CORUS ENTERTAINMENT

Moderator: John Cassaday
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1:00 am CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment Q3 Analyst 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 Wednesday, July 15, 2009.

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. My name is John Cassaday. Welcome to the Corus Entertainment's 2009 Third Quarter Report and Analyst conference call. Thank you for joining us today. Before we read the standard cautionary statement, we would like to remind everyone that there are series of PowerPoint slides that accompany this call. The slides can be found on our Website, corusent.com in the Investor Relations section of our Website. So, we'll now run through the standard cautionary statement.

This discussion contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1955. Some of these statements may involve risk and uncertainty. 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 US Security and Exchange Commission.

We would like to introduce you to the Corus Entertainment team available on this call. Tom Peddie, our Senior Vice President and Chief Financial Officer, and Paul Robertson, President of Corus Television.

Our Q3 results show that the current advertising climate continues to be challenging. As Slide 3 and 4 illustrate, our revenues for the quarter were $195.4 million, which was down 6% from a year ago, while our consolidated segment profit was $61.4 million, down 14% from year ago. We continued to generate strong positive free cash flow this quarter, now at $76.4 million versus $58.6 last year.

As you will have noted, we reported a net loss for the quarter of $145 million, or $1.81 per share, compared to earnings per share of 45 cents a year ago. This non-cash adjustment reflects a $163.5 million goodwill impairment, and an $11.5 million broadcast license impairment related to our radio assets.

Broadcast licenses and goodwill are generally conducted on an annual basis. In Q3, however, we concluded that in the current economic environment in

Canada, we should test for impairment. When we completed the test, we determined that the fair value of our radio assets was $19.5 million lower than the book value. For accounting reasons, this resulted in a goodwill charge of $163.5 million, and a broadcast license charge of $11.5 million, for a total impairment of $175 million.

When we originally ascribed value to our broadcast licenses and goodwill, we placed a lower value on broadcast licenses than goodwill. In today's environment, a higher value is attributed to broadcast licenses, but unfortunately, we are not allowed to actually write up these licenses to offset or affect the drop in goodwill.

This has resulted in a much larger write-down than the actual reduction in the fair value of the radio division. The net book value of our radio division is now $463 million, compared to the fair value of our radio division assets of $607 million. And I'm sure you'll have additional questions about this, which Tom will detail for you later on in this call.

Turning to Slide 6, and our Television division, revenues there were $129.8 million, which is down 1% versus last year. Our segment profit was down 5% on television. Overall subscriber growth was up 13%, with our Pay TV business seeing strong growth. During Q3, Movie Central added 30,000 subscribers, which is up 63,000 subscribers, or 7% versus the same time last year, so we're well on track to meeting our stated goals with respect to this division.

For our specialty channels, total revenue was up 5% this quarter. There was a contrast between subscriber and ad revenue results. Across-the-board, all of our Kids and Lifestyle channels saw increases in subscriber revenue this quarter versus year ago, and while the addition of VIVA helped drive this gain, we had increases across all our other services. It's clear from our subscriber growth and ratings performance, that Corus has strong brands that are meeting our audience's and our customer's expectations.

We continue to see some softness in advertising however, with an overall decrease in specialty advertising of 4% versus last year. And while this is decline versus year ago, this pacing is an improvement on the 8% decline we recorded in Q2.

The women's demographics continued to show strength with positive growth for W Network, contributing to an overall growth of our Women's ad revenues of mid-single digits.

On the Kid's side, we had forecast that the back half of this year would remain soft versus a year ago, but would improve versus the first half of this year. And Q3 did in fact show marked improvement over the first half of the year, with revenue declines in the mid-single digits. We also saw softer results for our network's directed towards the adult demographics.

In terms of our content business, we continued to see strong growth from our merchandising business, led by our Bakugan brand. Bakugan remains the number one boy's action toy at Walmart and Toys R Us in the United States. Our launch in key international territories, like Germany, Italy, Spain, Scandinavia, and France early this spring, is quickly seeing positive results. In fact, Bakugan is the fastest growing boy's action toy in France, and has already reached the number one rank in the UK, Germany, and Spain.

In summary, our Pay business continues to show very strong growth, especially subscriber revenues was a growth across-the-board, and our Women's services continue to show positive advertising sales growth. Our

Kid's business declined, but we saw improvement in our pacing versus the first half of this year.

Turning to our Radio division, revenues for the quarter were $65.5 million, down a disappointing 15% from last year, with segment profit down 35% versus year ago. While our clusters in Toronto, London, Kitchener, Quebec City, and Sherbrook outpaced their markets in general for both Corus and the industry as a whole, sales were down overall in the West, Ontario, and Quebec.

And while we continue to perform well from a ratings standpoint, we believe that there were two key factors that contributed to our soft results this quarter. First, with our historical strength in the West in particular, and Ontario secondarily, stronger declines in these markets hurt us disproportionately.

Also, key ad categories for us are those that serve the male demographic. And the most important of those categories saw significant declines this quarter; automotive, electronics, financial services, beer, and alcohol and telecom all saw double-digit declines in Q3. This hit us particularly hard in Vancouver and Toronto, where we have two large male-dominated stations in each cluster.

During our last call, we were asked about our worst-case scenario for radio this year, and we said it could be as bad as 8%. It appears that this prediction, sadly, is proving to be correct.

In closing, we will provide some comments on our outlook for the rest of the year, so if you'd turn to Slide 7, I'll begin by saying while our financial guidance for the year remains unchanged, we are identifying - we did identify a risk of 2% to 4% for our segment profit guidance. I would say that we would be extremely disappointed if that proved to be any greater than 2%.

At Corus, we have an incredibly disciplined and rigorous forecasting approach, but in times like these, low visibility and economic volatility make it difficult to predict with our normal level of precision. Having said that, here is what we do know about the outlook for Q4 and beyond.

