CORUS ENTERTAINMENT

Moderator: John Cassaday
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1:30 pm CT

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Corus Entertainment Q4 and year end analyst and investor 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 you can press the 1 followed by the 4 on your telephone. If at any time during the conference you need to reach an operator please press the Star followed by the 0.

As a reminder today's call is being recorded Thursday, October 23, 2014. I would now like to turn the conference over to Mr. John Cassaday, President and Chief Executive Officer of Corus Entertainment. Please go right ahead sir.

John Cassaday: Thank you Operator. Good afternoon everyone. I'm John Cassaday and welcome to Corus Entertainment's fiscal 2014 fourth quarter and year end report and analyst call and 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 website in the Investor Relations section and 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 on SEDAR.

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

So first of all turning to slide 3 of the PowerPoint presentation, we have had a successful year growing revenues matching our best ever performance in earnings and our best ever performance in margins and then delivering a record-setting performance in free cash flow.

Also importantly we completed ahead of target the integration of our newly acquired assets Historia and Series Plus. Teletoon's five specialty television networks were also integrated and two Ottawa based radio stations. All of these contributed to double digit revenue growth of 11% for the quarter and for the year.

As a reminder, our year end results include 100% of Teletoon as of September 1, eight months of Historia and Series Plus, and seven months of the Ottawa radio stations.

With the adoption of IFRS 11 joint arrangements, our operating results for fiscal 2013 have been restated to eliminate the segment profit related to our 50% economic interest in Teletoon which is now recorded under Other Income. This restatement did not change reported net income for fiscal 2013.

Moving to slide 4, in addition to delivering significant top line growth in the quarter and the year, the company's ongoing focus on cost controls coupled with our swift integration of the acquisitions resulted in impressive segment profit growth up 15% in the quarter and for the full year.

Turning to slide 5 for a review of the fourth quarter and full year, with our favorable financing we exceeded our targeted cost synergies for the acquisitions realizing accretive net income and free cash flow growth for the company. As a result adjusted net income attributable to shareholders and adjusted basic earnings per share were up 8% and 7% respectively on a full year basis.

Free cash flow continues to be a key strength for Corus and we were extremely pleased to have delivered record free cash flow of $175.3 million for the year which was a significant increase of 13% from the prior year.

Growing free cash flow remains an ongoing priority for us since it supports our dividend strategy as demonstrated by our dividend increase of 6.9% in January 2014 and enabled us to further enhance shareholder value.

Turning to slide 6 and a review of our radio business, fiscal 2014 was a disappointing year. A soft advertising market and ratings issues in certain key markets resulted in revenue and segment profit declines of 6% and 18% respectively for the full year.

While radio did a very good job focusing on cost controls which contributed to segment profit margins of 26% for the year including the impact of the Ottawa radio acquisitions, it was not enough to offset radio declines. In Q4 radio implemented a number of changes to refine programming and sales strategies resulting in annual savings of around $4 million.

Turning to slide 7, television delivered double digit increases in revenue and segment profit up 16% and 19% respectively for the full year. With our recent acquisitions specialty advertising and subscriber revenues were up 36% and 21% respectively for the fiscal year.

Ongoing softness in the ad market due in part to currency fluctuations and account movement between ad agencies and of course advertiser experimentation with non-linear platforms has created some demand challenges for the overall television advertising market and I'm sure we will get into a discussion of this a little later.

However, we are pleased to see that our programming strategies continue to deliver solid ratings for the quarter and for the year on some of our key brands particularly our flagship service W Network which was number one amongst its competitive set.

While subscriber revenue grew due to the acquisitions, this was offset by a slight decline in Pay TV subscribers as well as from ordinary course packaging and rate changes.

In Q4 we concluded a significant content licensing deal with Rogers and Shaw's new SVOD service Show Me and we are excited about further sales of our content as new over-the-top offerings emerge. However, these gains were not enough to offset lower merchandising, distribution, and other revenues which were down 16% in the quarter and 28% for the year primarily as a result of the higher Beyblade revenues in our prior year.

The television division did a great job in controlling their costs and exceeding the synergy targets for our acquisitions resulting in excellent segment profit margins of 41% which was up from 40% last year.

Moving ahead to slide 8 and our outlook for the first quarter, as we enter a new fiscal with an expanded portfolio of assets, rating strength on our key television brands, the repositioning of certain large market radio stations, and a number of new digital opportunities on the horizon, we are optimistic about the future.

Our focus is on strengthening our core business, maximizing the opportunities our new assets present, and leveraging synergies across our segments to drive our financial results in this fiscal year.

Now to address guidance, given our fiscal 2014 results we have adjusted our financial guidance for fiscal 2015 lowering our consolidated segment profit guidance to a revised range of $300 million to $320 million.

The lower end of the range contemplates continued softness in the economy and its impact on discretionary advertising expenditures and minimal growth in subscriber, merchandising, and distribution and other revenues. The upper end of our range reflects our strong operating leverage should there be an improvement in the economic and advertising environment.

Turning to our free cash flow guidance, with our strong performance this year we are increasing our free cash flow guidance to $180 million for fiscal 2015. Now on to our outlook for radio.

