CORUS ENTERTAINMENT

Moderator: John Cassaday
April 8, 2009
8:00 am CT

Operator: Good day, ladies and gentlemen, and welcome to the Q2 Analyst conference call. At this time, all participants are in the listen only mode.

Following the presentation, we will conduct a question and answer session. At that time, participants are asked to press star 1 to register for their question. And if you should require operator assistance at any time, please press star 0 on your touchtone phone. As a reminder, know that today's conference is being recorded and the date is April 8, 2009.

It is now my pleasure to introduce your host, Mr. John Cassaday.

John Cassaday: Thank you, Operator. Good morning everyone. My name is John Cassaday. Welcome to Corus Entertainment's 2009 second quarter report and analyst conference call. Thank you for joining us today.

Before we read the standard 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, 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 U.S. Private Securities Litigation Reform Act of 1955. Some of these statements may involve risks and uncertainties. Actual results may be materially different from those contained in such forward-looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the company's filing with the U.S. Securities and Exchange Commission. The Corus Entertainment team available on the call today includes Tom Peddie, Senior Vice President and Chief Financial Officer and Paul Robertson, President of Corus Television

We were very pleased with our Q2 results. We were successful in delivering both revenue and segment profit growth this quarter. As slides 3 and 4 show, our revenue for the quarter was $181.4 million, up 1% from year ago while our consolidated segment profit was $51 million, up 3% from year ago.

We continue to generate strong, positive free cash flow. And our net income for the quarter was $29 million or 36 cents per share. Particularly noteworthy is the fact that we improved our operating margin by 30 basis points versus last year. Cost containment and cost reduction have been and will continue to be an important part of our response to this difficult economic environment.

Turning to slide 5 from a divisional standpoint, television revenues were up – sorry, were $123.4 million, up 5% versus last year. And segment profit was up 7% for the quarter. Our pay TV business continued the strong growth trend from Q1 as the positive effects of our launch of HBO Canada began to take hold and as consumers continued to transition to digital.

During Q2, we added 17,000 subs up 39,000 subs or 4% growth versus the same time last year. Overall, our specialty television business had another positive quarter with single digit revenue growth led by strong sub revenues. We did experience soft ad revenues on the Kid business.

We want to a moment now and provide some additional detail to frame our TV ad results. Our combined women's advertising revenues, W Network, VIVA and Cosmo we up high single digits in the quarter demonstrating that they are positive segment stories within the overall advertising economy.

These positive results were supported by W Network's continued ranking as the number one specialty channel for women 25 top 54 and women 18 to 49. Also a doubling of our VIVA ratings since we launched the new schedule, and CosmoTV's ranking as the number six digital network for women 18 to 34 after only a year from launch.

We had provided on our last call that Q2 would be a soft ad quarter for our Kid's business and it was. The timing of Easter this year and continued challenges in a key category of food and toys led to an ad revenue decline versus last year.

Our ratings however, continued to show positive momentum with YTV seeing the biggest growth in kids 2 to 11 AMAs compared to all other kid networks. YTV also continued to hold the number one spot with boys 2 to 11 and 6 to 11 in the key after school blocks. And we will continue to leverage these rating improvements going forward.

We also a strong contribution this quarter from our kids merchandising and publishing businesses, in particular Bakugan which won Toy of the Year, Boys' Action Brand of the Year, and Property of the Year at the annual Toy Awards held at Toy Fair in February.

In summary, television delivered outstanding results in Q2. We had strong pay TV growth which contributed to solid subscription revenue growth, continued success in selling the women's demographic, strong growth in merchandising and single digit growth from our conventional television stations. Importantly, our competitive position continued to improve with continued ratings progress.

Turning to our radio division, revenues for the quarter were $57.9 million, down a disappointing 6% from last year. But we were essentially bang on our guidance from the Q1 call. Segment profit was down 31% versus year ago. Profitability for radio in the quarter was impacted by a restructuring charge for our Quebec radio operations.

Improving our performance in Quebec has been a key strategic goal and we continue to see progress. Our Montreal French and CFO ((inaudible)) in Quebec City all performed well in the quarter.

The soft economy particularly in the Western Canadian market continues to affect the radio industry and Corus' radio division. For Corus, our top three categories in Q2 for retail, professional services and automotive retail.

Top ten categories that had positive swings in the quarter include retail, automotive and media. While top ten categories that saw declines in the quarter include home products, telecommunications and entertainment.

In closing, we will provide some comments on our outlook for the rest of the year. So if you would turn to slide 6. First, we do not expect to see year over year revenue growth from our radio operations. We can tell you that March was only down around 2% but visibility remains poor due to late bookings and our outlook for the full year currently sees declines in the mid single digit range.

Second, we have positive revenue momentum in Quebec. From a ratings standpoint, PPM results – excuse me – released on March 11 had some clear wins for us that we will sell hard against. For example (C Quoi) in Montreal is now emerging as a market leader for the first time since 2002. And 98.5 also came out strong and is now ahead of the SRC among the news talk stations.

We reformatted four of our FM stations in Gatineau, (Trav Rivere) and Sagana and Sherbrooke in the quarter to a hybrid local news and music format using music similar to our popular CFMO station, which leads the 12 plus demo in Quebec City. This gives these stations an improved cost structure going forward.

