INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER 2022

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in four business segments: Broadcasting, Film Production & Audiovisual Services, Magazines, and Production & Distribution. In the Broadcasting segment, the Corporation creates, broadcasts and produces entertainment, sports, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction and visual effects services. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec's largest magazine publisher. The Production & Distribution segment produces and distributes television programs for the world market. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the third quarter of 2022 and major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month and nine-month periods ended September 30, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2021 and in the Condensed Consolidated Financial Statements dated September 30, 2022. All amounts are stated in Canadian dollars.

COVID-19 pandemic

Since March 2020, the COVID-19 pandemic ("the pandemic") has at times affected the quarterly results of the Corporation's segments. Given the uncertainty about the future evolution of the pandemic, including any major new wave, the full future impact of the public health crisis on operating results cannot be determined with certainty. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of the year. As a result of those changes, the activities of the TVA Films division, formerly presented in the Broadcasting segment, have been combined with the Production & Distribution segment's existing distribution activities. Financial information for comparative periods has been restated to reflect the new presentation.

The Corporation's operations consist of the following segments:

- The **Broadcasting segment**, which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services, including those of its Communications Qolab inc. ("**Qolab**") subsidiary;

- The **Film Production & Audiovisual Services segment** ("**MELS**"), which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("**media accessibility services**"), postproduction, virtual production and visual effects;

- The **Magazines segment**, which through its TVA Publications inc. subsidiary, publishes magazines in various fields including the arts, entertainment, television, fashion and decorating, and markets digital products associated with the various magazine brands;

- The **Production & Distribution segment**, which through the companies in the Incendo group and the TVA Films division produces and distributes television shows, movies and television series for the world market.

NON-IFRS FINANCIAL MEASURES

To evaluate its financial performance, the Corporation uses certain measures that are not calculated in accordance with or recognized under IFRS. The Corporation's method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other similarly titled measures reported by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income tax expense (recovery) and share of loss (income) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of EBITDA may not be the same as similarly titled measures reported by other companies.

Table 1 presents a reconciliation of adjusted EBITDA to net income (loss) as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted EBITDA measure used in this report to the net income (loss) measure used in the condensed consolidated financial statements
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Adjusted EBITDA (negative adjusted EBITDA):				
Broadcasting	**$ 14,067**	$ 21,624	**$ (1,550)**	$ 24,326
Film Production & Audiovisual Services	**2,585**	10,565	**8,601**	18,106
Magazines	**1,222**	2,048	**3,308**	5,569
Production & Distribution	**49**	1,222	**1,113**	3,521
Intersegment items	**272**	45	**237**	83
	18,195	35,504	**11,709**	51,605
Depreciation and amortization	**7,446**	8,136	**22,528**	24,338
Financial expenses	**64**	649	**658**	2,055
Operational restructuring costs and other	**49**	20	**182**	182
Income taxes (income tax recovery)	**2,842**	7,587	**(2,817)**	7,181
Share of loss (income) of associates	**195**	111	**(217)**	(552)
Net income (loss)	**$ 7,599**	$ 19,001	**$ (8,625)**	$ 18,401

ANALYSIS OF CONSOLIDATED RESULTS

2022/2021 third-quarter comparison

Revenues: $130,519,000, a $20,184,000 (-13.4%) decrease.

- Decreases in all business segments, i.e. Film Production & Audiovisual Services ($10,766,000 or -38.4% of segment revenues), Broadcasting ($6,517,000 or -5.9%), Production & Distribution ($1,792,000 or -35.3%) and Magazines ($1,685,000 or -14.5%).

Adjusted EBITDA: $18,195,000, a $17,309,000 (-48.8%) decrease.

- Unfavourable variances in all segments, i.e. Film Production & Audiovisual Services ($7,980,000 or -75.5%), Broadcasting ($7,557,000 or -34.9%), Production & Distribution ($1,173,000 or -96.0%) and Magazines ($826,000 or -40.3%).

Net income attributable to shareholders: $7,623,000 ($0.18 per basic share), compared with $19,010,000 ($0.44 per basic share) for the same period of 2021. The $11,387,000 (-$0.26 per basic share) unfavourable variance was essentially due to:

- $17,309,000 decrease in adjusted EBITDA;

  partially offset by:

- $4,745,000 favourable variance in income taxes;

- $690,000 favourable variance in the depreciation and amortization charge; and

- $585,000 favourable variance in financial expenses.

