FINAL TRANSCRIPT

Corus Entertainment

First Quarter 2025 Analyst and Investor Call

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PRESENTATION

Operator

At this time, I would like to welcome everyone to the Corus Entertainment First Quarter 2025 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 star, then the number one on your telephone keypad. If you would like to withdraw your question, please press star, two. Thank you. As a reminder, this call is being recorded.

I will now turn the call over to Mr. Troy Reeb, Co-CEO of Corus Entertainment. Mr. Reeb, you may begin your conference.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Thank you, Operator, and good morning and Happy New Year, everyone. Welcome to Corus Entertainment's Fiscal '25 first quarter earnings call. I am Troy Reeb, and I am joined by John Gossling, Co-Chief Executive Officer and CFO.

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.

I'd like to remind those on our call today that 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' first quarter 2025 report to shareholders and the 2024 annual report which can be found on SEDAR+ or in the Investor Relations Financial Reports section of our website.

With that out of the way, I will start on Slide 3. It is a new year with new opportunities, starting with the successful launch of our exciting new lifestyle brands, Flavour Network and Home Network. Along with an impressive group of advertisers who came aboard as official launch partners, we are supporting the launch of these two great brands with a two-month free preview across most major distributors. Home and Flavour feature an outstanding lineup of fresh content exclusive to Corus, including ever popular Canadian originals like Great Chocolate Showdown and Pamela's Garden of Eden, along with new additions like Extreme Makeover Home Edition and Chasing Flavour with Carla Hall.

Advertiser interest and audience demand for the new brands has been very encouraging. While still early, obviously, the ratings for these channels have remained consistent with prior to the rebrands. And while certainly some shifts in audience behaviour may yet occur due to new competing channels, we are very pleased to have maintained all of our carriage for these networks and look forward to updating you on their ongoing progress.

As part of our rightsizing efforts, we made the prudent decision to focus our home and culinary programming into the two big brands, Home Network and Flavour Network. And that has resulted in the discontinuation of Cooking Channel and Magnolia Network on December 31, 2024. In late October, we partnered with NBCUniversal to launch a new STACKTV Hayu bundle that is delivering moderate growth and is a good example of how we are pursuing even more value through innovation for our STACKTV subscribers.

Moving to Slide 4. Following one of the strongest fall seasons in recent memory with Global ranking number one in core prime time, Corus was the only Canadian private broadcaster that saw a lift in its overall share of viewing. Fall marked the first back-to-normal program schedule and Global delivered 6 of the top 10 and 11 of the top 20 shows in the fall season, including number one reality show, Survivor; number one late night program, Saturday Night Live; number one comedy, Ghosts; Blockbuster Drama; and number two overall, 911, hit new top 10 show Matlock starring Kathy Bates and the latest installment of the NCIS franchise, NCIS: Origins, also in the top 20.

And as we head into our winter spring season, we have an equally strong schedule, featuring the return of many of these top shows, along with highly anticipated new medical drama, Doc; Global original and fan favourite, Family Law; and modern Sherlock Holmes themed medical mystery series, Watson.

Over to Slide 5. Corus has long been the leader in specialty entertainment television with decades of success in building big Canadian stars, acquiring and creating content that resonates with viewers, delivering massive audiences and creating passionate fans. We held 16 of the top 20 specialty entertainment programs for the fall season, including number one, Curse of Oak Island; number two, Secret of Skinwalker Ranch; and top 10 Canadian original, Top Chef Canada, which was recently greenlit for yet another season on Flavour Network.

Once again, this year, throughout Hallmark Channel's Countdown to Christmas, W Network ranked as the number one specialty entertainment television station in Canada for adults 25-54. Despite shifts in its program supply, Slice continues to perform well on the strength of new acquisitions, including, The Daily Show and True Crime News. This new programming lineup replaced our former supply of output shows from Bravo in the U.S., and it is delivering impressive audiences. In fact, Slice finished the fall season with 50 percent higher ratings in total audience than the recently launched Bravo Canada. The success of our programming strategies is particularly evident on our streaming platforms with total hours streamed growing 24 percent versus prior year and STACKTV, Pluto TV and the Global TV App, all contributing to that increase.

