



October 26, 2011

Ian Greenberg

President and CEO, Astral Media Inc.

THE BUSINESS OF CULTURE IN A CULTURE-DRIVEN BUSINESS, A 50- YEAR PERSPECTIVE

Chairman: **Verity Craig**

President, The Empire Club of Canada

Head Table Guests

Jacques Parisien, Executive Vice-President and COO, Astral Media Inc., and President, Astral Radio; Cam di Prata, Executive Vice-President and Head of Corporate and Investment Banking, National Bank Financial, and Director, The Empire Club of Canada; Captain Dr. John Niles, Senior Minister, St. Andrew's United Church, and Past President, The Empire Club of Canada; Brittany Barber, Student, Rosedale School of the Arts; Robin Sears, Senior Partner, Navigator Ltd., and Director, The Empire Club of Canada; Sidney M. Horn, Partner, Stikeman Elliott, and Board Member, Astral Media; and Darryl White, Deputy Head, Investment and Corporate Banking Canada, and Global Head, Equity Capital Markets, BMO Capital Markets.

Introduction by Verity Craig

It is now my delight and pleasure to introduce our keynote speaker for this afternoon Mr. Ian Greenberg, President and Chief Executive Officer of Astral Media.

Ian Greenberg might not be a household name but all of us know the power of the Astral media brands:

- The Movie Network
- HBO Canada
- Disney
- Virgin

to name just a few.

But that is just the tip of the iceberg:

- They are number one in radio station ownership in Canada.
- They're a leader in the outdoor advertising space.
- They're on top of the rapidly evolving digital space with an advertising network reaching three million consumers.

Celebrating their fiftieth anniversary this year, Astral Media was founded by Ian and his three older brothers as Angreen, running photo development booths for Miracle Mart. Named in memory of their mother Annie Greenberg, Angreen has never stopped developing and adapting to the changing world. Clearly a remarkable story.

Assuming leadership of the company in 1995, Ian Greenberg has spearheaded the transformation of Astral Media into a pure play media company. Inducted into the Canadian Broadcasting Hall of Fame in 2008, Ian received the prestigious Ted Rogers and Velma Rogers Graham Award for his unique contribution to the Canadian broadcasting system. In 1993, Mr. Greenberg and his brothers were awarded the Eleanor Roosevelt Humanities Award.

Currently he is a member of the Canadian Council of Chief Executives, a governor of Montréal's Jewish General Hospital and a member of the Board of Directors of Cineplex Inc. Ian and his wife Linda live in Montreal and have three children and nine grandchildren.

Before I invite Mr. Greenberg to come up, I would like to draw your attention to the screens for a short video.

Ladies and gentlemen, please join me in welcoming Mr. Ian Greenberg.

Ian Greenberg

Thank you very much President Craig for your generous introduction. Members of the Board of Directors of the

Empire Club and distinguished guests, it is my pleasure to be with you here this afternoon to talk about Astral on the occasion of our fiftieth anniversary.

A month ago I had the pleasure of meeting Chris Hughes, one of the founders of Facebook. At just 27 years old, Hughes is approaching billionaire status, is responsible for spearheading the social media strategy, is credited for getting Barack Obama elected, is the founder of Jumo, a social network philanthropic organization, and is absolutely prolific in his knowledge and usage of new media.

I met Chris as he came to address my senior management team on the changing media landscape. During that presentation Chris had a lot of interesting things to say, but one of the things that stuck with me the most was his statement that traditional media is not dead, nor is it likely to die, so long as it embraces new media and evolves to meet the needs of today's demanding consumer.

The need for traditional media to evolve is certainly not a new concept. But coming from a person who can be credited—or blamed—with irrevocably changing the way we all communicate, the comments resonated all the more.

In this regard, Chris and I are in full agreement as I do feel that traditional media will continue to play a rich and integral role in culture and communication as long as it evolves. Now change of this magnitude, though exciting, should not be undertaken lightly. It can be difficult and must be executed with long-term vision and rigour.

In some cases a company must fundamentally change what it is and what it does in order to effect change that will position it for growth in the long term. This is something I have experienced firsthand and let me tell you it ain't easy. It involves a lot of difficult decisions, a strong risk tolerance, and a lot of sleepless nights but, if under-

taken properly, these so-called “calculated bets” can yield amazing results.

