CORUS ENTERTAINMENT

Moderator: John Cassaday
January 15, 2013
4:29 pm CT

Operator: Ladies and gentlemen thank you for standing by. Welcome to the Q1 Analysts and Investor 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 15, 2013. I would now like to turn the conference over to John Cassaday, President and CEO. Please go ahead.

John Cassaday: Thank you operator, good afternoon everyone. I am John Cassaday and welcome to Corus Entertainment's Fiscal 2013 First Quarter Report Analyst Call. Thank you for joining us today.

Before we read the standard cautionary statement, we would like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found at 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 which may involve risks and uncertainties. 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 filings with the Canadian Securities Administrators on (CDR).

Now we would like to introduce you to the Corus Entertainment team joining us on the call today. Tom Peddie, our Executive Vice President and Chief Financial Officer. Doug Murphy, Executive Vice President and President of our Television Division. And Chris Pandoff, Executive Vice President and President of our Radio Division.

So turning to Slide 3 of the PowerPoint presentation you'll see Corus had a solid first quarter. Consolidated segment profit finished the quarter at $93 million, up 2% from the prior year. Our subscriber revenues were positive. Women's specialty ads sales were positive. And radio was positive, up 1% in revenues. Continued softness in kids resulted in a 5 percentage point decline in revenues.

Turning to Slide 4, we maintained excellent segment profit margins. Finishing the quarter at 45% and 35% for television and radio respectively. Our net income attributable to shareholders was $52 million. Up 3% compared to last year. Basic earnings per share attributable to shareholders increased to 3% as well, to 63% - $0.63 per share. Compared to $0.61 in the prior year.

Turning to Slide 5, we are very pleased with the performance of our radio business. Revenues were up 1% for the quarter, compared to prior year, and the division achieved 16% growth in segment profit. Due to strong ratings in key markets and a continued focus on cost controls across the business. Our

British Columbia and Alberta markets are experiencing an ongoing turnaround, impressive rating gains, and favorable economic conditions in BC and Alberta translated to revenue increases. Which offset some of the softness in Manitoba and Ontario.

According to Tram, our radio stations in major markets Vancouver, Calgary, Winnipeg, Kitchener, London, and Toronto outperformed their respective markets in the quarter. We saw strong ad sales growth in key categories. Including financial services, which is becoming a significant category for the radio division. As well as continued strength in automotive and fast food. The radio division delivered a solid margin of 36%, up from 32% last year.

Now turning to Slide 6, and our television business. A soft kids ad market and tough (comps) due to Beyblade's exceptionally strong prior year results had an impact on the division's revenues, which were down 6%.

Our women's portfolio, however, saw advertising growth. Led by our flagship channel W Network, which generated further rating gains from its successful lineup of original Canadian hits.

In our pay business, movie central saw a subscriber lift in the quarter. In response to the deployment of new offerings, an exceptional Fall lineup of premium programming, and an aggressive acquisition and retention campaign. Movie central finished the quarter with 998,000 subscribers, that was up 22,000 from the prior quarter.

While segment profit for the division saw a modest decline, down 2% in the first quarter. Television did deliver very strong segment profit margins of 45%. Driven, as I said once again, by growth in our women's, and pay portfolios, and rigorous cost management efforts.

Moving to Slide 7, and our outlook for radio. While the economic environment remains challenging, and advertisers are certainly focused on shorter term buys, they are still spending. Radio's solid showing in Q1 is forecast to continue into the second quarter, with growth expected in key markets. Led once again by our western markets, where sales are pacing ahead of last year.

Impressive ratings, strong advertising demand, and the return of hockey are expected to return to growth in Q2, again, particularly in western Canada. As well we expect our Edmonton market to benefit from the reformat of one of its underperforming stations to the Fresh FM brand. Edmonton's new 95- 92.5 Fresh FM, represents the third core station to make the transition to this successful adult contemporary formatted brand. Which should contribute to further audience gains in the Alberta market.

In Ontario Q2 National sales in our major markets are soft at this time, but we anticipate this will be offset by gains in the West and Southwestern Ontario. Driving low single digit revenue growth in the quarter.

