FINAL TRANSCRIPT

Corus Entertainment Inc.

Second Quarter 2025 Analyst and Investor Conference Call

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CORPORATE PARTICIPANTS

John Gossling
Corus Entertainment Inc. – Co-Chief Executive Officer and Chief Financial Officer

Troy Reeb
Corus Entertainment Inc. – Co-Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Vince Valentini
TD Cowen – Analyst

Maher Yaghi
Scotiabank – Analyst

Aravinda Galappatthige
Canaccord Genuity – Analyst

Drew McReynolds
RBC Capital Markets – Analyst

Adam Shine
National Bank Financial – Analyst

PRESENTATION

Operator

Good morning. My name is Joelle, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Corus Entertainment Q2 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. John Gossling, Co-CEO and CFO of Corus Entertainment. Mr. Gossling, you may begin your conference.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Thanks very much, Joelle, and good morning, everyone. Welcome to Corus Entertainment's fiscal 2025 second quarter earnings call. I'm joined today by Troy Reeb, our Co-Chief Executive Officer.

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

Now, let's move on 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 would also 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' Second 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.

All right, I'll start on Slide 3; by sharing details of an important and significant step we have taken to progress our capital and debt plan.

A few weeks ago, we completed a transaction that provides Corus with a more stable footing for our operations. With cooperation of lenders and constructive support of key debt investors, we assigned, amended and extended our credit facility. The updated credit facility provides improved terms, including total debt to cash flow ratio of 9.5:1.0 through December 31, 2025; an extension of the maturity date to March 20, 2027; increased access to up to $75 million of revolving credit; and a fixed interest rate of 7.29% on the entire facility, compared to the prior floating rate. Effective March 21, 2025, our debt is now comprised of the amended and restated credit facility, which is made up of a drawn term loan and a $75 million revolver, and then along with the senior unsecured notes of $500 million due in 2028, and $250 million due in 2030.

We're very pleased with this outcome, which better positions us to create sustainability in the business. It provides necessary financial flexibility to adapt to ongoing shifts and factors affecting our industry in the near term, as we continue efforts to right-size our cost structure through efficiency and cost reduction measures. The transaction also supports our commitment and our ability to provide Canadians with the programming, news and audio content they love and expect from Corus.

With that, I'll turn it over to Troy for our current view of the business.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Thank you, John.

Moving to Slide 4, given recent events in our country and abroad, we have witnessed a remarkable change in Canadians' consumer behaviour. The response to U.S. tariffs and threats has created concerns, challenges and opportunities for brands.

As a proud Canadian company, we are undertaking important initiatives to help rally our audiences to 'Shop Canadian' and protect our economy and Canadian workers. We believe it's our responsibility to champion this message and to ensure that Canadians have a trusted and reliable source of news and information.

We were one of the first major media organizations to marshal all of our platforms, brands and local programs to encourage listeners and viewers to support the local businesses that provide jobs in their communities. Corus is also working closely with our clients, offering them a variety of ways to show their support of the 'Buy Canadian' movement.

We do not expect our content supply to be disrupted by any potential tariffs, should they actually materialize, and we have seen incredible response to our programming this year, providing an attractive multi-platform environment for advertisers to reach our highly-engaged audiences.

In addition to existing opportunities within the Corus ecosystem, we are also working with our clients to create custom content and help them connect with their Canadian customers during this pivotal moment of national resilience. We have leaned into our hundreds of weekly hours of Canadian original programming and home-grown brands, like Flavour Network and Home Network, to create new integration opportunities for clients who want to fly their Canadian colours across (audio interference) and digital environments, alike. At the same time, there has never been a better time to re-examine the breadth and depth of our extensive multi-platform video and audio offerings. Investing in Canadian media supports our efforts to provide entertainment, critical news and information for Canadians by Canadians.

Over to Slide 5. Global News has witnessed tremendous gains in viewership, which is not surprising, given the increased interest in events south of the border and globally, and the impacts of the current federal election cycle. Audiences are embracing Global News as a trusted source of information, driving 12 percent growth in total minutes viewed across both broadcast and streaming platforms. This increase reflects increased viewing to both linear and digital, up 11 percent and 18 percent, respectively. On linear TV, Global National is the number one national news broadcast in Canada, and we are number one in morning news. Additionally, Global News has the highest number of subscribers on YouTube, compared to any other national Canadian news broadcaster. We are incredibly proud of our teams and their commitment to keeping Canadians informed during these turbulent times.

Moving to Slide 6, Corus is experiencing significant audience momentum on conventional television overall. Since January, Global's overall audience is tracking 11 percent ahead of last year and 25 percent ahead in core primetime. Global owns 11 of the top 20 shows, including the number one reality show *Survivor*, number one comedy *Ghosts*, number one late night show *Saturday Night Live*, now celebrating its 50th anniversary.