First of all, we expect continued strong results from our Pay TV business. Consumers have responded to our subscription Video-on-Demand offerings, and we will maintain our coordinated marketing efforts with our broadcast partners.

And we have a strong summer slate of programming returning, such as True Blood, Entourage, and Durham County, and the success of two new series, (Hung) and Nurse Jackie, which stars from The Soprano's, Edie Falco. Second, we continue to see strong subscriber growth. Along with VIVA and the full benefit of a wholesale rate increase on our Pay TV business in Q4, the growth of digital subscribers with our broadcast partners will continue to benefit us.

Third, we continue to see ad growth for our Women's brands. W Network remains the number one Canadian specialty channel for women 25 to 54, and women 18 to 49. It also increased its weekend prime time ratings by 9% in Q3, and had 6 of the top 25 programs in both of the key women's demographics. VIVA and Cosmo continue to perform from a ratings and revenue standpoint. For example, go from a very small base, VIVA has doubled its prime time audience in Q3.

Subscriber and merchandising, so number four, subscriber and merchandising revenues for our Kid's business will continue to grow. As we mentioned earlier in this call, Bakugan continues to do well in the United States, Canada, and key international markets. And as a result, our toy partner has just increased their 2009 forecast in response to the continued strong sales of this brand.

Recently, we announced the Fall 2010 re-launch of the popular Beyblade brand, and have begun production of our new Babar 3D series. We expect to record merchandising advances for both of these brands in Q4. We also expect to see a strong increase in Q4 versus last year for our Kid's production and distribution activities, as a result of a pretty substantial shift in deliveries from Q3 this year to Q4.

Kid's ad revenues will show improvement on the first half of the year. We have a massive drive on our Kid's business with programs to target co-viewing, or what we are calling The Power of Mom. We are also targeting growth with new healthy, active living partnership at retail, and another initiative to target more Government of Canada business.

Fifth, we predict that our Radio business will remain challenged in the fourth quarter. While visibility is at an all time low, our current pacing is somewhat better than our Q3 results. Out west, we have restructured our sales team in Vancouver and are seeing positive results in pacing with the cluster increasing its last two forecasts.

In Calgary, Q107 has underachieved, but we have implemented programming changes in this quarter that we believe will improve performance going forward. In Edmonton, we have a very strong market share, and aggressive price competition in this market has hurt our sales. Having said that, our cluster in Edmonton has a leading 34% of the adult 18 to 54 audience and is still taking a 40% share of revenue from that market, year-to-date.

In Ontario, the down turn in the Toronto market has been the biggest challenge in this Province for us. But Chorus outpaced the market in Q3, and we expect that to continue. Our S2 ratings in Toronto, which is our BBM ratings, remained steady, and a key competitor has abandoned the Rock format, which we are confident will benefit Q107 going forward.

In Quebec, CFOM in Quebec City remains number one overall, and we have received CRTC approval to move our tower in Sherbrook, so we expect these two clusters to continue to outperform the market. In Montreal, our French stations are showing positive pacing, and our re-launch of Q92 has seen a more than 20% increase in PPM ratings in the seven weeks since the brand was re-launched.

Lastly, division-wide, as current advertisers scale back their buys, we have placed a large focus on cultivating new business. In the West alone, we have booked over $10 million in new business this year, which is business that we define as advertisers that have not been on the station for more than 18 months. In the short-term, this has helped to offset some of the softness we have seen, and importantly from a long-term perspective, this gives us an even larger client-base to work from when the economy turns around.

I’d like to make a few remarks about what we’ve been doing to manage expenses, and it has been substantial, and we will continue to apply a strong, disciplined approach to expense control going forward. Our team has done an excellent job to date in reducing expenses to mitigate the impact of soft advertising. We have cut travel and conferences. We’ve cut entertainment and administrative expenses. We’ve implemented a hiring freeze, and reduced headcount by over 100 positions. Our Management Committee has taken a 5% pay cut, and has foregone any bonus payments for this year.

We have reorganized our Montreal operations to align their cost structure with their revenue levels. On April 16, we announced added cost containments that included unpaid days and a pension hiatus for the balance of fiscal ‘09 and all of fiscal '10. A large number of our on air talent, and some of our unionized employees took voluntary pay cuts as well.

We will see the full benefit of this in Q4, which coupled with the other ongoing expense reduction company wide, will help our divisional expenses and will see a reduction of corporate expenses in Q4, by approximately one-third, compared to last year. Corus employees have been extremely supportive of these aggressive cost reduction measures, and we appreciate that support and help.

Finally, we also will continue to invest in our future. Yesterday, we announced the acquisition of SexTV and Drive-In Classics. We believe that both of these services are great additions to our Women’s and Movie portfolios. We will work to reshape SexTV to fit with our channels that serve the women’s demographic, and Drive-In Classics will benefit from our strength in movies.

We will also re-launch Scream this fall, by rebranding from Scream to Dusk, and adjusting the programming from, if you will, less “slaughter” to more “shadow”. We’ll broaden the demographic appeal by virtue of this change, and make it a much more attractive offering to the women’s demographic, and to our broadcast customers - our distribution customers.

So, we hope that you have found our comments helpful in providing an overview of our Q3 results and our outlook for the remainder of the year. We have confidence that our diversified portfolio, strong brands, and continued investment in our future will position us to not just recover but prosper when the economy turns around.

And we'd now be happy to take any questions that you might have.

Operator: Thank you. Ladies and gentlemen, if you would like to register a question, 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're using a speakerphone, please lift your handset before entering your request. And one moment please for our first question.

And our first question comes from the line of Adam Shine with National Bank Financial. Please proceed with your question.

Adam Shine: Thanks, (Laura). Good afternoon. In the context of the impairment charge, John I guess alluded to Tom maybe giving us a little more clarity. Maybe a few questions.

