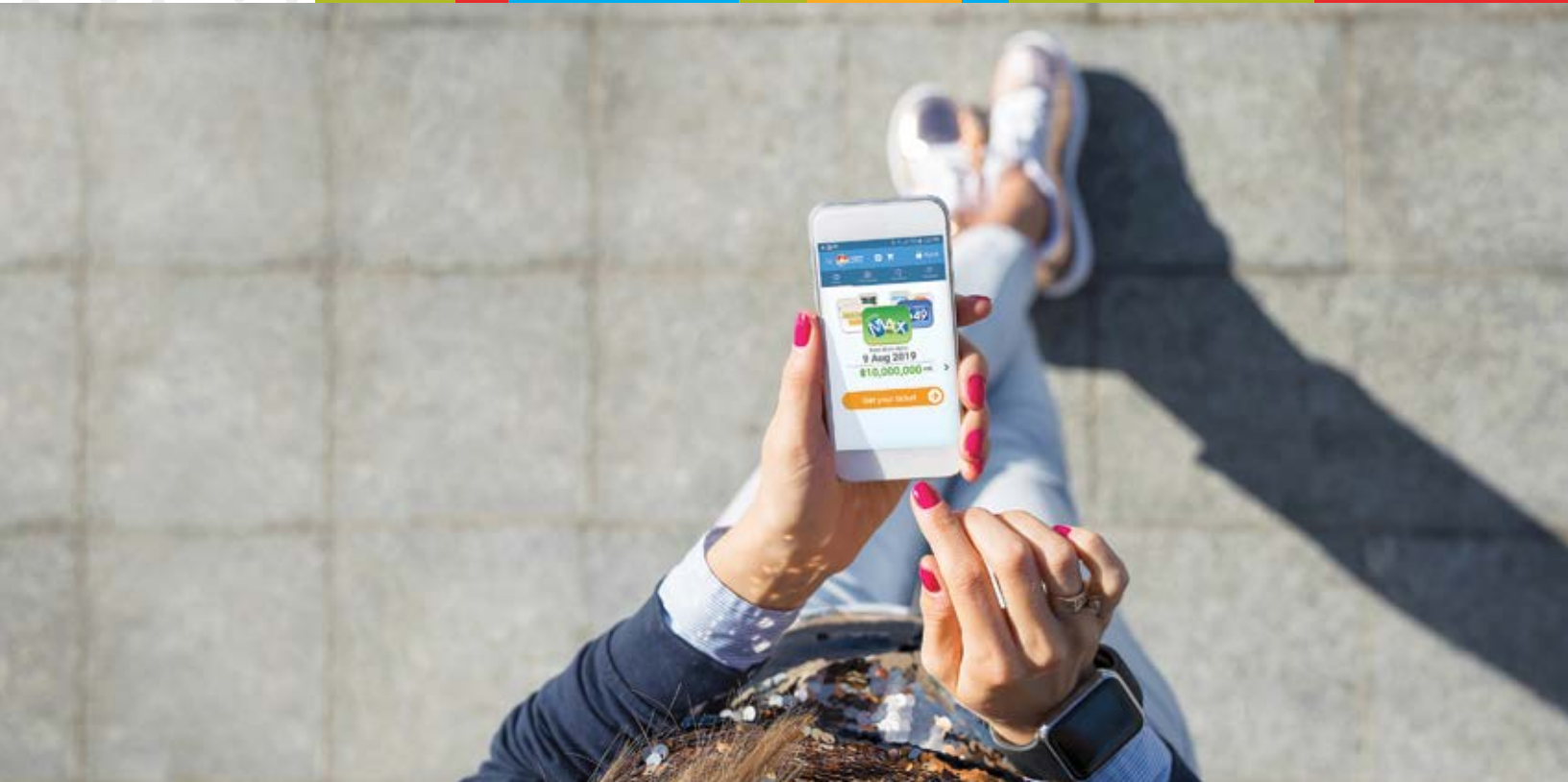


Atlantic Lottery Annual Report 2018-2019



Even at a time when so much is changing, some constants do remain. One is Atlantic Lottery's mandate, which is to provide government-regulated and responsible gambling products to those Atlantic Canadians who choose to play.





## Board members who served during fiscal 2018-19:

Bob MacKinnon  
Ian Cavanagh  
Les Barker  
Nicole Picot  
Jean Brousseau

Alyson Townsend  
Cheryl Hansen  
Dan Campbell  
Patricia Mella  
Jay Griffin

Paula McDonald  
Janis Byrne  
Craig Martin



## Chair Message

Over the past several years at Atlantic Lottery, it has often seemed like the only thing that has not changed is the theme of change itself. The rapid and ongoing evolution of the Canadian and global lottery industries was a key issue again in 2018-19 and the corporation continued to transform along with it, building upon the excellent foundation established in previous years.

Specifically, this fiscal year saw Atlantic Lottery adopt an increasingly agile approach across all processes and operations. There were also record online sales through alc.ca and the number of online account users continues to grow as Atlantic Canadians increasingly migrate towards mobile options. Accordingly, Atlantic Lottery enhanced its focus on cybersecurity and system stability to safeguard its players and the corporation itself.

Even at a time when so much is changing, some constants do remain. One is Atlantic Lottery's mandate, which is to provide government-regulated and responsible gambling products to those Atlantic Canadians who choose to play. Atlantic Lottery's future success depends on its ability to continue to deliver appealing and innovative products that respond to shifting player demands.

Another constant is Atlantic Lottery's dual commercial and social mandate of not only delivering profit to its shareholders, but also contributing in other ways to the communities it serves. This is manifest in several ways, from the growing number of world-class responsible gambling features available to players on alc.ca to the many community events and festivals Atlantic Lottery supports across our region each and every year.

The future of our business is very promising, but the marketplace is increasingly dynamic. Atlantic Lottery has responded to this challenge with a bold plan in order to make certain it knows where it needs to go and – just as importantly – how to get there. The past year saw the creation of a comprehensive three-year strategic plan, with input from all levels and areas of the business. This plan will guide Atlantic Lottery's ongoing development through 2022 and was approved by the Board of Directors in September 2018.

At the heart of this plan is Atlantic Lottery's players, both current and future. Continued success demands not only maintaining the current core of players but also attracting new market segments. By elevating the player and making them the focus of every decision, Atlantic Lottery is well on its way to realizing this goal.

Sincerely,

Sean O'Connor  
Independent Board Chair



## Executive team members who served during fiscal 2018-19:

**Brent Scrimshaw**  
President & CEO

**Patrick Daigle**  
Chief Financial Officer

**Don Doucet**  
Chief Strategy & Competitive  
Renewal Officer

**Craig Storey**  
Chief Commercial Officer

**Alison Stultz**  
Vice President, People and Culture

**Kristin Root**  
Vice President, Information Technology

**Martha Stevens**  
Vice President, Sales and Marketing

**Courtney Pringle-Carver**  
Vice President, External Affairs

**Jean Marc Landry**  
Vice President,  
Player Experience & Innovation

**Greg King**  
Vice President,  
Finance & Corporate Services



## CEO Message

It is a special privilege to report to Atlantic Canadians on the performance of their lottery and gaming company for the 2018-19 fiscal year, marking the eighth time that I have done so.

Atlantic Lottery truly is a remarkable organization. Our 650 team members are each committed to playing their part in providing safe, responsible, and regulated games for citizens who choose to game. Our steadfast promise to deliver games that meet – or exceed – the highest global standards in player safety and security has never wavered. This commitment was recognized earlier this year as the World Lottery Association once again awarded Atlantic Lottery with the highest level of responsible gambling certification.

Through carefully planned and executed operations, each of us work diligently to maximize the profits delivered to our provincial shareholders that fund services important to all of us.

The company's performance in 2018-19 continued our track record of meeting or exceeding our commitments to the provinces. Corporately, Atlantic Lottery generated over \$422 million in operating profits on gross sales of \$1.2 billion and sales net of prize expenses of \$765 million. This marks the fourth consecutive year with profits exceeding \$400 million. Several sales records were established, including in our Instant Ticket product category, Sports, and so importantly, through our digital stores – alc.ca, ProlineStadium.com, and our iOS and Android apps.

As I have written before, the gaming world is changing. Some change is bettering the player experience. Regrettably, other change is putting players increasingly at risk.

The market is moving at 'player speed,' with our customers wanting and demanding new games and better experiences. To meet their needs, we are quickly evolving into an agile organization; one that is equipped to compete with the best lottery companies the world over. Committed to enterprise-wide innovation, we are and will continue to revamp how we operate our business. The goal is to improve how our players engage with Atlantic Lottery, in-store, online, and in their communities. We are addressing the primary risk of cybersecurity, again with the right technology, and critically with mandatory training for all employees. We are introducing new products, services and features – many detailed in the pages that follow – that have been researched, prototyped, tested, and launched over the past year. Progressive, continual, and accelerated change is our way forward.

At the same time, we do face headwinds. Our competitors include thousands of foreign companies who do not share our depth of knowledge and commitment to responsible gambling, nor are they regulated by provincial or federal governments, and therefore do not pay taxes, remit profits to benefit important programs and services, or support grassroots community initiatives and priorities. They are placing players at unacceptable risk. They operate in gaming categories where we are not present. Where we do compete, we are modernizing our offerings and are working with our shareholders to responsibly adapt to meet the new market.

Throughout last year, considerable energy was devoted to developing a new Long-Term Strategic Plan. Now that it is in place, I am confident that we are well-equipped to tackle the new gaming environment. Until we report next year, we will continue to operate this gaming company in a manner in which all Atlantic Canadians can take pride.

Kindest regards,



**Brent Scrimshaw**  
President and CEO









# Executive Summary

## Atlantic Lottery: Delivering on its Mandate in Atlantic Canada

Every business decision at Atlantic Lottery is made through the lens of balancing social responsibility with delivering sustainable returns for Atlantic Canadians. With that in mind, the company is pleased to report that in 2018-19 it exceeded its profit target by \$2.8 million and returned **\$422.2 million** to the provincial governments in Atlantic Canada.

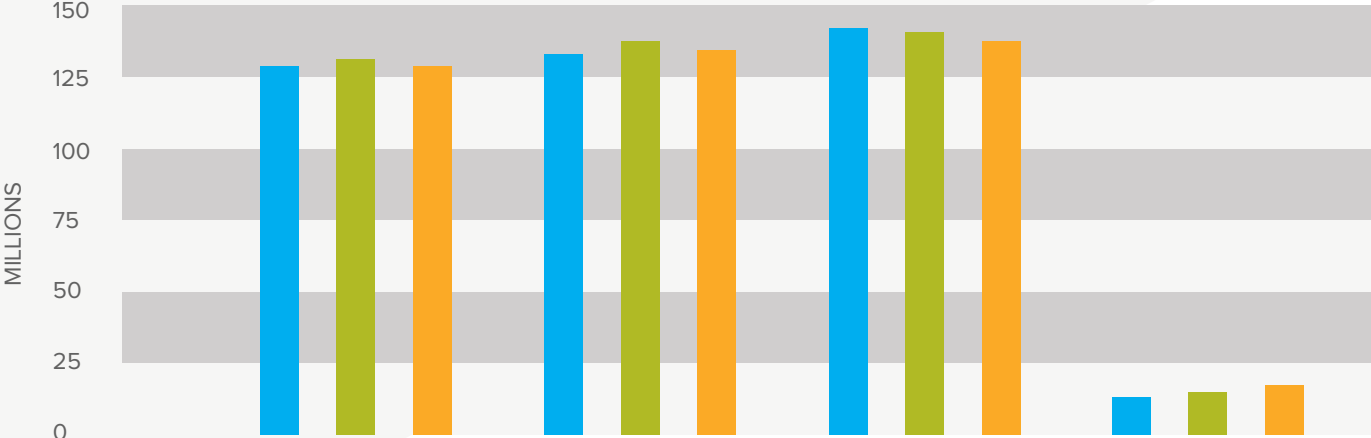
In total, **\$265.2 million** was delivered to the four Atlantic provincial governments from the destination line of business and **\$157 million** from the retail and iLottery lines.

