



## 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, 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 2020 and the 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, 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 September 30, 2020. All amounts are stated in Canadian dollars.

The COVID-19 pandemic (the “pandemic”) continues to have a major impact on the economic environment in Canada and around the world. On March 13, 2020, the Quebec government imposed a series of restrictions and special preventive measures to limit the spread of the virus, including the suspension of business activities deemed non-essential. Since then, the Quebec government has gradually implemented a recovery plan, which was followed at the end of September by another set of restrictions due to the second wave of the pandemic. This new plan includes regional restrictions according to the alert level in each region and remains subject to change as the pandemic evolves. These measures continue to impact the Corporation’s business. The crisis curtailed the operations of many business partners and led to a significant slowdown in some of the Corporation’s segments in the first nine months of 2020. Among other impacts, the pandemic and the measures to curb its spread caused a significant decline in advertising revenues, a large reduction in the sporting events broadcast on the “TVA Sports” specialty channel, a reduction in the publication frequency of some periodicals and the temporary suspension of most of our content production activities. Activity has since picked up at some of the Corporation’s most strongly affected segments, particularly sporting events broadcasting, soundstage, mobile and equipment rental, and film and audiovisual content production. However, the business slowdown continues and the recovery remains very fragile, particularly with the pandemic entering its second wave. However, the Corporation has continued and will continue 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. Because of the economic slowdown, the Corporation is continuously adjusting the work assignments of its workforce. The affected employees are receiving benefits under the Corporation’s assistance program to make up for being placed on stand-by. This program provides financial assistance in addition to the Canada Emergency Wage Subsidy (“CEWS”) or Canada Emergency Response Benefit. Several entities in the Corporation’s business segments qualify for the CEWS.

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

The impact of the public-health crisis created by the pandemic on the operating results of the Corporation’s business segments in the three-month and nine-month periods ended September 30, 2020 are discussed 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 in upcoming quarters. The pandemic may have a material adverse effect on the short- and medium-term growth of the Corporation’s operating results and cash flows. Therefore, the growth reported in past quarters may not be indicative 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 Marketing Collaboratif ("COLAB"). Financial information for comparative periods has been restated to reflect 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 Incendo group companies ("Incendo") 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, and commercial production and custom publishing services;
- 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, postproduction and visual effects;
- 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 **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 SECOND QUARTER 2020

- On October 23, 2020, the Corporation announced a strategic shift for its "TVA Sports" specialty service, based on the fan profile and changing sports-consumption patterns. The channel is setting itself apart by transforming its "traditional" sports news bulletins into a 100% digital offering. This shift will entail some changes to the "TVA Sports" team, including some reassignments, in order to meet the channel's objectives.
- On October 14, 2020, the Corporation announced that MELS was launching a new virtual stage service that provides an innovative alternative to conventional soundstages and also facilitates physical distancing by reducing the size and scope of shoots, sets and crowd scenes. The initiative is part of MELS' push to innovate and to pursue its technological shift.
- On August 7, 2020, the Canadian Radio-television and Telecommunications Commission ("CRTC") found that the new packaging structure proposed by Bell still fails to comply with the decision made in December 2019 on the undue preference complaint filed by TVA Group. 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 benefit "RDS," two comparable channels that should be treated equitably. On August 14, 2020, Bell advised the CRTC that "RDS" would be removed from its most popular plan to comply with the decision.

## 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 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 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 measure used in the condensed consolidated financial statements**  
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Adjusted EBITDA:				
Broadcasting	\$ 16,938	\$ 21,897	\$ 24,237	\$ 22,771
Film Production & Audiovisual Services	2,947	6,482	6,626	8,425
Magazines	2,999	2,444	6,553	7,036
Production & Distribution	427	318	1,522	640
Intersegment items	52	–	298	–
	<b>23,363</b>	<b>31,141</b>	<b>39,236</b>	<b>38,872</b>
Depreciation and amortization	8,124	11,155	25,126	29,942
Financial expenses	634	1,038	1,969	3,042
Operational restructuring costs and others	2,734	392	4,838	5,037
Tax expense	3,443	5,133	2,750	496
Share of loss (income) of associates	21	55	(405)	(292)
<b>Net income</b>	<b>\$ 8,407</b>	<b>\$ 13,368</b>	<b>\$ 4,958</b>	<b>\$ 647</b>

## ANALYSIS OF CONSOLIDATED RESULTS

### 2020/2019 third-quarter comparison

**Operating revenues:** \$119,537,000, a \$6,081,000 (-4.8%) decrease.

- \$4,625,000 (5.0%) increase in the Broadcasting segment (Table 2) essentially due to a 28.6% increase in the revenues of “TVA Sports” and a 61.3% increase in the operating revenues of COLAB, partially offset by a 9.6% decrease in TVA Network’s revenues due to an 11.3% drop in advertising revenues.
- \$8,612,000 (-42.1%) decrease in the Film Production & Audiovisual Services segment (Table 2) due to a 60.0% decrease in soundstage, mobile and equipment rental revenues, a 43.0% decrease in postproduction revenues and a 56.1% decrease in visual effects revenues, partially offset by a 38.2% increase in dubbing and described video revenues.
- \$154,000 (-1.2%) decrease in the Magazines segment (Table 2), due primarily to decreases of 10.5%, 19.2% and 10.0% in the magazines’ newsstand, advertising and subscription revenues respectively, on a comparable basis, partially offset by a 45.9% increase in financial assistance from the Canada Periodical Fund (“CPF”) for the magazines on a comparable basis, including a 25% supplement for the 2020-2021 reference year in consideration of the current public-health crisis.
- \$1,213,000 (-39.2%) decrease in the Production & Distribution segment (Table 2) due primarily to a decrease in revenues from the distribution of films produced by Incendo in previous years.