Depreciation and amortization: $7,446,000, a $690,000 decrease, mainly due to the decrease in the depreciation charge for technical equipment, leasehold improvements and building right-of-use assets that have been fully amortized.

Financial expenses: $64,000, a $585,000 decrease caused mainly by favourable variances in interest related to the defined benefit plans and in the foreign exchange gain recognized for the third quarter of 2022, compared with the gain recognized for the same period of 2021.

Operational restructuring costs and other: $49,000 for the third quarter of 2022, compared with $20,000 for the same period of 2021.

- During the three-month period ended September 30, 2022, the Corporation recorded a $49,000 net charge in the Film Production & Audiovisual Services segment stemming mainly from the elimination of positions and the implementation of cost-reduction measures ($16,000 for the same period of 2021 on a consolidated basis, including $68,000 in the Broadcasting segment and a net charge reversal of $52,000 in the Magazines segment).

Income taxes: $2,842,000 (effective tax rate of 26.7%) for the third quarter of 2022, compared with $7,587,000 (effective tax rate of 28.4%) for the same period of 2021, a favourable variance of $4,745,000, due mainly to the impact of a decrease in taxable income for tax purposes. The effective tax rate higher than the statutory rate of 26.5% for the three-month period ended September 30, 2021 was mainly due to a prior-year income tax adjustment. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of loss of associates: $195,000 for the third quarter of 2022, compared with $111,000 for the same period of 2021, an unfavourable variance of $84,000 caused by the weaker financial results of an associate in the television industry.

2022/2021 year-to-date comparison

Revenues: $422,485,000, a $28,448,000 (-6.3%) decrease.

- Decreases in all business segments, i.e. Broadcasting ($13,290,000 or -3.8% of segment revenues), Film Production & Audiovisual Services ($9,047,000 or -14.1%), Magazines ($3,665,000 or -10.9%) and Production & Distribution ($3,022,000 or -20.5%).

Adjusted EBITDA: $11,709,000, a $39,896,000 unfavourable variance.

- Unfavourable variances in all segments, i.e. Broadcasting ($25,876,000), Film Production & Audiovisual Services ($9,505,000 or -52.5%), Production & Distribution ($2,408,000 or -68.4%) and Magazines ($2,261,000 or -40.6%).

Net loss attributable to shareholders: $8,605,000 (-$0.20 per basic share) for the first nine months of 2022, compared with net income attributable to shareholders of $18,409,000 ($0.43 per basic share) for the same period of 2021. The $27,014,000 (-$0.63 per basic share) unfavourable variance was essentially due to:

- $39,896,000 decrease in adjusted EBITDA;

  partially offset by:

- $9,998,000 favourable variance in income tax recovery and income taxes;

- $1,810,000 favourable variance in the depreciation and amortization charge; and

- $1,397,000 favourable variance in financial expenses.

Depreciation and amortization: $22,528,000, a $1,810,000 decrease essentially due to the same factors as those noted above in the 2022/2021 third-quarter comparison.

Financial expenses: $658,000, a $1,397,000 decrease caused mainly by a favourable variance in interest related to the defined benefit plans and recognition of a foreign exchange gain for the nine-month period ended September 30, 2022, whereas a foreign exchange loss was recognized for the same period of 2021.

Operational restructuring costs and other: $182,000 for the first nine months of 2022 and for the same period of 2021.

- In the first nine months of 2022, the Corporation recorded a net charge of $164,000 arising primarily from the elimination of positions and the implementation of cost-reduction measures, including $102,000 in the Broadcasting segment and $49,000 in the Film Production & Audiovisual Services segment ($394,000 for the same period of 2021, including $729,000 in the Broadcasting segment and a net charge reversal of $342,000 in the Magazines segment).

- In the nine-month period ended September 30, 2022, the Corporation recorded a $587,000 charge reversal in connection with remeasurement of the contingent consideration payable on acquisition of the companies in the Incendo group ($49,000 charge reversal for the same period of 2021), as well as a $622,000 impairment charge related to the value of its investment in an associate in the Magazines segment.

- During the first nine months of 2021, the Corporation recorded a $94,000 gain on the write-off of lease liabilities as a result of early release from certain real estate spaces.

