



Manitoba Liquor and Lotteries Corporation

2023-24 Corporate Business Plan

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Purpose & Values

➤ Purpose

To Enrich the Lives of Manitobans by:

- Meeting the needs of the Government by making the greatest possible contribution to the economic and social well-being of the Province of Manitoba
- Anticipating the needs of customers
- Enabling our employees
- Engaging private sector partners and suppliers in sound business practices and mutually beneficial relationships
- Supporting local communities in a way that matters to Manitobans

➤ Corporate Values

The core values of Manitoba Liquor and Lotteries Corporation (Manitoba Liquor & Lotteries or the Corporation) are the foundation of its culture:



CARING

Everyone Matters – We care about each other, our communities and the environment by being genuine, responsible and considerate.



COLLABORATIVE

Better Together – We work together in an open, respectful way to produce and deliver outstanding results.



COMMITTED

Keep Promises – We take pride and ownership in making and meeting our commitments.



CREATIVE

Courage to Explore – We foster an environment of idea sharing, continuous learning and improvement, and push beyond what we have today to what is possible tomorrow.



CUSTOMER FOCUSED

Great Experiences – We listen to our internal and external customers so we can anticipate, understand and respond to their needs.

Executive Summary

Manitoba Liquor and Lotteries Corporation (identified throughout this document as Manitoba Liquor & Lotteries, MBLL or the Corporation) acts as the government's agent to distribute liquor and cannabis and conduct and manage gaming throughout the province of Manitoba. With operations expected to fully normalize by 2023-24 following the COVID-19 pandemic, the major environmental concern now from a business perspective is the state of the economy with rising inflation and interest rates and hampered global supply chains.

In order to achieve its purpose of Enriching the Lives of Manitobans, Manitoba Liquor & Lotteries has set out its 2023-2026 strategy with a theme of *Emerging Stronger*. The goals are as follows:

1. Deliver net income for Manitobans
2. Invest in planning, technology and continuous improvement to ensure long-term fiscal performance
3. Attract, develop and retain a diverse workforce by creating an engaged, enabled and safe workplace
4. Evolve to meet the changing needs of our customers and partners
5. Deliver positive impacts to Manitoba through sustainable and responsible business efforts

The goals are focused through organizational priorities, which are supported by measurable three-year outcomes and annual indicators. Further, key performance measures are monitored and reported on throughout the year. There are a variety of initiatives planned in the year that will contribute to the achievement of the goals.

The 2023-24 operating budget includes a total net income of \$668.0 million remitted to the Province of Manitoba, an increase of \$33.0 million over the 2022-23 budget. The \$75.0 million capital budget is primarily for necessary maintenance, safety and security programs as well as key initiatives where the return on investment will assist in maximizing Manitoba Liquor & Lotteries' dividend to the province such as the replacement of fully depreciated gaming equipment. No major changes to the organizational structure are planned.

Mandate & Strategic Direction

The Manitoba Liquor and Lotteries Corporation Act states:

The purposes of the corporation are:

- (a) to sell liquor;
- (b) to buy liquor, and bring liquor into Manitoba, for sale in Manitoba;
- (c) to conduct and manage lottery schemes;
- (c.1) to acquire cannabis and sell it to operators of cannabis stores for resale;
- (d) to carry out functions relating to lottery schemes, liquor and cannabis conferred on it under this Act; and
- (e) to conduct or fund initiatives that promote responsible gaming and responsible liquor and cannabis consumption.

In addition to the purposes outlined above, the Minister responsible for the Manitoba Liquor and Lotteries Corporation may issue mandate letters to the Board Chair of Manitoba Liquor & Lotteries.

Manitoba Liquor & Lotteries is committed to encouraging the responsible use of its products and services and is required by legislation to allocate 2% of annual anticipated consolidated net income and comprehensive income to social responsibility initiatives.

