CORUS ENT.

Moderator: John Cassaday
October 23, 2008
1:00 p.m. CT

Operator: Good day and welcome to Corus Entertainments Q4 Analyst and Investor Conference Call. As a reminder, this conference is being recorded. Today is October 23rd, 2008.

At this time, I would like to turn the conference over to Mr. John Cassaday, President and CEO. Please go ahead, sir.

John Cassaday: Thank you, Operator. Good afternoon everyone; it is John Cassaday. Welcome to Corus Entertainments Fourth Quarter and Year-End Report and Analysts Conference Call. Thank you for joining us today.

Before I read the standard cautionary statement, I would like to remind everyone that there are series of PowerPoint slides that accompanied this call. The slides can be found on our Web site, www.corusent.com, in the investor information section.

I will now run through the standard cautionary statement. This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1955. Some of these statements may involve risks and uncertainties. Actual results may be materially different from those contained in such forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements are contained in the company's filings with the U.S. Securities and Exchange Commission.

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

We are proud of the results that we delivered in Fiscal 2008. As slide three and four show our revenues for the full year were $787.2 million, up two percent from year ago while our consolidated segment profit for the year was up five percent, $252.1 million. Our free cash flow grows to $104 million compared to $97 million last year. Net income for the year was $129.8 million with basic earnings per share of $1.57 versus $1.27 a year ago. We would like to thank all of our employees for their contribution in 2008. Given the extraordinary economic events of the last few months, we thought focusing the majority of our remarks today on our outlook for 2009 would be most useful on this call.

Turning to slides five and six, the recent downturn in the financial markets has been historic in terms of its severity and speed. Much has been written and the script seems to change daily, even hourly. As the markets struggle to stabilize and find a bottom, companies like ours work to assess the impact that these events will have on our business.

From a Canadian perspective, on October 15th, the Conference Board of Canada predicted that Canada will avoid a recession. While the Bank of Canada, just today said, we maybe on the edge of one. With respect to how this affects Corus, we are currently assessing the potential impact. And clearly, there has been a historical link between ad growth and the growth of the economy overall.

On September 25th, we gave fiscal 2009 guidance of consolidated segment profit of between $270 million and $280 million. In free cash flow, up between $70 million to $90 million. And at the present time, we are not prepared to change that guidance.

Despite the economic circumstances, we have confidence in our brands and our business. We are also confident we have the financial strength and are positioned in pockets of the ad economy that insulate Corus, perhaps better than others.

In addition, as you all know, our current leverage is below the three times EBITDA level, in fact, we ended the year at about 2.7 times. Approximately 45 percent to 50 percent of our television revenue is contracted BDU subscription revenue which provides us with the measure of downside protection. And our TV upfront agreements for 2009 were strong, up approximately 20 percent from last year.

In terms of our pacing for this year, it is still early days but we are seeing a mixed bag. Radio is pacing down mid to single digit at this time versus the same time a year ago. Alberta and regional Ontario remain relatively strong but Vancouver, Toronto, and Montreal are seeing slower pacing. Our bookings continue to be last minute and from a category perspective, automotive and wireless are the two softest categories.

We expect to see an uptake in the financial category in Q2 as we are beginning to see banks and insurance companies use the medium to build their automotive and homeowner insurance market shares. And we also expect to see a bump in bookings in January as the $5,000-sheltered savings plan becomes the new product offering by the banks.

We also suspect the wireless segment will begin to turn around as they have now reflected the impact of the recent spectrum auction. Especially television, on the other hand, in Q1 is pacing ahead of last year. The adult channels remain very strong with W and CMT pacing at double digit rates or growth. For our kids business, we are in fact, pacing behind last year. Food and theatrical which are two of our three key categories remain stable while the toy category remains soft, the signs that toy company seemed to be resolving their past issues and our recent ratings rebound in the YTV after-school block has, however, us feeling optimistic going forward.

