CORUS ENTERTAINMENT

Moderator: John Cassaday
October 22, 2009
1:00 pm CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment Q4 Analyst call.

During the presentation, all participants will be in a listen-only mode. Afterwards we will conduct a question-and-answer session. At that time if you have a question, please press the 1 followed by the 4 on your telephone. If you require operator assistance at any time during the conference, please press the star followed by the 0.

As a reminder, this conference is being recorded Thursday, October 22, 2009.

I would like to turn the conference over to John Cassaday, President and Chief Executive Officer. Please go ahead, sir.

John Cassaday: Thank you, Operator. Good afternoon, everyone. It's John Cassaday. Welcome to Corus Entertainment’s Fourth Quarter and Year-end Report and Analyst call.

First of all, thank you for joining us today.

Before I read the standard cautionary statement, I'd like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found on our web site, www.corusent.com in the Investor Relations section.

We will now run through the standard cautionary statement. This discussion contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1955.

Some of these statements may involve 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 material differ from those in the forward-looking statements is contained in the company's filing with the US Securities and Exchange Commission.

I'd like to introduce you to the Corus Entertainment team available on this call -- Tom Peddie, our Senior Vice President and Chief Financial Officer and Paul Robertson, President of Corus Television will be here to help answer any of your questions.

So to begin, we were very pleased with the strong results we delivered in fiscal 2009. As slides 3 and 4 show, our revenues for the full year were $788.7 million and our consolidated segment profit for the year was $251.2 million. Both our revenues and segment profit for the year were essentially flat with those of fiscal 2008.

We are very proud of these results. We also delivered $93.4 million in free cash flow, which bettered our estimates for the year.

Turning to Slide 5, overall television revenues for the year were up 6% and segment profit was up 5%. While overall ad revenues for the division were down 6% for the year, our women's ad revenues finished the year incredibly strong, up double digit.

Overall the revenue for our women's portfolios were up more than 25% on the continued strength of W, Cosmopolitan Television, and the successful launch of VIVA, which, of course, targets Boomer women.

Moving to our pay business, the HBO launch drove strong Movie Central growth and we finished the year with 930,000 subscribers resulting in a 7% growth rate versus last year.

We'd like to take this opportunity to thank our cable and satellite partners for their commitment to the growth of pay TV.

Our kids business also held its own this past year with soft advertising revenues offset by subscriber growth across all of our kids' channels and a very strong year from a merchandising perspective led by our Bakugan brand.

Turning to our radio division, fiscal 2009 proved to be a challenging year with revenues declining 10%. We do, however, have tremendous confidence that the results in fiscal 2009 are due to a cyclical decline in ad revenues. Our radio business enjoys strong ratings, which it is worth nothing are proving even stronger with the industry's switch to PPM.

The adjustments that we have made to our cost base position us to take full advantage of an anticipated economic recovery in fiscal 2010.

In summary, fiscal 2009 was a strong year for Corus. We took an innovative approach to seizing growth opportunities and to aggressively cutting costs. We thank all of our employees for their tremendous effort over the past year.

As we look to 2010, we will continue to drive growth with the addition of services like Nickelodeon, W Movies, and a rebranded Drive-In Classics.

We also plan to continue our disciplined approach to managing our costs. As we discussed at our annual investor day last month, we did an excellent job controlling costs in fiscal 2009 and we will maintain this focus in 2010.

We would like now to provide you with some comments on our outlook for Q1. But before we do that, if you turn to Slide 6, we would like to take this opportunity to update you on the Part II license fee resolution.

On October 7, the Honorable James Moore, Minister of Canadian Heritage and Official Languages, announced a settlement between the government of Canada and members of the broadcasting industry on Part II license fees.

Corus has treated the Part II fees as a disputed regulatory tax and it was excluded from segment profit. This agreement will result in Corus reversing its accruals for fiscal 2007 to 2009, which will have a positive gain to the company's Q1 fiscal 2010 net income. It will have no effect on segment profit. The amount of this - of this accrual rather is approximately $16 million.

For fiscal 2010, the newly agreed-upon fee will be treated as an operating expense, which will impact segment, profit but will not change our fiscal 2010 segment profit guidance of between $255 million to $270 million as we announced at its investor day on September 29.

Corus is very pleased with the agreement and we'd like to comment the government of Canada for their leadership in resolving this dispute. We now have certainty on fees going forward and these fees are below historical levels.

Now turning to Slide 7, we will provide some color on our outlook for Q1.

With our pay TV business, as you know, we had a very strong 2009. We expect the combination of great programming, strong marketing campaigns, and continued solid growth in digital cable adoption to allow this momentum to continue.

In Q1, we will and are in fact airing new seasons of Californication, Dexter, and Curb Your Enthusiasm, along with new series, including Bored to Death and Lock 'N Load.

In September, we began a marketing campaign around key shows that included 30-second radio spots and radio on-air promotions. In October, we launched a major marketing campaign around a free Movie Central on-demand preview with major (BDU)s that includes billboards, online, newsprint, and radio campaigns.

We have also embarked on a training program with our (BDU) call center partners to ensure that they have the information that they need to translate our exciting programming schedule into new subscribers.

