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“While the pages of this report detail the past year, I would also like to take this opportunity to outline the future vision I hold for Atlantic Lottery as we seek to move our core business forward.”

— Chris Keevill, President & CEO





## Chair Message

While an annual report is predominantly a reflection of the past, it is impossible not to reflect on the fact that I am writing this message while our region remains under emergency measures, as a consequence of the COVID-19 pandemic. In terms of financial impact, the effect on the fiscal year ended March 31, 2020 was modest. Like all enterprises, however, the company and its management team were required to transition through extraordinary events which significantly impacted employees, shareholders, retailers, suppliers and of course our customers. The Board is extremely proud of how the team rose to the occasion, working with all parties to continue to provide, where feasible, the products that our customers demand.

I want also to acknowledge the changing of the guard that occurred with the transition of our President and CEO at the end of this fiscal year. Brent Scrimshaw joined Atlantic Lottery in 2006 as executive vice-president of brands and channels. He was then selected as Atlantic Lottery's president and CEO in 2011 and appointed by the Board to a second term in 2016.

Brent was a vocal advocate of innovation and disruption as a means of continual renewal. He championed investment in technology including the launching of a new lottery gaming system, which is now the backbone of Atlantic Lottery's successful retail and ever-evolving online sales platform. He also helped steward the adoption of a new corporate strategic plan with a strong focus on the customer and digital innovation and delivery. When the search was launched for his successor, the goal was to identify a candidate who could continue and build upon the path of growth and renewal that Brent and his team have forged.

I am pleased to say that Chris Keevill more than meets these requirements. Selected as President and CEO after an extensive recruitment process, he brings more than 20 years of experience in digital transformation, innovation, marketing and media. With roots in Atlantic Canada and experience at the regional, national and international levels, Chris is the ideal leader for Atlantic Lottery's next chapter and to deliver on the corporation's core strategy of growing its player base, improving player experience in a digital world and deepening its relationships with players.

Equally essential, he understands the necessity of doing so while maintaining a firm commitment to social responsibility. Each of these objectives will be central to the work ahead as Chris and his entire team prepare the corporation for the lottery landscape of the future.

As we look forward to the year ended March 31, 2021 the effects of COVID-19 will be more material on the bottom line of the corporation and while operations are gradually returning to pre-COVID-19 levels there is still substantial uncertainty in the broader economic environment. The experience has validated the thrust of our strategic plan and perhaps highlighted the need to advance elements of it even more robustly. The Board, while concerned about the effects of this pandemic, is enthusiastic about our ability to evolve our business to meeting the changing needs of our customers.

Sincerely,

A handwritten signature in white ink, appearing to read 'Sean O'Connor', written over a dark blue background.

Sean O'Connor  
Independent Board Chair



## CEO Message

It is my privilege to share this report on Atlantic Lottery's 2019-20 financial results to our players, shareholders and the public. I provide this update on behalf of former President and CEO Brent Scrimshaw, who skillfully led the corporation through the past fiscal year and each one since 2011, as well as all Atlantic Lottery employees who contributed to the years of strong performance that continued in 2019-20.

Atlantic Lottery returned more than \$395.4 million to the four Atlantic provinces last year, although this fell short of our original target as the COVID-19 pandemic flattened revenues during the last two weeks of the fiscal year. As we navigate the current 2020-21 fiscal year, the effects of the pandemic are continuing to affect our operations and revenues.

While the pages of this report detail the past year, I would also like to take this opportunity to outline the future vision I hold for Atlantic Lottery as we seek to move our core business forward. This will require the transformation into a more digitally driven gaming company to ensure its sustainability. In the face of increased competition from unregulated operators, the current model is not growing profit for our shareholders, nor is it maintaining our player base.

With that in mind, we are undergoing corporate change that emphasizes two key areas: increased digitalization and a greater focus on our players. The opportunity to grow in the digital space is enormous – especially as we further compete in order to keep Atlantic Canadians' dollars right here in our region. Our physical retail presence is and will always remain a vital part of our business, but we want it to be even more integrated with the digital lottery experience.

This connects us with the second key focus area: putting our players first safely in everything we do, from every game we offer to the customer service we provide. Players have more choice than ever when deciding how they spend their time and money, so Atlantic Lottery needs to make sure we're exceeding their expectations in every way possible.

These realities predate the current pandemic and its effects, although COVID-19 has highlighted the need for change and accelerated the pace at which we must act. We know that as we emerge from these unprecedented times it is our obligation to ensure we do so as a stronger and more resilient company so we can maximize profit returned to shareholders and continue to deliver much-needed revenue to our community.

At the same time, Atlantic Lottery must continue to meet its obligations to social responsibility, given our dual mandate of not only delivering profit, but also contributing in many other ways throughout the region. The work we do is imperative in helping to build a stronger Atlantic Canada and it is an honour to fill this role at a company that has such a profound impact.

I am excited to get started.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Keevill', written in a cursive style.

Chris Keevill  
President & CEO



## Executive Summary

Every business decision at Atlantic Lottery is made through the lens of balancing social responsibility with delivering sustainable returns for Atlantic Canadians. In 2019-20, Atlantic Lottery returned \$395.4 million to the provincial governments in Atlantic Canada, which was \$24 million below our original profit target of \$419.4 million.

Overall, \$257.5 million was delivered from the Destination line of business and \$137.9 million from the Retail and iLottery lines.

The Destination line of business result is \$15.5 million under budget and the Retail and iLottery lines of business contributed an additional \$8.5 million gap to profit target. This underperformance is primarily a result of safety measures implemented during the COVID-19 pandemic which included a temporary shutdown of our operations in the Destination line of business.

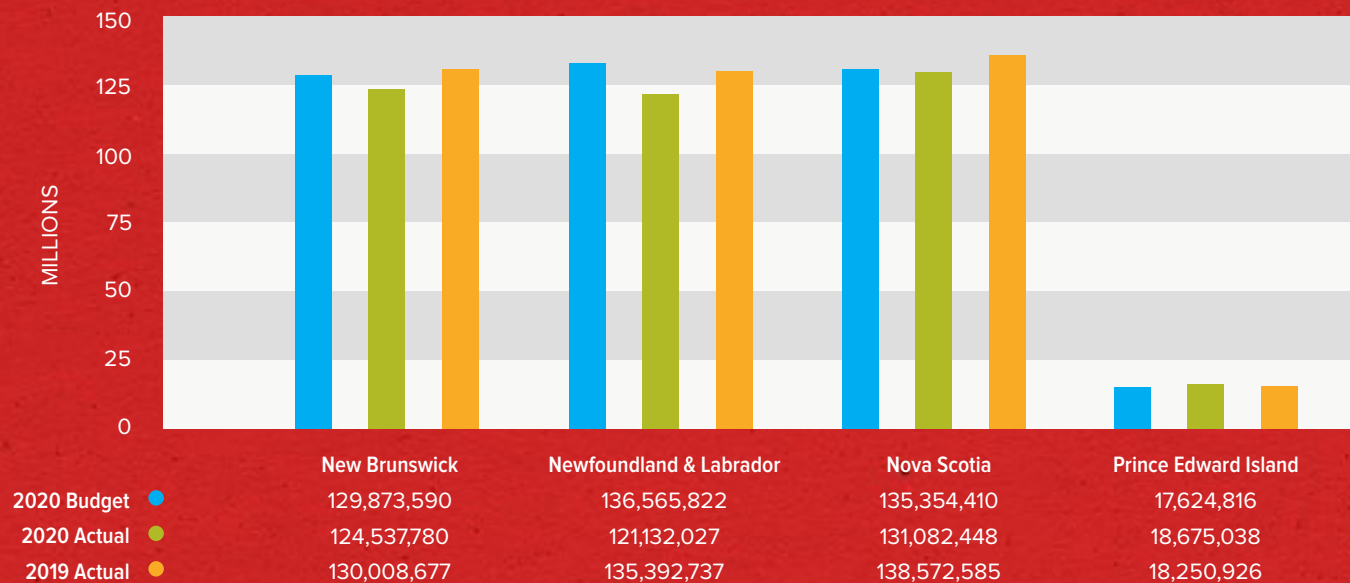
In addition to the profits distributed to the provincial governments,

