CORUS ENTERTAINMENT'S Q1 ANALYST CALL

Moderator: John Cassaday
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3:56 pm CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment's Q1 Analyst 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 is being recorded Tuesday, January 11, 2011.

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

John Cassaday: Thank you Operator. Good afternoon everyone. I'm John Cassaday and welcome to Corus Entertainment's Fiscal 2011 First Quarter Report and Analyst call. 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 Web site at www.CorusEnt.com in the investor relations section. We will now run through the standard cautionary statement.

This discussion contains forward looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Some of these statements may involve risks and uncertainties. Actual results may materially differ 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 filing with the US Securities and Exchange Commission.

Now I would like to introduce you to the Corus Entertainment team joining me on the call today. First of all, Executive Vice President and Chief Financial Officer, Tom Peddie. Next, Doug Murphy, Executive Vice President and President of our Television Division.

And finally, Chris Pandoff, our newly appointed Executive Vice President and President of our Radio Division. Turning to slide 3 of the PowerPoint presentation we are extremely pleased with our strong results for the first quarter of fiscal 2011.

We finished the quarter with consolidated revenues of $241 million, up 8% from a year ago and consolidated segment profit of $92 million, up 11% demonstrating the exceptional results that can be achieved with strong top line growth coupled with disciplined cost controls.

The ongoing economic recovery helped drive our growth with increases in ad spending. Both specialty TV and our Ontario radio group achieved significant ad revenue growth in the first quarter.

As noted earlier, strong revenue growth and cost control initiatives also enabled us to leverage segment profit growth of 11% for the quarter. Moving to slide 4 and our radio division.

Radio performed well in the first quarter achieving revenue increases of 3% reflecting the ongoing recovery of the radio ad market.

Radio segment profit was up 2% for the quarter despite having to absorb the cost of the new copyright tariffs and the reintroduction of pension contributions for Corus employees. Ontario drove the division's growth with EBITDA up 12% and revenue increases of 9% led by the Toronto market.

Revenues in the rest of Canada were stable with a modest 2% increase in Quebec offsetting the West which was down slightly. Although Calgary's ad revenues were up 11%, an encouraging sign of recovery in the West.

According to (TRAM) results, Corus radio is outperforming in key markets including Calgary, London, Toronto, Montreal and Quebec City. Key growth categories that helped drive ad sales for the division this quarter were domestic auto and telecommunications up by 29% and 50% respectively.

Followed closely by foreign auto which increased by 12% over the previous year. In the retail category radio saw their biggest gains from home electronics up over 30%.

Moving to slide 5 in our television division, TV achieved exceptional growth in Q1 with revenues up 11% and segment profit up 16%. A buoyant specialty advertising marketplace paved the way for continued advertising growth in the quarter.

Our success in monetizing the co-view audience in our kid portfolio, led to strong double digit growth of 17% in ad revenues. Our subscriber revenues also grew significantly, up 9% compared to a year ago, on the strength of our new services.

The division strong segment profit gains were achieved by effectively managing program costs and as a result of various cost control initiatives which we've spoken to you about in the past. Onto slide 6.

Our kids business was a key contributor to the division's success, delivering exceptional ad revenue growth of 21% with YTV and TELETOON capitalizing on strong ratings growth and increased demand for our co-view audiences.

As well, we saw gains from the international broadcast launches of two of our key Nelvana brands - Babar and Beyblade, positioning us for strong growth on the merchandising front in the future.

For our specialty and pay, that's our subscriber revenue, saw a substantial 11% increase for the quarter, driven by the addition of our two new offerings, W Movies and Sundance Channel and the positive response to Cosmo TV which continues to generate strong paid subscriber growth.

Advertising revenues for these assets continued to grow as a result of pricing gains and strong market endorsement of our newest services, W Movies, Cosmo TV as well as CMT.

CMT's double digit primetime's rating growth resulted in exceptional ad revenue increases this quarter, up 26% compared to last year. Some of the key categories that helped drive increases in our specialty portfolio include pharmaceutical, food and retail.

On our pay business, Movie Central finished the quarter with 976,000 subscribers, up 2% from the same period last year, benefiting from a program lineup that included the premier of the highly anticipated HBO drama, Boardwalk Empire from Martin Scorsese and a new season of Showtime's Dexter.