We have seen continued audience growth in our 14 free Global new streaming channels. At the same time, as our news audiences have also grown 8 percent on linear television with across-the-board increases in all the dayparts. To be clear, that is not relative to overall declines in linear television, but real year-over-year growth in viewing to Global News on traditional TV. And across all platforms, viewing to Global News has increased 7 percent year-over-year with impressive 31 percent growth on GlobalNews.ca and 52 percent on Pluto TV.

Moving to Slide 6. Despite our improved audiences in the last two years, the advertising marketplace has changed rapidly, and there continues to be a challenge coming from an abundance of premium digital video inventory with all major streaming services now offering ad-supported tiers. In response, we are intensely focused on balancing supply and demand while rolling out new initiatives that provide strong rationale and incentives for advertisers to buy TV and streaming video from Corus. In particular, new business development and direct client relationships remain a top priority. Powered by the strength of our news products and connection to the community, our local business remains an area of strength as we continue to combat the overall oversupply challenge.

Since John and I became co-CEOs last June, we have been squarely focused on rightsizing the Company. While you heard a lot initially about headcount reductions, including a reduction of almost half of our executive officers, our ongoing efforts are now more focused on ensuring that all product lines can generate positive margins and have cost structures in line with their revenue potential.

I'll turn it over to John now.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Great. Thanks very much, Troy, and good morning, everyone. Hope you're staying warm.

I will start on Slide 7. As Troy mentioned, persistent industry-wide advertising trends had a significant impact on our television advertising demand in the first quarter as we expected. This, combined with slightly lower subscription revenue contributed to consolidated revenue of $327 million, and that was a 12 percent decrease from last year.

Consolidated segment profit was $84 million for the quarter, and that reflects the impact of lower revenue and a 3 percent increase in amortization of program rights, due to the return of scripted programming that was disrupted of course, in the prior year. This was partially offset by our cost savings initiatives, which helped to drive total expense reductions of $6 million in the quarter, and that included a meaningful decrease of 14 percent in employee costs on a consolidated basis. Consolidated segment profit margins for the quarter were 26 percent, and that compares to 31 percent last year.

(Audio interference) All right. I will continue. Not sure where we dropped off, but I'll go back to the consolidated segment profit for the quarter was $84 million, and that reflected the lower revenue and the 3 percent increase in amortization of program rights due to the return of scripted programming that was disrupted in the fall last year. This was partially offset by our cost savings initiatives, which helped to drive total expense reductions of $6 million in the quarter and that included a meaningful decrease of 14 percent in employee costs on a consolidated basis.

Consolidated segment profit margins for the quarter were 26 percent compared to 31 percent last year. Free cash flow of negative $10 million in the quarter was impacted by the lower segment profit, higher restructuring costs and seasonal use of working capital. We continue to carefully manage our cash while implementing additional cost reduction initiatives.

At the end of the first quarter, we were in compliance with all loan covenants and had $88 million of cash and cash equivalents and approximately $31 million was available to be drawn under our revolving credit facility. Net debt to segment profit was 4.48 times at the end of the first quarter compared to 3.84 times at August 31, 2024, and that's primarily driven by the lower segment profit and the fact that we had $33 million drawn on the revolving credit facility at the end of the quarter.

Looking ahead to the second quarter of fiscal 2025, as Troy mentioned, we expect to see continued oversupply of digital advertising inventory from foreign competitors, coupled with lower demand for traditional television advertising. As a result, television advertising revenue for Q2 of fiscal 2025 is expected to decline by a similar range to the first quarter, what we just reported today.

We anticipate amortization of TV program rights will increase by low double-digits percentage compared to the prior year quarter and that will be a high watermark for the year given the return to normal programming schedule this year compared to the delayed start after the strikes in mid-February last year as well as some timing issues on the premier of new Canadian content in the second quarter this year.

In addition, we anticipate another decline in consolidated general and administrative expenses in the range of 5 percent to 10 percent compared to last year as a result of the continued implementation of cost reduction initiatives to help further offset the lower expected revenue.

