CORUS ENTERTAINMENT

Moderator: John Cassaday
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1:00 pm CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment Q2 analyst and investor conference call. During the presentation, all participants will be in a listen only mode.

Afterwards, we will conduct a question and answer session. 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, Thursday, April 11, 2013. I would now like to turn the conference over to John Cassaday, president and chief executive officer. Please go ahead, sir.

John Cassaday: Thank you operator. Good afternoon everyone. I am John Cassaday. Welcome to Corus Entertainment's fiscal 2013 second quarter report and analyst call. Thank you for joining us today.

Before we read the cautionary statement, we would like to remind everyone that there are a series of Power Point slides that accompany this call. The slides can be found on our Web site at www.corusent.com in the investor relations section.

So we'll now run through the standard cautionary statement. This discussion contains forward looking statements which may involve risk and uncertainty. 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 (CEDAR).

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, our executive vice president and president of our television division and Chris Pandoff, our executive vice president and president of our radio division.

Turning to Slide 3 or the Power Point presentation, our second quarter, which is the smallest quarter for Corus from a revenue and earnings perspective was soft as anticipated. Consolidated revenues were $184 million, down 11% from prior year.

And segment profit finished the quarter at $55 million, down 12% versus year ago. On a consolidated basis, merchandising distribution and other revenue represented 75% of the decline whereas advertising and subscriber revenues were down 4% and 3% respectively.

Despite these revenue challenges, a number of notable gains were made on several fronts during the quarter. Let's turn to Slide 4 for some of those highlights.

Our adjusted net income attributable to shareholders for the quarter was $24 million and $77 million year to date. We finished the first half of the year with a significant increase in free cash flow, up 12% year to date, and our consolidated segment profit margins increased to 36% year to date.

In the second quarter, we also completed the successful refinancing of our $500 million senior unsecured guaranteed notes which resulted in a 300 basis point reduction in our interest rates. Our March 4th sub- on March 4th, subsequent to the quarter, we entered into a series of significant transactions certain of which are subject to CRTC approval with Bell and Shaw Media which will enable us to, first of all, extend Corus's presence in radio into Ottawa, consolidate our ownership of ABC, Spark and Teletoon, and finally enter the Quebec specialty television market with the popular services Historia and (Series Puss) as well, of course, as Teletoon's French language offerings.

Substantial gains will also be realized with the sale of our 20% share in Food Network and the revaluation of Teletoon. These transactions represent terrific growth opportunities for the company on a go-forward basis.

Turning to Slide 5 and our radio business, we were pleased to see ongoing strength in the quarter in the West from our British Columbia and Alberta markets which are benefiting from impressive rating performances and strong economic conditions.

However, this upside was not enough to offset soft market conditions in Manitoba and Ontario which, while stable in December and January, were negatively affected by a shorter broadcast month and overall ad sales softness in the month of February.

Despite a revenue decline of 5% in the quarter, our radio division successfully managed their costs. Segment profit was only down 2% for the quarter and we remain up 9% year to date.

Strong performance in the West, coupled with disciplined cost controls delivered impressive margins for radio of 31% year to date. Turning to Slide 6 and our television business, television saw a significant drop of 39% in merchandising distribution and other revenue which was expected following Beyblade's tremendous run in the previous year.

Specialty ad revenues saw a modest decline of only 2% in Q2 and that 2% drop was due primarily to softness in kid ad demand particularly. And this is important to note that the kid segment remains relatively strong but particularly soft in the entertainment category.

As well, a free preview period for ABC Spark contributed to the overall revenue decline of the division of 12% for the quarter. In our kids vertical, we saw ongoing ratings momentum solidifying our leadership position with kids 2 to 11.

We have also seen an accelerated demand for co-view audiences with three out of four services in our family vertical showing year over year audience growth in Q2.

In December, Y TV ranked highest among Canadian specialty networks in all of its key audience demos. In addition, we are encouraged to see that two of the three categories for kid - two of the three dominant categories for kid's advertising toys and food have recovered nicely and both are up year over year.

