CORUS ENTERTAINMENT

Moderator: John Cassaday
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Operator: Ladies and gentleman thank you for standing by. Welcome to the Corus Entertainment Q1 Analyst and Investor conference call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question and answer session.

If you have a question please press the 1 followed by the 4 on your telephone at any time during the presentation. 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 10, 2012.

I would now like to turn the conference over to Mr. John Cassady, President and CEO of Corus Entertainment. Please go ahead sir.

John Cassaday: Thank you Operator. Good afternoon everyone. I'm John Cassaday and welcome to Corus Entertainment's Fiscal 2012 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 corusent.com in the Investor Relations section.

We will now run through the standard cautionary statement. This discussion contains forward-looking statements, which may involve risks and uncertainties. Additional information concerning factors that could cause the actual results to materially differ from those in the forward-looking statements is contained in the company's filings with the Canadian Securities Administrators.

Now I would like to introduce you to the Corus Entertainment team. Joining me on the call today is Executive Vice President and Chief Financial Officer, Tom Peddie; Doug Murphy, Executive Vice President and President of our television division; and Chris Pandoff, Executive Vice President and President of our radio division.

Turning to Slide 3 of the PowerPoint presentation, we are very pleased with the results that we achieved in the first quarter of fiscal 2012. We finished the quarter with consolidated revenues of $237 million, up 7% from year ago, and consolidated segment profit of $91 million, which is up 1% from last year.

The prior year's numbers have been adjusted to reflect the sale of Quebec radio, which was sold in February 2011. It's also important to note that the financial statements for Q1 2012 are prepared for the first time in accordance with International Financial Reporting Standards.

Turning to Slide 4, we were very satisfied with our Q1 results and we're particularly pleased to see renewed signs of strength in the ad economy. Revenue increases in the quarter were driven by television, primarily from strong ad spending on our women's portfolio, which saw double-digit growth and continued growth in our international kids business, powered by exceptional merchandising sales.

In our radio business our Vancouver cluster is turning around and radio continues in its role as a strong cash flow generating business for Corus.

In Q1 our net income from continuing operations was up 9% and we are pleased to announce that our strong cash flow has allowed us to deliver a significant monthly dividend increase of 10% to our shareholders, bringing our annual dividend on Class B shares to 96 cents per share.

Now moving to Slide 5 and our radio division, radio faced some challenges in the first quarter from a fluctuating economic environment. Ad revenue and segment profit were down 5% and 11% respectively. We saw some softness in Alberta and Ontario resulting in an overall decline in radio revenue for the quarter, but we also saw some positive signs with (Tram) reporting that some of our key clusters, including Vancouver and London, outpaced the market.

Importantly, I've stated previously, we are seeing signs of recovery and growth in Vancouver and continued strength in Winnipeg. The division also demonstrated disciplined cost controls with expenses down 2% for the quarter driven by reductions in variable costs.

While economic fluctuations effected the division's first quarter results radio remains an important part of our portfolio. This business continues to deliver significant free cash flow for the company, which in turn allows us to increase our dividend and invest in programming for both radio and TV.

Television achieved very strong revenue growth in Q1, up 10%. Despite the challenging economic climate television saw gains in specialty advertising revenues, successfully controlled costs on our core business and benefited from a huge upsurge in Beyblade sales, but those sales came with a higher cost base. The bottom line is that we are well positioned for a turnaround in the economy.

In Q1 our specialty ad revenues were up 3% driven by growth in the women's vertical, while the kids business saw some ad revenue softness in the toy and entertainment categories. The portfolio continued to benefit from the ongoing monetization of our co-view audience and our strong merchandising business.

The merchandising and distribution business in our kids portfolio continued its upward momentum, generating exceptional revenue growth in Q1, primarily from Beyblade merchandising sales, as well as Bakugan and the Backyardigans.

On the international broadcast distribution front, three new comedy series were sold by Nelvana Enterprises to Cartoon Network in Latin America, Mr. Young, Sidekick and Scaredy Squirrel and a deal with Disney Channel on Disney XD was secured for broadcast rights to Scaredy Squirrel in Europe and beyond.

Our women's portfolio made strong ratings gains in Q1 led by W Network, which continued to build on its strength in movies. This fall the service incorporated an additional movie block on Sunday's resulting in more movie offerings and a lift in audiences.

