



# Atlantic Lottery

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## Annual Report 2022-2023



# 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.



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## Chair Message

It is my pleasure to introduce Atlantic Lottery's 2022-23 annual report, highlighting our strong performance and remarkable achievements throughout the fiscal year.

In 2022-23, Atlantic Lottery returned a total of \$492.2 million in profit to the four provincial governments while reinforcing our commitment to promoting healthy play across all of our products. Social responsibility remains a vital priority, and is something we consider and incorporate throughout our operations, from the events and organizations we choose to support, to the responsible gambling tools we provide on alc.ca.

Among the positive financial results across many categories, the further growth of iGaming in particular continued to propel Atlantic Lottery's ability to generate returns to our shareholders. We have embraced digital transformation in recent years, with increased focus and investment to compete in the online space and exceed our players' expectations. Our iGaming net revenue increased by 30.2 per cent over the previous year, reflecting our success in adapting to changing market dynamics and providing seamless online entertainment experiences.

This achievement is a reflection of the collective efforts of our dedicated employees. In addition to strengthening our market position, our success also demonstrates our ability to leverage technology for responsible growth. This evolution will continue and is by its very nature an ongoing part of ensuring the sustainability of our business.

Our ability to compete is now more important than ever. As a result of legislative and regulatory changes outside our region, the Canadian sports betting and online gambling

landscape has shifted dramatically in recent years. Atlantic Canadians are playing on and seeing advertising from other gambling websites without realizing they cannot legally operate or advertise in Atlantic Canada, under Canadian and provincial law.

As the only legal and government-regulated provider of online gambling and sports-betting products in Atlantic Canada, Atlantic Lottery provides those who choose to play with a responsible and local alternative. It is a privilege to perform this unique role, which allows us to make a positive contribution to the region – not only in the form of returning profit to governments, but through employment, direct and indirect economic impacts, community sponsorships and more.

Our steadfast focus on our dual mandate of delivering value to our shareholders while providing legal, regulated and responsible products remains as sharp as ever. It has been the defining trait of Atlantic Lottery since its creation in 1976 and will remain at the heart of everything we do into the future.

Sincerely,



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



Reaching new heights



Making a meaningful contribution to Atlantic Canadians

## CEO Message

As you read through the pages of this report, I hope you will be instilled with a sense of pride and confidence that our publicly and locally owned organization is having a positive impact on our communities and the region we call home.

In 2022-23, Atlantic Lottery was proud to continue to give back to local communities – not only by returning \$492.2 million in profit to the Atlantic Canadian governments but also by supporting and sponsoring events and organizations throughout our region, including a wide range of concerts, sporting events and cultural activities.

A key component of our purpose is to make a meaningful contribution to all Atlantic Canadians; it's something we consider in everything we do and I'm grateful to our dedicated employees who live these values every day. Social responsibility remains at the core of Atlantic Lottery's operations, and we look forward to advancing further down this path in the year ahead by introducing enhanced environmental, social and governance practices.

Our strong results over the past year suggest we are achieving another important element of our purpose: delighting our players. With illegal gaming sites on the rise over recent years, Atlantic Lottery has evolved our offerings to remain competitive, particularly within the digital sphere. I'm pleased to see that our products are resonating with our players and that they are enjoying Atlantic Lottery games for entertainment.

In this year's annual report, you can read more about our new Healthy Play Policy, which all alc.ca players must agree to when playing our games online. In the policy, we outline our approach to proactively support high-risk players, as well as Atlantic Lottery's responsible gambling (RG) tools. The policy demonstrates that how we make profit is just as important as how much profit we make.

It's crucial to us that our customers enjoy our products responsibly, which is why we provide tools like age and identity verification, as well as mandatory and optional limits to help customize play. In recognition of our

continuous improvement of resources for our players and our demonstrated commitment to healthy play, we once again received the World Lottery Association Level 4 Recertification in October 2022, the highest level of accreditation available.

I am proud of everything we've accomplished over the past year while sharing our joy of play and our love of this place with Atlantic Canadians. I hope you'll join us in the year ahead as we continue to support and attend events, give back to our communities and provide fun games as entertainment.

Sincerely,

**Patrick Daigle**  
President and CEO

# Executive Summary

In 2022-23, Atlantic Lottery is proud to have returned \$492.2 million to the four Atlantic Canadian provinces to help fund essential programs and services. As always, this regional support is balanced with our commitment to social responsibility.

Our increase in profit of \$54.1 million over the previous year was driven by strong performance within several lines of business, as well as the launch of Nova Scotia's online casino.

Overall, in 2022-23, \$262.8 million was delivered from the Destination line of business and \$229.4 million from the Retail and iLottery lines of business. The Destination line of business result was \$18.5 million over budget while the Retail and iLottery lines of business also exceeded their commitment to the provinces by \$29.6 million.

In addition to the profit distributed to the provincial governments, Atlantic Lottery remitted \$54 million to the provincial and federal governments in taxes and federal contributions.

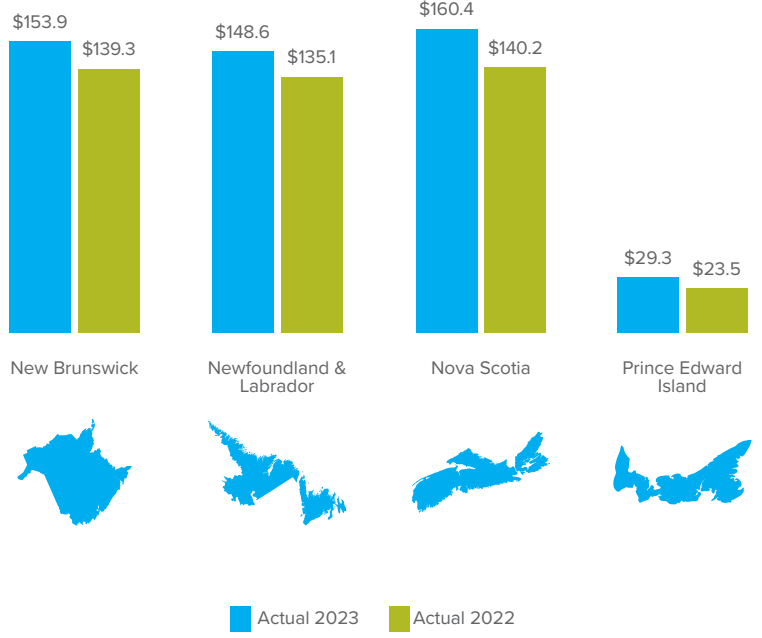
The launch of Nova Scotia's online casino propelled the continued growth of the alc.ca platform in 2022-23, surpassing the prior year. The iLottery share of net profit remained consistent at 18 per cent in 2022-23, while the share of gross gaming revenue from the iLottery line of business increased one per cent from the prior year.

Thanks to leading-edge product offerings and the continued emphasis on Atlantic Lottery as the only legal and government-regulated provider of online gambling and sports-betting products in the region, alc.ca continues to be popular, with great potential for continued growth. 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 continue to enter the market.

Red Shores delivered a profit of \$5.7 million, representing an increase over budget of 91 per cent. This was the most profitable year in Red Shores' history, which was driven by strong results on the gaming floor.

Thanks to another successful year, Atlantic Lottery continues to invest in our business with a focus on our environmental, social and governance practices. We have grown our employee base to support our business-to-business and business-to-customer model. Additional capital investments in video lottery terminals were necessary to enhance our player experience. Atlantic Lottery also invested in iLottery and e-commerce to facilitate new offerings, allowing us to provide relevant and engaging products in an increasingly competitive industry.

Profit by Province (in millions)



# Community Impact Report

Atlantic Lottery is a purpose-driven organization, committed to building a stronger Atlantic Canada by giving back to our communities, making meaningful contributions and promoting healthy play. In addition to providing entertaining offerings, it's of the utmost importance to us that our players enjoy our products responsibly and take pride in the knowledge that all of Atlantic Lottery's profit supports key programs and services throughout the four Atlantic provinces.

