



Manitoba Liquor and Lotteries Corporation

2022-23 Corporate Business Plan

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Purpose & Values

➤ Purpose

To Enrich the Lives of Manitobans by:

- Meeting the needs of our shareholder by making the greatest possible contribution to the economic and social well-being of our province
- Anticipating the needs of our customers
- Responding to the needs of our employees
- Engaging our 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 & Lotteries acts as the government's agent to distribute liquor and cannabis and conduct and manage gaming throughout the province of Manitoba. As the world recovers from the COVID-19 pandemic, Manitoba Liquor & Lotteries faces the challenge to recover as well. Some lines of business can now reopen for the first time in months, while others face renewed competition as customers venture out and seek entertainment options outside of their own homes. For the purposes of business planning, it is assumed that most of the Corporation's impacted operations will have made significant progress towards the return to pre-pandemic levels in 2022-23, with some exceptions considered part of a new normal.

In order to achieve its purpose of *Enriching The Lives Of Manitobans*, Manitoba Liquor & Lotteries has set out a strategy with an emphasis on enabling and modernizing technology, focusing on employees and evolving with customers and partners. The theme of the 2022-25 strategy is *Redefining What is Possible* and the goals are as follows:

1. Deliver net income
2. Build strategic capabilities to ensure long-term fiscal sustainability
3. Attract, develop and retain talent by creating an engaged, enabled, diverse and safe workplace
4. Increase value to Manitobans:
 - A. Public
 - B. Partners
 - C. Customers
 - D. Government

The goals are supported by measurable annual indicators and key performance measures which are monitored and reported on throughout the year. There are also a variety of initiatives planned in the year that will contribute to the achievement of the goals.

The 2022-23 operating budget includes a total net income of \$635.0 million remitted to the Province of Manitoba, an increase of \$65.0 million over the 2021-22 budget. The \$70.8 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 and the commencement of the liquor retail modernization and supply chain transformation program. No major changes to the organizational structure are planned.

Mandate & Strategic Direction

➤ Mandate

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 of Crown Services issues mandate letters to the Board Chair of Manitoba Liquor & Lotteries. These letters, formally called framework letters, can be found at the following location:

<https://gov.mb.ca/government/proactivedisclosure/ministerials.html>

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.

➤ Strategic Direction

The Board of Directors of the Corporation received its current mandate from the Minister of Crown Services in early 2019. Highlights accomplished to date include:

Staffing efficiencies

- Management structure reviewed and levels reduced
- Headcount reductions achieved
- Compensation agreements and executive compensation reviewed to align with government policies and practices

Gaming review and capital spending

- Pause on gaming expansion
- Capital spending limited to previously approved and committed or safety/security investments

Liquor business

- New opportunities identified for private sector participation in retail and distribution
- Shared purchasing model with other provinces explored
- Manitoba's craft brewing policies revised to include a zero percent markup eligibility to assist with expansion of the craft brewing industry

Cannabis progress

- Phase II non-medical cannabis retail strategy executed
- Accessibility of non-medical cannabis within 30-minute drive for 90% of Manitobans achieved

Procurement practices

- Joint government procurement process partnership to support "whole of government" approach, ensuring transparency and alignment to trade agreements

Respectful workforce

- Respectful workplace policies updated and training on policies completed
- Annual education and awareness training supporting reconciliation with Indigenous communities developed and delivered as well as specific training to support Diversity, Equity and Inclusion at the leadership level

During the 2022-23 year, the Corporation will be focused on assisting the government in considering greater private participation in the liquor market in Manitoba and in further synergizing with "whole of government" initiatives.

➤ **Government Directives**

In addition to its mandate, the Corporation has received several directives from the government. All of these directives have been completed:

- Adjust VLT revenue sharing agreements to 30:70 with veteran's organizations until the end of the provincial gaming review.
- Exempt Manitoba craft distillers, cideries, brewers from product mark-ups for craft products produced and sold on-premises.
- Provide 50% funding to cancelled sponsored events due to COVID-19.
- Support legislative changes to allow restaurants to deliver liquor directly to customers and permit MBLL to enter into agreements with third parties to distribute all liquor products, in addition to beer (Bill 15)
- Eliminate where possible:
 - printed subscriptions to newspapers, magazines and periodicals
 - the purchase or printing of business cards

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 the 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. Extensive information is available to consumers on how to use Manitoba Liquor & Lotteries' products in a low risk, responsible way to ensure those who choose to consume these products have positive experiences. Social responsibility considerations are incorporated into many corporate, gambling, liquor and marketing initiatives each year. Funding support is provided to organizations such as the Addictions Foundation of Manitoba and Community Financial Counselling Services that provide programs related to liquor and gambling addictions services, education and financial planning. Funding is also allocated for research aimed at evaluation and improvement of social responsibility programs as well as understanding how consumers interact with liquor and gambling products.