Income tax recovery: $2,817,000 (effective tax rate of 24.2%) for the first nine months of 2022, compared with income taxes of $7,181,000 (effective tax rate of 28.7%) for the same period of 2021, a favourable variance of $9,998,000, due mainly to the impact of recording a loss deductible for tax purposes for the first nine months of 2022, whereas taxable income was recorded for the same period of 2021. The effective tax rate was lower than the statutory rate of 26.5% for the nine-month period ended September 30, 2022, due, among other things, to the permanent variance stemming from the impairment charge related to the fair value of an investment, as well as the recognition of foreign income taxes. The effective tax rate higher than the statutory rate of 26.5% for the nine-month period ended September 30, 2021 was mainly due to a prior-year income tax adjustment. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $217,000 for the first nine months of 2022, compared with $552,000 for the same period of 2021; the $335,000 unfavourable variance was due to the same factor as that noted above in the 2022/2021 third-quarter comparison.

SEGMENTED ANALYSIS

Broadcasting

2022/2021 third-quarter comparison

Revenues: $104,601,000, a $6,517,000 (-5.9%) decrease due mainly to:

- 15.8% decrease in revenues at the specialty channels, including decreases of 32.7% in advertising revenues and 7.4% in subscription revenues, largely on account of the "TVA Sports" channel, the revenues of which had been boosted in 2021 by the fact that the Montreal Canadiens were in the Stanley Cup playoffs up to the finals; and

- 8.2% decrease in TVA Network's advertising revenues, although digital revenues continued to grow, increasing by 6.0%;

partially offset by:

- 128.2% increase in TVA Network's content revenues stemming from a retroactive adjustment that was used to enhance the Network's programming; and

- 10.1% increase in Qolab's revenues, due to growth in the volume of activities, which is ongoing in advertising services and commercial production.

French-language audience share

Table 2
French-language audience share
(Market share in %)

Third quarter 2022 vs Third quarter 2021			
	2022	**2021**	**Difference**
French-language conventional broadcasters:			
TVA	**23.5**	23.0	0.5
SRC	**12.1**	14.6	- 2.5
noovo	**5.8**	5.6	0.2
	41.4	43.2	- 1.8
French-language specialty and pay services:			
TVA	**16.6**	15.2	1.4
Bell Media	**13.4**	12.9	0.5
Corus	**6.2**	5.5	0.7
SRC	**6.1**	5.7	0.4
Other	**5.5**	5.1	0.4
	47.8	44.4	3.4
Total English-language channels and other:	**10.8**	12.4	- 1.6
TVA Group	**40.1**	38.2	1.9

Source: Numeris, French Quebec, July 1 to September 30, Mon-Sun, 2:00 a.m – 2:00 a.m, All 2+.

TVA Group’s market share for the period of July 1 to September 30, 2022 increased by 1.9 points to 40.1%, compared with 38.2% for the same period of 2021.

TVA Group’s specialty services had a combined market share of 16.6% for the third quarter of 2022, compared with 15.2% for the same period of 2021, a 1.4-point increase. The “addik^{TV}” channel recorded exceptional 1.0-point growth, while “Zeste” posted a 0.3-point increase and “Casa” and “MOI ET CIE” each saw 0.2-point growth. The news and public affairs channel “LCN” also recorded a 0.2-point increase, remaining Quebec’s most-watched specialty channel. The “TVA Sports” channel posted a 0.3-point decline in market share compared with the same quarter of 2021, when it benefited from the strong performance of the Montreal Canadiens in the National Hockey League (“NHL”) playoffs up to the finals and changes were made to the playoff broadcast schedule because of the pandemic. For their part, the “Prise 2” and “Yoopa” channels each reported a 0.1-point decrease.

TVA Network maintained its lead among over-the-air channels with a 23.5% market share, a 0.5-point increase over the same period of 2021 and more than its two main over-the-air rivals combined. During the third quarter of 2022, the Corporation broadcast 17 of the 30 most-watched programs in Quebec and three of the top five, including *Chanteurs masqués*, the Quebec version of *The Masked Singer*, which took the top spot with an average audience of nearly 1.7 million viewers, and the new daily program *Indéfendable*, which stood out with an average audience of over 1.5 million viewers.

