CORUS ENTERTAINMENT Q1 2010 ANALYST CALL

Moderator: John Cassaday
January 13, 2010
9:00 am CT

Operator: Ladies and gentlemen thank you for standing by. Welcome to the Corus Entertainment Q1 2010 Analyst conference call.

During the presentation all participants will be in a listen-only mode. Afterwards, we will conduct a question and answer session. At that time, if you have a question, please press the 1 followed by the 4 on your telephone

If at any time during the conference you need to reach an operator, please press star 0.

As a reminder, this conference call is being recorded Wednesday, January 13, 2010.

I would like now to turn the conference over to John Cassaday, President and Chief Executive Officer. Please go ahead, sir.

John Cassaday: Thank you operator. Good morning everyone. My name is John Cassaday. Welcome to Corus Entertainment Fiscal 2010 First Quarter Report and Analyst conference call.

First of all, thank you for joining us today. Before we read the cautionary statement, we'd like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found on our Website www:corusent.com in the Investor Relations section.

We'll now run through that standard cautionary statement.

This discussion contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1955. Some of these statements may involve risks and uncertainties. Actual results may be materially different from those contained in such forward-looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the company's fillings with the US Securities and Exchange Commission.

We would like to introduce you to the Corus Entertainment team available on this call; Tom Peddie, Senior Vice President and Chief Financial Officer and Paul Robertson, President of Corus Television, will join me today.

We are very pleased with our continued strong results. Turning to Slide 3 in our PowerPoint presentation, our revenues for the quarter were $222.3 million, up 3% from a year ago while our consolidated segment profit was $83.2 million, up 2% from a year ago.

Net income for the quarter was $73.9 million or 92 cents basic earnings per share compared to basic earnings per share of 51 cents a year ago. Net income for this quarter included a $16.2 million reversal of an accrual for part two fees and a $14.2 million pick-up related to favorable income tax rate changes.

Normalizing for these two items would result in an adjusted EPS this quarter of 61 cents versus 52 cents a year ago.

As we turn to Slide 4, we would like to remind everyone that we have enhanced the disclosure for both our television and radio divisions to provide more segmented data. We believe you will find this useful.

Our television division had a strong quarter with revenues of $151.3 million, up 7% versus last year and segment profit was up 4%. Overall subscriber growth was up 8% while total specialty advertising was flat.

Other revenues were up sharply this quarter driven mainly from the merchandising revenues associated with our successful Bakugan brand.

Our kids business had a very strong quarter with overall revenues up 9%. Subscriber revenues were up low single digits with growth coming from all of our kids channels. We are pleased to report that we have seen a turnaround in our advertising sales with a return to growth in the low single digits.

Food, toys and entertainment remain the largest categories and in Q1 we saw double-digit growth in the entertainment category. We saw exciting success with our co viewing audiences this quarter. PPM data has confirmed that parent co-viewing is, indeed, a strong component of our audience. YTV adult ratings, in fact, doubled versus last year. This growth an affirmation of audience has translated into double-digit adult co-viewing advertising revenue growth at YTV this quarter.

Research has shown that advertising recall rates doubled when families watch television together and this has opened the door to new category development that Corus will continue to monetize with advertisers.

In Q1, for example, we attracted new business from consumer package goods, health and beauty aids and the financial services sector to YTV. We see continued potential in these categories, as well as others like travel and tourism.

We also launched Nickelodeon Canada in the last month of Q1 and this brand is off to a great start. Launched in approximately 2.4 million homes the channel quickly became the number one digital network for kids 6 to 11.

It also benefited from a free preview in approximately eight million homes from December 15 to January 15. We are confident that the free preview and this world-class brand and its highly popular programming will drive growth in 2010.

As mentioned previously, our merchandising business continued its positive momentum in Q1 driven mostly by the success of Bakugan. The brand benefited from a McDonalds promotion throughout North America in October and the multi platform release of the first Bakugan videogame from Activision which went on sale on October 20, 2009, throughout North America.

Through November US sales data the game was the number two selling Nintendo DS game in the US among current Q4 2009 releases and the fifth best selling full price title among all games for the dual screen system in the month of November. By year end Activision had sold over one million units through the checkout worldwide.

Now, turning to our pay and specialty business overall revenues were up 6% versus year ago. Subscriber revenues were up double digit with all specialty channels and movie central seeing increases. Key drivers for pay TV included strong performance from returning series Californication, Dexter and Curb Your Enthusiasm; the impact of the wholesale fee increase for Movie Central and the continued strong push by our distribution partners to grow their digital distribution. Demonstrated by Shaw's recent announcement that they finished fiscal 2009 with 57% of basic cable households now enjoying digital TV.

In terms of subscribing households, movies, centrals, numbers rose to 958,000 households in the quarter, a 6% increase from the same period last year. Specialty advertising revenues within the segment were down 2% versus last year with CMT experiencing particular softness.