Movies, coupled with the strong appeal of Canadian homegrown hits, such as Love It or List It and Property Brothers, were key to the network's success in the quarter.

Our newest channel offering, the Oprah Winfrey Network, continued to build momentum this fall with the launch of two big promotables, The Rosie Show and Oprah's Life Class, which contributed to an 8% increase in the network's primetime audience compared to year ago.

Continued subscriber gains at both Cosmo TV and Nickelodeon contributed to overall subscriber revenue growth of 1% for the division.

On the pay front, Movie Central launched a new season of HBO's Boardwalk Empire and 24/7 Flyers versus Rangers Road to the Winter Classic and finished the quarter with 973,000 subscribers.

We also renewed our exclusive long-term output agreement with NBC Universal, which encompasses linear and nonlinear rights and provides Corus with access to an extensive catalog of new theatrical feature films to ensure that we provide premium and exclusive content to our subscribers.

Moving now to Slide 6 and our outlook for the next quarter, we can report that overall the ad markets are pacing well and we are forecasting that revenue growth will continue in Q2 led by our television division.

In radio we are forecasting growth in revenue in Q2 coming off the fall ratings book. Annual 52-week bookings have improved significantly and pacing in Q2 has also improved. Alberta and Toronto are single digits ahead in Q2 pacing as of today.

We are seeing improved rates and higher sellouts in the larger markets, which may be signaling some strength in overall ad spend. We are encouraged by signs that a turnaround is underway in Vancouver as the cluster continues to rebuild its core demo and benefit from a more focused programming and sales strategy.

We also expect Winnipeg to benefit from the relaunch of our FM station in target demographics, strengthening the overall cluster product mix and our leadership in that market.

From a ratings perspective, according to recent PPM results, our station's ranked well overall, representing some potential revenue upside for the business, particularly in Toronto; London; Kitchener; Calgary and Vancouver.

Now turning to Slide 2 and focusing on television, in Q2 we anticipate another strong quarter for the division with mid-single digit specialty ad revenue increases, driven by our women's vertical, as well as continued growth in our overall co-view business.

On the women's networks we expect to see gains from our newer channels, as well as W Network, which continues to see increased ratings as a result of a refreshed programming strategy and effectively leveraging our strength in movies.

The W Network kicked off Q2 with an aggressive push behind its holiday programming, which coupled with a strong lineup of new series and stunt events launching this winter is expected to drive tune in and revenue growth for the network.

Among the programming highlights W is launching Undercover Boss Canada, a new series that we are very excited about. New seasons of Candice Tells All and Love It or List It, as well as Lovestruck, a heavily promoted stunt event leading up to Valentine's Day that will feature 14 days of romance based movies, premiers and favorites.

We also anticipate advertising growth from the Oprah Winfrey Network, which is a powerful compliment to our women's vertical. This brand continues to benefit from a strong distribution platform, a significant investment in original programming and of course it's the only place to find Oprah.

With Oprah's full attention on OWN in her expanded role as Chair, CEO and Chief Creative Officer we're excited about the opportunities to grow this network. One of the highlights of this month's programming schedule is the debut of Oprah's Next Chapter; Oprah's own highly anticipated weekly interview series that takes her out into the field with guests including George Lucas, Sean Penn and Steven Tyler.

In addition the network is launching two new original series brought to us from Vancouver, Million Dollar Neighborhood, a reality series about a community that comes together to raise their collective net worth by $1 million, will be supported with an extensive social media campaign and we expect it to generate a lot of attention. Oprah Winfrey Network in the U.S. has also picked up this series and will announce the air date at a later time.

Gas Town Gamble, which follows a successful Vancouver restaurateur who takes on the challenge of resurrecting a historic and iconic building in an effort to revitalize Vancouver's lower east side neighborhood, will also benefit from an extensive PR campaign, which includes high profile launch events in both Vancouver and Toronto.

As well, having access to Oprah Winfrey Networks U.S. Digital Assets allows us to continue to leverage Oprah's loyal fan base and her active social media community to drive engagement and viewership.

We are also anticipating gains on CMT with the launch of new programming in primetime. A new series, Sweet Home Alabama, a bachelor style reality show, will launch in Q2. Sweet Home Alabama is currently the Number 1 show on CMT in the U.S. and we anticipate it will deliver similarly strong ratings here in Canada.

