

**LIQUOR & GAMING AUTHORITY OF MANITOBA  
MANITOBA GAMING MARKET ASSESSMENT  
Key Findings Report  
Final**

SUBMITTED BY: HLT ADVISORY INC.  
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# 1. Introduction

HLT Advisory Inc. (“HLT”) was retained by the Assembly of Manitoba Chiefs (“AMC”) and the Province of Manitoba (the “Province”) through the Liquor & Gaming Authority of Manitoba (“LGA”) to conduct an independent assessment of the potential market for additional First Nation gaming facilities in Manitoba. This report (“Key Findings Report”) summarizes the results of the market assessment.

## 1.1 BACKGROUND

This report is an update to a market assessment conducted by HLT for both parties (AMC and the Province) in 2007 (base data used to complete the 2007 report was mainly from 2005). Whereas the focus on the 2007 report was on casino style gaming (defined in 2007 as casinos and large VLT sites), this updated assessment is on casino style (casinos, gaming devices in non-gaming specific facilities and large VLTs) and all VLT gaming.

A Joint Steering Committee Working Group comprising of representatives from AMC, the Province, Manitoba Liquor & Lotteries (“MBLL”) and LGA was formed to oversee HLT’s market assessment.

## 1.2 ORGANIZATION OF THE REPORT

This document represents the Key Findings of the market assessment. The detailed analyses undertaken to arrive at these Key Findings are contained in a separate document entitled *Manitoba Gaming Market Assessment*. This separate document contains the following sections:

- **Section 1 – Introduction** introduces the study and outlines the scope of work undertaken.
- **Section 2 – Methodology** describes the methodology used to undertake the province wide assessment.
- **Section 3 - Macro Gaming Trends** identifies and assesses key trends that have and are impacting the performance of the Manitoba gaming market with a focus on casino, casino style and VLT gaming. Relevant comparison jurisdictions (mainly other Western Canada provinces) are used to assess Manitoba’s performance.
- **Section 4 - Gaming Market Areas** contains the results of the analysis used to delineate the province into gaming market areas.
- **Section 5 - Potential Size of Market** focuses on estimating the potential size of the defined gaming market areas.
- **Section 6 - Market Opportunity** assesses gaming facility opportunities in light of total market potential estimated in the previous section and existing activity levels (both performance and supply).

The remainder of this Key Findings Report is organized under these same section headings.

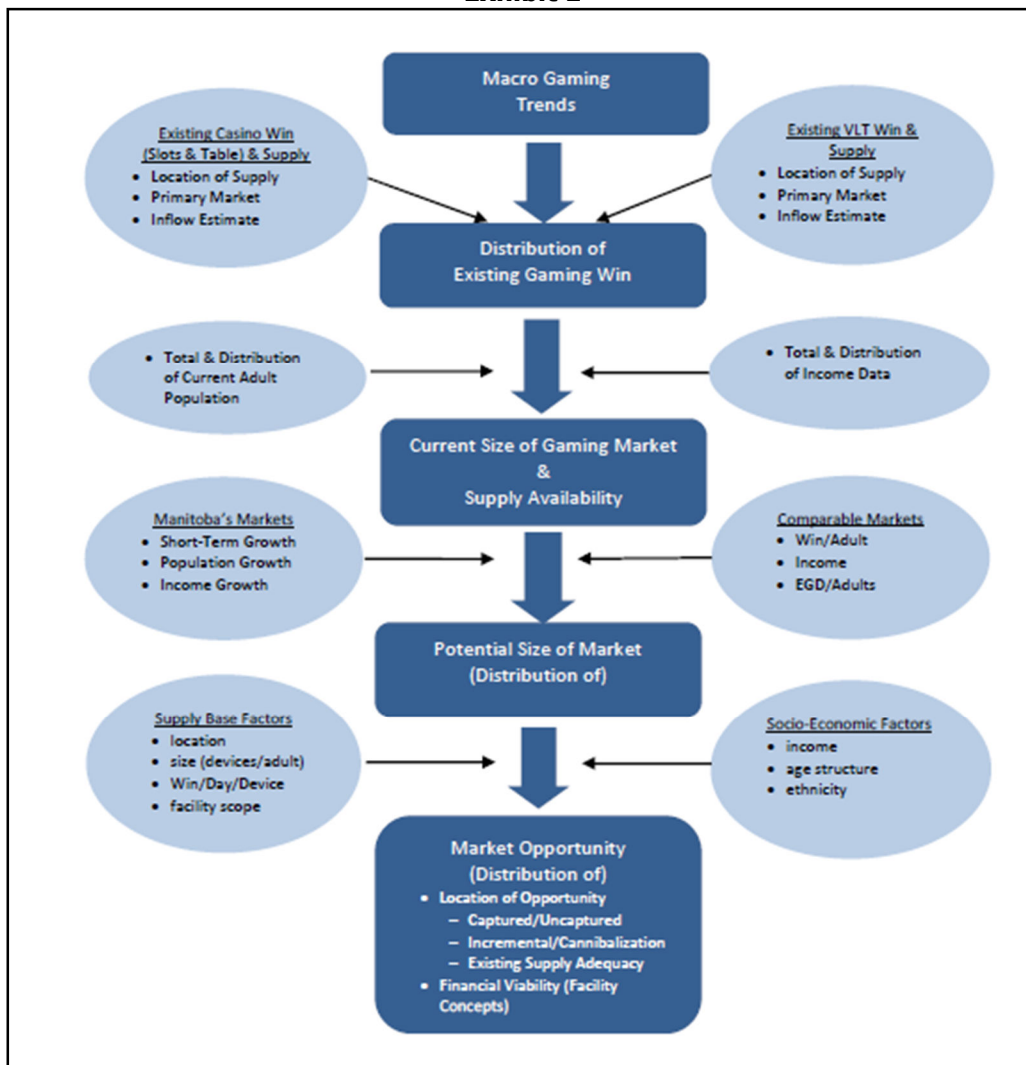
## 2. Methodology

This section summarizes the methodology used to complete the gaming market assessment. This methodology has been developed by HLT and is continually refined based on work experience in all Canadian provinces and numerous international jurisdictions. A key component of this experience includes analyzing extensive gaming facility player card data from various Canadian provinces. Casino player card data from Manitoba casinos was not available to be used to complete this assessment.

### 2.1 METHODOLOGY

Exhibit 1 depicts the various components of HLT’s market assessment methodology used to assess the Manitoba gaming market for casino and VLT gaming. It represents a refinement of the methodology used to complete the 2007 report.

**Exhibit 1**



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The methodology contains five core components and numerous data/information inputs:

- **Macro Gaming Trends** identifies key trends that are impacting the current and future outlook for the Manitoba gaming market (with a focus on casino style and VLT gaming)
- **Distribution of Existing Gaming Win** estimates the current distribution of casino and VLT gaming win within Manitoba (by defined gaming market areas) based on the location of existing gaming supply and typical consumer visitation patterns (typical distances that customers travel to visit a gaming facility).
- **Current Size of Gaming Markets and Supply Availability** measures the current size (total gaming win and gaming win per adult) of the defined gaming market areas.
- **Potential Size (and Distribution) of Markets** are estimated based on the experience of comparable markets in terms of similar socio-economic profiles. Supply based factors are also assessed to further understand market performance differences. Estimates of market potential does not imply that this potential can be fully captured by existing and/or new facilities (or gaming supply). For example, some of this potential may be too dispersed (i.e. located in rural areas) for a facility to fully capture. Additionally, some of this potential may also be embedded in segments of the population who do not include gaming as one of their entertainment options for socio-economic or other reasons.
- **Market Opportunity (Distribution of)** further assesses the market potential estimate and identifies market opportunities. Factors considered include captured/uncaptured win, incremental growth/cannibalization (or market share) and existing supply base adequacy. Financial viability of facilities was also considered.

### 3. Macro Gaming Trends

This section of the report identifies trends that have been impacting and likely will continue to impact the future performance of the entire Manitoba gaming industry and specifically its "casino style" (i.e. casinos, EGD Other - electronic gaming devices in non-casino gaming facilities and large VLT sites) and VLT components.

#### 3.1 THE CANADIAN GAMING INDUSTRY

The Canadian gaming industry (all forms of legal gaming) is a large mature entertainment industry (see Exhibit 2). Historic growth has been influenced by the amount and type of increases/decreases in gaming supply - growth trends were greatly impacted by timing of new supply increases or reductions in existing supply levels. The economic recession (2008-2010) has to a large extent, hid the shift from supply to demand driven growth. Future growth will likely be more dependent upon providing consumers with gaming activity that they demand as opposed to simple increases in the supply of existing gaming activities.

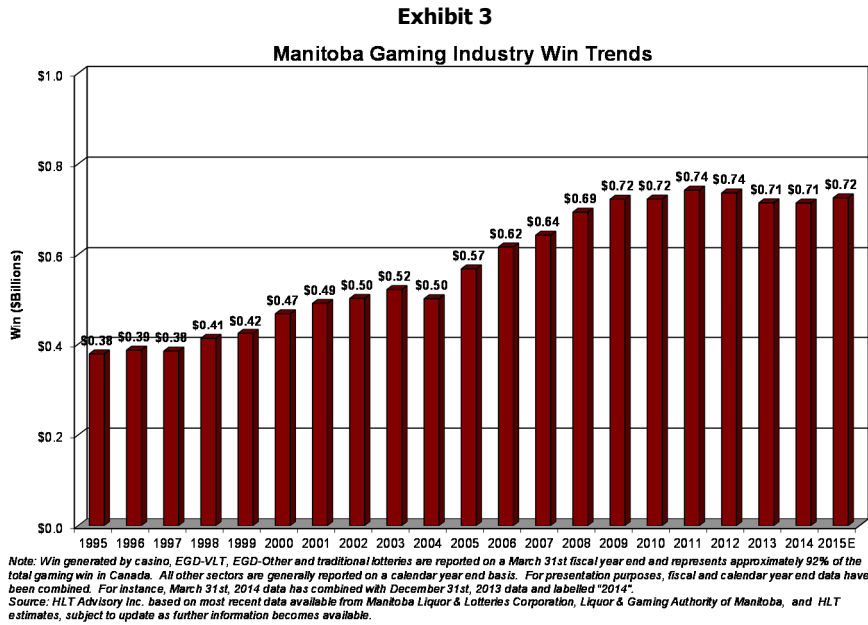


Note: Win generated by casino, EGD-VLT, EGD-Other and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 31st, 2014 data has combined with December 31st, 2013 data and labelled "2014".  
Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.