Moving to slide 7 and our outlook for the next quarter, overall the ad markets are tracking well and we are forecasting that the momentum from Q1 will continue into Q2.

We anticipate another strong quarter for television and we expect double digit growth in specialty advertising revenues driven by strong growth on the kids' portfolio specifically from YTV and TELETOON. We are forecasting a robust kids market and an increasing demand for co-view inventory.

We are also anticipating double digit ad growth from our women's portfolio and CMT. We are forecasting additional growth for our radio division with mid to high single digit revenue increases in Q2 led once again by our Toronto and Calgary clusters and improvement in both Edmonton and Vancouver.

Companywide we will leverage our new Corus Key facility to seamlessly process our content for today's multiplatform environment.

As we continue to work with our distribution partners to advance the availability of nonlinear content to consumers, we expect to see gains from the deployment of new digital offerings of our Corus services.

In October we launched Movie Central High Definition 2 and we will continue to rollout more HD offerings this quarter starting with YTV which we introduced in high definition just this week.

For our radio division, on December 17, 2010 the CRTC approved the divestiture of our Quebec radio assets. Since the sale will be completed on February 1, 2011, our Quebec radio results will be retroactively restated as a discontinued operation commencing in the second quarter of this fiscal year.

Despite the sale of Quebec radio, our annual guidance targets for consolidated segment profit of $285 million to $295 million and free cash flow of $100 million remain unchanged.

In Q1 we announced the appointment of Chris Pandoff as the new President of radio and made changes to the radio executive team that will translate into an even more efficient structure moving forward. The Q2 Ontario radio sales are pacing well ahead of last year up low double digits.

Toronto and Hamilton are leading the growth in this region specifically, 102.1 The Edge in Toronto and Vinyl 95.3 in Hamilton, as a result of the station's recent format switch. We are also forecasting mid single digit revenue increases for the West driven by strong growth in Calgary.

Turning to slide 8, in Corus Kids with YTV's consistent ratings success, the service has reprised its position as Canada's number 1 specialty channel of kids and we're confident YTV will sustain this ratings run.

Co-view momentum on YTV and TELETOON continues to build, providing us with long term growth opportunities. Movies are a big pull for our co-view audience and create a great destination for family viewing.

And this month YTV launched another movie block, Big Fun Movies, on Sundays, featuring a lineup of back to back films.

As well, in Q2, YTV will be adding more co-view series to its schedule including the live action comedy Mr. Young and a new medieval themed game show, Splat-A-Lot.

Internationally, we continue to unlock the value of our Nelvana studio content. The re-launch of our Beyblade and Babar brands is gaining traction. Beyblade became a breakout hit over the holiday season.

And with broadcast launches well underway across all major international territories the stage is set for an aggressive rollout of our global merchandising campaigns, which will drive our merchandising revenues.

We are also anticipating continuing momentum from our pay TV business in Q2, with a lineup of great exclusive content from HBO, Showtime and the major Hollywood studies.

Upcoming premium content on HBO Canada includes the fifth and final season of Big Love and live broadcasts of HBO World Championship Boxing.

First run Showtime programming slated for the quarter includes season four of Californication, the debut of the comedy series Shameless starring William H. Macy and Joan Cusack, the comedy series Episodes starring Matt LeBlanc as Matt LeBlanc and from Starz, Spartacus: Gods of the Arena.

We also expect CMT's strong rating growth to continue, building on its highly successful family focused primetime schedule that includes mainstays like

According to Jim and America's Funniest Home Videos as well as a new and extremely well received block of pet themed programming.

We forecast the W Network's social viewing strategy will continue to drive tune in with more couple friendly movie premiers being added to the schedule as well as returning series with strong built in following like Love It or List It and the brand new series including Candice Tells All, the real estate renovation series, Property Brothers and the popular Australian competitive cooking show My Kitchen Rules.

Both W and Viva will also nest the best of the Oprah Winfrey Network to drive viewership and build awareness for the upcoming launch of OWN. We take great pride in being the new home to OWN.

Corus has become recognized internationally as both the builder of brands and a trusted steward of name brands. And Oprah is one of the most influential global brands in television.

The addition of OWN to our lineup of uniquely defined channels for women, will contribute significantly to our leadership position in the women's arena. OWN will launch this quarter in over 6 million Canadian households with an extensive lineup of new and exclusive original programming.