➤ **External Operating Environment**

The information provided in this section is based on data available at the time of writing and is subject to change due to the continued and evolving nature of the situation.

The novel strain of coronavirus (COVID-19) has had a significant impact on Manitoba Liquor & Lotteries' operating environment. In March 2020, in response to growing COVID-19 cases, all non-essential businesses in Manitoba were closed to limit the spread of the virus, including casinos, VLT lounges and bars, while restaurants were limited to take-out and delivery. Although some of these establishments were able to open between waves with limitations in place as restrictions eased, many were closed for the majority of the 2020-21 fiscal year and into 2021-22. While availability and uptake of vaccines have improved the situation, social distancing and capacity limits are expected to remain in place for some time after casinos and VLT lounges are allowed to open again.

With the closures of bricks-and-mortar gaming establishments, many consumers turned to online gaming. Registrations on Manitoba Liquor & Lotteries' PlayNow.com increased by 269% in 2020-21 and iGaming revenue grew by 238%. While many of these customers are expected to return to

casinos and VLT lounges when they are open, some of this growth is expected to be sustainable with increased marketing efforts to attract and retain customers.

The sale of alcohol and cannabis products are considered essential services and have continued to operate throughout the pandemic with additional cleaning and social distancing requirements to protect staff and customers. Although liquor sales have recorded strong growth during the pandemic, the increase is not expected to be sustainable and sales are expected to return to normal levels when consumers have more entertainment options available.

Statistics Canada reported in March 2021 that 86.5% of food services and drinking places experienced a decrease in revenue in 2020, about half of which (42.9%) experienced a decline in revenue of 40% or more, with those in Manitoba among the most likely to see this level of loss (47.9%). The report also stated that about half of food services and drinking places expected their profitability would decline further over the next 6 months and over half (51.2%) do not know how long they can continue to operate before considering closure or bankruptcy.¹ As these businesses account for many of Manitoba Liquor & Lotteries' licensee partners, this could have a significant long-term impact on overall liquor sales and distribution as well as the VLT network within Manitoba.

Distribution of a vaccine in Manitoba began in December 2020. Though slow at first, the supply and rollout of vaccinations increased through the spring and Manitoba met its summer vaccination milestone targets with over 81% of Manitobans aged 12 and up having their first dose and 75% having their second as of August 20, 2021.² It is estimated that vaccines may be approved by Health Canada for children under 12 by the end of 2021.³

The 2022-23 business plan and budget is predicated on the idea that Manitoba Liquor & Lotteries' impacted operations will have made significant progress towards the return to pre-pandemic levels, with some exceptions considered part of a new normal.

Manitoba's real gross domestic product (GDP) is expected to rise 5.5% in 2021, below that of Canada as a whole (6.1%). Manitoba's real GDP is expected to grow by a smaller rate in 2022 at 3.7%, also below the national rate of 4.2%. Growth was recently revised upward reflecting a more optimistic outlook for Manitoba's economy.⁴

Liquor and gaming revenue are strongly correlated to disposable income and GDP but are susceptible to external factors. Gaming revenue declined much more sharply than GDP when the pandemic forced casinos and VLT sites to close multiple times or operate at a limited capacity. Looking forward, it remains difficult to predict the gaming landscape for the next several years until the pandemic is brought under control and the economy recovers. In contrast, liquor sales

¹ [Impact of COVID-19 on food services and drinking places, first quarter of 2021; Statistics Canada, Mar. 18, 2021](#)

² [COVID-19 Vaccine; Government of Manitoba, Accessed August 2021](#)

³ [Your Morning: When could we see a vaccine for kids?; CTV News, Accessed June 2021](#)

⁴ Survey of Economic Forecasts; Manitoba Finance, Aug. 11, 2021

increased during the pandemic, despite GDP declining in 2020. For the near future, it is likely liquor revenues will also not correlate with economic factors.

