INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, Magazines, Film Production & Audiovisual Services, 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. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec’s largest magazine publisher. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction and visual effects services. 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 first quarter of 2020 and the major changes from the previous financial year. The Corporation’s Condensed Consolidated Financial Statements for the three-month periods ended March 31, 2020 and 2019 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 Consolidated Financial Statements and Management’s Discussion and Analysis for the financial year ended December 31, 2019 and in the Condensed Consolidated Financial Statements as at March 31, 2020. All amounts are stated in Canadian dollars.

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. Since March 13, 2020, in order to limit the spread of the virus in the community, the Québec government has imposed a number of restrictions, including the suspension of business activities deemed non-essential. As a result, some of the operations of the Corporation’s business segments have been scaled down considerably. Among other impacts, the COVID-19 virus and the measures to prevent its spread have led to a significant reduction in advertising revenues, an important decrease of sporting events broadcast on the “TVA Sports” specialty channel, a reduction in the publication frequency of some periodicals and the suspension of most of our content production activities. The Corporation has however continued to provide essential services in order to inform in addition to entertain the population, while putting in place internal measures to safeguard the health and safety of its employees and the public. The Corporation is providing television viewers with continuous coverage of the crisis on TVA Network and the “LCN” specialty channel. The Corporation has reduced the employment of its workforce by approximately 25% and is providing supplemental benefits to top up the government emergency relief programs and minimize the impact of this situation on its employees as far as possible.

While the uncertainty about the full extent and duration of the pandemic continues, the Corporation’s Board of Directors and its executive management team will continuously monitor the impact of the crisis on the Corporation’s business segments, employees, customers and business partners, as well as on the population of Québec, and will take appropriate action, as needed, until the crisis abates and market conditions stabilize.

The impact of the COVID-19 crisis on the operating results of the Corporation’s business segments in the first quarter of 2020 are examined in greater detail in the “Segmented Analysis” section of this Management’s Discussion and Analysis. At this stage it is difficult to anticipate the consequences of the crisis for upcoming quarters. The pandemic may have a material adverse effect on short- and medium-term growth of the Corporations operating results and cash flows. Thus, growth reported in past quarters may not be representative of future growth.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of the year. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the Magazines segment were combined with the Broadcasting segment's existing commercial production activities under the brand COLAB STUDIO ("**COLAB**"). Financial information for the comparative period has been restated to take into account the new presentation.

At the beginning of the second quarter of 2019, the Corporation reorganized its business segments to better reflect changes in its operations and management structure following the acquisition of the companies in the Incendo group on April 1, 2019. Accordingly, the new Production & Distribution segment was created.

As well, since February 13, 2019, following the acquisition of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups, the activities of the "Évasion" and "Zeste" specialty services have been included in the Broadcasting segment's results, while postproduction activities have been included in the Film Production & Audiovisual Services segment's results.

The Corporation's operations now 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, commercial production and custom publishing services;

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

- 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, postproduction and visual effects;

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

HIGHLIGHTS SINCE END OF 2019

- On April 21, 2020, the Corporation announced that Martin Carrier is the new Senior Vice-President of Business Development at MELS. He will take over as president of MELS when Michel Trudel leaves the position at the end of his contract on December 31, 2020. Mr. Carrier will be tasked with developing and expanding this business segment.

- On March 12, 2020, the agreement in principle reached on January 8, 2020 to renew the collective agreement of unionized employees in Quebec City, which had expired on December 31, 2018 and covered approximately 8% of the Corporation's permanent unionized employees, was ratified. The collective agreement has been renewed for five years, thus extending the term to December 31, 2023.

- On February 21, 2020, the Corporation renewed its revolving credit facility, which matured on February 24, 2020, for one year, until February 24, 2021, and lowered the limit from $150,000,000 to $75,000,000.

