TVA Group announces major changes to secure its future

Montréal, November 2 - TVA Group (TSX: TVA.B) is announcing major changes to secure its future at a time of crisis for the global media industry. The Corporation will implement a reorganization plan that will refocus its mission exclusively on broadcasting and restructure its news division, combined with increased collaboration with Quebecor’s media properties. The goal is to reduce the Corporation’s operating costs and streamline its workforce. The changes are designed to safeguard TVA Group’s core businesses so that it can continue providing the best local content and trusted, high-quality news coverage throughout Québec.

The reorganization plan is necessary because of the challenging financial, economic and competitive environment affecting TVA Group and the entire industry. In the third-quarter financial results released today, TVA Group reported a year-to-date loss of nearly $13 million for its Broadcasting segment, compared with $1.6 million for the same period last year.

The audiovisual and media landscape throughout the West is undergoing profound and unprecedented changes as a result of the globalization of television viewing, driven by the proliferation of on-demand digital broadcasting platforms (Netflix, Amazon Prime, Disney+, Apple TV+, Crave, Tou.tv EXTRA, Peacock, Roku, Hulu, etc.) and the tectonic shift in advertising spending to the Web giants (Google, YouTube, Facebook, Instagram, Tik Tok, X, etc.). These are not short-term changes but a long-term trend that is reshaping the broadcasting ecosystem.

The traditional television business model has been disrupted on all sides: shrinking audiences, declining subscriptions, falling advertising revenues, fierce competition and aggressive bidding for entertainment content and sports rights. The foreign platforms are also impacting news media by using the journalistic content they produce without paying a fair price for it. Their dominance is compounded by unfair competition from CBC/Radio-Canada, which behaves like a private broadcaster by competing for ratings and advertising dollars. (See the Appendix for a more detailed picture of the state of the industry.) Added to this are the anti-competitive practices of Bell TV, which for years has stubbornly refused to pay fair market value for TVA Group's specialty channels, particularly TVA Sports.

In an attempt to remedy the situation, TVA Group and Quebecor have relentlessly made representations and appeals to regulators and public authorities in recent years. TVA Group has also taken a number of difficult internal steps, including the elimination of 140 professional and managerial positions in February 2023, reductions in content production costs and the cancellation of some programs (see the Appendix for more details). However, these efforts have not been sufficient to bring the Corporation to sustainability.

Reorganization plan

Given this situation, in the coming months TVA Group will implement a three-pronged reorganization plan approved by its Board of Directors:

1. Cessation of in-house production of entertainment content
2. Restructuring of the news division
3. Optimization real estate assets

“The deficit TVA Group is currently running is simply no longer sustainable,” said Pierre Karl Péladeau, acting President and CEO of TVA Group and President and CEO of Quebecor. “We have a responsibility to correct the
situation. TVA has historically been an important vehicle for Québec culture, language and news. We have a duty to preserve it and ensure its sustainability. The necessary measures we are taking today will change the way we do business in order to withstand the market pressures and face the competition. We will refocus our activities, reduce our operating costs and concentrate on the strengths that set us apart and make TVA Québec’s favourite television network. Our goal is to be able to continue offering viewers original Québec content, to continue investing, and to bring all Quebecers reliable coverage of news and major sporting events."

1. **Cessation of in-house production of entertainment content**

As a first step, TVA Group has announced that it will focus on its role as a broadcaster and end in-house production of entertainment content by its TVA Productions subsidiary.

The three audience-pleasing entertainment programs currently produced in-house—*Le Tricheur, La Poule aux œufs d’or* and *VLOG*—will remain staples of TVA’s schedule but will be outsourced to external independent producers. Only the morning shows *Salut Bonjour* and *Salut Bonjour Week-end*, the newscasts, the TVA and LCN public affairs programs, and some TVA Sports programs will continue to be produced by in-house teams.

TVA Group’s production division, which also provided crews to outside producers for some programs, will begin discussions with its partners to encourage them to hire employees affected by the announced measures, according to their needs.

Production activities will be phased out as they are transferred to outside suppliers, taking into account current program schedules.