Atlantic Lottery remitted \$51.4 million to the provincial and federal governments in taxes and federal contributions.

Atlantic Lottery experienced record sales through its alc.ca platform in 2019-20 and the number of Atlantic Canadians with active accounts continues to grow, demonstrating the importance of the online space. The iLottery share of net profit increased to 4 per cent in 2019-20 from 2.45 per cent the previous year, while the share of total lottery sales from the iLottery line of business increased to 8 per cent from 4 per cent. Atlantic Lottery continues to provide new games and experiences, which is central to our efforts of putting players first with competitive, innovative products within a regulated environment.

Red Shores was 5.2 per cent below budget, with the shortfalls in the casino games and food and beverage categories largely attributed to closing both properties due to COVID-19.

PROFITS BY PROVINCE





## Social Responsibility

Not only does 100 per cent of Atlantic Lottery profit stay here to help fund services essential to Atlantic Canadians, like health care, education and infrastructure, our commitment to Social Responsibility (SR) is an essential part of every game we offer, every event we sponsor and every decision we make. We know that Atlantic Canadians expect nothing less. Atlantic Lottery's SR strategy consists of six pillars: Players and Products; Retailers; Employees; Communities; Supply Chain; and Environmental Stewardship. Our focus within each of these areas reflects the pride we take in being Atlantic Canadians' responsible and regulated gambling company. Our commitment to regulatory compliance is integral to our desire to operate in a socially responsible and ethical manner, and to achieve high standards of integrity.

### Players and Products

At Atlantic Lottery, we aim to not only exceed players' expectations of our games and our services, but also to ensure we provide them with the right information and tools to help keep their play for fun and entertainment. Responsible gambling is one of Atlantic Lottery's core values. This commitment is how we have achieved Level 4 recertification of the World Lottery Association's Responsible Gaming Framework, representing the highest level of certification available globally.

### Retailers

The independent retailers across Atlantic Canada who sell our products are the face of our business to the majority of our players. Atlantic Lottery values these retailers and supports them as they support our revenue objectives and play an essential role in our responsible gambling efforts, including preventing the sale of lottery products to any person under the age of majority.

## Environmental Stewardship

Atlantic Lottery is always seeking to minimize the impact of our operations on the environment. This focus on environmental protection and sustainability includes: an environmental assessment included as part of the procurement process; refurbishment of point-of-sale items to reduce or prevent items directed to landfill; and continuous improvements to facilities.



## Communities

As a publicly owned corporation, Atlantic Canadians and their communities are at the heart of everything we do. Atlantic Lottery sponsors more than 100 festivals, exhibitions and events every year that help celebrate the unique culture within each community and region. We live and work in Atlantic Canada and are working together to make it a better place for everyone who calls this region home.

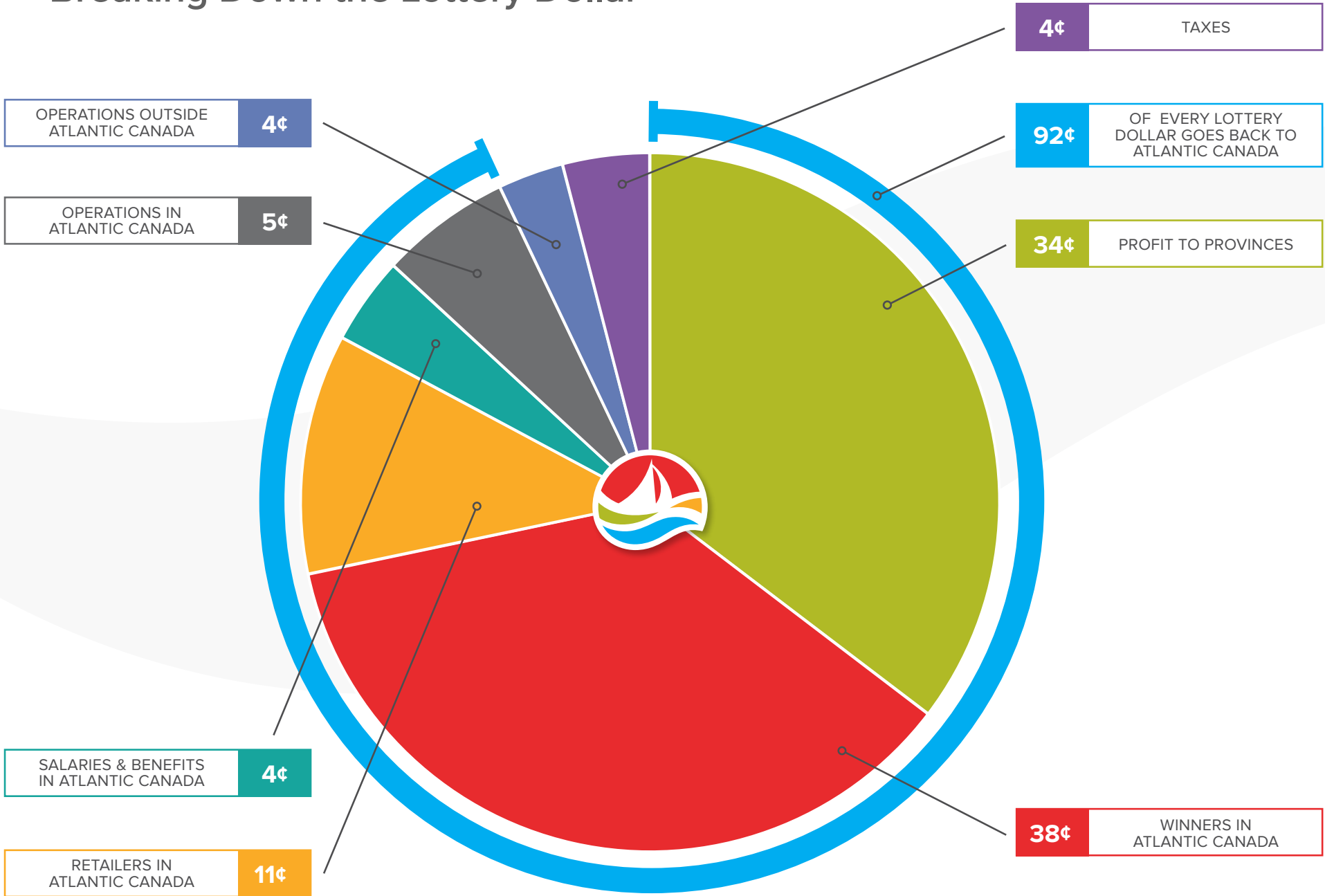
## Employees

Across the four provinces, Atlantic Lottery employs more than 650 employees who are the heart and soul of our business. We are committed to fostering an inclusive, accessible environment, where all employees feel valued, respected and supported. Every employee is responsible for incorporating SR into their everyday activities – it is everyone's responsibility to apply these values and promote a culture that puts SR at the forefront of every decision.