While advertising softness continues, our research has led us to conclude that the issue for Corus is largely formatic in nature as opposed to secular. In Q4 we introduced a number of programming initiatives focused on improving soft ratings in some of our key markets. We have rebranded stations, we have reformatted programming lineups, and we have refreshed content on many of our key radio brands while implementing new sales initiatives to lower our cost base.

These initiatives we're pleased to say are starting to take hold and we are very encouraged to see ratings growth in some of our key markets particularly Vancouver and Toronto.

Recently released Numeris which is the former BBM data indicates that Corus' market share is up with growth in Toronto and gains in Vancouver and Calgary. In Toronto for example Q107 shifted its focus from a pure classic rock station to Toronto's Rock Q107 which gives us a broader audience appeal. This rebranding has been very well received and ratings are up nicely and we expect continued growth from this key station throughout the year.

102.1 The Edge is also revamping its programming lineup and has brought back popular musicologist Alan Cross to produce new content, host a new show Adventures in Vinyl, and importantly revive the iconic series Ongoing History of New Music which of course has been syndicated across many of our radio stations and is part of our drive to extend more of our content across multiple platforms.

In Vancouver we have also seen some retooling where our stations have adopted strategies to broaden the audience base with fresh branding, new lineups of personalities, and social media savvy hosts.

Calgary's Country 104.5 has been nominated by the CMA Awards as one of the top five stations in North America in the Large Market Station of the Year category. So that is in fact one of the top five stations in North America, not just in Canada, and we're very proud of this particular nomination. The winners will be announced in Nashville, Tennessee on November 5 and this prestigious nomination demonstrates the power of our country music format in Calgary.

In our newest radio market Ottawa our newly rebranded station Jump 106.9 is gaining traction and we expect its favorable reception will be reflected in November's rating books which are now again as we mentioned earlier the Numeris results. Ottawa's 99.7 Boom FM has also made changes introducing a new roster of fresh and favorite faces to the station's lineup.

Turning to television, while we are facing some ongoing advertising demand softness we are encouraged that audience delivery on our core brands remain solid. In Q1 television continues to focus on maximizing sales opportunities and sustaining the ratings momentum over the course of the year.

While advertising pacing is currently behind year ago on our women's and family networks, kids' directed advertising on our kids' services is pacing well with solid performance across key categories fueled by new and returning businesses.

We expect the stellar lineup of new fall series on our kids' networks will bolster ratings and continue the positive trends we're seeing in kid targeted ad spending through the fall and into the important holiday season.

On the international front Nelvana is focused on leveraging its deep library of globally recognized brands to drive revenue across linear and digital platforms.

On the production side of the business Nelvana continues to target content deals with toyetic potential. Our newest preschool properties Trucktown and Little Charmers were showcased at the International Trade Market MIPCOM last week and we're excited about progressing these merchandisable brands which were well received internationally.

Little Charmers debuts worldwide on Nickelodeon in spring 2015 and Spin Master is on board as our master toy partner with a superb lineup of toys and accessories that are slated to roll out globally.

Trucktown premiered this September on Treehouse in the number one spot and ranked number two on iTunes for top episodes aimed at kids. As well, we have just secured major broadcast placement for Trucktown with France's public national television broadcaster France Television.

In our women and family portfolio ratings momentum is expected to continue across our women's brands including recent ratings resurgence on CMT where audiences have been showing good growth on a total day basis for several months.

In our Corus Media business with the integration of new assets now complete, the Quebec market represents a new and exciting important growth opportunity for us moving forward. This week Corus Media concluded a key strategic output deal with A&E Networks which deepens Historia's content offering with a new lineup of global hit franchise series from History's catalog which is slated to roll out this winter.

On the subscriber front in Q1 we anticipate some softness in our pay television business due to movement in both accounts and declines and discounted promotional subscribers which will be offset by subscriber gains primarily from our newly acquired assets.

With regards to Pay TV subscribers, from this point forward we will no longer be providing subscriber numbers on a quarterly basis. As part of our CRTC filings this information will however continue to be made available to you annually.

In the coming months we will be offering targeted promotional campaigns to both existing and potential pay customers that focus on what we believe is a great value proposition. We have exclusive content from HBO and Showtime plus we have popular theatrical films from five major studios and of course we continue to have access to great series programming offered on an exclusive basis. Excuse me.

We expect this fall’s lineup of programming including the final season of Boardwalk Empire, new seasons of Newsroom, and Bill Maher and a new critically acclaimed Showtime drama The Affair starting Dominic West and Joshua Jackson will be well received.

We have also as you are aware just recently closed a landmark multi-year deal with HBO securing in-season library rights to our hit series further enhancing the value of our pay offering and allowing our customers to binge or marathon view entire past seasons of their favorite shows whenever they want.

Recently HBO announced that it is launching a streaming service in the United States. Here in Canada Corus continues to be the home of HBO programming in the west and we have a multi-year, multi-platform deal in place with HBO to deliver its programming exclusively in our markets.