Turning to Slide 7, and our Specialty portfolio, we own 16 of the top 20 specialty entertainment programs, including two programs from each of Flavour Network and Home Network. Impressively, Home and Flavour have landed as the number one and number two specialty lifestyle networks in only a few short months, with almost 11 million Canadians tuning into the Networks' attractive programming. This is a testament to our strong legacy of popular Canadian lifestyle programming, and the strength of our team, who built these all-Canadian brands from scratch in just a few short months.

Audience momentum is building in our Streaming portfolio, as well, with the strongest Q2 ever for both monthly active users and hours streamed, the latter of which was up 18 percent over last year. STACKTV delivers the highest engagement of our digital platforms, drawing in audiences with its extensive offering of bingeable content and livestreams. Our subscriptions also remain relatively resilient, following our recent retail pricing increase of $2.00 a month on our standalone STACKTV product across platforms.

On the advertising front, we are still experiencing low visibility, given tariff-related activity and potential economic impacts, and how that trickles down to advertising spend. We are beginning to see some benefits from the strong performance of our content. Sales on Global were resilient in the second quarter, but we are still seeing some challenges in our Specialty portfolio as a result of an oversupply of digital video inventory in the broader market and generally lower advertising demand on linear television.

The ‘Buy Canadian’ movement I referenced earlier is helping to mitigate some of the industry-wide advertising trends, as companies adjust their business strategies and marketing campaigns to build on the increased interest in Canadian products from consumers. The federal election is also expected to provide a tailwind, given the heightened interest in news and information in the current environment. However, increasingly, we are seeing last-minute spending, particularly related to the uncertainty caused by the implementation of new tariffs. We remain committed to supporting our advertisers as they make necessary adjustments along the way.

I’ll now pass it over to John for the financial results of the quarter.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Great, thanks, Troy.

I’m on Slide 8. As Troy mentioned, industry-wide advertising trends persist and continue to impact television advertising demand overall. This, combined with lower subscription revenue, contributed to consolidated revenue of $270 million in the quarter, a 10 percent decrease from the prior year.

Consolidated segment profit was $18 million for the quarter, and that reflects the impact of the lower revenue and a 14 percent increase in amortization of program rights due to the late quarter return of scripted programming in the prior year quarter. This was partially offset by our cost-saving initiatives, which helped to drive total G&A expense reductions of $14 million, or 12 percent, in the quarter, including a meaningful decrease of 15 percent in employee costs. We are pleased with the progress we are making on this front, delivering a result that was slightly ahead of our prior outlook for Q2. Consolidated segment profit margins for the quarter were 6 percent, compared to 18 percent last year.

Free cash flow of $46 million in the quarter increased 40 percent from last year, and that exceeded our expectations. Higher working capital contribution, lower net program rights and film investment, as well as reduced cash taxes, were the main contributors this quarter, and that was more than enough to offset the impact of the lower segment profit. This result underscores the ongoing careful management of our cash, as we implement additional cost-reduction measures.

At the end of the second quarter, we were in compliance with all loan covenants and had $92 million of cash and cash equivalents, and approximately $64 million was available to be drawn under the previous $65 million revolving credit facility.

Net debt to segment profit was 5.04 times at the end of the second quarter, compared to 3.84 times at August 31, 2024, primarily reflecting the impact of the lower segment profit.

Looking ahead to the third quarter of fiscal 2025, oversupply of digital advertising inventory from foreign competitors, coupled with lower demand for traditional television advertising, and the potential impact of U.S. tariffs on the overall economy, are factored into our outlook. As a result, the year-over-year percentage decline in television advertising revenue for Q3 of fiscal 2025 is expected to be in the mid-teens.

We anticipate amortization of TV program rights will be relatively flat, compared to the prior year quarter, as the impact of last year's Hollywood strikes move into the rearview mirror.

In addition, we anticipate another decline in consolidated G&A expenses in the range of 5 percent to 10 percent, compared to Q3 last year, as a result of the continued implementation of cost-reduction initiatives to help further offset the lower expected revenue.

Over to Slide 9 now. TV segment revenues were $252 million for the quarter, and that's down 9 percent. This was mainly driven by lower TV advertising revenue, which declined 13 percent in Q1, and was modestly ahead of the outlook we gave last quarter, benefiting from the strength of our programming and audiences.

Subscriber revenue of $112 million for the quarter was down 5 percent, reflecting declines in the traditional distribution system, partially offset by modest growth in streaming subscribers. Excluding the impact of right-sizing initiatives in our Specialty TV portfolio, subscriber revenue was down 2 percent.

