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 May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| *($ millions Cdn)* | **2014** | 2013 | **2014** | 2013 |
| **Operating income** | **365** | 373 | **1,105** | 1,093 |
| Add back (deduct): | | | | |
| Restructuring costs | **53** | | **53** | |
| Amortization: | | | | |
| Deferred equipment revenue | **(18)** | (31) | **(50)** | (91) |
| Deferred equipment costs | **37** | 65 | **103** | 192 |
| Property, plant and equipment, intangibles and other | **164** | 178 | **526** | 530 |
| **Operating income before restructuring costs and amortization** | **601** | 585 | **1,737** | 1,724 |

Operating margin

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

Free cash flow

The Company utilizes this measure to assess the Company s ability to repay debt and return cash to shareholders.

Free cash flow is calculated as operating income before restructuring costs and amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions and adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), adjusted to exclude share-based compensation expense, less cash amounts associated with funding the new and assumed CRTC benefit obligations related to the acquisition of Shaw Media as well as excluding non-controlling interest amounts that are consolidated in the operating income before restructuring costs and amortization, capital expenditure and cash tax amounts. Free cash flow also includes changes in receivable related balances with respect to customer equipment financing transactions as a cash item, and is adjusted for recurring cash funding of pension amounts net of pension expense. Dividends paid on the Company s Cumulative Redeemable Rate Reset Preferred Shares are also deducted.

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Free cash flow has not been reported on a segmented basis. Certain components of free cash flow including operating income before restructuring costs and amortization, capital expenditures (on an accrual basis net of proceeds on capital dispositions) and equipment costs (net), CRTC benefit obligation funding, and non-controlling interest amounts continue to be 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.

For free cash flow purposes the Company considered the initial $300 million supplemental executive retirement plan funding in the prior year to be a financing transaction and has not included the amount funded or the related cash tax recovery in the free cash flow calculation.

Accelerated capital fund

During the prior year, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from several strategic transactions. The accelerated capital initiatives will be funded through this fund and not cash generated from operations. Key investments include the completion of the Calgary internal data centre, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the WiFi network, and additional innovative product offerings related to Shaw Go and other applications to provide an enhanced customer experience. It is expected up to $500 million will be invested in fiscal 2013, 2014 and 2015. Approximately $110 million was invested in fiscal 2013 and $250 million and $140 million, respectively, are expected to be invested in fiscal 2014 and 2015.

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Free cash flow is calculated as follows:

| | Three months ended May 31, | | | Nine months ended May 31, | | |
|---|---|---|---|---|---|---|
| | | | Change | | | Change |
| *($ millions Cdn)* | **2014** | 2013 | % | **2014** | 2013 | % |
| **Revenue** | | | | | | |
| Cable | **845** | 825 | 2.4 | **2,528** | 2,448 | 3.3 |
| Satellite | **220** | 218 | 0.9 | **658** | 641 | 2.7 |
| Media | **301** | 307 | (2.0) | **865** | 875 | (1.1) |