We are working to better understand the mechanics of this deal to HBO in the United States and ultimately to Corus as its partner in Western Canada. But let us say today that the spirit of our arrangement with HBO is that we would be allowed to mirror whatever innovations HBO implements in their domestic market.

We will continue to work closely with HBO and our distribution partners to determine what works best for our market as the landscape evolves. One of our strategic priorities for television and radio is to own and exploit more content across multiple platforms. As part of this strategy we have also announced a number of new initiatives.

On Monday for example we are premiering an exclusive in-depth music special with Taylor Swift that will air nationally across four of our television networks, CMT, ABC Spark, Cosmo, and YTV, and 13 of our radio stations. The special, Taylor Swift 1989, debuts on the same day Swift releases her highly anticipated new album. Additional related content will be pushed to Corus radio websites as well. This is our biggest cross platform initiative to date and it will be the first of many.

We recently entered into a strategic partnership with the U.S. digital media company KIN which operates the number one female focused lifestyle multi-channel network on YouTube. This forward-thinking deal represents our first entry into the fast YouTube NCN space and it will provide Corus with new scale and appeal to media buyers looking to reach the highly coveted women’s demographic with expanded native advertising campaigns that can be delivered across broadcasts and YouTube platforms.

We also signed a groundbreaking multi-year co-development deal with Bento Box, an Emmy Award winning prime time animation powerhouse known for such hit series as Bob's Burgers and the Awesomes which will give us an ownership position in prime time animation.

Together we will develop animated contact - sorry, animated content targeted to the 18 to 34 year old market that will bolster Teletoon at Night's lineup of original series and will be distributed on multiple platforms domestically and internationally.

Here and abroad we are seeing significant SVOD and OTT opportunities for Nelvana's library of titles and for newly commissioned first run content as new players emerge and demand for kids' content and the digital space continues to grow.

Internationally progress has been made in closing digital content deals with Netflix Europe, Digital Latin America, and Maxdome in Germany. Closer to home, the emergence of multi-platform product offerings in Canada provides new outlets for kids' content.

In conclusion as we head into the new fiscal, the ongoing strength of our brands, opportunities from our new assets, strong audience delivery on television, the repositioning of key radio stations, and our growing investment in content and digital media will drive growth for our business and deliver value to our shareholders.

Before we turn the call over to you we would however like to confirm the date of our annual Investor Day which will be held at 9:00 am Eastern Time on Thursday, November 20, 2014 at which time we will update our investors on our fiscal 2015 priorities particularly focusing on that of which we are most excited for the year to come. This event will be webcast live on our website. We will now be pleased to take any questions that you may have so Operator we'll turn the call back over to you.

Operator: Certainly, thank you very much. Ladies and gentlemen if you would like to register a question please press the 1 followed by the 4 on your telephone. You will hear a three tone prompt to acknowledge your request. If your question has been answered, to withdraw your registration it is the 1 followed by the 3. If you're using a speakerphone lift your handset before entering your request.

Once again it is the 14 on your telephone to ask a question. And we'll proceed with our first question from the line of Paul Steep with Scotia Capital. Go right ahead.

Paul Steep: Great, thanks. John maybe we could start off and get your thoughts or some of your commentary. You obviously appeared before the commission for the Talk TV hearings. But maybe some thoughts around how you're thinking about pick and pay and what that potential holds and how you're positioning the business.

John Cassaday: I think the - thanks Paul. First of all to focus on our specific three recommendations, first of all the premise that we had is that Canadians are satisfied with the services that we provide and that the status quo should be allowed to prevail.

If however the commission feels in response to the speech from the throne that more consumer choice is the order of the day then what we said is first and foremost we strongly recommend that the default be the status quo.

So that if people after having tried to make numerous selections which we think will be more paralyzing than empowering get frustrated that they can simply default to accept the services that they have - are currently enjoying in their home. So we're really hopeful that recommendation would be accepted.

The second recommendation that we made that we have positioned very powerfully to the commission is that if in fact they do decide to move ahead with the skinny basic that children's programming services be included in that particular offering.

And specifically we said at least the service dedicated at 2 to 6 year olds and at least another children's service dedicated to 6 to 11 year olds. We felt that children's programming was critically important to Canada and that it was important for kids that those services operate under the protection of the basic broadcast regulations that we have in place to protect children while they're watching shows of interest to them.

And then the third thing that we recommended is that they take a more anthropological approach and test this. And, you know, we argued that no one would put a new airline in the air without first testing it out. And let's go and watch some families try to make these choices and make sure that we know precisely what the impact is going to be. So we thought that could be accommodated within the timeframe that they were looking to and that it was worth doing.

So we'll see where we net out. We expect that there will be a decision made probably in the first quarter of calendar year 2015 and that implementation would take place probably at the beginning of 2016 but no later than the end of 2015.

And we believe that there are some complications associated with a transition to a, you know, pick and pay environment that the - particularly the cable industry will have to explore with the commission which could further slow down this thing. In fact if I was to make a prediction today we'd probably say it would be the end of 2016 before we see this in place.