Let's turn to TV results on Slide 8. Overall, TV segment revenues were $304 million for the quarter, and that was down 11 percent. This was mainly driven by the lower TV advertising revenue that we've discussed, down 16 percent in Q1 and was in line with the outlook we gave last quarter.

Subscriber revenue of $116 million for the quarter was down 2 percent, and that reflects declines in the traditional distribution system, partially offset by strong growth in streaming subscribers. Distribution, production and other revenue was lower for the quarter, and that was driven by fewer episode deliveries and reduced service work.

As we highlighted on our Q4 call, we expected that our cost reduction measures would be offset by increased costs tied to return of scripted programming in the first half of the current year. Amortization of programming rights increased 3 percent in the quarter, and that was slightly lower than our outlook of a mid-single-digit increase for Q1. TV employee costs were down 15 percent, and that was mainly as a result of significant headcount reduction initiatives over the past year. Other G&A expenses were up approximately $2 million, and that reflects increased advertising and marketing spend to support both the launch of new fall programming and the launch of the two new lifestyle brands.

As a reminder, advertising and marketing spend in the prior year quarter was lower than normal due to the scripted programming disruption from the strikes.

Overall, TV segment profit was down 29 percent in the first quarter, and that was primarily as a result of the contraction in advertising demand, lower subscription and distribution, production and other revenue, exceeding the benefit of G&A expense savings from the numerous cost reduction initiatives. TV segment profit margins were 28 percent in the current year quarter and that compares to 36 percent in the prior year.

Let's turn to the radio results on Slide 9. Radio segment revenue of $24 million for the quarter decreased 14 percent from the prior year due to lower advertising demand and the impacts of audience declines in the sector. Radio segment profit decreased $0.7 million over the prior year quarter with a 14 percent expense decline from cost containment measures more than offset by lower advertising demand. Radio segment profit margin was 16 percent, down slightly compared to 17 percent in the prior year.

All right. Over to Slide 10. In the first quarter, we announced an amendment to our bank credit facilities effective October 24, 2024, which provides us relief on certain covenants as we continue to pursue rightsizing initiatives and further reduce costs. We continue to have access to the revolving credit facility. This important step is facilitating the advancement of our comprehensive plan, building on the prudent measures we are taking to strengthen our balance sheet and manage our liabilities.

As a reminder, our debt is comprised mainly of $33 million drawn on the revolver at quarter end, the term loan of $303 million, along with the senior unsecured notes of $750 million in total. We had $31 million of additional access to revolver at the end of the first quarter for working capital purposes. Given the ongoing low visibility on industry advertising trends due in part to the increasingly and unprecedented last-minute nature of buying, we are continuing our aggressive pursuit of cost reductions as evidenced in our first quarter results.

As Troy mentioned, we are pleased with the performance and growth potential of elements of our core business that contributed attractive margins, including the successful launch of our new lifestyle networks. As well, we are making steady progress on necessary work to address less sustainable parts of the business and create a smaller but more profitable business. At the same time, we remain focused on our efforts to right-size the balance sheet and the liability structure and look forward to providing you an update on our progress in the coming months.

Now, I'll hand it back to Troy for an update on regulatory and other developments.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Thank you, John.

Finally, over to Slide 11 now. As John said, we're working hard to position Corus for a more sustainable future. And, while we continue to forge necessary changes at Corus, we also urgently need to see regulations and the industry playing field adapt to support the sustainability of Canadian broadcasting. The current competitive environment unfairly advantages foreign digital giants as well as some dominant domestic distributors to the detriment of Canadians. We are encouraged by the announcement from the CRTC just yesterday of a new consultation on market dynamics in the broadcasting sector.

We agree it is imperative that Canadians have a broadcasting system with fair, transparent and competitive rules of engagement between broadcasters and distributors. We are also pleased to see the implementation of Bill C-18, which should see long overdue funding flow to news broadcasters in the coming quarter. The CRTC has clearly committed additional funding for news following the implementation of Bill C-11 as well. However, the foreign digital giants' ongoing appeal of the CRTC's decision mandating them to make the most basic contributions to the Canadian system underscores why we must right the competitive landscape.