Adjusted EBITDA: $14,067,000, a $7,557,000 (-34.9%) unfavourable variance primarily due to:

- decreased profitability of TVA Network mainly due to lower advertising revenues, combined with a 15.0% increase in operating expenses as a result of higher content costs;

- 28.5% decrease in adjusted EBITDA at the entertainment specialty channels, mainly “Zeste,” “Évasion” and “Casa,” whose advertising revenues decreased as noted above; and

- 46.2% decrease in adjusted EBITDA at “LCN” due to lower advertising revenues along with higher content expenses and advertising and promotion costs.

At “TVA Sports,” a 39.3% decrease in operating expenses offset the decrease in its revenues. The significant cost decrease was due to the fact that “TVA Sports” had to absorb higher content costs in 2021 as a result of the broadcast of the Stanley Cup finals in the third quarter.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment’s activities (expressed as a percentage of revenues) increased from 80.5% for the third quarter of 2021 to 86.6% for the same period of 2022. The increase was essentially due to the decrease in segment revenues.

2022/2021 year-to-date comparison

Revenues: $340,908,000, a $13,290,000 (-3.8%) decrease due mainly to:

- 10.0% decrease in revenues at the specialty channels, including decreases of 20.1% and 4.1%, respectively, in advertising and subscription revenues, mainly because of “TVA Sports,” which accounted for 80.1% and 58.1% of the decreases respectively;

- 2.2% decrease in TVA Network’s advertising revenues, despite a 24.4% increase in digital revenues; and

- decrease in royalties for distant signal retransmission received by the TVA Network, while the second quarter of 2021 had benefited from a favourable retroactive adjustment;

partially offset by:

- increased revenues from production sponsorships and other content, stemming from a retroactive adjustment and additional sponsorship revenues that were used to enhance TVA Network's programming; and

- increased revenues at Qolab resulting from higher volume of activities, as noted in the 2022/2021 third-quarter comparison.

Negative adjusted EBITDA: $1,550,000, a $25,876,000 unfavourable variance primarily due to:

- TVA Network’s decreased profitability resulting essentially from a 22.5% increase in operating expenses due to increased spending on content, which was reflected in all its programming, particularly major variety shows and drama series, as well as in news programming;

- lower adjusted EBITDA at the specialty channels other than “TVA Sports,” mainly due to the impact of the 5.1% decrease in their revenues; and

- lower adjusted EBITDA at Qolab due to lower margin realized on the projects delivered in the first nine months of 2022 compared with the same period of 2021, as the unit received the Canada Emergency Wage Subsidy (“CEWS”) for the first half of 2021 amid the public health crisis;

partially offset by:

- improvement in negative adjusted EBITDA at "TVA Sports" due to a 23.3% decrease in its operating expenses, which largely offset the decrease in its revenues as a result of changes to the NHL's 2020-2021 broadcast schedule during the pandemic, which generated significant costs for the same period of 2021, as well as the broadcast of Euro 2020 in the second quarter of 2021.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) increased from 93.1% for the first nine months of 2021 to 100.5% for the same period of 2022. The increase was essentially due to a decrease in revenues and an increase in operating expenses.

Film Production & Audiovisual Services

2022/2021 third quarter comparison

Revenues: $17,304,000, a $10,766,000 (-38.4%) decrease mainly due to lower volume of activities across the entire segment, with the exception of postproduction services. Note the following variances:

- 52.7% decrease in soundstage, mobile and equipment rental revenues, whereas the Corporation's sets were used for *Paramount Pictures'* mega-production *Transformers* during the same quarter of 2021;
- 68.5% decrease in visual effects revenues;
- 92.5% decrease in revenues from virtual production; and
- 14.9% decrease in revenues from media accessibility services;

partially offset by:

- 7.4% increase in postproduction revenues.

Adjusted EBITDA: $2,585,000, a $7,980,000 (-75.5%) decrease due mainly to:

- 71.6% decrease in adjusted EBITDA generated by soundstage, mobile and equipment rental services, resulting mainly from an unfavourable variance in revenues; and
- decreased profitability of visual effects and virtual production as a result of lower volume of activities for those services;

partially offset by:

- increased profitability of postproduction services, which are in high demand.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 62.4% for the third quarter of 2021 to 85.1% for the third quarter of 2022. The increase was essentially due to a decrease in revenues.

