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Corus Entertainment Inc.

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PRESENTATION

Operator

Ladies and gentlemen, good morning, good afternoon, and evening. My name is Jake, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Corus Entertainment Q4 2022 Analyst and Investor Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, 2. Thank you.

As a reminder, this call is being recorded.

I would now like to turn the call over to Mr. Doug Murphy, President and CEO of Corus Entertainment.

Mr. Murphy, you may begin your conference.

Doug Murphy — President and Chief Executive Officer, Corus Entertainment Inc.

Thank you, Operator, and good morning, everyone. Welcome to Corus Entertainment's Fiscal 2022 fourth quarter and year-end earnings call.

I'm Doug Murphy, and joining me this morning is John Gossling, Executive Vice President and Chief Financial Officer.

Before I read the cautionary statement, I'd like to remind everyone that we have slides to accompany today's call. You can find them on our website at www.corusent.com under the Investor Relations, Events and Presentations section.

Now let's move to the standard cautionary statement found on Slide 2. We note that forward-looking statements may be made during this call. Actual results could differ materially from forecasts, projections, or conclusions in these statements.

We'd like to remind those on our call today, in addition to disclosing results in accordance with IFRS, Corus also provides supplementary non-IFRS or non-GAAP measures as a method of evaluating the Company's performance and to provide a better understanding of how management views the Company's performance. Today, we will be referring to certain non-GAAP measures in our remarks.

Additional information on these non-GAAP financial measures, the Company's reported results, and factors and assumptions related to forward-looking information can be found in Corus' fourth quarter 2022 Report to Shareholders and the 2021 Annual Report, which can be found on SEDAR, or in the Investor Relations Financial Reports section of our website.

I will start on Slide 3. We end our fiscal year on a mixed note. On the one hand, we are pleased with the progress we've made in advancing our long-term strategic plan and its priorities, which until this morning's result had delivered five consecutive quarters of consolidated revenue growth.

On the other hand, we now encounter a choppy advertising market with cross-currents ebbing and flowing through all advertising categories, both goods and services. This is resulting in TV advertising revenue declines evident in Q4 and expected to persist into F'23.

Before we further address the outlook and the details of this quarters' results, I would like to spend a moment reviewing our plan and the progress made in the past year.

Our long-term growth narrative remains unchanged. We are transforming how we sell media, we are putting more content in more places, and we are growing our owned-content studio business.

Highlights of our plan in action this past year include the ongoing expansion of premium digital video offerings as part of our emerging streaming portfolio, now including STACKTV, the Global TV App, the Global News over-the-top product, TELETOON+, and the pending launch of Pluto TV; the successful renewal of all our largest content supply deals, with term extensions and broadened rights grants to support our growth initiatives in premium digital video; the delivery of our highest-ever recurring subscriber revenue result given the still meaningful linear channels business further accentuated by the strength of STACKTV; the growth of our international content licensing business led by Nelvana and Corus Studios and now bolstered by the addition of Waterside Studios and Aircraft Pictures; the improved financial flexibility of our balance sheet as we termed out our bank debt with a second high-yield offering and the extension of our bank facility; and the ongoing focus on providing an attractive shareholder yield, funding our dividend, a record number of share repurchases, and progress on repayment of bank debt.

As we highlighted in our outlook update press release issued last month, we are in an advertising recession. All advertising across North America is being impacted, not just here at Corus.

The Standard Media Index, SMI, a measurement the industry uses, reported a 12 percent decline in the entire ad economy in the US in July and a 7 percent decline for July and August combined when compared to those same months a year earlier.

These declines, as reported by SMI, are for what they refer to as cross media, or all media: that's television, radio, digital, out-of-home, and print combined.

This decrease in advertising demand is a logical result of companies trying to manage their profitability, given inflation-induced cost increases and the revenue impact of supply disruptions on their businesses. One of the first choices many companies make to reduce cost is to cut discretionary spending, such as advertising.

At this time, we do not know the depth, nor the duration of this economic contraction. Historically, both Corus and the media industry experience a quick decline in advertising revenues during the early stages of a recession, followed by an equally quick recovery when economic growth returns.

On the Q3 call, I talked about a clear move by consumers away from the goods economy towards more service-based experiences given lifted COVID restrictions. For example, Canadians had pent-up demand for travel, and their outsized demand meant that airlines, accommodations, and direct-to-consumer travel intermediaries have not returned to pre-pandemic advertising spend levels.

Given that we are no longer spending all of our time at home, there are other interesting trends affecting advertising categories. Appliances, household supplies, food and beverages at home, furniture, and any items used in renovations are all seeing advertising spending down in step with reduced demand.

Because Canadians are more actively enjoying their out-of-home experiences, there is understandably an increased demand for the fashion-related categories attracting growing advertising expenditures by companies in the personal care, makeup, apparel, and accessories businesses.

Supply chain issues in the automotive category persist, affecting demand throughout the year. That said, supply chains are easing as in ports across the country, container ships are offloading and inventories are on the move to warehouses for the coming holiday shopping season. This should attract advertising investments.

Advertising categories that have been spending throughout the year are sustaining their momentum, such as financial services and gaming.

So as you can see, these many ebbs and flows are affecting the advertising market in many different ways.

At Corus, we have experienced advertising recessions and economic slowdowns before, and each time we have quickly moved to tightly manage our expenses in response. We are confident in our ability to manage these headwinds while at the same time executing our strategic plan.

Moving to Slide 4. Our consolidated revenues were up 4 percent for the year at almost $1.6 billion, with everything growing, including advertising, subscriber, and our content business. Total consolidated segment profit was $444 million for the year, with free cash flow of $240 million.

Despite the impressive progress we made in the first three quarters of the year to improve our financial flexibility, our revenue declines, coupled with higher amortization of program rights in the fourth quarter, resulted in year-end leverage of 3.02 times net debt to segment profit. John will take you through the detail in his remarks.

On to Slide 5. Let me take a moment to talk about Q1. Our fall schedule is off to a great start. On Global, returning hits Survivor, 9-1-1, and CSI: Vegas continue to rank as top choices for audiences, while the new series So Help Me Todd is a number one show so far this fall, new to the schedule.

Over on Specialty, Corus currently owns the three most watched overall Specialty entertainment series, Alone: Frozen; The Secret of Skinwalker Ranch; and of course, Rick and Morty. New Peacock shows The Resort and Vampire Academy are proving to be audience drivers on our networks and STACKTV. And we continue to see success with our Corus Studios originals, such as Island of Bryan and new series Deadman’s Curse.

Over to Slide 6. There is a large, addressable market for video that Corus is well positioned to benefit from in the years ahead, and includes audiences who consume our premium content on both linear and nonlinear platforms.