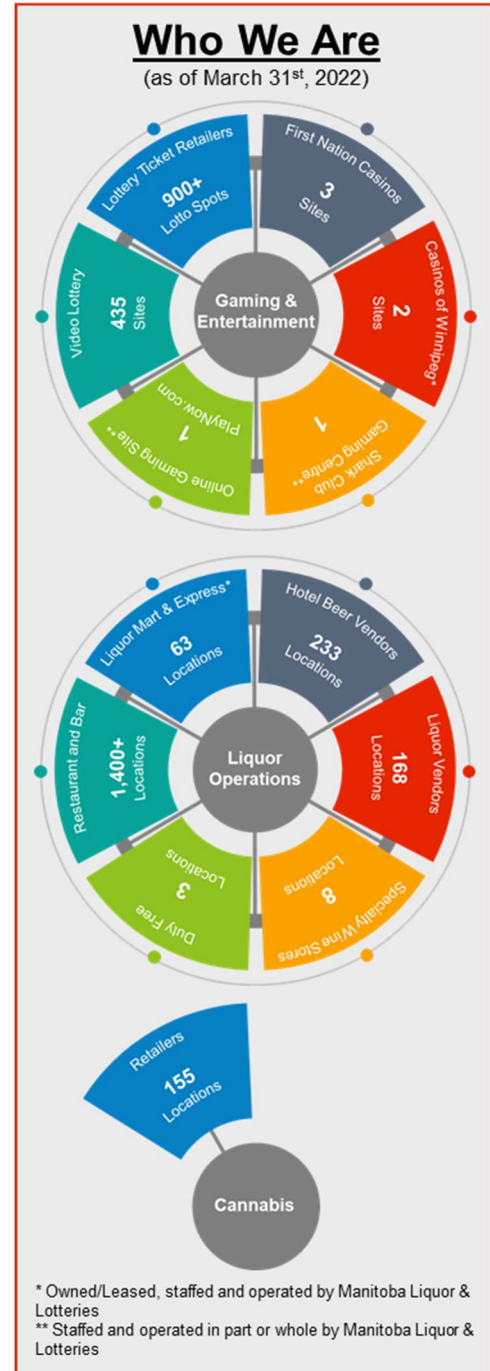
Operating Environment and Highlights

➤ About Manitoba Liquor & Lotteries

Manitoba Liquor & Lotteries is a provincial Crown corporation with a core mandate to provide revenue to the Province of Manitoba to support provincial programs and initiatives such as health care, education, social services, housing and infrastructure. The Corporation is responsible for the sale of liquor and gambling products and the supply and distribution of non-medical cannabis in Manitoba using a sustainable and socially responsible approach. All liquor, gaming and cannabis sold by private retailers and other businesses in Manitoba is purchased through Manitoba Liquor & Lotteries.

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada and has appointed Manitoba Liquor & Lotteries to act as its agent in the Conduct and Management of the gaming regime. Within this authority, the Corporation operates Club Regent Casino, McPhillips Station Casino, a network of Video Lottery Terminals (VLTs), and online gaming through PlayNow.com. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos. In addition, the Government has provided TN Arena Limited Partnership the opportunity to establish the Shark Club Gaming Centre. Manitoba Liquor & Lotteries maintains Conduct and Management authority over these gaming activities.

Manitoba Liquor & Lotteries is the exclusive supplier of breakopen tickets and bingo paper in Manitoba; and distributes and sells lottery tickets at lottery retailers across Manitoba in partnership with the Western Canada Lottery Corporation (WCLC) and the Interprovincial Lottery Corporation (ILC).



The Corporation distributes beverage alcohol through a provincial retail network that includes Liquor Mart and Liquor Mart Express locations operated by Manitoba Liquor & Lotteries, as well as privately-owned beer vendors, specialty wine stores, liquor vendors located throughout rural Manitoba, and duty-free stores. Manitoba Liquor & Lotteries also supplies liquor products to licensees across Manitoba.

The Corporation supplies and distributes non-medical cannabis in Manitoba to the privately-owned retail network of stores.

➤ **Social Responsibility**

The Manitoba Liquor and Lotteries Corporation Act requires Manitoba Liquor & Lotteries to allocate 2% of annual anticipated consolidated net income and comprehensive income to social responsibility initiatives.

This commitment to social responsibility is fulfilled in several ways. On an annual basis, Manitoba Liquor & Lotteries produces information to help consumers have lower risk, positive experiences with the products offered by the Corporation. Helping to ensure that a well-funded network of alcohol and gambling addictions treatment and support options are available is the most significant component of the Corporation's social responsibility program; to that end, funding is provided to a variety of organizations such as Shared Health for mental health and addictions service delivery. The Corporation also invests in research and program evaluation initiatives which ultimately inform social responsibility efforts, ensuring that a fact-based approach is used to inform programming. Operating in a socially responsible manner is embedded into the culture of Manitoba Liquor & Lotteries and is incorporated into business decision making processes.

➤ **Environmental Sustainability**

Through Manitoba Liquor & Lotteries sustainable development program, the Corporation has demonstrated a long-standing commitment to reducing its impact on the environment. Recognizing that environmental stewardship is a collective responsibility, MBLL actively integrates environmental and sustainable requirements into business decisions and strategic planning. The current focus of the Corporation is to actively reduce the greenhouse gas emissions generated from MBLL operations, as well as to minimize waste, water and energy consumption. Manitoba Liquor & Lotteries' commitment to Fair Trade has earned the Corporation the opportunity to be a Fairtrade Certified workplace since 2018 and most recently the largest business in Canada to hold this certification.

➤ **Diversity, Equity and Inclusion (DE+I)**

At Manitoba Liquor & Lotteries, Diversity, Equity and Inclusion is more than just a value, it is core to the Corporation's purpose and a fundamental strength of the organization. Manitoba Liquor & Lotteries' DE+I vision is to be among Canada's most inclusive workplaces based on Global Diversity, Equity and Inclusion Benchmarks by putting DE+I into action to help employees,

customers and communities thrive. It's also a critical component of the overarching focus on the Truth & Reconciliation 94 Calls to Action, which are integrated in the Corporation's strategic plan.

Manitoba Liquor & Lotteries continues to make important progress in the areas of diversity, equity and inclusion; from developing a DE+I Vision Statement to creating a Land Acknowledgement specific to the Corporation. Advancing Manitoba Liquor & Lotteries' DE+I efforts is an ongoing journey that requires a consistent focus and deep commitment. For this reason, the Corporation is renewing the DE+I Roadmap, and creating a Truth & Reconciliation Roadmap, which will outline targeted actions and will deliver specific and measurable value for employees, customers and communities.

By continuing to deliver on the Corporation's DE+I commitments, along with transparently measuring and reporting progress, Manitoba Liquor & Lotteries enables people to reach their full potential and inspire a culture of diversity, equity and inclusion throughout the organization.

