



# 2015-16 BUSINESS PLAN

Ontario Lottery and Gaming Corporation



*This document contains forward-looking statements about our expected or potential future business and financial performance. For OLG forward-looking statements include, but are not limited to, statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to the uncertain economic environment; fluctuations in customer demand; foreign currency exchange rates; the outcome of litigations; and changes in government or regulation.*

*Although such statements are based on Management's current estimates and expectations, and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain. The reader is cautioned that a variety of factors could cause business conditions and results to differ materially from what is contained herein.*

*The following business plan is guided by the direction contained in OLG's Fiscal 2015–16 Business Plan, Annual Budget & Financial Projections, Fiscal 2016–17 to 2018–19, which was approved by the Board of Directors in February 2015 and reviewed by the Ministry of Finance in September 2015.*

## ***TABLE OF CONTENTS***

OVERVIEW OF THE CORPORATION.....	2
PLANNING ENVIRONMENT .....	8
STRATEGIC DIRECTION AND IMPLEMENTATION PLAN .....	13
FISCAL 2015–16 PLANNING APPROACH.....	25
FINANCIAL PLAN: FISCAL 2015–16 to 2018–19.....	26

## OVERVIEW OF THE CORPORATION

Ontario Lottery and Gaming Corporation (“OLG” or “the Corporation”) and its contract management companies employ more than 16,000 people across Ontario. OLG is responsible for 24 gaming sites, the sale of lottery products at approximately 9,800 retail locations and the delivery of electronic gaming products at 28 Charitable Gaming Centres across the province.

Classified as an Operational Enterprise Agency of the Province of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from its operations be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2013–14, this revenue supported services such as the operation of hospitals, amateur sports and problem gambling and related programs. Revenue from these activities is also made available to the Ontario Trillium Foundation by the Government for distribution to charitable and not-for-profit organizations. OLG’s Charitable Gaming program also makes direct funding contributions to charitable gaming associations.

## Vision and Mission

- Our **vision** is to create excitement and fulfill dreams.
- Our **commitment** is to build trust by delivering gaming responsibly.
- Our **success** is demonstrated by the profit and jobs we generate.
- Our **strength** is our sophisticated understanding of our customers.
- Our **goal** is to be a destination of choice for world-class entertainment.

## Values

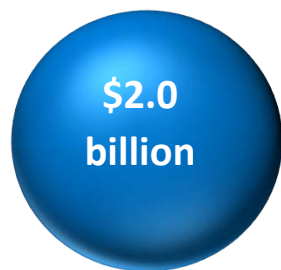
- **Be Accountable.** We accept the responsibility of setting and attaining high standards for ourselves in serving our customers and acting in the public interest.
- **Act with Integrity.** This means doing the right thing. We will balance what our customers and business partners ask of us with what the people of Ontario expect of us.
- **Respect our customers, employees, partners and the people of Ontario.** Respect starts with listening openly and honestly to the diversity of people and ideas around us.

## Economic Impact

Since 1975, OLG has provided nearly \$40 billion to the Province and the people of Ontario. OLG's annual payments to the Province have helped support health care; education, prevention, treatment and research of problem gambling; amateur sport through the Quest for Gold program; and local and provincial charities through the Ontario Trillium Foundation.

In addition to OLG's payments to the Province, there are several direct beneficiaries of gaming proceeds, including 23 host municipalities and Ontario First Nations.

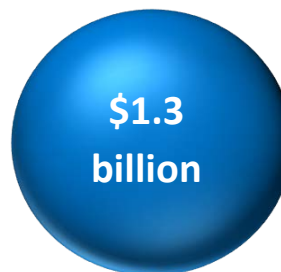
Lottery and gaming also contribute to the economy in a number of other ways. In fiscal 2013–14, OLG operations generated \$3.3 billion in total economic activity in Ontario:



### Net Profit to the Province<sup>1</sup>

This includes:

- \$1.8 billion directed to the operation of hospitals and other provincial priorities
- \$115.0 million distributed through the Ontario Trillium Foundation to local and provincial charities
- \$39.0 million directed by the Ministry of Health and Long-Term Care for prevention, treatment and research of problem gambling<sup>2</sup>
- \$10.0 million to support amateur athletes through the Quest for Gold program



### Support for Local Economies

This includes:

- \$873.3 million to pay OLG's more than 16,000 direct and indirect employees<sup>3</sup> across the province
- \$240.7 million in commissions paid to lottery retailers across Ontario
- \$132.5 million in payments to municipalities that host OLG gaming facilities, including Resort Casinos and Charitable Gaming Centres
- \$36.7 million in goods and services purchased from Ontario businesses to support activities (excludes Resort Casinos)



### Corporate Responsibility

This includes:

- \$13.4 million directed to Responsible Gaming Resource Centres, policy and program development, staff training and self-exclusion capital costs. Together, OLG and the Ministry of Health and Long-Term Care spent \$52.4 million on responsible gambling and the prevention, treatment and research of problem gambling in Ontario
- \$13.3 million in charitable gaming proceeds distributed to participating local charities
- \$2.3 million directed to the sponsorship of community festivals and events

<sup>1</sup> Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments

<sup>2</sup> Based on government policy that directs 2% of forecasted slot machine gross revenue (excluding OLG Resort Casinos and OLG Slots at Great Blue Heron Charity Casino)

<sup>3</sup> Direct employees are those employed directly by OLG. Indirect employees are those employed by OLG's Resort Casinos and the Great Blue Heron Slot Machine Facility

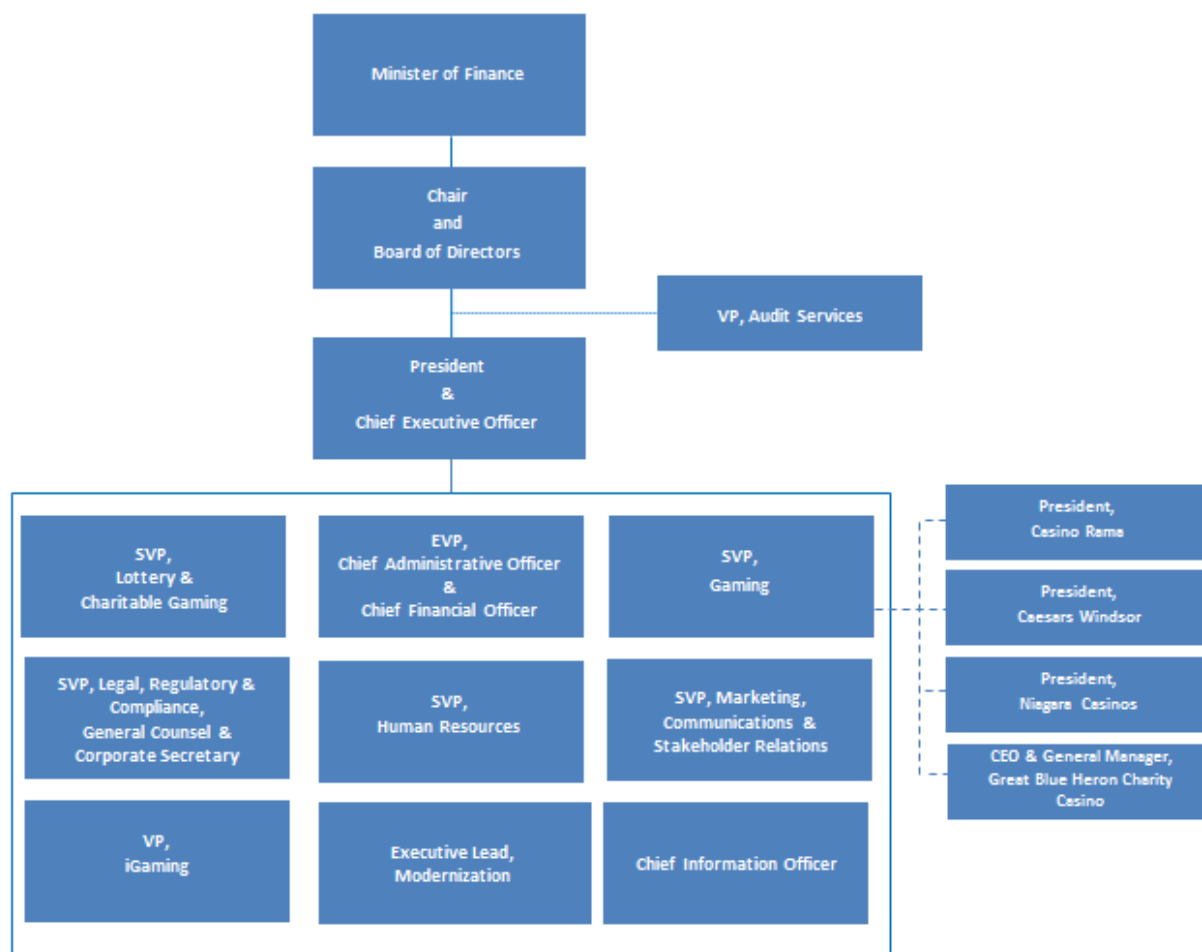
## Governance and Management Structure

The Corporation reports to the Minister of Finance.