We also expect all of our three new channels, Cosmo TV, Viva, and Teletoon Retro will contribute incremental revenues in this fiscal year. And on our pay TV business, we expect overall growth for the year driven in large part by the strength of our new HBO offering. All of our major BDU partners are excited and have fall offers in place such as one to three months free service.

Customer service representative training, packaging our services in with new digital box offers, direct marketing, media and telemarketing support are all part of the arsenal offered by our BDU customers to drive new subscribers to our pay business.

We also have our own strong marketing campaigns that did start on October 13th and will run for six weeks. BDUs report higher call levels since the campaign began and we expect this average to drive growth in Q2 and beyond.

So in summary, we are not seeing any signs of across-the-board declines as a result of the current economic climate. In fact, we continue to see segment, category and geographic pockets of growth. We remain confident in our ability to drive revenue growth. We remain committed to controlling and reducing costs and we believe in the financial strength of our company.

Before we turn it over to you for your questions, we would once again like to thank all of our employees for their continued support. And we would also remind everyone that our Annual General Meeting will be held this year in Calgary on January 14th at 4:00 p.m. Eastern Time, 2:00 p.m. Mountain Time. So, we will now take any questions that you might have.

Operator: Ladies and gentlemen, if you would like to ask the question, please press star one on your touchtone phone. To withdraw your question, press the pound sign. If you are using a speakerphone, please make sure and lift your handset before answering your request. We will standby for the first question.

Our first question comes from Carl Bayard with Genuity Capital Market. Please go ahead.

Carl Bayard: Yes, thank you, good afternoon.

John Cassaday: Hi, Carl.

Carl Bayard: Just a couple of questions. Actually, just three questions. All three, I will ask you one by one. I am just wondering if you could may be comment on the, you know the recent licensing of 40 radio station in Edmonton and how you see that impacting your business. I know you just got off the same thing happening in Calgary.

John Cassaday: OK, certainly the commission has indicated a willingness to use up all of the available FM spectrum. We understand that. We are disappointed, however, that they have so far refused to listen to our request that part of that spectrum be used for the migration of heritage AM news talk stations on to the FM band but it is what it is. The Alberta market continues to be strong. And we demonstrated in the licensing so far that with strong brands and continued support of our customers that we can sustain our business.

So, in fact, as you know both in Calgary and Edmonton which had substantial new licenses issued, five in Edmonton and four in Calgary as I recall, we continued a solid growth in those markets. So, we will continue to work hard, to hold on to our audiences and to meet the needs of our advertisers and defend ourselves against the inflow of new licensees.

The final thing I would say is that generally speaking, the commission's orientation has been towards bringing diversity into the business with their new licensing and that is diversity in terms of new players and also new formats that offered additional exposure for new artists. So, the mainstream radio station formats which we occupy are, you know by and large not being competed directly by these new entries.

Carl Bayard: OK, thank you. Second question, actually, with pay TV. I was wondering if you can maybe comment on your efforts to properly unsynthesize BDUs to up sell pay TV beyond the launch of HBO Canada.

John Cassaday: Well, one of the things that we think we have done with the launch of HBO Canada is provide them with the most significant incentive that they could ask for and certainly one that they have been demanding independently of the CRTC. As you know many of our partners have in fact petitioned the CRTC to allow HBO to come in to Canada.

So, we think we have given them a very, very strong weapon to build subscribers. We also are convinced more than ever that they are committed to the ubiquitous role of the digital and that pay TV is an important piece of that and HBO is a key driver. The economic model perhaps could be enhanced and made more to the advantage. But based on the conversations that Paul and I had with our partner which is, you know in our case, is largely Shaw through their cable and satellite operations. We believe that they think we gave them the tool that they need to drive this business which is HBO Canada.

Carl Bayard: OK, just a following up on that, I guess, it is a modeling question, which would we be looking at just in terms of, you know how much this additional HBO content will cost, I mean, without delving too much into the details but we would be looking at, you know low single digit percentage increase, that sort of thing?

