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's Q2 analyst and investor call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question and answer session. At that time if you have a question please press the 1 followed by the 4 on your telephone. If at any time during the conference you need to reach an operator please press Star 0.

As a reminder this conference is being recorded Thursday, April 10, 2014. I would now like to turn the conference over to John Cassaday, President and Chief Executive Officer of Corus Entertainment, Inc. Please go ahead sir.

John Cassaday: Thank you Operator. Good afternoon everyone. I'm John Cassaday and welcome to Corus Entertainment's fiscal 2014 second quarter report and analyst call. We'd like to thank you all for joining us today.

Before we read the cautionary statement we would like to remind everyone that there are a series of PowerPoint slides that accompany this call and the slides can be found on our website at Corus - at www.corusent.com which is in the investor relations section.

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

Now we would like to introduce to you the Corus Entertainment team joining us on the call today. We have Tom Peddie Executive Vice President and Chief Financial Officer and Doug Murphy Executive Vice President and Chief Operating Officer.

So turning to slide 3 of those PowerPoint slides and our operating results for the second quarter of fiscal 2014, you'll see as mentioned on our last earnings call that Corus completed its acquisition of the remaining 50% interest of TELETOON and 100% interest of Historia and Series+ on January 1, 2014. Our acquisition of the Ottawa based radio station CKBQ-FM the Bear and CJOT-FM Boom 99.7 was completed later that month on January 31, 2014.

We moved quickly to integrate the assets allowing us to capture significant synergies which contributed to our company's strong top and bottom line growth for our second quarter of fiscal 2014.

Our consolidated revenues in the quarter were $191 million, up 11%, and consolidated segment profit was $59 million, up 16% from the prior year. These results include 100% of TELETOON as of September 1, two months of Historia and Series+, and one month of the Ottawa radio stations.

With the adoption of IFRS rules concerning joint arrangements, our operating results for fiscal 2013 have been restated to eliminate the segment profit related to our 50% economic interest in TELETOON which is now recorded under Other Income. This restatement did not change reported net income for fiscal 2013.

Moving to slide 4, the positive impact of our newly acquired assets was evident in our results for this quarter. In addition to achieving strong revenue and segment profit growth up 11% and 16% respectively, we also saw significant growth in adjusted net income attributable to shareholders which was up 10% to nearly $27 million.

Our acquisitions were immediately accretive to EPS and free cash flow due to the strong performance of these assets and a well executed integration plan coupled with our attractive financing.

Our adjusted basic earnings per share attributable to shareholders for the quarter was 32 cents per share, up 10% from 29% - I'm sorry from 29 cents per share last year. We were also very pleased with our strong year to date free cash flow of $123 million compared to $80 million in the prior year.

We are very satisfied with the pace of the integration of our newly acquired assets. We have already captured significant cost savings with the conversion of TELETOON's five channels and the two Ottawa radio stations into our business and broadcast systems and our Quebec assets Historia and Series+ are scheduled to fully transition by the end of June.

Given the current pace of integration we are on track to meet our synergy target of $12 million to $15 million in EBITDA by 2015 as we stated at our investor day in January.

So turning now to slide 5, while our strong second quarter results were excellent overall our radio business continued to be challenged. Importantly while the rate of radio's revenue decline slowed in the second quarter, a weaker economy coupled with inclement weather and rating softness in some markets resulted in revenue declines of 2% and segment profit declines of 12% in Q2.

During the quarter you will note we also recorded a non-cash broadcast license impairment charge of $8 million for certain radio clusters. While our radio division faced challenges, we were encouraged to see revenue gains this quarter in a number of Ontario markets and at a number of our stations in western Canada.

On the cost side the division's decline in segment profit was a result of incremental expenses associated with the acquisition of the Ottawa stations and the impact of hockey broadcast right fees not incurred last year due to the NHL lockout.

We remain very focused on cost controls and maintaining our margins at the 30% level for radio and are convinced that our radio division will return to growth.

For our television division total revenues and segment profit grew 15% and 21% respectively. As previously mentioned, prior year's results were restated rather to exclude TELETOON from revenues and segment profit due to the adoption of IFRS 11-Joint Arrangements.

On the advertising front our specialty advertising revenues were up 38% year over year and included a nice rebound in kid's advertising with notable gains in the entertainment category. These gains were offset by some softness in our women's portfolios which we attribute to competition for advertising dollars from the Olympics.