A Memorandum of Understanding sets out the framework for, and clarifies, the roles, relationships, mutual expectations and accountability mechanisms between the Minister and the Corporation, as required by the Management Board of Cabinet Agencies and Appointments Directive.

Classified as an Operational Enterprise Agency, OLG is empowered to sell goods and services to the public in a commercial manner (including, but not necessarily, in competition with the private sector).

### OLG Management/Accountability Structure February 2015



OLG's Chair and members of the Board of Directors are appointed by the Lieutenant Governor in Council. The management team is led by the President and Chief Executive Officer, who is accountable to the Board of Directors.

## Government of Ontario

The Government of Ontario is OLG's sole shareholder. The *Ontario Lottery and Gaming Corporation Act, 1999* requires OLG to pay the net revenue from its lottery and gaming activities into the Consolidated Revenue Fund at such times and in such manner as the Minister of Finance may direct.

## OLG Financial Stakeholders

### Municipalities

In March 2013, at the request of the Premier of Ontario, OLG reviewed its funding formula for municipalities that host gaming facilities, including the cities of Niagara Falls and Windsor. Effective 1 April 2013, a new and equitable formula is utilized to determine the fee that municipalities receive for hosting an OLG gaming facility. This new formula is applied consistently to all municipalities across the province, is part of a new Municipality Contribution Agreement ("MCA") and results in additional funding for the host municipalities.

Under this MCA formula, host communities, including the cities of Niagara Falls and Windsor but excluding the Mississaugas of Scugog Island First Nation and the Chippewas of Rama First Nation, receive:

- 5.25 per cent on the first \$65 million of annual slot revenue; plus
- 3.0 per cent on the next \$135 million of annual slot revenue; plus
- 2.5 per cent on the next \$300 million of annual slot revenue; plus
- 0.5 per cent on annual slot revenue above \$500 million; plus
- 4.0 per cent on table game revenue, where applicable.

Before 1 April 2013, municipalities that hosted OLG Slots and Casinos received five per cent of revenue from the first 450 slot machines and two per cent of revenue from slot machines over 450. Prior to the MCA formula coming into effect, OLG made compensatory payments to both the City of Windsor and City of Niagara Falls.

OLG also pays property taxes, makes payments (in lieu of property taxes) where it owns and runs gaming facilities and contributes to municipal emergency services in Rama. In fiscal 2013–14, OLG paid \$132.5 million to municipalities that hosted OLG gaming facilities, including Resort Casinos and Charitable Gaming Centres plus \$282 million in provincial and federal taxes (including Government of Canada payments).

### Retailers

The approximately 9,800 retailers that serve as OLG's primary distribution network for lottery products represent a key stakeholder constituency. Under contract with OLG, lottery retailers receive the following:

- Sales commissions of five per cent for Lotto (e.g. LOTTO 6/49, LOTTO MAX) and Sports games (e.g. PRO•LINE) and eight per cent for INSTANT products (e.g. CROSSWORD and BINGO scratch games).
- Prize redemption fees of two per cent for Lotto and Sports games and three per cent for INSTANT products.

## Charitable Gaming Industry

OLG continues to work in collaboration with the Charitable Gaming Industry to revitalize the sector in order to i) support thousands of local level charities and the social benefits that they bring to their communities, ii) drive economic benefits back to local markets, and iii) provide a modernized and distinct entertainment experience to players across Ontario in a socially responsible manner.

Charitable Gaming stakeholders include the thousands of charities and non-profit agencies, site service providers and municipalities that benefit from bingo centres in Ontario. Under the Charitable Gaming Revitalization's standard agreements with each stakeholder group, charities, site service providers and municipalities receive a commission to deliver services to OLG. Commissions for charities, site service providers and municipalities are based on a percentage of adjusted net gaming win (after payment of prizes and applicable marketing expenses). In fiscal 2013–14, \$13.3 million in Charitable Gaming proceeds were distributed to participating local charities.

OLG continues its support for Charitable Gaming in Ontario as the revitalization initiative continues to expand to bingo centres across the province while OLG formalizes its operations environment to meet regulatory and responsible gambling standards effectively and develop longer-term strategies for delivering product and entertainment experience to current and future customers.

## First Nations

### a) Great Blue Heron Charity Casino

The Mississaugas of Scugog Island First Nation will continue to receive an amount equal to five per cent of Gross Revenues, as defined, of the slots at the Great Blue Heron Slot Machine Facility on a month-to-month basis, for up to a maximum of 24 months from 28 June 2013, which was the date the original agreement expired.

### b) Casino Rama

Beginning 1 August 2011, the Post-2011 Contract relating to Casino Rama for the 20-year period commencing 1 August 2011 and relating to possible future development (the "Post-2011 Contract") provides for a variety of payments to the Chippewas of Rama First Nation ("RFN"), including the payment of an annual fee equal to the greater of 1.9 per cent of the Gross Revenues, as defined, of Casino Rama and \$5.5 million over the 20-year term of the Post-2011 Contract, unless further extended.

### c) Ontario First Nations Limited Partnership

On 19 February 2008, the Ontario First Nations Limited Partnership and the Ontario First Nations (2008) Limited Partnership ratified a Gaming Revenue Sharing and Financial Agreement (the "GRSFA") that provides Ontario First Nations with, among other things, an amount equal to 1.7 per cent of OLG Gross Revenues, as defined, per year commencing fiscal 2011–12. The initial term of the GRSFA is 20 years.



## Responsible Gambling

OLG has a statutory, regulatory and policy mandate to make Responsible Gambling (“RG”) a core business priority. The overall goals for OLG’s RG program are to reduce the incidence of problem gambling through prevention efforts and to mitigate harm for those who may have developed a problem by providing a gateway to support services and community resources. Working formally with government and independent agencies, OLG provides information and tools to assist in the prevention of problem gambling and to help players make informed decisions about gambling. The enterprise-wide program encompasses customer education, customer assistance, Self-Exclusion, employee engagement and training, policy development, standards compliance and stakeholder relations.

OLG’s efforts form part of a broader problem gambling strategy managed by the Province of Ontario. OLG is also the funding conduit for the government’s commitment to annually allocate two per cent of forecasted slot machine gross revenue (excluding OLG Resort Casinos and OLG Slots at Great Blue Heron Charity Casino) to support the Province’s problem gambling research, treatment and prevention programs. Ontario’s responsible gambling program—one of the best funded RG programs in North America—is administered through the Ministry of Health and Long-Term Care (“MOHLTC”). In fiscal 2013–14, the Province of Ontario allocated \$39 million of OLG revenues to MOHLTC to fund the research, treatment and prevention of problem gambling. Since fiscal 2005–06, \$346 million of OLG revenues have been allocated by the Province for these purposes. In addition to these funds, OLG spent more than \$13 million in fiscal 2013–14 on its own internal Responsible Gambling Program and has spent approximately \$95 million since fiscal 2005–06.

OLG’s RG program benefits from formal collaborations with independent experts who are international leaders in research, counselling and education on problem gambling. These groups include the Responsible Gambling Council, the Ontario Problem Gambling Research Centre, the Centre for Addiction and Mental Health (“CAMH”) and the Ontario Problem Gambling Helpline.

Since 2006, all OLG employees receive responsible gambling training to deliver on the commitments outlined in the OLG Responsible Gaming Code of Conduct. OLG collaborates with CAMH to provide relevant and practical training to gaming employees on how to recognize and respond to red flag behaviours.

OLG works constantly to evolve its RG program through evidence-based research and emerging best practices and to build knowledge on how to best support players by gathering and using data strategically. OLG benchmarks its program and tracks its measures and progress year-over-year. Objectives and program reporting are based on measures for: player/public awareness, factual gambling knowledge, player behaviour outcomes, employee confidence and performance, and public opinion outcomes.

In February 2011, OLG achieved Level 4 Accreditation (the highest level) from the World Lottery Association (“WLA”) for its excellence in the implementation and integration of its RG program into daily operations. In fiscal 2014–15, OLG was recertified for Level 4 Accreditation by the WLA. In November 2014, OLG was recognized by the global community receiving WLA’s Best Overall Responsible Gaming Program Award.

OLG is also in the process of obtaining external responsible gambling programming accreditation from the Responsible Gambling Council (i.e. RG Check), which offers the most rigorous and comprehensive Responsible Gambling standard in the world. All 19 OLG slot and casino sites and Caesars Windsor have been accredited.