Third, last week, the S1 ratings were released. For our stations in the survey, 15 out of 22 were positive or neutral. But we do not believe our ad share potential was materially impacted up or down by these results. The overall economy continues to be the determining factor for our numbers in the back half of this year.

Next, we are confident of our continued solid growth from our pay TV business. Our target of adding 50,000 subscribers during the year will be met or exceeded. Our coordinated marketing efforts and compelling introductory offers with our BDU partners around the launch of HBO Canada will continue to be highly successful.

On the programming side, the spring and summer slate is strong with new seasons of popular series such as True Blood, Entourage, In Treatment and Tracy Ullman's State of the Union, all scheduled to be released.

Increased digital subscriber growth, like the results issued by Shaw a few weeks ago and then I think updated again this morning, point to similar pay TV growth trends and also are consistent with the growth trends that we are seeing in the United States.

The combination of Shaw's success and the ongoing U.S. progress give us confidence that our subscriber revenues will continue to show growth for both our pay and specialty television businesses.

The introduction of Movie Central On Demand universally across the Shaw system is another positive factor. Also we have been successful in securing a price increase for Movie Central, which will kick in mid Q3 and impact all of Q4's results.

Next, we continue to see growth for our women's brands. W remains strong and both VIVA and Cosmo continue to meet our ratings and ad revenue expectations. From a programming standpoint, our W movie strategy has been a huge success with W network delivering 24 of the top 25 movies for women 25 to 54.

We will leverage our strength in movie buying to include VIVA and CosmoTV. And as we continue to build our VIVA programming, we will launch a VIVA Cuisine segment and a new programming block including food.

We are managing our kids' portfolio now as one integrated business unit with the intent of building a powerful portfolio of kids' growth engines thus ultimately reducing our dependence on ad revenues.

We expect our kids' ad performance to improve however in the back half due to the timing of Easter, continued ratings performance and an expected uptick in the food category as many companies begin to invest in reformulated products and health line extensions.

We continue to enjoy considerable success with Bakugan and expect that this brand will continue to be a best selling toy in top tier territories this year. We are also now launching in key secondary territories like Germany, Italy, Spain, Scandinavia and Switzerland, which we believe will continue to drive further growth of this exciting brand.

Before we turn the call over to your questions, in summary we continue to deliver positive revenue, segment profit, free cash flow, and net income this quarter. We have a diversified portfolio of entertainment brands that have multiple revenue streams that we believe will continue to offset any continued ad softness.

We hope that you found our comments helpful in providing and overview of our Q2 results and outlook for the remainder of the year. And we'll now take any questions that you might have.

Operator: Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press star then 1 on your touchtone phone. And remember if you're using a speakerphone, it is preferable to lift a handset first. And to withdraw an already answered question, please press the pound sign.

Our first question will be from (Drew McReynolds) of RBC Capital Markets.

John Cassaday: Good morning, (Drew).

(Drew McReynolds): Good morning. Thanks very much. I'll start off with a few questions and then maybe circle back. Just on the specialty advertising decline of 8%, can you quantify precisely what the Easter impact was in there?

And then also with respect to the 12% sub growth, can you break that down in broad strokes between you know what VIVA contributed and perhaps you know what you know pay television has contributed?

John Cassaday: OK (Drew), I'm turning this over to Paul.

Paul Robertson: OK, first of all the minus eight in ad sales, it was particularly driven by the kids' areas John said at the start. In terms of the way Easter fell, it certainly favored more revenue this year into Q3 when last year it put more revenue into Q2, so there was an effect there.

But I wouldn't say it wouldn't extraordinarily shift that minus eight number. I think that it's pretty reflective of what we saw during the quarter despite that Easter impact. Although you know hopefully we'll get a little bit of lift in Q3 as we get better comps compared to last year.

So that's it on the ad sales side. In terms of the impact on subscriber revenue growth, if you took – importantly I think if you took out VIVA which is a good contributor on the sub revenue side, you were still left with a 4% revenue growth across the rest of the portfolio.

(Drew McReynolds): OK, that's helpful, thanks for that. Maybe a couple follow ups here, maybe for John. Can you just comment on pricing pressure across radio and specialty just in terms of ad rates? Just looking for kind of comments on general trends here.

John Cassaday: Well I would say that there is considerable pricing pressure. Clearly we're seeing not only in radio but also in television now, advertisers booking later. There's no question that given the headlines about the state of affairs in newspaper and conventional television, there are a number of advertisers that are concluding that all media companies are in the same difficult situation.

Quite frankly, the demand on our women's networks and our top performing radio stations gives us considerable insulation from that. And we certainly recognize that our customers are struggling right now in many respects.

And are looking for help from us but we're working very hard to hold our margins as you saw in this particular quarter. We in fact improved our margins overall corporately and certainly increased them nicely on television.

So that's as probably as good a demonstration as I can give you of that. But there is no question as this thing goes on that everybody's looking for quote, "a deal." And the top performing stations have got the best opportunity to hold their pricing and we're working very hard at doing that.

(Drew McReynolds): OK, thank you. And just on the – I think I missed some of you outlook comments. Presumably pertaining to radio, was it March was done negative 2% and then for the full year you know expecting down – expecting to be down mid single digit? Is that – did I get that right?

John Cassaday: Yes, ((inaudible)) point that we were trying to make there is that the pacing for March is looking as good you know was – as good as we've seen in quite some time. But now you start looking out again and the visibility's less clear.