In Q2, we are seeing continued demand in advertising spend from automotive, home builders and repairs, and professional services. Which is a growing category for radio, and this particular category would include financial services and some new entrants. Specifically those in the legal and medical services verticals. In the local markets we also expect to see gains from advertisers who continue to shift to radio as an alternative to print media.

The ongoing implementation of digital initiatives remains an important strategy for our radio division as we continue to drive deeper audience engagement and reach our listeners on multiple platforms. We recently invested in SopCast, which is a social media relationships tool that is being rolled out across our stations this fiscal year. Initiatives such as SopCast will drive greater audience loyalty and ratings for our brands.

Moving to Slide 8 and the outlook for our television business. In Q2 we expect advertising growth for our specialty services as a result of ratings gains in our key audience demos. The upshot of strong holiday and winter schedules, and the ongoing shift in audience share from conventional to specialty TV. In specialty advertising, we are forecasting low, single digit growth over the prior year. Driving by our women's portfolio's strong pacing.

In addition to W Network's ongoing rating momentum, Oprah Winfrey's networks ratings have benefitted from Oprah's increased presence on air and the rollout of new original programming and exclusive high profile interviews. Such as this Thursday nights highly anticipated interview with Lance Armstrong. We expect the Lance Armstrong interview will bring additional focus and awareness to the Oprah Winfrey network.

To bolster our leadership position in the women's space, we have partnered with NBC Universal to operate iVillage Canada. So Canadian advertising on the iVillage International Network of sites as one of the largest online communities for women, iVillage will complement our brands and extend our relationship with women.

We also expect further gains from our newest addition ABC Spark. Which is performing very well as advertisers respond to this strong brand and its appealing female and millennial audience base. With its expanded distribution into 35% more households since we last talked, which now includes the important Toronto market, ABC Spark provides a significant growth opportunity for Corus.

While the kids advertising market remains soft, we are starting to see ratings growth in this vertical. In December, the important holiday season, YTV was number one with adults 18-49 and kids 2-11 across all specialty networks. We expect further gains to come from the strong demand for the co-view audience in our kids and family portfolios.

In our pay business, movie central and HBO Canada are benefitting from the significant advances in TV everywhere initiatives. New platforms, such as Shaw Go which offered best in class non-linear experiences with our premium content on multiple screens are being very well received by consumers. Our On Demand offerings combined with movie central's hit series' and blockbuster films, including the highly anticipated new season of Girls. And films like Sherlock Holmes, are expected to drive increased subscriber retention and further growth in the quarter for our pay TV business.

Our international kids business remains focused on driving digital revenue growth by exploiting the growing demand for multi-language non-linear kid content. We are making significant progress on this front by maximizing the value of our deep library of brand name kids content to meet this demand in both established and emerging markets.

As part of our strategy to extend our international presence, last week we began transmitting our international children's television channel KidsCo - which is a partnership with NBC Universal - from Corus (Keep). Investments like KidsCo, which reaches 100 countries in 17 languages around the world, will provide upside for our business as we expand our broadcasting portfolio and expose our exceptional kids brands to wider markets.

In our merchandising business, Beyblade remains a strong brand but is coming off record highs. We anticipate that revenues will be down compared to the exceptional comps from a year ago.

We're pleased to report that new brands such as the CG animated preschool series, Mike the Knight which is a co-production with Mattel owned HIT Entertainment, is poised for success. Mike the Knight is rating very well on major broadcast platforms, including Nick Jr. in the United States, where it ranks number one, and number two respectively for girls 2-5 and kids 2-5. With locked in broadcast sales in major territories around the world and a global master toy program with Mattel's Fisher Price launching later this fiscal. The stage is set for our next big hit, Mike the Knight.

In summary, we feel we are really well positioned for the year. And despite some broader forces at play in the economy, we are confident that we will continue to drive growth in the back half of this fiscal. We remain focused on optimizing the value of our brands by expanding the digital reach of our content and offerings, both domestically and internationally. By taking advantage of opportunistic investments and tuck ins that complement our asset mix. And, of course, by continuing to rigorously manage our costs.

