



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



Divorce



- 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

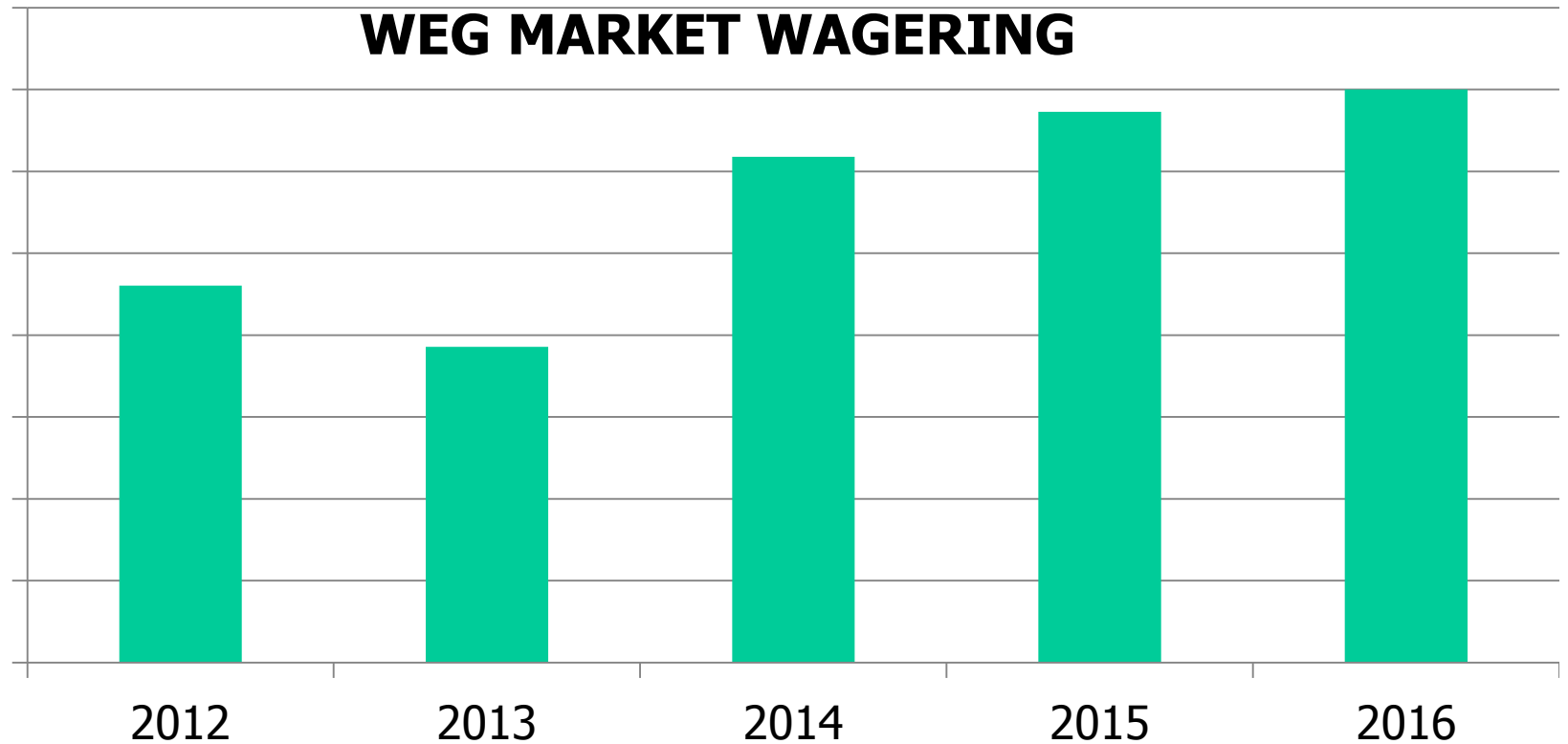


Settlement Oct 2013

- 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?



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.**

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