Subscriber revenues grew 23% in the quarter primarily due to the addition of the new networks and broader distribution of ABC Spark which offset modest declines in our pay TV business.

While we continue to grow our core TV business, our Q2 results were negatively impacted as expected by the significant decline in our merchandising, production, and distribution business which was down approximately $6 million in segment profit for the quarter.

Our television team did an excellent job of controlling expenses across our brands and capturing the synergies from the acquisitions resulting in impressive segment profit margins of 43% up from 41% last year.

Moving to slide 6 and the outlook for our radio business, to mitigate the impact of a soft advertising environment we are making progress on our plan to increase the local direct retail business and we are rolling out new programming strategies in key markets to drive ratings.

Within 60 days of closing the Ottawa radio station acquisition we relaunched the Bear as Jump 106.9, a contemporary hit radio format that plays the greatest hits in 90 minute non-stop blocks with less interruptions. Check out our website for Jump 106.9.

An extensive marketing, advertising, and social media campaign has been deployed to support this rebrand and early feedback on this new format has been very positive.

Radio is also reinvigorating its Toronto rock stations with new programming and fresh on-air talent to drive audience growth and revenues. On March 31 102.1 the Edge shifted to a more music based format that showcases a broader selection of music and introduced a refreshed mix of new and returning on-air personalities that span the schedule from morning to evening drive.

This week we broadened the music selection of Q107 to include relevant rock from the 90s, 2000s, and today. We are confident that this adjustment will broaden our audience as has been evidenced with stations in the United States that have moved in this direction.

Also in March capitalizing on the popularity of mainstream country, Corus Radio launched its newest country radio station Country 104 in Woodstock offering listeners in southwestern Ontario a lineup of country's top name artists along with more songs per hour and fewer interruptions.

As part of Country 104's launch festivities CMT and their Chevy Top 20 show was on location in Woodstock shooting the celebration and this week Country 104 joins (Kisson) and Country 105 to air CMT's weekend show every Sunday. These are just a few examples of how we are attempting to leverage and promote content across our radio and television stations and their related platforms.

We expect our television revenue growth to continue into the third quarter. Our specialty television play in Quebec represents a significant new growth market for us and the services that we have acquired give us substantial scale right out of the gate with an 18% share of the specialty Quebec television market.

With results from these assets already exceeding our expectations, we anticipate that these networks will drive further growth and segment profit for the division in the latter half of the fiscal year.

In Q3 we expect ad revenues to grow driven by our acquisitions and the ongoing strength of our kid brands which will offset softness in some of our women brands as a result of slower than expected recovery following the Olympics and certain advertising categories specifically packaged goods. We also anticipate an increase in subscriber revenues due to the addition of our new networks.

In our women and family portfolio we anticipate further ad and subscriber growth from ABC Spark as this brand continues to broaden its fan and distribution base. With its popular programming and advertising friendly millennial audience, we have great expectations for the long term growth of this service.

The Oprah Winfrey Network continues to perform well. The Oprah hosted prime time series Oprah Prime is delivering strong audiences with the network’s key demo and her popular series Oprah’s Master Class returns in May with Justin Timberlake kicking off the season.

We also expect this week’s launch of Tyler Perry’s drama series The Haves and the Have Nots to drive strong ratings for the network as the recent season finale in the United States was the most watched telecast in Oprah Winfrey Network’s history.

Turning to our pay TV business, on March 31 we launched an extensive acquisition campaign built around the highly anticipated Season 4 premiere of HBO’s signature series Game of Thrones. We are very pleased to report that the launch of the new season this past Sunday drew unprecedented numbers with more than 1.1 million viewers turning in - tuning in rather across the country.

As HBO Canada's most successful drama series to date, Game of Thrones new season has been described by series co-producer Bryan Cogman as without question our biggest in terms of spectacle.

The campaign includes a targeted digital and social media strategy that highlights HBO's high quality, high impact programming to convert fans into subscribers for our pay TV services.

Nelvana continues to target new content, investments, and merchandise that focus on preschool and boys action properties. Seen in over 112 countries around the world, our preschool brand Mike the Knight is making further progress and the brand's rollout is just beginning.

In Europe the season is rating extremely well in key strategic markets and is being supported by a Fisher Price merchandising program with full placement across major retailers.