We have strengthened their primetime lineup with recent acquisitions, including According to Jim and Americas Funniest Home Videos, which we believe will help improve CMT's ratings in the future.

For our women's portfolio advertising revenues were flat to last year. W Networks top five advertising categories were food, pharmaceutical, retail, entertainment and professional services. Four of the top five categories experienced double-digit growth versus last year with retail down double digit.

Moving to this slide, Number 5, our radio division is beginning to trend in a more positive direction. Overall revenues were down 6% versus year ago, but segment profit decreased by only 1% versus year ago.

In terms of overall revenues, we have seen the more positive trending versus the last two quarters with 2009 Q4 revenues having been down 12% and 2009 Q3 revenues down 15% versus prior year.

We did an exceptional job controlling cost in the quarter with a particularly strong contribution from our Quebec region where the savings from recent restructuring are beginning to be realized.

The positive revenue trend for the quarter was driven mostly by results in Ontario and Quebec. Ontario finished the quarter with revenues up 3% versus year ago and outperformed the market according to TRAM data.

Positive gains were seen virtually throughout the province, suggesting a meaningful turnaround in consumer spending and confidence throughout Ontario. We are particularly encouraged by our Toronto cluster results which grew this quarter and which outperformed TRAM 11 of the last 12 months.

Key category drivers in Ontario included foreign auto, beverage and retail. In Quebec overall revenues were down slightly versus last year, but airtime revenue was up single digits. The Corus Quebec radio stations also - outperformed TRAM lead by Montreal French stations whose results were double the market growth in October and November. Continued strong PPM ratings had 96.9 CKOI, 98.5 FM, Souvenir Guarantee in Quebec City and (Gateno) leading our revenue growth. Key categories that saw growth included foreign auto, restaurants, home repair and financial services.

In the West revenues were down 16% versus year ago and while this is an improvement from the declines of the previous six months, Alberta and BC continue to be challenges by the rate compression of new entrance in the market, and the fact that the West also went into the recent economic downturn later than Ontario and Quebec, which suggests to us that their recovery will also lag Ontario and Quebec.

The Winnipeg cluster, however, continued to see revenue growth versus last year.

In closing, we will provide some comments on our outlook for the rest of the year. So, if you would turn now to Slide 6.

We will continue to apply a strong disciplined approach in managing our expenses. Our team did an excellent job in fiscal 2009 and in Q1 of this year in managing expenses to mitigate the impact of the current advertising environment. At the same time, we will continue to invest in our future.

In Q3 we will launch two exciting new brands, Sundance Channel and W Movies. Sundance Channel is a unique movie and lifestyle channel that will provide a diverse and engaging selection of films, documentaries and original programs that are typically not offered by other movie services in Canada. And we'll launch with programming such as Isabella Rossellini's critically acclaimed Green Porno and never-before-seen in Canada seasons of the renowned Sundance series, the Iconoclasts which pairs two visionaries like Desmond Tutu and Sir Richard Branson or Madeleine Albright and Ashley Judd as they discuss their lives, influences and art.

W Movies is an extension of our successful W Network brand and is an exciting addition to our women's portfolio. The channel will launch with a couples month with hit movies including Sleepless in Seattle, Shakespeare in Love and Runaway Bride. This channel will also increase our ability to utilize our programming inventory across a wider portfolio of channels.

There will be a corresponding increase in expenses in Q2 and Q3 as we launch these new services, but both of these rebranded channels will benefit from broader distribution and more audience and advertiser friendly programming which fuel future growth.

With respect to our revenue outlook for Q2, first of all for our kids brands, we expect that subscriber, advertising and merchandising revenues will all show continued growth in Q2. For our ad revenues we will build off of improved ratings for boys audience is at YTV and TELETOON and improved kids 2 to 11 ratings at YTV.

We also expect to see continued double-digit growth and adult advertising revenues on YTV from our successful co-viewing strategy. Merchandising revenues in Q2 will also post another strong quarter consistent with year ago levels driven by the Bakugan brand, of season three in North America and season two in key international markets prepares to launch.

For our pay and specialty brands based on our current pacing we will continue to see subscriber growth from Movie Central and all of our specialty channels. For Movie Central there is a strong slate of programming in Q2 including New Series, Spartacus, Blood and Sand which has been delivered to us from Stars Entertainment in the US, Canadian original programming, Bloodletting and Miraculous Cures based on the Scotiabank Giller-award winning book by Vincent Lam and the highly anticipated Steven Spielberg, Tom Hanks epic, The Pacific.

As well we will see a number of popular returning series, including Season 2 of Nurse Jackie, Season 4 of Big Love and Season 8 of Real Time with Bill Maher.

Marketing support will continue in Q2 with key campaigns, including a Shaw Direct Retention Campaign, Movie Central High Definition Campaign and specific marketing campaigns for the launch of the Pacific and the launch of Bloodletting and Miraculous Cures.