Turning to our specialty channels, we expect stable to moderate growth in Q1. Although ad revenues are running slightly behind last year's pace, the last seven weeks of bookings have been up dramatically from year ago, but visibility still remains a challenge.

Just this week, we met with a major ad agency who has four blue chip clients who have confirmed that they will advertise in November, but they have yet to commit to their buys.

The Corus women's networks are expected to enjoy advertising and subscriber revenue growth in Q1. W Network's performance remained strong, driven in particular by blockbuster movies. And CosmoTV and VVIA ratings are performing in line with our expectations.

We also have a strong fall lineup. On W Network, Season 5 of How to Look Good Naked and the new series Eat Yourself Sexy and Anna and Kristina's Beauty Call starting W veteran experts Anna Wallner and Kristina Matisic will launch in Q1.

And ratings driver W Triple (Fix) returns with back-to-back themed blockbuster titles, including the Devil Wears Prada, Two Weeks Notice, and Bridget Jones, the Edge of Reason.

VIVA sees the return of Rescue Mediums and the premier of the one-hour drama Cold Case, while CosmoTV has series including Oh So Cosmo, Lipstick Jungle, and the Rachel Zoe Project.

For Corus Kids, Q1 revenues are expected to grow as some softness in ad revenue is offset by positive subscription and merchandising revenues.

On the advertising side, food, toys, and entertainment remain or top three categories with entertainment pacing the strongest of the three. We remain encouraged about the ad sales on our kids business due to the dramatic lift in both kid and adult audiences with the new PPM data.

In the first six weeks, adult viewership on our channels was up 87% and kids 2 to 11 viewership on YTV and TELETOON have seen large gains as well, up a combined 47%.

At investor day, we talked about our co-viewing strategy on YTV and Q1 pacing sees our adult co-view ad sales up double digit. We are also selling against our continued rating strength and new programming, including the launch of Nickelodeon's The Penguins of Madagascar, That's So Weird, Everybody Hates Chris, and The Next Star, Season 2, whose live finale from Canada's Wonderland on September 27 saw over one million votes cast to determine the show's winner.

Though there will be no impact in Q1, we also expect the launch of Nickelodeon in Canada on November 2 to drive growth for Corus Kids.

Lastly on our kids business, Bakugan remains the number one boy's action toy at Wal-Mart and Toys 'R Us in the US and at retailers in other key territories.

We also have a strong promotion for the month of October with McDonald's offering a Bakugan with a Happy Meal in Canada and the US and a Latin American promotion that will follow later in the year.

Finally our radio business has a rather mixed outlook with continued stable results in Quebec, improving outlook in Ontario and Manitoba, and continued poor outlook in Alberta and BC.

Overall we expect our revenues to be in decline in Q1 off of a fairly strong comparison from year ago, but at a single-digit rate and not at the level of decline we experienced in Q3 and Q4.

Specifically in Quebec Q1 is pacing up slightly versus last year with bookings for the last seven out of eight weeks outpacing year-ago with overall bookings in that time frame up low double digit. Montreal French is up double digit in the same eight-week time frame.

In Ontario, Q1 is pacing down slightly from last year, but five of the last eight weeks' books have been ahead of last year and overall bookings in that eight-week time frame are ahead of year-ago with double-digit gains quarter to date in key categories like retail and automotive aftermarket.

PPM has had an overall positive effect for Corus Toronto and we are seeing signs of recovery that are balanced across the province. For five of the last six months, our Toronto cluster has outperformed (Tram) and we are seeing some inventory tightening in this important in fact critical market for Canadian radio. We are also beginning to see some rate increases as a result of this tightening of inventory.

Our Western radio markets remain the most challenging in Q1 in part due to the still strong economy in the West in Q1 of last year. Winnipeg remains strong, outpacing the market in September (Tram) and currently pacing above year-ago.

Vancouver remains challenged, but we have seen some very positive signs in the last four weeks with local airtime revenues up high single digit versus year-ago.

Edmonton and Calgary will remain a challenge for us in Q1 and likely Q2, but we believe that both clusters will begin to recover in the back half of the year.

We hope that you have found our specific comments on outlook helpful. Before we turn it over to you for questions, we have a few housekeeping items.

First, you will notice that the format of our Q4 press release has changed from prior quarters. While we continue to provide the same level of financial disclosure, we did not issue a Q4 report to shareholders as we determined it was redundant to our annual report, which will be issued in just a few weeks.

When you do receive your annual report, you will find that we have provided enhanced segment detail for both our radio and TV divisions, which we will continue to provide throughout 2010.

We would also like to remind everyone that our annual general meeting of shareholders will be held in Calgary on January 13, 2010 at 4:00 pm Eastern Time, 2:00 pm Mountain Time.

We'll now take any questions that you may have. Operator, over to you.

Operator: Ladies and gentlemen, if you'd like to register a question, please press the 1 followed by the 4. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you'd like to withdraw your registration, please press the 1 followed by the 3. If you are using a speakerphone, please lift your handset before entering your request.

One moment, please, for our first question.

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

John Cassaday: Hi Adam.