The audience trends are clear, as is the strong demand for premium video digital advertising. This market in Canada is large and growing, and Canadians have more ways than ever to consume premium video content.

Whether through their traditional set-top box, where two-thirds of Canadians enjoy their channel subscription, or through streaming and other nonlinear on-demand services, one thing is crystal clear: Canadians love their video. In fact, in Canada, audiences are watching on an average more than four hours of video content a day.

Moving to Slide 7. This year, we reached a company milestone. Recurring subscription revenue is now well over $500 million and the combined result of our large, traditional channels business accentuated by the growth of STACKTV.

In Canada, when compared to the US, our channels bundle is a great value, with Canadians paying roughly half of what our neighbours to the south pay. We are experiencing only modest cord-cutting of 3 percent per year in contrast to much higher rates in the US, in part a function of the cost of the bundle.

Our most popular Specialty services have an important role in the lives of Canadians, with big, highly differentiated channel brands, such as HGTV, HISTORY, Showcase, Food Network Canada, and W Network. And of course, our conventional network Global TV is a fan favourite yet again this fall, winning Monday, Tuesday, and Thursday nights in core prime time and gaining momentum week over week.

We are working with the BDU ecosystem to sustain the channels business through investments in the Global TV App for authenticated users and by providing premium video on demand offerings to enable binge viewing.

And as noted previously, we are also working very closely with our BDU partners, sharing data insights as we pursue opportunities in advanced advertising to improve targeting and effectiveness.

The set-top box delivered traditional BDUs channels business is a large, recurring, and resilient one with smart industry collaboration that is enhancing the value proposition for both subscribers and advertisers alike.

Over the years, investors have questioned whether we could secure future access to content, given the launch of OTT services for many of the same companies that partner with Corus in our channels business. And we have always been confident in our ability to secure premium video content given our strong, strategic relationships with the US studio majors.

We are pleased to share that we have done just that. In the last year, we have successfully renewed, extended, and expanded the content rights we acquire from our major content partners such as Paramount Global, Warner Bros. Discovery, The Walt Disney Company, and NBCUniversal. Not only have we ensured the viability of our largest networks well into the next licensing regime, we have also successfully acquired new rights to pursue the many premium digital video opportunities that we have identified in our plan.

So what does that mean? Over to Slide 8. As you know, Corus is the exclusive partner for Peacock in Canada, and this content drives audiences to our linear services and acquisitions on STACKTV. In recent years, we have made smart, strategic moves to build a streaming portfolio, opening the door for Corus to participate in that large, growing digital video market I just described.

And today, we are pleased to make some exciting announcements. We will soon add the Disney suite of services to STACKTV, further enhancing its value proposition and driving new subscriber acquisitions.

We have secured the modern library content stacks of several of our hit CBS shows on Global, such as FBI, NCIS, CSI: Vegas, and Ghosts, which will also be added to STACKTV to create more value to subscribers, as well as to the Global TV App for authenticated subscribers to our channels business inside the BDU ecosystem.

This fall, we successfully rebranded Nick+ to TELETOON+, transforming a popular historic Corus cartoon channel brand into a powerhouse animation OTT streaming service.

To accomplish this, we secured a ground-breaking multiyear all-rights deal with Warner Bros. Studios and Cartoon Network, part of Warner Bros. Discovery. Much of this expanded offering of multi-platform content will window across all of our streaming services before landing on the newest platform, Pluto TV.

Our recently announced plans to launch Pluto TV, the world's leading fast, free ad-supported streaming television service in Canada on December 1st with Paramount Global is yet another way we are putting more content in more places while providing new opportunities for advertisers.

Two years ago, we launched STACKTV, then the refreshed Global TV App, followed by the Global News OTT streams, all of which are now available across multiple platforms with further expansion opportunities ahead.

These, along with the addition of TELETOON+ and the soon to be launched Pluto TV, have enabled us to build a powerful streaming portfolio to participate in the rapidly growing premium digital video marketplace with the full support of our largest content partners.

This is why we are so excited for the future growth prospects of our premium digital video offerings in Canada.

Moving to Slide 9. It's been a record year for our content business. We have made meaningful progress expanding our studio offerings with a strong slate of shows from Nelvana and Corus Studios and adding new and complementary genres with the addition of Aircraft Pictures and Waterside Studios.

This expanded slate of content has resulted in increased revenues in the international marketplace with major distribution partners such as Hulu, Netflix, and others, a nod to our creative talent with big multi-season orders of our hit shows.

Over to Slide 10. There are three large categories of costs I would like to address before turning it over to John to provide more further detail.

The first category, as I've just discussed, is the smart investments we have made to renew, extend, and broaden programming deals with our US content partners. These investments ensure the long-term viability of our channels business, and enable us to pursue attractive new opportunities in the fast-growing premium digital video marketplace.

They also result in some programming cost inflation. But these are smart investments that secure our strategic position as a multi-platform content intermediary.

The second cost category is most definitely not what I would characterize as strategic programming investments, but rather regulatory programming cost obligations. These result from the dated, regressive spending obligation that binds Corus while our $1 trillion market capitalized, foreign-owned internet media broadcasters and competitors enjoy unfettered and unregulated access to our market.

As you'll recall, our broadcast regulator decided the summer before last that Corus would be required to make up the approximately $50 million in Canadian production expenditures that we could not spend given the COVID-19 pandemic and related production shutdowns in 2020. This unexpected

decision to make us spend more on Canadian programming in a challenging economic environment will result in ongoing margin pressure in fiscal ‘23 and fiscal ‘24, just as it has in fiscal ‘22.

The final cost category that every company in every industry now must address is the challenging labour market, as well as the additional cost as we all return to work, which of course we have described as the future of work.

Our investments in flexible work arrangements, in travel to see our teams and our clients, and in the ongoing support of the well-being of our people remain paramount to our future success. And like other companies, we are seeing increases in these and related expenses as COVID-19 restrictions are relaxed.

With that, I will now turn it over to John to discuss our Q4 and year-end results.

John Gossling — Executive Vice President and Chief Financial Officer, Corus Entertainment Inc.

Thanks very much, Doug. Good morning, everyone.

I’m starting on Slide 11. As Doug mentioned earlier, the uncertain economic environment that emerged this past summer is impacting advertising demand and that’s contributing to lower consolidated revenue of $340 million in our fourth quarter.

For the year, we delivered consolidated revenue of almost $1.6 billion and that’s a 4 percent increase from the prior year as a result of strong revenue momentum in the first three quarters of the year.

Consolidated segment profit was $56 million for the quarter and $444 million for the year.

And as a reminder, in the prior year we did benefit from over $23 million in wage subsidy and regulatory fee relief that did not recur this year.

As Doug has just underscored, we are also incurring additional Canadian programming costs as a result of that negative CRTC decision in August of 2021. And this amounted to approximately $19 million for the year and $8 million for the quarter.