2. **Restructuring of the news division**

The second measure concerns the news outlets of TVA Group and Quebecor: TVA, LCN, *Le Journal de Montréal, Le Journal de Québec*, QUB radio, *24 heures*, TVA Sports, TVA Publications magazines, and the other digital brands. To ensure the quality of its news coverage in a precarious industry, TVA Group will reorganize its news crews based in Montréal, Québec City and its local stations in the rest of Québec. The situation also calls for closer collaboration among all of Quebecor’s media properties to capitalize on the strengths of each, reach Quebecers more effectively and compete with the Web giants for advertising dollars.

In Montréal, the teams from all of Quebecor’s conventional and digital news media will be brought together under one roof at 4545 Frontenac Street to form a media and digital production hub. Each media outlet will continue developing exclusive content and making its own editorial decisions, while having access to content produced and distributed by QMI Agency. In accordance with the conditions of licence set by the CRTC, the TVA and LCN newscasts will be managed separately and independently of Quebecor’s newspapers and other media properties.

Bringing staff together will make it possible to provide employees with a state-of-the-art work environment, including newly constructed studios. The centralized location will facilitate coordination and work planning within the teams and promote the pooling of some expertise and news gathering.
To create a similar media and digital production hub in Québec City, the Journal de Québec’s teams will move into TVA’s Québec City offices. In addition, TVA’s Québec City teams will now record the newscasts for all the other local stations. The local stations will continue to broadcast different newscasts, which will be delivered by a single anchor, to make their own editorial decisions and to produce their own content.

To continue providing strong local coverage that reflects local realities and issues, TVA Group will maintain teams of reporters in the field for its stations in eastern Québec, Saguenay-Lac-Saint-Jean, Sherbrooke and Trois-Rivières. The TVA affiliates in Carleton, Gatineau, Rivièr du-Loup and Rouyn are not affected by the announced plan.

The Corporation will reduce its real estate holdings outside Montréal and Québec City to lower the operating costs of the local stations, which are currently running a deficit, while maintaining local coverage.

3. Optimization of real estate assets

The third measure concerns TVA Group’s real estate holdings. Following the relocations resulting from the changes described above, TVA Group’s Corporate Services and the Quebecor Content, Quebecor Expertise Media and Quebecor Out-of-Home teams will move into Quebecor’s head office building.

The building at 4545 Frontenac Street in Montréal will undergo major renovations over the next few months to accommodate all of Quebecor’s media teams, including Salut Bonjour, TVA Sports and TVA Publications magazines, by the summer of 2024.

TVA Group is currently considering the future use of its headquarters at 1600 De Maisonneuve Blvd. East and some of its local stations’ buildings. In view of the housing shortage, management would like to discuss the possibility of converting the Montréal building to social housing with Montréal municipal authorities and the Québec government.

Workforce reductions and support measures

Unfortunately, the reorganization will result in the elimination of 547 positions or 31% of TVA Group’s current workforce, including 300 positions in in-house production, 98 positions related mainly to the operations of TVA’s local stations, and 149 positions in other departments. All affected employees will receive a minimum of 16 weeks notice, from today, of the layoff.

To support all employees during this difficult time, TVA Group has established a transition committee, led by Human Resources and assisted by experts from the Employee and Family Assistance Program. The Corporation will also put in place initiatives to enable affected employees who so wish to continue their careers elsewhere in the rest of the Quebecor family, depending on needs. Discussions will also be held with industry organizations and external producers to encourage them to hire affected employees.

In the coming weeks, TVA Group will begin negotiations with its employees’ union representatives on the renewal of its collective agreements.
TVA’s future

TVA plays a central role in the activities of Quebecor, whose business model revolves around the convergence of content and broadcasting platforms. The plan announced today springs from a desire to restore TVA Group to a position of strength and secure its future. Audiences will continue to be well served: the Corporation will maintain its high-quality newscasts and programming that brings people together, including popular favourites such as Révolution, La Voix, Chanteurs Masqués, Sortez-moi d’ici, Indéfendable, Alertes, Sorcières and Salut Bonjour, as well as major sports events.

“While the situation leaves us no choice but to make these major decisions, it is difficult to see such committed and talented people leave us,” said Mr. Péladeau. “They have helped make TVA Québec’s most popular network. I am grateful for their dedication and I thank them sincerely.