Distribution, production and other revenue was lower for the quarter, driven by fewer episode deliveries and reduced service work.

On our Q1 call, we highlighted the expected increase in amortization of program rights in the second quarter, which is related to the late quarter return of programming in the prior year. The results were generally in line with this Q2 outlook, and, importantly, we will finally return to an apples-to-apples comparison in the third quarter.

Our cost-reduction initiatives resulted in a significant decrease in TV employee costs in the quarter. They were down 15 percent as a result of significant headcount-reduction initiatives over the past year, as well as a 4 percent decline in other G&A expenses.

Overall, TV segment profit was down $36 million in the second quarter, as we contended with the expected increase in the amortization of program rights. This, combined with the contraction in advertising demand, as well as lower subscription, distribution, production and other revenue, exceeded the benefit of G&A expense savings from our numerous cost-reduction initiatives. TV segment profit margins were 9 percent in the quarter, and that compares to 21 percent in the prior period.

Moving to Slide 10, Radio segment revenue of $19 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, however, of $1.4 million increased over the prior year quarter, with a 17 percent expense decline from cost-containment measures more than offsetting the lower advertising demand. Radio segment profit margin increased to 8 percent from 4 percent in the prior year period.

With that, I'll turn it over to Troy for closing comments.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Thank you, John.

Finally, over to Slide 11. Looking ahead to Q3, we're planning to build on our latest operational and financial achievements. The updated credit facility represents a key milestone for Corus, and it better positions us to deliver on our longer term plan to create a more sustainable business.

Although headwinds certainly persist in the broader industry and economy, we have confidence in our position as a leader in Canadian media. We will forge ahead to build even stronger connections with audiences and our advertising partners, buoyed by the strength of our brands and attractive upcoming programming, including Canadian favourites, like *Renovation Resort*, and the premiere of new Corus Studios original *Big Burger Battle*.

We, along with our domestic broadcast counterparts, are also taking every opportunity to reinforce that 'Buying Canadian' means investing in Canadian media, too. This means repatriating ad dollars to Canadian companies who have robust multi-platform offerings and a proven ability to effectively reach audiences.

We want to thank our teams for maintaining focus on the road ahead, as we work to build a stronger Canadian media industry, take the necessary steps to continue to right-size our business, and to pursue new opportunities.

Back 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 star, followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Operator, we're getting some noise on the line. Can we just pause for a second and make sure it's not affecting the participants?

All right. It looks like it's okay, we can proceed.

Operator

Okay. Your first question comes from Vince Valentini with TD Cowen. Your line is now open.

Vince Valentini – Analyst, TD Cowen

Thanks very much. Can you hear me okay, John and Troy.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Yes.

Vince Valentini – Analyst, TD Cowen

Great. Let me start on subscription revenue, try to unpack that a little bit and make sure I understand. Minus 2 percent would be if you back out the impact of the channels you deliberately have shut down, as opposed to the minus 5 percent reported; is that correct?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Correct.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes.

Vince Valentini – Analyst, TD Cowen

How does the free view period for Home and Flavour factor into that, because you were giving it away for free for the first little while, right, so there shouldn't have been much subscription revenue, or do I have that wrong?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

No, in the case of those channels, because they were existing channels, the revenue from those channels, of the existing subscribers, continues. The free view applies to people that weren't receiving the channels going into it. We don't give up all the subscriber revenue on those channels for a free view.

Vince Valentini – Analyst, TD Cowen

Oh, okay, got you. You were still—what you were getting before from people who were subscribing, you still got, so there's no impact there. Perfect.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Free previews, Vince, basically open up the channel to the full cable, to all cable subscribers or satellite subscribers, so there's sort of no lock on the channel anymore, but the existing subscribers continue to remit.

Vince Valentini – Analyst, TD Cowen

Perfect. Then, looking forward, with the STACKTV price increase, would that—do you think that would have an immediate impact on Q3 and Q4 subscription revenue and maybe take that minus 2 percent closer to zero.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, it will definitely help the ARPU. I'd say we're going to have to deal with a little bit of initial churn on that, as some customers decide to rebalance their streaming offerings, but, yes, we think longer term, maybe not right away in Q3, that it will have a positive impact on that line.

Vince Valentini – TD Cowen, Analyst

Okay. Second topic. You mentioned no content supply disruption from tariffs. I just want to make sure we fully understand it. What about on exports of shows that you're making and selling into the U.S. and internationally, are those exempt from the current tariffs, as you understand it?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Most of our U.S. content supply is locked up under a previous deal with one supplier, so we don't have a lot for sale that would be in any way a meaningful line item. Most of our sales would be ex-U.S. at this point for our generated content, even if there was a—even if Canadian programming was tariffed, but we don't have clarity on whether that's the case or not.