The decision to catch up on approximately $50 million of CPE underspend has been and will be a drag on our margins for F’22 through to F’24. But then it will pass.

Consolidated segment profit margins were 17 percent for the quarter and 28 percent for the year. Given the current macroeconomic environment and as a result of annual impairment testing in the fourth quarter, we recorded a non-cash goodwill impairment charge of $350 million in the Television segment, as detailed in our MD&A for the fourth quarter and year ended August 31, 2022.

This is reflected in the consolidated net loss attributable to shareholders for the quarter of $1.82 per share and $1.19 per share for the year. Adjusting for this charge results in adjusted net income attributable to shareholders of $17 million, or $0.08 for the year.

We delivered strong free cash flow of $45 million in the quarter and that’s an increase of 27 percent over the prior-year quarter and $240 million for the year. At current trading levels, this represents a free cash flow yield of over 50 percent.

Net debt to segment profit was 3.02 times at August 31, 2022, and that compares to 2.76 times a year ago.

As we look forward into Q1, a reminder that our free cash flow benefitted from a $43.5 million distribution from a venture investment in the prior-year first quarter.

Now let’s turn to our TV results for the fourth quarter and year, as detailed on Slide 12.

Overall, TV segment revenues were $314 million for the quarter, and that’s down 6 percent, while for the year revenues of $1.5 billion were up 3 percent.

Although TV advertising revenue was meaningfully lower in the fourth quarter, for the full year TV advertising revenue grew by 2 percent. We also experienced positive year-over-year uptake of our streaming services and delivered a substantial increase in content revenues for the quarter and the year, reflecting the revenue diversification benefits of our portfolio of businesses.

In Q4, TV advertising revenue was down 14 percent, reflecting lower advertising demand throughout the summer months, as Doug has just discussed.

Subscriber revenue increased 2 percent in the quarter and came in at a record $518 million for the year. That's up 4 percent compared to last year. This impressive result was driven mainly by increased year-over-year demand for STACKTV.

As mentioned last quarter, seasonality trends were evident in the demand for our streaming services over the summer. This trend has reversed in the fall, and our focused investments in streaming-subscriber acquisition strategies and the launch of our strong fall schedule has resulted in an increase in trial and paying subscribers in recent weeks as we wrap up several weeks of premieres and we remain focused on getting to our target of 1 million streaming subscribers.

Distribution, production, and other revenue increased 4 percent for the quarter and 8 percent compared to the prior full year. This growth primarily reflects the addition of Aircraft Pictures in February of this year.

Given macroeconomic conditions and other risks, as well as a tough comparable of 16 percent TV advertising revenue growth in Q1 of last year, we currently anticipate some year-over-year softness in TV advertising revenue, including lower television advertising revenue for the first quarter of the new fiscal.

While the duration of current macroeconomic conditions is uncertain, our team remains focused on adeptly managing through the challenging period, just as we have in the past, and positioning us for the eventual recovery.

Direct cost of sales was up 15 percent for the quarter and 16 percent for the year, and as we've noted previously, this encompasses a significant increase in amortization of program rights, which was up 13 percent for both the quarter and the year.

The increase reflects our purposeful investment in US studio output deal renewals, which provide us with extended terms and broader rights to pursue attractive digital video growth opportunities, as well as increases in costs from the ramp-up of Canadian content production driven by the CRTC's catchup decision, which represents approximately half of the higher cost in Q4.

Investments in US content support our longer-term strategy to drive top-line growth and revenue diversity by expanding our offerings for both audiences and advertisers.

Looking ahead to fiscal 2023, we anticipate that programming costs will grow modestly on a full year basis, with approximately half of this driven by the CRTC's catchup decision. We will seek to match audiences with advertiser demand whenever possible as part of our cost-management efforts.

Film investment amortization increased by $2 million for the quarter and $11 million for the year and that's mainly as a result of the addition of Aircraft and an increase in episodic deliveries from in-house productions.

Other cost of sales growth of $3 million for the quarter and $9 million for the year resulted from costs associated with certain sales initiatives which are correlated to the associated revenues.

TV G&A expenses were up $9 million from the prior-year quarter and $53 million for the year. And as a reminder, again, last year included $20 million of federal wage subsidy and regulatory fee relief combined for the TV segment.

In addition, in the current quarter G&A mainly reflects an increase in advertising and marketing investments to promote new program launches and STACKTV; some increased people costs; and expenses related to streaming, digital services, system initiatives, future of work, and other areas.

Overall, TV segment profit was down in the fourth quarter and year. In the fourth quarter, this was primarily a result of the contraction in advertising demand, higher amortization costs for programming rights and film investments, and the G&A expense increases.

TV segment profit margins were 19 percent in the current-year quarter, 31 percent for the year. And that compares to 33 percent and 38 percent respectively in prior-year comparable periods.

As detailed on Slide 13, our new platform and optimized advertising revenues continue to grow as we deploy more content in new ways and the adoption of advanced advertising solutions gains traction.

New platform revenue was 12 percent or $33 million for total TV advertising and subscriber revenue for the fourth quarter and 10 percent or $142 million for the year. The continued growth reflects the disciplined execution of our strategic plan as we deploy our expanded content rights in new places and connect with audiences in new ways to drive additional sources of revenue.

Optimized advertising revenue was also up significantly in Q4 and for the year, representing a new milestone of 50 percent or $77 million of total television advertising revenue in the quarter and 43 percent or $372 million for the year.

This is an increase of 26 percent from the prior-year quarter and 41 percent from the last full year, reinforcing our leadership position in the transformation of how television advertising is sold.

Next, let's turn to our Radio results, which are outlined on Slide 14.

Radio was relatively resilient in the fourth quarter, despite the challenging advertising market, with the recovery continuing for the full year. Radio segment revenue was flat for the quarter and up 9 percent for the year and that's a result of strong local revenue, offset by the impact of broader macroeconomic conditions on national sales.

Radio segment profit decreased $2.6 million to $1.7 million in the quarter and $0.8 million to $13.3 million for the year. The nonrecurrence of government-related pandemic relief, along with some increased people costs and sports rights costs, are the primary drivers of increased expenses for the quarter and year.

Radio segment profit margin was 7 percent in Q4 and 13 percent for the year.

Over to Slide 15. Looking back on the year, we are pleased with the steps we have taken to strengthen our capital structure, which included a second high-yield note offering in Q2 and the amendment and extension of our bank credit facility in early Q3. We've built a strong financial foundation to support the advancement of our strategic plan while enhancing our focus on shareholder-friendly activities.

Despite the macroeconomic challenges impacting advertising revenue, our goal to drive net debt to segment profit below 2.5 times over the longer term remains in focus.