## Supply Chain

Atlantic Lottery's dedication to SR extends beyond our own activities. With thousands of Atlantic Canadian businesses earning income from the sales of our products and more than \$1 billion in regional economic activity created every year, we know there's an opportunity to have a greater impact. As a result, Atlantic Lottery's vendor management program verifies our vendors' SR activities, with 96 per cent now boasting active SR initiatives of their own in place.

# Breaking Down the Lottery Dollar







## Where the Money Goes

Atlantic Lottery returns 100 per cent of unconsolidated profits to our four shareholder governments every year. Beyond returning profits and awarding prizes to winners, Atlantic Lottery directly and indirectly contributes to the regional economy in several different ways. The emphasis on achieving results through responsible growth is clearly demonstrated through a breakdown of how Atlantic Lottery's revenue is allocated, revealing that **92 cents** of every lottery dollar stays in the four Atlantic Canadian provinces.

38¢

### WINNERS IN ATLANTIC CANADA

Atlantic Lottery paid out \$449.7 million in prizes in 2019-20 to winners across Atlantic Canada.

34¢

### PROFITS BACK TO ATLANTIC CANADA

In 2019-20, Atlantic Lottery returned \$395.4 million in profit to the four Atlantic provinces to help fund the important services we all use.

11¢

### RETAILERS IN ATLANTIC CANADA

In total, almost 4,000 Atlantic Canadian businesses earn income from sales of Atlantic Lottery products. Retailers received a total of \$122.2 million in commissions during 2019-20.

5¢

### OPERATIONS IN ATLANTIC CANADA

Overall operations contributed indirectly to more than 8,087 jobs and \$1.7 billion in economic activity across the region last fiscal year.

4¢

### SALARIES AND BENEFITS

Atlantic Lottery employs more than 650 people in all four provinces. They live, work and spend their salaries in our Atlantic Canadian communities.

4¢

### TAXES

Yes, Atlantic Lottery pays taxes, too. A portion of the taxes we pay also stay in Atlantic Canada, meaning even more than 92 cents of every lottery dollar ultimately remains in the region.

4¢

### OPERATIONS

At times, Atlantic Lottery needs to partner with companies outside of Atlantic Canada, depending on the needs and the availability of third parties and the services they provide.



## Winners

Major wins (\$10,000 or more) by province.



NEW BRUNSWICK WINS

**175**



NEWFOUNDLAND & LABRADOR WINS

**147**



NOVA SCOTIA WINS

**177**



PRINCE EDWARD ISLAND WINS

**34**

TOTAL MAJOR WINS:

**533**



## 2019-20 Balanced Scorecard

### Corporate Performance to Targets

Atlantic Lottery uses a balanced scorecard to measure and report on those metrics that are key to successfully operating the business in this new competitive environment. It is our strategic objectives which form the basis of the scorecard measures. The scorecard is the summary statement of performance from the strategic objectives and operating programs established by Atlantic Lottery's management team and the Board of Directors of the corporation.

MEASURE	TARGET 2019-20	ACTUAL
<b>PLAYER</b>		
Of total adult population, annual percentage of monthly and weekly players	41.2%	37.5%
Total number of weekly, monthly and yearly U35 players on alc.ca	22,500	27,281
<b>OPERATIONAL</b>		
Annual total sales from new products and services launched within the last 36 months (in millions)	\$61.2	\$100.4
Unfavourable opinion among involved Atlantic Canadians	26.5%	26.5%
<b>EMPLOYEE</b>		
Employee engagement	72%	83%
<b>FINANCIAL</b>		
Annual total corporate sales (in millions)	\$1,228.5	\$1,175.2
Annual total corporate net profit (in millions)	\$419.4	\$395.4



## Financial Position Overview

The below provides an overview of the financial position of Atlantic Lottery for the year ended March 31, 2020 and is to be read in conjunction with the associated audited consolidated financial statements and note disclosures which are prepared in accordance with International Financial Reporting Standards (IFRS).

Refer to Notes to consolidated financial statements (notes 1 and 2) for additional detail regarding the nature of operations for Atlantic Lottery and the significant accounting policies employed. IFRS 16 Leases took effect in fiscal 2019-20. The most significant change from this standard is the presentation of the Right-of-use asset and Lease liability on our consolidated balance sheet. Additional information on adoption of new accounting standards can be found in note 2.

### Consolidated Balance Sheet

	2019-20	2018-19	CHANGE
<b>TOTAL ASSETS</b> (thousands of dollars)	<b>\$264,436</b>	<b>\$228,591</b>	<b>\$35,845</b>

Assets increased by 16 per cent from 2018-19. Current assets increased by \$2 million, driven by the addition of \$10 million in cash at year end (explained in detail in the statement of cash flow) which is counterbalanced by a \$1 million decrease in ticket stock inventory and a \$7 million decrease in accounts receivable (note 6). The \$2.5 million reduction in retailer receivable is due to the decline in sales and site closures in relation to the COVID-19 pandemic and is partially offset by one more day of sales compared to last year. The \$4.5 million decrease in other receivables relates to the Interprovincial Lottery Corporation receivable for prize funding being \$3.7 million lower than year prior. The \$33 million increase in long term assets can be explained largely by the purchase of \$35 million in property and equipment (note 8) offset with depreciation of \$20 million as well as the addition of \$10 million in right-of-use assets (note 10) as a result of the implementation of IFRS 16 Leases and an increase in employee future pension benefits (note 17).



The opportunity to grow in the digital space is enormous – especially as we further compete in order to keep Atlantic Canadians' dollars right here in our region.



## Financial Position Overview *cont'd.*

### Liabilities

	2019-20	2018-19	CHANGE
<b>TOTAL LIABILITIES</b> (thousands of dollars)	<b>\$198,993</b>	<b>\$185,181</b>	<b>\$13,812</b>

Liabilities are up by 7 per cent compared to 2018-19. The increase is mainly driven by \$20 million in additional funds utilized on the line of credit (note 11), which is the result of purchase of property and equipment. This balance was moved to long-term debt subsequent to year-end (note 28). The liabilities for unclaimed prizes (note 13) has also increased by \$6 million due to sales mix, new product offerings and an outstanding \$1 million prize for Atlantic 49. In contrast there is a decrease of accounts payable of \$10 million compared to prior year as a result of a \$8 million decrease in trade payable and \$1 million less in both salaries and taxes payable (note 12).