- On February 6, 2020, TVA appeared before the Canadian Radio-television and Telecommunications Commission ("CRTC") to challenge the new packaging structure proposed by Bell in its undue preference complaint. On December 19, 2019, the CRTC had ruled that Bell was giving undue preference to its discretionary sports service "RDS" and subjecting the "TVA Sports" service to an undue disadvantage by packaging the two services in a different manner. The preference and disadvantage were considered undue since they caused a material adverse impact on the Corporation. Accordingly, the CRTC had directed Bell to report back on a new packaging structure that would neither unduly disadvantage "TVA Sports" nor unduly prefer "RDS." "TVA Sports" and "RDS" are comparable channels that should be treated equitably by Bell. A CRTC ruling is expected in the case shortly.

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 others, income taxes and share of 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 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 loss measure disclosed in the condensed consolidated financial statements
(in thousands of dollars)

	Three-months ended March 31	
	2020	2019
Adjusted EBITDA:		
Broadcasting	**$ 3,829**	$ 2,480
Magazines	**664**	1,381
Film Production & Audiovisual Services	**3,172**	106
Production & Distribution	**667**	–
Intersegment items	**175**	–
	8,507	3,967
Depreciation and amortization	**8,531**	9,065
Financial expenses	**670**	957
Operational restructuring costs and others	**302**	3,168
Tax recovery	**(27)**	(2,392)
Share of income of associates	**(257)**	(151)
Net loss	**$ (712)**	$ (6,680)

ANALYSIS OF CONSOLIDATED RESULTS

2020/2019 first quarter comparison

Operating revenues: $137,134,000, a $2,993,000 (2.2%) increase.

- $1,679,000 (-1.5%) decrease in the Broadcasting segment (Table 2) essentially due to a 7.1% decrease in TVA Network's revenues, as a result of a 5.7% decrease in advertising revenues and a 15.5% decrease in COLAB's revenues. The unfavourable differences were partially offset by a 5.7% increase in revenues from the specialty services stemming primarily from the "Évasion" and "Zeste" channels acquired on February 13, 2019 and a 4.7% increase in subscription revenues from the other specialty services.

- $4,365,000 (-29.8%) decrease in the Magazines segment (Table 2) due mainly to the impact on revenues of the discontinuation of the publication of *Elle Canada* and *Elle Québec* magazines, the last issues of which were released in May 2019, combined with the 37.7%, 19.4% and 24.5% decreases in advertising revenues, newsstand revenues and subscription revenues respectively, on a comparable basis.

- $5,029,000 (38.8%) increase in the Film Production & Audiovisual Services segment (Table 2), due primarily to a 103.3% increase in soundstage, mobile and equipment rental revenues and a 55.0% increase in dubbing and described video revenues, partially offset by a 20.6% decrease in postproduction revenues.

- $4,753,000 increase in the Production & Distribution segment (Table 2) following the acquisition of the companies in the Incendo group on April 1, 2019.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended March 31	
	2020	2019
Broadcasting	**$ 108,061**	$ 109,740
Magazines	**10,293**	14,658
Film Production & Audiovisual Services	**17,982**	12,953
Production & Distribution	**4,753**	–
Intersegment items	**(3,955)**	(3,210)
	$ 137,134	$ 134,141

Adjusted EBITDA: $8,507,000, a $4,540,000 (114.4%) favourable variance.

- $1,349,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by a 121.6% increase in the adjusted EBITDA of the specialty channels, in particular "TVA Sports," partially offset by an increase in TVA Network's negative adjusted EBITDA.

- $717,000 unfavourable variance in the Magazines segment (Table 3), essentially because the decrease in operating revenues was greater than the savings generated by the continuation of staff and expense rationalization plans implemented in recent quarters, as well as the discontinuation of the publication of *Elle Canada* and *Elle Québec* magazines.

- $3,066,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), caused primarily by an increase in profitability of soundstage, mobile and equipment rental services, whereas all of the segment's other activities recorded decreased profitability.

- $667,000 favourable variance in the Production & Distribution segment (Table 3) reflecting the addition of the adjusted EBITDA generated by the companies in the Incendo group.