John Cassaday: Yes, I think, basically what you can assume is that we are confident with the five percent growth that we have predicted as sort of our base case that we can maintain our margins at that level.

Carl Bayard: OK. OK, thank you very much.

John Cassaday: Thanks, Carl.

Operator: Thank you. The next question on the line comes from Bob Beck with CIBC World Markets. Please go ahead.

Bob Beck: Thanks. Good afternoon, John. I just a little further on the pay TV, I mean, you have had some good results here and I agree with your thesis on continuing to prosper from the digital (role).

There are some people concerned about tearing down of cable services in tougher times and speaking specifically to sort of pay to paid levels on that. And I think even Shaw mentioned on their call, you know as on the side, that is something that they have to watch for. Can you give us your thoughts on that valued proposition in the tougher time and you know you thought of any kind of sensitivity on, you know as times get tougher whether that is vulnerable or not.

John Cassaday: Yes, I am sure Paul has some thoughts here. But just maybe a couple of overall comments as a marketer, I think you are right that in tough times, people do make choices as to how they are going to allocate their money. There has been a fear of it written in previous downturns about the notion of cocooning. And with that talks too is about people really trying to make their home their castle. And my hope is and my expectation is that while they may make some compromises in terms of their entertainment dollar that maintaining a strong presence of entertainment options in the home is going to be important to them.

And I think in this particular downturn, we have a couple of other things going for us. One is the introduction and wide success and penetration, if you will, of big screen, flat screen television. So people have made that investment. And I think they are going to want to continue to reinforce the value of it and then, of course, the value proposition offered by digital and HD in particular. So I think, the in-home entertainment experience is so good right now relative to historical times that we are pretty well positioned.

In addition, I think, from a product offering point of view, we are in much, much better shape than we would have been had we been going through this last year. When you consider the number of new and returning shows plus the addition of HBO to the equation, you know I think Shaw is right to be cautious and concerned about it but I feel quite confident that this is one option that will be maintained, you know in the family budgets. Paul, any…

Paul Robertson: Well, thanks John. It is Paul. I have just reinforced the whole program, you know because I think people turn out when a favorite series of theirs is not on the air. So, as long as they are in the middle of cycles like True Blood, and Dexter, Californication, Entourage, and Big Love. You know they all got such strong following, that we just do not expect to see the turning out. Then our efforts to bring people in to the pipeline, stick to the ribs. And that is really, really the effort.

I think also that the building of the on-demand offering with series on demand in the West, and as John mentioned, you know all these as the HBO content will be online on a separate HD channel. So, you know, a lot of value being created for the paid subscribers.

Bob Beck: OK, that is helpful. Thank you. And just if I could, could you perhaps, Tom, or any of you, John, remind us on your currency on the various program buys you have with the HBO Canada. I was looking at that as well. I cannot recall what your currency exposure has given the moves we have had.

Tom Peddie: Bob, it is Tom. Our HBO deal is in Canadian currency.

Bob Beck: OK.

Tom Peddie: We have some U.S. exposure, in our Nickelodeon deals. But generally speaking, most of our agreements are in Canadian dollars.

Bob Beck: I got you. Sorry about that.

Tom Peddie: One of the upsides to us is on our content business is that, you know with the $0.79, our international sales were certainly be worth more than they were when it was at par.

Bob Beck: Right. OK. That is helpful. Thanks very much. I will it there for others.

John Cassaday: Thanks, Bob.

Operator: Thank you. Our next question comes from Paul Steep from Scotia Capital. Please go ahead.

John Cassaday: Hi, Paul.

Paul Steep: Hey guys, I will make it fast since I am sitting in the airport and I believe it would likely hard to hear me. First off…

John Cassaday: Welcome to your first call.

Paul Steep: Thanks, one the radio side, we had a top S3 book. John, you have done a whole bunch of changes. I know a little bit of the book could be sort of rearview mirror. What is your thoughts on the action that have, sort of going on, you know excluding the environment out there just in terms of addressing some of the ratings get sort of the challenges right there, that would be the first one.