Turning to the kids portfolio, with our strong mix of assets we are also forecasting growth. On YTV demand for co-view audiences continues to drive sales opportunities. YTV has created a great destination for family viewing with weekend movie blocks that feature back-to-back films.

In addition YTV is programming a series of branded stunt events in February to celebrate Valentine's Day and Family Day that will have strong family appeal.

Nickelodeon is currently participating in a free preview campaign, which should generate positive subscriber growth for that service.

Internationally our merchandising and distribution business continues to be a substantial revenue generator for the television division. With more than 120 million tops sold to-date Beyblade is a certified hit. With IP partnerships continuing to be established around the world we have a strong global merchandising and broadcasting program in place to support the brand and our sales efforts, including a Beyblade World Championship to be held here in Toronto at Corus Quay this coming March. This event has been described by a Toronto sportswriter as, “One of the Top 10 GTA sporting events of 2012”.

We believe the fundamentals are in place to support sustained growth and to create a strong franchise with this brand, which will continue to have a positive impact on our revenue.

Our strength at creating kids content continues to demonstrate its global strategic value with strong and emerging brands such as Scaredy Squirrel and our coproduction with Hit Entertainment, Mike the Knight. Nelvana Enterprises continues to secure prime placement with broadcasters globally as we unlock growth potential by leveraging our content across our networks and platforms around the world.

We are also very excited about the newest addition to our television portfolio, ABC Spark, which is scheduled to launch on March 26. Building on our expertise at launching and stewarding brands into highly successful networks we are delighted to partner the Disney ABC Television Group to bring ABC Family’s programming to Canadian audiences.

Disney ABC Television Group has had tremendous success in the U.S. implementing a marketing and programming strategy built on an immersive multi-platform viewer experience. We will adopt a similar strategy here in Canada. The brand has been hugely successful in the United States delivering 8 consecutive years of stellar growth and ranking among the Top 5 in all key female demos.

To promote and build awareness for the launch of ABC Spark, YTV, W Network and CMT will air nested blocks of the channel’s exclusive programming starting next week. With access to hugely popular series such as Switched at Birth and Melissa and Joey, which have never been seen before in Canada, we have high expectations for this channel.

We'll also see revenue gains from the nested blocks, which have sold well due to the success of these series south of the border. We have great confidence this service will resonate with our advertisers, distributers and audiences when it premiers in March with a 3 month free preview in 9 million households. As the future home for all of ABC Family's original series and movies we look forward to building another powerful brand in Canada.

On the pay front we anticipate a lift in subscribers as Movie Central benefits from a significant expansion in the amount of premium content made available to audiences on SVOD combined with the gains expected from an HD campaign that's currently in the marketplace and on the strength of our extensive lineup of programming offerings scheduled for this winter and spring.

In January subscribers can expect a new season of Spartacus and Showtime favorites, Californication and Shameless, as well as a new comedy series, House of Lies, starring Don Cheadle and Kristen Bell, based on the hit tell-all book by Martin Kihn.

From HBO comes the highly anticipated new series from Michael Mann and Deadwood creator, David Milch, called Luck, starring Dustin Hoffman and Nick Nolte. Other launches include the BBC Movie Central co-production of The Crimson Petal and the White, a dramatic adaptation of Michael Faber's international best selling psychological thriller, which was set in 1870's in London and starring Chris O'Dowd and Gillian Anderson.

Company-wide as nonlinear offerings become and essential and central part of our business activities we will be leveraging our technological advantage here Corus Quay to fully participate in the emerging on demand market and will mine these new opportunities that nonlinear content provides.

Over the next two quarters we will be integrating more nonlinear activity into our traditional systems enabling us to achieve higher levels of customer satisfaction. With our digital infrastructure in place we are in a strong position to increase audience engagement and drive audiences to tune in to our television and radio businesses through our nonlinear activities and provide, and by providing, our BDU partners with more on demand content and new products, including apps and games.

Already our digital infrastructure at Corus Quay has lowered the cost of new channel launches and has made us a partner of choice for broadcast origination services.

As we mentioned at our Investor Day we have launched two services for FDR Media and are currently in negotiations for the origination of more than 20 new signals from the Corus Quay facility. We expect to see gains from new networks, new HD signals and the deployment of new offerings as we expand our on demand content and introduce new apps and games with ease. Technology will continue to be a key driver of our business in the next quarter and beyond.

