CORUS ENTERTAINMENT

Moderator: John Cassaday
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1:00 pm CT

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Corus Entertainment Q3 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 you need to reach the operator, please press star 0. As a reminder, this conference is being recorded on Thursday, July 14, 2011.

I would now like to turn the conference over to John Cassaday, President and CEO. Please go ahead sir.

John Cassaday: Thank you, Operator. Good afternoon, everyone. It is John Cassaday and welcome to Corus Entertainment's fiscal 2011 Third Quarter Report and Analyst call. Thank you for joining us today.

Before we read the cautionary statement, we would like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found on our Web site at corusent.com in the Investor Relations section. We will now run through the standard cautionary statement.

This discussion contains forward-looking statements which may involve risks and uncertainties. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the company's filings with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission.

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

We are very pleased with our strong segment profit results for Q3, delivering a third consecutive quarter of double-digit growth. Once again, our strong top-line growth, coupled with our cost containment initiatives, translated into outstanding operating leverage.

Turning to Slide 3 of the PowerPoint presentation, we finished the quarter with consolidated revenue growth of $212 million, up 7% from a year ago and up 8% year-to-date.

Radio revenue was soft this quarter, while Television revenues were up 10% fueled by double-digit specialty advertising growth, which was up 15%, and exceptional gains from our merchandising business.

Moving to Slide 4, consolidated segment profit for the quarter was $77 million, up 11% compared to the prior year, driven primarily by the strength of our Television division.

Our net income from continuing operations for the quarter was $39 million, up 39% over the prior year. Earnings per share from continuing operations were $0.48 per share, compared to $0.35 per share last year.

Moving to Slide 5, our Radio revenues and segment profits declined in the third quarter by 1% and 9% respectively. The key factors contributing to these results were rating challenges in Vancouver, rate compression on local bookings in Edmonton and softer key category sales in May.

As a result of current issues in Japan, the automotive category was down in the quarter. (Beer) and Home & Garden categories were also down in the quarter, affected by poor spring weather and a generally slow start to the summer.

However, these challenges were partially offset by gains in Ontario, which generated a 4% revenue increase in the quarter. It should be noted that our Radio results exclude Quebec Radio, which was sold effective February 1, 2011. Therefore, Radio's results in fiscals 2011 and 2010 have been retroactively restated to remove Quebec Radio as a discontinued operation.

Moving to Slide 6, Television had a superb quarter and was the driving force behind our strong Q3 results. Exceptional growth in our merchandising business and continued strength in the Television advertising market paved the way for excellent gains across our specialty verticals in the quarter with a 10% increase in segment revenues and an outstanding segment profit growth rate of 15%.

Strong ratings and continued success in monetizing the co-view audience from our Kids networks and CMT drove specialty ad revenue gains of 15% for the quarter, enhancing the portfolio's growth overall.

Additionally, subscriber revenue experienced solid growth this quarter, up 5% versus prior year driven by upward momentum from our newer specialty offerings: Cosmo TV, Nickelodeon, Sundance Channel and W Movies.

Moving to Slide 7, our Kids portfolio continued to perform extremely well this quarter with advertising revenues up 17% as both YTV and Teletoon capitalized on strong ratings and ad market demand for our Kids and co-view audiences.

Our Kids portfolio also benefitted from the success of our international merchandising business, which achieved a 40% increase in revenue for the quarter led by our (boys) action property, Beyblade.

In our Specialty and Pay segment, revenues were up a strong 6% compared to a year ago. Among the key contributors, the March 1st launch of the Oprah Winfrey Network, which has seen a 46% increase in audiences for Women 25 to 54 compared to Viva in the prior period.

Our other new specialty services, Cosmo TV, Sundance Channel and W Movies also contributed to both revenue and subscriber growth this quarter as they continued to broaden their distribution base. And CMT contributed strong revenue gains in the third quarter by successfully monetizing the services Family viewing positioning.

