INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER 2024

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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 services. In the Magazines segment, TVA Group publishes numerous 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 2024 and the major changes from the previous fiscal year. The Corporation's Condensed Consolidated Financial Statements for the three-month and nine-month periods ended September 30, 2024 and 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2023 and in the Condensed Consolidated Financial Statements dated September 30, 2024. All amounts are stated in Canadian dollars.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

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

- The **Film Production & Audiovisual Services** segment ("**MELS**"), which provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("**media accessibility services**"), postproduction and virtual production services;

- The **Magazines** segment, which publishes magazines and markets digital products associated with the various magazine brands;

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

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, restructuring costs and other, income tax expense (recovery) and share of (income) loss 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 depreciation and amortization of tangible and intangible assets, including any asset impairment charges, as well as the cost associated with one-time restructuring measures, 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 below presents a reconciliation of adjusted EBITDA (negative adjusted EBITDA) to net income (loss) as disclosed in the Corporation's condensed consolidated financial statements.

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Adjusted EBITDA (negative adjusted EBITDA):				
Broadcasting	**$ 9,520**	$ 14,456	**$ (4,115)**	$ (12,889)
Film Production & Audiovisual Services	**3,285**	669	**11,315**	(299)
Magazines	**363**	1,288	**316**	1,230
Production & Distribution	**(597)**	(146)	**(1,227)**	81
Intersegment items	**(350)**	218	**(199)**	542
	12,221	16,485	**6,090**	(11,335)
Depreciation and amortization	**5,149**	6,805	**16,951**	20,960
Financial expenses	**933**	947	**3,684**	786
Restructuring costs and other	**1,401**	7,684	**7,359**	8,706
Income taxes (income tax recovery)	**1,963**	1,691	**(3,252)**	(9,634)
Share of loss (income) of associates	**167**	(3)	**(452)**	(134)
Net income (loss)	**$ 2,608**	$ (639)	**$ (18,200)**	$ (32,019)

ANALYSIS OF CONSOLIDATED RESULTS

2024/2023 third-quarter comparison

Revenues: $112,416,000, a $6,204,000 (-5.2%) decrease.

- Decreases in Broadcasting ($9,921,000 or -10.1% of segment revenues) and Magazines ($699,000 or -7.5%).

- Increases in Film Production & Audiovisual Services ($3,737,000 or 29.9%) and Production & Distribution ($464,000 or 18.2%).

Adjusted EBITDA: $12,221,000, a $4,264,000 (-25.9%) decrease.

- Unfavourable variances in Broadcasting ($4,936,000 or -34.1% of segment adjusted EBITDA), Magazines ($925,000 or -71.8%) and Production & Distribution ($451,000).

- Favourable variance in Film Production & Audiovisual Services ($2,616,000).

Net income attributable to shareholders: $2,608,000 ($0.06 per basic share), compared with a net loss attributable to shareholders of $639,000 (-$0.01 per basic share) for the same period of 2023. The $3,247,000 ($0.07 per basic share) favourable variance was essentially due to:

- $6,283,000 favourable variance in restructuring costs and other; and

- $1,656,000 favourable variance in the depreciation and amortization charge;

  partially offset by:

- $4,264,000 decrease in adjusted EBITDA.

Depreciation and amortization: $5,149,000, a $1,656,000 decrease, mainly due to a decrease in the charge for amortization of fully amortized intangible assets, particularly intangible assets associated with past business acquisitions, as well as software, and a decrease in the depreciation charge for technical equipment.

Financial expenses: $933,000, a slight $14,000 decrease resulting mainly from a favourable variance in interest on debt related to lower average indebtedness for the third quarter of 2024, compared with the same quarter of 2023, partially offset by unfavourable variances in the foreign exchange gain, interest related to the defined benefit plans and interest income.

Restructuring costs and other: $1,401,000 for the third quarter of 2024, compared with $7,684,000 for the same period of 2023.

- During the three-month period ended September 30, 2024, the Corporation recorded a $1,558,000 charge arising, among other things, from an adjustment to the provision for elimination of positions and cost-reduction measures related to the reorganization plan announced on November 2, 2023, including $1,210,000 in the Broadcasting segment, $173,000 in the Film Production & Audiovisual Services segment and $175,000 in the Magazines segment ($21,000 charge for the same period of 2023, including $11,000 in the Film Production & Audiovisual Services segment and $10,000 in the Broadcasting segment).