➤ **External Operating Environment**

Pressure upon the average Manitoba household's finances is expected to continue into the 2023-24 fiscal year. With the rising cost of fuel, groceries, interest and mortgage rates, and many other necessary living expenses, consumer disposable income will be negatively impacted.

Canada's inflation hit a 39-year high in June 2022 before easing slightly in July. The 2022 Russian invasion of Ukraine is ongoing, and supply chain disruptions are putting the overall economy at risk and driving up costs. Further, the Bank of Canada raised the key interest rate to 3.25% in September 2022 and is expected to raise it further through the remainder of the year, resulting in overall rate increases at major financial institutions. This will impact businesses and consumers.

With these economic pressures expected to contribute to lower disposable income in Manitoba into 2023-24, this presents a threat to the achievement of revenue targets and the impact will be acutely monitored. Likewise, the Corporation's operating expense budgets are impacted by these factors as well (discussed on page 19).

The direct impact of the novel strain of coronavirus (COVID-19) on Manitoba Liquor & Lotteries has lessened. However, key industries in the province have struggled to recover. The tourism and hospitality industries have been some of the hardest hit with 51% stating they have not recovered to pre-pandemic levels.¹ The tourism industry is not expected to return to pre-pandemic levels until 2024.² The largest barriers to recovery identified were increased costs, staffing, supply chain disruptions and COVID-19.

The return to normal gaming operations sees player visits returning to pre-pandemic levels. During the pandemic, many consumers turned to online gaming, including Manitoba Liquor &

¹ [MB Pulse; Manitoba Chamber of Commerce, May 16, 2022](#)

² [Manitoba Tourism Strategy; Travel Manitoba, Manitoba Chamber of Commerce and Manitoba Government, May 6, 2021](#)

Lotteries' PlayNow.com. The website's revenue increased by 14.5% in 2021-22, up a total of 239% compared to pre-pandemic. Although growth has slowed compared to the start of the pandemic, PlayNow.com is still performing well, even as customers begin to return to casinos and VLT lounges.

Manitoba's real gross domestic product (GDP) is expected to rise 4.1% in 2022, above that of Canada as a whole (3.7%). Manitoba's real GDP is expected to grow by a smaller rate in 2023 at 2.2%, essentially on par with the national rate of 2.0%. Growth was recently revised upward reflecting a more optimistic outlook for Manitoba's economy.³

On June 1, 2020, the process opened for the general public to apply for a cannabis retailing license in Manitoba and the industry has continued to have strong growth in the province. Manitoba had 155 locations as of March 2022.

➤ **Financial / Operational Risks and Opportunities**

A regular review process identifies risks and opportunities that may have a significant impact on operations at Manitoba Liquor & Lotteries. These include risks and opportunities for the Corporation as a whole, as well as those that are associated with a particular line of business.

Corporate Risks and Opportunities

In recent years, the COVID-19 pandemic has significantly impacted Manitoba Liquor & Lotteries' business operations as well as the economy. With most pandemic-related restrictions and public health measures removed, the Corporation's operations are expected to have fully normalized by 2023-24. However, if closures, restrictions or social-distancing requirements were to return, it would likely have a direct impact on casino and VLT operations, as well as an indirect impact through the Corporation's corporate partners (liquor licensees / vendors, specialty wine stores, cannabis retailers, VLT siteholders) and erosion of GDP and disposable income.

Manitoba's economy still faces many challenges: severe supply chain disruptions, increased inflation, a significantly depressed tourism industry, projected labour shortages and the lingering effects of the pandemic. For Manitoba Liquor & Lotteries, the chief economic concerns will be the effects that higher prices and interest rates will have on the overall business, not just in terms of increased costs of business but also in how much they will impact struggling channel partners and how they will impact consumers' disposable income, leaving them with less to spend on entertainment options such as liquor, cannabis and gaming.

As a Crown Corporation, the purposes of Manitoba Liquor & Lotteries are stated in relevant legislation. Should there be changes to statutes, regulations and government priorities, this may impact the organization's goals, objectives, and plans.

³ Manitoba Survey of Economic Forecasts: Manitoba Bureau of Statistics, July 12, 2022

As cyber threats continue to evolve and become more sophisticated, there is a risk to the Corporation's operations and reputation. The risk associated with cyber threats increases as technology becomes more prevalent. The pandemic resulted in a rapid adoption of digital workplace technologies and cyber related threats have risen with the increase of employees working remotely. Manitoba Liquor & Lotteries is implementing modern processes and technologies to enable business requirements while protecting the corporation's cyber assets. These cyber security improvements as well as awareness training for employees will be vital to protecting the Corporation from modern attacks that target vulnerabilities in a remote workforce.

A long-term hybrid workplace is being implemented, leveraging the technology improvements and learnings experienced during the pandemic. This strategy will allow for more flexibility for employees and reduced costs, while enabling employees to do their jobs effectively. Potential negative impacts to employees are also being considered and mitigated including mental health, management, collaboration and professional development.

Other opportunities have been identified to improve efficiencies and increase net income through process improvements, technological advancements and consolidation of technology infrastructure to support continual improvement efforts. Examples include the plan to implement a consolidated and comprehensive enterprise resource planning solution and introduction of robotic process automation.