Lastly, despite the Olympics our overall specialty ad revenue is on track to deliver mid single digit growth as is our women's portfolio.

Finally, our radio business is pacing positive in Quebec, Ontario and Manitoba with continued challenges in Alberta and British Columbia. Overall, we expect our Q2 revenues will be somewhat lower than year ago, but the gap will be narrowed versus the differential which we just showed you in Q1.

In Ontario compared to the same time last year our Q2 pacing is ahead by low single digits. Toronto was fueling this growth with current pacing ahead mid single digits. The latest PPM data which was released just last week saw increases for all three Toronto stations which should enhance our selling efforts.

We have also seen strong new business so far in Q2 which is outpaced growth at the same time last year. In Quebec Q2 is pacing ahead low single digits with French Montreal pacing mid single digits.

Recent PPM data strengthened already solid ratings at 96.9 (CQOI), 98.5 FM and CKAC Sports. CKAC Sports format gained double-digit in its rating performance for its (key men) 25 to 54 demo and we are selling aggressively on our upcoming Olympic programming which will feature a number of our top personalities broadcasting from Vancouver.

In the West Q2 revenues in Winnipeg are pacing ahead of last y ear by mid single digits. Alberta will continue to lag the overall national economic recovery in Q2 with expectations of a stronger back half of the year. All clusters are aggressively targeting new business and have a strong focus on local retail business.

In Vancouver our sales management team has been stabilized and Olympic fever is building. Latest PPM data in December has been very good for CFOX and CKNW and higher PPM numbers mean higher rates which will translate into better overall revenues for the cluster over time.

So, we hope that we have found or hope you have rather found our comments helpful in providing an overview of our Q1 results and our expanded outlook for Q2. So, we'll now take any questions that you might have.

Operator, over to you.

Operator: Thank you. Ladies and gentlemen if you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request.

If your question has been answered and you would like to withdrawal your registration, please press the 1 followed by the 3. If you are using a speakerphone, please lift your handset before entering your request.

One moment please for our first question.

The first question comes from the line of (Adam Shine) with National Bank Financial. Please proceed.

(Adam Shine): Thanks a lot. Good morning. (Unintelligible) much appreciated in terms of the level of detail you've gone through. I think it's a very, you know, very solid introductory comment.

In terms of the Q1 growth in TV costs I was wondering if you and or Tom could just highlight, you know, what the step up there was. Is that more of a timing issue in terms of the growth and cost that we've seen there or can you attribute some of the delta to some one time cost related to some of the new, especially channel launches?

John Cassaday: Yeah, thanks (Adam). One thing still I'd say on a real positive note, overall our cost were flat, including even the addition of the park and license fees. Where our costs were up in the quarter was essentially related to programming costs and the amortization of our programming on pay and specialty area where we really stepped up the game on CMT to try to shore up our ratings there and increased our spending on our women's brands VIVA Cosmo and W to ensure we remain competitive.

There was also some increase in our (unintelligible) production and distribution expense coming out of the kids business in the studio because of the focus on getting programming out the door in Q1 for our international broadcast partners.

(Adam Shine): Okay and would any of that be related to predictive on the latter front any one time, especially on the studio front? Would we - should we expect subsiding of some of these cost increases?

John Cassaday: Well, I think lately (P&D) piece is probably a little bit heightened in Q1, but, you know, generally speaking we're running that studio now like a plant, you know, 52 weeks a year with a pretty good flow of programming out there, but certainly I think that the Q1 (P&D) expenses would be somewhat higher than you would expect over the course of the year.

(Adam Shine): Just one quick, you know, minor item in regards to some of your disclosures. I mean, obviously you have not gone back to restate the fiscal 2009 results and, you know, if you've made it very clear in terms of your disclosure. You know, what the contribution is for part two fees below the (unintelligible) radio and television. You haven't done so, though, for your new segments in TV and radio. Is that something that perhaps Tom can follow up with after the call or you're simply not going to do that?

Tom Peddie: (Adam), it's Tom. Our part two fees, you know, the reversal of the $16 million would say that, you know, that was about $5.4 million in part two fees that we were incurring on an annual basis and that, you know, if you looked on a go forward basis if the rates had kind of stayed the same we would've probably had part two fees of about 5.7 to $6 million.

What we're looking at for 2010 is part two fees that will approximate $4 million.

(Adam Shine): I'm aware of that. I think I'm just - I'm sorry to interrupt. I'm just specifically focused on, for example, when we look at your, you know, additional segments for television in terms of kids, specialty and pay and then we would look at radio in regards to West Ontario, Quebec and other, we don't have the 2009 additional breakdown of the part two fees. I was just wondering if that's something you can perhaps follow up with?

((Crosstalk))

Tom Peddie: Yeah, I guess we could. I mean, you know, we look at it. I think we have in this (Cheryl)'s report what the impact was on television in total and what the impact was on radio in total, but we didn't go into the specific detail on each of the segments.