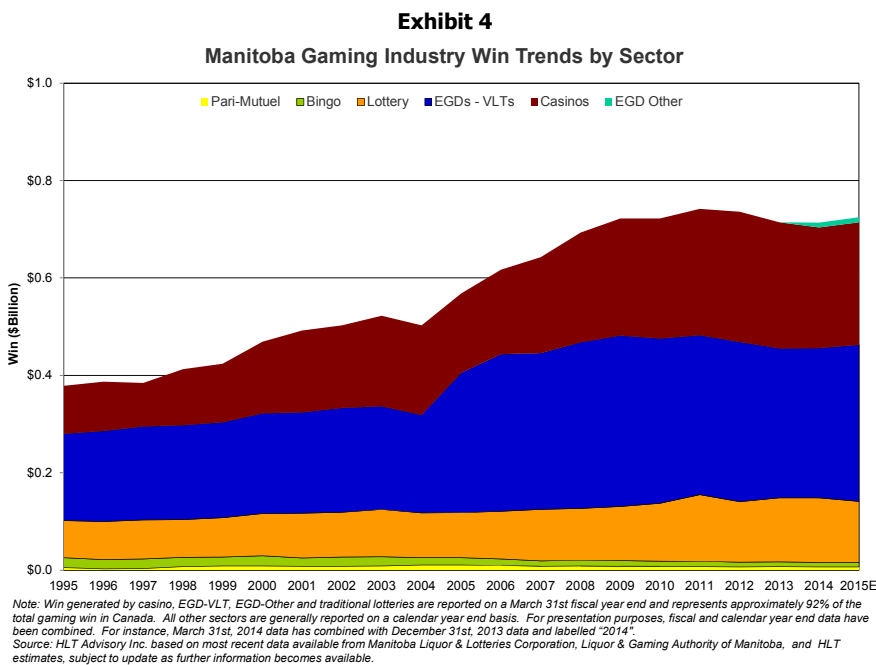
Under a demand driven growth phase, growth is not certain. Since 2009, the Canadian gaming industry has experienced three years of growth and three years of declines. The industry today (2014) is smaller than it was in 2009 (historic high). When final 2015 numbers are available, the industry will show growth but not yet fully rebound to its historic high (HLT estimate).

### 3.2 THE MANITOBA GAMING INDUSTRY

Manitoba’s gaming industry (all forms of legal gaming) growth trends mirrors that of Canada as a whole – a large mature entertainment industry that is now in a demand phase. The industry has not yet fully rebounded to its historic high achieved in 2011 (see Exhibit 3).



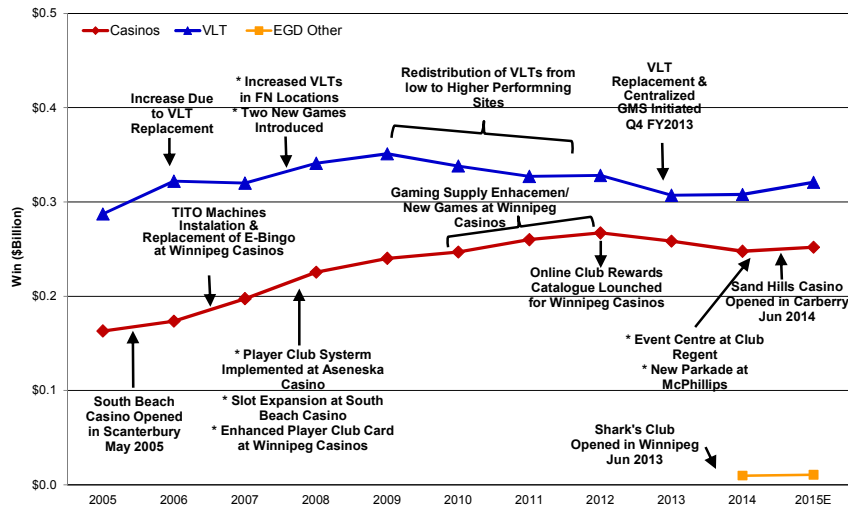
Manitoba’s gaming industry is dominated by its VLT and casino sectors. Both of these sectors combined account for almost 80.0 percent of the total provincial industry (see Exhibit 4).



Since 2005 (see Exhibit 5), the performance of Manitoba's casino and VLT sectors have been impacted by many factors including VLT replacement programs (2005/2007 and 2013/2014), opening of new gaming facilities (Sand Hills, Shark's Club) as well as various enhancements to facilities and gaming supply (i.e., player club program, event centre at Club Regent, parkade at McPhillips Street casino, expansion slots at South Beach, etc.).

**Exhibit 5**

**Manitoba Casino, EGD-Other and VLT Win Trends**

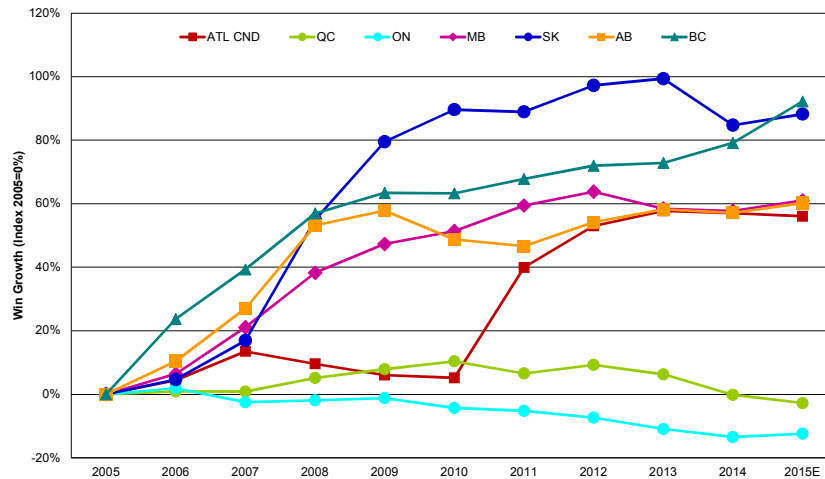


Note: Win generated by casino, EGD-VLT, EGD-Other and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 31st, 2014 data has combined with December 31st, 2013 data and labelled "2014".  
Source: HLT Advisory Inc. based on most recent data available from Manitoba Liquor & Lotteries Corporation, Liquor & Gaming Authority of Manitoba, and HLT estimates, subject to update as further information becomes available.

Comparing Manitoba's growth to the rest of Canada since 2005, Manitoba's combined casino and EGD-Other sectors grew by approximately 60% (Exhibit 6). Only British Columbia and Saskatchewan experienced higher growth.

**Exhibit 6**

**Casino & EGD-Other Growth Trends - Canada  
Index 2005=0%**

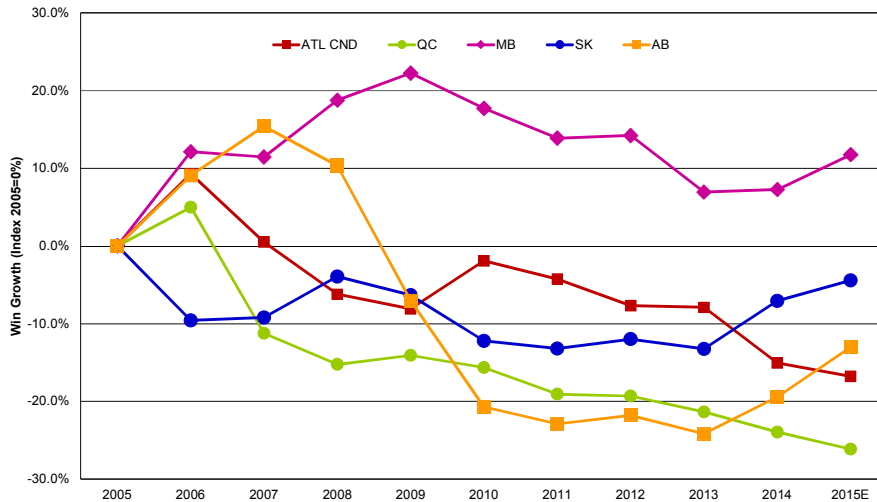


Note: Win generated by casino, EGD-VLT, EGD-Other and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 31st, 2014 data has combined with December 31st, 2013 data and labelled "2014".  
Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.



In terms of VLT's, Manitoba is the only province that experienced growth since 2005 (just over 10% - see Exhibit 7). Over the past ten years, all provinces including Manitoba have reduced their number of VLT sites. Manitoba is the only province that increased its number of machines (by approximately 700).

**Exhibit 7**  
**VLT Growth Trends - Canada**  
Index 2005=0%



Note: Win generated by casino, EGD-VLT, EGD-Other and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 31st, 2014 data has combined with December 31st, 2013 data and labelled "2014".  
Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.