**Table 2**  
**Operating revenues**  
(in thousands of dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Broadcasting	\$ 97,400	\$ 92,775	\$ 292,228	\$ 318,979
Film Production & Audiovisual Services	11,856	20,468	37,298	47,669
Magazines	12,569	12,723	32,899	42,904
Production & Distribution	1,884	3,097	9,506	6,576
Intersegment items	(4,172)	(3,445)	(11,405)	(10,414)
	\$ 119,537	\$ 125,618	\$ 360,526	\$ 405,714

**Adjusted EBITDA:** \$23,363,000, an unfavourable variance of \$7,778,000 (-25.0%).

- \$4,959,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 71.1% decrease in adjusted EBITDA of the specialty services, particularly “TVA Sports,” partially offset by a 162.8% increase in TVA Network’s adjusted EBITDA and the increase in COLAB’s adjusted EBITDA.
- \$3,535,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), caused primarily by the decrease in adjusted EBITDA generated by soundstage, mobile and equipment rental and the decreased profitability of visual effects. The segment’s other activities, particularly dubbing and described video and postproduction, reported increases in adjusted EBITDA.
- \$555,000 favourable variance in the Magazines segment (Table 3) resulting mainly from the performance of all titles on a comparable basis, as cost savings outweighed the decrease in revenues, combined with additional government assistance received during the current public-health crisis.

- \$109,000 favourable variance in the Production & Distribution segment (Table 3) due primarily to financial assistance from the Canada Media Fund during the current public-health crisis.

**Table 3**  
**Adjusted EBITDA**  
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Broadcasting	\$ 16,938	\$ 21,897	\$ 24,237	\$ 22,771
Film Production & Audiovisual Services	2,947	6,482	6,626	8,425
Magazines	2,999	2,444	6,553	7,036
Production & Distribution	427	318	1,522	640
Intersegment items	52	–	298	–
	\$ 23,363	\$ 31,141	\$ 39,236	\$ 38,872

**Net income attributable to shareholders:** \$8,404,000 (\$0.19 per basic and diluted share), compared with \$13,361,000 (\$0.31 per basic and diluted share) for the same period of 2019.

- The negative variance of \$4,957,000 (-\$0.12 per basic and diluted share) was essentially due to:
  - \$7,778,000 decrease in adjusted EBITDA; and
  - \$2,342,000 unfavourable variance in operational restructuring costs and others;
partially offset by:
  - \$3,031,000 favourable variance in the depreciation and amortization charge;
  - \$1,690,000 favourable variance in the tax expense; and
  - \$404,000 favourable variance in financial expenses.
- The calculation of earnings per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended September 30, 2020 and 2019.

**Depreciation and amortization expense:** \$8,124,000, a \$3,031,000 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 A.R. Global Vision Ltd. on December 30, 2014 and an adjustment to the non-recurring amortization charge recorded in 2019 in respect of certain intangible assets acquired in that year.

**Financial expenses:** \$634,000, a \$404,000 decrease due mainly to lower average indebtedness during the third quarter of 2020 compared with the same period of 2019.

**Operational restructuring costs and others:** \$2,734,000 in the third quarter of 2020, compared with \$392,000 for the same period of 2019.

- During the three-month period ended September 30, 2020, the Corporation recorded a \$903,000 net charge stemming mainly from the elimination of positions and the implementation of cost-reduction measures, including \$433,000 in the Broadcasting segment, \$368,000 in the Film Production & Audiovisual Services segment and \$102,000 in the Magazines segment (\$186,000 for the same period of 2019, including \$150,000 in the Magazines segment).

- During the quarter ended September 30, 2020, the Corporation made an upward adjustment to the contingent consideration related to the Acquisition of Incendo following a review of the assumptions and the range of probabilities for the achievement of financial conditions used in the initial recognition of the transaction. The remeasurement led to an additional \$1,728,000 charge related to the contingent consideration.

**Tax expense:** \$3,443,000 (effective tax rate of 29.0%) in the third quarter of 2020, compared with \$5,133,000 (effective tax rate of 27.7%) for the same period of 2019, a favourable variance of \$1,690,000 due mainly to the impact of a decrease in taxable income for tax purposes. The effective tax rate was higher than the statutory rate during the three-month period ended September 30, 2020 mainly because of the permanent variance generated by the remeasurement of the contingent consideration in connection with the Acquisition of Incendo, as noted above, partially offset by a prior-year tax adjustment. Calculation of the effective tax rates is based on only taxable and deductible items.

**Share of loss of associates:** \$21,000 in the third quarter of 2020, compared with \$55,000 in the same period of 2019; the \$34,000 favourable variance was due to the improved financial results of an associate in the television industry.

