CORUS ENTERTAINMENT

Moderator: John Cassaday
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3:23 pm CT

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Corus Entertainment's Q4 Analyst and Investor conference call.

During the presentation all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session. At that time if you have a question, please press the 1 followed by the 4 on your telephone. And 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, Wednesday, October 26, 2011.

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

John Cassaday: Thank you, operator. Good afternoon, everyone. I'm John Cassaday and welcome to Corus Entertainment's Fourth Quarter and Year-End report and Analyst call. Thank you for joining us today.

Before we read the cautionary statement, we would like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found on our Web site, www.CorusEnt.com in the Investor Relations Section.

We will now run through the standard cautionary statement.

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

Now, I would like to introduce you to the Corus Entertainment Team.

Joining me on the call today is Tom Peddie, Executive Vice President and Chief Financial Officer; Doug Murphy, Executive Vice President and President of our Television Division, and Chris Pandoff, Executive Vice President and President of our Radio Division.

Before turning to our slides and our results, we first want to say that we are absolutely delighted to have announced earlier today an agreement with Disney/ABC Television Group to launch a new national service to be called ABC Spark. This service will be targeted to the millennial generation and builds on the successful ABC family brand in the United States.

This deal represents the first time that Disney and Corus have entered into a licensing agreement for a 24 hour channel, and we are needless to say very excited about this opportunity. We plan to introduce ABC Spark with a nested block of programming on YTV and CMT, and subsequently launch the network in spring 2012.

Why is this important? Three reasons; most importantly it's yet another tuck in channel opportunity to accelerate our growth; second, it gives us access to outstanding Disney programming to drive the growth of our existing Corus services, and third it's a perfect fit with our family viewing portfolio.

Now, turning to Slide 3 of the PowerPoint presentation, we are extremely pleased with our results in 2011. If you were to exclude Quebec Radio, our consolidated revenues for Q4 were $200 million, up 7% compared to the prior year, and revenues for the full-year were $825 million, up 8% from the prior year. Corus, once again, demonstrated its ability to grow.

Turning to Slide 4, we delivered exception double-digit consolidated segment profit growth of 14% for the quarter, and 12% for the year. Our segment profit of $285 million for the year was within our stated guidance range of $285 to $295 million, even though our Quebec Radio results are excluded for the full-year and we had built the plan with the intention of having them to rely on for the year. Had we not divested our Quebec Radio assets, we would have exceeded or at least been at the high end of our guidance for the year.

We would also remind you that our corporate costs were a little higher than we anticipated due to stock-based compensation reflecting our year-end improved share price.

Our net income from continuing operations for the year, which excludes Quebec Radio, was $143.3 million, up 18% over the prior year. Earnings per share from continuing operations were $1.73 per share, compared to $1.48 per share last year, and our free cash flow was in excess of $130 million.

Turing to Slide 5, our consolidated revenue growth for the year was fueled by subscriber revenue increases of 6% and advertising growth of 4%. We were also pleased to deliver exceptional dividend growth to our shareholders this year, increasing our monthly dividend 45% from the prior year.

Following the move to Corus Quay we have begun to leverage new opportunities from our state-of-the-art facility. Corus Quay's digital integrated infrastructure allows us to capitalize on the non-linear, on-demand, broadband, and mobile rights that we control, and we continue to acquire additional digital rights. We have the capability and the flexibility to deploy our content in any form, on any tablet, and in numerous languages.

Within our first year we have already rolled out more than 1/2 dozen high-definition offerings, including YTV, HBO, W Movies, and OWN, and plans are in place to launch more of our core brands in HD throughout the coming year.

At Corus Quay, we are also in a position to offer extensive outsourcing services to third-parties in the industry. Currently, we are originating 32 signals from this facility, but we have the capacity to distribute at least twice as many signals, which represents a great business opportunity going forward.

Our television results for the year were excellent. Revenue was up 9% and segment profit saw impressive double-digit growth, up 14%. In addition, the division finished the year with outstanding operating margins of 41%. Specialty advertising revenues ended the year up 11%, driven by the successful monetization of our co-view audience, and continued strong growth in our women's vertical.

Corus Television has a strong portfolio of businesses that are growing successfully, both internationally and at home. Our international merchandising business continues to expand an impressive 66% for the year, which contributed significantly to our overall revenue growth. Our boy's action brands, Beyblade and Bakugan, and our pre-school brand, The Backyardigans drove the lion's share of merchandising revenue for the year.

Beyblade has become a blockbuster hit in the international marketplace generating even greater success than it did the first time we launched the brand in 2002.

Subscriber revenue for television grew a solid 6% year-over-year due to continued growth from our newer services in the kid's and women's vertical, and a lift in Pay TV subscriptions. Among the drivers of growth, our new women's service, OWN, benefited from a slate of original programs this summer that included the top rated documentary, Becoming Chaz, and Why Not?, with Shania Twain. OWN's audiences have grown more than 30% from a year ago with revenues more than doubling compared VIVA in the prior year.

Our pay business, Movie Central, ended the year with a 2% increase in subscribers over last year, driven by the continued strength of our premium first run movies and an impressive slate of original programming. While we saw seasonal subscription erosion in Q4, which is typical each year between the third and fourth quarter as a result of temporary customer drop-off during summer vacations, the wealth of exception content and exclusive access to new offerings on-demand and HD continues to position pay as a strong value proposition for our consumers. We continue to see pay as a growth business for reasons that we will expand upon in our outlook comments.

Moving now to our Radio division, we saw a return to growth this year. Total revenues were up 2%, with Ontario Radio delivering 5% growth led by Toronto and London. Segment profit was up an impressive 13% for the quarter and 3% for the year, driven by solid revenue growth coupled with strong cost controls. Importantly, Radio achieved an overall margin of 30% for the year, a long-stated goal for the division.