Drawing from best practices across Canada and the world, OLG has embedded Responsible Gambling and safe play mechanisms into all aspects of the PlayOLG website which launched province-wide in January 2015.

## PLANNING ENVIRONMENT

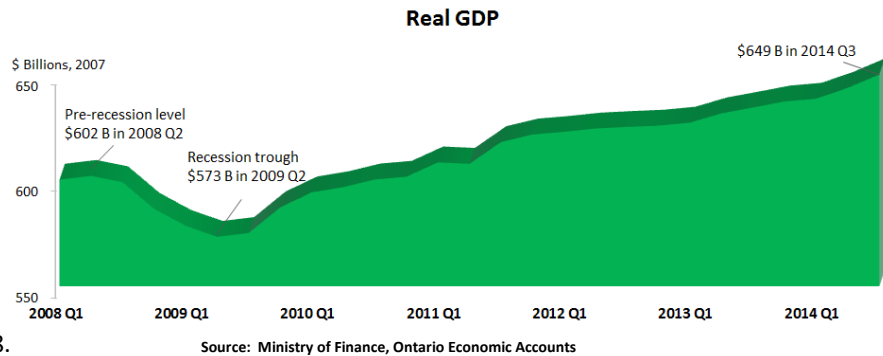
OLG is affected by a wide number of external factors that impact its operating environment. These factors include the overall health of the Ontario economy which affects consumer discretionary spending, including gaming and other forms of entertainment. An assessment of OLG's planning environment indicates a moderately favourable economic outlook for Ontario over the medium term offset by continued competition from proximate U.S. states.

### Economic Landscape

The Ontario economy has largely recovered from the effects of the global recession of 2008-09.

Since the end of the recession in the second quarter of 2009, Ontario's real Gross Domestic Product ("GDP") has increased by over 13 per cent.

As of the third quarter of 2014, Ontario's real GDP was 8 per cent above the pre-recession peak in the second quarter of 2008.

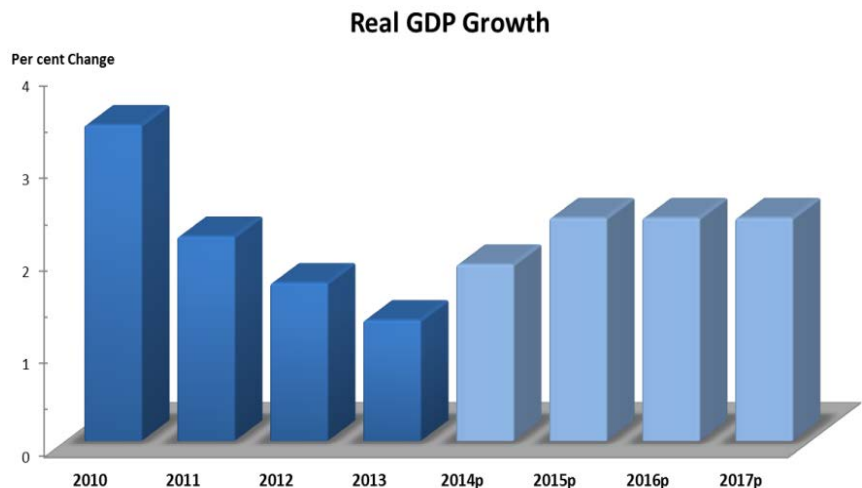


Ontario's post-recession expansion has been supported by gains in household spending, investment and exports.

In 2013, Ontario's real GDP grew by 1.3 per cent following a 1.7 per cent increase in 2012.

The Ontario economy is gaining strength as rising exports and manufacturing output benefit from solid U.S. growth and a lower Canadian dollar. For 2014, Ontario's real GDP was expected to grow by 1.9 per cent.

The Ministry of Finance is projecting continued moderate growth in Ontario's economy with real GDP forecasted to grow by 2.4 per cent annually in 2015, 2016 and 2017.<sup>4</sup>



Source: Ministry of Finance, Ontario Economic Accounts  
p = Ontario Ministry of Finance planning projection, 2014 Ontario Economic Outlook and Fiscal Review

Growth is expected to be led by stronger demand for Ontario exports and business investment. Household spending will grow moderately in line with gains in income. Government spending on goods and services is not expected to contribute to growth over the next several years as all levels of government restrain spending.

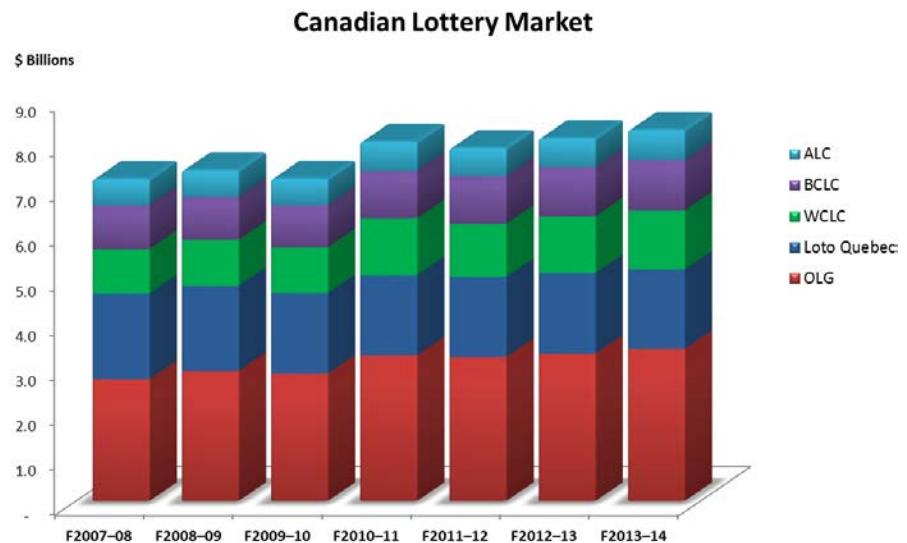
<sup>4</sup> Source: Ministry of Finance, 2014 Ontario Economic Outlook and Fiscal Review

## Market Trends

### Lottery

The Canadian lottery market<sup>5</sup> increased by 1.9 per cent to about \$8.3 billion in fiscal 2013–14 following a 2.9 per cent increase in fiscal 2012–13.

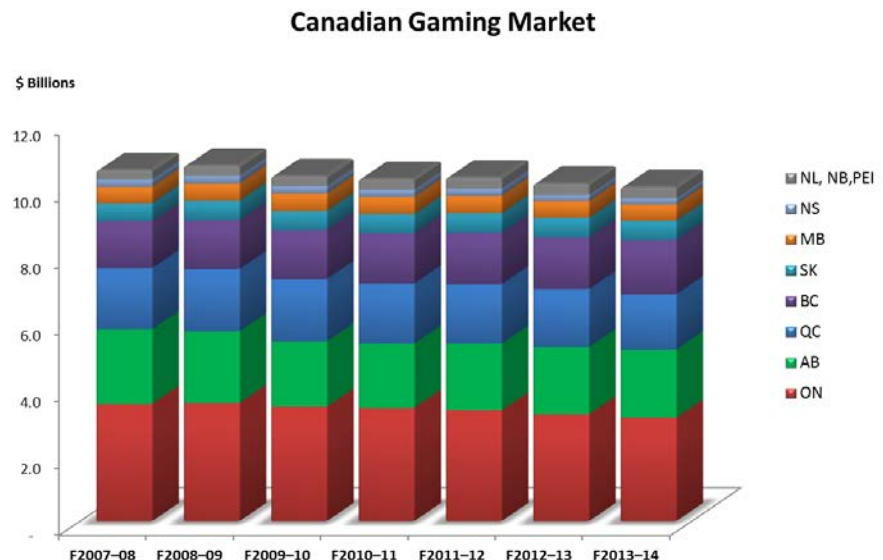
OLG lottery sales, which account for more than 41 per cent of total lottery sales in Canada, are larger than the combined lottery sales of Atlantic Lottery Corporation (“ALC”), British Columbia Lottery Corporation (“BCLC”) and Western Canada Lottery Corporation (“WCLC”).



### Canadian Casino Gaming

The Canadian casino-style gaming market decreased by 1.0 per cent to just over \$10 billion in fiscal 2013–14.<sup>6</sup>

The top four Canadian jurisdictions – Ontario, Alberta, Québec and British Columbia – account for over 80 per cent of the total Canadian casino-style gaming market.