As a reminder, we have now paid down over $735 million of total debt since the changes to our capital allocation policy took effect in September of 2018.

With the amendment to our credit facility this past year, we no longer have mandatory bank debt repayments. However, in Q4, we did continue to make optional repayments.

In August, we announced an increase to the size of our normal course issuer bid to 10 percent of our public float, and that's up from 5 percent previously. This move was intended to create additional flexibility. At the end of September, we had repurchased approximately 8.6 million shares, representing 44 percent of the amended NCIB.

And this morning, we issued a press release declaring our December 2022 quarterly dividend of $0.06 per share for Class B shareholders, providing a very compelling dividend yield of 11 percent.

As a reminder, we paid out approximately $50 million for the year, representing a dividend payout ratio of just over 20 percent.

These shareholder-friendly activities of paying down debt, buying back shares, and paying an attractive dividend were an aggregate $189 million for the year. And since our new capital allocation strategy was introduced back in September of 2018, this amounts to $975 million.

While we manage through this challenging economic environment, as we have successfully done many times before, we do so with a stronger balance sheet and a commitment to carefully managing our expenses and our cash.

We have a strong record of prudently managing our business while maintaining focus on positioning Corus for the future by investing in the business, delevering, and providing attractive returns for our shareholders. We are confident in our long-term plan and in our team.

And with that, I will turn it back to you, Doug.

Doug Murphy

Thank you, John, and finally, over to Slide 16.

On today's call, we wanted to acknowledge the immediate realities of the advertising recession and provide some detail on costs.

Our focus on expense control is resolute, as is our pursuit of the premium-video multi-platform content opportunity in Canada. We have made smart investments to renew, extend, and broaden the content rights we acquire from our US studio partners that will ensure the resiliency of our channels business well into the next regulatory regime.

Importantly, it sets the stage for continuous growth as measured by our new platform revenue metric. Our streaming portfolio now includes STACKTV, the Global TV App, the Global News OTT offering, the newly debuted TELETOON+, and soon the launch of Pluto TV. That is most certainly more content in more places.

Our efforts to transform how we sell media is evident in our optimized advertising revenue metric now exceeding 50 percent for the first time this past quarter. That is another milestone achievement since we began reporting this metric almost two years ago.

We have made measured, purposeful progress in expanding our own content offering, adding Aircraft Pictures and Waterside Studios alongside Corus Studios and Nelvana, as we remain focused on international opportunities licensing our content.

We have demonstrated a focus on shareholder-friendly activities given our company's substantial free cash flow, as evidenced with a free cash flow yield of over 50 percent based on yesterday's closing share price.

Our leadership team at Corus and all our people have adeptly managed through difficult environments before. I am confident we will successfully do so again. Our immediate focus will be to balance the execution of our strategic plan as we tightly manage our expenses.

Thank you, and over to you, Operator.

Q&A

Operator

Ladies and gentlemen, if you would like to ask a question, you can signal by pressing *, 1 on your telephone keypad. Do keep in mind if you are using a speakerphone, please make sure the mute is released so that the signal can reach our equipment. Once again for questions today, *, 1.

And we will begin with Adam Shine with National Bank of Canada.

Adam Shine — National Bank of Canada

Good morning. Maybe three quick questions. The first, Doug, this might be purely semantics, but back on the September 9 press release you talked about a view of meaningful year-over-year softness in TV advertising. You and John on the call today and also in the MD&A are talking more about sort of some softness. So again, maybe just purely semantics, but curious if over the last six weeks or so anything has changed in terms of how you actually performed over the past six weeks and maybe how some of the evolving bookings are going? That's the first one.

Doug Murphy

Thanks, Adam, and nice to hear from you. I would say the ad economy is still very choppy. I tried to give some colour on the many ebbs and flows within the various product and service categories. They're all over the place.

I mean, I've talked to a number of CEOs whose businesses are just sort of rolling around right now given sort of the realities of the pandemic, supply chains, restrictions being lifted, consumer preferences, et cetera, et cetera. So I would be reluctant to give any sort of forward guidance, other than to say the choppiness kind of remains, but we seem to have sort of levelled off, put it that way. We've kind of found a sort of a stable kind of -ish type trend, a reset you might want to say.

But from there, I would just be somewhat more on the choppy side going forward as a description.

Adam Shine

Okay. One more for you and then I'll save another one for John, but just for you just in regards to two things. We can start maybe just in regards to Netflix's ad-supported tier coming next month. It's only about 5 minutes per hour. The Company, by its own admission, is saying that, obviously, it's going to be a slow sort of ramp. But maybe talk to sort of what you might be hearing out there in regards to receptivity from advertisers and at the same time juxtapose that with, obviously, your ongoing enthusiasm regarding the launch of Pluto TV early December.

Doug Murphy

Sure. Well, first off, I would say that we've been competing with large, foreign digital-advertising giants for over a decade and so this is just yet another one.

Secondly, these approaches that those big majors are applying are for global markets. It's a programmatic sort of approach. They have no ability to do advertising integration. They have no end-to-end sales functions or capabilities. They don't have 250 awesome salespeople like we do at Corus that can really manage relationships with all of our advertisers and agencies.

And so I'm obviously aware they're coming to the market. I'm also told they're trying to extract a premium CPM, which I don't think is going to work very well for them. So we'll watch them, Adam, but I'm not losing any sleep over it.

Adam Shine

Okay. Do you want to talk at all incrementally on Pluto in terms of how early receptivity is going? Or we'll just wait for that more on the Q1 call?

Doug Murphy

Well, I think the note I really wanted to hit, today we want to talk about the immediate challenges we're seeing and our confidence in managing through them, but really to set the table for our streaming portfolio, which is very massive. Like we're coming out of the chute for this year with a really strong expansion of STACKTV with new services being added, the Disney suite of services.

TELETOON+ is a powerhouse animation service, which is really getting some great traction. We're adding a whole bunch of in-season stacked content from our partner at CBS to both STACKTV to improve its value prop in addition to Disney, plus the Global TV App. And then we're launching Pluto, which will benefit from both our content at Corus and 20,000 hours from Paramount Global.

So it's the suite of our streaming portfolio services that I think is the note here. Your specific question on Pluto, yes, very well received. I mean, Canadian advertisers have been clamouring for premium digital video inventory for years now. And the fact that we can sell our entire portfolio of media and add a big digital offering across five different streaming products—and let's not forget the Global News OTT product, which continues to grow—is, I think, a great and very competitive offering.

So we're excited about the early appeal of Pluto, but the key here is to think of the larger portfolio as opposed to just the Pluto TV launch in and of itself.