In addition to the profits distributed to the provincial governments, in 2018-19 Atlantic Lottery remitted \$53.3 million to the provincial and federal governments in taxes and federal contributions.

Atlantic Lottery’s development continues as player demands increasingly shift towards online and mobile options. Although total profit increased in 2018-19, top line revenue and player participation did not keep pace, underlining the importance of offering innovative products that maximize the use of new technology. The company continues to put its players first and providing new games and experiences is central to this effort. The results are noticeable in the growth of online sales on alc.ca, where the iLottery share of total profit increased to 2.29 per cent in 2018-19 from 1.24 per cent the previous year, while lottery sales in the iLottery line of business increased to 3.64 per cent from 2.26 per cent.

Atlantic Lottery experienced record sales through its alc.ca platform in 2018-19 and the number of Atlantic Canadians with active accounts continues to grow, demonstrating the importance of the online space. With the recent technology modernization now complete, Atlantic Lottery remains focused on providing players with competitive, innovative products within a regulated environment.

Distribution of Profits by Province



	NB NET PROFIT	NL NET PROFIT	NS NET PROFIT	PEI NET PROFIT
● 2019 Budget:	128,711,911	134,463,395	138,765,327	17,482,461
● 2019 Actual:	130,008,677	135,392,737	138,572,585	18,250,926
● 2018 Actual:	128,665,737	133,773,665	137,981,453	18,779,016

# 2018-19 Balanced Scorecard

## Corporate Performance to Targets

Atlantic Lottery uses a balanced scorecard to measure and report on those metrics that are key to operating the business. It is our strategic objectives which form the basis of the scorecard measures. The scorecard then aligns business activities to Atlantic Lottery's vision and strategy and monitors performance against strategic goals.

METRIC NAME	TARGET*	ACTUAL*
<b>FINANCIAL</b>		
Corporate Net Profit	\$419.4	\$422.2
Total Lottery Sales	\$1,209.8	\$1,200.5
<b>PLAYER</b>		
Annual Corporate Player Participation Rate	64%	63.9%
Digital Index	100%	118%
<b>OPERATIONS</b>		
Unfavourable Opinion Among Involved Atlantic Canadians	26.5%	24%
Vitality Index	5.22%	5.03%
<b>PEOPLE</b>		
Employee Experience	86%	85%

\*Dollars in millions

“The rapid and ongoing evolution of the Canadian and global lottery industries was a key issue again in 2018-19 and the corporation continued to transform along with it, building upon the excellent foundation established in previous years.”

– Sean O'Connor, Independent Board Chair



#### **Corporate Net Profit:**

Atlantic Lottery exceeded its Net Profit target, delivering \$422 million against a budget of \$419 million. Successful operating expense management was effective to mitigate a sales shortfall against budget.

#### **Corporate Total Lottery Sales:**

Overall lottery sales fell short of budget by \$9 million, with year-end sales totaling \$1.20 billion against a budget of \$1.21 billion. Based on these results, the lottery sales are 'Below Target' for fiscal year 2019.

Brand categories impacting the shortfall include Video Lottery at \$22 million (against a budget of \$438 million), Breakopen at \$14 million (against a budget of \$131 million), Red Shores at \$2 million (against a budget of \$21 million). Offsetting the sales shortfalls were overages in Scratch'N Win of \$15 million (against a budget of \$226 million), Draws of \$11 million (against a budget of \$330 million) and iGames of \$4 million (against a budget of \$19 million).

#### **Annual Corporate Player Participation Rate:**

Corporate Player Participation ended the year at 63.9 per cent, meeting the planned target.

The metric represents the percentage of Atlantic Canadian adults who engage in any of Atlantic Lottery's products on a weekly, monthly and annual basis.

Although we have seen a decline in this measure over the past five years, this year's result remains the same as last year. The large Lotto Max jackpots, in addition to a modest increase in Scratch'N Win play have helped maintain stability. It is estimated that approximately 1.25 million Atlantic Canadian adults played an Atlantic Lottery product in 2018-19.

#### **Digital Index:**

The focus on getting to know our players through digital activities has resulted in Atlantic Lottery exceeding the approved target of 100 per cent by 18 points. This metric is an index made up of the following three elements:

**Known Customers** include verified customer accounts, newly registered or active accounts within the past 36 months.

**Digital Share** includes digitally-enabled Sports and lottery draw results as a percentage of total sports and lottery results.

**Digital Interactions** includes users/followers of Atlantic Lottery digital owned assets (alc.ca, Apps, 2Chance, Social Followers).

#### Unfavourable Opinion Among Involved Atlantic Canadians:

The year-end unfavourable score among involved Atlantic Canadians stands at 24 per cent, exceeding the target of 26.5 per cent. Opinion is positive and has been on an upward trajectory since 2016. Being owned by the four Atlantic Provinces, investing profits in Atlantic Canada, helping to fund important social programs and operating in a transparent manner are some of the important drivers that impact Atlantic Lottery's reputation.

#### Vitality Index:

This metric is the percentage of revenue made up of products and services that were introduced over the past thirty six months. FY19 Vitality Index is 5.03 per cent versus a target of 5.22 per cent, which is below the target. Sales shortfalls in certain new brands, such as Daily Grand and Lotto 4, are driving the unfavourable results.

#### Employee Experience:

The year-end Employee Experience score is 85 per cent, falling just short of the target. Surveys were sent out each quarter to Atlantic Lottery employees, to gauge employees' overall experience at Atlantic Lottery. Among other things, this includes leadership, coaching, recognition, and other aspects of the work experience.

Amid so much change in the lottery world, sound preparation is more essential than ever to ensure these core values remain sustainable for years to come.







Atlantic  
Lottery



# Financial Position Overview

The below provides an overview of the financial position of Atlantic Lottery for the year ended March 31, 2019 and is to be read in conjunction with the associated audited Consolidated Financial Statements and note disclosures, prepared in accordance with International Financial Reporting Standards (IFRS). See the 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 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, took effect in fiscal 2018-19. The most significant change from these standards is the presentation of revenue as a net amount of prize expense. It also required Atlantic Lottery to reclassify deferred prize expense from deferred revenue to a liability for unclaimed prizes. Both of these changes were made retroactively to 2018, requiring a restatement of our 2018 consolidated balance sheet and consolidated statement of operations figures. Additional information on adoption of new accounting standards, including quantification of restatements, can be found in note 2.*

*IFRS 16, Leases, takes effect in 2019-20. The most significant change is expected to be an adjustment to opening balance of retained earnings estimated at close to \$1 million (reduction of retained earnings) and recording property and equipment and lease liabilities on our consolidated balance sheet. Additional information and quantitative estimates on Standards Issued but not yet effective can be found in note 4.*

"Committed to enterprise-wide innovation, we are and will continue to revamp how we operate our business."

– Brent Scrimshaw, CEO



# Consolidated Balance Sheet

## Assets

	2018-19	2017-18	CHANGE
<b>TOTAL ASSETS</b> (thousands of dollars)	<b>\$228,591</b>	<b>\$249,252</b>	<b>(\$20,661)</b>

Assets decreased by 8 per cent from 2017-18. Overall, short term assets decreased by \$2.6 million, driven by national instant game prize funding paid to the Interprovincial Lottery Corporation. This was partially offset by an increase in Accounts Receivable for retailers as a result of having one more day of sales in the weekly cycle year-over-year and an increase in Inventory driven by the pre-purchase of gaming terminal roll stock. Long term assets decreased by \$18 million, driven mainly by a decrease in Property and Equipment (\$13 million) and a decrease in Intangibles (\$5.3 million) because of depreciation of \$33.8 million (notes 8 & 9) which exceeded the current year's investing activities of \$15.8 million.

## Liabilities

	2018-19	2017-18	CHANGE
<b>TOTAL LIABILITIES</b> (thousands of dollars)	<b>\$185,181</b>	<b>\$215,487</b>	<b>(\$30,306)</b>

Liabilities are down 14 per cent compared to 2017-18. The decrease is mainly driven by our long-term debt and current portion of the long-term debt which decreased a total of (\$30.6 million) year-over-year due to principal repayments on debt, and no new long-term facilities acquired (note 14). In contrast, accounts payable and accrued liabilities (note 11) have increased by \$3.9 million in part due to a difference of timing of invoices received and a large Lotto Max \$50-million draw on March 29, 2019, in comparison to the 2017-18 year-end Lotto Max draw of \$10 million, which created a higher payable to the Interprovincial Lottery Corporation. This organization is jointly owned by the Canadian lottery organizations and administers national games.

## Shareholders' Equity

	2018-19	2017-18	CHANGE
<b>TOTAL SHAREHOLDERS' EQUITY</b> (thousands of dollars)	<b>\$43,410</b>	<b>\$33,765</b>	<b>\$9,645</b>

The year-over-year increase in Shareholders' Equity is attributable to the \$14 million in profit withholdings from Shareholder distributions 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 16).



# Consolidated Statement of Operations

<i>(THOUSANDS OF DOLLARS)</i>	2018-19	2017-18	CHANGE
<b>NET REVENUE</b>	<b>\$764,834</b>	<b>\$756,157</b>	<b>\$8,677</b>
Direct expenses	\$143,129	\$148,532	(\$5,403)
<b>GROSS PROFIT</b>	<b>\$621,705</b>	<b>\$607,625</b>	<b>\$14,080</b>
Operating Expenses	\$146,544	\$136,187	\$10,357
<b>NET PROFIT</b>	<b>\$422,241</b>	<b>\$419,225</b>	<b>\$3,016</b>
<i>Gross profit % of Net revenue</i>	81.3%	80.4%	0.9%
<i>Operating Expenses % of Net Revenue</i>	26.1%	24.9%	(1.2%)
<i>Net profit % of Net revenue</i>	55.2%	55.4%	(0.2%)

Net Revenue is made up of gross sales less prize expense. The increase in Net Revenue was driven by strong performances versus budget in Draw Games of \$24 million, Scratch'N Win of \$5 million and iGames of \$2 million. The increase in draw was a result of Lotto Max which experienced a total of 26 Maxmillions in 2018-19 compared to 14 in 2017-18. These increases were partially offset by year-over-year shortfalls in Video Lottery (\$18 million) which fell short in all provinces except Prince Edward Island and Breakopen (\$4 million).

Direct expenses include Commissions paid to retailers of \$131 million, Ticket printing of \$9 million and Other direct costs of \$3 million. The decrease from prior year aligns with the decrease in Video Lottery Revenue as the commission on that product is higher than products in the retail channel.

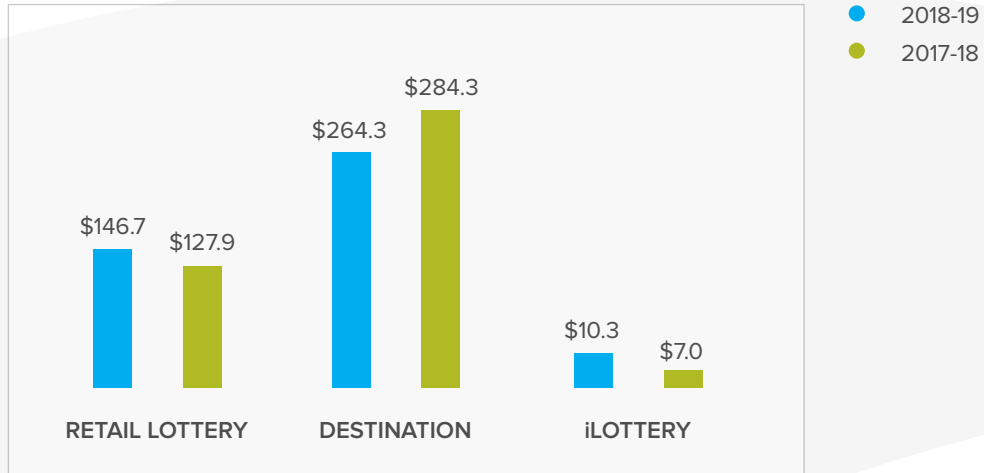
Ticket printing costs are down slightly mainly due to lower Breakopen sales as well as a decrease in printing costs as a result of revisions to the Breakopen product.

