



# 2015-2016 Q3 FINANCIAL RESULTS – EXECUTIVE SUMMARY

TO:	Audit Committee/ Board of Directors
MEETINGS:	February 23 & 24, 2016
FROM:	Judith Purves, Executive Vice-President and Chief Financial Officer
PURPOSE:	To summarize the Corporation's financial results for the quarter ended December 31, 2015
DATE:	February 12, 2016



# 2015-2016 Q3 FINANCIAL RESULTS

## SUMMARY - REVENUE

s.18(a)  
s.18(b)

This quarter, our revenue was lower by \$3.8M (-2.7%) as we continued to experience the industry-wide softening of the TV advertising market ( ), and did not generate revenue from mobile production assets following their sale in June 2015 . These decreases were partially offset by increased subscriber revenue from French Services' specialty platforms (↑0.5M), growth in digital advertising sales and advertising revenue from covering the federal election.

(in millions of Canadian dollars)

### Advertising revenue

#### Ongoing activities

\* Softness of TV advertising market

\* Higher digital revenue

\* Other

#### Total decrease

### Subscriber fees

### Other income

#### Ongoing activities

\* Mobile production revenue (assets sold June 2015)

\* Other

#### Total decrease

### Financing income

### TOTAL

For the three months ended Dec 31				Q3 vs PY	
2015	2014	%	\$	Events *	Ongoing activities *
76.6	77.7	(1.4%)	(1.1)	-	(1.1)
			(1.1)	-	(1.1)
33.7	33.2	1.5%	0.5	-	0.5
26.5	29.3	(9.6%)	(2.8)	-	(2.8)
			(2.8)	-	(2.8)
2.4	2.8	(14.3%)	(0.4)	-	(0.4)
139.2	143.0	(2.7%)	(3.8)	-	(3.8)

\* Events are considered to be punctual activities of significant occurrence for CBC/Radio-Canada which are tracked separately by the Corporation. Ongoing activities are those that pertain to CBC/Radio-Canada's core business activities as defined under its public mandate.



# 2015-2016 Q3 FINANCIAL RESULTS

## SUMMARY - EXPENSES

s.18(a)  
s.18(b)

This quarter, our expenses were higher by \$2.3M (+0.6%) as we incurred additional costs for the coverage of the federal election and made new investments in content . Our pension expense was also higher due to a lower discount rate . On the other hand, significant restructuring expenses incurred in the comparative period of 2014 did not recur in 2015 (

(in millions of Canadian dollars)

### TV, radio and digital services costs

#### Events

\* Rogers hockey deal VIK

#### Ongoing activities

\* Timing difference in programming aired (A&E)

\* Higher pension expense

\* Federal election coverage

\* Additional investment in programming aired (A&E)

\* Downsizing costs - Strategy 2020 and other initiatives

\* SODRAC provision estimate revision

\* Mobile production expenses (assets sold June 2015)

\* Other

#### Total increase

### Transmission, distribution and collection

### Corporate management

### Payments to private stations

### Finance costs

### Share of results in associate

### TOTAL

N/M - Not meaningful

For the three months ended Dec 31				Q3 vs PY	
2015	2014	%	\$	Events *	Ongoing activities *
392.2	388.9	0.8%	3.3	0.2	3.1
			3.3	0.2	3.1
18.0	18.0	0.0%	-	-	-
2.6	2.4	8.3%	0.2	-	0.2
0.2	0.6	(66.7%)	(0.4)	-	(0.4)
6.9	7.7	(10.4%)	(0.8)	-	(0.8)
(1.4)	(1.4)	0.0%	-	-	-
418.6	416.2	0.6%	2.3	0.2	2.1

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# 2015-2016 Q3 FINANCIAL RESULTS

## SUMMARY – GOVERNMENT FUNDING

We drew down less government funding in the third quarter of 2015-2016 to meet our working capital requirements.

*(in millions of Canadian dollars)*

### **Government Funding**

#### ***Overall decrease in amount recognized due to:***

*\* Drawdowns during the period*

*\* Amortization of capital funding into income*

For the three months ended Dec 31			
2015	2014	%	\$
254.1	265.3	(4%)	(11.2)
229.8	239.3	(4%)	(9.5)
23.4	25.0	(6%)	(1.6)



# 2015-2016 Q3 FINANCIAL RESULTS

## RECONCILIATION BETWEEN IFRS RESULTS, RESULTS ON A CURRENT OPERATING BASIS AND BUDGETARY RESULTS

s.18(a)

s.18(b)

Results on a Current Operating Basis is a non-IFRS measure used regularly by management to help monitor performance and balance the Corporation's budget consistent with parliamentary appropriations. It is defined as Net Results under IFRS less the adjustments for non-cash expenses that will not require operating funds within one year and non-cash revenue that will not generate operating funds within one year. These two measures are reconciled with the budgetary results in the table below.