Our Pay TV revenues were up 8% in the quarter as we continued to successfully grow our subscriber base, ending the period with 1,024,000 subscribers.

his is the third consecutive quarter that our Pay business has delivered increased subscriber growth as audiences continue to turn to Pay for exclusive high-profile series launches such as HBO's Mildred Pierce, the HBO film Too Big to Fail based on Andrew Ross Sorkin's best-selling book about the Wall Street financial crisis and the most talked about and Emmy nominated new television series, Game of Thrones.

As well, new seasons of HBO's Treme and Showtime's Nurse Jackie premiered.

Moving to Slide 8 and our and our outlook, overall the fourth quarter is shaping up to be very solid. Our television division will again be the engine driving strong top-line and segment profit growth.

We are forecasting double-digit revenue gains for television in the fourth quarter as we expect to benefit from continued exceptional growth in our merchandising business coupled with continued ad sales momentum from our three key customer verticals: Kids, Family and Women.

On the content side, our merchandising, international sales and broadcast revenues are expected to continue to provide upside and diversification to our Kids vertical due to the outstanding performance of Beyblade worldwide and the strength of Bakugan in international markets.

The relaunch of Beyblade has proven to be an unequivocal success. As Beyblade has rolled out and sales continue to grow in Europe and the United

States, all indicators point to a breakthrough boy's action hit with the potential to supersede the brand's first cycle to success.

As well, we expect to see gains from other brands in our content portfolio. Our new Babar series, Babar and the Adventures of Badou, is off to a strong start in France and is now becoming well established across Europe and North America.

We are making excellent progress placing our new slate of Nelvana shows in the U.S. market. Our new comedy series, Sidekick, debuted on June 13th on Cartoon Network and we will soon be announcing U.S. broadcast homes for the Scaredy Squirrel and Mr. Young (properties) in the coming weeks.

We are expecting a continued growth profile for our Kids, Family and Women portfolios driven by the ratings success of our Kids services and the ongoing demand for co-view inventory.

YTV continues to maintain its number one specialty position with kids 2 to 11 as a result of hit series like iCarly and Mr. Young, which, like a number of other Canadian series, has quickly become one of YTV's top rated shows and a unique ratings driver for the service.

OWN is off to a solid start since launching in March and we are anticipating significant advertising growth for the network in the quarter. Audience performance is up substantially compared to Viva's audience a year ago and a recent infield survey from W's Her Report revealed that key demographic awareness for Oprah Winfrey's Network has grown to 80%, a 30% increase compared to pre-launch surveys.

Looking ahead and with the end of the Oprah Winfrey show on conventional television this past spring, Oprah is now able to devote her full attention to the network. Just yesterday, OWN announced that Oprah, in addition to her current role as Chairman, will become CEO and Chief Creative Officer of the network this fall.

As well, key members from the Harpo team are being redeployed to OWN, including the current presidents of Harpo Studios. OWN has invested over $250 million in exclusive original programming. 14 new series have already launched and another 21 are in the pipeline.

The network has a robust schedule of programming slated for the fall and winter including the new Rosie O'Donnell show called Rosie, produced by the Harpo team and shot on Oprah's stage in Chicago.

Starting this fall, Oprah Winfrey Network will be the only place for audiences to see Oprah and gain access to the Oprah Winfrey Show library with Oprah's encore of 60 episode best-of compilation of her favorite moments from the program packaged with new, behind-the-scenes footage.

Also ahead, Oprah will be launching her own new show, Oprah's Next Chapter. We're confident that with Oprah Winfrey Network's unique positioning, exclusive original programming and strong distribution, the network will be a major driving force of growth for our Women's vertical in the coming year.

Turning to our Pay TV vertical, multiyear staggered content and output deals are in place with several major studios, including HBO, Showtime, NBC Universal, Warner Brothers, Sony and Disney, putting a lock on key content and providing plenty of variety to satisfy our audiences.

