CORUS ENTERTAINMENT

Moderator: John Cassaday
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3:33 pm CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment's Q3 analyst and investor conference call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question and answer session. At that time if you have a question please press the 1 followed by the 4 on your telephone.

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

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

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

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

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

Turning to slide 3 of the PowerPoint presentation and our operating results for the third quarter of fiscal 2014, our acquisition of Historia and Series+, Teletoon's five specialty television networks, and two Ottawa based radio stations have contributed to Corus' strong revenue and segment profit growth in Q3.

With these acquisitions now fully integrated into our scalable technology at Corus Quay, we were able to capture significant cost synergies which translated into immediate gains for the company.

Our consolidated revenues in the quarter were $214 million, up 14% and consolidated segment profit was $80 million, up 23% from the prior year. These results include 100% of Teletoon as of September 1, five months of Historia and Series+, and four months of the Ottawa radio stations.

With the adoption of IFRS-11 joint arrangements, our operating results for fiscal 2013 have been restated to eliminate the segment profit related to our

50% economic interest in Teletoon which is now recorded under Other Income. This restatement did not change reported net income for fiscal 2013.

Moving to slide 4, the acquired assets have driven our double digit revenue and segment profit growth for the quarter and contributed to a significant increase in adjusted net income attributable to shareholders, up 21% to nearly $42 million.

The seamless integration and subsequent cost savings from these acquisitions combined with favorable financing terms continues to drive EPS and free cash flow growth for the company and our shareholders.

Our adjusted basic earnings per share attributable to shareholders for the quarter was 49 cents, up 20% from 41% - I'm sorry, 41 cents per share last year. The company also generated impressive year to date free cash flow of $182 million compared to $121 million in the prior year.

With the integration of our new assets completed we are pleased to report that we will exceed the top end of our synergy target range of $12 million to $15 million in EBITDA by 2015.

Turning to slide 5, in Q3 our radio results continued to be challenging. A weaker ad market coupled with rating softness in certain markets resulted in revenue and segment profit declines of 8% and 21% respectively.

On the cost side the division's segment profit decline reflects expected incremental expenses associated with the acquisition and start-up of the Ottawa stations. Even with these increased costs the division achieved strong segment profit margins of 28% year to date.

Our soft year to date results, particularly ongoing national agency sales weakness and the expectation of continued softness in Q4 made it necessary for us to record a non-cash broadcast license and goodwill impairment charge of $75 million in the third quarter.

Turning to our television division, Q3 total revenues and segment profit increased 22% and 30% respectively. In Q3 softness in ad markets continue particularly in the consumer packaged goods category where lower demand negatively impacted rates.

Despite the advertising challenges in the quarter, specialty ad revenues in our television division increased 42% year over year fueled by the addition of our newly acquired assets. From an audience perspective the ratings across our core television brands such as W Network and YTV remained impressive while our family brands, CMT and ABC Spark are growing smartly.

On the subscriber front revenues grew 24% in the quarter largely due to the addition of these new networks which offset subscriber declines in our Pay TV business as well as some packaging and rate changes on certain specialty networks.

In our international kids business merchandising, distribution, and other revenues decreased 27% in the quarter as a result of timing of studio service work, lower domestic distribution sales, and of course lower merchandising revenues.

Our ongoing focus on rigorous cost controls combined with the swift integration of the acquisitions resulted in what we consider very impressive segment profit margins of 43% for the division on a year to date basis, up from 41% last year and outstanding margins of 44% in this particular quarter.

Moving to slide 6 and our outlook for the radio business, to address radio's rating and revenue softness the division has moved swiftly to implement a turnaround plan. The plan targets our programming strategies and refines our sales structure to significantly lower radio's cost base and position the division for a return to growth in fiscal 2015.

On the programming front the plan includes extensive research in four key PPM markets to help shape our programming strategies and our branding solutions. In March the division rebranded two stations to drive rating growth.

We launched Jump 106.9 in Ottawa with a groundbreaking format that offers listeners more contemporary hits with fewer interruptions delivered in a 90 minute nonstop block. We are confident that this brand will be a very strong performer.

We also extended our portfolio of country based stations to Woodstock, Ontario with the rebranding of CKDK FM to Country 104. In addition we have launched new on air lineups and refreshed programming for many of our key radio brands including Toronto's Q107 and Toronto's 102.1 The Edge.