So what I was saying is I don't want to take real comfort from the fact that March was pretty darn good because I just don't know yet how the rest of the year will unfold. So what we were suggesting is that this year we're running around minus five for the first half.

And we're thinking that something in the range of minus five to minus eight could be the outlook for the full year. We hope it's better but what we were suggesting is that Q3 could be in the minus five to minus eight range. And that's something that you should factor in to you thinking.

(Drew McReynolds): OK and certainly appreciate that type of guidance, that's great. Last question, just on the conventional television, noticed it was up year over year obviously continues to be a pretty great performer and in particular on a relative basis. Just what's the magic there for you guys given what's happened in the rest of the industry?

John Cassaday: Well I think what – we're in two markets where we effectively have you know a monopoly situation if you will in terms of local television. We've got good management. We've done a good job in managing our costs and retaining our sales force.

We're less vulnerable to national advertising, which has probably been the most impacted by this downturn. And we're just proud of the work that our teams are doing in Kingston and Peterborough and Ashoka for that matter, to hold our own.

(Drew McReynolds): OK. Thank you very much.

Operator: Thank you. Our next question will come from Paul Steep of Scotia Capital. Please go ahead.

John Cassaday: Good morning, Paul.

Paul Steep: Hi, guys. Maybe we could talk a little bit, I guess more for Tom. You know you've obviously done some changes on radio, maybe you can just give us a sense of where we are in the process in terms of getting the cost benefits out of some of the changes you've made, whether those you know all showed up in the quarter or were still sort of lagged by maybe a quarter before the margin sort of stabilizes or turns the other way.

Tom Peddie: Paul, it's Tom. I guess I would describe it still as a work in progress. We are initiating a number of cost savings steps. There will be some additional charges in Q3 related to what we've been doing in Quebec.

And you know it's just taking us a lot longer to get our costs aligned. You know as we said in the previous call, ((inaudible)) felt that our problem was more on the revenue side but you know we are getting some strength in the revenue, but still our costs in that particular market are, are just a little too high.

Paul Steep: OK fair enough and I assume on the charge size we're still talking about the same size we had this quarter, nothing substantially bigger?

Tom Peddie: I'm not sure how to, how to answer that question. Certainly the, the charges in Q3 will be higher than they would have been in Q4, it was really because of, Q2 because of the timing issues and some of the initiatives that we had announced didn't actually take place until March so the impact in Q3 will be higher than it was on Q2.

Paul Steep: OK fair enough, the next one would be again still for you. Just help us a little on the modeling side. How much (Max Track) was in on the revenues and the EBIDTA on the first half because obviously that disappears in the rest of this year?

Tom Peddie: I don't think that we decided that we would disclose that particular number. I mean you know it was a positive contributor to us but not material. And you know as we had said at the time we felt it was for us more of a sunset business so we felt that it would, we should dispose of it.

The one positive impact to us was on the cash flow side where we received approximately $9 million in the quarter.

Paul Steep: OK fair enough, I guess the last one really is …

Tom Peddie: Just as a comment year-over-year (Max Track) was flat.

Paul Steep: OK that helps, thank you. The last one's actually for again still for you as well, sort of the working capital management looks like you know like everybody else in this economy you're taking the provisions up a little bit.

Could you talk just a little bit about what you're doing on the receivables side and you know whether or not we're screening clients harder in terms of credit availability or not? It looks like AR, seems like working capital some of that swings but went the right direction and provisions are up a little bit. Any big changes there or are you just on top of it as usual?

Tom Peddie: No I think the answer is that we're on top of it as you would expect. It needs to be a balance between some of our collection people and our sales people in that we don't want our collection people to become the sales prevention department and at the same time you know we need the sales people to continue to push.

So you know we're, we're clearly finding that advertisers are taking longer to pay but they are paying. As you had noticed and as we said in the report you know we were taking some additional provisions. But we haven't had any real substantive changes and as you also note you know when you look at our receivables position at the end of August versus now you saw a significant improvement.

Now some of that was because of lower sales but we've been doing a good job on the collections. So our focus has really been on managing the working capital and it is the reason that we're continuing to forecast that we will hit our free cash flow guidance.

Paul Steep: Good OK, thanks, guys, that helps.

Operator: Thank you. Our next question will be from Bob Bek of CIBC.

Male: Good morning, Bob.

Robert Bek: Thanks good morning, guys. Just if I could turn back to, to Paul's answer on the, the general specialty ad market, so the kids' segment was particularly hit in the quarter as you explained.

If, if you had to look at a more general ad commentary for the quarter away from that segment in particular, Paul, where would you, where would you sort of see where the market as a whole was lining up for the quarter?

Paul Robertson: Sure, Bob, I think that overall the specialty ad market is still in a growth mode.

Robert Bek: Right.

Paul Robertson: And, and whether that's kind of low to mid single somewhere in around there. So I think it's still, it's still healthy. As John set out you know it just depends on which categories. The more we sell in the women's area, the more we still feel like we're in a, in a relatively buoyant business.

So I, I don't, we don't really see why the specialty market can't continue to grow at that sort of level. We felt we got hit pretty hard on kids during the quarter and that we could drive more growth out of specialty in the back half.

