

Atlantic Lottery



Annual Report 2021-2022

Proud to support Atlantic Canadian communities

OUR PURPOSE

To delight players and make a meaningful contribution to all Atlantic Canadians, with whom we share a common bond, the joy of play and our love of this place.

OUR VISION

To be a world-leading, responsible, digital, gaming experience company driven by the higher purpose to give back.





Table of Contents

Chair Message	2
CEO Message	3
Executive Summary	4
Community Impact Report	6
– Corporate Social Responsibility	6
– Healthy Play Commitment	7
– 100% Legal	8
– Regional Support	9
Breaking Down the Lottery Dollar	10
Where the Money Goes – 92 Cents of Every Dollar Stays Here	11
Winners	12
Balanced Scorecard	13
Financial Position Overview	14
– Consolidated Balance Sheets	14
– Consolidated Statement of Operations	16
– Profit by Province	17
– Profit by Line of Business	17
– Consolidated Statement of Cash Flows	18
Business Overview	20
– Draw Games	20
– Instant Games	22
– iGames	24
– Sports	26
– Video Lottery	28
– Red Shores	30
Financial Highlights	32



Chair Message

Atlantic Lottery celebrated a phenomenal year in 2021-22, with impressive achievements in a number of business categories. At the same time, Atlantic Lottery remains dedicated to our core values of healthy play and responsible gambling (RG). This year, the Responsible Gambling Council awarded the RG Check Accreditation to both Red Shores and our alc.ca platform.

This is no small feat – it’s one of the most comprehensive responsible gambling accreditations in the world, and it means Atlantic Lottery meets dozens of rigorous standards and criteria to promote healthy play.

As Atlantic Canada’s only 100 per cent legal and government-regulated provider of online gambling and sports-betting products, we aim to provide fun games that adults can enjoy as a form of entertainment. Unlike unregulated online gambling sites that are not legally permitted to operate or advertise in Atlantic Canada, Atlantic Lottery is accountable to government regulators and our profit stays in our region. We are always working to enhance our approach to healthy play by providing positive and inclusive tools to promote player education and awareness.

Throughout the annual report, you’ll see that we managed to break several significant records. We achieved a record-breaking profit of \$438.1 million; our Lotto Max sales

were at an all-time high; and PRO•LINE gross sales jumped 43 per cent over the previous record, which was set in 2020-21.

Due to the ongoing COVID-19 pandemic, Atlantic Lottery implemented measures throughout the year based on public health recommendations to protect our players. Despite these impacts, Red Shores Racetrack & Casino saw net revenues of \$17.6 million, a growth of \$5.4 million over the previous year. We also saw increased interest in the launch of new Casino games and features, with net revenue of \$77 million overall in the iGaming category. This marks an impressive increase of \$34 million over 2020-21.

As we continue to expand our offerings and provide the quality products Atlantic Canadians expect from us in the year ahead, social responsibility and healthy play will remain at the core of who we are. The Board looks forward to seeing Atlantic Lottery continue to break new records as we grow and evolve to meet the needs of our customers.

Sincerely,

C. Sean O’Connor, CPA, CA
Chair, Board of Directors

CEO Message

Over the past year, we have seen Atlantic Canada start to open back up and begin to recover from the impact of the COVID-19 pandemic, giving us the opportunity to once again enjoy many of our favourite activities with the people we love.

We recognize how difficult the last couple of years have been for Atlantic Canadian residents and organizations, which is why Atlantic Lottery has continued to support important causes in our region through fundraising and volunteering. Now, we welcome the opportunity to return to our roots of supporting community celebrations, festivals and events.

With a record \$438.1 million in profit, this year was a real success story for Atlantic Lottery. We owe this success to our dedicated employees who live and work right here in Atlantic Canada. They have continued to show up and deliver results for our players, retailers and shareholders. Our success does more than benefit us as a company – it benefits all Atlantic Canadians, with 100 per cent of our profit returned to the four Atlantic provinces to support the essential services and programs we all use.

Atlantic Lottery has worked hard to find innovative ways to stay connected with our communities during the pandemic, and we are always evolving to provide compelling digital games and experiences for our players, with healthy play front of mind. We will continue to improve our online presence in the coming

months to give our customers access to exciting new offerings through safe and secure platforms. As always, we aim to delight our players with games they can enjoy responsibly as entertainment in all settings. In addition to our online games, we are exploring new ways to enhance our retail and venue spaces to ensure our customers have the quality, entertaining experiences they expect.

Like many Atlantic Canadians, we've missed the sense of personal connection that comes with in-person activities. As we look ahead to 2022-23, we are excited to see Atlantic Lottery's community focus come back in full force and we look forward to supporting many more events throughout our region.

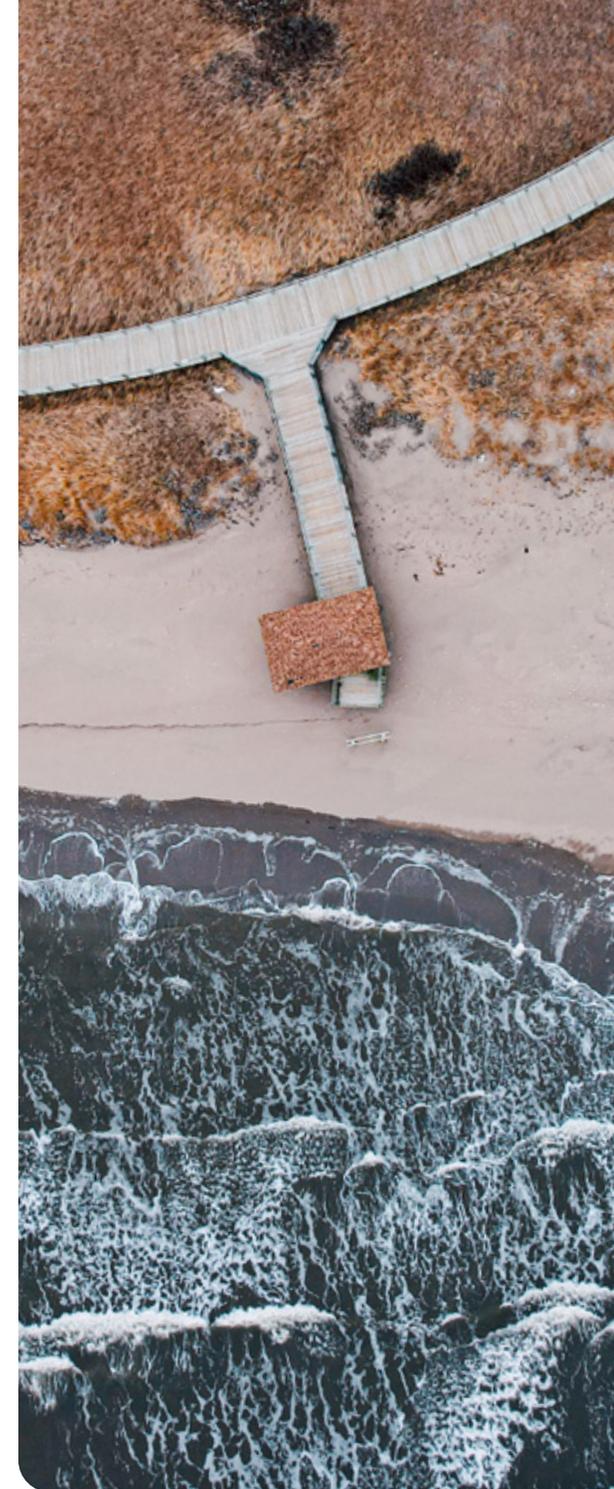
I want to thank our players for their ongoing loyalty and support. I am also grateful to the four Atlantic Canadian provincial governments for their continued collaboration and stewardship.

In the past year, Atlantic Lottery has made incredible progress as a company, never losing sight of our vision and purpose. In the year ahead, I hope you'll join us in sharing our joy of play and our love of Atlantic Canada.

Sincerely,



Patrick Daigle
President and CEO





Executive Summary

Every business decision at Atlantic Lottery is made through the lens of balancing social responsibility with delivering sustainable returns for Atlantic Canadians to help fund essential programs and services throughout the region.

In 2021-22, Atlantic Lottery was able to navigate the uncertainty of the COVID-19 pandemic and still return \$438.1 million to the four Atlantic Canadian provincial governments. This increase of \$91.6 million over the previous year was driven by an increased focus on digital channels and a successful recovery from the impacts of the pandemic, marking the most profitable year in Atlantic Lottery's history.

Overall in 2021-22, \$210.2 million was delivered from the Destination line of business and \$227.9 million from the Retail and iLottery lines of business.

The Destination line of business result was \$33.9 million under budget while the Retail and iLottery lines of business partially offset this budget shortfall by exceeding its commitment to the provinces by \$31.6 million. The underperformance in Destination is a direct result of safety measures implemented during the COVID-19 pandemic, which included temporary shutdowns of our Video Lottery Retailer sites.

In addition to the profit distributed to the provincial governments, Atlantic Lottery remitted \$50 million to the provincial and federal governments in taxes and federal contributions.