As mentioned earlier, our Pay business achieved a major milestone in the quarter, surpassing our goal of 1 million paid subscribers. Our summer retention campaign is in full swing and includes a national $5 million image campaign for HBO Canada, reinforcing the value proposition of Pay, in particular, exclusive access to scripted drama and new theatrical releases available anytime, anywhere in high definition, on demand and on broadband.

This summer's extensive lineup includes 20 premiers of new releases each month, new seasons of True Blood and Curb Your Enthusiasm, the final season of Entourage and the premier of a new Cinemax HBO action series called Strike Back about a charismatic former U.S. Special Forces operative who teams up with a British military unit to stop an international terrorist group.

These exclusive series are a great representation of Movie Central's unequal value and unique offering in the media space.

Turning to upcoming new initiations, we continue to leverage the technological advantage of our Corus key facility to provide customers with more offerings in more ways.

Following the successful launches of YTV and Oprah Winfrey Network in HD earlier this year, Q4 will see the rollout of W and W Movies in high definition.

Overall, given the strength of our television assets, including the success of our international merchandising business, we are forecasting a solid finish to the fiscal year.

Growth in Q4 is expected to be driven by excellent results from our Television division, demonstrating the benefits of having a strong and diversified mix of assets.

Our annual 2011 guidance for consolidated segment profit of $285 million to $295 million and key free cash flow of $100 million remains on target despite the fact that when we issued this guidance and first announced it, it included earnings and cash flow from our Quebec radio assets since sold.

Turning to Slide 9 and total shareholder return, we are pleased to have recently announced two initiatives that reflect the company's confidence in its long-term growth potential and our ongoing commitment to total shareholder return.

On June 14th, a normal Corus issuer bid was approved by the Toronto Stock Exchange, enabling the company to repurchase up to 3.9 million of its issued and outstanding class B shares during the one-year period of June 16, 2011 to June 15, 2012.

And today, of course, we announced a 16% increase in our annual dividend. This is the second consecutive dividend increase this fiscal year, adding to the increase of 25% announced in the first quarter. These two increases will result in a five-year dividend CAGR of 34% as at August 31, 2011.

Corus dividends are paid monthly, representing a greater compound growth for our shareholders. We are also proud to have received recognition as one of Canada's best dividend stocks by CPMS Morningstar and to be included in the SMP TSX dividend aristocrats index.

We hope you have found our comments helpful and now we will be happy to take any questions that you may have. Operator, over to you.

Operator: Thank you. Ladies and gentlemen, if you would like to register for a question, please press the 1 followed by the 4 on your telephone. You'll 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 our first question comes from the line of Adam Shine with National Bank Financial. Please proceed.

Adam Shine: Hi, thanks a lot. Good afternoon. John, in terms of I guess what we're seeing in Radio, particularly out west and, you know, obviously notwithstanding the fact that you've long telegraphed the fact that there's greater competition in Edmonton, as an example, any need to do some restructuring or is this sort of really still short term in nature out west?

John Cassaday: Well, we did do some restructuring at the end of last year, which we are confident positions us well. So, for example, in Alberta, we created a pod where we have consolidated our Edmonton and Calgary operations effectively running a seven-station combo under the (offices) of a single general manager.

And then we also moved the general manager from Calgary, who did an excellent job in that cluster, to run the Vancouver operations. So we're quite confident that the combination of management changes and some very instructive research that we've conducted will serve us well going forward.

We also made change in our morning show in Vancouver on Rock 101 with the addition of Mike Reno to join Brother Jake on that show, so that adds some flavor and color and, of course, having a classic rocker like Mike Reno on a classic rock station like Rock 101 adds authenticity to our service and, again, we're quite confident that we're on the right track.

And certainly, in the latest PPMs we've seem evidence of that in Alberta with our country audiences responding really quite well.

