



2016-2017 Q2 FINANCIAL RESULTS EXECUTIVE SUMMARY

TO:	Audit Committee / Board of Directors
MEETINGS:	November 22-23, 2016
FROM:	Judith Purves, Executive Vice-President and Chief Financial Officer
PURPOSE:	To summarize the Corporation's financial results for the quarter ended September 30, 2016. Two items are included; 1) Executive Summary of Financial Results 2) SET Summary of Quarterly Budget Report
DATE:	November 10, 2016



2016-2017 Q2 FINANCIAL RESULTS

SUMMARY OF RESULTS

s.18(a)

s.18(b)

Our overall results at the end of the second quarter were:

- **IFRS results** – a cumulative loss of \$16.1M to date, smaller than the loss of \$63.8M for the same six months last year. These improved results reflect the combined impacts of higher revenue and government funding, cost-reduction initiatives, and a lower pension expense.
- **Results on a Current Operating Basis** – results on a current operating basis were consistent with IFRS results, with a cumulative loss of \$5.5M in the first half of 2016-2017 compared with a cumulative loss of \$34.4M in the first half of 2015-2016.
- **Results on a Budgetary Basis** – year-to-date budgetary results

(in thousands of Canadian dollars)

	For the three months ended September 30		For the six months ended September 30		Year-over-year increase/(decrease)	
	2016	2015	2016	2015	\$	%
RESULTS UNDER IFRS						
Revenue	176,825	142,357	291,431	260,878	30,553	11.7%
Expenses	(430,286)	(373,958)	(784,557)	(738,766)	(45,791)	6.2%
Results before Government funding and non-operating items	(253,461)	(231,601)	(493,126)	(477,888)	(15,238)	3.2%
Government funding	256,063	242,790	479,189	411,953	67,236	16.3%
Results before non-operating items	2,602	11,189	(13,937)	(65,935)	51,998	(78.9%)
Non-operating items	(719)	1,105	(2,121)	2,175	(4,296)	(197.5%)
Net results under IFRS for the period	1,883	12,294	(16,058)	(63,760)	47,702	(74.8%)
RESULTS ON A CURRENT OPERATING BASIS						
Items not generating or requiring funds from operations						
Pension and other employee future benefits	11,228	17,786	22,076	35,674	(13,598)	(38.1%)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	5,776	5,440	11,256	10,534	722	6.9%
Other provisions for non-cash items	(16,869)	(17,261)	(22,745)	(16,840)	(5,905)	35.1%
Results on a Current Operating Basis	2,018	18,259	(5,471)	(34,392)	28,921	(84.1%)
RESULTS ON A BUDGETARY BASIS						
Net position - Investments in ARTV and <i>documentary</i>	(100)	447	(111)	332	(443)	(133.4%)
Loss (gain) on disposal of property and equipment	719	(1,105)	2,121	(2,175)	4,296	(197.5%)
Results on a Budgetary Basis¹						

¹ Results on a budgetary basis are further detailed in Slide 7.



2016-2017 Q2 FINANCIAL RESULTS

REVENUE – ADVERTISING AND SUBSCRIBER FEES

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

Advertising Revenue and Subscriber Fees:

- **Advertising Revenue** – The \$52.5M cumulative increase in advertising revenue is mainly driven by the broadcasting of the Rio 2016 Olympics, compared with last year when we had revenue from the Toronto 2015 Pan Am and Parapan Am Games. This higher events revenue was partially offset by lower ongoing revenue from the continued weakness in the television advertising market, especially conventional television.
- **Subscriber Fees** – Slight decrease overall at \$1.3M. This was due to a \$1.9M decrease from lower subscriber bases for CBC News Network, ICI RDI, ICI EXPLORA and ICI ARTV, partly offset by ICI Tou.tv EXTRA's performance.

(in millions of Canadian dollars)

	For the 3 months ended Sep 30		For the 6 months ended Sep 30		YOY cumulative incr. / (decr.)		Notes (on the cumulative variance unless otherwise noted)
	2016	2015	2016	2015	\$	%	
ADVERTISING REVENUE							
Events							
Rio 2016 Olympic Games							
Toronto 2015 Pan Am Games							
Subtotal - Events (budgetary and IFRS)							
Ongoing activities							
• Television							
• Radio							
• Digital							
• Contrats & other							
Subtotal - Ongoing activities (budgetary)							
TOTAL ADVERTISING REVENUE (budgetary)	103.6	55.1	157.6	112.0	45.6	40.7%	
IFRS adjustments	0.1	0.1	0.2	0.1	0.1	100.0%	Individually immaterial variances
TOTAL ADVERTISING REVENUE (IFRS)	103.7	55.1	157.8	112.1	45.7	40.8%	
SUBSCRIBER FEES							
TOTAL SUBSCRIBER FEES (budgetary)	31.3	32.4	62.8	64.1	(1.3)	(2.0%)	Smaller subscriber base for specialty TV, offset by Tou.tv EXTRA growth
IFRS adjustments	1.6	1.6	3.2	3.2	-	0.0%	No significant variance
TOTAL SUBSCRIBER FEES (IFRS)	32.9	34.0	66.0	67.3	(1.3)	(1.9%)	



2016-2017 Q2 FINANCIAL RESULTS

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

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

Other Income and Financing Income:

- **Other Income** – The \$19.3M cumulative decline in other income this quarter resulted mostly from events, the licensing revenue derived from the Rio 2016 Olympics being lower than the host broadcasting fees related to the Toronto 2015 Pan Am and Parapan Am Games. Ongoing revenue increased due to higher production revenue from content sales and the Rio 2016 Paralympic Games.
- **Financing Income** – Decrease of \$0.4M because a lower cash balance generated less interest income.

