

Financial briefing for Horse Racing Industry

Feb. 24, 2012

Agenda

- Introduction
- Flow of money through the industry
- Wagering analysis
- The Handle: a breakdown
- Questions

Flow of money through the industry

- Without wagering, there is no horse racing industry
- After the wagers are placed, here's what happens to the money

- 2011 calendar year – Money In
 - Total handle: \$171.6 million

Total of all revenue received through Live Wagering and Import Wagering from tracks, from Racebooks at tracks, from Teletheatres BC online and by phone (TBC/IVR) and from off-track betting facilities (TBC/Racebooks)

Total handle: \$171.6 million

Subtract:

- *Prize payouts (about 82% of Gross Wagers)*
- *Federal levies*

Add:

- *Breaks (rounding down of payouts to the nearest 10-cent increment)*
- *Outs (unclaimed winning tickets)*

- **Amount left: \$31.6 million**
(18.4% of Total Handle)

Amount left: \$31.6 million

Add:

- *Provincial betting levies collected and returned to Industry (\$5.1 million)*

Subtract:

- *Costs of running Gaming Policy & Enforcement activities (\$1.9 million per year)*

Add:

- *Simulcast Export revenues (\$0.7 million)*

Add:

- *Share of slots revenue from Fraser Downs (\$4.0 million)*
- *Share of slots revenue from Hastings (\$2.0 million)*
- *Top-up grant from Provincial Government (\$4.0 million)*

Add:

- *Additional TBC contributions and interest earned (\$1.2 million)*

Subtract:

- *TBC operating expenses (\$13.0 million)*

Subtract:

- *Industry Marketing Fund administered by BCLC (\$0.8 million)*

- New subtotal: \$32.29 million

This amount is then allocated to the three industry participants according to the funding formula in place for 2011:

- Track Operator – 50%
- T-Breds – 30%
- S-Breds – 20%

2011 Funding Allocations

- Great Canadian Gaming (Track Operator)
-- \$16.18 million
- Thoroughbreds -- \$9.67 million
- Standardbreds -- \$6.44 million

- For 2012, BC Horse Racing Industry Management Committee made a change to the allocation formula, responding to proposals put forward by both breeds.

	2011 (millions)		2012 (millions)		Difference
Great Canadian Gaming	16.18	(50%)	13.43	(43%)	- \$2.75 million
Thoroughbreds	9.67	(30%)	10.45	(34%)	+ \$0.78 million
Standardbreds	<u>6.44</u>	(20%)	<u>7.20</u>	(23%)	+ \$0.76 million
Subtotal	32.29		31.08		- \$1.21 million
TBC costs	13.00		11.51		- \$1.49 million
Marketing Fund	<u>.80</u>		<u>.80</u>		---
Subtotal	13.80		12.31		- \$1.49 million
Total Money Generated	46.09		43.39		- \$2.7 million

Wagering analysis

How different types of wagers drive industry revenues

Wagering analysis

- Based on 2011 wagering in B.C.
- \$171.6 million in Total Handle generated

- Three categories of wagers

1. Live wagering

On-track wagering at Hastings or Fraser Downs

2. Import wagering

Wagering by BC horseplayers on races conducted at non-BC racetracks

3. Export wagering

Wagering by horseplayers outside BC on races run in BC

- Three categories of wagers

1. Live wagering:

- On-track wagering at Fraser Downs and Hastings
- Wagers on Fraser Downs from Hastings horseplayers
- Wagers on Hastings from Fraser Downs horseplayers

2011	Gross Wagers (\$ millions)	% of Total Handle
<u>Live wagering T-Breds</u>		
Hastings Live	9.8	5.7%
Fraser Downs on Hastings	<u>0.4</u>	<u>0.2%</u>
Subtotal	10.2	5.9%
<u>Live wagering S-Breds</u>		
Fraser Downs Live	2.3	1.4%
Hastings on Fraser Downs	<u>0.9</u>	<u>0.5%</u>
Subtotal	3.2	1.9%

Live wagering

- Three categories of wagers

2. Import Wagering:

A. Horseplayers placing wagers through Teletheatres BC (TBC) online and by telephone using their HorsePlayers Interactive accounts (identified as TBC/IVR):

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

<u>Import – TBC /IVR</u>	<u>\$ Millions</u>	<u>% of Total Handle</u>
T-Breds Hastings	2.1	1.2%
T-Breds Other tracks	39.5	23.0%
S-Breds Fraser Downs	1.0	0.6%
S-Breds Other tracks	9.2	5.4%
Subtotal	51.8	30.2%

Import: TBC/IVR Wagering

- Three categories of wagers

2. Import Wagering:

B. Horseplayers placing wagers at the 18 Racebooks operated by Teletheatres BC throughout the province (identified as TBC/Racebooks):