2022/2021 year-to-date comparison

Revenues: $54,989,000, a $9,047,000 (-14.1%) decrease due mainly to:

- 24.3% decrease in soundstage, mobile and equipment rental revenues, for the same reason as noted above in the 2022/2021 third-quarter comparison;

- 36.0% decrease in visual effects revenues, due to lower volume of activities; and
- 49.7% decrease in virtual production revenues, also due to lower volume of activities;

partially offset by:

- 13.1% increase in postproduction revenues.

Adjusted EBITDA: $8,601,000, a $9,505,000 (-52.5%) decrease due mainly to:

- 44.3% decrease in adjusted EBITDA from soundstage, mobile and equipment rental, due to lower volume of activities, including the lack of a major production; and
- lower profitability of visual effects, essentially due to the same factor as noted above in the 2022/2021 third-quarter comparison;

partially offset by:

- increased profitability of postproduction and virtual production activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 71.7% for the first nine months of 2021 to 84.4% for the same period of 2022. The increase was essentially due to the decrease in revenues.

Magazines

2022/2021 third quarter comparison

Revenues: $9,945,000, a $1,685,000 (-14.5%) decrease primarily due to:

- 34.6% decrease in assistance from the Canada Periodical Fund ("CPF") because the additional assistance provided during the pandemic was terminated and a change in the grant allocation method for regular program was introduced starting April 1, 2021, as described below, resulting in a decrease in the assistance received by the Corporation;
- 11.5% decrease in newsstand revenues, mainly in the entertainment magazines category; and
- 8.6% decrease in subscription revenues, affecting both monthly and entertainment titles.

Canada Periodical Fund

The Government of Canada created the CPF on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries to ensure they can continue to produce and distribute Canadian content. In 2020, the program was enhanced for the 12-month reference period starting April 1, with additional one-time government assistance offered to help industry organizations cope with the public health crisis, resulting in a 25% increase in the grant received for that reference period. In 2021, the program was renewed for 12 months, resulting in a 14% increase in the grant received for the April 1, 2021 to March 31, 2022 reference period. The Minister of Canadian Heritage also announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, at the end of which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under revenues. It amounted to 19.3% of the segment's revenues for the three-month period ended September 30, 2022 (25.3% for the same period of 2021).

Adjusted EBITDA: $1,222,000, an $826,000 (-40.3%) decrease due mainly to:

- the decline in revenues as explained above;

partially offset by:

- savings on printing costs as a result of the renegotiation of our printing agreement, as well as a favourable retroactive adjustment in recycling fees charged by Éco Entreprises Québec (“EEQ”).

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment’s activities (expressed as a percentage of revenues) increased from 82.4% for the third quarter of 2021 to 87.7% for the same period of 2022. The increase was essentially due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

2022/2021 year-to-date comparison

Revenues: $29,980,000, a $3,665,000 (-10.9%) decrease due mainly to:

- 24.6% decrease in assistance from the CPF due to the change in the grant allocation method for its regular program since April 1, 2021, as well as termination of the additional subsidy received due to the public health crisis since the second quarter of 2022, as explained above;

- 10.8% decrease in newsstand revenues, mainly in the entertainment category; and

- 8.0% decrease in subscription revenues, mainly for the monthly titles;

partially offset by:

- 4.1% increase in advertising revenues.

Adjusted EBITDA: $3,308,000, a $2,261,000 (-40.6%) decrease due mainly to the same factors as noted above in the 2022/2021 third-quarter comparison, as well as recognition in the second quarter of 2022 of a favourable retroactive adjustment in printing costs resulting from renegotiation of our printing agreement and savings on subscription and newsstand selling expenses, partially offset by an increase in compensation costs resulting, among other things, from the fact that in the first half of 2021, the segment received the CEWS.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment’s activities (expressed as a percentage of revenues) increased from 83.4% for the nine-month period ended September 30, 2021 to 89.0% for the same period of 2022. The increase was mainly due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

Production & Distribution

2022/2021 third-quarter comparison

Revenues: $3,279,000, a $1,792,000 (-35.3%) decrease mainly due to lower international distribution revenues, primarily for third-party productions but also for films produced by Incendo. Over the past two years, the pandemic has had the effect of shifting the film production and delivery cycle. For 2022, films produced during the current year will be delivered in the next few months.

Activities related to the distribution of films produced by Incendo accounted for 69.8% of the segment’s revenues for the three-month period ended September 30, 2022, compared with 55.8% for the same period of 2021.