Adam Shine: I didn't get a chance to go over all of your MD&A, John, but just can you talk specifically maybe of general regional performance, not just necessarily specific to your stations but the market in general, Alberta...

John Cassaday: Well, generally, Adam, the markets have been quite strong. We're really pleased to see the overall results for radio and quite frankly the - even in Vancouver where we've had pretty serious declines, the overall radio market is showing modest growth.

So any concerns that we might have had or some might have had about whether or not we were seeing a secular as opposed to a cyclical decline in radio have, I think, been completely addressed.

Our issues in Vancouver are largely self-inflicted and the issues that we had in Alberta are related to the overall economy. We used to do a lot of business with the real estate business. Housing starts have been a factor in our softness, as well as some rating related issues, which we think are under control.

So net-net, we've got a, I think a strong a resurgent radio business, great results in Ontario, great results in Manitoba, improving results in Alberta and we're confident we're on the right track in Vancouver.

Adam Shine: Thanks for that, John. In terms of merchandise, I mean, obviously a huge ramp in terms of what you said, 40% up revenues, can you talk at all in terms of the degree of profitability? I know you don't want to get too specific on this but to the extent that, you know, margins are growing and you're really seeing that hit the bottom line.

John Cassaday: Well, we certainly are seeing it hit the bottom line. Margins are quite good on this business. It's turned in to be an excellent growth opportunity. Much of the potential or option value, as some of you have referred to it in the past, is now clearly being realized.

But we are enjoying on the - you know, hot on the heels of an international success with Bakugan, yet another one with Beyblade and it's been very exciting. Doug, perhaps you might make some additional comments on overall - the merchandising business overall.

Doug Murphy: Yes, I would just add - it's Doug here - add a (minute). You know, we've long said that we look at the international marketplace as a key growth focus for the company and, you know, we continue to see the success there with Bakugan and Beyblade and our preschool properties.

So I think going forward we can expect to see more growth in our merchandise licensing business. And the margins, the margin comment, you know, the margins vary by property. It's kind of a mixed bag.

The important thing to note is the strong revenue growth and a lot of that is off to the bottom line.

Adam Shine: But to be clear, Doug, per your (comment) I guess a moment ago, notwithstanding the strength you're seeing in the last, let's say, quarter or two if not the entirety of 2011, you still see further momentum heading into 2012.

Doug Murphy: Yes.

Adam Shine: Okay and one last thing maybe just for Tom before I pass it on. When I adjust in your MD&A for some elements in terms of sort of other expenses, I sort of come to another item of - I don't know - $600,000 or so. It's not huge but just curious what the explanation is for that.

Tom Peddie: I think, Adam - this is Tom - I think that item is interest income and FX.

Adam Shine: Okay, I thought it might be something else but maybe I'll deal with that offline. Thanks a lot.

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

Paul Steep: Great, thanks. I guess why don't we start on Pay TV? We look there, on the new movie deals, maybe John, Doug, you can talk to what the differences are in those deals and even a higher conceptual level, you know, in terms of prior deals in terms of term, content or even cost on any of those dimensions. What else is different about these deals versus the prior deals?

John Cassaday: Well, there's really nothing that's different about them certainly as it relates to term or the amount of output. The most recent deal that we completed was with NBC Universal. I would say from a characteristic point of view it was more similar than it would have been different from previous deals.

Of course, the major nuance now is ensuring that we have access to this content for on demand and for broadband portals so that we can continue to make this content available to our customers anytime, anywhere and this is becoming something that thus the studios and the programmers like Corus are experimenting with because, of course, there's promise here but not a whole lot of business. So figuring out how the economics work on that is the challenge.

As you know from previous discussions, we also recently renewed the Disney deal. We hadn't had them in our array of services or array of studios in the past, so we were really, really pleased to add Disney to the list and then we continue to enjoy continued term on HBO, Showtime and Warner Brothers going forward, so we feel we're in excellent position in terms of having the content that we want.