### **2020/2019 year-to-date comparison**

**Operating revenues:** \$360,526,000, a \$45,188,000 (-11.1%) decrease.

- \$26,751,000 (-8.4%) decrease in the Broadcasting segment (Table 2) essentially due to a 17.2% decrease in TVA Network's revenues, reflecting in part an 18.3% decline in advertising revenues, and a 6.5% decrease in the advertising revenues of the specialty services. These unfavourable differences were partially offset by a 2.9% increase in the specialty services' subscription revenues.
- \$10,371,000 (-21.8%) decrease in the Film Production & Audiovisual Services segment (Table 2), due primarily to revenue decreases from all of the segment's operations except dubbing and described video, which increased 43.5%.
- \$10,005,000 (-23.3%) decrease in the Magazines segment (Table 2) due mainly to the revenue impact 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 34.9%, 18.8% and 24.8% decreases in advertising revenues, newsstand revenues and subscription revenues respectively, on a comparable basis. These unfavourable variances were partially offset by a 15.5% increase in financial assistance to the segment, as noted in the 2020/2019 third-quarter comparison above.
- \$2,930,000 (44.6%) increase in the Production & Distribution segment (Table 2) due mainly to the inclusion of revenues from the Acquisition of Incendo, as described in the discussion of the Production & Distribution segment's results below, for the full nine-month period in 2020.

**Adjusted EBITDA:** \$39,236,000, a \$364,000 (0.9%) favourable variance.

- \$1,466,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by a 66.8% increase in adjusted EBITDA of the specialty services, including a 19.0% improvement in "TVA Sports" channel's negative adjusted EBITDA, and a 32.4% increase in adjusted EBITDA generated by COLAB, partially offset by a 9.8% decrease in TVA Network's adjusted EBITDA.
- \$1,799,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a 46.2% decrease in adjusted EBITDA from soundstage, mobile and equipment rental and a decrease in the profitability of postproduction activities, partially offset by a 180.3% increase in adjusted EBITDA from dubbing and described video, and the improved profitability of visual effects.
- \$483,000 unfavourable variance in the Magazines segment (Table 3) resulting mainly from discontinuation of the publication of *ELLE Canada* and *ELLE Québec*, partially offset by the improved performance of all titles on a comparable basis, due to the same factors as those noted above in the 2020/2019 third quarter comparison.

- \$882,000 favourable variance in the Production & Distribution segment (Table 3) due mainly to the inclusion of adjusted EBIDTA from the Acquisition of Incendo for the full nine-month period in 2020.

**Net income attributable to shareholders:** \$4,937,000 (\$0.11 per basic and diluted share) for the first nine months of 2020, compared with \$422,000 (\$0.01 per basic and diluted share) for the same period of 2019.

- The positive variance of \$4,515,000 (\$0.10 per basic and diluted share) was essentially due to:
  - \$4,816,000 favourable variance in the depreciation and amortization charge;
  - \$1,073,000 favourable variance in financial expenses; and
  - \$364,000 increase in adjusted EBITDA;
 partially offset by:
  - \$2,254,000 unfavourable variance in the tax expense.
- The calculation of earnings per share was based on a weighted average of 43,205,535 outstanding diluted shares for the nine-month periods ended September 30, 2020 and 2019.

**Depreciation and amortization expense:** \$25,126,000, a \$4,816,000 decrease essentially due to the same factors as those noted above in the 2020/2019 third-quarter comparison, as well as a decrease in the depreciation charge on certain technical equipment. These favourable variances were partially offset by higher amortization expenses related to intangible assets resulting from business acquisitions made in 2019.

**Financial expenses:** \$1,969,000, a \$1,073,000 decrease due mainly to the favourable variance in interest on short-term debt as a result of lower average indebtedness for the first nine months of 2020 compared with the same period of 2019.

**Operational restructuring costs and others:** \$4,838,000 in the first nine months of 2020, compared with \$5,037,000 for the same period of 2019.

- In the first nine months of 2020, the Corporation recorded a net amount of \$3,153,000 arising primarily from the elimination of positions and cost-reduction measures, including \$1,872,000 in the Broadcasting segment, \$1,050,000 in the Film Production & Audiovisual Services segment, and \$231,000 in the Magazines segment (\$3,082,000 in the same period of 2019, including \$1,181,000 in the Broadcasting segment, \$113,000 in the Film Production & Audiovisual Services segment and \$1,788,000 in the Magazines segment).
- With the additional \$1,728,000 charge recorded in the third quarter of 2020 in respect of the contingent consideration in connection with the Acquisition of Incendo, the Corporation recorded a \$281,000 charge for business acquisitions in the nine-month period ended September 30, 2020, compared with a \$2,061,000 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.
- During the nine-month period ended September 30, 2020, the Corporation also recognized a \$253,000 gain on disposal of an asset, for proceeds on disposal of \$310,000.

**Tax expense:** \$2,750,000 (effective tax rate of 37.7%) for the first nine months of 2020, compared with \$496,000 (effective tax rate of 58.3%) in the same period of 2019, a \$2,254,000 unfavourable variance due mainly to the permanent variance generated by the remeasurement of the contingent consideration in connection with the Acquisition of Incendo, as noted above, and the recognition of foreign taxes. The effective tax rate was higher than the Corporation’s statutory tax rate in the same period of 2019 mainly because of the variance between the actual tax expense for the 2018 financial year and the provision recognized in 2018, as well as permanent differences related to non-deductible items. Calculation of the effective tax rates is based on only taxable and deductible items.

**Share of income of associates:** \$405,000 in the first nine months of 2020, compared with \$292,000 in the same period of 2019; the \$113,000 increase was due to the improved financial results of an associate in the television industry.

