



# 2016-2017 Q1 FINANCIAL RESULTS EXECUTIVE SUMMARY

TO:	Audit Committee / Board of Directors
MEETINGS:	August 25, 2016
FROM:	Judith Purves, Executive Vice-President and Chief Financial Officer
PURPOSE:	To summarize the Corporation's financial results for the quarter ended June 30, 2016
DATE:	August 12, 2016



# 2016-2017 Q1 FINANCIAL RESULTS

## SUMMARY OF RESULTS

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

### Our overall results for the quarter were:

- **Results on a Budgetary Basis** – operating results
- **Results on a Current Operating Basis** – a loss of \$7.5M compared with a loss of \$52.7M in the first quarter last year. There was a \$54.0M increase in government funding recognized this quarter, as we drew down more funding compared to the same period last year.
- **IFRS results** – a loss of \$17.9M this quarter, smaller than the loss of \$76.1M last quarter. This quarter's IFRS results also reflect the higher amount of government funding recognized.

(in thousands of Canadian dollars)

	For the quarter ended Jun 30		Year-over-year increase/(decrease)	
	2016	2015	\$	%
<b>RESULTS UNDER IFRS</b>				
Revenue	114,606	118,521	(3,915)	(3.3%)
Expenses	354,271	364,808	(10,537)	(2.9%)
<b>Results before Government funding and non-operating items</b>	<b>(239,665)</b>	<b>(246,287)</b>	<b>6,622</b>	<b>(2.7%)</b>
Government funding	223,126	169,163	53,963	31.9%
<b>Results before non-operating items</b>	<b>(16,539)</b>	<b>(77,124)</b>	<b>60,585</b>	<b>(78.6%)</b>
Non-operating items	(1,402)	1,070	(2,472)	(231.0%)
<b>Net results under IFRS for the period</b>	<b>(17,941)</b>	<b>(76,054)</b>	<b>58,113</b>	<b>(76.4%)</b>
<b>RESULTS ON A CURRENT OPERATING BASIS</b>				
<b>Items not generating or requiring funds from operations</b>				
Pension and other employee future benefits	10,848	17,888	(7,040)	(39.4%)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	5,480	5,094	386	7.6%
Other provisions for non-cash items	(5,876)	421	(6,297)	(1495.7%)
<b>Results on a Current Operating Basis</b>	<b>(7,489)</b>	<b>(52,651)</b>	<b>45,162</b>	<b>(85.8%)</b>
<b>RESULTS ON A BUDGETARY BASIS</b>				
Net position - Investments in ARTV and documentary	(12)	(115)	103	(89.6%)
Loss (gain) on disposal of property and equipment	1,402	(1,070)	2,472	(231.0%)
<b>Results on a Budgetary Basis<sup>1</sup></b>				

<sup>1</sup> Results on a budgetary basis are further detailed in Slide 7.



# 2016-2017 Q1 FINANCIAL RESULTS

## REVENUE – ADVERTISING AND SUBSCRIBER FEES

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

### Advertising Revenue and Subscriber Fees:

- **Advertising Revenue** – The \$2.9M decrease in advertising revenue this quarter reflected primarily a persistent industry-wide softening of the conventional television advertising market. Along with market declines, lower audiences in the 25-54 demographic have impacted revenue obtained for conventional television in both our networks. This decrease was partly offset by higher digital revenue led by the continued strength in programmatic sales, particularly in English markets.
- **Subscriber Fees** – Stable overall at \$33.1M (\$33.3M in Q1 last year). \$0.2M decrease due to lower subscriber bases for CBC News Network, ICI RDI and ICI ARTV. These decreases were partly offset by ICI Tou.tv EXTRA's performance.

(in millions of Canadian dollars)

	For the quarter ended June 30		Year-over-year incr. / (decr.)		Notes
	2016	2015	\$	%	
<b>ADVERTISING REVENUE</b>					
<b><u>Ongoing activities</u></b>					
• Television					
• Radio					
• Digital					
• Contrats & other					
<b>Subtotal - Ongoing activities (budgetary)</b>	<b>54.0</b>	<b>56.9</b>	<b>(2.9)</b>	<b>(5.1%)</b>	
<b>TOTAL ADVERTISING REVENUE (budgetary)</b>	<b>54.0</b>	<b>56.9</b>	<b>(2.9)</b>	<b>(5.1%)</b>	
IFRS adjustments	0.1	0.1	-	0.0%	
<b>TOTAL ADVERTISING REVENUE (IFRS)</b>	<b>54.1</b>	<b>57.0</b>	<b>(2.9)</b>	<b>(5.1%)</b>	
<b>SUBSCRIBER FEES</b>					
<b>TOTAL SUBSCRIBER FEES (budgetary)</b>	<b>31.5</b>	<b>31.7</b>	<b>(0.2)</b>	<b>(0.6%)</b>	Smaller subscriber base for specialty TV, offset by Tou.tv EXTRA growth
IFRS adjustments	1.6	1.6	-	0.0%	
<b>TOTAL SUBSCRIBER FEES (IFRS)</b>	<b>33.1</b>	<b>33.3</b>	<b>(0.2)</b>	<b>(0.6%)</b>	



# 2016-2017 Q1 FINANCIAL RESULTS

## REVENUE (CONT'D) – OTHER INCOME AND FINANCING INCOME

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

### Other Income and Financing Income:

- **Other Income** – The \$0.5M decline in other income this quarter resulted mostly from lower exchange gains on USD working capital and the absence of revenue from the rental of CBC's mobile production assets following their sale in June 2015.
- **Financing Income** – Decrease of \$0.3M because a lower cash balance this quarter generated less interest income.