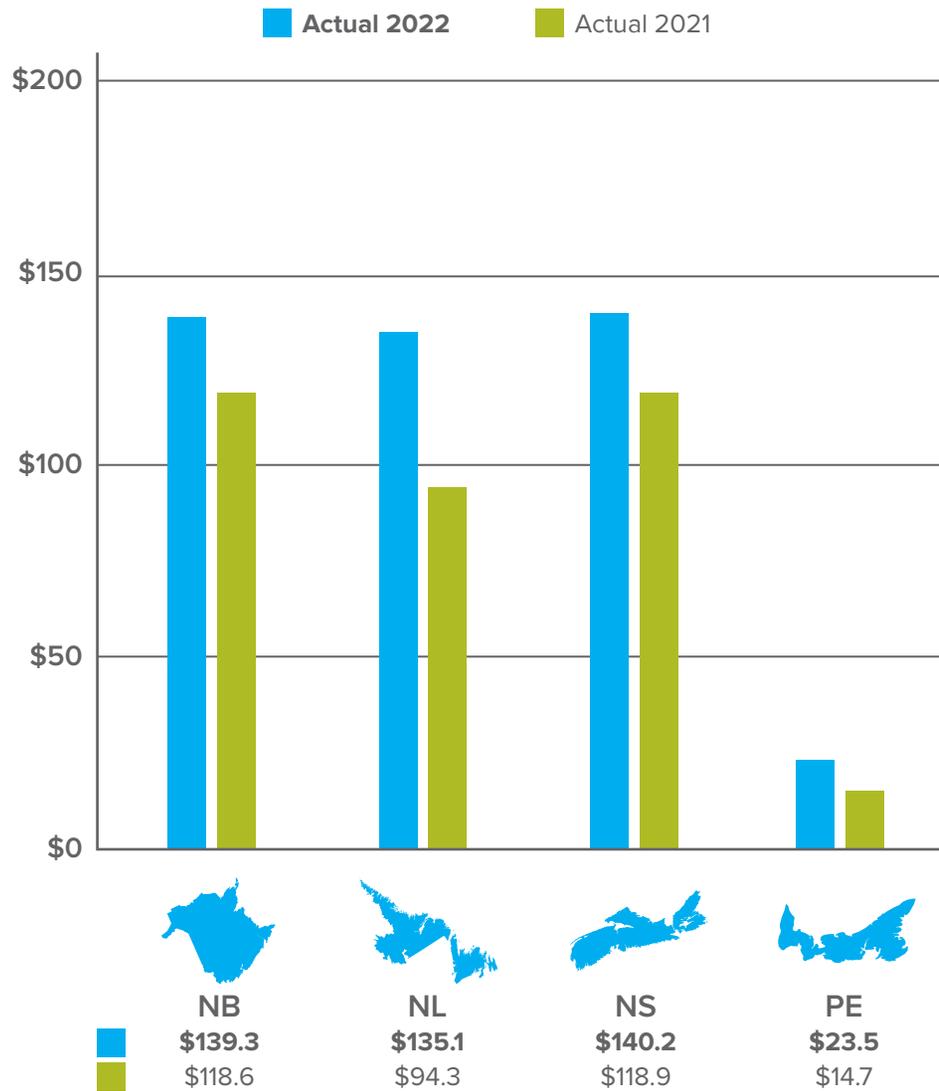
Atlantic Lottery experienced record sales through its alc.ca platform in 2021-22, surpassing the record set in the prior year. The iLottery share of net profit increased to 18 per cent in 2021-22 from 16 per cent the previous year, while the share of gross gaming revenue (GGR) from the iLottery line of business increased three per cent from the prior year.

Thanks to leading-edge product offerings and the continued emphasis on Atlantic Lottery as the only 100 per cent legal online gambling option in the region, the number of Atlantic Canadians with active accounts continues to grow. This demonstrates the importance of the online space and the future viability of this line of business, even with the increasing industry competition as more illegal sites are entering the market.

Throughout the year, Atlantic Lottery also experienced record-breaking Lotto Max jackpots in the first quarter, when the national brand reached a jackpot of \$70 million, plus 70 MaxMillions.

Red Shores delivered a profit of \$2.8 million, representing an increase over budget of 158 per cent. 2021-22 was the most profitable year in Red Shores' history, which was driven by strong results on the gaming floor.

Profit by Province (in millions)





Community Impact Report

Corporate Social Responsibility

Atlantic Lottery is committed to building a stronger Atlantic Canada by giving back to our communities, making meaningful contributions and promoting healthy play. As a publicly owned corporation, and as a regulated and responsible gambling provider, we consider social responsibility (SR) in everything we do. This allows our players to have fun, play responsibly and take pride in the knowledge that all of Atlantic Lottery's profit supports key programs and services throughout the four Atlantic provinces.

Our new SR strategy consists of three pillars: Entertaining Product Offerings, Extended Enterprise Partnerships and Meaningful Contributions.

Our Pillars

Entertaining Product Offerings

PlayWise Fun & Healthy Play

Extended Enterprise Partnerships

Long-Term Impact Opportunities

Meaningful Contributions

Representative of and Positively Impacting Our Communities

Community Impact Report

Healthy Play Commitment

Atlantic Lottery games are fun to play, and we want Atlantic Canadian adults to enjoy them as a form of entertainment. It's important to us that our players understand how our games work, decide how much time they want to play and play within their means. We're committed to healthy play, which includes positive, inclusive approaches to player education, increased awareness and providing more tools and interactions to promote play for fun and entertainment.

We continue to improve our healthy play efforts through our PlayWise brand, which helps players make informed decisions by providing information on:

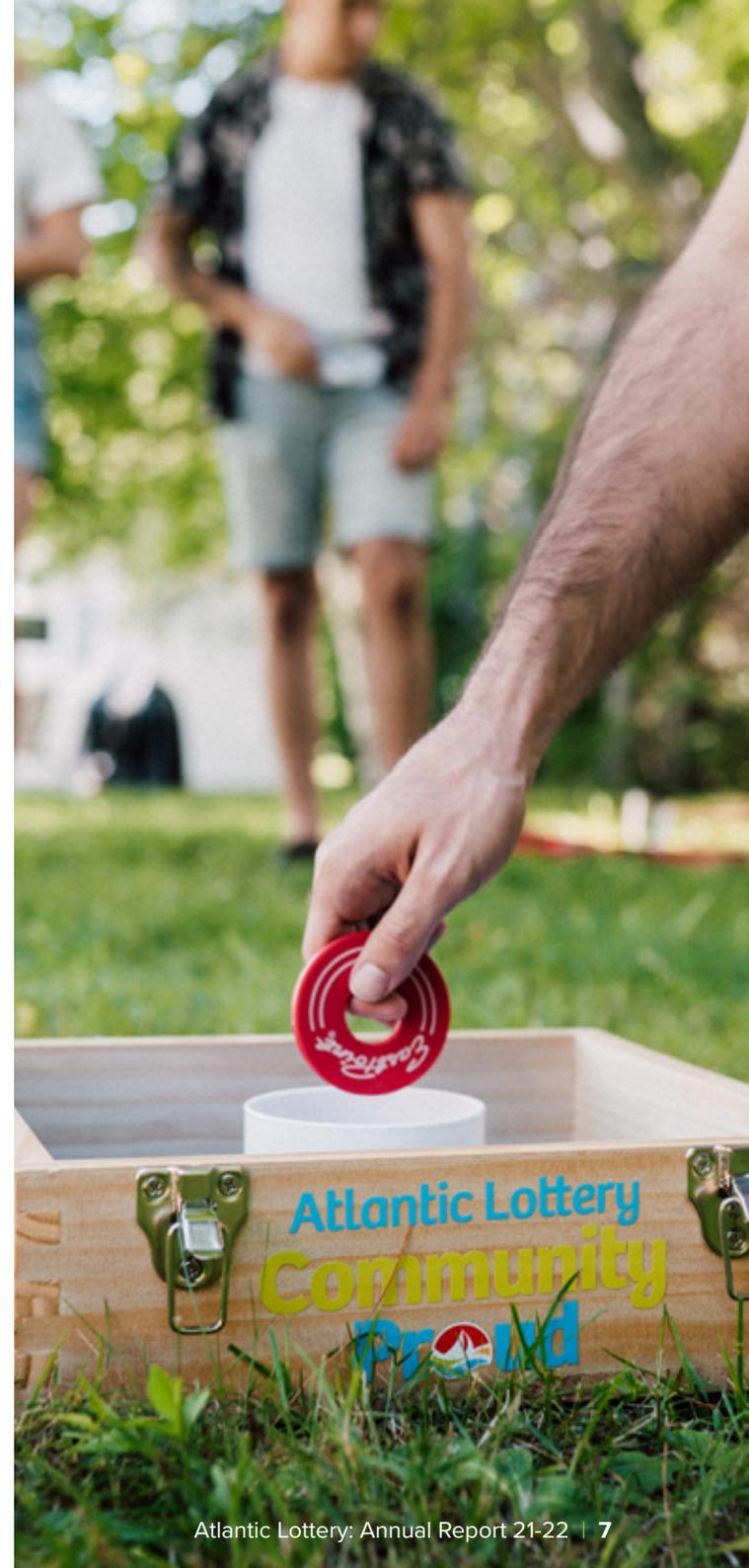
- Chance and skill-based games
- Key gambling facts
- Understanding the odds
- Dispelling common gambling myths
- Healthy play habits
- Budget and limit setting

For more than 16 years, Atlantic Lottery has hosted Community Partnership Day events throughout Atlantic Canada. This is part of our ongoing commitment to encourage healthy play and support those who are experiencing concerns related to their gambling. This year, we hosted eight Community Partnership Days to focus on the various gambling-related training needs of our community partners.

During 2021-22, we continued to go the extra mile for our players.

We followed all pandemic-related public health measures in our region and implemented additional measures as needed. This included:

- Working with our retail and video lottery partners to ensure proper distancing and cleaning protocols
- Providing a digital prize claim process to avoid travel and in-person contact
- Additional customer care support for online accounts during retail shutdowns
- Virtual celebrations for major wins





Community Impact Report

100% Legal

Atlantic Lottery is proud to be the only 100 per cent legal and government-regulated provider of online gambling and sports-betting products in Atlantic Canada. Atlantic Canadians are playing on and seeing advertising from other unregulated gambling sites without realizing they cannot legally operate or advertise in Atlantic Canada under Canadian and provincial laws. It's important that Atlantic Canadians understand that the operators of these sites are not accountable to provincial or federal regulators and, unlike Atlantic Lottery, their profit does not stay in our region.