## SEGMENTED ANALYSIS

### Broadcasting

#### 2020/2019 third-quarter comparison

**Operating revenues:** \$97,400,000, a \$4,625,000 (5.0%) increase due primarily to:

- 28.6% increase in the revenues of “TVA Sports” due primarily to an increase in advertising revenues following the postponement of the National Hockey League (“NHL”) playoffs to the third quarter as a result of the pandemic and the fact that the Montreal Canadiens qualified for the playoffs;
- 61.3% increase in COLAB’s revenues due to higher volume of activities as a result of the resumption of activities; and
- 5.0% increase in the subscription revenues of the specialty services other than “TVA Sports” stemming from the renewal of most of our distribution agreements at rates reflecting the fair value of our channels;

partially offset by:

- 9.6% decrease in TVA Network’s revenues essentially due to an 11.3% decrease in advertising revenues as a result of the pandemic.

#### French-language audience share

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

Third quarter 2020 vs Third quarter 2019			
	2020	2019	Difference
<b>French-language conventional broadcasters:</b>			
TVA	23.5	23.6	- 0.1
SRC	11.6	11.1	0.5
Noovo	5.4	5.5	- 0.1
	40.5	40.2	0.3
<b>French-language specialty and pay services:</b>			
TVA	18.0	14.7	3.3
Bell Media	12.0	15.0	- 3.0
Corus	6.0	7.7	- 1.7
SRC	6.0	5.2	0.8
Others	5.4	5.0	0.4
	47.4	47.6	- 0.2
<b>Total English-language channels and others:</b>	12.1	12.2	- 0.1
<b>TVA Group</b>	41.5	38.3	3.2

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, 2020 increased by 3.2 points to 41.5%, compared with 38.3% for the same period of 2019.

TVA Group's specialty services had a combined market share of 18.0% in the third quarter of 2020, compared with 14.7% in the same period of 2019, a 3.3-point increase. Mainly as a result of the current pandemic, the news and public affairs channel "LCN" recorded 2.0-point growth and a 7.1% share for the three-month period to hold its position as Quebec's most-watched specialty channel, even ahead of the over-the-air channel "Noovo." The "TVA Sports" channel registered a 1.9-point increase due to the broadcast of the NHL playoffs in the third quarter of 2020 and the fact that the Montreal Canadiens qualified for the playoffs. The "Prise 2" channel increased its share by 0.1 points while the market share of the "addik<sup>TV</sup>," "MOI ET CIE," "Casa" and "Yoopla" channels decreased.

TVA Network maintained its lead among over-the-air channels with a 23.5% market share, more than its two main over-the-air rivals combined. 3 of the top 5 shows in Quebec during the third quarter of 2020 were on TVA Network; *La Voix* stood out again with an average audience of more than 1.5 million.

**Operating expenses:** \$80,462,000, a \$9,584,000 (13.5%) increase due primarily to:

- 66.9% increase in the operating expenses of the specialty services, reflecting in part a 178.4% increase at "TVA Sports" due essentially to the postponement of the NHL playoffs to the third quarter given the new formats and schedules necessitated by the pandemic, and a 15.1% increase at "LCN" due mainly to coverage of the current health crisis, as well as a favourable retroactive adjustment recorded in the third quarter of 2019 related to reproduction rights for musical works; and
- 39.7% increase in COLAB's operating expenses because of higher volume of activities;

partially offset by:

- 26.9% decrease in TVA Network's operating expenses, essentially as a result of lower labour costs, recognition of the CEWS for employees who continued working, savings in audiovisual content costs and commissions on advertising sales, and a reduction in administrative expenses due to lower volume of activities. These savings were partly offset by an unfavourable variance arising from recognition of a favourable retroactive adjustment in the third quarter of 2019 related to reproduction rights for musical works.

**Adjusted EBITDA:** \$16,938,000, a \$4,959,000 unfavourable variance primarily due to:

- 71.1% decrease in adjusted EBITDA of the specialty services, particularly "TVA Sports" and "LCN" as explained above;

partially offset by:

- 162.8% increase in TVA Network's 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) increased from 76.4% in the third quarter of 2019 to 82.6% in the same period of 2020, essentially because the increase in operating expenses exceeded the rise in operating revenues caused by the increase in major sporting events broadcast by "TVA Sports" during the quarter.

## **2020/2019 year-to-date comparison**

**Operating revenues:** \$292,228,000, a \$26,751,000 (-8.4%) decrease due primarily to:

- decreases related to the current pandemic situation, such as:
  - 17.2% decrease in TVA Network’s revenues essentially due to an 18.3% decrease in advertising revenues; and
  - 6.5% decrease in the advertising revenues of the specialty services, mainly a 13.0% decrease for “TVA Sports”;
- unfavourable retroactive adjustment related to royalties for distant signal retransmission, which had an impact on TVA Network’s revenues; and
- 1.3% decrease in subscription revenues of “TVA Sports”;

partially offset by:

- 6.0% increase in subscription revenues of the specialty services other than “TVA Sports” on a comparable basis, stemming from the renewal of most of our distribution agreements at rates reflecting the fair value of our channels; and
- inclusion of revenues from the “Évasion” and “Zeste” specialty services for the full nine-month period, following their acquisition on February 13, 2019.

**Operating expenses:** \$267,991,000, a \$28,217,000 (-9.5%) decrease due primarily to:

- 18.2% decrease in the TVA Network’s operating expenses, due primarily to the same factors as those noted above in the 2020/2019 third quarter comparison; and
- 7.8% decrease in the operating expenses of “TVA Sports,” mainly as a result of lower labour costs, recognition of the CEWS for employees who continued working, and a reduction in the number of sporting events broadcast by the channel;

partially offset by:

- inclusion of the operating expenses of the “Évasion” and “Zeste” specialty channels for the full nine-month period, following their acquisition on February 13, 2019; and
- 9.0% increase in operating expenses at “LCN,” essentially due to the same factors as those noted above in the 2020/2019 third quarter comparison.