And in terms of our cost structure, I would say no material difference versus what you are looking at today from Pay TV point of view.

Paul Steep: Okay, fair enough. In terms of investment, we touched on it just a second ago in terms of licensing. Any thoughts so far about a third leg or sort of adding another leg to the business, obviously licensing and merchandising or even maybe talk to the mobile investment in the private fund that you did at the end of the quarter.

John Cassaday: Well, we are spending - we talked to all of you a couple years ago about our strategic plan emphasis, which we titled Core and Explore, and we continue to look for new ways of building off our core business.

You're referring to an investment that we made in a fund that will, over the course of the next eight years consume up to $25 million I would expect from a cash flow point of view. It will sort of move out rather gradually.

But what we're trying to do is get access to more international deal flow in the areas that are of particular interest to us, specifically applications for mobile devices and the app world in general.

And to be honest with you, the reason we decided to look at a pool of funds is that there's just so much activity out there. We're seeing only a fraction of it and it takes so darn long to be able to evaluate all of it. We just wanted the comfort of a broader, more experienced team to assess some of these opportunities and help us find some things that could potentially be a new vertical for us going forward.

So if you were to ask me what it might look like at this point in time, I don't know. It would obviously be terrific if we can find something that complements our existing verticals in Women and Kids that allowed us to really play an active role in the emerging mobile space but we're really going in with an open eye and an open mind and a modest level of investment to get access to far more deal flow than we would have had otherwise on our own.

Doug Murphy: Yes, Paul, this is Doug. Just to address the merchandise licensing part of your query, we are always out there looking at opportunities. One of the things that's happening increasingly these days is other content producers are coming to us to partner with us on co-production and distribution structured deals.

Case in point would be our recent Mike the Knight co-production with Hit Entertainment. We're finding that investments such as that are the more prudent way for us to build, you know, new optionality in our international licensing business.

And we also have been very diligent in the past years focusing on investing in our own library and we're seeing the fruits of those labors paying off as well. So we're modest in terms of our international kind of ambitions from an investment point of view. We'd much rather invest in our own library or on a case-by-case basis structure interesting and opportunistic deals with other content producers.

Paul Steep: Fair enough, last one for me and I'll pass it I guess to either John or Tom. ON the dividend, maybe you can walk us through at least how the board considers the bump. You know, what were the metrics they really looked at to say, you know, we feel comfortable that now is the right time to bump the dividend again for a second time? Thanks.

Tom Peddie: Paul, it's Tom. We've been fairly consistent in our communications to our shareholders and investors that we're - at this point in time we're trying to target about 70% of our free cash flow going back to our shareholders.

And so when you look at our target his year of free cash flow of about $100 million, that gave us the ability to take the dividend to $0.87, which equated to a 16% increase.

One of the things that we've also committed, I guess, to the street was that we would be kind of winding down our capital expenditure program. As you know, we had a commitment to spend about $140 million over a three-year period has effectively been completed.

We'll have, you know, some modest capital expenditures next year, maybe in, you know, the $15 million range, so we're really quite comfortable that we had the strong free cash flow to support it and with that we said, well, why don't we go ahead and do that right now. It's a strong signal that we believe in the strength of our business going forward and it fits in with the metrics that we have given guidance on.

Paul Steep: Great, that helps. Thanks, guys.

Operator: Thank you. And our next question comes from the line of Drew McReynolds from RBC. Please proceed.

Drew McReynolds: Thanks very much. Good afternoon.

John Cassaday: Good afternoon, Drew.

Drew McReynolds: Just a follow-up I guess maybe for you, Doug, just going to push you a little bit on the merchandising revenues, just Adam's question. You know, I think most of (floor to the) television EBITDA and obviously apply a multiple to it and it's great that, you know, you're seeing success in that business.