So I guess a couple of things on the mind to say that we had during the quarter, it was offset a lot with really strong performance in other revenues in the kids' areas\ and that's something that maybe doesn't come to your attention that much.

But you know with, with Bakugan performing so well we're really kind of able to balance the books in the kids' portfolio. And then you know I think, I think past that we feel that we can perform better in the kids' area in the back half and that we can continue to grow that women's, women's portfolio.

Robert Bek: That's ((inaudible)) thank you, just turn to radio obviously you're continuing to look at the costs. John, I noted that you're kind of formally put a statement in the risks and uncertainties about a more formal process to take a look at radio. Is there more to read into that or is that just a continuation of what you've been talking about as far as looking at the cost structure for radio?

John Cassaday: Well first of all on the broad subject, excuse me, of cost containment we're very much focused on this corporately. There's a number of initiatives that we have put in place already including a hiring freeze.

There's been approximately 100 positions that have been now saved through this hiring freeze, meaningful dollars there, salary reductions at the management committee level, massive reductions in G&A spending, elimination of certain events that we had planned.

So I just want to make sure that everybody is aware that we are doing everything in our power to control costs. We are also looking at some additional initiatives that we will be talking to our employees about over the next couple of days

So not really at liberty to speak about them now but our view is that everything that we can do right now to make sure that we have the optimal cost structure is in the best interest of our shareholders, so we're, we're working on that.

As it relates to your comment about radio we have got new radio management team so we're taking the opportunity to take a fresh look at our radio business. We have a process underway to look at you know all aspects of radio from a, a strategic planning point of view.

And what results come out of that we'll share with you probably if not before our Investor Day at that time. But I wouldn't read anything dramatic. We still think radio is a terrific business that has the capability of generating lots of free cash flow.

We think that our performance can be improved over historical levels by getting our Quebec business back on track. And we're, we're really, really focused on that right now. And we just need some wind in our sails to take advantage of some of the strong formats and rating performances that we have in the balance of the country to get radio back in a position that we want it to be in.

Robert Bek: That's ((inaudible)) thanks. I guess while I have you on the line a broader question for you perhaps, John, and your team. You guys have been around the media space for quite some time and have seen a number of recessions.

Is there, is there a couple of comments you could make as far as you know obviously there's some extraordinary circumstances we're going through currently but you know how it feels and looks in the various spaces relative to others, difficult periods that you guys have seen in, in prior recessions?

John Cassaday: Well I guess one thing that I would say, Bob, is that in our view we've now gotten through three quarters or nine months. We started to see this in June of last year. So I don't know when the end is but what I can say is we're, we're through it by three full quarters now.

And Corus has performed very well. I don't know how many media companies in North America, I can't think of one that is going to be able to do as we've done today report year-over-year earnings growth over the first six months, year-over-year revenue growth over the first six months.

So I think some of the comments that you and your colleagues have made about the strength of our diversified portfolio is serving us very well right now. So we're managing the heck out of this company right now. We're managing all of these different portfolio assets that we have.

We're managing our cost side and we're quite convinced that by continuing to invest in programming during this downturn, keeping our, our costs under control that when the economy does start to turn our course is going to be extremely well positioned.

As Paul said and I won't go on too much longer here, but you know we are seeing some, some interesting segment growth opportunities within it so there is, there is not you know a complete malaise over the whole ad economy.

There are segments of the ad economy that are continuing to grow and we believe, and I know I've said in the past that we believe we're going to start to see some improvement in May, June of this year. Our belief is based on the fact that we think that fundamentally the Canadian economy is stronger than the U.S. economy and only time will tell if that prediction holds out.

Robert Bek: … thanks, the housekeeping and I'll leave it for others. Tom, G&A run rate is this a decent number to use going forward? It looks like it's down a bit from a year ago and a fair bit from Q1. I'm just looking for some guidance on that.

Tom Peddie: I think the run rate that you're seeing there is probably pretty consistent.

Robert Bek: OK thanks, I'll leave it there for others. Thank you.

Operator: Thank you, our next question will be from David Mcfadgen from Cormark Securities.

Male: Good morning, David.

David Mcfadgen: Hi, good morning, a couple of questions. Could you quantify at all the impact that Bakugan had on your results in the quarter?

(John Cassaday): Well we haven't isolated it but as Paul said that you know effectively the kids business was, was a wash with the strength of Bakugan and also to a lesser degree Backyard again is offsetting the softness on the ad revenue side.

So I think the sort of wisdom if you will of putting together our kids business and starting to look at that as a broad global portfolio really played well in the quarter. And we see continued momentum on that brand and you know sustaining earnings potential on that brand for some time into the future. As we indicated we're still in the midst of rolling out into some of the secondary and then ultimately the tertiary markets. But the brand looks like it's got legs.

David Mcfadgen: OK.

Male: … we just to show it's kind of early in its life cycle, we're launching season two of Bakugan, Teletoon and Cartoon Network in the spring so we're really still at the front end of the revenue lift there.

David Mcfadgen: OK just, Paul, based on your comments earlier you said that the kids advertising softness was the primary reason for the decline in specialty advertising revenue in the quarter.

So that would lead me to believe that the kids advertising revenue trend was down, it looks like fairly aggressively, double digits, is that accurate?

Paul Robertson: I'm sorry I didn't hear how you, how you typified it, David.