<sup>5</sup> Interprovincial Lottery Corporation

<sup>6</sup> Net win reported by respective gaming commissions

## U.S. Casino Gaming

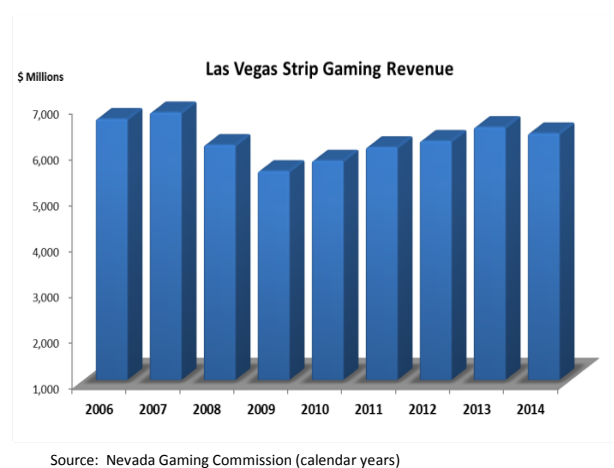
In calendar 2014, U.S. commercial casino gaming revenue grew by 2 per cent to \$38.7 billion.<sup>7</sup> Of the top 12 U.S. jurisdictions with gaming revenue of \$1 billion or more, only two states, Ohio and Illinois, saw year-over-year growth attributable to new sites, in the case of Ohio, and expansion of video gambling machines in the case of Illinois.

Las Vegas Strip (“LVS”) gaming revenue, the largest U.S. casino market, had grown to a pre-recession record of \$6.8 billion in calendar 2007. After declining to \$5.5 billion in 2009, LVS gaming revenue increased over the next four consecutive years reaching \$6.5 billion in 2013. For the twelve months of calendar 2014, LVS gaming revenue decreased 2.1 per cent to \$6.4 billion.

		Calendar Year (in \$ US millions)		
		2014	2013	% Growth
1	Nevada	11,009.7	11,145.7	-1.2%
2	Pennsylvania	3,069.1	3,113.9	-1.4%
3	Louisiana	3,064.1	3,042.5	0.7%
4	New Jersey	2,625.8	2,862.5	-8.3%
5	Indiana	2,156.8	2,331.6	-7.5%
6	Mississippi	2,070.2	2,130.7	-2.8%
7	Illinois	2,124.9	1,852.7	14.7%
8	New York	1,898.3	1,925.5	-1.4%
9	Missouri	1,660.1	1,706.7	-2.7%
10	Ohio	1,457.6	1,070.7	36.1%
11	Iowa	1,396.0	1,416.7	-1.5%
12	Michigan	1,332.8	1,349.5	-1.2%

New Jersey’s Atlantic City, the third-largest U.S. casino market, has seen gaming revenue decline 47 per cent over the past eight years from a pre-recession high of \$5.2 billion in 2006 to \$2.7 billion in 2014. The opening of casinos in Pennsylvania triggered the decline in Atlantic City gaming revenue in 2007, which was then worsened by the national economic downturn and an unsteady recovery. In November 2013 legal Internet gambling launched in New Jersey and made the state a national proving ground for on-demand betting. Results for the first year, however, have been “less than stellar” with just less than \$123 million in Internet gaming revenue over the twelve months ending December 2014.

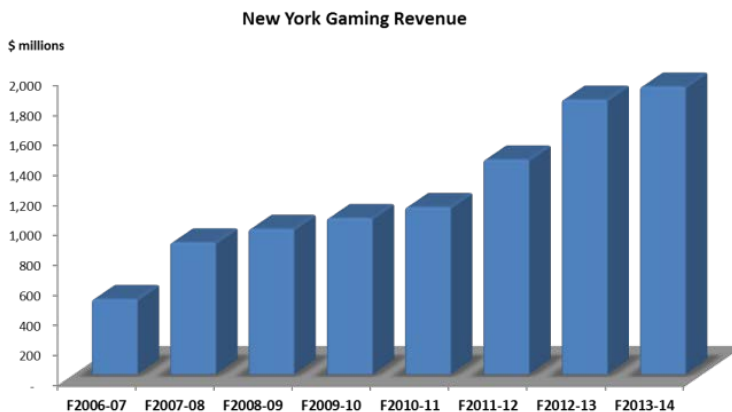
The closings of the Atlantic Club, Showboat, Revel and Trump Plaza casinos in 2014 have left Atlantic City with just eight casinos.



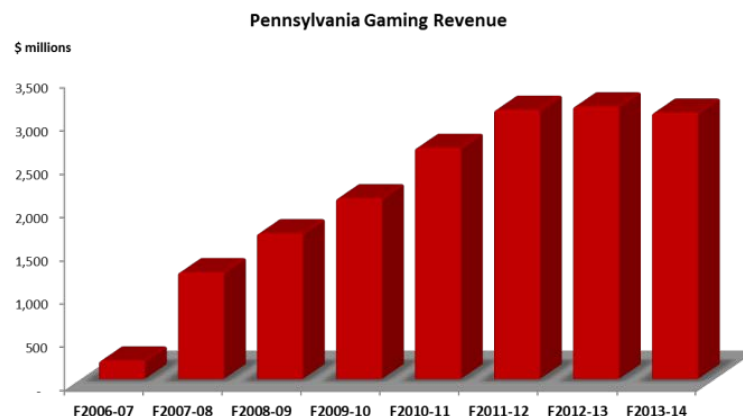
<sup>7</sup> UNLV Center for Gaming Research

### Proximate U.S. Border States

The expansion of gaming in New York State and Pennsylvania places further pressure on OLG's land-based gaming facilities located in regions proximate to the U.S. border. The nine New York casinos under the jurisdiction of the New York Lottery have generated \$1.9 billion U.S. in gaming revenue for the twelve months ending March 2014.<sup>8</sup> This represents a five per cent increase over the same period last year. In December 2014, the New York state board recommended the approval of three Las Vegas-style resort casinos (in the Albany-Saratoga area, the Southern Tier-Finger Lakes region and the Catskills).



Pennsylvania surpassed New Jersey's Atlantic City in 2012 and became the top gaming market in the northeastern U.S. and the number two state in the U.S. with regard to gaming revenue. Since the first casino opened in November 2006, the number of casinos in Pennsylvania has grown to 11. Four are in the Philadelphia region: Sugarhouse in the city, Parx Casino in the northern suburbs, Harrah's Philadelphia in the city of Chester and Valley Forge Casino Resort to the west.



In November 2014, the Pennsylvania Gaming Control Board awarded a licence for a fifth casino in south Philadelphia.

For the twelve months ending March 2014, the 11 Pennsylvania casinos generated more than \$3.1 billion in gaming revenue or a 2.3 per cent decrease year-over-year.<sup>9</sup> Analysts attribute this trailing off to increased competition from New York, Maryland, Delaware and Ohio.

<sup>8</sup> Source: New York Lottery

<sup>9</sup> Pennsylvania Gaming Control Board

## Internet Gaming

Gaming industry analysts estimated the Canadian Internet gaming market (regulated and unregulated) to be about \$1.2 billion in 2013.

There are a large number of online gaming websites that are not regulated in Canada yet are accessible to Canadians. OLG is not able to track the activity or the amount spent by Ontarians with these grey market operators. Current best estimates suggest that approximately 500,000 Ontarians spend between \$400 and \$500 million each year on grey market gaming sites not regulated in Ontario.

As the only Internet gaming website regulated by the province of Ontario, PlayOLG's competition is made up exclusively of grey market operators. OLG's assessment of the market has identified the major players in the Canadian Internet gaming market to be Amaya/Poker Stars, Party Gaming, Bet 365, Bodog, William Hill and 888.com.

The Atlantic Lottery Corporation was the first jurisdiction in Canada to offer regulated online lottery sales in 2004. Since then, BCLC, Loto-Québec and Manitoba Lotteries have launched online gaming websites in 2005, 2010 and 2013 respectively, offering lottery products as well as casino-style games including slots, tables and poker.

### PlayOLG

In July 2010, OLG received a mandate from government and the Board to deliver an Internet Gaming program. Following a competitive procurement process, GTECH was selected in April 2013 as OLG's primary service provider to provide a player account management system, a casino platform, a lottery wagering interface, customer service and interactive casino-style games for online play including slots, video poker games and table games.

PlayOLG went live with a controlled launch in December 2014 followed by a province-wide launch to all eligible Ontarians in January 2015.

Drawing from best practices across Canada and the world, OLG has embedded Responsible Gambling and safe play mechanisms into all aspects of PlayOLG. These mechanisms help to encourage healthy player behaviour, respond to changes in play that may lead to risky gambling habits, and provide information on where to seek help if needed. The comprehensive suite of Responsible Gambling features includes:

- Tips for parents about password protection and information on how to use tools to restrict access to websites
- Weekly deposit limits (mandatory)
- Casino loss limits
- Time limits for casino game play
- Lottery ticket purchase limits
- Customized RG messaging based on play levels
- Seven day cooling-off period before increasing limits
- Player self-assessments and risk profiles
- Breaks from play on PlayOLG (one day to three months)
- Self-Exclusion
- Full account history available to every player

Additionally, on PlayOLG all players are registered and age and identity are confirmed. All play is recorded and reports are available for customers to review their individual activity.