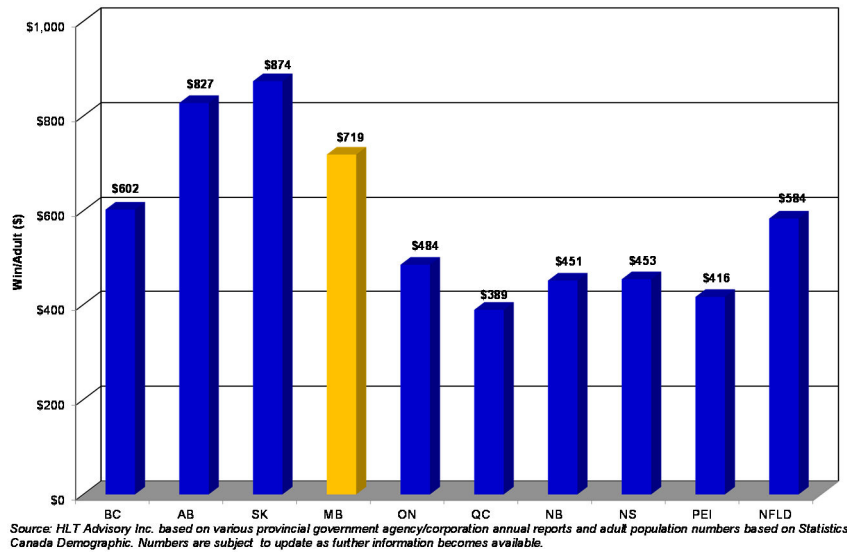
Essentially, the available growth potential identified in the 2007 report has been captured by changes/enhancements to the existing casino and VLT supply base.

### 3.3 TOTAL GAMING MARKET PERFORMANCE: CURRENT PERFORMANCE

To assess the market effectiveness or performance of gaming activities across the provinces, gaming spending (or win) per adult as well as gaming win as a percent of income can be used.

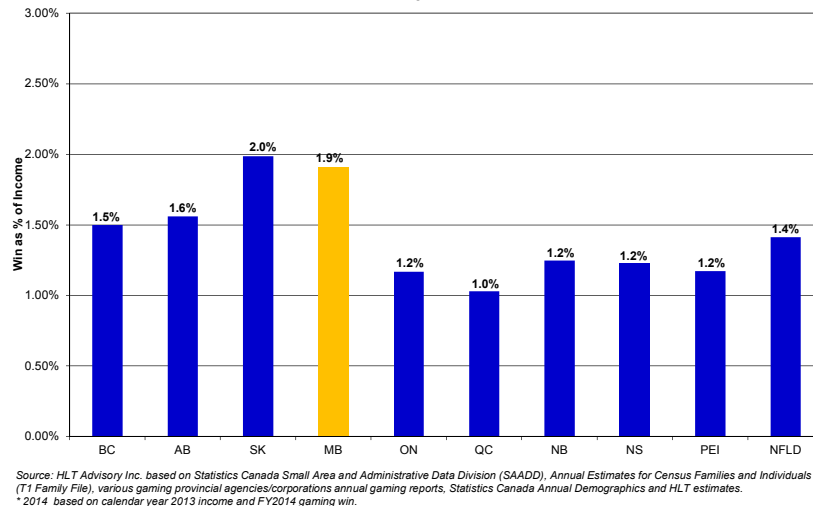
Manitoba currently has the third highest total gaming spend per adult in Canada (\$719 per adult), behind only Saskatchewan and Alberta (see Exhibit 8).

**Exhibit 8**  
Gaming Win/Adult by Province  
(2014)



In terms of spending expressed as percentage of income, Manitoba currently has the second highest spending level in Canada (at 1.9%), just behind Saskatchewan (see Exhibit 9).

**Exhibit 9**  
Total Gaming Win as % of Provincial Income  
2014



While the spend per adult suggests that the Manitoba market has excess demand that could be captured, the spend as a percentage of income suggests that this excess demand is very limited. For example if Manitoba achieved Saskatchewan's spend per adult of \$874, total gaming win in the province would increase by approximately \$155 million. However, if Manitoba achieved Saskatchewan's gaming spend of 2.0 percent of income, total gaming spend in the province would only increase by approximately \$40 million.

### **3.4 GAMING MARKET PERFORMANCE: CASINO STYLE AND VLT GAMING**

As noted in the 2007 report, while different gaming activities have different levels of customer appeal, there is a degree of market overlap among all activities. Specifically, some VLT players are also casino (slot) players and vice versa. In terms of facilities, the attraction of a gaming facility containing 5 EGDs (electronic gaming devices) is different than a gaming facility containing 500 EGDs. At some point however, when a smaller facility increases in size, its attraction draw will approach that of the larger facility. When facilities are of the same "quality" (and operate under similar operating policies), regardless of size, the market overlap can be more pronounced.

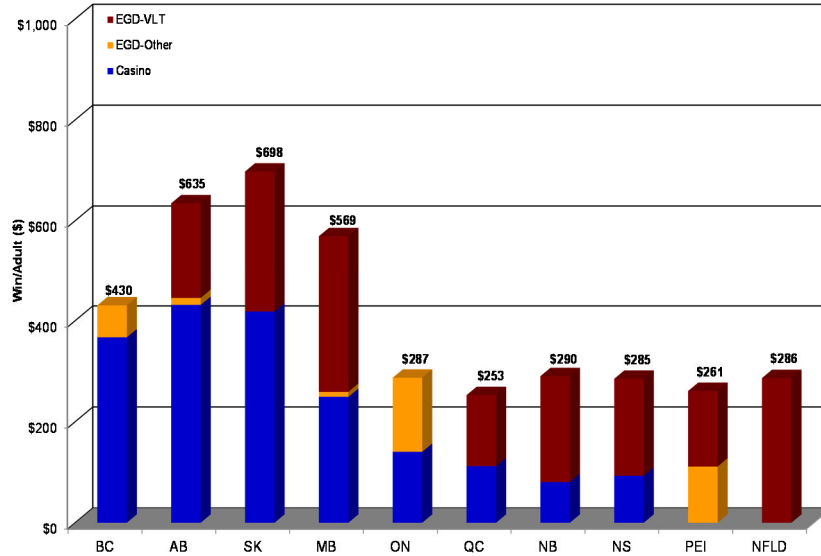
The issue of market overlap between gaming activities and facilities exist (in varying degrees) in Manitoba's casino, EGD Other and VLT sectors. It also exists in:

- Nova Scotia (casinos and VLT sites – especially larger VLT sites containing more than 15 machines);
- New Brunswick (casino and VLT sites –especially larger VLT sites containing 25 machines);
- Ontario (slot facilities at racetracks, charity casinos and commercial casinos);
- Alberta (casinos and VLT sites – especially larger VLT sites containing more than 15 machines); and
- British Columbia (community gaming centers or slots at bingo halls and casinos).

Given the overlap between casino and EGD gaming (i.e., EGD-Other and EGD-VLTs), it is necessary to assess these sectors individually and combined.

Manitoba currently has the third highest spend in total casino, EGD Other and VLT spending in Canada behind only Saskatchewan and Alberta (see Exhibit 10). Between 2005 and 2014, Manitoba increased its spending from \$503 to \$569 per adult (or by \$66 per adult). Over this same period, Saskatchewan increased its spending per adult by \$86, while Alberta decreased by \$23 per adult.

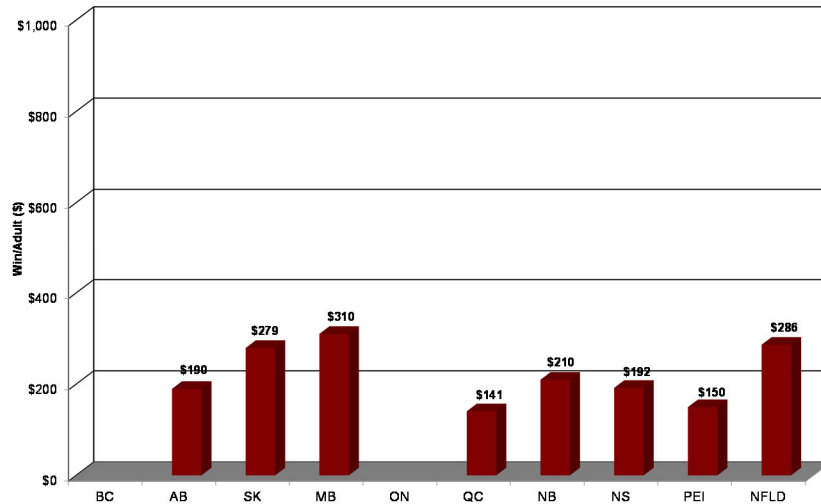
**Exhibit 10**  
**Casino, EGD-Other & EGD-VLT Win/Adult by Province (2014)**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic Estimates Compendium 2013.

Manitoba currently has the highest VLT spend in Canada at \$310 per adult (see Exhibit 11).

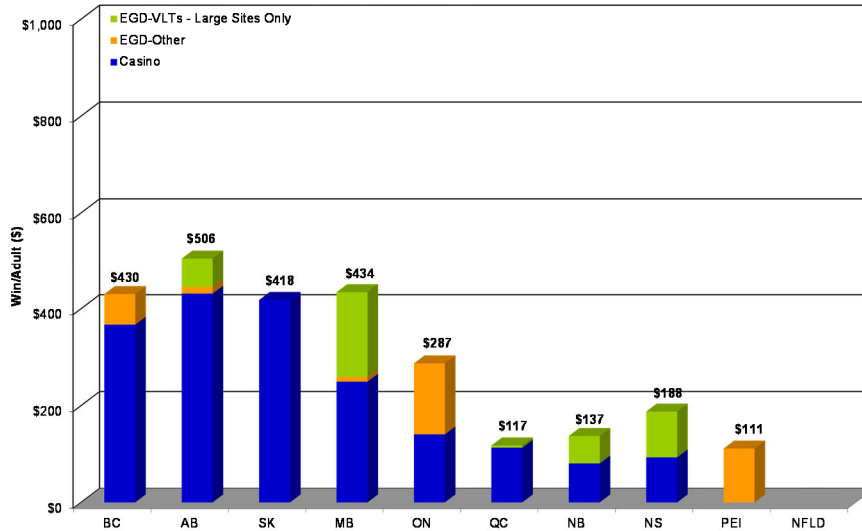
**Exhibit 11**  
**VLT Win/Adult by Province (2014)**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic Estimates Compendium 2013.