Paul Steep: Great. And then I guess for a follow-up here, if we think about HBO and the CBS OTT deals, obviously there is no change in Canada until at least 2018. And maybe put it in context the deal you just did for extra content how you're thinking about this, you know, sort of shift out to your experiment in the U.S. Thanks.

John Cassaday: Well certainly we're seeing multiple platforms emerge and we're seeing a lot of experimentation. You know, no one really knows precisely what HBO has in mind. There's - God is in the detail on these things. And I rather look at this as not dissimilar to Air Canada deciding to introduce flights out of Billy Bishop Airport. It didn't mean they were walking away from Pearson. In fact Pearson is still going to be their principal point of deportation. But there was another airport and they took advantage of that.

In this particular case HBO identified an opportunity to make content available to broadband subscribers that aren't video subscribers and we'll see what can happen. But they need to figure out how they're going to price it and how they're going to market it and how they are going to bill for it and how they're going to share with their partners. Because I think HBO has been clear for quite some time that they want to protect the Canadian ecosystem.

As we said in our opening remarks today, the spirit of the agreement we had with HBO when we entered into it was that we would be able to stay in lockstep with them because none of us really could predict with any certainty what the future looked like.

So in summary we're, you know, we would include ourselves in the group of people that think protecting the ecosystem is important to all of us but continuing to be experimental is critically important. And we have announced recently that we ourselves plan to have at least five of our networks available as apps over the course of this year and we are of course selling as much content as we can to OTT providers right around the world. Many of those deals we talked about in our opening comments.

Paul Steep: Perfect. Thanks guys.

John Cassaday: Okay thank you Paul.

Operator: Thank you very much. And we'll proceed to our next question from the line of Aravinda Galappatthige from Canaccord Genuity. Go right ahead with your question.

Aravinda Galappatthige: Good afternoon, thanks for taking my question. Hi, I just wanted to start off with radio. You touched on some of your plans, your turnaround plans and sort of the progress that you have been making. So given sort of the improvements that you're seeing in the rating and the rebrandings that you have done, is it - I wanted to get a sense of what your outlook is in terms of sort of getting back on track with respect to the market. You had a period of declines.

Is it fair to say that given sort of the trends we're seeing now sort of towards the back end of '15 you will be back on track with sort of whatever the market growth is in your geographies for radio?

John Cassaday: I would say it would be no later than the back end of fiscal ’15 and maybe as early as Q2. The bottom line in radio is it really comes down to the four key markets of Vancouver, Calgary, Edmonton, and Toronto.

We’re rock solid in Calgary. Edmonton has improved nicely. And then in Vancouver we’ve seen very, very nice pickup at Rock 101 and in Toronto at Q107. The two stations that we’ve really got to get back on track are the two alternative rock or new rock stations. And I think those are both a work in progress so we’re very confident that we can start to see progress there.

But it’s clear that they’re still generating (cume) and share below year ago and we’ve got some work to do. But, you know, if we had to say what we really need to ensure we’re successful it would be to get Rock 101 and Q107 back on track. And the most recent PPMs as you know have been very, very positive for both of those two. So we’re very optimistic about our ability to start to see some growth again in radio and very optimistic and confident in saying that we have hit bottom.

Aravinda Galappatthige: Thanks John. I just wanted to switch over to the cost side a little bit. I mean, you’ve talked about your synergies and the fact that you kind of gotten them, you have exceeded expectations. Is there an element of spillover into fiscal ’15 as well?

I mean, I guess what I’m specifically asking is the Q4 numbers, do they fully reflect that fully ramped up level of synergistic savings or is there a little bit more to go as you kind of look to Q1 and Q2 in fiscal ’15?

John Cassaday: I would say that the savings are pretty much fully reflected. We pretty much captured everything that was available from those synergies. I would say

Aravinda that part of our culture here has been to hold and protect our margins. So we're constantly looking at opportunities to operate more efficiently and to ensure that we can maintain those margins.

We're really pleased with our TV margins. We're disappointed that our radio margins were allowed to slide below our historical 30 level. But as we've said many, many times, radio is a fixed cost business. If we can get those revenue numbers up even two points, that could result in six and seven point increases in EBITDA. And again we're very optimistic that in fact is, you know, a part of the art of the possible here.

Aravinda Galappatthige: Thanks John. And my last question, I know you don't sort of give specifics on this but just so that we appreciate where things stand with respect to television advertising, sort of working back through some of the acquisitions, is it fair to say that this quarter sort of the ad declines that we're looking at is sort of in the mid to high single digits? Is that a reasonable estimation just for the television side?

John Cassaday: This past quarter was a disappointing ad performance for us. As we mentioned we were pretty darn satisfied with our ratings and our competitive position. It was really demand related.

So, you know, there's a couple of factors that we would point to. One that we can't overstate was the devaluation of the Canadian dollar and the fact that so many of our customers are foreign multinationals reporting to their U.S. parent in U.S. dollars. So they had to offset those currency declines with reductions in variable costs. Advertising was one of them.

We also talked about account movement being a factor this year and we also talked about the fact that there's no question typically in the women's side of our business we're seeing some migration to digital. Those factors all continue.