- During the third quarter of 2024, the Corporation recorded a $157,000 gain on disposal of property, plant and equipment.

- In the third quarter of 2023, unfavourable market conditions and the changing ecosystem in the television industry led the Corporation to perform an impairment test on its Broadcasting cash-generating unit (“CGU”). The Corporation concluded that the recoverable amount, based on fair value less costs of disposal, was less than its carrying amount. Accordingly, a $4,813,000 goodwill impairment charge and a $2,850,000 charge for impairment of certain trademarks were recognized.

Income taxes: $1,963,000 (effective tax rate of 41.4%) for the third quarter of 2024, compared with $1,691,000 (effective tax rate of 161.2%) for the same period of 2023, an unfavourable variance of $272,000, due mainly to the recording of higher taxable income for tax purposes compared with the same period of 2023. The effective tax rate was higher than the Corporation's statutory rate of 26.5% for the three-month period ended September 30, 2024 mainly because of the recognition of prior-year adjustments and foreign income taxes. The effective tax rate was higher than the statutory rate of 26.5% for the three-month period ended September 30, 2023 due, among other things, to the permanent variance stemming from the goodwill impairment charge, and the recognition of foreign income taxes. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of loss of associates: $167,000 for the third quarter of 2024, compared with a $3,000 share of income for the same quarter of 2023, an unfavourable variance of $170,000 caused by the weaker financial results of an associate in the television industry.

2024/2023 year-to-date comparison

Revenues: $385,528,000, a $7,955,000 (-2.0%) decrease.

- Decreases in Broadcasting ($16,203,000 or -4.9% of segment revenues), Production & Distribution ($4,428,000 or -41.1%) and Magazines ($2,674,000 or -9.8%).

- Increase in Film Production & Audiovisual Services ($13,499,000 or 34.6%).

Adjusted EBITDA: $6,090,000, a $17,425,000 favourable variance.

- Favourable variances in Film Production & Audiovisual Services ($11,614,000) and Broadcasting ($8,774,000).

- Unfavourable variances in Production & Distribution ($1,308,000) and Magazines ($914,000 or -74.3%).

Net loss attributable to shareholders: $18,200,000 (-$0.42 per basic share) for the first nine months of 2024, compared with $32,019,000 (-$0.74 per basic share) for the same period of 2023. The $13,819,000 ($0.32 per basic share) favourable variance was primarily due to:

- $17,425,000 favourable variance in adjusted EBITDA;

- $4,009,000 favourable variance in the depreciation and amortization charge; and

- $1,347,000 favourable variance in restructuring costs and other;

  partially offset by:

- $6,382,000 unfavourable variance in income tax recovery; and

- $2,898,000 unfavourable variance in financial expenses.

Depreciation and amortization: $16,951,000, a $4,009,000 decrease essentially due to the same factors as those noted above in the 2024/2023 third-quarter comparison, as well as a decrease in the depreciation charge associated with equipment for rental and buildings that have been fully amortized.

Financial expenses: $3,684,000 a $2,898,000 increase resulting mainly from an unfavourable variance in interest on debt, associated with higher average indebtedness for the first nine months of 2024, compared with the same period of 2023, as well as an unfavourable variance in interest related to the defined benefit plans.

Restructuring costs and other: $7,359,000 for the first nine months of 2024, compared with $8,706,000 for the same period of 2023.

- During the second quarter of 2024, the Corporation performed an impairment test on the Production & Distribution CGU due to the competitive industry environment and the slowdown in its volume of activities. The Corporation concluded that the recoverable amount of the CGU, based on value in use, was less than its carrying amount. Accordingly, a goodwill impairment charge of $7,781,000, without any tax consequences, was recognized.

- In the first nine months of 2024, the Corporation also recorded a $2,207,000 charge arising, among other things, from an adjustment to the provision for elimination of positions and cost-reduction measures related to the reorganization plan announced on November 2, 2023, including $1,596,000 in the Broadcasting segment, $325,000 in the Film Production & Audiovisual Services segment and $286,000 in the Magazines segment ($1,086,000 charge for the same period of 2023, including $729,000 in the Broadcasting segment, $214,000 in the Film Production & Audiovisual Services segment, $111,000 in the Magazines segment, and $32,000 in the Production & Distribution segment).