Yesterday we were pleased to announce that our strong balance sheet and free cash flow has enabled us to deliver a significant dividend increase of 6.25% to our shareholders, bringing our annual dividend on our Class B shares up to $1.02 per share. Compared to the previous rate of $0.96.

As part of this call today we would also like to reiterate our annual guidance. As announced at our investor day, which was held on November 29, our guidance for fiscal 2013 is $293 million to $303 million in consolidated segment profit. And also we are looking to generate free cash flow in excess of $140 million.

We hope you have found these comments helpful and we'll now take any questions that you may have. So operator, over to you.

Operator: Thank you. Ladies and gentlemen, if you would like to register a question at this time please press the 1 followed by the 4 on your telephone. You will hear a three tone prompt to acknowledge your request. If you're question has been answered and you'd like to withdraw your registration, please press the 1 followed by the 3. If you're using a speaker phone, please lift your handset before entering your request. One moment please for the first question.

And our first question comes from the line of Paul Steep with Scotia Capital, please go ahead.

Paul Steep: Great, thanks. John, you talked briefly I guess in the prepared remarks about the launch of Shaw Go and the uptake there. Maybe you can give us more feedback, just on what the rollout (tip) and of potentially additional services. I know Shaw talked on their call a little about kids and maybe back to the core service, what the availability of the core library looks like today in terms of how you're ramping that up.

John Cassaday: Yeah, I think the - first of all Shaw Go has been exceptionally well received and sort of the feature item in that offering was our Movie Central and HBO, which was very flattering to us. We're excited about Shaw Go for a number of reasons. One, as you know Paul, we've really been advocates for a long period of time about TV everywhere initiative. In other words, keeping our ecosystem strong by insuring that people that pay a subscription are entitled to get our content on whatever platform they want, whenever they want it.

We think that this is going to be a significant boost for our Movie Central, our pay business in general. It's going to assist in reducing churn. And as we add new content, as we discussed in our opening remarks, and retention programs like the ones that we have in place now and have had historically. I think this combination of the rollout, HD services at Shaw, and the introduction of Shaw Go is going to have a real positive impact on that.

So in terms of actual subscriber count levels, all we can really tell you is that it's been extremely well received. The application is viewed by users as being very friendly, maybe best in class. And what we've been doing is adding additional content from our services, making it available and most recently we just made available to them a significant portion of our library to deploy across their various services, set top box and Shaw Go.

Paul Steep: Great...

Doug Murphy: It's Doug, Paul if I could just build on John's comments as regards to pay. At this point in time we feel very positive about the customer proposition in the marketplace. We've got the best ever programming with hit shows such as Girls and other debuting at the moment. Delivered now on a TV everywhere platform, in this case Shaw Go. And available in HD On Demand. So this pick up of subs is obviously encouraging to us and I think we believe strongly that our retention activities should be very strong this year. Because the product itself is a much better consumer proposition. So that's on pay.

On the kids side, as John noted, just to put a fine point on it. We have a big opportunity in the coming year and then some domestically to work with all our BDUs and license our Nelvana library of content to be deployed through their systems via set top box to their subscribers. And we started with Shaw most recently, we're currently discussing a similar offering with all the BDUs across the country.

Paul Steep: And you think by the year basically you get it all done Doug? Or aim to?

Doug Murphy: We'd like to, of course it's a negotiation in every case. But we, you know, obviously there is a high degree of demand for Nelvana library Paul. And we have a very strong view as to what the value of that library is. So assuming we can come to satisfactory negotiations with our BDU partners and we expect that.

Paul Steep: Great, just two quick ones left for me. One just on further (carriage) maybe for ABC Spark and Nickelodeon, it's good to see them both go into the VIP package on Rogers. How should we think about the rollout of further (carriage) for those services over the next year? Or should we think that's sort of a 2014 type event?

John Cassaday: I think we're in pretty good shape on both those services now. There's going to be modest gains, but when you've got good distribution with the three big players - Bell, Shaw, Rogers - which we now do. I think you're in the sweet spot, so I would say that whatever happens from this point forward would be incremental as opposed to transformational change.

But most importantly now we've got a platform where we can translate improved ratings into incremental revenue. We were talking earlier this morning about the success that we had with W years ago. A service that when we acquired it was doing less than $10 million in advertising, now doing $50 million in advertising. And, yeah, we did a lot in terms of ratings but bottom line is it was a real attractive demo that allowed us to really index above norm on that service.