Adam Shine

Okay. And maybe just for John then because I know you touched on it, John, just in regards to the streaming services specifically on the subscriber count. You didn't give that for Q4. I don't want to put words into your mouth, but I'll presume that there might've been a bit of a decline at least Q over Q, but year-over-year growth nonetheless in Q4. I think there was a bit of a delay from Q3 into July in regard to

a subscriber acquisition program. I don't know if you might've touched on that. I might've missed that earlier on the call.

But can you maybe just touch on some of the cadence and the progress going into Q1? Because, obviously, I think you've had Fubo in the mix basically since early August, I believe.

John Gossling

Yep. We have and that's been doing quite well, actually, out of gate. I'd say the way I'd describe it is—and we talked about this even on the Q3 call—there's definitely subscription seasonality in what we see in STACKTV now. But I think that the good news is it's not that there's a big uptick in churn; in fact, churn has been going down through the summer. And it's not that there's a decline in the conversions from preview to pay.

What we really saw I'd say for the last four or five months was a decline in gross adds and a bit of a decline in win-backs, which is, as you know, very related to gross adds in a way because that tells us about the appeal of the content offering and what new content we have.

So I wouldn't say we're at a point now where we're declining at all. In fact, really since the fall launch starting with some of the specialty content and now a full slate on Global, we're seeing, actually, very strong weekly growth in STACKTV. And that's weekly paid growth, as well as a nice number of preview customers with us as well.

So yes, it has been a slower period through the summer, but we're getting definitely some good momentum right now.

Adam Shine

Super. Thanks for that.

Doug Murphy

Thanks, Adam.

Operator

We will now move to our next question, which will come from Vince Valentini with TD Securities.

Vince Valentini — TD Securities

Yeah. Thanks very much. Let's start, just pick up on the Netflix question from Adam. If you can refer back to your Slide 6 in your presentation, obviously, digital video advertising is now a substantial category and growing faster than linear TV, obviously. Do you actually view Netflix as a competitor for your linear TV advertising sort of inventory? Or is this just expanding the pie and whatever Netflix or Disney+ get on advertising really is just part of that overall digital category and ebbs and flows from social media and internet giants already take, which is dramatically higher ad spend in Canada than linear TV?

Doug Murphy

Yeah. Yeah. I mean, digital, I think, is 50 percent of the media mix, right? And so that—so Netflix, I don't see them—I see us competing with Netflix in digital premium video inventory. So yes, so we're both going after that larger, upward-sloping line where there's massive growth and a huge market with a lot of demand for—the difference between user-generated, people aren't so sure they want to put their content next to cat videos, but they would love to put their content next to Peacock or some of the CBS hit dramas.

And that's where we're going and that's where Netflix is going and that's where Disney+ is going and that's where discovery+ is going because that's where the demand and the money is.

So that's how I would look at that, Vince.

Vince Valentini

So if AVOD works well—or it's working well, but if it continues to work well and the inventory of AVOD for media buyers increases, is it not logical to assume that there's going to be some share shift from other forms of digital, whether it's just banner ads or more traditional web advertising shifting to something that's far more premium and targeted in a CTV or AVOD world?

Doug Murphy

Totally. I imagine banner ads and even social media advertising, I think, is clearly going to be under some pretty significant pressure. I mean, look at Snap's print, you know? So yeah, no, I think—that's why I love our shape. I love our shape here with having acquired all this great premium video content. And our ability now to put it on all these great streaming platforms repositions us to fish where the fish are, in addition to, of course, offering a full suite of advertising solutions across all of our media assets, right?

So that's—because we still want—you might've heard P&G, their CEO this week talking about how he's redirecting advertising to wide-reach and frequency media—that means television—because they see the value in having the top of the funnel presence.

And so what we're doing at Corus is being able to build in—well, we already have a massive top of the funnel footprint, plus we're building out the bottom—or the digital piece of the funnel too. So I think it's a good, a very strong addition to our kind of advertising solutions base, and I think the demand's going to remain pretty strong. I know for digital and even now we're seeing from one of the world's biggest advertisers a nod to the importance of television.

Vince Valentini

Okay. And then just back on advertising demand for Q1, to revisit that question. Are you saying we should expect things to be as bad as the fourth quarter? Like minus 14 percent? Or potentially even worse temporarily? I just want to make sure I'm reading your commentary clearly.

Doug Murphy

Yeah. No. And thanks for asking the question because as I was reflecting upon my answer to Adam, I would've probably added another note, so I'll do it here. No, we stabilized, and I would say we'll be better in Q1. And it looks like if we look out for the year things are—we'll slowly sort of be on the improve it appears at this point in time.

But it's very volatile. When you're a CMO and you're looking to pull back on your ad spending, you typically cancel digital first because it's easy to cancel. But the bookings are better in Q1, relatively speaking, than we saw in Q4. I'll say that.

John Gossling

And of course, I'd have to caveat that, Vince, with we're just about halfway through the quarter but—

Doug Murphy

Exactly.

John Gossling

—from where we sit today, that's what we see.

Vince Valentini

Okay. And then on costs, I think you said you wanted to provide some clarity on cost optimization, but I'm not really sure we got any from the presentation. You identified some buckets, but

I mean can you quantify anything? Is there some discretionary costs, whether it's travel and entertainment or certain areas of headcount that you can maybe start to address?

And for sure if you can talk about content spend? The CPE I think you've well identified, but what about the US suppliers? Are you seeing any reduction in the amount of new episodes you may have to pay for? Or is there anything else you can do on a discretionary basis to attack those costs? I mean, if you have no visibility on ad revenue and things could be down circa 10 percent for the year, I assume there needs to be some effort to try to get costs down?

John Gossling

Yeah. Absolutely. So a lot of categories in there, Vince. Let me just go through them. So TV programming is obviously our biggest expense by a lot. So some of those things you mentioned in terms of what we call foreign, but US content in terms of timing, right now volumes aren't indicating that they're going to be reduced, not from our major suppliers, anyway.

And of course, a lot of our content particularly on Specialty comes on long-term output deals. And because they're multiyear deals, the way those run through the P&L, that gets set at the beginning of the deal and that will just amortize through. So that's a time-based amortization.

Things that are more on a per-play or a per-show basis, yes, there's potentially some opportunity there on reduced volume or on timing. So we're looking at all those things for sure.

And again, as I said, we're trying to match our supply of ratings with the demand for those ratings. So that gets into the whole timing question.

I'd say on sort of our other costs, the G&A side of things, I think we're leaving no stone unturned there. We're engaging the whole team to cut everything we possibly can right now, just given what you mentioned on the advertising environment.

Our goal is to have every category, other than programming, down year over year. So that's not going to play out exactly the same way every quarter, nor is programming going to play out the same way every quarter.

But that's our goal right now is just to continue to mine every single opportunity we have as we continue to see the advertising picture. Once it perhaps improves then we'll be able to invest a little bit more in further improvements in advertising. But right now, we're in that mode of really just looking at everything.