Atlantic Lottery is proud to be the only legal provider of online gambling and sports betting products in the region. We recognize that Atlantic Canadians are seeing more and more advertisements from illegal gambling sites without realizing they are not legally permitted to operate or advertise within the region. Unlike Atlantic Lottery, their profit does not stay in Atlantic Canada.

While Atlantic Lottery continues to evolve with the ever-changing global gambling industry to ensure we deliver on our mandate to contribute positively to the region, our social impact remains at the forefront of everything we do. We are currently in the beginning stages of launching on an intentional social purpose journey, and we are excited to share updates and milestones during the year ahead.

In this 2022-23 Community Impact Report, we look forward to sharing our progress in a number of areas, including our healthy play commitment; corporate social responsibility; environmental, social and governance (ESG) practices; the Inclusion, Diversity, Equity and Accessibility (IDEA) Leadership Council; and regional support.



# Community Impact Report



## HEALTHY PLAY COMMITMENT

As a regulated and responsible provider of online gambling and sports-betting products, Atlantic Lottery has a long history of prioritizing healthy play. In October 2022 we marked a significant milestone in this ongoing commitment with the introduction of our Healthy Play Policy. Players on alc.ca are required to agree to this policy to play our games online. It includes key evolutions in how we support our players, building on existing tools and practices, and solidifies Atlantic Lottery's interactive and proactive role in helping players identify warning signs and adjust behaviours when play habits change.

Our Healthy Play Policy outlines the potential for proactive interaction by Atlantic Lottery to support high-risk players, including exclusion from direct marketing communications and customized healthy play messaging based on play patterns. The policy also includes Atlantic Lottery's definition of healthy play, which is:

**Playing for fun and entertainment with an understanding of how the games work, being able to decide how much time to spend, and playing within a player's means.**

The Healthy Play Policy also highlights the responsible gambling (RG) tools available for players on alc.ca. Our online RG tools have been endorsed by two independent world-leading accreditation programs: the World Lottery Association Level 4 Recertification, which we have held since 2010, and the RG Check Accreditation from the Responsible Gambling Council, which we received in 2022. The Red Shores Racetrack and Casino in Charlottetown has also maintained the RG Check Accreditation since 2013. Both endorsements focus on the continuous improvement of our RG tools and highlight our company-wide commitment to incorporate healthy play in everything we do. These accreditations recognize that Atlantic Lottery goes above and beyond to encourage healthy play, engaging in activities such as conducting gambling research and social responsibility assessments; providing training for employees, retailers and video lottery operators; and implementing age verification compliance monitoring.

We continue to offer a wide range of player tools on alc.ca, including mandatory age and identity verifications and mandatory weekly deposit limits, as well as optional daily wager and time limits, session time caps, pop-up reminders, a personalized PlayWise rating, and 24-hour break in play or self-exclusion options.

Healthy play is a key contributor to building sustainable growth, as well as a key differentiator that sets Atlantic Lottery apart from illegal gambling sites that cannot legally operate or advertise in Atlantic Canada under federal and provincial laws. By prioritizing healthy play and known play, we understand an individual's play habits and are able to create more meaningful and relevant interactions with our players.

## CORPORATE SOCIAL RESPONSIBILITY

Atlantic Lottery is a publicly owned corporation as well as a regulated and responsible gambling provider. As such, we consider social responsibility in everything we do. Our commitment to social responsibility means contributing to Atlantic Canada in ways that deliver net positive benefits. As part of this process, we complete social responsibility assessments whenever we plan to launch a new product line, individual game, contest or promotion, advertisement or social media content.

These assessments include consideration of the product or initiative's user profile, demographics, risk level, relevant research, impact on existing healthy play messaging and resources, as well as any social responsibility risks and planned mitigations. This provides us with the information we need about whether a new product should be introduced, a new marketing approach undertaken or a new project initiated.

Unlike illegal gambling sites, which may make misleading claims in their advertisements, Atlantic Lottery adheres to strict advertising standards. Among other criteria, these standards mean that our advertising must provide factual information, make no false statements, provide important information to support informed choices and not exaggerate players' chances of winning. We do this because we know an informed player is more likely to make healthy decisions about their play.



# Community Impact Report



## OUR ESG JOURNEY

While Atlantic Lottery has a history of strong social responsibility programs, including healthy play, employee wellness, community sponsorships, asset disposal and an ethics hotline, we recognize that the wider environmental, social and governance (ESG) landscape is always evolving. We are exploring new approaches to improve our practices in these areas across our operations, ensuring we continue to progress forward and live our corporate values every day. Some of our ESG highlights from 2022-23 include:

### Environmental

Atlantic Lottery participates in the PrintReleaf program for our retail lottery tickets. The program measures our paper footprint, and trees are planted in areas that need it most based on the volume of paper we use. This partnership contributes to reforestation, helping to reduce our impact on the environment and promote sustainability.



### Social

As part of a commitment to Truth and Reconciliation, Atlantic Lottery hosted an Indigenous Ally Training Workshop for employees in September 2022, focused on Indigenous history, culture, treaty education and Truth and Reconciliation. This was an opportunity to commemorate the renaming of the Wabanaki Room and Mawiomi Place at our head office. We also featured town hall and intranet discussions to promote and enable reflection in advance of the National Day for Truth and Reconciliation, which was provided as a day off for Atlantic Lottery employees to reflect the importance of this date.



For over 17 years, Atlantic Lottery has hosted Community Partnership Day events throughout Atlantic Canada as part of our commitment to the region and our objective to encourage healthy play and support those who are experiencing concerns related to their gambling. This year, we hosted the Community Partnership Day 2022-23 Webinar Series, focused on topics such as youth gambling behaviours and prevention, problem gambling and treatment approaches, and mindfulness-based relapse prevention for problem gambling. Atlantic Lottery is dedicated to hosting events that focus on the various gambling-related training needs of our community partners. These sessions are open but not limited to treatment providers, community service providers, financial advisors, counsellors, educators and peer support group leaders.

### Governance

Atlantic Lottery made appearances at the Public Accounts committees of the Nova Scotia and New Brunswick legislatures in 2022-23, demonstrating our accountability to shareholders, the public and the media.

Atlantic Lottery's Board of Directors determines the corporation's strategic direction and corporate policies, guides business operations, and approves the annual business plan, operating and capital budgets. In 2022-23, the Board pursued numerous key priorities and focus areas, including:

- An ongoing focus on diversity, equity and inclusion within the corporation, which is now included as part of the onboarding process for new directors and the annual development activities;
- Establishing cybersecurity as an ongoing priority for the Board;
- The completion of the previously announced Total Rewards review in June; and
- Identifying ESG as a focus area for 2023-24, with the support of the Social Responsibility and Sustainability Committee.

The Board held nine meetings in 2022-23, with an average attendance rate of 98 per cent. The Board also held 20 committee meetings over the course of the year, with an average attendance rate of 90 per cent. As part of its ongoing commitment to transparency and continuous improvement, the Board is now making detailed attendance information about its full and committee meetings publicly available on [alc.ca](https://www.alc.ca).





# Community Impact Report



## IDEA LEADERSHIP COUNCIL

First established in 2018, Atlantic Lottery's Inclusion, Diversity, Equity and Accessibility (IDEA) Leadership Council's purpose is to promote and foster an inclusive, diverse, equitable and accessible workplace environment within the organization and influence Atlantic Lottery's IDEA Strategy. Drawn from across the organization, these leaders make a visible commitment and are accountable for driving an IDEA culture at Atlantic Lottery.