David Mcfadgen: Well if, if the kids advertising was the main reason why specialty advertising revenue was down about 8% in the quarter that would lead me to believe that the kids advertising was down fairly aggressively on a double digit basis. I just wonder if that's an accurate characterization of what happened in the quarter.

Paul Robertson: Yes that's the way it would, that's the way it would balance out because we're in a growth mode on the women's side.

David Mcfadgen: So, so it looks like the specialty advertising revenue decline accelerated in Q2 so I'm just kind of wondering what the outlook is for Q3. You seem to express more optimism on kids so it should get better in Q3 and Q4, no?

Paul Robertson: Well David we have you know we have this ((inaudible)) hanging on this Easter effect but I think that will be a small part of the, the improvement. But I think also if we just read our bookings pattern compared to a year ago, I mean John, John would tell looking at this on a weekly basis going, "Wow we're really down from year ago given the lateness of the bookings."

But really now we've kind of caught up to things and our bookings are about exactly for the last year. So that's, that's been really encouraging. Now we hope that it will kind of hold out that we'll kind of get back into a growth mode on the total specialty business as we finish up in Q3. But I, we can tell you that the, the comparative trend in terms of how much we have, have already written up is much better than anything we've seen in the last 6 to 9 months.

David Mcfadgen: OK can you help us with the magnitude of the price increase that you would expect to see for Movie Central?

Male: Well we can't be specific but I think for modeling purposes assume something in the 8% to 12% range.

David Mcfadgen: OK and one of the upsides that I always thought was possible for you guys was the VIVA ad revenue …

Male: No.

David Mcfadgen: It was pretty low when you bought that channel.

Male: Yes.

David Mcfadgen: How is that trending?

Male: It's, it's trending well. We as you know ratings are the key and we've more than doubled the ratings since we have reformatted the station so I think we're continuing to invest in programming there. We see great potential. We're getting good reaction from both advertisers and from audiences.

So I think your expectation of that becoming a decent sized brand in a relatively short period of time is real. Certainly nothing we're seeing to this point would suggest it's, it's anything but what we characterized it.

Remember we gave you some analogous channels to look at like Showcase Action and some of those others. And I think we're definitely going to be able to achieve those levels of, of growth and revenue size.

David Mcfadgen: OK and then, then just lastly, at the beginning of this fiscal year, I think it was your ((inaudible)) today, you talked about making a cost reduction in the radio business I think it was about $5 million. Was, was that achieved?

Male: Yes we certainly have achieved that. We took about, in terms of corporate, I'd say our run rate is about $4 million for the year. And that's, that was the elimination of the role of president, VP sales, VP programming, VP finance, so that, those savings are, are sustainable.

We've also obviously been working hard on our G&A costs, travel costs and also this hiring freeze that we've had in radio so I think our savings will be certainly well in excess of $5 million year-over-year.

You have to remember that there were also wages increases that, that got into this year that were announced before we put the hiring freeze in. We also had some incremental talent costs this year as we locked up much of our, many of our top talent last year into multi-year deals.

So there's a bit of a masking effect around the good work that was done on, on reducing costs in radio.

David Mcfadgen: OK, all right, thank you.

Operator: Thank you, our next question will be from Scott Cuthbertson of TD Newcrest.

Scott Cuthbertson: Good morning thanks, just a couple of questions ((inaudible)). I kind of wondered if you've give us a bit more color on the, on the strength in Quebec and what's driving that and how sustainable it is?

(John Cassaday): OK basically the Quebec market moved to PPM a new method of tracking audiences and while we believe fundamentally in the power of that particular piece of research and have advocated it for quite some time, we realize that in some markets the move away from diaries to PPMs would hurt us and in others it would help us.

Well in fact in Quebec it's helped us quite nicely. (CKOI) has seen a nice uptick and that is an important brand for us from a revenue point of view so that's very positive. CKAC which was a news talk station that we converted to an all-sports station has also seen a terrific, terrific bump in audience. So bottom line is you know we were a net winner out of PPM there.

The other thing that's really gone our way is that we have a station in Quebec City that's effectively in an oldies format that's also done extraordinarily well. And it's gone from sort of the hinterlands to number one in Quebec City and we're monetizing that success now as well.

Scott Cuthbertson: How about the overall market, John, is Quebec versus western Canada? Is western Canada you know I would imagine hit harder during the earlier part of this recession because of the whole energy thing than Quebec; is that a reasonable statement? How is Quebec doing on a relative basis?

John Cassaday: I would say that we're seeing less of a, you know, of a bounce in Quebec than we're just recognizing that Quebec never really enjoyed the success that Ontario and particularly the west had over the last couple of years.

So the west has fallen off quite a bit as a result of the downturn in the economy but Quebec's been basically flat and we're seeing some uptick there as a result of our improved competitive position.

Scott Cuthbertson: That's great, just looking ahead a little bit into the, you know, the programming buying season and upfront. I remember last year you guys did you know you saw this coming to some extent and so you booked more, I think it was like 15% to 20% more, in the upfront market than you'd done previously.

Can you, can you just give us your thoughts as we get into program buying and upfront ad selling seeing ways things have changed it's going to be pretty year in that market for conventional. How's it shaping up for specialty?

John Cassaday: Well I, I personally, I'm sure Paul will have a comment on this too, but my feeling is having talked to virtually all of our major customers that we're going to be a big, big spot market players next year.