# STRATEGIC DIRECTION AND IMPLEMENTATION PLAN

## Strategic Direction

OLG's strategic focus is on modernization and preparing the organization for transformation; horse racing integration; and enhancing the existing business lines (Lottery, Charitable Gaming, iGaming, Slots and Casinos and Resort Casinos).

Reforming the lottery and gaming business is a worthwhile endeavour—one that will provide financial benefit to the Province and the people of Ontario. OLG's modernization is consistent with the government's current strategic approach to its assets—maximizing the value of government assets while maintaining public ownership.

Under direction from government, OLG is in the midst of an evolving multi-year transformation of its business, which includes specific initiatives to revitalize charitable gaming, launch Internet gaming, review the delivery of lottery and gaming, and integrate horse racing.

The original plan was launched for reasons that continue to be relevant and valid today. In land-based gaming, over the years OLG has been financially impacted by competitive pressure and, in some cases, sub-optimal locations too far from population density. The lottery business was facing a decreasing customer base and limited distribution channels. OLG was absent from Internet gaming, lagging behind other Canadian jurisdictions, while grey market Internet gaming operators developed a large Ontario market.

As a result, OLG designed its modernization to ensure that the corporation could deliver higher and more sustainable revenue to government. It is a plan to transform virtually all aspects of the business model while preserving the legal obligations to conduct and manage gaming.

Now that modernization is in its fourth year, the plan has evolved. Through the Request for Information ("RFI") and Request for Pre-Qualification ("RFPQ") processes, OLG learned what the market was capable of delivering and which municipalities were willing hosts.

Modernization is a cross-business strategic imperative for the organization and is currently focused on strategic procurement and transforming the organization in preparation for its future state. OLG is currently in the midst of the Request for Proposal ("RFP") process for the East Gaming Bundle and Lottery, and this marks a critical step forward.

Under the umbrella of overall transformation, OLG developed a new, safe, responsible Internet gaming option for customers. This new business line launched province-wide to the public in early 2015 and its success will remain a key strategic objective going forward.

The Charitable Gaming Revitalization Program continues to be a strategic priority. Launched in fiscal 2012–13, new paper and electronic games are being introduced at participating bingo halls across the province. This line of business directly supports hundreds of worthwhile local charities.

As part of the modernization strategy, OLG has launched two strategic initiatives to substantially reform technology with the goal of providing a sound foundation for the future organization. This includes two major initiatives: the Customer Management Program and the Gaming Management System Program. Customer Management refers to the system that manages all customer information. As the operating mind of gaming in Ontario, superior customer information will allow OLG to be more responsive to customers and offer more targeted responsible gambling tools. The Gaming Management System manages all land-based gaming

transactions at OLG sites. It will allow OLG to better conduct and manage gaming, protect integrity and manage player protection.

OLG is actively integrating horse racing into our operations and modernization. As a strategic direction for the organization, this has so far focused on lease agreements and providing marketing and responsible gambling advice to the industry. In the future, this initiative will grow as OLG expands its expertise in the industry, deepens its relationships with the sector and launches a horse racing-themed product.

As always, OLG's focus will be on maintaining and increasing revenue within a framework of responsible gambling and the public interest. As modernization rolls out over the next few years, OLG will become a more efficient, modern organization committed to delivering sustainable lottery and gaming entertainment that serves the needs of Ontario players and visitors in a way that benefits the Province, its communities and its people while leading North America in responsible gambling.



## Key Initiatives

The following section provides an overview of the key initiatives that are designed to achieve the three key objectives of OLG's modernization:

1. becoming more customer-focused—being where our customers want us to be, offering products and services in their areas or in the ways they want to buy them;
2. selecting qualified service providers for the specific day-to-day operation of lottery and gaming; and
3. renewing OLG's role in the conduct and management of lottery and gaming in the Province

Together, the following initiatives will transform OLG from an organization that operates most of its own Lottery and Gaming businesses to one that more efficiently conducts and manages a multi-channel gaming industry in Ontario, including dynamic Lottery, Gaming, Internet and Charitable Gaming businesses.

### 1. Strategic Procurement Initiatives

OLG is following all government protocols for procurement.

OLG is committed to ensuring that its modernization is the result of a process that is, and is seen to be, fair and competitive to all relevant stakeholders. Accordingly, OLG has engaged an impartial Fairness Monitor and an Independent Fairness Advisor throughout the process to provide oversight on the integrity and fairness of the procurement process.

#### *Gaming Sites*

In order to provide efficient operations, avoid public expenditure on capital and meet customer interest in land-based gaming, OLG has started to execute a competitive procurement process to identify service providers to improve the efficiency and effectiveness of casino operations.

This process has been designed from the ground up to be fair, open and transparent for all vendors. The procurement is divided into geographically-based Gaming Bundles. The 29 Gaming Zones identified by OLG in Ontario have been grouped into seven Gaming Bundles, each representing a separate bidding opportunity. Gaming Bundles are intended to create opportunities for qualified service providers to be more efficient by operating multiple facilities in a given region.

In fiscal 2014–15, OLG received submissions to Requests for Pre-Qualification ("RFPQ") for the majority of the gaming bundles and is currently executing the first Request for Proposal ("RFP") process for the East Gaming Bundle. In fiscal 2015–2016, OLG plans to continue executing the procurement process by issuing RFPs to pre-qualified proponents and select regulated private operators to run existing gaming sites and begin the development of new gaming sites.

OLG will continue to manage the provincial market and the private sector will streamline operations and, subject to the approval of host municipalities, invest in the improvement, expansion or relocation of gaming sites.

## **Lottery Business**

OLG is pursuing a similar process for the Lottery business. In fiscal 2012–13, OLG initiated a competitive procurement process to select a private sector service provider for the operation of select components of the Lottery business, including the Lottery terminal network. In 2013–14, OLG received submissions to the RFPQ and is currently in the RFP phase of procurement.

The selected vendor will be expected to assist in improving Lottery purchase options at large multi-lane retail outlets, including supermarkets and big box stores as well as through the Internet and mobile devices. At the same time, the selected vendor will provide innovative game development to foster sustainability and increase responsiveness.

## **2. Internet Gaming (“iGaming”) Program**

In July 2010, OLG received a mandate to deliver an iGaming program. Ontarians will be able to safely play games of skill and chance online, in a provincially regulated environment that deters minors from playing online, incorporates a gold standard in RG controls, and uses best-in-class security to ensure the safety and security of customer accounts and personal information.

On November 4, 2014, OLG invited a segment of 53,000 members of the Winners Circle Rewards (“WCR”) loyalty program to participate in a preview of PlayOLG prior to the province-wide launch. Over 16,000 WCR members responded favourably and opted in to participate in the controlled launch. Over the course of a four-week period, the iGaming team finalized the PlayOLG website and vetted the list of WCR members who signed up for a preview.

OLG sent invitations to the WCR members on December 4, 2014 to register and begin playing on PlayOLG. Invitations continued to be issued to the 16,000 WCR members prior to the province-wide launch.

PlayOLG was launched province-wide to all legal-aged Ontarians on January 8, 2015. Customers must be 18 years of age and over to purchase lottery tickets and 19 years of age and over to play casino games such as slots, blackjack, roulette and single-player poker.

Following the province-wide launch of PlayOLG, the iGaming team will continue to develop the site to add more games and features. Future enhancements to the website include:

- Optimization for mobile
- Bingo
- Peer-to-peer poker
- Sports wagering

PlayOLG’s extensive RG safeguards focus on prevention and mitigation and include player education on healthy playing habits and how to seek help and support for problem gamblers. As PlayOLG develops, the responsible gambling safeguards will evolve as a seamless part of player experience.

### 3. Charitable Gaming Revitalization Program

To meet the mandate of revitalizing an industry that supports thousands of local level charities and the benefits they bring to their communities across Ontario, OLG is striving to deliver the following key goals:

- Stabilize and grow the primary source of funding for 2,800 charities to sustain the social benefits they provide to communities across Ontario;
- Drive economic benefits into communities;
- Deliver a customer entertainment experience that is different from other forms of gaming for the charitable gaming players by modernizing the products and services offered;
- Leverage the numerous charity brands to enhance OLG's corporate brand;
- Realize key goals while achieving annual operational break-even performance within an eight-year period; and
- Expand customer experience based on the idea of building a sustainable base of customers who can play at charitable gaming sites in a healthy way over many years.