First off, you referenced in your MD&A, let alone the press release, the context of not only the market backdrop and your specific ad trends in radio, but you also talk about how the multiples have adjusted in the market place for radio. I'd be curious if you'd be willing to talk about what you think the market multiples are in terms of how you assess the reduction to your goodwill.

Tom Peddie: Adam, it's Tom. We don't really look at it from a multiple point of view. We look at it more on a discounted cash flow point of view. And as you know, you know, the multiples are I guess really a judgment, and those would vary by circumstances as to, you know, what your growth assumptions are, et cetera. So, we look at it more on a discounted cash flow basis.

Adam Shine: Okay, fair enough. I mean, that's what I assumed. Just the way you worded the text, I thought there might be a little more color there. In regards to John's comment, vis-à-vis, you know what he thought would be an upsizing potentially, or at least in theory regarding the broadcast licenses.

Can you elaborate on that a little bit further in terms of, you know, you take the charge off goodwill, but in theory, you'd think there'd be some upside to the broadcast license.

Tom Peddie: Yes, there is, but unfortunately, we're not actually able to write it up. It's - I guess kind of the way we might describe it is kind of the algebra of goodwill impairment testing.

So, you know, back in 2000, 2002 when we were doing our acquisitions, there was no clearly established methodology for valuing broadcast licenses in a purchase equation, and every company did something different. You know, some place more of the purchase price discrepancy in broadcast licenses, some placed it all in goodwill, and some did something in between.

You know, our methodology at the time place a relatively low value on the broadcast licenses, and put a larger portion of the purchase price into goodwill. As our valuation methodologies have evolved, today those license would be ascribed to a much higher value. So, when you do the hypothetical purchase equation of the impairment test, there's a large notional write up of the broadcast licenses, leaving less room for goodwill.

So, put it another way is that I guess our broadcast licenses are understated by about $175 million. And unfortunately, we don't - as I said, we don't get the ability to write up broadcast licenses. We only get the ability to write-down the goodwill.

So as John said, we're in that funny situation right now where we did our impairment test. We only missed by $19 million, but you missed. And so then you have to go back and do the next step, and say, "Okay, let's look at the allocation of the purchase price," and that's what happened.

Adam Shine: Okay. When I look at some of the comments in this supplemental, and listen to what, you know, John was saying, vis-à-vis the Q4 outlook, is there an issue of timing that we should, I guess be aware of? John kind of referenced that, at least in the context of (unintelligible) production activity, and maybe even on the merchandising side.

Because quite frankly, you're radio didn't miss by much, at least from my forecast, but you know, the TV side certainly did. Can you elaborate a little bit more on that?

John Cassaday: Yeah, I think there's a number of things. First of all, a number of timing-related issues for Q4, in terms of certainly, year-over-year comparisons, and that's the additional subscriber growth on Pay, plus the price increase. The additional subscriber growth from VIVA, and just some general growth that we're getting, particularly as the digital tier penetration increases.

But, there's also a significant difference quarter-over-quarter in terms of the pacing that we expect out of the Kid's group, as a result of some delayed production and distribution, and sales to our broadcast partners globally, and also, just the continued momentum of Bakugan.

So, you know, we sort of realized as we were preparing for this call, that if you were to model using some kind of, you know, straight line arithmetic to come to your own conclusions about what the year might shape up like, it would probably be somewhat below, you know, what I estimated on this call today. Which is you know, if take the 2% as what I'm saying is kind of the - you know, the miss that we might have, that would see it about 250 versus the 255 guidance.

So, we do think there are some notable pacing things that give us reason to be perhaps more optimistic about Q4 than you might be. Simply looking at the pace year-to-date. The other thing that I can say to you all is that from a corporate point of view, we have given the challenge to our organization that - to keep pushing to meet the low end of our guidance. But minimally, to achieve a level of 250, $2 million in operating income, which is of course, where we ended up last year.

And the rallying cry for us has been that we think that we have the opportunity to perhaps be one of the few media companies in North America to meet or exceed our previous year's earnings, despite this dramatic down turn in the economy.

And to achieve that, we've reached out to all of the profit centers within the company, and asked them to re-look at their Q4 forecasts, both as it relates to revenue and expenses, and attempt to exceed those by 5%. So to reduce the expenses that they had budgeted for Q4 by 5%, and to increase the revenues that they had budgeted in their last forecast to us by 5%. And there is a spirited level of competition going on across the country in an attempt to do that.

So, I don't know whether Tom or Paul, you want to add any additional comments on that, but we do think there are some rather dramatic differences in Q4 that will lead us to achieve the level of performance that we're, you know, sort of projecting here in this call.

Adam Shine: I don't to use up too much of the call, and I'll queue back up. I just, you know, a point B to that last question would be, if I look at the guidance that Tom gave for the run rate for corporate costs in the back half of the year. He sort of suggested that the Q2 $3.5 million would in fact be a good run rate.

So again, from a timing perspective, if you're suggesting that the Q4 corporate costs from last year are going to be reduced by about two-thirds going into Q4 of this year, is that again a timing issue where you just had a few extra costs in Q3? And so, those sort of from a timing perspective, some Q4 got pushed into Q3?

John Cassaday: Well, I think it's a lot about our cost reductions. So for example, if you look at - well, take me for example, as a member of the Senior Management Team. We took a 5% wage reduction, then we took 5% unpaid leave days, which were for the whole year, but we only had one quarter to take them.

Whether you take them or not, you don't get paid for them. So effectively, management took a 10% reduction in salary. A lot of that will be realized in the fourth quarter.

We agreed that we would not take any bonuses for this year. Again, that was a significant savings in Q4. And those would be, you know, two of the most significant items, but a lot of it is just about significant cost containment versus the same period year ago.

Adam Shine: Okay, great. Thanks a lot.