There is enormous pent up audience demand for the channel. We're getting calls from viewers daily. And with a number of charter advertisers already onboard for the launch we are thrilled by the excitement OWN is generating south of the border and with the massive amount of media attention the network is already generating.

Combined with our aggressive marketing campaigns we have great confidence this service will more than deliver with our advertisers, distributors and audiences when it premiers on March 1st.

We are looking forward to building a powerhouse brand for the company with the Oprah Winfrey Network. We hope that you have found our comments on our outlook helpful. And now we will take any questions that you have. Operator, over to you.

Operator: Thank you. And 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 toned prompt to acknowledge your request.

If your question has been answered and you would like to withdraw your registration please press the 1 followed by the 3. And if you're using a speakerphone please lift your handset before entering your request. One moment please for our first question.

And our first question comes from the line of Adam Shine with National Bank Financial. Please proceed.

Adam Shine: Thanks a lot. Good afternoon and obviously a good solid start to the year John. Can you remind me in terms of the free preview that occurred with Movie Central and, you know, any incremental tidbits that you can highlight in terms of, you know, how the marketing effort evolved?

John Cassaday: Well the free preview has just concluded. We view it as having been very, very successful. And now the secret for us is to be able to retain as many of those subscribers who had a chance to experience the Movie Central HBO programming as possible.

So in terms of expectations, you saw that we had a good growth of 2% in this quarter. We would expect we would be down somewhat in Q2 as these new subscribers were receiving the service for free. And then begin to see the service uptick in Q4 and into - sorry, Q3 and then into Q4.

And while I know we made strong overtures that we'd get over a million subscribers last year, we are extremely confident that on the strength of the sampling that we got during the free preview period that we would in fact meet and exceed the 1 million target by the end of this year.

Adam Shine: Okay. That's very helpful. And in terms of like when we look at the strength of specialty television advertising as well as subscriber revenue, and you alluded to this in your remarks John that, you know, you obviously saw some benefit in terms of the two new assets that were picked up a year ago in this timeframe.

And one could also acknowledge, you know, the launch of Nickelodeon Canada. Nevertheless, you know, heading into Q2 there still seems to be some pretty strong momentum in both metrics. Could you talk at all to that? I mean this is no longer M&A plus organic.

This is - this becomes more purely organic going forward, correct?

John Cassaday: I think that's true. We pretty much work through the impact of the price increase on a year over year basis. Most of the gains that we were hoping to achieve on Sundance have been realized. I do think that there is considerable opportunity to improve our position on W Movies.

We have been somewhat constrained because of the linkage rules with (Shaw) in Western Canada. But they believe very strongly in that brand and we've had excellent ratings success. So I think there's good upside on W Movies from a subscriber point of view.

And of course we've just been on a trial run with Rogers for increased penetration of Nickelodeon and we're hopeful that that will result in a nice uptick of that brand. So I think there's more than just normal organic growth on at least W Movies and Nickelodeon Canada.

I think there's some genuine opportunity from the initiatives that we have underway with our partners. And then on the advertising side we are seeing good organic growth on the strength of strong ratings driven by excellent programming and scheduling.

And we are obviously, like everyone else in the business of selling advertising, dependent to a significant degree on sustained economic recovery. And certainly all indications are through the end of Q2, that things look very good.

Our pacing for Q3 is also very good. But our percentage of total bookings as a percent of our budgets for the quarters, is still a little light.

We've got work to do there but we're pacing well which is just an indication that advertisers are continuing to make their bookings a little bit later than they have historically, like everyone else on the planet, waiting to see how sustainable this economic recovery is.

But all indications that we are seeing right now are very, very positive.

Adam Shine: If I can ask one last question and just with respect to radio, you know, heading into - or on your Q4 call back in late October you indicated expectations of sort of mid to high single digit growth in radio. And we didn't, you know, quite see that.

Was there anything that maybe surprised you as the quarter concluded, because you seem to be, you know, still talking about nevertheless, renewed momentum perhaps heading through Q2?

John Cassaday: Yes, we were surprised Adam. The November results were much softer than what we anticipated and that was a significant contributor. The other thing that I think happened is that we were enjoying great momentum in Quebec. And I must say that our Quebec employees have done a fabulous job.

But not surprisingly, having waited weeks and months for approval, it was getting harder and harder to maintain the focus through the end of the quarter. So we had a bit of a slowdown in Quebec at quarter end relevant to what our expectation was.

