

Presentation to Broadcast
Research Council

November 16, 2010

Dynamics in Canadian Media

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YOUR ATTENTION IS DIRECTED TO THE IMPORTANT DISCLOSURES IN APPENDIX A.

Notes: All figures in Canadian dollars unless otherwise specified.

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Introduction

We believe that the announcement of the BCE/CTV deal September 10 refocused investor interest in the Canadian Media and Communications sector. As with most M&A announcements, one of the first topics of discussion was who could be next, what does the most current deal imply about take out prices and how likely is it that consolidation will continue.

This space has changed materially since 2006 as almost all the BDUs have acquired broadcast/content assets in what we would characterize as a largely defensive move.

While there are still some BDUs that would probably like to bulk up on content rights and a few independents that could become targets, we believe that this theme is only one of those that investors should be paying attention to in this space and that other opportunities exist.

What strikes us about the names we like is that our fundamental view is more than adequate to become involved judging by implied total returns to target yet other **events with reasonable transparency could unfold which could materially impact how these stocks perform over the next 12 months.**

BCE/CTV Deal Summary

On Friday, September 10, BCE announced the purchase of 100% of CTV for \$3.2 billion. Separately, Woodbridge announced the purchase of an 85% stake in the Globe and Mail at a 100% value of \$225 million.

This transaction follows on the heels of Shaw's May 3rd, 2010 announcement of a deal to purchase 100% of CanWest's broadcast assets for \$2 billion and Rogers June 2007 purchase of CityTv. With Quebecor already owning significant broadcast/content assets through its control of TVA and ownership of significant publishing assets like the Sun newspaper chain, the vast majority of the BDUs now own broadcast/content assets, a trend which has dramatically changed the Canadian media landscape since 2006.

At that time, Rogers has its radio and publishing stable along with a couple of multi-cultural television stations, (Omni), Quebecor had the publishing assets and stake in TVA described above but Shaw and Bell were conspicuously absent from the content game.

Major BDU Asset Snapshot

	BDU			Communications			Media						
	Cable	Satellite	IPTV	Internet	Wireless	Phone	Conv TV	Pay & Spec TV	Production	Radio	Newspaper	Magazine	Other
Shaw Communications	X	X	No	X	X	X	Global Television Network	7 analogue, 13 digital	Small domestic acquired w Global acquisition.	No	No	No	No
Rogers Communications	X	No	No	X	X	X	CityTV + OMNI	1 Analogue, 5 digital	No	54 stns	No	70 magazine and trade journals	Shopping channel, Blue Jays, Dome Productions
Bell	No	X	X	X	X	X	CTV	30 channels	Small domestic.	35 stns	No	No	
Quebecor	X	No	No	X	X	X	TVA, SUNTV	10 channels	Small domestic.	No	8 dailies, 21 community.	60 magazines	Film distribution, shopping channel (Que)
Telus	No	No	X	X	X	X	No	No	No	No	No	No	No

Source: Company documents, CRTC. TD Newcrest

BCE/CTV Deal Summary

Details provided by BCE indicate that the majority of the EBITDA generated by these media assets came from specialty television with the remainder from conventional TV and Radio. **Working backwards from the numbers provided, we estimate that the specialty assets likely commanded about an 11x multiple of TTM EBITDA.**

BCE CTV Deal Summary (\$mm)

Consolidated Contribution

	Conv TV	Spec TV	Radio	Total
Subscription	\$0	\$750	\$0	\$750
<i>% of total</i>		67.0%		40.1%
Advertising	\$570	\$370	\$180	\$1,120
<i>% of total</i>	100.0%	33.0%	100.0%	59.9%
Total Revenue	\$570	\$1,120	\$180	\$1,870
Expenses	\$528	\$820	\$138	\$1,485
EBITDA	\$43	\$300	\$43	\$385
<i>% margin</i>	7.5%	26.8%	23.6%	20.6%

Proportionate Valuation

Valuation:	EBITDA	Multiple	Value
Conventional TV	\$43	6.5	\$275
Specialty TV	\$235	11.0	\$2,585
Radio	\$43	8.0	\$340
Total	\$320		\$3,200
Less: Debt			\$1,700
Equity Value			\$1,500

Source: Company documents, TD Newcrest

Considering BCE's initial 15% stake, it arguably could have negotiated a better deal than a complete outsider: however, this latest precedent provides an important touchstone for private market media valuations.