In western Canada our Vancouver news talk station CKMW announced the launch of a new series, Ted Radio Hour featuring the best talks from the culturally iconic Ted conferences.

This will be a first in Canada and builds on CKMW's brand promise to offer listeners unique and innovative programming with content that appeals to a broad and diverse audience. These are just some of the many programming initiatives that our radio division is undertaking.

On the sales front radio refined its sales structure and introduced new selling strategies designed to grow local direct retail advertising. The division continued its rigorous focus on costs, further tightening control of its administrative expenses. The turnaround plan led to a reorganization which will result in annualized cost savings in the range of $3 million to $4 million.

Moving to television, in Q4 we expect continued revenue and segment profit growth in our television division. On the advertising front even though we are facing some headwinds we are forecasting double digit growth. The addition of our acquisitions will offset the lower demand we are currently experiencing from the multinational consumer package goods category.

In Q4 we are also forecasting subscriber growth which is attributable to our new networks. On the ratings front for Q4 we expect our flagship networks WNY TV to maintain their position as market leaders with their audiences and outperform against their competitive set.

We also expect to see continued ratings growth on our family networks, ABC Spark and CMT, which are experiencing a nice lift in audiences. In addition we anticipate strong rating and revenue increases from Telelatino with the network’s broadcast of FIFA World Cup Soccer which has resulted in record-breaking audiences of nearly 2.7 million Canadians for the service during the tournament.

In our Pay TV business viewership of the newest season of Game of Thrones drew record numbers with more than 1.1 million viewers across the country. Game of Thrones has become the most watched drama series on pay television.

While the business saw some slippage in subscribers after the promotional campaign expired, summer retention offers are currently in place to mitigate seasonal churn. With the rollout of an impressive lineup of new original HBO and Showtime series this summer, subscriber gains in our pay business are anticipated.

The schedule includes new seasons of the critically acclaimed Showtime series Ray Donovan and the final season of HBO’s True Blood; a new HBO series called The Leftovers starring Justin Theroux based on the bestselling novel by Tom Perrotta; Sensitive Skin, a new original series starring Kim Cattrall; and later this summer the premiere of Steven Soderbergh’s HBO series The Knick starring Clive Owen as a doctor living in turn of the century New York. We expect these series to generate a great deal of social activity and viewing across platforms.

In our international kids business, important progress has been made on Nelvana’s new lineup of global preschool and boys action brands that includes a strong merchandising component. Nelvana has closed a global partnership deal with Nickelodeon on its new preschool girls property, Little Charmers, with Spin Master as the global toy partner. Little Charmers is set to air in early 2015 with toys arriving on shelf later in the year.

Nelvana also closed the global master toyco relationship with Spin Master for our preschool boys property Trucktown based on the award winning book series.

Additionally Nelvana has two properties in development in the lucrative boys action category. (Misticons) created in partnership with Michael Eisner’s The Topps Company and Chub City produced by Dentsu Entertainment and Fuel

Entertainment. Both series will have strong ancillary merchandising plans in place.

Nelvana continues to make gains on the exploitation of its library with global digital players. Nelvana's brands are now available on Hulu in the United States and on a Nelvana branded iTunes offering in the UK which went live in early April.

Nelvana is also ramping up its activities with YouTube as another source of revenue for its library of more than 4000 episodes. In addition, our studio is planning to leverage Nelvana's creative talent by pursuing more production service work opportunities which will drive additional revenues for the business.

As part of our growth strategy Corus will continue to invest in companies that are focused in the new media, technology, and mobile space including venture capital companies like Relay Ventures and Disney's Steamboat Ventures and the kids mobile games app company Fingerprint which recently benefited from a second round of financing from Corus and backing from a new investment partner DreamWorks Animation.

In conclusion as our third quarter results demonstrate, our acquisitions have been a critical addition to our core business. We look forward to leveraging the opportunities provided by these assets as they strengthen our brand portfolio.

While the advertising landscape in fiscal 2014 has been challenging, we are pleased that the company continues to build shareholder value by delivering impressive key cash flow - impressive free cash flow rather, a strong balance sheet, and superior segment profit margins. We are highly confident that we will see a solid return to advertising growth in fiscal ’15.

Why? Well customers planning cycles particularly in CPG that reflect the devalued Canadian dollar will now be able to start off with a fresh start for fiscal ’15. Secondly, we’ll have no Olympics and no World Cup to contend with. And third, we witnessed some very strong upfront performance on our key brands with our major customers.