Atlantic Lottery is further set apart by our commitment to healthy play and responsible gambling (RG), one of our core values. In 2021-22, our online alc.ca platform and Red Shores were both awarded the RG Check Accreditation, one of the most comprehensive responsible gambling accreditation programs in the world, offered by the Responsible Gambling Council. This accreditation means we must meet dozens of comprehensive standards and criteria to promote healthy play.

The RG Check Accreditation is subject to a renewal process every three years. As we continue to expand our online gambling options, Atlantic Lottery is committed to providing more features and information to encourage healthy play, expanding on tools that are already in place, such as:

- Age and residency verification
- Self-exclusion and take-a-break options
- The ability to set weekly deposit limits, daily wager limits and session time limits
- Time displays and session pop-up reminders
- Information, tips and links to help players gamble responsibly

Players can also gain a better understanding of their play and how it is evolving over time through our PlayWise Rating, an industry-leading online responsible gambling tool that provides players a confidential personal play rating, at the behavioural level, and based on their activities at alc.ca.

By focusing on healthy play, Atlantic Lottery aims to put our players first while contributing to our goal of building and maintaining a sustainable player base.

Community Impact Report

Regional Support

Part of Atlantic Lottery's mandate is to give back to all four Atlantic provinces to help create a better place for everyone who calls this region home, including our employees who live and work here. This means supporting festivals, exhibitions and events that celebrate the culture and diversity of our region. We also contribute to community organizations, fundraisers and volunteering efforts throughout the year.

While Atlantic Lottery was able to support a number of in-person activities in 2021-22, some large festivals and events continued to be impacted by the pandemic. Despite these challenges, we continued to find innovative ways to give back. Here are a few highlights from the past year:

- We continued our Community Proud program, launched in 2020-21, allowing Atlantic Canadians to nominate a local non-profit group close to their hearts for the opportunity to receive a donation.
- Atlantic Lottery participated in fundraising efforts to support organizations doing great things in our region. We were recognized as a Top 5 corporate partner for our contribution to the United Way, and we were proud to partner with the Friends of the Moncton Hospital Foundation to contribute to a record-breaking Radiothon fundraising event.
- Atlantic Lottery was honoured to receive a 2021 Event Atlantic Excellence Award for Corporate Partner of the Year, recognizing our annual sponsorship and support of events across the region.



Breaking Down the Lottery Dollar

92¢ of every lottery dollar goes back to Atlantic Canada

37% Profit to Provinces

37% Winners in Atlantic Canada

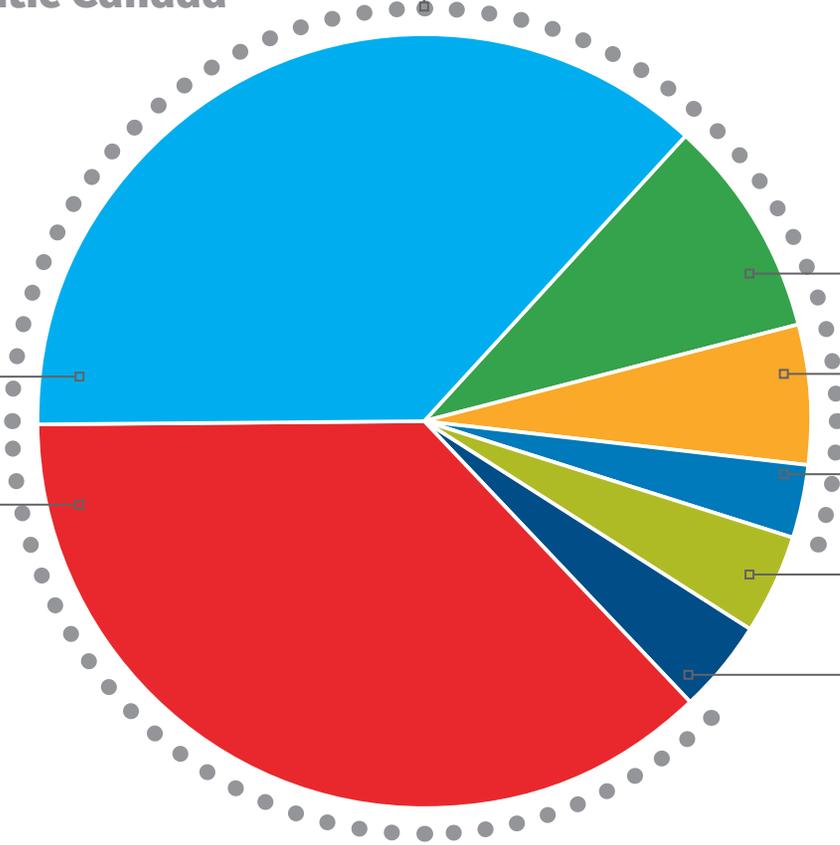
9% Retailers in Atlantic Canada

6% Operations in Atlantic Canada

3% Salaries & Benefits in Atlantic Canada

4% Operations outside Atlantic Canada

4% Taxes



Where the Money Goes: 92 Cents of Every Dollar Stays Here

Atlantic Lottery returns 100 per cent of our profit to our four shareholder governments every year, contributing to the regional economy and funding vital services, including health care, education and infrastructure.

We are committed to achieving results through responsible growth. A breakdown of how Atlantic Lottery's revenue was allocated in 2021-22 shows that **92 cents of every lottery dollar** stayed in the four Atlantic Canadian provinces.

37¢ ▶ Winners in Atlantic Canada

Atlantic Lottery awarded **\$439.7 million in prizes** to winners across Atlantic Canada.

37¢ ▶ Profit back to Atlantic Canada

We returned **\$438.1 million in profit** to the four Atlantic provinces to help fund the important services we all use.

9¢ ▶ Retailers in Atlantic Canada

Retailers received **\$111.4 million in commissions**. Nearly 4,000 Atlantic Canadian businesses earn income from the sale of Atlantic Lottery products.

6¢ ▶ Operations in Atlantic Canada

Overall operations contributed indirectly to **more than 7,915 jobs** and \$1.7 billion in economic activity across the region.

3¢ ▶ Salaries & Benefits

Atlantic Lottery **employs more than 642 people** in all four Atlantic provinces. They live, work and spend their salaries in our communities.

4¢ ▶ Operations outside Atlantic Canada

Atlantic Lottery sometimes partners with companies outside of the region, depending on the needs and the availability of third parties and the services they provide.

4¢ ▶ Taxes

Atlantic Lottery pays taxes too, contributing more funds to governments in **support of essential services** for Atlantic Canadians.

Winners

Last year, 792 Atlantic Canadians won a prize of \$10,000 or more on Atlantic Lottery products. That's up from 721 major winners the previous year.

Major wins (\$10,000 or more) by province



Balanced Scorecard

2021-22 Corporate Performance to Targets

Atlantic Lottery's balanced scorecard presents, measures and reports on specific corporate metrics that have been identified as key to realizing the operating plan and long-term strategic plan. Each year, the scorecard is established by Atlantic Lottery's management team and the Board of Directors. Its measures are essential to ensuring Atlantic Lottery continues to adapt to and excel within its evolving competitive environment.

MEASURE	ACTUAL	TARGET
PLAYER		
Known Players*	340,945	390,376
FINANCIAL		
Net Profit	\$438.1M	\$412.4M
Gross Gaming Revenue**	\$753.9M	\$748.2M
OPERATIONAL		
Digital Experience Value***	\$184.5M	\$150.3M
Unfavourable Opinion Among Involved Atlantic Canadians	26%	25.5%
EMPLOYEE		
Employee Engagement	54%	68%

* Total number of verified unique accounts that have been active on alc.ca or have entered retail tickets via 2Chance in the previous 12 months.

** Revenue less prizes paid to players.

*** Calculated as GGR (Gross Gaming Revenue) on digital transactions occurring at retail, sales on alc.ca and the value associated with retail products entered digitally post-purchase.

Financial Position Overview

The below provides an overview of the financial position of Atlantic Lottery for the year ended March 31, 2022 and is to be read in conjunction with the associated audited consolidated financial statements and note disclosures which are prepared in accordance with International Financial Reporting Standards (IFRS). Refer to Notes to Consolidated Financial Statements (note 1 and 2) for additional detail regarding the nature of operations for Atlantic Lottery and the significant accounting policies employed.

In 2021-22, Atlantic Lottery's continued priority is to increase the profit that is returned to our shareholders while offering the most responsible products and resources to our players. As seen through the balance sheet performance, we remain committed to supporting our retail partners, funding new investments through innovative product offerings and preserving a healthy pension plan to support past, present and future employees. All this while maintaining a strong cash flow which is detailed in the Statement of Cash Flows.

Atlantic Lottery has been very proud to offer extended payment terms during the COVID-19 shutdowns to retailers in the event that they were forced to close due to pandemic restrictions. This is just another way that Atlantic Lottery supported the local community. As we approached year end, various restrictions and closures were lifted allowing retailers to return to normal operations.

Although the depreciation and amortization expense has exceeded the investment in equipment and intangibles, Atlantic Lottery continues to invest in new product offerings to ensure a strong position for future success and to strengthen our market share in the face of an increasingly competitive industry. These investing decisions are in line with the management team's strategy to prioritize projects and ensure responsible cash management policies while we continue to navigate the uncertainty of COVID-19.

Regarding the pension plan, the most recent actuarial valuation was performed in October 2021 and has the plan assets outweighing the plan obligations, which shows the strength and sustainability of the plan. The post-employment benefits are also in a favourable position as the changes in demographic and financial assumptions have resulted in a decrease to the obligation. The changes in actuarial assumptions have increased the balance of the outstanding shareholder's equity.