I think that a lot of the agencies are going to be less willing than they have in the past to make longer term commitments. But we'll see what happens. That process is pretty much underway right now for us particularly on the kids' side.

So Paul, I don't know if you have any additional comments. But certainly my gut reaction, Scott, is that people are going to be playing it pretty close to the vest for the next several quarters.

Scott Cuthbertson: OK and what about program acquisition costs? Do you think you see any relief on that front given the economic weakness?

John Cassaday: Yes well there's two aspects to our program acquisitions. One is our Canadian content and that of course goes up as, in direct proportion to our increases in revenue. That's a regulated amount.

We do have some relief where we are able to understand and average our program costs over the term of the license. So we will be working hard to control our Canadian costs through that particular avenue.

As it relates to U.S. programming costs we are really walking a fine line here because we are absolutely committed to growing our franchises so we need to continue to invest in programmings.

We just acquired two important new sitcoms for YTV to continue our efforts to reposition ourselves as the source for co-viewing or, or essentially family viewing. We continue to invest in W. We made a comment in here about the success that we're enjoying in movies so I'd say we're becoming one of the most important movie buyers in the country and we do believe that we have a real good opportunity to grow VIVA and what we need to do is to invest in a couple of really outstanding series.

We're also looking at the repositioning of one of our brands in the hopes of broadening the appeal of that service. So I guess as I said walking a fine line between making sure that we control our program expense and at the same time make sure that we're delivering the outstanding schedules for our audiences and our distribution partners.

Scott Cuthbertson: OK and the last I will speak on here. I got one tiny house – I got a housekeeping question. This will offset from Tom. CapEx this year you seem to be trending a little bit slower than you know if you just took the yearly number and divided by four. Where are you on that?

Male: Well I think, Scott, that if you look back on what we're seeing at investor day that we you know thought that over a three year period we would spend about $140 million on our capital expenditures and that what we were really doing is lowering expenditures down last year and the year before for – in anticipation of our move to the water front. And so we have been very careful in the first half of the year in what we spend because the spending will start to ramp up in the back half of this particular year.

On our capital side but when we look at it on a three year basis we're in – I guess in good shape relative to that forecast. One of the things that we are seeing which is a positive I guess from the down turn in the economy is that it looks like you know some of our build out costs on the water front will be less because of the competitive pricing in that particular sector.

Scott Cuthbertson: OK. Great, and my last question just I guess for John and or Paul just trying to – I don't know just trying to understand a little bit better you know the trends in kids. Kids have been down for a while you know we've heard about the child obesity, we've heard about the toy recalls you know all this kind of stuff and it seems a little bit elusive you know where – when that market is going to turn.

You know I know you mentioned the impact of the eastern stuff like that but what other – what are sort of the bigger trends which will bring that back and being a more viable business like you used to be and when can we realistically you know expect to see that?

John Cassaday: I think the big thing for us, Scott, is repositioning of why TV as the destination for co-viewing and you're going to see us make significant inroads in that and that will give us the opportunity to broaden our ad base. Right now there are a number of advertisers that are very attracted to us like Telecom and financial services that are not interested in the by-TV audience.

But we have now got substantial evidence that we are by far and away the leader in this co-view and there's not too many advertisers that don't want to reach families when they are sitting together and enjoying television shows. So that's going to be a major, major vocal point for us going forward. The food piece is going to evolve.

As Paul mentioned in his comments a lot of food advertisers have had to step back and retool. Reaching this audience is important to them but the messaging has got to change relative to what it was historically and that's just going to take some time and whether that's you know next quarter or fiscal 2010 I don't know but you are seeing these guys go back and relook at how they communicate to kids and you know we're talking about the elimination of trans fats; the reduction of sugar; the fortification of food products and all of that is part and parcel of them getting ready for you know renewing their activities as to reaching kids and their moms.

And on the toy side I think it's all about having a hit toy. I mean quite frankly yes there have been some issues associated with confidence that stem from the led paint – led and paint issues coming out of China but the bottom line is that business is a hit driven business and you know a few more octagons out there and we'll see the toy category come back in a big way.

Male: If ((inaudible)) I thought was informative and if you ad just a couple of thoughts to that in terms of this year the entertainment category continues to perform very well. It's the kind of third base category for us. And it's been in a growth mode and kind of continues to be in there for us. So we think over the long haul that entertainment will always form a big part of the business. The other side of this if you look at that co-view business it's starting to become a larger and larger portion of YTV's revenue.

And in fact if you look at it in the context of this fiscal year, our projections are that the co-view portion of the business will actually be in a growth mode in side of YTV. So the more we can put into that co-view area the more we can turn around the overall growth rate.

Scott Cuthbertson: So I guess boiling all that down it's tough to say but especially the co-view will be the main drive and we should hopefully see some traction you know late this fiscal or early next fiscal is that reasonable?

Male: I think certainly next fiscal we will start to see the impact of that.

Scott Cuthbertson: OK. Thanks very much.

Male: I would just like to make a comment here. We're really pleased to spend the time with you guys this morning. We're delighted with our results as you've heard me say but we're going to have to end the call at 10 o'clock your time to begin our board meeting so just so if you can think about that and if there is any questions you have I know you know you can reach us offline but I do – I don't want to end this abruptly at 10 o'clock without tell you know that that's the time constrain we're under so please go ahead.