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

Paul Steep: Hi. Afternoon, guys. If you can go on the new channels, and I guess it's for John or Paul. You know, you're heavy already in the women's demographic. We look at the positioning there, it looks like the licenses that were originally out there have a fair bit of latitude to them. I'm just wondering, you know, where are the extra dollars to sort of bridge, you know, what you paid for the channels and then just (go) what we're going to need to move the channels up?

And sort of second to that, how much more of a hit, and does it sort of come Q4 or Q1, in terms of extra programming, because I assume you're going to have to buy some product to, you know, reposition the stations.

John Cassaday: Well first of all, let me just give you a bit of a frame, in terms of the degree of room that we have to grow in the women's business. We have, on those women's channels, less than a three share.

So, we've got huge, huge upside, and we see that particular segment continuing to grow. You all would have heard me talk many times over the past about starting to look at the specialty ad business as a segmented business with women's being a distinct segment within specialty.

So, we think, A; our competitive position is still relatively modest. And B, that the segment itself still has considerable growth potential. So, I'm not at all worried at this point in time. In fact, you know, the thought of you know, exponentially growing the women's business over time is still very appealing to us, and I think you can understand, you know, what I'm saying there.

You went on to say that that these channels looked like they got a fair bit of stretch in them, and good for you for taking the initiative to look. But just to give you an example, SexTV was originally licensed in 2001 as a Category II television service, and it was known as Relationship Television.

And the service is described by its nature of service as, "Programming related to love, romance, marriage, relationship-themed game shows, sexuality and gender issues, family planning, relationship breakdown, and magazine-style programming, featuring romantic vacation resorts."

So, you know, in our view, unlike what it said in the Globe and (Male) this morning, we didn't buy a soft-port channel, we bought a channel with decent distribution and a license that given our programming focus, is one that we can expand mightily going forward.

So, we think there are certainly opportunities to be more advertiser-friendly, more view-friendly, more BDU friendly with this service going forward. We think there is significant distribution upside, and we think there's significant ad upside.

And then, you know you asked about pricing. And just so that you all have some sense of how we value these things; we've been on record saying that we think that the sort pricing range for digital is eight to ten, and that it would be in the ten to 12 range for analogs. And these services were acquired, you know, in the low end of those ranges.

If - just to give you some sense that the combined earnings of these two stations for ‘09 based on, you know, our latest estimate, is approximately $3 million. So, again, I think these things are priced reasonably relative to the market conditions we’re in, and we think there are tremendous synergies, both on the revenue side and on the cost side.

As it relates to Q1 and Q2, I don’t think it’s going to be a real issue. Maybe Q2 will start to see some impact, but I think it’s probably going to take us six months to get these approved by the regulators. So there will not be any change in our programming expense in the early going of this year as a result of that.

Paul Steep: Great. That answered my -- my second one, or the last one there...

John Cassaday: I’m sorry. I just have to correct one thing that I said there. The combined number in terms of EBITDA is approximately $4.7 million, not $3 million.

Paul Steep: Great.

John Cassaday: I was looking at one channel, and...

Paul Steep: The last one for me would be the obligatory why TV question. I guess, you know, the co-viewing; I think people seem to recognize that’s resonating. I guess, what’s the planning assumption at the end of this year and into next year, Paul? Is it, you know, the co-viewing’s going to help hold us flat or get you back to where you were, versus actually recognize a gain. Or do you think you're going to manage to go to gain on the co-viewing side with the repositioning of women's?

Paul Robertson: Yeah, that's a good one, Paul. In terms of balance of the revenues, three-quarters of the revenue would still be in the Kid's area, and maybe one-quarter in kind of Mom's or co-view. So, we've seen some really good growth during '09 in the grown up side of sort of high single-digits, and of course, Kid's has been the real soft side.

So, what we're targeting as we get into next year, is performance on YTV that's kind of that's kind of even to a year ago are showing some moderate growth. And that really calls for that co-view component to continue to drive growth in the low singles, or high singles, rather, or low doubles. And but also, we're expecting that we can move the dial on the Kid's business.

And I can't tell you how big a priority it is at our place to be developing the customer base in Kids. I mean we've reported in the past that we've been kind of hit on a couple of key categories, namely toys and food, but there's lots of other categories out there that we can continue to develop.

So, you know, we have a trust on government business. We have a trust on health and wellness, and also as John mentioned in his opening remarks, the power of mom, and how she interfaces with the child when they watch YTV.

So, you know, I think we're just in the combination of (unintelligible) together with YTV, we're really being creative in coming up with new ways to develop this business. So, you know, we're encouraged. We think that there is upside here, and that we can return YTV back to growth.

Paul Steep: Great. I'll hop back in later. Thanks, guys.

Operator: and our next question comes from the line of (Scott Cuspertson) with TD Newcrest. Please proceed with your question.

(Scott Cuspertson): Thanks very much. Good afternoon.

John Cassaday: Thank you, (Scott).

(Scott Cuspertson): Yeah, just wondering about what's going on with (Real) a little bit. Just wondering if you could give us some color on the local versus national airtime revenue declines, and also was hoping you could provide some color on the whole rate issue. It seems like there are some price wars going on out there, and I just wonder if you can help us at all with the dynamics.

It's something that I find concerning, because you know, I know in the past, you know, it can take some time to get advertisers used to getting back to where the rates were before these types of activities occur, and I was just wondering if you could provide a bit of color on that whole situation for us.

John Cassaday: Okay, the national versus local ad scenario is a little bit convoluted, because we made some decisions to repatriate some business out of CBS into our local cluster.

So, you know, I'd be more inclined to just look at you know, the radio business in general as being down in the, you know, sort of 15% range. And the - you know, how we got there in terms of national versus local, I think is probably not that relevant, given some of the account change that we initiated. So, that would be one comment.

In terms of price sensitivity, or rates, or cost per point erosion, we have been looking at that, and quite frankly, in some markets, there has been some considerable price erosion. In other markets, pricing has held up pretty good. So, one of the things that we are anticipating is that we are going to have to be very, very focused on radio costs over the next two years, because it's going to take us some time to rebuild our pricing levels going forward.