So what I can say is that the results in Ontario continued to move ahead at the pace that we saw when we last talked to you. But we did see a bit of a slowdown in Quebec and in Vancouver in particular.

Adam Shine: Great. Thank you very much.

Operator: Thank you. And our next question comes from the line of Drew McReynolds with RBC. Please proceed.

Drew McReynolds: Yeah. Thanks very much and good afternoon. I guess starting with OWN in, you know, obviously you're not going to give specific financial metrics on this. But I'm just wondering John or Doug if you can just speak to positioning OWN financially up against the W Network for example.

And just maybe talking in broad strokes how we should look at the potential here.

John Cassaday: Well I'll start off and certainly Doug can add value here. But one thing that I think you should assume for at least this fiscal year is that we will be able to offset the incremental costs of Oprah Winfrey relative to VIVA with the additional revenue that Oprah Winfrey Network will generate.

So there will be no "investment costs" associated with the launch of this exciting new brand in year one, which is quite amazing I think. And certainly we're benefiting from the fact that this is such a powerful brand with such great advertiser and viewer acceptance from day one.

So that's very positive. The second thing, as it relates to its position relative to W, ultimately it will depend on the ratings that we achieve. But at least in the early going, there is a receptivity amongst advertisers, to price this channel, this network at or around the same cost per point as W.

So from a modeling point of view, the simple answer to your question is, given the fact that we are starting out with a parity pricing situation to W, if we can achieve a level of ratings similar to W and given the fact that the subscriber revenue is somewhat better than W, that should help you get some sense of dimension for the potential of this brand.

Doug, do you have anything to add?

Doug Murphy: I think that's right on John. You know, it's a long journey. It's a first step in an exciting opportunity. That's what Oprah's been saying down in the US marketplace. You know, we have to kind of read each quarter to quarter, look at the audience generation.

There's no doubt that the brand has resonated enormously well with our clients and agencies. And, you know, we just started - we got the block promotion just last Friday. So it's really too early to give you any kinds of a ratings read. But all signs are very, very favorable.

And clearly, it's our intention to make this a very large service and pair it with W. But I'll remind you that it's taken us a number of years to build W to its current level. So, you know, let's wait and see how (unintelligible) this comes in but everything is green light right now.

Drew McReynolds: Okay. No, that actually helps out. And two follow ups - a little bit more housekeeping here.

I just noticed in the back of the I think financial disclosure, your Quebec division or Quebec assets that were sold there's a little bit of a difference between your segmented Quebec results and what's being divested. Can you just remind me what the difference is on that one?

Tom Peddie: It's - Drew, it's Tom. We had some other operations - CDS, some corporate stuff that's in that particular number.

Drew McReynolds: Okay.

Tom Peddie: So I think that when you look at our results for fiscal 2010 EBITDA was about $8 million for Quebec and the revenue was about $68 million.

Drew McReynolds: Okay.

Tom Peddie: And so that's the comparison for last year. And as John said in his opening remarks, what will happen is that the EBITDA results of a little more than $3 million for first quarter this year will be removed from EBITDA when we restate.

Drew McReynolds: Okay. No, that's great. And jus while I have you Tom, on CAPEX for fiscal 2011, I think your previous guidance was in and around $35 million. Q1 a little bit higher. And obviously these things are lumpy. Just - is that $35 million still a good rate for 2011?

And if so, just what was behind the lumpiness in Q1?

Tom Peddie: At this particular point in time I think that number is probably a little low. One of the things that we did was we spent a little less in Q4 than we had originally thought when we gave that particular guidance as about $35 million.

I think the number could be higher. It could be between $40 million and $45 million. But our overall target - the two year target that we've continued to provide to the investors and analysts like yourselves, remains the same.

Drew McReynolds: Okay.

Tom Peddie: And then I guess the other comment that we would make building on John's earlier comment, is that we're still sticking with our cash flow guidance number of $100 million which you know a lot of that is influenced by program purchases.

And that number also would be impacted by the fact that we would lose some of the EBITDA on Quebec. But at this particular point in time we believe we can manage towards that number.

Drew McReynolds: Okay, and just - Tom, can you just remind me what's in the $40 million to $45 million just in terms of kind of big buckets of spend?

Tom Peddie: It is - I think it's just - it's not really building (research) costs. It's technology.