And the second one, in case I get cut off is just, if Tom could talk a little bit about the drive or the margin compression on radio which likely relates to the first answer. Thanks, guys.

John Cassaday: Yes, well we have made a number of fundamental changes in our cost structure in radio. We eliminated the position of President of Radio with the retirement of John. We then asked our Vice President of Programming who is just an outstanding programmer to move into the position of Program Director for the edge which is a key piece of our programming arsenals. So, I think we improved ourself in the key (trial) market on a key brand while also reducing corporate radio overhead.

Then our Vice President off Sales position was eliminated. And the VP sales, one of our stars, Victor Giacomelli, has moved into the Director of Sales position, again, for the (trial and clusters) so we strengthened ourselves hugely then. We have also eliminated the VP Finance position. So, effectively what we have done is we are going to have radio really be focused on local accountability and have them rely on the corporate overhead to meet the needs of operating in the division.

So in total to accommodation, cost saving and revenue enhancement on some of our various outsource initiatives, we have improved our position by five million year- over-year which is I think comforting going into end of the fall.

We also continue to work at reducing our cost based in Quebec. As you know we recently reformatted an AM news talk station in Montreal to all these, thereby reducing our cost substantially. We have announced that we are going to attempt to sell our stations in (Saint-Jérôme) and Trois-Rivières again, those will eliminate two lost makers from our array of services. We just recently closed on CHRC, an AM station in Quebec City that we were losing money on.

So, I think you can see that we are very, very, very focused on improving the cost structure. In Q4, we had a pretty good quarter from the revenue point of view in my mind anyway. But our costs were up substantially and those costs, I think, should give you comfort, those cost were not a variable cost. Those costs were our fixed costs that were up. And they were due largely to increase compensation costs for some key talent that we locked in.

The write off of a couple of CRTC applications that have been previously denied, some music research that we did position us well for this year and some costs associated with implementing a new traffic system that we put into our radio stations which will make us more efficient over time. But all of these resulted in almost eight percent and almost three million of, you know incremental costs, fixed costs in Q4. So, our year-over-year comps in Q4 going in the next year will be much, much better. So hopefully, that gives you some flavor for that. Tom, you want to just?

Tom Peddie: I guess the only other comment, Paul, that I could add from a margin compression point of view is that, you know we had also picked up, you know the two new stations, the Jazz station in Winnipeg and stations in Kitchener. And with those particular stations being unprofitable, obviously, that would have impacted our margin.

Paul Steep: OK, got it. And just the last one, just to clarify on the incremental cost, the three you call (bulk), John?

John Cassaday: Yes.

Paul Steep: That is the, what I guess I would call, unusual items in terms of the CRTC and the music research or is that everything? I guess what I am trying to get to is, what is the new higher delta based on, you know having to comp some of your talent a little bit higher than previous? Thanks, guys.

John Cassaday: Well, I guess the way I think about it is I would look at more traditional rates of growth going into Q4 next year as opposed to, you know the approximate eight percent increase in fixed cost that we saw in Q4 this year.

Paul Steep: OK.

John Cassaday: We will spend money on research where we need to, you know sharpen our saw. But the year-over-year uptake on talent costs will not take place again in the next year.

Paul Steep: Thank you.

Operator: Thank you and our next question comes from Scott Cuthbertson with TD Newcrest. Please go ahead.

Scott Cuthbertson: Thanks very much. A couple of question, just, you know you continue to expect to beat the overall radio market going forward, you know you guys are pretty big so that is a significant challenge. I just wondered if you could share with us, you know what lies behind that confidence. I will just read off the questions I have here too.

The other thing was I was wondering if you could share with us how much YQB and Teletoon were down in advertising revenue in the quarter and you indicated some reasons, you know finally getting a bit better tracks in the kid's businesses, the problems that are receded and I just wondered if you could share with us, you know any kind of additional color on that which could help us model. And I guess the other thing is the corporate cost. They were up a little bit in Q4 and I just wondered if you could give some indication of the pacing we can expect going forward. Thanks.