In summary, fiscal 2011 was a very strong year for Corus. We successfully met our annual 2011 guidance for consolidated segment profit, and exceeded our free cash flow target of $100 million even though our guidance, when first announced, included earnings and free cash flow from our Quebec Radio assets.

We completed our move into Corus Quay and began a successful origination and transmission of our radio and TV signals. We achieved great success with our family co-view strategy on YTV and CMT. We launched The Oprah Winfrey Network, an important addition to our women's vertical. We delivered excellent growth internationally, on the merchandising front, from key brands such as Beyblade. We divested our Radio assets in Quebec and improved our overall Radio margins. We maintained disciplined cost controls, and in an uncertain economy, we achieved exceptional results.

Now, we'd like to provide you with some comments on our outlook for Q1.

Turning to Slide 6 on our outlook, on a macro level the feedback that we are receiving from our customers is that ad budgets are stable with buyers taking a more cautious approach, which means simply later booking and more reliance on the spot market. In the Television business, specialty continues to outpace conventionals performance and we expect to post solid increases in ad spending for Television in Q1.

I will tell you on this call that we are pacing ahead of year ago very nicely on our specialty services, women in particular is strong. Our conventional TV stations are a modest part of our business and are experiencing some softness versus a year ago, but our specialty television services continued to generate growth.

For our Radio business, even with the economic uncertainty and its impact in Canada, radio’s Q1 revenues in many markets are pacing ahead of last year in the mid-single-digits. We did in fact have a soft September, but October bookings are flat with year ago.

Coming off a strong upturn in media spend in Q4, sales bookings are pacing ahead in October/November for Radio, and among the categories that are tracking well in Q1 are government, which continues its upward momentum from Q4, as well as the automotive and travel categories. From a ratings perspective, Toronto remains strong; Calgary has returned to a position of strength with its adult demos; Winnipeg continues to perform well, dominating the AM and FM market; and importantly, we have started to see a turnaround in the Vancouver market as it rebuilds its core demo.

For Television in Q1, we are forecasting solid specialty advertising revenue increases in the mid to high single-digits, fueled by growth in our women’s vertical, as well as our overall co-view business. Some of the key categories that are contributing to our solid forecast for Q1 are automotive, beverages and restaurant.

As we continue to build on the strength of our uniquely defined channels for women, we expect increased audience growth from CosmoTV and The Oprah Winfrey Network to drive specialty advertising revenue in Q1. We also expect growth this fall from W Network with the return of strong scheduled performers like Property Brothers, Love It or List It, and Come Dine with Me Canada.

Movies continue to be a ratings driver for the network and starting this fall, W now offers films all weekend long with the launch of a new Sunday night movie block.

The network also recently launched a new weeknight block called (W at 10), featuring a roster of new reality series, including Rocco's Dinner Party, Roseanne's Nuts, and Picker Sisters. OWN also launched a new slate of programming in October that airs - air in date with its U.S. counterpart.

The primetime line up at 7:00 pm is led by two back-to-back powerhouse new series, The Rosie Show, where Rosie O'Donnell makes her return to television with a daily talk show that can only be seen on The Oprah Winfrey Network, paired with Oprah's Lifeclass, a series inspired by The Oprah Winfrey Show with insights, life lessons, and personal revelations from Oprah herself.

Looking ahead, more new shows will be added to the schedule, including Oprah's Next Chapter, which takes her out from behind the desk and into the world at large. The Oprah Winfrey Network is now the only place viewers can see Oprah and gain access to The Oprah Winfrey Show library. In her expanded role as Chair, CEO, and Chief Creative Officer of the network, Oprah has committed her attention full-time to the network's success, both on and off the air. The service is off to a solid start this fall and we anticipate significant advertising growth for the network in the quarter.

We are confident that with Oprah at the helm, along with Oprah Winfrey Network's exclusive original programming and strong distribution platform, the network will be a major driving force of growth for our women's vertical.

Building on our kids and family co-view strategy, we expect to see gains on YTV from the return of successful hit series like iCarly, our strong lineup of Canadian live action series, including Mr. Young, Life With Boys and That's So Weird!, and the continued strength of movies on our schedule with family hits like Monsters vs. Aliens and Madagascar 2.

Our newly announced network, ABC Spark, is part of our growth strategy for Television. This service will allow us to replicate Disney's tremendous success with ABC Family to connect with this broad-based, tech-savvy, and influential millennial generation.

Turning to our other revenue streams, we also expect to see growth from deploying new products into the marketplace, which will enable consumers to access our content wherever they are. The value of Kids video on-demand content is growing exponentially, and as part of that strategy we will be introducing even more Treehouse and YTV content on other platforms in the coming year, such as the tablet, mobile and Xbox platforms.

On the Movie Central front, we continue to project growth. We've done extensive research on what consumers want from pay television and it's clear, they want access to the best movies and the best original scripted drama series.

As part of our commitment to our customers, yesterday we announced the renewal of a multi-year output deal with NBC Universal. This agreement, combined with our other deals with HBO, Showtime, Disney, Warner Bros., and Sony, provides our Pay business with exceptional exclusive content to drive subscriber increases.

This fall and winter, the service will continue to feature some of the best series out there, including new seasons of HBO’s Boardwalk Empire and Real Time With Bill Maher, as well as a number of new series, such as Luck, starring Dustin Hoffman and Veep, starring Julia Louis-Dreyfus, with new content from Showtime rounding out this impressive lineup, including new seasons of Dexter and Californication, a new Oliver Stone project called The Untold Story of the United States, and returning STARZ series, Spartacus: Vengeance, produced by Sam Raimi. The value proposition of Pay remains unequaled in the media space.

We continue to roll out aggressive marketing campaigns built around our distribution partners, TV Everywhere initiatives, including a consumer campaign for a free preview of our Movie Central on-demand offering this fall, which will be followed by an HD campaign in Q2, as well as more mobility offerings in the coming year. We’re also working with our distribution partners to add more on-demand content to pay offerings as part of our ongoing efforts to provide customers with great content from great suppliers offered more ways than ever before.