This year Astral celebrates its fiftieth year as a proud and successful Canadian company. But we didn’t get here by standing still and hoping the world wouldn’t change. In fact, we did just the opposite. We changed and adapted our business many times over the last 50 years. And, as a result, where we are today isn’t even remotely close to where we started—and the company is stronger because of it.

In 1961 my brothers Harold, Harvey, Sidney and I founded Angreen Photo and managed the photo-retailing concession in Miracle Mart stores. Winning the exclusive rights to sell photo products on the Expo ’67 site, as well as souvenir slides worldwide, provided us with the solid financial foundation we needed to build our company.

Over the next few years we entered into other businesses such as video-cassette duplication, film production, motion picture laboratories and sound studios, as well as CD replication. In 1983, my brothers and I entered the broadcasting business when we took control of two struggling pay television channels, First Choice and Premier Choix—today known as The Movie Network and Super Écran. This was a defining moment for us and set the framework for the growth of our company.

But here’s where it gets interesting and brings me back to my earlier point about evolution. In 1995 things were going pretty well for us. We had already been in business for 34 years and our hard work had paid off for us. But when we took a hard look at our asset base and, more importantly, looked at the way the industry was changing and where the potential for growth lay, we knew we had to make some changes; we had to evolve.

So that year we decided to focus exclusively on media and divest ourselves of two-thirds of our asset base. These assets included our 140 photo retailing outlets

across Canada, the very business in which we had got our start.

To put the scale of this evolution into perspective, when we initiated this divestiture, Astral's annual revenues amounted to \$333 million, with EBITDA sitting at \$32 million. Media properties accounted for less than one-third of our business at \$106 million in revenues and \$23 million in EBITDA. So we were cutting out two-thirds of our business operations in order to focus on the remaining third. We saw the greatest growth potential in media, so we changed course, and steered our ship into the waters of pure-play media.

To say this shift was difficult would be an understatement. This decision meant parting ways with over 1,500 of our employees, many of whom had been with us since the beginning.

In the years that followed our transformation into a pure-play media company, we acquired Radiomutuel and Telemedia, enabling Astral to enter and quickly become a key player in the radio industry by adding several stations in Atlantic Canada, as well as to make our first foray in the out-of-home advertising sector.

In 2007, we completed the acquisition of Standard Radio and became the country's largest radio broadcaster from Vancouver to Halifax.

We also launched numerous television stations over the years to become the largest pay and specialty-television broadcaster in the country, in both languages, with brands like HBO Canada and Disney XD in our stable of properties.

In Out-of-Home, Astral has evolved over the years from a regional player to a truly Canadian media leader with the country's first and largest digital outdoor advertising network with 39 faces in Montréal, Toronto and Vancouver.

As I stand here today, Astral has 22 pay and specialty television networks, 83 radio stations, over 9,500 Out-of-

Home advertising faces and 100+ Web sites. We have grown from a business of four employees to one boasting 2,800 staff coast to coast. And, yesterday, when we released our Q4 and fiscal 2011 year-end financial results, we announced that Astral recorded a fifteenth consecutive year of profitable growth, that is, 60 consecutive quarters of growth—a feat that only a handful of publicly traded Canadian companies have achieved in recent history.

Fiscal 2011 also marked the first time in the history of our company that we hit and surpassed the billion-dollar revenue mark, while EBITDA reached \$319 million.

Now, some might think it's time to sit back, relax and bask in the glory of our achievements, but our work at Astral is not done. By the very definition of the word, evolution is never complete but is rather a constant and progressive process. So, as I stand here today, we have begun yet another phase of our company's evolution precipitated by changes that are taking place within our industries, many of which are triggered by the new media technologies and opportunities that I mentioned at the outset.

In our Out-of-Home business, this means looking at new opportunities beyond the traditional horizontal structures. This includes investing in new digital structures and pursuing projects that are larger in scope and present greater long-term returns. Such projects include the Montreal Airport, l'Agence métropolitaine de transport de Montréal—the equivalent of Toronto's GO Train network—and of course the City of Toronto for its street furniture. The latter initiative has resulted in a complete re-imagining and re-engineering of the street furniture, bus shelters, newspaper boxes and park benches that are part of Toronto's outdoor space. Astral was awarded this 20-year contract in 2007, which, with a total of 26,000 items of urban street furniture, represents the second-

largest integrated street furniture contract to have ever been awarded in North America.