### Shareholders' Equity

	2019-20	2018-19	CHANGE
<b>TOTAL SHAREHOLDERS' EQUITY</b> (thousands of dollars)	<b>\$65,443</b>	<b>\$43,410</b>	<b>\$22,033</b>

The year-over year increase in Shareholders' Equity is attributable to \$9.5 million in profit withholdings from Shareholders distribution to fund the supplemental pension plan payments to reduce the solvency deficit. The offsetting decrease is driven by the change in Other Comprehensive Income (OCI). OCI is comprised of the change in fair value of Atlantic Lottery's cash flow hedges on long term debt, deemed effective with no changes in critical terms and from the change in actuarial assumptions on employee future benefits (note 17).





## Financial Position Overview *cont'd.*

### Consolidated Statement of Operations

Revenue consists of gross sales less consideration paid to the player (prize expense). The year-over-year reduction in revenue is driven by a \$25 million decrease in sales in addition to a 2% increase in payouts resulting in an extra \$14 million in prize expense this year. The prize expense augmentation is due to the change in product mix in the Retail and iLottery lines of business. iGames and Sports, which are high payout games in these lines of business, are the only category with growth in Lottery Sales compared to the prior year.

Direct expenses include commissions paid to retailers of \$122.2 million, down \$9 million from the prior year. This reduction is directly tied to the lower revenue, more specifically Video Lottery revenue as the commission on that product is higher than products in the retail channel. Ticket and selling costs of \$12 million are consistent with the prior year.

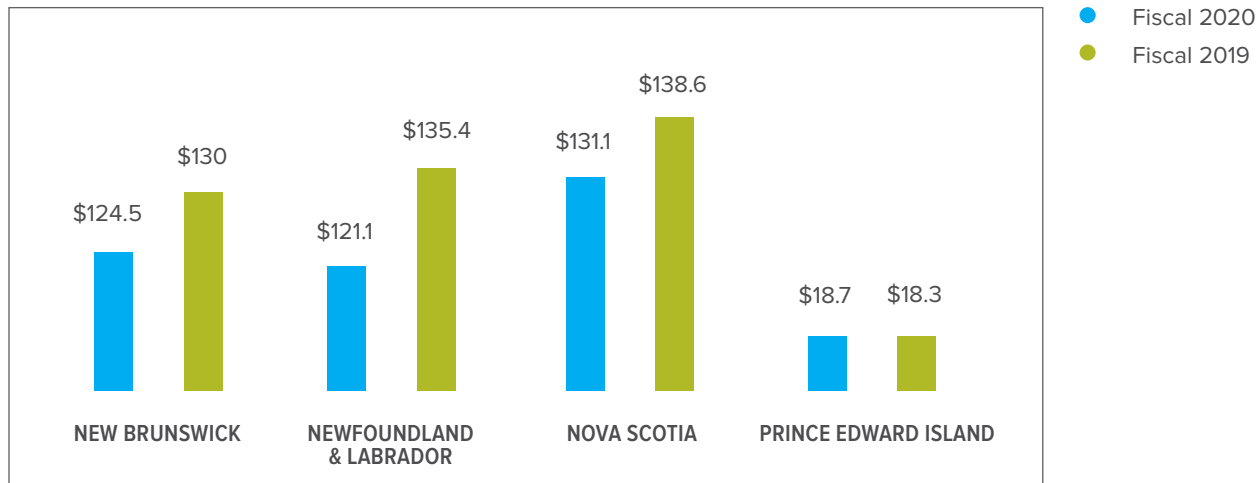
Overall operating expenses are slightly down from \$147 million in the prior year to \$145 million in 2019-20. Of the \$2 million variance, \$1.5 million relates to Salaries and benefits while \$1 million relates to lease and depreciation and both are counterbalanced by a minor increase in interest expense. The change in salaries and benefits is mainly a result of hiring 27 additional employees in 2019-20 compared to the prior year, however, the year-over-year variance is reduced overall by the cancellation of the variable pay incentive as the corporate metrics were not met in current year. A savings of \$3 million occurred in depreciation due to changes in useful life of assets to align with replacement plans resulting from the timing of the new video lottery terminal (VLT) purchases while an additional \$2 million was expensed as a result of the implementation of IFRS 16 Leases and the recognition of right-of-use assets.

(THOUSANDS OF DOLLARS)	2019-20	2018-19	CHANGE
<b>REVENUE</b>	<b>\$725,484</b>	<b>\$764,834</b>	<b>\$(39,350)</b>
Direct Expenses	\$134,450	\$143,129	\$(8,679)
<b>GROSS PROFIT</b>	<b>\$591,034</b>	<b>\$621,705</b>	<b>\$(30,671)</b>
Operating Expenses	\$144,726	\$146,544	\$(1,818)
<b>NET PROFIT</b>	<b>\$395,683*</b>	<b>\$422,241</b>	<b>\$(26,558)</b>
<i>Gross Profit % of Revenue</i>	81.5%	81.3%	0.2%
<i>Operating Expenses % Revenue</i>	19.9%	19.2%	0.7%
<i>Net Profit % of Revenue</i>	54.5%	55.2%	-0.7%

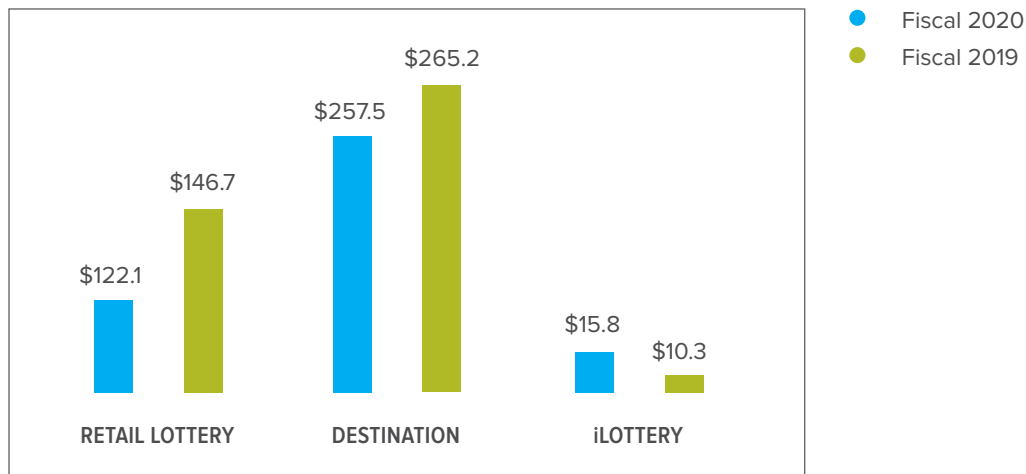
\*Consolidated Net includes gain from Atlantic Gaming Equipment of \$0.3M.