Of course the CRTC’s Let’s Talk TV process is of great interest to the entire industry and probably most of you know that in Corus’ submission we stated that the Canadian Broadcast System is working well for all constituents including consumers and that a regulated a la carte regime would dramatically change the existing infrastructure and lead to a massive reduction in jobs across Canada.

Canadians enjoy a great variety of programming from everywhere and while we do need to examine how we regulate the system as the environment changes, we need to do this analysis with a complete understanding of the facts, our history, our standards, and our goals.

We believe the problem is not an absence of choice. There is an abundance of choice. We believe the problem relates to the perception of the current value equation.

All participants in the broadcasting system have a vested interest in retaining their customers. Corus will do this in a market responsive way with more innovation while providing increased value to consumers. Our market experience suggests there is no upside for Canadian consumers, programmers, and those they employ to change the existing system in the manner proposed.

The American regulator, the Federal Communications Commission, has already come to this conclusion even with dramatically superior economies of scale in the U.S. market. Regulation in the proposed form could also miss the goal by actually reducing choice and value for consumers. We look forward to appearing at the hearings in September to present our view to the CRTC.

We hope you have found these comments helpful and we will now be delighted to take any questions that you may have so Operator, back over to you.

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 are using a speakerphone please lift your handset before entering your request.

Once again to register a question please press 14 on your telephone keypad. And our first question comes from the line of (Vince Valentini) of TV Securities. Please proceed.

John Cassaday: Afternoon (Vince).

(Vince Valentini): Hi guys, thanks. Can I just ask, I mean, the standard question. As you can appreciate, we know these acquisitions are working out well and the synergies are nice but the top line growth numbers are somewhat irrelevant given all the acquisition contribution. Can you strip out for us just what the organic TV segment revenues were this quarter both for advertising and subscriptions?

John Cassaday: Well no, I mean, again we're talking about the total company. And again our view is somewhat different than yours (Vince). I mean, I look at this really not much different than had we done line extensions. These are core business bolt-on acquisitions done immediately accretive. The growth is there.

I think the key thing is we remain optimistic that given our competitive position as I said in my opening remarks that we're going to see a return to ad growth on our core business in fiscal '15.

We believe that is going to be the case for both radio and television and in fact all sectors of our television business. But, you know, suffice to say as we signaled in our last call the ad results in Q3 were as expected below a year ago.

(Vince Valentini): Okay I think I can try one other one. The radio restructuring program, do you have any sense of what the restructuring costs could be in order to get at the $3 million to $4 million in cost savings?

John Cassaday: Yes around $4 million.

(Vince Valentini): Great, thanks.

John Cassaday: Thanks (Vince).

Operator: Our next question comes from the line of (Paul Skeep) with Scotia Capital. Please proceed.

(Paul Skeep): Great, thanks. John maybe you could talk a little bit about you talked about the Talking TV submission in general but in there specifically to the skinny basic, you talk about sort of threats to the children's genre and, you know, argue for Treehouse and YTV being in the basic segment. Maybe you can talk a little bit more to the view behind the work you did on that submission.

John Cassaday: Thank you (Paul). Our view is that the Canadian system has been cobbled together over the last 40 years recognizing that unlike any other broadcast system in the world we have as a former colleague of mine used to say 85% of our seats facing the back of the auditorium. That is that, you know, all Canadians have access to virtually all of the top U.S. shows.

So, you know, there is a form of protectionism inherent in our system but we have protected many industries in Canada including recently the automotive industry.

So, you know, our view is that we need to do a better job explaining to Canadian consumers how valuable the Canadian system is to them and that it's worth giving up a little as it relates to freedom of choice.

And only in that way are they going to continue to have access to Canadian stories and particularly Canadian news and sport but also Canadian drama and lifestyle shows which we don't think are going to be affordable in an environment that results in significant loss of penetration.

So we will argue that the system is evolving as it should, that there is lots of choice for consumers out there, and that we should be perhaps more patient in seeing how things evolve before we dramatically alter the status quo.

It's true that if you were to ask any kid whether they would like two scoops of ice cream or one, they would choose two. And if you ask any consumer including even an employee at Corus if they would prefer to have complete freedom of choice on cable they would say yes. But the reality of it is that is not really the case.

