

BCLC Briefing

June 2013

BCLC Overview

- ⦿ BCLC conducts, manages and operates lottery, casino, bingo and e-gaming on behalf of the Province.
- ⦿ Our products are sold through contracted private-sector retailers and service providers.
- ⦿ 3,800 lottery locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls.
- ⦿ Approximately 900 FTEs work in offices in Vancouver and Kamloops and in the field.

Government Expectations

- ⦿ Operate gambling in a manner within social policy framework set out by Government, and in a manner consistent with the Province's Responsible Gambling Strategy.
- ⦿ Operate within the legislative, regulatory and policy framework set out by the Minister of Finance or the Gaming Policy and Enforcement Branch.
- ⦿ Enhance the corporation's anti-money laundering compliance programs including measures to move the industry away from cash and other strategies in the Province's Anti-Money Laundering Action Plan. * get a copy
- ⦿ Optimize the corporation's financial performance.
- ⦿ Optimize the security, integrity and efficiency of the corporation through modernization of infrastructure, process, and technology.

Business Performance

- 2012/13 Net income \$1,127.6 Billion

Casino \$829.4 M

Lottery \$280.4 M

eGaming \$17.5 M

- 2012/13 direct expenses, gaming support costs and operating expenses were under budget by \$20.4 M and continue to be under budget this year.

- 2011/12-2012/13 Year over Year Revenue Growth:

Lottery 2.5 %

eGaming 12 %

Casino 0.1 %

- Net income May YTD is \$4 M greater than budget at \$184.4 M against a budget of \$180.4 M.

Business Landscape

- Continued investment in business has generated incremental growth (Lotto Express, eGaming). Current investments will continue to take time to translate into revenue growth.
- Major build-outs of casinos and community gaming centres are nearing completion – Edgewater remains a significant opportunity.
- Legacy systems are being replaced at a cost of approximately \$135 million over the next 3 years.
- Strategic focus on broadening the customer base with engaging a younger demographic (19-35) due to revenue reliance on an aging customer demographic.

* Risk

Business Landscape

- ◎ BCLC recognized as an international leader in innovation, responsible gambling, and business performance by jurisdictions around the world.
- ◎ In 2010, the World Lottery Association recognized BCLC as having the best responsible gambling program in the world and in 2012/13 the BC built GameSense brand was adopted by Manitoba and Saskatchewan to promote responsible gambling.
- ◎ Social license & reputation management being driven through stakeholder engagement. Highest level of public support for BCLC since 2004 (80%).

* PM wants leadership.

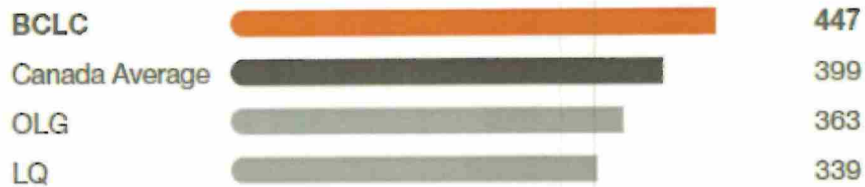
← (circled asterisk)
 What about NWP & any oppability

What was it traditionally

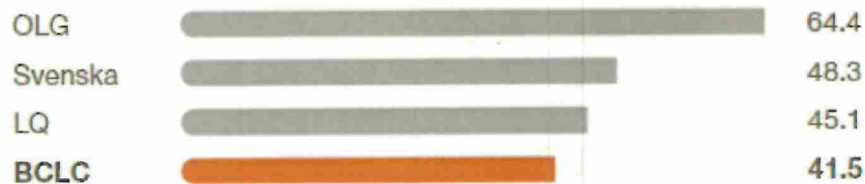
bclc
 playing it right

Benchmarking Comparison

2010/11 Net Win Per Capita (\$)



2010/11 Operating Costs Ratio (%)



*- lower that
cannot you't forget*

BCLC and Treasury Board have agreed on a cost ratio target of 42.5% of Net Win.



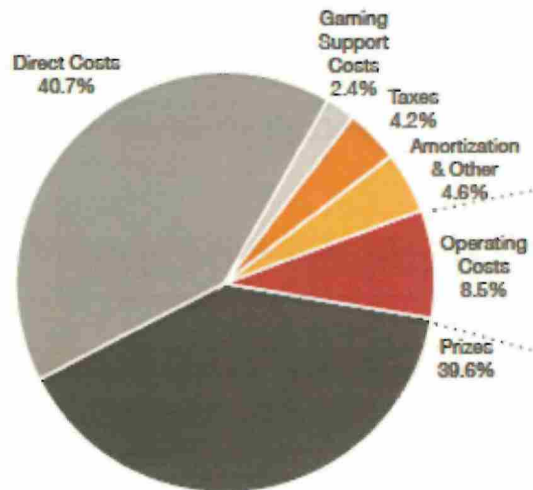
On Track to Achieve Service Plan Targets