Adam Shine: Hi there. Thanks a lot.

So, good end to the fiscal '09. Given the absence of the MD&A, maybe I can just start with a few housekeeping items and then sort of focus on more serious questions.

In terms of that impaired investment, can I presume that that's Discovery Kids, which was cancelled?

John Cassaday: Mostly that, Adam, yes.

Adam Shine: Okay.

And so just in terms of the breakdown of the Part II fees, TV versus radio, for the Q4 and for the year, those were items that you were given out - giving out in previous quarters.

John Cassaday: (Unintelligible).

Adam Shine: Is that something that maybe Tom can give out later on.

John Cassaday: Dig that out for you a little bit later.

Adam Shine: Okay.

So let's focus on, you know, the improving ratings, both for specialty TV and for radio. A couple of articles have come out, you know, very positively singling that the ratings really have shown a significant boost in viewership and listenership among some stations, but, you know, interestingly enough, there was a piece I guess that went out the other day where (Sonny Boot) over at (unintelligible) said viewing hasn't changed, just capturing viewing is what's changed.

So can you just talk about, you know, your optimism in regards to being able to monetize these improved ratings at some point later in the fiscal year?

John Cassaday: Okay, good question.

We really characterize this shirt in methodology as being essentially like the transition from Imperial to metric. At the end of the day, we are delivering an audience to people that's now being measured differently, so I suspect that market size will remain as it was in the past.

The difference will be is that the allocation of dollars within the total budgets available for conventional television, specialty, and radio, will change based on a more accurate reflection of where the audience really lies.

So what will happen is the companies that have improved their competitive position will benefit from the move to PPM. So, for example, we talked about the relative strength that Corus has enjoyed.

Serendipitously as opposed to strategically, we ended up positioned with a lot of male-oriented radio stations. We have traditionally felt that our audiences were being underreported, particularly as it relates to getting young 18-to-25-year-old males to fill out diaries.

We're now capturing that audience and we've seen dramatically improved results in stations that target young males, specifically the Edge in Toronto and the Fox in Vancouver. We also significantly improved results at AM 640, our male-oriented talk radio station in Toronto.

Within the television sector, we saw also some dramatic changes. For example, in the area of women viewing, perhaps in the old days when a woman had to come in and signal her intent to purchase by pushing a button on a set-top box, she might've been reluctant to do that if she was watching a hockey game with the family or watching a family viewing occasion on YTV.

Now because of the fact that these signals are picked up by a meter, which is, you know, being carried with them, those signals and that - those ratings are in fact being seized. So the article that you saw in the paper talked about dramatically increased audiences of adults, specifically women, to TELETOON that exists to essentially an equal degree on YTV.

So the opportunity for us now is to convey with compelling data that this is not quote unintended or passive viewing or listening, but rather real, and help advertisers understand the benefit of getting that audience.

I mean, the analogy that I used is that years ago, people didn't intentionally go into Wal-Mart to buy groceries. They went into Wal-Mart to guy other stuff. And they started walking out with groceries and eventually people began to shop at Wal-Mart for groceries specifically.

And I think that traditionally advertisers have looked at YTV as unintentional. I think over time with our support and education, they will come to see that there is a substantial audience, which can be acquired affordably. And in a world where more for less is kind of the mantra, YTV will deliver a much needed advantage to advertisers going forward.

So I absolutely think we're going to be able to translate these improved ratings. I do not think that we're going to see markets expand as a result of the fact that we're catching more audience. It's all going to be about getting our fair share based on the competitiveness of our services.

Adam Shine: Okay, John. Thanks for that. Maybe just one more before I queue up again later just in regards to the radio pacings and you alluded to sort of single digits rather than double digits that we've seen recently. Can I push you a little bit harder just in regards to are we talking, you know, mid to high single digits here?

John Cassaday: Mid or high single digits declines?

Adam Shine: Yes.

John Cassaday: Yes, well, I - again, I think it depends. I think we'll be pretty darn close to even in Ontario. We'll be probably a little bit ahead in Quebec. And in the West because of Alberta and BC, I think we're probably going to be, you know, looking at at least high single-digit declines there.

So net-net I would think it would be closer to the middle...

Adam Shine: (Okay).

John Cassaday: ...thank the high end single digits or the low end single digits. So I'm thinking right now probably minus 6% for the quarter.

Adam Shine: Okay, no, much appreciated. Thanks a lot.

Tom Peddie: Adam, it's Tom.

Answer to your question, on Page 10 of the press release in the supplemental financial information, we provide the detail, what it is is that the regulatory fees for the quarter were $1.1 million split about $600,000 to radio and $500,000 to television.

And on an annual basis, it was $5.2 million, $2.7 million for radio and $2.5 for television. And as John said in his opening remarks, it's our expectation that that fee next year would be - probably be about 2/3 of what it was this year.

Adam Shine: Fantastic. Thanks a lot.

Operator: Our next question comes from the line of Scott Cuthbertson from TD Newcrest. Please proceed with your question.

Scott Cuthbertson: Thanks very much.

John Cassaday: Hi Scott.

Scott Cuthbertson: Hi there.

