CORUS ENTERTAINMENT'S

Moderator: Doug Murphy
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1:00 pm CT

Operator: ...and welcome to the Corus Entertainment's Third Quarter 2015 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 do have questions, 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 today, Wednesday July 15, 2015. It is now my pleasure to introduce Doug Murphy, President and Chief Executive Officer. You may begin Mr. Murphy.

Doug Murphy: Thank you operator. Good afternoon everyone. I am Doug Murphy and welcome to Corus Entertainment's fiscal 2015 third quarter report and analyst call.

Tom Peddie, our Executive Vice President and Chief Financial Officer is also on the call with me today. We'll 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 our forward-looking statements is contained in the company's filings with the Canadian Security Administrators on SEDAR.

As reported in the press release we issued earlier today, Q3 was a challenging quarter with consolidated revenues down 5% and consolidated segment profit down 14%, driven primarily by continued softness in advertising demand.

In our television business, strong ratings momentum continued across our key networks but soft ad demand and pricing pressure in certain categories coupled with a weak economy resulted in a decline in advertising revenues.

In our radio business, the revenue shortfall was largely due to disappointing results from our Toronto cluster. However, in last month's ratings book, Toronto has seen recent ratings improvement.

The other bright spot in the quarter was our Vancouver cluster, which has definitely turned the corner generating solid revenue and ratings growth. While our Q3 operating results were below expectations, we delivered solid year-to-date free cash flow of $156 million.

Our robust mix of assets are highly cash generative. And despite our EBITDA miss, we remain on track to meet our free cash flow guidance for the year.

Since we last spoke, we undertook a rigorous strategic review of our programming and film slate to evaluate the content that will position us for success in the new regulatory environment.

Content or film investments that did not meet our criteria were written down. As a result, the company recorded a non-cash program rights and film investments impairment charge of 51.8 million in the quarter.

Today, we'd like to talk to you about four noteworthy topics that are going to be important contributors to our future success. First, why we see opportunities in the Let's Talk TV decision.

Second, why our investments in content will further contribute to our formidable leadership position with kids and families. Third, why our innovative TV Everywhere initiatives are such a significant strategy for us. And finally, fourth, how our ratings in television and radio will drive our future success.

So let's talk TV. Unlike some, we see great opportunities in the CRTC's recent decisions. We believe the market, in general, has misread the impact of the regulatory policy changes on Corus and our stock or to quote Mark Twain, with a slight modification, "The news of TV's demise has been greatly exaggerated."

Here is why. The removal of genre protection provides us with more flexibility to optimize our schedule by programming the best content that will attract more viewers.

And, as you know, audiences lead revenues and our audiences are the most coveted family demographic that advertisers want to reach. These growing audiences ensure our brands remain preferred choices and are must haves with consumers.

Secondly, the elimination of terms of trade is the strategic windfall, as it allowed our talented original productions team to be more innovative with how we structure staff and develop our content and production investments.

The third big win in let`s talk TV and perhaps the biggest was the CRTCs endorsement of the status quo option. This allows consumers to maintain their existing packages and does not force change when change is clearly not wanted.

Independent research shows that 80%, that's 80%, of Canadian subscribers are happy with their current programming options and they will continue with the status quo.

We're confident that when the first stage of the new regulatory environment is phased in next March our strong brands and compelling content will triumph. Our 15 year track record of packaging world class original programming into meaningful Canadian channel brand such as W Treehouse and YTV is quite simply the best in class.

On top of that, we have built industry leading channel brand and programming partnerships with the world's leading meeting, leading media and entertainment company such as Viacom, Time Warner, Discovery and The Walt Disney Company.

This position is Canada's preeminent brand steward brings leading content in channels to Canadians such as Nickelodeon, The Oprah Winfrey Network, HBO Canada, ABC Spark, CMT and soon the Disney suite of services.

So in short, we are confident that our compelling top tier brands will remain widely distributed with a strong revenue profile in the new regulatory environment.

Now in anticipation of the impending regulatory changes, we move decisively and with intention to walk up strategic long-term content deals with power house brands like Nickelodeon and Disney adding to our scale and strengthening our leading position in the kids and family segment.

The Nickelodeon deal is in one word groundbreaking. It takes our partnership to a new level, giving us all encompassing distribution and licensing rights, mixed content on any platform and device in Canada in both English and in French.

Further, this deal also secures an opportunity for Corus to produce content for placement around the world on Nickelodeon's channels and in turn increases the episodic output of Nelvana thus enabling us to own more content as Nick's partner.

Our new partnership with Disney will bring the Disney Channel to Canadians for the very first time. When we launch this multi-generational iconic branded channel in the fall, we expect significant growth in our kids and family audiences.

Our portfolio of services at that time will reached 9 out of 10 Canadian moms and families, I'll repeat that one again too, 9 out 10. We will effectively have the scope of conventional television and ultimately front row seats in the family room.

We are well on our way with plans to launch Disney this fall and rollout additional Disney branded television offerings by the end of the calendar year. At Nelvana, the team continues build an impressive content pipeline and has secured prime broadcast placement for our shows around the world.