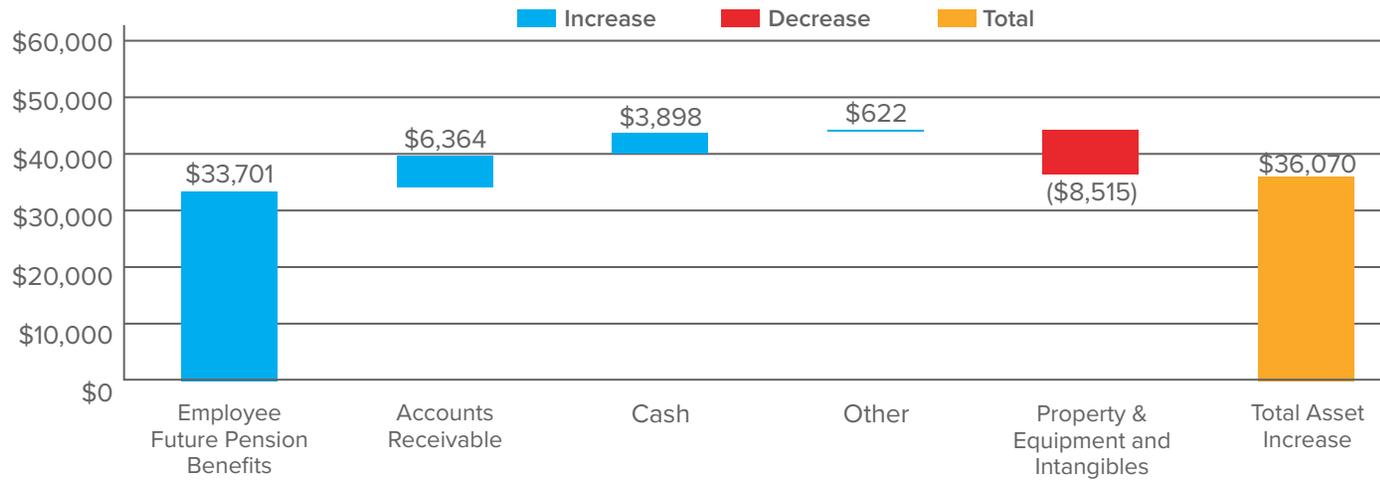
As a result of the strong performance, Atlantic Lottery was able to operate without the need for additional debt requirements, allowing the existing debt obligations to be paid down. These strong results ultimately allowed Atlantic Lottery to return more profit to the shareholders, resulting in more funds going back to support Atlantic Canadians.

Consolidated Balance Sheet (thousands of dollars)

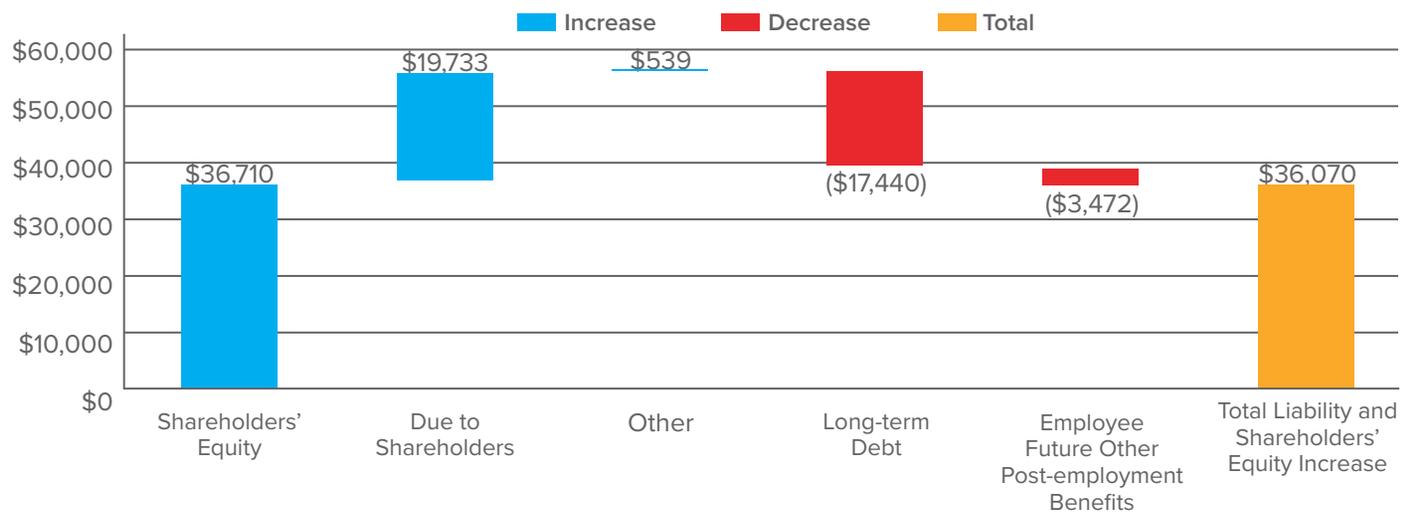
	2021-22	2020-21	Variance	
			\$	%
Total Assets	\$305,359	\$269,289	\$36,070	13.4%
Total Liabilities	\$178,772	\$179,412	(640)	(0.4%)
Total Shareholders' Equity	\$126,587	\$89,877	\$36,710	40.8%

Financial Position Overview

Change in Assets (thousands of dollars)



Change in Liabilities and Shareholders' Equity (thousands of dollars)



Consolidated Statement of Operations

(Thousands of dollars)	2021-22	2020-21	Variance
REVENUE	753,854	637,926	115,928
Direct Expenses	134,614	111,995	22,619
GROSS PROFIT	619,240	525,931	93,309
Operating Expenses	131,915	133,613	(1,698)
NET PROFIT	438,168*	346,574	91,594
Gross Profit % of Revenue	82.1%	82.4%	(0.3%)
Operating Expenses % of Revenue	17.5%	20.9%	(3.4%)
Net Profit % of Revenue	58.1%	54.3%	3.8%

*Consolidated Net Profit includes gain from subsidiary of \$0.1M

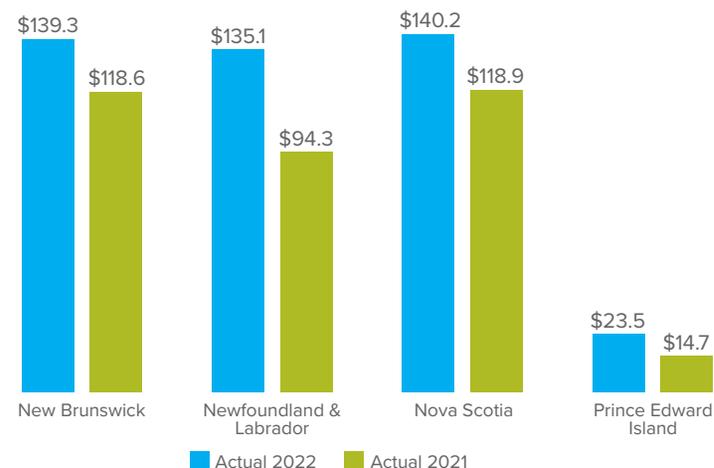
Financial Position Overview

Revenue consists of gross sales less consideration paid to the player (prize expense). The year-over-year increase in revenue is driven by increasing performance across all lines of business. The most significant increase of \$54.6 million is in the Destination line of business due to the loosening of pandemic restrictions allowing more Video Lottery retailers to resume operations. In addition, Red Shores had its most profitable year to date. The iLottery line of business saw an increase of \$38.1 million due to the continued strong performance of the Digital Instant and Casino brands. In the Retail line of business, there was an increase of \$23.2 million due to increased foot traffic at retailer sites, driving up the Instant category. The Draw category also saw an uplift due to record-breaking Lotto Max jackpots.

Direct expenses include commissions paid to retailers of \$111.4 million, up \$15.5 million or 16 per cent from the prior year. The increase is tied directly to the higher revenue, more specifically Video Lottery revenue as the commission on that product is higher than products in the retail channel. Ticket and selling costs of \$23.2 million are \$7.2 million over the prior year, driven by the revenue share on iGames as performance grows.

Operating expenses are down \$1.7 million from the prior year. Atlantic Lottery has remained diligent in monitoring where the funds are spent to maximize the profit returned to the provinces. The overall decrease can be tied back to decreasing pension costs and declining depreciation and amortization expense, driven by the useful lives of our capital investments. These savings were partially offset by a commitment to increasing player experience through the use of technology and marketing initiatives, in addition to a commitment to retailer experience through outsourced support when needed.