## Financial Position Overview *cont'd.*

### Profit by Province *(in millions)*



### Profit by Line of Business *(in millions)*



Players have more choice than ever when deciding how they spend their time and money, so Atlantic Lottery needs to make sure we're exceeding their expectations in every way possible.



## Financial Position Overview *cont'd.*

### Consolidated Statement of Cash Flows

The statement of cash flow provides the basis to assess the generation and spending of cash, prepared using the indirect method where net profit is adjusted for the effects of non-cash transactions.

Operating activities presents the net of cash inflows and outflows from regular business activities. Beginning with net profit, adjustments are made for non-cash items such as depreciation and amortization of \$33 million, non-cash working capital of \$1 million. This results in cash generated from regular business activities of \$432 million.

Investing activities represents the amount spent on property, equipment and intangible assets, net of proceeds on asset disposals. During the year, Atlantic Lottery acquired \$43 million in capital assets, of which \$35 million were property and equipment while \$8 million were intangible assets. The property and equipment purchased consists of \$27 million in new VLTs, \$3 million in wide area network installs and data centre hardware, \$1.5 million in retail equipment to support the retail and destination network and \$1.5 million in Red Shores facilities, slots and equipment. Intangible assets additions include \$4 million in iCasino, \$2 million in VLT software and several other software purchases totaling \$2 million.

Financing activities reflect cash inflows and outflows relating to debt. Atlantic Lottery managed cash flow and interest expense through the purchase of short term 30 to 90 days bankers' acceptances notes in the range of \$5-30 million. During the year, no new long-term debt was acquired and repayments for both long term and short-term facilities equaled \$172 million.

The net change for cash in 2019-20 is an increase of \$10 million.

(THOUSANDS OF DOLLARS)	2019-20	2018-19
Operating Activities	\$431,907	\$459,059
Investing Activities	\$(42,821)	\$(15,788)
Financing Activities	\$7,029	\$(36,839)
Distribution to Shareholders	\$(385,888)	\$(408,139)
Change in Cash Balance	\$10,227	\$(1,707)
Opening Cash Balance	\$19,526	\$21,233
Closing Cash Balance	\$29,753	\$19,526

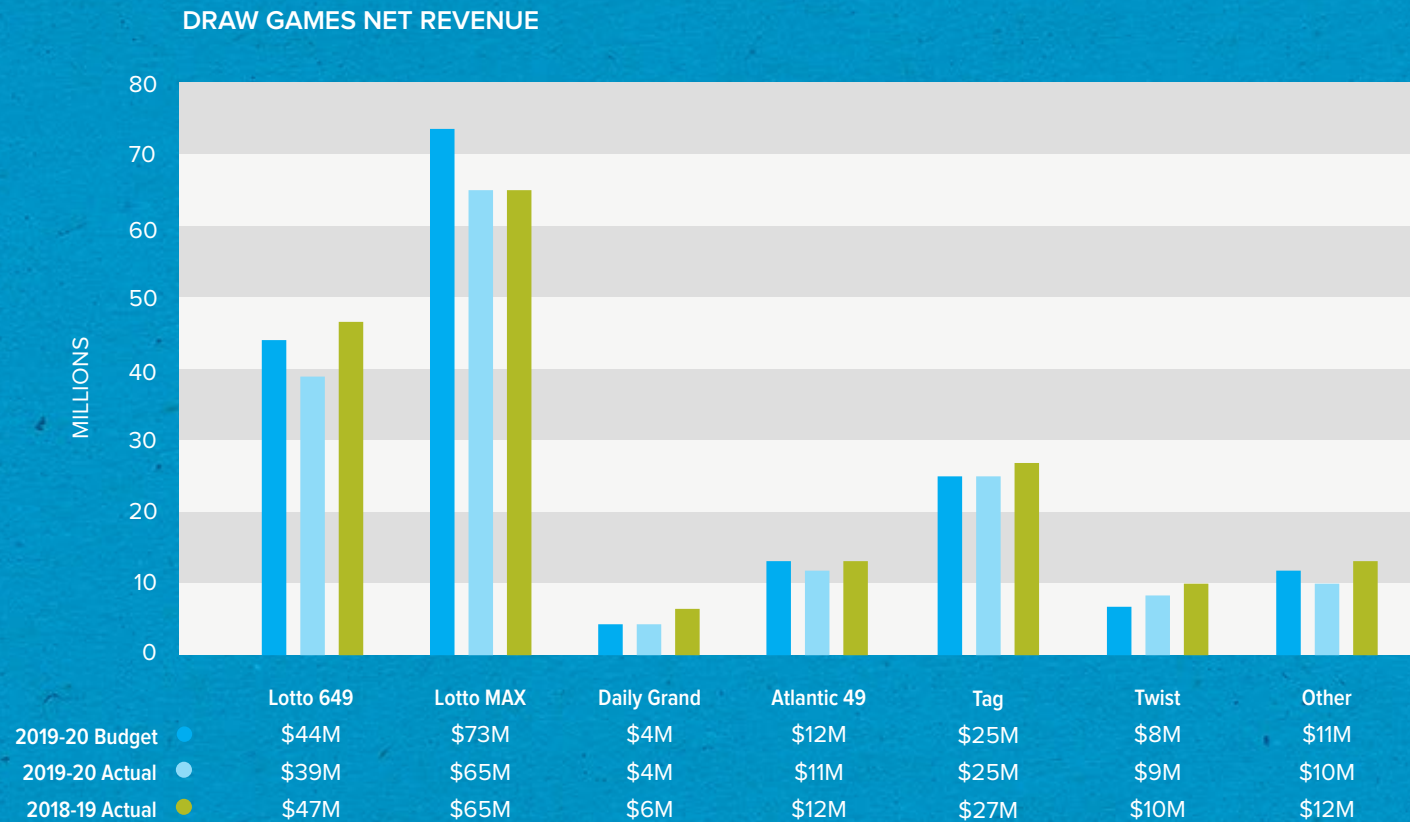




# Business Overview

## Draw Games

Overall the draws category delivered gross gaming revenue (revenue less prizes paid to players) of \$164 million, which is down from last year by 8 per cent.





## Business Overview *cont'd.*

Lotto 6/49 finished the year \$8 million in net revenue under fiscal 2018-19. The decline was attributed to lower sales per jackpot and was expected with the launch of twice-weekly Lotto Max draws, from which a 12 per cent cannibalization was budgeted for and achieved. In addition, sales momentum was affected by the unfavourable roll pattern for the fiscal year, with aggregate jackpots down 23 per cent compared to 2018-19. There were seven jackpots of \$20 million or more, which was 15 fewer than the previous year and three less than budget. The highest advertised jackpot was \$30 million on June 15, 2019. Finally, there was also a reduction in Super Draws from a monthly to quarterly basis.

Lotto Max launched twice-weekly draws beginning May 14, 2019. Changes to the game included the addition of draws on Tuesdays, a jackpot cap change from \$60 million to \$70 million, one additional number added to the matrix and additional mid-tier prizing.