We are very excited about our new relationship with Sony Pictures Entertainment announced yesterday which brings the blockbuster feature film Hotel Transylvania to the small screen.

Developing television extensions of box office blockbusters is a winning strategy. We have secured a significant economic interest in this new animated TV series and its related rights and licensing revenues. Corus is looking forward to working with Sony, our newest production partner, on this monster comedy series.

Another exciting property in our development pipeline, which we have enthusiastically spoken to you about before, is our new girls action series, Mysticons. For this brand we have teamed up with a number of A list partners.

Nickelodeon will act as the global broadcaster and Playmates Toys, the company behind the phenomenal success of Teenage Mutant Ninja Turtles, will be the global master toy partner.

Topps will bring their market leading trading card expertise to the partnership. And, of course, we will engage with our partner Michael Eisner Tornante to develop this series slated for launch in spring 2017.

Building properties and to breakout hit takes time. We know, we've done it before. If you want to create a global franchise with staying power, it's important to do it right from the ground up. And we are confident that overtime these two new properties have the horsepower to become major hits for us.

Now currently in market Little Charmers, one of Nelvana's key pre-school properties, is off to a great start. This brand will roll out over 100 countries within the next 12 months.

Our toy partner, Spin Master, will launch a full line of toys in North America beginning in August of this year. Now on the heels of this year's June licensing show in Las Vegas, new partners are beating a path to our door to get onboard.

Over 20 top tier licensee partners have been lined up for the brand so far, including a global publishing deal with Scholastic. Little Charmers consistently ranks among the top five pre-school series on Nick Junior in the U.S. and in Treeshouse in Canada and its app quickly became the number one free app on iTunes in the US and Canada in its first week after this recent launch.

On the digital front, Nelvana's content is benefiting significantly from the growth in the global kids OTT market and is in very high demand. With sales of 16,000 episodes so far this fiscal, Nelvana continues to monetize its extensive catalog to expanding list of digital partners in the US and around the world.

Notable deals secured this past quarter includes sales to Netflix in the US and Australia, Amazon in Germany, and Hopster in the UK. As a core preferred partner for Netflix, we have launched our content with them in 11 territories and countries to date including the US and Latin America and we anticipate that this number will grow as their footprint expands.

Just recently, Netflix acquired Nelvana's The Day My Butt Went Psycho, a co-production with Scholastic, as a first run exclusive series which they plan to stream in the US, UK and Mexico later this year.

As well, Nelvana is becoming increasingly active and successful within the YouTube ecosystem with our entire English language catalog and close to 80% of our multilingual catalog uploaded for monetization purposes. With this, the popularity of our pre-school content continues to grow.

In fact, two of our YouTube channels, Treehouse Direct in Latin America and Treehouse Direct in Brazil, are ranked among the top 100 YouTube channels for film and animation and are generating significant month-over-month growth in view and revenues.

On the domestic front, Corus made another important strategic investment launching the first of our TV Everywhere apps for our specialty channels. Why? Quite simply, we have to follow the consumer.

Our app strategy allows us to delight viewers by giving them access to our brands and content on their mobile devices, which contribute to audience growth and provide customers and our distribution partners with an innovative value added offering. It also gives us a platform to build direct to consumer relationships with our audiences.

In June, we launched the first in our suite of TV Everywhere kids apps TreehouseGO. This app provide convenient mobile optimized viewing experiences and a unique download to go feature for enhanced portability that is offered by no other player in Canada. Early response to this app has been nothing short of terrific.

Less than two weeks after its launch, TreehouseGO became the number one free downloaded app for kids in Canada with an industry leading high authentication to download ratio, 12 times the industry average. We think these apps have huge potential and by year's end we plan to have six kids apps in the market.

Turning to our women and family vertical. Our popular Canadian originals continue to be big hits with our audiences and strong ratings drivers for us. We expect to build on this momentum particularly on W Network, which is number one with women and well ahead of its nearest competitor.

In fact, English language women specialty ad revenues for Q4 are pacing ahead from the year ago, and a trend that we should continue to expect in the near fiscal.

As part of our strategy to own more content, we have ramped up production on our unscripted series over the past 18 months and expect to have a significant slate of new owned originals in the pipeline by the end of next fiscal.

This morning we were pleased to announce a partnership with the visionary producer Mark Burnett's United Artists Media Group to develop a new series format and pilot episode for a travel reality series that will enhance our slate of unscripted offerings.

In Quebec, we also see new opportunities for our services with the elimination of genre protection. It allows us to extend our popular original programming here in English candidate to our French language services further strengthening our position in that market.

This fall capitalizing on the popularity of unscripted reality programming, Séries+, the number one French language specialty service for women, will launch a reality programming block that will feature some of W Network's original hit series including Hockey Wives and the Game of Homes.

There's positive momentum in our PayTV business as well. We expect a subscriber lift in Q4 driven by an outstanding roster of must see premium programming that includes, Game of Thrones, True Detective and Silicon Valley.

Our paid business will clearly benefit from new flexible packaging options, which will give consumers more direct access in an unbundled environment. We will maximize our premium content by aggressively packaging and marketing our services in innovative ways to new segments and audiences next fiscal year.