We think ABC Spark in particular is a brand very similar in character to that. It has the potential of being a significant contributor to our growth going forward. Particularly now that we've locked in, as you said, that additional (carriage) with Rogers. Which was really, really key to our advertising proposition.

Paul Steep: That's great, last one I guess from Tom or Chris. On the radio margin, just sustainability there. You did mention in the (unintelligible) here a little bit of timing on copyright and hockey sort of playing into a bit of a boost this quarter. I'm not sure how much of that kicked into the margins or if it was largely on the other factors you cited.

Chris Pandoff: Paul, it's Chris. Basically this fiscal year, going into it from last year to this year a lot of the hard work we had done with our margin we continued through this year. And in the first quarter we held back on some discretionary expenses, primarily marketing and some administrative headcounts that we didn't replace.

It continues to be an important part for us in the fact that the markets aren't as robust as we've seen in the past. We're still concentrating on expense and maintaining margins. So, you know, on a go forward basis that's our primary goal.

Tom Peddie: Paul, it's Tom. The one comment I would add is as you know, that number fluctuates quarter to quarter. So our very strong margining Q1, that margin will be low to mid 20s in Q2. We've stated that our overall goal is to make sure we maintain those margins in excess of 30.

Paul Steep: Perfect, thanks guys.

Man: Thank you Paul.

Operator: Our next question comes from the line of Mike Elkins from TD Securities, please go ahead.

Mike Elkins: Hey, good afternoon. Thanks for taking my questions. So the $10 million decline in merchandising and other revenue in the quarter, was that primarily driven by Beyblade? Or were there other items that affected that category?

John Cassaday: Two items, Beyblade and Bakugan. There was still some residual from Bakugan in the year over year comp. It was about equal.

Mike Elkins: Oh okay. So John, I think - I don't know if you want to get too specific. But I think you previously indicated that you expected Beyblade sales might be down around $10 million for the year, you know, is that kind of number still consistent with your expectations?

John Cassaday: Sorry to correct you on that Mike, but what I simply said I used a - basically tried to help frame what it was. And what I said to everybody is a $10 million decline would represent about a $4 million drop in EBITDA. So we weren't specific about where this thing was going to go, because we don't really know. We're one of the partners in this, but it depends entirely on what happens at retail and my example was simply to help you understand, essentially how - what the dynamics were. And the dynamics are a $10 million drop in revenue is a $4 million drop in EBTIDA.

We're seeing some very encouraging things from Beyblade. Doug was sharing with our board over the last couple days for 14 and 15. We really hope that this can be an evergreen brand. It probably will not, in fact we're quite sure it won't continue at the levels it achieved last year. But we think it's got continued legs. And the reports that we've got from our partner is that they had a pretty darn good Christmas sell through period.

So we go into the Spring in the enviable position of not having inventory backed up. Doug, you may want to add some additional color to that. But the general comment is that we do expect the Beyblade to be soft versus strong comps last year. This will be particularly true in Q2 but this brand seems to have sustainability potential.

Doug Murphy: I'll just echo John's comments Mike. Q2 last year was our breakout quarter, where Hasbro and our partners hit the cover off the ball. And we do expect this year to be down from last year and we saw this play out in Q1. Q2 is the remittances against the Christmas selling season. We don't have perfect visibility to that right now, because not all of the reports are back in. But I think as we've commented today, we will be down versus last year.

But to echo John's comments as well, obviously we have ongoing investments in content, new product innovations, those that attend Toy Faire next month in February will see all the great new innovation that we have for the product line that our partners at Hasbro and (unintelligible) have put in place. So we're all aligned to make sure this business is sustainable. But this year, I think, will be the year where it will find its level of sustainability as we kind of come up against last year's outstanding results.

Mike Elkins: Okay, that's very helpful. Thanks. And maybe just one more question on program and cost amortization. (Can) you provide some color on what drove the 2% decline in the quarter? Was it a function of lower cost, produce your own content? Maybe (overcost) in US content? Are there any particular genres that are driving it? Anything you can provide there would be helpful.