(in millions of Canadian dollars)

	For the 3 months ended Sep 30		For the 6 months ended Sep 30		YOY cumulative incr. / (decr.)		Notes (on the cumulative variance unless otherwise noted)
	2016	2015	2016	2015	\$	%	
OTHER INCOME							
Events							
Subtotal - Events (budgetary and IFRS)							
Ongoing activities							
Subtotal - Ongoing activities (budgetary)							
TOTAL OTHER INCOME (budgetary)	37.9	53.4	59.7	76.4	(16.7)	(21.9%)	
IFRS adjustments	0.0	(2.6)	3.1	(0.1)	3.2	N/M	Higher adjustment for misc. revenue (↗ \$2.0M) and lower elimination adjustment since no SiriusXM dividend received in 2016-17 Q2 (↗ \$1.3M)
TOTAL OTHER INCOME (IFRS)	37.9	50.8	62.8	76.2	(13.4)	(17.6%)	
FINANCING INCOME							
TOTAL FINANCING INCOME (IFRS)	2.3	2.5	4.8	5.2	(0.4)	(7.7%)	Less interest generated because of a lower cash balance
TOTAL REVENUE (IFRS)	176.8	142.4	291.4	260.9	30.5	11.7%	



2016-2017 Q2 FINANCIAL RESULTS

OPERATING EXPENSES

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

Operating Expenses:

- Expenditures from events increased during the first half of 2016-2017 as our expenses included the programming rights and production costs to broadcast the Rio 2016 Olympics, which were overall higher than expenses of a similar nature incurred last year for the Toronto 2015 Pan Am and Parapan Am Games.
- Ongoing expenses of \$633.7M were slightly higher than the same period last year (variance of 1.3%), the result of reinvestment in TV and radio content and promotional expenses for our specialty channels and the Fall line-up, offset by lower programming costs in other areas.

(in millions of Canadian dollars)

	For the 3 months ended Sep 30		For the 6 months ended Sep 30		YOY cumulative incr. / (decr.)		Notes <i>(on the cumulative variance unless otherwise noted)</i>
	2016	2015	2016	2015	\$	%	
OPERATING EXPENSES							
Events							
Rio 2016 Olympic Games							
Toronto 2015 Pan Am Games							
Subtotal - Events (budgetary and IFRS)							
Ongoing activities							
• News and Current Affairs							
• Arts and Entertainment							
• Specialty Channels							
• Radio							
• Sports (excl. events)							
• 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							
Subtotal - Ongoing activities (budgetary)	321.8	316.1	633.7	625.6	8.1	1.3%	



2016-2017 Q2 FINANCIAL RESULTS

OPERATING EXPENSES (CONT'D) AND GOVERNMENT FUNDING

Operating Expenses (continued):

- Total expenses on an IFRS basis increased by \$45.8M compared to the first half of 2015-2016, mostly as a result of events-driven expenses discussed above. A lower pension expense due to changes in actuarial assumptions helped offset the increase in expenses.

(in millions of Canadian dollars)

	For the 3 months ended Sep 30		For the 6 months ended Sep 30		YOY cumulative incr. / (decr.)		Notes (on the cumulative variance unless otherwise noted)
	2016	2015	2016	2015	\$	%	
OPERATING EXPENSES							
TOTAL OPERATING EXPENSES (budgetary)	402.1	341.2	714.5	650.7	63.8	9.8%	
IFRS adjustments	28.2	32.7	70.1	88.1	(18.0)	(20.4%)	25 bp increase in discount rate applied to pension benefit costs (↘ \$13.6M), and more expenses credited from results and allocated to programming inventory (↘ \$6.2M)
<u>TOTAL OPERATING EXPENSES (IFRS)</u>	<u>430.3</u>	<u>374.0</u>	<u>784.6</u>	<u>738.8</u>	<u>45.8</u>	<u>6.2%</u>	

Government funding recognized for accounting purposes increased by \$67.2M:

- Parliamentary appropriations drawn down for operating expenditures increased by \$69.0M in the first half of the year, based on expected needs.
- Lower amortization of capital funding by \$1.7M, 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 3 months ended Sep 30		For the 6 months ended Sep 30		YOY cumulative incr. / (decr.)		Notes (on the cumulative variance unless otherwise noted)
	2016	2015	2016	2015	\$	%	
GOVERNMENT FUNDING							
• Parliamentary appropriation for operating expenditures	232.0	218.0	431.0	362.0	69.0	19.1%	Increase in operating appropriation and timing of drawdown
• Parliamentary appropriation for working capital	1.0	1.0	2.0	2.0	-	0.0%	No significant variance
• Amortization of deferred capital funding	23.1	23.7	46.2	47.9	(1.7)	(3.5%)	Consistent with decrease in asset base
<u>TOTAL GOVERNMENT FUNDING (IFRS)</u>	<u>256.1</u>	<u>242.8</u>	<u>479.2</u>	<u>412.0</u>	<u>67.2</u>	<u>16.3%</u>	