Now on to Radio, where we had another challenging quarter. This is primarily due to a revenue shortfall in the Toronto cluster, but here too there is good news.

Recent numerous data on the books shows ratings improvements for certain key markets and encouraging signs in Toronto with 102.1 the Edge climbing to number two with males 18 to 34, the core demo, and Q107 at number two, its core demo, men 35 to 54.

Now while we are starting to see stronger ratings for these stations in response to recent programing changes, we anticipated it will be next fiscal before Toronto returns to growth.

We recently appointed a Corus Radio veteran, Chris Sisam, to the role of General Manager for Corus Radio Toronto and Hamilton. Chris' performance driven leadership style will be a great asset to the Toronto cluster as we continue to refine the services to broaden our audiences and increase our ratings.

We have had great success in Vancouver where our stations there continue their upward trajectory. The turnaround plans that were put into place there translated in to meaningful ratings improvements in December of last year and subsequently were converted into significant radio revenue gains in Q3 and in Q4 in this year. Vancouver's revenue trend is continuing with Vancouver pacing mid to high single-digit ahead of last year.

To conclude, over the next 18 months as we transition to an unbundled environment, management is intensely focused on execution and we have great confidence at our game plan.

We are investing in the right places in research for radio, in premium brands and content. But, we're focused intensely on discipline cost controls. We're the partner of choice to powerful brands like Nickelodeon and Disney and we continue to deepen our partnerships with major industry players around the world such as Sony Pictures.

With our TV Everywhere apps, we are developing one-to-one relationships with consumers and delivering our brand to them whenever they want them across all platforms and adding value to our distribution partners.

We are innovating with our distribution partners of these new value added offerings and this gives us a competitive edge in the evolving marketplace.

And importantly, we continue to be cash generative and expect to meet our free cash flow guidance for the year.

Currently, we have a free cash flow yield of over 12%, and a dividend yield of 7%. We are on the right track to grow and advance the company and compete successfully in a dynamic industry.

Management has a game plan, as you have heard, and its successful execution will return our company to growth in the longer term. We want to thank our shareholders and our partners for their continued support and confidence in us, as we fortify our brands and position the company for the year ahead.

We hope you have found these comments helpful and we'll now be pleased to take any questions you may have. Thank you, operator.

Operator: Thank you. 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 will hear a two - 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. And our first question will be from the line of Vince Valentini from TD Securities. You may go ahead sir.

(Vince Valentini): Yeah, thanks. A couple of things. Appreciate the forward-looking commentary Doug, but can we just turn back to the third quarter for a second here.

So, I am bit perplexed, we saw Shaw's numbers a couple of weeks ago and their media revenues were basically flat and your television and advertising revenues are down 11% too.

Is there some timing issues here or is there just, you know, massive market share loss to other players? I mean, can you talk a little bit about what happened specifically on TV ad revenues this quarter?

Doug Murphy: It's - hi (Vince), nice to hear from you. It remains a demand problem on specialty. When you look at, you know, Shaw or Bell you're looking at the amalgam of their conventional services and their specialty services, you know we don't have a conventional platform.

Conventional has been sort of stronger this year than it has been in recent past. And a lot of the ad dollars we're finding have shifted over to conventional this year. And I think you look - I am not sure Shaw made discloses relative conventional versus specialty but that's the tale of the tape in that regard.

(Vince Valentini): So, do you have any confidence that that'll turn at some point?

Doug Murphy: We - our focus Vince, as we've always said to everybody, is on maintaining audience growth. And, you know, we know that we have very coveted advertising environments because of our strong channel brands for women, family and kids.

You know, we obviously are working hard to manage what demand there is in the marketplace and have a heightened focus on demand creation to our business development efforts with our sales team and television and radio for that matter.

We are optimistic that the outlook is strong, as I mentioned. You know, Q4 and English language women's is pacing nicely for next year against last year. So we're are not, you know, we think things are turning, cautiously optimistic. Q3 was a challenge no doubt, but we think the picture is brightening in Q4 and the pacing is great for Q1 as well.

(Vince Valentini): So, okay, one other different (unintelligible), Obviously the CRTC views you as a vertically integrated player because your relationship with Shaw, Have you made any progress with either the CRTC or with the Shaw family on trying to average reclassify it as independent before the pick and pay rules kick in?

Doug Murphy: We've always maintained that we're not vertically integrated, you know, we're a separate publicly traded company with a separate management team, independent boards. We obviously are working to address this but I'm not at liberty to share any specific details.

(Vince Valentini): Okay, thanks.

Doug Murphy: Thank you.

Operator: Our next question is from the line of (Paul Steep) with Scotia Capital. You may go ahead.

(Paul Steep): Great, thanks. Doug, just obviously we don't want to steal the thunder ahead of the Disney launch, but clearly you're talking to your BDU partners. Can you give us a sense of how we should model or think about modeling out the licenses in terms of what you're going to use to actually deploy those services? Is it going to be conversion of existing services or licenses you have on a shelf?

Doug Murphy: I'm going to answer your question perhaps in a more helpful manner. Our launch of Disney next year will be accretive to earnings, it's going to grow. There's not going to be any margin compression on the incremental revenues and services that we launch.