In our radio business, our evolution is taking place by developing new technologies that embrace the way in which people are consuming music and offering programming that is unique and provides an important point of differentiation. This includes partnering with some of the largest global radio groups for branding and programming agreements. Both Sir Richard Branson's Virgin Radio and Groupe NRJ, the world's largest private radio group, have partnered with Astral in Canada to bring listeners some of the most coveted radio brands in the world. We are also leveraging technology to bring listeners apps for mobile devices and I am proud to say that, as announced last week, Astral will become the first radio broadcaster in North America to launch a streaming and on-demand music service available on the Web and through mobile applications, offering our listeners access to the greatest part of the world's music library.

And then there is our television division, which is, without a doubt, facing some of the greatest changes. The television industry has changed more in the last five years than it has in the last 25 years. Consumer behaviour has changed, content delivery systems have changed, and platforms have changed to alter the television experience.

And, not surprisingly, Astral is changing right along with it. Our television business is built on four cornerstones: great content, long-term relationships with world-renowned brands and distribution partners, premium Canadian programming, and best-in-class technology.

With regard to content, we have exclusive multi-year program supply deals in place with most of the major studios including Universal, Sony, Warner Brothers, Disney, Alliance and eOne. These deals ensure that our subscribers get early, first windows on new movie releases in

addition to having access to a rich library of older titles through our channels Mpix and Cinépop.

We have also aligned ourselves with strong, internationally renowned brands like HBO and Disney to ensure that we are the Canadian destination for original series, films and documentaries. In fact, HBO and Disney selected Astral to launch branded channels—HBO Canada, Disney Junior and Disney XD—marking the first time in their company’s history that they have entrusted a non-affiliated company to run a service bearing their name, anywhere in the world. We also have long-term agreements in place with such content providers as Showtime and Starz to offer their premium programming on our TMN service, running day-and-date with the U.S.

To compliment this offering, we also continue to work with Canadian independent producers to develop premium Canadian films and series for our services. This includes series such as *Call Me Fitz*, which recently won seven Gemini awards and films such as “*Incendies*” and “*Barney’s Version*” which were both up for Academy Awards in 2010.

But all the content in the world won’t matter if we can’t offer this programming in the manner and on the platforms that consumers want. And this is where our television business is evolving the most.

Astral has always been on the vanguard of technology. We were the first to introduce scrambled services on satellite distribution to protect our business model and that of our distribution partners, the first to launch in high-definition, and the first to offer Dolby 5.1 audio. We were also the first to offer subscription video on demand or SVOD. Last year we were the first to offer an online broadband streaming service with our affiliate partners that enables subscribers to view our content on any computer. This service is now available with Rogers through RODO, with BellTV and with Videotron and the offering

continues to expand to other platforms such as mobile and tablets.

Earlier this month we also announced that our Disney XD channel would be one of the first Canadian services to be offered on the Xbox. So we are not only offering the best content, we are going beyond the television screen to offer this content on the platforms that consumers want. And, I might add, we are doing this at no additional fee to subscribers.

Talking about evolution, our television business is virtually unrecognizable from where it was when we launched our first network in 1983.

However, our radio and television businesses both operate in regulated industries, which means we must all follow certain rules of engagement set by the CRTC. But while many Canadian broadcasters are working tirelessly to evolve to meet consumer demand and ensure a strong sector, in our view, the regulated environment in which we operate has not yet sufficiently evolved to address changes in the competitive landscape.

In the last few years, new players have emerged that offer television programming and movies online. These services are primarily foreign services that are unregulated and operate within the Canadian broadcasting sector without any rules or obligations, yet compete head to head with regulated players that do.

To provide some context, the Canadian television broadcasting industry has been built gradually over the years thanks to a finely established equilibrium of rights and obligations that have resulted in a highly entrepreneurial sector that is strong, culturally relevant and a key driver of economic growth. The Canadian broadcasting system currently employs more than 210,000 people, to whom it pays annually \$16 billion in salaries, the majority of which are right here in Ontario. In the last decade, the economic activity generated by the Canadian broadcasting industry grew from \$9 billion to \$15.7 billion.

In addition to having an economic impact, the Canadian broadcasting industry also has an important cultural mandate. The Canadian broadcasting system was established to ensure that Canadians have access to the best programming from around the world, but also to ensure that Canadian culture, as it is represented in film and television, remains strong. To achieve this, broadcasters are committed to support production of Canadian film and television by contributing a key percentage of their revenues. Last year alone, Astral contributed \$170 million to Canadian content.