The council's impact and accomplishments help make Atlantic Lottery a better place to work, where employees are able to live their values and help build stronger communities. In 2022-23, the council led a number of projects on behalf of the organization, including:

- Implementing a Citizenship Ceremony Leave Policy and a Hybrid Work Program
- New brand guidelines that consider accessibility standards and inclusive language
- Inclusive casting calls for advertising campaigns
- Taking steps toward Truth and Reconciliation with Indigenous Treaty Partners
- Intercultural Development Inventory assessments and Cultural Competence training for the executive team and Board of Directors
- A workshop in honour of Black History Month offered to employees titled Embrace Who You Are in a Highly Diverse World
- The launch of a diversity meter to measure Atlantic Lottery's demographic representation and feelings of inclusion through a confidential survey
- Organization-wide training sessions, including A Civil and Respectful Workplace and Psychological Safety at Work
- An ongoing review of Atlantic Lottery's accessibility compliance on alc.ca and mobile apps



“ Building a diverse workforce and a culture of inclusion, equity and accessibility is something that is recognized and important at Atlantic Lottery. As part of the IDEA Leadership Council, I have an opportunity to contribute toward this agenda which helps me become a better person every day. I get to share my experiences and participate at Atlantic Lottery and community events to enrich my knowledge and build my people skills to the next level. ”

**Manisha Gawde,**  
Atlantic Lottery Project Manager

# Community Impact Report



## REGIONAL SUPPORT

Atlantic Lottery is committed to building a stronger Atlantic Canada by giving back to our communities. Each year, we proudly sponsor more than 100 community events that have important cultural, social and economic impacts across the region. Our goal is to reach community festivals and events in every corner of Atlantic Canada.

In addition to our Community Festival and Events Program, Atlantic Lottery's Corporate Sponsorship Program provides financial support to community initiatives with the goal of strengthening the region.

We have formally incorporated inclusion, diversity, equity and accessibility considerations into the selection of events we choose to support and partner with. This ensures our sponsorship program promotes inclusion and reflects the diversity that exists within the region, including partnering with events such as Halifax Pride, the St. John's African Roots Festival and the DiverseCity Festival in P.E.I.

**For transparency, all events Atlantic Lottery sponsors are now posted [online](#).**



### Additional support for community initiatives and causes this year included:

- A **\$50,000 donation to the Red Cross** to support Hurricane Fiona relief efforts
- A **\$31,350 donation to the United Way** – Greater Moncton and Southeastern New Brunswick in support of Ukrainian communities in Atlantic Canada
- **Volunteering sponsorship** for the 2023 PEI Canada Games
- Ongoing partnership with United Way, with Atlantic Lottery employees participating in payroll donations and annual Day of Caring events in the region
- Other donations and employee participation in charitable events throughout the region.



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

In 2022-23, **92 cents of every lottery dollar** stayed right here in Atlantic Canada. Every year, Atlantic Lottery returns 100 per cent of our profit to our shareholders, the four provincial governments of Atlantic Canada. But our impact in the region doesn't stop there. From awarding prizes to our players, partnering with independent retailers and creating direct and indirect employment across the region, we're helping to build a stronger Atlantic Canada while remaining committed to promoting healthy play.

### 38¢ Profit back to Atlantic Canada

We returned \$492.2 million in profit to the four Atlantic provinces in 2022-23, helping to fund services like health care, education and infrastructure in the region. Since Atlantic Lottery was created, we have returned more than \$11.9 billion to support the important services we all use.

### 10¢ Retailers in Atlantic Canada

Retailers received \$121.7 million in commissions – up more than \$10 million from the previous year. Our network of independent partners is made up of more than 3,600 Atlantic Canadian businesses that earn income from the sale of Atlantic Lottery products and create employment in our communities.

### 34¢ Winners in Atlantic Canada

Atlantic Lottery awarded \$440.1 million in prizes to winners from all over Atlantic Canada, even more than the previous year. Since 1976, we've handed out \$11.6 billion in prizes. That's a lot of giant cheques!

### 6¢ Operations in Atlantic Canada

Overall operations contributed indirectly to more than 8,300 jobs and \$1.9 billion in economic activity across the region, making Atlantic Lottery a significant driver of economic development.

### 4¢ Salaries & Benefits

Atlantic Lottery has employees throughout the four Atlantic provinces. We live in the region and are passionate about helping to make our communities a stronger and more vibrant place for everyone.

### 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

Like all businesses, Atlantic Lottery pays taxes to the government, resulting in further support for essential services for Atlantic Canadians and our communities.

## Breaking down the lottery dollar



## WINNERS

In 2022-23, 893 Atlantic Canadians won a prize of \$10,000 or more on Atlantic Lottery products. That's up from 792 major winners the previous year.

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

New Brunswick  
358

Newfoundland & Labrador  
193

Nova Scotia  
284

Prince Edward Island  
58



## Balanced Scorecard

### 2022-23 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
<b>FINANCIAL</b>		
Gross Gaming Revenue <sup>1</sup>	\$843.9M	\$810M
Net Profit	\$492.2M	\$460M
<b>PLAYER</b>		
Known Players <sup>2</sup>	346,328	371,336
Gambling Literacy Positive Play Score <sup>3</sup>	53.0%	65.0%
<b>OPERATIONAL</b>		
Digital Experience Value <sup>4</sup>	\$211.8M	\$190.0M
Operational Efficiency	\$2.06M	\$1M
Unfavourable Opinion Among Involved Atlantic Canadians <sup>5</sup>	27%	25.5%
<b>EMPLOYEE</b>		
Employee Development	81.2%	85.0%
Employee Engagement	65.8%	60%

<sup>1</sup> Revenue less prizes paid to players.

<sup>2</sup> 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.

<sup>3</sup> This score demonstrates how well our players are educated on our products. A higher percentage reflects a better educated player base.

<sup>4</sup> 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.

<sup>5</sup> This reflects the sentiment Involved Atlantic Canadians share toward Atlantic Lottery's products. A lower percentage indicates a more positive sentiment.

# Financial Position Overview

The below provides an overview of the financial position of Atlantic Lottery for the year ended March 31, 2023 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.

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 2022-23 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 continues to make capital investments in support of 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 our strategy to prioritize projects and ensure responsible cash management policies.

In 2022-23, the increase in total assets is driven by necessary capital investment in video lottery terminals and Atlantic Lottery's e-commerce platform to responsibly enhance our player experience. Further contributing is the growth in accounts receivable due to high top line sales, as well as increasing settlement terms to 28 days to better support Atlantic Canadian retailers.

Atlantic Lottery has financed these investments using a line of credit and short-term debt, driving the increase in liabilities and shareholder's equity. These increases are partially offset by the repayment of principal balances on previously existing debt obligations.

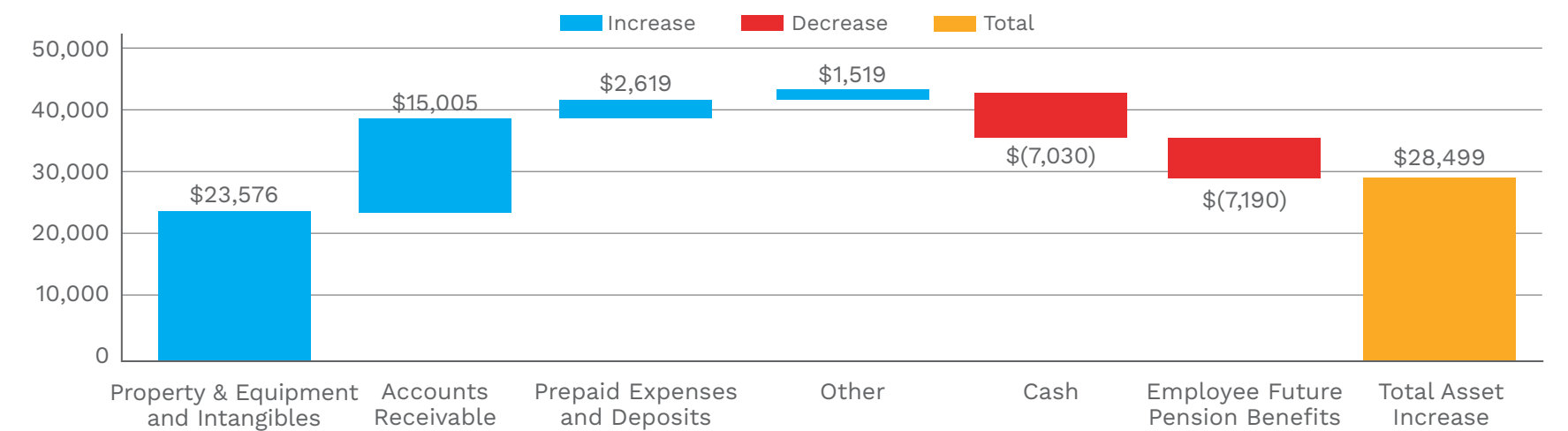
These results from 2022-23 demonstrate our organization's commitment to supporting Atlantic Canadians now and in the future. Atlantic Lottery is strategically positioned to continue to return a strong profit to the shareholders in a responsible manner.