Operator: Thank you sir. Our next question will be from Adam Shine of National Bank financial.

Male: Morning Adam.

Adam Shine: Morning, thanks a lot. I just want to express a little bit on some of the answers given earlier. Let's start with corporate costs. You know Tom eluded to Q2 being a decent run rate but you're already tracking about you know $1.3 million at least lower in the first half than you were last year. I think the guidance of the Q1 call was for a similar you know $23 million-ish in total corporate costs in fiscal '09s. So if you know Q2 is in fact the real run rate you're probably looking at something closer to $16 million which is a far cry from the level last year so maybe we can start there?

Male: I think that you have captured it quite well as John said we've got an awful lot of initiatives on the table and trying to reduce our costs and so the number will be well under 20.

Adam Shine: OK. So Q2 is in fact the real run rate?

Male: Yes.

Adam Shine: OK. Fair enough. If we go to the increase I think it was David's question where you eluded to 8% to 12% increase for the paid TV movie central price. Any related concession to show to achieve that? I mean is this going to be a partial revenue share related to that incremental price increase?

Male: No I think this is a recognition of the investment that we made in bringing the HBO brand to Canada and the impact that has proven to have in increasing the satisfaction level of their subscribers. So no this is purely as in response to the value added that we offered with movie central through the addition of HBO.

Adam Shine: OK. Fantastic this just maybe lastly you know when I look down at your minority interests line it doesn't tend to get a lot of attention but you know it is down quite dramatically from Q2, usually we've got I guess CMT, in there Tele Latino, and perhaps Elements of the Diginet. Anything that we should be aware of there? I mean are we seeing a material decline in CMT revenues as well among some of the other elements down there?

Tom Peddie: Adam it's Tom I think the real driver there would be Cosmo which we had launched last year. In – you know on Valentines Day a year ago so it's really reflecting the launch cost of that.

Adam Shine: OK. Fantastic, great, that makes a lot of sense and although there wasn't a terrible impact of that in prior quarters.

Tom Peddie: Right.

Adam Shine: OK. So that's still the issue there. Any related residual one time items associated with either VIVA or the HBO launch during Q2 you know there was reference to that in the Q1. Anything Q2?

Tom Peddie: I think simple answer no, the – we had – you know I think Paul's comment, certainly an earlier comments we had you know talked about in our additional launch cost was the respect to HBO but there's nothing that's really unusual in Q2 or Q3 going forward.

Adam Shine: OK. Fantastic. Have you been able to confirm whether HBO and Showtime some of the big series are being launched in the May, June time frame or pushed out to September?

Tom Peddie: We've got ((inaudible)) coming in the third quarter, True Blood in the fourth quarter, Entourage in the fourth quarter, so that's the big guns.

Adam Shine: Perfect, OK. Thanks a lot.

Operator: Thank you our next question will be from (Ben Mozel) of Thomas Weisel Partners. Please go ahead.

(Ben Mozel): Hi guy's good morning and I know that time is short. So I will make it quick as well.

Male: Thanks (Ben).

(Ben Mozel): First of all on the TV numbers can you give us sense of viewer strip of CLT contribution, what the sort of major metrics on TV would have looked like this sub revenue and the advertising revenue and then also you know is CLT performing up down say compared to last year?

Tom Peddie: CLT's performing up. You know our ratings are more than double what they were last year. We've been able to maintain our subscriber revenue as Paul said. Sub number which we reported at 12 would have been four adjusted for CLT.

(Ben Mozel): OK. So I thought that was with VIVA, OK and what about on the ad number?

Tom Peddie: Sorry you know CLT was repositioned as VIVA so that's the confusion then.

(Ben Mozel): OK. Sorry and what about on the ad revenue side?

Paul Robertson: And (Ben) it's Paul. On the ad revenue side if you – I think we said earlier that CLT was pretty ((inaudible)) when we picked it up kind of a million dollars in ad revenue. So we're building off of a pretty low base so you can imagine at this point the advertising revenues aren't material enough to swing in our over all results but as John said we've got high hopes for turning this in to something special given ((inaudible)) carriage.

(Ben Mozel): OK. Fair enough thank you and then sort of two questions one for Paul and then one I guess for Tom. Paul for you and you know sort of going back to (Scott's) question about children's advertising you know last couple of quarters there's been some issues you know one quarter I think it was movies.

Obviously the food issue continues to be there. Any sort of concerns that what we're seeing there is really more secular – that kids sort of go online earlier and are simply sort of changing their media consumption habits at an earlier age than they were even three or four years ago that you know some of that audience erosion is – or not erosion it's audience change is permanent?

And then I think for Tom looking at sort of cash flow line looks to me like the film programming costs were up a lot I am guessing that's related to HBO are you seeing sort of higher costs being pushed through from HBO and Showtime because certainly you know on the U.S. calls they do mention that they are being you know they are spending more for their original programming and I am guessing that you know you guys are seeing the you know end result of that?

Paul Robertson: (Ben), it's Paul. First of all in terms of the way that kids are using TV and other devices there's no question that they're spending a lot more time on computer and mobile devices but in total the amount of TV their consuming has remained pretty much unchanged for the last you know lot of years. So we don't see and of course the – but as we know the kids multitask and watch TV at the same time as they do other things which is part of the phenomena.