In terms of casino style gaming (casinos, EGD Other and large VLT sites – sites with 20 plus machines), Manitoba currently has the second highest spend in Canada, behind only Alberta (approximately \$72 behind Alberta) (see Exhibit 12).

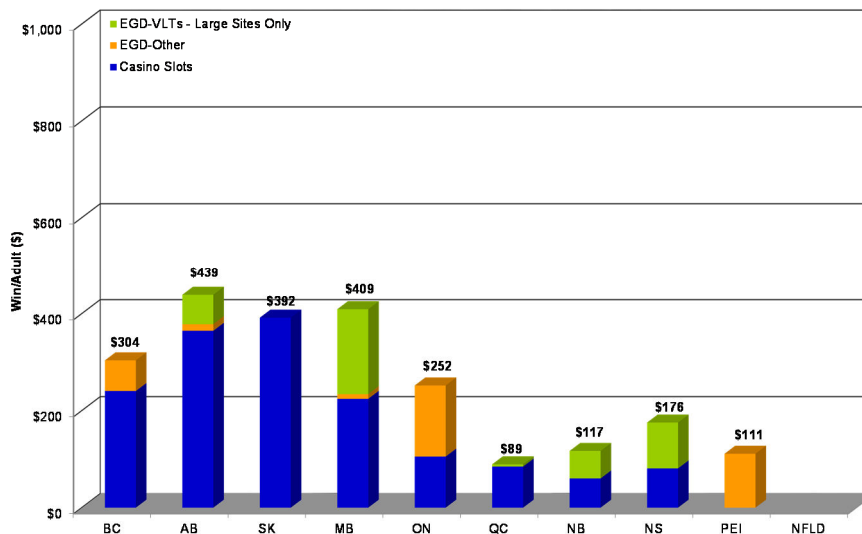
**Exhibit 12**  
**Casino, EGD-Other & Large VLT Win/Adult by Province**  
**(Electronic Gaming Devices and Table Games) - 2014**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic Estimates Compendium 2013. Numbers are subject to update as further information becomes available.

Discounting table gaming, the gap between Manitoba and Alberta decreases to approximately \$30 (see Exhibit 13).

**Exhibit 13**  
**Casino, EGD-Other & Large VLT Win/Adult by Province**  
**(Electronic Gaming Devices Only) - 2014**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic Estimates Compendium 2013. Numbers are subject to update as further information becomes available.

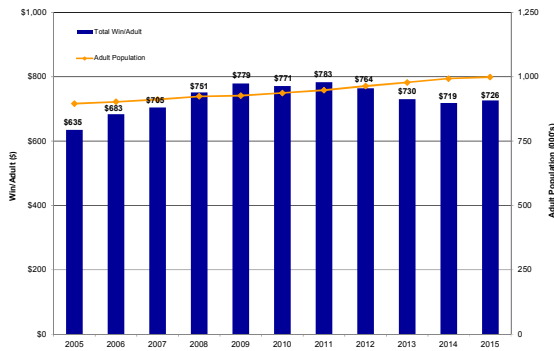
### 3.5 TOTAL GAMING MARKET PERFORMANCE: FUTURE OUTLOOK

The Canadian gaming industry, as well as Manitoba's, is in a demand driven growth phase. Future growth in a demand growth phase is less certain than under a supply growth phase.

A key emerging trend of the demand growth phase is that spending on all forms of gaming is not keeping pace with population and income growth. Exhibits 14 show Manitoba's total gaming win per adult and total adult population growth. Win per adult has declined (approximately 7% since 2011), while the total adult population has increased (approximately 6% since 2011). This trend is also evident in the entire Canadian gaming industry as shown in Exhibit 15.

**Exhibit 14**

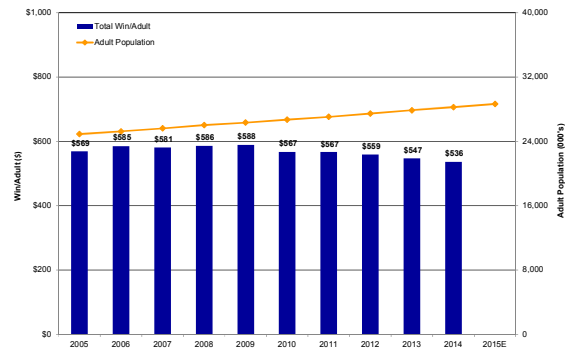
Manitoba Total Gaming Win/Adult



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic 2013. Numbers are subject to update as further information becomes available.

**Exhibit 15**

Canada Total Gaming Win/Adult

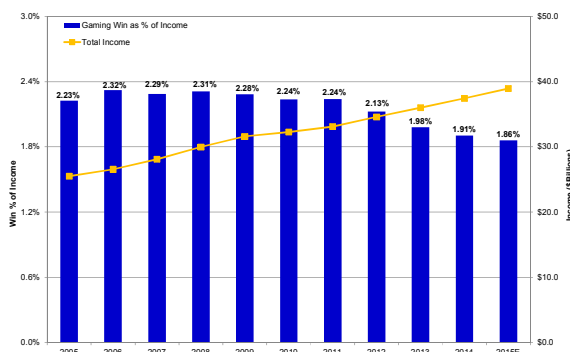


Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic 2014. Numbers are subject to update as further information becomes available.

Gaming win as a percent of income, in both Manitoba and Canada, are also not keeping pace with income growth (see Exhibits 16 and 17).

**Exhibit 16**

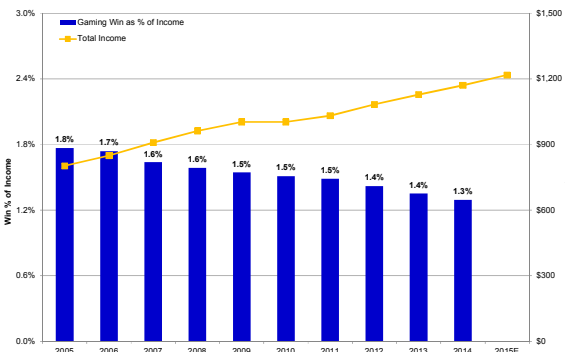
Manitoba Gaming Win as % of Provincial Income



Source: Source: HLT Advisory Inc. based on Statistics Canada Small Area and Administrative Data Division (SAADD), Annual Estimates for Census Families and Individuals (TF Family File), various gaming provincial agencies/corporations annual gaming reports, Statistics Canada Annual Demographics and HLT estimates. 2015E based on calendar year 2014 income estimate and 2015 gaming win estimate. 2014 income estimated based on historic income growth by province.

**Exhibit 17**

Canadian Gaming Win as % of Income



Source: Source: HLT Advisory Inc. based on Statistics Canada Small Area and Administrative Data Division (SAADD), Annual Estimates for Census Families and Individuals (TF Family File), various gaming provincial agencies/corporations annual gaming reports, Statistics Canada Annual Demographics and HLT estimates. 2015E based on calendar year 2014 income estimate and 2015 gaming win estimate. 2014 income estimated based on historic income growth by province.

One interpretation of this trend is that the current mix of gaming products including facilities (or delivery format) are not as appealing as they once were. Some strategic directions that are being investigated and implemented in many provinces to address this trend include:

- existing facility enhancements (e.g. addition of non-gaming amenities);

- new facility locations (or relocation of existing facilities);
- introduction of new and/or enhanced products (e.g. enhanced Lotto Max and 649 lottery products); and
- new delivery formats (internet).

These strategic directions all involve considerable investment. The return of investment of these strategic directions will be considerably lower than investments made under a supply growth phase.

### **3.6 CONCLUSIONS**

Canada's gaming industry is a large entertainment industry that is mature (essentially the industry has been flat over the past five years). Manitoba's recent industry growth trend mirrors Canada's as a whole.

- Mature characteristics include demand growth phase ("giving customers what they want" as oppose to simple supply increases) and investment decisions have higher risks as growth is not certain.
- An emerging trend in this growth phase is that gaming expenditures are not keeping pace with both adult population and income growth (challenge facing the industry – is the current mix of products and facilities/delivery channels losing its appeal?). Future growth is not certain.

It is becoming increasingly difficult to continue to assess the Canadian gaming industry from a sector perspective due to overlapping consumer appeal between products and the introduction/growth of new delivery channels. This difficulty increases for those provinces like Manitoba that have both casino (including EGD Other) and VLT gaming.

- Given the current economic climate, those provinces with both casino (including EGD Other) and VLT gaming are grappling with finding a balance between "giving customers what they want" and "profit maximization". This is impacting casinos (including EGD Other facilities) as they have higher investment requirements and lower operating margins as compared to VLT gaming.

Over the past ten years, Manitoba's total gaming industry (specifically casino style and VLT activities) performance has increased and currently Alberta and Saskatchewan represent the two most comparable markets. Manitoba and the other two Prairie provinces represent three of the most penetrated gaming markets in North America.

- While Manitoba has the third highest expenditure level (as measured by win per adult) in casino, EGD Other and VLT gaming combined in Canada, it has the highest expenditure level in VLTs and the second highest expenditure level in casino style gaming (casinos, EGD Other and large VLT sites). This implies that there is limited growth available in the province.

Since 2005, the Manitoba casino, EGD Other and VLT sectors grew by approximately \$133 million. This growth was driven by:

- Operational improvements/enhancements of casinos (e.g. introduction of a player card program and addition of an entertainment centre at MBLL Winnipeg casinos).
- The expansion of South Beach First Nation Casino (e.g. additional slot machines and hotel).
- The addition of the Sand Hill First Nation casino and the Shark's Club (EGD Other) facility.
- The introduction of almost 700 additional VLTs (619 machines at First Nation sites and 81 machines at non-First Nation sites) and the increase in size (i.e. number of VLT machines per site) of VLT sites.