Operating Expenses increased by \$11.1 million, with the biggest drivers being employee expenses (\$5.1 million), Video Lottery Terminal (VLT) lease expense (\$1.1 million) and Depreciation (\$2.4 million). The employee expense increase is mainly a result of hiring additional employees in 2018-19, less capitalized salaries year-over-year due to less project time and an increase in pension expense. The VLT lease increase year-over-year is due to the rental fees for a field trial of new VLTs. The Depreciation increase is driven by full year depreciation costs on a new retail lottery and online web transactional system that was implemented in 2017-18 as well as partial year increases on new projects that were delivered in 2018-19.

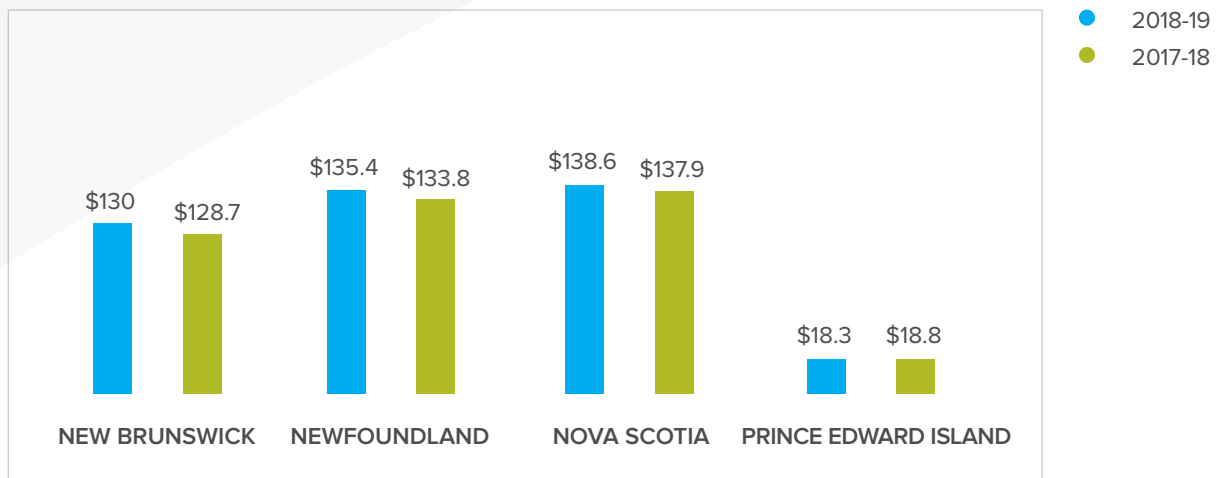




### Profit by Line of Business



### Profit by Province



\*Destination includes Video Lottery & Red Shores



# Consolidated Statement of Cash Flows

<i>CASH PROVIDED BY / (USED IN) (THOUSANDS OF DOLLARS)</i>	FISCAL 2018-19	FISCAL 2017-18
OPERATING ACTIVITIES	\$454,715	\$449,453
INVESTING ACTIVITIES	(\$15,788)	(\$20,503)
FINANCING ACTIVITIES	(\$32,495)	(\$20,503)
DISTRIBUTION TO SHAREHOLDERS	(\$408,139)	(\$405,105)
CHANGE IN CASH BALANCE	(\$1,707)	\$196
OPENING CASH BALANCE	\$21,233	\$21,037
CLOSING CASH BALANCE	\$19,526	\$21,233

The statement of cash flows 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 \$34 million, Other comprehensive income of \$5 million and non-cash working capital of \$3 million. This results in cash generated from regular business activities of \$455 million.

Continued success demands not only maintaining the current core of players but also attracting new market segments.





Investing activities represents the amount spent on capital assets, net of proceeds on asset disposals. Purchases of property and equipment include new VLTs (\$3 million), computer hardware for technology projects (\$2 million), retail equipment to support the Retail and Destination networks (\$1 million) and Red Shores facilities, slots and equipment (\$1 million). Purchases of \$7 million for intangibles include new VLT games software (\$2 million) and for software related to the launch of various new games and services (\$3 million).

Financing activities reflect cash inflows and outflows relating to debt. During the year, Atlantic Lottery acquired no new long-term debt and managed cash flow and interest expense through the purchase of short-term 30 to 90 days bankers' acceptance notes in amounts of \$15 million or \$20 million. Debt repayments for both long-term facilities and the short-term notes totaled \$121 million.

The net change in cash for fiscal 2018 was a decrease of \$2 million.



# Business Overview

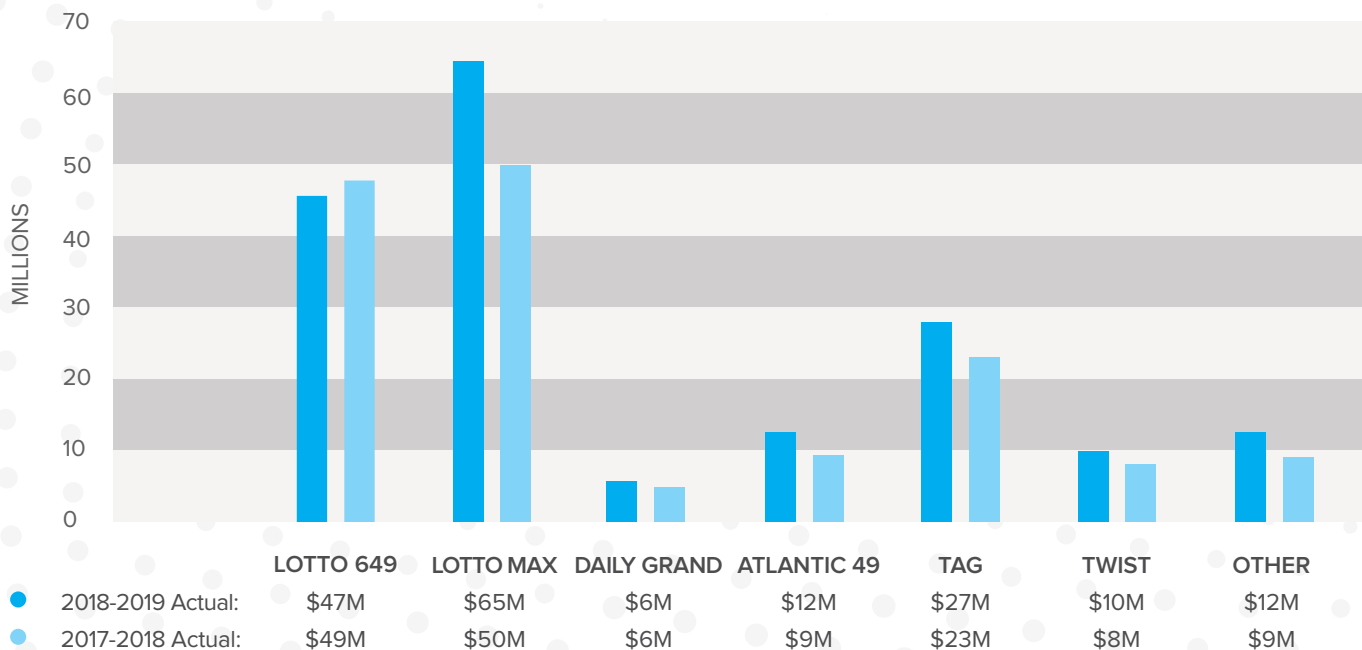
## Draw Games

Overall the draws category delivered net revenue of **\$175 million** which is up from last year by 16 per cent. Lotto 6/49 finished the year **\$2 million** under fiscal 2017-18. The high Lotto Max jackpot levels were a large driver in the sales shortfall as Lotto 6/49 players switched to Lotto Max for those big draws, the brand experienced an unusually high number of large jackpots.

Lotto Max sales were up in 2018-19 due to a record number of Maxmillion jackpots, 26, compared to only 14 Maxmillion events in 2017-18. For 2018-19 there were a total of six base jackpots compared to 10 base jackpots in 2017-18. Maxmillion are any jackpots that are **\$50 million+** and a base jackpot is **\$10 million**.

Enjoying a sales lift as a result of the number of high Lotto Max jackpots were the spiel games TAG and Twist, as these games can both be purchased as an add-on to Lotto Max. These were collectively up by **\$6 million** over last year.

## Draw Games Net Revenue



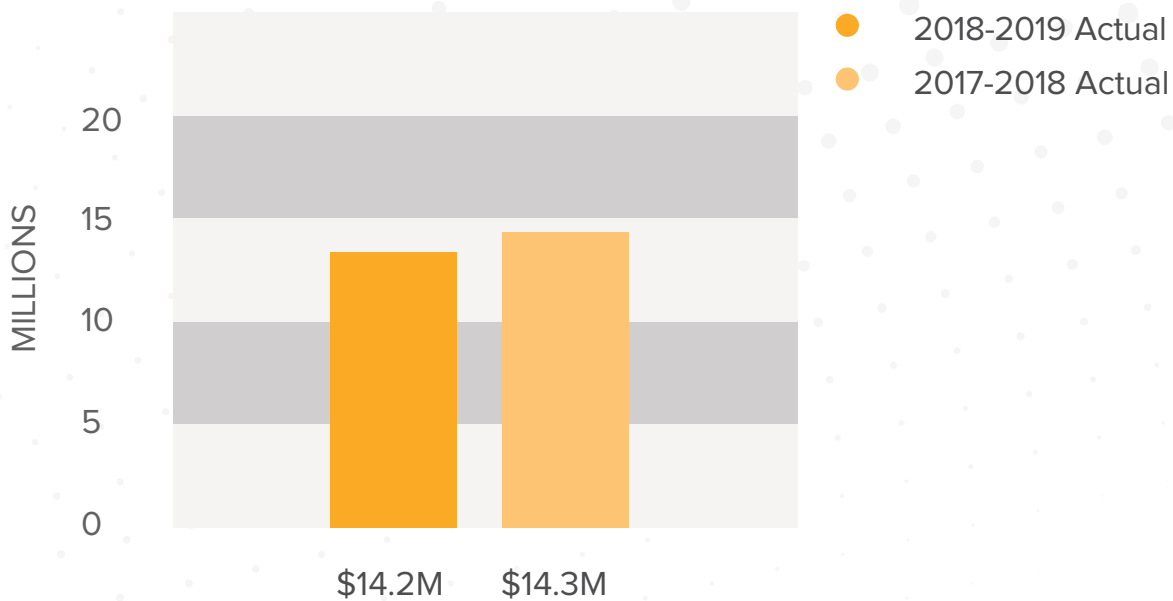


# Sports

In 2018-19, net revenue in the sports category was \$14 million. PRO•LINE's new mobile platform, launched in August 2018, has improved the online customer experience by delivering a fully optimized solution for mobile devices and modernized the retail experience with a QR code to facilitate in-store purchases. Overall, total sports sales figures were below the 2018-19 budget by \$400,000, but were \$1.7 million higher than 2017-18.

PRO•LINE's player base of active internet accounts continues to grow in record numbers. The success of the new mobile platform and QR codes, along with a full year of the new sports offerings from 2017-18, such as Fighting, Racing, eSports and PRO•LINE Pairs, drove player growth.