Profit by Province (in millions)



Profit by Line of Business (in millions)



Consolidated Statement of Cash Flows

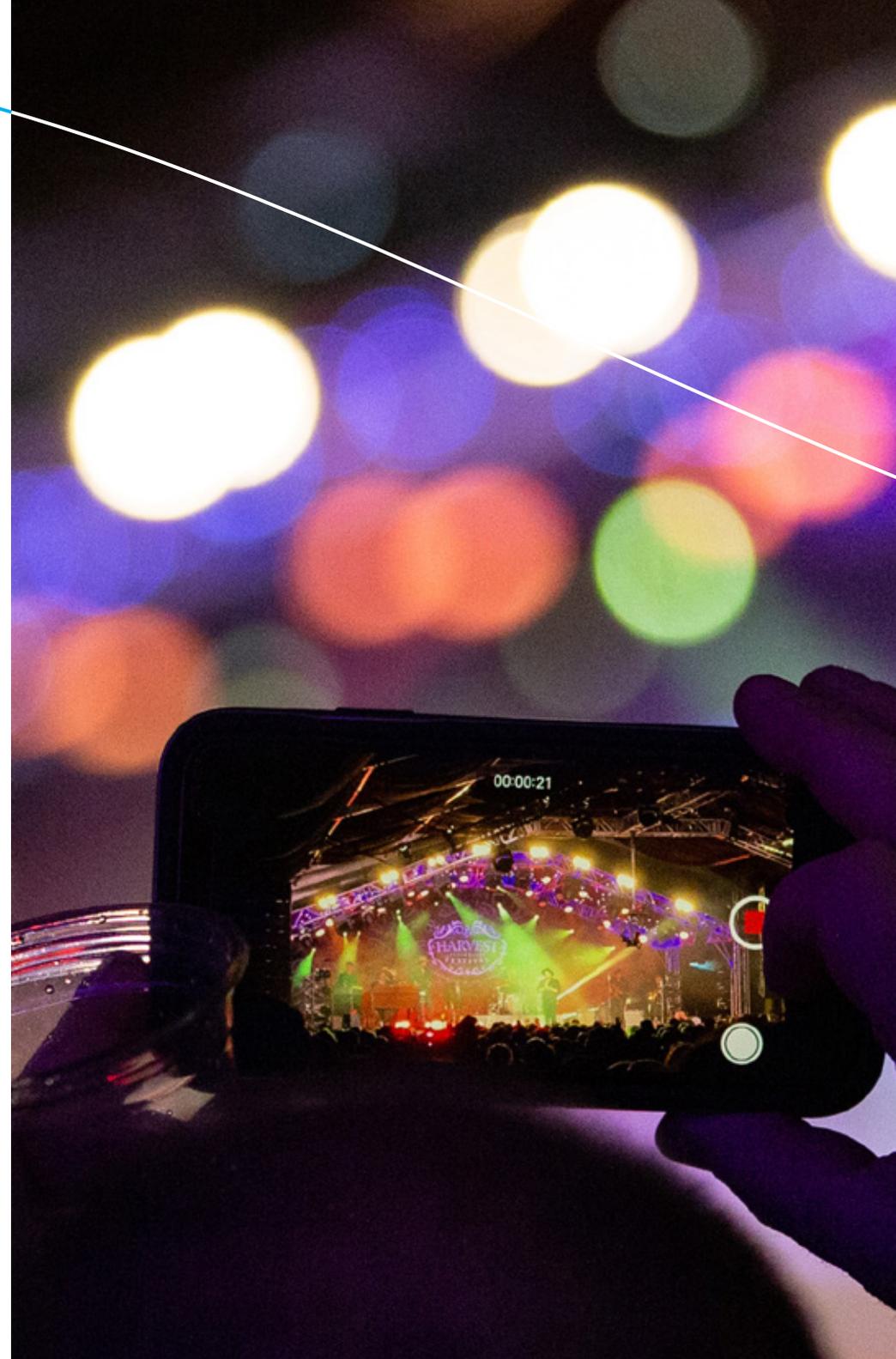
The statement of cash flow provides the basis to assess the generation and spending of cash.

Operating activities presents the net of cash inflows and outflows from regular business activities. Using the indirect method, the strong net profit results are adjusted for non-cash items such as depreciation and amortization and non-cash working capital. The result is a total of \$478.6 million generated in cash flow from regular business activities.

Investing activities represents the amount spent on property, equipment and intangible assets, and net of proceeds on asset disposals. Atlantic Lottery is focused on the future viability of operations and has therefore made necessary decisions to invest in valuable capital assets. The major areas of focus for 2021-22 were around the requirement to modernize our player offerings and focus on digital enhancements. Therefore, the most significant investments are specific to the retail rejuvenation project, the 2022-23 rollout of self-serve terminals and the investment in new hardware and software.

Financing activities reflect cash inflows and outflows relating to debt. As a result of the strong 2021-22 performance, Atlantic Lottery required no additional debt and focused on the repayment of existing debt commitments.

Overall, the net change for cash in 2021-22 is an increase of \$3.9 million.



Consolidated Statement of Cash Flows

(Thousands of dollars)	2021-22	2020-21
Operating Activities	478,610	399,530
Investing Activities	(15,663)	(8,936)
Financing Activities	(20,911)	(37,604)
Distribution to Shareholders	(438,138)	(346,703)
Change in Cash Balance	3,898	6,287
Opening Cash Balance	36,040	29,753
Closing Cash Balance	39,938	36,040

Business Overview: Draw Games

The draws category delivered net revenue of \$182.1 million, an increase of \$8.4 million or five per cent from the previous fiscal year.

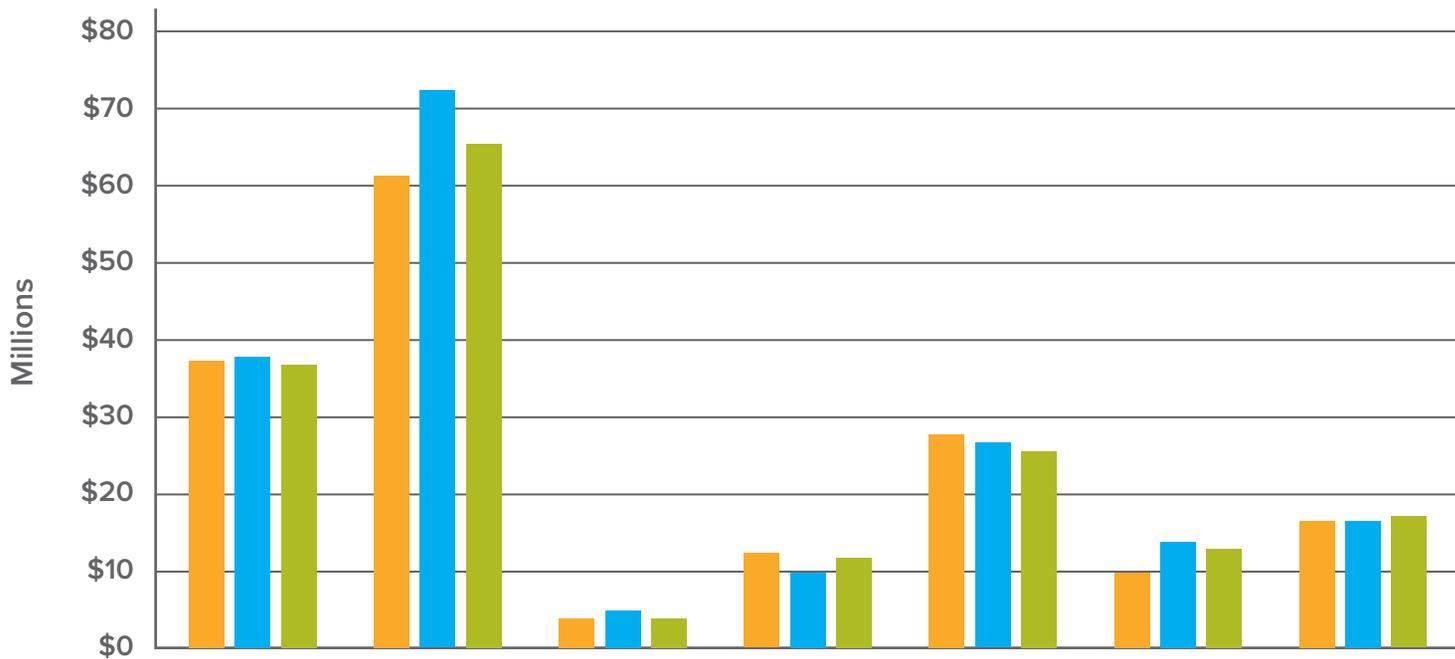
Lotto 6/49 net revenue finished the year at \$37.7 million, which is \$800,000 more than the previous fiscal year. This year-over-year growth was driven by four more jackpots of \$20 million or more awarded in 2021-22, compared to the prior year. The jackpot surpassed \$30 million twice in 2021-22. Sales were flat compared to the 2020-21 fiscal year, with a total aggregate jackpot up six per cent. Seven Super Draw events took place with a blended sales lift of 21 per cent. Lotto 6/49 had a higher share of sales on alc.ca than budgeted, with 20.3 per cent, compared to a budget of 18 per cent.

In 2021-22 net revenue for Lotto Max reached \$72.2 million, surpassing the previous year's net revenue by \$6.7 million. When the Lotto Max jackpot reaches \$50 million, additional \$1 million Maxmillions draws are also offered. These Maxmillions events occurred 35 times in 2021-22, which is the same amount as the previous year. The sales increase compared to the prior fiscal year was driven by a more favourable roll pattern. With four more \$70-million jackpots and five fewer base jackpots in 2021-22, Lotto Max sales were record-breaking and delivered the most appealing roll patterns since the addition of the second weekly Lotto Max draw in May 2019. Lotto Max awarded five record jackpots in 2021-22, up to \$70 million, plus 70 Maxmillions. Lotto Max had a higher share of sales on alc.ca than budgeted, with 21.9 per cent, compared to a budget of 18 per cent.