The Corporation must continue to invest in replacing and modernizing its information technologies in order to meet the evolving needs of customers and stakeholders. As technologies age, they become more costly to modify and maintain. Additionally, aging systems are at a higher risk of incurring failures that could harm Manitoba Liquor & Lotteries' ability to deliver on its net income commitments.

Liquor

Responding to changes in consumer preferences and expectations is essential to the viability of the products offered by the organization. There is a risk that these changes may not be identified due to challenges associated with monitoring and predicting customer behaviour. As a mitigation strategy, the Corporation's data analytics will be leveraged to predict and manage customer expectations or to increase productivity and efficiency. Further leveraging Manitoba Liquor & Lotteries' channel partners through improved collaboration provides opportunities for growth of commercial sales.

Recent advances in technology, customer expectations, and most recently the COVID-19 pandemic, have caused retailers to quickly pivot to offer goods & services through online channels rather than bricks-and-mortar stores. Through the COVID-19 pandemic came increased demand for liquor delivery and click & collect services. Short-term solutions were implemented to keep up with demand, but further development is required to ensure the solutions are sustainable and can support long-term growth.

Legislation changes can present new opportunities including private sector participation. The proposed Bill 42 (Liquor, Gaming and Cannabis Control Amendment and Manitoba Liquor and Lotteries Corporation Amendment Act) would allow existing beer vendors and specialty wine stores to apply for a license to sell the full range of alcoholic products offered by Manitoba Liquor & Lotteries. It would also provide the framework for grocery stores, convenience stores and other retail locations to sell alcohol products as part of a five-year pilot program.

Liquor operations is faced with risks associated with ensuring processes are as updated as possible, and the continual need to move from manual to automated processes. Strategic opportunities to modernize liquor distribution and retail must be considered to mitigate these risks. The liquor line of business is actively taking steps to modernize its supply chain and distribution processes to meet the changing needs of the industry.

Gaming & Entertainment

Although operations are expected to normalize by 2023-24, any return to pandemic restrictions such as closures, capacity restrictions or reduced product offerings would most severely impact Gaming & Entertainment operations, particularly in the casinos and VLT sites.

While casino and VLT operations stalled during the pandemic, participation on MBL's PlayNow.com online gaming platform soared, as many gamers went virtual. With in-person gaming options now open for some time, PlayNow.com has continued to do well, despite competition with many well-established and aggressive grey-market sites. It is expected that customers who migrated to online gaming options (both PlayNow.com and illegal grey-market sites) will have established a new equilibrium between online and land-based play by 2023-24. Not only does this create a more robust customer base in the event of another business interruption, but it also creates opportunities for cross-channel promotions and events. However, there is a risk that as traditionally land-based gaming patrons become more accustomed to online gaming options, they may be more open to try illegal grey-market sites as well.

The gaming market in which the organization operates is mature. A sustainable business model involves broadening product and event awareness across all demographic groups as well as continually refreshing product offerings to meet the expectations of customers. The recent passing of single event sports wagering legislation (Bill C-128) at the federal level will continue to provide an opportunity for net income growth and new customer development, both in its current form on PlayNow.com and Sport Select lottery tickets, and potential future developments at casinos and VLT sites.

While most of Manitoba's VLT equipment reached the end of its useful life in 2021-22 and is at risk of failing, the annual VLT equipment replacement resumed in 2021-22 following a multi-year pause and is anticipated to continue into future years, with over 40% of the network to be supported by the end of 2023-24. Any interruptions to the VLT replacement program would increase the risk of machines failing.

Gaming & Entertainment operations are heavily reliant on third party suppliers for key offerings. Should these parties express an inability or unwillingness to provide innovative products that align with consumer preferences, this will negatively impact operations. This risk is mitigated through maintaining good relationships with vendors and eliciting regular discussions regarding product and technology roadmaps to discover emerging trends in products.

Challenges also exist around monitoring and predicting customer behaviour and the ability to identify consumer preferences. These challenges could lead to decisions regarding products and services that are not in line with changing consumer choices and expectations. Cross-jurisdictional meetings with other Canadian gaming entities and leveraging data analytics from the customer loyalty program are tools used to gain insights into consumer preferences.

Cannabis

As the cannabis industry continues to evolve and mature, cannabis operations actively monitors the external environment, leveraging retail, channel partner, other jurisdictions and customer sources of data and expertise.

The retail market is expected to be saturated by 2023-24 with very few store openings. While supply volumes were a concern in the first couple years of legalization, they are expected to continue to be sufficient to meet the demand. Prices may continue to decline as supply increases, which could result in increased sales and market share compared to the black market. Further, the continued increase in availability of newer product categories (edibles, extracts and topicals introduced in December 2019) should contribute to overall growth in the industry.

The rapid expansion of cannabis retailers and suppliers has placed extra stress on the Corporation's already strained cannabis distribution services, which has been hampered by inefficient, manual processes. The implementation of a new online order processing system in 2022 has improved the process, and a cross-dock distribution initiative looks to shorten delivery time to retailers. Cannabis Operations will build on that in 2023-24 with by developing and implementing a long-term distribution strategy that best supports the rapidly maturing cannabis industry.

➤ **Key Planning Assumptions**

The 2023-24 Corporate Business Plan is based on data available at the time of planning and is predicated on the following assumptions. If these assumptions do not hold true, Manitoba Liquor & Lotteries will need to adjust its plans accordingly.