There was a total of 33 Maxmillion events (33 per cent of draws) in 2019-20 versus 26 Maxmillion events (50 per cent of draws) in 2018-19. Two record jackpots were offered: one at \$65 million and one at the new \$70-million jackpot cap. The first record-breaking \$70-million jackpot occurred on January 3, 2020 and resulted in the single-highest sales week in Lotto Max history.

**After a slow start following the changes to Lotto Max, net revenue for the year reached \$65 million. Sales fell slightly below budget with unfavourable jackpot roll patterns during the first few months after launch and down the last two weeks of the fiscal year due to COVID-19.**



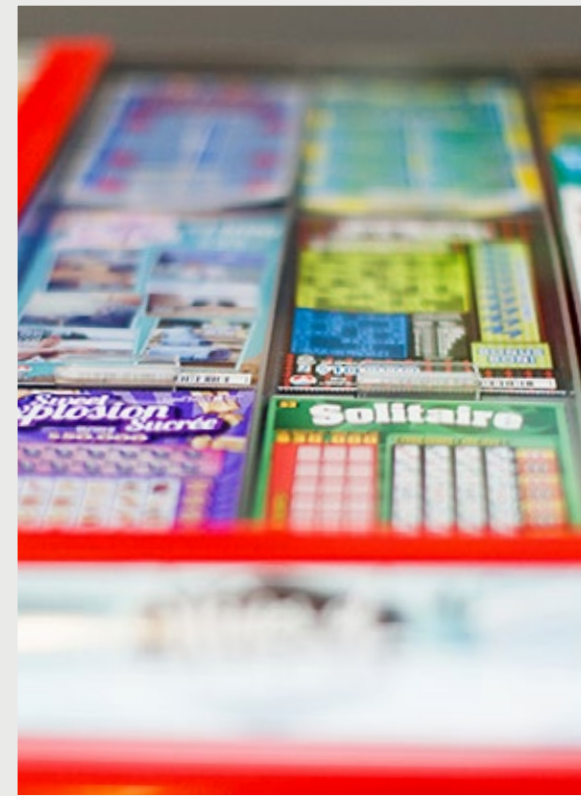


## Business Overview *cont'd.*

### Instant Games

Scratch'N Win net revenue was \$78 million in 2019-20, a decrease of \$2 million from 2018-19. The three Maritime provinces surpassed budget, with Newfoundland and Labrador only performing under budget in 2019-20. Retail sales declined the last two weeks of the year due to shifting customer habits because of COVID-19, however Newfoundland and Labrador was also underperforming prior to COVID-19. The brands that were primarily impacted were Set for Life and Nationals, as Newfoundland and Labrador traditionally drives a significant portion of sales for those tickets.

Breakopen net revenue was \$37.8 million, a decrease of \$6 million from 2018-19. The transition from a barcoded to a non-barcode product continued to impact Breakopen sales. Retailers and players did not adopt and transition to the new product as anticipated. As well, retail sales declined the last two weeks of the year due to shifting customer habits because of COVID-19. Of note, all provinces underperformed to budget in 2019-20 even prior to COVID-19. Barcoded Breakopen will be re-introduced starting in November 2020.

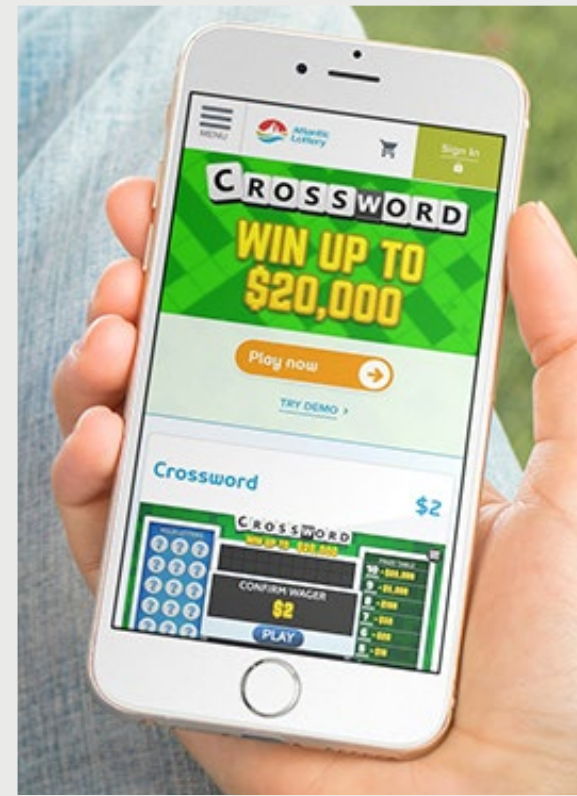




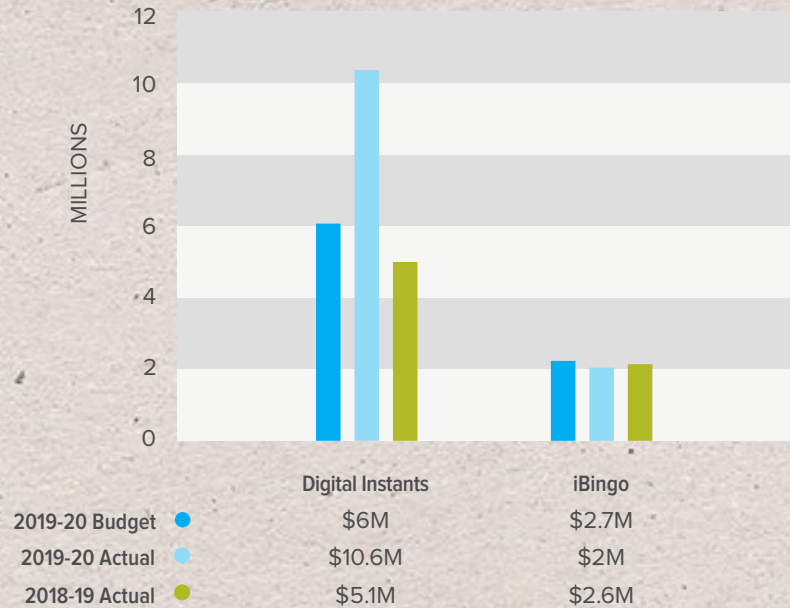
# Business Overview *cont'd.*

## iGames

As Atlantic Lottery embraces the digitalization of its products and services to retailers and players, iGames will continue to be a growth category. The growth of Digital Instants is mainly due to the popularity of the new game sub-category introduced at a multiple price point, starting at 10¢, along with an increase in the prize payout.



iGAMES NET REVENUE



We are undergoing corporate change that emphasizes two key areas: increased digitalization and a greater focus on our players.