Future province wide market growth, as evident by the experience of comparable markets, is not certain and will likely not result from the simple expansion of the existing supply base.



## 4. Gaming Market Areas

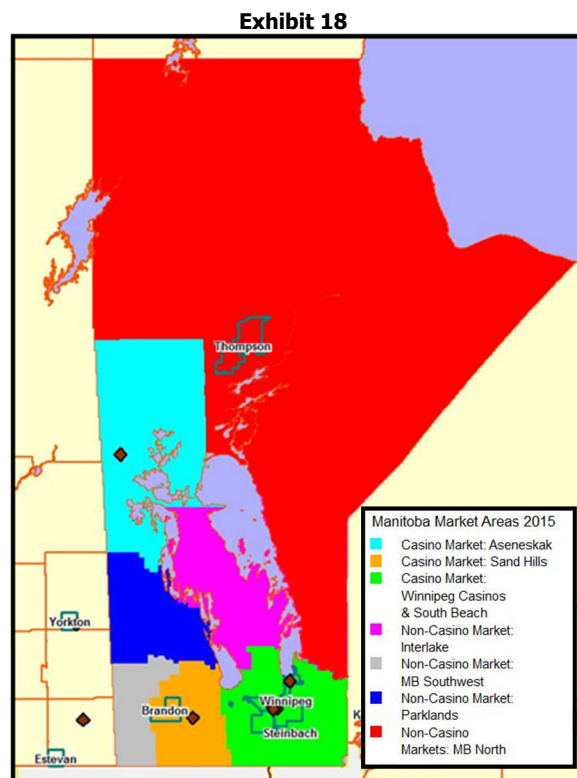
This section of the report first delineates the province into gaming market areas and assesses these market areas in terms of various socio-economic factors and the performance of the existing supply base (i.e. facilities and gaming devices). Second, the performance of the existing supply base is estimated from a geographic perspective (i.e. where customers reside and where they spend their gaming dollars).

### 4.1 CASINO & NON-CASINO MARKET AREAS

The fundamental assumption underpinning the delineation of market areas (both casino & non-casino areas) is centered on the typical distance customers are willing to travel to visit a casino style facility (or the geographic area from where a casino style facility generates the majority of its business from). For existing casinos and EGD Other facilities, HLT assumed a 60 minute drive time to approximate their market areas. For VLT sites, HLT assumed that VLT sites generate all of their business from their immediate local markets. One exception was made where a number of VLT sites were located close to a neighboring province.

Seven gaming markets in total were defined (see Exhibit 18):

- Three casino market areas – labelled Winnipeg, Sand Hill and Aseneskak.  
Note: Winnipeg includes the two MBLL casinos, South Beach and the Shark’s Club.
- Four non-casino market areas – labelled Southwest, Parkland, Interlake and North.



## 4.2 SOCIO-ECONOMIC PROFILE

The current adult population in the Province is estimated at 998,322 (see Exhibit 19), with almost 90% residing within the three defined casino markets, while the remaining 10% reside in the non-casino markets.

**Exhibit 19**

	2015 - Adult Population by Age Group by Market Area								Adults Under 50		Adults Over 50	
	Age Group							Total	%	Total	%	
	18-29	30-39	40-49	50-59	60-69	70-79	80+					
<b>Casino Markets</b>												
Winnipeg	171,533	138,395	129,485	143,098	107,610	59,577	41,012	790,710	439,413	55.6%	351,297	44.4%
Sand Hills	19,056	14,614	13,492	15,113	12,044	7,384	5,321	87,024	47,162	54.2%	39,862	45.8%
Aseneskak	3,904	2,590	2,824	3,479	2,664	1,079	471	17,011	9,318	54.8%	7,693	45.2%
<b>Total Casino Markets</b>	<b>194,493</b>	<b>155,599</b>	<b>145,801</b>	<b>161,690</b>	<b>122,318</b>	<b>68,040</b>	<b>46,804</b>	<b>894,745</b>	<b>495,893</b>	<b>55.4%</b>	<b>398,852</b>	<b>44.6%</b>
<b>Non-Casino Markets</b>												
Manitoba Southwest	3,197	2,653	2,629	3,956	3,561	2,032	1,640	19,668	8,479	43.1%	11,189	56.9%
Parklands	5,207	3,988	4,602	6,357	5,669	3,618	2,859	32,300	13,797	42.7%	18,503	57.3%
Interlake	3,344	1,969	2,207	2,858	2,225	1,352	878	14,832	7,520	50.7%	7,312	49.3%
Manitoba North	11,970	7,729	6,820	5,474	3,089	1,331	366	36,778	26,519	72.1%	10,259	27.9%
<b>Non-Casino Markets</b>	<b>23,718</b>	<b>16,339</b>	<b>16,258</b>	<b>18,645</b>	<b>14,543</b>	<b>8,332</b>	<b>5,742</b>	<b>103,577</b>	<b>56,315</b>	<b>54.4%</b>	<b>47,262</b>	<b>45.6%</b>
<b>Total Manitoba</b>	<b>218,211</b>	<b>171,938</b>	<b>162,059</b>	<b>180,335</b>	<b>136,861</b>	<b>76,372</b>	<b>52,546</b>	<b>998,322</b>	<b>552,208</b>	<b>55.3%</b>	<b>446,114</b>	<b>44.7%</b>

Source: HLT Advisory Inc. based on data from the National Household Survey (2011) and Anysite 2015 estimates and projections.

Other key demographic characteristics of the defined Manitoba market areas include:

- Modest population growth expected over the next decade, with the majority of the population growth concentrated in the Winnipeg and Sand Hills (Brandon) areas.
- The main urban areas of the province as well as the North, have a much younger population base than the southern rural areas (50 plus age groups are consider core gaming demographic segments).
- Significant Aboriginal population is found in the northern areas of the province (Aseneskak, Interlake and the North defined market areas). Aboriginal population is a key gaming market segment in the Prairie Provinces.
- Total income in the province has risen steadily with the average income estimated at \$40,725. Winnipeg and Manitoba Southwest have higher average incomes, and Interlake and the North have lower average incomes.

### 4.3 GAMING SUPPLY PERFORMANCE

There are currently (end of FY2015) 6 casino/EGD Other sites containing 3,572 electronic machines and 132 tables, 107 large VLT sites containing 3,473 VLTs and 396 regular VLT sites containing 2,869 VLTs in the province (see Exhibits 20 and 21). Approximately 90% of the casino gaming supply is located within the defined Winnipeg market (approximately 60% of the VLT device supply is also in the Winnipeg market). The defined Manitoba North market is the largest non-casino market area, in terms of total VLT supply, with 517 devices.

<b>Exhibit 20</b>					<b>Exhibit 21</b>				
<b>FY2015 - Distribution of Gaming Sites by Market Area</b>					<b>FY2015 - Distribution of Gaming Devices by Market Area</b>				
	Casinos & EGD-Other	VLT Sites			Slot	Table	VLTs (Opened Sites Only)		
		Large 20+	Regular <20	Total VLTs			Large 20+	Regular <20	Total VLTs
<b>Casino Markets</b>					<b>Casino Markets</b>				
Winnipeg	4	59	238	297	3,100	121	1,975	1,805	3,780
Sand Hills	1	12	59	71	300	5	389	309	698
Aseneskak	1	6	16	22	172	6	200	154	354
<b>Total Casino Markets</b>	<b>6</b>	<b>77</b>	<b>313</b>	<b>390</b>	<b>3,572</b>	<b>132</b>	<b>2,564</b>	<b>2,268</b>	<b>4,832</b>
<b>Non-Casino Markets</b>					<b>Non-Casino Markets</b>				
Manitoba Southwest	n.a.	4	19	23	n.a.	n.a.	110	113	223
Parklands	n.a.	6	29	35	n.a.	n.a.	190	213	403
Interlake	n.a.	9	18	27	n.a.	n.a.	230	137	367
Manitoba North	n.a.	11	17	28	n.a.	n.a.	379	138	517
<b>Total Non-Casino Markets</b>	<b>n.a.</b>	<b>30</b>	<b>83</b>	<b>113</b>	<b>n.a.</b>	<b>n.a.</b>	<b>909</b>	<b>601</b>	<b>1,510</b>
<b>Total Manitoba</b>	<b>6</b>	<b>107</b>	<b>396</b>	<b>503</b>	<b>3,572</b>	<b>132</b>	<b>3,473</b>	<b>2,869</b>	<b>6,342</b>

Source: HLT Advisory Inc. based on Manitoba Liquor & Lotteries Corporation data.  
n.a.: not applicable

The supply base generated total casino, EGD Other and VLT win of \$581.1 million in FY2015 (approximately 80% of total gaming win is generated in Winnipeg – Exhibit 22).