So I know that's not the exact detail you want, but there's 20 categories of cost reductions that are either now happening, or well on their way.

Doug Murphy

Yeah. I'll just comment a little bit. We began to see some of the softness in the late summer and that's why we put that media advisory out. And weeks before the advisory we were in all hands-on deck basically taking every piece of discretionary expense out and balancing, as I said, balancing a very aggressive cost position with the realities of some costs we can't address.

With the foreign programming it's an investment, not a cost. And the nuance that I think you got, Vince, was that CPE is a complete cost. And we want to make sure that the future of work that we provide for our people with flexible work arrangements and the related costs in that regard.

But with those said, we've been very, very aggressive. So we don't guide on revenue; really won't guide on expenses. But we will tell you that we're leaving no stone unturned. And we're also not—we're very focused on launching the streaming business because we know there's growth there, right?

So that's sort of the balancing act that we've taken on.

Vince Valentini

Thanks, Doug and John. The sub-question on programming costs is Disney product being added to STACKTV. Correct me if I'm wrong, but you initially did not have digital rights in Canada to be able to do that. Is that something new that you've negotiated for, and therefore in some places you're actually strategically increasing programming investments deliberately even with the macro backdrop?

Doug Murphy

Yes. A hundred percent. So I think this is something—and, Vince, we've talked about this before, right—one of the investor worries is, well, why won't one of these guys take all their content one day and just put it on their own platforms? And I've always said, no, it's never going to happen because the content licensing business is important.

The fact that we're able to strategically align with Disney to put their channels in our STACKTV, which we've described as the reaggregation of our channels package on a streaming platform, I think is a real win. And it's a real testament to the fact that our business model is very resilient, and it's got a long tail in Canada.

It did come with some investment, but at the same time it opens up the opportunity to kind of leg up on our STACKTV growth because now if Disney's got such a strong brand awareness and our subscribers will benefit from that.

So that's but one example. I named a couple others of smart investments that bring with it some inflation. But not only does it renew and extend our term well into the next licensing regime, but it also gives us sort of open fodder to go after that digital video market that we just talked about on Page 6.

Vince Valentini

Great. I have one last two-part question. Sorry for so many questions, but getting a lot—

Doug Murphy

It's okay.

Vince Valentini

—of concerns from investors these days, given what the share price has been doing, so want to make sure I get this on the record. Dividend, is there any risk that you cut the dividend this year either because the yield is too high or because of the challenging revenue and advertising market? And part B of that is have buybacks stopped temporarily until you see some relief in the ad market? Or do you expect to continue buying opportunistically?

John Gossling

Vince, on the dividend, as I mentioned, we did declare the December … end of December payment. It's always subject to board approval every quarter. So I guess the way I look at it is the payout ratio's under 20 percent, or 20-point-something percent, just over 20 percent. The free cash flow you see for the year was very strong. And so that's sort of the—always position on the dividend is that it's subject to board approval, but the metrics certainly point to a very strong position in that regard.

On the buyback, we're still in a blackout period, which means we're in an automatic buying mode. When we come out of that we'll look at it, obviously, almost day to day just managing our cash position and what we're seeing, as you mentioned, on advertising.

The one thing that we've struggled with a little bit from a cash perspective—it's actually helped us—is the programming costs. Even though we were basically flat on a cash basis in Q4, we're still running a little behind on cash out the door on programming. And that's simply a case of how the studios in the US invoice us, so you can read that as being quite late and quite, again, choppy.

So we're seeing a bit of catchup on that now in Q1, so we just have to watch that as well.

Vince Valentini

Thank you.

Doug Murphy

Thanks, Vince.

Operator

Our next question will come from Maher Yaghi with Scotiabank.

Maher Yaghi — Scotiabank

Yes. Good morning, gentlemen. Thank you for taking my question. I want to go back to—sorry to belabour this—but on the Netflix question. Doug, you mentioned that you are not worried about advertising dollars going from linear to Netflix. I'm kind of trying to understand a little bit this concept because when I look at the spread, Netflix when they launched their product they said the pricing for the ad-supported tranche reflects the demand that they're seeing in the marketplace.

And when I look at the Canadian pricing for the ad-supported version, it's the widest versus all the other countries, or one of the widest versus all the other countries that they're launching in, which implies that they're seeing a lot of demand in the Canadian marketplace for this product.

So when I look at the number of individuals watching TV, why would an advertiser who is currently putting ads on linear TV not move dollars to Netflix when it's the same customer who is switching and watching Netflix on his couch and sometimes watching linear TV? Why would an advertiser not switch their advertising dollars to target that exactly same customer?

Doug Murphy

My answer to your question, Maher, is that we've been contending with competing in the media model mix for our entire 15 years at Corus. So the digital piece, there's digital, there's radio, there's television. We don't have outdoor; we don't have print. But the fact of the matter is every media mix

model or VCMO runs his or her ROI calculation and television is always in the mix. It's not an either/or; there's always an and.

And so our job is to provide added value to their buys on linear television, and that includes such things as integrations. It includes such things as the ability for us to provide a social digital agency like so.da, which is by the way nominated as one of Canada's best social digital agencies just five years after we launched it. We have 115,000 Kin YouTube influencers we add to the mix. So it's a suite of advertising solutions we provide.

Netflix is they're just going to have one offering. It's going to be a programmatic offering. And that doesn't necessarily provide the wide reach and frequency that television does. And they don't trade on an industry-acknowledged currency.

So I think, yeah, yeah, sure, I don't doubt that CMOs are going to trial Netflix. Sure. But this is no different than us competing with Google or Facebook or Instagram or any of the other digital media advertising platforms. It's just another competitor, and we continue to improve our offerings now with a very impressive suite of streaming portfolio services to compete with Netflix for ad dollars.

John Gossling

I think, Maher, also in your commentary I think you partly answered your own question because if Netflix is priced at that much of a premium, it makes linear television actually very cost-effective.

So it's on us to prove that it's as effective a form of advertising in terms of its ability to convert advertising spend into revenue dollars for our clients. But I think by pricing at such a premium, that in itself will contain some of the movement just, again, because of cost efficiency of an overall campaign, as Doug mentioned.

Maher Yaghi

Okay. And can you share your views on how the CPM market for TV advertising on linear channels is behaving these days? Are you seeing any pressure on CPM right now?

Doug Murphy

Nope. No. CPM, we as an industry have seen generally increasing CPMs the last number of years and that kind of trend continues. Again, I just come back to my earlier comment. Top of the funnel, wide-reaching frequency impressions are of great value.

And we provide—again, the other thing I would just note also in terms of when you're buying television is you're buying that whole massive 55-plus audience that isn't necessarily measured in the metric, but it's out there. And that's where a lot of the wealth is, right? So that's kind of a piece of the puzzle that we provide a gift with purchase, if you would, with advertising.

