Corus Entertainment Announces Fiscal 2019 First Quarter Results

- Consolidated revenues increased 2% for the quarter, driven by a 4% increase in Television advertising revenues
- Consolidated segment profit(1) increased 8% for the quarter
- Consolidated segment profit margin(1) of 41% for the quarter
- Net income attributable to shareholders of $60.4(2) million ($0.28 per share basic) for the quarter
- Adjusted basic earnings per share(1)(2)(3) of $0.33 per share for the quarter
- Free cash flow(1) of $42.4 million for the quarter

TORONTO, Jan. 11, 2019 /CNW/ - **Corus Entertainment Inc.** (TSX: CJR.B) announced its first quarter financial results today.

"Our first quarter results reflect disciplined execution of this year's operating plan and the continuing implementation of our longer term strategic priorities," said Doug Murphy, President and Chief Executive Officer. "We returned to growth in Television advertising revenue, driven primarily by a strong fall schedule and a significant improvement in television advertising demand. This revenue increase, coupled with an ongoing focus on expense control, resulted in considerable segment profit growth and margin improvement. The benefits of our revised capital allocation policy, when combined with our improved revenue and segment profit performance, has notably impacted our leverage metrics while increasing balance sheet strength and flexibility for the Company this quarter as we invest for future growth."

Financial Highlights

(in thousands of Canadian dollars except per share amounts)	Three months ended November 30, 2018	2017
Revenues		
Television	**426,190**	415,464
Radio	**41,281**	41,924
	467,471	457,388
Segment profit (1)		
Television	**184,553**	168,602
Radio	**13,012**	13,521
Corporate	**(5,927)**	(4,236)
	191,638	177,887
Net income attributable to shareholders (2)	**60,415**	77,673
Adjusted net income attributable to shareholders (1) (2) (3)	**70,111**	78,885
Basic earnings per share (2)	**$0.28**	$0.38
Adjusted basic earnings per share (1) (2) (3)	**$0.33**	$0.38
Diluted earnings per share (2)	**$0.28**	$0.38
Free cash flow (1)	**42,406**	83,215

(1) Segment profit, segment profit margin, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions, explanations and reconciliations see discussion under the *Key Performance Indicators* section of the First Quarter 2019 Report to Shareholders.

(2) Net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic). Further discussion of this can be found in the Impact of *New Accounting Policies and Changes in Estimates* section of the First Quarter 2019 Report to Shareholders.

(3) Refer to page 10 of this press release for details of adjustments to arrive at adjusted net income attributable to shareholders and adjusted basic earnings per share.

Consolidated Results from Operations

Consolidated revenues for the three months ended November 30, 2018 were $467.5 million, up 2% from $457.4 million last year and consolidated segment profit was $191.6 million, an increase of 8% from $177.9 million last year. Net income attributable to shareholders for the quarter ended November 30, 2018 was $60.4 million ($0.28 per share basic), compared to $77.7 million ($0.38 per share basic) last year. Net income attributable to shareholders for the first quarter of fiscal 2019 includes business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $70.1 million ($0.33 per share basic) in the quarter. Net income attributable to shareholders for the prior year quarter includes business acquisition, integration and restructuring costs of $1.6 million ($nil per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $78.9 million ($0.38 per share basic) for the prior year quarter.

Consolidated net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimates related to the useful life of the Company's television brands. Commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic).

Further discussion of this can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of the First Quarter 2019 Report to Shareholders.

Operational Results - Highlights for Q1 2019

Television

- Segment revenues increased 3%
- Advertising revenues increased 4%
- Subscriber revenues were flat
- Merchandising, distribution and other revenues were up 3%
- Segment profit[(1)] increased 9%
- Segment profit margin[(1)] of 43%, compared to 41% in the prior year

Radio

- Segment revenues decreased 2%
- Segment profit[(1)] decreased 4%
- Segment profit margin[(1)] of 32% was consistent with the prior year

Corporate

- Free cash flow[(1)] of $42.4 million, down from $83.2 million in the prior year
- Net debt to segment profit[(1)] leverage at 3.15 times, down from 3.28 times at August 31, 2018
- Consolidated segment profit margin[(1)] of 41%, compared to 39% in the prior year

(1) Segment profit, segment profit margin, and free cash flow do not have standardized meanings prescribed by IFRS. The Company reports on these because they are key measures used to evaluate performance. For definitions and explanations, see discussion under the *Key Performance Indicators* section of the First Quarter 2019 Report to Shareholders.