When you look out over fiscal 2012, you know, this momentum will continue. Just wondering if you can just give us some broader parameters on life cycle of what you're seeing specifically within that merchandising business on the one or two properties you've highlighted.

You know, is it typical for this to now run two, three, four years? You know, is there any kind of guidance you can give us on that basis? And then with respect to the margin impact of these merchandising revenues, I take it from your comments and just looking at television margins that most of kind of that incremental revenue full to the bone line so effectively accretive, so the 40% Television margin on an annual basis, so just wondering if you can kind of help us out there.

Doug Murphy: Okay, this is Doug. The Boy's action business is one that conceptually at least tends to be very spiky in nature. What's different about our current business with Beyblade is that we're working very carefully with Hasbro to position this property really as an evergreen property.

In other words, you look at what they've been able to do with transformers, which has now become a franchise one that is a day in and day out business in the Boy's action isle out of all the mass merchandisers in the world. We're working very carefully with Hasbro to position Beyblade as such.

Now granted, there's no feature film strategy at this juncture. But the goal is to manage the Beyblade business so that it has a much longer horizon than it did certainly in its first chapter with us back in '03, '04 and '05.

So in terms of momentum, as I mentioned to Adam earlier, our expectation is that this business is going to be around for quite some time and I can tell you that there's a lot of energy and resources being directed towards future content strategies to ensure that we have important and captivating content on the screen to help drive the toy sales in the isles.

On a margin basis, I think it's safe to say that the blended margin of our merchandise licensing business will be in and around the 40% where we've seen in the TV business, so it's going to be sort of on that - in that zone.

My comment before about, you know, it's definitely going to get mixed around. It depends on the nature of the deal, without getting into the arcane economics of any given deal. I think that you could assume - safely say that, you know, 40% is a good general margin for the merchandise licensing business.

Drew McReynolds: Okay, that's great. I appreciate that. And just a final question on Radio. You know, you've given some pretty good specific guidance on Television. Just wondering, John, how Radio is looking in Q4. I know it's certainly not a seasonal strong quarter. Are you kind of looking past Q4 now and focused on Q1 and could you give us any sense of how things are pacing? Thanks very much.

John Cassaday: Thanks, Drew. I'll certainly ask Chris to add to this but first of all we are looking beyond Q4. I think Q4 will look more like Q3 than perhaps the trend that we were seeing earlier in the year. There's no question that the radio business began to soften a little bit at the beginning of May as a result of Japan but also as a result of seasonality factors.

Quite frankly, in parts of Western Canada they’re just beginning to see the first glimmers of sunshine, which has affected the retail business in particular. So we are very much focused on next year. We are very confident that we have the plans in place and ratings are coming back our way and we're looking for a significant turnaround in our Radio business going into 2012.

Chris Pandoff: Drew, it's Chris. I would add a couple of comments to what John has just already offered. Number one, visibility is obviously difficult and coincidentally that sort of benefits our national business in that the national advertisers who previously would have to compete for the better inventory in the larger markets are actually finding that inventory available on a more wide basis.

So it's really helped the national expenditure across the country. The other thing that - just sort of touching on Japan - a lot of the retail car dealers around the country were reporting the fact that they didn't have inventory to sell from about mid-May through the end of the current fiscal (forest).

So a lot of dealers now are looking towards the fall time and a little bit of pent up demand. As you know, the automotive category is a rather large one not only for Radio but for Corus in particular and so, you know, we're probably going to see some result of that this coming fall in the first quarter.

Drew McReynolds: Okay, that's helpful. And then I guess John or Chris, just in terms of kind of the broader outlook for the industry, I think 3% to 5% is a range that you have used in a, you know, call it 3% GDP environment. Is there anything that you're seeing that suggests that still isn't in the cards?

John Cassaday: As Chris said, visibility is not what we would like but I would say the general response to that question would be, yes, we still expect the Radio market to grow in the 3% to 5%. Even recent Radio numbers have been in that frame across the country or that range across the country rather.