<i>(in thousands of Canadian dollars)</i>	For the three months ended Dec 31		For the nine months ended Dec 31	
	2015	2014	2015	2014
Revenue	139,173	142,971	400,051	473,692
Expenses	(418,558)	(416,216)	(1,157,324)	(1,248,660)
<b>Results before Government funding and non-operating items</b>	<b>(279,385)</b>	<b>(273,245)</b>	<b>(757,273)</b>	<b>(774,968)</b>
Government funding	254,121	265,305	666,074	641,237
<b>Results before non-operating items</b>	<b>(25,264)</b>	<b>(7,940)</b>	<b>(91,199)</b>	<b>(133,731)</b>
Non-operating items	(1,817)	1,988	358	41,003
<b>Net results under IFRS for the period</b>	<b>(27,081)</b>	<b>(5,952)</b>	<b>(90,841)</b>	<b>(92,728)</b>
<b>Items not generating or requiring funds from operations</b>				
Pension and other employee future benefits	15,542	8,544	51,216	32,427
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	4,308	5,606	14,842	16,728
Other provisions for non-cash items	5,497	7,196	(11,343)	(8,385)
<b>Results on a Current Operating Basis</b>	<b>(1,734)</b>	<b>15,394</b>	<b>(36,126)</b>	<b>(51,958)</b>
Net position - Investments in ARTV and <i>documentary</i>	(296)	(683)	35	(646)
Gain on disposal of property and equipment	1,817	(1,988)	(358)	(7,455)
<b>Results on a budgetary basis</b>				



# 2015-2016 Q3 FINANCIAL RESULTS

## BUDGETARY RESULTS

s.18(a)  
s.18(b)

Budgetary results to date are **less than** than budget. Our forecast year-end position is **less than** originally planned.

	Comparison to Budget (April to December)			Annual Basis (April to March)		
	<u>2015/2016</u>	<u>2015/2016</u>	Variance	<u>2015/2016</u>	<u>2015/2016</u>	Variance
	<u>Actuals</u>	<u>Budget</u>		<u>Forecast</u>	<u>Budget</u>	
<b>SOURCE OF FUNDS</b>						
<b><u>Government Funding and Carryover</u></b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Total government Funding and carryover</b>						
<b><u>Revenues</u></b>						
Advertising Revenues						
Miscellaneous Revenues						
Subscriber Revenues						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
<b><u>Expenditures</u></b>						
English Services						
French Services						
Other Non-Media Services						
Committed Reserves						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION - Before Downsizing Costs</b>						
Downsizing costs						
<b>NET POSITION</b>						





# 2015-2016 Q3 FINANCIAL RESULTS

## APPENDIX 1 – FINANCIAL POSITION

s.18(a)

s.18(b)

ASSETS	As at December 31		As at March 31		As at December 31			
	2015	2015	\$ change	% change	2014	\$ change	% change	
Cash	103,702	214,884	(111,182)	(51.7)	115,940	(12,238)	(10.6)	<b>Timing of inflows and outflows</b>
Trade and other receivables	134,137	151,444	(17,307)	(11.4)	165,073	(30,936)	(18.7)	<b>Dec vs Mar:</b> Decrease mostly attributable to the asset under construction recognized as a receivable at year-end and to the insurance proceeds received in December 2015 related to the loss on the Infinity mobile asset. This was somewhat offset by higher advertising receivables this quarter consistent with the seasonality of our business. <b>Dec vs Dec:</b> Decrease mostly attributable due to the asset under construction recognized as a receivable for Halifax in December 2014, the fact December's 2014 receivables included proceeds for the sale of the Windsor property and an insurance claim for the Infinity mobile asset. In addition, advertising receivables decreased following the collection of old invoices by a large advertising agency and the continued softening of the TV advertising market.
Prepaid expenses	27,205	26,859	346	1.3	34,001	(6,796)	(20.0)	<b>Dec vs Mar:</b> Prepayments have remained stable since March 2015. <b>Dec vs Dec:</b> Decrease since December due to the drawdown of prepayments made to a media management agency partly offset by the prepayment of Olympic hospitality charges for the 2016 Rio Olympics
Programming (s-t and l-t)	359,896	310,290	49,606	16.0	328,211	31,685	9.7	<b>Dec vs Mar:</b> Programming was higher, consistent with the seasonality of our business as we produced new content on both networks news shows such as <i>Shoot the Messenger</i> , <i>Canada Story of Us</i> , <i>Les Belles histoires des pays d'en haut</i> , <i>Rupture</i> and new seasons of <i>Murdoch Mysteries</i> , <i>Heartland</i> , <i>Mr. D</i> and <i>Dragons' Den</i> and <i>Schitt's Creek</i> <b>Dec vs Dec:</b> Higher programming balance on a year-to-date basis as we made prepayments <i>Coronation Street</i> rights up to 2022 and other available for broadcast content. In addition, we produced new content on both network for the new shows listed above and new seasons of <i>Dragons' Den</i> and <i>Still Standing</i> . These increases were partly offset by the drawdown of the Rogers NHL agreement through 2015/2016
Assets classified as held for sale	3,519	1,627	1,892	116.3	1,912	1,607	84.0	<b>Dec vs Mar:</b> Increase since March 2015 due to the additions of the property in Moncton to assets held for sale partly offset by the sale of the properties in Iqaluit, Grand Falls and Gander <b>Dec vs Dec:</b> Same as above.
Assets under finance leases	22,516	20,389	2,127	10.4	27,705	(5,189)	(18.7)	<b>Dec vs Mar:</b> Increase since March mostly as the result of the Corporation entering into a finance lease agreement for the leasehold improvements in the Halifax building partly offset by Telesat amortization expense <b>Dec vs Dec:</b> Decrease since December due to amortization of Telesat expense and purchase of mobile and office equipment partly offset by a new finance lease agreement for the leasehold improvements in the Halifax building