We have a number of opportunities in terms of the absolute licensing to look at exempt, an exempt approach in launching out there in the market place. Other than that, Paul, obviously we are in ongoing discussions, our BDUs. And I would share that the enthusiasm is nothing short of overwhelming for the Disney brand.

It's the world's most elite brand and finally coming to Canada and we're very confident that we'll be successful both in growing our revenues and growing our earnings as a result of the launch of those services.

(Paul Steep): Should we think about a free preview for it Doug since some of the services have already been in the market? Does it make sense that this launch to have that just in terms of thinking about obviously the Q1 impact I guess around the launch?

Doug Murphy: I wouldn't plan on that.

(Paul Steep): Okay. How should we think about the increase in programming costs for Nick and Disney? That maybe a Tom question but just into '16 if we think about the overall magnitude of the spend, how should I be sort of thinking about that one?

Tom Peddie: Paul its Tom. I think what we said on our last call was that the program costs are not significantly higher than what the previous owner was paying for them.

I think what we had also said was that we position this as a win-win with Disney so that if we do well, they do well. And that our program costs, yes, will be higher. But we think that they're in line with what the market number should be.

And with respect to Nickelodeon, you know, what we did say was that we were extending our great relationship with them. We were picking up additional rights that we could monetize.

So we, you know, we clearly think that these channels or program commitments meet our economic model. And as Doug said in his comments, they're really critical for our success in the new pick and pay environment with, you know, no one has brands that are comparable to our Nelvana brands, our Nickelodeon content and our Disney content.

Doug Murphy: I'll just build on Tom's comments Paul and for everyone. You know, kids content is the most coveted content out there for any distributor whether or not they're non-linear or linear.

And when we're able to offer up such a wide slot of rights to the best content, we tick a number of boxes, we have basically all the best content, and we have most of the best content across the entire wide spectrum.

And so that gives us the ability to grow our businesses in concert with the distributors, which our objective here is to, you know, grow the overall business and satisfy our consumers.

We fully embrace a consumer centric approach in the marketplace today. That's exactly where we have to go. The TV industry's got to innovate, got to follow the consumer, that's why we are launching our TV Everywhere apps and investing, you know, in this.

And so, all of these strategies kind of all roads lead to Rome and Rome in this case is the end consumer. As long as we're delighting the consumer we're going to make money for everybody.

(Paul Steep): Okay. Sorry and just to clarify one thing on Tom's answer on Nick, there wasn't any, you didn't book anything this quarter related to Nick at all, apart from the ongoing business but with relation to the extension right, or the additional rights?

Doug Murphy: Yes, that's correct. You'll see that in our Q1 numbers because the numbers - those agreements are effective with the start of the new broadcast year.

(Paul Steep): Great. Last one and I'll pass the line. Doug, Toronto Radio I guess, you know, the sales reorganization, how should we think about that? Obviously they need to sell off a book they just got but, you know, maybe you could talk a little bit about the changes you started to put in place last quarter. Thanks.

Doug Murphy: Happy to. Toronto Radio is our - you know, the fix is in, on Toronto Radio. We're focused really, really intensely on the programming strategies there. And the - I described for both Q107 and the Edge, the key objective there is to broaden the appeal of the services to men and women and to bring the music recipe kind of more current.

So on Q for example we're playing, you know, more current rock from the 00s and the 10s like (unintelligible) and such. And on the Edge, we're really focused on, you know, bringing in some sort of - we'll Lorde and we'll play, you know, Nine Inch Nails.

We're mixing it up so that we have appeal to a current top 40 music that's in the modern music kind of category but also we're layering in some of your favorite from the 90s and 00s.

So, we're already seeing nice movement in the 18 to 34 demo on the Edge in both genders and furthermore in Q107 we're pleased with the progress there. So, we - we're on the right track.

And, you know, I'd draw your attention to the success that we've had doing the same sort of thing in Vancouver where we widened the appeal and try to reach across the genders on Rock 101 and - in that regard.

And we're going to be doing a similar strategy here in Toronto. And I see no reason why Toronto shouldn't track the success of Vancouver as we continue to get traction.

(Paul Steep): Great. Thanks guys.

Doug Murphy: Thanks (Paul).

Operator: Our next question is from the line of (Aravinda Galapathe) with Canaccord. Please go ahead.

(Aravinda Galapathe): Good afternoon. Thanks for taking my questions. I don't want to beat around the programming cost session too much but just so that we have a good handle on that to expect next year.

I mean historically, Doug and Tom, I think you've said that, you know, you generally look for about mid-single digit growth in programming cost. I would assume there is some relief from that on one hand because the revenues this year are lighter and that would translate to some savings the following year.

But on the other hand you have these investments that you're making. When you think of it, those puts and takes is mid-single digit is still generally what you are looking at to next year?

Doug Murphy: Okay. The - let me try to - I'm going to characterize it again in a different way. We are expecting incremental EBITDA growth from our incremental investments and content.

So we were, you know, that - the model, the - and, you know, the analysis which was, you know, super intense in both these investments in Nick and Disney were based upon us growing our earnings.