	<p>Quarterly Budget Report Submission: October 2016 Full Year Forecast/ 2016-17</p>	<p>HIGHLIGHTS:</p>
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Consolidated Full Year Forecast vs. Budget & Prior Year

\$ 'millions	Forecast	%*	Budget	Budget B/(W)	AR ^ to Bud.	Prior Year	YOY B/(W)	YOY % B/(W)	Commentary
Government Funding Prior Year Carryover	1,015.8	91	1,015.8	0.0	100.0	928.3	87.5	9.4	<p>REVENUE Advertising:</p> <p>Subscriber:</p> <p>Other:</p> <p>EXPENSES Programming:</p> <p>MTIS:</p> <p>Media Operations & Archives:</p> <p>Communications:</p> <p>Media Solutions:</p> <p>Other:</p> <p>OLYMPICS:</p>
GOV'T FUND. & PY CARRYOVER									
OPERATING ACTIVITIES									
Revenues:									
Advertising									
Subscriber									
Other									
Total Revenues									
Expenses:									
Programming									
MTIS									
Media Oper. & Archives									
Communications									
Media Solutions									
Other									
Total Expenses									
NET POSITION BEFORE BELOW									
Downsizing									
OLYMPICS									
Revenue									
Expense									
Net									
NET POSITION									

Note: - * = Proportion of total Gov't Funding & Prior Year Carryover, total Rev. or total Exp., as applicable.
 - B/(W) = Better/(Worse)
 - AR^ to Bud. = Achievement Rate to Budget



Quarterly Budget Report
Submission: October 2016
Q2 YTD/ 2016-17

HIGHLIGHTS:

Consolidated Q2 Year-to-Date Actuals vs. Budget & Prior Year

\$ 'millions	Actual	% *	Budget	Budget B/(W)	AR ^ to Bud.	Prior Year	YOY B/(W)	YOY % B/(W)	Commentary
Government Funding	431.0	99	431.0	0.0	100.0	362.0	68.9	19.0	REVENUE Advertising: Subscriber: Other: EXPENSES Programming: MTIS: Media Operations & Archives: Communications: { Media Solutions: Other: OLYMPICS:
Prior Year Carryover									
GOV'T FUND. & PY CARRYOVER									
OPERATING ACTIVITIES									
Revenues:									
Advertising									
Subscriber									
Other									
Total Revenues									
Expenses:									
Programming									
MTIS									
Media Oper. & Archives									
Communications									
Media Solutions									
Other									
Total Expenses									
NET POSITION BEFORE BELOW									
Downsizing									
OLYMPICS									
Revenue									
Expense									
Net									
NET POSITION									

Note : - * = Proportion of total Gov't Funding & Prior Year Carryover, total Rev. or total Exp., as applicable.
 - B/(W) = Better/(Worse)
 - AR^ to Bud. = Achievement Rate to Budget

Cash Flows
As at September 30, 2016

2016/2017 Forecast						2015/2016 Actuals				
	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total
Opening balance ⁽¹⁾	149,135	80,623	91,667	96,490	149,135	206,485	94,806	98,030	99,475	206,485
Inflows										
Appropriations received ^(2,4)	220,000	335,000				155 000	265 000	280 000	338 024	1,038,024
Revenues ⁽³⁾	151,705	144,041				175 400	143 853	144 058	145 000	608,311
										-
Outflows										
Expenditures ⁽⁴⁾	(440,217)	(467,997)				(442 079)	(405 629)	(422 613)	(433 364)	(1,703,685)
Ending balance ⁽¹⁾	80,623	91,667				94,806	98,030	99,475	149,135	149,135
a = actuals; f= forecast	a	a	f	f						

Note 1: The bank balances include the corporate bank accounts in Canadian and US dollars as well as short-term investments, as the case may be. Foreign bureau accounts and production and petty cash funds are not included since they are funded from the corporate accounts.

Note 2: Appropriation drawdowns are planned with the objective of keeping a bank balance sufficient to meet the requirements of the Corporation's activities.

Note 3:

Note 4: Cash inflows and outflows are projected to increase this year in response to the expected increase in federal funding (\$88.5m: \$75m in new funding and \$13.5m in salary funding).

Note 5: For the months of April to September, the amounts presented are actual results.

The forecast amounts from October to December 2016 were obtained from the following sources:

Cash Inflows: Revenues are forecasted by Shared Services - accounts receivable and French and English Services. They include advertising and subscriber revenues as well as other sources of income such as investment income.

Cash Outflows: Forecasts are provided by English Services, French Services, Shared Services - Payroll, Corporate Finance, Real Estate Division and other components.