Corus Entertainment Inc. reports its financial results in Canadian dollars.

The unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended November 30, 2018 and Management's Discussion and Analysis are available on the Company's website at www.corusent.com in the Investor Relations section.

A conference call with Corus senior management is scheduled for January 11, 2019 at 8:00 a.m. ET. While this call is directed at analysts and investors, members of the media are welcome to listen in. The dial-in number for the conference call for local and international callers is 1.647.427.7450 and for North America is 1.888.231.8191. More information can be found on the Corus Entertainment website at www.corusent.com in the Investor Relations section.

Use of Non-IFRS Financial Measures

This press release includes the non-IFRS financial measures of adjusted net income attributable to shareholders, adjusted basic earnings per share and free cash flow that are not in accordance with, nor an alternate to, generally accepted accounting principles ("IFRS") and may be different from non-IFRS measures used by other companies. In addition, these non-IFRS measures are not based on any comprehensive set of accounting rules or principles.

Non-IFRS financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with IFRS. They are limited in value because they exclude charges that have a material effect on the Company's reported results and, therefore, should not be relied upon as the sole financial measures to evaluate the Company's financial results. The non-IFRS financial measures are meant to supplement, and to be viewed in conjunction with, IFRS financial results. A reconciliation of the Company's non-IFRS measures is included in the Company's most recent Report to Shareholders which is available on Corus' website at www.corusent.com as well as on SEDAR at www.sedar.com.

Caution Concerning Forward-Looking Information

This press release contains forward-looking information and should be read subject to the following cautionary language:

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered *forward-looking information. Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation, factors and assumptions regarding the general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating and capital costs and tariffs, taxes and fees, our ability to source desirable content and our capital and operating results being consistent with our expectations. Actual results may differ materially from those expressed or implied in such information. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2018 and the first quarter ended November 30, 2018 and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.*

About Corus Entertainment Inc.

Corus Entertainment Inc. (TSX: CJR.B) is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. The company's portfolio of multimedia offerings encompasses 44 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus' roster of premium brands include Global Television, W Network, OWN: Oprah Winfrey Network Canada, HGTV Canada, Food Network Canada, HISTORY®, Showcase, National Geographic, Q107, CKNW, Fresh Radio, Disney Channel Canada, YTV and Nickelodeon Canada. Visit Corus at www.corusent.com.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	**As at November 30, 2018**	As at August 31, 2018
ASSETS		
Current		
Cash and cash equivalents	**70,667**	94,801
Accounts receivable	**512,087**	388,751
Income taxes recoverable	**—**	3,305
Prepaid expenses and other assets	**27,103**	20,723
Total current assets	**609,857**	507,580
Tax credits receivable	**22,349**	18,047
Investments and other assets	**98,986**	82,213
Property, plant and equipment	**224,069**	231,192
Program rights	**560,564**	538,357
Film investments	**43,871**	43,424
Intangibles(1)	**1,974,286**	2,012,086
Goodwill	**1,387,652**	1,387,652
Deferred income tax assets	**60,755**	62,403
	4,982,389	4,882,954
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**451,747**	405,762
Current portion of long-term debt	**95,466**	106,375
Provisions	**13,218**	11,175
Income taxes payable	**18,454**	—
Total current liabilities	**578,885**	523,312
Long-term debt	**1,832,614**	1,877,558
Other long-term liabilities	**326,141**	295,206
Provisions	**11,949**	7,801
Deferred income tax liabilities	**493,494**	502,274
Total liabilities	**3,243,083**	3,206,151
EQUITY		
Share capital	**2,330,477**	2,330,477
Contributed surplus	**12,164**	12,119
Accumulated deficit	**(804,657)**	(856,668)
Accumulated other comprehensive income	**45,768**	36,460
Total equity attributable to shareholders	**1,583,752**	1,522,388
Equity attributable to non-controlling interest	**155,554**	154,415