Now will there be some margins compression on the incremental versus the company average? Yes, as you would expect. But there's - the incremental EBITDA growth next year absolutely on both those investments.

Tom Peddie: And (Aravinda), it's Tom. I guess the other comment that I would add is that yes, you know, if the revenue number is down, our Canadian content expenditures would be - we could make - it could be lower. That can be offset by US content expenditure.

When we were asked the earlier question about the Disney launch and we said that, you know, some of those could be exempt services which would have different conditions or license and therefore CPE a requirement.

So our goal here is to manage that particular expense and the - and so, you know, we are looking at, you know, single digit program expense growth for next year.

(Aravinda Galapathe): Okay, great. That's helpful, thanks. And just with respect to the ad revenues, I think Doug you mentioned that you're starting to see some traction on the women's side in Q4.

Doug Murphy: Yes.

(Aravinda Galapathe): As we think about - I was wondering if you can just comment a little bit on the kid side. I mean, what you saw in terms of ad trends in Q3 and any changes in trajectory there.

Doug Murphy: Happy to. By the hello, how are you? The issue on kids has been TELETOON, just to put a fine point on it, the service well - it was in a limbo there for a while before we got our hands on the wheel. And there is a sort of a relaxation of commissions in programming investments that we've now been working hard to write but we're paying a short term sort of price in terms of the ratings down stroke and that's kind of affecting in our ability and kids vertical.

You recall that we need to deliver kids to deliver parents. So, you know, the more kids we have the more core view business we can have. If we have a miss on ratings on a big service like that not, only does it challenge our kids revenues but also had a double-whammy on the inventory we have available for our co-view sales.

So, you know, that's been our challenge on TELETOON. What we're really encouraged about is that we have a very solid strategy which we'll be revealing probably in, you know, probably in the fall, because it's part of our overall kids portfolio rollout.

But we have a very compelling strategy to adjust the TELETOON ratings performance, seeing some improvement already. And that that'll address the ratings issue and enhance some of these (unintelligible) and revenues on the kids side.

Now we're entering in now and we're in corporate deal season right now with the advertising agencies. We're very pleased with the success our sales teams have had in terms of securing corporate deals.

We're also starting to see some of the pacing for the kids business in the fall. We have a lot more inventory this year because of the Disney channel launch. There's a high amount of demands for kids.

So, again, the women's business is pacing nicely in Q4 and Q1. The kids business is come into life in Q1. So we're cautiously optimistic, that was the note that I sounded earlier, that the advertising revenues will start to kind of grow.

(Aravinda Galapathe): Great. Thank you, Doug. I'll pass the line.

Operator: Our next question from the line of (David McFadgen) with Cormark Securities. Please go ahead.

(David McFadgen): Yes, a couple of questions. Can you give us sort of an outlook on how the total specialty advertising is trending in Q4 and then I don't know if you can talk about Q1 as well?

Doug Murphy: Okay. As I said, English language specialty, adult advertising or in our case women's is sort of mid to high single digits Q4, pacing nicely over Q1 of last year.

And kids as I mentioned just a second ago, kids will probably remain somewhat soft over the summer season because my kids certainly aren't watching too much TV right now. But when we hit Q1, as we launch the new Disney services, both our core networks actually the new Disney launch are pacing strong.

And then our new Disney launch is going to be very, very exciting. So, I would say kids will be quite robust in the first quarter. And we expect continued growth year-over-year in women's.

(David McFadgen): Okay. When would you be in a position to, this is just following up on an earlier question, to tell us whether you're going to repurchase an existing channel or get a brand new license from the CRTC?

Doug Murphy: Well right now what we are going to do, as you say, we're using exempt status for the launch for any channels in the immediate term. And the specifics around which channels and what the portfolio is and who they're going to be packaged, those are, you know, those are confidential conversations with - between Corus and our distribution partner. And so until such time as, you know, we've concluded and launched we're not going to share that information.

(David McFadgen): Okay. And then just on the Treehouse, I think in your prepared remarks you announced that you were going to have six more apps come out soon.

Doug Murphy: Yes.

(David McFadgen): Can you talk about how you plan to monetize the over the top or TV Everywhere apps that you're going to be launching?

Doug Murphy: Those apps are authenticated, they're free to consumers. They're - so at this point in time with what the - it'll be Treehouse, YTV, Disney, Nickelodeon, Disney French they will be - those are next in line. They will be offered free to authenticated video subscribes using a BDU ecosystem.

They are of value because number one they deepen our relationship with our audience and enable us to create a two-way conversation with the users. Number two, they have our high perceive value on behalf of our BDUs because Corus is making investments to support the video subscriber base.

And number three, you know, as I said in an earlier comment, you know, the TV industry needs to follow the consumer and this is just basically the price of admission.

In time...

(David McFadgen): And...

Doug Murphy: ...will we explore over the top scenarios? Absolutely we'll explore them, but the moments it's not part of our game plan.

(David McFadgen): Okay. What about the ability to generate ad revenue through those apps?