(Adam Shine): Okay. It was just a housekeeping matter. I just wanted to see if maybe you'll follow up later.

So, obviously, (unintelligible) the news article yesterday with respect to your interest in certainly the (unintelligible) with Atlantis assets, but I think more specifically you seem to be included in a list of four entities that are short listed to maybe make an investment in CanWest. Is there anything that you can provide us in terms of color regarding that dynamic?

Tom Peddie: I guess from a first point I'd make is that we don't comment on speculation, but the one thing that we did want to say on this call is that we do want to reaffirm our position which we have articulated on numerous occasions and that is that our interest in these assets is related to specific specialty assets. And I just underscore specific specialty assets.

(Adam Shine): Okay, so maybe if I could just elaborate a little bit further on that. You know, historically and I know you've said this with others in the course of marketing. I know you did it with me last year, you know, you did specify your select interest. So, we should not extrapolate from the article yesterday that you're looking to possibly make an investment in CanWest in the context of its overall restructuring?

Tom Peddie: Yeah, and we're just reaffirming that nothing has changed from our previously stated position and that is that our interest is restricted to certain specific specialty assets period, full stop.

(Adam Shine): And that's much appreciated. Thanks a lot and I'll queue up again.

Operator: Thank you.

The next question comes from the line of Paul Steep with Scotia Capital. Please proceed.

((Crosstalk))

Paul Steep: Good morning guys.

So, the first one maybe just clarify the cost thing and get that out of the way. The Q2, Q3 - it's been pretty clear. I'll take it this (unintelligible). Tom, you guys did a great job in controlling cost and basically offsetting the incremental programs then if I read John's comments right it sounds like we'll get a bit of a hit in Q2, Q3. How much of a hit is that or how much do you have to offset it or is it just, you know, a little bit of a tick down there?

Tom Peddie: Well, certainly on - are you talking specifically now, Paul, about the increase in program expense...

((Crosstalk))

Paul Steep: Yeah, the program expenses just to try to put that to rest. Is that how much incremental hit there sort of is on that side?

John Cassaday: Well, historically our program expense has been running ahead about 7%. We've been able to offset that with real good work on the overall G&A side to keep our overall expenses below our ad revenue growth.

We are to some degree a bit of a victim of our own success in that we are being subjected to significant increases of (CanCon) expenses which are a result of our improved revenues over the last couple of years. So, that is a factor. Our role in Canadian broadcasting and the quid pro quo for some of the protections we enjoy like (unintelligible). We have obligations on CanCon which escalate in direct proportion to our ad revenue success.

As I mentioned we've also invested in a couple of our brands specifically to CMT. We have the launch costs associated with Nickelodeon in Q1. Those will be incremental, of course, throughout the year because that brand didn't exist last year.

And then we stepped up our game on Movie Central over the past year. So, the challenge for us going forward will be to find a way to amortize the cost of those programming - that programming over a broader base. We refer to the fact that we would be able to do that in no small way with the launch of W Movies which will, again, help us to lay off programming costs across a broader base.

And then a key focus for us going forward is to continue to work on our cost structure to find ways of mitigating the essentially required legislated impact of incremental Canadian content programming expenditures.

Paul Steep: Okay. Thank you.

((Crosstalk))

John Cassaday: Tom, I don't know if you want to add anything to it, but, you know, we certainly recognize that we have a situation here that we have to deal with that's a function of our competitive aspirations in terms of foreign programming and our obligatory obligations as it relates to Canadian programming. And they certainly had an impact on our leverage in Q1.

Tom Peddie: Paul, it's Tom. I guess the other comment in my dad is that, you know, our goal is to maintain our margins on television. You know, we had margins last year of 39% and when you look at first quarter margins the margins are in the 45% range. We will continue to have quarter-to-quarter fluctuations in our margin in television as we invest in the launch of new services and as we invest in the programming, but the way to really look at it on an annual basis and protecting our margins.

Paul Steep: Okay. That helps. Perfect.

So, onto maybe the Olympics. I guess on the radio side you're signed up as an official there. what's the response been and how's sort of the sale through gone, you know, ex the Vancouver cluster. I believe its Quebec where you're part of the consortium.

John Cassaday: Yeah, and it is only Quebec we're a part of the consortium. So, overall we just had our radio management committee on Monday and one of the issues that we talked about is what do we expect to see happening in February. And we went back and looked at what happened in previous Olympics and the bottom line is we are not anticipating a significant impact on radio revenues in February as a result of the Olympics.

We're privileged to be a part of it, an official part of it, in our Quebec stations and particularly as it relates to the (Francophone) service and we're also going to make a good effort at the Olympics to make sure that we can take our local Olympic stories back to our local radio markets.

But from an ad revenue point of view we see it as hard, as it might be to believe, is business as usual. We're doing some stunt type activities in BC within the confines of what we're allowed to do not being an official Olympic sponsor, but you're doing everything we can to maximize our revenue in an environment where there's heightened excitement about the games. But this should be a revenue neutral event for radio.