Who's Left?

The last independent broadcast/content players in Canada are Astral, Corus, TVA, Newfoundland Capital and Canadian Satellite Radio. On the print side, there are Torstar, CanWest Publishing, Glacier Media, FP Newspapers Income Fund and Transcontinental. All of these companies own content to a greater or lesser extent.

In terms of BDUs looking to boost their video content, we believe that the companies to focus on are Astral, Corus and TVA. On the print side, Torstar and PostMEDIA Network would appear to offer the most to large distributors.

Whether or not there is a ripple effect resulting in more consolidation, we see some interesting fundamental opportunities in the sector, often with additional upside potential coming from non-fundamental events. This creates what we think is a very dynamic environment in Canadian media currently that could result in increasing trade volumes stemming from differences of opinion on how these events could play out.

Broadcast/Content Asset Snapshot

	Media						
	Conv TV	Pay & Spec TV	Production	Radio	Newspaper	Magazine	Other
Broadcasters							
Astral Media	2 small	17 channels	No	58 stations	No	No	No
Corus Entertainment	3 small	19 channels	Nelvana	38 stations	No	No	Misc.
TVA Group	TVA, SUNTV	10 channels	Small domestic.	No	No	60 magazines	Film distribution, d hopping channel (Que)
Publishers							
Glacier Media	No	No	No	No	19 small dailies, 99 community papers	No	Trade Publications
Torstar Corporation	No	No	No	No	5 urban dailies, 30 small dailies, 100 community	No	Book Publishing
Postmedia Network	No	No	No	No	11 daily newspapers	No	No
Transcontinental	No	No	No	No	11 dailies, 140 weeklies	30 magazines	Misc.

Source: Company documents, CRTC. TD Newcrest

Stocks That Should Be On Your Radar Screen

Company	TKR	Rating	Current Price	Target	Fundamental Potential Return	Potential Event	Likelihood	Impact on Target	Total Potential Return
Corus Entertainment	CJR.B	BUY	\$21.25	\$25.00	20.5%	1. Privatization 2. Combo with CanWest	Medium High	\$29.00 Positive	39.3% Unknown
Astral Media	ACM.A	HOLD	\$40.46	\$43.00	7.5%	Take out	Low-Med	\$45.00	12.5%
Transcontinental	TCL.A	AL BUY	\$15.31	\$19.00	26.5%	Contract wins/market share gains on new platform	Med-High	Positive	Unknown
Torstar	TS.B	AL BUY	\$12.10	\$16.50	39.4%	1. Privatization 2. Higher dividend 3. Acquisitions	Low High Med-High	\$28.00 Positive Positive	134.5% Unknown Unknown
Yellow Media	YLO	HOLD	\$6.11	\$5.50	1.3%	1. Strategy works 2. Strategy doesn't work	Low-Med Med-High	Positive Negative	Unknown Unknown
TVA Group	TVA.B	BUY	\$13.00	\$15.00	15.5%	Privatization	Low - ?	~\$20.00	65.0%

Source: Company documents, TD Newcrest, Bloomberg

A 'Wired' Look at the Impact of Consolidation 2.0

From	To
Content as a driver of advertising	Content as a driver of subscribers/VOD fees
Appointment television	Truly mobile and on demand
One revenue stream	Multiple revenue streams
Programmers	Service providers
Buying for one window	Buying every right available
Single tier/purpose COL discussions	Multi purpose COL considerations
Fighting for new channel carriage	Welcoming new ideas/ filling in channel gaps
Working with BDU partners	Working with BDU partner

Source: TD Newcrest.

Comcast/Fox – Sharp Elbow South of the Border

Spat between Fox and Cablevision may raise hurdles for Comcast's \$28B deal to buy a majority stake in NBC Universal. The FCC is looking at the deal and paying more attention to program access.

Fox blocked programming access to 3 million Cablevision customers in New York and Philadelphia for two weeks starting on September 16, including two World Series games until Cablevision caved Oct 30, paying what it called an unfair price.