Nelvana's newest preschool properties including Trucktown and Little Charmers are receiving an extremely strong reception at MIPTV, the international trade market that is currently underway in France. We anticipate announcing a number of key deals in the weeks to come with leading global broadcast and merchandising partners for these brands.

Nelvana continues to expand the licensing of its kid library to over the top players internationally and also securing deals for SBOD rights with leading platforms such as (Daily Motion) and can now play (Infinti) in France, (Hops) through UK, Amazon's (Love Film) among others. Our digital initiatives both domestic and international remain a key priority for the business.

In conclusion, as our second quarter results demonstrate, the new acquisitions have been immediately accretive to Corus as expected and are a great complement to the strength of our core business opening up new markets and new growth opportunities and positioning us well to deliver further growth in fiscal 2014 and beyond. We hope you have found these comments helpful and we'll now be pleased to take any questions that you may have. So Operator over to you.

Operator: Thank you. Ladies and gentlemen if you would like to register for questions or comments please press the 1 followed by the 4 on your telephone. You will hear a three tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration please press the 1 followed by the 3. If you are using a speakerphone please lift your handset before entering your request.

And once again ladies and gentlemen please press the 1 followed by the 4 on your telephone to register for questions. And our first question is from the line of (Paul Steep) with Scotia Capital. Please go ahead, your line is open.

(Paul Steep): Great thanks. I guess John just for you first off, on Q3 if we think about pacing specifically in TV and specifically in women's, have you seen things start to recover a little bit post the Olympics and how do they look through the next quarter?

John Cassaday: March and April not so much. We're starting to see some signs of life in May and we think to some degree it's a function of weather. There may also be some impact of a lower Canadian dollar particularly as it relates to foreign multinationals who usually make their commitments in Canadian dollars and they've got some shoring up to do.

So we are starting to see some signs of life in May and our ratings are sufficiently strong and we're quite optimistic that we can get our women's business in particular back on track with just a little bit of support from the ad markets.

(Paul Steep): Great, and I guess the second one for me, normally we don't talk about categories specifically but I know in the auto side it seems like there was some weakness out there in the period. I wanted to see what you have been experiencing throughout the business maybe on the local side as well as the national side.

John Cassaday: Well, you know, auto has been very, very strong for us on radio in particular. We're not a big auto player on TV because of the nature of our assets, you know, predominantly in the women's and kid's space.

We're certainly making strong pitches to encourage the automotive industry to look more carefully at women's advertising opportunities given the role that women are increasingly playing in the selection of automobiles.

Doug Murphy: It's Doug (Paul). We have seen some mid single digit growth in radio in the automotive category so you correctly note that it has been a category of promise for us.

(Paul Steep): Great. The last one for me I guess to either one of you is on the merchandising and distribution side. Maybe talk to us a little bit about where we're at in the process here of, you know, working through some of the headwinds. And are we at the point where we're basically going to start to lap numbers that look, you know, more like a baseline.

Doug Murphy: The short answer is yes and I'll elaborate. It's somewhat bittersweet but we are now getting beyond the lapping moment so this time last year was the final big Beyblade comp. That is now behind us so we are now in the process of kind of rebuilding our revenue on the merchandising side for Nelvana.

And as we've talked about in the past we have two distinct thrusts. We're driving down one is, you know, the preschool business and, you know, we mentioned Mike the Knight, we've got, you know, both beginning to take hold with that category especially in Europe. And the team is finishing up the placement of Little Charmers and Trucktown broadcast this week in MIPTV.

So all three of those preschool properties are positioned now for growth. But, you know, we're talking as we talked during investors day, you know, they're in production, they go on broadcast, you know, in '15 and then from there we start being on shelves shortly thereafter.

So I would say the big numbers of Beyblade lapping us, this is the last time we're going to have those tough comps and from here on in we start to rebuild.

(Paul Steep): Great and I'll sneak one last one in if I can. Just on the radio on the reformatting if we think about that across some of the markets, where should we think about a recovery here sort of in terms of, you know, seeing those results push through on BBM and on paper diaries. Should we be thinking more about sort of a Q4 type effect on the numbers to give you some time to work those formats in?

John Cassaday: Yes for sure. If you look at Ottawa in particular, that's not a meter market, it's a diary market so we're going to be able to hit the last four weeks of an eight week diary period. So we expect we'll get some bump from that but it won't be to the extent that we're confident. It will be when we get a full book in the fall. As it relates to PPM, as you know those are much more frequent. The next book comes out I believe on the 4th of June, is that right Doug?