Just kind of wondered on the radio revenue, I'm just sort of - I know you guys shifted some radio sales responsibility to CBS or were going to. And I noticed that national radio sales were down 23% in the quarter.

Just wondering if you could give us a little bit of color on that and help us out if there was any sort of impact as a result of shifting some responsibilities over to your - over to CBS.

John Cassaday: Well, what Scott's referring to is that at the year-end, we shifted responsibility for our national ad sales to CBS, which is a subsidiary company of Corus. We own 50% of CBS. Our partner is Rogers Media.

We did this for two reasons. One, we are confident that we can service our customers better by representing larger blocks of national business. And secondly, we have a significantly lower cost of sales as a result of the single focus in CBS in terms of servicing those national accounts.

So what you will see over the course of the year is a shift in what we would've reported as local versus national in the past. But it's really - I think that the continued focus from a - an analyst point of view and a modeling point of view should be on total radio sales because I think we will have essentially, you know, we've scrambled the egg here, at least as it relates to tracking how we're performing nationally and how we're performing locally.

But net-net we feel that we will be better able to serve our customers, better able to take advantage of national buys, and there will be a skew to national from local, which is not really market-related, more related to the structure that we had put in place to sell our inventory and serve our customers.

Scott Cuthbertson: So I guess there wasn't any impact in the quarter, but there will be going forward such that we'll see a shift from national to local?

John Cassaday: Well you'll see a shift from national to local? It's too soon at this point in time to see any impact, but we would expect that minimally our costs will be down, our cost of sales will be down. We believe our effectiveness will be improved and over time we will see positive results in this shift to having CBS represent all of our national sales business.

Scott Cuthbertson: Okay, thanks. And that's a great segue way to my next question, which is just in terms of the cost line for radio and TV, I know that it's sort of a common topic when I talk to investors is yes, these guys, you know, did a great job on costs in 2009, but how much of that was just kind of to bring 2009 home and how much of that can be replicated in 2010 or will we see some slippage just together with, you know, focusing on radio for the moment, where do think the - what do you think you'll be able to achieve with respect to the cost line in the radio division this year?

John Cassaday: Well, certainly we think that the costs that we took out, the fixed costs that we took out, are permanent. We do have some variable cost changes that will come back into fiscal '11, not fiscal '10, the unpaid days, the wage freezes, those will be reinstated.

But at least for fiscal '10, those costs will stick to the ribs. So, you know, you can expect to see continued positive year-over-year comparisons on our radio expenses versus fiscal '09.

Scott Cuthbertson: Okay, that's great.

And I know you don't like breaking this out, but can you give us any kind of color on how big an impact Bakugan and, you know, the whole merchandising Nelvana part of your business was in general? Because it really seemed to help television in the quarter.

John Cassaday: Yes, I think if you look at it, you know, we've given some guidance as to ad revenues on the kids' side. And you're aware of what happened on the subscriber side.

So bottom line is that the incredible success of Bakugan successfully offset the declines in advertising. And what we tried to do when we restructured our kids business a year ago was create a portfolio with multiple revenue streams.

So, you know, I - you know, we recognize that there's some demographic and societal challenges as it relates to kid advertising, so we've really been focusing on developing the merch side of our business. You've heard this over the last number of years at our investor day.

And we got a breakthrough. And I expect that that breakthrough with Bakugan will continue into the foreseeable future. We also announced our commitment to re-launch Babar, which we're quite excited about in terms of its potential, and the re-launch of BeyBlade.

So, again, you know, when we talk about our kids' business now, we talk about three strong revenue streams -- subscriber, ad revenue, and merch. Merch is going to be supported with at least three strong brands going into next year.

Ad revenue is going to be supported by a major focus on (Cob) supported with outstanding PPM data to back up our efforts in that area. And on the subscriber side, we will have the positive impact of the launch of Nickelodeon and continued improvements in our subscriber revenues on Treehouse.

Scott Cuthbertson: Okay, just one more from me before I get back in line and that's just on what I call production burn, which is just as you probably know the difference between amortization of program rights and film investments and, you know, payments for film rights and investments in films

And it was kind of double this year what it was last year. It was about $47 million this year versus $24 million last year. And I know there's a mixture of things in there.

And I know that you tried to run Nelvana on a cash flow-neutral basis. But I just wondered if you could comment on the change year over year and, you know, what we might - what the trend might be like for the future.

Tom Peddie: Now, Scott, it's Tom.

Kind of look at it two ways -- one's our production business and one's our television business. And as you say, if you combine those two together and compare it to last year, the numbers are a little closer.

One of the - and when you look at our difference between amort and program spend on the television side in '06, '07, and '08, it was certainly narrower than in 2009.

The thing you got to recognize in 2009 is that we did add some extra channels. I mean, with the addition of HBO, with the addition of VIVA, our program spend was a little higher. But clearly, you know, one of the things that we've said is that our goal is to try to have the two match.

Scott Cuthbertson: Okay. So hopefully we can look for that lining up a little bit better next year.

Tom Peddie: Yes, I'd say more so in 2011 than in 2010.

Scott Cuthbertson: Okay. Thanks very much.