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

<u>Import – TBC/Racebooks</u>	<u>\$ Millions</u>	<u>% of Total Handle</u>
T-Breds Hastings	1.6	0.9%
T-Breds Other tracks	40.6	23.7%
S-Breds Fraser Downs	1.0	0.6%
<u>S-Breds Other tracks</u>	<u>9.5</u>	<u>5.5%</u>
Subtotal	52.6	30.7%

Import: TBC/Racebooks

- Three categories of wagers

2. Import Wagering:

C. Through the Racebooks operated at Hastings Racecourse and at Fraser Downs:

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

	<u>\$ Millions</u>	<u>% of Total Handle</u>
<u>Import @ Hastings Racebook</u>	38.3	22.3%
<u>Import @ Fraser Racebook</u>	15.4	9.0%

Import: Racebooks at Tracks

- Three categories of wagers

3. Export Wagering

Horseplayers outside BC placing wagers on BC racing watching signals transmitted from Hastings and Fraser Downs.

- Export Wagers on T-Breds @ Hastings
- Export Wagers on S-Breds @ Fraser Downs

<u>Export</u>	<u>\$ Millions</u>
T-Breds Hastings	21.0
<u>Export</u>	
S-Breds Fraser Downs	7.9

Export: Wagering outside BC on BC races

	2011	Gross Wagers	
		(\$millions)	% of Total Handle
	<u>Live wagering T-Breds</u>		
	Hastings Live	9.8	5.7%
L	Fraser Downs on Hastings	0.4	0.2%
I	Subtotal	10.2	5.9%
V			Live wagering as %
E			of Total Handle
	<u>Live wagering S-Breds</u>		7.8%
	Fraser Downs Live	2.3	1.4%
	Hastings on Fraser Downs	0.9	0.5%
	Subtotal	3.2	1.9%
	<u>Import -- TBC/IVR</u>		
	T-Breds Hastings	2.1	1.2%
	T-Breds Other tracks	39.5	23.0%
	S-Breds Fraser Downs	1.0	0.6%
	S-Breds Other tracks	9.2	5.4%
	Subtotal	51.8	30.2%
I			
M	<u>Import -- TBC/Racebooks</u>		Import wagering as
P	T-Breds Hastings	1.6	0.9%
O	T-Breds Other tracks	40.6	23.7%
R	S-Breds Fraser Downs	1.0	0.6%
T	S-Breds Other tracks	9.5	5.5%
	Subtotal	52.6	30.7%
	<u>Import @ Hastings Racebook</u>		
	Subtotal	38.3	22.3%
	<u>Import @ Fraser Racebook</u>		
	Subtotal	15.4	9.0%
	Total Handle	171.6	
	<u>Export</u>		
E	T-Breds Hastings	21.0	
X			
P			
O	<u>Export</u>		
R	S-Breds Fraser Downs	7.9	
T			

Key points:

- Live Wagering as a percentage of Total Handle – 7.8%
- Import Wagering as a percentage of Total Handle – 92.2%

Commission (or Takeout) is applied to Gross Wagers to produce Gross Commissions

	Average	Gross	% of Gross
<u>Gross Wagers</u>	<u>Commission/Takeout</u>	<u>Commissions</u>	<u>Commissions</u>
		(\$millions)	
Hastings			
\$10.2 million	18.1%	1.8	6.0%
Fraser Downs			
\$3.2 million	18.5%	0.6	2.0%

Live Wagering – Gross Commissions

Import Wagering	Average	Gross Commissions	% of Gross
<u>Gross Wagers</u>	<u>Commission/Takeout</u>	<u>(\$millions)</u>	<u>Commissions</u>
<u>TBC/IVR</u>			
\$51.8 million	17.1%	8.9	29.0%
<u>TBC/Racebooks</u>			
\$52.6 million	18.0%	9.5	31.0%
<u>Hastings Racebook</u>			
\$38.3 million	18.1%	6.9	22.7%
<u>Fraser Racebook</u>			
\$15.4 million	18.5%	2.9	9.3%

Import Wagering – Gross Commissions

Export Wagers		
<u>Wagering on Hastings</u>	<u>Hastings commission/fee</u>	Revenue
\$21.0 million	2.4%	0.5
<u>Wagering on Fraser Downs</u>	<u>Fraser Downs commission/fee</u>	
\$7.9 million	2.2%	<u>0.2</u>
	Export revenue	0.7

Export Wagering – Revenue produced

Key points:

- Live Wagering as a percentage of Gross Commissions – 8.0%
- Import Wagering as a percentage of Gross Commissions – 92.0%