## Consolidated Balance Sheet (thousands of dollars)

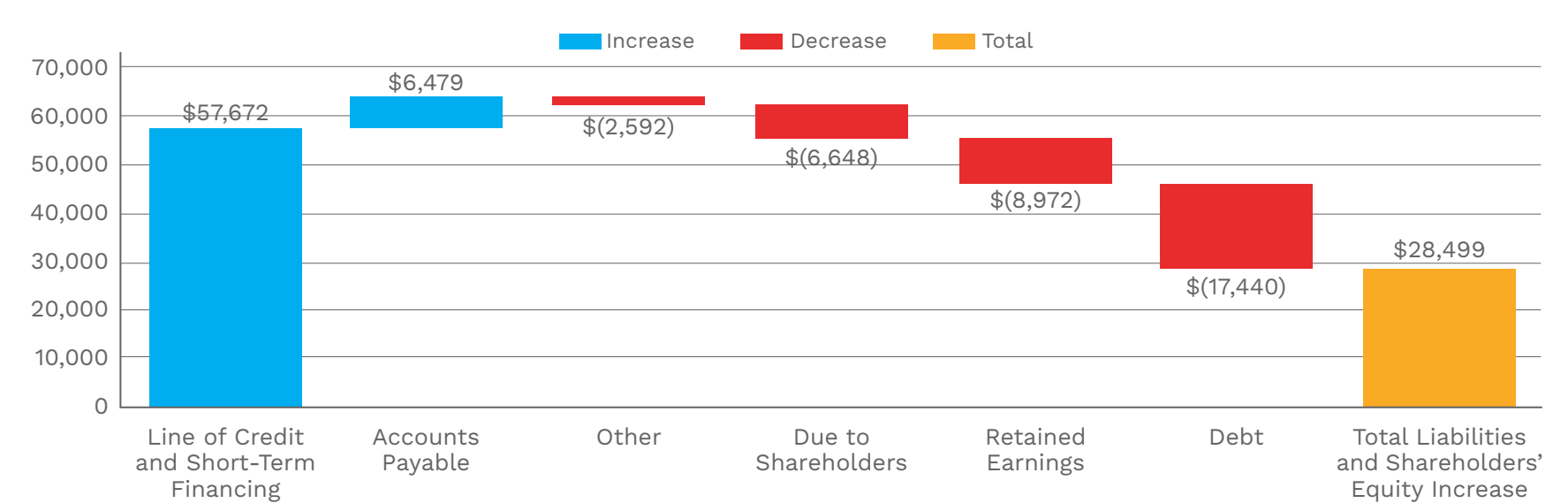
	2022-23	2021-22	Variance	
			\$	%
Total Assets	\$333,858	\$305,359	\$28,499	9.3%
Total Liabilities	\$215,234	\$178,772	\$36,462	20.4%
Total Shareholders' Equity	\$118,624	\$126,587	(7,963)	-6.3%

# 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)	2022-23	2021-22	Variance
<b>REVENUE</b>	<b>843,901</b>	<b>753,854</b>	<b>90,047</b>
Direct Expenses	150,025	134,614	15,411
<b>GROSS PROFIT</b>	<b>693,876</b>	<b>619,240</b>	<b>74,636</b>
Operating & Other Expenses	201,627	181,072	20,555
<b>NET PROFIT</b>	<b>492,249*</b>	<b>438,168</b>	<b>54,081</b>
Gross Profit % of Revenue	82.2%	82.1%	0.1%
Operating Expenses % of Revenue	23.9%	24.0%	-0.1%
Net Profit % of Revenue	58.3%	58.1%	0.2%

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

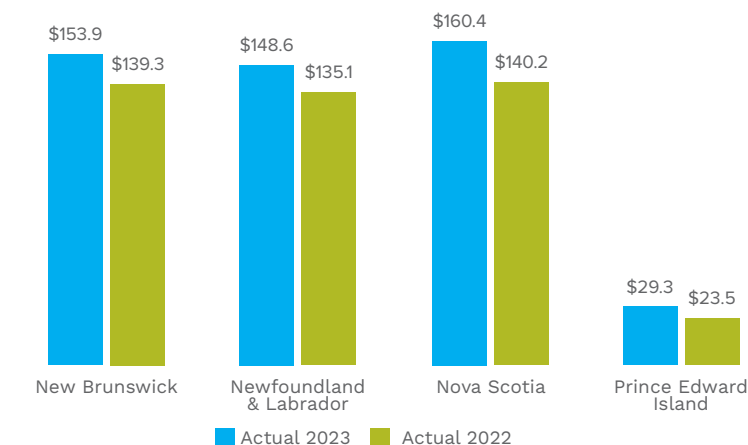
## Financial Position Overview

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 in both the Destination and iLottery lines of business. The most significant increase of \$52.7 million in the Destination line of business was driven primarily by video lottery returning to near pre-pandemic levels. This has been the first full year without any COVID-19-related restrictions since early 2020. There was also an increase in the iLottery line of business of \$9.2 million due to the successful launch of Nova Scotia's online casino.

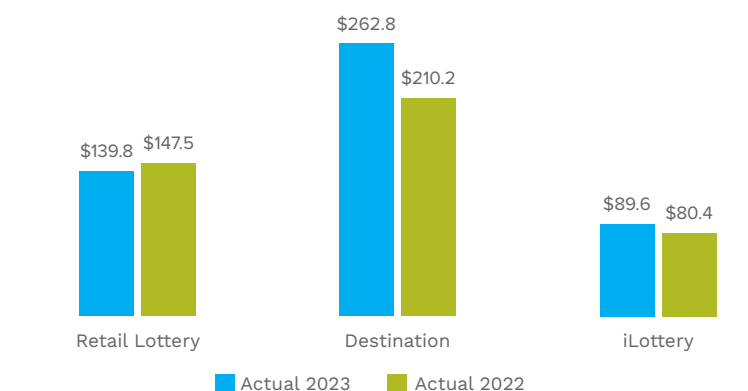
Direct expenses include commissions paid to retailers of \$121.7 million, up \$10.3 million or nine per cent from the prior year. The increase is tied directly to the higher revenue – specifically video lottery revenue – as the commission on that product is higher than products in the retail channel. Ticket and selling costs of \$28.3 million are \$5.1 million over the prior year, driven by the revenue share on iGames as performance continues to grow.

Operating and other expenses are up \$20.6 million from the prior year. Atlantic Lottery has remained diligent in monitoring where funds are spent to maximize the profit returned to the provinces. The overall increase is tied to the commitment to increasing player experience through the use of technology and marketing initiatives, as well as the growing workforce and outsourced services required to support those initiatives. In addition, increases in Bank of Canada rates during the year, combined with the capital investments financed with short-term debt, resulted in increased interest expense.

### Profit by Province (in millions)



### Profit by Line of Business (in millions)



## Consolidated Statement of Cash Flows

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

Operating activities present the net of cash inflows and outflows from regular business activities. 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 \$497.5 million generated in cash flow from regular business activities.

Investing activities represent the amount spent on property, equipment and intangible assets, as well as the net 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 2022-23 were the requirements to replace aging video lottery terminals and modernize our player offerings through a focus on digital enhancements.