Doug Murphy: June 6.

John Cassaday: June 6, so right around then. And we expect we'll start to see some indications of recovery on particularly our two stations in Toronto that we worked so hard to get back into growth. But certainly in July, August, September I think we'll start to see the fruits of our labor on the Toronto radio stations.

(Paul Steep): Perfect path line. Thanks guys.

John Cassaday: Thank you.

Operator: Thank you and our next question is from the line of (Aravenda Gilapathy), Cannaccord Genuity. Please go ahead, your line is open.

(Aravenda Gilapathy): Good afternoon, thanks for taking my questions. I just wanted to start with the synergies. I know you're targeting $12 million to $15 million. I was wondering if you can provide some color on how quickly the sort of pace at which it rolls in. Would 2015 - sorry 2014, the back half, sort of benefit a little bit from the - from those synergies as well?

John Cassaday: Absolutely. And, you know, on a run rate basis (Aravenda) I think we would go so far as to say rolling 12 from this point forward those synergies are going to be captured and at the high end of that range.

(Aravenda Gilapathy): Okay great, I see, thanks for that. And just moving on to pay TV, I know that on investor day you sort of talked about some innovative packaging options that you're discussing with the BDUs. I think one of the options that we discussed was sort of this (Skinny Basic Plus), a pay option. Any progress on that front? I was just wondering if there has been any kind of developments there.

John Cassaday: We've been in dialog with our BDU partners to explore just such innovative packaging ideas and I offer that there's receptivity to many of these ideas. But at this juncture (Aravenda) it's really just planning as opposed to any implementation.

The one thing I can say I think we're really benefitting from our partnership with Bell. They've been very forthcoming in providing us with promotional support across their sport properties for HBO and the launch of Game of Thrones in particular.

So I'm quite confident or we're quite confident rather that level of promotional and ad support is going to benefit us. And then of course just the incredible buzz around Game of Thrones is another big boost for this particular part of our business going forward.

(Aravenda Gilapathy): Great. And just on the M&A front, obviously you have been active on the television side and to a lesser extent on the radio side. Is there an appetite or maybe an opportunity to sort of look at the content side as well in terms of libraries and new production houses? Is there something of interest there that you'd look at?

John Cassaday: Well we wouldn't comment of course on anything specific but from a strategic point of view owning and controlling more content is an area of high interest to us so we continue to look at lots of opportunities in that space.

Our focus is on finding brands and content that can support our domestic television business but will also add value to international operators and OTT players in particular. Because we're certainly seeing the benefit of the long tail as it relates to our Nelvana rights and we think that can be played out on, you know, additional kid content and other broader content particularly as it relates to women lifestyle programming going forward.

(Aravenda Gilapathy): Thanks John and just one last one for me. I'm not sure you disclosed this but on a same store basis, I was wondering if you're able to provide the specialty ad growth and the sub growth on a same store basis for Q2.

John Cassaday: Well I can say that on a same store basis our kid business was up and our women's business was down on - for Q2. Doug has got some I guess more specific comments.

Doug Murphy: So I would characterize, sub revenues X-pay was essentially flat and the women's business was down a few points on same store basis.

(Aravenda Gilapathy): Great, thanks a lot. I'll leave it there.

Operator: Thank you and once again ladies and gentlemen, to register for questions please press the 1 followed by the 4 on your telephone. And to withdraw your questions please press the 1 followed by the 3. And now our next question is from the line of (Tim Casey) with BMO. Please go ahead, your line is open.

(Tim Casey): Thanks. Can we talk a little bit about pay? The subscriber number you reported I thought was a little on the weak side despite as you noted what has been a strong schedule. What - is there any one-timers in there or what is happening with the subscriber metrics as we go through the year?

John Cassaday: Well I'll just make a brief introductory comment and then let Doug get more specific on it. But the one thing that we have been giving a cautionary note about is that we're concerned about the timing of our promotional activity and the impact of promotions that perhaps we're trying for the first time.

And you couple that with different delivery dates on new series and it becomes challenging to forecast this business to the precision that we're comfortable with and I'm sure you would like us to provide.

But I would say in general terms this particular quarter, our core subscriber base was relatively solid. And where we saw the drop off was in the promotional side of the business so in other words areas that don't affect revenue and EBITDA to the extent that you might think. Doug do you want to just embellish on that?