Vince Valentini – Analyst, TD Cowen

Oh, you don't have clarity, but even if there is some sort of tariff, the contracts still exist, and the counterparty has to still buy that content. Okay, good. Sorry, I have two more. Because I'm just not sure how many people would be on the line, I'm going to make sure I get them across.

Working capital, John, obviously, a substantial inflow of cash in Q2, after a pretty substantial outflow in Q1. Can you level set us on what's going on there and what happens in the second half?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, look, there's always the normal seasonality that comes from the revenue seasonality, you know, we build receivables in Q1, we collect them in Q2, but that wasn't the whole story in Q2. The other thing that was going on was related to one of our large suppliers. We had—as you'll see, there was a resolution in the quarter of some of the ownership stakes, minority ownership stakes in a few of our larger channels. Related to that, there are some programming payments that didn't happen until March, so there was a benefit in Q2 of holding those. That was around $20 million, that will turn around in Q3.

Now, the other thing to watch for, of course, in Q3 is we've now got deferral on certain government remittances around, you know, HST and Ontario Employer Health Tax and tax installments, so that's obviously going to help us going forward. Those will reverse within the year in the case of the larger ones, but that's going to benefit Q3.

Vince Valentini – Analyst, TD Cowen

Got it. Twenty million negative in the third quarter for the programming—

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, I think that's a good estimate.

Vince Valentini – Analyst, TD Cowen

Sorry, is that cleaning up the minority interest in former HGTV and Food, that they've paid you to wash their hands of that, or how—

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

No, no, no, it just had to do with some of the payments under those previous deals.

Vince Valentini – Analyst, TD Cowen

Okay, and the last one will be on advertising. Let me start with the big picture, the 'Buy Canadian' great strategy and theme. Can you give us any sense of are people really buying into that, saying, "We're going to take ads away from these digital platforms, where we've been putting all our money for the past 10 years, and repatriate it to a Canadian player," that, I think you'd argue, you'd admit, doesn't quite have the scale in digital that some of those U.S. giants would have? Are you getting some feedback from brands that they're actually willing to do that? Can you reinforce this strategy with, potentially, a partnership with Bell, if the two of you are going out together with the same message and say—decide how you want to split it between Bell Media and Corus, but, you know, collectively, we can offer you some pretty good scale across linear and digital for 'Buy Canadian'?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

I won't comment too much on the second part of your question, other than to say I think the entire industry needs to continue to reinforce this message. I think we're all pleased to see some version of it coming up through, you know, whether print legacy companies, broadcast legacy companies, etc., and we are hearing lots of intent from Canadian advertisers to try to support these goals, but there's always a gap between intent and action. I think it's too early to say if this is a meaningful shift. We've certainly seen some—we have certainly assisted some Canadian advertisers already with campaigns that we have packaged "buy Canadian" messaging around and they have come and sought out partnerships on that messaging; specifically, because of the ongoing situation. But how meaningful a shift that will be in the overall advertising line, I think it's too early to tell.

Vince Valentini – Analyst, TD Cowen

Thanks.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Thanks, Vince.

Operator

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

Maher Yaghi – Analyst, Scotiabank

Great. Thank you for taking my questions. Always happy to join the Corus calls. I wanted to first ask you about the new lending agreement that you signed, and congratulations on that. Just trying to make sure we have the right calculation. The way I'm reading the contract, it's essentially very similar to EBITDA when I back out net income—you know, when I start with net income, add back interest, depreciation, amortization, stock-based compensation, non-recurring items, etc., etc. Is it essentially very close—you know, the cash flow definition in that contract, how far is it from EBITDA?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

It's basically trying to mirror that. It's not exactly the same, but the difference is fairly small. There used to be two differences, Maher. One is that we would effectively be trying to solve for proportionate EBITDA, but the impact of that has largely gone away because the minority interest in the former Food and HGTV channels has gone away. I think you're on the right track. The other difference was always that it's a gross leverage calculation, it's not a net leverage calculation, so any of the cash on hand doesn't factor into the calculations. But I think you're pretty close, if that's the way you approach it.

Maher Yagi – Analyst, Scotiabank

Okay. Maybe, to get us even closer, can you provide what was the last four quarters' number under the definition of the contract for cash flow?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

I don't have that at hand, but it was typically between 25 and 40 basis points higher. It's more this quarter, because there's a lot more cash on hand. But I don't have it off the top.