The other thing that I would say is that one of the frustrating things for us is just the business comes in so much later than it has in the past. And I'm going to give you an example just because I think - I want everybody to understand just the challenge that we're having in being as forthcoming with you all as you would like about this.

But just last week we booked $2-1/2 million of revenue which was about double what we did in the same week year ago. And 60% of that booking was for Q1 which only has five weeks to go. So, you know, in the past we never would have seen that level of volume being booked against a quarter which is more than half done.

So this is, you know, a rather new phenomenon and, you know, we've been sort of taxing ourself as to why this might be. And one of the theories that we have which is yet to be proven is that there was a pretty massive change in the market structure this year with the significant investment that Rogers made in hockey and the relative lateness of all of that product inventory being put into the marketplace.

And, you know, we're wondering if in fact there is some pent up demand for inventory that will spring loose once all of the hockey decisions are made by so many of our advertisers in the marketplace right now.

So, you know, we continue to be optimistic because of our rating strength and we're starting to see business roll in. As you can see from that one example I gave you, substantial amounts of advertising but very late. And it's making it harder to forecast than we have in the past. And I'd invite Doug to make any other additional comments that he would like to on this broad subject of what is happening in the ad economy.

Doug Murphy: John you covered a lot of good parts. I would add just two things. One is that we had our KIN community team up here a few weeks ago and we did a bit of a road show with all our agencies and clients.

And I can tell you, you know, to the letter every single agency was thrilled to engage in discussions with Corus about how to launch new native advertising campaigns to the five minute premium branded video online YouTube based targeted at women campaigns which clearly is an area that is a high growth area.

And it is what we've been hearing so many times from our agency partners is that I've got to go to digital but I don't want to buy display ads, you know, give us a solution. Well we've got one.

So we really rang the bell there and we're looking and feel very confident that this KIN opportunity will be the first of many as we look to similar investments in similar digital platforms that reach our targeted audiences and are a perfect complement to our linear television advertising.

Relatedly the second area I just note in terms of looking forward is -- and I'll come back to this later when we talk about content ownership on women's and family because I know that many of you are looking for an update in that regard -- is we have a number of fantastic unscripted reality shows on W that are now coming, Pressure Cooker and others, Game of Homes which have an unprecedented amount of client integration built into the show.

Again, high margin, premium value advertising that we're being asked to deliver to our agencies and clients. And this heightened level of focus, the sort of intersection of programming and advertising is the kind of innovation that we're going to continue to focus on to address softness in the sort of what I'll call the traditional ad spend economy.

So there are two examples of things we're doing to address the macro softness. We can bring forward some if you would micro strategies that are targeted and very effective and have high value to our audiences and our agencies.

John Cassaday: Aravinda you asked if - and I think I answered the question that, you know, was the advertising soft on your core business in the fourth quarter and the answer to that is it was. And it was below our expectation for many of the reasons, in fact all of the reasons I mentioned would capture why that situation existed. But I think your intuition or assumptions about the dynamics of our revenue case in Q4 are accurate.

Doug Murphy: I might add one more thing. In terms of the look back and what happened is that let's not forget, you know, the FIFA World Cup in the summertime and then of course the Olympics in the winter. And to our analysis, you know, that sucked up probably $100 million of advertising. Other markets it might have come to the rest of us, you know, that didn't carry those sports programming tent pole.

So it certainly was a year of interesting outcomes. But that would be the other item in addition to foreign exchange, CPG, shift to digital would be, you know, a real wakeup call in terms of some of these big sports tent pole events.

Aravinda Galappatthige: Great, thanks. Thanks a lot John and Doug, that's great color. I will pass the line.

Operator: Thank you very much. Now we'll go to our next question is from the line of Vince Valentini with TD Securities. Go right ahead.

Vince Valentini: Yes thanks very much. Just leveraging off that last question, I'm not sure you'll be able to answer it because you seem to not have the visibility yet. But is it your impression that there has just been a delay in maybe advertising decisions because of this huge hockey launch on Sportsnet or do you think there may be somewhat of a permanent shift here?

GSN is still out there with, you know, pretty good hockey rights and I'm sure they're pushing hard. Now Sportsnet has a much more compelling offering. Is there just a possibility there is a permanent shift in ad dollars, you know, away from your type of channels to those sports networks as they're making a big splash?

John Cassaday: No I don't think so. I think there is somewhat of a demand issue for women's content. Yes it's true that women are watching these sporting events and some dollars are going into there as they always have. But this is a discreet segment. It's demand related and I think it's largely economy impacted.

Our kids' brands are in fact pacing about flat with year ago. In fact they are pacing flat versus a year ago. The softness that we're seeing right now in our Q1 bookings is exclusively on our women's brands. And I think some of it is just dollars tied up waiting to find a home if they don't decide to lock into hockey.

But I just think that for whatever reason there is a demand issue right now on women's demos and I can't for the life of me see a scenario where that is going to continue for too much longer into the future.

As Doug said, you know, we're all getting much more involved in integrative activities. We're all providing the value added multi-platform opportunities that our advertisers are looking for. And we've got good ratings and good services with W, Cosmo, and OWN. So we're very optimistic about those businesses but the visibility today is not great.