Table 3
Adjusted EBITDA
(in thousands of dollars)

	Three-months ended March 31			
		2020		2019
Broadcasting	**$**	**3,829**	$	2,480
Magazines		**664**		1,381
Film Production & Audiovisual Services		**3,172**		106
Production & Distribution		**667**		–
Intersegment items		**175**		–
	$	**8,507**	$	3,967

Net loss attributable to shareholders: $723,000 (-$0.02 per basic and diluted share), compared with $6,715,000 (-$0.16 per basic and diluted share) in the same period of 2019.

- The $5,992,000 ($0.14 per basic and diluted share) favourable variance was essentially due to:
    - $4,540,000 increase in adjusted EBITDA;
    - $2,866,000 favourable variance in operational restructuring costs and others; and
    - $534,000 favourable variance in the depreciation and amortization charge;

  partially offset by:
    - $2,365,000 unfavourable variance in the tax recovery.
- The calculation of loss per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended March 31, 2020 and 2019.

Depreciation and amortization: $8,531,000, a $534,000 decrease, mainly due to the expiry in December 2019 of the amortization period for equipment for rental and intangible assets stemming from the acquisition of substantially all of the assets of Vision Globale A.R. ltée on December 30, 2014, partially offset by an increase in the charge for amortization of certain intangible assets stemming from recent business acquisitions.

Financial expenses: $670,000, a $287,000 decrease due mainly to the favourable variance in interest on short-term debt and recognition of a gain on exchange in the first quarter of 2020, partially offset by the accretion expense related to the amount payable and the contingent consideration in connection with the Acquisition of Incendo, as described in the Production & Distribution segment analysis of results section below.

Operational restructuring costs and others: $302,000 in the first quarter of 2020, compared with $3,168,000 in the same period of 2019.

- In the three-months period ending on March 31, 2020, the Corporation recorded a $176,000 charge in connection with business acquisitions, compared with a $1,857,000 charge in the same period of 2019, primarily for investments in the Canadian broadcasting system to support French-language productions, as required by the CRTC as a condition of transferring the licences for the "Évasion" and "Zeste" channels to the Corporation.

- In the first quarter of 2020, the Corporation also recorded $158,000 in operational restructuring costs arising from the elimination of positions, in particular $134,000 in the Magazines segment ($1,358,000 in the same period of 2019, including $313,000 in the Broadcasting segment and $1,042,000 in the Magazines segment).

Tax recovery: $27,000 (effective tax rate of 2.7%) in the first quarter of 2020, compared with $2,392,000 (effective tax rate of 25.9%) in the same period of 2019, an unfavourable variance of $2,365,000, due mainly to the impact of an increase in taxable income for tax purposes and the recognition in 2020 of an income tax adjustment related to a previous year. The calculations for the effective tax rates are based on only taxable and deductible items.

Share of income of associates: $257,000 in the first quarter of 2020, compared with $151,000 in the same period of 2019, a favourable variance of $106,000 due to improved financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2020/2019 first quarter comparison

Operating revenues: $108,061,000, a decrease of $1,679,000 (-1.5%), primarily due to:

- 7.1% decrease in TVA Network's revenues essentially due to a 5.7% decrease in advertising revenues and an unfavourable retroactive adjustment related to royalties for distant signal retransmission;
- 15.5% decrease in COLAB's revenues due to lower volume of activities; and
- 9.8% decrease in the advertising revenues of "TVA Sports;"

partially offset by:

- inclusion of revenues from the "Évasion" and "Zeste" specialty services for a full quarter since their acquisition on February 13, 2019; and
- 4.7% increase in the subscription revenues from the specialty services on a comparable basis stemming from the renewal of most of our distribution agreements at rates reflecting the fair value of our channels.