Financing activities reflect cash inflows and outflows relating to debt. The purchase of new video lottery terminals was financed through short-term borrowing, representing the additional debt in 2022-23.

Overall, the net change for cash in 2022-23 is a decrease of \$7 million. Cash flows continue to be very positive, with liquidity risk being managed through forecasting and assessing cash flow requirements on an ongoing basis.



## Consolidated Statement of Cash Flows\*

(Thousands of dollars)	2022-23	2021-22
Operating Activities	497,516	478,610
Investing Activities	(47,729)	(15,663)
Financing Activities	35,415	(20,911)
Distribution to Shareholders	(492,232)	(438,138)
Change in Cash Balance	(7,030)	3,898
Opening Cash Balance	39,938	36,040
Closing Cash Balance	32,908	39,938

\*Cash flows presented using the indirect method.



## Business Overview: Draw Games

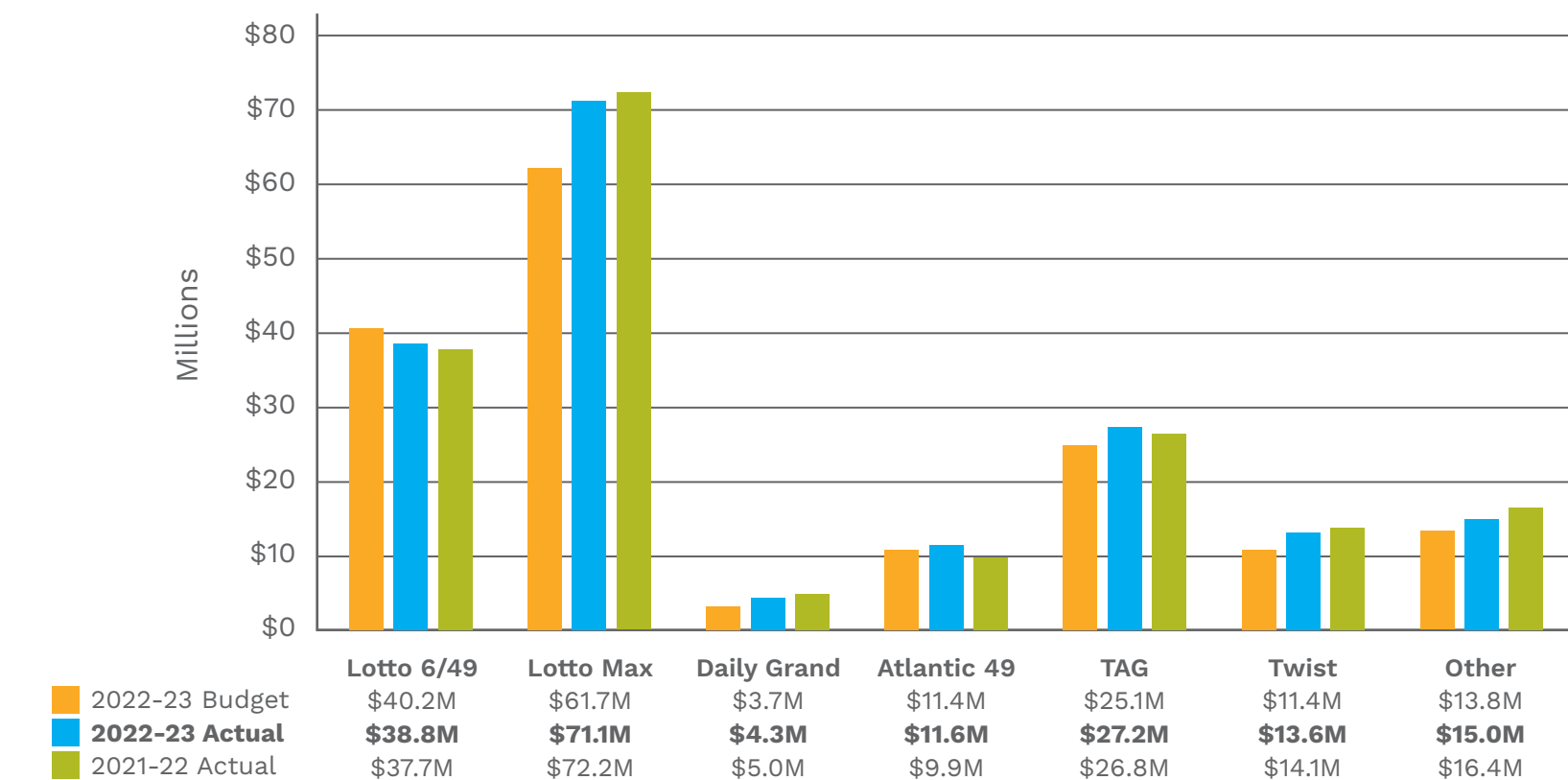
The draws category delivered net revenue of \$181.6 million in 2022-23, a decrease of \$600,000 or 0.3 per cent from the previous fiscal year.

Lotto 6/49 net revenue finished the year at \$38.8 million, an increase of \$1.1 million over 2021-22. Year-over-year growth was driven by the update to Lotto 6/49 in September 2022, which included the addition of the Gold Ball Jackpot draw. Lotto 6/49 experienced soft sales in the first half of the fiscal under the original game design, with sales results improving in the second half of the year due to the new game offering higher jackpots. Five Super Draw events took place, with a blended sales lift of 24.4 per cent. Lotto 6/49 received a 21.5 per cent share of sales on alc.ca, surpassing the budget of 20.3 per cent.

Net revenue for Lotto Max reached \$71.1 million, a decrease of \$1.1 million compared with 2021-22. When the Lotto Max jackpot reaches \$50 million, additional \$1 million Maxmillion draws are also offered. These Maxmillion events occurred 49 times in 2022-23, compared to 35 the previous year. This included 18 \$70-million jackpots, compared to 11 in the prior year. Total sales exceeded the budget due to a favourable roll pattern, however, actual sales in 2021-22 were higher due to the five record jackpots offered. Lotto Max had a higher share of sales on alc.ca than budgeted, with 22.8 per cent, compared to a budget of 20.3 per cent.

## Draw Games Net Revenue

Draw Games Net Revenue (in millions)







## Business Overview: Instant Games

Scratch’N Win net revenue was \$79.4 million in 2022-23, a decrease of \$2.4 million or 2.9 per cent from the previous year.

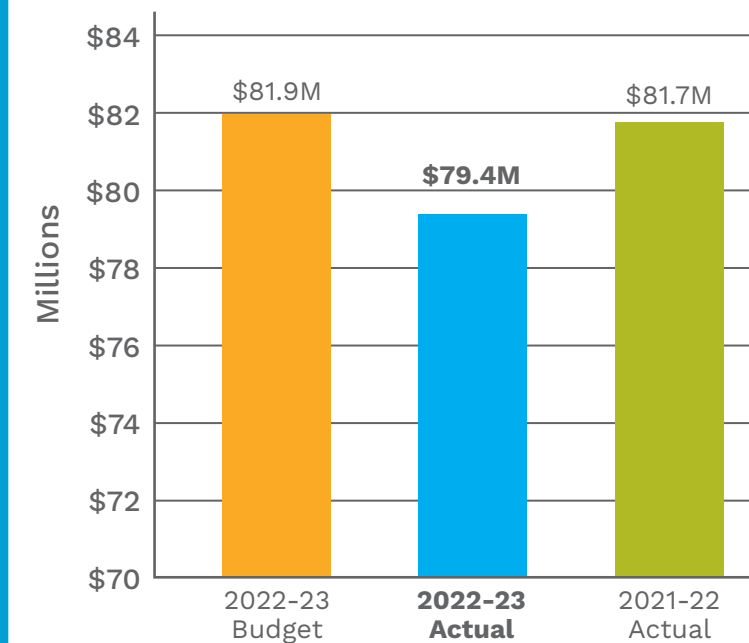
The year-over-year shortfall occurred primarily in the first four months of the fiscal year. In April 2021, Atlantic Lottery launched the Jackpot Family, a suite of games offering a \$5, \$10 and \$20 price point. These games remained in market for a year. When they were removed in April 2022, a significant number of buybacks were issued, leading to negative performance in the first quarter of the fiscal year. As of August, gross gaming revenue results in 2022-23 showed a slight increase over the previous year, offsetting some of the shortfall. All provinces except Prince Edward Island contributed to the year-over-year shortfall.