We presented a very compelling piece of consumer research authored by professor Dilip Soman at the Rotman School of Management at the University of Toronto that talks about how perplexing and confounding a plethora of choice is in fact to consumers. And he illustrates in a number of different cases how presenting more choice to the consumer actually results in less consumption and less satisfaction than more.

Quite frankly, consumers find too much choice utterly confounding and perplexing. And what we will point out to the commission, the CRTC, is that our worry would be that given a skinny basic and an a la carte regime that consumers will opt out for Netflix and anything that makes it simpler for them than what the commission is proposing now.

My final comment would be that, you know, I think that we should all look at this as like the beginning of a union management negotiation where there is a polarization on the table. I do not believe that we will end up in a situation which has skinny basic and a la carte and we will certainly argue aggressively that that's the wrong answer for the Canadian Broadcasting System. And we certainly believe it's not the appropriate response for Corus.

(Paul Skeep): Okay. Just two quick other ones. On radio restructuring, you were clear on it. Other than just understanding the timing we should think about in terms of positive impact out of it, is it fair to say that this is going to ramp likely over the next six months or are we a couple quarters out from seeing the positive side of this?

John Cassaday: Really the answer comes in two parts. One, we do not expect to see a dramatic turnaround in Q4 for sure. In the markets that are measured by diaries we won't see anything until the December book comes out. But in the PPM markets we should begin to see steady and consistent progress beginning right away.

We are already seeing improvement at Rock 101 in Vancouver, we're already seeing improvement at Q107 in Toronto. And we really and truly believe that we're on track, that we've hit bottom and that we're going to see a significant improvement in radio. And I know no one needs reminding that the leverage is ugly on the way down in radio but it's beautiful on the way up.

And, you know, we're certainly anticipating that we will see growth in fiscal '15. And given the excellent work that Doug Murphy and his team have done in controlling our costs that we will see the benefits of that next fiscal year.

(Paul Skeep): Great. And then the final one, just to clarify, we talked about maybe two quarters ago you cited the TV packaging and rate changes in the MD&A is one of the impacts on TV. I just wanted to make sure those are different or aren't different from the Telelatino and Treehouse and I think even CMT we talked about in Q1 I think that was.

John Cassaday: I'm not sure I understand the question. Doug?

Doug Murphy: I think I do. Hi (Paul), it's Doug. The packaging changes are simply occasionally we'll get moved around and paths will be offered by our BDUs across the country and we see some mild erosion -- and I would underscore the word mild. You know, we see that a little bit in CMT, a little bit in Treehouse. So we have seen occasional shifts such as that but I would really reiterate that it's not a major economic impact to the business.

(Paul Skeep): That's great, thanks guys.

John Cassaday: Thank you (Paul).

Operator: Ladies and gentlemen, as another reminder, to register a question press 14. And our next question comes from the line of (Hervin Vinda) of Canaccord Genuity. Please proceed.

(Hervin Vinda): Hi, how are you. Thanks for taking my questions. I just wanted to touch a little bit on Pay TV. We've seen a little bit more persistent weakness there even obviously with the - notwithstanding the success of Game of Thrones.

I just wanted to talk about maybe if you can touch on sort of the longer term options you have there. I know you have in the past lauded the idea of maybe sort of a tiered offering. What sort of broad options do you have going forward if you sort of continue to see a sustained weakness there?

Doug Murphy: (Hervin) it's Doug, I'll take this one. First of all, the outcome in the quarter, again we - last time we stressed that we're managing the business for margin and we're trying to be very tactical about how we look at our promo activity.

So any of the subs that you've seen come off from the prior quarter, they're - all of them are promotional subs, low margin subs. Our fully paid subs are actually flat which is exactly what we're trying to do.

We were in market on an acquisition campaign in parallel with Game of Thrones. Given that our remittances lag about 60 days, we're not going to see those sub ads, those promo sub ads I should underscore, show up until our Q4 results now which we'll talk about during our next conference call in the next quarter. So our expectation is that we'll see a nice leg up on a year over year basis because we have shifted the promo activity.

As for, you know, longer term, our view remains consistent with our past comments. This is a business and a product that has got very high value. We all know and we've stated unequivocally the strength of Game of Thrones in Canada is twice as strong on a per cap basis in terms of audience as it is in the U.S. So we're confident.