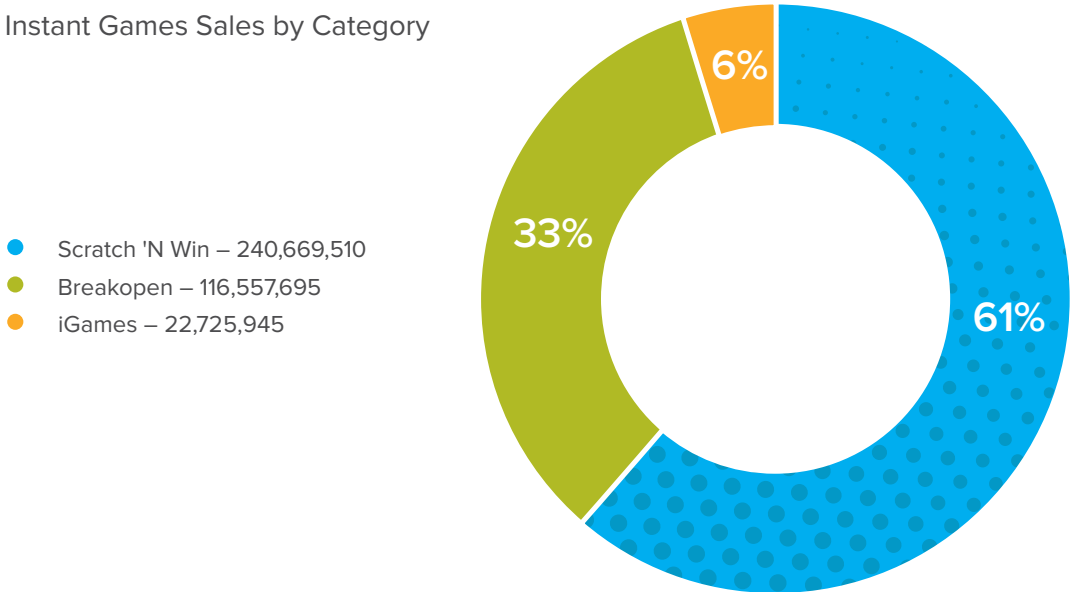
## Sport Games Net Revenue



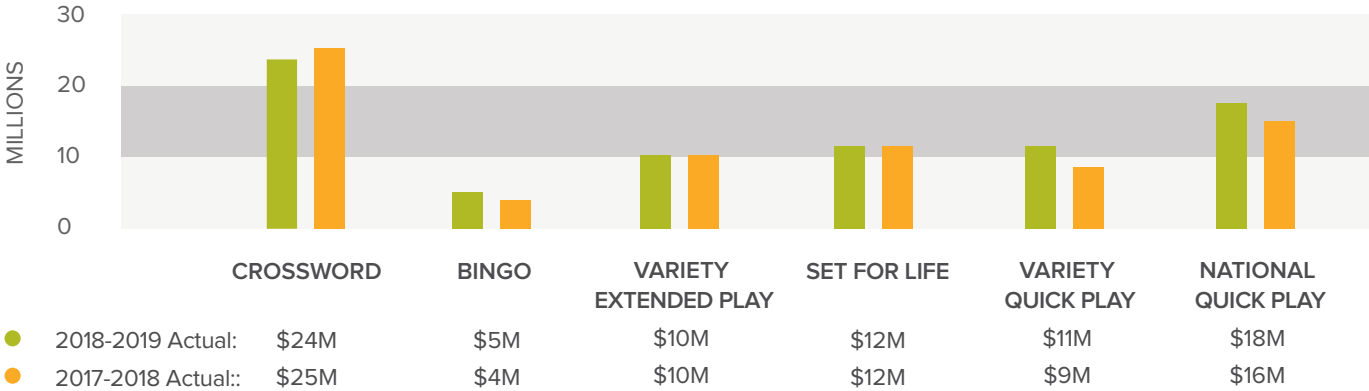
# Instant Games

Scratch’N Win net revenue exceeded \$80 million this year, an increase of \$5 million over 2017-18. An increase in the prize payout along with the new higher price point games introduced to the market including \$30 Crossword, \$20 Super Set for Life and a new \$50 Classic Celebration game are the major factors impacting growth of this brand.

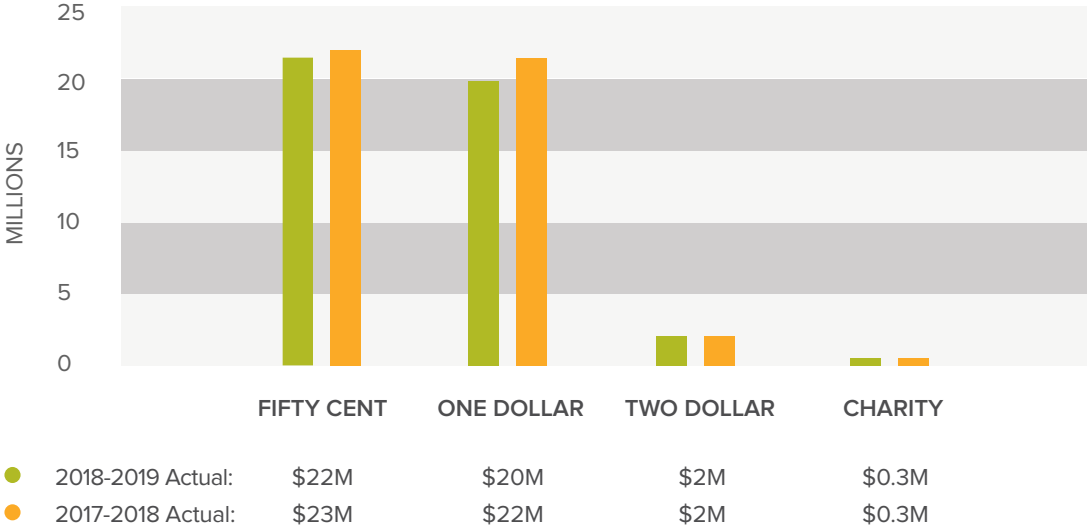
Instant Games Sales by Category



Scratch’N Win Games Net Revenue



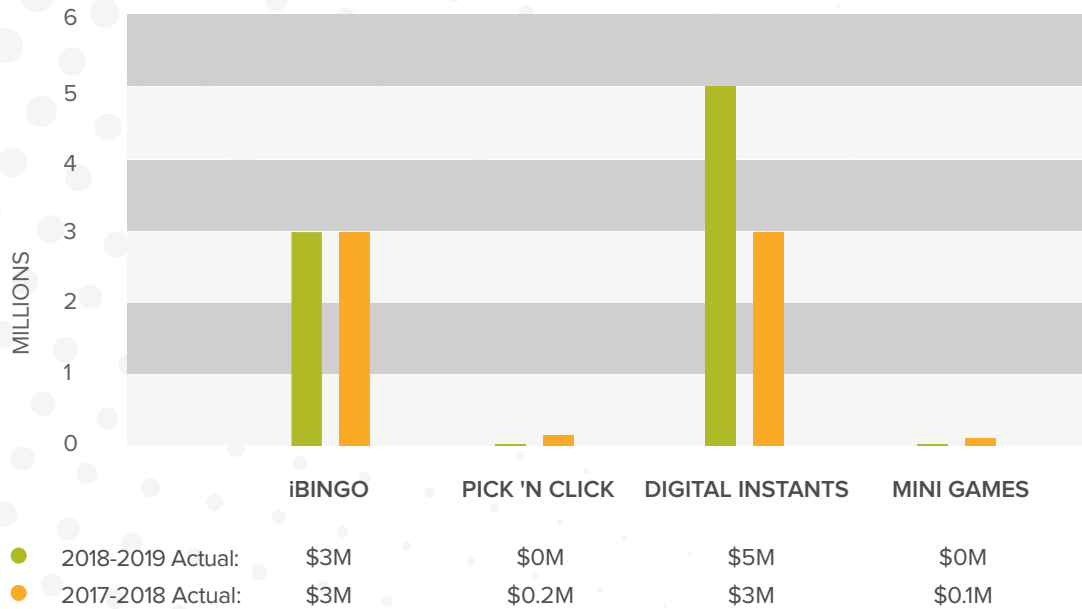
Breakopen Games Net Revenue



The **Breakopen** brand transitioned from a barcoded to a non-barcoded ticket in 2018-19. A combination of ticket inventory supply issues during the transition, coupled with low player and retailer engagement drove a year-over-year shortfall of \$4 million. System enhancements and other mitigations have been developed and will be implemented during 2019-20.



## iGames Net Revenue



With a full year of the new iGaming platform on the market, the popularity of the Digital Instants category continued in 2018-19. With regularly changing game offerings and refreshed favourites, the iGaming category has proven to be popular with the online player.







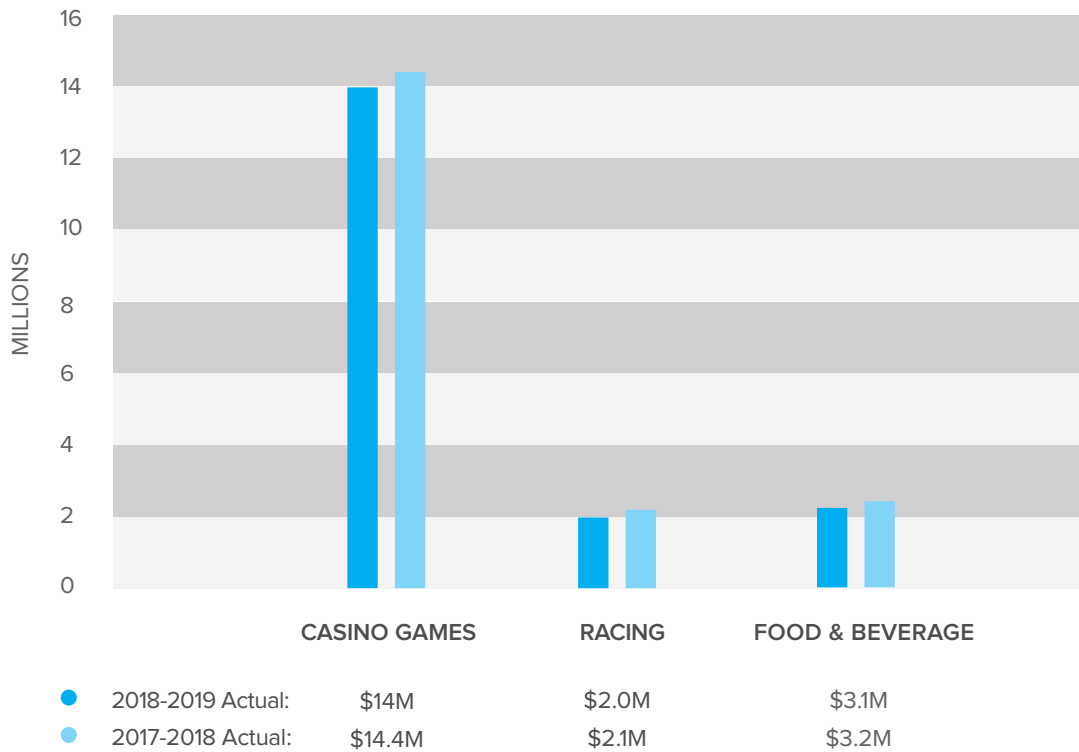


This fiscal year saw Atlantic Lottery adopt an increasingly agile approach across all processes and operations.