Maher Yaghi – Analyst, Scotiabank

Okay, and your leverage ratio, as stipulated under the contract, is—you're quite well below it, right, at this point in time. Is there any indication that you will get close, anywhere close to that level before the end of the year?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

No, it was designed to make sure that that didn't happen.

Maher Yaghi – Analyst, Scotiabank

Yes, yes, it seems like it. Now that you have this new credit agreement in place, putting aside all risks to continuing operations, etc., what does that give you in terms of ability to operate that you didn't have before, and how does that change the outlook on the business?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Look, it gives us a longer runway. You can see that we've got that higher covenant through the end of the calendar year, so that's very helpful. We were operating with either short-term, very short-term, or medium-term relief under the former credit agreement. If you think back to what happened last year, we went from—you know, when this all started last summer, we went to a mid-October date to a one-week extension or so, to an extension to March. This gives us a lot more breathing space, and that's designed to deal with the capital structure.

It effectively takes the pressure off the business and the uncertainty off the business, because that permeates through everything day-to-day, right? It permeates through the employees, it permeates through our clients, it permeates through the studios. Everybody wants to make sure that we're on a very solid footing, and that's what it gives us. It gives us that certainty and ability to now go forward.

Look, the question that you're probably going to ask, because everybody's asked this question, "What happens after December, is the covenant going to step back down to 4.25 percent?" and that's correct. That's why between now and December 31, we're working on other solutions for the balance sheet. I can't say what those are, because they're not determined yet, but rest assured there are conversations that are going on, and that's what we're working towards, is to have a solution there, and that's probably all I can say.

Maher Yaghi – Analyst, Scotiabank

Yes, I have no doubt your ability to manage these issues, John, so maybe a few questions on the operations, themselves. As you said, viewership is up a lot. At some point, how do you translate that into dollars? I know there's a lot of inventory, you discussed that, there's a lot of inventory out there for sale. Is there a point, or at some point, could there be a repricing of how much you charge on your channels to place advertisements, become a little bit more competitive on price versus the digital platforms? How can we move the needle on that front?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Right now—we've talked about the explosion in digital, premium digital video inventory that's taken place over the last seven to eight quarters. If you use the estimates that were provided by Google, there's 200 percent more video inventory in the marketplace now than there was two years ago. When you have that disparity between supply and demand, it obviously puts downward pressure on pricing overall. Pricing is an elastic thing in this industry, as it is in most.

But I will say this, we do have higher sellout rates across our platforms than, certainly, the upstart digital competitors do, and we keep a close eye on that, as to sellout levels. There was a time, not that long ago, the more inventory you could create on a Canadian media platform, the more you could sell. That demand was incredibly high, and that has obviously changed.

Part of our right-sizing efforts, that John and I have talked about on previous calls, is to basically try to match our inventory availability with the actual demand from advertisers, while still leaving us some room for growth. It’s why we’ve taken such aggressive cost-control measures, because we don’t—as fantastic as it is to have growing audiences, if you can’t monetize them, that makes it very difficult for the business. The good news is that we’re able to create these growing audiences with a lower cost structure.

How we actually equal supply and demand, it’s probably going to take a little while, a few more quarters, before those two things start to equalize. What we do know is there’s not a lot of additional new demand being created, so the explosion of additional inventory I talked about, it’s not like it’s getting bigger, but it’s going to take a while for the demand to catch up to all the available inventory.

Maher Yaghi – Analyst, Scotiabank

Perfect, okay, thank you, and in terms of regulation, I mean, now that we are in an election cycle, with the Caretaker Convention’s (inaudible) in place, nothing is probably moving on the regulatory front. What’s your take on what’s next? Can we, under a new government—from your experience, what is it going to mean in terms of the—the path that the regulator was on, could that completely change, or the view is that we will continue on with that direction in order to give Canadian broadcasters some regulatory relief, or do we go from—back to the starting point?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Look, I think you’re correct, that because of the election being called, a number of CRTC processes which were in full flight have been delayed, but we’re pleased that the Commission has put them back on the table, so we have firm schedules now for the three delayed hearings, one in May on

Canadian content, one in June on structural relationships between streamers, broadcasters and distributors, and then one in September on the audio industry. Those are back on the calendar. They have clear parameters built around them, that have been based on previous mandate letters that have been given to the CRTC. We will continue to work with the expectation that those hearings are going to move forward, and we will be meaningful participants in them. No one can ever predict what a new government might do, but we're encouraged that the bureaucracy, at least, sees its responsibility to move forward, and is doing so.

Maher Yaghi – Analyst, Scotiabank

Okay, great. Thank you very much.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Thanks, Maher.