Doug Murphy: Yes, we have that ability. We're in the moment now where we've got more inventory than we need - than we can monetize. There's little point in, you know, littering a kid's viewing on his own iPad with television commercials, because it's perceived value,

But we have the ability to turn on advertising if we want to. We're not thinking about doing it right now (David).

(David McFadgen): Okay. All right. Thank you.

Doug Murphy: You're welcome.

Operator: Our next question is from the line of (Phillip Hung) with Barclays. Please go ahead.

Male: Hi, this is (unintelligible) for (Phillip Huang). All my questions have been answered but just briefly on the Disney deal, does the deal includes content for multiple platforms or it's just for the TV channel?

Doug Murphy: The deal includes content for TV everywhere as currently defined in the rights vernacular. So, so it's got - so basically whatever systems are currently and working in the US effectively we're be able to emulate in Canada.

So, if you're authenticated video subscriber, that content will be ported on the to - the go app, But it doesn't - it's got to be- you know, it all starts with being authenticated video subscriber.

Male: Okay, great. That's all from me. Thank you.

Doug Murphy: Thank you.

Operator: Ladies and gentlemen, as a reminder, if you would like to register for a question you may press the 1 followed by the 4. And our next question will be from the line of Mr. (Tim Casey) from BMO. Please go ahead sir.

(Tim Casey): Thanks. Couple of from me. Doug can we go back to your comments on TELETOON where you said there was issues there and it was in limbo, given, you know, what are you referring to there? What was the management challenge?

Doug Murphy: No, it was the period before it was approved by the commission it was in - what's the word I'm looking for, I'm losing the word - custody of...

Tom Peddie: It was - Tim, this is Tom. It was effectively half of it was kind of with the trustee.

Doug Murphy: Yes.

Tom Peddie: And as a result, you were in a situation where you really couldn't make the programming investments that you really wanted to on a go forward basis. And, you know, one of the problems with the CRTC process is that a channel will sit there.

You know, we had a similar - similar issues with (unintelligible) radio when, you know, it's held by a trustee for a period time. So, the channel didn't get the attention and the investment and programming that it really needed to, even though we owned half of the channel.

But as Doug said in his comments, we've got a plan to...

Doug Murphy: Yes, it was - you remember (Tim) that TELETOON was a separate organization. Whilst we own half of it, it was a separately operating entity and so we spent almost two years in trusteeship. So that's the limbo that I referred to.

(Tim Casey): Can you remind us on what it came out of trusteeship?

Tom Peddie: January 1, a year ago.

Doug Murphy: Is that right?

Male: Yes.

Doug Murphy: January 1,'15...

Male: (Unintelligible)

Doug Murphy: We're all looking - we're all looking around...

Tom Peddie: January 1, '14.

(Tim Casey): Yes, that's my point. I mean, that's year and a half ago.

Doug Murphy: But we're on it, we saw the problem but these thing - the ratings, it takes time to turn it but we're turning it and it was a surprise, the commissioning cycle as you know, (Tim), takes some time, it was an 18 month cycle between pitch and airing.

Tom Peddie: And I guess (Tim) the other thing is that as you know it takes a while to develop the programming as evidenced by our comments on Nelvana about a number of things that we have in the pipeline and how it takes a considerable period of time to bring them to air.

So as we've said in our earlier comments none of those decisions were being made during that two year period so we have to kind start some scratch.

Doug Murphy: So January of '14 we commissioned a whole bunch of shows and now those shows are starting to show up in the network now. We're starting to push on the ratings we promised.

(Tim Casey): In that context and you obviously invested in content but its 18 months away let say as well, how should we think about the interim period, are you confident that you can stabilize EBITDA in 2016?

Doug Murphy: Absolutely, 100%.

(Tim Casey): What would be the key drivers, because the company with all-do-respect has been disappointing the expectations you've set for the street and I am just wondering how shareholders and potential investors should think about your ability now, what's going to change in '16 that gives you confidence you can stabilize what's been a declining line?

Doug Murphy: Well, I addressed that in my opening remarks (Tim). But we're confident that the CRTC environment offers us an opportunity, we're confident in the strength of our brands to retain carriage and to retain in the status quo environment that has been made available by the decision.

We're looking at cost very aggressively as you've seen with our decision on the programming right down made some decision there to look at the cost structure, we're looking at new revenue opportunities with new right, we're going to monetize in the marketplace.

We're optimistic that the Nelvana business is returning to growth, you're seeing into the numbers now it will continue to grow in that regard. We've got a number of great brands that are being - we're launching in the future and we've been working hard to get the radio business turned.

So in the meantime, and we appreciate that we've disappointed on our guidance and we have to wear that, but in the meantime we are highly cash generative, pay a very health dividend at a free cash flow yield of 12%. And we hope that the game plan that we've laid out today will give the street confidence that we're going to compete and win in the new environment.

(Tim Casey): Okay. Well, good luck and we look forward to watching the progression. Thank you.

Tom Peddie: Thank you.

Doug Murphy: Thank you.

Operator: Our next question is from the line of (Adam Shine) with National Bank. Please go ahead sir.

(Adam Shine): Thanks a lot. Good afternoon. Doug maybe taking another angle or attack on (Tim)'s question, in the past there has been an expectation that growth would come but ultimately predicated on the economy growing X to help stimulate further advertising.