On the content side, our merchandising international sales and broadcast revenues are expected to continue to provide upside to our kids vertical. With over 4,000 hours of kids’ content, our Nelvana library continues to be a significant part of the schedules on our international channel ventures, including Qubo, which is currently available in 42 million homes in the U.S., and KidsCo, which has distribution now in 97 countries.

Additionally, our team at Nelvana Enterprises continues to establish new IP partnerships around the world, with big brands like Beyblade, and emerging hits such as Mike the Knight, a coproduction with HIT Entertainment. Mattel’s acquisition of HIT Entertainment at a 9.5 time multiple reinforces the extraordinary value of Kids' intellectual property. It demonstrates the opportunity to bolster brands globally by optimizing content across all platforms and entertainment channels. This bodes well for Nelvana.

Beyblade has enjoyed incredible success over the past year, and next year is also shaping up nicely with over 80 million tops sold worldwide since its relaunch. Beyblade has become the top boys' action property in key territories. In fact, toy sales are strong in every territory and the brand is now taking off in Latin America, especially Brazil.

In support of sales efforts, a series of national Beyblade championships is currently taking place in 40 countries and will culminate in a world championship event to be held here in Toronto in March of 2012. In addition, all major broadcast partners are locked up and on the air with the brand's new 51-episode series, Beyblade: Metal Masters, which launched in the fall.

We're also making excellent progress placing our slate of new Nelvana shows, both in the U.S. and international markets. In the U.S., Scaredy Squirrel has debuted in a key primetime slot on Cartoon Network at 7:00 pm.

In addition to a global deal with Disney XD for the comedy series, Mr. Young, in the U.S. and in territories around the world this quarter we announced the sale of Sidekick and Scaredy Squirrel to Cartoon Network Latin America, as well as an agreement with Disney Channel and Disney XD to broadcast Scaredy Squirrel in Europe and beyond.

In summary, we are well positioned for the year. Capital spending on Corus Quay is now complete and we have returned to normal levels, which will positively impact our cash flow in the coming year and beyond. We will continue to focus on our dividend yield, which is an impressive 4.4%. We see continuing growth opportunities ahead as we optimize the value of our own brands, and successfully partner with other strong recognizable brands. In this regard, as we mentioned earlier, we are thrilled to launch ABC Spark with Disney this coming spring.

In conclusion, we are forecasting growth from both Radio and Television, we're excited about the ongoing success of our international merchandising business, and we're optimistic about the year ahead.

We hope that you've found the comments on our outlook helpful. Before we turn the call over to you for questions, we would like to confirm with you that our Investor Day will take place on Wednesday, November 30, and will be held in Toronto at Corus Quay.

We will now take questions that you may have. Operator, over to you.

Operator: Thank you. Ladies and gentlemen, if you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-toned 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 3. And if you're 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 go ahead.

Adam Shine: Thanks a lot. Good afternoon.

John Cassaday: Good afternoon, Adam.

Adam Shine: John, I might have asked - hi there. John, I might have asked Tom this a few weeks back when you initially, I guess tentatively, postponed the Investor Day. Should any of us, you know conspiracy theorists or otherwise sort of read anything into it in terms of what caused the delay? Maybe if you can just quickly comment.

John Cassaday: No, not at all. We are the only company that gives guidance. We wanted to get a sense of what the pacing was going to be on our business through the first quarter. So, our reasons for delaying were really just to be able to do a better job in giving you a good and fair outlook for the balance of the year.

Adam Shine: Sure.

John Cassaday: Having said that, we also realized afterwards that it was going to make everybody's life easier if we conducted the Investor Day after you had our year-end results. So I think going forward, we'll probably continue to conduct our Investor Day shortly after you receive the fourth quarter results.

Adam Shine: Great, and just when I look back at some of the comments on the Q3 call back in July, I thought there might have been a little bit more optimism in terms of advertising trends during the summer period. And then also as it touches on Pay TV, you had a summer retention effort in full swing. There was also an incremental HBO-related marketing effort.

So, were there any particular issues that sort of ultimately changed the dynamic for you, or maybe it was just a matter of pushing things into Q1 ultimately?

John Cassaday: I think first of all I'll deal with the ad issue, and I'm sure Chris and Doug will be able to provide you with some additional commentary, but there was no question that immediately coming out of the terrible disaster in Japan with the tsunami and the nuclear fallout, we started to see a slowdown in the ad economy. I think it was driven, in large part, by automotive advertising drying up, but it seemed to have a cascading effect.

So we were really bullish on Q4, but quite frankly in July and August business was softer than we had expected. But just to continue to put it in perspective, it was limited. We still had the bulk of our brands, we're still seeing extraordinary growth, but we had CMT, W, and Telelatino soft in Q4 versus a year ago. The rest were all either flat or above.

So on balance, I'd say 70% of our assets were showing good growth in Q4, three were suffering, and the Telelatino story really came down to one thing and that was just an extraordinary comp from the previous year where we had World Cup Soccer, so that was the - that was sort of the justification on that.

Clearly, there were some confidence issues in the economy and I think people were sitting on their wallet a little bit. But you know again, as I said in the opening remarks, the sense that we're getting from advertisers is people are going to be a little bit cautious, but we are not seeing people stop advertising. We're simply seeing them book a little bit later and take their chances on the spot market.

As it relates to Pay, we had a big boost in Q3 coming out of our best ever offer. And I think that had we had a little bit better economic news and confidence been a little bit stronger, a lot of the gains that we picked up as a result of that offer might have stuck to the ribs. But clearly, you know, we gave people a nice trial and they probably liked it a lot, but then when faced with the question of whether they could really justify continuing to pay for it in a soft economy we gave up a lot of the gains that we had secured through that extraordinary offer that we made to our subscribers in Western Canada.