(in millions of Canadian dollars)

	For the quarter ended June 30		Year-over-year incr. / (decr.)		Notes
	2016	2015	\$	%	
<b>OTHER INCOME</b>					
<b>Ongoing activities</b>					
• Building, tower, facility and service rentals					
• Production revenue					
• Digital Programming					
• Retransmission rights					
• Program sponsorship					
• Contrats & other					
<b>Subtotal - Ongoing activities (budgetary)</b>	<b>21.8</b>	<b>23.0</b>	<b>(1.2)</b>	<b>(5.2%)</b>	
<b>TOTAL OTHER INCOME (budgetary)</b>	<b>21.8</b>	<b>23.0</b>	<b>(1.2)</b>	<b>(5.2%)</b>	
IFRS adjustments	3.1	2.4	0.7	29.2%	Individually immaterial variances
<b>TOTAL OTHER INCOME (IFRS)</b>	<b>24.9</b>	<b>25.4</b>	<b>(0.5)</b>	<b>(2.0%)</b>	
<b>FINANCING INCOME</b>					
<b>TOTAL FINANCING INCOME (IFRS)</b>	<b>2.5</b>	<b>2.8</b>	<b>(0.3)</b>	<b>(10.7%)</b>	Less interest generated because of a lower cash balance
<b>TOTAL REVENUE (IFRS)</b>	<b>114.6</b>	<b>118.5</b>	<b>(3.9)</b>	<b>(3.3%)</b>	



# 2016-2017 Q1 FINANCIAL RESULTS

## OPERATING EXPENSES

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

### Operating Expenses:

- On a budgetary basis ongoing expenses of \$312.6M were consistent with the same period last year (variance of 1%). Lower programming costs in some categories were mostly offset by reinvestment in content in other areas.
- Ongoing expenses on an IFRS basis decreased by \$10.5M compared to the first quarter of 2015-2016, mostly as a result of a lower pension expense due to changes in actuarial assumptions.

(in millions of Canadian dollars)

	For the quarter ended June 30		Year-over-year incr. / (decr.)		Notes
	2016	2015	\$	%	
<b>OPERATING EXPENSES</b>					
<b>Ongoing activities</b>					
• News and Current Affairs					
• Arts and Entertainment					
• Specialty Channels					
• Sports (excl. events)					
• Radio					
• Music					
• Media Solutions					
• Technical Services					
• Communications and Research					
• Media Library and Archives					
• Real Estate					
• Technology Solutions					
• Production Solutions					
• Infrastructure Solutions					
• General and Administration Services					
• Corporate Expenses					
• Other Expenses and Reserves					
<b>Subtotal - Ongoing activities (budgetary)</b>	<b>312.4</b>	<b>309.5</b>	<b>2.9</b>	<b>0.9%</b>	
<b>TOTAL OPERATING EXPENSES (budgetary)</b>	<b>312.4</b>	<b>309.5</b>	<b>2.9</b>	<b>0.9%</b>	
IFRS adjustments	41.9	55.3	(13.4)	(24.2%)	More expenses credited from results and allocated to programming inventory due to higher non-procured inventory levels (↘ \$4.9M), and 25 bp increase in discount rate applied to pension benefit costs (↘ \$4.4M)
<b>TOTAL OPERATING EXPENSES (IFRS)</b>	<b>354.3</b>	<b>364.8</b>	<b>(10.5)</b>	<b>(2.9%)</b>	



# 2016-2017 Q1 FINANCIAL RESULTS

## GOVERNMENT FUNDING

### Government funding recognized for accounting purposes increased by \$54M:

- Parliamentary appropriations drawn down for operating expenditures increased by \$55.0M this quarter based on expected needs. Appropriations recognized in the first quarter of last year were lower than usual because of our higher starting cash position.
- Lower amortization of capital funding by \$1.1M, consistent with a decline in our asset base as we reduce our real estate footprint and simplify our infrastructure.

*(in millions of Canadian dollars)*

	For the quarter ended June 30		Year-over-year incr. / (decr.)		Notes
	2016	2015	\$	%	
<b>GOVERNMENT FUNDING</b>					
• Parliamentary appropriation for operating expenditures	199.0	144.0	55.0	38.2%	Lower drawdown in prior year due to higher starting cash balance
• Parliamentary appropriation for working capital	1.0	1.0	-	0.0%	No significant variance
• Amortization of deferred capital funding	23.1	24.2	(1.1)	(4.5%)	Consistent with decrease in asset base
<b><u>TOTAL GOVERNMENT FUNDING (IFRS)</u></b>	<b>223.1</b>	<b>169.2</b>	<b>53.9</b>	<b>31.9%</b>	



# 2016-2017 Q1 FINANCIAL RESULTS

## APPENDIX A – SUMMARY OF BUDGETARY RESULTS

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

Summary of budgetary results, as per the Budgetary Management Report (refer to Audit Committee materials for further details).

	Comparison to Budget (April to June)			Comparison to Prior Year (April to June)		
	<u>2016-2017</u>	<u>2016-2017</u>	Variance	<u>2016-2017</u>	<u>2015-2016</u>	Variance
	<u>Actuals</u>	<u>Budget</u>		<u>Actuals</u>	<u>Actuals</u>	
<b>SOURCE OF FUNDS</b>						
<b>Government Funding and Carryover</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Total government Funding and carryover</b>						
<b>Revenues</b>						
Advertising Revenues						
Other Income						
Subscriber Revenues						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
<b>Expenditures</b>						
English Services						
French Services						
MTIS						
Other Services						
Committed Reserves						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION - Before Downsizing Costs and Events</b>						
Olympics / PanAm						
Downsizing costs						
<b>NET POSITION</b>						