French-language audience share

Table 4
French-language audience share
(Market share in %)

First quarter 2020 vs First quarter 2019			
	2020	**2019**	**Difference**
French-language conventional broadcasters:			
TVA	**25.5**	24.4	1.1
SRC	**15.0**	14.9	0.1
V	**5.4**	5.0	0.4
	45.9	44.3	1.6
French-language specialty and pay services:			
TVA	**14.9**	13.9	1.0
Bell Media	**12.9**	14.7	- 1.8
Corus	**6.2**	7.0	- 0.8
SRC	**5.6**	4.7	0.9
Others	**4.2**	4.4	- 0.2
	43.8	44.7	- 0.9
Total English-language and others:	**10.3**	11.0	- 0.7
TVA Group	**40.4**	38.3	2.1

Source: Numeris, Quebec Franco, January 1 to March 31, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's market share for the period of January 1 to March 31, 2020 increased by 2.1 points to 40.4%, compared with 38.3% in the same period of 2019.

TVA Group's specialty services had a combined market share of 14.9% in the first quarter of 2020, compared with 13.9% in the same period of 2019, a 1.0-point increase. Partly as a result of the current pandemic, the news and public affairs channel "LCN" recorded exceptional 2.2-point growth and a 6.9% share for the three-month period, thus remaining Quebec's most-watched specialty channel, even ahead of the conventional broadcaster "V." The "TVA Sports" channel recorded a 0.6-point decrease, also stemming partly from the current context, with all major sporting events cancelled or postponed. Lastly, the "addik^{TV}" and "Casa" channels' market shares also declined 0.4 and 0.2 points respectively.

TVA Network maintained its lead among over-the-air channels with a 25.5% market share, more than its two main over-the-air rivals combined, a 1.1-point increase over the same period of 2019. TVA Network had 7 of the top 10 shows in Quebec in the first quarter of 2020, including *La Voix*, which continued to be the number 1 show with an average audience of more than 2.0 million, *Fugueuse la suite* and the new original TV series *Épidémie*, which each attracted an average audience of more than 1.5 million.

Operating expenses: $104,232,000, a $3,028,000 (-2.8%) decrease due primarily to:

- 2.7% decrease in TVA Network's operating expenses due essentially to a decrease in programming and information content costs as well as to savings on advertising sales commissions. The savings were partially offset by an increase in the allowance for bad debts to reflect the current economic environment created by the COVID-19 pandemic;

- 14.9% decrease in operating expenses at "TVA Sports" mainly due to a significant decrease of sporting events broadcast on the channel; and

- 8.9% decrease in COLAB's operating expenses because of lower volume;

partially offset by:

- inclusion of operating expenses for the "Évasion" and "Zeste" specialty services for a full quarter since their acquisition on February 13, 2019; and

- 6.7% increase in operating expenses at the other specialty channels, in particular an 11.1% increase for "LCN" essentially due to the COVID-19-related coverage and a 17.0% increase for "MOI ET CIE" due to greater content spending.

Adjusted EBITDA: $3,829,000, a $1,349,000 favourable variance due primarily to:

- 121.6% increase in adjusted EBITDA for the specialty channels, due mainly to a decrease in operating expenses at "TVA Sports" as explained above as well as 62.2% and 23.1% increases in adjusted EBITDA for "addik^{TV}" and "Prise 2", respectively;

partially offset by:

- an increase in TVA Network's negative adjusted EBITDA.

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) decreased slightly from 97.7% in the first quarter of 2019 to 96.5% in the first quarter of 2020. The decrease was essentially due to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

Acquisition of the shares of the companies in the Serdy Média inc. group and the Serdy Vidéo inc. group ("Acquisition of Serdy")

On February 13, 2019, the Corporation acquired all of the shares of the companies in the Serdy Média inc. group, which owns and operates the "Évasion" and "Zeste" specialty channels, and the companies in the Serdy Vidéo inc. group, which is involved in television production, for a cash purchase price of $25,604,000, including a $1,604,000 adjustment based on a predetermined working capital target agreed to by the parties, less $519,000 in acquired cash. The results of operation of the "Évasion" and "Zeste" channels have been included in the Broadcasting segment's results, while the results of postproduction activities have been included in the Film Production & Audiovisual Services segment's results since the acquisition date. The acquisition is consistent with the Corporation's strategic objective of enhancing its array of television content for its viewers and advertisers.