Industry stakeholders—charities, site service providers, municipalities and OLG—have agreed on a comprehensive plan to sustain this important source of charity fundraising in Ontario. OLG continues to focus on ensuring that this plan is sustainable in achieving the objectives for all stakeholders. The plan concentrates on:

- Deployment—rollout of a new technology platform to support modernized charitable gaming products;
- Sustainable Business—a sustainable operation that focuses on improvements to the business model to support the industry effectively, refining the operations model to meet regulatory and RG standards and continuing to build knowledge of the player base to support the retention and attraction of players;
- Product Strategy—a strategy and plan that will guide types of new products to be implemented;
- Customer Entertainment Experience—a distinct form of customer entertainment experience that will set standards for customer service, facilities and a brand for the industry;
- Marketing Strategies—strategies, plans and processes for player communications and a loyalty program; and
- Integrate strategies for enhancing safeguards and engendering safe gambling habits into overall player experience, including product and marketing strategies.

At the start of the program in fiscal 2012–13, 37 charities and operators expressed interest in participating in the program. As of February 2015, OLG has launched 22 new charitable gaming centres and with the original six pilot centres, OLG now manages 28 charitable gaming centres across Ontario. Deployment will continue through fiscal 2015–16 to achieve the total of 37 charitable gaming centres.

OLG has implemented four products including electronic bingo (“eBingo”), play on demand games (“POD”), electronic shutterboard (“ESB”) and Break Open Ticket dispensers (“TapTix”). A fifth product, Rapid Draw Bingo (“RDB”), is currently under development for launch in fiscal 2016–17. As of February 2015, OLG has installed over 5,000 electronic bingo devices used for eBingo, POD and ESB as well as 738 TapTix devices.

## 4. Horse Racing Integration

OLG is working with the Ontario government and the horse racing industry on our shared objective to create a sustainable industry.

The provincial gaming strategy will help to build Ontario's horse racing industry. Helping to create the conditions for a successful horse racing industry is a critical element of OLG's modernization.

OLG's work to integrate horse racing includes:

- Finalizing lease agreements with racetracks;
- Hiring a senior executive to lead the integration of horse racing into the gaming strategy;
- Adding horse racing expertise to the procurement process for gaming service providers;
- Providing marketing, business and responsible gambling expertise to the horse racing industry;
- Leading the Product Review Committee with industry stakeholder participants and introducing new horse racing- themed products to support the sport and generate net incremental revenue;
- Exploring business opportunities to grow the industry; and
- Creating a strong responsible gambling program.

## 5. Customer Management Program

Historically, OLG has used multiple methods of capturing customer information and stored that information on diverse and disconnected IT systems. This often led to incomplete or disjointed customer information. As a result, OLG has launched an innovative initiative called Customer Management.

Customer Management will enable OLG to have a single view of its customers whether they interact with OLG or with a private sector service provider.

Customer Management will also improve OLG's capability to deliver RG programs, adhere to government policy objectives and ensure a consistent and accurate customer experience across all OLG's products, channels and services.

In 2014, OLG continued to add new sources of customer information to its systems, thereby enhancing the view of customer gaming activity across lines of business. OLG also continues to evolve the manner in which it interacts with customers. In 2014, OLG integrated new customer support channels and capabilities to support the launch of PlayOLG. This will serve to position the Corporation for continued improvements into the future.

## 6. Gaming Management System (“GMS”) Program

OLG is replacing the Gaming Management System that tracks activities on each of the more than 12,500 slot machines in the 19 Slots and Casinos locations throughout Ontario.

The new Gaming Management System will include:

- The Central GMS – OLG-owned central systems and components to manage land-based gaming; and
- The Site GMS – service provider-owned site-based systems that will integrate with OLG systems and meet all OLG mandated requirements.

The new Central GMS will provide key support for OLG’s modernization and its mandate to conduct and manage gaming in the province. The Central GMS will provide applications, systems configurations and business processes that support OLG’s responsibility to conduct and manage gaming, including instantaneous control of all electronic gaming devices at gaming sites operated by service providers. The system will also strengthen OLG’s ability to maintain gaming integrity, manage player protection, conduct complaint investigations, manage fraud and facilitate dispute resolution. The ‘MyPlaySmart tools’ will provide players with voluntary time and money limits to manage their gambling habits, making OLG the first gaming provider to offer these tools in a casino environment in Canada.

## Risk Management

OLG is subject to a wide variety of risks that could adversely impact financial and nonfinancial business objectives related to its strategic priorities. OLG has a formal Enterprise Risk Management Program (“ERM”) in place to support Management in identifying, assessing and managing risks. Risks managed through ERM include strategic risks, governance risks (including compliance risk), operational risks, IT risks, and workforce risks. OLG’s ERM program delivers a robust and consistent approach aligned with ISO 31000 and in conformity with the Ontario Public Service (“OPS”) risk management guidance and requirements.

It is important to the success of the Corporation that OLG assume the appropriate amount of risk in the pursuit of its objectives. Enterprise Risk Management provides a discipline and structure to help ensure risk is managed in a considered and responsible manner. Risk awareness must be embedded in the Corporation’s culture, and people throughout the organization must take ownership for managing risk. Incorporating risk management into the Corporation’s business practices will help ensure that OLG lives our core values of accountability, integrity and respect.

This philosophy is supported by the principles that Risk Management:

- creates and protects value
- is an integral part of all organizational processes
- is part of decision-making
- explicitly addresses uncertainty
- is systematic, structured and timely
- is based on the best available information
- is tailored
- takes human and cultural factors into account
- is transparent and inclusive
- is dynamic, iterative and responsive to change
- facilitates continual improvement of the organization

Risk management is every employee’s responsibility at OLG; however, specific responsibilities are described below.

The Board of Directors, through its Audit and Risk Management Committee (“ARMC”), provides oversight for the risk management program. The ARMC receives quarterly reports on top risks, newly emerging risks, and mitigation and/or response plans to address these risks. The reports identify the likelihood, impact, and velocity of each of the top risks as well as the owners accountable for the management of these risks.

The President and CEO has ultimate accountability for risk management supported by the Executive Leadership Team (“ELT”) and the head of the ERM function. This group of individuals reviews all risk information on a quarterly basis and will take additional actions if required to bring risks down to acceptable levels.

OLG’s modernization has dedicated ERM resources to ensure that all program components are risk assessed and that risks are mitigated on an ongoing basis. The Executive Steering Committee reviews the top risks for the program quarterly and will take additional actions when required. Risk reports on the modernization are provided to and reviewed by the ARMC on a quarterly basis as part of its risk governance responsibilities.

A team of experienced risk professionals support Management who is accountable for identifying, assessing and mitigating risk. This team, in addition to providing analysis and reports for the ELT and the ARMC, performs quarterly horizon scanning to identify globally emerging risks that could be a threat to OLG.

The ERM team includes business continuity management, crisis management, fraud program management and insurance professionals. Risks that are outside of OLG's ability to control, such as environmental risks (pandemics, extreme weather events), are mitigated through a combination of insurance policies and response plans. In addition, OLG maintains appropriate insurance policies to mitigate the impact of losses from the operation or failure of our assets.

## Top Risks

Risk work begins with the strategic priorities. Risks are identified and assessed on an ongoing basis with quarterly reporting to the ELT and the ARMC. A yearly anonymous risk survey is conducted across the organization, inviting over 100 participants to provide their views on risks for the organization. The results from the survey are used to cross-check ongoing risk work. Detailed risk identification and assessment is embedded into the project governance framework to ensure that all projects and programs have risk management as a core component for decision making. The following key risks have been identified.

### *Workforce Management*

This encompasses the risks that OLG could lose key skills or have difficulties replacing key skills and the risk of employee disengagement. OLG's workforce has several existing challenges that make this the top risk for the organization:

- OLG is modernizing its operations through a large scale transformation program (modernization) which will result in many jobs moving into the private sector;
- OLG has a skilled workforce (gaming expertise) but does not have a readily available talent pool within the Province of Ontario; and
- Wage restraints.

Additional challenges are on the horizon:

- Over the next three to five years key staff, including executives, are eligible to retire;
- Retaining and attracting people during OLG's modernization; and
- Until modernization is completed, there will be continued uncertainty about job security which, in turn, can result in employee disengagement.

This risk is being managed by OLG through:

- A focus on continual resource planning for modernization to ensure that resource needs are addressed; this includes the staff augmentation workbench which enables OLG to engage with pre-approved vendors to supply temporary resources in a timely manner;
- Open and transparent communications, both bottom-up and top-down, through dedicated channels such as the Future Ready Network ("FRN"), OLG Connections, Modernization Minute weekly update and the AskOLG Q&A database;
- Dedicated change management resources to support the organization including FRN ambassadors and leads from across OLG who help to enhance the two-way dialogue between OLG leadership and employees;
- Targeted succession planning for executives;
- A newly created Diversity and Inclusion Council to attract a diversity of employees to OLG; and
- Providing skills training for employees to help them retain and/or increase their marketability.