Tom Peddie: (Okay).

Operator: Our next question comes from the line of David McFadgen from Cormark Security. Please proceed with your question.

John Cassaday: (Unintelligible).

David McFadgen: Yes, hi, a couple of questions.

First of all, just on the kids advertising, could you be a little more specific in terms of the performance in the fourth quarter of '09 and what it looks - what you think it will look like in the first quarter of 2010?

John Cassaday: Well, certainly in the last quarter, the kids' ad business was not very strong. And it was down double digit. YTV is pacing quite nicely in Q1. And I expect that there will be some decline in Q1, to the - you know, I guess if I could express it the way I was asked previously in terms of low, middle, or high single digit, this one will be low single-digit decline in Q1. So much improved, and, again, the momentum of co-view hopefully as we go through the year will significantly improve that position.

David McFadgen: Okay.

And just on the fourth quarter performance, would you characterize it as low double digit or high double digit? I'm just trying to get an idea in the magnitude of the change.

John Cassaday: Oh, closer to 10 than to 20.

((Crosstalk))

John Cassaday: ...to 10 than to 20.

David McFadgen: Okay.

And then just on Nickelodeon, can you provide us any more details on that channel, when it's going to launch. If we were to compare the revenues per subscriber on Discovery Kids, would Nickelodeon be something similar to that or is it too early to say?

John Cassaday: It's too early to say. We're locking up distribution, but I think the subscriber number on Nickelodeon when we're all said and done will be substantially better than the total subscriber number on Discovery Kids.

David McFadgen: Yes, I would imagine that...

((Crosstalk))

David McFadgen: ...higher number of subscribers, but I just kind of wanted to drill it down on a revenue-per-sub basis. Can you give us any color on that?

John Cassaday: I'll ask Paul to (unintelligible)...

Paul Robertson: Well, probably in total it's going to be more than double what it would've been on Discovery Kids on an affiliate revenue standpoint. And then, you know, it'll attract a lot more advertising, too. It's a really substantive play compared to the previous channel, which was really kind of marginal.

You were asking also I think about the date of the launch, which is November 2nd.

So I don't - on a per-sub, I don't know how to do it. I don't think...

Man: Revenue-per-sub.

Paul Robertson: Yes.

John Cassaday: We'll have to get back to you on that. We're still in the midst of negotiations on that. So as I said, it's certainly viewed as a good proposition and I think we'll be well rewarded on it. But we don't have a number for you on that, David.

David McFadgen: Okay.

And could you characterize the negotiations with the (BDU)s. I would imagine they're quite excited to have this channel given the success it has in the US?

John Cassaday: It's a fabulous brand and it's one that they know will be valued by their subscribers. So I think the reaction's very, very positive to the launch of Nickelodeon.

David McFadgen: Okay.

And then just lastly on the radio restructuring, was that for your Quebec business? Or did it entail some other jurisdictions?

John Cassaday: It did entail some other jurisdictions, but a significant portion of that was through the restructuring in Quebec, but also the sales restructuring that I spoke of earlier is included in that number.

David McFadgen: Okay.

And do you expect any more restructuring charges for the radio business in the first quarter of 2010?

John Cassaday: No, we're not anticipating anything at this point.

David McFadgen: Okay, thanks a lot.

Operator: Our next question comes from the line of Dvai Ghose from Genuity Capital Markets. Please proceed with your question.

John Cassaday: Hello Dvai.

Dvai Ghose: Yes, thanks very much. Good afternoon.

First question is to do with Movie Central. In the past, you got about one out of every two digital subscribers in Western Canada. While the growth in fiscal '09 was pretty good because of the launch of HBO Canada, et cetera, and the price increase seems to have been quite well absorbed by the (BDU)s, your growth has been a lot slower than digital growth say at Shaw Communications and (BDU)s in general in the West. So what sort of uptick are you taking now of incremental digital subscribers?

John Cassaday: Well, I think we're into what we would characterize as the second stage of digital - the digital transition. The early adapters were probably many of them higher income, you know, strong appetite for gadgetry and the best that television had to offer.

We're now starting to see a lot of the digital subs be attracted by price promotions for digital boxes and offers that weren't necessarily available to the early adopters. So I think logically we're getting a lower penetration rate.

The opportunity going forward for us to aggressively market to digital subs who do not carry the service. And we are working very well with our (BDU) partners, satellite and cable, to work lists and to directly contact prospective pay subscribers. And those are specifically those that have digital, but have not so far subscribed to Movie Central.

So I think, you know, we're going to move from, you know, a market-building game into a share game and try to increase our share over time with aggressive marketing and, you know, using very focused program promotions.

So, for example, later this year with the launch of Pacific, Spielberg's new miniseries, we'll hit that really hard. That'll attract a lot of interest and attention. And we suspect it will result in a spike in subscribers in midyear.

Dvai Ghose: So that sounds good. But could you (clearly) quantify, you know, in the past you were getting one out of two. Are you getting one out of three, one out of five new digital subscribers that is?

Paul Robertson: Well, the market may be - it's Paul here. The market (unintelligible) by 300,000 digital subs. For the year we added 60,000 or something.