Operator

Your next question comes from Aravinda Galappatthige with Canaccord Genuity. Your line is now open.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Good morning, and thanks for taking my questions. I just wanted to focus a little bit on the new networks, Home and Flavour. Obviously, that was what everybody's focused on during—you know, what the outcome would be during the transition. Maybe, can you just talk to the impact on advertising—and

I apologize, I missed the first couple of minutes, if you indicated this. The advertising decline, is there any way you could kind of ballpark what the impact was from the transition to the legacy channels to these two?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, sure, Aravinda. I'll take a crack at that, without getting too specific. Like last quarter, Q1, within TV advertising revenue, you would cut it between—it's mostly linear, obviously. When we look at the split between conventional and specialty, not a big surprise, given we had strikes last year, but Global is performing in Q2 quite well. It's not quite flat, but it's close to flat year-over-year, which would tell you, then, that specialty is performing worse than what you see in the reporting, and that's a function of what we've been talking about the last little while, is just the proliferation of all this digital inventory, which tends to eat away at the demand for specialty, especially on some of the lower tier networks that we have.

Under that whole context, I think you can say that Home and Flavour, from an audience perspective, and Troy can fill us in a bit more, but from an audience perspective, is doing incredibly well. From a revenue perspective, it's performing at—those two are performing at very similar levels to our top five specialty channels, which shouldn't be a big surprise, given what we said in our prepared remarks, which is that they're kind of top one and two in terms of entertainment networks.

That's probably the way to think about it, is they're doing fine in the context of our other top specialty networks, but specialty, overall, is down pretty significantly, and that's really the big challenge we have.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Yes, and I would just add, when we launched those networks, we knew we would have new competitors, and so we adjusted the budgets accordingly. We've been very pleased with the performance, not only from an audience standpoint, but we're achieving our estimates on those channels in terms of advertising, as well. But, again, those are unadjusted budgets, because we knew we would be facing some aggressive new competition.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Okay, that's helpful. When you say it's number one and number two specialty lifestyle networks, it is—basically, it's outperforming the two legacy networks in terms of ratings, because you're taking the whole, kind of the numerous numbers here, right?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, by a very wide margin, like four to five to one.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Four or five to one, okay. All right, that's good to know. Then, in terms of subscriber revenues—and thank you for the clarity, that's helpful—is it fair to say—I mean, you've given forward guidance on advertising. Is it fair to say that despite this—I mean, Q2, obviously still has a month under the prior deal. Is it fair to say that mid-single-digits is still kind of achievable on the subscriber side, notwithstanding what you've mentioned about pressure on the specialty front?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

You're talking about a mid-single-digit decline?

Aravinda Galappatthige – Analyst, Canaccord Genuity

Yes.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, no, I think that's a good way to think about it.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Okay, and then lastly, on the—just on the balance sheet. I've asked this question before, but in terms of asset sales, as you browse through your portfolios, is there anything that's emerged that you feel could translate to some divestitures? Any update there would be helpful.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, I don't think there's anything more to say. We've talked about there's some transmitter land. You saw us do one in Edmonton in the first quarter. I think there's other opportunities there. In terms of other obvious things, look, you know, some of these assets come with a fairly high degree of difficulty, given regulatory constraints and other things, and you've seen what we've tried to do in the past, for example, with the French channels. I'd say, other than the land, we're not necessarily counting on anything to happen, but we'll be opportunistic if there is an ability to do something at the right price, and we would certainly entertain that.

Aravinda Galappatthige – Analyst, Canaccord Genuity

All right, thank you very much. I'll pass the line.

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

Thanks a lot.

Troy Reed – Co-Chief Executive Officer, Corus Entertainment Inc.

Thanks, Aravinda.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star, one.

Your next question comes from Drew McReynolds with RBC. Your line is now open.

Drew McReynolds – Analyst, RBC Capital Markets

Yes, thanks very much. Good morning. Just a few random ones for me. Just back to the channel optimization, John, in terms of what was just discussed on the outlook or trajectory for subscription revenues, is the optimization process to a couple of channels a year? How fluid is your portfolio from that perspective, or what you've already done or what you're doing right now looks to be what's required, let's just say, over the next two to three year?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

No, I think it's fair to say, Drew, it is fluid. There are a lot of moving pieces, obviously, in terms of audience demand and distributor requirements and content supply, so it's very difficult to predict how all those things will come together, but we're still working on it. Obviously, as we look to optimize our cost structure, then we'll look at all these things, but for now, it's hard to get specific because there are a lot of moving pieces.