Paul Steep: Okay. And the last for me on radio just is the PPM, you know, obviously still early days. What's your view or sort of the - your expected impact on some of the clusters as you get the buying community sort of sorted out and what do you think the timeline is until we sort of get maybe back to a steady state? Is in another one to two quarters? What's your feel on that, John?

John Cassaday: Well, I think we had obviously the ad community had the early launch in Quebec to get adjusted to it and we have spent a lot of time with experts from the US who have been working with this a year or so in advance of where we were in Quebec to help make our customers across the country aware of the transition from the diary to PPM.

Effectively, our message is that this is like a conversion from imperial to metric. Our business is but a $1.4 billion business in the previous diary world. It's still a $1.4 billion business. Those dollars are simply allocated on a somewhat different basis.

Interestingly enough if you look at the data on a granular basis, market-by-market, there aren't too many changes in the ordinals amongst the top four or five stations in each market which is gratifying. It's, to some degree, an endorsement of the quality of data we were providing previously, but, you know, it hasn't created as much disruption as you might of if it threw the whole station lineup kind of on its ear and started over. So, there's been a minimal amount of disruption.

The bottom line is that we feel we're evolving through PPM in an orderly way. Clearly right now our customers are keeping one eye on the diary and one eye on the PPM to try to smooth out the numbers and minimize the costs to their particular clients.

We have been blessed with quite good results in the PPM world and we're very optimistic about our future in terms of gaining share and selling against these improved numbers. A particular note to us is our significant improvement in the Toronto market which is, of course, the biggest radio market in the country, approximately a $250 million radio market and we've had nice results there.

So, we, you know, talk to this in our opening remarks. The Toronto business is coming back nicely to us - for us rather. It's encouraging on two fronts. We need Toronto to work for us to be successful in radio, but it also supports our hypotheses that what we saw happening last year in the radio business was a cyclical decline not a secular decline. People have come back to radio in a big way starting in Toronto and that gives us great confidence that we'll begin to see that bounce back in Alberta and BC in the back half of this year.

Paul Steep: Great. Okay. Thanks, guys.

Operator: Thank you.

Our next question comes from the line of Scott Cuthbertson with TD Newcrest. Please proceed.

((Crosstalk))

Scott Cuthbertson: Yes, thanks very much. Good morning.

I'm just wondering what you mentioned in the MD&A your issuing perspectives with a view to maybe top in the dead market. I just wanted to get some color on that and, you know, take your temperature with respect to any uptake for issuing equity.

John Cassaday: Yes, Scott. We - as we said, you know, it is our intention to file a preliminary shelf of perspectives. At Investor Day we articulated our strategy of redoing our capital structure. Our current lines of credit are about $800 million. Our goal is to increase our lines to about a billion dollars in a combination of bank lines and debt and a billion dollars would then give us the capability of continuing our tuck in acquisition strategy. At this particular point in time we have no intention of issuing equity.

Scott Cuthbertson: Okay. Great. Thanks.

And what's the business model - I know it's fairly small, but what's the business model for the radio content syndication initiative into the US?

John Cassaday: It's really a couple of things. First of all, it will be modest to begin, but it's a part of our essentially strategic for us to - what we call radio 5.0 and there are people out there that believe that radio is an old technology. We believe that it is a technology that will benefit tremendously from new platforms. We moved our radio stations onto the BlackBerry platform, onto the iPhone platform. We want to make our content as ubiquitous as is possible.

We're not really that concerned right now about how much revenue it generates but simply to continue to explore new digital opportunities for radio, find new revenue streams and continue to make our brands as relevant as we can. So, you know, we illustrated that and I think it was in our subsequent even section. So, it may have been in actually events in the quarter. I don't recall where it was, but it was illustrative only of our quest for innovation and radio and making sure that we continue to keep this meeting relevant to consumers going forward.

Scott Cuthbertson: So, do those - do the US guys pay you or is it just a matter of traffic and reach?

John Cassaday: It's modest payment. It doesn't change materially the P&L in any way, shape or form, but we are being paid in US dollars.

Scott Cuthbertson: Okay. Thanks.

And just a - I mean pretty impressive pay TV subscriber growth at 6%. You did mention that, you know, there are some other initiatives around new programming, etc., etc. Do you think that that's sustainable then given the ongoing marketing efforts that you're anticipating in the next couple quarters?

John Cassaday: Yeah, Paul can probably elaborate on this, but just off the top, you know, hats off to our primary distribution partner, (Shaub) has made a huge effort to improve their digital base. As you know we rearticulated it in our opening comments. They're up close to a 60% distribution base on digital amongst their basic subscribers, so that's very, very positive, but the corollary of that is that there's still significant growth opportunity for them and us going forward.