In summary, we are well positioned for a turnaround in the economy and are encouraged by a number of positive indicators to support the ongoing growth of our business, renewed signs of a recovery in the ad market; the strength of our brands, including the international appeal of our content and merchandising opportunities; and the introduction of new innovative linear and nonlinear product offerings into the marketplace.

We are also very pleased that we were able to increase our dividend by 10% today and remain confident in our ability to achieve our guidance range for fiscal 2012, targeting consolidated segment profit of $300 million to $310 million and free cash flow in excess of $125 million.

We hope that you have found the comments on our outlook helpful and now we will be pleased to take any questions that you may have. Operator over to you.

Operator: Thank you. Ladies and gentlemen if you would like to register for 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. If you are using a speakerphone please lift your handset before entering your request. One moment please for the first question.

And our first question comes from the line of Drew McReynolds from RBC. Please go ahead.

Drew McReynolds: Yes, thanks very much. Good afternoon.

John Cassaday: Good afternoon.

Drew McReynolds: Just start off here on television and television margins, just two questions I guess. First, obviously a big quarter for merchandising and I'm just wondering if you could provide us, from a high level perspective, just how the merchandising margins would be volatile from quarter-to-quarter if they are?

And then a second margin question, when you look out with television margins in 2012 you obviously have a lot of programming investment underway with OWN and ABC Spark, presumably Movie Central, and then of course you have a higher contribution for merchandising, so just wondering directionally where you see television margins going this year?

John Cassaday: Well I'll take the last question first, Drew, and then ask Doug to comment on your first question, but what we tried to signal at the Investor Day is that we see us working within a range of 35% to 40% overall for TV margins.

As you rightly point out, we've made significant investment in the Oprah Winfrey Network and the programming to accompany that, and of course ABC Spark coming, and then the third major contributor to that escalation in programming costs is the investment that we are making in our premium pay television business.

We're currently at about 25% - 26% penetration on premium pay and we firmly believe that with our SBOD offerings, our HD offerings, the new content that we're putting in place and ultimately the introduction of HBO GO that we can move the penetration of A business up into the high 20's, hopefully hit 30%.

Doug Murphy: Just building on that, Drew, it's Doug here, the margin on the merchandising business obviously, and this is a quarter-to-quarter conversation we have, swings around a lot. In the case of Beyblade we record gross revenue on the top and then have a backend participation that we take out and that shows up in other class of goods.

So there's a - I would say that you can think about the margin to be sort of in the 35% to 40% is the range on that business. There's a seasonality element, obviously the vast majority of the business is done in calendar Q4, so our reporting on that business would be in our fiscal second quarter.

So in terms of how you forecast that margin you can, you know, think about applying some kind of seasonality factor to it. But I think directionally that's what I would encourage you to think about.

Drew McReynolds: Okay that's great. And then just two other questions, for Tom, Tom just on the free cash flow guidance just want to confirm that that guidance excludes the additional $9 million that you'll receive on Quebec radio?

And then the other question is on corporate costs saw certainly a decline this quarter in the non-stock based compensation costs, just wondering how we should look at that in terms of a run rate for the rest of the year?

Tom Peddie: Yes Drew, it's Tom. Answering the first question, when we give our guidance of free cash flow what we did was we gave guidance of $125 million plus and we will take into consideration, you know, how we - what the timing is on our tax credits; what the timing is on things like the recovery of written capital on the Cogeco transaction and that number will fluctuate as we work our way through the year.

But when we look at our overall number of 125 plus it will include what we would be getting on that particular business. I know most of the street feels that our numbers should be higher than 125, but as we said yesterday that's why we gave kind of the plus to it. And as you know we gave our performance relative to our guidance. We generally exceeded it. So we're still comfortable giving the 125 plus.

With respect to corporate costs, as you rightly pointed out, you know, we were fairly low this particular quarter. It was a combination of having slightly lower costs at Corus, as well as stock based compensation. At Investor Day I believe that I gave guidance of $30 million for corporate costs. As I sit here today I think that number would probably be closer to 28, so you could look on that basis of corporate cost in the 7 - 7.2 range on a quarterly basis going forward.

Drew McReynolds: Okay. Thank you very much.

Operator: Thank you. And our next question comes from the line of Scott Cuthbertson from TD Securities. Please go ahead.