(Scott Cuspertson): And while you're on the radio costs there, John, I just wonder like the cost declines that we saw in the Radio division this quarter, are those - can we reasonably expect you to be able to hang on to those? Are - was that - or was there a component of that which was just sort of, you know, trying to address the weakness this quarter so the cost will, you know, maybe - you know, go up a little bit going forward?

Tom Peddie: No, you can absolutely expect those costs to stick to the ribs, (unintelligible).

(Scott Cuspertson): Great.

Tom Peddie: Stick to the ribs.

(Scott Cuspertson): Good stuff. And Tom, I just have a CapEx question for you. I wonder if you could help us with the timing a little bit. I know that you guys are keeping your (powder drive)for when you move into the new headquarters and that, but you've only spent 10 of this sort of $45 million that I had for this year, and I think your previous guidance was for about $140 million over three years. So, is next year, what, round 70-something like that? Can you help us with the pacing?

Tom Peddie: I think that what'll happen is that this year the number will probably be more like 35, and that the number next year would more in the 90 range. So, you know, we had talked about, as you said the 140 over a three year period, so you know, if you were 35, 90, and 20, that's how you would get to that particular number.

You know, we're - you probably saw our topping off ceremony in the news, and we're making really good progress on the water front, and you know, our cash needs on that will start to increase over the fall.

(Scott Cuspertson): Okay, great. And just - I mean you alluded to the synergies, or at least John did with the new acquisitions. Can you flesh that out a little bit for us? I mean, you know, 4.7's not a bad starting point, but obviously with the movies, you know, there should be some synergies with your other movie - (unintelligible), Movie Central, et cetera. What can we model for synergies on this acquisition?

John Cassaday: I don't really - I think I'd certainly be comfortable in modeling some decent revenue synergies. I think that there are clearly some opportunities to broaden the penetration of these services from their current levels.

And secondarily, on advertising, from a programming synergy point of view, what'll happen is we will acquire new programming for these services, but there will also be shows that are in our library that we can deploy on these two services, and that will allow us to, you know, mitigate some of the (unintelligible) increases that we would ordinarily hold.

So, they are highly synergistic, but you know, I don't have a precise number in front of me right now, except to say that, you know, we do think that we will be able to grow these businesses from day one.

(Scott Cuspertson): Okay, and just a final quickie for Tom. The wholesale rate increase, that kicked in May 1?

Tom Peddie: That's correct.

(Scott Cuspertson): Okay, thanks very much.

Operator: And our next question comes from the line of Drew McReynolds with RBC Capital Markets. Please proceed with your question.

Drew McReynolds: Thanks very much. Good afternoon. Just three additional questions here. Just first, I guess for Tom, just obviously in the MD&A you have a section on just the SEC discussion. Just maybe a little bit more color on that situation.

Tom Peddie: Sure. You know, as you'd expect in today's environment, you know, the regulators are really focused on issues of valuation. And you know, in the US over the past few years, there's been a significant number of write-downs recorded by broadcasters, particularly in the radio business. And as you know, the radio experience in the US has much different from the experience here in Canada, which has led to impairment issues in that particular market.

You know, as a company we're listed in the US, and therefore subject to the review from the SEC. And earlier this year we received a letter, or comment letter, as have a number of other Canadian companies who are listed in the US, asking for clarification and justification of our methodologies for valuing our intangibles, particularly broadcast licenses and goodwill.

You know, it's obviously you know, their job to protect shareholders, so that a company like Corus, they want to make sure that we haven't avoided recording impairments by using inappropriate methodology, so that' really the nature of the question. We've been corresponding with them, and we expect to bring this matter to close in the fourth quarter.

The risk that identified in the MD&A is related to the possibility that we'd have to re-straight prior periods to reflect impairment not taken. You know, for example, you know, radio - we test radio on the total level. If we were required to test at a lower level, but there may have been impairment sometime in the past, and a portion of that impairment that we have just taken here in Q3, might have to be restated or reflected in a prior period.

However, we're confident that the impairment that we did record in Q3 is appropriate, and using alternative approaches would not have resulted in a larger impairment, either now or at any time in the past. So, that's really where we're at on that particular issue.

Drew McReynolds: Okay, thank you for that. Just the second question. Just a point of clarification on the decline in corporate expenses in Q4 by a third. I just missed what base - what's that based on? Is it year-over-year, or is it...

Tom Peddie: Yeah, Drew. It's year-over-year. I mean, you know, we're about $6.5 million in Q4 last year, and that number will be down about a third. As John said in his particular comment, you know, there's been reduction in compensation. There would be bonuses accepted by management, even if we were able to earn them. And we are hitting our targets.

You know, we're hitting our targets on our pre-cash flow. As John said, we're doing a particularly time on the - job on that. And even though we were able to hit that particular target, management has said they would not accept the bonus, so that number's not in there. So, as a result that's why we're relatively comfortable that the - you know, the overall corporate expenses for the year will probably be in about the $18 million range.

Drew McReynolds: Okay. Thanks for that. And my last question, I guess probably for Paul. Just looking at the television (unintelligible) in the quarter, obviously lots of moving parts here, and - but it was down year-over-year in terms of overall expense growth. Just any sense of you know, going forward either what direct cost savings are happening in that segment, or alternatively - or did you kind of lower your year-over-year expense? Growth trends going to continue, you know, over the next three or four quarters?

Paul Robertson: Yeah, it's Paul here. It was a particularly tight month in terms of the overall expenses. We were able to, you know, include Cosmo and VIVA in the lineup this year, which - and still come in with overall expenses in the 2% range. So, our - you know, but those kind of levels, I think are pretty aggressive.

We do see some increase in the programming expense as we look out into the fourth quarter and into next year, just based on you know, the new HBO contract and the new channels that we referred to. So, you know, I think that based on the run rate, it would be a little bit aggressive to include the expense amounts that we saw in the third quarter.