The sale of non-medical cannabis was legalized on October 17, 2018. The two types of cannabis products that were initially legalized for sale were dried flower and ingestible oils. A year later, the Cannabis Regulations were updated to expand the range of legal cannabis products allowed to include popular categories such as vapes, edibles, concentrates and topicals. These products were made available for purchase across Canada in December 2019.

On June 1, 2020, the process opened for the general public to apply for a cannabis retailing license in Manitoba. The province had 88 retail stores by the end of May 2021, a significant increase from the 31 stores open at the same time in 2020, and the target of 90% of Manitobans having access to cannabis retail within a 30-minute drive has been achieved.

With extremely tight travel restrictions, closures to most out-of-home entertainment (sporting events, concerts, movies, casinos, etc.), reduced shopping, and many people forced to work from home, there has been a massive move to online commerce. Manitoba Liquor & Lotteries' online gaming platform, Playnow.com has seen significantly more traffic since the start of the pandemic with registrations increasing 269% in 2020-21. An effective marketing strategy will be required to retain this customer base once other options become available again and to compete against the increasing grey market offerings that are entering the market. The Corporation's liquor home delivery and click & collect operations, though still relatively small, have also expanded significantly in 2020-21.

Consumers continue to look for healthier choices. This is apparent in the growing interest in low-alcohol and no-alcohol products. Analysts believe that as consumers move towards the adoption of healthier products, the low and no alcohol market will become one of the fastest growing segments in some categories. It is also anticipated the interest in mocktails will increase as part of the trend toward moderation and sobriety among younger, health-conscious consumers.

➤ **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

The COVID-19 pandemic has significantly impacted Manitoba Liquor & Lotteries' business operations as well as the economy. If closures, restrictions or social-distancing requirements persist into 2022-23, it will likely have a direct impact on casino and VLT operations, as well as an indirect impact through potential closures of corporate partners (liquor licensees/vendors, cannabis retailers, VLT siteholders) and erosion of GDP and disposable income. Negative impacts to employees must also be considered including safety, mental health, management, collaboration and professional development.

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.

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 been on the rise with the increase of employees working remotely. Cyber security improvements and awareness training will be vital to protecting the Corporation from modern attacks that target vulnerabilities in a remote workforce.

A long-term remote work strategy is being implemented, leveraging the technology improvements and learnings experienced during the pandemic. 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.

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

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.

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. With the anticipated return to normal operations, the return of several planned operational initiatives such as Bottle & Cork, the Whiskey Festival, in-store sampling and public courses will help in meeting consumer expectations and should have a positive impact on sales.

The development of consumer interest in the no/low alcohol category and interest in Manitoba craft beer are opportunities for liquor operations. 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 home 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.

Regulation changes can present new opportunities including private sector participation and interprovincial alcohol purchasing. Unlike most provinces, Manitoba has no restrictions on the importation of beverage alcohol across provincial lines. The removal of trade barriers in other provinces and territories would present both risks and opportunities for Manitoba as cross-jurisdictional competition in beverage alcohol could increase as a result.

Gaming & Entertainment

Gaming & Entertainment operations continues to bear most of the risk related to the COVID-19 pandemic due to closures, capacity restrictions and reduced product offerings. Although the future looks promising with the rollout of vaccines, the gaming landscape will remain uncertain until the pandemic is brought under control and the economy recovers.

Gaming revenue is budgeted to increase in 2022-23 in anticipation of social distancing and capacity restrictions being lifted resulting in the VLT network and casino slot floors operating at 100% capacity as well as the full implementation of the casino table games strategy which includes stadium gaming and select traditional live table games. However, the economic implications to customers who may have experienced job losses and layoffs, in addition to customer hesitancy in returning to the gaming environment due to their own well-being or safety concerns, are expected to put downward pressure on the rate of recovery of gaming operations.

With the exception of the 300 machines replaced in 2018-19, the VLT equipment will have reached the end of its useful life in 2021-22. Annual VLT equipment replacement has commenced in 2021-22 and is anticipated to continue in 2022-23 and future years. 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.

Legal online gaming in Manitoba has steadily grown since its inception in 2013 and throughout the COVID-19 pandemic, when other gaming options were not available, the demand increased

substantially. This increased awareness of the online gaming product category can be leveraged to find opportunities to maintain these customers through the development of new, and enhancement of existing, product offerings.