So when you speak of some of the optimism you have going into 2016 are there any particular sort of economic assumptions that we should maybe be thinking about just to sort of mitigate potential downside risk?

Doug Murphy: If you're saying and I think you're asking me, are we assuming the macro economies is going to save - going to help drive the business, no. Our modeling is all function of share shifting, smart cost management, investments in necessary multi-platform technologies to improve the viewer experience, to add value to distributors in term to grow our business with the distributors. And then to shift commercial network share over as we launch the Disney suite of services.

So it's within our ecosystem that we're looking to grow our business, it's not hanging our hat on return to macroeconomic recovery. If that should happen all the better because we'll still be equally well positioned to benefit from it. But we don't have some pie in the sky assumptions as to the overall GDP growth, if that's what you're asking.

(Adam Shine): Yes, no, that's exactly what I was asking and I appreciate the color. I can't remember in your preamble if you touched on the French language assets, but sort of getting beyond maybe some of the weakness in kids and TELETOON in particular.

Were there any issues in terms of some of the French language assets that you've picked up?

Doug Murphy: Well the Quebec economy has been equally soft from an ad demand basis. In fact, potentially I would describe it as relevant to English kind of mores so. So, we are experiencing the same malaise as we are experiencing on the ad economy in Canada - in English Canada we've also in some regards softened a little bit of a the challenged we had given that those two services were in trusteeship also for a couple of years.

But we've got them well in hand now and Historia Séries+, Séries+ is a number one service for women 25 to 54 in Quebec and Historia is growing its ratings.

So we're where - watching our costs, we're making smart investments in output deals such as CBS and PayTV with Historia output deal and we ran Historia with the History channel branding so we're in good shape there, we're just going to continue to work hard to generate revenues.

(Adam Shine): And just - so thank you for that. One last question, I am not going to be ask about PayTV subscriber trends because I know you haven't been giving those for about a year or so now. But the CRTC put outs the specialty TV stats for F2014 as it related to number of the individual channels.

And I guess what's interesting was when you look at the EBITDA produced by on-core and Movie Central in 2014 versus the 2013, it's a pretty big drop in terms of 25% and most of that relates specifically to Movie Central.

So I am sort of curious sort of somewhat backwards looking but still relevant going forward. Was there anything of note in regards to a step up in cost worth acknowledging going back last year to drive that pretty big EBITDA compression in Movie Central?

And obviously acknowledging that the new HBO deal sort of kicked in at the start of F2015, sort of how should we be thinking about that? Going back to your earlier comments regarding optimism regarding some of these deals?

Doug Murphy: So I'd say there is two major factors that was playing that, the first is our decline in subscribers. So, clearly there is a direct contribution margin impact with any requisite decline in subscribers so we have had a number of - couple of tough years with subscribe erosion, I'll come back to that, that's the first and the largest impact on the EBITDA, it's been the revenue flow through to EBITDA.

The second has been the investment in HBO just the library rights we did last year for stacking purposes, we went back and acquired all the back catalog of current on air HBO hits so we could more effectively deliver our audiences on VOD, the catch up on the series prior the launches of new seasons.

Those are the two primary factors for the EBITDA swing. But I will take this opportunity to reiterate that we've had a couple of years now where we have seen kind of some - every quarter we've seen some slippage in our subscriber base.

We're not going to quote numbers, but I will tell you that we're seeing growth now. Why are we seeing growth? I think we're actually getting extremely effective at targeted acquisition plans, our BDU partners are increasingly committed to the perceived value and real value that pay brings to subscribers in the unbundled world.

Everybody agree that HBO and Movie Central will likely be a significant beneficiary, and I want to try to get some traction rolling into that. So Q4 we're expecting to see a moderate growth off of Q3 and I know I just said before, so it's not lost upon me, but I will declare that relative to the past trending we've seemed to turn the corner on pay subs.

(Adam Shine): Is that a function of, you know, people lighting up in May/June or arguably June/July sort of in terms of True Detective, last of Game of Thrones, Bowlers and some of the others assembles there?

Doug Murphy: You're obviously a fan. Yes...

(Adam Shine): I lit up two, three months ago as well.

Doug Murphy: There you go, Bowlers is a great show. I love that show. I love Silicon Valley too, but anyways, you didn't ask me that question. What we're seeing now is that the first of the impact of the Game of Thrones plus real smart acquisition strategies, but there is a lag.

So we've only seen about a month of that, we got another two or three months coming where we expect continued growth of that turn. So again, I don't know where it's going to go from here.

But I will say that we're pretty excited and we're also very encouraged by the level of enthusiasm with our BDUs as they are embracing the opportunities for pay and HBO I think primarily on account of the fact that the possibility in packaging given the (unintelligible) decision renders our pay business a real beneficiary.

(Adam Shine): Okay. Great. Thanks a lot. I'll leave it there.

Doug Murphy: Thanks for your questions (Adam).

Operator: Our next question from the line of (Haran Posner) from RBC. Please go ahead.