- During the first quarter of 2024, the Corporation closed the sale of a building in Saguenay to its parent corporation for proceeds on disposal of $2,600,000. The transaction gave rise to the recognition of a $2,309,000 gain on disposal. During the nine-month period ended September 30, 2024, the Corporation also recognized a $320,000 gain on disposal of other property, plant and equipment.

- As noted above in the 2024/2023 third-quarter comparison, the Corporation recorded a $4,813,000 goodwill impairment charge and a $2,850,000 charge for impairment of certain trademarks in the Broadcasting CGU during the third quarter of 2023.

Income tax recovery: $3,252,000 (effective tax rate of 14.8%) for the first nine months of 2024, compared with $9,634,000 (effective tax rate of 23.1%) for the same period of 2023, an unfavourable variance of $6,382,000, due mainly to the impact of recording of a smaller loss deductible for tax purposes for the first nine months of 2024, compared with the same period of 2023. The effective tax rate was lower than the statutory rate of 26.5% for the nine-month period ended September 30, 2024, mainly due to the permanent variance stemming from the goodwill impairment charge, as well as the recognition of prior-year adjustments. The effective tax rate was lower than the statutory rate of 26.5% for the nine-month period ended September 30, 2023, mainly due to the permanent variance stemming from the goodwill impairment charge. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $452,000 for the first nine months of 2024, compared with $134,000 for the same period of 2023; the $318,000 favourable variance was due to the improved financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2024/2023 third-quarter comparison

Revenues: $88,396,000, a $9,921,000 (-10.1%) decrease due mainly to:

- 16.4% decrease in TVA Network's revenues essentially due to:
  - 8.6% decrease in advertising revenues, despite a 10.8% increase in digital revenues;
  - 77.5% decrease in video-on-demand ("VOD") revenues resulting, among other things, from the discontinuation of VOD broadcasts of TVA Network programming by a broadcasting distribution undertaking; and
  - 48.7% net decrease in revenues from sponsorships and other content, partly due to the end of the show *La belle tournée*, a production subsidized under a program set up during the COVID-19 pandemic;
- 17.4% decrease in Qolab's revenues due to lower volume of activities; and
- 10.2% decrease in specialty entertainment channel revenues, including a 23.5% decrease in advertising revenues and a 5.1% decrease in subscription revenues due mainly to the replacement of the "Yoopa" channel by a TV version of QUB radio, "QUB Télé," a news channel;

partially offset by:

- 2.9% increase in revenues for "TVA Sports," including a 13.4% increase in advertising revenues and a 0.8% increase in subscription revenues; and
- 11.8% increase in specialty news channel subscription revenues, including a 6.1% increase for "LCN," along with the addition of subscription revenues for the new "QUB Télé" channel.

French-language audience share

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

Third quarter 2024 vs Third quarter 2023			
	2024	**2023**	**Difference**
French-language conventional broadcasters:			
TVA	**22.3**	23.5	-1.2
SRC	**15.4**	11.6	3.8
noovo	**5.3**	5.3	–
	43.0	40.4	2.6
French-language specialty and pay services:			
TVA	**16.7**	17.1	-0.4
Bell Media	**13.6**	15.0	-1.4
Corus	**4.5**	5.6	-1.1
SRC	**6.3**	6.2	0.1
Other	**5.5**	5.7	-0.2
	46.6	49.6	-3.0
Total English-language channels and other:	**10.4**	10.0	0.4
TVA Group	**39.0**	40.6	-1.6

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, 2024 decreased by 1.6 points to 39.0%, compared with 40.6% for the same period of 2023.

TVA Group’s specialty services had a combined market share of 16.7% for the third quarter of 2024, compared with 17.1% for the same period of 2023, a 0.4-point decrease. The news and public affairs channel “LCN” recorded a significant 0.8-point growth, partly due to its exceptional coverage of the U.S. election campaign. It thus maintained its position as Quebec’s most-watched specialty channel, even ahead of the over-the-air channel “noovo.” The “Témoin” channel grew by 0.1 points, while the entertainment channels and “TVA Sports” saw declines.