Doug Murphy: Adam, it's Doug. I would just build on John's comments and remind you that we did end up growing at 2.2%, 21,000 subs, which was seven times the growth of the prior year, which is essentially 3000. So, there was a large degree of seasonal churn over the summer, but in the end I think the outcome was very favorable for growth and we continue to believe very, very passionately that Pay is a growth business.

As John mentioned in his opening remarks, we have been doing a lot of research on what our subscribers want. We know, you know, 60% of them want movies. We announced the NBC Universal deal just this week, so we own a ton of blockbuster films. We - the other 40% loved the series episodic that we have (at Corus) (for HBO and Showtime-specific output) deals, and we're working very, very closely with all the BDUs, both on acquisition and retention campaigns and in delivering this extraordinary service on non-linear and in HD, both linear and non-linear.

So, we're very confident that we're going to continue to see subscriber rate growth in the coming years.

Chris Pandoff: Yeah, this is Chris. In terms of the ad market, as you know Radio lives in the spot market. And interestingly enough, in the fourth quarter the first seven weeks of the quarter, relative to the last six weeks, the trajectory of business in the last six was significant relative to the first seven.

And it really underscores what John was saying a little bit earlier with regard to the fact that business is coming later, advertisers are holding onto their dollars, but that sort of benefits radio from a timing standpoint.

Adam Shine: Great. Thank you very much for all that color.

John Cassaday: Thank you, Adam.

Operator: Our next question comes from the line of Paul Steep with Scotia Capital Markets. Please go ahead.

Paul Steep: Thanks. Afternoon.

John Cassaday: Hey, Paul.

Paul Steep: So, on - hey. On ABC Spark, maybe you could just give us a few more of the details to help round this out. Is this, you know an owned deal with Disney or is it licensed, would be the first one? And then, is it on a new channel or is it a rebrand? And then the final would be, sort of where you think carriage might be at launch?

John Cassaday: Well, Doug, how are you?

Paul Steep: Good.

John Cassaday: We're - the ABC Spark opportunity we think is just phenomenal for Corus, and we're delighted to partner with Disney/ABC Television Group to bring the ABC Family's programming to our audiences here in Canada.

What you likely know, but I'll state anyway, is that ABC Family programming already is kind of all over our networks. We broadcast Kyle XY, Everybody Hates Chris, America's Funniest Home Videos. Their content works extraordinary well for YTV and CMT. And this new service is targeted at sort of the millennial audience age 14 to 34, but also has a very, very strong co-view element, you know older parents watching with their older kids. So it's right in the wheelhouse from a sales competency and branding perspective.

We're not going to share today details on distribution, we are going to tease you with the opportunity and come back in the coming weeks and months with a lot more detail. But it is, I think, a very noteworthy additional platform for us to build our focus and verticals on women, kids, and family.

Paul Steep: Great. Okay. The second one then for me would be just on thinking in the next year, not to put you on the spot for guidance but - and maybe more it's a Tom question, just in terms of how we should think about the deals you've signed to-date, in terms of what that means for content cost inflation on the TV side of the business.

Thomas Peddie: Paul, it's Tom. I think a couple of things that you should keep in mind is that, yes, our program cost will be up for OWN, program cost will be up for the ABC Spark initiative. Our program cost will be up because of the conditions of licenses we - that are grown in our revenue. Program costs are up on HBO. The important thing for us is to manage our margins, and that's the goal that we have each and every year. And as you heard in John's comments, and you saw on our financials, we delivered outstanding margins of 41% for Television.

So absolutely, our costs will be up in 2012, but our goal is to manage our fixed cost and grow the top line.

John Cassaday: Also I'd add, the way we look at programming is we look at having a total bucket of cost available, and then it's more a question of how we allocate. So we certainly, when we make a program decision like this, we recognize that we're making trade-offs. If we acquire this block of programming, it means that we will not necessarily be able to apply - acquire something else that comes down the pipe.

So net-net, we're really mindful of having a clear vision as to what we should and could afford to spend on programming with an eye to maintaining and building those margins.

Paul Steep: Okay, great. Last one for me then, just on merchandising. Obviously, Beyblade did super well and you called that out. How should we think about the Christmas period, Doug? Has it been - was some of this stuff loaded into Q4, or we still got, you know it sounds like a bunch of the product only hit the shelves in Q1 or at the end of August. Should that sort of spill into Q1, that momentum?

Douglas Murphy: It - the real momentum really traditionally doesn't show up until our second quarter.

Paul Steep: Okay.

Douglas Murphy: That's when the - for the Q4 calendar holiday, retail season tends to come into our second quarter...

Paul Steep: Great. Okay, thanks.

Douglas Murphy: ...so - and momentum is built. So, we expect on the Nelvana side, and as we've, you know shared with you before that - you know that business has been very good the last few years.

We expect continued growth off the base to head this year, and the international marketplace, you know continues to be ripe with opportunity for our various brands, not just the Beyblade brands, but we're seeing some nice uptick in other categories, too.

Paul Steep: Thanks, guys.

Operator: Our next question comes from the line of Bob Bek with CIBC. Please go ahead.

Bob Bek: Thanks. Good afternoon. If I could just go back to the Radio for a bit. I guess, John or perhaps Chris, I guess in advertising in general, John, you're a lot more bullish, I think, than some of your peers have been over the last couple of days. Certainly, Astral was a little more concerned about Q1 pacing. We saw some commentary from Rogers as well that's a bit concerned about ad markets today.

Is this a bit of glass empty - glass half-empty, glass half-full? Is there a component of them stealing share? I mean, in particular on the Radio side, I think your commentary appears to be fairly bullish relative to your peers. Just any thoughts you have as far as your execution being the answer there or whether it's perspective.

John Cassaday: Well, I think we were clear in saying that September was a disappointing month, but October and November are pacing better. We feel that we're in a good position competitively and by that, I mean that our ratings are holding up very well in the key markets and improving in Vancouver, so that gives us confidence. And perhaps, while we're aware of all of the macro global economic concerns, we continue to believe that Canada will perform better than the rest of the world and that we will benefit from it.