Doug Murphy: Yes thanks John. Hey (Tim). We spoke to you at investors day about two things. One was, you know, our confidence in growing the business and notwithstanding, you know, the published sub number this quarter we remain confident. So what happened this quarter.

We've been very careful to manage our margin in pay and to deploy our promotional investments strategically to drive growth and we decided to delay some of our activities to line up with the Game of Thrones which was a Q3 item.

So two things on Q2 is to echo John's comment, we're very pleased with the number of fully paid high margin subs we have. It's exactly on where we wanted it to be. We're down, you know, 50% from last year this time in terms of number of promo subs but I can tell you with great enthusiasm that the debut of Game of Thrones Season Four has been exactly what we had hoped it would be in terms of driving audience.

You may have seen some of the press releases this week. If you haven't I'll give you the shorthand. We had an audience in Canada on Game of Thrones across the nation of 1.1 million Canadians. That corresponds and compares with 6.6 million in the U.S.

And if you ever use a 10 or 12 factor to compare Canada to the U.S., that would suggest to us that, you know, on a per cap basis twice as many Canadians are enjoying Game of Thrones which speaks to the value of pay to our collective subscriber base in Canada.

But even more importantly anecdotally we're hearing from our BDUs that the acquisition campaign we launched just on the cusp of the debut of the new season has seen a remarkable increase since the first season premiere in the last ten days or so.

So we're glad we shifted our powder to focus on this Game of Thrones release. We're going to see some nice growth coming into the third quarter. And it's just really about being smart but we're going to make our investments to get the best return.

John Cassaday: Just to build on it (Tim), I mentioned earlier the impact on profitability and just to give you some sense of that, we are actually in terms of EBITDA up year to date and our Q2 EBITDA performance was only down around half a million.

So we feel like we're holding our own. And as Doug said, we continue to be really optimistic about our ability to grow that business. And, you know, we're just really refining our strategies as it relates to when and how much promotion we throw at this market.

(Tim Casey): Do you - is your interaction with your core customers and whatnot, are you still of the view that it is complementary to over the top services or do you feel they're competitive to one another?

John Cassaday: We feel that it is complementary. What we're finding is that premium pay users are probably the most highly penetrated OTT users. They have an insatiable appetite for content particularly movies.

And the fact that HBO continues to be exclusive to our platform really gives us the confidence that we can continue to provide something that is as you say completely complementary to any other movie source and source of new series that they can access.

Doug Murphy: (Tim) it's Doug. I'd also add that from our experience another important catalyst on growing pay is the macroeconomic backdrop. And to an extent to which, you know, we can see more growth in the overall economy, we also get a knock-on benefit on our growth in pay notwithstanding the good work we're doing on promotions and packaging and telemarketing and that sort of stuff.

(Tim Casey): Thank you.

Operator: Thank you and our next question is from the line of (David McFagent) with Cormac Securities. Please go ahead, your line is open.

(David McFagent): Thank you. Doug just on the merchandising business, do you think that Q3 the merchandising revenue might actually be flat?

Doug Murphy: I would say so.

(David McFagent): Okay and then just on the TV just following up on the other question on the organic side or the same store basis, I'm kind of thinking that the TV ad revenue might have been down high single digits. Does that make sense or is that too aggressive?

John Cassaday: You know, it depends on what vertical you're talking about. We were right...

(David McFagent): Just total overall TV advertising.

John Cassaday: I wouldn't say high single digits, no.

(David McFagent): No, that's too...

John Cassaday: That's too high. I'd say, you know, a few points, I'd say three to five max.

(David McFagent): Okay, all right. And then when you talk about a pickup in upswing in kid's ad revenue, can you be a little more specific?

John Cassaday: Sure. We're seeing - we're talking in the past about the importance of new category development. We have a bevy of new advertisers on the kid's networks right now that are just impacting Q2 and Q3. We have spoken about the importance of developing an entertainment category.

We have actually, you know, built a team here in our TV sales and research group that are dedicated completely on the entertainment category both theatrical and DVD and we're seeing some nice results there. It happens to correspond with a good slate of family films coming up in Q3 and Q2.

So those are some of the examples, new categories, entertainment kind of dividends being paid, and just continuing to work with the core toy guys that whether it's nice growth on the order of double digits on the toy side in the quarter.