Total equity	**1,739,306**	1,676,803
	4,982,389	4,882,954

(1) Net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic). Further discussion of this can be found in the Impact of New Accounting Policies and Changes in Estimates section of the First Quarter 2019 Report to Shareholders.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended	
	November 30,	
(unaudited - in thousands of Canadian dollars except per share amounts)	**2018**	2017
Revenues	**467,471**	457,388
Direct cost of sales, general and administrative expenses	**275,833**	279,501
Depreciation and amortization(1)	**54,328**	20,758
Interest expense	**31,339**	32,075
Business acquisition, integration and restructuring costs	**13,181**	1,608
Other expense, net	**1,237**	7,554
Income before income taxes	**91,553**	115,892
Income tax expense	**24,777**	30,885
Net income for the period	**66,776**	85,007
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**290**	438
Unrealized change in fair value of cash flow hedges	**(378)**	(409)
	(88)	29
Items that will not be reclassified to income:		
Actuarial gain (loss) on employee post-employment benefits	**2,326**	(2,739)
Other comprehensive income (loss), net of income taxes	**2,238**	(2,710)
Comprehensive income for the period	**69,014**	82,297
Net income attributable to:		
Shareholders	**60,415**	77,673
Non-controlling interest	**6,361**	7,334
	66,776	85,007
Comprehensive income attributable to:		
Shareholders	**62,653**	74,963
Non-controlling interest	**6,361**	7,334
	69,014	82,297
Earnings per share attributable to shareholders:		
Basic	**$0.28**	$0.38
Diluted	**$0.28**	$0.38

(1) Net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic). Further discussion of this can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of the First Quarter 2019 Report to Shareholders.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment (1)	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment (1)	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income	—	—	60,415	2,238	62,653	6,361	69,014
Dividends declared	—	—	(12,715)	—	(12,715)	(5,222)	(17,937)
Actuarial gain on post- retirement benefit plans	—	—	2,326	(2,326)	—	—	—
Share-based compensation expense	—	45	—	—	45	—	45
As at November 30, 2018	**2,330,477**	**12,164**	**(804,657)**	**45,768**	**1,583,752**	**155,554**	**1,739,306**

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income (loss)	—	—	77,673	(2,710)	74,963	7,334	82,297
Dividends declared	—	—	(59,015)	—	(59,015)	(12,009)	(71,024)
Issuance of shares under dividend reinvestment plan	9,809	—	—	—	9,809	—	9,809
Issuance of shares under stock option plan	85	—	—	—	85	—	85
Actuarial loss on post- retirement benefit plans	—	—	(2,739)	2,739	—	—	—
Share-based compensation expense	—	188	—	—	188	—	188
As at November 30, 2017	2,301,708	11,637	130,411	22,967	2,466,723	154,153	2,620,876

(1) Refer to the Company's First Quarter 2019 Report to Shareholders for details on New Accounting Pronouncements Adopted in Fiscal 2019 in the *Impact of New Accounting Policies and Changes in Estimates* section.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended

(unaudited - in thousands of Canadian dollars)	November 30, 2018	2017
OPERATING ACTIVITIES		
Net income for the period	**66,776**	85,007
Adjustments to reconcile net income to cash flow from operations:		
Amortization of program rights	**129,570**	133,383
Amortization of film investments	**3,529**	2,526
Depreciation and amortization(1)	**54,328**	20,758
Deferred income tax recovery	**(9,347)**	(169)
Share-based compensation expense	**45**	188
Imputed interest	**10,594**	11,867
Proceeds from termination of interest rate swap	**—**	24,644
Payment of program rights	**(110,214)**	(115,677)
Net spend on film investments	**(10,663)**	(8,748)
CRTC benefit payments	**(861)**	(1,987)
Other	**(3,470)**	426
Cash flow from operations	**130,287**	152,218
Net change in non-cash working capital balances related to operations	**(84,916)**	(66,541)
Cash provided by operating activities	**45,371**	85,677
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(2,569)**	(1,581)
Proceeds from sale of property	**3**	545
Net cash flows for intangibles, investments and other assets	**(399)**	(906)
Cash used in investing activities	**(2,965)**	(1,942)
FINANCING ACTIVITIES		
Decrease in bank loans	**(57,009)**	(26,562)
Deferred financing costs	**—**	(4,088)
Issuance of shares under stock option plan	**—**	85
Dividends paid	**—**	(49,048)
Dividends paid to non-controlling interest	**(7,222)**	(12,009)
Other	**(2,309)**	(2,344)
Cash used in financing activities	**(66,540)**	(93,966)
Net change in cash and cash equivalents during the period	**(24,134)**	(10,231)
Cash and cash equivalents, beginning of the period	**94,801**	93,701
Cash and cash equivalents, end of the period	**70,667**	83,470

(1) Net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic). Further discussion of this can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of the First Quarter 2019 Report to Shareholders.

CORUS ENTERTAINMENT INC.
BUSINESS SEGMENT INFORMATION

(unaudited - in thousands of Canadian dollars)

Three months ended November 30, 2018

	Television	Radio	Corporate	Consolidated
Revenues	**426,190**	**41,281**	**—**	**467,471**
Direct cost of sales, general and administrative expenses	**241,637**	**28,269**	**5,927**	**275,833**
Segment profit (loss)(1)	**184,553**	**13,012**	**(5,927)**	**191,638**
Depreciation and amortization				**54,328**
Interest expense				**31,339**
Business acquisition, integration and restructuring costs				**13,181**
Other expense, net				**1,237**
Income before income taxes				**91,553**

Three months ended November 30, 2017

	Television	Radio	Corporate	Consolidated
Revenues	415,464	41,924	—	457,388
Direct cost of sales, general and administrative expenses	246,862	28,403	4,236	279,501
Segment profit (loss)(1)	168,602	13,521	(4,236)	177,887
Depreciation and amortization				20,758
Interest expense				32,075
Business acquisition, integration and restructuring costs				1,608
Other expense, net				7,554
Income before income taxes				115,892

(1) Segment profit does not have a standardized meaning prescribed by IFRS. For definitions and explanations, see discussion under the Key Performance Indicators section of the First Quarter 2019 Report to Shareholders.

REVENUES BY TYPE

	Three months ended	
	November 30,	
(unaudited - in thousands of Canadian dollars)	**2018**	2017
Advertising	**321,335**	312,211
Subscriber fees	**126,684**	126,255
Merchandising, distribution and other	**19,452**	18,922
	467,471	457,388

NON-IFRS FINANCIAL MEASURES

Three months ended

(unaudited - in thousands of Canadian dollars, except per share amounts)	**November 30,**	
Adjusted Net Income Attributable to Shareholders	**2018**	2017
Net income attributable to shareholders	**60,415**	77,673
Adjustments, net of income tax:		
Business acquisition, integration and restructuring costs	**9,696**	1,212
Adjusted net income attributable to shareholders	**70,111**	78,885
Basic earnings per share	**$0.28**	$0.38
Adjustments, net of income tax:		
Business acquisition, integration and restructuring costs	**$0.05**	—
Adjusted basic earnings per share	**$0.33**	$0.38

Free Cash Flow		
Cash provided by (used in):		
Operating activities	**45,371**	85,677
Investing activities	**(2,965)**	(1,942)
	42,406	83,735
Deduct: cash provided by business dispositions and strategic investments(1)	**—**	(520)
Free cash flow	**42,406**	83,215

(1) Strategic investments are comprised of investments in venture funds and associated companies.

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