The gaming market in which the organization operates is mature and 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. Single event sports wagering legislation passed at the federal level and will be legalized as of August 27, 2021, providing an opportunity for net income growth and new customer development.

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 primary factors for increased sales will be the continued addition of new retail locations and an increased assortment of products available for sale. On June 1, 2020 retail applications opened to the general public for Phase 3 Retail. Over the following year, the number of cannabis retailers in the province almost tripled, from 31 at the end of May 2020 to 88 in May 2021. Legal cannabis sales will increase in Manitoba as additional suppliers and retailers drive down prices.

New product categories (edibles, extracts and topicals) were introduced in December 2019. The continued increase in availability of these new products along with the expansion of the retail network in Manitoba should result in overall growth in this industry.

➤ **Key Planning Assumptions**

The 2022-23 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.

- The Casinos of Winnipeg and VLT network will be allowed to operate at 100% capacity as social distancing and capacity restrictions will be lifted once sufficient immunity levels are achieved in 2021-22.
- There are 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 are no other major economic disruptions or major environmental catastrophes.
- Manitoba's inflation will return to pre-pandemic levels, between 2.0 - 2.5% annually.
- The capital program will proceed as planned, without significant interruptions or delays.
- Current partnerships with existing stakeholders will continue without significant change.
- There will be no major unanticipated changes in legislation relating to Manitoba Liquor & Lotteries' lines of business.

Strategic Priorities, Goals and Initiatives

2022-25 Strategy: Redefining What Is Possible

➤ Priority Areas

Manitoba Liquor & Lotteries has recognized that the Corporation would be successful when focused on three priority areas of development and work aligning with these priorities will be reflected in each of the goals:

- Enabling and modernizing technology
- Focusing on employees
- Evolving with customers and partners

➤ Goals

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.

1. Deliver net income
2. Build strategic capabilities to ensure long-term fiscal sustainability
3. Attract, develop and retain talent by creating an engaged, enabled, diverse and safe workplace
4. Increase value to Manitobans:
 - A. Public
 - B. Partners
 - C. Customers
 - D. Government

➤ Three-Year Strategic Plan Summary



➤ **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, 4B, 4C
Liquor supply chain transformation and retail modernization planning	<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 Transformation of supply chain to become a profit center and increase profitability Met the objectives and outcomes as per results of provincial retail review 	1, 2, 4B, 4C, 4D
Focus on iGaming	<ul style="list-style-type: none"> Increased awareness of PlayNow.com platform in Manitoba Retained PlayNow.com customer base Increased iGaming net income 	1, 4C
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 A secure network 	2
Enterprise resource planning (ERP) solution planning	<ul style="list-style-type: none"> Completed review of ERP needs across all divisions to determine the organization's future direction in regards to ERP systems 	2
Continuous improvement scorecard	<ul style="list-style-type: none"> Continuous improvement scorecard in place to ensure most beneficial improvement projects are pursued Improved efficiency and productivity 	2
Project management office	<ul style="list-style-type: none"> Established enterprise project and portfolio management capability Established mechanisms for project planning and control aligned to corporate strategic planning 	2

Initiative	Outcomes	Goal & Government Alignment
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, 4C
Diversity, equity and inclusion roadmap implementation	<ul style="list-style-type: none"> • Formation of Diversity, Equity and Inclusion Committee • Formal training program for leaders in place • Policy and process review completed • Increased representation of employment equity groups 	3
Human Resource management system enhancements	<ul style="list-style-type: none"> • Implementation of online recruitment system • Enhanced screening and tracking of recruitment candidates • Reduced manual administration 	3, 4C
Corporate & social responsibility awareness programs	<ul style="list-style-type: none"> • Increased awareness of the DrinkSense and GameSense social responsibility programs • Increased percentage of Manitobans that believe Manitoba Liquor & Lotteries makes a valuable contribution to the province • Increased customer experience and satisfaction 	4A, 4C
Craft cannabis program planning	<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 	4B, 4C, 4D

