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## INTRODUCTION

Thank you, Mr. Mulroney, for your kind words. It is always an honour and a privilege for me to be here with you at our annual meeting.

2018 was a big year for Quebecor. As Mr. Mulroney mentioned, we turned an important page by buying out the Caisse de dépôt et placement du Québec's interest in Quebecor Media.

Pierre Péladeau made a bold move when he founded *Le Journal de Montréal* in 1964. He made another bold move when he entered a new market by expanding into printing and made Quebecor a fully integrated company. The same bold spirit prompted us to acquire Videotron in 2000 and enter the digital age. Then we rolled out our own mobile network and took on Canada's cartel of incumbent carriers.

It is the ability to anticipate the great changes in our industry that has made Quebecor what it is today. Sometimes, anticipating what's coming and having a vision of the future can lead to tough decisions and a course of action that isn't easy. We were in that position 10 years ago when the newspaper industry was facing dramatic changes and revenues were plummeting.

We are proud to be able to say that today *Le Journal de Montréal* and *Le Journal de Québec* are robust, profitable news outlets that don't have to transform themselves into non-profits and ask for donations to survive. We are also proud of the many jobs we were able to save.

Today, globalization and the digital revolution are forcing us to act boldly again in order to secure the future of Québec's television industry. For the first time, OTTs such as Netflix, Amazon Prime and Hulu have more total subscribers globally than cable. In Europe and the United States, viewing hours for traditional television are collapsing. In Québec, 49% of young people who still have cable say they will "definitely" or "probably" cancel it.

At this time, we need determination, boldness and the ability to innovate more than ever. Our regulatory bodies need to realize the urgency of the situation and make it possible for us to compete on a level playing field.

This week, the Auditor General of Canada confirmed that prompt action is needed, pointing to the unfair competition created by the federal government's refusal to tax the Web giants in the same way Canadian businesses are taxed.

The digital revolution has created many business opportunities for Quebecor but we must continue adapting our strategy to the new environment. That is what we have done in recent years, and we ended 2018 with a solid financial operational performance.

## **TELECOMMUNICATIONS**

Videotron had a banner year in more ways than one. The Telecommunications segment's revenues grew by 2.9% and its adjusted EBITDA was up nearly 8%.

As Mr. Mulrone mentioned, Videotron achieved dramatic growth under Manon Brouillette's leadership. I would like to extend my personal thanks to her. Today we are very pleased to have our long-time Jean-François Pruneau at the helm to lead Videotron to future success.

Videotron continues to innovate in order to meet its customers' needs and indeed to anticipate the needs of the younger generations.

First of all, with Fizz we have become the first mobile carrier to offer a 100% digital experience. Fizz is a new-style mobile carrier and Internet service provider we launched in the fall of 2018 in order to address new markets by targeting Generation Z and millennials. Fizz delivers an experience built on simplicity, independence and sharing for customers who like to do it themselves and save money.

Fizz's services therefore complement Videotron's and position us still more strongly in Québec's mobile telephony market. Already, Fizz has more than 40,000 subscriber connections.

Overall, our mobile telephony business continued to grow, increasing its subscriber connections by 12.7% in 2018. That put Videotron in the number 2 spot in wireless market share in Québec, only 10 years after launching its mobile network, and ahead of Rogers, an incumbent carrier for more than 30 years. No small achievement.

In the latest mobile spectrum auction, we bought 10 low-frequency blocks in the 600 MHz band. The acquisition of this spectrum will enable Videotron to continue its expansion in mobile telecommunication markets in Québec and the Ottawa area, and will thereby support healthy competition for the benefit of consumers. With this spectrum, Videotron is strongly positioned for the next technological revolution.

Videotron also unveiled the outlines of another major project, our new world-class distribution platform. Helix will revolutionize Quebecers' daily lives and connected homes when it launches later this year. It will combine voice commands, home automation, super-fast Wi-Fi, powerful content aggregation and an advanced, IP-based television experience.

As a result of these sustained efforts and its focus on customer experience, Videotron was ranked number 1 in two Léger surveys. It was:

- Québec's most respected telecommunications provider for the 14<sup>th</sup> consecutive year; and
- the coolest telecom in the opinion of young Quebecers.

Videotron Business, the one-stop shop for Internet service, business and mobile telephony, cable television, private networks and fibre optics for Québec businesses large and small, also has stellar customer satisfaction rates.