- Manitoba Liquor & Lotteries' operations will have fully normalized in 2023-24. Customer attendance will not be significantly impacted by pandemic hesitation.
- There will be no further public health orders in Manitoba requiring closures of the Corporation's lines of business or increased social distancing measures that decrease budgeted operational capacity.
- There will be no other major economic disruptions or major environmental catastrophes.

- The capital program will proceed as planned, without significant interruptions or delays.
- There will be no major unanticipated changes in legislation, regulatory acts and/or trade agreements relating to Manitoba Liquor & Lotteries' lines of business.
- There will be no significant changes to Manitoba Liquor & Lotteries' strategic goals and priorities.
- Current partnerships with existing stakeholders will continue without significant change.
- The provincial gaming pause will have been lifted.
- High inflation and rising fuel, grocery and housing prices will result in less disposable income for consumers.
- Cost of fuel, insurance, freight, third-party support, etc. will be reasonably close to the rates budgeted.
- Outside expertise in the form of contracted resources and professional services will be available as necessary.
- The Canadian dollar will be stable with minimal fluctuations relative to other major currencies.
- The cannabis retail market will be saturated with very few store openings.

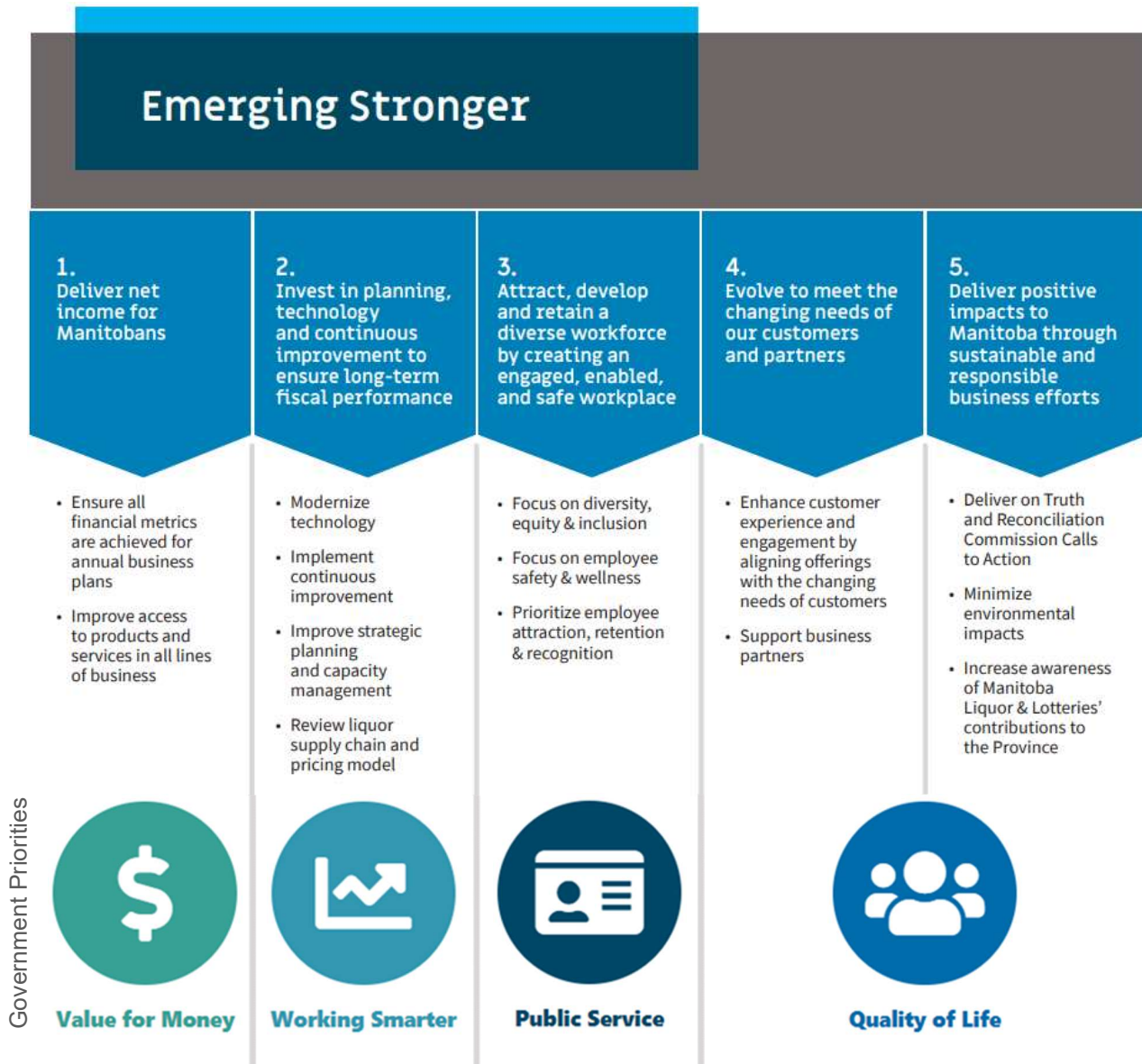
Strategic Goals, Priorities and Initiatives

**2023-26 Strategy:
Emerging Stronger**

➤ **Goals and Organizational Priorities**

The Corporation’s goals are intended to support all stakeholders and will contribute to achieving Manitoba Liquor & Lotteries’ purpose: To Enrich the Lives of Manitobans.