Drew McReynolds: Okay. Okay. Okay, no, that's great. And that's it for me. I'll leave it for the others. Thank you.

John Cassaday: Thank you Drew.

Operator: Thank you. And our next question comes from the line of Paul Steep with Scotia Capital. Please proceed.

Paul Steep: Great. Thanks guys. John, you touched on it a little bit I guess in your comments, but regionally on radio with the performance there maybe you can talk about Western Canada. There was something unusual. It seemed like it sort of zeroed in on Vancouver or Edmonton.

Was there something sort of one time? But it sounds like you're back on track. Or is that an unfair characterization?

John Cassaday: I think that's a fair characterization. We have had some ratings issues in Vancouver. We are now seeing some recovery in the market which hopefully will help to offset some of the ratings issues that we have created for ourselves.

So we're working hard to get our brands repositioned and become more competitive in the marketplace. In Edmonton one of the issues that we have particularly with the country format, is the country seems to ebb and flow more so than many of the other formats in radio.

And we've been through a bit of a soft spot on that particular part of our business. So we're very hopeful that the Alberta economy is back on track. And the BC economy is recovering as well.

And that we'll start to see some pretty soft year over year comps and improvement out of our Western Canadian radio operation.

Chris Pandoff: It's Chris here. The only thing I would add to John's comments are that in Edmonton there was the launch of some new radio services there.

So there's a fair amount of churn in the market with regard to listenership and an overall sort of short term depression on rates as those younger stations that our new launches try to monetize their launch.

Paul Steep: Okay, great. I guess the last one from me - just on the TV side of things in terms of content costs, where are you in terms of, you know, I guess securing major rights, let's put it that way, for sort of online streaming and sort of us seeing the cost sort of build into the model?

Obviously you can't have your entire library but maybe just the key assets relating to some of the HBO content or some of the other pieces.

Doug Murphy: Paul, it's Doug here. Specifically with reference to the HBO item, that's already in our numbers and locked in for a long term exclusive deal across all the platforms linear and nonlinear. The same is true for our Showtime output deal.

With regards to the major studios we are - we have concluded one large negotiation for a content pool, feature film releases for our pay services with a successful protection against nonlinear services other than ours. So we've been able to keep all rights in that regard.

And we're currently negotiating with two other large studios to achieve the same outcome. So our view as we've said before, is that large studios need the pay window as part of their monetization and green light strategy. We have achieved agreement in terms of discussions with them in that regard.

And now it just comes down to, you know, working the numbers such that it's mutually acceptable. We're very confident we'll be able to achieve the outcome that we're looking for.

Paul Steep: And you said you were still working with the other two. Do you think closing it sometime obviously this fiscal or sort of...

Doug Murphy: Yeah. These are two deals Paul, that are - these deals have terms that run between three and five years. And two of them kind of are - kind of in this fiscal. So our intention is to close the renewed deal this fiscal in both cases.

Paul Steep: Great. Okay, thanks guys. Good quarter.

Operator: Thank you. And our next question comes from the line of Bob Beck with CIBC. Please proceed.

Bob Beck: Thanks. Good afternoon. Just a couple of follow up questions on radio to start. I guess Chris, you mentioned about the rate compression we continue to see in Edmonton. Is it - are rates fairly stable across other markets?

Is it really just those newly competitive markets where we're seeing some pressure on rate? Is it holding otherwise?

And I guess looking to the more positive side of things in Toronto, you know, obviously some very strong performance there, what you're seeing from a broader scale as far as the longevity of that kind of strength in the Ontario market in Toronto in particular.

Chris Pandoff: Yeah. I think you've got it correct. Anytime there's a new entrant in the market you're going to look to see short term compression of the rates as a result of that. And the good news is that the Alberta economy and Edmonton Calgary are in the first quarter of this year from (TRAM), growing.

And the exact opposite in Toronto in that the same number of radio stations are participating against the larger pool of ad dollars so the rates are actually going up in Toronto for sure.

Bob Beck: Okay. And where do we stand as far as the competitive landscape on reformatting? I know it's always a constant in radio. Anything disruptive? I know there's an article in the paper today.

But perhaps a TSN radio in Toronto - just your thoughts on where we stand as far as any disruptive potential in some markets from formatting?

John Cassaday: I would say offhand of what I know of the operators across the country, that we would not be looking for anything dramatic to happen. I would suggest that there's more disruption in music format changes rather than talk of sports.