We've been looking at, most recently, estimates of GDP for Canada in the high 2s, and as we've always said we would expect that Radio will grow a point ahead of GDP growth. So we're expecting, perhaps we are more optimistic than others, we are expecting that we will continue to see ad growth in the sectors that we compete in, which is radio and specialty TV.

Bob Bek: (Okay, that's great).

Chris Pandoff: Bob, it's Chris. I would just add one thing additional to John's comments are that for the last year we've really been focusing on execution. And I know a number of, you know previous calls we've talked about some of the challenges we've had around the country, and we've taken some really strong action to that end. And when you look at historical position of some of those stations we feel that there's still room for us to grow, or at least to get back to our positions from where we were historically.

Bob Bek: Okay. And on that note you mentioned, John, in your opening remarks about hitting that 30% mark that a lot of us here have been talking about for quite some time, is there still room then, you think, on that or is - you know given where radio's positioned you're pretty comfortable that you're protecting the 30 but maybe just focusing on the revenue side?

John Cassaday: We're confident that we can protect the 30. The big opportunity for us is to restore Vancouver to its once lofty position, and we're very much confident that we can do that.

We've made a number of changes out there, both to the music and to our key management, and we're absolutely dedicated to getting that cluster to deliver, once again, the level of margin and growth that it's done historically, and we're - well, as I said, we're confident we can get there.

Chris has done a great job with his team, as he said, on the blocking and tackling and we're - we feel like we're really on the right track there.

Bob Bek: Great. And just a modeling question, if I may for Tom perhaps, the corporate costs, can you give us a sense as to run rate into 2012?

Thomas Peddie: Bob, it's Tom. We're comfortable with the $30 million of run rate.

Bob Bek: Still, okay.

Thomas Peddie: You know we've guided $30 for fiscal 2011, we wound up being about $2 million higher...

Bob Bek: Yeah.

Thomas Peddie: ...that was really stock based, but we're comfortable with the $30.

Bob Bek: Okay, that's great. Thanks. I'll leave it there. Thanks very much.

Operator: Our next question comes from the line of Scott Cuthbertson with TD Securities. Please go ahead.

Scott Cuthbertson: Thanks very much and good afternoon.

John Cassaday: Good afternoon, Scott.

Scott Cuthbertson: Yeah, just wondered, just to clarify, with the Pay TV renewal it sounds like you're pretty comfortable with the deal you signed with NBC Universal, and I - we just wanted to clarify that - you know that deal was signed on terms and conditions that you expect you'll be able to maintain your margins.

And I guess with the signing of that deal, I mean there was a lot of trepidation earlier this year with respect to the whole Netflix thread, and now that Netflix seems to have hit a couple of potholes, you know the relative strength seems to have shifted a bit.

What's your view, generally, on that market, and maybe if you could speak to, you know, renewals that you have coming up and just how that whole file is progressing.

Douglas Murphy: Sure, Scott, it's Doug. The NBC Universal renewal was strategic in the sense that, as I - as - I'm repetitive, but I want to make sure we're consistent in saying that we understand what our audience wants, and the NBC slate was of high value to us and our audience accordingly.

So, there's no doubt that the Netflix factor in the marketplace has added some degree of cost inflation, but when we look at these investments we bring a very disciplined ROI to bear, and in our view this investment is consistent with the returns we've earned from the pay service over time, so that's why we moved forward with it.

We are not seeing - we do not believe, and this is showing up again in our infield work with our subscribers, you know the OTT thread is not cannibalizing our business. I know our friends at Astral said the same thing on their call yesterday. We continue to believe we have a better offering, and we continue to work very closely with our BDUs to, as I said earlier, rollout HD both in linear and non-linear form and to look at the mobile opportunities, the tablets, et cetera.

So it's a hotly contested space, but we believe we continue to have a very strong offering.

Scott Cuthbertson: And Doug, do you - I mean Astral shared with the investor group yesterday that they don't have any more renewals for the next couple of years. Can you provide any color on that for...

Douglas Murphy: That's...

Scott Cuthbertson: ...from your point of view?

Douglas Murphy: ...correct. We're - we have no big studio deals in F '12.

Scott Cuthbertson: So - okay, nothing in F '12. Okay, great. Thank you. Question for Chris, just wondered if you could help me to sort of quantify the implications of Bill C-11 on the radio tariffs for you guys and the timing on that?

Chris Pandoff: Well, as you know, legislation's been introduced and at this point it's gone to first reading, I believe, or second reading? And I think the number for us is between 1.5 and 1.8 on a 12-month basis.

Scott Cuthbertson: Okay, and when do you expect that to, you know finally get resolved?

Chris Pandoff: Anecdotally in December, the expectation is that that would be the timing.

Scott Cuthbertson: Okay, great. And just so - again back to Doug, I mean, great job on the merchandise revenue. Obviously, not going to cover up the ball, it looks like great momentum going to Q1. Bit of a lumpy thing to forecast, can you help us at all with, you know what we should be thinking about for the whole of fiscal ‘12?

Douglas Murphy: I would reiterate that it’s a very lumpy thing to forecast, Scott. You know, it is a very tough business. John and I have had this conversation for years now, you know how, as I have had with many of you, how to forecast merchandise.

I don’t really have a solid answer for you, other than to say when you get a tiger by the tail, which we have now, you tend to get some momentum for, you know, two to three years. And you know like a duck on a pond, underneath the water we’re working feverishly to find the replacement opportunity, and we’ve got a number of them in our sights now.

So, we think Nelvana is going to be growing our EBITDA over the coming years, and if that gives you any sense of a trajectory that’s what I would use.

John Cassaday: I would add, too, that people want to work with winners and we’ve now been at the plate three successive times with big wins. So, I think that’s opening up a world of opportunities to us that perhaps weren’t there for us a few years ago.