Corus remains the only independent local broadcaster that does not receive independent local news funding to support our extensive news operations as we await that appeals process to conclude.

Corus will continue to advocate for necessary change for Canadian broadcasters and news providers and to focus on the elements of our own business we can control. The strength of our content and our teams is evident across our platforms, from the critical, local and national news that we provide to Canadians seven days a week, to the incredible launch of our new lifestyle brands and our outstanding number one core prime time schedule on Global this fall.

John and I want to close by thanking our talented and dedicated colleagues and teams who work incredibly hard day in and day out to deliver outstanding content to Canadians.

John and I will now be very happy to take your questions. Over to you, Operator.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star, followed by the one on your touchtone phone. Questions will be taken in the order received. Should you wish to cancel your request, please press the star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. Once again, it is star, one should you wish to ask a question.

Your first question is from Adam Shine from National Bank Financial. Your line is now open.

Adam Shine – Analyst, National Bank Financial

Good morning. Happy New Year. Maybe Troy, just leaving off where you or continuing where you just left off, in terms of this CRTC announcement yesterday, which seems to have come, I think, about 10 or more years too late as a review, I mean we wonder, are you going to see any potential prospect of any regulatory lifeline coming to you in the next two to three months, not necessarily related to this belated review, but anything else that may have been brewing in the background amidst your current travails?

And then related to that, is there a way to quantify some of the news related relief that starts flowing in Q2 that you alluded to? And then I'll just follow up with one for John.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Yes. Look, the—well, I'll start with saying—reiterating what I just said, it is long overdue. We agree with you. But it's incredibly important. You saw this past fall, we had a blowout quarter from an audience standpoint. We did fantastic. Global has moved to number one in prime time, our local and news audiences were up across the board, we had improvement in the specialty portfolio, but monetization remains challenged in the advertising world. And we're not, in most cases, a direct-to-consumer business.

We have relied on our relationships with our BDU partners for years, which have worked well for both the BDUs and the broadcasters, but those dynamics have been changing as we've seen with some recent moves. And it's important that the balance be maintained so that audiences can receive the programming they obviously want from broadcasters like us and that we can be remunerated accordingly. We're encouraged that that particular round of consultations has now been announced and will shortly get underway.

In terms of substantive change or relief in the short term in the next quarter, I wouldn't anticipate anything that's going to be that significant or meaningful. The regulatory process grinds very slowly in Ottawa. We're happy that it continues to grind and we would encourage it to hurry.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Just on that, I think maybe what you're getting at is there was some media reports in the last week or so that the Google money that they've agreed to pay under C-18 has been paid, that's the $100 million. Remember, that cap—only 30 percent of that can go to broadcast, private broadcast. And we're still waiting to find out what our share of that is going to be and then the timing of it. That could be helpful in the timeframe you mentioned in terms of cash contribution, but we don't have that confirmed right now.

Adam Shine – Analyst, National Bank Financial

Okay. No, I appreciate that, John, and thanks, Troy. John, if I go to the Q2 guidance and acknowledging the fact that you are indeed in a two-month free view mode to kick off for these two rebranded channels, so to a great extent, there's a huge forfeiture of revenues compared to a year ago. Yet, it's not as though we're looking at minus 20 percent, minus 25 percent TV ad drop worsening from the Q1 performance. Is there some silver lining here that there's some better traction emanating that you've seen so far in Q2, perhaps derivative of some of the fall schedule evolving into early winter as compared to the delayed season last year into January, if not even into February, or am I misreading that? There's got to be some back-filling going on.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes, yes. I don't quite follow the first part of your question, Adam, around the free previews because the subscriber revenues will continue for the customers that are sort of in paid tiers, and that it gets us greater audience to be able to monetize. I'd say, I mentioned that, and I know we've said this in the past, but the degree of last-minute buying that we're seeing is truly unprecedented. It's maybe for a multitude of reasons. But I think that's may be indicative of there could be upside if we continue to see money coming in later in the quarter.

The ratings position that Troy has just mentioned is really the best tailwind that we have. We've obviously got to sell it, but it puts us in the best possible position that we could be. And I think how that plays out into the next big quarter of Q3, it's too early to tell, but it certainly gets us in a good spot in terms of estimates and our ability to go after that money.