Adjusted EBITDA: $49,000, a $1,173,000 (-96.0%) unfavourable variance, primarily due to the lower total gross margin for the three-month period ended September 30, 2022 and essentially relating to international distribution activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 75.9% for the three-month period ended September 30, 2021 to 98.5% for the same period of 2022, mainly because the decrease in revenues was greater than the decrease in operating expenses.

2022/2021 year-to-date comparison

Revenues: $11,715,000, a $3,022,000 (-20.5%) decrease due mainly to:

- decrease in the number of international deliveries of films produced by Incendo;

partially offset by:

- Canadian distribution activities, particularly with the delivery of one additional film produced by Incendo compared with the same period of 2021.

Activities related to the distribution of films produced by Incendo accounted for 60.4% of the segment's revenues for the nine-month period ended September 30, 2022, compared with 63.4% for the same period of 2021.

Adjusted EBITDA: $1,113,000, a $2,408,000 (-68.4%) decrease due mainly to:

- lower gross margin on international distribution; and
- increase in administrative expenses, particularly with respect to employee compensation and the decrease in the assistance received from both the CEWS and the Canada Emergency Rent Subsidy which were recognized in the first half of 2021;

partially offset by:

- higher gross margin on Canadian distribution.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 76.1% for the nine-month period ended September 30, 2021 to 90.5% for the same period of 2022, mainly due to the decrease in revenues.

Acquisition of the shares of the companies in the Incendo group ("Acquisition of Incendo")

On April 1, 2019, the Corporation closed an agreement reached on February 22, 2019 to acquire the shares of the companies in the Incendo group, which is engaged in the production and distribution of high-quality television programming for the worldwide marketplace. The purchase price was subject to adjustments related to the achievement of financial conditions in the three years following the acquisition date. The contingent consideration was set at $1,739,000 on that date, based on the estimated present value of the future contingent adjustments. That value is determined according to significant inputs not based on observable market data, assumptions and a range of probabilities for the achievement of financial conditions. The contingent consideration was remeasured in 2020, in the first quarter of 2021 and in the second quarter of 2022 (see "Operational restructuring costs and other" in the 2022/2021 year-to-date comparison under "Analysis of consolidated results" above). The Corporation made an initial payment of $3,519,000 in the fourth quarter of 2020 and a second payment of $3,750,000 in the second quarter of 2022 on the balance payable recorded on the acquisition date, as well as an initial payment of $606,000 in the first quarter of 2021 and a second payment of $2,573,000 in the third quarter of 2022 in respect of the contingent consideration.

CASH FLOWS AND FINANCIAL POSITION

Table 3 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 3
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Cash flows related to operating activities	**$ (1,824)**	$ 21,590	**$ (9,103)**	$ 5,180
Additions to property, plant and equipment and intangible assets	**(4,026)**	(4,834)	**(17,062)**	(13,071)
Business acquisitions	**(2,573)**	–	**(6,323)**	(606)
Dividends to non-controlling shareholders	**(1,150)**	–	**(1,150)**	–
Other	**(322)**	(653)	**(1,859)**	(2,407)
(Increase in) repayment of net debt	**$ (9,895)**	$ 16,103	**$ (35,497)**	$ (10,904)

	September 30, 2022	December 31, 2021
At period end:		
Bank overdraft	**$ 8,620**	$ –
Short-term debt	**33,676**	11,980
Less: cash	**–**	(5,181)
Net debt	**$ 42,296**	$ 6,799

Operating activities

Quarterly cash flows related to operating activities: $23,414,000 decrease compared with the third quarter of 2021, due mainly to a $17,309,000 decrease in adjusted EBITDA and a $9,697,000 net unfavourable variance in operating assets and liabilities, particularly an unfavourable variance in accounts payable, accrued liabilities and provisions, partially offset by a favourable variance in accounts receivable. The unfavourable variances were partially offset by a favourable variance in current income tax expense.

Year-to-date cash flows related to operating activities: $14,283,000 decrease compared with the first nine months of 2021, due primarily to a $39,896,000 decrease in adjusted EBITDA, partially offset by a $16,069,000 net favourable variance in operating assets and liabilities, including favourable variances in accounts receivable, audiovisual content and current tax assets and liabilities, partially offset by unfavourable variances in accounts payable, accrued liabilities and provisions, and in content rights payable, as well as a favourable variance in current income tax expense.