So we remain optimistic that the Canadian economy will continue to be relatively strong and that Radio will outpace overall GDP growth. So, yes, we're expecting, anticipating and planning on Radio market growth in the 3% to 5% range next year.

Drew McReynolds: Thank you very much.

Operator: Thank you. Once again, ladies and gentlemen, to register for a question or a comment, please press the 1 followed by the 4 on your telephone. Our next question comes from the line of Scott Cuthbertson from TD Newcrest. Please proceed.

Scott Cuthbertson: Thanks very much. Just wanted to touch on Corus key. John, you mentioned briefly some progress there. I just wondered how things are going with respect to improving capacity utilization at the facility and anything else you can tell us about taking full advantage of the investment you made there.

John Cassaday: Thanks, Scott. We just looked at some numbers about a month ago. We've made substantial productivity gains in both radio and television since we moved into the building. We are attracting a significant amount of interest from international partners.

The profile and reputation of Corus has been enhanced substantially as a result of our move into this building an dour ability to consider lots of new business opportunities has been enhanced significantly.

We have the ability to, for example, make our library of children's content available digitally to broadband players globally in multiple languages instantaneously, so we have much more flexibility. We've improved productivity and, importantly, we've reduced turnover substantially as a result of moving in here.

Our employees are extremely satisfied with the environment that they have to work in and sometimes in life your expectations are exceeded and this is clearly a case where our expectations were exceeded thanks to the hard work of a lot of people but all good.

We got this thing done on time, on budget. As Tom said earlier in his remarks related to the dividend, we now have our capital expenditures behind us and we're moving into an environment where our CAPEX will be in the $15 million range and our free cash flow generation capability will be enhanced, so all good.

Scott Cuthbertson: Great, a couple questions for Tom. Just wondered, I know some MD&A that you redid your bank deal and you got a little bit of a break on the interest rate as well as extended maturity out by a year. Just wondered on the interest rate what kind of break you got and what sort of rate we should be using going forward.

Tom Peddie: Well, I think that - I shouldn't probably give you the specific rate that we have on our grid. As you would expect with the investment grade ratings that we have, the rate's really quite attractive.

I think what you have to keep in mind, though, if you're looking at our interest cost is that we have, you know, $500 million of our debt at our bond rate, you know, that's in the 7% or 7.25% range. So that's really where we're at from a cost of funding point of view.

Scott Cuthbertson: Okay, and should we expect any sort of blip in the, you know, financial charges line next quarter stemming from the renegotiation of the deal?

Tom Peddie: No, that would have been reflected pretty well all in Q3.

Scott Cuthbertson: Okay, great. And, Tom, just remind me. I'm just sort of looking at free cash flow. You guys are tracking really, really well to your $100 million goal. Obviously it seems to be anyway it's going to surpass that.

Just t if you can remind me how much you spent on Corus key in Q4 last year and any other items in that core that would have impacted free cash flow generation versus what you might do this year.

Tom Peddie: Well, I'm just kind of going from memory right now is that, you know, our capital expenditures last year I think were about $63 million for the year. And as you would expect with us moving into this particular building in June of last year, we were kind of heavily loaded in Q4.

I think that the way you should really look at it is just kind of follow our guidance where we're saying that we think we'll finish the year with free cash flow of about $100 million and then at our September investor day we'll probably give you a better indication as to, you know, what the cash flow numbers will look like for 2012.

Bearing in mind my earlier comment and where John just reinforced it is that our capital expenditures next year, you know, will drop from say $35 million to $40 million this year to about $15 million next year.

Scott Cuthbertson: That's great. Thank you.

Operator: Thank you. Mr. Cassaday, there are no further questions at this time. Please continue with your presentation or closing remarks.

John Cassaday: Well, we thank you all for your continued support, appreciate the call. Enjoy the rest of the summer, everyone. Bye for now.

Operator: Thank you, 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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