Scott Cuthbertson: Yes, thanks very much and good afternoon. A question, I guess probably for Doug, just, you know, congratulations on the tremendous success of Beyblade and my question really is, you know, what kind of legs does this thing look like it has?

I mean obviously it sounds like you had a pretty good holiday season for that, but can you give us any help on, you know, what your expectations are with respect to the overall contribution this year and how that's going to change as the product matures?

Doug Murphy: Sure Scott, Happy New year. We - we're delighted with Beyblade's success. We have tee'd this exercise up differently than the first Beyblade in that we've launched all markets simultaneously globally, so there's no staggering occurring. So we're kind of launching each new season of content and toy day and date simultaneously.

We have a third season already kind of in production and effectively produced with a parallel toy line. We're actually off to Japan next week to look at a fourth season and potentially a fifth season.

Our strategy, working in conjunction with Hasbro, is to make this an Evergreen property. That's always our approach on boy's action and so to do so we're looking at some continued innovations in toy and in storytelling.

You know, obviously I can't predict if the tree will grow to the sky or not, but clearly it's our intention to have a longer sustain on this than we did in the first pass and the key piece of that is new production of content and continued innovation with the toy category. And I can certainly tell you that our partners at Hasbro have a high level of interest in continuing the momentum we have with the brand.

Scott Cuthbertson: Great so it sounds like we're good for a while anyway on that product. Okay just wanted to turn to KTV a little bit here. I mean you've got a few things in the hopper there. I'm just wondering if you can help us overall a little bit with the dynamics on, you know, the HBO GO initiative, if there's any update on the timing of that or any additional color on exactly that - how that's going to contribute to your nonlinear, you know, platform.

I guess as a subscriber in a perfect world I would like to be able to sit down and just, you know, have access to all of the rights that you've purchased over the years such that if I wanted to go back and start watching Entourage from, you know, Season 1, Episode 1 and right through until the end of the series I could do that.

That may be a bit ambitious, but maybe you can share with us, you know, some kind of the functionality that you are going to be presenting to subscribers, which I think should really, you know, help with penetration and retention.

Doug Murphy: Okay Scott it's Doug here. You know, in the pay business of course we, as you know, believe that there's lot's of opportunity for growth in that business. Our focus in the last two quarters from a marketing and communications point of view has been on, you know, first and foremost communicating the on demand opportunities, so we had a free on demand in the first quarter. Our second quarter campaign is all around HD and now we're working diligently on bringing HBO GO to the marketplace.

Timing wise I would suggest it's probably going to be something that would be early next fiscal year, to be frank. We are - we have the opportunity to move forward with the brand HBO GO and we have the content cleared. It's just working with our BDU's to determine the right platform and timing for launch, but in our view, in addition to communicating the importance of on demand and HD having the TV Everywhere functionality is critical. So it clearly is a top priority for us as we work through it this year.

Scott Cuthbertson: Okay and just trying turning to radio, Chris, any update on the timing on that Bill C-32?

Chris Pandoff: Yes. I think when we last spoke we were looking at the earlier rather than later, but it looks like not before the end of the summer this year.

Scott Cuthbertson: Okay and that's still sort of 1.5 to 1.8 million to you guys is that - moves the right way?

Chris Pandoff: Correct, yes. That's still C-11 you're talking about right?

Scott Cuthbertson: Yes, sorry, C-11.

Chris Pandoff: Yes, okay.

Scott Cuthbertson: It's been rebranded. And last one, just for Tom on the tax rate, it was a little lower than I expected in the quarter. I just wondered why that was and what you're expecting for the year?

Tom Peddie: Our federal tax rate is actually closer to 27% as opposed to 29%, so I think that's a range you could probably use for the balance of the fiscal year.

Scott Cuthbertson: Okay, great. Thanks very much.

John Cassaday: Thanks Scott.

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

Paul Steep: Great, thanks. I guess, John, why don't we start with this one. You know, you bumped the dividend today. Maybe give us context around the balance on the pay ratio, the NCIB and then maybe investment/new projects in the hopper, how the Board and team is thinking about that?

John Cassaday: Paul we had an extensive discussion about this last night and we were very comfortable that we ended up, you know, like the Three Little Bears in just the right spot on this one.

Let's start with first principals. We have stated that as an objective we want to make available approximately 70% of free cash flow to shareholders in the form of both share buybacks and dividends. So that was the first issue that we dealt with and that is, you know, is this consistent with our strategy and it was.