## **PRODUCTION OF ORIGINAL CONTENT**

In addition to state-of-the-art products and services, the factor that has always been Quebecor's key differentiator is the strength of its content: high-quality content made for Quebecers and featuring Québec artists. Quebecor has long understood the vital importance of content and it is a priority for us. Under the leadership of France Lauzière, President and CEO of TVA Group and Chief Content Officer of Quebecor Content, who is here with us today, many of our original productions have achieved critical and popular acclaim.

For example, subscribers to Club illico were able to binge-watch the last season of *Blue Moon*, the edgy and moving comedy *Léo*, and the family series *L'Académie* and *La Dérape*. More recently, the psychological thriller *Les Honorables*, starring Patrick Huard and Macha Grenon, set a new record by racking up a million views in less than a week. That varied program line-up was largely responsible for Club illico's excellent results in 2018 and the 16.4% increase in its subscriber base.

On TVA, the series *Fugueuse* and the format *Révolution* were big hits. The quality of our original productions also enabled us to break into international markets. For example, *Fugueuse* was sold in France, Italy and Norway, *Victor Lessard* in English Canada, and *Révolution* in France, Spain and Lithuania. Those sales generated additional revenues for us while showcasing Québec talent and creativity.

Original content is clearly the foundation of TVA Group's success. Last week, TVA Group set an all-time record by reaching a market share of 38.8%. And that's not all. For the first time in its history, LCN passed Radio-Canada to become the second most-watched channel in Québec, after TVA. Meanwhile, TVA Sports' audience during the 5 p.m. to 7 p.m. time slot increased by an impressive 170% during the winter 2019 season compared with the same period of last year. Our other specialty channels, CASA, addik<sup>TV</sup>, Prise 2, MOI&cie and Yoopa, also improved their ratings in 2018.

In light of these excellent results, it is all the more difficult to understand the logic behind the royalties paid to specialty channels. We have been very vocal about this problem in recent months but Bell and the regulatory body continue to cling to the status quo. Although TVA's specialty channels have the highest ratings in Québec, Bell continues to reap the lion's share of royalties, taking in 49% of all the fees paid for French-language services. While TVA's market share is growing, Bell's is shrinking. And as Bell's market share shrinks, its carriage rates go up. It defies logic. Bell must give up the historic privileges rooted in its former monopoly status, and TVA's specialty channels must be priced at fair market value. This can happen only if the regulatory authorities give us the means to rebalance the royalties for all specialty channels like TVA Sports, based not on historical rates but on objective, measurable criteria such as ratings, popularity in pick-and-pay plans, and spending on programming. The fees for channels that have few viewers should be lowered and the money should go to the more popular channels. Consumers wouldn't have to pay more for their television package if the royalties were properly rebalanced.

That closes my digression on royalties.

Turning to Media, in a challenging environment for advertising revenues, our Media segment pressed ahead with its strategy to diversify its revenue streams and expand its range of content and services. We therefore acquired the Évasion and Zeste specialty channels. We also acquired Le Guide de l'auto, including both its print and online publishing operations. And we acquired Incendo Media in order to increase our reach in English-language markets for the distribution of audiovisual products and step up our international development. Lastly, to enhance MELS' turnkey services, we acquired the sound postproduction company Audio Zone and the assets of Mobilimage, a company that rents mobile production equipment.

TVA Group still wants to expand MELS' film studios. But with major American and Canadian cities such as Vancouver, Ottawa, and of course Toronto intensifying their efforts and able to offer significant tax incentives, our window of opportunity in Montréal is shrinking by the day. We are prepared to invest \$40 million to build MELS4 in this city without asking the government for any

subsidies or loans. All we ask of the Québec government is that it guarantee the existing tax credits for cinema and television production for 10 years, so that Montréal and Québec as a whole can remain attractive locations.

## **MEDIA**

In addition to cultural content, Quebecor remains true to its roots in high-quality news coverage. Our newspapers have the largest readership in Québec. The exceptional work of our Investigative Bureau and our Parliamentary Bureau helps keep them relevant. In these challenging times for print media around the world, we are proud of the continuing success of *Le Journal de Montréal*, *Le Journal de Québec* and *24 heures*, which remain as robust and popular as ever.

Our magazines and digital properties also remained No. 1 in Québec, reaching 96% of the population every month. They are powerful vehicles of dissemination and potent promoters of Québec's culture and its star system.

The advent of the digital age also prompted us to create our first digital radio station, QUB radio, in 2018. It is available to all Quebecers online, via the mobile app and on illico. QUB radio extends our convergence strategy to a new platform and brings a rich set of programs to both talk radio and the world of podcasts, where it has logged more than 2 million downloads since its launch in October 2018.