And then secondarily we have the opportunity to convert digital users to our pay platform, so we see the combination of continued aggressive deployment of digital boxes in Western Canadian homes and, you know, excellent programming coming at us, particularly from HBO and Showtime being real promotable opportunities for us to continue to build our base and our share.

Scott Cuthbertson: Great.

And just wondered a couple of just quick ones. Tom, the CAPEX is a little late in the quarter. Are you still on track to spend $90 mill this year. I was just wondering if you can give us indication of the seasonality of that.

Tom Peddie: As you know, that number is still the number that we're using. You know, it could be a little higher. We're not changing our free cash flow guidance. We anticipate moving into the new facility in starting in April - April, May and, so we're continuing to spend against that to make sure that we're on time and on budget. So, you'll see more of the capital expenditures in the back half of the year.

Scott Cuthbertson: Any big - any expenses that are going to hit the P&L right around the move like, you know, moving costs or something like that?

Tom Peddie: No, I think the one item that will hit our P&L later in the fiscal year is when we redo our bank agreement. You know, we'll have additional charges for redoing that, but nothing significant from a move cost that'll hit the P&L.

Scott Cuthbertson: That's great.

And just the last thing I just wondered if you can give us any help with modeling Sundance and W movies. Any general expectations or any revenue expenses in the early days?

John Cassaday: I think I might jump in on that, Scott, and let Paul speak to it. You know, what we said when we did the acquisition was that we paid $40 million for those two channels and they were generating about $4.7 million in EBITDA, so that gives you an indication. We will certainly incur launch costs on those particular channels when they are rebranded W movies and Sundance, but certainly we're comfortable with the run rate on those.

Scott Cuthbertson: Great.

Paul Robertson: I'll just add that we want to preserve the EBITDA on the two of them as much as possible, obviously, in the early going, so the work that we've done on repositioning and representing to the trade aren't so substantial that they would reduce our margin. So, we've been successful in developing the subscriber base on both of them. One W movie should be close to $3, and Sundance certainly over $2, so, we've already done some good work in terms of early establishment and we're really enthusiastic about the potential.

Scott Cuthbertson: Paul, what's the top line on those? Can you tell us?

Paul Robertson: What?

Scott Cuthbertson: See the revenue?

Paul Robertson: The top line revenue?

Scott Cuthbertson: Yeah.

Paul Robertson: Sorry, Scott I don't know the number off the top of my head. I have to get back to you on that.

Scott Cuthbertson: Okay. Thanks very much.

Operator: Thank you.

Our next question comes from the line of Drew McReynolds with RBC Capital Markets. Please proceed.

John Cassaday: Good morning, Drew.

Drew McReynolds: Thanks very much. Good morning.

I guess just first for John just clarification, again, just reiterating (Adam Shine)'s comments. Very much appreciate all the detail.

On the radio at (unintelligible) for Q2 I did miss what - how the West was pacing?

John Cassaday: Yeah, the West is pacing better than it did in Q1, but we expect still negative revenues in Q2, likely low double-digit softness in Western Canada. And, again, it's all in BC and Alberta and I'd say BC's coming back quicker than Alberta.

Drew McReynolds: Okay, now that's helpful.

And I guess just kind of from a bigger picture perspective a couple of your comments last quarter were on the tone from national advertisers improving yet commitments were not necessarily forthcoming. I'm just wondering if you can talk to any change in that, as well as when we look into the back half of fiscal 2010 has there been - it sounds like there's been a slight improvement in the visibility that you have looking into that period versus the previous quarter. So, maybe just comment on those two items.

John Cassaday: Can you - Drew are you talking about radio now?

Drew McReynolds: Sorry. No, that would've been just across the board.

John Cassaday: Okay. Well, certainly on television I think we've seen I think pretty strong messaging right from the get go just to remind you that we reaffirmed in the last call that our upfront market was as strong as it was the previous year and that all advertisers that had been with us were back. So, we're seeing continued good momentum there and I think real good indications that the television business is, in fact, improving without questions.

As it relates to radio and national advertising, we started to see a real nice up tick in November. Quite frankly, as we sit here today there is a lot of big national business pending coming out of the end of the year and the Christmas break. So, I'm not concerned about national. I just don't have a good feel for what the outlook for national advertising is as we sit here on this particular call. A week from today I might have a completely different picture, but there's a lot pending business of major national advertising, (unintelligible) country for example which is pending.

So, what we're trying to signal is that there was - the light went on in November as it related to overall ad spending. It continued in December. The pacing is strong in January. With the exception of Alberta and BC it appears at this point in time like the worst is behind us and we're on our way back as it relates to improve ad economy.

Man: John? Well, here. I just might add that a little more color on the TV side that as we approach those weeks before the holiday seasons or the last four weeks of December they're always very big weeks for bookings. I think it's probably the same on the radio side, but we saw a really sharp lift in pick up there and that was a huge turning point. So, we started to see some traction in November, but then some very substantial lifts in December.