And you might have saw also today, or maybe you didn't. I'm not sure if you have the Emmy Twitter feed or not. But Game of Thrones got 19 Emmy award nominations and once again just underscores the high quality content that we offer to our subscribers on all platforms in HD and on demand.

So we are holding our ground on what we believe the future of that business is. We think it's got lots of opportunity. And we're working with the BDUs now to roll out a number of new initiatives in the coming year which include packaging with, you know, broadband, packaging possibly with the skinny basic, packaging in a variety of different ways to entice and attract new subscribers.

(Hervin Vinda): Okay thanks for that Doug. Just maybe for Tom on the cash flow front, with respect to the year to date numbers sort of the ratio of the program and cash outflows was the OPEX seems to sort of skewed a bit in your favor. I guess in other words sort of the cash spend is a lot lower than the amortization. Is that something that we can expect would sort of normalize by year end or is there something there that we kind of need to pay attention to?

Doug Murphy: (Hervin) I think you've captured it. I mean, as I said in the Q2 call, we have - we were preserving cash in the first half of the year and we have a number of significant program expenditures that we'll be making in the second half.

So that when you look at where we finished last year, last year we finished with free cash flow I think of about $155 million so we actually generated free cash flow in the fourth quarter last year. This year as you saw they were at 182. We believe we will be users of cash in Q4 this year so it will normalize out by the end of the year.

(Hervin Vinda): Great, and just one last one for me. With respect to Nelvana, I know it's hard to call on a quarterly basis but, you know, as we sort of lap the tougher quarters do you expect some stabilization as you think about Q4 and the initial quarters of '15?

Doug Murphy: Yes it's Doug again. We're - the gap will be narrow. We'll be, you know, single digit variances from the year prior we expect in the fourth quarter. We've got a lot of activity at the moment in Q4 with our TV sales group and our digital opportunities to exploit new buyers internationally. So yes, the lapping will soon be with us.

(Hervin Vinda): Great thanks, I'll leave it there.

Operator: Our next question comes from the line of (Haran Posner). Please proceed.

(Haran Posner): Yes thanks, good afternoon. Maybe just Doug to follow up on your question or your comment earlier on Pay TV, I think you mentioned year over year growth. I just wanted to clarify what timeframe we were talking about there.

Doug Murphy: My comment was that we'll be growing in the fourth quarter versus the third quarter.

(Haran Posner): Okay gotcha.

Doug Murphy: So I expect to drop its base.

(Haran Posner): Okay so sequential subscriber growth.

Doug Murphy: That's correct.

(Haran Posner): And then maybe just moving on with respect to content ownership, I think something that you flagged at the investor day that you want to pursue further. Just wondering if there is any update in terms of that strategic initiative.

Doug Murphy: There is nothing to share at this point in time. We will be sharing more at our next investor's day. We have been working extremely diligently to build a wider owned slate of content beyond just the animation pipeline in Nelvana. And without giving out any specifics because we're still in the throes of nailing down a number of opportunities, we're very pleased with the developments on our unscripted reality owned slate. More to come on that.

(Haran Posner): Okay no, that's great. And then maybe just lastly for either Tom or John. With respect to the synergy target, good to hear that you will exceed the high end of that range. I'm just wondering if you can give us a little bit more color. I mean, are we talking a couple million dollars? Is there something you can sort of elaborate in terms of where that is coming from?

John Cassaday: Well we talked about a synergy range of $10 million to $15 million and on a sustainable basis we will be a couple million dollars above that. The benefit this year was it was on a one-time basis somewhat better than that due to some programming write downs. But the ongoing synergy saves associated with the acquisitions will be a couple million above the high end of our range.

(Haran Posner): That's very helpful. Thanks very much.

Operator: And our next question comes from the line of (Tim Casey Obemo). Please proceed.

(Tim Casey Obemo): Thanks. John, listen, can we just go back to your comments about your confidence in the ad market turning next year? Because obviously that's going to be one of the key things to turn the numbers.

You know, I appreciate the upfront you're encouraged by that, but is there any other anecdotes or metrics that you're hearing from your sales team that you can underpin that confidence with? Or is it, you know, more of something that we're going to have to wait and see play out when the big buying season does come around? Thanks.

John Cassaday: Yes and that is the key question the board asked us this morning as we were presenting our operating plan for next year. What's the single biggest risk? And our response was that the ad economy recovers as we anticipate it will. So again why do we have that confidence? And you're absolutely right in saying well no one will know but here's why we are convinced that it will grow.