**Adjusted EBITDA:** \$24,237,000, a \$1,466,000 favourable variance due primarily to:

- 66.8% increase in EBITDA of the specialty services, including a 19.0% improvement in the negative adjusted EBITDA of “TVA Sports” as explained above; and
- 32.4% increase in adjusted EBITDA generated by COLAB, due mainly to lower labour costs and the CEWS;

partially offset by:

- 9.8% decrease in adjusted EBITDA of TVA Network, as discussed above.

**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 from 92.9% in the first nine months of 2019 to

91.7% in the same period of 2020, 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 engaged in television production, for a cash purchase price of \$25,604,000, including a \$1,604,000 adjustment upon 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.

## **Film Production & Audiovisual Services**

### **2020/2019 third-quarter comparison**

**Operating revenues:** \$11,856,000, a \$8,612,000 (-42.1%) decrease due primarily to the current health crisis, which has reduced the volume of activities in most of the segment’s lines business, including:

- 60.0% decrease in revenues from soundstage, mobile and equipment rental, which gradually resumed in the end of the third quarter;
- 43.0% decrease in postproduction revenues; and
- 56.1% decrease in visual effects revenues;

partially offset by:

- 38.2% increase in dubbing and described video revenues due to increased demand for these services and new CRTC licence conditions for described video since September 1, 2019.

**Operating expenses:** \$8,909,000, a \$5,077,000 (-36.3%) decrease, due primarily to the ongoing pandemic, which caused a significant slowdown in most of the segment’s activities, resulting in savings in labour costs, including the recognition of the CEWS, as well as savings in variable costs due to the lower volume of activities. Note the following variances:

- 35.6% decrease in operating expenses related to soundstage, mobile and equipment rental;
- 55.7% decrease in operating expenses related to postproduction; and
- 41.3% decrease in operating expenses related to visual effects.

**Adjusted EBITDA:** \$2,947,000, a \$3,535,000 unfavourable variance due mainly to an 84.6% decrease in EBITDA generated by soundstage, mobile and equipment rental and the decreased profitability of visual effects. The segment’s other activities, particularly dubbing and described video and postproduction, reported increases in adjusted EBITDA as a direct result of the CEWS and increased volume of activities for dubbing and described video.

**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 68.3% in the third quarter of 2019 to 75.1% in the third quarter of 2020, essentially due to the fact that the decrease in operating revenues exceeded the savings in operating expenses.

## **2020/2019 year-to-date comparison**

**Operating revenues:** \$37,298,000, a \$10,371,000 (-21.8%) decrease due primarily to:

- 32.3% decrease in revenues from soundstage, mobile and equipment rental, which have been significantly affected since the second quarter by the current health crisis, whereas the volume of activities was high in the first quarter of 2020, when a major production was shooting at our studios;
- 42.8% decrease in postproduction revenues due to lower volume of activities in a business that has been particularly affected by the current pandemic situation; and
- 14.1% decrease in visual effects revenues;

partially offset by:

- 43.5% increase in dubbing and described video revenues due to new CRTC licence conditions for described video since September 1, 2019 and increased demand for these services.

**Operating expenses:** \$30,672,000, an \$8,572,000 (-21.8%) decrease due primarily to the same factors as those noted above in the 2020/2019 third quarter comparison, which caused the following variances, among others:

- 26.5% decrease in operating expenses related to soundstage, mobile and equipment rental;
- 38.6% decrease in operating expenses related to postproduction; and
- 19.7% decrease in operating expenses related to visual effects;

partially offset by:

- 25.3% increase in operating expenses for dubbing and described video due to higher volume of activities.

**Adjusted EBITDA:** \$6,626,000, a \$1,799,000 unfavourable variance due primarily to a 46.2% decrease in adjusted EBITDA from soundstage, mobile and equipment rental and a decrease in the profitability of postproduction activities, partially offset by a 180.3% increase in adjusted EBITDA from dubbing and described video, and the improved profitability of visual effects.

**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) were relatively stable at 82.2% in the first nine months of 2020, compared with 82.3% in the same period of 2019.

### 2020/2019 third-quarter comparison

- **Operating revenues:** \$12,569,000, a \$154,000 (-1.2%) decrease caused mainly by the following decreases at the magazines, on a comparable basis, due to, among other things, the pandemic, which led to fewer issues of some titles:
  - 10.5% decrease in newsstand revenues, mainly in the entertainment category;
  - 19.2% decrease in advertising revenues, essentially in the women's category; and
  - 10.0% decrease in subscription revenues, primarily in the decorating and women's categories;partially offset by:
  - 45.9% increase in financial assistance from the CPF for the magazines, on a comparable basis.

### **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 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 28.4% of the segment's operating revenues for the three-month period ended September 30, 2020 (18.9% in the same period of 2019). This increase is the result of additional government assistance provided to help businesses in the industry deal with the current health crisis, which increased the subsidy received for the 2020-2021 reference year by 25%.

### **Readership statistics**

With more than 3.5 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 nearly 8.3 million cross-platform readers.

Canada's lifestyle standard-setter *Canadian Living* reaches more than 4.0 million cross-platform readers. Its French-language counterpart, *Coup de pousse*, is the most widely read French-language lifestyle magazine with more than 1.5 million cross-platform readers.

In Quebec, *Clin d'œil* is the most popular fashion and beauty magazine with 737,000 cross-platform readers. *Les Idées de ma Maison* is the benchmark in decorating, reaching 734,000 cross-platform readers.