The other thing of significance since the last time we chatted is that we do our annual bookings for customers that renew on a calendar basis and significantly those commitments were done at a growth in revenue when prior to that are up fronted and stable to the previous year but wasn't showing any growth. So, we felt that that sort of was symptomatic of an improving mood among our agency and advertisers that things are looking up.

Drew McReynolds: Okay. Thanks. Thanks for that. That's helpful.

Just shifting to merchandising revenues. Clearly, kind of a little tricky to model on a quarterly basis. You did allude to holding your revenue momentum in Q2. Just wondering if you can talk maybe on an annual basis and not necessarily on revenues but more on profitability and how profitability of those merchandising revenues and specifically Bakugan would trend year over year?

John Cassaday: Well, you're right in saying those are more difficult to project than our traditional businesses, particularly the subscriber revenue on our traditional businesses, but certainly the expectation that we have on Bakugan is that the current pace will continue for a period of time.

We've had good feedback through our partner Spin Master about the reaction to the product line from particularly Wal-Mart and Target. So, they continue to be optimistic that this brand has legs and will be successful into its third year and believe we'll begin to ship that product for year three any time now. So, just cleaning up what I understand was a very strong Christmas period for Bakugan.

So, all I'd say right now is that we are not expecting a drop off of Bakugan in the immediate term and we're rather hopeful that we're going to get some sustained growth out of that.

Having said that we are protecting ourselves with some follow-up activity. We're relaunching Beyblade. We're very hopeful with our partnership with Hasbro that that brand will give us yet another shot in the arm and then, of course, we're excited about the prospect of getting Babar going.

Probably won't see any meaningful merchandising impact from the relaunch of Babar until into the next fiscal year, but the 3D TV series and renewed interest in a movie around the Babar brand all suggest that that is another mark that has good merchandising potential for us in the future.

((Crosstalk))

John Cassaday: It is a tough one to forecast, but we're certainly - I guess the only advice we could give to you today is same game but better. We don't expect to see any drop off in that in at least the foreseeable quarters.

Drew McReynolds: Okay. Thanks, John.

And final question for Tom, just a little bit of a housekeeping item. Just post the waterfront in moving into course key can you kind of give a sense of what annual depreciation looks like, you know, once you start to amortize some of the capital expenditure?

Tom Peddie: Drew, I don't have that specific number at this particular point in time. I think what I can say is that when we looked at our overall capital expenditures we said we'd spend about $140 million over a three year period which would equate to or compare to about $75 million that we would normally spend. So, what you're really looking at then is the depreciation on an extra $75 million.

Drew McReynolds: Okay and that's fine. We can work with that. Okay. Thank you very much.

Operator: Thank you.

Our next question comes from the line of Bob Beck with CIBC. Please proceed.

Bob Beck: Thanks. Good morning.

John, just on the radio you're talking about obviously seeing a nice bounce back in some markets. You mentioned rate compression continues to be an issue in the West.

Can you update us on whether that continues to be just simply a function of the new entrance and whether you think a bounce in demand at some point in the West will address that issue and see some recovery in the rates and whether or not you're seeing any rate compression in other markets stemming from, perhaps, local competition from newspapers or other ad issues in the local markets?

John Cassaday: I would say the rate compression issue largely restricted to Edmonton, Calgary and to a lesser degree Vancouver and I would say that a significant percentage of that is due to the fact that there were just too darned many new licenses issued in those markets. And, you know, we believe the commission aired here, that they were reacting to, you know, very blind economy in Alberta and anticipating that advertising was completely elastic.

And we've been saying time and time again it is not. We need to stage these new entries more sensibly than we've been doing and it's going to take us some time. I mean I don't think it is reasonable to expect that if you see rates dropping by as much as a third that you're going to be able to get that back immediately simply because the economy pulls back. Somebody that's paying, you know, $80 a spot today is not going to go back to $100 tomorrow just because we've declared victory on the economy.

So, we're concerned about that. It means we're going to have to work really hard on our ratings. I'll tell you one thing about this environment. You'd rather be in a position that we are right now with 35 plus shares of market than a fledgling new station trying to meet payroll.

So, I think there's going to be some fallout in Edmonton and Calgary as a result of over licensing. We will stay the course. We've got great brands, great relationships with our customers, great talent and great sales forces, but, you know, no question we're been impacted by rate compression.

Bob Beck: Okay. That's helpful. Thank you.

Just on the television, you know, the co-viewing strategy that you developed a couple of years ago, I mean you've been talking about it for some time. This feels like the first time you've sort of started to see some concrete support and ad support for the co viewing strategy. Is this a bit of a turning point as far as building momentum on the efficacy of co viewing and kind of driving it into results instead of just a strategy?

John Cassaday: Well, I think the issue that we had historically - we had compelling data, but, you know, we didn't have corresponding data from the MARK II meter system to prove it and the reason for that is that if mom came into the television room, the family room to watch TV with her kids, she wasn't registering her vote by pushing the button and saying, "I'm here." Well, of course, now with the PPM, as she comes in and spends that valuable time with her family watching television that audience is recorded. So, the Eureka moment was when the PPM data came out and reaffirmed what we've been saying for the past two years.

