Our Evolving Relationship with Gaming

December 2016
About Woodbine Entertainment Group (WEG)

- Established in 1881, owns largest racetracks in Canada and leading horse racing organization in North America
- Private company without share capital
- All profits are reinvested in the business
- Owns 2 racetracks: Woodbine and Mohawk
- 133 Thoroughbred dates
- 222 Standardbred dates
- Directly employs 1,800 people
Courtship

• Province decided on new gaming initiative in the early 1990s

• 1996 Provincial budget announced VLTs at all racetracks

• Tracks negotiated commercial agreements with the Ontario Lottery and Gaming Corporation (“OLG”) in historic WIN-WIN deal
Marriage

• Agreement reflected
  – Communities accepted tracks as gaming sites
  – Tracks compensated for equivalent margins
  – OLG to operate slots with their staffing
• Deal was 10% to track and 10% to purses
• 17 Ontario racetracks included in program
Honeymoon

• WEG Invested **$400 million** in capital improvements during the program
• Offered over 400 race dates per year
• Increased daily purses to $500,000 for Thoroughbreds and $350,000 for Standardbreds
• Live wagering pools increased by **over 53%**
• Rebuilt barns and installed Polytrack at Woodbine
Honeymoon

• Created **WEGZ Stadium Bar** to attract the young sports fans and introduce them to wagering through 23,000 sf. facility
Marriage Benefits - OLG

- Started with 1,700 slots at Woodbine and 750 slots at Mohawk

- Hours of operation extended to 24 hours due to demand, some additional machines added

- Woodbine reached long-term extension to site-holder agreement in 2010

- Expansion to 3,000 slot machines at Woodbine and to refresh the entire floor

- One of the most profitable slot operations in the world on a per machine basis
Divorce
Announced in March 2012

- Province needed solution for **deficit problem**
- Intentions for more gaming sites including a new downtown Toronto location, privatized operations – wanted private investment
- Promised **$1.3 Billion** of increased profit to the province in 5 years
Divorce

• Slots at Racetracks Program (SARP) now referred to as a “subsidy”
• Program is cancelled as of March 31, 2013
• New slots deal expected to be a simple lease and not at all tracks would have one
• Boarder tracks (Windsor, Fort Erie and Sarnia) had slots removed in May 2012
• It quickly became clear that the government...
  – Didn’t understand how the industry operates and had **no workable plan**
  – Didn’t know the industry’s **$2.1 Billion** in economic value to the province
  – Didn’t realize the **55,000+** jobs from industry in the province
  – Believed that the industry could simply transition away from SARP in **12 months** after spending **12 years building** our businesses around it
Divorce Fallout for Industry

- WEG underwent major restructuring in February 2013 – **cut expenses and about 350 FTEs**
- Other tracks went through similar efforts and some Home Market Areas in Ontario became **underserviced** or completely **vacated**
- Industry lost 9,000 jobs & 3,000 horse owners
Divorce Fallout for Gov’t & OLG

• In October 2012, the Premier of Ontario **resigned** followed by Minister of Finance and eventually the Chair of OLG was fired

• Public admissions by government that they “**dropped the ball**” on the horse racing issue

• New Premier announced racing **commitment** and **integration** of gaming and racing initiative and a new plan was undertaken
Settlement Oct 2013

• The government plan includes
  – Funding for the “core” industry tracks – 10 tracks with 800 race dates with fixed purses
  – Funding for “regional” tracks – 5 tracks with 180 race dates with fixed purses
  – WEG chosen as single operator of OTB and Online account wagering
  – Standardbred Alliance of core tracks working together led by WEG
How’s It Going?

WEG MARKET WAGERNING

- 2012
- 2013
- 2014
- 2015
- 2016
How’s It Going?

- Single Model across Ontario
- 53 Champions OTB locations
- HPIbet available everywhere
- Account wagering available online and B&M locations
- Customer rewards all channels
How’s It Going?

• Successfully negotiated long term lease with OLG for Woodbine and Mohawk properties to ensure long term sustainability at both tracks
• We remain positive about possible integration with other gaming products like Historical Racing and will continue to work with new regulators
• OLG issued RFP for new gaming operator as they are moving forward with their plan to privatize
What’s Next..

THINK DIFFERENTLY

• Changed talent pool to add Director of Innovation role and Guest Experience role
• Built groups of cross departmental teams to encourage new ideas
• Created new language related to our core values and culture
Moving Forward

- Deliberate effort around culture change
- Re-aligned organizational structure
- Focus on growth and optimization
- Challenging industry traditions
- Finding more opportunities to tell our story
Moving Forward

• Pursuing innovations and partnerships

• Initiator App
• Instapick, PCO
• Historical Racing

• Partnered with Ryerson University to launch tech challenge

• Exploring integration opportunities with OLG
Thank you for your ongoing support and encouragement.

Greg Martin
Vice President, Wagering
gtm@WoodbineEntertainment.com