Tom Peddie: OK. Scott, it is Tom. I will just cover the corporate cost.

Scott Cuthbertson: Yes?

Tom Peddie: Well, we are expecting our corporate cost in 2009 would pace slightly below 2008.

Scott Cuthbertson: OK.

Paul Robertson: It is Paul, here. In terms of the question about the state of the kids businesses in the fourth quarter and the outlook, yes, the YQB and Teletoon were slowing down kind of a single digit in the fourth quarter and it relates to a problem that John mentioned which is a couple of major toy advertisers being sidelined during the period.

They continued to be sidelined as it gets into the first quarter but we now see both of them with advertisers coming back on the network, so, not that level that they were at a year ago, but now, returning to spending. So, these are problems that we were seemingly one time problems and if you combined that with our pretty positive outlook on the food side and on the theatrical release side, you know we are hoping that these all kind of adds up to a growth patterns that is more in the low single digit going forward than what we have seen lately.

Scott Cuthbertson: Paul, can you just chill down a little bit on that. I mean just around the time with the holiday season, expect these toy companies were sitting on the sidelines as they had been in Q1 but they are coming back a bit. Are they going to be back in time for the holiday season or is that kind of a calendar 2009 event?

Paul Robertson: Well, it is hard to tell really, we see them coming back on the air which is a bit encouraging. By the time we get through Christmas, how much spending we will see, it really depend of the nature of their business. So, that is pretty hard to project. It is just encouraging to see these two big spenders come back on.

Scott Cuthbertson: OK.

John Cassaday: As it relates to radio, Scott, it is John, again. I am less concerned about being the market, you know as it relates to trend. I am more concerned about making our revenue and profit forecast on a station by station basis and that simply means that we have to ensure that our stations remain competitive that we keep our ratings up and that we do the best job we can in meeting the needs of our customers.

As we start seeing the influx of new competitors in markets like Edmonton and Calgary, we, I think, need to take some considerable satisfaction in being able to grow by seven percent to 10 percent as we did in those two markets respectively, notwithstanding the fact that the market grew 13 percent. I do not think we always necessarily want to be in a position where we chase the low hanging fruit.

We want to maintain our margins. We would like to maintain our business relationships with blue chip long-term committed radio customers and not chase unprofitable business. So, my goal is to really empower the individual operating general managers to make their numbers, to make sure that they have numbers that they feel that they can make and achieve their targeted bonuses for the year and if we grow three percent and the market grows four percent and we make mid-tohigh single-digit earnings growth in radio, we will be very pleased and proud of the work that each one did.

Scott Cuthbertson: OK, just one follow-up for me. You know you said in your comments that you are sticking to your guidance and that was sort of an indication of 50,000 or so, five percent increase in pay television revenues but in your opening comments in the call, John, you said, you know you are expecting definitely growth this year. I would imagine you said that it is very difficult to call, believe me we are sharing that on the street. We give you (commie) day to day but, you know on the five percent would that rate asking you back away from that. I mean can you give us any color on whether or not you think that is still a realistic goal for pay television revenue growth this year.

John Cassaday: We just spent the morning with our board. We went through a number of scenarios. You know we would certainly not want to give anyone the impression that we think this is going to be a walk in the park this year. We are not naïve. We are not gilding the lily. This is going to be a tough year. It is going to require every employee at Corus to do their best work in terms of programming and ratings performance, cost control, and meeting the needs of our customers.

But having said all that, we have got these pockets of growth that we are seeing in our women's business. I do not think people are going to reduce their willingness and desire to reach out to women as it relates to health and beauty aids, new food products, et cetera. So, those are categories that I think are very solid notwithstanding what we are seeing out there.

You asked specifically about pay whether or not this is realistic? One of the things I feel most confident about is our ability to grow our pay business this year with the addition of HBO for the reasons I mentioned earlier. I think that there will be an inclination on the part of Canadians to, you know make sure that they lock in their home entertainment options because they may have to make sacrifices in other areas and we have a product offering that is better than we have ever had before as a result of the new shows coming back that Paul talked about in the addition of the HBO content.