TVA Network maintained its lead among over-the-air channels with a 22.3% market share, more than its two main over-the-air rivals combined. During the third quarter of 2024, the Corporation broadcast 15 of the 30 most-watched programs in Quebec, including *Chanteurs masqués*, the Quebec version of *The Masked Singer*, which topped the list with an average audience of nearly 1.6 million viewers, and drama series *Indéfendable*, *Les armes* and *Alertes*, which each attracted over one million viewers.

Adjusted EBITDA: $9,520,000, an unfavourable variance of $4,936,000 (-34.1%), due mainly to:

- increase in the TVA Network’s negative adjusted EBITDA essentially due to lower revenues, as noted above, partially offset by a 10.6% decrease in operating expenses, particularly employee costs, content costs and some CRTC fees, despite the fact that a retroactive charge for the new digital services tax was recorded in the third quarter;

- o 51.2% decrease in adjusted EBITDA at the specialty entertainment channels due mainly to a decrease in revenues, as noted above, partially offset by a 2.4% decrease in operating expenses; and

- o 44.9% decrease in Qolab's adjusted EBITDA, due mainly to lower volume of activities.

The higher revenues for the specialty news channels and "TVA Sports" were offset by 8.6% and 6.8% increases in their respective operating expenses. In addition to the retroactive charge for the new digital services tax, the higher operating expenses for the news channels were due, among other things, to the additional costs of the new "QUB Télé" channel, while the increased expenses for "TVA Sports" were also due to the broadcast of Euro 2024, partially offset by savings in other content costs and some CRTC fees.

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 85.3% for the third quarter of 2023 to 89.2% for the same period of 2024. The increase was essentially due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

2024/2023 year-to-date comparison

Revenues: $313,964,000, a $16,203,000 (-4.9%) decrease due mainly to:

- o 10.7% decrease in TVA Network's revenues essentially due to:

  - o 9.1% decrease in advertising revenues, despite a 6.4% increase in digital revenues; and

  - o 55.4% decrease in VOD revenues resulting, among other things, from the discontinuation of VOD broadcasts of TVA Network programming by a broadcasting distribution undertaking;

- o 20.6% decrease in Qolab's revenues due to lower volume of activities;

- o 8.6% decrease in advertising revenues for the specialty channels; and

- o 5.7% decrease in subscription revenues for the entertainment channels, particularly "Yoopa," which was replaced by "QUB Télé," as noted above, and a 1.5% decrease in subscription revenues for "TVA Sports";

partially offset by:

- o 91.2% increase in the news channels' subscription revenues, due mainly to the recognition in the second quarter of 2024 of a favourable retroactive adjustment of $10,184,000 for the period from September 1, 2017 to December 31, 2023 in connection with the royalty rates for the "LCN" channel, as well as the addition of the new "QUB Télé" channel.

Negative adjusted EBITDA: $4,115,000, an $8,774,000 favourable variance primarily due to:

- o increase in adjusted EBITDA for the news channels, mainly "LCN," as a result of the favourable retroactive adjustment to subscription revenues noted above; and

- o improvement in negative adjusted EBITDA for TVA Network, due mainly to a 12.1% decrease in operating expenses, including content costs, employee costs, certain administrative expenses and commissions on advertising sales, which more than offset the decrease in revenues;

partially offset by:

- o 54.6% decrease in adjusted EBITDA for the entertainment channels, mainly due to the impact of an 8.8% drop in revenues;

- 50.4% decrease in Qolab's adjusted EBITDA due to lower volume of activities; and

- 18.0% increase in negative adjusted EBITDA at "TVA Sports" due to lower revenues, as noted above, despite a 0.5% decrease in operating expenses resulting mainly from savings in employee costs, certain CRTC licence fees and commissions on advertising sales, partially offset by higher content costs associated with the broadcast of Euro 2024.

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 103.9% for the first nine months of 2023 to 101.3% for the same period of 2024. The decrease was essentially due to the fact that the decrease in operating expenses exceeded the decrease in revenues.

Film Production & Audiovisual Services

2024/2023 third-quarter comparison

Revenues: $16,256,000, a $3,737,000 (29.9%) increase due mainly to:

- 87.7% increase in soundstage, mobile and equipment rental revenues, due primarily to higher volume of activities, with major productions filming at our studios, among other things, compared with the same quarter of 2023; and

- 15.2% increase in postproduction revenues;

partially offset by:

- 22.6% decrease in revenues from media accessibility services due to lower volume of activities.