Finally, Quebecor is pleased to report that, even as technological change is transforming the landscape, our book publishing division is holding strong. Our 18 general literature publishers and our educational publisher, CEC Publishing, released 372 new print titles in 2018, including 7 of the 20 bestselling books in Québec.

## **SPORTS AND ENTERTAINMENT**

Under the leadership of Quebecor Sports and Entertainment Group's Chief Operating Officer, Martin Tremblay, the Videotron Centre was one of the top 5 arenas in Canada by concert receipts according to *Billboard* magazine. It was also one of the world's top 100 arenas by ticket sales. The Videotron Centre is drawing some of the biggest international names while continuing to provide a stage for Francophone artists. For example, in addition to choosing the Videotron Centre for two weeks of rehearsals, Paul McCartney presented the world premiere of his *Freshen up* tour there, setting a new box office record for the arena. Justin Timberlake, Elton John on his farewell tour, Carlos Santana and Shania Twain also thrilled their fans with performances at the Videotron Centre. Francophone artists who took the stage at the Videotron Centre included Lara Fabian, Eric Lapointe and Christophe Maé. And of course the Videotron Centre is also a prime destination for fans of combat sports and junior hockey.

The Music Division continued to strengthen its leading position on Québec's music scene. It acquired Mario Pelchat's MP3 Disques label, which has in its stable some of the bestselling artists of 2018 in Canada, such as the duo 2Frères and Paul Daraïche. Incidentally, the albums *La Voix 2019* and *Pelchat Aznavour Désormais*, released by Musicor and MP3 Disques, were at the top of the Québec album sales charts last week, according to Nielsen. Musicor Spectacles was boosted in 2018 by the signing of national and international headliners such as Lara Fabian, Corneille, Marc Dupré and Christophe Maé, whose concerts we are now producing.

#### **ACKNOWLEDGEMENTS AND PHILANTHROPY**

We owe our success in all our lines of business to the unfailing support of countless people. Please allow me to thank them today.

- First of all, I want to pay tribute to the exceptional work of our 10,000 employees, who are always up for the challenge of delivering the best possible customer experience.



- A huge thank-you to our millions of customers, to all our advertisers, our business partners, and of course our shareholders.
- I also want to express my gratitude to all the members of the management team for their dedication, and to our directors, who play a vital role by sharing their expertise and insight.
- And I would like to extend a special thank-you to our Chairman, Mr. Mulroney, for his wisdom and sound counsel.

Mr. Mulroney, tonight's tribute to you at the Soirée Honoris benefit for the Fondation du CHUM is one you richly deserve. There can be no clearer evidence of the respect and admiration you enjoy in all quarters than the way the Montréal and Toronto business communities have come together to support this worthwhile cause and to honour you.

I would even venture to say that it is irrefutable proof that Brian Mulroney was the best Prime Minister in Canada's history!

Quebecor is a major partner of the Fondation du CHUM and I will be proud to continue with our commitment at tonight's event, along with my colleague Marc Tremblay, who also serves as Chairman of the Fondation du CHUM.

We have the good fortune to have a world-renowned hospital here that provides Quebecers with care of the highest standard. It is very important to lend it our active support.

Our engagement with the community is a foundational principle that has been embedded in our corporate values for more than 60 years.

We have also chosen to invest in culture. We do it through the nature of our business, for example by investing in the production of local content and creating jobs, and we also do it by devoting

almost half of our philanthropy budget to culture. As well, we have always attached great importance to supporting the next generation of artists while recognizing the contributions made by the great figures in Québec culture.

For example, every year at the Quebecor Tribute Evening we award two \$50,000 prizes to two artists who have left their mark on our culture. Last year, the honour went to singer Patsy Gallant and actor Andrée Lachapelle.

Another good example is the current exhibition at Espace musée, our head office art gallery. It features the work of photographer Pierre Dury and spans his distinguished career, showing some of Québec's greatest artists through his lens.

We also celebrated the 10<sup>th</sup> birthday of a project that is particularly close to my heart, *Éléphant: The memory of Québec cinema*. Since it was created, *Éléphant* has digitized and restored nearly 215 feature films and made them accessible to the public. You can count on Quebecor to maintain this commitment.

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In conclusion, the vitality of Québec culture will always be a source of deep pride to Quebecor. We will continue our efforts to support our culture, to provide the best platforms, the best content and the best experience. The world will change, the economy will continue to be in ferment as a result of ongoing technological innovation, and Quebecor will continue adapting in order to grow and reimagine the future.

I thank you all.