And when you think about what we’ve got in the pipeline that we think has promised, yesterday we had our awards presentation, internal awards presentation and we gave a significant award to the team that was involved in the Babar merchandising, so that brand’s been relaunched and we have big expectations for that over time.

We’re relaunching Franklin, which is another great global brand. We talked in the past, and I mentioned again in my opening comments today, Mike the

Knight in partnership with HIT. So - and now of course, Mattel is going to be our partner, which gives us even more confidence that that brand will get a level of interest from a major toy co that it might not otherwise have enjoyed.

So, we - this is a business, and Doug talks about it consistently, we want you to start thinking about our Kids business as a portfolio which has three exciting component parts to it; one is the subscriber business and that's going to grow with all of our on-demand, so the fact that we own a library of 4000 titles offers just a huge opportunity for us; the ad side, where we've reignited growth with the explosion of this co-view business; and then of course, the international business where we can light up channels and participate in exciting merchandising opportunities globally, gives us something that we really think is a great launching pad for the growth of this business over time.

Scott Cuthbertson: Well, the momentum you guys have and, you know the indications that it is a growth business, I guess it's fairly safe to assume that we shouldn't see that shrink in 2012. Can I run with that?

John Cassaday: Well, a lot depends. Beyblade's been the big part of it and it's a big hit, so you've got to, A, hope it's sustainable. You've got examples of brands like Transformers, which have withstood the test of time. This could be one of them, obviously we're hopeful of that. But, what we're very conscious of is that we've got enough in the pipeline, and Doug and his team continue to work the Japanese front where we've had huge success in the past to find the next big deal for boys 6 to 11 because that's where most of the dough is.

Douglas Murphy: Yeah, just building on that, the - when we look at our content pipeline, we kind of segment it into four - you know (forgive) the 2x2, but that's what we do. So we do - the merchandising story is about boy's action and about preschool.

Boy's action always starts in Japan for the most part because, as John mentioned, because of our demonstrable success in Japanese-based boys action properties, we're have get - we're getting - our phone's ringing off the hook with other ideas. We're pursuing two big ideas right now out of Japan, which is very exciting.

The next one is preschool. We have a number of preschool brands, Babar, Mike the Knight, (Maxtor Movie) that are all kind of - it's a slower build in boys action but it's a real business and we're excited about that. So those two boxes are the merchandising side.

The other two are basically produced principally for ratings on our domestic networks and economics of sale internationally. Boys - or for comedy animation, Sidekick, Scaredy Squirrel, and then live action, Mr. Young, Life With Boys. And each one of those 2x2s has two or three pieces of IP we're developing that come right behind what we have in market today.

So, we focus on a 36-month pipeline to ensure that we don't miss a step because we know that you'll keep asking us questions about what's coming next.

Scott Cuthbertson: Okay, well, good luck with it and thanks.

Douglas Murphy: Thank you.

John Cassaday: Thank you, Scott.

Operator: Our next question comes from the line of Tim Casey with BMO. Please go ahead.

Tim Casey: Thanks. John, can we go back to one number that stood out in the result? And you did talk about it, but I just wondered if you'd flush it out more, and that's that specialty advertising was down in the quarter. That's a real break from trend. And you talked about Telelatino, but that - you know that's a relatively small business for you, and - so how do we reconcile...

John Cassaday: Yeah, (unintelligible) question, (unintelligible)...

Tim Casey: ...you know real break (in tender) in Q4 with your optimistic outlook for F '12?

John Cassaday: All right. Well, let me give you some sense. I have an expression, a problem well-defined is a problem half solved, so let me help you with the definition of the problem in Q4.

It really came down to CMT being down around 7%, W being down around 7%, and TLN being down about 30%. Cosmo was up about 30%, Nick was up, W Movies was up 12%, YTV was flat, and Oprah Winfrey was up about 200%.

So, the bottom line is we had far more brands that were performing well, which gives us some confidence that it's not just about the ad market being down, but in some cases we had ratings issues on CMT, which contributed to our problems, we had year-over-year comps that contributed to our problem, and I can tell you, just to give you some flavor on the YTV number which I said was flat, the Kids business, the 6 to 11 Kids advertising business, which is an important part, was down quite significantly in the quarter, but our co-view was up getting us to flat. So, had we had the continued momentum on the 6 to 11 piece, I think the YTV number would've been even stronger as well.

So, what I'm trying to say to you is that I don't think we had "a broad-based specialty ad problem," but we had a year-over-year comp problem on TLN and we had two ratings-related issues on W and CMT that contributed to this shortfall. And the reason I'm so confident in being able to articulate it that way is because if you look at the extraordinary growth that we had on Cosmo and on Oprah Winfrey, it tells me that women are still buying lipstick. That category's going to continue to grow, and as a result I think we're in some good spots here.

And again, you know I don't want to sound Pollyanna-ish because I know every time you read the paper you get the sense that the sky is falling, but we go through this brand-by-brand-by-brand, we're just not seeing this broad-based selloff that many people are talking about.

Douglas Murphy: If I can just jump on John's comments, Tim. In Q4 of fiscal '10, we're up against some huge comps in Q4 just - so the bar was very high in the comps. In Q4 fiscal '10, as you probably know, we were plus 22% of specialty, so that was a massive bar.

The Kids business itself was plus 33%, and one of the categories that we wanted to isolate here is that one of the categories that we're seeing is kind of - in the summer kind of vaporized was the home entertainment DVD advertising. And we know we were all well-schooled in the fact that the DVD business is in a bit of a mature phase, but there's still big money being spent by studios to advertise.

What they're doing is they're dedicating all their ad dollars on the big blockbuster tent pole releases trying to sell millions of units, as opposed to trying to sell hundreds of thousands of units. What that means is they ship dollars into calendar Q4 and we saw it happen. It got pulled out of Q - our fiscal Q4.