Doug Murphy: It's Doug, Mike. Specifically the results in this quarter were very strong in our view. Most of it came from a disciplined management of our PA and programming expenditures. So principally for the quarter, that's where the source of savings were.

Mike Elkins: Right, and sustainable going forward through the next couple quarters?

Doug Murphy: Sustainable within the context of our requirements from the regulator to spend, you know, a certain amount of CPE against our networks. We have proven this year, and we're especially proud of the ratings performances on W in particular our Canadian original programming. W's performance in weekday prime is up north of 40% and the network itself is delivering outstanding ratings all on the back of our original programming investments.

So for the first quarter we were able to shift some investments around. But we're committed to investing in Canadian programming and so every quarter will be a bit of a different story but we're going to make the right investments for the business.

Mike Elkins: Alright that's great, thanks very much.

Doug Murphy: Thank you Mike.

Operator: Our next question comes from the line of Adam Shine with National Bank Financial, please go ahead.

Adam Shine: Thanks a lot, good afternoon. John maybe just starting with you and or Tom, just with respect to ABC Spark and maybe even Cartoon Network in the Q1. Can you speak to whether or not there were any lingering sort of free preview periods? And whether there was any contribution of any kind worth noting, in the Q1.

John Cassaday: The Cartoon Network would have been a free period, virtually all of it. ABC Spark, I suspect most of that was free preview period as well. And of course we've just begun a free preview period with Rogers. So you would have been looking with the case of ABC Spark at dusk sub revenue out. With ABC Spark coming in and no commensurate revenue there.

So that's why we're a little bit more optimistic about the back half as that begins to kick in. And Cartoon Network, really early stages. No real contribution from Cartoon Network at this point.

Adam Shine: And just on that point, I guess, whether it relates specifically to sort of a post preview environment and or some of these initiatives that seem to be successful on the Movie Central front. Anything worth noting in regards to the marketing spend, which I think was referred to as being a bit lighter from a (Tommy) perspective in Q1?

Doug Murphy: It's Doug, Adam. On Q - this quarter right now in market we have some marketing investments against both W, you'll see all kinds of material out there in the marketplace. I draw your attention to the one (unintelligible) big digital screen there as you're driving by (unintelligible) you'll see. And many, many others as well as ABC Spark. Once we've secured additional distribution on Rogers with ABC Spark, we have on deck a marketing campaign to bring the countries attention to this great new service. So we are supporting our investments in programming with commensurate investments in marketing in this quarter. And as a result, we expect to see continued strong ratings stories which, in time, will convert to revenue.

Adam Shine: Great, thanks a lot. Appreciate it.

Doug Murphy: Thanks Adam.

Man: Hello?

Man: Yes, go ahead.

Man: We lost everybody.

Man: Operator have we lost you there.

Operator: We're still here, it looks like the person who was asking the question disconnected. We'll move on to the next question. It comes from the line of Aravinda Galappatthige, with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige: Good afternoon, thanks for taking my questions. A couple questions on Nelvana. Firstly on Mike the Knight, you talked about the progress on that. Could you help us out in terms of the roadmap from here on? Are there any sort of merchandise that hits the shelves any time soon? And at what point do you think that you'll start to see meaningful merchandise revenues from this brand?

John Cassaday: There's quite a successful merchandising program for Mike the Knight in play right now in the UK. Strong line of plastics that will likely be fiscal 14 before we see anything meaningful on Mike the Knight in North America.

Doug Murphy: And it will be, there's going to be some soft fabric toys coming out. Sort of an early line of Fisher Price sort of late spring through the summer. But there'll be a full range of plastics, plush, and other toys in the fall. A very full range. So we're very enthusiastically awaiting that launch.

Aravinda Galappatthige: Thanks for that. And on investor day you talked about sort of the digital sales ramp. Expecting a fairly sharp increase in sales of your product Nelvana to most of the ODT operators, any update on that front? Are you still seeing that kind of steep growth that you've discussed then and (unintelligible) there?