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	Net income actual vs net income budget	
	 Working Smarter	2. Build strategic capabilities to ensure long-term fiscal sustainability	Percentage of annual capital commitments expended Number of continuous improvement initiatives completed and in progress
 Public Service		3. Attract, develop and retain talent by creating an engaged, enabled, diverse and safe workplace	Percentage of employees in each equity group
	Visible minority		
	Indigenous		
Persons with disabilities			
Number of safety incidents per 100,000 hours worked			
 Quality of Life	4A. Increase value to Manitobans - Public	Percentage of Manitobans that value Manitoba Liquor & Lotteries' economic contributions to the Province	
		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	
	4B. Increase value to Manitobans - Partners	Partner satisfaction scores	
	4C. Increase value to Manitobans - Customers	Customer satisfaction scores in gaming and liquor	
Percentage of customers who feel safe in facilities		Liquor Marts	
	Casinos		
4D. Increase value to Manitobans - Government	Percentage of mandate and framework letter commitments completed		

Financial Statements

➤ Summary of Financial Results

Manitoba Liquor & Lotteries (\$000s)	2020-21	2021-22	2022-23
	Actuals	Budget	Budget
Revenue	\$ 1,210,699	\$ 1,400,017	\$ 1,583,450
Cost of sales	(556,440)	(581,202)	(660,929)
	654,259	818,815	922,521
Operating expenses	(197,984)	(228,435)	(262,447)
Depreciation and amortization	(53,731)	(50,221)	(54,683)
Goods and Services Tax	(4,895)	(5,866)	(7,371)
	(256,610)	(284,522)	(324,501)
Operating Income	397,649	534,293	598,020
Share of profit of Western Canada Lottery Corporation	58,369	63,688	66,272
Interest expense on long-term debt	(12,844)	(12,525)	(12,305)
Interest income	685	969	783
Income Before Allocations and Payments	443,859	586,425	652,770
Allocations and payments	(18,758)	(16,425)	(17,770)
Net Income and Comprehensive Income and Total Allocation to the Province of Manitoba	\$ 425,101	\$ 570,000	\$ 635,000

The theme of Manitoba Liquor & Lotteries' 2022-23 budget is adapting to a new normal and redefining what is possible following the COVID-19 pandemic. Highs and lows experienced during the height of the pandemic are expected to level out as restrictions ease, with the re-opening of casinos and VLT sites and normalization of liquor sales and online gaming as other entertainment options become available. Operational expenses are anticipated to increase due to staffing required to support a return to full operations at the casinos, increased costs to enable, protect and modernize technology systems, and increased 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 2022-23 Budgeted Net Income
Revenue	± \$15.8 million
Cost of Sales	± \$6.6 million
	± \$9.2 million
Operating Expenses	± \$2.6 million
Depreciation, Amortization, GST and Interest	± \$0.7 million

Capital Plan & Asset Summary

Summary of Capital Expenditures					
(\$000s)	Actual 2020-21	Forecast 2021-22	Budget		
			2022-23	2023-24	2024-25
Regular Capital Program					
Information technology	2,010	2,635	2,500	2,350	2,400
Operational equipment	1,513	1,290	3,253	3,116	2,477
Other necessary maintenance - facilities	803	500	6,850	3,575	7,288
Casinos HVAC replacement	10,000	11,064	9,300	-	-
Specialized equipment - gaming	-	11,000	31,862	34,656	35,223
Liquor supply chain transformation	-	-	1,000	1,750	3,800
Liquor retail modernization	-	-	-	1,500	500
Projects pending review	-	-	-	20,265	23,904
Corporate footprint reduction	-	5,234	-	-	-
Previously approved continuing projects	11,837	8,391	13,383	-	-
First Nations Capital Program					
First Nations - Windows 10 compliance	-	840	1,960	-	-
First Nations - specialized equipment - gaming	-	-	673	-	-
Total	\$ 26,163	\$ 40,954	\$ 70,781	\$ 67,212	\$ 75,592

The 2022-23 Regular Capital Program primarily consists of funding required for the necessary maintenance, safety and security of Manitoba Liquor & Lotteries' facilities, equipment, infrastructure, systems, employees and customers. The capital plan also includes several initiatives where the return on investment will assist in maximizing the Corporation's dividend to the province and will support strategic objectives. These include the regular replacement of gaming equipment that is fully depreciated and underperforming as well as the commencement

of the liquor retail modernization and supply chain transformation program which will modernize processes and structure to support the future landscape of liquor retail and distribution in Manitoba.

No budgeted requirements for liquor store development or casino renovations have been included at this time as these programs are pending review.

The 2022-23 First Nations Capital Program consists of funding for gaming equipment and associated systems, the majority of which is fully depreciated. 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 are members of the executive team, fulfill management roles and include employees and front-line staff required to appropriately service the Corporation's customers.