Our women's business on ABC Spark performed extremely well with continued strong ratings and ad revenue growth. In addition, we were pleased to see further gains from our pay television business which finished the quarter with over a million subscribers, up 37,000 subscribers year to date.

The division delivered strong segment profit margins of 41% year to date. Moving to Slide 7 and our outlook, overall, we are seeing improvements in the ad markets going into the third quarter and our forecast for television and radio are favorable for the back half of the year.

In our radio business, while visibility remains a challenge beyond 60 days, we are expecting modest growth for the quarter as our Western markets are currently pacing nicely ahead of prior year and we are seeing improvements in on Ontario.

While advertisers continue to make shorter term buys, strong economic conditions in the West, rating improvements in Ontario, and ongoing rating momentum in other key markets are expected to drive low single digit revenue growth in the back half of this year.

In addition, we expect to see gains later in the year from the reform adding of our Edmonton station to the fresh FM brand which is an important part of our business growth strategy and on that particular matter, just yesterday, we announced that we are transitioning a fourth station in our portfolio which covers the Hamilton and Golden Horseshoe market to the fresh FM format.

These reformatting initiatives should contribute to further audience growth in two important radio markets. Moving to television, with strong pacing in the back half of the year and our investment in programming translating into impressive ratings performance, we are forecasting high single digit specialty ad growth in the third quarter.

Our adult targeted businesses are performing very well and are expected to remain that way for the remainder of this year. W Network is as strong as it has ever been and it is currently ranking number one with women 25 to 54.

Momentum on the Oprah Winfrey Network continues with the network benefiting from its built in constituency and more (ten pole) programming featuring Oprah.

Audiences are up 44% year to date on this fast growing service. W Movies is also contributing to the portfolio success with consumers responding positively to its appealing format in free previews which bodes well for the services recently expanded distribution on the Shaw cable system extending its reach significantly.

ABC Spark, with its highly coveted audience demo, continues to perform well and our kids flagship network, Y TV, not only leads with kids 2 to 11, but it is also seeing significant growth with our co-view audiences.

With rating gains across our core services, specialty ad revenues are pacing ahead of prior year. Strong specialty ad growth in Q3 will be driven primarily by our women’s portfolio, our co-view audiences, and ABC Spark, which has doubled its audience composition in Toronto since Q1 with its broader carriage and slate of original programming hits.

We expect rating gains and strong demand for co-view audiences to drive advertising growth on our kids television services despite continued softness in the entertainment category.

With Target's entry into the Canadian retail market and over 60 stores opening across Canada this spring and summer, we expect increased ad spend activity in the toy category in particular.

Overall, we anticipate a return to revenue growth on our specialty networks in the back half of the year. The growth will be offset somewhat by our continuing investments in quality program to maintain ratings momentum.

Merchandising distribution and other revenue from our international kids business is anticipated to be flat in Q3 versus prior year as Beyblade revenues continue to level out after an exceptional performance in the prior year.

While the Beyblade brand will continue to make an important contribution to the business, emerging brands like our CG animated series, Mike the Knight, will provide new revenue opportunities for the business in the future.

To support the growing momentum for Mike the Knight, which is broadcast in more than 25 territories around the world, a new 52 episode season will be delivered this spring and a global master toy program will roll out this fall with Mattel's Fisher Price.

Moving to our progress on the digital front, we expect to capitalize on the increased demand, both domestic and international, for digital, on demand kid's content.

We recently finalized a number of digital content deals and will continue to aggressively extend the reach of our deep library of brands across multiple platforms and territories to monetize these emerging opportunities.

Returning to our broadcast portfolio, we expect to further grow our movie central and HBO Canada subscriber based in the upcoming quarters with the rollout of more exceptional and exclusive programming including new series of HBO's Game of Thrones, starring Julia Louis Dreyfus and Showtime's Nurse, starring Edie Falco.

We're confident that the upcoming lineup of high profile series and movie premieres, combined with compelling acquisition and retention offers and additional on demand offerings, such as Shaw Go, will attract new subscribers and drive further uptake for our pay business in the coming quarter.