I mean, obviously we're hearing some stronger economic news out of the U.S. in particular over the last several weeks so that's a positive factor. The point I made earlier in our opening remarks about the impact of the U.S. dollar, let me just make sure everybody understands that.

In my previous life I ran a multinational - foreign multinational food company. And the way that system works is you make your commitment to largely your U.S. parent in U.S. dollars based on the information you have at that time.

I can tell you in talking to our customers, none of them expected the dollar to drop from virtually par to 90 cents. And as a result they had to scramble to recover to get back in line as best they could with the estimate that they had given in U.S. dollars as for their performance for 2014.

Where you go to find money when you find yourself in an unanticipated situation like that is that which is discretionary and of course advertising is at the top of that list.

So we saw a significant reduction in our consumer packaged goods business this year and I won't name names but suffice to say pretty much across the board. And the same held true for the quick service restaurants and the restaurant business in Canada -- again, many of them foreign owned chains -- that could simply not recover that devaluation in the Canadian dollar quicker.

So (Tim), a big factor and underlying our belief that we're going to see this turn around is that as they do their planning for next year they're going to do it off I don't know what number they will pick but let's say 92, 94, 95, but it's not going to be parity. And so we're expecting that we will see a nice uptick there.

And then of course what we saw this year was two big, big events that took people out of the ad market because a lot of times advertisers say I don't want - even if I'm not an advertiser in the Olympics or even if I'm not an advertiser in the World Cup, I know that those events are going to siphon audience so I'm going to keep my powder dry during those times. So I think we're pretty convinced that based on that factor that there's another stimulus that we will see come back into play.

And then the final one I mentioned was just that in talking to our sales folks as they are making their upfront commitments, solidifying their upfront commitments with advertisers, we are seeing confidence and in fact incremental spending from the bulk of them.

So, you know, no one knows but, you know, it wasn't without considerable thought that I made the comment as confidently as I did. But all I can do is give you our best estimate and I can tell you that we are anticipating that the ad market in kids next year will grow in, you know, the 1% to 2% range, that it will grow in the women's space in the 2% to 5% range.

And, you know, those aren't shoot the lights out numbers but they're the kind of numbers that can deliver us good bottom line growth given the leverage that we have with our business.

And then on radio we're expecting to recover from, you know, a very disappointing this year - performance this year given the moves that we've made to shore up our ratings position.

And assuming the radio market remains, you know, in positive growth areas, i.e. even 1% to 2%, we think that we can deliver modest growth on the radio side and nice earnings growth again because of our leverage.

Doug Murphy: I'll just add to that (Tim), it's Doug, that both divisions, radio and television, will be rolling out some new digital strategies to take advantage of that growth opportunity in advertising. Increasingly we are hearing and responding to our agency's requests to bring them to the 360 advertising solutions that can include product integrations in our shows and a digital component that pairs with that.

So we have a whole bunch of great work that's being done, the details which we'll share likely in the fall which will arm us in a really effective manner to exploit the growth in digital advertising off both our core broadcast divisions of television and radio.

(Tim Casey Obemo): That's great. Thanks for the color.

Doug Murphy: You're welcome.

Operator: Our next question comes from the line of (Adam Shine) of National Bank Financial. Please proceed.

(Adam Shine): Hi, good afternoon, thanks a lot for taking my questions. Maybe just a follow-up to (Tim)'s question. I mean, you know, when we look at the outlook for 2015 which you gave back in January and I think it is being reiterated in the MD&A, you know John, most of what you just described in terms of, you know, the ad growth expectations in 2015, you know, they largely jive with, you know, what I'm modeling. And, you know, as you say they're not sort of shoot the lights out but they're certainly a recovery from this year's trend.

But I don't understand how you get to the EBITDA guidance in terms of a delta 15 versus - how 14 is tracking without obviously some real greater than expected leverage, operating leverage obviously.

And maybe, you know, what I'm missing is more opportunities to materially reduce costs but at the same time, you know, that obviously has implications for subsequent ratings, you know, if you start impacting, you know, programming spend.

So can you maybe speak a little bit more to the color of the guidance which, you know, I acknowledge you only change, you know, once a year and maybe we'll get an update, you know, January or November coming.