So, we expect to get some more of that studio money coming in in the November, December timeframe as they get behind their big DVD releases, but we did see some softness over the summer in the DVD category, home entertainment, and it was against a huge comp to prior year if that helps.

Tim Casey: It sure it does. So, are you seeing, you know tangible bookings in some of these channels that were weak? Like are you seeing a recovery now in your fiscal Q1?

Douglas Murphy: We're seeing strong growth across almost all the system that we're forecasting, you know mid to high-single-digit growth on specialty. It's coming - as John said, the visibility is not as clear as it used to be. It's coming in late, but it's coming in. We're not seeing any kind of cancellations. We just think the marketers are somewhat sensitive out there right now and they're holding their dollars.

So, you know the Kids category continues to be one that's a little soft, to be honest. We're seeing that because retail in Kids is a little soft at the moment, but once the Christmas season kicks in, I think mom is just waiting to start spending until there's snow on the ground. Once sell-through starts happening, our experience is that those marketing dollars come in pretty quick because inventory is clearer.

Tim Casey: Okay, thanks for that. The other question I had related to sub-losses in the fourth quarter, and you talked about seasonality, but it seems the sub-losses on Pay were much weaker than they have been in previous years. I mean, should we - what's happened this summer that hasn't happened in previous summers?

John Cassaday: Well, I think the - two thing. One, and - you know is the seasonal piece that we talked about. And you're right, the loss would be - was greater than you would expect from a normal seasonal drop off, but I think the big thing is we had the huge ramp up in Q3 with that, you know extraordinary offer that we had out there.

I guess, I'd say we were disappointed that it wasn't as sticky as we hoped it would be. And I think the reason it wasn't as sticky as we hoped it would be is because, you know right after they started getting the bill to begin to pay for this thing, after the extensive free preview period, you know they're now faced with all of these economic forecasts and the doom and gloom over Europe, and I think a lot of people just fell off.

So, we continue to believe that the Pay business can grow, we need the support of our distribution partners to do that, but we certainly have stepped up on the programming side. We've got a lot of great new titles coming our way, and I guess the proof will be in the pudding, Tim, because you know quite frankly, our optimism we've got to demonstrate it in the next several quarters, and we're confident that we can.

We certainly have the horsepower there, so we'll see what happens. But...

Tim Casey: Okay.

John Cassaday: ...we were - no question we were disappointed with the drop-off in Q4 relative to the excitement we experienced in Q3 when we finally got over the million mark.

Douglas Murphy: But, we are pleased with the fact that we grew 2%, and you know we got a higher base than we did the prior year. So we’re - you know again, I mean it was a very interesting unusual turn for us, but we did grow significantly over the prior year and expect continued growth in the coming year.

Tim Casey: Do you have any visibility into September or October, or do you not get that data on a timely basis from your BDU partners?

John Cassaday: We do not get it on a timely-enough basis to give you any color for September.

Tim Casey: Okay, thank you.

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

And our next question comes from the line of Colin McFadgen with Cormark Securities. Please go ahead.

David McFadgen: Yeah, just a question on The Oprah channel. So John, I think you said the revenue doubled in 2011, right?

John Cassaday: Yes, more than doubled, yeah.

David McFadgen: More than doubled, so what would advertising be as a percentage of the total revenue? Can you tell us that?

John Cassaday: What would the dollar amount of that be?

David McFadgen: Well, I'm just wondering if you look at OWN, would advertising be 25% of the total revenue or would it...

John Cassaday: Oh, I see what you mean. As a percent of the total revenue base, I don't have that in front of me, David. We can get back to you on that.

David McFadgen: Okay. So...

John Cassaday: I mean typically, you know our specialty channel skew about 50/50 advertising and sub-revenue. I just don't have that number handy, and I suspect that the profile wouldn't be a heck of a lot of different, but I don't know.

David McFadgen: Okay, and then you talked about women's. You said women's is strong trending into the first quarter of 2012. Is that primarily OWN or is it the other women channels (unintelligible)?

John Cassaday: Cosmo is doing terrific...

David McFadgen: Yeah.

John Cassaday: ...the Oprah Winfrey Network is doing terrific. We're really hopeful that we're going to be able to substantially increase our distribution on W Movies, and that that's a brand that we think has got really terrific upside. And then, you know what we're hoping is some of our new programming on W kicks in and if that happens then we should be really well-serving.

Douglas Murphy: Yeah, I mean, W is the, you know exciting opportunity for the year. We're quite optimistic, although it's still early for our new schedule, but we're seeing great performance from Come Dine with Me Canada, Love It or List It, Property Brothers, and we're just entering into our very seasonally strong Christmas movie period, and that's on W, but it's also on YTV incidentally, and those tend to be very, very successful promotions for us.

So - but on the women's vertical everybody is pulling their weight and W is doing well and has the potential to do better.

David McFadgen: Okay.

Thomas Peddie: David, it's Tom.

David McFadgen: Yeah.

Thomas Peddie: I was just checking the numbers and advertising would represent about 25% for OWN, so its sub would be 75%. As you know, most of our channels, you know like the YTV would be kind of 55% advertising and 45% sub. So, what we're really talking about there is the significant potential for upside to make OWN into a W-type channel.

David McFadgen: Yeah, I was kind of thinking about, like a W kind of channel, but anyways...

John Cassaday: Well, no certainly, as I say, that was what our goal...

Chris Pandoff: That's our goal, yeah.

David McFadgen: Yeah. So, when you look at - you know there's new programming out on OWN right now. I know in the U.S. some of the ratings have picked up a little bit. Can you give us the experience in Canada so far with the new programs?

John Cassaday: Yeah, I mean absolutely. I mean, the two big tent poles, which are at 7 - you know, at 7 o'clock are the Rosie O'Donnell Show and Oprah's Lifeclass. The former is fairly self-explanatory, it's a variety show format with Rosie O'Donnell. It's generating some great ratings. It's actually beating - both those shows are beating our forecasts, and our forecasts were significantly ahead of the kind of average for the service.