This growth, coupled with the expanded distribution of ABC Spark, which we spoke of earlier, and Nickelodeon which has also benefited from expanded distribution on Roger's digital VIP, and W Movies expanded distribution on Shaw Cable, are all expected to drive low single digit increases in our subscriber revenues in the third quarter.

In summary, while we have a challenging quarter on the earnings front, we also made some significant advances which position us well for a strong back half of the year, particularly with respect to our fourth quarter.

We see exciting new growth opportunities ahead resulting from our recent M&A activity, receiving clearance on transactions requiring competition bureau approval, was the first step in the completion of these acquisitions, certain of which still require CRTC approval.

Finally, as part of this call, we would like to reiterate our annual guidance as an announced at our Investor Day which was held on November 29, 2012, our consolidated segment profit guidance targets for fiscal 2013, our $293 million to $303 million and our free cash flow guidance was in excess of $140 million.

We hope you've found these comments helpful and we'd now be delighted to take any questions that you may have. Operator, we'll turn the call back over to you. Operator?

Operator: Thank you. Ladies and gentlemen, to register your questions, please press the 1 followed by the 4 on your telephone. You will hear a three toned prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1 followed by the 3.

If you're using a speakerphone, please lift your handset before entering your request. One moment, please, for the first question. Our first question comes from the line of Mike Elkins with TD Securities. Please go ahead.

Mike Elkins: Good afternoon. Thank you for taking my questions.

John Cassaday: Good afternoon, Mike.

Mike Elkins: Afternoon. So on specialty subscriber revenues, that's great color in your script. In the MD&A you mentioned that there was some pressure from rates and packaged changes. Can you just provide a little more color there and whether, you know, the trends are expected to continue in the back half of the year?

John Cassaday: One of the things that affected our subscriber revenue in this quarter was the fact that were in pre-preview on ABC Spark. So in the back half, as you mentioned, we'll start to benefit from that.

The only real significant impact that we had was with one carrier this year on one brand and we're currently in discussions with them about that, so bottom line, Mike, is that we have, for quite some time, continued to take the view that subscriber revenue growth for us going forward will be relatively modest basically in line with population and subscriber growth.

We are using the value added on demand content as a basis for essentially reestablishing the value of our services but we do not expect to see significant increases in pricing of our services. We don't expect to see significant reductions in the subscription levels of our services and we don't expect to see significant reductions in any of the values.

In fact, we don't expect to see any of our services reduced in value going forward. So as we said, we're looking at getting back to our historical levels of subscriber growth, low single digit in Q3 and 4 and, you know, obviously when we get going in Quebec, we'll have a nice little uptick on a kind of a one-time basis but that's the only real extraordinary item that I can comment on. Doug, do you have anything to add to that?

Doug Murphy: No, you've done well, John. I would just add that one of the areas, Mike, that we're focused on is what we've been talking about, is prioritization in this space and the affiliates have a high degree of interest in our digital video content, more specifically from (our Novana) library.

And so we're starting to see some really meaningful new business being developed with the licensing of our (Novana) content. We initially (liked) the

Shaw in the fall, and now we're in very progressed conversations with other BDUs and expect to have some meaningful revenue from that in the back half of the fiscal year.

Mike Elkins: That's great. Thanks guys. And just one more question on Netflix. I know in Canada it has the rights to some of the older episodes of some of the Nick content that you also broadcast and, specifically, Sponge Bob and Fairly Odd Parents. Just wondering whether that was Viacom or yourselves that owns the rights and sold those shows in Netflix and whether there's been, you know, any kind of noticeable decline in viewership since those shows are available on Netflix.

Man: Yes, that - our rights for Nickelodeon don't include every and all on demand rights, so those Netflix older seasons and their older seasons of Nickelodeon properties were licensed to Netflix by Nickelodeon International, which is based in New York.

As regards to your ratings question, we take the same view as do our friends in New York at Viacom. The presence of Netflix has not negatively impacted ratings whatsoever. In fact, we're seeing some aggressive growth in kid's ratings with the new seasons of Nickelodeon content as are our friends in New York. And so we expect to continue to see some nice buoyancy in ratings delivery on kids K to 11 with no negative impact from that (post).