# Red Shores

## Red Shores Net Revenue

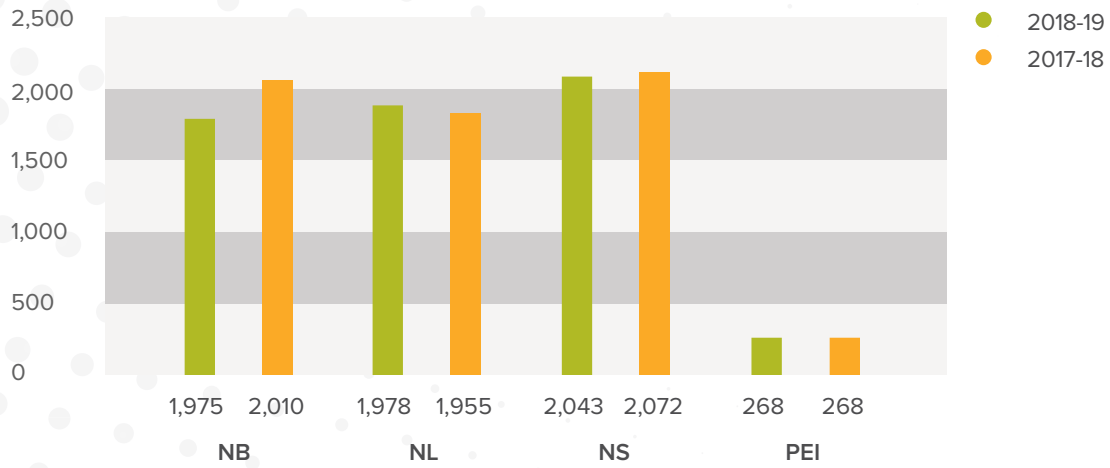


With Total Net Revenue at \$19M, Red Shores was 3 per cent behind 2017-18 actuals. The shortfall in the categories of casino games and racing was largely attributed to poor weather conditions, particularly during Old Home Week, the busiest time of the year for Red Shores. Food and Beverage results remained flat to 2017-18.

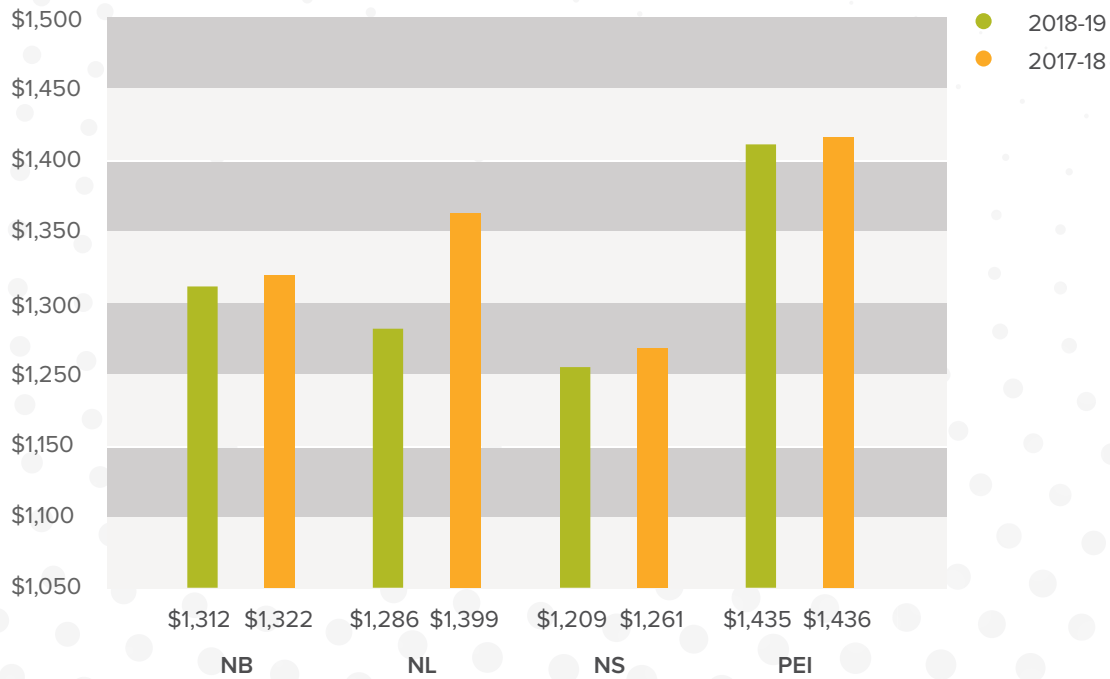


# Video Lottery

Video Lottery Terminal Count

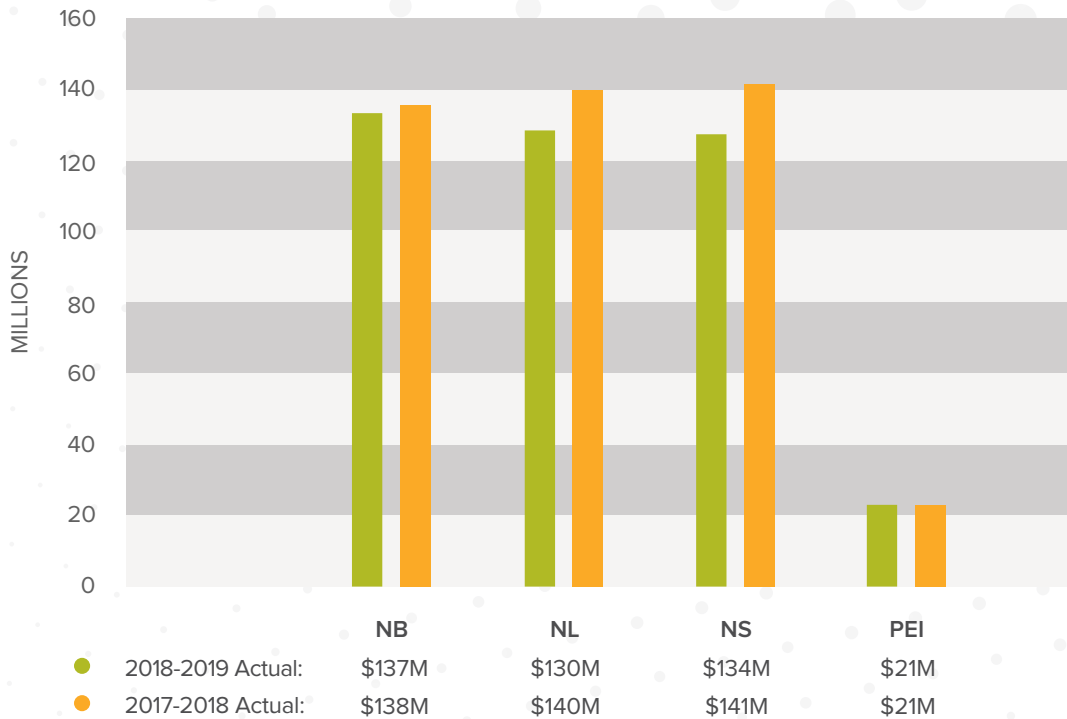


Video Lottery Weekly Average Net Revenue





## Video Lottery Net Revenue by Province



Video Lottery experienced declining sales over the previous year, falling short by \$18 million. Lower terminal counts, economic factors and an early winter storm season, beginning in November 2018 and stretching well into March, were the main drivers of the sales results.

New Brunswick ended with a \$1 million year-over-year decline in sales as weekly average net revenue (WANR) dropped from \$1,322 to \$1,312 in 2018-19. Infrastructure spending, a driver of sales in 2017-18, cooled in 2018-19. Also, terminal counts in New Brunswick fell from 2,010 in 2017-18 to 1,975 in 2018-19, negatively impacting revenue. The impact from losing terminals in New Brunswick is not always as severe as other provinces, as play is often migrated to larger sites.

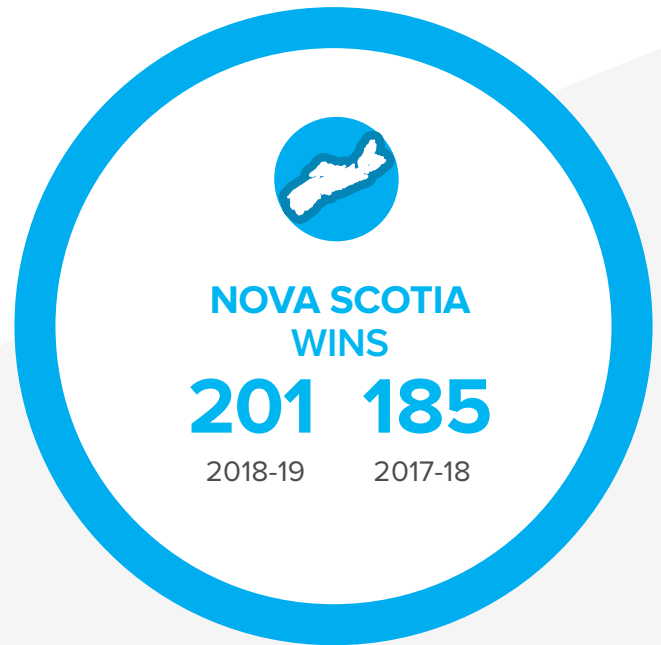
Nova Scotia sales decreased \$6 million year-over-year due in part to the provincial attrition policy, which saw the terminal count fall from 2,072 province-wide to 2,043. WANR declined from \$1,261 to \$1,209. The attrition policy in Nova Scotia limits the addition of new or relocated sites and with some larger sites in Nova Scotia closing this past year, not all of the play migrated.

With no changes in terminal counts or WANR, Prince Edward Island finished flat to last year and to 2018-19 targets.

Newfoundland and Labrador continued to struggle economically ending the year \$11 million below last year sales results, even with an increase in the number of terminals in the province from 1,955 in 2017-18 to 1,978 in 2018-19. WANR in Newfoundland and Labrador dropped by more than 8 per cent to \$1,286. In the fourth quarter, a pilot was launched with a new terminal type and was well received by players, quickly becoming the most popular terminal in those sites where the terminal was placed. Due to the success of this pilot program, more of these terminals will be rolled out to various sites across Atlantic Canada in 2019-20.

# Winners

Year-over-year wins of \$10,000+ by province.



\*In 2018-19, there were an additional four wins by non-residents who purchased tickets in Atlantic Canada (nine in 2017-18)



## TOTAL

**610**  
2018-19

**553**  
2017-18



# Where the Money Goes

93 cents of every lottery dollar stays here in Atlantic Canada

Atlantic Lottery returns 100 per cent of profit to our four shareholder governments every year. Beyond returning profit 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 93 cents of every lottery dollar stays in the four Atlantic Canadian provinces.

35¢

## Profit to Atlantic Canada

In 2018-19, Atlantic Lottery returned \$422.2 million in profit to the four Atlantic provinces to help fund the important services we all use.

36¢

## Winners in Atlantic Canada

Atlantic Lottery paid out \$435.7 million in prizes in 2018-19 to winners all across Atlantic Canada.

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 \$131.3 million in commissions during 2018-19.

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.

7¢

## Operations in Atlantic Canada

Overall operations contributed indirectly to more than 8,600 jobs and \$1.1 billion in economic activity across the region last fiscal year.

3¢

## Operations Outside Atlantic Canada

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.