In the English-language market, *Style at Home* is Canada's go-to decorating magazine, reaching nearly 2.3 million cross-platform readers.

*Source: Vividata, Fall 2020, Total Canada, 14+, July 1, 2019 to June 30, 2020*

**Operating expenses:** \$9,570,000, a \$709,000 (-6.9%) decrease due primarily to:

- savings in compensation as a result of fewer employees performing work assignments and the CEWS for those who were working;
- cost savings at the magazines, on a comparable basis, due to fewer issues of some titles, including lower printing costs and content costs; and
- savings in subscription expenses, specifically in recruitment campaigns and distribution.

**Adjusted EBITDA:** \$2,999,000, a \$555,000 favourable variance due mainly to the decrease in operating expenses, which outweighed the decrease in operating revenues.

**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) decreased from 80.8% in the third quarter of 2019 to 76.1% in the same period of 2020, due mainly to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

### **2020/2019 year-to-date comparison**

- **Operating revenues:** \$32,899,000, a \$10,005,000 (-23.3%) 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 at the magazines, on a comparable basis, due to, among other things, the pandemic:
  - 34.9% decrease in advertising revenues, essentially in the women's and decorating categories;
  - 18.8% decrease in newsstand revenues, mainly in the entertainment category; and
  - 24.8% decrease in subscription revenues, primarily in the women's and decorating categories;partially offset by:
  - 15.5% increase in financial assistance from the CPF for the magazines, on a comparable basis.

**Operating expenses:** \$26,346,000, a \$9,522,000 (-26.5%) decrease due primarily to the same factors as those noted above in the 2020/2019 third quarter comparison.

**Adjusted EBITDA:** \$6,553,000, a \$483,000 unfavourable variance due mainly to discontinuation of the publication of *ELLE Canada* and *ELLE Québec*, partially offset by the decrease in operating expenses, which outweighed the decrease in operating revenues, on a comparable basis.

**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) decreased from 83.6% in the nine-month period ended September 30, 2019 to 80.1% in the same period of 2020, mainly because the decrease in the segment's operating expenses as a proportion of total expenses exceeded the decrease in operating revenues as a proportion of total revenues.

## **Production & Distribution**

### **2020/2019 third-quarter comparison**

**Operating revenues:** \$1,884,000, a \$1,213,000 (-39.2%) decrease in the Production & Distribution segment due primarily to a decrease in revenues from the distribution of films produced by Incendo in previous years.

Activities related to the distribution of films produced by Incendo accounted for 67.7% of the segment's operating revenues for the three-month period ended September 30, 2020, compared with 69.8% for the same period of 2019. Incendo's productions are mainly thrillers, with approximately 58% of revenues stemming from international distribution in the third quarter of 2020 (approximately 74% in the same period of 2019).

**Operating expenses:** \$1,457,000, a \$1,322,000 (-47.6%) decrease due mainly to lower variable costs related to the decrease in revenues.

**Adjusted EBITDA:** \$427,000, a \$109,000 favourable variance due primarily to higher gross margin, arising essentially from financial assistance from the Canada Media Fund during the current health crisis.

**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) decreased from 89.7% for the three-month period ended September 30, 2019 to 77.3% for the same period of 2020, due mainly to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

## **2020/2019 year-to-date comparison**

**Operating revenues:** \$9,506,000, a \$2,930,000 (44.6%) increase due mainly to the inclusion of revenues from the Acquisition of Incendo on April 1, 2019 for the full nine-month period in 2020.

Activities related to the distribution of films produced by Incendo accounted for 75.9% of the segment's operating revenues for the nine-month period ended September 30, 2020, compared with 78.0% for the same period of 2019. Incendo's productions are mainly thrillers, with approximately 79% of revenues stemming from international distribution in the first nine months of 2020 (approximately 78% in the same period of 2019).

**Operating expenses:** \$7,984,000, an increase of \$2,048,000 (34.5%) due primarily to inclusion of the operating expenses stemming from the Acquisition of Incendo for the full nine-month period in 2020.

**Adjusted EBITDA:** \$1,522,000, an \$882,000 favourable variance due mainly to the addition of adjusted EBITDA stemming from the Acquisition of Incendo for the full nine-month period in 2020.

**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) decreased from 90.3% in the nine-month period ended September 30, 2019 to 84.0% in the same period of 2020, due mainly to the fact that the increase in operating revenues exceeded the increase in operating expenses.

### **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, for a cash consideration of \$10,392,000 (net of \$859,000 in acquired cash and a \$644,000 reimbursement due to an adjustment based on a predetermined working capital target agreed to by the parties) and a balance payable of \$6,818,000 at fair value on the acquisition date. The purchase price is also 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, 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 contingent consideration was remeasured during the third quarter of 2020 (see "Operational restructuring costs and others" in the 2020/2019 third-quarter comparison under "Analysis of consolidated results" above). 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. 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 activities, investing activities and financing activities:

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cash flows related to operating activities	\$ (21,325)	\$ 32,842	\$ 22,796	\$ 45,684
Additions to property, plant and equipment and intangible assets	(3,007)	(3,885)	(11,316)	(12,992)
Disposal of a property, plant and equipment	–	–	310	–
Business acquisitions	–	(972)	–	(35,477)
Others	(578)	(604)	(2,245)	(2,933)
<b>(Increase in) reimbursement of net debt</b>	<b>\$ (24,910)</b>	<b>\$ 27,381</b>	<b>\$ 9,545</b>	<b>\$ (5,718)</b>
	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
<b>At period end:</b>				
Bank overdraft		\$ 5,616		\$ –
Short-term debt		29,227		44,846
Less: cash		(2,925)		(3,383)
<b>Net debt</b>		<b>\$ 31,918</b>		<b>\$ 41,463</b>

### Operating activities

**Quarterly cash flows related to operating activities:** \$54,167,000 decrease for the three-month period ended September 30, 2020 compared with the same period of 2019, due primarily to a \$45,363,000 net unfavourable variance in operating assets and liabilities, including unfavourable variances in accounts receivable, content rights payable and tax credits and government assistance receivable, partially offset by favourable variances in accounts payable and accrued liabilities in addition to audiovisual content, combined with the \$7,778,000 decrease in adjusted EBITDA.