Adam Shine – Analyst, National Bank Financial

Okay. You're correct about the first part of that question, which was silly. Let me rephrase it and maybe change it around a bit. Can you give us maybe a little bit of help or maybe it's a little bit premature as you step into 2025 with the new rebranded channels that do indeed have the fullness of the carriage. But nevertheless, you did close a couple of channels and obviously another one earlier in the fall. Can you talk about the level of preservation of revenues and profits of the WBD-related services and the transition to the two new rebranded ones and how that's going?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes. I think it's a little early. I mean we mentioned out of the gate, audiences are good, and carriage is good. Those are important to the recipe. I don't know that we can really give you much more than that because it's just a bit early. There's clearly more competition in the market, and so that means that advertisers have more choice and that will certainly be on our mind and in the way we're thinking about it, but I think it's just too early to say. I mean to the extent there's an impact in Q2, it's obviously baked into that outlook that we gave today with the Q1 report. But beyond that, I don't think there's much else we can add.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Yes. I would just say that referencing the closure of a few of those smaller services, understand we're still in a situation where we've got a lot of unsold inventory, quite frankly. There's not an inventory pressure that's immediately going to impact on the revenue that we would otherwise receive and also with smaller services like that. Certainly, there are many advertisers who specifically want to buy channels like Home and Flavour for some of the smaller services there; it's fairly rare that advertisers specifically select those very small services. They're generally chosen as part of an overall bundle of buying. We have no problem accommodating those advertisers and other services.

Adam Shine – Analyst, National Bank Financial

Yes, absolutely. Okay, thanks. I'll queue up again.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Thanks.

Operator

Your next question is from Maher Yaghi from Scotiabank. Your line is now open.

Maher Yaghi – Analyst, Scotiabank

Great. Thank you for taking my questions. I wanted to follow up on Adam's question related to subscription revenues for TV, not the advertising part. As we go into Q2, Q3, I know it's quite early, but can you qualify or quantify any potential leakage in terms of subscriber revenues or subscriptions to your TV services as it stands today. I mean, in November, yes. So, no impact, but trying just to see early look at what percent of your subscribers have requested a change in channels so far. Any indication you have on that, that would be helpful. Thank you.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes. Thanks, Maher. We don't typically have that level of information, and it's very difficult to get other distributors. We certainly have a lot of data when it comes to STACKTV and what's going on there. And the momentum has been very strong on STACKTV. You see the commentary on the minus 2 percent on the subscriber line and the closure of the Oprah Winfrey Network actually hurt it a little bit. You can take from that, that the streaming revenues are actually performing quite well. As of the end of Q1, we had a record high number of paying streaming subscribers.

I think that's where we're seeing some good upside. The linear side, there's always a lag to the reporting and then trying to parse through what it all means. Our view, at least for the next quarter, would be that it's looking pretty similar to what you just saw.

Maher Yaghi – Analyst, Scotiabank

Okay. That will help, let's say, in terms of offsetting some of the pressure on advertising. Basically, what I'm trying to get to is the covenant coverage for Q2 and Q3. We know in March, it's going to—at the end of March, the ratios are going to become much harder. Can you help us just parse the picture on how it's setting up in terms of meeting those covenants for Q2 and what it will take for you to meet in Q3, those covenants? And including in that response, if you can maybe help us understand what you're doing beyond the cost cutting in terms of working a plan to address the debt situation that is coming up in the next couple of months.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

That second part of your question really relates and answers the first part. For Q2, let's start there. For Q2, you will have seen from the October amendment that we have negotiated a very high covenant level of 7.25 times leverage. That you can imagine was done with a fair bit of a buffer built into it. And then beyond that, then that goes to your next question, which is, okay, so then what's the plan here? Because the leverage isn't magically going to go back down to 4.25 times as the covenant would require after March 31.

That's what we're working on right now. I really can't speculate on where it's going to go and what's going to happen. But suffice to say, there is definitely a very active plan with many, many elements to it that we're working on right now to deal with that situation. But what that's going to be and what form it's going to take, we just can't speculate right now. We just don't know.