Drew McReynolds – Analyst, RBC Capital Markets

Okay, that's fine. On the new channels, great to hear the success on the transition and migration. Can you remind us when the free preview period ended? I don't know if it's the typical three months, and so it has ended. Just, what's the update there?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Yes, it has ended, it ended as of the end of March, and our audiences, really have seen no significant change since then, so we continue to be very encouraged. Obviously, we love it when we can get some sampling from current non-subscribers, but it is our core fans of those services, of that kind of content, that drive most of the viewing, and clearly the subscribers are sticking with us.

Drew McReynolds – Analyst, RBC Capital Markets

Okay, super. Just shifting gears, a little bit to radio—and, you know, a bunch on this call cover a couple of the other radio folks—just characterize the radio industry. We're all aware of the structural headwinds, just in terms of percentage of ad dollars that radio gets. There's obviously the national local piece over the years that Corus on radio just tends to kind of, like everyone, underperform in certain markets, outperform in other markets. What is happening here on your radio business, from your perspective?

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

We've seen some improvements in EBITDA this quarter, and that's largely from cost reductions, and credit to our Audio Team, which has gotten very creative in how we can continue to meet the programming needs and demands of our audiences, while still looking for cost efficiencies. We think there's some more opportunity to continue to do that, while we make investments in the brands themselves.

You're correct, that radio has a specific challenge, in that, unlike television, there's not a subscription revenue line. We have seen some success in our Audio Division in podcasting, and, increasingly, with DAI revenues, so there's been some pickup in digital revenues there. We think digital revenues will become a more meaningful piece of the overall audio revenue line going forward. But there's no doubt that radio, as a terrestrial medium, faces challenges going forward. It's one of the reasons, I think, we're looking for the regulator to be more flexible as we head into a fall hearing. The entire industry wrote a pretty strongly worded letter to the CRTC recently, saying that its parameters for that hearing were not nearly wide enough, and I think we're all concerned that without some regulatory change, this will continue to be a challenged medium.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Drew, I'm not sure that the other datapoints you can get in the industry, I don't know that they're apples-to-apples. I think there's some different revenue items that are included. It's in radio for some of our competitors.

I will say this, as well. Look, we don't give a specific outlook for radio for the next quarter, just because it's relatively small and not as a big a driver, obviously, it's the TV advertising line, but radio for Q3 is looking much, much better. I think that's giving us a bit of a tailwind there, that we're not stuck in this kind of minus-14 mode forever here.

Drew McReynolds – Analyst, RBC Capital Markets

Okay, yes, and definitely, John, we're aware of non-apples-to-apples, for sure, so thanks for flagging that.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

I'm just going to make one last quick comment, too. It's notable, as we go through an election cycle, how much all of the political parties are using radio for their advertising campaigns. It's nice to know that some folks in Ottawa understand the value of radio for reaching Canadian audiences.

Drew McReynolds – Analyst, RBC Capital Markets

Yes, understood, Troy. Okay, just two last ones for me. John, just maybe on a full-year basis, what you've penciled in for the change in working capital for the fiscal 2025 year. Then bigger picture—you know, we're all trying to figure out the EBITDA trajectory of the business, and obviously you guys have done what I think is a great job with all the challenges you've faced. Do we get at some point, John or Troy, some incremental kind of guidance, so to speak, on just 30,000-foot views of where EBITDA begins to kind of stabilize, if that's in the cards, or just kind of premature to do that?

The only reason I ask, and it's pretty obvious, is just the spread of street estimates out there are still pretty wide, and have been wide for the better part of the last year or so. I'm just wondering if, from your perspective, visibility on where you think that trajectory is headed is improving to the point where you can begin to discuss it a little bit more with us.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Yes, I'd say it's probably right now, just given everything that's happening in the world and potential impact on the economy, there's less visibility, Drew, than we've had, and that's been fairly limited in the past, as you know. We only give that outlook for the next quarter, because, frankly, we're halfway through it and we have a pretty good sense of how it's going to play. But, beyond that, it's really hard to say, and, of course, as revenue goes, that's how EBITDA is going to go. We'll continue to work on the cost side, and that will include programming, but it's just very, very difficult to be able to give any kind of an outlook beyond what we've given.

Drew McReynolds – Analyst, RBC Capital Markets

Okay, and just on the working capital side, John?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, look, working capital typically would be, I'd say, slightly negative structurally in any given year. This year's, obviously, has been a bit of an unusual year, given what's happened with some of the channels, and given our sort of very high-profile financial situation that put some pressure on us from suppliers, who want to make sure they're going to see their remittances on a more-than-timely basis. I think, for the full year, if you consider us slightly negative on working capital, it's probably the place to be, and we'll see how things go. I feel like, with the announcement a couple weeks ago, we're feeling much better, that we're sort of back to normal in terms of the way that we're going to see things flow. That's probably the best estimate at this point.