**Year-to-date cash flows related to operating activities:** \$22,888,000 decrease for the nine-month period ended September 30, 2020 compared with the same period of 2019 mainly due to a \$19,988,000 net unfavourable variance in operating assets and liabilities, including unfavourable variances in tax credits and government assistance receivable, content rights payable and accounts receivable, partially offset by favourable variances in accounts payable and accrued liabilities, audiovisual content and deferred revenues.

**Working capital:** \$27,836,000 as at September 30, 2020, compared with \$5,505,000 as at December 31, 2019. The \$22,331,000 favourable variance was due primarily to the increase in tax credits and government assistance receivable, the decrease in content rights payable, and the decrease in short-term debt, partially offset by a decrease in accounts receivable and in audiovisual content, and the existence of a bank overdraft as at September 30, 2020.

## **Investing activities**

**Quarterly additions to property, plant and equipment and to intangible assets:** \$3,007,000 for the third quarter of 2020, compared with \$3,885,000 for the same period of 2019. The \$878,000 (-22.6%) decrease was essentially due to the suspension or slowdown of some projects due to the pandemic.

**Year-to-date additions to property, plant and equipment and to intangible assets:** \$11,316,000 for the first nine months of 2020 compared with \$12,992,000 for the same period of 2019. The \$1,676,000 (-12.9%) decrease was essentially due to the same factor as that noted above, partially offset by the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities.

During the nine-month period ended September 30, 2020, the Corporation invested in technical equipment to upgrade the broadcast systems of some studios, put in place technical and IT infrastructure to support telework, and made property investments required to ensure the compliance and safety of its facilities.

**Disposal of a property, plant and equipment:** \$310,000 for the nine-month period ended September 30, 2020 (nil for the same period of 2019). In the second quarter of 2020, the Corporation disposed of an asset for proceeds on disposal of \$310,000.

**Quarterly business acquisitions:** Nil for the three-month period ended September 30, 2020 compared with \$972,000 for the same period of 2019, mainly related to the settlement of adjustments based upon predetermined working capital targets agreed to by the parties (see “Acquisition of Serdy” and “Acquisition of Incendo” above).

**Year-to-date business acquisitions:** Nil for the nine-month period ended September 30, 2020, compared with \$35,477,000 for the same period of 2019 (see “Acquisition of Serdy” and “Acquisition of Incendo” above).

## **Financing activities**

**Short-term debt** (excluding deferred financing costs): \$29,249,000 as at September 30, 2020, compared with \$44,863,000 as at December 31, 2019. The \$15,614,000 decrease is essentially due to collection of accounts receivable and financial assistance from the CPF.

### **Financial position as at September 30, 2020**

**Net available liquid assets:** \$42,876,000, consisting of a \$45,567,000 unused and available revolving credit facility and \$2,925,000 in cash, less a \$5,616,000 bank overdraft.

As at September 30, 2020, the entire \$29,249,000 in principal was payable on the debt over the next 12-month period.

The weighted average term of TVA Group’s debt was approximately 0.4 years as at September 30, 2020 (0.1 years as at December 31, 2019). The debt consisted entirely of floating-rate debt as at September 30, 2020 and December 31, 2019.

The Corporation has a \$75,000,000 revolving credit facility, which matures on February 24, 2021. As at September 30, 2020, drawings on the revolving credit facility consisted of \$24,949,000 in bankers’ acceptances bearing interest at an effective rate of 1.90%, a \$4,300,000 advance bearing interest at an effective rate of 2.85% and an outstanding letter of credit in the amount of \$133,000. 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 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, 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 September 30, 2020, the Corporation was in compliance with all the terms of its credit agreements.

## Analysis of consolidated balance sheet at September 30, 2020

**Table 6**

**Consolidated balance sheets of TVA Group**

**Analysis of main variances between September 30, 2020 and December 31, 2019**

(in thousands of dollars)

	September 30 2020	December 31 2019	Difference	Main reasons for difference
<b><u>Assets</u></b>				
Accounts receivable	\$ 131,891	\$ 154,653	\$ (22,762)	Impact of current and seasonal variations in activities, the pandemic situation and tightening of our credit policies.
Tax credits and government assistance receivable	35,604	5,899	29,705	Impact of recognition of government assistance receivable under the CEWS.
Audiovisual content	72,359	88,422	(16,063)	Impact of current and seasonal variations in activities.
<b><u>Liabilities</u></b>				
Content rights payable	\$ 60,348	\$ 83,244	\$ (22,896)	Impact of the payment of certain sports content rights.
Short-term debt	29,227	44,846	(15,619)	Impact of collection of accounts receivable and financial assistance from the CPF.
Other liabilities	42,585	18,076	24,509	Impact of recognition of a loss on remeasurement related to a variance in the discount rate for the defined benefit plans.