Dvai Ghose: Sorry, 300,000 digital subs were added in Western Canada in the year?

Paul Robertson: I think that's about right.

Man: Yes, okay.

Paul Robertson: (Unintelligible) we added about 60.000 and the market went up 300,000.

Dvai Ghose: Sixty-K, okay, that makes sense.

Second is also...

Man: (Unintelligible).

((Crosstalk))

Paul Robertson: ...lag effect there.

Dvai Ghose: Sorry.

Paul Robertson: (Unintelligible) alluding to where when Shaw or any of the (BDU)s convert somebody into digital these days, they're not concerned with up-selling them on additional programming from the get-go. They're really...

Dvai Ghose: Okay.

Paul Robertson: ...concerned with just the conversion into digital, getting them in the door. And the up-sell happens subsequently. So I think that it's not so much how much we're getting on day one. It's really a whole lot more about how much you can get over time through your marketing efforts.

Dvai Ghose: Right. Okay, that makes sense.

The second is also indirectly to do with cable. You know, one of your theses and I think it's played out is that Canadian radio is different form US for a number of different reasons, including the local avails on US cable.

I'm wondering where stand because I believe it was in 2011 that cable in Canada was supposed to be able to advertise third party local avails, local advertising, et cetera.

Is that still on the cards? And what sort of threat do you see to the radio business at that time?

John Cassaday: Well, it's under review. We have argued that we do not feel that it is in the best interests of the Canadian broadcasting system for (BDU)s to have access to these local avails and we will continue to make that point. And we are hopeful that we will (convince) the system that it is not required at this time.

Dvai Ghose: Great. Thank you very much.

Operator: Our next question comes from the line of Drew McReynolds from RBC. Please proceed with your question.

Drew McReynolds: Thanks very much. Good afternoon. Just...

John Cassaday: (Unintelligible).

Drew McReynolds: ...two or three follow-ups here.

Just first on a previous question just on a breakdown of kind of revenue growth in television, just wondering, I know you're probably not going to specifically quantify the merchandising impact, but just wondering going forward into 2010, you know, this traditionally has been a little bit of a lumpy business.

Maybe Tom, could you give us, you know, some kind of guidance here on how we would model, you know, that type of lumpiness or maybe, you know, back-of-the-envelope margin contribution on the incremental revenues?

Tom Peddie: Okay, it's Tom

I think that what I would say is that building on John's earlier answer is that you shouldn't try to pull it out as a separate item. It's just too difficult to do. You know, we've talked about the success of the new products that we have and that you really need to look at it as a portfolio between subscriber revenue, advertising, and merchandising in the television business and that, you know, it looks like we have a hit on our hands with Bakugan. And as John said, it looks like it's sustainable. So I wouldn't try to get too granular on it.

Drew McReynolds: Okay. Maybe just ask it a different way.

I think at the investor day, John, you were alluding to, you know, maintaining if not increasing overall television segment margins year over year in 2010. Is that certainly still within reach?

John Cassaday: We - nothing's really changed since investor day. I think that our expectation is that we should still be able to improve margins. I mean, the big unknown here is that what we're seeing as we sit here today is significantly better ad sales momentum that we saw even in September.

And then the question is is it sustainable. And, you know, we are confident based on the economic forecasts that we've been privy to that we are seeing a recovery in Canada and advertising will recover with it. So with that as the caveat, the answer to your question is yes, we should be able to continue to hold and build our margins on television.

Tom Peddie: Drew, it's Tom.

I think the other thing that we said at investor day and it was alluded to in one of the earlier questions today is our ability to control our costs. And, you know, what we're saying is if we can keep the costs down, then the conversion factor on radio is huge and the conversion factor on television also is really quite high.

So if you can get that, then you could improve your margins.

Paul Robertson: It's Paul here. I'll just add maybe one other comment, which might be helpful.

If you looked at the merchandise portfolio and looked at Bakugan in particular, it's poised for another great year. So we don't see a slip in the amount of revenue that it relates to.

Plus there's another couple of brands that are coming on big, BeyBlade and Babar, and that also have substantive programs that'll start to generate more revenues throughout the year.

So we added a lot in that merchandising revenue pool over '09, but we expect to be able to (amass) that again in '10.

Drew McReynolds: Okay, that's helpful. Thanks for that.

And just back to shifting some of the sales over to CBS, maybe a question there for you, John, you know, in terms of increasing the effectiveness, I guess my question is, you know, you kind of lose perhaps a little bit of control on that inventory arguably. And I'm just wondering kind of what the offset benefit outside of cost is to that arrangement?

John Cassaday: Well, I think that the real benefit is that they have deep relationships with these major national accounts across the country. And they have access to not only our inventory, but Rogers and other major players within the business.

So they are in a position where they can deal in more meaningful terms than as an individual station on major programs with the likes of General Motors and McDonald's, et cetera.

So the other thing is that I think it's lost in the equation is that, you know, we are the owner of CBS. So they are, in fact, an extension of our company. We have an opportunity to influence the course of business there to a greater degree than if we were simply being rep'd by a third party.