The other thing I would say Vince is that if I look at the bookings report, September was very soft, October and November just absolutely fine. So we're playing some catch-up here and hopefully September was the exception as opposed to the new norm.

Vince Valentini: Okay thanks. A couple maybe for Tom. You mentioned the Show Me revenues. I'm just trying to get my head around this. You would have booked revenues for selling your content to Show Me even though Show Me hasn't commercially launched yet? Is that how the dynamics of your content sales work?

Tom Peddie: Yes all of the content was available to them by our year end so under our revenue recognition we would have recognized it.

Vince Valentini: So is there an ongoing revenue stream as well or is it kind of a one-time sales?

Tom Peddie: It would be a one-time sale.

Vince Valentini: Okay. And then last one on the free cash flow. Just can you walk us through a little bit the delta between call it a fairly meaningful reduction in your

EBITDA guidance but yet the free cash flow guidance is up. So is this program investing that you're cutting back on or other CAPEX or is it interest or something else? Tell us how you get to the higher free cash flow.

Tom Peddie: Well I'll build on John's earlier comment that, you know, we delivered record free cash flow this year, $175 million on $290 million worth of EBITDA. So as you look forward we will have our cash flow from our acquisitions of H&S for an extra four months. And so, you know, you take that into consideration. And so I think the number is...

John Cassaday: And then at the bottom end of our range $10 million more in EBITDA and at the top end of our range $30 million more in EBITDA. So that would be the sort of circular route to getting to that new cash flow number.

Vince Valentini: So can I sum that up that your old free cash flow guidance was extremely conservative then? You had built in lots of buffer that you don't have anymore or something? I'm trying to figure out the difference between the old free cash flow guidance and the new as opposed to - I understand your year over year point you're making.

John Cassaday: I never really like to use the word whether the target is conservative or aggressive. It's the target that we felt comfortable with at that particular point in time. And the target that we have given now we're comfortable with based upon our track record though we generally seem to provide a number that's lower than what we actually achieve.

Tom Peddie: We did do better on our cash flow at year end than we anticipated so, you know, it's off a higher base as well Vince. You know, we did - yes we, you know, spent a little bit less than capital expenditures in fiscal '14 than we had so that helped the number and so - and we also did a much better - we expect to do a good job on collecting our tax credits and managing our working capital. So it's a number that we're comfortable with.

Vince Valentini: I'll tie that all together with one last question probably for you John is free cash flow is good but the organic trends in terms of revenue and EBITDA have been a bit soft. And we have this overhang of uncertainty on what the CRTC might do with the Let's Talk TV hearing.

So with that all sort of surrounding you, does it make sense that there could be a dividend increase in the next little while or do you think you need to let some time go by to see what the CRTC has to say and maybe wait until the second or third quarter to see your organic trends in ad revenue?

John Cassaday: Well that's going to be a decision that the board will have to make Vince so I really can't comment on that today. You're aware that as sort of a strategy that we like to commit 50% of our free cash flow to dividend. Our free cash flow is up so I think, you know, the board will have to take that into account.

Given some of the uncertainty in the ad economy I don't really think the Let's Talk TV hearing is going to be a significant driver in their thinking because there's just too much ambiguity about what that might look like. And, you know, as we said our expectation is that it's probably not going to be a factor in our lives if at all until late in 2016.

Vince Valentini: Good color, thank you.

John Cassaday: Okay thank you.

Operator: Thank you very much. And we'll get to our next question from the line of Tim Casey with BMO. Go right ahead.

Tim Casey: Thanks John. With your focus on margins as you stated given the revenue environment, can you talk about what you are investing in? I mean, if you are launching channels on apps presumably you need some marketing and billing strategies there. And I'm assuming you're still investing in your core products. So what reassurances can you give us that, you know, you're not foregoing future growth opportunities as you focus on near term margins? Thanks.

John Cassaday: Well Tim it sounds like you were listening to our board meeting this morning because that is a balancing act. And the one thing that we can assure you is that we're continuing to invest in programming.

One of the things that we have been pushing for a number of years now which we ultimately got was group based licensing. And this has allowed us to really target our program spend against those brands or networks that we feel have the most upside potential.

So you could certainly expect us to continue to invest in programming and certainly we've talked in the past about our programming expense line being in the 4% to 6% range incrementally. That would continue. As it relates to the investment that we're making in the introduction of new apps, I'll let Doug comment on that.

Doug Murphy: Thanks John, hi Tim. I'll give you three or four examples of ongoing investment that is critical to our business and that we're quite excited about launching. First and foremost our kids' apps on TV Everywhere so that will happen beginning in March. And details will come at Investors Day but I'll give you a bit of a flavor.

We'll have all of our major kids' services launched on a TV Everywhere basis authenticated to the BDUs in fiscal '15. That's an important competitive answer to, you know, fragmentation from OTT and non-linear competitors. So that's one that requires an investment. You know, not significant but meaningful in terms of protecting the core business.