But from an overall standpoint, I mean we're really hard at the overall operating expense line, which we think we could continue to keep down from year ago. And a lot of the corporate expenses that then get allocated to the divisional level, of course, all come through, plus moves to hold down our overall headcount with the hiring freeze that John referred to.

So, programming expense up a bit, more in the future than you saw during the quarter, but operating expense down from a year ago level.

John Cassaday: Just to give you some additional color here, one of the things that we're trying to do is offset the cost of these incremental initiatives with reductions in other areas. So, in Q3 if were to exclude VIVA, Cosmo, and HBO, our expenses would've been down 6%. So, I think we're showing obviously good restraint on all of the other elements within the cost mix.

Drew McReynolds: Okay, that's very helpful. Thank you.

Operator: And our next question comes from the line of Bob Beck with CIBC. Please proceed with your question.

Bob Beck: Thanks. Good afternoon. John, just on the SexTV/Drive-In acquisition, how many bidders were there for those assets? Can you - I mean if (unintelligible)?

John Cassaday: To the best of my knowledge, (Bob), we were dealing with CTV on an exclusive basis on those assets.

Bob Beck: Okay, that's interesting. Thank you. And just back to the radio, you know, I think, John, you said broadly speaking you're hoping to be somewhat better in Q4 than Q3. And I'm not trying to pin down that comment, but do you think you'd be better than the market, or at least in line with the market in Q4, because I think in Q3 it looks like you're a touch below. And obviously you've got a lot of moving parts on restructuring and reformats in Quebec and such. Would you think you'd be fairly in line with the market in Q4?

John Cassaday: We would hope so. I mean, clearly this quarter, there was the couple of things that effected us. One is we were just so darn strong in the West, and the Western economy's been so battered. You know, obviously because of the oil and natural resource in BC and Alberta.

The other thing is, more through serendipity than strategic intent, we ended up with a real strong arsenal of Rock formats. And our mix and in the male demo brand's been hurt because of the absence of automotive almost entirely in the quarter. So we start - you know, we actually booked some GM business last week, so we're seeing -- I hate to use the green sprout analogy which we're all getting bored with -- but, we are seeing some positive signs.

We also think that the telecom sector, which has been quiet recently, is about to get re-ignited as a result of the new wireless competitors that are coming on board. So, our goal is always to perform at least at level with the market. There've been some reasons why that didn't happen in Q3.

We don't feel at all good about that, but we have great brands and great people, and we just got to do a better job in developing new business because perhaps we've been too reliant on the steady, consistent old business that we came to rely on over the years. This has certainly proved to all of our people that you can't expect our customers to always be back at the same level they were in the previous year.

Bob Beck: That's helpful. Thank you. Just turning to television, obviously very strong growth continuing on the subscriber side. I think you're at 63,000 year-to-date. You're target was sort of 50,000 heading into the year, so obviously well above that pace.

Any thoughts on you know, where you can get to. I mean, you seem to be consistently doing about, you know, 25%-26% of the (unintelligible) ads in their territory, on the digital television boxes. So, I mean is that still a reasonable gauge, given current pacing?

John Cassaday: Yeah, I think so. (Shaw)'s doing a spectacular job in adding digital subscribers. Our partners are doing a spectacular job in bringing new programming to the market. You know, Nurse Jackie and (Hung Hung) are two, you know, very exciting new programs that I think are going to create a buzz. And then, we've got the opportunity working with our partners to drive penetration within the digital base.

And as you rightly point out, even though we're adding nicely, the penetration rate is a little lower than it's been historically, because we're now talking about later adapters. So, we think we've got significant opportunities to grow, and you know something with seven digits going forward seems quite realistic for us in terms of our sub-base.

Paul, any additional comments?

Paul Robertson: Yeah, thanks, John. I'd only add to those that we've been supported with the (unintelligible) offering by (Shaw) and major markets in the west. (Unintelligible) for that combination of having HBO new programs premiering, and seasons coming back, plus the (SBOD) offering, has been really an unstoppable combination.

So, we're - and we're very in on those new digital subscribers, as John mentioned. I mean, it's a high priority to get those converted into say Pay subscribers. So yes, 20%-25% of that total basis they come in, that would be an aggressive call on the year, but we - you know, that's what we're trying to do.

And we see them coming in kind of in the range of 100,000 subs a month, that kind of thing. So, yeah, John's right. We've got a target to be in excess of a million subscribers, and if we can really get out those new digital subs, we can do even better than that.

Bob Beck: Okay, thank you. And just the last thing I have left here, I guess for Tom. Can you remind us a bit on some of the effects of the new building, the new head office, and I guess it's all 2010? I mean, you've talked about the CapEx in answering (Scott)'s question, but anything else we should know as far as timing, and any costs or outlays, like basically looking at 2010 estimates, if I have to reflect much at that point yet.

Tom Peddie: We - our plan at the particular point in time is to move into the new facility in May of next year.

Bob Beck: Okay.

Tom Peddie: So, you really see the facility in the increased costs in the fall - or the fourth quarter of next year. You know, we'll have increased costs, with respect to depreciation in the fourth quarter, we'll have - you know, we have an outstanding - we negotiated a very attractive lease with the City, where you know, we've said before that you know, our lease and operating costs will be comparable to what we're paying at the present time. However, what we have done is we have acquired more space than we currently need, to give us the flexibility going into the future.

So, you know, on the lease operating costs, you're going to see a number that's going to be a couple million dollars higher each year until we take advantage of that particular space.

Bob Beck: Okay.

John Cassaday: Bob, we're going to have - I think we've already sent out a notice on this, but our Investor Day will be on September 29, and we'll certainly give you a lot of color on our CapEx and our operating expenses related to the building, as well as to the normal operation of our business. And you know, I think significant detail on our two new acquisitions at that time as well.