Drew McReynolds – Analyst, RBC Capital Markets

Okay, perfect. Thank you both.

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Thanks.

Operator

Your next question comes from Adam Shine with National Bank Financial. Your line is now open.

Adam Shine – Analyst, National Bank Financial

Thanks a lot. Good morning. Just two questions. Speaking of the election cycle, as Troy referenced, you've got the Liberals, maybe it's just pure posturing amidst the campaign, but talking about significantly funding the CBC going forward, you know, within an environment where clearly the private broadcasters, like yourselves, are really taking it hard on the chin. Maybe just a few comments from you guys around that, and how you react to those types of election campaigning statements. Then I'll circle back on the back of maybe one of Drew's last questions, to hit you, John, a little bit more on program amort going forward.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Just on the first point, maybe if we tried to see a glass half-full here, it's that you have a party leader who is recognizing that Canadian media is very important and needs to supported. We certainly would say that more than the public broadcaster needs to be supported in new and different ways, and we would echo what the Canadian Association of Broadcasters has said, is that any increase in funding for the CBC should come along with a reduction in the amount of advertising that it's able to sell, so that some of those ad dollars could be repatriated to the private sector.

But, I think, as I say, if I try to be an optimist here, what we really want from all the parties is an acknowledgement that in a time when two-thirds of advertising dollars are going to digital platforms, most of them outside of this country, that there needs to be support from government for things that will redirect those dollars back into the Canadian media ecosystem, because it's very important for our culture, for our news and information, and for our economy.

Adam Shine – Analyst, National Bank Financial

Okay, fair enough. You should be out on the campaign trail, Troy. John, we're probably a month away from upfronts, and then you'll deal with L.A. screenings, but I'm sure you've had some preliminary discussions with Hollywood already. When we think about the lookout to program amort next year, just preliminarily, do we see the prospect of net savings, or is there just the usual inflationary dynamic, where flat to up would be a good starting point to assume?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

Yes, again, it's a bit early, as you noted, Adam, just given the place we are in the cycle right now, but I'd say the big moving pieces are—yes, there'll be some inflation on some of the top-rated programming, and we're taking a hard look at costs. There are certain of the output deals that are going to have to adjust as they come up, and that's what we're doing right now. It's hard to kind of roll all that together right now, until we really see what the schedules are going to look like mid-May, but the absolute goal is that we need to reduce that line, and that'll be a combo of foreign and Canadian, although Canadian amortization is starting to kind of, I'd say, bottom out a little bit.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

I would say, strategically, we are focused on ensuring that we go and get those big acquisition titles that ensure customers want to sign up for our subscription services, whether that be traditional cable networks or STACKTV, but at the same time, I think there's a recognition, even from the studios, that the amount of program that they can continue to churn into the system is probably declining. Our focus is on, yes, making sure that we still get those tentpole acquisition titles, but looking at the overall portfolio as one of opportunity to be able to spend less.

Adam Shine – Analyst, National Bank Financial

Is there anything in the transition, September to December, going forward into the new fiscal where, because, in theory, I would say you probably have less expensive programming in the transition to the new channels from the WBD Bravo content, that it gives Troy a bit more money to spend on some of that marquee programming, but with some offsetting lower costs related to some of that WBD transition, or is that just a false presumption?

John Gossling – Co-Chief Executive Officer and Chief Financial Officer, Corus Entertainment Inc.

No, I think, generally, that's what's happened. I mean, look, those output deals with Warner were very expensive, and they performed well, and they were high-margin channels. But, yes, I think those—that sort of cash requirement now behind us, and we've obviously reprogrammed the channels, and quite successfully, I think, overall, our view is, yes, that should be less expensive. I don't think it's going to be that material, given just sort of all the general noise around programming and timing, that it's going to be super-noticeable, but there's definitely a benefit there.

Adam Shine – Analyst, National Bank Financial

Okay. All right, thank you very much.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Thanks, Adam.

Operator

There are no further questions at this time. I will now turn the call over to Mr. Troy Reeb, Co-CEO, for closing remarks.

Troy Reeb – Co-Chief Executive Officer, Corus Entertainment Inc.

Thank you, Operator

I would just close by giving acknowledgement to all of our Corus team members across the country. There is no doubt that as we have pursued our right-sizing efforts over the last year, there have been impacts in most of our locations and on some of our brands, and certainly on our people. One thing that has remained incredibly resilient about this business is the morale and willingness of our people to step up, because they believe in this content, they believe in these brands, and they believe in the future of Canadian media, the same way that John and I do. A big thank you to all of our teams for their contributions, and thank you, Operator, for assisting us, and to everyone who joined the call today.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.