Mike Elkins: All right, that's great. Thanks very much guys.

John Cassaday: Thanks Mike.

Operator: Our next question comes from the line of Paul Steep with Scotia Capital. Please proceed with your question.

Paul Steep: Great. Thanks. Just actually on one point, if we go back to Q3, a year ago, Doug, in the kid's ad market, as I recall, Nickelodeon, was that when those ratings started to turn or are you (lacking) an easy comp to sell against starting in Q3? Or is that into Q4? I know the first part of last year was a bit of a challenge.

Doug Murphy: I can't remember specifically, Paul, when the softness was in Nick. It was certainly sometime last year. We started to see a ratings turn on our Nick content in Canada with all of our services, vis a vis, the competition here in Canada on August delivery in, you know, the August, September period. That has continued to expand.

Paul Steep: Okay, and then just on the broader Y TV and TreeHouse Services, how is sort of the ratings trend held up there?

Doug Murphy: They're great. TreeHouse is up, you know, high - well, not high. It's up 15% to 20% in ratings delivery. Y TV Kids is up high single digit ratings delivery. The noteworthy idea on Y TV which we called out during our Investor's Day in the fall, is our co-view delivery in primetime, is up north of 35% and we sustained that level of growth.

And you'll recall that the value of the co-view inventory is a premium type sale because reach the parents and kids and they recall advertisements aired during those special times and parents and kids being together, watching television, is two to three times higher. So we've always said to you, all that (unintelligible) revenues and we're very excited about the opportunities we have in co-view.

John Cassaday: Just to add one comment, Paul. We talked about the specific softness in the entertainment category and we saw the Cineplex numbers, so obviously there's been some impact on just general movie audiences and movies coming out, but - and we do rely on the advertising of these movies to drive that particular space.

But we are not simply accepting this decline. We've done proprietary research and we are targeting the entertainment companies specifically with compelling research justification to continue to focus their spending on the kid audience and the co-view audience that we deliver so well. And while we're disappointed in our current results with that particular category, we're confident that we can get that turned around.

Doug Murphy: I'll build on that, John. Thank you. The other thing - we've spoken in the past about our investment in customer research and insights. And we've identified the entertainment category as a very appealing category to take advantage of those, and we've done a couple studies recently. One on the theatrical that addresses how movie going decisions are made between, you know, couples.

And the other one in the realities of the DVD business, and we've been bringing these insights to our entertainment company partners and with the two examples in the last eight weeks, in fact, that have delivered impressive results by anybody's standards.

So just to John's comment, we got stuck in this quarter due to simply a slate timing issue in terms of advertisements against kids and family films. That will obviously right itself, you know, in future quarters.

When you add on top of that, the realities of us driving a site driven sale around our networks and I think we have a very promising, you know, future, not just in this fiscal, but doing forward in this category.

Paul Steep: Okay, and actually just to wrap up on the TV side of things, if we could talk about, like movie central go, how the response has been there, maybe whether you have just anecdotal data run downloads or sort of audience interaction to date, since you've been in the market a little longer.

Man: Anecdotally, it has a huge addition to the value proposition of pay television. We, you know, we're hearing that from all the BDUs that have launched various - and Shaw in particular, but anybody that's doing, sort of a TV (ever) application against premium, they're demonstrating, you know, impressive, you know, incremental usage beyond what was happening prior to the launches, that platform.

So I think one of the things I think we're all going to be focusing on, I know we are focusing on and I suspect you'll be, too, is going forward, how many of these subs that we're added stick after the offer period expires?

And our thesis, which we're beginning to see come to bear at the moment, is that this new value proposition enhancement with the TV everywhere kind of application, is going to mean we're going to have a much smaller churn out rate from offer campaigns than we have had in the past.

And that's promising because that's EBITDA that sticks to the ribs once we go to the offer periods. So I would net out my comments by saying it's been a significant addition to the value proposition for our subscribers. That, plus HD now, which is fully rolled out, makes our paid television proposition a very compelling one.