John Cassaday: We have an aggressive plan to take advantage of that this year. Both domestically Doug talked about the fact that we have been successful with one distribution partner in Canada and have offerings in front of all of the others. As it relates to our international business, we spent significant amount of time developing a comprehensive list of who all the ODT players were. Where they could be contacted, kinds of interest that they had in the acquisition of programming. Now we've put our international sales team to work to make that a reality.

So we've got best case, worst case, and mid case plans. And because this is all sort of frontier type activity, we don't really know where this thing can go but we know there's a terrific opportunity and we're trying to take full advantage of it. So that's one that will unfold on a weekly basis. And as I've said, we've had considerable successes as you know already with Netflix both in the United States and throughout other markets in the world. And we are now beginning to top the Canadian marketplace with our traditional distribution partners.

Aravinda Galappatthige: And then just moving on to the kids TV side. You've indicated that you are starting to see some strength on the ratings front. The ad revenues seem to have been declining for a while now. Any sign of stability as these ratings kind of take hold towards the end of the year? Or is the visibility still quite poor on that front?

Doug Murphy: It's Doug. Visibility is still fairly murkier than to be candid. We are very pleased with the ratings results, we are actually tracking kids audiences but plus 10% versus last. So we are in a challenging ratings comparative environment for the last 18 months and we've turned the corner there. and as we've said in the past, you know, audiences lead revenues so that's in motion.

The challenge we've continued to have at this time is the demand creation challenge. We've talked in the past about our issues at retail with the transition of (Zellers) and Target as well as some other factors in secular issues in around the food business.

But what's encouraging is that we're soon going to be seeing Target opening with 35 stores by April 1. And then getting to the full contingent of launch of 140 stores by Fall of next year. We think that's going to bring an overall firming up on the retail market, which will have (knock) on effects with the toy business, with the DVD business, with the food categories. As we, in parallel, continue to work on developing new categories of advertising on our kids networks.

So it starts with ratings, it will be helped by the firming of retail in the market over the coming quarters. So we're optimistic, as we said at investors day, that we'll begin to turn the corner on our revenue growth basis on the back half of the year.

Aravinda Galappatthige: Thanks. And then lastly, perhaps for Tom. On the corporate costs, you said it declined in Q1. Is it said to expect, perhaps not as big, but continued decline on a year to year basis on the corporate costs line? Any commentary along those lines?

Tom Peddie: I think we would guide you to a number of probably $ 26 million to $28 million totally depending upon stock based (comp). As you know, the number last year was 29. Right now we're tracking a little lower than 26, but somewhere in the 26 plus range.

Aravinda Galappatthige: Okay, thanks a lot Tom. I'll leave it there. Thank you.

Tom Peddie: Thank you (Irvin).

Operator: And ladies and gentlemen, as a reminder to register for a question please press the 1 followed by the 4 on your telephones. Our next question comes from the line of Tim Casey with BMO, please go ahead.

Tim Casey: Hi, good afternoon. Doug could you explain or help us understand, sorry, what the economic model you are pursuing with the BDUs as you try to license Nelvana, on this Nelvana content. I'm assuming it would be largely a library deal given the new stuff is on your channels. Is it kind of a one off sale that we would see one hit on the PNL, or would these be multi-year deals where the PNL gets spread out?

And another question I had is, I'm curious about how we should think about programming costs on the pay side. And where I'm poking at is you obviously have a long term deal with HBO, but HBOs costs change through the term of your arrangement as other, you know, new competitors enter the market and buy certain libraries and their costs change. How does it work for you? Is there a varying programming cost based on HBOs cost? Or is it a set rate that gets revalued or reset periodically. Just structurally can you help us try to understand that?

John Cassaday: Tim, I'll handle the HBO one and Doug can give you some color on how we're looking at the OTT opportunity. The HBO deal is a long term deal, it runs through 2018. The pricing per hour is set, the unknown is how many hours will be put to us. So it depends how prolific HBO is and the unknown for us and the challenge for us in estimating our cost in HBO is how many movies are they going to push our way, how many series are they going to push our way.

I can tell you one thing, we never begrudge an extra one because they continue to be promotable and serve us well. But it is in fact, a "variable" cost because of the uncertainty that relates only to the amount of (through put) not the rate per hour.