## Business Overview *cont'd.*

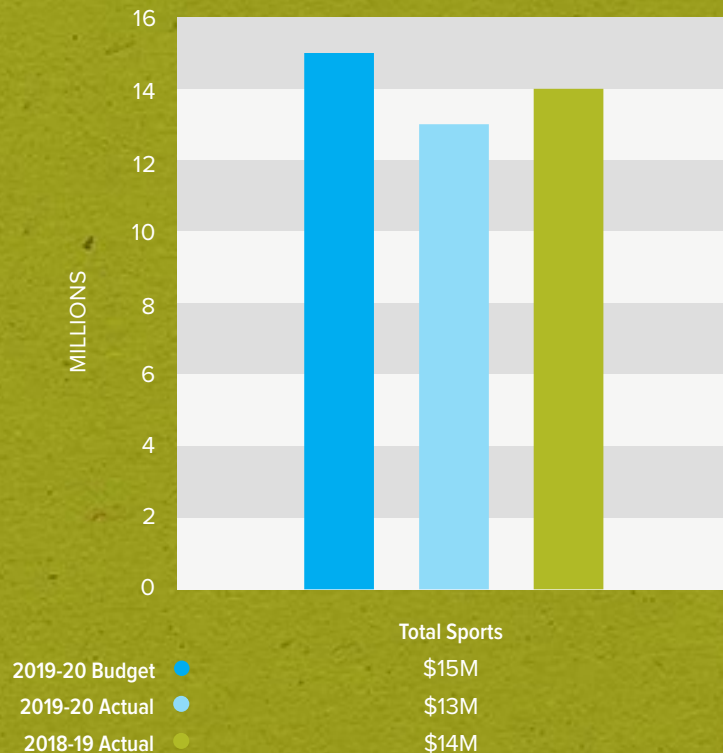
### Sports

In 2019-20, net revenue in the sports category was \$13.2 million. It was PRO•LINE's first full fiscal year with several new player-centric features in place:

- *Device-responsive website* – Internet sales made up 26 per cent of category revenue, up from 19 per cent in 2018-19;
- *Mobile QR code for retail modernization* – Mobile QR code purchases made up 25 per cent of retail revenue; and
- *Expanded types of betting markets* – New ways to wager on popular leagues accounted for \$4.4 million in sales.

While the suspension of major sports leagues world-wide due to COVID-19 prevented PRO•LINE from reaching fiscal sales and profit targets in 2019-20, Atlantic Lottery led all Canadian jurisdictions in sales performance compared to 2018-19, due to these new features. Internet sales increased 42 per cent year-over-year and active player accounts were up 20 per cent, with these online players also spending \$14.4 million on other alc.ca games.

SPORT GAMES NET REVENUE





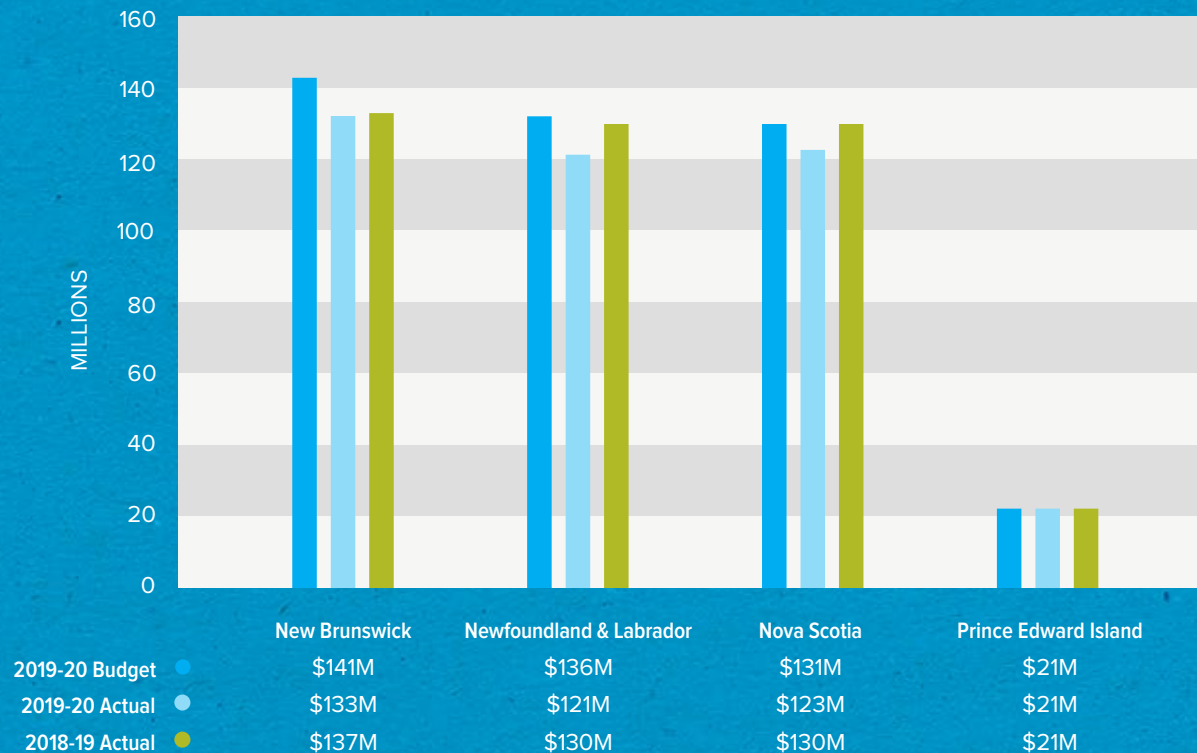
## Business Overview *cont'd.*

### Video Lottery

Throughout the year, Atlantic Lottery worked to revise and crystalize its strategy for video lottery gaming, following the “Fewer Doors, Better Doors” approach. Essentially, the objective over time is to have fewer locations, but with much-improved venue standards to offer a safer and enhanced player experience.

For 2019-20, Video Lottery had declining year-over-year net revenue largely due to the impact of COVID-19 and ceasing operations of the Video Lottery network across Atlantic Canada. Up to March, the Video Lottery network had achieved \$1.6M growth compared to 2018-19. The approximately \$20 million impact of COVID-19 erased all year-over-year gains achieved prior to March 2020.