You know, we're on the board. We're actively involved in the governance of the company. We're actively involved in the goal-setting and compensation strategies of the company. We're actively involved in the funding that they've put into research.

And we still control the inventory that they have access to on our behalf and we price it in concert with them. But we do not abdicate responsibility for this business. We simply put it in the hands of people that have the clout to be able to maximize it.

In Quebec, we basically did this about two years ago when we consolidated all of our national business into a rep shop, which we call GFR, which is a joint venture between Cogeco and Corus.

And that's been, you know, very successful for us there. So we are very confident that, you know, yes, there's a cost advantage, but there's also an effectiveness benefit here for us and our customers.

Drew McReynolds: Okay. Thank you.

Just last question, maybe for Paul, just back to pay television, you know, clearly good growth. I think that was pretty well communicated back in September.

Maybe just comment on churn behind the numbers. You know, has there been any kind of major change in that either due to the economy or kind of more broadly?

Paul Robertson: Well, we would - we don't get a lot of detail on the churn from our customers, to be honest. And, you know, the best analysis we could make of it is that if we've got renewing series constantly on the air and we've got new series that people are talking about at the water cooler like Nurse Betty - Nurse June?

Woman: (Jackie).

((Crosstalk))

Paul Robertson: ...thank you, that obviously I wasn't talking about it around the water cooler, but the new programs in combination with the returning series on a phased basis will prevent the churn. And that's the key.

If you go through extended periods of time where you don't have series that people are waiting for or talking about, then you're going to end up in trouble. And when we ended up in a flat scenario, it was because it was post-writers' strike and we just didn't have enough good shows being bumped into the schedule.

Drew McReynolds: Okay. Thanks very much.

Operator: Ladies and gentlemen, as a reminder to register for a question, please press the 1 followed by the 4.

Our next question comes from the line of Ben Mogil with Thomas Weisel Partners. Please proceed with your question.

Ben Mogil: Hi guys. Good afternoon.

John Cassaday: How are you?

Ben Mogil: Tom -- good, thank you? And yourself?

Tom, are you able to quantify for us what acquisitions on the television side contributed to say for the quarter and for the year?

Tom Peddie: Ben, we don't generally provide what I would describe as same-store sales. But what I can say is that, you know, the major item in television for the quarter was VIVA, which was not there last year. And - but the amount's not really material to the numbers. But what I can say is that that acquisition is performing equal to or better than our plan.

Ben Mogil: Okay.

And then, Tom, while I've got you on the phone, you talked before about, you know, sort of wanting your programming investments in (AMR) to sort of kind of come close to equaling each other in 2011. You're not looking for that in 2010.

You know, if I look back, it's really only 2008 that you've actually had those kind of line up. What makes you feel confident that by '11 you'll get there?

Tom Peddie: Well, I think that, you know, long term the two lines have to cross. But in our particular case, we've continued to grow. And, you know, as Paul has said on numerous occasions and as we said at investor day, we continue to invest in programming, you know, in line with our conditions of license.

And if we put the quality programming on the air, we're getting the ratings and then the ad dollars to drive it. But clearly it's something that we spend a lot of time on because it's the biggest expenditure that we make at Corus.

And as I said, 2009 had some acquisitions with VVIA. In 2010, we'll have SexTV and Drive-In Classics, so we'll have additional program - incremental program spend then - in that particular period.

And at this particular point in time, we don't have any acquisitions budgeted for 2011. So that was one of the reasons I was saying that should be more in line.

Ben Mogil: So as you look forward, and I know that, you know, (Gary) talked a little bit about the - at the investor day about sort of re-jigging or requesting sort of some re-jigging for the Canadian content obligations.

As you look to 2011, is your expectation that some of the changes that you've proposed will possibly be introduced?

John Cassaday: Well, because of the commission hearing schedule over the next little while, we think that we probably won't really have too much definitive information on our licensing until sort of January of 2011, which means that it would have a modest effect because - for us in that year because we need to be able to plan our programming a year ahead.

So I think probably if we're successful in changing the terms of trade if you will with the Commission, we're probably looking at fiscal '12 before we're able to see it impact our P&L.

Ben Mogil: Okay.

And then I think...

Tom Peddie: (Unintelligible).

Ben Mogil: ...I'm sorry?

Tom Peddie: Ben, it's Tom. Just wanted to follow up a comment to you.

If you do look at our balance sheet and you look at our program investments is that the amount this year relative to last year really isn't up by much. It's only up by about $4 million. So we managed the balance sheet as well as the P&L and the cash flow.

Ben Mogil: You know, I mean, you - that's on the programming rights. But your - oh, sorry, but you had more - or you mean on the net basis, both the programming and the film investments together you're saying.

Tom Peddie: That's correct, right.

Ben Mogil: Okay.

And then I think last question and I guess this is probably for Paul and then I'll let someone else get on the queue.

When you look at sort of the weakness again in food and toys, you know, is there something larger than just come product cycle issues or some cyclicality? Is there sort of a structural change in those where those sort of categories are advertising best as you can kind of ascertain given a tough economy?

Paul Robertson: Well, I'll take them on at a time, Ben. I mean, if you...

Ben Mogil: Sure.