Maher Yaghi – Analyst, Scotiabank

Okay. Maybe I can ask a question in terms of what are you hoping to see coming out from these consultations with the CRTC? We all know it's taking long to get to a regulatory environment where the foreign streamers begin to contribute and maintain the system. But are there any specific areas where you would like to see real change in regulation coming from these consultations when it comes to how you compete against your bigger peers and how the relationship between you and the BDUs are currently set up?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes. Thanks, Maher. Look, I think we're very optimistic about that because I think this is the basis of the hearing is the CRTC wants to ensure that there is fair and equitable treatment of broadcasters and program providers inside the distribution environment. And, I mean that from the distribution environment, not only in the traditional sense of cable and satellite and telcos, but also virtual distributors.

Market access is obviously incredibly important for broadcasters, for programmers and in a world where a few dominant distributors, whether in a traditional sense or in the virtual sense, kind of have a lock on the—on getting into the consumers' home, we need to make sure that the market dynamics are kept in balance, so that programmers and broadcasters can get our much desired products to the consumers who want them and are not blocked by other agendas.

We look forward to participating in that process. And as I say, we're optimistic that the CRTC is taking us in the right direction, and we just hope they can get along—get on with it quickly.

Maher Yaghi – Analyst, Scotiabank

Do you feel that foreign ownership limits your ability to execute the plan that you'd like to achieve in the Canadian environment as it stands right now?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Well, the foreign ownership limits are what they are. We have to work inside the environment that—in the regulatory environment that we're given.

Maher Yaghi – Analyst, Scotiabank

Thank you.

Operator

Thank you. And your next question comes from the line of Vince Valentini from TD Cowen. Please go ahead.

Vince Valentini – Analyst, TD Cowen

Yes. Thanks very much. On subscription revenue, the Bell renewal you just announced, anything in terms of retroactive catch-up payments that we should be thinking about? And, a look like you called out anything for Q1? Or is there something maybe going to happen in Q2?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes. Thanks, Vince. No, I'm not expecting there—to be anything significant there on that renewal.

Vince Valentini – Analyst, TD Cowen

Okay. I mean, I know this was kind of already asked before, but then you already had one channel shut down in Q1, maybe it was more than one and you've seen sort of Stack increase versus linear trends for the past few months. Home and Flavour have good carriage as we've talked about. Is there any reason to think that—because you're giving this guidance on advertising revenue, but not subscription revenue. Is there any reason to think subscriber revenue would be materially different in Q2 than it was in the first quarter at minus 2 percent?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

No. It probably got lost a bit in my answer to Maher's question, but I would think that that level and that trend is probably going to be similar into Q2, what you saw in Q1.

Vince Valentini – Analyst, TD Cowen

And just a couple of nitpicky things. Working capital is a pretty big outflow in the first quarter relative to Q1 last year. Is there going to be some reversal in Q2?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

For sure. We get the normal seasonal effect in Q1 of the revenue and the receivables. That wasn't particularly different year-over-year. Where the difference was because it was a bigger use of cash this year compared to last year. A couple of things. One is a little less of a build in payables this year. As we've said, you didn't see it this year in the cash programming line, but there had been a buildup of kind of older delayed payments, that's largely cleared the system now.

There's always some of that. Payables didn't contribute as much this year. And the other difference was cash taxes, refunds were higher last year than in Q1 this year by about $10 million. That effect should reverse or improve as well. I would think that, yes, Q2 is going to be a much better working capital quarter. It always is. And there's always some timing issues around the way things flow, but I wouldn't expect the seasonality to change that much from what it typically is.

Vince Valentini – Analyst, TD Cowen

Okay. And the asset sale, $10 million you sold a building in Edmonton? Is that the news facility that you found a way to monetize?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

No, it was transmitter land on the outskirts that aren't really the outskirts anymore. That was one of the AMs that we shut down in Edmonton. It was radio property.

Vince Valentini – Analyst, TD Cowen

Any other little pieces like that in the works outside of four news facilities?