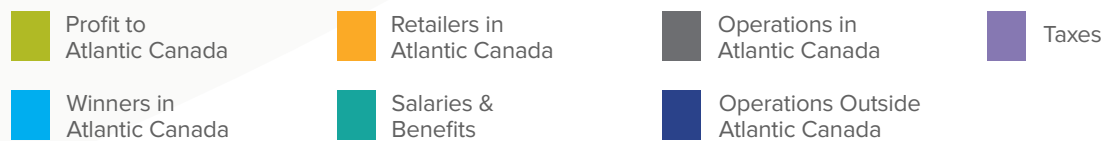
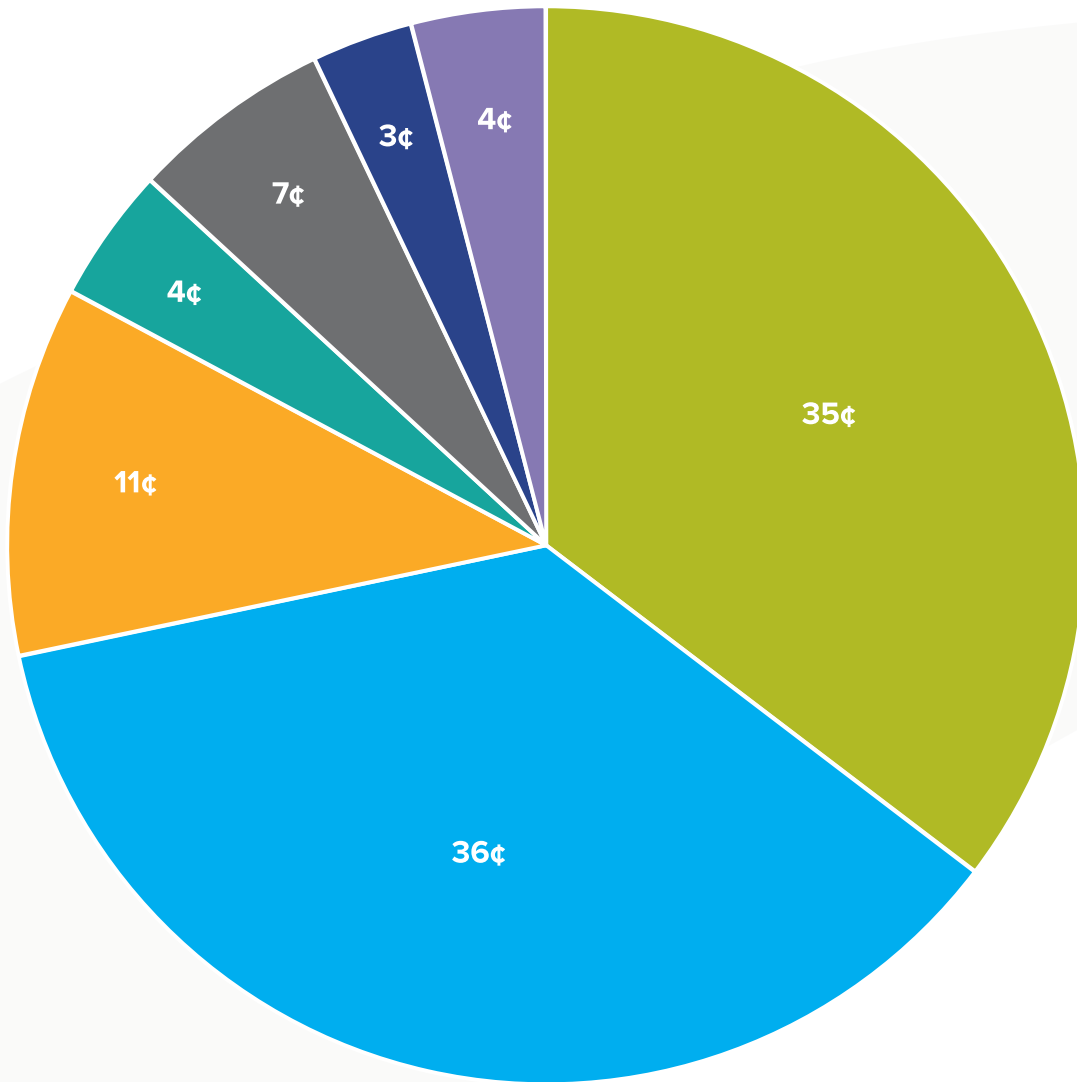
4¢

## Taxes

Yes, Atlantic Lottery pays taxes, too. A portion of the taxes we pay also stay in Atlantic Canada, meaning even more than 93 cents of every lottery dollar ultimately remains in the region.



# Breaking Down the Lottery Dollar



(thousands of dollars)	Fiscal 2019	Fiscal 2018
Harmonized Sales Tax	\$14,744	\$14,061
Games of Chance Legislated Second Tax	\$33,491	\$33,649
Federal Gambling Contribution Tax	\$4,629	\$4,568
Property Tax	\$446	\$456
<b>Total Remittances to Government</b>	<b>\$53,311</b>	<b>\$52,734</b>

# Social Responsibility

Corporate Social Responsibility (CSR) is at the heart of everything we do at Atlantic Lottery. It is a core value and competency of the organization. It guides how we manage our responsibilities to the four Atlantic provinces, our players and our communities.

Every day, our commitment to social responsibility informs our decisions and our actions as a corporation. That is what is expected of us and why we were established: to provide Atlantic Canadians with a responsible and regulated gambling option.

Atlantic Lottery's CSR strategy consists of six pillars: Players & Products; Retailers; Employees; Communities; Supply Chain; and Environmental Stewardship. Each of these supports the corporation's overarching goal of ensuring our products, operations and employees have a positive impact in the Atlantic Canadian communities we serve.

## Players and Products

Atlantic Lottery is committed to CSR in the development and delivery of all its games, services and programs. With the player always at the forefront of every decision and action, the goal is to exist as a customer-centric company where responsible gambling informs all decisions.

Promoting healthy and responsible gambling is core to Atlantic Lottery's commitment to social responsibility. Our mandate is to provide regulated and responsible products for Atlantic Canadians who choose to play and it is an obligation we take seriously – whether players access our games in-person or online. We are always looking for ways to strengthen our efforts to support our players and help them make informed decisions about their gambling.

**There are several elements to our approach to accomplish this today, including:**

*Responsible gambling tools and features* – Atlantic Lottery provides players with access to multiple responsible gambling (RG) tools, features and information to help make informed decisions when playing Atlantic Lottery products. For example, on [alc.ca](http://alc.ca) this includes system and game features including weekly deposit limits, self-exclusion, pop-up messaging and a player wager limit, which are considered best practice. In 2018-19, we strengthened these features by adding a mandatory break in play and a voluntary player time limit. In January 2019, the new Player Account Statement feature was launched at both Red Shores locations that enabled slot machines players to view how much time and money they had spent based on their Rewards Club card usage.

*Evolution and enhancement of PlayWise brand through research* – Atlantic Lottery is committed to understanding responsible gambling (RG) and problem gambling and continues to invest in research in these areas. Through the PlayWise brand, Atlantic Lottery seeks to raise players' awareness of our products and educate players on responsible play. With this information – including tips on keeping gambling fun, how the games work and the odds of winning – players are better equipped to make informed decisions about their play. PlayWise materials are required to be available in all Atlantic Lottery environments, including online at [alc.ca](http://alc.ca).

"Our steadfast promise to deliver games that meet – or exceed – the highest global standards in player safety and security has never wavered."

– Brent Scrimshaw, CEO



**Social Responsibility Assessments on all products and programs** – All new products are considered through a CSR lens and a wide-ranging assessment is required before every new game is made available to the public. This includes assessments of any potential social responsibility, demographic, RG or environmental risk, and also requires the expert review of a psychologist to ensure an independent analysis.

**Customer Care Centre training** – Atlantic Lottery employees in our Customer Care Centre (CCC) also receive training on how to help players experiencing problem play. Atlantic Lottery engages the services of CHIMO, a crisis phone line that is accessible 24 hours a day, 365 days a week. Any player who is in crisis and calls CCC is connected to the CHIMO line where they can speak to a counsellor. All CCC representatives receive ongoing training for CHIMO that outlines the type of call handled by CHIMO, mental health stigma, support for Atlantic Lottery employees and call debriefings.

**Accreditations** – In January 2019, Red Shores Racetrack and Casino Charlottetown once again received its RG Check Accreditation. RG Check is an accreditation program created by the Responsible Gambling Council that offers gaming companies an independent endorsement of

the quality of their RG safety net. To receive this accreditation, Red Shores provided evidence to support its accomplishments and completed an RG Check Annual Checklist. Also in 2019, Atlantic Lottery completed its submission for its World Lottery Association (WLA) Responsible Gaming Level 4 recertification. Atlantic Lottery once again met the Level 4 requirements and received the highest level of accreditation offered by WLA.

#### **Retailers**

Atlantic Lottery's network of independent retailers throughout the region play an essential role in our business. They work on the forefront of our operations and act as the primary touchpoint with the majority of our players. Atlantic Lottery seeks to support these retailers by always ensuring its products are fun, responsible and exceed players' demands, allowing retailers to represent the products with confidence.

An important part of Atlantic Lottery's CSR commitment is keeping lottery products out of the hands of minors. Retailers are an indispensable part of our 19+ policy, which prohibits the sale of lottery products to any person under the age of majority. Atlantic Lottery works with retailers to adhere to all policies and agreements and support them with the proper tools, skills and knowledge needed to deliver a responsible lottery program.

Evolved retailer training – covering such topics as RG, products, retailer RG training compliance and 19+ – educates and empowers retailers to speak confidently to players about RG in support of Atlantic Lottery’s overall RG measures.

Each year, Atlantic Lottery runs a training recertification cycle for retailers who have reached their two-year retraining requirement. In January 2019, recertification for Ticket Lottery and Video Lottery training was 100 per cent completed.

In addition, almost 4,000 Atlantic Canadian businesses earn income from Atlantic Lottery product sales. In 2018-19, commissions paid to retailers totaled \$131.3 million, further underlining the corporation’s economic development benefits.

### Employees

With the lottery industry facing more competition than ever and an ever-evolving landscape, it’s more important than ever to make sure Atlantic Lottery has the qualified and engaged workforce required to achieve its strategic objectives. Aspiring to offer employees a career-best work experience in a progressive, results-oriented environment remains an essential goal at Atlantic Lottery.

The year-end Employee Experience score for 2018-19 was 85 per cent, meeting the corporation’s target range. As in prior years, the intent of this measure was to gauge employees’ overall experience at Atlantic Lottery.

Several programs actively contribute to cultivating a strong and positive employee experience, including the ongoing work of the Joint Occupational Health and Safety teams, the in-house Wellness in Numbers program, the Employee and Family Assistance Program and several learning and development programs.

Atlantic Lottery is also committed to creating a workplace that recognizes, respects and accommodates the diversity and inclusion of all individuals. In support of this value, the Diversity & Inclusion Leadership Council seeks to identify and capitalize on opportunities to improve programs and services; attract, retain, motivate, and utilize our people effectively; and reap the many benefits from being a socially conscious and progressive employer.

Atlantic Lottery employees are also required to complete CSR training during the onboarding process and regular recertification is mandatory.

Every employee is responsible for incorporating CSR into their everyday activities – it is everyone’s responsibility to apply these values and promote a culture that puts CSR at the forefront of every decision.

### Communities

In addition to returning 100 per cent of its profit to the four provincial governments, Atlantic Lottery further supports vital community activities throughout the region, both through financial assistance and the volunteerism of its employees.

Central to this is the Community Festival & Events Sponsorship program, which this year provided \$348,000 to support 132 events that play an important cultural, social and economic role within their communities. In the past five years, the sponsorship program has invested more than \$1.7 million into over 650 community-focused festivals and events of all sizes and in every corner of Atlantic Canada.

Atlantic Lottery also provides several corporate sponsorships each year in support of non-profit organizations throughout the region. In 2018-19, we were proud to be a community partner for the 8th Annual Radiothon for The Friends of the Moncton Hospital and several employees volunteered their time at the fundraiser. Always ready to get involved in their communities, this event had special meaning for many of our employees who have experienced, either directly or indirectly, the exceptional care at The Moncton Hospital. The 2019 Radiothon was the most successful event to date, raising a total of \$70,000, with Atlantic Lottery contributing \$25,000.