Performance varied by brand, with Crossword increasing almost one per cent year-over-year and Bingo decreasing by 22 per cent. The decline was the result of the launch of \$10 Bingo in 2021-22, which was not relaunched this year. National brands increased 36 per cent, as Atlantic Lottery launched more national games in 2022-23 than the previous year. Set for Life also saw a 5.6 per cent increase over the previous year.

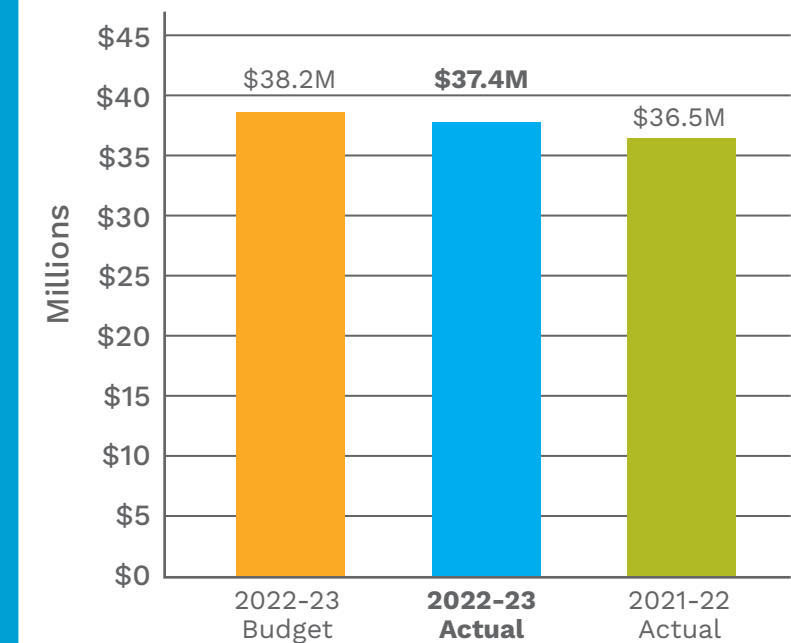
Breakopen net revenue was \$37.4 million, an increase of \$900,000 or 2.4 per cent over the previous year. The year-over-year growth was largely a result of the \$1 category. Flaming 7s, Atlantic Lottery’s \$1 core Breakopen game, increased by \$2.3 million over 2021-22. Year-over-year, performance improved in all provinces. However, the budget was not met due to softer than expected sales in Newfoundland & Labrador, which represents approximately 60 per cent of Breakopen revenues.

## Instant Games Net Revenue

### Scratch’N Win Net Revenue (in millions)



### Breakopen Net Revenue (in millions)





## Business Overview: iGames

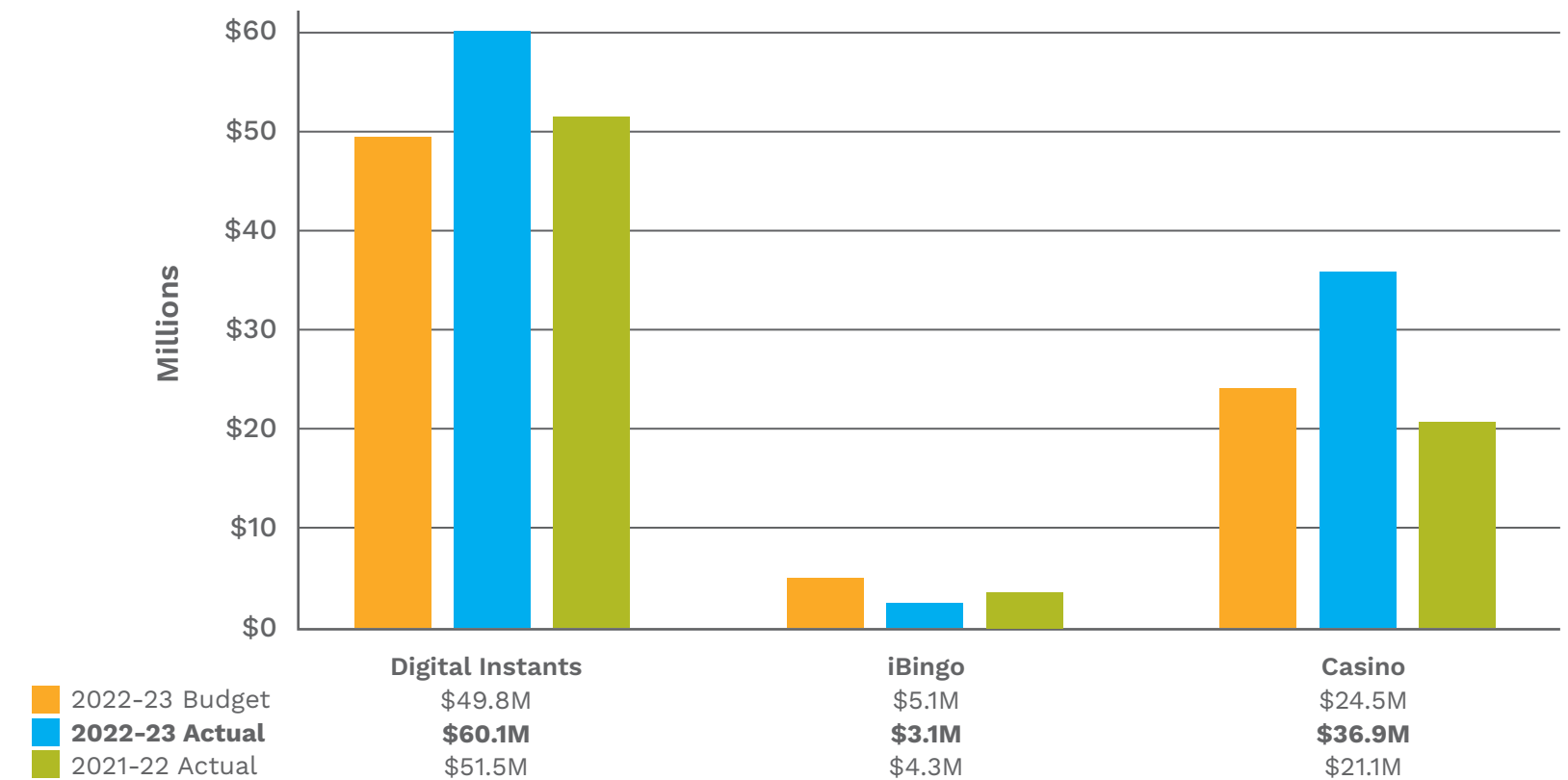
iGaming net revenue reached \$100.1 million in 2022-23, representing growth of \$23.2 million or 30.2 per cent over the previous year.

The growth of Digital Instants derived from the offering of progressive jackpots. These have been steadily added to the portfolio, continuing player engagement with the most popular games by diversifying our progressive mechanics. The strong growth of Casino correlates to the addition of the Nova Scotia market in July 2022, which increased the player base. In addition, a regular cadence of Digital Instants and Casino game launches and product features, supported with marketing tactics such as promotions and contests, contributed to the category's strong performance.

Atlantic Lottery continues to evolve our online offerings to meet the expectations of our players, while also remaining competitive in comparison with illegal gambling sites. We are committed to continuing to provide a high-quality online experience and are committed to expanding our best-in-class responsible gambling features, as demonstrated through the introduction of our new Healthy Play Policy.