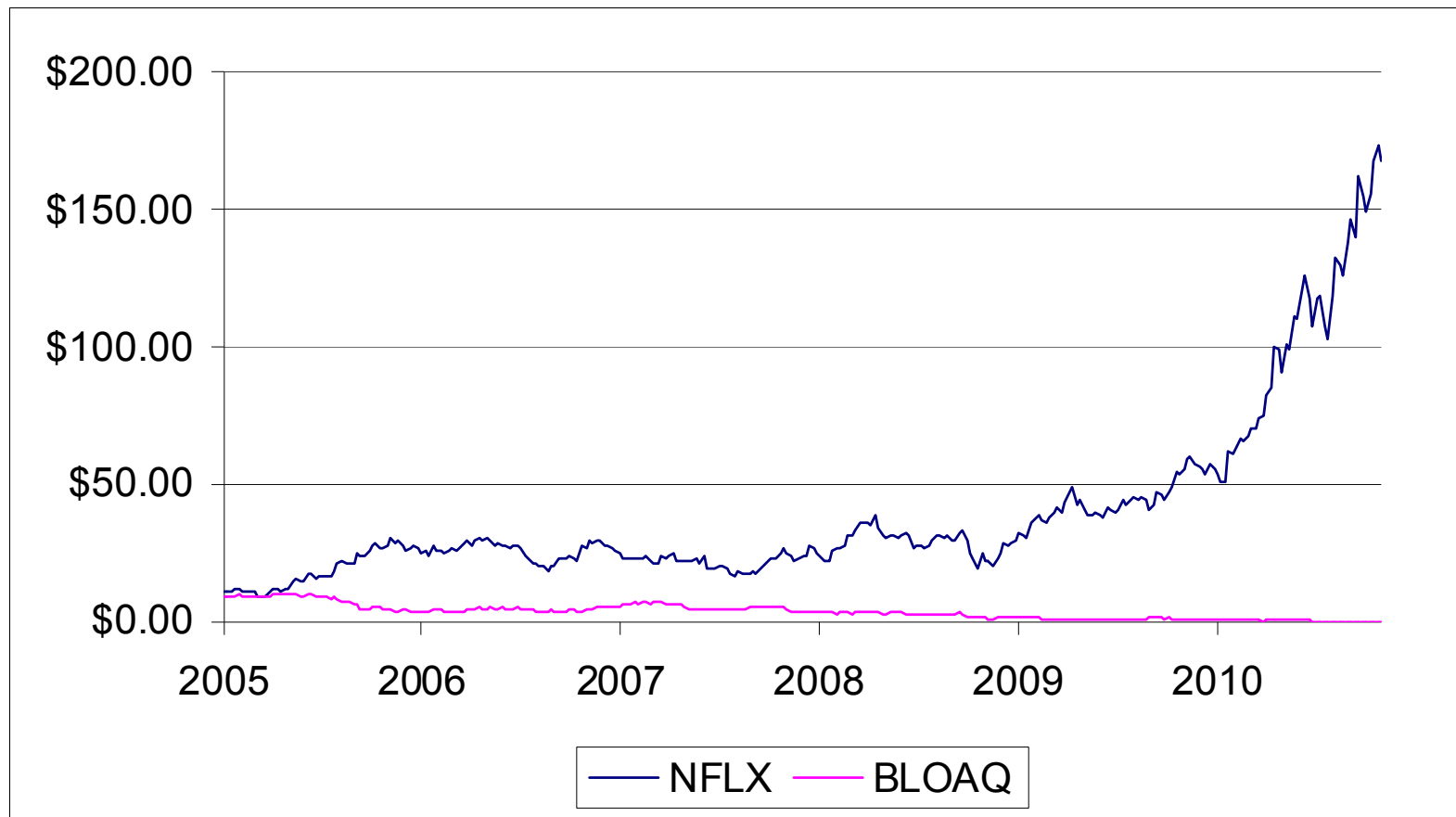
The FCC may stipulate that Comcast can't pull the same stunt with NBC programming in order to gain higher fees from other distributors such as Dish to lure customers to their cable networks. It has asked for copies of the distribution agreements that NBC has with Time Warner, DirecTv, Dish, Verizon and AT&T. This seems like a reasonable assumption given Comcast's previous actions including withholding SportsNet Philadelphia from Dish subscribers in the Philadelphia area. The FCC calculated that Dish subscribers are 40% lower than would otherwise be expected in this region because of this action, forcing consumers to become Comcast subscribers.