Adjusted EBITDA: $3,285,000, a $2,616,000 increase due mainly to:

- increase in adjusted EBITDA generated by soundstage, mobile and equipment rental services, essentially due to the same factors as those noted above as the reason for the favourable variance in revenues; and

- increased profitability of postproduction activities, due to higher volume of activities;

partially offset by:

- decreased profitability of media accessibility services due to lower volume of activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 94.7% for the third quarter of 2023 to 79.8% for the third quarter of 2024. The decrease was essentially due to the fact that the increase in revenues exceeded the increase in operating expenses.

2024/2023 year-to-date comparison

Revenues: \$52,529,000, a \$13,499,000 (34.6%) increase due mainly to:

- 130.4% increase in soundstage, mobile and equipment rental revenues, due to the same factors as those noted above in the 2024/2023 third-quarter comparison;

partially offset by:

- 18.3% decrease in revenues from media accessibility services and 7.2% decrease in postproduction revenues, due to lower volume of activities; and
- decrease in visual effects revenues due to the discontinuation of these activities on March 31, 2023.

Adjusted EBITDA: \$11,315,000, an \$11,614,000 favourable variance due primarily to:

- increased profitability of soundstage, mobile and equipment rental, due to higher volume of activities with major productions filming at our studios, among other things; and
- favourable variance due to the discontinuation of loss-making visual effects activities on March 31, 2023;

partially offset by:

- lower profitability of postproduction activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 100.8% for the first nine months of 2023 to 78.5% for the same period of 2024. The decrease was essentially due to the increase in revenues.

Magazines

2024/2023 third-quarter comparison

Revenues: \$8,643,000, a \$699,000 (-7.5%) decrease primarily due to:

- 8.6% drop in newsstand revenues, mainly in the entertainment category, due to the discontinuation of some titles and a reduction in the number of issues;
- 11.4% decrease in assistance from the Canada Periodical Fund ("CPF"), which introduced a change in the grant allocation method for its regular program starting April 1, 2021, as described below, resulting in a decrease in the assistance received by the Corporation under the program; and
- 5.2% decrease in subscription revenues, also mainly affecting the entertainment category.

Canada Periodical Fund ("CPF")

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. The Minister of Canadian Heritage announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, after which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under revenues. It amounted to 19.3% of the segment's revenues for the three-month period ended September 30, 2024 (20.1% for the same period of 2023).

Adjusted EBITDA: $363,000, a $925,000 (-7.81%) decrease due mainly to:

- the decline in revenues as explained above; and

- 2.8% increase in operating expenses, due mainly to the recognition of legal fees in connection with a lawsuit during the quarter, as well as higher digital costs, although savings were also achieved, particularly in printing costs.

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 86.2% for the third quarter of 2023 to 95.8% for the same period of 2024. The increase was caused by the decrease in revenues combined with the increase in operating expenses.

<u>2024/2023 year-to-date comparison</u>

Revenues: $24,677,000, a $2,674,000 (-9.8%) decrease due mainly to:

- 13.3% decrease in newsstand revenues, mainly in the entertainment category, essentially due to the same factors as those noted above in the 2024/2023 third-quarter comparison;

- 10.5% decrease in subscription revenues, primarily in the monthly and entertainment categories; and

- 9.2% decrease in assistance from the CPF due to the negative impact of the change in the grant allocation method for its regular program, as noted above.

Adjusted EBITDA: $316,000, a $914,000 (-74.3%) decrease due mainly to lower revenues, as noted above, partially offset by a 6.7% decrease in operating expenses. Savings were achieved, notably in printing costs, employee costs and subscription expenses, partially offset by legal fees recognized during the quarter, as well as higher digital costs compared with the same period of 2023, as noted in the 2024/2023 third-quarter comparison.

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 95.5% for the nine-month period ended September 30, 2023 to 98.7% for the same period of 2024. The increase was caused mainly by the fact that the decrease in revenues as a proportion of total revenues for the segment exceeded the decrease in operating expenses as a proportion of total expenses.

Production & Distribution

<u>2024/2023 third-quarter comparison</u>

Revenues: $3,014,000, a $464,000 (18.2%) increase due mainly to:

- 155.5% increase in revenues at TVA Films, mainly due to revenues from the theatrical distribution of the film *Nos Belles-Sœurs*;

partially offset by:

- decrease in Canadian and international distribution revenues, mainly for films produced by Incendo.