consolidated corporate operations

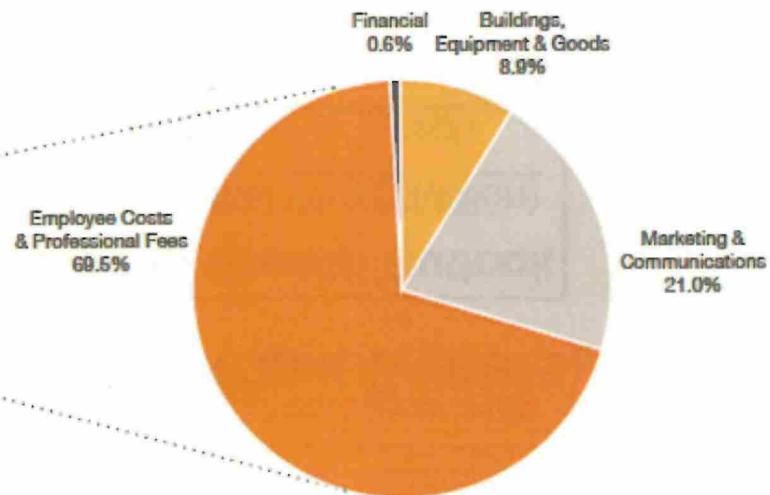
\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 2,701.4	\$ 2,760.3	\$ 2,731.9	\$ 2,803.0	\$ 2,868.7	\$ 2,940.1
Prizes	641.9	624.4	649.6	645.2	656.5	665.0
Net Win	2,059.5	2,135.9	2,082.3	2,157.8	2,212.2	2,275.1
Direct Expenses	630.3	650.7	637.2	664.3	681.4	699.5
Gaming Support Costs	29.0	34.1	29.4	38.6	39.3	40.0
Operating Costs	132.9	135.9	133.7	139.4	141.9	144.2
Amortization and Other	73.0	90.2	57.6	75.5	78.5	84.1
Total Costs	865.2	910.9	857.9	917.8	941.1	967.8
Net Income Before Taxes	1,194.3	1,225.0	1,224.4	1,240.0	1,271.1	1,307.3
Taxes	86.9	100.0	96.8	68.0	69.1	70.3
Net Income	\$ 1,107.4	\$ 1,125.0	\$ 1,127.6	\$ 1,172.0	\$ 1,202.0	\$ 1,237.0
Capital Expenditures	74.4	116.2	96.6	120.0	110.0	110.0

On Track to Achieve Service Plan Targets

2013/14 TOTAL EXPENDITURES: \$1.631 BILLION



2013/14 OPERATING COSTS: \$139.4 MILLION



Most Significant Area for Revenue Growth: Casinos

Incremental Revenue Opportunities (next 5 years)

Strategic Market Review - Near-Term Growth Outlook			
		<u>Incremental Win (\$Million)</u>	
Source of Growth		Low	High
New Facilities		\$33.3	\$65.2
Relocated/Repositioned Facilities		\$41.1	\$71.7
Organic Growth		\$47.7	\$102.8
Total	*	\$122.1	\$239.8

* Organic Growth is achieved through business analytics, marketing initiatives, and strategic adjustments to existing business

Revenue Initiatives

Initiative	Description	Net Win (over 3 years)*
PlayNow in New Channels	Implement capabilities of PlayNow to Casino/CGC. Enables infrastructure for a multichannel player strategy. Planning underway, multi-year project.	\$47 M
PlayNow.com Device Compatibility Upgrade	Capability to purchase lottery tickets and make sports bets on regardless of device being used (mobile, tablet, etc.). Go live: June 24, 2013.	\$10 M
GMS (Gaming Management System)	Infrastructure upgrade at Casino/CGC's will provide marketing, responsible gambling and analytics that will increase revenue. Implementation underway.	\$120M
New/Upgraded Casinos/CGC's	Casino: Boulevard Repositioning - June 2013 CGC: Maple Ridge – Opening November 2013 CGC: Salmon Arm - Opening August 2014 Casino: Edgewater – Opening 2016	\$15 M \$22 M \$60 M

*once fully operational

Revenue Initiatives

Initiative	Description	Net Win (over 3 years)*
Lotto Express	Ability to purchase lottery tickets at grocery check-outs, implemented in Save-On / Overwaitea stores. Expanding to 195 Liquor Distribution stores, starting in second quarter 2013/14.	\$54 M
Lotto 6/49 Game Change	New Lotto 6/49 will include a guaranteed \$1 million prize every draw, increasing the base jackpot to \$5 million, improving the overall odds of winning and increasing the price point to \$3. Launch: Fall 2013.	\$15 M

*once fully operational

Revenue Initiatives

Initiative	Description	Net Win
Business Optimization	Multi-year project to build upon existing transformation initiatives by identifying major opportunities for revenue growth or business efficiency, or validating current model. Includes Lottery, Casino and eGaming optimization, Multi-Channel strategy and Speed to Market assessment.	\$200 - \$300 M*
eGaming B to B	Partnering with other gaming jurisdictions to offer our PlayNow platform. Live with Manitoba Lotteries – January 2013. Currently negotiating with Alberta.	TBD

*lifetime

Cost Management Initiatives

- ◉ The 2013/14 advertising & marketing budget was reduced by \$400K from the 2012/13 budget.
- ◉ Discretionary costs including employee travel, employee relations and professional fees were reduced by \$1.4 M in the 2013/14 budget vs. 2012/13 budget.
- ◉ All management and executive salaries remain frozen.
- ◉ BCLC spends approximately \$193 M with 1200 suppliers annually. BCLC is focused on competitive bid processes and contract renegotiations to generate an estimated \$10 M in savings or added value annually.