Working capital: $52,121,000 at September 30, 2022, compared with $75,548,000 at December 31, 2021. The $23,427,000 unfavourable variance was due primarily to the decrease in accounts receivable and the increase in short-term debt and bank overdraft, partially offset by decreases in accounts payable, accrued liabilities and provisions, and in content rights payable.

Investing activities

Quarterly additions to property, plant and equipment and to intangible assets: $4,026,000 compared with $4,834,000 for the third quarter of 2021. The $808,000 (-16.7%) decrease was mainly due to fewer current projects compared with the same quarter of 2021, as well as investments in virtual production equipment that were made in the third quarter of 2021.

Year-to-date additions to property, plant and equipment and to intangible assets: $17,062,000 compared with $13,071,000 for the first nine months of 2021. The $3,991,000 (30.5%) increase was essentially due to the costs associated with the MELS 4 project.

For the nine-month period ended September 30, 2022, in addition to the MELS 4 project, the Corporation replaced some technical equipment required for broadcasting operations.

Quarterly business acquisitions: $2,573,000 (nil for the third quarter of 2021) (see "Acquisition of Incendo" above).

Year-to-date business acquisitions: $6,323,000 ($606,000 for the first nine months of 2021) (see "Acquisition of Incendo" above).

Dividends to non-controlling shareholders: $1,150,000 for the three- and nine-month periods ended September 30, 2022 as part of the final process of liquidating subsidiaries in magazine publishing that have shut down.

Financing activities

Short-term debt (excluding deferred financing costs): $33,699,000 as at September 30, 2022, compared with $11,989,000 at December 31, 2021. The $21,710,000 increase was essentially due to the use of revolving credit to finance investing and operating activities, particularly audiovisual content.

Financial position as at September 30, 2022

Net available liquid assets: $32,592,000, consisting of a $41,212,000 unused and available revolving credit facility, less an $8,620,000 bank overdraft.

As at September 30, 2022, the entire $33,699,000 in principal was payable on the debt during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.4 years as of September 30, 2022 (0.1 years as of December 31, 2021). The debt consisted entirely of floating-rate debt as of September 30, 2022 and December 31, 2021.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2023. As at September 30, 2022, drawings on the revolving credit facility consisted of a bankers' acceptance in the amount of $22,949,000 bearing interest at an effective rate of 5.10%, a $10,750,000 advance bearing interest at an effective rate of 5.85% and an outstanding letter of credit in the amount of $89,000. As at December 31, 2021, drawings on the revolving credit facility consisted of an $11,989,000 banker's acceptance bearing interest at an effective rate of 1.85% and an outstanding letter of credit in the amount of $111,000.

On February 15, 2022, the Corporation amended its $75,000,000 secured revolving credit facility to extend its term from February 24, 2022 to February 24, 2023 and amend certain other terms and conditions.

In December 2021, Investissement Québec extended an unsecured, interest-free loan for a maximum amount of $25,000,000 to Mels Studios et Postproduction L.P. in order to support the construction of a fourth production studio. The loan contains certain restrictive covenants, as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan over 10 years and includes a moratorium for the first three years. As at September 30, 2022, no disbursement had been made on the loan by Investissement Québec.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to fulfill its commitments with respect to investment in property, plant and equipment, working capital, interest payments, income tax payments, repayment of debt and lease liabilities, pension plan contributions, share redemptions and shareholder dividends and to meet its commitments and guarantees.

Under its credit agreement, the Corporation is subject to certain covenants, including the maintenance of certain financial ratios. As at September 30, 2022, the Corporation was in compliance with all the terms of its credit agreement.

Analysis of consolidated balance sheet as at September 30, 2022

Table 4
Consolidated balance sheets of TVA Group
Analysis of main variances between September 30, 2022 and December 31, 2021
(in thousands of dollars)

	September 30, 2022	December 31, 2021	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 175,472**	$ 210,814	$ (35,342)	Impact of the collection of certain receivables from entities under common control.
Long-term audiovisual content	**91,618**	72,541	19,077	Impact of greater investment in audiovisual content and film and series acquisitions.
Defined benefit plan asset	**45,844**	21,309	24,535	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Liabilities				
Accounts payable, accrued liabilities and provisions	**$ 101,917**	$ 139,149	$ (37,232)	Impact of payment of some balances to corporations under common control and of payment of the amount due and the contingent consideration in connection with the Acquisition of Incendo.
Short-term debt	**33,676**	11,980	21,696	Impact of the use of revolving credit to finance investing and operating activities, particularly audiovisual content.