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes, there's a handful. I mean, if you think of what we've announced on the AM radio side with Vancouver is coming down by one station, Hamilton has come down by one AM, so I think there are some other opportunities. That land, depending where it is and that will drive how attractive it is for development. Edmonton was just a great situation where we could move very quickly, and that was a very competitive situation. We've got some land in Winnipeg. Yes, there are definitely pieces of that type of land that we're looking to monetize.

Vince Valentini – Analyst, TD Cowen

Great. Thank you.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Thanks, Vince.

Operator

Thank you. Your next question comes from the line of Aravinda Galappatthige from Canaccord Genuity. Please go ahead.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Good morning. Thanks for taking my questions. Two for me, and I'll ask them back to back. First of all, on the Q2 guide, maybe for John, the programming cost guided low double-digits. I know that on the other hand, you will continue to cut G&A. In Q1, you were able to keep the overall TV OpEx down year-over-year, albeit by 1 percent. What's the prospect of Q2? Do you feel like you could still keep it flat even with the double-digit amort, or do we necessarily go into some sort of inflation in TV because the reason I ask that is when I consider the top line guide you've given, it does suggest a double-digit decline in top line. That really presses down the margin towards the low double-digits in television, maybe even single-digits. I just want clarity on that.

And the second question is around sort of the transition from Food and HGTV to the new brands. Do you sort of expect kind of a dip and upward movement? Or do you—I know that the comments on the call suggest that the ratings are stable. Do you feel it would be kind of smooth in terms of sort of that handoff from an advertising perspective? Thank you.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

On the first one, and I'll just maybe give a little bit more colour on the outlook for the programming costs. I mentioned really two pieces there. There's the impact of the Global output, obviously, we've got a full quarter this year and it was a late start in February last year. That's part of it.

And then I'd say a bit unusually, and it's really a timing issue as there is quite a bit more Canadian in Q2. There's a few big shows, particularly on Global that are launching in Q2 this year that will drive some increases year-over-year as well. Though I wouldn't, in any sense, consider it to be like any kind of a trend, that just happened to be where the premieres hit for that particular situation.

Look, it's going to be difficult, given we are spending a bit more marketing money as well in Q2 to support the rebrands. You will have noticed around Toronto, just the weight of the marketing for those two channels, which I think has been very helpful. The unaided awareness, I mean, this is totally anecdotal, but I find a lot of people are commenting on those two new channels and are excited about them. I think we're going to see an overall increase in TV costs in Q2.

But for those reasons, it's what I would consider kind of temporary between the Canadian spend, the return of the U.S. spend and then the marketing support. Look, we're going to keep working as hard as we possibly can. And to some extent, the variability in the U.S. programming cost is a little bit out of our control because we don't always control the number of episodes that are coming. We obviously have a good view of that and that's what's built into the outlook. But as you saw in Q1, there can always be changes, sometimes mostly favourable, but occasionally, they go the wrong way. But, I think we're feeling pretty confident right now anyway with that programming number outlook.

And just on the second question, I think, look, there are two new—we're very encouraged by the initial launch. The audience has seemed fairly consistent post January 1 as they were in December. But there are two new competing channels that have some popular programming attached to them. There's going to be some fluctuations in audience. We're still feeling very good that we will continue to be the dominant player in the lifestyle space. Will that fragment advertising that has traditionally come to those channels? I think it already has a bit and we're dealing with that.

But we're also showing with the proof point through Slice, that when a channel loses one of its output agreements it doesn't mean that the channel necessarily becomes a shadow of its former self. In fact, Slice is holding up and clobbering Bravo Canada and the ratings quite handily. Our advertisers will respond to that.

And the other thing is, without having an output agreement, it's more difficult to buy shows kind of one-off to program a service like Home and Flavour than maybe it is by taking an all you can eat from a service like HGTV or Food, but it also gives us the opportunity to match your supply with demand a little bit better. It gives us a little more flexibility in the program pricing that you're not locked in and that you can make adjustments accordingly as advertiser and subscriber demand grows or ebbs.

The trade-off is we get a little more flexibility. And as I say, we're still confident that we're going to have a comfortable margin leading lifestyle services on the dial in Canada.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Okay. Thank you. I'll pass it along.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Thanks, Aravinda.