## iGames Net Revenue

iGames Net Revenue (in millions)





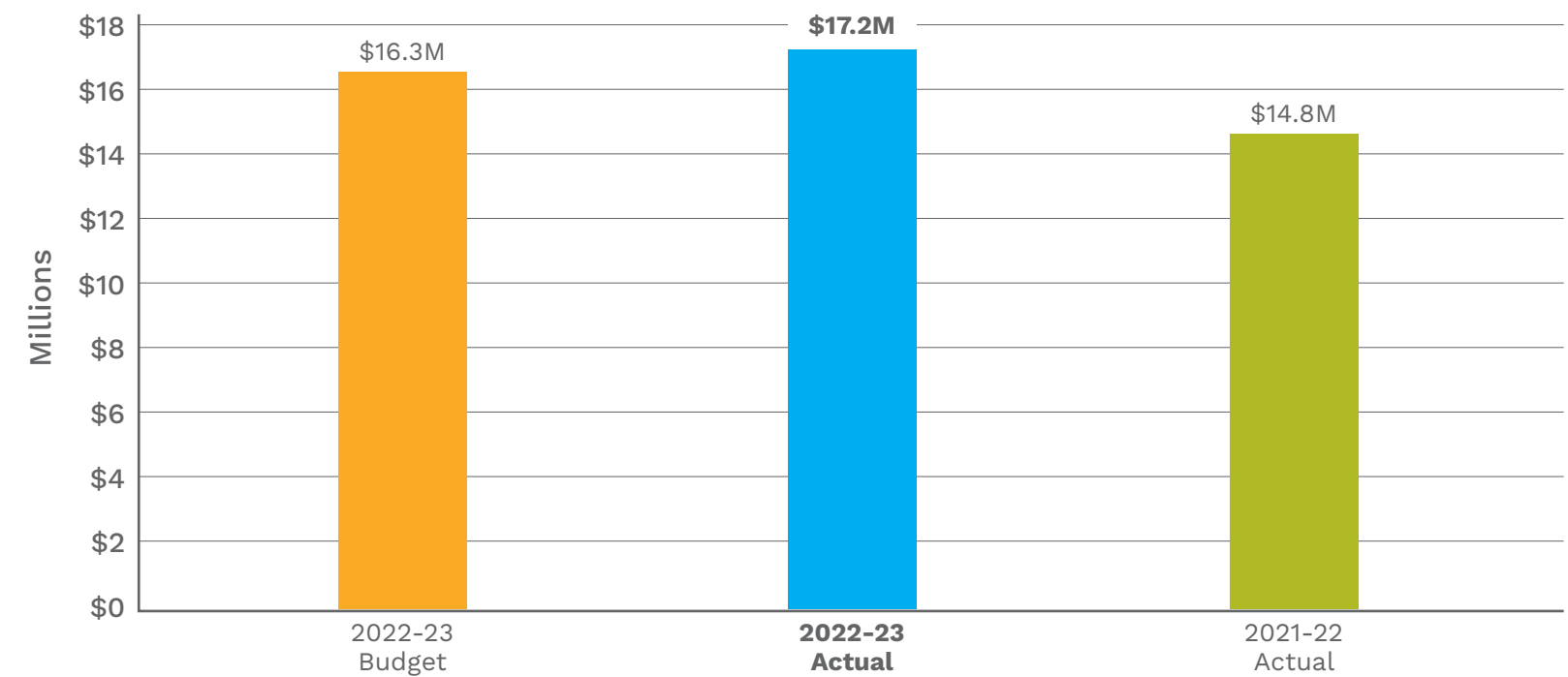
## Business Overview: Sports

In 2022-23, net revenue in the sports category was \$17.2 million, representing an increase of \$2.4 million or 16.3 per cent over the previous year.

The strong profit performance for PRO•LINE was primarily driven by prize expenses, which were lower than each of the two previous fiscal years, despite 2022-23 being the first full year of single-event sports betting. At 81 per cent of sales, parlay betting continues to be the more popular form of wagering with the PRO•LINE player base, helping to maintain strong profit margins. Digital sales – the sum of internet and QR code transactions completed at retail – as a proportion of total revenue continues to grow, finishing the fiscal year at 73.4 per cent, with QR code sales making up over half (51 per cent) of revenue at bricks-and-mortar venues. PRO•LINE’s player base growth increased slightly by 1.4% year-over-year. Despite a significant increase in local television ad spending from illegal sports betting sites that are not licensed to operate in Atlantic Canada, PRO•LINE’s player base grew by 1.4 per cent year-over-year.

## Sports Net Revenue

Sports Games Net Revenue (in millions)





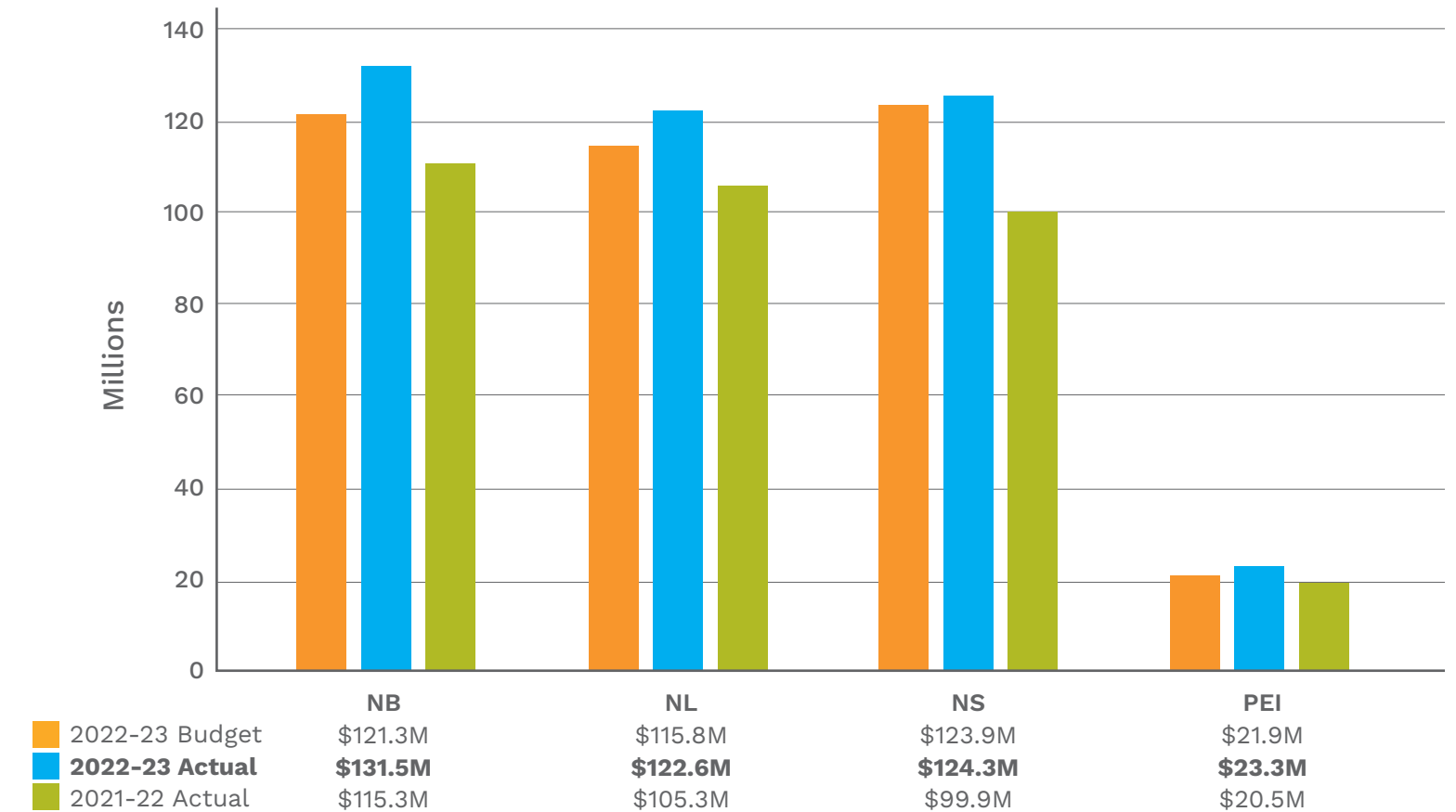
## Business Overview: Video Lottery

Video lottery net revenue in 2022-23 was reported at \$401.7 million, an increase of \$60.7 million or 17.8 per cent compared to the prior fiscal year.