ADDITIONAL INFORMATION

Contractual obligations

As of September 30, 2022, material contractual commitments of operating activities included principal repayment and interest payments on debt and lease liabilities, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 5.

Table 5
Material contractual obligations of TVA Group as at September 30, 2022
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 33,699	$ –	$ –	$ –	$ 33,699
Lease liabilities	2,214	2,891	1,694	1,803	8,602
Payment of interest[1]	1,330	479	220	168	2,197
Content rights	256,073	197,399	73,705	1,548	528,725
Other commitments	22,950	5,424	812	26	29,212
Total	**$ 316,266**	**$ 206,193**	**$ 76,431**	**$ 3,545**	**$ 602,435**

[1] Interest is calculated on a constant debt level equal to that at September 30, 2022 and includes standby fees on the revolving credit facility and interest on lease obligations.

Related-party transactions

The Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

In the third quarter of 2022, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of $31,900,000 ($27,465,000 for the third quarter of 2021).

In the third quarter of 2022, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering services arising from transactions with corporations under common control and associates totalling $21,123,000 ($14,337,000 for the third quarter of 2021).

In the third quarter of 2022, the Corporation also billed management fees to corporations under common control in the amount of $1,323,000 ($1,316,000 for the third quarter of 2021). These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $945,000 for the third quarter of 2022 ($855,000 for the third quarter of 2021).

During the first nine months of 2022, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of $88,879,000 ($81,972,000 during the first nine months of 2021).

In the first nine months of 2022, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering services arising from transactions with corporations under common control and associates totalling $68,591,000 ($44,034,000 for the first nine months of 2021).

In the first nine months of 2022, the Corporation also billed management fees to corporations under common control in the amount of $4,206,000 ($4,148,000 for the first nine months of 2021).

The Corporation also assumed management fees of the parent corporation in the amount of $2,835,000 for the first nine months of 2022 ($2,565,000 for the first nine months of 2021).

Capital stock

Table 6 below presents information on the Corporation's capital stock. In addition, 519,503 Class B stock options of the Corporation were outstanding as of October 13, 2022.

Table 6
Number of shares outstanding as at October 13, 2022
(in shares and dollars)

	Issued and outstanding	Carrying amount
Class A common shares	4,320,000	$ 0.02
Class B shares	38,885,535	$ 5.33

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. There have not been any changes in internal controls over financial reporting during the three-month period ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada. It is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of those documents are available free of charge from the Corporation on request, and on the Web at www.sedar.com and www.groupetva.ca.

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and risks related to public health emergencies, including COVID-19, and emergency measures implemented by government.

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com and www.groupetva.ca, including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2021.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of October 27, 2022, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the applicable securities laws.

Montreal, Quebec

October 27, 2022

Table 7
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2022			2021
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	**$ 130,519**	$ 147,469	$ 144,497	$ 171,901
Adjusted EBITDA (negative adjusted EBITDA)	**$ 18,195**	$ 3,235	$ (9,721)	$ 28,678
Net income (loss) attributable to shareholders	**$ 7,623**	$ (3,212)	$ (13,016)	$ 12,095
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	**$ 0.18**	$ (0.07)	$ (0.30)	$ 0.28
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	**43,308**	43,206	43,206	43,339

	2021			2020
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	$ 150,703	$ 159,422	$ 140,808	$ 147,618
Adjusted EBITDA	$ 35,504	$ 13,965	$ 2,136	$ 46,070
Net income (loss) attributable to shareholders	$ 19,010	$ 3,850	$ (4,451)	$ 27,380
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	$ 0.44	$ 0.09	$ (0.10)	$ 0.63
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	43,466	43,430	43,206	43,206

- The Corporation's businesses experience significant seasonality caused, among other factors, by seasonal advertising patterns, consumers' viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising spending.
- In the Broadcasting segment, operating expenses vary mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts. In the Film Production & Audiovisual Services segment, operating costs fluctuate according to demand for production services from international and local producers. In the Magazines segment, operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Production & Distribution segment, operating expenses fluctuate according to delivery schedules and estimated future revenues.

Accordingly, adjusted EBITDA for interim periods may vary from one quarter to the next.