So we don't see a significant change in the way kids are using television and I think that you know the challenges we have are more industrial challenges that they are – than they have to do with kids' behaviors. So I guess you know that's the good news in that I mean kids still get the information about brands from television and we think that the advertisers we know from experience recognize when they reduce the amount of kids advertising and the brands just don't perform as well.

So as we lick some of these more societal based issues and find new ways of messaging and new ways of formulating products we really believe that this market will bubble up again and strengthen compared to the recent results.

(Ben Mozel): OK. Great, thank you.

Tom Peddie: And (Ben), it's Tom I guess with respect to the programming you know building on earlier comment that John had made you know we are required to spend more on Canadian programming you know driven by the revenue growths of last year.

(Ben Mozel): Sure.

Tom Peddie: And you know as we said in our shareholders report you know we had additional costs for YTV and ((inaudible)) you know probably about $10 million really on the Canadian isde and then we had in our new programming additions of W, VIVA, and COSMO which also help drive it up.

(Ben Mozel): OK. No, no, no, sure are you seeing from the – are you seeing from HBO and – or I guess from HBO and Showtime as well and particularly with the Canadian dollar now you know at $0.80 not at par are you seeing any kind of pressure through pricing there?

Male: We have long term deals with them that are set in place and as you know most of our deals are done in Canadian dollars which I guess works against us now but certainly worked in their favor in prior years but we have longer term deals for now.

(Ben Mozel): OK. And you are paying – are you paying a percentage of production costs?

Male: No.

(Ben Mozel): OK. All right thank you.

Operator: Thank you our next question will be from Jason Jacobson of GMP Securities.

Male: Morning, Jason.

Jason Jacobson: Hi, good morning. Just a few questions left. First just in relation to the cost control initiatives particularly in TV. Looks like in Q1 cost increased around 6.5%; Q2 it was closer to 3%. So just wondering if you expect to continue on that 3% run rate or if it could even dip lower? So maybe I will just leave it there and then follow up?

Male: We expect it will dip lower.

Jason Jacobson: OK. You're looking for an overall cost decrease?

Male: No but I …

Jason Jacobson: OK.

Male: … don't think we'll be able to achieve that but we're very committed to holding our costs and maintaining our margins.

Jason Jacobson: OK. Thank you and just on the CapEx I think before that the guidance for this year was in the $45 million range you know because of that water front project, just wondering if some of that has been pushed off and if you can I guess give a bit of renewed guidance on that front?

Male: I think Jason consistent with what I said earlier our plan's unfolding as we thought it would and that we're still budgeting in capital in that particular range. You know part of it clearly will be you know timing issue as to whether it falls into August or whether it would fall into like September but we don't have anything that would be substantially different.

Jason Jacobson: OK. Thanks.

Male: What we can say is that given the timing here our timing actually has proven to be quite good. There's a good opportunity to keep our costs under control here as there are not a lot of projects out there for the major trades so I think that any concerns that you had that we might blow this number out of the water are not well founded. I think we've got a pretty good handle on the number that we're going to spend on getting the water front up and going.

Jason Jacobson: OK. Thanks and then just finally wondering if you can give us an idea of kids as an overall percentage of TV now that you've got the division consolidated?

Male: We'll get back to you on that.

Jason Jacobson: OK. Thanks. That's it for me.

Male: OK. Anything final? Any – one more or do we got it covered for today folks?

Operator: If you can take one more question, sir?

Male: Sure.

Operator: All right our last question will be from Randal Rudniski of Credit Suisse.

Male: Morning Randall.

Randall Rudniski: Hi, and thanks so I will just be a very quick. And it pertains to the revenue outlook on the radio division. I found it a touch confusing. March – the decline in revenues in March being much lower than probably January and February. But the radio – but the outlook for the quarter being essentially in line which would imply that April May will be you know back to January and

February and so the question is that purely just a lack of visibility given the lead time of booking revenues or there – is there anything else behind that?

Male: I think Randall you hit the nail on the head. It's exactly that. I mean I looked at this and I said you know is it possible that it will continue to pace poorly in the balance of you know April May? And I just don't know the answer. We are literally booking business at the last minute now on radio and as a result all we can tell you is that you know we've asked our guys to just be as conservative but as realistic as they possibly can in terms of our forecasting and we know that March was better than Jan, Feb, in terms of positioning versus a year ago but we were in it – we're looking at the pacing for April May and it's not very good so what we're saying to you is what we think we're going to end up as you know could be minus seven, minus eight in Q3.

Based on March hard to believe it will be but again just no visibility.

Randall Rudniski: OK. That's great, thank you.

John Cassaday: Just on the kids ((inaudible)) I'd say it took the kids broadcast side and combined it with (Novan) enterprises. You're both about 45% of the TV group, 55 being non-kids.

Male: Anything else, Randall?

Randall Rudniski: No that's fine thank you.

Male: OK. I hope we haven't rushed any of you or caused any of you not to be able to ask anything that's on your mind. I know you all know you can reach us with any questions you have. We're in Calgary right now so we've got our board meeting about to begin which is why we asked for your indulgence in wrapping this thing up this morning at this particular time. So thanks for your continued interest in the company and your questions this morning and we look forward to talking to you over the next few days. Bye for now.

Operator: Thank you. Ladies and gentlemen, this does conclude your conference call for today. Once again, thank you for participating and at this time, we do ask that you please disconnect your line. Have yourself a great day.

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