The United Way continued to be Atlantic Lottery’s corporate charity of choice in 2018-19, with a committee of employees volunteering to raise funds for their local United Way, across the four Atlantic provinces. Through payroll contributions and other fundraising activities, head office employees donated more than \$82,000 to the United Way of Greater Moncton and Southeastern New Brunswick’s 2018 campaign and employees in all provinces again participated in the annual Day of Caring. Since 1993, Atlantic Lottery employees have raised and contributed more than \$1.2 million to the United Way, helping it to continue the crucial programs and services it provides in our communities.

In January 2019, Atlantic Lottery hosted its Community Partnership Days in several provinces. The goal of this day is to bring together various community partners – including the departments



This year featured guest speaker Janine Robinson, a leader in the field of responsible gambling education, in order to help participants to develop an increased understanding of the ways problem gambling is stigmatized and how to offer non-stigmatizing messages of support.

At the heart of Atlantic Lottery's community involvement is its commitment to benefit Atlantic Canadians and the strong belief that our communities are stronger together.

### Supply Chain

Atlantic Lottery knows that it has an obligation to pursue CSR objectives not only within its own walls, but in its external activities and relationships as well. With overall operations indirectly contributing to more than 8,630 jobs and approximately \$1.1 billion in economic activity across the region in 2018-19, we recognize the opportunity to promote constructive CSR practices on a wider scale through our relationships with our vendors.

With that in mind, Atlantic Lottery tracks vendors' CSR commitments through our vendor management program and almost 84% of our strategic vendors have active CSR initiatives in place. This is a part of our tender process and in many cases is included as a contractual requirement with the successful vendor. Although a vendor's CSR activities may not affect the product or service they deliver, Atlantic Lottery seeks to ensure we encourage and support CSR best practices and waste reduction requirements with strategic vendors.

This emphasis covers everything the corporation purchases, from basic office supplies to new technology and professional services. In general terms, this includes measuring the percentage of vendors that have CSR initiatives in place, focusing on ethical sourcing practices and seeking environmentally friendly products in tender specifications and bid responses. Specifically, Atlantic Lottery has launched initiatives resulting in the refurbishment of point-of-sale items, a shift to receiving digital bid submissions to reduce the impacts of shipping, shredding and paper use, and ensuring the paper we do use is sourced, produced and recycled in an environmentally sustainable manner.

### Environmental Stewardship

Protecting the environment and developing sustainable practices has become an ever-prominent global topic. In Atlantic Canada, the need to do so is felt even more immediately. Our ocean shorelines, vast forests and diverse wildlife are never far and serve as a constant reminder of what we must protect.

With that in mind, Atlantic Lottery is continuously working to minimize the environmental impact of its corporate operations. Our main focus areas for corporate environmental stewardship are: environmental evaluation through procurement process; refurbishment of point of sale items to avoid units going to the landfill; and ongoing facility changes. These have resulted in various practical measures to reduce the corporation's footprint, including embedded e-waste recycling for end-of-life hardware, the furniture and fixtures reuse program, the introduction of electronic paystubs and the transition to LED bulbs. Our Red Shores operations present some unique opportunities for environmental measures. For example, the manure from both Red Shores locations is recycled monthly and goes to a local mushroom farm. Race track rock dust is also collected annually and is reused at other local tracks.

At the individual level, Atlantic Lottery employees are encouraged to minimize their environmental impact in several ways, including reducing carbon emissions, paper consumption and water and energy use in the workplace, while also seeking opportunities to increase the amount of waste diverted from landfill. With operations and employees across the region, video- and teleconferencing are also effective means of reducing travel-related energy and fuel consumption.

In addition, employees are invited to participate in the annual Employee Eco-Health Travel Challenge and receive tips on reducing their personal and professional environmental impact in the quarterly AL Eco News internal bulletin.

Our commitment to protecting the environment is integral to our desire to operate in a socially responsible and ethical manner, and to achieve high standards of integrity. An ongoing effort, rigorous environmental stewardship involves the continuous identification of new opportunities to lessen our ecological impact and establish a sustainable legacy for future generations of Atlantic Canadians.

# Lottery and Gaming Industry Today

## Atlantic Lottery – Today and into the Future

The objective of player-centricity will alter the mindset, skills and structures that we know today.

Critical to Atlantic Lottery's position as an industry leader, and to ensure sustainable growth and continued prosperity for the Atlantic Provinces, the organization is committed to enhancing the way it attracts and entertains players today and in the future. As part of an overall business growth strategy, and enabled through a focus on modern player-centric experiences across existing and new products and platforms, Atlantic Lottery has identified the need to broaden and diversify its player base to remain relevant and competitive in the gaming and entertainment market in Atlantic Canada.

During this year, the Atlantic Lottery Executive Team developed a Three-Year Strategic Plan, covering the period 2019-2022, which was approved by the board in September 2018. This Strategic Plan identifies the priority opportunities that will support Atlantic Lottery in meeting its growth targets, and sets out key business and technology initiatives into a structure and sequence that can confidently be actioned as a player-centric organization.

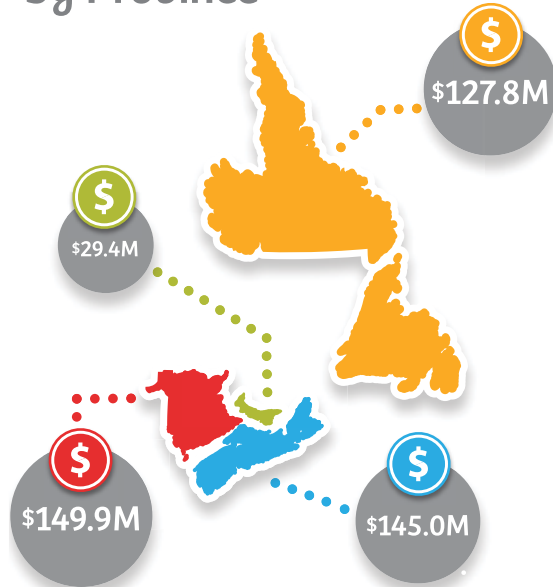


# Total Employment Contribution

Includes Direct, Indirect and Induced impacts

# \$452.2M 8,631 JOBS

## Employment Income by Province



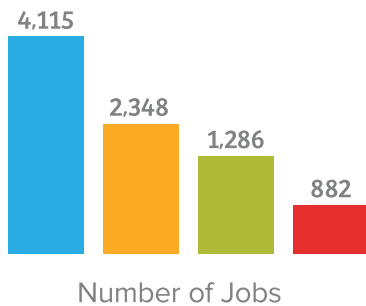
## Employment Income by Line of Business



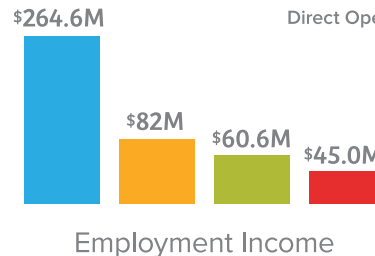
## Number of Jobs Breakdown by Province



## Jobs Breakdown by Type of AL Expense



Profit Distribution to Provinces  
Commissions  
Suppliers  
Direct Operations



For Employment Income, approx. 10% is direct, 70% is indirect, and 20% is induced.

### **THE CHALLENGE: Atlantic Lottery's Regional Player Base Is in Decline**

Over the last 15 years, the number of Atlantic Canadian players engaging with Atlantic Lottery products has declined from 78 per cent of the adult population to 63 per cent. It is expected that this trend will continue and the player base will drop below 60 per cent by 2022 unless decisive actions are taken to address the decline. These numbers confirm Atlantic Lottery's belief – also shared by lotteries in other provinces and generally across the globe – that its current offerings are losing relevance and traction in the changing market landscape, and in particular with the important under-35 segment.

The increasingly competitive landscape continues to stress and threaten Atlantic Lottery's business; the continued emergence of new online entrants and offerings, such as eSports, Daily Fantasy Sports, virtual sports, Lotto Betting, and a growing significance of grey market illegal gambling platforms, combine to have a material impact on the business. With the ready access to a wide range of competing entertainment options, and the rapidly changing expectations of Atlantic Lottery's current and potential player base, Atlantic Lottery needs to continue to invest to keep pace and remain competitive and relevant.

### **THE OPPORTUNITY: Understanding, Engaging And Influencing Players**

As a business Atlantic Lottery already recognizes that listening to the needs of its players is critically important, and that more emphasis needs to be placed on broadening its player base, achieving deeper engagement with them and enhancing their overall experience. Atlantic Lottery has sustained a moderate growth path over the last few years and is starting to see the results of the investments it has made, including operational savings and efficiencies from its technology assets, increased performance from key products and marketing spend, and a number of innovative concepts taken to market, to name a few. With that said, Atlantic Lottery's growth performance is flat; it is over reliant on a relatively small set of players, it is not replacing its aging player demographic, and its future run-rate is getting shorter. Simply put, the health and sustainability of the business is at risk.

Atlantic Lottery's opportunity is to build from the foundation that it has created, with a strategic focus to actively develop new players that will be valuable and loyal to its business. The initiatives set out in Atlantic Lottery's Strategic Plan define the path to achieve this, including dedicated efforts to make its products more discoverable and accessible for those players that Atlantic Lottery does not reach today, and developing modern player journeys across all touchpoints to enable Atlantic Lottery's existing player base to easily transact and play with any of its products and through any of its channels that they choose to use.

Atlantic Lottery today however, does not operate in what many leading organizations would define as a pure 'customer-centric' manner, and so the Strategic Plan identifies the importance of evolving its capabilities and workforce culture to be much more focused on the player. As such, Atlantic Lottery has introduced the concept of 'elevating the player' to show how the objective of player-centricity will alter the mindset, capabilities and structures that it knows today, and in the near-future will serve to bring together a number of areas in Atlantic Lottery to create value. By elevating the importance of the player within Atlantic Lottery, the outcome of player acquisition, player experience and player value will become the focus and responsibility of everyone in the organization. Through the adoption of an agile operating rhythm across the enterprise, it will allow Atlantic Lottery to anticipate and pro-actively manage the top priorities that will have the greatest benefit to its players and thus its growth agenda.





## THE STRATEGIC PLAN: Accelerating Our Journey to Becoming a Leading Player-Centric Organization

The 2019-2022 Strategic Plan reflects the ambition of Atlantic Lottery's leadership in developing a future-looking, highly-competitive business across all interactions with players and the market. Success will see Atlantic Lottery developing a healthy acquisition pipeline to correct the player base decline trend, and reducing Atlantic Lottery's reliance for revenue growth on a minority segment of Atlantic Canadian players. Success will also require Atlantic Lottery to adopt a highly strategic, innovative and aggressive implementation mindset, and the ability to design and deliver new experiences at the pace demanded by the market.

Atlantic Lottery is starting from a strong position, with diverse offerings available via multiple channels and distribution points, brands that are trusted in our region, and a strong foundation of people, partners, innovation and technology resources. Equally, it should be recognized that in some regards Atlantic Lottery is starting from a position that is behind that of its competition; a legacy culture that can be slow to act and averse to taking risks; a focus on product performance rather than the customer value proposition, and a need for time to re-wire the organization with the right capabilities to thrive in the experience economy.

Atlantic Lottery's Strategic Plan is ambitious, certainly contains risk, but it is also clear and achievable. Atlantic Lottery has taken a data-driven approach to identifying the priority opportunities for growth, based on understanding the value of its players, products and channels. It addresses the value of player convergence – Atlantic Lottery's ability to create value through multi-channel offerings and leveraging the value of known play. Within the plan to 2022, Atlantic Lottery will invest in the future of its people and its business, while at the same time providing the greatest opportunity to accelerate its time to value.

The initiatives set out in the Strategic Plan include key opportunities that Atlantic Lottery can start executing now to accelerate its journey to becoming a leading player-centric organization. These opportunities are foundational to being a modern business, and also incremental to the investments and decisions made to date.

## Strategic Delivery Streams

The Strategic Plan outlines how Atlantic Lottery will follow three key strategic delivery streams to acquire new players, grow the existing player base, and modernize its capabilities to deepen relationships with its most valued players.