(Haran Posner): Thanks very much. Good afternoon. Maybe first for Tom with respect to the right down that you've taken on the programing side, I'm just interested is this $50 million or so, is that amount sort of - was that going to be amortized within EBITDA over the next couple of years but instead it's now just been sort of a one-time?

Tom Peddie: Yes.

(Haran Posner): Okay. And then sort of that just looking at the gap that you report between sort of the programing amort and the investment. Typically it's sort of drag on free cash flow this year probably a benefit, But, again, looking into next year with all the moving parts is it reasonable time to expect that to sort of come back into negative?

Tom Peddie: Yes I think that our cash spend next year will be higher than the amount spend for exactly the reason that you mentioned. I think that when you look at our results so far this year we - I think front end loaded a fair bit of our expenditures when you look at the nine months mark we spend about 135 million on programing versus 105 at this point last year.

So it gives us a some confidence in our ability to hit the guidance number of under than $180 million of free cash flow this year, so those become timing. But I mean our programs spend next year will be higher than the amort.

(Haran Posner): Okay, that's very helpful. And then one for Doug with respect to Nelvana, I think you made a comment earlier that with the Nick deal that that was sort of increase the episodic development at Nelvana.

Is there any way you can help us just get a sense of sort of where you are now in terms of half hour delivery is I guess in '15 versus where you expect to be in '16 and '17?

Doug Murphy: I'll give you directional on that one because we don't want to get into that quoting of episodic delivery by quarter. We lived that movie many years ago and it gives - it just didn't help to remodel anything.

But I can tell you that a couple of things and thank you for picking up on that comment in our opening remarks. As part of our broadened budget of Nickelodeon, we are entering into a co-production framework which enables both companies to produce shows which we both co-own.

They've be on our networks in Canada, they'll be on Nick's networks globally and it offers us basically an incremental investment and return opportunity of the baseline which would have been in the studio today.

So we would expect over the next year or two to leg up each year to more robust production model, fully financed, cash flow financed by giving us a lot more optionality coming out of the studio than we've had in the last year three or four years.

(Haran Posner): Okay. Thanks for that Doug and then maybe just lastly for me, you know, with kind of lack of visibility on the ad environment. I'm just - when you look into your Q4 result should we anticipate you guys providing any guidance or at this point you'd rather just call it us figure it out?

Doug Murphy: I prefer let you figured it out, what I hope is evident to everybody is that we're heads down here and we're getting ready for the new world that faces us, we've a very strong and talented management team and we're not confused that we've disappointed in terms of our guidance in the last year or two.

We don't want that to happen again. We are going to get this business tracking towards growth. We are going to make some tough decisions on costs. We are going to focus on how to grow.

And in the interim, our time spent with many of you might be diminished; it's not that we don't have a plan in the fall to get out and talk to everybody in a more meaningful manner. But we are focused now on returning to growth and being accountable to our results.

(Haran Posner): Thanks very much.

Doug Murphy: You're welcome.

Operator: Our next question is from the line of (Robert Peters) from Credit Suisse. Please go ahead.

(Robert Peters): Hi, thank you very much for taking my questions. Just a quick one on subscriber revenue trends. I was just wondering if you guys could elaborate kind of on how the packaging changes impacted those trends in the quarter.

And then may be when you, you guys have mentioned that PayTV subscriber trends are going to be or are expected to kind of improving in Q4, I know you guys don't give numbers but I was just wondering how much of those are subscribers on promotion?

Doug Murphy: There is always a - I'm going to tackle your first or second question first, there is always a fairly high turn rate and we are trying to always kind of fill the bucket well. There is a hole in the bucket that's kind of like the story of Pay, or frankly for most of the subscription services like that.

The promotional angle is certainly an element of it but we are having higher retention given the caliber of the content. So I'm not going to breakout promo versus fully paid subs but we are pleased with the margins on the incremental of that first year.

And we expect that to continue given the caliber of the programming that we are offering our subscribers. Your first question, if I heard you right, (Rob) was talking about cord shaving, cord cutting and subscriber system loss, is that, was that the question?

(Robert Peters): Well, yes, I think you guys have called out the package changes on certain networks being part of the reason for the lower subscriber levels, so, yes.

Doug Murphy: Yes, well, those are always happening out there and they do happen in certain distributors as they look at their world. We have penetration based rate cards in place.

We are typically protected from cord shaving, cord cutting of the different conversation when cords are cut; everybody pays the price, both distributor and the programmer.

So that, if there's any diminution in revenues, it's cord-cutting versus shaving and we are seeing some of that out there but it's not accelerating, but it's there.

(Robert Peters): Perfect. Thank you very much.

Operator: As there are no further questions at this time, Mr. Murphy. I'll turn the call back to you. You may continue with your presentation or closing remarks.

Doug Murphy: Thank you operator and thank you everybody for your continued interest in Corus Entertainment. I want to thank at this time all of Corus' employees who many of whom are listening on the phone now. I know we're all working hard and I want to wish everybody a very happy summer. And look forward to seeing you soon.

Tom Peddie: Thank you.

Operator: Ladies and gentlemen, this does conclude the conference call for today. We thank you all for your participation today. Have a great day everyone.

END