Paul Robertson: ...look at the food industry, clearly they've gone through a lot of changes, which people are aware of, working to retool the products to be healthy in an environment where there's a heightened degree of concern around childhood obesity and health.

And so what's happened on the food side is that we've gone, you know, some of the brands that we used to have have gone into hiatus and some just kind of spend less than they used to.

But, you know, we continue to work that category and actually work the retail side of the category as well with healthy-oriented promotional overlays and campaigns. And we've been putting a lot of efforts into food in the last while and we (could attest) that we can bring that category back to growth, but we've yet to kind of prove that out.

I guess on the toy side, we've got a whole lot going on. And as we took the Nelvana part and put it together with television, it really has created a broader vista of opportunities for us with new - with these big toy manufacturers, so whether it's, you know, Spin Master, Mattel, or Hasbro, I mean, we're - we have broad arrangements with them like in the Spin Master case, for example, they're our partner on Bakugan.

So as you can imagine, due to that deepening relationship, it opens up new opportunities for us domestically to build out the toy business. And these have sort of been the insights that we've been coming to over the last few months after creating the combination of the two.

So, you know, we're quite bullish on the toy business. I think food still needs work. And the entertainment's been the one piece of the puzzle as the third category that has really showed some nice upside.

Ben Mogil: Okay, that's great. Thank you very much.

John Cassaday: (Okay).

Operator: Our next question comes from the line of Eric Bernofsky with Desjardins Securities. Please proceed with your question.

Eric Bernofsky: Thanks very much. Good afternoon, guys.

John Cassaday: (Unintelligible).

Eric Bernofsky: I've got a couple of questions on Nickelodeon. I'm wondering if you could talk at all about the structure of the deal with Viacom for that station. Is it wholly-owned by Corus? Is it a joint venture? What can you say about the structure of that deal?

John Cassaday: It's a wholly-owned company with a trademark license fee.

Eric Bernofsky: Okay.

And how long does that license last for?

Man: A long, long time.

John Cassaday: Yes, it's an indefinite time period.

Eric Bernofsky: Was there any up-front license fee that's been paid or will be paid this upcoming quarter upon the launch?

John Cassaday: It's all prospective. I mean, they're committed to building their brand and their - one of their goals is to have the Nickelodeon brand well known around the world.

And this is just a partnership. We've been a longstanding partner with them, have licensed much of their output historically. And as you recall, a year or so ago we licensed all of their digital rights. So I'd say this is kind of a natural evolution of a very full and good relationship between the two organizations.

Eric Bernofsky: Okay.

And when you're talking advertisers, obviously, you know, you've referenced the kids segment as being quite soft relative to the other segments. Is that you're focused on - you know, any discussions you've had with advertisers regarding the upcoming launch of Nickelodeon, any up-front commitments at all that you can talk about?

John Cassaday: No. We just - we're just beginning to get out and make that sale. But there's interest in Nickelodeon amongst our advertisers. We've I think very deftly positioned both YTV and Nickelodeon as being complementary services. So, you know, we're counting on being able to stimulate the growth of our kid ad business with the launch of this new brand.

Eric Bernofsky: Okay.

And then just lastly I guess last year with VIVA coming around and HBO, the launch there, you had some sort of one-time marketing costs or at least up-front marketing costs associated with the launch of those two networks.

What are you budgeting at all this coming quarter or at least this fiscal year for Nickelodeon? Is that something that, you know, we should think about in terms of having a margin impact in the near term?

John Cassaday: We try to manage our overall marketing budgets, you know, at - by segment. So, Paul, I don't know if you could comment specifically, but we're not looking at dramatically increasing the kid marketing budget to launch Nick.

Paul Robertson: Well, that's right. I mean, I think if you look at - and we get the additional affiliate fees, right? So if you took into account our two new acquisitions, which we hope will come on stream in January, which was W Movies and Drive-In Classics, they're net, you know, very positive from and earnings standpoint. And then Nickelodeon also will be a net positive from an EBITDA standpoint. So in combination, all three networks will help our cause at the bottom line.

Eric Bernofsky: Okay. Thanks very much for those details.

Operator: And we have a follow-up question from the line of Scott Cuthbertson from TD Newcrest. Please proceed with your question.

Scott Cuthbertson: Yes, thanks very much.

Tom, just math suggests that a clean EPS number for the quarter is 33 cents. Is that what you get?

Tom Peddie: I was going to say that the clear number for the year was about $1.45, I think, which if you pulled out the broadcast license and the tax rate changes. And I might have - hang on a second.

Yes, I'd say that the numbers are probably fairly comparable this year versus last year.

Scott Cuthbertson: Oh, okay, thanks.

Tom Peddie: Okay. For the quarter, yes.

Man: Yes.

Operator: And there are no further questions on the phone lines.

John Cassaday: Okay. Well, listen, we thank you all very much for your continued interest in the company and we'll be happy to answer any follow-up questions that you have later on. But look forward to talk to you in the weeks and months to come.

Bye for now.

Operator: Ladies and gentlemen, that does conclude today’s conference call. We thank you for your participation and ask that you please disconnect your lines.

END