The concerns of the FCC and distributors extend to the online platforms as well. Again, this would not appear to be a baseless concern given Comcast's June 2010 \$16 million settlement with 1 million of its subscribers to compensate for slowing their internet service down to a crawl when doing file transfers from sites such as BitTorrent, eDonkey, and Gnutella between 2006 and 2008.

Netflix – Tried it yet?

- Subscription-based movie and television show rental service via internet streaming and U.S. mail. Market Cap = US\$8.8B
- Founded 1997, Los Gatos, after founder Reed Hastings was charged a late fee for Apollo 13. 100,000 titles on DVD and >10 million subscribers. Sends out 1MM DVD's per day, 35,000 titles
- Subscription service with a 'watch instantly' offering at no extra charge: however, a limited portion of the library is available for instant viewing. (<20%) NBC Universal, MGM, 20th Century Fox, CBS/Paramount, ABC-Disney, WB, Lion's Gate, New Line Cinema. Also Starz Entertainment
- In Aug, 2010, announced a 5 –year, \$1B deal to stream movies from Paramount, Lionsgate and MGM. Netflix is accelerating what it spends on streaming - \$117 million in H1/10, up from \$31MM in 2009 – this will add another \$200MM/Year.
- Supported on most devices including iPad, Boxee Box, x-Box, Wii, PS3, Roku, TiVo, Blu-ray disc players etc.
- Netflix.com was attracting 194 million viewers annually by 2008, 5x the volume on Blockbuster's site.

Netflix/Blockbuster – The Impact



Source: Bloomberg.

What's Different in Canada?

- Canadian media corporations more often involve the combination of (rented) content and distribution, telephony etc, than the combination of studios and television networks like you see commonly in the U.S.
- Comcast is arguably the most similar to Canadian media conglomerates due to its ownership of E1, Golf Channel, Style, Comcast sports etc. (and of course, its proposed takeover of NBC Universal)
- Mergers in the U.S. have the potential to really include content production and library ownership: there is little of that in Canada as most of what is consumed is produced in the U.S.
- Canada is a more regulated, more protected market. Rights ownership and geo-fencing will likely make it more difficult for disintermediators to have an impact, at least right away. Check out Netflix in Canada – not much there.
- Canadian BDUs appear to be using consolidation as part of a 3 prong strategy: content = retention, a hedge against rising programming costs and a way to prevent disintermediation (owning content rights controls what comes over the border).

The Growing Influence of Consumer Electronics

- A 7 year old watches linear TV for the first time...and finds it impossible.
- Use an iPad for a month, then pick up a magazine and discover you have to turn the light on to read it...
- Buy a new Blu-ray player and find it comes with automatic WiFi connectivity, connecting you to the Internet, software updates etc. etc.
- Television companies now have app stores – check out Samsung.
- Google TV and Sony – finally merging the devices together with an easy to use consumer electronics package.
- As TV everywhere becomes more of a reality, on demand will truly rule, threatening the advertising model as we know it.
- Ad model must change, content will be paid for more often by a fee rather than a chance to pitch. Revenue models may blur as distributors use content as a retention asset, reducing churn, increasing ARPU.

Conclusion

- We have seen most of the major change in terms of industry dynamics in Canada, at least in the short term.
- Quite different situation in Canada vs. the U.S. Deals required to duplicate our consolidation south of the border are huge (Comcast/NBCU-size)
- Consumer electronics could be at a new tipping point. True computer/television convergence, smart phones, tablets all have the potential to be game changers
- Revenue model is likely to become much more fragmented with the lines between different strategies blurring.
- Content standoffs would appear much less likely in Canada. Access likely to be regulated. Content costs may rise but impact likely muted in Canada due to nature of consolidation.
- Consumer likely will ultimately pay more (iPad wireless fees, VOD, PPV, wireless rentals etc. etc.) shifting revenue model more towards content fees and away from traditional advertising, at least in the short term.