Magazines

2020/2019 first quarter comparison

- **Operating revenues**: $10,293,000, a $4,365,000 (-29.8%) decrease due mainly to the impact of the discontinuation of the publication of *Elle Canada* and *Elle Québec* magazines, the last issues of which were released in May 2019, as well as the following decreases, on a comparable basis:
    - 37.7% decrease in advertising revenues, mainly in the women's and decorating categories;
    - 19.4% decrease in newsstand revenues, mainly in the entertainment and decorating categories; and
    - 24.5% decrease in subscription revenues, mainly for the English-language magazines.

Canada Periodical Fund

The Government of Canada created the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 23.2% of the segment's operating revenues for the three-month period ended March 31, 2020 (17.4% in the same period of 2019).

Readership statistics

With more than 3.6 million cross-platform readers for its monthly French titles, TVA Group is the top publisher of French-language monthly magazines in Quebec and a leading player in the Canadian magazine market with more than 8.7 million cross-platform readers.

Canada's lifestyle standard setter, *Canadian Living* reaches more than 4.3 million cross-platform readers. Its French-language counterpart, *Coup de pouce*, is the most widely read French-language lifestyle magazine with nearly 1.5 million cross-platform readers.

In Quebec, *Clin d'œil* is the most popular fashion and beauty magazine with 701,000 cross-platform readers. *Les Idées de ma Maison* is the benchmark in decorating, reaching 747,000 cross-platform readers.

In the English-language market, *Style at Home* is Canada's go-to decorating magazine, reaching more than 2.2 million cross-platform readers.

Source: Vividata, Spring 2020, Total Canada, 14+, January 1st to December 31, 2019

Operating expenses: $9,629,000, a $3,648,000 (-27.5%) decrease due primarily to:

- decrease in operating expenses resulting from the discontinuation of the publication of *Elle Canada* and *Elle Québec* magazines in May 2019;
- magazine subscription cost savings, on a comparable basis, particularly in distribution and recruitment campaigns; and
- operating cost savings resulting from staff and expense rationalization plans implemented in recent quarters.

Adjusted EBITDA: $664,000, a $717,000 unfavourable variance due mainly to a decrease in operating revenues, which outweighed the decrease in operating expenses.

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 90.6% in the first quarter of 2019 to 93.5% in the same period of 2020, mainly because of the decrease in the segment's operating revenues, which outweighed the decrease in operating expenses.

Film Production & Audiovisual Services

2020/2019 first quarter comparison

Operating revenues: $17,982,000, a $5,029,000 (38.8%) increase due primarily to:

- 103.3% increase in revenues from soundstage, mobile and equipment rental due to higher volume of activities and the presence of a major production in studios;
- 55.0% increase in dubbing and described video revenues due in part to new CRTC licence conditions for described video since September 1, 2019; and
- 25.3% increase in visual effects revenues;

partially offset by:

- 20.6% decrease in postproduction revenues due to lower volume of activities.

Operating expenses: $14,810,000, an increase of $1,963,000 (15.3%). The increase was due primarily to:

- 68.4% increase in operating expenses for dubbing and described video due to higher volume of activities;
- 13.4% increase in operating expenses related to soundstage, mobile and equipment rental, also because of the volume of activities; and
- 21.7% increase in operating expenses related to visual effects;

partially offset by:

- 8.2% decrease in operating expenses related to postproduction.

Adjusted EBITDA: $3,172,000, a favourable variance of $3,066,000, due mainly to an increase in profitability of soundstage, mobile and equipment rental as a result of higher volume of activities, whereas all of the segment's other activities posted a decrease in profitability.

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) decreased from 99.2% in the first quarter of 2019 to 82.4% in the first quarter of 2020. The reduction was mainly due to the increased volume of activities related to soundstage, mobile and equipment rental.

Production & Distribution

2020/2019 first quarter comparison

The acquisition of the companies in the Incendo group on April 1, 2019 gave rise to the following variances in operating results for the first quarter of 2020:

- $4,753,000 favourable variance in operating revenues;
- $4,086,000 unfavourable variance in operating expenses; and

- $667,000 favourable variance in adjusted EBITDA generated by the new segment.