To support achievement of these goals, we have set organizational priorities for each goal to guide the organization in planning initiatives and activities.



Government Priorities

➤ Key Initiatives

Initiatives are the projects or activities that Manitoba Liquor & Lotteries invests time and resources towards to accomplish its strategic goals. Below are some key initiatives planned for the year that will contribute to the goals and outcomes above.





Initiative	Outcomes	Goal & Government Alignment
VLT & slot replacement programs	<ul style="list-style-type: none"> Maximized sustainable net income within the VLT and casino business segments Maintained customer engagement and satisfaction Replacement within the network of a portion of the VLTs and slots that are at the end of their useful life Replacement of slots at First Nations Casinos to fulfill Conduct and Manage requirements and support business partners achieving higher profitability 	1, 2, 4
Liquor supply chain transformation	<ul style="list-style-type: none"> Improved pricing structures that support increased profitability and stakeholder satisfaction Improved productivity and performance through warehouse labour management and automated processes Building blocks in place to support increased private participation in the liquor industry Streamlined liquor operations across multiple functions to support future business requirements Transformed supply chain to become a profit center and increase profitability 	1, 2, 4
Liquor Mart Renewal Program	<ul style="list-style-type: none"> Renovated a number of existing Liquor Marts coordinated to coincide with lease renewal periods Able to meet the needs of current and future customers 	1, 4
Technology stabilization program	<ul style="list-style-type: none"> Up-to-date with critical maintenance and software patches Improved stability and capacity of Manitoba Liquor & Lotteries' workstations and infrastructure 	2
Cybersecurity modernization	<ul style="list-style-type: none"> Enabled more robust and resilient cybersecurity solutions Increased cyber protections and operational resilience Reduced risk 	2
Customer Relationship Management (CRM) Software	<ul style="list-style-type: none"> More efficient and reliable information gathering and sharing across departments and with business partners Streamlined business-to-business sales opportunities through customer contact information management, targeted leads, consistent monitoring, and follow-up across different channels Shorter response times and improved security for enquiries 	2, 4

Initiative	Outcomes	Goal & Government Alignment
Enhanced non-desk employee communications & engagement	<ul style="list-style-type: none"> • Developed information sharing, planning and prioritization tools and framework • Developed communications channel matrix to allow for easier identification of preferred tools for reaching and informing specific audiences • Improved information flow and volume for non-desk staff • Improved knowledge and awareness of shared information from non-desk staff • Increased employee engagement and participation in initiatives 	2, 3, 5
eProcurement software & procurement DE+I policy	<ul style="list-style-type: none"> • Implemented eProcurement solution for managing the entire tendering process lifecycle online • Improved efficiencies and accountability and reduced costs • Improved supplier and contract management • Increased transparency and audit controls • Developed DE+I policy for suppliers • A more diverse supplier base 	2, 3, 5
Safety and health programs	<ul style="list-style-type: none"> • Implemented additional measures to minimize frequency and severity of workplace illness and injury • Reduced costs, reduced absences • Increased morale and productivity • Increased percentage of employees and customers who feel safe in Manitoba Liquor & Lotteries' facilities 	3, 4
Customer relationship management solution	<ul style="list-style-type: none"> • Improved information gathering and sharing with business partners and across departments • Improved partner contact information management, tracking and follow-up across different channels with improved privacy/security for personal information • Improved staff enablement and productivity • Additional promotion sales opportunities • Reduced response times for public enquiries • Faster and more reliable analytics 	3, 4
Diversity, equity and inclusion roadmap implementation	<ul style="list-style-type: none"> • Created new three-year roadmap • Increased representation, support, awareness and understanding of DE+I • Increased representation of employment equity groups 	3, 5

Initiative	Outcomes	Goal & Government Alignment
Truth and reconciliation roadmap implementation	<ul style="list-style-type: none"> • Implemented recommendations from Truth and Reconciliation Commission Calls to Action • Reduced cultural bias and increased cultural competency within the organization • Improved support for Indigenous employees and future employees • Increased representation of Indigenous employees at all levels within the organization • Engaged and built further relationships with Indigenous peoples and communities • Collaborated on solutions for diversity, equity and inclusion matters faced by Indigenous peoples in Manitoba 	3, 5
Craft cannabis program	<ul style="list-style-type: none"> • A craft cannabis framework designed to promote and support the development of smaller scale, artisanal cannabis micro producers • An established craft cannabis segment supporting efforts to combat the illicit market • Defined criteria defining a craft cannabis brand 	4, 5

Annual Key Performance Measures

Manitoba Liquor & Lotteries has identified key performance measures for each goal. Key performance measures are metrics that are monitored and reported on throughout the year to ensure the Corporation is on track to achieve its goals.