VIDEO LOTTERY NET REVENUE BY PROVINCE



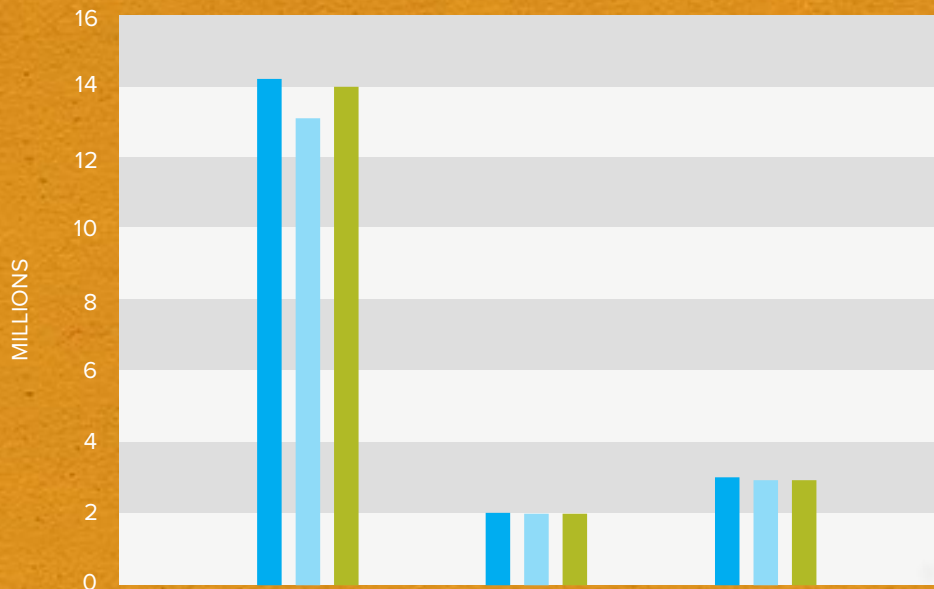


# Business Overview *cont'd.*

## Red Shores

Red Shores was 5.2 per cent below 2019-20 budget, with total gross gaming revenue finishing at \$19 million. The shortfalls in the casino games and food and beverage categories were largely attributed to closing both Red Shores properties on March 16, 2020 due to COVID-19. There was no live racing in March, so the racing category was only marginally impacted by the closure. The casino games category was further impacted by converting the Summerside gaming floor from slot machines to VLTs. These revenues are now accounted for under the Video Lottery category. Net of Video Lottery revenue leading up to the closure, Red Shores was 0.2 per cent ahead of 2019-20 budget and 5.1 per cent ahead the same point the previous year.

RED SHORES NET REVENUE BY CATEGORY



	Casino Games	Racing	Food & Beverage
2019-20 Budget	\$14.8M	\$2M	\$3.2M
2019-20 Actual	\$13.9M	\$2M	\$3.1M
2018-19 Actual	\$14M	\$2M	\$3.1M





## Financial Highlights – Provincial Net Profit (\$ in '000s)

	New Brunswick		Newfoundland & Labrador		Nova Scotia		Prince Edward Island	
	2020	2019	2020	2019	2020	2019	2020	2019
Gross ticket sales	\$198,262	\$194,369	\$267,307	\$283,237	\$248,582	\$244,133	\$40,426	\$39,097
Prizes on ticket sales	\$117,404	\$109,885	\$160,599	\$164,867	\$147,503	\$138,449	\$24,226	\$22,498
Net ticket sales	\$80,858	\$84,485	\$106,709	\$118,370	\$101,079	\$105,684	\$16,200	\$16,598
<i>Prizes as % of sales</i>	59%	57%	60%	58%	59%	57%	60%	58%
Net video lottery receipts	\$132,489	\$136,586	\$120,642	\$129,415	\$123,430	\$129,764	\$21,019	\$20,723
Entertainment centre revenue	–	–	–	–	–	–	\$18,688	\$18,819
<b>Net revenue</b>	<b>\$213,347</b>	<b>\$221,071</b>	<b>\$227,351</b>	<b>\$247,785</b>	<b>\$228,878</b>	<b>\$239,838</b>	<b>\$55,908</b>	<b>\$56,141</b>
Direct expenses	\$36,989	\$38,431	\$50,129	\$54,910	\$38,659	\$40,995	\$8,673	\$8,792
<b>Gross profit</b>	<b>\$176,358</b>	<b>\$182,640</b>	<b>\$177,222</b>	<b>\$192,875</b>	<b>\$190,220</b>	<b>\$198,842</b>	<b>\$47,235</b>	<b>\$47,349</b>
<i>Gross profit as % of net revenue</i>	83%	83%	78%	78%	83%	83%	84%	84%
Operating & administrative expenses	\$27,672	\$27,671	\$29,445	\$29,945	\$31,960	\$32,177	\$19,715	\$20,378
<i>Operating expenses as % of net revenue</i>	13%	13%	13%	12%	14%	13%	35%	36%
Capital-related costs	\$9,114	\$9,453	\$9,392	\$9,353	\$11,310	\$11,564	\$3,877	\$3,673
Other expenses & distributions	\$15,034	\$15,507	\$17,253	\$18,183	\$11,497	\$12,139	\$4,967	\$5,046
<b>Net profit</b>	<b>\$124,538</b>	<b>\$130,009</b>	<b>\$121,132</b>	<b>\$135,393</b>	<b>\$131,082</b>	<b>\$138,573</b>	<b>\$18,675</b>	<b>\$18,251</b>
<i>Net profit as % of net revenue</i>	58%	59%	53%	55%	57%	58%	33%	33%
Number of lottery retail terminals	838	852	885	905	1,015	1,029	158	162
Number of video lottery terminals	1,938	1,975	2,045	1,978	2,012*	2,043*	306	280
Profit distribution per capita	\$199	\$207	\$281	\$314	\$167	\$177	\$153	\$149

\* Does not include First Nation sites.

• Provincial Net Profit is based on Atlantic Lottery's non-consolidated financial statements.





## Financial Highlights – Corporate Net Profit (\$ in '000s)

	2020	2019	2018	2017	2016	2015
Gross ticket sales	\$754,577	\$760,579	\$709,512	\$699,074	\$732,749	\$654,290
Prizes on ticket sales	\$449,731	\$435,699	\$412,117	\$392,267	\$406,493	\$369,602
Net ticket sales	\$304,846	325,137	\$297,395	\$306,807	\$326,256	\$284,688
<i>Prizes as % of sales</i>	60%	57%	58%	56%	55%	56%
Net video lottery receipts	\$401,950	\$420,879	\$439,136	\$434,012	\$438,138	\$397,897
Entertainment centre revenue	\$18,688	\$18,819	\$19,626	\$19,259	\$18,520	\$17,766
<b>Net revenue</b>	<b>\$725,484</b>	<b>\$764,835</b>	<b>\$756,157</b>	<b>\$760,078</b>	<b>\$782,914</b>	<b>\$700,351</b>
Direct expenses	\$134,450	\$143,129	\$148,532	\$146,070	\$150,095	\$137,791
<b>Gross profit</b>	<b>\$591,034</b>	<b>\$621,706</b>	<b>\$607,625</b>	<b>\$614,008</b>	<b>\$632,819</b>	<b>\$562,560</b>
<i>Gross profit as % of net revenue</i>	81%	81%	80%	81%	81%	80%
Operating & administrative expenses	\$108,793	\$110,173	\$101,562	\$105,054	\$109,008	\$98,309
<i>Operating expenses as % of net revenue</i>	–	–	–	–	–	–
Capital-related costs	\$33,693	\$34,044	\$31,490	\$32,549	\$38,774	\$32,550
Other expenses & distributions	\$53,121	\$55,265	\$55,348	\$54,473	\$53,458	\$63,485
<b>Net profit</b>	<b>\$395,427</b>	<b>\$422,225</b>	<b>\$419,225</b>	<b>\$421,932</b>	<b>\$431,579</b>	<b>\$368,216</b>
<i>Net profit as % of net revenue</i>	55%	55%	55%	56%	55%	53%
Number of lottery retail terminals	2,896	2,948	2,977	3,007	3,003	3,035
Number of multi-purpose retail terminals	0	0	0	2	29	40
Number of video lottery terminals	6,301	6,276	6,317	6,248	6,300	6,298



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