<b>Exhibit 22</b>							
<b>FY2015 - Gaming Supply Performance by Market Area</b>							
	Casino & EGD-Other Win			VLT Win (Opened Sites Only)			
	Slot	Table	Total Casino	Large 20+	Regular <20	Total VLTs	Total
<b>Casino Markets</b>							
Winnipeg	\$219,263	\$28,500	\$247,763	\$129,261	\$81,654	\$210,915	\$458,679
Sand Hills	\$6,918	\$364	\$7,282	\$19,531	\$9,941	\$29,473	\$36,755
Aseneskak	\$7,107	\$374	\$7,481	\$11,275	\$5,735	\$17,010	\$24,491
<b>Total Casino Markets</b>	<b>\$233,289</b>	<b>\$29,238</b>	<b>\$262,527</b>	<b>\$160,068</b>	<b>\$97,330</b>	<b>\$257,398</b>	<b>\$519,925</b>
<b>Non-Casino Markets</b>							
Manitoba Southwest	n.a.	n.a.	n.a.	\$2,891	\$4,426	\$7,317	\$7,317
Parklands	n.a.	n.a.	n.a.	\$5,359	\$9,043	\$14,402	\$14,402
Interlake	n.a.	n.a.	n.a.	\$8,396	\$4,930	\$13,326	\$13,326
Manitoba North	n.a.	n.a.	n.a.	\$20,897	\$5,230	\$26,127	\$26,127
<b>Total Non-Casino Markets</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>\$37,543</b>	<b>\$23,628</b>	<b>\$61,172</b>	<b>\$61,172</b>
<b>Total Manitoba</b>	<b>\$233,289</b>	<b>\$29,238</b>	<b>\$262,527</b>	<b>\$197,612</b>	<b>\$120,958</b>	<b>\$318,569</b>	<b>\$581,096</b>

Source: HLT Advisory Inc. based on Manitoba Liquor & Lotteries Corporation data.  
n.a.: not applicable

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## 5. Potential Size of Market

This section of the report summarizes the market potential estimates for each defined casino and non-casino market areas. These estimates were arrived at using comparable markets and take into consideration the macro gaming trends discussed in Section 3.

Comparison markets for each defined Manitoba gaming market area was selected based on a number of key variables:

- Total population and total income.
- Availability (and access to) casino and VLT gaming.
- Percentage of population over age 50.
- Percentage of Aboriginal and visible minorities populations.
- Average income per adult.

Potential size of the market estimates are provided for both **“casino style gaming”** (defined for the purposes of this report as casinos, EGD Other and large VLT sites) and **“total gaming”** (defined for the purposes of this report as casino, EGD Other and all VLT gaming regardless of size of sites). A “Low” and a “High” range was also estimated.

It is important to note that estimates of market potential do not imply that this potential can be fully captured by existing and/or new facilities (or gaming supply). For example some of this potential may be too dispersed (i.e. located in rural areas) for a facility to fully capture it. Additionally, some of this potential may also be embedded in segments of the population who do not include gaming as one of their entertainment options for socio-economic or other reasons.

## 5.1 POTENTIAL SIZE OF MARKET: CASINO STYLE GAMING

Exhibits 23 and 24 summarize the market potential estimates for casino style gaming. The low-end of the range equals the current market performance. Future year increases (decreases) are based solely on population changes. The low-end assumes that current spending levels can be maintained in the future. The high-end of the range assumes a slight increase in spending for Winnipeg, Sand Hill, Manitoba Southwest and Parklands. No increases were estimated for Aseneskak, Interlake and Manitoba North as these market areas have already achieved higher spending levels than all comparison markets.

**Exhibit 23**

	Win Potential for Casino Style Gaming - Based on 2015 Win/Adult Levels (Low-End)											
	2015			2020				2025				
	Adult Population	Market Area Win (\$000)	Win/Adult (\$)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	
<b>Casino Markets</b>												
Winnipeg	790,710	\$360,233	\$456	834,210	\$456	\$380,051	\$19,818	872,757	\$456	\$397,612	\$37,379	
Sand Hills	87,024	\$29,832	\$343	90,483	\$343	\$31,017	\$1,186	94,144	\$343	\$32,272	\$2,441	
Aseneskak	17,011	\$13,127	\$772	16,802	\$772	\$12,966	n.a.	16,485	\$772	\$12,721	n.a.	
<b>Total Casino Markets</b>	<b>894,745</b>	<b>\$403,192</b>	<b>\$451</b>	<b>941,495</b>	<b>\$450</b>	<b>\$424,034</b>	<b>\$21,004</b>	<b>983,386</b>	<b>\$450</b>	<b>\$442,606</b>	<b>\$39,820</b>	
<b>Non-Casino Markets</b>												
Manitoba Southwest	19,668	\$4,160	\$212	19,080	\$212	\$4,035	n.a.	18,650	\$212	\$3,944	n.a.	
Parklands	32,300	\$7,002	\$217	31,221	\$217	\$6,768	n.a.	29,868	\$217	\$6,475	n.a.	
Interlake	14,832	\$9,734	\$656	14,735	\$656	\$9,670	n.a.	14,490	\$656	\$9,509	n.a.	
Manitoba North	36,778	\$24,858	\$676	37,889	\$676	\$25,609	\$751	39,324	\$676	\$26,580	\$1,721	
<b>Total Non-Casino Market</b>	<b>103,577</b>	<b>\$45,754</b>	<b>\$442</b>	<b>102,924</b>	<b>\$448</b>	<b>\$46,083</b>	<b>\$751</b>	<b>102,332</b>	<b>\$454</b>	<b>\$46,509</b>	<b>\$1,721</b>	
<b>Total Manitoba</b>	<b>998,322</b>	<b>\$448,946</b>	<b>\$450</b>	<b>1,044,419</b>	<b>\$450</b>	<b>\$470,117</b>	<b>\$21,755</b>	<b>1,085,718</b>	<b>\$450</b>	<b>\$489,115</b>	<b>\$41,541</b>	

Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation, the National Household Survey (2011), Anysite 2015 estimates and projections and HLT estimates.  
n.a.: not applicable - no potential available.

**Exhibit 24**

	Win Potential for Casino Style Gaming - Based on Potential Win/Adult Levels (High-End)															
	2015			2015 Potential			2020 Potential					2025 Potential				
	Adult Population	Market Area Win (\$000)	Win/Adult (\$)	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Increase in Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Increase in Potential (\$000)	Available Potential (\$000)
<b>Casino Markets</b>																
Winnipeg	790,710	\$360,233	\$456	\$475	\$375,587	\$15,354	834,210	\$475	\$396,250	\$20,663	\$36,016	872,757	\$475	\$414,559	\$38,972	\$54,326
Sand Hills	87,024	\$29,832	\$343	\$400	\$34,810	\$4,978	90,483	\$400	\$36,193	\$1,384	\$6,362	94,144	\$400	\$37,658	\$2,848	\$7,826
Aseneskak	17,011	\$13,127	\$772	\$772	\$13,127	n.a.	16,802	\$772	\$12,966	n.a.	n.a.	16,485	\$772	\$12,721	n.a.	n.a.
<b>Total Casino Markets</b>	<b>894,745</b>	<b>\$403,192</b>	<b>\$451</b>	<b>\$473</b>	<b>\$423,524</b>	<b>\$20,332</b>	<b>941,495</b>	<b>\$473</b>	<b>\$445,409</b>	<b>\$22,046</b>	<b>\$42,378</b>	<b>983,386</b>	<b>\$473</b>	<b>\$464,938</b>	<b>\$41,820</b>	<b>\$62,152</b>
<b>Non-Casino Markets</b>																
Manitoba Southwest	19,668	\$4,160	\$212	\$275	\$5,409	\$1,249	19,080	\$275	\$5,247	n.a.	\$1,087	18,650	\$275	\$5,129	n.a.	\$969
Parklands	32,300	\$7,002	\$217	\$275	\$8,883	\$1,880	31,221	\$275	\$8,586	n.a.	\$1,584	29,868	\$275	\$8,214	n.a.	\$1,212
Interlake	14,832	\$9,734	\$656	\$656	\$9,734	n.a.	14,735	\$656	\$9,670	n.a.	n.a.	14,490	\$656	\$9,509	n.a.	n.a.
Manitoba North	36,778	\$24,858	\$676	\$676	\$24,858	n.a.	37,889	\$676	\$25,609	\$751	\$751	39,324	\$676	\$26,580	\$1,721	\$1,721
<b>Total Non-Casino Market</b>	<b>103,577</b>	<b>\$45,754</b>	<b>\$442</b>	<b>\$472</b>	<b>\$48,883</b>	<b>\$3,129</b>	<b>102,924</b>	<b>\$477</b>	<b>\$49,112</b>	<b>\$751</b>	<b>\$3,422</b>	<b>102,332</b>	<b>\$483</b>	<b>\$49,432</b>	<b>\$1,721</b>	<b>\$3,902</b>
<b>Total Manitoba</b>	<b>998,322</b>	<b>\$448,946</b>	<b>\$450</b>	<b>\$473</b>	<b>\$472,407</b>	<b>\$23,461</b>	<b>1,044,419</b>	<b>\$473</b>	<b>\$494,521</b>	<b>\$22,797</b>	<b>\$45,800</b>	<b>1,085,718</b>	<b>\$474</b>	<b>\$514,370</b>	<b>\$43,542</b>	<b>\$66,054</b>

Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation, the National Household Survey (2011), Anysite 2015 estimates and projections and HLT estimates.  
n.a.: not applicable - no potential available.

In total, under the low-end of the market potential estimate, the current win level is projected to increase by approximately \$41 million over the next ten years (2025). Under the high-end, the current win level is projected to increase by approximately \$66 million. The majority of this increase is estimated to be concentrated in the defined Winnipeg market area.

## 5.2 POTENTIAL SIZE OF MARKET: TOTAL GAMING

Exhibits 25 and 26 summarize the market potential estimates for total gaming. The low-end of the range equals the current market performance. Future year increases (decreases) are based solely on population changes. The low-end assumes that current spending levels can be maintained in the future. The high-end of the range assumes a slight increase in spending for Winnipeg, Sand Hill, Manitoba Southwest and Parklands. No increases were estimated for Aseneskak, Interlake and Manitoba North as these market areas already achieve higher spending levels than all comparison markets.