Government Priority	Goal	Annual Key Performance Measures
 Value for Money	1. Deliver net income for Manitobans	<ul style="list-style-type: none"> Net income actual vs net income budget
 Working Smarter	2. Invest in planning, technology and continuous improvement to ensure long-term fiscal performance	<ul style="list-style-type: none"> Percentage of annual capital commitments expended Number of continuous improvement initiatives completed and in progress
 Public Service	3. Attract, develop and retain a diverse workforce by creating an engaged, enabled, and safe workplace	<ul style="list-style-type: none"> Percentage of employees in each equity group <ul style="list-style-type: none"> Female Members of racialized groups (Visible minority) Indigenous Persons with disabilities Number of safety incidents per 100,000 hours worked
 Quality of Life	4. Evolve to meet the changing needs of our customers and partners	<ul style="list-style-type: none"> Customer satisfaction scores in gaming and liquor Percentage of customers who feel safe in facilities Partner satisfaction scores
	5. Deliver positive impacts to Manitoba through sustainable and responsible business efforts	<ul style="list-style-type: none"> Percentage of Manitobans that value Manitoba Liquor & Lotteries' economic contributions to the Province Percentage of Manitobans who agree they would speak favorably about Manitoba Liquor & Lotteries Percentage of gamblers in Manitoba who are aware of the GameSense social responsibility program Percentage of those who consume alcohol in Manitoba who are aware of the DrinkSense social responsibility program

Financial Statements

➤ Summary of Financial Results

Manitoba Liquor & Lotteries (\$000s)	2021-22	2022-23	2023-24
	Actuals	Budget	Budget
Revenue	\$ 1,416,849	\$ 1,583,450	\$ 1,679,116
Cost of sales	(609,332)	(660,929)	(692,006)
	807,517	922,521	987,110
Operating expenses	(207,699)	(263,391)	(295,293)
Depreciation and amortization	(46,850)	(53,739)	(51,312)
Goods and Services Tax	(5,473)	(7,371)	(8,676)
	(260,022)	(324,501)	(355,281)
Operating Income	547,495	598,020	631,829
Share of profit of Western Canada Lottery Corporation	77,512	66,272	67,668
Interest expense	(11,880)	(12,305)	(13,952)
Interest income	644	783	1,082
Income Before Allocations and Payments	613,771	652,770	686,627
Allocations and payments	(15,943)	(17,770)	(18,627)
Net Income and Comprehensive Income and Total Allocation to the Province of Manitoba	\$ 597,828	\$ 635,000	\$ 668,000

Note: Comparative figures have been reclassified from statements previously presented to conform to the current year presentation.

Manitoba Liquor & Lotteries 2023-24 budget is based on the strategic theme of *Emerging Stronger*, a balance of increased revenue through return to full operations and execution of strategic initiatives, while considering the continuance of the macro-economic challenges currently experienced worldwide. Operational expenses are anticipated to increase due to staffing required to execute strategic initiatives and support full operations with increased sales, along with anticipated collective agreement increases. Operational expenses are also increasing to enable, protect and modernize technology systems, to account for inflation/supply chain related increases to many costs including freight, and to increase iGaming marketing efforts to compete with grey market offerings.

➤ Sensitivity Analysis

The preparation of the annual budget includes analysis of current trends as well as adjustments for planned projects and initiatives that may affect revenue or expenses. For more information on major capital programs, please see the capital plan section.

Budgeting and business planning at Manitoba Liquor & Lotteries involves multiple assumptions regarding the expected growth rate of revenues and expenses. The following table outlines the sensitivity of net income to a 1% change in the items outlined:

1% Change in:	Impact on 2023-24 Budgeted Net Income
Revenue	± \$16.8 million
Cost of Sales	± \$6.9 million
	± \$9.9 million
Operating Expenses	± \$3.0 million
Depreciation, Amortization, GST and Interest	± \$0.7 million

Capital Plan & Asset Summary

Summary of Capital Expenditures					
(\$000s)	Actual 2021-22	Forecast 2022-23	Budget		
			2023-24	2024-25	2025-26
Regular Capital Program					
Casinos HVAC Replacement	10,909	2,500	4,400	4,100	-
Specialized Equipment - Gaming	10,833	31,442	31,904	34,058	33,015
Information Technology	2,261	2,220	4,760	4,110	4,110
Liquor Distribution Centre	-	-	500	5,000	-
Liquor Retail Modernization	-	-	2,000	3,750	-
Liquor Store Renovations	-	-	5,000	-	-
Liquor Supply Chain Transformation	-	-	1,500	2,000	-
Operational Equipment	990	2,553	5,813	3,740	3,785
Other Necessary Maintenance - Facilities	526	5,250	9,275	10,055	5,311
Corporate Footprint Reduction	5,234	-	-	-	-
Previously Approved Continuing Projects	2,123	8,922	15,261	-	-
Total Regular Capital Program	\$ 32,877	\$ 52,888	\$ 80,412	\$ 66,813	\$ 46,220
First Nations Capital Program					
First Nations - Specialized Equipment - Gaming	-	673	6,121	5,849	5,849
First Nations - Windows 10 Compliance	76	1,660	3,715	216	-
Previously Approved Continuing Projects	-	-	300	-	-
Total First Nations Capital Program	\$ 76	\$ 2,333	\$ 10,136	\$ 6,065	\$ 5,849
Total	\$ 32,953	\$ 55,221	\$ 90,548	\$ 72,878	\$ 52,069

The 2023-24 Regular Capital Program primarily consists of funding for regular replacement of gaming equipment that is fully depreciated and underperforming as well as projects that are required for the necessary maintenance, safety and security of Manitoba Liquor & Lotteries' facilities, equipment, infrastructure, systems, employees and customers. There will be a return of the program to renovate existing Liquor Mart locations coordinated to coincide with lease renewal periods.

The 2023-24 First Nations Capital Program consists of funding for regular replacement of gaming equipment that is fully depreciated and underperforming. All costs associated with these capital projects are fully recoverable (including interest) from the First Nations Casinos.