Striking the Right Balance: Balancing Revenue & Investment with Cost Management

- ⦿ Significant opportunities to drive Revenue
- ⦿ Significant investment required to execute on revenue opportunities, as well as investing in:
 - Modernizing legacy systems
 - Support Divisions:
 - Finance: Accelerate Transformation
 - Business Technology: Resourcing
 - Strategy: Responsible Gambling
 - Communications & Public Affairs: Reputation Management Strategy
 - Human Resources: Human Resources Information System (HRIS)
 - Corporate Security & Compliance: Governance, Risk & Compliance (GRC)
- ⦿ Investment must be balanced against cost management strategies
 - Efficiency and effectiveness reviews of operations
 - Enhancing delivery and operating models
 - Redeploying resources to meet greatest business need

Social Responsibility/Public Affairs

- Annually, BCLC's budget for responsible gambling is \$3.5 M in addition to the Province's budget of \$5.9 million.
- BCLC and the Province are investing an additional \$2 M with University of British Columbia to develop an independent gambling research centre. The centre is funded from the Jackpot Disentitlement Rule which requires BCLC to disentitle individuals from jackpots they win while enrolled in the Voluntary Self Exclusion program.
- The centre will conduct research on the social and behavioral aspects of gambling including examining new treatment technologies, evaluating programs and exploring potential improvements that can lower risk to gamblers.
- BCLC and the Province contract the Responsible Gambling Council to independently review and accreditation all gaming facilities in BC. To date, 17 facilities have received "RG Check" accreditation. BCLC will invest approximately \$5 M over three years for accreditation of all 36 facilities.

-thought these contracts under GPEB

Social Responsibility/Public Affairs

- ◉ World Lottery Association Responsible Gambling Level 4 re-certification (quality standard) – expected Summer 2013.
- ◉ BCLC conducts responsible gambling awareness in communities across British Columbia and hosts an internationally recognized conference in Vancouver to share best practices.
- ◉ BCLC is developing a strategic plan to enhance social license to operate given the rise of social interest groups opposing gambling (Vancouver Not Vegas, etc.).

** Key Committee
Franchise Strategy
= ↑ Revenue
+ acceptance*

30/60/90 Day Issues/Opportunities

30 Days

- Bill C290 regarding Single Event Sports Betting – On June 18th, BCLC joins other provincial jurisdictions at the Canadian Gaming Summit in Montreal to urge the Senate to pass the Bill. The Province of BC has already formally expressed its support for the Bill.
- Upgrade of PlayNow.com for device compatibility (tablet/mobile use) – June 24th.
- Boulevard Casino re-positioning – June 25th.
- Edgewater Casino Relocation – Paragon will announce a development partner and an updated MDA with PavCo – end of June.
- Michael Graydon, CEO of BCLC, will be announced as the co-chair of the 2014 Grey Cup Committee – end of June.

Handwritten bracket on the right side of the 30 Days list.

Handwritten note: *Hard Rock Brand*

Handwritten note: *- Cui Bether*

Handwritten circled note with a star: *(*)*

Handwritten circled note: *Gov't cancelled funding*

60/90 Days

- BCLC Kamloops Customer Support Centre alternative service delivery project.
- World Lottery Association Level 4 Re-Certification.
- Announcement of appointment of Director of UBC Gambling Research Centre.
- Province of Alberta – potential announcement re: partnership with BCLC on PlayNow.com.
- Decision on Joyce Ross legal action regarding BCLC duty of care for Voluntary Self Exclusion program.

Handwritten circled note: *cell centre outsourcing*

Handwritten note: *- more info please*

Handwritten note: *- criteria please*

Handwritten note: *gov't consultant*

Handwritten note: *Funds withheld must be invested*

Handwritten circled note: *BCLC does own research. Professor gen mg innovation?*

Handwritten circled note: *RFP UBC and SPA*



Long Term Opportunities

- Expanding eGaming business development to United States to offer PlayNow.com. *Work to be done*
- BCLC Business Optimization Program – recommendations will be brought forward to government in the next 12 months to propose changes to BCLC’s operating models in Lottery, Casino and eGaming to optimize and increase revenue to the Province of BC.

↳ FIB visit is under

**
 - if legal mitigation
 - in place to ensure
 does not
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 - and
 real
 business
 cost.)*