### *Continued downward pressure on revenue*

OLG's gaming business operates in a market that is experiencing a world-wide decline in revenue and a declining player base. OLG's lottery business requires investments in IT infrastructure as well as entry into different delivery models and products to attract a younger player base. OLG's revenues may be further impacted by the following risk factors:

- The risk that municipal council plans negatively impact the modernization of OLG;
- The risk of the loss of staff who have knowledge of either modernization or critical components of the business;
- The risk of delays in modernization due to changes in the regulatory environment, and in particular, the modernization of OLG and the Alcohol and Gaming Commission of Ontario ("AGCO") governance models;
- The risk of continued low Lottery roll patterns impacting achievement of Lottery revenue targets;
- The risk of further cost reduction pressures which impact employee engagement and ability to execute on modernization; and
- The risk that government approved plans for horse racing integration negatively impact OLG's future revenues.

This risk is being managed by OLG by:

Shorter term, tactical actions:

- Focus on the core business through data analytics and understanding current customer trends and adjusting our promotional strategies to suit these trends;
- Continued focus on cost management by finding ways to drive non-value added costs out of the system (reduced spending on consultants/agency contracts/external legal etc.);
- Cost containment measures are carefully assessed against impact on modernization progress as well as existing operations which require ongoing investment and operating capital to be sustainable;
- Further refinements in forecasting processes to ensure that revenue targets remain viable and achievable; and
- Employee engagement is being addressed through the items identified in the previous risk, "Workforce Management".

Longer term, strategic actions:

- OLG is addressing the declining revenue risk through its modernization, which is based on three key objectives:
  - becoming more customer-focused – being where our customers want us to be, offering products and services in their areas or in the ways they want to buy them;
  - selecting qualified service providers for the specific day-to-day operation of lottery and gaming; and
  - renewing OLG's role in the conduct and management of lottery and gaming in the Province.
- Rollout of the Internet gaming platform, PlayOLG.ca, which offers Ontarians a controlled, government-regulated alternative to grey market online gaming websites while embedding Responsible Gambling and safe play mechanisms;



- OLG's modernization is a multi-year transformative program which will require adjustments to both outcomes and process as the transformation unfolds. Modernization is being administered through project management, risk management and spending management disciplines to ensure that adjustments are fully considered, assessed and then incorporated into the Program;
- Close cooperation between OLG and its regulator, the AGCO, to ensure timelines are feasible for approvals; and
- Close collaboration with external stakeholders, including the horse racing industry and municipalities that have a gaming site within their jurisdictions.

### **Regulatory compliance**

OLG operates in a highly regulated environment. OLG's main regulator is the AGCO, which regulates gaming in the province of Ontario. In addition OLG is subject to a highly complex and dynamic set of federal anti-money laundering, anti-terrorist financing, and anti-bribery and anti-corruption (collectively, "AML") laws and regulations. OLG has a reporting requirement for significant transactions conducted at its gaming sites to the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"). OLG also complies with many other laws and regulations that govern the operations of corporate entities in Ontario and Canada. Therefore the risk of regulatory compliance is one of its top risks. Additional factors that increase this risk are:

- The AGCO is modernizing its governance model while OLG is undergoing a massive transformation that will result in conducting and managing its operations through third party service providers. This increases the risk of non-compliance; and
- The modernization of OLG is one of a kind where the Corporation's Conduct and Manage mandate as set out in the Criminal Code of Canada will be complied with by OLG but its operations will be carried out by third party service providers.

OLG is managing this risk through:

- A Compliance Department is being staffed with professionals with expertise across the various legislative and regulatory requirements and the Department is putting new control structures in place;
- The introduction of automated solutions to track the fulfillment of reporting requirements and required notifications to the regulators;
- Continued cooperation between OLG and its main regulators at the highest levels; and
- A methodology to manage future service providers has been developed and is being implemented across OLG to ensure governance models will be in place prior to new service providers being brought on board.

### **Other risks**

OLG has identified other high risks that are actively managed, either through direct management or through the use of response plans and/or insurance if no further mitigation is possible and the risk remains at a level that requires action. These risks include, in no specific order: Cyber Security Risk, Strategic Risk, Fraud Risk, Change Management Risk, Private Sector Engagement Risk, Information Technology and Infrastructure Risk, Project Risk, Business Continuity Risk (includes the risk of severe weather events), and Pandemic Risk.

## Communications Plan

OLG's Marketing Communications and Stakeholder Relations ("MCSR") division is responsible for developing strategies designed to promote OLG's reputation and brand relevance. OLG uses communications, marketing and stakeholder outreach strategies to build awareness and enhance the public's understanding of and connection to OLG as a well-governed, customer-focused, responsible Crown Agency whose proceeds support communities across Ontario.

This is achieved through:

- internal and external strategic communications;
- stakeholder outreach and community partnerships;
- media relations;
- a corporate online presence;
- corporate marketing, visual brand identity and sponsorships; and
- development and implementation of leading policies and best practices in Responsible Gambling and corporate social responsibility.

MCSR also works with all of OLG's lines of business to ensure alignment with OLG's shareholder—the Government of Ontario—on legislation, regulations, public policy and emerging issues.

OLG informs internal and external audiences about its various lines of business and their key initiatives. OLG also informs these stakeholders about modernization, which is a significant transformation of the Crown agency's day-to-day operations of lottery and gaming. In addition, OLG provides information to customers on how to play our lottery and casino games responsibly and how to seek help if necessary.

OLG operates in a gaming marketplace where it relies on its stakeholders, including lottery retailers and casino operators, being engaged and directly involved in the delivery of its products and services. As OLG transforms its business model to expand regulated private sector delivery of specific day-to-day operations of its lottery and gaming business, it is even more critical for OLG to ensure that there is a clear awareness and understanding of OLG's vision, purpose and values. As a result, OLG will continue to enhance its accountability for areas of public interest (e.g. game integrity, customer information, responsible gambling and anti-money laundering). OLG also engages audiences through community and event sponsorships, speeches at various community events, regular meetings with municipal leaders and service providers and through paid and earned media.

### Principles

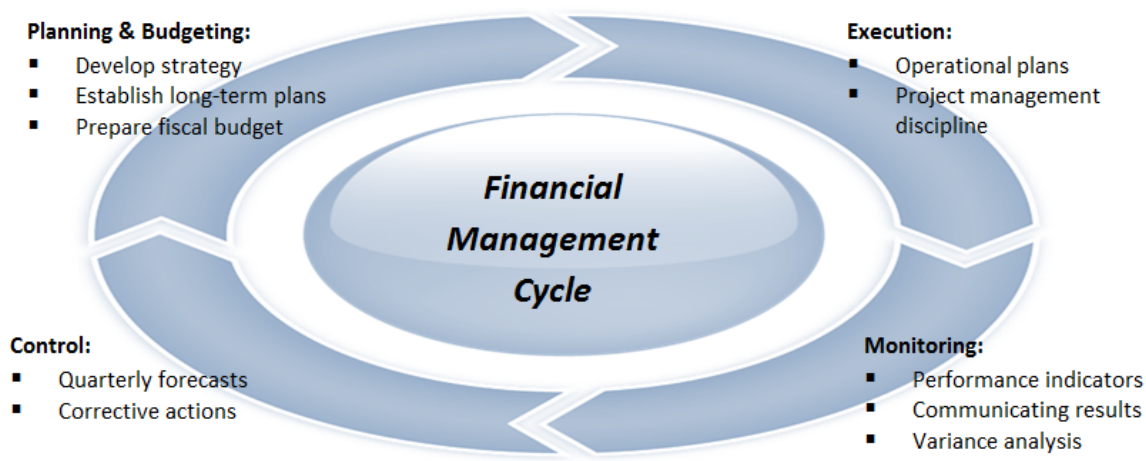
OLG's communications approach is to be open, transparent, clear and accountable to the Ontario government, stakeholders and the public. OLG upholds high standards of information disclosure, transparency and timely communications with stakeholders and, more broadly, the public, while adhering to personal privacy and commercial confidentiality requirements.

As a Crown Agency of the Ontario government, OLG complies with all of the Alcohol and Gaming Commission of Ontario's regulatory standards and controls, while fulfilling its Criminal Code of Canada obligation to "conduct and manage" gaming and lottery in Ontario.

Prior to launching communications, marketing or stakeholder outreach campaigns, MCSR works with the Ministry of Finance to ensure awareness of messaging and timing, as well as alignment with broad government policy objectives.

## **FISCAL 2015–16 PLANNING APPROACH**

OLG employs a closed-loop financial management cycle connecting planning & budgeting with execution, monitoring and control. The setting of the fiscal 2015–16 Budget forms one important aspect of the planning & budgeting phase.