“For over ten years, TVA Group has been telling government bodies and regulators that the situation is urgent. Canada’s private media companies must be able to operate in a modernized ecosystem that can adapt to a borderless digital world. More than ever, this demands regulatory relief, flexibility and tax credits that more adequately and equitably reflect the conditions facing broadcasters and producers in the television industry. The fact is that not only has nothing changed, but the situation is now worse than ever. The lack of consideration for our industry, coupled with the mounting challenges it confronts, has forced us to take unprecedented action.

“There is no question of TVA Group disappearing from Québec’s media and television landscape. Its programs are landmarks on Québec’s distinctive cultural landscape. They bring Quebecers together. We have always been able to innovate and adapt to major upheavals in the industry. Just as we rose to the challenges in print media, which were similarly disrupted by the Internet in 2000, I am confident that we will meet today’s challenges in television,” Mr. Péladeau concluded.

For more details, consult the Appendix below and the presentation on the television industry in figures (in French only).

Forward-looking information disclaimer

The statements in this news release 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 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 in a timely manner or at all, the possibility of unknown potential liabilities or costs related to 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 emergency measures implemented by government.

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, 2022.

The forward-looking statements in this news release reflect the Corporation’s expectations as of November 2, 2023, and are subject to change after this 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.
APPENDIX

The conventional television industry by the numbers

Audiences and subscriptions in decline

- Average television viewership in Canada fell by 23% from 2015 to 2022.¹

- The penetration of broadcasting distribution undertakings (BDUs) in Canada dropped 10 percentage point from 2018 to 2022.²

- Only 65% of Québec adults subscribed to a conventional cable TV service in 2022, down 12 points since 2019. Over the same period, the proportion who subscribed to at least one paid online streaming service was up 15 points to 68%.³

- Among adults aged 25-34, 49% subscribed to a conventional cable TV service and 82% to at least one streaming service in 2022.⁴

Advertising revenue erosion

- The advertising revenues of conventional television broadcasters in Canada declined by 25% from 2012 to 2021.⁵

- Facebook and Google account for almost 80% of Internet advertising revenues. Between them, they took in $11.2 billion in advertising revenues in Canada alone in 2022.⁶

Financial losses and programming expenditures

- All of Canada’s conventional private broadcasters are now operating at a loss. In 2022, their losses totalled $289 million. To return to 2011 income levels, Canada's private broadcasters would have to make up a shortfall of over $431 million.⁷

¹Source: Numeris, Canada total, 2015 to 2022: January 1 to December 31, Mon-Sun 2am-2am, 2+.
²Source: Convergence Research Group, 2022 forecasts.
⁴Source: Académie de la transformation numérique, Portrait numérique des générations (2022).
⁶Sources: Meta’s advertising resources, Keipos Analysis and Google’s advertising resources (2023); CBC News, “Online News Act could see Google, Meta pay combined $234 million to Canadian media.”
TVA Group’s impact on the industry

- In 2022, TVA Group spent over $330 million on programming, 88% of it on Canadian content, including 96 original productions. This figure does not include Quebecor’s spending on content for its Club illico and Vrai platforms.

- For comparison, total spending on local production by Québec’s audiovisual industry was $1 billion in 2022, according to SODEC.

- In 2022, TVA Group’s French-language channels had a 40.8% market share, more than double that of Radio-Canada (19.9%) and Bell Media (19.5%) combined.

Steps taken by TVA Group to improve its financial position

- Eliminated 140 professional and managerial positions in February 2023
- Reduced content production costs and cancelled some programs
- Quebecor refinanced TVA Group to secure new credit facilities
- Implemented new technologies to optimize operating costs
- Rationalized production resources, including the elimination of the TVA helicopter and satellite trucks
- Closed MAtv Montréal to support TVA’s local news coverage
- Made multiple appeals to the CRTC to ease burdensome and costly administrative and regulatory requirements
- Advocated for the removal of advertising from all CBC/Radio-Canada platforms and a tightening of its mandate as a public broadcaster to better complement the private sector
- Intervened extensively in legislative and regulatory proceedings to regulate the Web giants and require financial contributions to Canada’s broadcasting system (C-11 and C-18)
- Called for a review of tax credits for Quebec film and television productions, and production services
- Called for revision of SODEC programs to make criteria more flexible and increase funding

Source: TVA Group
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