Bob Beck: Okay.

John Cassaday: Certainly the rumor that you're talking about, has existed for a while but I can't really say that it will have a short term impact on any of the stations in Toronto for that matter.

Bob Beck: Okay, that's helpful. Thanks. And just a couple of housekeeping ones. I guess radio as well. I think John you mentioned in your preamble, about some pension costs finding its way into radio. Can you just remind us what kind of level that is? I don't recall that in my notes.

John Cassaday: Yeah. Well - sorry for that feedback there. What we did about 18 months ago is we initiated a pension hiatus at Corus as part of our cost saving initiative as we were trying to maintain full employment. So this particular fiscal we put the employee pensions back into our P&L.

So what you're looking at there is just a previous expense that has come back after having been on hiatus for approximately...

Bob Beck: Right.

John Cassaday: ...18 months.

Bob Beck: Okay, thank you. And just lastly, I guess for...

John Cassaday: Bob?

Bob Beck: Sorry.

John Cassaday: It was about $600,000.

Bob Beck: Okay, thank you. That's helpful. And just lastly I guess for Tom, the Quebec radio, the depreciation. Just as long as we're backing it out next quarter, just any help you can give us on backing out depreciation so we can get an apples to apples with last year?

Tom Peddie: Depreciation last year for the year was about $2-1/2 million.

Bob Beck: Okay. So we can work through the quarter.

Tom Peddie: So I'll say $500,000 a quarter.

Bob Beck: Okay. That's great. Thank you very much. I'll leave it there for others.

Operator: Thank you. And our next question comes from the line of David McFadgen with Cormark Securities. Please proceed.

David McFadgen: Yeah, a couple of questions. First of all, just a clarification - when you issued your 2011 guidance in September, $285 million to $295 million I think that included the $8 million in EBITDA for the radio assets that are being sold, so that when you sold them you would then lower it by $8 million. Is that correct?

John Cassaday: It is correct that when we gave our guidance of $285 million to $295 million that that included a full year of Quebec. And that is what we advised everyone at the investor day presentation.

So what we are saying today is given our first quarter results and given the outlook that we have for Q2, that we still believe it is possible to deliver results within our stated guidance despite the fact that we will be taking Quebec out for the entire year as of Q2.

David McFadgen: Okay.

John Cassaday: Is that correct?

David McFadgen: And then when you talked about the radio market you said November was a bit soft. Was that a Corus specific issue or was that an industry issue?

Chris Pandoff: It's Chris here. I would say that it was more - it was a relationship throughout the industry. The first - October was a very large month. The first two weeks of November was very strong. But it began to slow near the end of November.

But when you see the (TRAM) numbers come out in December I think you'll see that the - it picked up again in December.

David McFadgen: Okay. So the industry slowed temporarily in November and now it's come right back and it looks pretty good for Q2?

Chris Pandoff: So far. And I've only received a couple of markets (TRAM) reports this week. But that's the preliminary indication.

David McFadgen: Okay.

John Cassaday: One of the offices we have is that there was a very important book that came out, Chris, correct me if I'm wrong, on December 8th.

Chris Pandoff: Correct.

John Cassaday: And everybody was waiting to see what the rating results were of that because that basically gave everyone a picture for the competitive position for the fall. So we just - it was there we just felt things dry up as agencies in particular waited to see what the outcome of that book would be.

David McFadgen: Okay. And then can you give us a sense of the - for the Oprah Winfrey Network, you know, you're obviously in touch with advertisers, you know, you said you have a couple of charter advertisers lined up.

Can you give us a sense of what the ad commitments are to date on the channel for your 2011 year?

Doug Murphy: The - I can tell you David - it's Doug here - that the plan that we put in place back when we successfully negotiated our relationship with Oprah Winfrey, we hit the numbers basically spot on. So I'm not sure if we're going to provide incremental revenue guidance at this juncture.

But we're certainly very pleased with, you know, how we're going to be able to generate, you know, charter sponsor interest in these last few months.

David McFadgen: I would imagine that the advertising dollars for Oprah, would be a lot more than VIVA. No?

Doug Murphy: The cost per thousand - the CPM rate as John noted in his comments, are equal to what we have on W which obviously is an increase to what we had on VIVA. So we're getting better pricing no doubt at this point in time.