The second issue, of course, that we had to deal with is how comfortable are we with our ability to sustain our cash flow at the levels that we have laid out for you in terms of our guidance and we continue to be confident that our objectives for this year are achievable and we will once again meet our guidance as we have done so historically, so again a checkmark on that one.

Then the third piece that is is there any imminent M&A activity that you think might represent potentially a better use of these funds and quite frankly at this particular point in time we do not see anything of such magnitude that it would get in the way of it.

And then the fourth factor is, if you look at it, because of the very active participation in our DRIP program you have approximately, I don't know what the number is exactly Tom, but somewhere between 34% and 38% of all of our shareholders are participating in the DRIP. So the actual amount of cash that is going to be laid out as a result of this incremental dividend today is less than $5 million.

So we just felt that it was consistent with our stated philosophy of rewarding our shareholders with increased dividends and that it was consistent with our strategy and affordable.

Paul Steep: Great, that helps. I just wanted to reiterate the target or make sure that the target hadn't shifted, so that helps.

On the kids side of TV you covered a lot of ground. I can't remember if you said much in terms of the performance of those channels and I just wondered if you could touch on those was the only other thing I wanted to cover off?

John Cassaday: Well there's a couple of things that we'd like to comment on here and I think Doug will certainly give me some support on it, but first of all as it relates to ratings, it is similar in both Canada and the United States that we are seeing some reduction in kid viewing, which we are believing is perhaps attributable to a change in the reporting methodology.

So both Viacom in the United States and Corus in Canada are, you know, actively questioning the PPM data and sample and quite frankly we're a little bit mystified as to where some of that kid audience has gone to.

On the issue of our competitiveness, which is basically our share, you know, basically we're on track there and where we're seeing really exceptional growth is in our co-view area, which is the one that we're so successfully monetizing right now.

I think the final comment I'd make, and we did talk about this in our opening remarks, we did see some drop off in the kid portion of our advertising for this quarter and it was largely attributable to the toy category, secondarily to home entertainment, which is the DVD business, but largely attributable to the toy category.

And we believe a good portion of that is directly due to the exit of Zellers from the market and we look with great enthusiasm to the prospect of Target coming in, who's a big player in toy, and not only the impact that they'll have on our numbers, but I think the sort of cascading effect that they'll have on other retailers and our toy partners in terms of supporting their brands going forward.

Paul Steep: Great. That's it for me. Thanks guys.

John Cassaday: Okay.

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

Tim Casey: Hi, good morning. Could you talk a little bit about the dynamic you're seeing in the pay business, even the loss you saw in subscribers, against the backdrop where your two main BDU partners, you know, are probably adding something in the neighborhood of 100,000 subs in the quarter? Why are you still seeing some contraction in your pay business?

John Cassaday: Well we look at our pay results in the quarter as essentially being stable, Tim. And as Doug spoke of earlier we're, you know, we're enthusiastic about our ability to grow it. So if we ended up at this place at the end of the year then I'd say we'd be disappointed.

We are anticipating that we will be able to grow the pay business this fiscal on the strength of the programs that we have in place, particularly the focus on our HD channels and also on the new content that is coming forward, particularly from HBO, but also our other studio output deals, including Showtime.

Yes and, Tim, just building on that, we've kind of gone deep and analyzed our kind of seasonality, there's that word again, trends in pay sub ads over the last four or five years and, you know, typically our growth doesn't begin to happen until kind of Q2 - Q3.

So our expectation is to see some, you know, decent uptick in the future quarters and our focus is going to be on working very hard to sustain in Q4 what gains we make in Q2 and Q3.

Tim Casey: Okay and just switching gears back to HBO GO, is that a product or an initiative that it's essential to have BDU cooperation to launch or are you able to go it alone? And if so are there material cost implications if - with or without a BDU partnership?

John Cassaday: It is possible to go alone. It's always been our stated preference to do this with the full support of our BDU partners. Quite frankly we think the key to this is authentication and to keep in pay subscribers in the ecosystem, if you will, so it's always been our preference.

We've done a fair bit of modeling on go on your own strategy and it is possible and I wouldn't say it's inordinately expensive, but the one thing that we do believe is that like every other technological innovation it will be supplanted with something more.

So, you know, we do take into account the fact that whatever we did do on our own would constantly need to be refreshed and there would be a constant need for further innovation and startup expense.