So the CPM market is remaining healthy here in Canada.

Maher Yaghi

Okay. And maybe my last question on radio. Have you heard, or do you have any expectations that the CRTC will finish reviewing, or start even reviewing the radio market in Canada in possibility to change some of the policy and regulations there? I know it's been taking a long time. Have you heard any development on that?

Doug Murphy

I have only heard what you heard, is it soon is we've all heard it. And how to characterize what that is is your guess is as good as mine.

Maher Yaghi

Sometime soon is not soon enough.

Doug Murphy

Yeah. Well, yeah, I'll make no comment on that because I know our friends—the commissioner likely on the phone. But yeah, who knows. We'll wait.

Maher Yaghi

Okay. Okay. Thank you.

Doug Murphy

Thank you very much.

Operator

We'll now take a question from David McFadgen with Cormark Securities.

David McFadgen — Cormark Securities

Hi, guys. Just a couple of quick questions. Just following on the outlook for Q1, I know you said that you expect it to be down relative to—or, sorry, it'll be down, but not as down as Q4. So is it a reasonable probability that the advertising revenue could be down double digit in Q1? Or is it just too early to say right now?

John Gossling

Yeah. I think it's too early to call that. We've tried to be more precise in the past. It's never turned out well. So I think we'll leave it with what Doug mentioned.

David McFadgen

Okay. And then you had a large goodwill write-off there. Was that related to any specific assets? Or is that just a general charge against TV overall?

John Gossling

Yeah. It's just TV overall. You'll see it's on the goodwill. So it's not specific to any particular licence, or station, or anything like that. It's just an overall value.

David McFadgen

Okay. And then lastly just on the programing spend. So I think you indicated earlier on the call that about half of the increase on programming spend is the CPE catchup, and then half is the US investment spending increase. Is that correct?

John Gossling

Yes.

David McFadgen

Okay. So if the CPE catchup isn't—or the amount there, isn't that going to be about $25 million? Or is going to be more towards 30?

John Gossling

For '23?

David McFadgen

Yeah.

John Gossling

No, it won't—well, look, as I said, this year—sorry, '22 the year just finished, was just under 20. So it's probably similar to that. It's going to get spread a little more now because the licence got extended for two years. So the licences got extended for two years, so it's likely in the ramp of 20 zone again. Maybe a little more.

David McFadgen

Okay. So we should expect the programming increase overall for the year something like 40 to 45, in that zone?

John Gossling

It’s a little high.

David McFadgen

Okay. Okay.

John Gossling

And again, subject to some of the earlier discussion about timing of delivery and quantity of delivery and all those things, I mean, at this time of year that’s always the wild card that we have in terms of the year over year.

So right now between Canadian and foreign that’s why we say sort of in the middle of that. But not as high as ’22 because in ’22 we had the big ramp in Global in Q1.

David McFadgen

Okay. And then if I can just ask one more. What’s your outlook on the merchandising, distribution, and production business for fiscal ’23? Are you expecting continued growth? Could it be double digit?

John Gossling

I think, yes, to both, just given some of the things we’ve done and what we see on the plate. Again, it’s lumpy between quarters. So this quarter just reported was a bit lower. We had a big quarter in Q3 last year.

So you’ll see it’ll be different quarters potentially this coming year, but it’s going to be a full year of Aircraft and a lumpy pattern as we always seem to have based on delivery. That’s just the fact of life in the content business.

David McFadgen

Okay.

Doug Murphy

Just, David, if I could just add some more colour to that answer. Just the fact that we're really excited about the portfolio there too. So we're trying across the Company to build the video capabilities, both domestically, but also internationally, and so very carefully slotting in specific sort of genres and slates to address hotly demanded product is, I think, the smart play.

And we're just positioning our business for the future so that we can—once we understand what the new regime looks like from a spend level, we'll then be able to more smartly pursue the studio content revenue opportunities internationally.

David McFadgen

Okay. All right. Thank you.

Doug Murphy

Thank you, David.

Operator

Next we will hear from Aravinda Galappatthige with Canaccord Genuity.

Aravinda Galappatthige — Canaccord Genuity

Good morning. Thanks for taking my questions. I'll start with just to finish off on programming. You've indicated sort of modest growth in programming cost in 2023. Can you maybe just talk to—and I think, John, in a previous point you made you kind of alluded to the distribution a little bit—what the cadence of that could be? Obviously it depends a bit on the CPE catchup shape as well. Any kind of commentary on that if you could share?

John Gossling

Sure. I mean, again, let's just look at '22 and what happened. So big Q1. That was predominantly because the prior year in '21 had almost no new fall shows on Global because of the whole pandemic shutdown that was going on through that summer. But if you take that out of the mix we ran, I think, for the back three quarters of '22 we were up 8 percent. I think after Q1 we said I think 10 percent.

So yes, Q4 was higher. A bunch of that's Canadian, and that typically we do spend more of our Canadian in the fourth quarter.

So it's going to be, again, a little lumpy. I think Q1 tends to be a little higher. But it's not going to be an exact straight line across the whole year. But that modest number, if you think of that overall, you're going to be probably plus or minus 3 percent or 4 percent in any given quarter from that midpoint to the year.

Aravinda Galappatthige

Okay. And then just on the streaming platforms, I mean, you've talked about sort of all those initiatives and the trends in terms of subs and so forth. I mean, at a certain point I guess, Doug or, John, I mean do you plan to give the Street some sort of indication as to the profitability, not just at the gross level, but below that line item? I mean, there is obviously some sort of allocation you'd have to do in terms of programming. And Corus is a company that's assessed based on EBITDA, so I think investors want to know what kind of profitability, or kind of potential profitability can be improved from these streaming assets.

Do you plan to provide any kind of colour on that down the road? I realize that maybe it's still early days, but at some point I guess there might be an expectation. I just wanted to get your thoughts on that.

Doug Murphy

No. That's a good question. Couple comments on that. I mean, one of the, I think, smart things we've been able to do is leverage our core business to acquire these adjacent rights for digital businesses. So we would probably never get to the table on any of these new streaming opportunities if it hadn't been for the fact that we had a substantive linear business already with meaningful strategic business partnerships and monies flowing back and forth across the border with our US partners.

And so it's hard to necessarily show a direct P&L on it because we leveraged existing spend levels to acquire incremental rights. So that's when you look at our EBITDA margins compared to our US peers, we're top quartile compared to any of the US majors. Our EBITDA margins, I'm very proud of those margins and that's because of the way we kind of take advantage of our linear scale to participate in the digital.