The key variable of course is audience generation which we won't know until we launch the service and get some ratings results in.

David McFadgen: Yeah. So when you talk about the delta W versus VIVA, what is it? Is it 25% IR, 50% IR? What's that delta?

Doug Murphy: I would say it's on the factor of twice - two times.

David McFadgen: Okay. Okay, that's it. Thanks.

Operator: Thank you. And ladies and gentlemen as a reminder, to register a question press 1-4 on your telephone keypad. And our next question comes from the line of Scott Cuthbertson with TD Newcrest. Please proceed.

Scott Cuthbertson: Yeah. Thanks very much. Just a couple of questions left. I just kind of wondered, Tom we're modeling some cost savings driven by the new premises. It didn't really seem to show up that much in the quarter.

I just wondered if you could revisit that and get you to remind me of the savings and the timing expect and then, you know, how those are going to show up.

Tom Peddie: Scott, it is Tom. At the investor day we had given guidance that we were looking at capturing about $15 million in cost savings across our system. We're still sticking with that particular number. You won't see that as a one line item on any of the P&Ls.

Where you'll see it is in improved margins. And once again to your particular point, you will get some quarterly fluctuation in that particular number. And we did have, as John noted earlier, we did have additional costs coming back in, in radio and in television for some of the costs we've eliminated before.

So you just don't really see it. But we are tracking and we have a policy in place or procedure in place where we track this monthly and we still are on track.

Scott Cuthbertson: Can you help...

John Cassaday: Scott just to remind everyone, in fiscal 2009 we achieved earnings of around $252 million, I guess $251 million to be specific, which was virtually identical to what we achieved in fiscal 2008.

And we did that through a number of aggressive cost initiatives including unpaid vacation days, wage freezes, hiring freezes, the pension hiatus. Needless to say, as the economy began to recover, the contract if you will, that we had with our employees, was that we would reinstitute those costs.

We were able to capitalize on the efficiencies of our new facility here, to be able to capture some substantial savings and essentially offset these costs coming back onto our P&L.

So that's really the magic that we were able to do - hold our earnings through the economic downturn through aggressive cost initiatives, then go after the cost efficiencies as possible, through the new technology that we put into our building here.

And allow those costs to come back in without again, having us to take a step back.

Scott Cuthbertson: Thanks for that. Tom, is it possible just to - maybe just for the quarter - maybe to give us a rough indication of, you know, how you were tracking on the savings from the new premises against, you know, some of these costs which had to be - which came back in the P&L?

Tom Peddie: Could you repeat the - could you repeat the first part of your question? I didn't catch it.

Scott Cuthbertson: Sure. I was just saying it sounds like a great concept and I understand what you're doing. It's an intelligent approach I think.

I just wondered if you could sort of provide us with a - some, you know, gives and takes on that in the quarter i.e., you know, how much did you realize from the cost savings stemming from the new facility and how much of these, you know, other costs came back on the P&L as you had to, you know, sort of pay back the employees for their patience during the tough times.

Tom Peddie: I don't think it's possible for us to get into that particular granularity. As we said, we'd set a target for ourselves of $15 million on an annual run rate. And as we integrate and, you know, go through the changes here, you capture some of the savings right away.

Some of the other savings you know are going to take place say in Q2, as you're able to take advantage of some of the technological changes that we've put in place.

And so we can't really tell you that we, you know, took $5 million worth of costs out last year and took out $4 million worth of costs, added $4 million back in.

I think the important thing is to look at the television margins for the quarter and they were up over last year, look at the radio margins, how they're improving. And we also had indicated that our radio margins for the year would finish in excess of 30%.

So all of those particular numbers are still tracking on plan.

Scott Cuthbertson: Okay, that's helpful. Thanks Tom. Maybe just a little bit on the timing you alluded to. You know, some - a greater realization in the quarters ahead. You know, is that something that we should look for?

Tom Peddie: Well one of the things that you'll see is we talk about a strong Q2 but Q2 is a small quarter for us as a percentage of our overall EBITDA.

One of the things you'll also see is that when you look at our corporate costs at this year compared to last year, you know, there's that $7.9 million in the quarter this year over about $5.6 million. When you look at Q2 last year I think our corporate costs were about $6-1/2 million.

So we were about $12 million in corporate costs for the first half of last year but wound up at $28 million. So we were $16 million in the back half of the year.