Nelvana of course we continue to spend a significant amount of dollars in that business targeting the 100 to 125 episodes a year. We just came back from MIPCOM last week and we have, you know, a number of properties some of which you have heard of before that John mentioned in his remarks like Little Charmers and Trucktown which are looking fantastically well positioned.

And some other ones, (Misticons) he has spoken to which is boys action and some newer shows like Ranger Rob and one which will be announced in the coming weeks. So we are feeling very enthusiastic about our Nelvana slate.

Next up investing in radio, radio as we discussed has been a turnaround project. The investments that we're making in radio starts with research so really understanding what is going on in the marketplace. We've been - in all of our clusters we have experienced ratings erosion. We have been investing in research to understand, you know, first and foremost where is the hole in the market, where can we go, what's the right music recipe. We test those on our first and second preference listeners.

We then look at our on-air count. Do we have the right talent that matches up with our recipe. If not, let's change them out. We have secured some of our best talent. John mentioned Alan Cross coming back to the Edge here in Toronto. We have locked up (Billy Percy) and Rock 101 in Vancouver. We have made significant changes in all of our AM talks out west. All of these align with research based on either improving the music recipes or aging down the top targets.

And I think the final one I'd just touch upon in a little more detail is the HBO investment in in-season content which we announced most recently. We're aware that, you know, we continue to be challenged to grow quarter over quarter with HBO subs.

We're not concerned. We know we have got the best value prop out there in terms of the content we're now able to provide. You'll be able to watch all the prior seasons of Boardwalk Empire, Game of Thrones, True Blood, Girls on our stacked SVOD and scheduled prior to season launch.

That will draw audiences. That will be used in acquisition campaigns to attract new subscribers. So rest assured that whilst we are intensely focused on costs we are not losing sight of the long game and that's to grow our business.

John Cassaday: Tim just a couple of other quick things because I think this whole focus on the future is really important. And just to remind everyone that we continue to invest over $50 million a year in new content for our kids' business producing on average 125 to 150 new episodes obviously in quest of the next Beyblade or Boptagon which will make us all look a lot smarter if we can get another one of those again.

Fingerprint is another investment that we made that's looking very good and you may recall there was a recent announcement that Dreamworks has joined us on that in the last round of financing increasing the value of that and putting additional focus on just what a good business opportunity that we have on our hands there.

Our investment in Steamboat is turning out to look really nice with of course their position in GoPro which has been a huge success. But our investment in Steamboat and our Relay investment were really to give us a first look at new and emerging companies particularly in the mobile space so that we can get kind of a first look advantage there. And, you know, while we haven't found a particular M&A opportunity out of there, those have turned out to be pretty good looking investments for us.

And then under (Scott Dire)'s auspices we have invested in two or three incubators, again giving us a first look at some of the emerging talent and ideas that are coming in this new digital space particularly as it relates to mobile. So we're not skimping on any of the investment as we get through, you know, a choppy ad market.

Tim Casey: Thank you.

Operator: Thank you very much. And we'll now proceed to our final question from the line of Haran Posner with RBC Capital Markets. Go right ahead.

Haran Posner: Yes thanks very much, most of my questions have been answered. Maybe just a follow-up on Pay TV. So I think obviously a lot of news this quarter. There is the expanded HBO deal and at the same time I guess we lost the Disney (unintelligible) deal to Netflix.

I'm just curious when you look at these two changes and you think about margins in Pay TV, should we think that the net impact should be margins going up or down?

Doug Murphy: Hi it's Doug and I would say margins will remain where they are. I mean, we're very, very judicious about what we're prepared to invest in these upward deals. It's obvious that one of the reasons why the Disney (unintelligible) went to Netflix was because they paid more. And frankly speaking we got to our threshold of what we would be willing to pay for that content and at certain points in time we just have to pass.

And we have a strong offering with our existing studios and we think we've got - and the new HBO content was a better relative investment for us to drive subscription and acquisitions of Pay.

John Cassaday: And then Haran just to build on that, there's no renewals scheduled for this year so we have, you know, 100% visibility on our program costs for this fiscal year on Pay.

Doug Murphy: And some of the noise on the subs, you know, there's a lot of system sub loss, they are moving back and forth, packaging changes, that continues to be kind of a challenge. But, you know, we still are optimistic that we're going to be able to get on a growth trajectory with Pay on subs. You know, as we noted in our opening remarks we'll stop reporting those on a quarterly basis but we'll be reporting those as we file with the commission on an annual basis.

But we still feel like we can grow the Pay business because it's one of the best content offerings available and we remain optimistic about the future of that part of our business.

Haran Posner: So maybe just one follow-up on that one if I may. I think one of your goals was - at least in the last couple of years was to increase Movie Central's penetration on the Shaw cable system. Obviously they now have a stake in Show Me. Is that at all a concern to you that, you know, I guess the Shaw call center reps are now going to be focused on that as opposed to Movie Central?