Draw Games Net Revenue

Draw Games Net Revenue (in millions)



	Lotto 6/49	Lotto Max	Daily Grand	Atlantic 49	TAG	Twist	Other
2021-22 Budget	\$37.4M	\$60.9M	\$3.9M	\$12.3M	\$27.6M	\$9.7M	\$16.4M
2021-22 Actual	\$37.7M	\$72.2M	\$5.0M	\$9.9M	\$26.8M	\$14.1M	\$16.4M
2020-21 Actual	\$36.9M	\$65.5M	\$4.1M	\$11.6M	\$25.8M	\$12.6M	\$17.2M



Business Overview: Instant Games

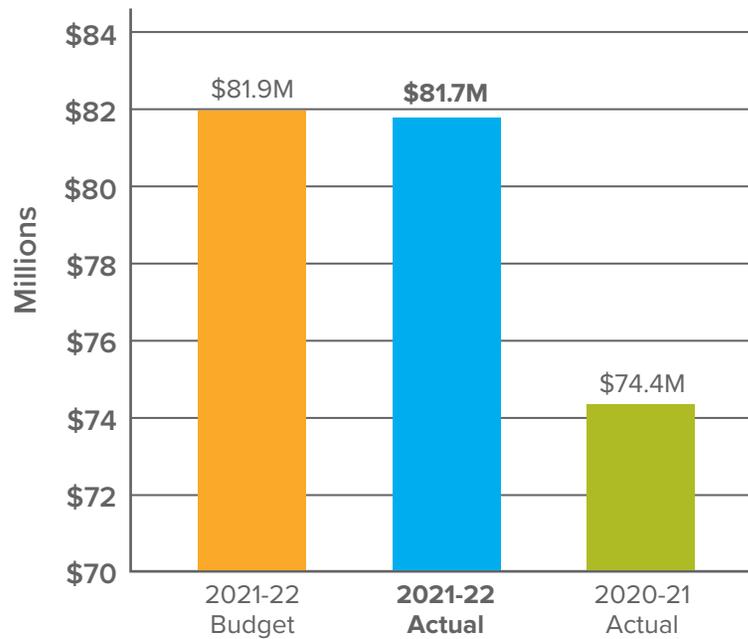
Scratch'N Win net revenue was \$81.7 million in 2021-22, an increase of \$7.3 million or 10 per cent over 2020-21, which met budget targets. The main driver of the growth was found in Newfoundland & Labrador, which had experienced significant negative sales impacts from COVID-19 in 2020-21 but bounced back in 2021-22, contributing the bulk of the year-over-year increase. While performance in Prince Edward Island and Nova Scotia exceeded the prior year, this was offset by lower revenues in New Brunswick.

Looking at performance by brand, Crossword net revenues were five per cent below the previous year. Of note, most price points within the brand experienced soft sales, with higher price points being impacted by the launch of \$10 Bingo Grand. In contrast, Bingo performance was up 17 per cent due to the launch of Bingo Grand. Set for Life revenue was 30 per cent higher than the previous year due to improvement in Newfoundland & Labrador performance and a campaign that supported Set for Life products in the fourth quarter. National games results were 19 per cent below the prior year due to the launch of the Jackpot Family series in 2020-21 and the fact that Atlantic Lottery did not participate in as many national games with other Canadian lotteries in 2021-22 as in the previous year. Variety game revenues were up by 35 per cent mostly due to more variety games launched in place of the Jackpot Family series and increased print runs of \$5 games.

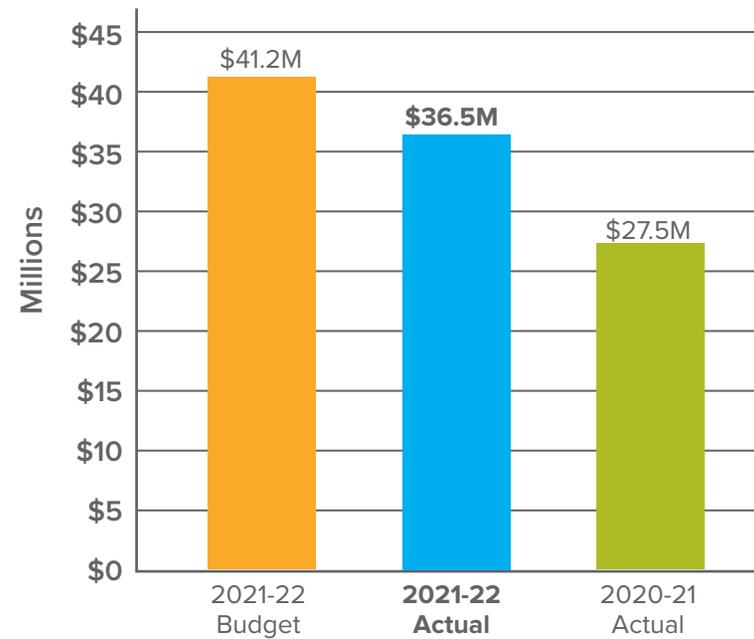
Breakopen net revenue was \$36.5 million, an increase of \$9 million or 33 per cent over 2020-21. Breakopen sales have started to stabilize after significant impacts in 2020-21 including COVID-19 and the reimplementation of barcoded Breakopen starting in November 2020. A full rollout of barcoded Breakopen was achieved in 2021-22 with all products, including seasonal products, implemented by the end of the first quarter. Year-over-year performance improved in all provinces with Newfoundland & Labrador contributing over \$7 million of the total growth, which represents about 61 per cent of Breakopen revenues.

Instant Games Net Revenue

Scratch'N Win Net Revenue (in millions)



Breakopen Net Revenue (in millions)



Business Overview: iGames

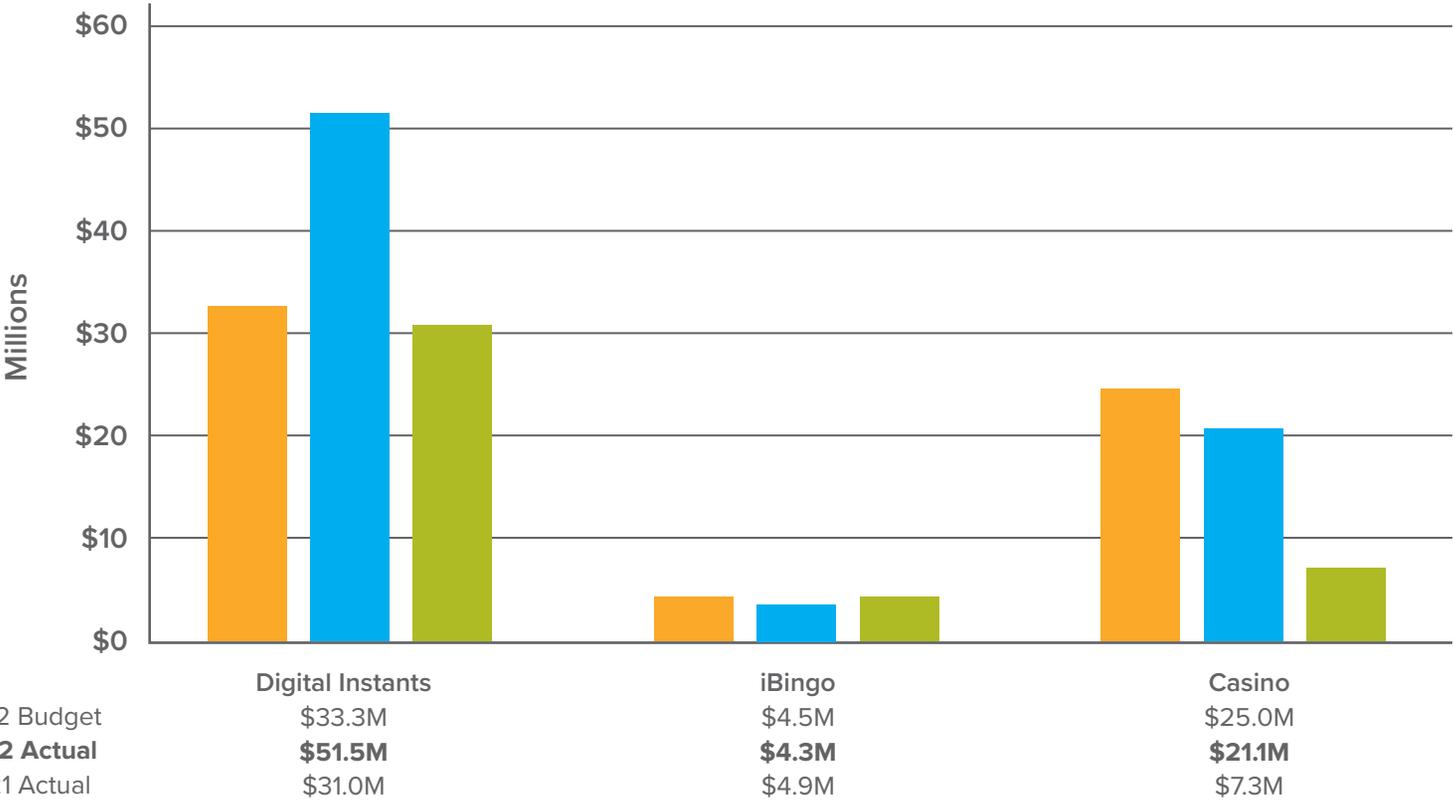
iGaming net revenue reached \$76.9 million in 2021-22, a growth of \$33.7 million or 78 per cent over 2020-21. This success can be attributed to various external and internal factors. For example, COVID-19 restrictions have continued to lead players to gravitate towards online gaming as a form of entertainment. This increase in player base helped the overall category's growth. In addition, a regular cadence of Digital Instants and Casino game launches and product features, supported with marketing tactics and strong player-focused promotions, has contributed to the category's strong performance.

Atlantic Lottery will continue to evolve our approach to digital offerings to ensure we continue to meet the expectations of our customers and provide them with a high-quality online experience. As our range of online products grows, Atlantic Lottery is dedicated to continuing to provide and expand on the best-in-class range of identity verification and responsible gambling features to alc.ca players, ensuring the digital channel demonstrates our commitment to healthy play.



iGames Net Revenue

iGames Net Revenue (in millions)





Business Overview: Sports

In 2021-22, net revenue in the Sports category was \$14.8 million, resulting in an increase of \$3 million or 25 per cent from 2020-21.