So whether or not—I don't know if we'll ever report profitability. We know that, of course, in the States those folks going direct to consumer need to do that. And those are not good-looking businesses right now, and we're pleased to not be in a hemorrhaging situation on that type of a model. We're smartly leveraging the core to participate in the new digital in a very cost-effective manner.

It's more likely in the future we'll think about reporting maybe time spent, or other things like that. But right now the key metric to look at is new platform revenue. That captures that. And then that's been consistently growing over the years. And you should expect that to leg up as we launch more of these streaming services in the coming years.

John Gossling

Yeah. I mean, Aravinda, we have talked in the past about the fact that on the new streaming products there are some incremental costs that come with it directly. But they're relatively small. The contribution of those additional revenues tends to be very high.

Aravinda Galappatthige

Thanks, John. And then just last question on working capital. I mean, I know we talked about individual core business, the ups and downs. But if we just take a step back, when I look at 2022 fiscal and ’21, I mean, the working capital use in ’22, $77 million, over $50 million in ’21, and then you throw in the variance between your program amount and the actual cash spend, I mean, that goes up to like $100 million in—

John Gossling

Yeah.

Aravinda Galappatthige

—or just under $100 million in ’22 and then $85 million or something like that in ’21. I mean, that’s a lot of working capital use in a top-line challenged backdrop. I mean, I’m trying to get at is there some kind of recovery that we should expect rather than I’m not talking individual quarters, but over the next couple of years in general?

John Gossling

So it’s a very good point and something that I find extremely challenging.

When you look at the biggest swing in ’22 over ’21, so we did a good job in receivables and mining some cash out of the receivables portfolio. Our DSO is as low as I’ve seen it since I’ve been at Corus, so that’s a place where we always look to turn that working capital investment into cash.

But the other big swing was on the payables and accruals line. And that’s as much about what was going on in ’21—actually, it’s all that was going on ’21 versus what was going in ’22. And by that, I mean we had some fairly large accruals at the end of ’21 that became cash out the door in early ’22.

So that's always possible to happen. I don't feel like that's going to happen in '23. I think we might be a little bit better positioned in '23 on the kind of liability side of things. But it's hard from quarter to quarter to really predict that.

And my earlier comment about we're totally at the mercy of how we get invoiced by the US studios, I'm not going to pay a bill I don't have. So at the end of the day you pointed out exactly, Aravinda, like on that programing cash versus programming amort line, that's the one that we have a hard time predicting the cash side of that. And that's up to us to manage as well.

So yes, it's frustrating. But we're always focused on how we can maximize the conversion of our working capital into cash for sure.

Aravinda Galappatthige

Okay. Thank you. I'll pass the line.

John Gossling

Thanks.

Doug Murphy

Thank you.

Operator

We have time for one final question, which will come from Drew McReynolds with RBC Capital Markets.

Drew McReynolds — RBC Capital Markets

Yeah. Thanks very much. Good morning. John, just want to drill a little bit more into the TV programming side and your ability to manage the timing or volume. I'm just trying to get a good sense of what the delta is here and your ability to do that.

Obviously Doug's gone over a lot of amazing strategic initiatives. I don't think the Street has any doubt that you can manage your costs where you have that ability. But what I'm unclear on is just given the margin pressure that we saw in TV in Q4 and inevitably some year-over-year margin pressure coming in fiscal 2023, it's such a big delta here for leverage which feeds through to everything else. Can you give us any greater sense of how sizable that ability on timing or volume is?

John Gossling

Sure. You're right, Drew, there are a lot of moving pieces in it. You know what? The thing that is the most under our control is Canadian, obviously, because we commission a lot of that directly and that we don't have to worry about simulcast 99 percent of the time, et cetera. So that there we can look at, but we've got the catchup that we have got the other eye on, right? So there's always—

Drew McReynolds

Yep.

John Gossling

—some flow there. And frankly, Canadian typically doesn't really ever come in exactly on the timing that we expect, i.e. it can be delayed, so. And that's nothing to do with catchup or COVID.

On the sort of components of what's really within our control in terms of timing, the output deals, as I said, they're set at the start and they run, so there's really not an opportunity there. On the prime-time stuff we get for Global, when it runs we're going to run it because we want it to simulcast and we're going to pay for it.

So the opportunity really there is just the delivery pattern or reduced episode count, which isn't really within our control. We know what we've put our hand up for and that's going to come. So it's just a question of when and how much.

And then there's a handful of things that we buy more a la cart, or more show by show. They might be on fixed-price output deals, but some of those things we also can control a timing to some extent. I'd say that that's a relatively small number. It's less than 10 percent of the total programming cost is in that category.

So yeah, it's limited, but to the extent we can do it, we're going to do it.

Doug Murphy

Yeah. Maybe I'll just add a few things. I mean, we certainly have some costs that are variable to revenue, so the CPE is one based on the downstroke in Q4 that there's some CPE immediate reductions we can roll through the system for fiscal '23. There's a bunch of variable revenue-related cost commissions, et cetera, that we'll immediately pick up as well.

And the other thing I would say is to the extent to which this recession persists south of the border, our suppliers on simulcast may themselves decide to match demand with supply. And so oftentimes in the past recessions—because we've gone back and looked at a number of different recessions over the last 15 years and there are some evident patterns. And one of them is if the US—and none of us wants the US to slide into a recession, let's be clear—but if the US does enter into a recession, then they will also be managing their programming costs accordingly. And if we're on a simulcast end of that deal, we'll benefit.

Drew McReynolds

Got it. Got it. Okay. That's incredibly helpful. Thank you for that. One last one for me on just the interest rate exposure maybe for you, John. I know subsequent to the quarter you did an interest rate swap. But just can you give us a sense of just higher rates here and how that just flows through?

John Gossling

Yeah. So our rate at the end of the year all-in with the two high-yield notes was 5.6 percent weighted. Yeah, we have locked in hedged around half of the bank debt. Of course, the notes are naturally hedged because of the fixed rate. So that's the position we take.

We always like to leave ourselves a little bit of room for repayment on the term loan because it's very flexible and we're typically not highly, highly hedged on that. So that's where we've landed in terms of our hedging strategy.

To the extent, I guess, that there are some continued movements in those shorter-term rates then we'll have some exposure on, as I say, about half of the term loan.

Drew McReynolds

Okay. Perfect. Thank you very much.

John Gossling

Thanks, Drew.

Doug Murphy

Thanks, Drew.

Operator

Ladies and gentlemen, this does conclude your question-and-answer session. Turning the call back to Doug Murphy for closing remarks.

Doug Murphy

Thanks, Jake, and thank you, everybody. We're pleased to spend more time with you, if you'd like. Feel free to reach out to John or myself for more colour on the quarter.

And we hope you have a fantastic weekend. Take care now.

Operator

Ladies and gentlemen, this does conclude your conference for today. We do thank you for your participation, and you may now disconnect.