Activities related to the distribution of films produced by Incendo accounted for 71.0% of the segment's operating revenues for the three-month period ended March 31, 2020. Incendo's productions are mainly thrillers, with approximately 87% of revenues for the three-month period stemming from international distribution.

Analysis of cost/revenue ratio: Employee costs and the cost of purchasing goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) amounted to 86.0% for the three-month period ended March 31, 2020.

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

On April 1, 2019, under an agreement reached on February 22, 2019, the Corporation acquired 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, for a cash consideration of $10,392,000 (net of $859,000 in acquired cash and a $644,000 refund due to an adjustment based on a predetermined working capital target agreed to by the parties) and a balance payable at fair value of $6,818,000 on the acquisition date. The purchase price is also subject to adjustments related to the achievement of financial conditions in the next three years. The contingent consideration was set at $1,739,000 on that date, according to the discounted future cash flows of the future contingent adjustments. The discounted future 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 purchase price allocation essentially includes accounts receivable, audiovisual content, customer lists, goodwill and accounts payable and accrued liabilities. Since the acquisition date, the acquired operation's results have been presented under a new business segment, the Production & Distribution segment.

This acquisition is in keeping with the Corporation's strategy of diversifying its revenue streams and expanding its international footprint, especially in English-language markets. The goodwill associated with this acquisition arises primarily from the organization's expertise and expected future growth.

CASH FLOWS AND FINANCIAL POSITION

Table 5 below shows a summary of cash flows related to operating, investing and financing activities:

Table 5
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three-months ended March 31	
	2020	2019
Cash flows related to operating activities	**$ 15,578**	$ (4,843)
Additions to property, plant and equipment and intangible assets	**(5,856)**	(5,205)
Business acquisitions	**–**	(23,469)
Others	**(878)**	(1,298)
Decrease (increase) in net debt	**$ 8,844**	$ (34,815)

	March 31, 2020	December 31, 2019
At period end:		
Short-term debt	**$ 30,083**	$ 44,846
Bank overdraft	**5,416**	–
Less: cash	**(2,880)**	(3,383)
Net debt	**$ 32,619**	$ 41,463

Operating activities

Cash flows related to operating activities: $20,421,000 increase for the three-month period ended March 31, 2020 compared with the same period of 2019, due mainly to a $17,099,000 net favourable variance in operating assets and liabilities, particularly accounts payable and accrued liabilities, as well as accounts receivable, partially offset by an unfavourable variance in audiovisual content, as well as a $4,540,000 increase in adjusted EBITDA.

Working capital: $990,000 as of March 31, 2020, compared with $5,505,000 at December 31, 2019. The $4,515,000 negative variance is mainly due to lower accounts receivable and bank overdraft as at March 31, 2020, partially offset by decreases in short-term debt and deferred revenues, as well as an increase in audiovisual content.

Investing activities

Additions to property, plant and equipment and to intangible assets: $5,856,000 in the first quarter of 2020, compared with $5,205,000 in the same period of 2019, an increase of $651,000 (12.5%). The increase was mainly due to the net variance in additions to property, plant and equipment and to intangible assets funded by accounts payable and accrued liabilities.

During the three-month period ended March 31, 2020, the Corporation invested in technical equipment to upgrade the broadcast systems of some studios and made some property investments required to ensure compliance and safety of our facilities.

Business acquisitions: nil for the three-month period ended March 31, 2020, compared with $23,469,000 in the same period of 2019 (see "Acquisition of Serdy" above). On the date of the Acquisition of Serdy, the Corporation paid $24,000,000, which was the agreed purchase price before an adjustment based on a predetermined working capital target agreed to by the parties, less preliminary acquired cash in the amount of $531,000.

Financing activities

Short-term debt (excluding deferred financing costs): $30,131,000 as at March 31, 2020, compared with $44,863,000 as at December 31, 2019. The $14,732,000 decrease is essentially due to collection of accounts receivable and bank overdraft financing.