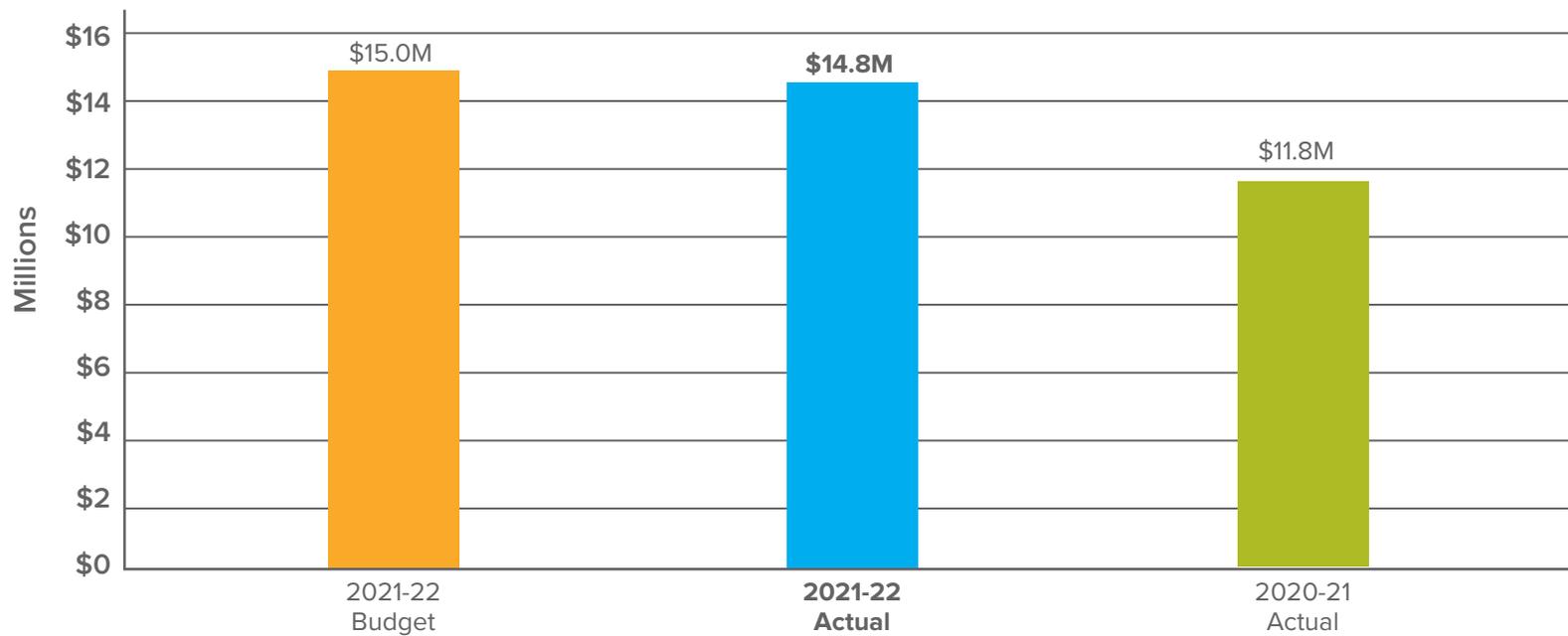
With its new brand image in place for a full fiscal year, PRO•LINE gross sales experienced a 43 per cent jump over the previous record, which was set in 2020-21. Despite the lower profit margins associated with single-event sports betting introduced in August 2021, gross gaming revenue also rose to a new all-time high. Additionally, revenues benefitted from the COVID-19-related changes to major league sporting schedules, which led to more games being played and wagered on during 2021-22.

PRO•LINE experienced a 65 per cent increase in online sales, which made up 46 per cent of all betting revenue. PRO•LINE had its first positive annual Net Promoter Score ever at +2.6 per cent. This represents an 8.5 per cent increase over 2020-21. PRO•LINE leads the country in per capita player growth, up nine per cent year-over-year. Active wagering accounts have now tripled over the past five years.

Bricks-and-mortar venues saw 45 per cent of revenue through the digital QR code, up from 39 per cent the previous year. This demonstrates increased player movement toward a digital experience. The proportion of digital sales – the sum of internet and QR revenues – was 71 per cent, which is seven per cent higher than in 2020-21.

Sports Net Revenue

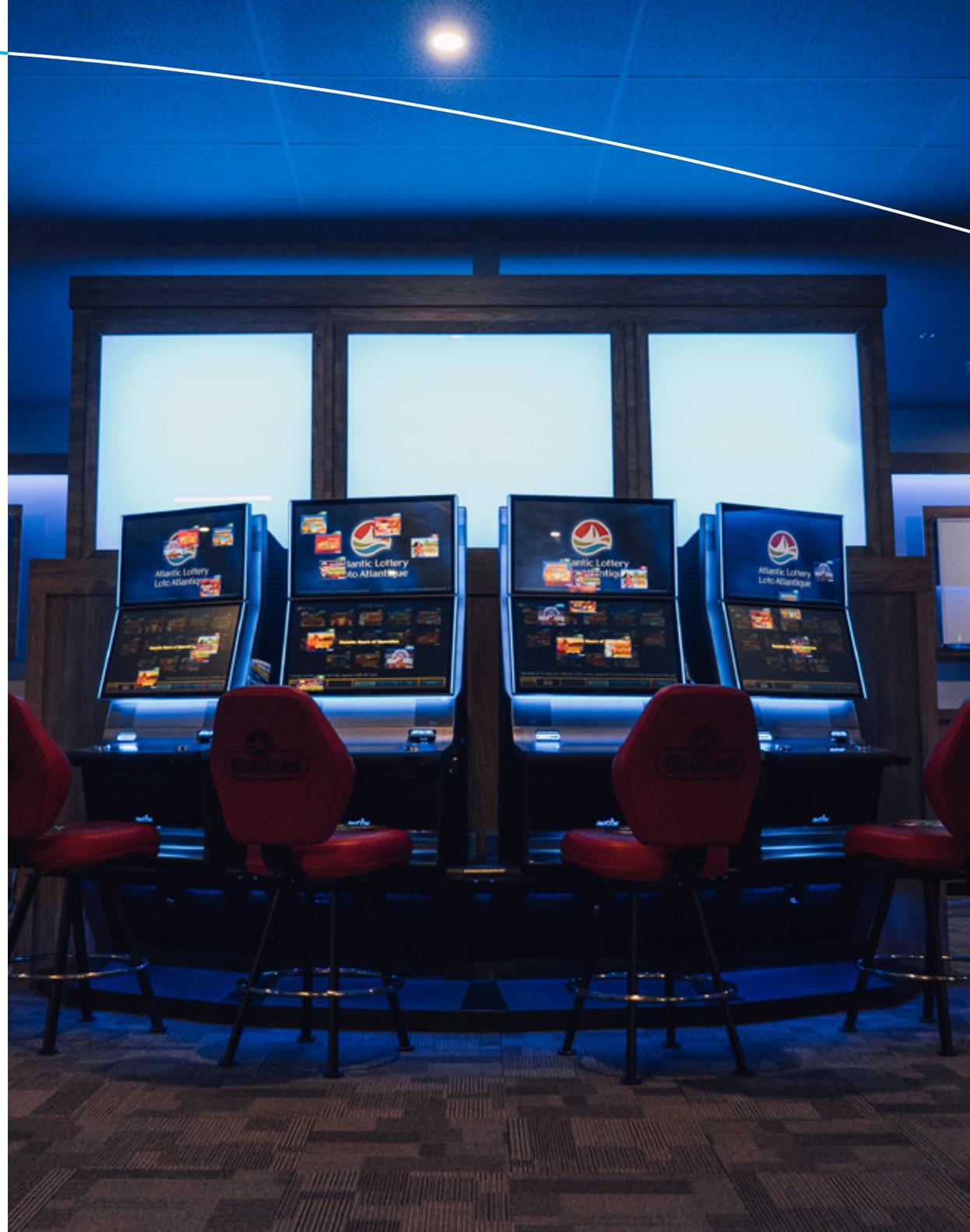
Sports Games Net Revenue (in millions)