So all I can tell you today is we are giving you some sense of, you know what we are seeing from a category, from the geographic and from a segment point of view. After long and careful deliberation concluded that we are going our guidance at this point. We are going to do everything in our power to do what we said we would do.

Scott Cuthbertson: OK, thanks very much.

Tom Peddie: I just may add on the play TV side, one additional point which is the alignment that we have with our customers on this effort is unprecedented as long as we have been involved with it. Everybody is ready to go on a fall-off or everybody wants to get behind HBO. These people in the call centers get excited about it. They are enthusiastic. I mean when you get that kind of excitement that align them throughout the system, I think you are really poised for something to happen in terms of the growth prospect.

So, you know we feel that the stars are aligned on this and that we cannot help this business this year.

Scott Cuthbertson: Great. Thank you.

Operator: And our next question comes from Ben Shapiro with Thomas Weisel Partners.

John Cassaday: Hi, Ben.

Ben Shapiro: Hi! Thanks, guys, I am standing up for (Ben Mogil) here. It seems like from Paul's question that you got some good cost savings in placed in the radio segment. I am just wondering if you could give any additional insights into radio visibility specifically in like a back market as well as any elaboration on the week ad categories. I know you mentioned auto and telco. Thanks.

John Cassaday: OK, in Quebec, we are certainly seeing some very strong growth for us in Quebec City where we enjoyed some really terrific rating resurgence. So, that is positive. In Montreal, because of the reformat change, as I said, we got out of anew stock format on English AM into an oldies format, you are going to see a drop off in revenue on that station.

In longer term, we are going to be better off because we will have a lower cost structure going forward. But there will be some impact on that. In terms of categories on radio, Tom, I do not know, I guess the big categories continued to grow for us, our lotteries and gaming, they are up nice. Retail was up in the fourth quarter. Q4 standing continued to be very strong in the, you know the adult 25 to 54 demo.

The national business, in general, continues to be a strength for us. Our big challenge is going to be in the local business and in Montreal, I think given the base that we have, I think probably, I feel more optimistic about year-over-year performance in Montreal than many other markets. We are having good ratings, (resurgence on sequoia).

CHMP is doing fairly well and we are quite confident that with move to meters in Montreal in November that we might be a winner in that one. It might not be the case in every other market where the people meter rolls out but in Montreal, I think we are in a position to benefit from the new methodology.

Ben Shapiro: Great! Thanks a lot.

Operator: And our next question comes from David McFadgen with Cormark Securities, please go ahead.

John Cassaday: Hi, Dave.

David McFadgen: Hi! A couple of questions, when you hosted your Investor Day, you indicated that Q2, at that point in time, Q2 was looking better than Q1, has anything changed in that outlook since the Investor Day?

John Cassaday: I would say that Q2 has become less visible than it was at the time of Investor Day. I think people are holding off, you know even a little bit longer. So, our pacing in Q2 has not improved but I am not reading too much into that except that, you know business is coming in later. So, the simple answer to your question is I would not say that our outlook for Q2 has improved from what we talked about on the 25th of September. That was the exact date of our Investor Day.

David McFadgen: OK and then, on radio business that the two new stations that you picked up that were not profitable in the fourth quarter that had somewhat of an impact, do you have any timing as to when you think that those might move into break-even or profit?

John Cassaday: We definitely turn the corner in Kitchener with the beat. That will be profitable from this point forward and on the groove in Winnipeg that is probably going to take a little bit longer. We have just made some major changes to the music in that particular market on that station and I think we will be OK there.

We have some tremendous cluster strength in Winnipeg with our power format on FM and CJOB in News Talk so that the cluster itself is very profitable and can afford to sort of drag the group along until we get it in shape but I think we have got the music now to give us a broader base than we had when we launched that over the last six to nine months.