Paul Steep: Okay, and just on that finally, free offer, when would that sort of roll off? That would be within this current quarter, you'd start to see most of that roll, correct?

John Cassaday: It wasn't a free. It was a six month, 50% off offer. Those are - they're starting to roll off in and around this quarter and we have new offers coming out, so you know, they're layered on top of each other in a strategic manner so as to continue to get net overall growth. And the work we're doing right now is just on retention with the BDU partners.

Paul Steep: Okay great. Last one, quickly, is radio pacings, you know, Ontario. Chris, can you talked to, like, how Ontario feels at this point and then maybe I guess, the thought process with Fresh FM, how much of a sort of, I guess, break in period would we expect, sort of a quarter or two on that?

Chris Pandoff: Sure. Well, let me answer the second question first, and that's probably two quarters just because of the way the (VBM) sweeps fall. So we relaunched the Ontario Fresh kind of midway in a (diary) book in Hamilton, and outside of the PPM numbers in Toronto, we won't see a full blown book for the Hamilton market until the fall of 2013.

So that's kind of first thing. Second thing is in terms of Ontario pacing, you know, if - the downturn in Q2 is really all kind of concentrated in the month of February.

If you look at the trend for the month, you know, markets like London, down 18 - or excuse me, (kitchen are) down 18%, London down 11% and Toronto down 11% in terms of radio spend for the markets. There's a big downdraft for that one month.

In John's comments, he made mention of the difficulty with regard to visibility and, you know, more so in Ontario than in the West. Declines in the West haven't been nearly the same in terms of market spend, so they're better markets. And we're also actually doing better from a ratings standpoint in those markets.

John Cassaday: If I just add, couple times I said as expected in my opening remarks, so what wasn't expected is for radio to be as soft as it was because when we lost (talkie) we had two months of visibility and we were feeling really good, and then as Chris said, in February, the whole market just tanked and fortunately it's certainly showing strong signs of recovery now, but the month of February was a real anomaly that took us completely by surprise.

Paul Steep: Okay, fair enough. Thanks guys.

John Cassaday: Thanks for the questions, Paul.

Operator: Our next question comes from the line of Aravinda Galappatthige, Canaccord Genuity. Please go ahead.

Aravinda Galappatthige: Good afternoon and thanks for taking my question. A couple from the - first of all, just to get back to the subscriber revenues as you discussed earlier, I just wanted to check, the promotional discounts that you're offering for - on the sort of pay TV segment. Do you think that has - did that have any meaningful impact on sub revenues as well or was that too minor?

Man: It had a modest impact. I don't think it's significant but it certainly had a modest impact, yes.

Aravinda Galappatthige: Okay, and then when you think about the - sort of the back half of the year in terms of cost for TV, and you (X out) (Novana), because I know that creates some distortion, are we looking at sort of low single digit inflation for operating cost in TV? Is that a reasonable expectation?

Man: It's a reasonable expectation. We have, you know, we schedule our new shows based up the strategy to maintain and grow our ratings momentum on our big networks. So, you know, and those shows are both shows that we received to our content output deals, for example, ABC Spark premieres at the summer premiere in June as well as there will be a whole bunch of original programming launches, first and second seasons of shows which will hit the books then.

And we also have our required investments on Canadian and commissioned content as a function of our TOL and that also will be being spread on throughout the back half. So we will be investing in programming at a rate of - larger than what we've done in the first half of the year. But I think your estimate is a reasonable one.

Aravinda Galappatthige: Okay, thanks for that. And then just on the library sales that you discussed to the BDUs, any comments you can make about the pricing mechanism there, the pricing dynamics there sort of compared to what typical (sectors of indoor) sales would be for that kind of content? I mean, is there a meaningful variance there?

John Cassaday: There - first of all, there was a very thoughtful and disciplined kind of piece of analytical workup to arrive at evaluation for the usage in question and that was based on global - a global sort of synthesis of sales to a variety of different sort of over the top and broadband video delivering platforms. And then we used certain metrics for footprints to calculate the reasonable pricing for each media in question.