Justification of Target Prices

Company	Recommendation	Share Price	Target	Justification of Target Price
Astral Media Inc.	HOLD	\$40.46	\$43.00	Our \$40.00 target price represents 8.8x F2010 EV/EBITDA and 12.6x earnings, in line with trailing valuation multiples.
Canadian Satellite Radio Holdings Inc.	REDUCE	\$3.15	n/a	Previous target prices were based upon a discounted cash flow model of forecasts going out to 2015. In light of recent developments, these forecasts are even more theoretical so we have little confidence in any projection of future equity value until this situation becomes clearer. Our target price is essentially zero.
Corus Entertainment Inc.	BUY	\$21.25	\$25.00	Our \$25.00 target price represents 8.7x F24M EV/EBITDA and 14.2x forward FD EPS.
DHX Media	BUY	\$1.25	\$1.40	Our target represents 7.5x FWD 24mo EBITDA of the legacy DHX business (plus the impact of the UMIGO property) and includes \$0.10 in option value for the Animal Mechanical's property. To this we add the W!LDBRAIN business at the value that we believe DHX will ultimately pay for the assets (including an estimate of USD \$4.75 million to be paid as part of the earn-out) believing that it fairly reflects their value. We may consider alternate values for W!LDBRAIN as more detail on them is provided and more clarity on the sustainability of their earnings is revealed.
Glacier Media Inc	BUY	\$2.25	\$3.25	Our \$3.25 target price represents 7.2x EV/2011E EBITDA and 9.1x 2011E EPS. Our 2012E NAV of \$3.39 supports this target.
Newfoundland Capital Corp. Ltd.	REDUCE	\$7.25	\$7.00	Our \$7.00 target price is based upon 10.5x F24M EV/EBITDA, a slight discount to where the shares are currently trading but a significant premium to the comp group.
Torstar Corp.	AL BUY	\$12.10	\$16.50	Our \$16.50 target price represents 5.2x F24M EV/EBITDA.
Transcontinental Inc.	AL BUY	\$15.31	\$19.00	Our \$19.00 target price represents 5.3x estimated fiscal 24-month EBITDA.
TVA Group Inc.	BUY	\$13.00	\$15.00	Our \$15.00 target price represents 5.7x estimated fiscal 24-month EBITDA, a significant discount to the comp group.
Yellow Media	HOLD	\$6.11	\$5.50	Our \$5.50 target price represents 6.6x F24M EV/EBITDA.