David McFadgen: OK and then just lastly on pay television, given the fact that the launch is taking place, I guess, midway through Q2 and there it is, you know these new subscribers coming on went beyond probably free preview period for at least one month, I guess. It is safe to assume that given in the increase in the marketing cost and the programming that Q1 even off from a pay television point of view, would be down every year and you would make it up in the back now?

John Cassaday: Yes. David, I think that is on the right track but more of the Q1, we do not see a lot of the growth happening there. We think it starts to bite in Q2.

David McFadgen: Right, but you have got some of that cost in Q1?

John Cassaday: Yes, that is correct. Some of the cost in Q1 and Q2 revenue starts to show the uptake in the second quarter and then picks full course in the back now.

David McFadgen: OK, all right. OK, thank you.

John Cassaday: Thanks David.

Operator: Thank you and the next question comes from John Emrich with Iron Works Capital. Please go ahead.

John Emrich: Thanks. You provide an updated how Bakugan franchise is going and I am new to this story, how does it flow through the financial statements? Where would I see its success or not?

John Cassaday: Well, Bakugan, it looks like it is going to be quite a successful property for us. As you know it is a joint venture property with a number of participating partners including Cartoon Network in the United States and Spinmaster is the toy manufacturer. But Bakugan looks, in general terms, to be the top one or two toy property across the piece. So we are very enthusiastic about it. We have a percentage of the wholesale revenues. It is a single-digit percentage, so we do not control this property outlet. We are a partner in it and you know it will roll into the results in our TV group going forward.

John Emrich: In the TV group.

John Cassaday: Yes.

John Emrich: OK, so you say going forward. It is fairly modest right now?

John Cassaday: It is fairly modest right now but, you know I think it could be a contributor this year but it will still be fairly modest under $10 million.

John Emrich: OK.

Tom Peddie: John, it is Tom. Just following up on what John was saying. Our hope would be that this could be another Beyblade.

John Emrich: Which would put it in a $20 million range?

Tom Peddie: Yes. But as we said, it really depends on the sales and as Doug said at our Investor Day, you know it was outpacing Star Wars as a product and so, what we are really looking at is that, you know this could be a 24 to 36-month window of opportunity for us.

But for those of you who had been to retail, I think you will see that it is a fast moving product that looks like it is gaining momentum and we are hopeful that this is the one for us.

John Emrich: Yes. It has taken over my house, I can tell you that.

Tom Peddie: That is good.

John Emrich: OK, thanks.

Operator: Our next question comes from Tim Casey with BMO Capital Markets. Please go ahead.

John Cassaday: Hey, Tim.

Tim Casey: Hi John! Questions are asked. Thanks.

John Cassaday: Thank you.

Operator: The next question comes from Randal Rudniski with Credit Suisse. Please go ahead.

John Cassaday: Hey, Randal.

Randal Rudniski: Thanks. Two questions, first of all, on television. The big bucket revenue components, you know especially subscriber pay television and especially, advertising all look like they are up faster than the consolidated revenues were up in that division which I guess, would imply that smaller buckets were down quite significantly and so, I just wanted to ask you if that was correct and what seemed to drive what looks like a pretty substantial decline at some of those smaller businesses.

Paul Robertson: Randal, it is Paul. Yes, you have got it right. There is another category in there and the other category primarily attributed revenue from third-party work that we do within the studio and on a full year basis, it was up sharply. But on the fourth quarter basis, it was down, you know, more than 15 percent. So sometimes, it helps our overall growth rate in the case of the fourth quarter, it pulled us down but it was a great win on the year.

Randal Rudniski: Thank you and second of all, it might be sort of related. I was hoping that you could give us a sort of effects in foreign exchange sensitivity for the content business in terms of revenues.

Paul Robertson: I guess the way I would probably answer that is it really clearly depends on the sales that we are generating. It depends on whether we are selling in euros or whether we are selling in U.S. dollars. I think what we have historically said that each one-cent movement is something under $100,000.

Randal Rudniski: The U.S. versus the dollar?