So to put it in succinct terms, it's our hope that we are going to be able to launch this product because we see it as being perhaps the most significant thing that we can do to reduce churn and to do so levering off the platform of our partners.

Tim Casey: And John how would you characterize the discussions with, you know, (Jaw); TELUS; Manitoba in that regard?

John Cassaday: Well I would say that the conversation, certainly with our major partner, are we are of one mind that there is a high level of interest in figuring out how to make this available to our subscribers. And, you know...

Tim Casey: Are you confident you can do it with them this calendar year?

John Cassaday: Well, you know, as Doug said earlier, you know, it probably be, quite frankly, early next fiscal. So whether it ends up in this calendar I don't know, but we are at the preliminary stages. I think we're certainly at the point where we recognize it's a terrific opportunity for both the BDU and the programmer.

And as I said it's our stated belief that the best way for Corus to do this is with the support of the BDU's platform and now it's just a matter of making sure that we bring what we have to bear together with what they have to bear. And again to underscore, you know, we're at a preliminary stage now where we have alignment on the opportunity and now it's about execution.

Tim Casey: Okay. Thank you.

Operator: Thank you. And ladies and gentlemen as a reminder to register for a question please press the 1 followed by the 4 on your telephone keypad.

Our next question comes from the line of (Derek) - David McFadgen from Cormark Securities. Please go ahead.

David McFadgen: Excuse me, yes a couple of questions. First of all just on the pay things for radio in the second quarter, in your presentation you say they've improved. I was wondering if you could be a little more specific. Does that mean they're still a bit negative in the second quarter or have they actually gone positive? Can you give us any color there?

John Cassaday: We're pacing flat right on the nose right now for Q2 and we're, you know, we talked a little bit about some growth in certain specific markets, specifically Toronto.

But when we look at the 37 station radio portfolio we are right on the nose dead even with last year, which a couple of years ago I wouldn't have been all that thrilled with, but after -5 in Q1, pretty darn happy with that and it gives us an indication that we're on the right track here and that we're starting to see some improvement in the ad economy in general and the radio market in particular.

David McFadgen: Okay. And then secondly on ABC Spark you indicated that you plan to launch this channel at the end of March. Have you identified what existing channel you will rebrand ABC Spark yet?

John Cassaday: No we haven't David, just a commitment that we will be in the marketplace with a broad base of pretrial subscribers in the initial stages, but that we'll end up with a significant enough paid base going forward that we'll have a brand that is of significant interest to advertisers.

David McFadgen: Okay. And then just on the pay TV front, do you think you maybe have lost some subscribers to Netflix and if so how do you know? Like how do you monitor how well they're doing relative to you?

Doug Murphy: David, it's Doug. As we've spoken in the past of our commitment to staying close to our consumer through (unintelligible) research we've just concluded yet another pass at staying close our audience behavior. And the truth of it is the vast majority of our subscribers, they'll indicate if they are Netflix subscribers or not, and the overwhelming majority of them are not.

You know, we think that speaks to an opportunity for us as we look at multi-linear TV Everywhere strategies with our BDU partners to serve up more content in new and better ways as time evolves here.

So our view is that the Netflix factor continues to be an additive one. It's not cannibalizing our base business and that the notion of having dual kind of behavior in our subscriber base is fine with us.

David McFadgen: Okay. And then I was wondering if Tom could give us just an update on the CAPEX this year and maybe what he thinks it might be next year? I know it's early for next year, but maybe just sort of some guidance there.

Tom Peddie: Did you want me to comment on the year after as well? We had given the guidance at Investor Day that we thought that our CAPEX number would be in the $15 million range. We have no reason to change it.

We also at Investor Day had talked about the fact that we thought that we'd have lower capital expenditures for the next couple of years after our significant program. So, you know, a number of $15 to $20 million for out years for the next few years would be appropriate.

David McFadgen: Okay. Alright thanks a lot.

Operator: Thank you. And it appears we have no further questions at this time. Mr. Cassaday I turn the call back over to you.

John Cassaday: Just once again thank everyone for their continued interest in Corus and thank you Operator for your support on the call. Bye for now.

And just a reminder, we will be hosting our Annual General Meeting today at Corus Quay at 2:00, so if any of you would like to join us you're most welcome and for those of you who can't it will be broadcast live via the Web. Thanks and bye for now.

Operator: 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.

END