Financial position as at March 31, 2020

Net available liquid assets: $42,159,000, consisting of a $44,695,000 unused and available revolving credit facility and $2,880,000 in cash, less a $5,416,000 bank overdraft.

As at March 31, 2020, the entire $30,131,000 in principal was payable on the debt during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.9 years as of March 31, 2020 (0.1 years as of December 31, 2019). The debt consisted entirely of floating-rate debt as of March 31, 2020 and December 31, 2019.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2021. As at March 31, 2020, drawings on the revolving credit facility consisted of $24,981,000 in bankers' acceptances bearing interest at an effective rate of 2.83%, a $5,150,000 advance bearing interest at an effective rate of 3.35% and an outstanding letter of credit in the amount of $155,000. As at December 31, 2019, drawings on the revolving credit facility consisted of $44,863,000 in bankers' acceptances bearing interest at an effective rate of 3.39% and an outstanding letter of credit in the amount of $155,000.

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 capital investments, working capital, interest payments, income tax payments, debt repayment, 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 March 31, 2020, the Corporation was in compliance with all the terms of its credit agreement.

Analysis of consolidated balance sheet as at March 31, 2020

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2020 and December 31, 2019
(in thousands of dollars)

	March 31, 2020	December 31, 2019	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 136,895**	$ 160,552	$ (23,657)	Impact of current and seasonal variations in activities and a tightening of our credit policies.
Long-term audiovisual content	**62,415**	54,678	7,737	Impact of postponement of sporting events as a result of the pandemic, greater investment in films as well as the Acquisition of Serdy and Acquisition of Incendo.
Liability				
Short-term debt	**$ 30,083**	$ 44,846	$ (14,763)	Impact of collection of accounts receivable and bank overdraft financing.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2020, material contractual commitments of operating activities included principal repayment and interest on debt and lease liabilities, amounts payable and contingent consideration in connection with the Acquisition of Incendo, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 7.

Table 7
Material contractual obligations of TVA Group as at March 31, 2020
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 30,131	$ –	$ –	$ –	$ 30,131
Lease liabilities	3,508	5,196	2,444	3,505	14,653
Payment of interest[1]	1,620	772	476	645	3,513
Amounts payable and contingent consideration	4,584	4,474	–	–	9,058
Content rights	204,076	167,710	135,329	75,046	582,161
Other commitments	14,135	12,406	2,335	90	28,966
Total	**$ 258,054**	**$ 190,558**	**$ 140,584**	**$ 79,286**	**$ 668,482**

[1]Interest is calculated on a constant debt level equal to that at March 31, 2020 and includes standby fees on the revolving credit facility and interest on lease liabilities.

In 2013, QMI and TVA Group reached a 12-year agreement with Rogers Communications Inc. for Canadian French-language broadcast rights to National Hockey League games. Operating expenses related to that contract are recognized in the Corporation's operating expenses and total commitments related to the contract have been included in the Corporation's commitments.

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 first quarter of 2020, 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 $25,395,000 ($24,466,000 in the first quarter of 2019).

In the first quarter of 2020, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and associates totalling $13,493,000 ($15,503,000 in the first quarter of 2019).

In the first quarter of 2020, the Corporation also billed management fees to corporations under common control in the amount of $1,297,000 ($1,564,000 in the first quarter of 2019). These fees are recorded as a reduction of operating expenses.

The Corporation also paid management fees to the parent corporation in the amount of $855,000 in the first quarter of 2020 ($855,000 in the first quarter of 2019).

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 515,000 Class B stock options of the Corporation were outstanding as of April 21, 2020.

Table 8
Number of shares outstanding as at April 21, 2020
(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

Contingencies and legal disputes

Lawsuits were brought by and against the Corporation, and against Quebecor Inc. and some of its subsidiaries, in connection with business disputes with a cable operator. At this stage in the proceedings, the management of the Corporation does not expect their outcome to have a material adverse effect on the Corporation's results or on its financial position.

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.