Source: Company documents, TD Newcrest, Bloomberg

Key Risks to Target Prices

Company	Recommendation	Share Price	Target	Key Risks to Target Price	Risk Rating
Astral Media Inc.	HOLD	\$40.46	\$43.00	Key risks: (1) Execution risk on the implementation of the Toronto Street Furniture contract could result in different financial performance than anticipated. (2) Potential for Astral to bid on the Ottawa and/or Montreal street furniture contract. (3) Exposure to the advertising market and by extension economic variability. (4) Subordinate voting share structure: (The Greenberg family controls 57.9% of votes).	MEDIUM
Canadian Satellite Radio Holdings Inc.	REDUCE	\$3.15	n/a	(1) Economic risk. We believe this company is sensitive to slowing automotive sale and consumer spending which may negatively impact subscriber additions and the time to profitability, (2) Technological risk. We believe it is a matter of time before mobile internet access and the applications it provides become a viable alternative to the information and entertainment offered by this platform, (3) Valuation risk. With no earnings or EBITDA, our valuation is based on a DCF of forecasts going out to 2015. There is a material risk that actual results vary significantly from our estimates which could cause actual value to vary accordingly, (4) Subordinate voting share structure. John	SPECULATIVE
Corus Entertainment Inc.	BUY	\$21.25	\$25.00	Key risks include: (1) Exposure to the advertising market and, by extension, to economic cyclicality. Approximately 58% of Corus' revenue comes from advertising; (2) Exposure to content which can be inherently volatile; (3) Subordinate voting share structure (The Shaw Family controls 84.3% of the votes).	MEDIUM
DHX Media	BUY	\$1.25	\$1.40	(1) Material adverse change to the Canadian regulatory environment, (2) regulatory constraints against advertising to children, (3) concentration risk, (4) loss and inability to replace a successful series, (5) departure of key personnel, (6) competition, (7) access to interim production financing, (8) exposure to the film and television production industry, (9) accounting policies subject to considerable estimate.	HIGH
Glacier Media Inc	BUY	\$2.25	\$3.25	(1) Exposure to the advertising market; (2) exposure to print media; (3) exposure to FX and newsprint costs; (4) dependence on key personal; (5) integration risk; (6) significant ownership concentration; (7) a history of making acquisitions financed through equity which have the potential to be dilutive; (8) management's ability to manage	MEDIUM
Newfoundland Capital Corp. Ltd.	REDUCE	\$7.25	\$7.00	Key risks include: (1) Integration risk. Newfoundland Capital is extremely active in launching, converting and turning around stations it has recently acquired. This could cause variations in financial performance affecting valuation. (2) Exposure to the radio advertising market, which has poor visibility. (3) Subordinate voting share structure. As with all companies where voting control is not in the market, (the Steele family controls 96.4% of votes) the controlling shareholders and minority shareholders may not agree on issues that could affect the value of shares held by the minority.	MEDIUM
Torstar Corp.	AL BUY	\$12.10	\$16.50	Key risks include: (1) Exposure to the daily newspaper business. (2) Exposure to the advertising market. (3) Fluctuations in foreign exchange and newsprint costs. (4) Subordinate voting share structure: (five families control	MEDIUM
Transcontinental Inc.	AL BUY	\$15.31	\$19.00	Key risks include: (1) foreign exchange exposure (2) economic sensitivity of the printing and publishing sectors (3) risk associated with executing long term newspaper print outsourcing contracts (4) ability to migrate business from print to a broader array of online products and services (5) exposure to the advertising industry and (6) subordinate voting share structure. (Marcoux family controls 64.5% of votes.)	MEDIUM
TVA Group Inc.	BUY	\$13.00	\$15.00	Key risks include: (1) The magazine market in Quebec is highly competitive, resulting in considerable volatility. (2) SunTV is still essentially a start up operation, and therefore volatile and lacks visibility. Its economic viability long term remains a question mark. (3) Significant volatility in the distribution business/little apparent economic reason for involvement. (4) Exposure to the advertising market. (5) Subordinate voting share structure (Quebecor Media	MEDIUM
Yellow Media	HOLD	\$6.11	\$5.50	Key risks include: (1) exposure to the cyclical advertising market, (2) emerging competitive offerings could erode YLO's current market share, (3) print directory growth may decline faster than expected and may not recover, (4) risk that Dealer Smart Solutions and other important new initiatives may not achieve significant penetration and (5) risk	MEDIUM

Source: Company documents, TD Newcrest, Bloomberg

APPENDIX A. IMPORTANT DISCLOSURES

Company	Ticker	Disclosures
Astral Media Inc.	ACM.A-T	9, 14
Corus Entertainment Inc.	CJR.B-T, CJR-N	1, 2, 4, 9, 14
Torstar Corp.	TS.B-T	2, 4, 14
Transcontinental Inc.	TCL.A-T	2, 4, 10, 12, 15
TVA Group Inc.	TVA.B-T	2, 4, 14
Yellow Media Inc.	YLO-T	1, 2, 4, 9

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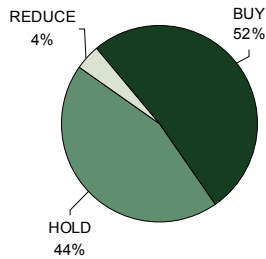
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- SPECULATIVE BUY: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss.
- HOLD: The stock's total return is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months.
- TENDER: Investors are advised to tender their shares to a specific offer for the company's securities or to support a proposed combination reflecting our view that a superior offer is not forthcoming.
- REDUCE: The stock's total return is expected to be negative over the next 12 months.

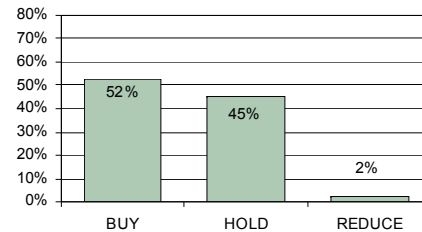
Overall Risk Rating in order of increasing risk: Low (7.4% of coverage universe), Medium (31.8%), High (50.4%), Speculative (10.4%)

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Distribution of Research Ratings[^]



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^{*} Percentage of subject companies within each of the three categories (BUY, HOLD and REDUCE) for which TD Securities Inc. has provided investment banking services within the last 12 months.

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