**Exhibit 23**

	Win Potential for Total Gaming - Based on 2015 Win/Adult Levels (Low-End)											
	2015			2020				2025				
	Adult Population	Area Win (\$000)	Win/Adult (\$)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	
<b>Casino Markets</b>												
Winnipeg	790,710	\$443,031	\$560	834,210	\$560	\$467,404	\$24,373	872,757	\$560	\$489,002	\$45,970	
Sand Hills	87,024	\$40,051	\$460	90,483	\$460	\$41,643	\$1,592	94,144	\$460	\$43,328	\$3,277	
Aseneskak	17,011	\$18,575	\$1,092	16,802	\$1,092	\$18,347	n.a.	16,485	\$1,092	\$18,000	n.a.	
<b>Total Casino Markets</b>	<b>894,745</b>	<b>\$501,657</b>	<b>\$561</b>	<b>941,495</b>	<b>\$560</b>	<b>\$527,393</b>	<b>\$25,965</b>	<b>983,386</b>	<b>\$560</b>	<b>\$550,330</b>	<b>\$49,247</b>	
<b>Non-Casino Markets</b>												
Manitoba Southwest	19,668	\$8,724	\$444	19,080	\$444	\$8,464	n.a.	18,650	\$444	\$8,273	n.a.	
Parklands	32,300	\$16,330	\$506	31,221	\$506	\$15,784	n.a.	29,868	\$506	\$15,101	n.a.	
Interlake	14,832	\$14,812	\$999	14,735	\$999	\$14,715	n.a.	14,490	\$999	\$14,471	n.a.	
Manitoba North	36,778	\$30,404	\$827	37,889	\$827	\$31,322	\$918	39,324	\$827	\$32,509	\$2,105	
<b>Total Non-Casino Market</b>	<b>103,577</b>	<b>\$70,270</b>	<b>\$678</b>	<b>102,924</b>	<b>\$683</b>	<b>\$70,286</b>	<b>\$918</b>	<b>102,332</b>	<b>\$688</b>	<b>\$70,353</b>	<b>\$2,105</b>	
<b>Total Manitoba</b>	<b>998,322</b>	<b>\$571,927</b>	<b>\$573</b>	<b>1,044,419</b>	<b>\$572</b>	<b>\$597,679</b>	<b>\$26,883</b>	<b>1,085,718</b>	<b>\$572</b>	<b>\$620,683</b>	<b>\$51,353</b>	

Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation, the National Household Survey (2011), Anysite 2015 estimates and projections and HLT estimates.  
 n.a.: not applicable - no potential available.

**Exhibit 23**

	Win Potential for Total Gaming - Based on Potential Win/Adult Levels (High-End)															
	2015 Existing			2015 Potential			2020 Potential					2025 Potential				
	Adult Population	Area Win (\$000)	Win/Adult (\$)	Win/Adult (\$)	Total Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Increase in Potential (\$000)	Available Potential (\$000)	Adult Population	Win/Adult (\$)	Total Potential (\$000)	Increase in Potential (\$000)	Available Potential (\$000)
<b>Casino Markets</b>																
Winnipeg	790,710	\$443,031	\$560	\$600	\$474,426	\$31,395	834,210	\$600	\$500,526	\$26,100	\$57,495	872,757	\$600	\$523,654	\$49,228	\$80,623
Sand Hills	87,024	\$40,051	\$460	\$525	\$45,688	\$5,637	90,483	\$525	\$47,504	\$1,816	\$7,453	94,144	\$525	\$49,426	\$3,738	\$9,375
Aseneskak	17,011	\$18,575	\$1,092	\$1,092	\$18,575	n.a.	16,802	\$1,092	\$18,347	n.a.	n.a.	16,485	\$1,092	\$18,000	n.a.	n.a.
<b>Total Casino Markets</b>	<b>894,745</b>	<b>\$501,657</b>	<b>\$561</b>	<b>\$602</b>	<b>\$538,689</b>	<b>\$37,032</b>	<b>941,495</b>	<b>\$602</b>	<b>\$566,376</b>	<b>\$27,916</b>	<b>\$64,948</b>	<b>983,386</b>	<b>\$601</b>	<b>\$591,080</b>	<b>\$52,966</b>	<b>\$89,998</b>
<b>Non-Casino Markets</b>																
Manitoba Southwest	19,668	\$8,724	\$444	\$550	\$10,817	\$2,093	19,080	\$550	\$10,494	n.a.	\$1,770	18,650	\$550	\$10,257	n.a.	\$1,533
Parklands	32,300	\$16,330	\$506	\$550	\$17,765	\$1,435	31,221	\$550	\$17,172	n.a.	\$842	29,868	\$550	\$16,428	n.a.	\$98
Interlake	14,832	\$14,812	\$999	\$999	\$14,812	n.a.	14,735	\$999	\$14,715	n.a.	n.a.	14,490	\$999	\$14,471	n.a.	n.a.
Manitoba North	36,778	\$30,404	\$827	\$827	\$30,404	n.a.	37,889	\$827	\$31,322	\$918	\$918	39,324	\$827	\$32,509	\$2,105	\$2,105
<b>Total Non-Casino Market</b>	<b>103,577</b>	<b>\$70,270</b>	<b>\$678</b>	<b>\$712</b>	<b>\$73,798</b>	<b>\$3,528</b>	<b>102,924</b>	<b>\$716</b>	<b>\$73,703</b>	<b>\$918</b>	<b>\$3,530</b>	<b>102,332</b>	<b>\$720</b>	<b>\$73,665</b>	<b>\$2,105</b>	<b>\$3,736</b>
<b>Total Manitoba</b>	<b>998,322</b>	<b>\$571,927</b>	<b>\$573</b>	<b>\$614</b>	<b>\$612,487</b>	<b>\$40,560</b>	<b>1,044,419</b>	<b>\$613</b>	<b>\$640,079</b>	<b>\$28,834</b>	<b>\$68,477</b>	<b>1,085,718</b>	<b>\$612</b>	<b>\$664,745</b>	<b>\$55,072</b>	<b>\$93,734</b>

Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation, the National Household Survey (2011), Anysite 2015 estimates and projections and HLT estimates.  
 n.a.: not applicable - no potential available.

In total, under the low-end of the market potential estimate, the current win level is projected to increase by approximately \$51 million over the next ten years (2025). Under the high-end, the current win level is projected to increase by approximately \$94 million. The majority of this increase is estimated to be concentrated in the defined Winnipeg market area.

## 6. Market Opportunity

This section of the report summarizes the results of the market opportunity assessment component of the methodology. Factors considered include captured/uncaptured win, incremental growth/cannibalization (or market share) and existing supply base adequacy. Financial viability of facilities was also considered. The overriding consideration of the opportunity assessment was the existing supply base adequacy (both number of sites and gaming devices and location).

### 6.1 SUPPLY BASE ADEQUACY

To assess the adequacy of the existing supply (both gaming facilities and gaming devices) to accommodate the market potential estimates, HLT consider the distribution and performance of sites and devices at both the provincial and the defined market areas (as well as within each market area). With regard to the current distribution of sites/machines, HLT concludes that concludes that the existing supply base is highly accessible (i.e. people who want to game have multiple opportunities).

Exhibits 24 and 25 summarizes the performance (on a win per device per day level) of the existing supply base (electronic gaming devices or slots and VLT machines) for both casino style and total gaming under the low-end and high-end range of the estimate market size potential.

**Exhibit 24**

EGD Supply Performance - Low-End Gaming Potential Estimates							
	Current Supply	Market Area Potential			Win/Day/ Device (\$)***		
		2015*	2020	2025	2015	2020	2025
<b>Casino Style Gaming</b>							
<i>Casino Markets</i>							
Winnipeg	5,075	\$348,525	\$380,051	\$397,612	\$188	\$205	\$215
Sand Hills	689	\$26,449	\$31,017	\$32,272	\$105	\$123	\$128
Aseneskak	372	\$18,383	\$12,966	\$12,721	\$135	\$95	\$94
<b>Total Casino Markets</b>	<b>6,136</b>	<b>\$393,357</b>	<b>\$424,034</b>	<b>\$442,606</b>	<b>\$176</b>	<b>\$189</b>	<b>\$198</b>
<i>Non-Casino Markets</i>							
Manitoba Southwest	110	\$2,891	\$4,035	\$3,944	\$72	\$101	\$98
Parklands	190	\$5,359	\$6,768	\$6,475	\$77	\$98	\$93
Interlake	230	\$8,396	\$9,670	\$9,509	\$100	\$115	\$113
Manitoba North	379	\$20,897	\$25,609	\$26,580	\$151	\$185	\$192
<b>Total Non-Casino Market</b>	<b>909</b>	<b>\$37,543</b>	<b>\$46,083</b>	<b>\$46,509</b>	<b>\$113</b>	<b>\$139</b>	<b>\$140</b>
<b>Total Manitoba</b>	<b>7,045</b>	<b>\$430,900</b>	<b>\$470,117</b>	<b>\$489,115</b>	<b>\$168</b>	<b>\$183</b>	<b>\$190</b>
<b>Total Gaming</b>							
<i>Casino Markets</i>							
Winnipeg	6,880	\$430,179	\$467,404	\$489,002	\$171	\$186	\$195
Sand Hills	998	\$36,390	\$41,643	\$43,328	\$100	\$114	\$119
Aseneskak	526	\$24,117	\$18,347	\$18,000	\$126	\$96	\$94
<b>Total Casino Markets</b>	<b>8,404</b>	<b>\$490,686</b>	<b>\$527,393</b>	<b>\$550,330</b>	<b>\$160</b>	<b>\$172</b>	<b>\$179</b>
<i>Non-Casino Markets</i>							
Manitoba Southwest	223	\$7,317	\$8,464	\$8,273	\$90	\$104	\$102
Parklands	403	\$14,402	\$15,784	\$15,101	\$98	\$107	\$103
Interlake	367	\$13,326	\$14,715	\$14,471	\$99	\$110	\$108
Manitoba North	517	\$26,127	\$31,322	\$32,509	\$138	\$166	\$172
<b>Total Non-Casino Market</b>	<b>1,510</b>	<b>\$61,172</b>	<b>\$70,286</b>	<b>\$70,353</b>	<b>\$111</b>	<b>\$128</b>	<b>\$128</b>
<b>Total Manitoba</b>	<b>9,914</b>	<b>\$551,858</b>	<b>\$597,679</b>	<b>\$620,683</b>	<b>\$153</b>	<b>\$165</b>	<b>\$172</b>

\* Represents FY2015 EGD performance only. Excludes win from table games at casinos and EGD-other facilities.  
\*\* Assumes all potential to be captured by existing EGD supply. Tables games were not considered.  
Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation and HLT estimates.