Human Resources

➤ Staffing Summary

Manitoba Liquor & Lotteries provides employment to more than 3,000 full-time, part-time and casual employees throughout the province of Manitoba. These employees include members of the executive team, management roles and employees and front-line staff required to appropriately service the Corporation's customers. A breakdown of the full-time equivalent positions by category is provided below.

Full-Time Equivalents (FTEs) (Filled and Vacant)	2021-22 Actuals	2022-23 Forecast	2023-24 Budget
Executive	8	8	8
Management	111	116	111
Employees	1604	1597	1640
Total	1723	1721	1759

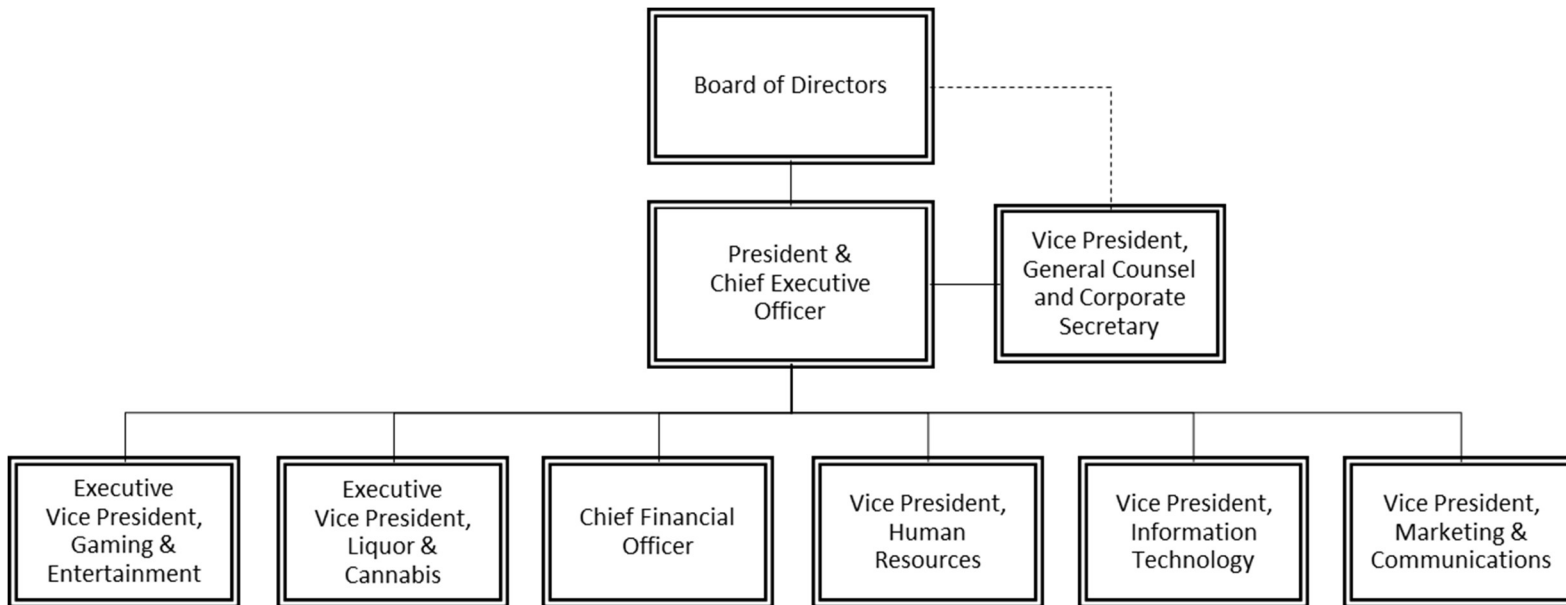
More than 88% of employees are unionized and are represented by 5 unions which operate under 7 collective agreements. There were three collective agreements in negotiations as of July 2022. The two largest agreements expired in March and June of 2022 which will begin a new cycle of negotiations.

Salaries & benefits are budgeted to increase in 2023-24 to \$175.6 million from the 2022-23 budget of \$167.0 million. This increase is largely due to the anticipated return to full operations in all lines of business, requirements to support strategic initiatives and technology support and stabilization, full annualized internal costs from the shift to in-house support of Liquor Mart secured entrances, estimated collective agreement increases and other contractually obligated increases. These increases are partially offset by vacancy management efforts and the Voluntary Days Off program.

➤ **Management Structure**

Manitoba Liquor & Lotteries is overseen by a Board of Directors consisting of at least six and not more than ten Board members recommended by the Minister responsible for Manitoba Liquor and Lotteries Corporation and appointed by the Lieutenant Governor in Council.

The organizational structure is as follows:



Glossary

Click & Collect – A liquor purchase option where the customer processes the order and payment online through the website and then picks up the goods at the store.

DrinkSense – The brand used by Manitoba Liquor & Lotteries to activate social responsibility campaigns and communicate liquor related responsible use messaging to consumers of alcohol.

GameSense – The brand used by Manitoba Liquor & Lotteries to activate social responsibility campaigns and communicate responsible gambling messaging to consumers of gambling products.

PlayNow.com – Manitoba Liquor & Lotteries' online gaming website.

Video Lottery Terminals (VLTs) – Electronic gaming machines featuring multiple games that are available at First Nations communities, licensed establishments, and veterans' organizations throughout the province.