For the Broadcasting, Magazines and Film Production & Audiovisual Services segments, management has identified no changes in internal control over financial reporting during the three-month period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

On April 1, 2019, the Corporation closed the acquisition of the companies in the Incendo group, the operations of which are presented in the new Production & Distribution segment. Given the brief interval between the acquisition date and the attestation date of March 31, 2020, management was unable to complete its analysis of internal controls over that segment's financial reporting. In the coming quarters, management will complete its analysis of internal controls over financial reporting with respect to the newly acquired operations. Please see tables 1, 2 and 3 above for more financial information on the Production & Distribution segment. Tableau 9 also provides supplementary financial information.

Table 9
Supplementary financial information – Production & Distribution
(in thousands of dollars)

	March 31, 2020
Current assets	$ 13,285
Non-current assets	5,318
Current liabilities	3,424
Non-current liabilities	2,558

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.

Update on risks and uncertainties

The risks and uncertainties that could materially affect the Corporation's operations and financial results are presented in the Corporation's 2019 Annual Management's Discussion and Analysis dated February 27, 2020. Here the Corporation presents an update of the risks and uncertainties since that date.

Risks related to public health emergencies, including COVID-19

The crisis surrounding the COVID-19 pandemic is evolving rapidly and could materially affect the Corporation's operations and financial results. The magnitude of the consequences for the Corporation due to the COVID-19 virus will depend on future developments that are highly uncertain, including spread of the disease, length of the outbreak, impact on consumer spending, potential supply chain disruptions and effectiveness of the steps taken by government authorities to contain the pandemic.

The scale and repercussions of the current healthcare crisis are not yet fully known. The potential negative effects of the COVID-19 pandemic include but are not limited to:

- significant reduction in advertising revenues, which will inevitably affect the Broadcasting and Magazines segments;
- increase in bad debts as a result of the difficult situation affecting some advertisers;
- content supply chain disruption due to the widespread delay in content production activities and the uncertainty related to the presentation of a competitive offering of original programming;
- suspension of all live broadcasting of sporting events held by professional leagues which, whether postponed or not, could have a considerable impact on our content costs, the value of the related audiovisual content, and revenues from such events;
- reduction in the publication frequency of some periodicals, which will affect revenues in the Magazines segment;
- suspension of most of our content production activities, which will have an impact on our Film Production & Audiovisual Services and our Production & Distribution segments;
- impact of legislation, regulations and other government action in response to the COVID-19 pandemic;
- negative impact on the capital markets; and
- ability to access financial markets at a reasonable cost.

These risks and uncertainties could have a significant negative impact on the Corporation's activities, outlook, operating results and financial position.

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 or by forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of those 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 the risks related to public health emergencies, including COVID-19, as well as any urgent steps taken 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, 2019 and the "Risk Factors" section in the Corporation's 2019 annual information form, as well as the update on risks and uncertainties in this Interim Management's Discussion and Analysis.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of May 11, 2020, 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

May 11, 2020

Table 10
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2020	2019		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	**$ 137,134**	$ 164,196	$ 125,618	$ 145,955
Adjusted EBITDA	**$ 8,507**	$ 33,568	$ 31,141	$ 3,764
Net (loss) income attributable to shareholders	**$ (723)**	$ 16,030	$ 13,361	$ (6,224)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.02)**	$ 0.37	$ 0.31	$ (0.14)
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2019	2018		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 134,141	$ 150,466	$ 127,418	$ 140,190
Adjusted EBITDA (negative adjusted EBITDA)	$ 3,967	$ 25,901	$ 28,087	$ (2,812)
Net (loss) income attributable to shareholders	$ (6,715)	$ 9,525	$ 14,090	$ (9,629)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.16)	$ 0.22	$ 0.33	$ (0.22)
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206

- The Corporation's businesses experience significant seasonality due to, among other factors, 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 expenditures.

- Operating expenses in the Broadcasting segment vary, mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts, while in the Magazines segment operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Film Production & Audiovisual Services segment, operating expenses vary according to demand for production services from international and local producers. In the Production & Distribution segment, operating expenses vary according to delivery schedules and estimated future revenues.

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