Aravinda Galappatthige: Okay, so just to be clear, this is - so this is not - so the library sales, are they non-exclusive at this stage?

John Cassaday: That's correct.

Aravinda Galappatthige: Okay, excellent. Thanks. I'll leave it there. Thank you.

John Cassaday: Thanks Aravinda.

Operator: once again, ladies and gentlemen, to register your questions, please press the 1 followed by the 4 on your telephone keypad. Our next question comes from the line of David McFadden with Cormark Securities. Please go ahead.

David McFadden: Yes, a couple of questions. Could you tell us what the TV margin would've been in the quarter excluding the merchandising distribution (end of) business?

Man: We probably wouldn't share that information. It's - we've always talked about the margin, David, being 35% to 40%. That's what we target our activities to fill in and that's what we did.

David McFadden: Okay. Yes, and so that - so just to be clear, that margin - 35% to 40% - that's merchandising distribution and other margins?

Man: No, that's the total TV division what you're (unintelligible) target margin. Yes.

((Crosstalk))

David McFadden: So, and then just, you talk about rating gains for the kid's properties, and (you) see Viacom as delivering decent ratings for programming now. Can you quantify the ratings gains you're getting from Viacom programming Canada?

Man: You know, I wouldn't break that out specifically. I gave you some stats earlier. We schedule - we love all of our programming on all of our networks obviously. You know, and on the kid's side, we've layered in Nickelodeon content with our (Novana) content, with our very important independently produced third party Canadian animation content and otherwise.

So they all are a sort of template that we use to drive audience and sell ads to. I will, though, take this opportunity to talk a little bit about W. And Don's comments touched upon it, but it's important to reiterate that W is the number one women's network in Canada.

We are seeing very impressive audience delivery growth in prime as well as, you know, ratings growth across the whole rest of the schedule. And this is providing continued opportunities for us to grow the revenue piece of business and, you know, all throughout the year, but most certainly in the back half we - the women's vertical was, you know, was up high single digits in Q2. It will be double digit growth for the rest of the year in the women's vertical and that's a fantastic result that we're very proud of.

David McFadden: And sorry, just a matter of clarification, I think John said in his prepared remarks that something was up 44%. I thought it was Own ratings. Can you just verify that?

John Cassaday: Oprah - that's right, David, Oprah ratings.

David McFadden: Oprah ratings, okay. And then for Q3, I think, once again, just a clarification, I think you said that the merchandising distribution of the revenue would be flat in Q3? Is that correct?

John Cassaday: That's what we spoke of. Yes, David.

David McFadden: Okay. Sorry, just clarifying.

John Cassaday: No, not at all. Thank you.

David McFadden: Okay, that's it for me. Thanks.

John Cassaday: Okay, thanks David. I hope I didn't cut you off short there. I didn't mean to, so come back on if there's anything else on your mind.

Operator: Our next question comes from the line of Haran Posner with RBC Capital Markets. Please go ahead.

Haran Posner: Thanks guys. Good afternoon. Just maybe with respect to specialty advertising, I guess when you - John, when you were talking on the Q1 conference call, you were looking for growth in specialty low single digits and I know you alluded to February being a very tough month for radio. I was just wondering what happened in the specialty towards the end of the quarter.

John Cassaday: Yes, well, we did end up at -2. And it really was all related to our kid's space or segment and virtually all that was related to the entertainment space which just was a real disappointment to us in the quarter.

We had strong growth on many of our brands, the women's brands in particular were particularly strong. So I guess the point that I'd like to make is that while it might be easy to conclude from the fact that ad revenue was down, that you know, there's a, you know, the ad recovery is not underway.

I don't think that's the case. I mean, we use an expression about here - a problem well defined is a problem half solved - and to define the specific problem, it was kids and then more specifically the entertainment sector and then we talked about the specific action plans that we have in place.

So we are seeing very good ad sales performance on a number of our brands and Doug talked about the strong ratings performance on W. You are - our senior sales executives would say that they've never seen a strong business prospects for W, as we're seeing right now, so there's a lot of be optimistic about on the ad sales side. Regrettably, it just didn't hit our P&L because of the softness on the entertainment category within our kid space in this particular quarter.