You know, the challenging category we have continues to be the food business which, you know, for obvious reasons, you know, has got some headwinds. But in aggregate it speaks to a return to growth in hitting our numbers in kids in both Q2 and Q3 on the network sales.

(David McFagent): Okay. And then just lastly can you give us an idea how Q3 is tracking on the radio side overall?

John Cassaday: (Unintelligible) on the ad revenue side Q3 is pacing soft right now and, you know, again I'm still hopeful that April, May we're going to start to see some recovery there. I think we will in all likelihood record continued year over year softness in radio at or around the level we were at for this quarter.

(David McFagent): Okay, all right. Okay thank you.

Operator: Thank you. And once again ladies and gentlemen, to register for questions please press the 1 followed by the 4 on your telephone. And now our next question is from the line of (Colin Moore) with Credit Suisse. Please go ahead, your line is open.

(Colin Moore): Great thanks. Maybe a question for Doug on the merchandising distribution and other. And you have already spoken to how you expect to perhaps see better traction going forward but maybe just a broader question on your base business. I know we've had Beyblade roll over.

Correct me if I'm wrong but if I look at your base number of revenue this quarter it's still probably one of the lowest we've seen over the last five years. I know you've had some good success with distribution and so forth. So just wondering if there are some other puts and takes in the base business that may have contributed to this quarter's weakness.

Doug Murphy: No what you've seen the last five years really has been the sort of relatively remarkable achievement of having two hit boys action properties stacked up back to back. And, you know, we obviously would have loved to have had a third one lined up as perfectly as we did the second one but we're not in that spot.

So we are - in terms of puts and takes, we are where we are. We now believe that we know for a fact that the high comps are going to be behind us as of Q2 and we start rebuilding our merchandise going forward.

The growth in the short and immediate term on Nelvana on the distribution side is going to be coming from our digital video revenues. And that continues to be as we talked about investors day a very significant opportunity and that opportunity exists both domestically in Canada but obviously internationally is a much bigger market with a lot of players.

So there has been announcements as you have likely seen most recently about, you know, Verizon buying Intel's OTT product, their licensing content.

Amazon just launched a new iteration of their digital video strategies. There's regional players popping up all over the world. Our sales guys are right in there. So we are going to see some nice pickup in revenue in the near term as we're going to be exploiting those opportunities in those global markets.

(Colin Moore): Great thank you for the context. And maybe just a quick one on radio. I know the broader market seems a bit soft. One of the initiatives I think you were working on was to maybe really get more aggressive on the local sales in addition to try to improve the ratings for national sales. Maybe any update on that initiative?

John Cassaday: Well it's really just about getting in front of more customers more often. You're right, that is our absolute priority. To put the radio issue in perspective, we have a lot of talk radio stations which skew older are not as influenced as the music stations by ratings. It's all about the environment. And we just need to really be pushing hard to get as I said I front of customers.

So there's no question that we have - the two challenges that we have are improve our ratings and I think we tried to give you a little bit of flavor for the many things that we're doing on that front.

And then the second thing is to control our destiny to the extent we can on the sales front which is by influencing local sales which are not, you know, rating driven, they're all about environment and helping customers sell more stuff. So that's definitely within our realm and something that we can control and we've just got to keep sharpening our saw on that front.

(Colin Moore): Great, thank you.

Operator: Thank you. And our next question is from the line of (Haran Posner) with RBC Capital Markets. Please go ahead, your line is open.

(Haran Posner): Yes thanks very much. Just a couple of follow-ups for me, maybe I'll let Tom participate here. Just with respect to if I look at your cash flow statement and the delta between your programming amortization and the cash you actually spent year to date, obviously it has been a bit of a tailwind for free cash flow. I'm just wondering Tom if there's anything timing related in there and we should expect a bit more of a drag in the back half.

Tom Peddie: (Haran) I think you've captured it. There will be a bit of a drag. You know, when you look at where we finished the last year and where we're standing right now, I mean, you know, the first six months of the year have been fabulous at $123 million but we have Canadian program expenditures that we will be making in the back half of the year that will be a bit of a drag on that.

(Haran Posner): Okay that's great. And then just on the leverage, I think Tom you reported net segment profit of 3.3 times. That's obviously a little high given that you're not reporting the full pro forma on EBITDA. I guess as I made that adjustment would you say you're probably closer to 2.8 to 2.9 times at this point?