## ADDITIONAL INFORMATION

### Contractual obligations

As of September 30, 2020, material contractual commitments of operating activities included capital 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 of September 30, 2020**  
(in thousands of dollars)

	Less than		More than		
	1 year	1-3 years	3-5 years	5 years	Total
Short-term debt	\$ 29,249	\$ –	\$ –	\$ –	\$ 29,249
Lease liabilities	3,269	4,419	2,314	3,295	13,297
Payment of interest <sup>1</sup>	966	687	445	397	2,495
Amounts payable and contingent consideration	4,713	6,334	–	–	11,047
Content rights	192,697	173,380	135,262	65,470	566,809
Other commitments	12,083	11,874	2,092	455	26,504
<b>Total</b>	<b>\$ 242,977</b>	<b>\$ 196,694</b>	<b>\$ 140,113</b>	<b>\$ 69,617</b>	<b>\$ 649,401</b>

<sup>1</sup> Interest is calculated on a constant debt level equal to that at September 30, 2020 and includes standby fees on the revolving credit facility and interest on lease obligations.

In 2013, QMI and TVA Group reached a 12-year agreement with Rogers Communications Inc. for Canadian French-language broadcast rights to NHL 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 third 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 \$26,380,000 (\$23,457,000 in the third quarter of 2019).

In the third quarter of 2020, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling \$12,262,000 (\$12,622,000 in the third quarter of 2019).

In the third quarter of 2020, the Corporation also billed management fees to corporations under common control in the amount of \$1,240,000 (\$1,318,000 in the third quarter of 2019). These fees are recorded as a reduction of operating expenses.

As well, the Corporation paid management fees to the parent corporation in the amount of \$855,000 in the third quarter of 2020 (\$855,000 in the third quarter of 2019).

During the first nine months of 2020, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of \$77,023,000 (\$73,703,000 during the first nine months of 2019).

In the first nine months of 2020, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling \$35,650,000 (\$42,736,000 in the first nine months of 2019).

In the first nine months of 2020, the Corporation also billed management fees to corporations under common control in the amount of \$3,700,000 (\$4,543,000 in the first nine months of 2019).

As well, the Corporation paid management fees to the parent corporation in the amount of \$2,565,000 in the first nine months of 2020 (\$2,565,000 in the first nine months of 2019).

## Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 815,000 Class B stock options of the Corporation were outstanding as at October 19, 2020.

**Table 8**  
**Number of shares outstanding as at October 19, 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, Film Production & Audiovisual Services, and Magazines segments, management has identified no changes in internal control over financial reporting during the three-month period ended September 30, 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. As of June 30, 2020, management had completed its analysis of internal controls over that segment's financial reporting and will be able to certify their effectiveness by the end of the year. Please see tables 1, 2 and 3 above for more financial information on the Production & Distribution segment. Table 9 also provides supplementary financial information.

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

	<b>September 30, 2020</b>
Current assets	\$ 21,012
Non-current assets	3,986
Current liabilities	6,279
Non-current liabilities	1,836

### **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](http://www.sedar.com) and [www.groupe TVA.ca](http://www.groupe TVA.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 pandemic is evolving rapidly and could continue to materially affect the Corporation's operations and financial results. The magnitude of the pandemic's consequences for the Corporation 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 current and potential negative effects of the 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 precarious situation of some advertisers;
- content supply chain disruption due to widespread postponement in content production activities and uncertainty about the presentation of a competitive offering of original programming;
- suspension of all live broadcasts of sporting events held by professional leagues; whether postponed or not could have a considerable impact on our content costs, the value of the related audiovisual content, and revenues from these events, including the same potential impacts for events that are being held in substantially different formats and schedules;
- reduction in the publication frequency of some periodicals, which is affecting revenues in the Magazines segment;
- suspension of content production activities or their continuation with restrictive working conditions, which is impacting our Film Production & Audiovisual Services and Production & Distribution segments;
- impact of legislation, regulations and other government action in response to the pandemic;
- negative impact on capital markets; and
- ability to access financial markets at a reasonable cost.

These risks and uncertainties could have a material adverse effect on the Corporation's business, prospects, results of operations and financial condition.

### **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](http://www.sedar.com) and [www.groupepva.ca](http://www.groupepva.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 October 29, 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

October 29, 2020

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

	2020			2019	
	Sept. 30	June 30	March 31	Dec. 31	
<b>Operations</b>					
Operating revenues	\$ 119,537	\$ 103,855	\$ 137,134	\$ 164,196	
Adjusted EBITDA	\$ 23,363	\$ 7,366	\$ 8,507	\$ 33,568	
Net income (loss) attributable to shareholders	\$ 8,404	\$ (2,744)	\$ (723)	\$ 16,030	
<b>Basic and diluted per-share data</b>					
Basic and diluted earnings (loss) per share	\$ 0.19	\$ (0.06)	\$ (0.02)	\$ 0.37	
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206	
	2019			2018	
	Sept. 30	June 30	March 31	Dec. 31	
<b>Operations</b>					
Operating revenues	\$ 125,618	\$ 145,955	\$ 134,141	\$ 150,466	
Adjusted EBITDA	\$ 31,141	\$ 3,764	\$ 3,967	\$ 25,901	
Net income (loss) attributable to shareholders	\$ 13,361	\$ (6,224)	\$ (6,715)	\$ 9,525	
<b>Basic and diluted per-share data</b>					
Basic and diluted earnings (loss) per share	\$ 0.31	\$ (0.14)	\$ (0.16)	\$ 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 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.