Activities related to the distribution of films produced by Incendo accounted for 22.9% of the segment's revenues for the three-month period ended September 30, 2024, compared with 46.8% for the same period of 2023.

Negative adjusted EBITDA: $597,000, a $451,000 unfavourable variance, mainly due to the recognition of an impairment charge of certain distribution rights during the quarter, as well as lower total gross margin for international and Canadian distribution for the three-month period ended September 30, 2024 compared with the same period of 2023, in connection with the decrease in Incendo's revenues, as noted above. The unfavourable variance was partially offset by savings in Incendo's administrative expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 105.7% for the three-month period ended September 30, 2023 to 119.8% for the same period of 2024. The increase was caused mainly by higher operating expenses.

<u>2024/2023 year-to-date comparison</u>

Revenues: $6,345,000, a $4,428,000 (-41.1%) decrease, mainly due to lower international and Canadian distribution revenues, primarily for films produced by Incendo.

Activities related to the distribution of films produced by Incendo accounted for 21.3% of the segment's revenues for the nine-month period ended September 30, 2024, compared with 52.5% for the same period of 2023.

Negative adjusted EBITDA: $1,227,000, a $1,308,000 unfavourable variance due to the same factors as those noted in the 2024/2023 third-quarter comparison.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 99.2% for the nine-month period ended September 30, 2023 to 119.3% for the same period of 2024. The increase was mainly due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

CASH FLOWS AND FINANCIAL POSITION

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

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Cash flows related to operating activities	**$ 8,234**	$ 19,412	**$ 23,121**	$ (68,141)
Additions to property, plant and equipment and intangible assets	**(7,423)**	(1,042)	**(18,685)**	(3,098)
Disposal of property, plant and equipment	**157**	–	**2,920**	–
Other	**(273)**	(236)	**(1,494)**	(1,565)
Repayment (increase) of debt	**$ 695**	$ 18,134	**$ 5,862**	$ (72,804)

	September 30, 2024	December 31, 2023
At period end:		
Bank indebtedness	**$ 10,239**	$ 176
Debt due to the parent corporation	**67,958**	83,883
Debt	**$ 78,197**	$ 84,059

Operating activities

Cash flows related to operating activities: $11,178,000 decrease for the three-month period ended September 30, 2024 compared with the same period of 2023, due mainly to a $10,755,000 unfavourable net variance in operating assets and liabilities, including unfavourable variances in accounts receivable, accounts payable, accrued liabilities and provisions and content rights payable, partially offset by a favourable variance in audiovisual content.

Cash flows related to operating activities: $91,262,000 increase for the nine-month period ended September 30, 2024 compared with the same period of 2023, due mainly to a $78,299,000 favourable net change in operating assets and liabilities and a $17,425,000 favourable variance in adjusted EBITDA. The net favourable change in operating assets and liabilities was due notably to favourable variances in content rights payable, audiovisual content, current income tax assets and liabilities and accounts payable, accrued liabilities and provisions, partially offset by an unfavourable variance in accounts receivable.

Working capital: $29,572,000 at September 30, 2024, compared with $126,321,000 at December 31, 2023. The $96,749,000 unfavourable variance was due primarily to recognition of the debt due to the parent corporation under current liabilities, as well as to a decrease in audiovisual content and an increase in bank indebtedness, partially offset by an increase in accounts receivable and decreases in accounts payable, accrued liabilities and provisions, and content rights payable.

Investing activities

Additions to property, plant and equipment and to intangible assets: $7,423,000 for the third quarter of 2024 compared with $1,042,000 for the third quarter of 2023. The $6,381,000 increase was mainly due to higher investments in connection with the reorganization plan announced on November 2, 2023, particularly in technical equipment and leasehold improvements.

Additions to property, plant and equipment and to intangible assets: $18,685,000 for the first nine months of 2024 compared with $3,098,000 for the first nine months of 2023, a $15,587,000 increase due mainly to the same factor as that noted above under additions for the third quarter of 2024 compared with the same period of 2023, as well as by higher investments in equipment for rental.

During the nine-month period ended September 30, 2024, cash outflows related to property, plant and equipment and intangible assets consisted primarily of disbursements arising from investments in connection with the reorganization plan announced on November 2, 2023, as well as equipment for rental, as noted above.