1

### Elevate the Player

Invest in our people to deepen player understanding, engagement and relationships.

2

### Acquire and Develop U35

Use strategic marketing, innovation, existing and new products to acquire and retain new U35 players.

3

### Grow Existing Player Base

Protect and grow the existing player base across all age segments from casual to regular players.

# Strategic Pillars of the Plan

Four strategic pillars underpin delivery of the Strategic Plan; they serve to organize key business capabilities (people, process, and technology) needed to become a leading player-centric organization.

1

## Player Insight Drives Decision Making

- Enterprise level ownership of player understanding, strategy & execution
- Data and insights generated for the benefit of players
- Understand and actively create the player
- Make experiences modern, easy and accessible
- Develop unified player-led journeys
- Accelerate delivery of known play and drive more player facing launches, more often and faster

2

## Develop The Marketplace

- Leading-class content to be destination of choice for gaming entertainment
- Develop the partner ecosystem
- Leverage unique AL strengths to build relevance and trust
- Connect players to the marketplace and adjacent offerings
- Strategic innovation within player journeys

3

## Responsive And Flexible Technology

- Enhance integration and connectivity with our core systems
- Extend social media partnerships and alliances to support discovery and acquisition of new players
- Explore new technologies to modernize our retail experience

4

## Re-Wire And Inspire The Organization

- 'Player-centric' thinking and prioritization inclusive of the entire organization
- Establish an enterprise agile rhythm
- Digital-era business and leadership capabilities to meet emerging needs
- Embrace responsible risk taking
- Financial and non-financial metrics as indicators of business health

“...we are modernizing our offerings and are working with our shareholders to responsibly adapt to meet the new market.”

– Brent Scrimshaw, CEO

# GUIDING PRINCIPLES – in the implementation of the Strategic Plan

1

## **We Will Design For Our Most Demanding Players**

Where relevant, new services and offerings will be prioritized for the U35 player segment. We also expect these to be the most demanding of our experiences. Offerings will also be available to other player segments.

2

## **We Will Be Strategic With Player Experiences**

Success requires us to strategically apply innovation where it will have the most impact.

3

## **Balanced Revenue Growth**

We will select priority growth initiatives to achieve our 3-year targets, but won't put long-term revenues or reputation at risk.

4

## **We Will Maximize AL's Competitive Advantage**

Our strengths will be used to create superior experiences from our competitors. Our offerings will be diverse and individually strong. They will be even stronger when connected.

5

## **We Will Manage Our Players As An Audience**

We will provide a menu of AL enterprise offerings. Over time we will guide player choices and recommend personalized and adjacent offerings.

6

## **Player Health Embraced As A Priority**

We will be innovative and aggressive in the market, while maintaining our position of trust with players and our shareholders.

7

## **We Will Be Purposeful With Data**

The data and insights we generate will be used for the good of our players.

8

## **'Player-Centric' Thinking Will Be Infused Into The Culture Of The Organization**

It will not be limited to individual teams but should be inclusive of the entire organization. We will embrace learning and innovation, and adapt as we go.

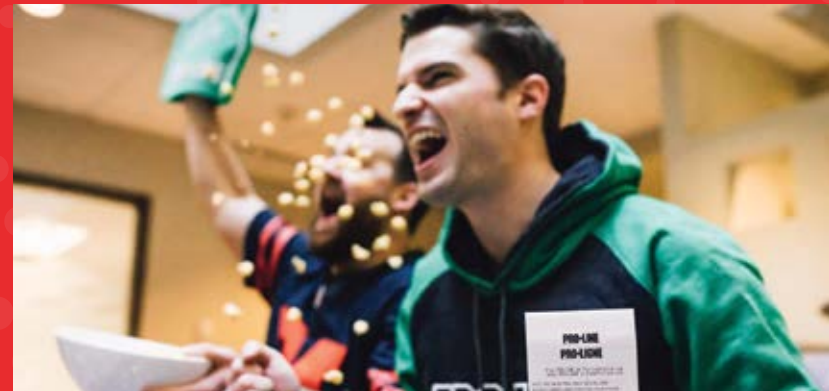
The entire Atlantic Lottery organization is motivated and energized to execute on its 2019-2022 Strategic Plan. Most initiatives are already in flight and the organization confidently looks forward to the future with anticipation and excitement. Our players will feel it!!!

# Enterprise Risk Management

Atlantic Lottery has implemented an Enterprise Risk Management Framework which supports the organization in identifying, assessing and mitigating risks to strategic and operational objectives.

This process ensures that critical risks to the organization's success are managed. Enterprise, strategic and emerging risks are reviewed with several levels of leadership and mitigation plans determined. Corporate risk appetite and tolerance levels are set by the Executive Team and approved by the Board of Directors annually.

## Enterprise Risk Management Framework







As a result of this framework, Atlantic Lottery has identified four key risks, which if left unmanaged could impede its ability to succeed and realize its strategy.

#### **Cyber Risk**

There is a risk that as our player expectations and experiences in the digital world start to expand, our exposure to undetected and unauthorized access increases, which may lead to data breaches and system vulnerabilities.

*Mitigations: Anti-Virus Software Implementation, Business Continuity Plan, Training Employees on Cybersecurity Threats and Continuous Data Backups*

#### **Agility Risk**

The risk that Atlantic Lottery does not evolve fast enough to respond to player demands and loses its relevance in the gaming marketplace.

*Mitigations: Change Management, Leadership Development, Resource Planning and Recruitment Strategy*

#### **Player Acquisition Risk**

The risk that we don't acquire Atlantic Lottery's targeted player base – particularly U35 – in a timely manner and/or that the returned value of the target player base doesn't meet expectations

*Mitigations: External Research Insights, Expanding Digital Play Platforms and Retail Modernization*

#### **Regulatory Risk**

The risk that the regulatory environment in which Atlantic Lottery operates limits its ability to offer the experiences available to Atlantic Canadians through offshore, unregulated providers.

*Mitigations: Continuous Shareholder Engagement*

# Financial Highlights

## Provincial Net Profit

	New Brunswick		Newfoundland & Labrador		Nova Scotia		Prince Edward Island	
	2019	2018	2019	2018	2019	2018	2019	2018
Gross ticket sales	\$194,369	\$182,083	\$283,237	\$265,470	\$244,133	\$225,506	\$38,840	\$36,743
Prizes on ticket sales	\$109,885	\$103,663	\$164,867	\$157,810	\$138,449	\$129,226	\$22,498	\$21,418
Net ticket sales	\$84,485	\$78,420	\$118,369	\$107,661	\$105,684	\$96,280	\$16,341	\$15,325
<i>Prizes as % of sales</i>	57%	57%	58%	59%	57%	57%	58%	58%
Net video lottery receipts	\$136,586	\$138,023	\$129,415	\$140,039	\$134,154	\$140,391	\$20,723	\$20,683
Entertainment centre revenue	–	–	–	–	–	–	\$19,076	\$19,336
<b>Net revenue</b>	<b>\$221,071</b>	<b>\$216,443</b>	<b>\$247,785</b>	<b>\$247,699</b>	<b>\$239,838</b>	<b>\$236,671</b>	<b>\$56,141</b>	<b>\$55,344</b>
Direct expenses	\$38,431	\$38,624	\$54,910	\$58,859	\$40,995	\$42,008	\$8,792	\$9,040
<b>Gross profit</b>	<b>\$182,640</b>	<b>\$177,819</b>	<b>\$192,875</b>	<b>\$188,840</b>	<b>\$198,843</b>	<b>\$194,663</b>	<b>\$47,349</b>	<b>\$46,304</b>
<i>Gross profit as % of net revenue</i>	83%	82%	78%	76%	83%	82%	84%	84%
Operating & administrative expenses	\$27,671	\$25,350	\$29,944	\$27,716	\$32,179	\$29,456	\$20,378	\$19,127
<i>Operating expenses as % of net revenue</i>	13%	12%	12%	11%	13%	12%	36%	35%
Capital-related costs	\$9,453	\$8,647	\$9,353	\$8,583	\$11,564	\$10,894	\$3,673	\$3,471
Other expenses & distributions	\$15,507	\$15,156	\$18,183	\$18,767	\$16,529	\$16,332	\$5,046	\$4,927
<b>Net profit</b>	<b>\$130,009</b>	<b>\$128,666</b>	<b>\$135,393</b>	<b>\$133,774</b>	<b>\$138,572</b>	<b>\$137,981</b>	<b>\$18,251</b>	<b>\$18,779</b>
<i>Net profit as % of net revenue</i>	59%	59%	55%	54%	58%	58%	33%	34%
Number of lottery terminals	852	855	905	923	1,029	1,038	162	161
Number of active video lottery terminals	1,975	2,010	1,978	1,955	2,043	2,072	280	280
Profit distribution per capita	\$207	\$209	\$314	\$309	\$177	\$177	\$149	\$155

- Provincial Net Profit is based on Atlantic Lottery's non-consolidated financial statements.
- Corporate Net Profit is based on Atlantic Lottery's consolidated financial statements.
- \$ in '000's
- Figures are rounded.

## Corporate Net Profit

	2019	2018	2017	2016	2015	2014
Gross ticket sales	\$760,579	\$709,512	\$699,074	\$732,749	\$654,290	\$671,286
Prizes on ticket sales	\$435,699	\$412,117	\$392,267	\$406,493	\$369,602	\$384,294
Net ticket sales	\$324,879	297,395	\$306,807	\$326,256	\$284,688	\$286,992
<i>Prizes as % of sales</i>	57%	58%	56%	55%	56%	57%
Net video lottery receipts	\$420,879	\$439,136	\$434,012	\$438,138	\$397,897	\$374,053
Entertainment centre revenue	\$19,076	\$19,626	\$19,259	\$18,520	\$17,766	\$19,988
<b>Net revenue</b>	<b>\$764,834</b>	<b>\$756,157</b>	<b>\$760,078</b>	<b>\$782,914</b>	<b>\$700,351</b>	<b>\$681,033</b>
Direct expenses	\$143,129	\$148,532	\$146,070	\$150,095	\$137,791	\$138,958
<b>Gross profit</b>	<b>\$621,705</b>	<b>\$607,625</b>	<b>\$614,008</b>	<b>\$632,819</b>	<b>\$562,560</b>	<b>\$542,075</b>
<i>Gross profit as % of net revenue</i>	81%	–	81%	81%	80%	80%
Operating & administrative expenses	\$110,084	\$101,562	\$105,054	\$109,008	\$98,309	\$111,294
<i>Operating expenses as % of net revenue</i>	14%	13%	14%	14%	14%	16%
Capital-related costs	\$33,773	\$31,490	\$32,549	\$38,774	\$32,550	\$29,884
Other expenses & distributions	\$55,607	\$55,348	\$54,473	\$53,458	\$63,485	\$32,460
<b>Net profit</b>	<b>\$422,241</b>	<b>\$419,225</b>	<b>\$421,932</b>	<b>\$431,579</b>	<b>\$368,216</b>	<b>\$368,437</b>
<i>Net profit as % of net revenue</i>	55%	55%	56%	55%	53%	54%
Number of lottery terminals	2,948	2,977	3,007	3,003	3,035	3,018
Number of multi-purpose retail terminals	–	–	2	29	40	44
Number of active video lottery terminals	6,276	6,317	6,248	6,300	6,298	6,373

- Provincial Net Profit is based on Atlantic Lottery's non-consolidated financial statements.
- Corporate Net Profit is based on Atlantic Lottery's consolidated financial statements.
- \$ in '000's
- Figures are rounded.



**Atlantic Lottery**  
PO Box 5500, 922 Main Street  
Moncton, NB E1C 8W6  
info@alc.ca | 1-800-561-3942

[alc.ca](http://alc.ca)