Tom Peddie: 2.7. So the 2.7, the number we would use would be $318 million. If you recall at investor day we used $330 million on a run rate but that included $12 million of synergies. Obviously we wouldn't be able to count the synergies in that run rate. So if you used $318 million it would be 2.7 which incidentally is lower than the pro forma number that we had provided when we announced the transaction last March. So we're really thrilled with the work we're doing on deleveraging the company.

(Haran Posner): That's great, thanks very much.

Operator: Thank you. And ladies and gentlemen, as a reminder to register for questions please press the 1 followed by the 4 on your telephone keypad now. And now our next question is from the line of (Vince Ballentini) with T.D. Securities. Please go ahead, your line is open.

(Vince Ballentini): Yes thanks very much. A short term and a long term hockey question which you may find weird but with so few Canadian teams in the NHL playoffs, do you guys ever see a benefit from that in terms of ratings shifting to your non-sports channels? I mean, did you see any material benefit during the lockout last year?

John Cassaday: We may have been one of the few groups of Canadians hoping that only one Canadian team would make the playoffs.

Doug Murphy: And the right one did unfortunately. Unfortunately or fortunately, I'm not sure.

John Cassaday: We say we're a hockey nation but we're really a group of local hockey fans. And I think that had we had four or five Canadian teams in second and third round we would have chewed up a lot of co-view audience. And I think that we would expect there would be a benefit sadly of the fact that there were so few successful Canadian teams at least as it relates to making the playoffs.

(Vince Ballentini): That's short answer ratings maybe from that over the spring but do you immediately get the revenue benefit or does it take a while for that to translate?

John Cassaday: I think that - I think it's a combination of both. I think that those people that are interested in hockey will be well aware of the fact that there probably will be lower ratings on hockey and there will be less Canadian interest so they may be looking at moving their money into other areas that give them that co-view audience that we deliver so well.

But I do think also there will be, you know, a more positive rating environment for us if we're not up against, you know, the Leafs versus the Flyers on a Wednesday night. So there's no question that we'll have in our minds anyway a more positive impact than had it been other than it is right now.

Doug Murphy: (Vince) it's Doug. I just also add some color in terms of our co-view business, you know, why TV and we put together a very aggressive scheduling and promotional campaign for this past March break. And the service performed fantastically with it was called the March Breakout. And we were actually the number one network in the country including conventional for the first three weeks of March.

That gives us some really good momentum rolling into April. And again without hockey to compete for the co-view audiences I think it bodes well for that part of our business, at least in the third and fourth quarter.

(Vince Ballentini): And the longer term question is kind of almost the exact opposite. But the way I see it there's two much stronger sports networks out there starting in the fall with Sports Net and (TVA) Sports getting all those hockey games. But TSN is still going to be fighting like mad for their share.

In that environment do you think it's going to be more challenging to get any sort of rate increases through for your specialty channels and could there be some eyeball shift if more people migrate to those two channels?

John Cassaday: Well it will be interesting to see whether or not there are more people watching hockey next year than this year. Again, I'm not convinced of that. I don't think this is necessarily going to incite more people to watch the Leafs if that's their team or the Canadians if that's their team and seeing San Jose play Nashville I'm not sure is a big deal. I think that a lot of the interest in controlling hockey rights had to do with multi-platform.

So simple answer to your question is I don't really see a fundamental shift in the TV viewing market next fall relative to this fall. So, you know, as we sit and do our planning, I don't think we're going to factor in the impact of a new hockey deal like we do try to factor in the impact of an Olympics. So to us it's more neutral than I think, you know, in your mind it might be (Vince) but time will tell.

(Vince Ballentini): Perfect, thanks.

John Cassaday: Okay.

Operator: Thank you and there are currently no further questions in queue at the moment. I will turn the call back to you sir.

John Cassaday: Okay well thank you everyone. I know there's a lot of focus on same store as there should be. We're really working hard on that front. We're working hard on the cost side of our business and we're working hard to be as effective as we can with the advertisers.

But we are very proud that we're continuing to create shareholder value here and reduce debt in difficult times. And I think the numbers that we put on the board today both in terms of revenue growth, operating income growth, EPS growth, and cash flow growth are indicative of a management team and a company that knows how to make money over the long haul.

And I appreciate your continued interest in our company and the questions you had for us today. So thank you very much and we'll look forward to talking to you in the days that follow. Bye for now.

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

END