The primary objectives of OLG’s fiscal 2015–16 planning & budgeting process are to:

- Support the development and communication of OLG’s long-term strategy
- Align strategies with the operating plans of the Corporation
- Maximize allocation of scarce resources, and
- Demonstrate fiduciary responsibility.

OLG’s planning & budgeting process applies to all OLG business lines, Shared Services and the Resort Casinos.

## **Principles**

OLG has utilized a hybrid approach to planning & budgeting for fiscal 2015–16 by employing:

- Relevant macro-economic data to inform the expected operating environment
- Driver-based support and validation of key revenue items
- Zero-based budgeting principles where practical
- Historical trend analysis as appropriate
- Adjustments for known and anticipated impacts from the proposed future gaming business model

Legislative and regulatory matters were considered when building the plan:

- The GRSFA, which came into effect in fiscal 2011–12, represents an additional cost to OLG and has been reflected in each revenue-generating business line
- The fiscal 2015–16 Plan reflects International Financial Reporting Standards (“IFRS”) and will form the basis for reporting comparative years.

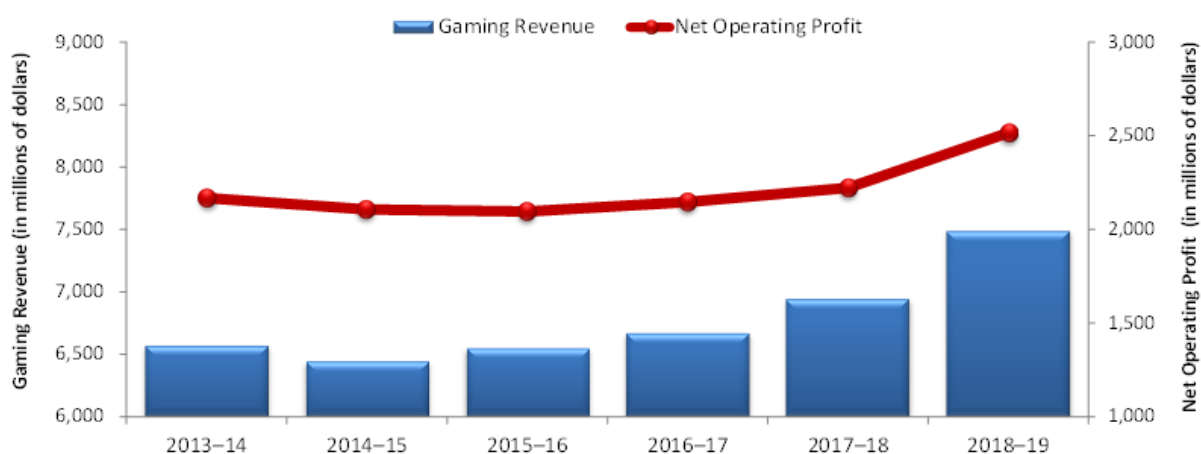
## FINANCIAL PLAN: FISCAL 2015–16 to 2018–19

Presented on the following pages are the fiscal 2015–16 Budget for OLG and the fiscal 2016–17 to fiscal 2018–19 financial projections.

OLG's fiscal year covers the period between 1 April and 31 March of any given year.

OLG is undertaking a significant transformational business plan consisting of a number of specific initiatives that will achieve OLG's goal of generating greater and more sustainable Net Profit to the Province ("NPP").

### Gaming Revenue and Net Operating Profit ("NOP"): for the fiscal years 2013–14 to 2018–19



**NPP** is the amount the Corporation returns to the Province of Ontario after stakeholders and other payments. NPP is calculated as Net Income plus Win Contribution (an expense paid to the Province of Ontario).

**NOP** represents net profit generated from OLG's core operations. It is calculated as total revenue less expenses before Gaming Revenue Share Payment, Modernization and Horse Racing Integration.

## Gaming Revenue

*NOTE: Numbers in the following tables have been rounded or truncated for ease of readability. Consequently, certain tables may not add or cross-tabulate.*

Gaming revenue is projected to increase at a compound annual growth rate (“CAGR”) of 2.7 per cent from \$6.6 billion in fiscal 2013–14 to \$7.5 billion in fiscal 2018–19.

The Lottery division is expected to grow its revenue at a CAGR of 2.1 per cent. This is primarily due to the execution of a product and channel development roadmap that looks to maximize returns from its four unique product categories and expand distribution through introduction of new sales channels.

Charitable Gaming is projected to grow at a CAGR of 22.9 per cent, which will be achieved through the opening of new Charitable Gaming sites and supplemented with new product launches.

iGaming launched in January 2015 with casino-style games and lottery products, and fiscal 2015–16 marks the first full year of operations with expected revenue in excess of \$89 million. Additional products will be added to the iGaming portfolio beginning in fiscal 2016–17.

Land-based Gaming, which is comprised of OLG’s Slots and Casinos and Resort Casinos, is projected to grow at a CAGR of 1.5 per cent through the introduction of a number of new and/or relocated/expanded gaming sites that are more proximate to populous urban areas.

Revenue (in millions of dollars)	Fiscal Years					
	2013–14 Actual	2014–15 Forecast	2015–16 Budget	2016–17 Projection	2017–18 Projection	2018–19 Projection
Lottery	3,388	3,202	3,229	3,229	3,456	3,758
Charitable Gaming	74	112	150	192	202	207
iGaming	-	22	89	133	163	181
Land-Based Gaming	3,106	3,107	3,079	3,113	3,121	3,340
<b>Consolidated OLG Gaming Revenue</b>	<b>6,568</b>	<b>6,442</b>	<b>6,547</b>	<b>6,668</b>	<b>6,943</b>	<b>7,487</b>
Consolidated OLG Non-Gaming Revenue	103	106	108	107	100	67
<b>Consolidated OLG Total Revenue</b>	<b>6,670</b>	<b>6,548</b>	<b>6,655</b>	<b>6,774</b>	<b>7,043</b>	<b>7,554</b>

## Net Operating Profit (“NOP”) and Net Profit to Province (“NPP”)

NOP is projected to grow from \$2.2 billion in fiscal 2013–14 to \$2.5 billion by fiscal 2018–19 (3.0 per cent CAGR), while NPP is projected to grow from \$2.0 billion in fiscal 2013–14 to \$2.4 billion by fiscal 2018–19 (3.2 per cent CAGR).

The Lottery division’s strategy of product development produces incremental revenue and contribution with minimal increases to indirect costs. With the introduction of a regulated private sector service provider, it is anticipated that there will be incremental distribution channels culminating in NOP growth of 1.9 per cent CAGR.

While the Charitable Gaming division is projecting significant revenue growth, it is largely driven by new sites and new product introductions, many of which carry significantly higher prize costs and relatively low contributions to profit. NOP is projected to increase starting in fiscal 2016–17 as revenue continues to grow. The objective of the Charitable Gaming division continues to be achieving break-even NOP while providing stabilized funding to Ontario charities.

iGaming is projected to generate NOP in excess of \$35 million in its first full year of operation (fiscal 2015–16) and grow to over \$88 million by fiscal 2018–19. iGaming will also deliver incremental NOP of approximately \$6 million per year beginning in fiscal 2015–16 through the sale of lottery products (reflected in the Lottery financials).

NOP for Land-based Gaming is projected to increase by 1.7 per cent CAGR. This growth is primarily attributed to the transition of gaming sites to private sector service providers, the introduction of new and/or relocated/expanded facilities, additional amenities and operational cost efficiencies.

Modernization Plan includes the costs to implement the program. Although the timing of spend has changed, the total transition cost to implement the program is still consistent with original estimates.

Horse Racing product development and minimal integration costs have been embedded in the multi-year plan.

NPP (in millions of dollars)	Fiscal Years					
	2013–14 Actual	2014–15 Forecast	2015–16 Budget	2016–17 Projection	2017–18 Projection	2018–19 Projection
Lottery	1,024	944	952	949	1,012	1,124
Charitable Gaming	(46)	(30)	(30)	(13)	(11)	(11)
iGaming	(23)	(18)	35	57	74	88
Land-Based Gaming	1,367	1,368	1,334	1,342	1,326	1,488
Shared Services	(155)	(157)	(194)	(189)	(179)	(174)
<b>NOP</b>	<b>2,167</b>	<b>2,107</b>	<b>2,096</b>	<b>2,147</b>	<b>2,222</b>	<b>2,515</b>
Gaming Revenue Share Payment	(120)	(122)	(121)	(123)	(127)	(139)
Modernization Plan	(41)	(50)	(45)	(56)	(51)	(14)
Horse Racing Integration	(0)	(1)	(10)	(10)	(10)	(10)
<b>NPP</b>	<b>2,006</b>	<b>1,935</b>	<b>1,920</b>	<b>1,957</b>	<b>2,034</b>	<b>2,351</b>