(in thousands of Canadian dollars)



# 2015-2016 Q3 FINANCIAL RESULTS

## APPENDIX 1 – FINANCIAL POSITION (CONT'D)

s.18(a)  
s.18(b)

	<u>As at December 31</u>		<u>As at March 31</u>		<u>As at December 31</u>			
	<u>2015</u>	<u>2015</u>	<u>\$ change</u>	<u>% change</u>	<u>2014</u>	<u>\$ change</u>	<u>% change</u>	
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	67,896	87,534	(19,638)	(22.4)	67,928	(32)	(0.0)	<b>Dec vs Mar:</b> Overall decrease is in line with historical patterns due to increased production spending leading up to March, reflected in this quarter's level of ongoing payables and fewer capital and travel accruals (-\$11.1M). In addition, lower accruals were made for taxes payable to the City of Toronto under the new agreement (-\$3.0M) and a withholding tax settlement for <i>Coronation Street</i> was made since year-end <b>Dec vs Dec:</b> Payable levels remained consistent with the same period last year.
Provisions	36,329	40,962	(4,633)	(11.3)	37,717	(1,388)	(3.7)	<b>Dec vs Mar:</b> Decrease since March 2015 is mostly due to lower workforce provisions as the reductions are nearing their final stages, and This was partly offset by <b>Dec vs Dec:</b> As discussed above.
Pension plans and employee-related liabilities (s-t and l-t)	(71,749)	211,779	(283,528)	(133.9)	280,406	(352,155)	(125.6)	<b>Dec vs Mar:</b> Net asset position mostly as the discount rate used this quarter was higher by 50 basis point, resulting in the pension plan being in a higher surplus position In addition, payouts and settlements without costs on previously accrued severances also contributed to the decrease <b>Dec vs Dec:</b> As discussed above.
Programming Liability (s-t and l-t)	38,774	48,597	(9,823)	(20.2)	53,300	(14,526)	(27.3)	<b>Dec vs Mar:</b> The programming liability relates to the new arrangement with Rogers Inc. which will last until 2017-2018. <b>Dec vs Dec:</b> As discussed above.
Deferred revenues (s-t and l-t)	47,043	69,259	(22,216)	(32.1)	69,925	(22,882)	(32.7)	<b>Dec vs Mar:</b> Since March 2015, lower deferred revenue mostly due to the PanAm games completed in August 2015 and drawdown of the deferred revenue related to Allied This decrease is offset by additional deferred revenue for the 2016 Rio Olympic Games <b>Dec vs Dec:</b> As discussed above.
Deferred capital funding	518,920	520,200	(1,280)	(0.2)	516,375	2,545	0.5	<b>Dec vs Mar:</b> Deferred capital funding reflects the consistency of capital spending patterns and the related amortization of capital assets. <b>Dec vs Dec:</b> As discussed above.
<b>EQUITY</b>								
Total equity attributable to the Corporation	597,772	375,976	221,796	59.0	232,403	365,369	157.2	Equity reflects the total of net results and remeasurements of the Corporation's defined benefit plans.

(in thousands of Canadian dollars)