Man: And Haran, I'll just add to John's comments on the kid's side, is we talked in the past about kids advertising and it's one of those live by the sword, die by the sword things. It's three categories that drive the vast majority of our revenues.

The bright spot underneath the, you know, setting aside for a moment, the advertising, the movies, you know, the sort of down stroke in the quarter, the bright spot was we saw an exciting list in our retail spending on our kids networks, more specifically around toy and the food category.

So, you know, two of the three big categories are firming up. We had hypothesized that the opening of target stores would bring a bit of a bid to the kind of retail and the kids marketplace and we're beginning - we're hopeful that we'll begin to see some of that.

There're 25 stores currently open now with another 25 opening in the next couple of months. So we'll report back on the next quarter about, you know, how that is - we think it's helping our business but there are signs of promise there for sure.

Haran Posner: And so when you look at the three categories together, is it hard to say - or did you say that you expect kid's advertising to be up in the back half?

Man: We've been always saying to you we started as early at the Investor's Day that we expected the kid's ad market to turn in the back half of the year and at this junction we're still hopeful that that will result.

Haran Posner: Okay, that's helpful. And then one other question for me, John, I guess some good color around the subscription or the affiliate deal that you've done with BDUs and I guess my question there is, you know, you're obviously getting some good penetration in some of the services like Nick and ABC Spark.

But you'd also said that you're not expecting any big price increases and you're not expecting any significant decreases in the level of subscribers. I guess my question is just how does that feed into the dynamic around BDUs supposedly offering more flexibility to their customers? So, you know, your agreements with them, how do they provide for that?

John Cassaday: Yes, well I think the first principle of our discussions with our distribution partners is that they're focused on controlling their cost of goods. So I would say that, while flexibility is important, the most important thing to them is their concern about cost and price increases.

So we - the way we approach our relationship with our customers is perhaps a little bit different than others. And we look at this on a key account basis and we look at trying to ensure that we build the total pie, so we're less focused on a rate for an individual brand than we are to make sure that we grow our business with (Bell), we grow our business with (Charlotte), we grow our business with Teles.

And we've also taken the view that we're going to - to steel an old ad claim, we're going to earn our money the old fashioned way, by working for it. So we will push hard for increased penetration and then rely on our skills as programmers to build ratings so that we can translate that into ad growth.

So if you look at Corus's history, we've always said that we've been modest about our subscriber growth potential. We've always talked about it being in the low single digit basis and yet we've had more lofty growth aspirations than that because we've always viewed our responsibilities to try to get maximum penetration to these services and then do a great job meeting the needs of our advertisers by targeting these brands well, getting great programming and scheduling it properly and maxing out on the ad side.

So none of our customers are, you know, in a mode where they want to unbundle as a dramatic part of the strategy but what they all want to do is create value for their customers by providing them with more on demand product, more broadband product, TV everywhere on demand, use of the set top box widely.

You know, better customer interface. That's what our customers talk to us about. That's what we're trying to deliver and, you know, we try to protect ourselves with rate cards that are grid based to offset any impact in lost distribution, but quite frankly, that's not really what these discussions are all about. It's all about controlling costs and adding value to what we offer to their customers, and indirectly, ours.

Haran Posner: No, that's very helpful. And then maybe one last one from me. I'll throw it to Tom. Just - with respect to your free cash flow on the quarter, you (vetted) back maybe $7-1-2 million for strategic investments. I'm just wondering what that relates to.

Tom Peddie: We do makes some investments in some various funds and we, you know, we have investments in (Kidco). We have investments in (Venture Code) Steamboats, so that's what those would be.

Haran Posner: Thanks very much.

Operator: This concludes our question and answer session. I would now like to pass the conference back over to Mr. John Cassaday.

John Cassaday: All right, once again, thank you all for joining us today. Hopefully you all had a chance to ask any questions that were on your mind. And as you know, we're always available for follow up discussion but we appreciate your continued support. Thanks. Bye for now.

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

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