John Cassaday: No it's not. You know, Shaw still makes more money on Pay than they're going to make on Show Me. So we think Pay remains a profitable business for all of our BDUs and as I say it's - and quite honestly depending on where we end up with Let's Talk TV, if you have the opportunity to buy skinny basic and HBO and Movie Central, I could argue that would be a very favorable outcome for our Pay services and would grow. So we're - it's still a good margin business for distributors and it's still a good margin business for us.

Haran Posner: Okay that's great. And then just maybe one last one for me. You have made the $10 million investment in KIN. I think it's going to be equity accounted. Maybe for Tom, is there going to be any revenue through your top line from this just with respect to KIN Canada?

Tom Peddie: Yes so it's Tom. Yes so we will equity account for our ownership position but we do - we will generate sales revenue so we'll have some top line in Canada and from that sales revenue ultimately have some EBITDA.

Haran Posner: Okay and then...

Tom Peddie: We'll use this to bundle and package so this is an integrative sort of offering. So, you know, people will be able to wrap around KIN Cosmo and wrap around KIN and Oprah and wrap around KIN and W. So what this does is it provides us with that sort of proverbial almost cliche added value that everyone is looking for right now with the ability to drive people to the, you know, native advertising to get some opportunity to tell their story than they get in a 30 second spot.

Haran Posner: And I would agree with that and I like the investment. I guess John is that something that we should expect to see more from you in terms of the multi-channel network space?

John Cassaday: We're looking. We have so much deal flow in our pipeline and we're I'd say 80% of it is in the digital area. And just trying to find the right deals and trying to find the right sort of economics to put them together. That's the focus. It's certainly not lack of activity or lack of interest, it's just, you know, bringing it together.

Fingerprint a good example. Our investment in SoCast for social media on radio, good example. The KIN investment, a good example. And we think CDMCM space is, you know, an area that we really want to work hard on and we're also, you know, becoming way more active on not only launching YouTube services with our kids' franchise but also mining the revenues that are being generated on YouTube right now without really any actual activity on our part.

Doug Murphy: I've got a couple of things, it's on YouTube. I want to just note that we now have successfully launched the entire Nelvana library up on YouTube so that's out there now and that has been a long time coming to make sure we had the right quality content up there just in terms of generations. It gets loaded up by others and it gets grainy. So we have got good quality content up there now so that YouTube business for now, Nelvana is alive and growing business.

I want to talk a little more about radio. I'd like to ask myself a question on your behalf about radio. We think radio is still a very attractive medium. In fact in a couple of hours we're going to gather upstairs on our eighth floor with Neilsens Catalina Solutions with 100 people jammed to the rafters talking about why against all other media radio's ROI is six times the investment.

It's hard data that has come from Neilsens Catalina. We're thrilled with it because it reminds the agencies and our advertisers that yes digital is a very splashy area right now with reasons but let's not forget about traditional media and in particular radio. And we have a counterpart that's digital to radio and that's the investment we made in SoCast as John mentioned.

And just for the benefit of all, we'll be launching each and every one of our radio stations with own station brands via the SoCast platform in the coming months. And they'll all have companion digital sales assets which we can then use to integrate digital selling with the linear radio selling.

So this is another bit of a teaser for what we'll talk about in our Investors Day on November 20. But rest assured that all of our businesses we are looking very deeply at what's the digital counterpart that we can tie in with the linear product to improve our customers' ability to reach their audiences.

Haran Posner: Thanks very much for the color.

Operator: Thank you. We do have another question on the line, it's from the line of Robert Peters from Credit Suisse. Go right ahead.

Robert Peters: Sorry, thank you very much for fitting me in. I just had a question around Nelvana. And I know at the last Investor Day you had talked about the digital revenues that you had coming in. I believe it was expected to be - it was $14 million in 2013 growing up to about $20 million in 2015.

I was just wondering, you know, given that we've seen a lot of digital deals recently and with a lunch of other over-the-top services, do you think that opportunity is growing from when you looked at it last year or can you give any context around how you're doing on that front?

John Cassaday: Well we're comfortable that directionally we're on plan given what we talked about last year. But, you know, just coming back from MIPCOM it's not the best metaphor but, you know, new digital SVOD players are popping up like mushrooms, you know, after a spring rain. They're just everywhere.

And we're also finding that all the distributors around the world, you know, we call them BDUs, U.S. call them MVPDs, whatever you want to call them, they're all saying hey I've got to buy some content from you guys because Netflix is launching in Germany or in France or in Netherlands. So we're talking to, you know, France Telecom, Deutsche Telecom, Orange, whatever you want to name it. Everybody wants to answer the OTT competitive threat.

So yes there is still lots of headroom in the digital licensing space whether or not it's to the over the top providers or it's to the sort of existing ecosystem distributors globally, it's still ripe with opportunity.

Robert Peters: Perfect, thank you very much.

Operator: Thank you. And Mr. Cassaday we have no further questions. I'll turn it back to you for any closing remarks.

John Cassaday: Thank you Operator. Thanks everyone for your continued interest in our company and we look forward to seeing most of you in person at our Investor Day on November 20. Bye for now.

Operator: Thank you very much. And ladies and gentlemen this concludes the conference call for today. We thank you for your participation and ask that you disconnect your lines. Have a good day everyone.

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