So a strong broadcasting system benefits everyone. It benefits our domestic economy and it benefits our indigenous culture by ensuring that the broadcasters pay back into the system to ensure that Canadian stories are told and our Canadian culture remains strong. In fact, the Canadian television model has earned a very strong reputation internationally over the years and is today recognized around the world as an example of success.

So here is the challenge. Some foreign services operate in Canada yet do not employ Canadians, do not pay any Canadian taxes, and do not make any contribution to Canadian culture or Canadian content.

Now, let me pre-empt those who may take my comments as a challenge against foreign online broadcasters in Canada. I am NOT saying that these companies shouldn't do business in Canada. And I am NOT saying that consumers shouldn't have access to foreign online services. I think there is a place for these services and we are fully willing and able to compete with these foreign services providing that there is a level playing field.

I can't stress this point enough: Astral is not against competition. Competition has, in fact, already positively transformed our sector since we got involved nearly 30 years ago. Competition brings choice to consumers, offers diversity and promotes innovation, fair pricing and a superior product. But we are against unfair competition

that has Canadian broadcasters contributing to a system while foreign players do not. The CRTC needs to level the playing field and create and enforce consistent rules of engagement to ensure that every company, regardless of country of origin and platform, has comparable obligations and opportunities. This will be best for all players competing, be best for our economy, be best for our culture, and ultimately be best for the consumer.

This past summer, the CRTC concluded a fact-finding exercise to gather information about the impact of foreign online service providers on the Canadian broadcasting system. Astral was one of many companies that submitted research and comment as part of the exercise. In a nutshell, Astral requested that the CRTC evolves its regulatory framework to allow for increased flexibility for Canadian media companies in order to address the inconsistencies present in the current framework and level the playing field.

Earlier this month the CRTC announced that, at this time, it will not consider a general review of the New Media Exemption Order and not review potential policy changes. However, the CRTC did commit to revisiting its decision in the spring of 2012 and we remain optimistic that action will be taken at that time to introduce some basic rules to bring greater equality to the competitive landscape.

Now again, let me be clear. I am not suggesting a reduction in regulation. I am suggesting an evolution of regulation. The Canadian broadcasting system is a fine balance and this balance is maintained by a regulatory framework that must be dynamic to respond to environmental and market forces like the one I just discussed. But while the structure needs to remain flexible, it must also remain fundamentally intact.

That's what Astral is advocating here: a degree of flexibility to the regulatory structure to keep the broadcasting system strong.

This concept has already been incorporated in other regulatory measures such as the all-important rule of domestic ownership and effective Canadian control in the telecommunications and broadcasting sectors, so it is not without precedent. This measure allows for some degree of foreign ownership of a Canadian company to ensure that operations are well-funded and opportunities for growth are leveraged. But it also sets a maximum level of ownership to ensure that a company remains Canadian and the operational benefits remain in Canada and do not flow out of our border to a significant degree—a perfect example of flexibility within a structure.

Astral applauds the Canadian government's position on foreign ownership as it pertains to broadcasting as it clearly recognizes the importance of an industry that encourages the production of Canadian content that reflects Canadian culture and values as well as the economic impact that this sector has on the economy overall.

So as you can see, there is a lot going on within broadcasting these days, which is forcing not only Astral to evolve but also the industry in which we do business.

Ladies and gentlemen, many years ago I came to the conclusion that we work in the most exciting and dynamic industry in the world. This is in large part due to the fundamentally human component of our business and because we have a direct impact on the collective identity and values that we all share as Canadians.

I have spent over 12,000 days of my life working at Astral—never losing sight of both the great luck that I have had and, more importantly, the immense responsibility that is incumbent upon us as holders of broadcasting licences.

It will therefore not come as a surprise to you that people often ask me about my contribution to the successes of our industry over the years. But most often, they enquire about my contribution and role in the successes

of Astral, as the company's CEO. I have had to answer this question many times. So recently, on a day when I was working from my Montréal office, I decided to invite a TV crew to follow me for a few hours so that they could see for themselves.

The appreciation of the meeting was expressed by Cam di Prata, Executive Vice-President and Head of Corporate and Investment Banking, National Bank Financial, and Director, The Empire Club of Canada.



Ian Greenberg, President and CEO, Astral Media Inc., at the podium of the Empire Club of Canada.