Operator

Thank you. Once again, should you have a question, please press star, then the number one on your telephone keypad.

Your next question comes from the line of Drew McReynolds from RBC. Please go ahead.

Drew McReynolds – Analyst, RBC Capital Markets

Yes, thanks very much. Good morning. Troy, I just want to follow up on your overall kind of audience and ratings commentary across kind of the Corus portfolio. I'm just trying to understand like what is happening between the heavy TV ad pressure that you are seeing or said differently, an inability to kind of monetize this. With the oversupply that you alluded to in the press release, like, what's actually happening under the hood? Has that just been VPNs here? Is it advertisers being stubborn on allocation of budgets between digital and linear? Is there any BDU dynamic that you can kind of flag here? Like, I just don't get that disconnect of this magnitude to be honest.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Yes. Well, I'll be quite blunt. There is a massive increase in the amount of premium video digital inventory that came into the marketplace when Netflix, Prime Video, Paramount Plus, Disney+, all introduced ad tiers over the last kind of eight quarters and those ad tiers have now come into sort of full fruition.

For us, when it comes to the market dynamics question, for us to—we work through virtual distributors like Amazon and rely on them to deliver some of our ad load to STACKTV. We now compete with them for that ad load just as we now compete with some of our distribution partners in the traditional sense for program rights. And I think when there was the strike, advertisers started looking for alternatives to traditional TV for some of their buys, maybe they didn't come back to traditional TV as quickly as we would have liked. It's up to our sales teams to continue to make the case to the agencies that we offer a fantastic reach and targeting proposition with our combination of linear and digital assets.

And as John referenced earlier, having great ratings like we did this fall does give us a tailwind. We just had a lot of unsold inventory. But generally, the market starts to balance out that every player generally has kind of similar levels of unsold inventory. The fact that we have more because of our higher ratings should give us a tailwind for the next quarter.

Drew McReynolds – Analyst, RBC Capital Markets

Okay. Yes, that's good colour. Thank you for that. And maybe one for you, John, just kind of back to having programming flexibility. At the high level, the multiyear output deals you've done in the past, obviously, kind of commits it to a fixed programming cost that's not insignificant as we're kind of working through and then you just hope you kind of have a strong enough top line, as I know you are working on other things as to priorities. But just in terms of a longer-term programming strategy, particularly with U.S. studios like Odyessy (phon), a company like Corus in whatever form it takes medium term, being able to institute kind of more of that programming flexibility underneath the hood, so you can just avoid essentially one big giant fixed cost on the balance sheet that you got to throw into the P&L with, again, just not knowing really what that top line looks like over a multiyear period.

John Gossling — Co-Chief Executive Officer, Chief Financial Officer, Corus Entertainment

Yes. Look, it's a very good question, Drew, and one that we're dealing with. It's a little bit under the hood. But we are seeing examples of different types of structures. I wouldn't say they're that material at this point. But, they're emerging, different ways of buying, different ways of sharing risk. I think that's encouraging. Look, I mean, at the end of the day, we know we need to have good, fresh programming for our networks.

We've said it in a couple of different ways in the prepared remarks where we're focusing on ensuring that we're putting our efforts into the businesses or the channels in this case that generate the best margins. That's really a way of saying we're looking at everything, we're looking at all the channels, and we're looking at the cost of those channels and what the programming cost of those channels looks like. And, I think there's going to be more to come. As some of these programming deals roll off, there needs some adjustments to happen, and that's what we're working on now.

Drew McReynolds – Analyst, RBC Capital Markets

Got it. Got it. Okay. Thanks very much.

Operator

Thank you. There are no further questions at this time. I will now hand the call back to Mr. Troy Reeb for any closing remarks. Please go ahead.

Troy Reeb — Co-Chief Executive Officer, Corus Entertainment

Thank you, Operator, and thank you, everyone, for the questions. We appreciate the support and look forward to sharing more with you as 2025 continues. Happy New Year, everyone. Bye now.

Operator

Thank you. This concludes today's call. Thank you for participating. You may all disconnect.