**Exhibit 31**

EGD Supply Performance - High-End Gaming Potential Estimates									
	Current Supply	Market Area Potential				Win/Day/ Device (\$)**			
		2015 Actual*	2015 Potential	2020	2025	2015 Actual*	2015 Potential	2020	2025
<b>Casino Style Gaming</b>									
<b>Casino Markets</b>									
Winnipeg	5,075	\$348,525	\$375,587	\$396,250	\$414,559	\$188	\$203	\$214	\$224
Sand Hills	689	\$26,449	\$34,810	\$36,193	\$37,658	\$105	\$138	\$144	\$150
Aseneskak	372	\$18,383	\$13,127	\$12,966	\$12,721	\$135	\$97	\$95	\$94
<b>Total Casino Markets</b>	<b>6,136</b>	<b>\$393,357</b>	<b>\$423,524</b>	<b>\$445,409</b>	<b>\$464,938</b>	<b>\$176</b>	<b>\$189</b>	<b>\$199</b>	<b>\$208</b>
<b>Non-Casino Markets</b>									
Manitoba Southwest	110	\$2,891	\$5,409	\$5,247	\$5,129	\$72	\$135	\$131	\$128
Parklands	190	\$5,359	\$8,883	\$8,586	\$8,214	\$77	\$128	\$124	\$118
Interlake	230	\$8,396	\$9,734	\$9,670	\$9,509	\$100	\$116	\$115	\$113
Manitoba North	379	\$20,897	\$24,858	\$25,609	\$26,580	\$151	\$180	\$185	\$192
<b>Total Non-Casino Market</b>	<b>909</b>	<b>\$37,543</b>	<b>\$48,883</b>	<b>\$49,112</b>	<b>\$49,432</b>	<b>\$113</b>	<b>\$147</b>	<b>\$148</b>	<b>\$149</b>
<b>Total Manitoba</b>	<b>7,045</b>	<b>\$430,900</b>	<b>\$472,407</b>	<b>\$494,521</b>	<b>\$514,370</b>	<b>\$168</b>	<b>\$184</b>	<b>\$192</b>	<b>\$200</b>
<b>Total Gaming</b>									
<b>Casino Markets</b>									
Winnipeg	6,880	\$430,179	\$474,426	\$500,526	\$523,654	\$171	\$189	\$199	\$209
Sand Hills	998	\$36,390	\$45,688	\$47,504	\$49,426	\$100	\$125	\$130	\$136
Aseneskak	526	\$24,117	\$18,575	\$18,347	\$18,000	\$126	\$97	\$96	\$94
<b>Total Casino Markets</b>	<b>8,404</b>	<b>\$490,686</b>	<b>\$538,689</b>	<b>\$566,376</b>	<b>\$591,080</b>	<b>\$160</b>	<b>\$176</b>	<b>\$185</b>	<b>\$193</b>
<b>Non-Casino Markets</b>									
Manitoba Southwest	223	\$7,317	\$10,817	\$10,494	\$10,257	\$90	\$133	\$129	\$126
Parklands	403	\$14,402	\$17,765	\$17,172	\$16,428	\$98	\$121	\$117	\$112
Interlake	367	\$13,326	\$14,812	\$14,715	\$14,471	\$99	\$111	\$110	\$108
Manitoba North	517	\$26,127	\$30,404	\$31,322	\$32,509	\$138	\$161	\$166	\$172
<b>Total Non-Casino Market</b>	<b>1,510</b>	<b>\$61,172</b>	<b>\$73,798</b>	<b>\$73,703</b>	<b>\$73,665</b>	<b>\$111</b>	<b>\$134</b>	<b>\$134</b>	<b>\$134</b>
<b>Total Manitoba</b>	<b>9,914</b>	<b>\$551,858</b>	<b>\$612,487</b>	<b>\$640,079</b>	<b>\$664,745</b>	<b>\$153</b>	<b>\$169</b>	<b>\$177</b>	<b>\$184</b>

\* Represents FY2015 EGD performance only. Excludes win from table games at casinos and EGD-other facilities.  
 \*\* Assumes all potential to be captured by existing EGD supply. Tables games were not considered.  
 Source: HLT Advisory Inc. based on data from Manitoba Liquor & Lotteries Corporation and HLT estimates.

The current supply of casino style gaming electronic devices performs at \$168 win per device per day level, and all electronic gaming devices at \$153.

- If the 2025 low-end potential is realized by the existing supply base, the win per device per day amount would increase to \$190 for casino style gaming and \$172 for all electronic gaming devices.
- If the 2025 high-end potential is realized by the existing supply base, the win per device per day amount would increase to \$200 for casino style gaming and \$172 for all electronic gaming devices.

Manitoba's current electronic gaming device performance level is the lowest in Canada. Western Canada achieves performance levels ranging from approximately \$225 to \$275 per device per day, with higher performing facilities/sites exceeding \$300 per device per day.



## 6.2 CONCLUSIONS

Canada's gaming industry is a large entertainment industry that is mature (essentially the industry has been flat over the past five years). Manitoba's recent industry growth trend mirrors the national level.

- Mature characteristics include demand growth phase ("giving customers what they want" as oppose to simple supply increases) and investment decisions have higher risks as growth is not certain.
- An emerging trend in this growth phase is that gaming expenditures are not keeping pace with both adult population and income growth (challenge facing the industry – is the current mix of products and facilities/delivery channels losing its appeal?). Future growth is not certain.

Further, it is becoming increasingly difficult to continue to assess the Canadian gaming industry from a sector perspective due to overlapping consumer appeal between products and the introduction/growth of new delivery channels.

- Those provinces (like Manitoba) with both casino (including EGD Other) and VLT gaming are grappling with (or will be in the near future) finding a balance between "giving customers what they want" and "profit maximization". This impacts casinos (including EGD Other facilities) as they have higher investment requirements and lower operating margins as compared to VLT gaming.

Over the past ten years, Manitoba's total gaming industry (specifically casino style and VLT activities) performance has increased. Manitoba and the other two Prairie provinces (the most comparable markets to Manitoba) represent three of the most penetrated gaming markets in North America. This implies that there is limited growth available in the province.

Since 2005, the Manitoba casino, EGD Other and VLT sectors grew by approximately \$133 million. This growth was driven by:

- Operational improvements/enhancements of casinos (e.g. introduction of a player card program and addition of an entertainment centre at MBLL Winnipeg casinos).
- The expansion of South Beach First Nation Casino (e.g. additional slot machines and hotel).
- The addition of the Sand Hill First Nation casino and the Shark's Club (EGD Other) facility.
- The introduction of almost 700 additional VLTs (619 machines at First Nation sites and 81 machines at non-First Nation sites) and the increase in size (i.e. number of VLT machines per site) of VLT sites.

The report estimates current (2015) and future (2025) market potential for casino style and total gaming (as defined in this report: casino, EGD Other and all VLTs combined). It is important to note that estimates of market potential do not imply that this potential can be fully captured by existing and/or new facilities (or new gaming supply). For example, some of this potential may be too dispersed (i.e. located in rural areas) for a facility to fully capture it. Additionally, some of this potential may also be embedded in segments of the population who do not include gaming as one of their entertainment options for socio-economic or other reasons.

Currently and looking forward, total gaming (as defined in this report) growth potential in the Province is limited and is mainly concentrated in the defined Winnipeg market area:

- Currently (2015), HLT estimates that the market potential available for total gaming ranges from no market available ("Low" scenario) to up to \$41 million available ("High" scenario).
- In the future (2025), HLT estimates that the market potential available for total gaming ranges from \$51 million market available ("Low" scenario) to up to \$94 million available ("High" scenario).

An assessment of the provincial electronic gaming device supply base (i.e. VLTs and slot machines) in terms of location, amount (both sites and number of machines) and performance (win per device compared to all other provinces) concludes that the existing supply base:

- is highly accessible (i.e. people who want to game have multiple opportunities); and,
- has the capacity to accommodate all of the current and future identified market potential available ("High" scenario) – the performance of Manitoba's supply based would still be one of the lowest in Canada.

Given this supply situation, a key question facing Manitoba (regardless of who operates the supply base or who "owns" the revenue stream) is why isn't the existing supply base generating more revenue? Based on the experience of other jurisdictions (e.g. British Columbia Lottery Corporation, Alberta Gaming and Liquor Commission and Manitoba Liquor and Lotteries), there are no easy answers to this question. Areas (beside age of devices) that HLT are aware of that are being further studied/accessed include:

- Site characteristics (e.g. location of specific sites, ingress/egress, parking, etc.)
- Facility format (e.g. number and types of gaming devices and activities present)
- Scope and quality of facilities (e.g. amount/availability of non-gaming amenities, overall quality/aesthetics of buildings)

In short, investment decisions focussed on maintaining existing business volumes let alone growth are increasing in risk. Based on the experience of other mature gaming markets, changes to the supply base (i.e. relocated facilities/sites, new facilities/sites, additional devices per facility/site) will lead to a redistribution of existing business (i.e. existing market share distribution will be impacted) and may capture incremental business (i.e. increase to revenue generated in the province).

In other words, if the overall provincial strategy of all industry stakeholders is to maximize revenue/profit, these same stakeholders have to accept that a new facility or new gaming device will capture a significant portion of its business from existing facilities/devices and profit levels of the entire supply base (both new and existing) will be impacted.