Bob Beck: Wow, that's great. Thank you. I'll leave it there. Thanks very much.

Operator: And our next question comes from the line of Tim Casey with BMO. Please proceed with your question.

Tim Casey: Thanks. I wanted to go back to the write-down in radio, and tell me - you mentioned that it's a (DCF) analysis that leads you to review these values, and you've cited that the third quarter down turn was an impact in the revaluation. Are you not implying that you have significantly reduced your sustainable growth rates in radio? How else can that not be the case, given the size of the write-down you've taken?

Tom Peddie: Well as I said, the size of the write-down is not really relevant to the erosion of the value. Because you what we said was that we missed our - kind of our fair value only by $19 million. As is said, our problem is, is that it's the allocation of the original purchase price between goodwill and broadcast licenses. And as I say, when we use the methodology, our broadcast licenses are on our books at a lower value than what they should really be at. And so, that's the reason that we have such a big write-down.

You know, the other comment is that, you know, we'd said that, you know, we'd said that we test for goodwill on an annual basis, but you know from an accounting point of view, you are required to test it if you thing there are indicators that maybe there's been a change in market conditions. And you know, the market conditions in the radio sector, you know in North America in the last 12 months has been really quite significant. You know, particularly in the in the US. And then, when we had looked at our particular business in Q1 and Q2, we didn't really see what the - that there were any indicators that would cause us to say that we needed to do a test.

But you know when your business drops by you know, 15% in a quarter, and you know, you start looking at, you know how quickly is that going to start to recover? You say, "Well, you know, maybe we should go ahead and do the impairment test." And as I say, you either pass or you fail, and in this particular case we did. We still really believe that radio is an outstanding business to be in. It's not capital intensive. It generates an awful lot of free cash flow.

We've had outstanding success in the West, which is - and Ontario, which has really driven our particular business. We've had a lot of focus on the Province of Quebec, which has clearly underperformed. But you know when the West kind of sneezes, you know, we get a cold here because it impacts our value. So, we think it's temporary.

And you know, when we also look at - as I say, the recovery, ad revenue on radio is dependent upon the growth in the GDP, and we just didn't really see that, so we felt that it was prudent to do it and not wait until Q4.

Because you know, the other issue that you have, let's say from a regulator point of view, is that if you did an impairment in Q4, they say, "Well, why'd you do that impairment in Q4 as part of your annual test? Are you sure that it shouldn't have been done in Q3 or Q2?" And as I say, the indicator is where we had to do the test.

Tim Casey: Thank you.

Operator: And our next question comes from the line of David McFadgen with Cormark Securities. Please proceed with your question.

David McFadgen: Yeah, a couple of questions, so first of all, John, I think you said that you expect to book merchandising in advance in the fourth quarter. Could you tell us how much that would be approximately?

John Cassaday: No. All I can tell you is that we basically have fired up these two brands, both re-launches, Babar and Beyblade, and as a result of that, we're able to go out to merchandising partners, apparel and you know the like, and they provide us with advances, and then they go about trying to earn money from these properties going forward.

So, it's certainly less than a million dollars, David, but it's - you know, I can't be specific on the number. First of all, I don't have it. Secondly, I'm not sure it's that relevant. Sorry I can't help you on that one.

David McFadgen: Okay. Would there be any costs associated with those advances, or they would they - they would flow right to the (EBITDA) line?

Tom Peddie: They flow to the bottom line.

David McFadgen: Okay, so when you look at the fourth quarter of '09 versus '08, and you talked about some other factors that were mentioned from a trend line. Wouldn't the two biggest factors be the corporate expense and that merchandising advance? Or what the other factors be?

John Cassaday: The full quarter of HBO, for one. The full quarter of VIVA. The general cost containment that we talked about. The advances. The acceleration of P&D. I mean, you know, all broadcasters around the world are in the same squeeze as we are. They've been putting off the acquisition of programming until the last possible moment. They're contractually committed, so those will come in Q4.

David McFadgen: Mm-hmm.

John Cassaday: That's it.

Tom Peddie: Movie Central subscribers.

John Cassaday: Movie Central subs continuing to grow. So those would be the bulk items, David, but...

David McFadgen: Okay.

John Cassaday: ...again, we know - we are a little bit more expansive on this description than we would normally be. You know, we haven't been an avid fan of being that specific in terms of guidance beyond a quarter-to-quarter basis. But we just realized that it would helpful to you all to understand why we continue to be talking about a miss in the 2% range, and not something greater, given the growth that we would need in Q4 to get there.

David McFadgen: Okay. And then just on the corporate expense for 2010. This year, I think you indicated it should probably in the range of $18 million. Would that kind of be a good number for 2010?

Paul Robertson: I think, David, the - but I'm thinking the number might be closer to a 20.

David McFadgen: For 2010?

Paul Robertson: Yeah. I mean, as I've mentioned in think in response to Bob Beck's question, we will have additional costs associated with the waterfront, so a number in the 20 to 21 range would probably be a better number than (unintelligible).

David McFadgen: Okay. And just on the third quarter TV Other revenue, I know it was down. Can you give us an idea of how much it was down on a percentage basis?

Paul Robertson: Well, it was down about a quarter from what it was a year ago. And it was basically deliveries in production and distribution from (unintelligible). It was particularly soft in the quarter, and really led to kind of a shifting timing wise into the fourth quarter, which John's already talked about.

David McFadgen: Mm-hmm.

Paul Robertson: Merchandising is showing a great improvement on the run rate, but it wasn't enough to offset the P&D decline.

David McFadgen: Okay. And so how many episodes do you think you would deliver or recognize in the fourth quarter for (unintelligible) versus last year?

Tom Peddie: Well, David, it's Tom. Just recall, we don't really look at it that way anymore, because...

David McFadgen: Okay.