Full Time Equivalents (FTEs) (Filled and Vacant)	2020-21 Actuals	2021-22 Forecast	2022-23 Budget
Executive	8	8	8
Management	116	107	107
Employees	1818	1694	1631
Total	1942	1809	1746

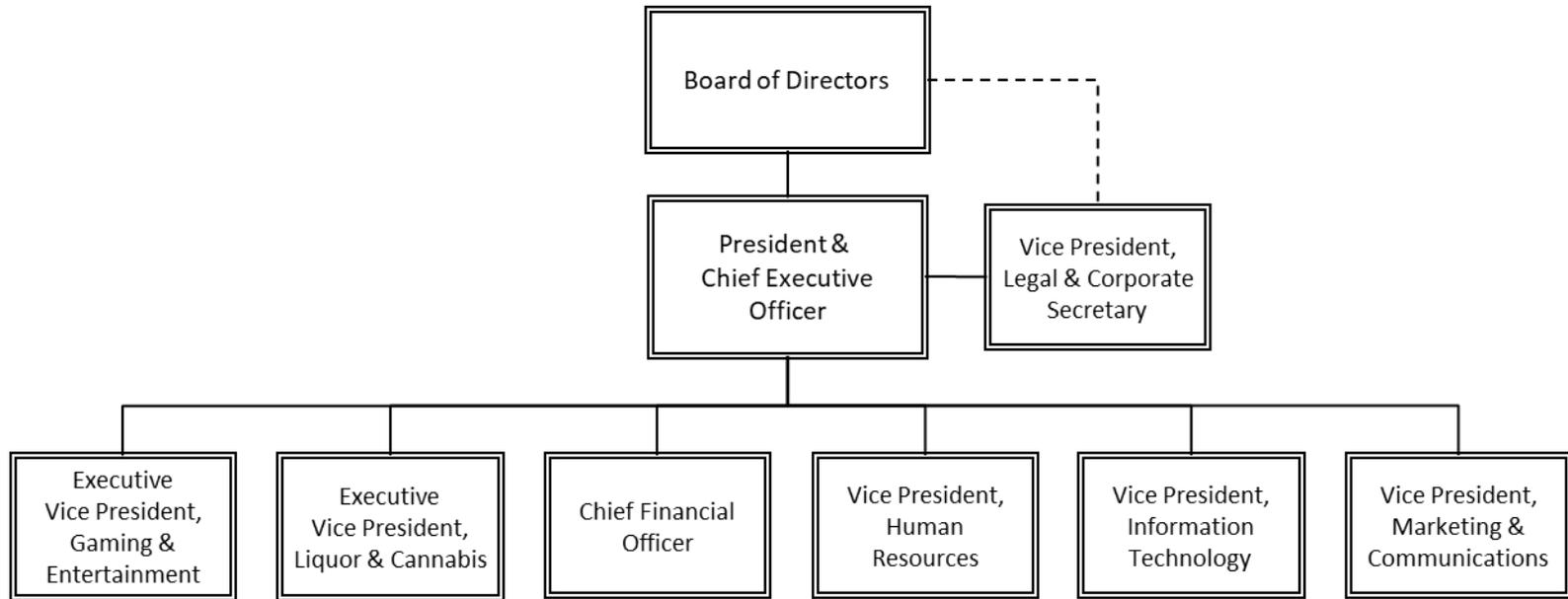
More than 88% are unionized and are represented by 5 unions which operate under 7 collective agreements. There were two collective agreements in negotiations as of July 2021, with two more pending. The remaining agreements are set to expire between March and June of 2022.

Salaries & benefits are budgeted to increase in 2022-23 to \$167.0 million from the 2021-22 budget of \$154.4 million. This increase is largely due to the anticipated return to full operations at the casinos, a shift to in-house support of Liquor Mart secured entrances, 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 of Crown Services and appointed by the Lieutenant Governor in Council.

The organizational structure is as follows:



Glossary

Bottle & Cork – Facilities within select Liquor Mart stores equipped for customers to bring their own bottles and choose from a selection of wines to bottle themselves by the case.

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.

Club Card – Casinos of Winnipeg loyalty program.

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.

Stadium Gaming – Hybrid electronic table game terminals where customers can play assisted games such as Live Dealer Blackjack, Roulette and Baccarat as well as a full suite of fully automated table games which include Big 6, Craps, and other customer favorites.

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.