Tim Casey: Is it a pay for play deal, John? Or do you have the right to say, "That program is not going to work for us."

John Cassaday: It is a pay for play. We are obliged to take all of the content that they produce for their own service. We are their partner on this and we're in this together.

Tim Casey: How about the movie side?

John Cassaday: Same on the movies.

Tim Casey: Same on the movies. Okay, great. Thank you for that.

John Cassaday: And I'm talking about their domestic stuff. Not the studio content that they acquire. Just they're original content.

Tim Casey: And how about the third party studio stuff?

John Cassaday: Third party studio stuff, that's separate. We have our own arrangements from the studios.

Tim Casey: Oh, you buy totally separate from them. Gotcha. Appreciate it.

John Cassaday: That's right.

Doug Murphy: On the kids side Tim, we spend a lot of time sort of honing our strategy to go hunting for these digital revenues. And we looked at sort of the best practice term, license terms that we've seen out there in the marketplace. And have basically emulated that in Canada. So the deal that typically, you know, short term, non-exclusive licenses they behave very much like the program licenses we do for the (linear) broadcasts. So the revenues are recognized when we deliver content and have an executed document. And so the revenues will come in based on us securing said deals with the various BDUs across Canada.

Tim Casey: And am I right, in assuming that this is largely a library deal?

Doug Murphy: Yes, this is Nelvana library content. So it's part of a very robust library that we have at Nelvana. It's the same library that outside of Canada that we're licensing very liberally to over the top operators Hulu, Amazon Prime, Netflix, etc. In Canada, our decision is to focus entirely on the BDU ecosystem (unintelligible) basis.

John Cassaday: The other thing, I'd say, is we're absolutely totally committed to protecting our ratings where we drive advertising revenues. So we have separate (unintelligible) programming that appears our subscribers pay for on a monthly basis. This is completely different programming than that, which appears on our regular schedule on YTV and Treehouse and Teletoon.

Tim Casey: That's great. Very helpful, thank you.

Operator: Our next question comes from the line of (Unintelligible) with RBC Capital Markets, please go ahead.

Man: Thanks, good afternoon. Most of my questions have been answered but maybe I can go back to the CRTC hearing if I may. And just a couple of questions maybe starting with you John if you can comment perhaps on what the possible outcomes are now following the hearing.

John Cassaday: We had a full day, a very robust discussion with the CRTC regarding OWN and I think on December 10 or 11. I think we had a very productive day, we offered up some alternatives from a programming standpoint to offer "a more adult education oriented approach to some of our programming." So specifically, two hours of additional adult educational programming, which we will intersperse into our schedule. And we will produce it as creatively as is possible. And as a result, we're quite confident that we will retain our Category A status as a result of the discussion that we had with the commission. And we're also committed to continuing to build on our ratings success.

So I guess the summary comment is, good discussion. We expect a very positive outcome from those discussions and we have begun to work to prepare to add some additional programming to our schedule. Which we think will complement our service.

Man: Okay, that's all very helpful. John, maybe just one point of clarification though. If you did lose the Cat A license, and specifically as it relates to, you know, linkage requirements on Shaw systems. I'm wondering if that's an area - is the risk primarily for OWN or in that event could you just, you know, Shaw then just drop other Cat B channels that you have in order to fulfill the linkage rules?

John Cassaday: At this point, what I'd really like to say is that we are extremely confident that as a result of the discussions that we had with the CRTC that we will be successful in maintaining our Category A license.

Man: Okay. Thanks very much. And then one for you Tom, if I may just with respect to the bond and the potential refinancing. I'm wondering if there is any update you can give there, thanks very much.

Tom Peddie: No specific update. As you know, our first opportunity to call those bonds is February 10. We have to give 30 days' notice, we're in the process of continuing to assess our options.

Man: Thank you.

Operator: And there are no further questions on the phone lines at this time. I'll turn the conference back to you.

John Cassaday: Thank you operator. Once again everyone thank you for your continued interest in Corus and we look forward to talking to you in the next few days and weeks once again in our second quarter analyst call. Thanks, bye for now. Have a good day.

Operator: Ladies and gentlemen, that does conclude the investor call for today. We thank you for your participation and ask that you please disconnect your lines.

END