Paul Robertson: Yes. Most of our sales were in, you know historically, most of our sales were in U.S. dollars.

Randal Rudniski: Yes.

Paul Robertson: There is a better balance on that now with euros. It is probably a (third of third) between Canadian, euros, and U.S. dollars.

Randal Rudniski: OK.

Paul Robertson: Clearly, as I mentioned earlier, this is clearly a wind for us to have the currency weakened for the content business. It makes it a little more expensive for some of the program we buy in the television site.

Randal Rudniski: Yes. OK. Thank you.

John Cassaday: Thanks, Randal.

Operator: The next question on the line comes from Carl Bayard with Genuity Capital Markets. Please go ahead.

Carl Bayard: Yes. Thanks. I just want to confirm with you, Tom, the severance expense incurred in radio in Q4 that is not in euro, ((inaudible)) figure, right? Below the line?

Tom Peddie: That is correct, it is below the line. So, when you look at our Q4 results and if you take out the restructuring charges and what we called the disputed regularity part two fees out of last year's number. Our earnings per share for the quarter on an adjusted basis is $0.25 versus $0.22 cents last year.

Carl Bayard: Twenty five cents versus 22.

Tom Peddie: Yes.

Carl Bayard: Thank you very much.

Operator: And the next question comes from Eric Bernofsky with Desjardins Securities, please go ahead.

John Cassaday: Good afternoon, Eric.

Eric Bernofsky: Good afternoon. You know with regards to leverage, I guess you are still below your target range, debt leverage that is. What is the plan going forward in terms of values as cash whether it would be acquisitions out there or potential debt increase this year buybacks? What is the plan going forward?

John Cassaday: I think we have been pretty consistent with our strategy on that as if we have tried to deploy our cash in increase to dividends. You know our dividends last year, we increased it by 20 percent up to $0.60 a share and as you know we pay that monthly. We will look that dividend rate, again at our AGM which we expect on our share purchases.

We have been very aggressive on our share purchases under our normal course issuer bid. That did went in placed in February of 2008 and we purchased about $68 million with the shares in that particular period of time.

We were quite aggressive, so far, here in the first quarter. We have purchased more than $600,000 shares. I think you will see a slow-down just a bit there. We believe that there are potential tuck in acquisitions that we could look at and be opportunistic with the strength of our balance sheet as we work our way through 2009.

Eric Bernofsky: Will it be right to assume those acquisitions will come on the TV side.

John Cassaday: Probably primarily, but we are looking at a couple of things on the radio side as well but I think probably if we were to do anything in the near term, it would probably be tucked in on the TV side.

Eric Bernofsky: Thank you.

Operator: The next question comes from John Emrich with Iron works Capital.

John Emrich: Thanks. Just one follow-up I forgot, the free cash flow in the year just ended was – 113 or so. We are forecasting 70 to 90. What is the main difference between the two?

Tom Peddie: John, it is Tom. It is our capital expenditure program. We are developing a facility down in the waterfront and so, as a result at Investor Day, we gave free cash flow guidance of $70 million to $90 million as compared to the $104 million that we delivered this year.

John Emrich: And so, what is the CapEx part of that estimate?

Tom Peddie: Our CapEx, well, at Investor Day, we said that number could be about $50 million this year.

John Emrich: OK.

Tom Peddie: And as you know our normal run rate on capital has been, we think of it as $20 million to $25 million. This past year, it was $17 million. The year before, it was $20 million. So, we have scaled back on our capital in anticipation of Waterfront development.

John Emrich: OK. So, maintenance is $20 million to $25 million once the new headquarters is done?

Tom Peddie: That is correct.

John Emrich: All right, thank you.

Operator: Thank you and there are no further questions at this time. Please continue.

John Cassaday: All right. Listen, just thank you for joining us today and we look forward to talking to you in the days to come. Bye for now.

Operator: Ladies and gentlemen, this does conclude the conference call for today. Thank you for your participation, you may now disconnect your line and have a great rest of the day.

END