The guidance that we gave at our October call was that our corporate overhead would be in the $30 million range, split five would be about 20 corporate and ten on stock based compensation.

So all of those particular numbers are consistent with what we'd said so that we have some comps in Q2 and - Q3 and Q4 which were a little easier for us to beat compared to this year.

Scott Cuthbertson: Great. Okay. And the last thing at the risk of beating this question to death, the last thing is so, you know, I know that there was some revenue related cost increases in the quarter due to the great success you had in TV for example.

But other than that, was this a relatively normal quarter with respect to the way you're seeing these costs flow through?

Tom Peddie: Yes.

Scott Cuthbertson: Okay, great. Thanks. And a question for John...

Tom Peddie: Oh, I'm sorry. Scott, it's Tom. I mean there was only one abnormal cost which we referred to earlier, was the impact of the new radio (unintelligible) which we had outlined in our share of the report, cost us about a million dollars in Q1 for radio.

So radio would have looked better compared to last year had we not had that cost. And the guidance that we'd given was that number be about $3 million for the year.

Scott Cuthbertson: Okay. Yeah, we were looking for that. That's - okay, and a question for John.

Just, you know, I can't help but wonder and I think a lot of other people wonder as well - I mean there seems to be some great potential to either trade assets or share responsibilities or get together on programming or otherwise cooperate with, you know, other companies within the (Shaw) family group of companies generally speaking.

Can you comment at all on if there is any potential there or could we expect, you know, anything in that area in the months ahead?

John Cassaday: Well I won't comment on (Shaw) specifically. I will say that we have for some period of time, indicated to all of our competitors that we have an appetite to swap assets where we can increase competitive advantage.

We believe that there are assets that we have that could be greater value in the hands of others as there are assets in the hands of others that could create greater value in our hands. So we're very open to looking at optimizing the assets that we have.

We've also been very public in our interest in securing service company work. We believe that we have made an investment in technology here and have the capacity to be a tremendous service provider to many in our industry, whether it's for their entire suite of assets or simply certain specific assets.

We think that it makes no sense in a country our size for everyone to move ahead and make the investments that we've made in IP based technology and digital rights management software.

And we're hoping that over time we will be able to interest many players in the Canadian system in taking advantage of the nonproprietary but valuable investments that we've made in technology.

And we're hoping that we can share our expertise and our investment with others and create additional income for Corus and reduce costs for our competitors.

Scott Cuthbertson: Thanks a lot. A last question. Just if you were going to enter into some asset trades what's your appetite for a sort of maximum leverage for an attractive asset on a short term basis these days?

John Cassaday: Well we have said that we think that the comfortable spot for us to be is in the three to 3-1/2 times leverage and that we would go as high as four times for a short period of time to do a deal of significant strategic value to us. So those metrics still apply.

As it relates to multiples for various properties, again that has to be determined based on what we think the revenue and cost synergies are. But we're certainly well aware of where we're trading from a multiple point of view.

And we're certainly well aware of what that would entail in terms of our ability to pay a higher multiple for someone else's assets that we might like. So we think we've got great momentum right now.

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We've got tremendous - we're seeing tremendous results of our co-view activities on our kids' brands and our social viewing initiatives on our women's brands. And we're riding a nice wave with the interest that HBO is creating with their outstanding program.

We're hugely enthusiastic about Oprah Winfrey. We think we've got the possibility of a nice recovery in Western Canada just riding up with that tide as the Western economy recovers.

So net/net we feel we're in pretty good shape here for some period of time, to continue to grind out pretty exciting organic growth with the assets that we have.

Scott Cuthbertson: Thanks very much.

Operator: Thank you. And our next question comes from the line of Tim Casey with BMO Capital Markets. Please proceed with your question.

Tim Casey: They've all been answered. Thank you.

John Cassaday: Thanks Tim.

Operator: Thank you. And our next question comes from the line of Colin Moore with Credit Suisse. Please proceed. And I do apologize, the line of Mr. Moore has disconnected. And at this time I'm showing no further questions from the phone lines.

Mr. Cassaday I'll turn the conference back to you to continue with the presentation or closing remarks.

John Cassaday: Thank you Operator and thanks to all of you who participated in the call today. And for those of you who participated in our annual general meeting earlier, we certainly value your continued interest in Corus. Have a good evening. Bye for now.

Operator: Thank you. And ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

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