In 2022-23, video lottery exceeded budget in all four provinces as this was the first full year with no restrictions or shutdowns since the COVID-19 pandemic began in early 2020. The rollout of newly purchased terminals and other ongoing investments to ensure a modern and enjoyable experience for players also contributed to growth. Play and revenue levels have largely returned to normal performance, achieving 96 per cent of pre-pandemic revenue.

## Video Lottery Net Revenue

Video Lottery Net Revenue by Province (in millions)





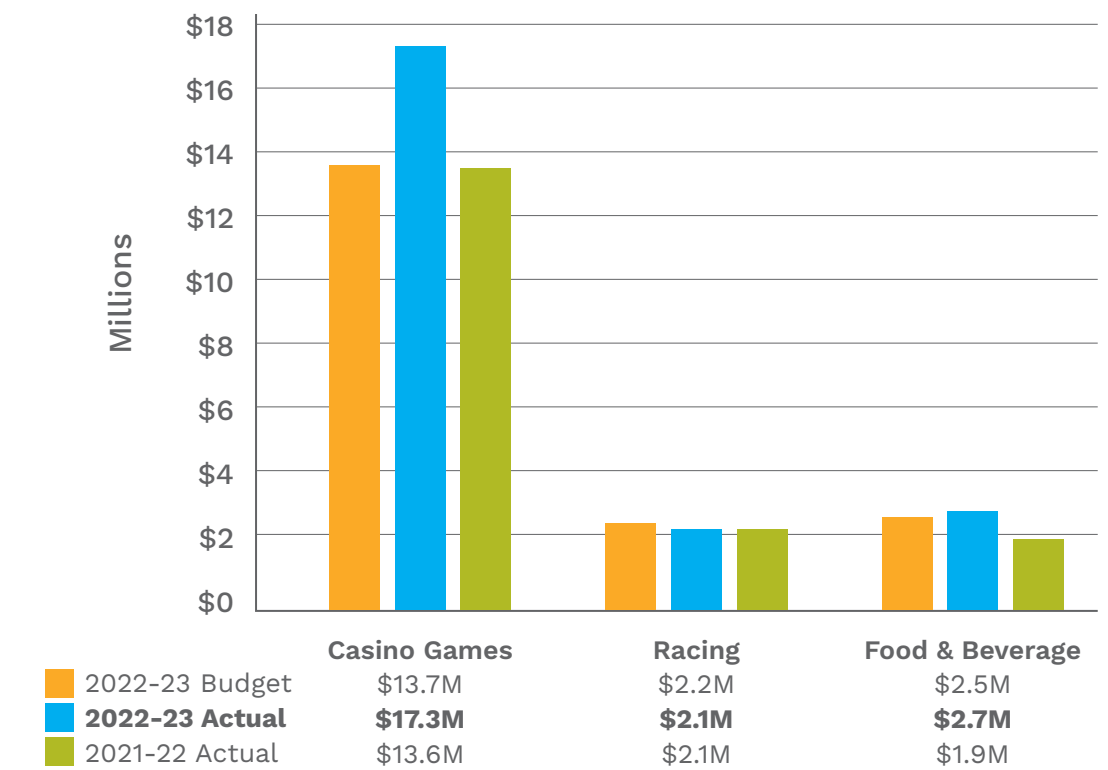
## Business Overview: Red Shores

Red Shores' net revenue achieved \$22.1 million in 2022-23, an increase of \$4.4 million or 25 per cent over the previous fiscal year.

Red Shores continued to normalize operations post-COVID measures, expanding activity in its three traditional lines of business: casino, racing, and food and beverage. Red Shores also introduced an events business, while continuing to provide a responsible play experience for guests. Racing was negatively impacted by the loss of two race cards due to the impact of Hurricane Fiona in September 2022 and fell just short of budget. Casino and food and beverage revenues both exceeded budget.

## 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Net ticket sales	121,957	113,898	135,420	128,639	134,965	128,724	23,628	21,094
Prizes as % of sales	49%	51%	53%	54%	52%	53%	54%	56%
New video lottery receipts	131,451	115,167	122,526	105,257	128,677	102,991	23,281	20,475
Entertainment centre revenue	-	-	-	-	-	-	21,996	17,609
<b>Net revenue</b>	<b>253,408</b>	<b>229,065</b>	<b>257,946</b>	<b>233,895</b>	<b>263,642</b>	<b>231,716</b>	<b>68,905</b>	<b>59,178</b>
Direct expenses	43,134	38,915	53,200	48,374	43,861	38,492	9,830	8,832
<b>Gross profit</b>	<b>210,274</b>	<b>190,150</b>	<b>204,746</b>	<b>185,521</b>	<b>219,781</b>	<b>193,224</b>	<b>59,075</b>	<b>50,346</b>
Gross profit as % of net revenue	83%	83%	79%	79%	83%	83%	86%	85%
Operating and administrative expenses	32,399	28,336	31,863	27,699	34,214	29,513	21,252	18,727
Operating expenses as % of net revenue	13%	12%	12%	12%	13%	13%	31%	32%
Capital-related costs	7,357	7,229	6,786	6,770	8,400	8,716	3,335	3,376
Other expenses and distributions	16,627	15,247	17,521	15,905	16,706	14,829	5,185	4,752
<b>Net profit</b>	<b>153,891</b>	<b>139,337</b>	<b>148,576</b>	<b>135,147</b>	<b>160,462</b>	<b>140,166</b>	<b>29,304</b>	<b>23,490</b>
Net profits as % of net revenue	61%	61%	58%	58%	61%	60%	43%	40%
Number of lottery retail terminals	827	816	847	839	959	986	150	155
Number of video lottery terminals	1,722	1,741	1,812	1,855	1,975 <sup>1</sup>	1,953 <sup>1</sup>	300	299
Profit distribution per capita <sup>2</sup>	\$243	\$216	\$352	\$314	\$202	\$172	\$237	\$177

<sup>1</sup> Does not include First Nations sites

<sup>2</sup> 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				
	2023	2022	2021	2020	2019
Net ticket sales	415,970	392,355	330,846	297,395	306,807
Prizes as % of sales	51%	53%	57%	58%	56%
New video lottery receipts	405,935	343,890	397,581	439,136	434,012
Entertainment centre revenue	21,996	17,609	18,688	19,626	19,259
<b>Net revenue</b>	<b>843,901</b>	<b>753,854</b>	<b>721,115</b>	<b>756,157</b>	<b>760,078</b>
Direct expenses	150,025	134,614	134,450	148,532	146,070
<b>Gross profit</b>	<b>693,876</b>	<b>619,240</b>	<b>586,655</b>	<b>607,625</b>	<b>614,008</b>
Gross profit as % of net revenue	82%	82%	81%	80%	81%
Operating and administrative expenses	119,639	104,186	108,793	101,562	105,054
Capital-related costs	25,491	25,950	33,693	31,490	32,549
Other expenses and distributions	56,497	50,936	48,752	55,348	54,473
<b>Net profit</b>	<b>492,249</b>	<b>438,168</b>	<b>395,427</b>	<b>419,225</b>	<b>421,932</b>
Net profits as % of net revenue	58%	58%	55%	55%	56%
Number of lottery retail terminals	2,783	2,796	2,827	2,896	2,948
Number of video lottery terminals	5,809 <sup>1</sup>	5,848 <sup>1</sup>	5,998 <sup>1</sup>	6,301 <sup>1</sup>	6,276 <sup>11</sup>

<sup>1</sup> Does not include Nova Scotia First Nations sites

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

\*Figures are rounded



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