Quarterly disposal of property, plant and equipment: $157,000, due to the disposal of fully amortized assets (nil for the third quarter of 2023).

Year-to-date disposal of property, plant and equipment: $2,920,000, mainly due to the sale of a building in Saguenay to the parent corporation (nil for the first nine months of 2023).

Financing activities

Debt due to the parent corporation (excluding deferred financing costs): $68,000,000 at September 30, 2024, compared with $84,000,000 at December 31, 2023, a $16,000,000 decrease due mainly to the use of cash flows provided by operating activities to repay part of the debt.

Financial position as at September 30, 2024

Net available liquid assets: $41,761,000, consisting of a $52,000,000 unused and available renewable credit facility, less $10,239,000 in bank indebtedness.

As at September 30, 2024, the entire $68,000,000 in principal on the debt due to the parent corporation was payable during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.6 years as of September 30, 2024 (1.4 years as of December 31, 2023). The debt consisted entirely of floating-rate debt as of September 30, 2024 and December 31, 2023.

On June 28, 2023, the Corporation entered into an agreement for a new $120,000,000 secured renewable credit facility maturing on June 15, 2025, with QMI as the lender. This renewable credit facility bears interest at the Canadian Overnight Repo Rate Average ("CORRA") or the Canadian prime rate, plus a premium based on the Corporation's debt ratio.

Also on June 28, 2023, the Corporation entered into a new $20,000,000 secured renewable credit facility, repayable on demand. This demand credit facility bears interest at the Canadian or U.S. prime rate, plus a premium based on the Corporation's debt ratio.

Concurrently, on June 28, 2023, the Corporation terminated its $75,000,000 syndicated renewable credit facility.

The two new credit facilities contain certain restrictive covenants as well as typical representations and warranties for this type of agreements.

As at September 30, 2024, drawings on the demand credit facility totalled $4,629,000, in addition to $2,410,000 in outstanding letters of credit. At the same date, $68,000,000 was drawn from the QMI renewable credit facility. As at December 31, 2023, no amounts were drawn from the demand credit facility, whereas letters of credit were outstanding for a total amount of $2,744,000. At the same date, $84,000,000 was drawn from the QMI renewable credit facility.

In December 2021, Investissement Québec granted Mels Studios and Postproduction G.P. an unsecured loan without interest for a maximum amount of $25,000,000 to support the construction of a fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan in seven annual instalments starting on September 30, 2027. As at September 30, 2024 and December 31, 2023, no loan disbursements had been made by Investissement Québec.

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

As at September 30, 2024, the Corporation was in compliance with all the terms of its renewable credit facilities.

Analysis of consolidated balance sheet as at September 30, 2024

Table 4
Consolidated balance sheets of TVA Group
Analysis of main variances between September 30, 2024 and December 31, 2023
(in thousands of dollars)

	September 30, 2024	December 31, 2023	Difference	Main reasons for difference
Assets				
Current audiovisual content	**$ 96,207**	$ 140,696	$ (44,489)	Impact of rebilling of sub-licences to a company under common control, as well as current and seasonal variations in activities.
Defined benefit plan asset	**55,768**	39,867	15,901	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Liabilities				
Current portion of debt due to the parent corporation	**$ 67,958**	$ –	$ 67,958	Impact of recognition of entire debt due to the parent corporation under current liabilities given its maturity on June 15, 2025.
Debt due to the parent corporation	–	83,883	(83,883)	Impact of recognition of debt due to the parent corporation under current liabilities as noted above.

ADDITIONAL INFORMATION

Contractual obligations

As of September 30, 2024, material contractual commitments of operating activities included principal repayments and interest payments on debt and lease liabilities, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 5.

Table 5
Material contractual obligations of TVA Group as at September 30, 2024
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Debt due to the parent corporation	$ 68,000	$ –	$ –	$ –	$ 68,000
Lease liabilities	2,175	2,906	1,541	2,257	8,879
Payment of interest [1]	4,039	551	326	252	5,168
Content rights	214,561	100,163	4,387	–	319,111
Other commitments	13,419	7,427	2,196	4,809	27,851
Total	**$ 302,194**	**$ 111,047**	**$ 8,450**	**$ 7,318**	**$ 429,009**

[1] *Interest is calculated on a constant debt level as at September 30, 2024 and includes standby fees on the renewable credit facility and interest on lease liabilities.*

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 2024, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to companies under common control and associates in the aggregate amount of $26,812,000 ($27,705,000 for the third quarter of 2023). The decrease was mainly due to lower commercial production and advertising revenues from companies under common control, net of an increase in production and postproduction revenues from associates and an increase in content revenues from a company under common control.