Tom Peddie: ...what we're doing, is we're producing episodes really for our TV operation, and the (unintelligible) enterprises will then sell those on an international basis. So, most of the - so there's very little revenue associated with the episodes that we produce for television, because it's television satisfying their conditions of license by acquiring the programming.

David McFadgen: Okay. And then sorry, just one last question. What's a good tax rate to use going forward, like 35% I guess?

Tom Peddie: No, I think a number probably in the 33% range would be better.

David McFadgen: Okay. All right. Thank you.

Operator: And our next question comes from the line of (Eric Barnowski with (unintelligible) Securities. Please proceed with your question.

(Eric Barnowski): Thanks very much, just circling back onto radio for a second. Just wanted to clarify, you mentioned in your presentation that Q4 was pacing better than Q3. Just to clarify, are you talking about an absolute basis relative to Q3, or are you talking about the year-over-year performance.

John Cassaday: The year. I don't think we're going to be -15 in Q4.

(Eric Barnowski): Okay, thanks. And then, just shifting to where your leverage currently stand, and sort of your comfort level; I guess you're in the 2-1/2 range, might pick up a little bit with the acquisition upcoming. What's your comfort level? Has that changed, and what's sort of your top range on further acquisitions that you might go to.

Paul Robertson: I think, Eric, we're being fairly consistent on that. As we've said, you know long-term that there's advantage to a leverage to three to three-and-a-half times. We historically have said that, you know, we'd be prepared to go five,

five-and-a-half times for the right acquisition. But, that really depends upon the growth levels. It's not a level that we would want to stay at.

Interestingly, in the current bank market, the bankers really don't want you to go to that particular level, so if you were talk to a banker, they'd be - wouldn't want it over four, and would prefer to have it closer to three. So, we're comfortable in the three to three-and-a-half range, and s you say right now, we would - we're under three. And with the acquisition of the additional channels, we would still stay under three.

(Eric Barnowski): And then just finally, what's the status of any buyback activity that you might have. You know, given where the stock price is at, how much consideration do you have for buybacks at this point?

Tom Peddie: We did not renew our normal Corus issuer bid when it expired in February. We do not have an intent to renew it at this particular point in time. We feel that we should be using our cash, you know, for investing in the waterfront, investing in acquisitions as opposed to shares, notwithstanding the price that the shares are at.

(Eric Barnowski): Okay, thanks very much.

Operator: And our next question is from a follow-up question from the line of Adam Shine with National Bank Financial. Please proceed with your question.

Adam Shine: Thanks a lot. John, I hate to do this to you, but you know, you've said a few times now on this call that you think you've got sort of downside risk to your guidance of about 2%, which would sort of I guess put you closer to, what 250 than the 255. But, you know, if we flesh out the nine months, in terms of what the results are, and we look at the implied Q4, that's sort of $56 million in Q4 for EBITDA, which is about a 19% upside or thereabouts.

And sort of going back to David's question earlier, if you're only getting an incremental, less than a million dollars from sort of at least the merchandising advance, and you're only getting an incremental, let's say two million or so from corporate costs. Then obviously, there has to be a pretty significant delta coming out of the timing push on some of the (unintelligible) related deliveries. I mean, is that ultimately what it is, or am I simply missing something?

John Cassaday: No, I think it is a combination of things, but if you take the two million alone, I think that gets you down to now we're looking - you take the two million corporate cost reduction versus year ago, I think you're down to about 13% growth. And then, we start adding on the HBO money, the VIVA money, the cost containment initiatives, you know, just I guess in, you know, our little waterfall, all those elements in isolation give us some comfort that we can get there.

You know, there's also - well, it's just a combination of things. All I can tell you is that, you know, we've been through it with a fine toothed comb. You know, the single biggest risk is that the volume that - revenue rather, that we've anticipated and have - we think been fairly, you know, de-risked. You know, that's the one bogie. I just don't - I can't give you, with any 100% certainty that that's going to materialize, but I can tell you that we wouldn't have gone on to the extent that we did if we didn't expect that you would be challenged by this number.

Adam Shine: Okay. No, look - I appreciate that, and we're half way through the Q4 as it is. So, you know that - you know you're disclosures have to be to a certain degree set with obviously, you know, a lot of substance to them. But, I just - from the math perspective, it certainly looks eye popping, you know, after a tough nine months that we've seen, right.

John Cassaday: Yeah. And then, you know, we said two to four. I think we'd probably all agree, if it's four, that's pretty easy to get there, mathematically. But you know, what I've been saying on this call, is that we're you know, hell bent for leather to get this within 2%, which gets us to the 250. And that's our goal. And...

Adam Shine: Okay, I apologize. Can I have just have two more just really minutia. One is, you've given the disclosures previously regarding VIVA, which I know is small, but just for some tables that I put together, sort of organic growth for subscriber revenue.

John Cassaday: Hmm.

Adam Shine: And then, maybe while Tom's working on that, keep - are all? Sorry?

Tom Peddie: I was just saying, I'm not sure that we have given any numbers on subscriber growth on VIVA. I mean, you don't...

Adam Shine: No. No. No. No, just for organic, ex-VIVA.

Tom Peddie: Yeah. Oh.

Adam Shine: You've been giving that in the previous two quarters.

(Crosstalk)

Adam Shine: I presume it's 4% to 5%.

Tom Peddie: That's correct.

Adam Shine: Okay. And then just lastly, just vis-à-vis the Pay TV rate hike that came into effect in May, are all your BDU partners paying the increase, or are there some still outstanding, potentially?

Paul Robertson: No, we had to line them all up for fairness, yeah.

Adam Shine: Okay. Perfect. Thanks a lot.

Operator: And we have no more questions at this time. Mr. Cassaday, I will now turn the call back to you. Please continue with your presentation or closing remarks.

John Cassaday: Okay. Well listen, thank you very much for your interest in our company and appreciate the questions today. We'll look forward to seeing you on or before our Investor Day on September 29.

Have a good summer. 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.

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