And what we're finding is that they're having kind of a halo effect on the evening audiences, so our audiences are tuning in for those two shows and they're hanging around after or they're coming in early, so we're - it's having the desired effect.

There's a couple of other shows which are just about to launch. One is called Sweetie Pie's, which is about a - one of Diana Ross's backup singers who launch - opens up a bakery in St. Louis. Put that on your calendar, David, and watch that...

Douglas Murphy: Appointment viewing.

John Cassaday: ...and that's doing huge in the U.S. We're just about to launch it. And the other one is called Don't Tell the Bride, which I can't tell you what it's about, but those are two shows that have launched in the States and done well, and we're launching them now.

So, the new OWN programming, the big focus, marketing promotables, are looking like they're promising in these early days.

David McFadgen: Okay, and then just a question for Tom. The last conference call, you said you thought CAPEX for 2012 would be about $15 million. Is that still where you're thinking?

Thomas Peddie: That's correct.

David McFadgen: Okay. So then, if that's the case you guys would be generating even more free cash flow in 2012? In the past, you've traditionally returned about 70% back to the shareholders through dividends and share buybacks, but I noticed in this year you didn't buy back that much stock. I mean, what's your outlook for next year for the stock buybacks?

Thomas Peddie: Well, let me answer that. I guess the first question, with respect to cash flow, we will give guidance later at our Investor Day, and clearly our goal is to always generate more free cash flow each year. I think our free cash flow this year was a - probably a little higher than what we had originally thought it would be, which helps buy some land sales which is about $8 million.

So, you know it gets the run rate down into the, you know the 120, 125 range, so our goal would be to increase that. We have been consistent in saying that we want to return about 70% of our cash flow back to our shareholders in the form of dividends and share buybacks.

You saw in our note that we purchased approximately about $7-1/2 million of shares since we implemented the normal course issuer bid in June. We'll continue to buy, but our focus would be on the dividend and when we increased the dividend by 16% last July we said that we would look at it again during fiscal 2012.

David McFadgen: Okay. Okay, that's it for me. Thank you.

John Cassaday: Thanks, David.

Operator: And our next question comes from the line of Colin Moore with Credit Suisse. Please go ahead.

Colin Moore: Great. Thanks and good afternoon. Maybe not getting too far into the weeds, but I was wondering if you just had any comments on your recent broadcasting license renewals. I know in particular you got a little bit of flexibility with respect to some of the Canadian programming expenditures, P&I, could you maybe just comment how that might help you allocate your programming or if you see it as much as an advantage?

John Cassaday: Well, we didn't get everything we asked for, but we got some things that we asked for that we think we can use to our advantage.

So, the nature of service on YTV was expanded, which allows us to go after that family viewing more aggressively than we've been able to the past. And strategically what we did, of course, was we launched Nickelodeon to flank YTV so we can offer a pure kids service with Nick, and then use YTV, again as I said, to attract families and of course drive growth in that particular way.

We were previously restricted in the number of movies that we could show on YTV. We got relief on that. There's no question that there's a great inventory of family films. And because of our terrific position that we have as a film acquirer in Canada with our movie business, we have access to great films. I mentioned in my opening remarks, Madagascar 2, which will come on to YTV, but the more films we can get on YTV, again the stronger we are on the family side.

We had some sort of, what I would call, legacy license conditions on YTV and W that were eliminated, and those conditions revolved around a requirement that we run non-North American content. So typically, that would mean U.K. or Australian (air). Because we have specific Canadian requirements, we'd rather be able to use those slots for strong U.S. shows, and of course the deal we just did with ABC Family will give us even more access to high-quality ratable inventory there, so again a big opportunity for us on that front.

So make no mistake about it, we're not going to be content with what we did get. Gary Maavara, who heads up our regulatory affairs, will be working with the presidents of the division - of the TV guys to go back and get the additional flexibility that we need to be able to serve our customers even better in the future.

But, there's - you know we did get a number of things that are positive, I mentioned just three of them that should help us deliver better ratings and better growth for our channels.

Colin Moore: Got it. Thanks for that color, and just a final one on maybe your deep library from your kids programming. We've seen some of the U.S. programmers really have much higher international and digital revenues from selling some of their libraries.

Beyond some of the brands you've highlighted that you're sort of rejuvenating, like Babar, are you getting increased inquiries with respect to some of the cheaper programming in your library that you could expect to monetize?

Douglas Murphy: Colin, it's Doug. The short answer is, absolutely. We - as you know, we've done some license deals with Netflix, majority of which outside of Canada. We have been approached and are discussing opportunities with a number of (SVOD) operators out there. You're likely aware of Amazon Prime, Xbox LIVE. The list goes on.

There's a lot of digital platforms launching at the moment and high on their list of acquisition candidates is kids content. And what's even more encouraging is we're finding, because of the way the - for example, the way these algorithms work with the Netflix's and the Amazons is the mid-tail stuff, in other words the stuff that's not Disney, Nick, or Cartoon Network.

Our stuff rises up when - if you like - you know if you like (unintelligible), you might like Franklin. And so, we're finding that the performance of our shows on these digital platforms is overperforming and over-indexing to the expectations of the platform itself, which offers us opportunities to renew at more favorable rates.

So I think in the coming year and years, the international digital revenues from Nelvana's deeper library will become much more meaningful.

David McFadgen: Great, sounds great. Thank you very much.

Operator: And Mr. Cassaday, I'll now turn the call back over to you for your closing remarks. Please go ahead.

John Cassaday: Well, once again, thank you for your interest in Corus. We look forward to seeing you all on November 30, here at Corus Quay. I'm sure Tom and his team will be - with the details to you in the - in a very short period of time.

So, thanks for your call. Bye for now.

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

Have a good day, everyone.

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