So, we are seeing some great, great results as a result of that, but it's going to take time to build this into cause major package, goods companies in particular to change longstanding patterns and begin to move into this area, but we just spent some time with our board yesterday reviewing this co viewing strategy because it is exciting to us, as you're suggesting. And we've had great success in bringing financial service clients to YTV which we've been talking about doing for five years.

We've brought a number of new categories to the brand as a result of the rival of this new PPM data which saw our actual family viewing or adult viewing increased by - help me, Paul, about three times...

((Crosstalk))

John Cassaday: ...double what we had before. So, all-of-a-sudden now we are able to essentially hit the bull's eye in terms of our messaging to the client with the actual data that's been revealed by PPM.

Bob Beck: That's great. Thank you very much.

The last question I have left is just a modeling question I guess for Tom on taxes going forward beyond the Q1 effect. Is the statutory rate a decent place to start for the back three quarters?

Tom Peddie: Yes.

Bob Beck: Okay. Thanks very much.

Operator: Thank you.

The next question comes from the line of (David McFagen) with (Core Mark Securities). Please proceed.

(David McFagen): Yeah, just a couple of questions on Nickelodeon. I just want to confirm so that the number of subscribers who are paying is 2.4 million, correct?

John Cassaday: Correct.

(David McFagen): Okay and so the eight million homes that are within the preview did that include or exclude those 2.4 million?

John Cassaday: The 2.4 is included in the eight million.

(David McFagen): Okay. And then so they come off and obviously you're hoping for a decent bump after they've had a chance to sample the product, correct?

John Cassaday: Yeah, so now go back and we demonstrate that there's a limited amount of repeat programming on YTV and Nickelodeon, i.e. this is a value-added brand. It's a brand that all of our customers are well aware of and importantly we're getting great rating results. So, now (Doug Murphy) and (Andrew

Eddy) who heads up our distribution side of the business and Paul need to just reinforce the value of this brand to these customers across the country and they have to work it into their system.

So, we think there's significant opportunity here, but I think what Paul mentioned earlier is that, you know, unlike a lot of these other digital launches would start off with a minimal number of households, you know, we hit the pavement running with $2-1/2 million, $2.4 million on Nick, hit the pavement running with $3 million on W Movies, hit the pavement running with about $2 and a quarter million households on Sundance. So, these all-of-a-sudden become immediately out of the box, viable, advertiser brands and we can build on that as well.

(David McFagen): Okay. And what's the advertiser reception being to Nickelodeon?

Paul Robertson: It's Paul here - extremely positive. You know, we get instant name recognition. They've known for years that this brand is just a powerhouse in the US and that it hasn't been available to their viewers. We - it also provides strategically some opportunities to work the program in between YTV and Nick. So, for example, we could really concentrate on Colby on the YTV side, so working the two brands strategically.

So, we're really enjoying some great customer acceptance in the early going and it's going to work very well in our portfolio.

(David McFagen): Okay.

And then just a question on the radio business. You talked about in your MD&A a lower commission structure. Is that the impact from moving some of your business to be handled by CBS?

John Cassaday: That's right, (David). We moved about $10 million what we called low-touch business out of our sales forces within our clusters and into CBS, a company which we own 50% of. And the commission structure at CBS reflects the fact that it's largely a transactional business and those savings that we generate there are ongoing.

(David McFagen): Okay.

And then just one other one , could you contrast the performance of the Vancouver market versus the Alberta markets? I'm just wondering how well or how much better it's doing relative to the Alberta market?

John Cassaday: Well, I'd say over the past six months they've all been equally soft in terms of their performance versus year ago, so there's really been little to differentiate Calgary, Edmonton and Vancouver in terms of their year-over-year performance. What we are seeing though is better momentum in Vancouver now than we are from Calgary Edmonton and I'd say we're probably seeing somewhat better momentum at Edmonton than Calgary.

But clearly there is the likelihood that we will see some significant improvement in British Columbia sooner than we will at Alberta, but we are expecting both of those markets to begin to recover in the back half and that is what we're forecasting and what we're confident will occur.

(David McFagen): Okay. All right. Thank you.

Operator: Thank you.

Mr. Cassaday, there are no further questions at this time. I will now turn the conference back to you. Please continue with your presentation or closing remarks.

John Cassaday: Okay. Well, listen we all - as always we thank you for your interest in our company. We would remind you today that we are hosting our annual general meeting here in Calgary that will be at 4:00 pm Eastern time, 2:00 pm Mountain time and we invite you to visit our Website for that, again, at www.corusent.com to listen in on that.

So, thank you again for joining us today. Bye for now.

Operator: Thank you. Ladies and gentlemen that concludes the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Have a good day.

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