Business Overview: Video Lottery

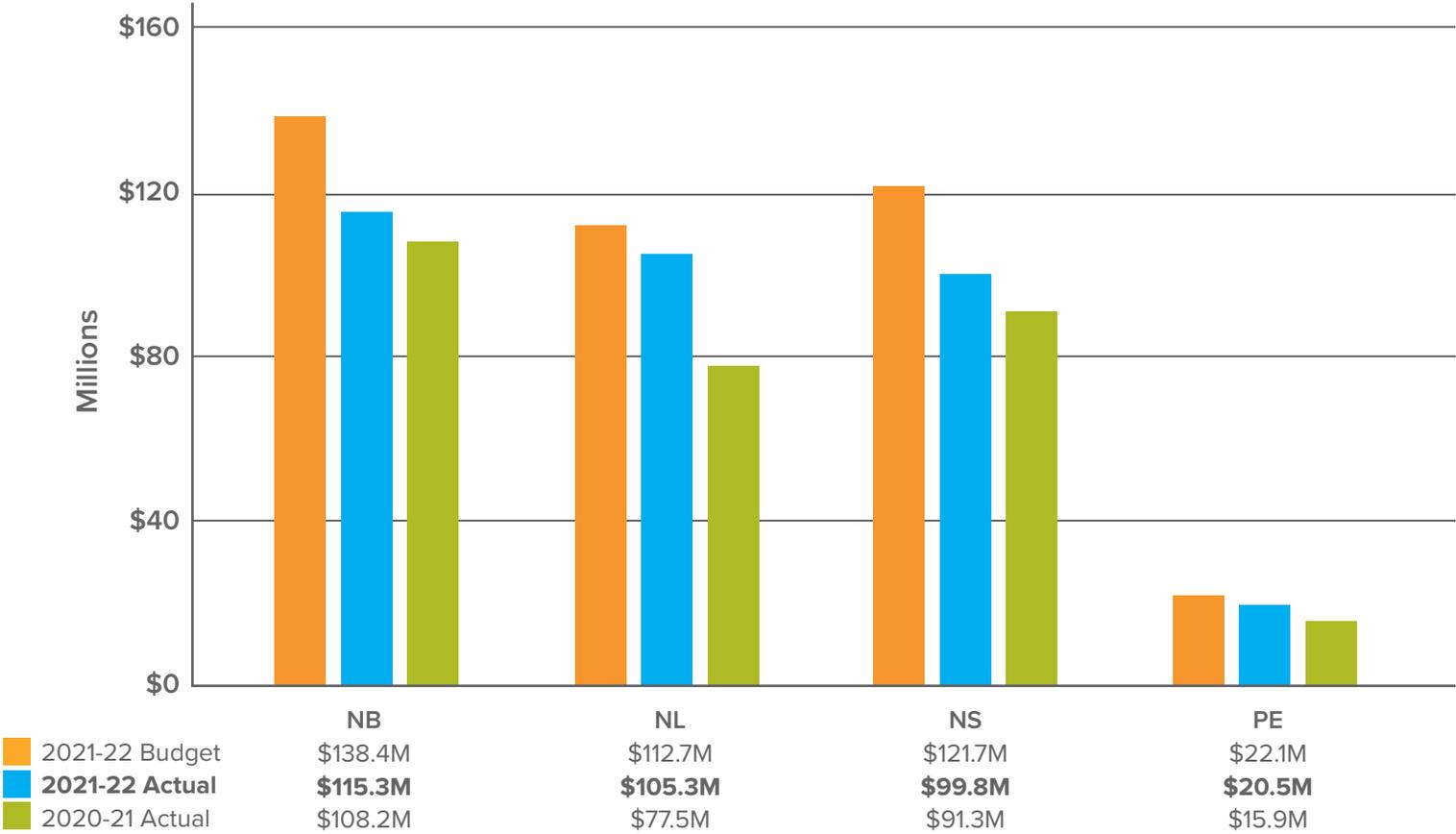
Video Lottery net revenue in 2021-22 was reported at \$340.9 million, an increase of \$48 million or 16 per cent compared to the prior fiscal year. In 2021-22, COVID-19 was the main driver of under-performance as operations were impacted by changing mandates and provincial and regional shutdowns.

Throughout the fiscal year, Video Lottery operations were impacted by several public health directives and closures across the region. As a result, Video Lottery fell short of its budget by \$53 million, with a projected impact of \$55 million from public safety measures to protect citizens in response to the COVID-19 pandemic.



Video Lottery Net Revenue

Video Lottery Net Revenue by Province (in millions)



Business Overview: Red Shores

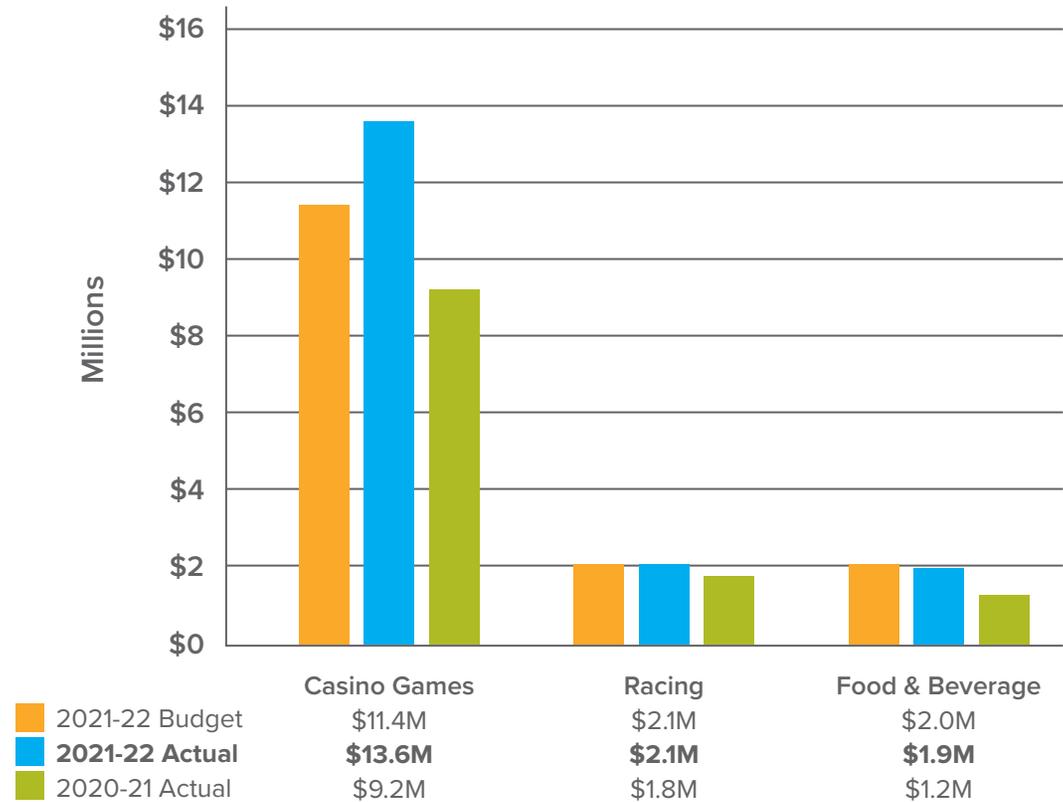
Red Shores' net revenues achieved \$17.6 million for 2021-22, a growth of \$5.4 million or 45 per cent over the previous fiscal year. While mandated COVID-19 measures remained in place throughout the year, Red Shores was able to modify operations and remain open for most of the year while providing a safe experience for guests. It is estimated Red Shores' gross gaming revenue (GGR) was reduced by \$486,000 due to a 13-day mandated closure. Falling just short of budget, food and beverage was the line of business most impacted by changing mandates.





Red Shores Net Revenue

Red Shores Net Revenue by Category (in millions)



Financial Highlights – Provincial Net Profit (\$ in '000s)

	Provincial Net Profit*							
	New Brunswick		Newfoundland & Labrador		Nova Scotia		Prince Edward Island	
	2022	2021	2022	2021	2022	2021	2022	2021
Net ticket sales	113,898	95,497	128,639	101,328	128,724	115,179	21,094	18,750
<i>Prizes as % of sales</i>	51%	54%	54%	54%	53%	54%	56%	56%
Net video lottery receipts	115,167	108,253	105,257	77,420	102,991	91,270	20,475	15,885
Entertainment centre revenue	-	-	-	-	-	-	17,609	12,021
Net revenue	229,065	203,751	233,895	178,748	231,716	206,449	59,178	46,655
Direct expenses	38,915	34,354	48,374	36,047	38,492	34,552	8,832	7,042
Gross profit	190,150	169,396	185,521	142,701	193,224	171,897	50,346	39,614
<i>Gross profit as % of net revenue</i>	83%	83%	79%	80%	83%	83%	85%	85%
Operating and administrative expenses	28,336	27,677	27,699	26,668	29,513	30,181	18,727	16,802
<i>Operating expenses as % of net revenue</i>	12%	14%	12%	15%	13%	15%	32%	36%
Capital-related costs	7,229	8,925	6,770	8,006	8,716	10,564	3,376	3,570
Other expenses and distributions	15,247	14,198	15,905	13,682	14,829	12,255	4,752	4,536
Net profit	139,337	118,597	135,147	94,344	140,166	118,897	23,490	14,706
<i>Net profit as % of net revenue</i>	61%	58%	58%	53%	60%	58%	40%	32%
<i>Number of lottery retail terminals</i>	816	820	839	855	986	998	155	154
<i>Number of video lottery terminals</i>	1,741	1,846	1,855	1,920	1,953 ¹	1,931 ¹	299	301
<i>Profit distribution per capita²</i>	216	189	314	219	172	152	177	120

¹ Does not include First Nations sites

² Includes Atlantic Canadians aged 19+ only

* Provincial Net Profit is based on Atlantic Lottery's non-consolidated financial statements

* Figures are rounded

Financial Highlights – Corporate Net Profit (\$ in '000s)

	Corporate Net Profit*				
	2022	2021	2020	2019	2018
Net ticket sales	392,355	330,754	304,846	325,137	297,395
<i>Prizes as % of sales</i>	53%	54%	57%	56%	57%
Net video lottery receipts	343,890	292,828	397,581	420,879	439,136
Entertainment centre revenue	17,609	12,021	18,688	18,819	19,626
Net revenue	753,854	635,602	721,115	764,835	756,157
Direct expenses	134,613	111,995	134,450	143,129	148,532
Gross profit	619,241	523,608	586,665	621,706	607,625
<i>Gross profit as % of net revenue</i>	82%	82%	81%	81%	80%
Operating and administrative expenses	104,275	101,328	108,793	110,173	101,562
Capital-related costs	26,091	31,065	33,693	34,044	31,490
Other expenses and distributions	50,734	44,671	48,752	55,265	55,348
Net profit	438,141	346,544	395,427	422,225	419,225
<i>Net profit as % of net revenue</i>	58%	55%	55%	55%	55%
<i>Number of lottery retail terminals</i>	2,796	2,827	2,896	2,948	2,977
<i>Number of video lottery terminals</i>	5,848 ¹	5,998 ¹	6,301 ¹	6,276 ¹	6,317 ¹

¹ Does not include Nova Scotia First Nations sites

* Corporate Net Profit is based on Atlantic Lottery's non-consolidated financial statements

* Figures are rounded



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