In the third quarter of 2024, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and newsgathering services arising from transactions with companies under common control and associates totalling $24,767,000 ($17,083,000 for the third quarter of 2023). The increase stems mainly from higher content acquisition costs with associates, as well as higher fees for digital and technological services from companies under common control.

In the third quarter of 2024, the Corporation also billed management fees to companies under common control in the amount of $399,000 ($1,418,000 for the third quarter of 2023). The decrease in management fees billed was mainly due to the transfer of certain services to the parent corporation, which enabled the Corporation to realize savings on employee costs. These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $2,239,000 for the third quarter of 2024 ($1,220,000 for the same period of 2023), as well as interest in the amount of $1,136,000 on the secured renewable credit facility ($1,445,000 for the third quarter of 2023). The increase in management fees assumed was due to the transfer of certain services to the parent corporation, which enabled the Corporation to realize savings on employee costs.

During the first nine months of 2024, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to companies under common control and associates in the aggregate amount of $85,649,000 ($88,892,000 for the first nine months of 2023). The decrease was mainly due to lower advertising and commercial production revenues from companies under common control, net of an increase in content revenues from a company under common control and an increase in production and postproduction revenues from associates.

In the first nine months of 2024, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with companies under common control and associates totalling $86,808,000 ($83,712,000 for the first nine months of 2023). The increase was primarily due to higher content acquisition costs with associates, as well as higher fees for digital and technological services from companies under common control, net of a decrease in commissions on advertising sales with the parent corporation.

In the first nine months of 2024, the Corporation also billed management fees to companies under common control in the amount of $1,967,000 ($4,400,000 for the first nine months of 2023). The decrease was due to the same factor as noted above.

The Corporation also assumed management fees of the parent corporation in the amount of $6,716,000 for the first nine months of 2024 ($3,660,000 for the same period of 2023), as well as interest in the amount of $4,392,000 on the secured renewable credit facility ($1,505,000 for the same period of 2023). The increase in management fees assumed was due to the same factor as noted above.

Capital stock

Table 6 below presents information on the Corporation's capital stock. In addition, 705,774 Class B stock options of the Corporation were outstanding as of October 15, 2024.

Table 6
Number of shares outstanding as at October 15, 2024
(in shares and dollars)

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

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. There have not been any changes to internal control over financial reporting during the three-month period ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information

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

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include the possibility that the reorganization plan announced on November 2, 2023 will not be carried out on schedule or at all, the possibility that the Corporation will be unable to realize the anticipated benefits of the reorganization plan on schedule or at all, the possibility that unknown potential liabilities or costs will be associated with the reorganization plan, the possibility that the Corporation will be unable to successfully implement its business strategies, 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, 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.sedarplus.ca 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, 2023.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of October 31, 2024, 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 31, 2024

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

	2024			2023
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	**$ 112,416**	$ 143,951	$ 129,161	$ 151,714
Adjusted EBITDA (negative adjusted EBITDA)	**$ 12,221**	$ 13,170	$ (19,301)	$ 5,904
Net income (loss) attributable to shareholders	**$ 2,608**	$ (2,905)	$ (17,903)	$ (15,872)
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	**$ 0.06**	$ (0.07)	$ (0.41)	$ (0.37)
Weighted average number of outstanding and diluted shares (in thousands)	**43,206**	43,206	43,206	43,206

	2023			2022
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	$ 118,620	$ 138,760	$ 136,103	$ 171,924
Adjusted EBITDA (negative adjusted EBITDA)	$ 16,485	$ (3,843)	$ (23,977)	$ 7,676
Net loss attributable to shareholders	$ (639)	$ (7,847)	$ (23,533)	$ (264)
Basic and diluted per-share data				
Basic and diluted loss per share	$ (0.01)	$ (0.18)	$ (0.54)	$ (0.01)
Weighted average number of outstanding and diluted shares (in thousands)	43,206	43,206	43,206	43,206

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

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