John Cassaday: Yes well it will be before January. We will have an investor day probably around sometime in November. And at that time we're quite hopeful that we'll have a really good read given the importance of Q1 in our industry as to the likelihood of us being able to deliver earnings in our stated guidance range of 340 to 360.

So, you know, I've got to take the fifth on that and ask for your indulgence since it's too early for us to do anything more than to say that, you know, at this particular point in time we're still confident that we can get there.

But we need a few more - well I think we deserve a few more weeks to see if our anticipated and expected ad recovery is there for us. And it sounds like you don't disagree with our assessment of why that's possible.

But, you know, we're happy to have these extra few weeks between now and our investor day to really firm up that guidance for you but we're certainly not changing it today.

Doug Murphy: If I could just add, on the cost side (Adam), you know, I think, you know, management has demonstrated a consistent track record of managing our margins I think to the surprise of the street and we will continue to look at taking costs out.

Obviously we have zero intention of doing anything that's going to hamper the core business whatsoever. If you look at the kind of mix of our cost activities over the years, we have been taking costs out of OPEX G&A in order to put more value on the screen and that explains our ratings performance relative to our competitors.

So yes, there is a lot of operating leverage in our P&L on both radio and television and we will, you know, benefit accordingly when we get this expected turnaround in revenue. So it's both a pending revenue and a today expense story.

(Adam Shine): Okay, no I appreciate that and obviously good luck on the TV hearings.

Doug Murphy: Thank you.

John Cassaday: Thank you.

Operator: Okay and we have a follow-up question from the line of (Vince Valentini). Please proceed.

(Vince Valentini): Yes thanks. I do have a follow-up question but I just want to clarify first related to that last question. The synergies, like if it's now over $15 million. Am I wrong in saying you don't get a full year benefit of that this year but you get a full year benefit next year because you didn't own all these stations for the full year? Is that right?

John Cassaday: That's correct.

(Vince Valentini): Okay so there is some tailwind there to your costs if you want to look at it that way automatically just getting a full year.

John Cassaday: Yes a little bit. There is a bit of an offset because of that incremental save that we got this year that I said was one time but your first point is valid. But, you know, the other side of it is true too and that is that we did have a one-time gain that's not going to be repeatable.

(Vince Valentini): Okay. My other question, back to the cash flow probably for Tom, working capital was pretty significant inflow this quarter of about $15 million. Is there anything you can tell us in terms of timing there? Do you expect that to reverse somewhat in the fourth quarter? Is there anything sustainable maybe to do with the acquisitions?

Tom Peddie: (Vince) it's Tom. I would say that it is a reversible. As I said when we're forecasting our cash flow for the year end as I said we'll be a user of cash in the fourth quarter primarily driven by the program spend. But there could be some movement on the working capital, you know, depending on what happens from a receivable point of view.

(Vince Valentini): Wonderful, thank you.

Operator: And ladies and gentlemen, as another reminder to register for a question press 14 on your telephone keypad. And we have another question from the line of (Andrew Divas), retail investor. Please proceed.

(Andrew Divas): Hi guys. It's pretty obvious based on your statements around Let's Talk TV that everyone should perceive it going through as currently outlined by the CRTC. In the company's eyes it's definitely a negative thing.

But is there any internal analysis being done around positives with respect to consumers who have been exiting the cable market and potentially will be returning if given the opportunity to select a core specialty channel on its own rather than as part of a basic package? Do you guys see any positives to that for the company?

John Cassaday: We realize that cord cutting and cord shaving has been an issue in Canada, not to the degree that it has in the United States. But if you were to say on balance would we expect more return to the system as a result of an a la carte regime than we would see potential damage from an a la carte regime, the answer to that would be no. We don’t see there being a net positive associated with new people coming back. I think that would not be the case.

Now are we working on plans to mitigate? Absolutely. You know, we’ve got to do a really good job making sure that we have programming that people don’t want to miss. Doug talked at length about some of the shows that we have. We made reference to them in our opening comments.

At the end of the day we saw I think great evidence in the past couple of years particularly with AMC and a show like Breaking Bad how one show can define a network and move it from being in the realm of nice to have into must have overnight.

And all of us need to have more must have shows on our services and that’s what we’re focusing our attention on doing right now. And that’s the way we’re trying to mitigate against the potential downside of more choice in the system.

Operator: And there are no further questions at this time.

John Cassaday: Okay thank you everyone. We'll look forward to talking to you in the days and weeks ahead. Bye for now.

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

END