



Quarterly Financial Report

For the three months ended June 30, 2020

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Consolidated Statement of Financial Position As at June 30

(\$000s, unaudited)

	2020	2019
ASSETS		
Current assets		
Cash	\$ 102,358	\$ 56,584
Trade and other receivables	64,130	66,522
Inventories	62,652	51,692
Prepayments	7,778	2,288
	<u>236,918</u>	<u>177,086</u>
Non-current assets		
Property and equipment, net	351,196	376,040
Right-of-use assets, net	70,975	56,407
Intangible assets, net	10,890	12,247
	<u>433,061</u>	<u>444,694</u>
	<u>\$ 669,979</u>	<u>\$ 621,780</u>
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	\$ 141,366	\$ 108,734
Contract liabilities	7,101	5,398
Payable to the Province of Manitoba	100,442	60,283
Current portion of long-term debt	52,214	56,340
Current portion of lease liabilities	7,193	7,876
	<u>308,316</u>	<u>238,631</u>
Non-current liabilities		
Long-term debt	290,531	328,751
Lease liabilities	66,132	49,398
	<u>356,663</u>	<u>378,149</u>
Equity		
Retained earnings	5,000	5,000
	<u>\$ 669,979</u>	<u>\$ 621,780</u>

Consolidated Statement of Cash Flows For the three months ended June 30

(\$000s, unaudited)

	2020	2019
Operating Activities		
Net income and comprehensive income	\$ 88,140	\$ 165,208
Add (deduct) items not involving cash:		
Depreciation related to property and equipment	8,788	12,688
Depreciation on assets related to Conduct and Management agreements	433	979
Depreciation related to right-of-use assets	2,320	2,100
Amortization related to intangible assets	840	1,140
Gain on disposal of property and equipment	(385)	-
	100,136	182,115
Net change in non-cash working capital items:		
Increase in trade and other receivables	(27,321)	(12,593)
Increase in inventories	(8,088)	(2,056)
Decrease (increase) in prepayments	(3,396)	2,405
Increase (decrease) in trade and other payables	20,560	(10,090)
Decrease in contract liabilities	(666)	(2,288)
Cash provided by operating activities	81,225	157,493
Investing Activities		
Purchase of property and equipment	(3,268)	(4,424)
Purchase of intangible assets	(33)	(968)
Proceeds from disposal of property and equipment	515	-
Cash used in investing activities	(2,786)	(5,392)
Financing Activities		
Cash distributions to the Province of Manitoba	(30,000)	(155,000)
Repayment of principal portion of lease liabilities	(1,934)	(1,168)
Proceeds from long-term debt	-	30,140
Repayment of long-term debt	(13,116)	(15,249)
Cash used in financing activities	(45,050)	(141,277)
Net increase in cash during the year	33,389	10,824
Cash, beginning of the year	68,969	45,760
Cash, end of the year	\$ 102,358	\$ 56,584

Operational Highlights

Consolidated net income and comprehensive income for the three months ended June 30, 2020 was \$88.1 million, a decrease of \$77.1 million from the same period last year. There were increases of \$11.6 million in Liquor, \$8.1 million in Online Gaming (previously reported under Casinos), \$0.8 million in Cannabis Operations, and \$0.1 million in Lottery; offset by decreases of \$54.2 million in Video Lotto and \$43.5 million in Casinos. The COVID-19 pandemic directives from Manitoba Health for individuals to stay home and the continued closure of certain businesses in the province which included the casinos for the full three months and all VLT site locations until June 26, 2020 has had a substantial negative impact on the financial results.

Revenue, net of cost of sales, decreased \$96.4 million from the same period last year, while the share of profit of Western Canada Lottery Corporation increased \$0.9 million. On the expenditure side, operating expenses decreased \$14.3 million; depreciation and amortization, GST expense and interest expense net of interest income decreased \$4.4 million; and allocations and payments increased by \$0.3 million.



Consolidated Statement of Operations
For the three months ended June 30

(\$000s, unaudited)

	2020						2019	
	Cannabis Operations	Casinos	Liquor Operations	Lottery	Online Gaming	Video Lotto	Total	
Revenue	\$ 14,687	\$ -	\$ 237,367	\$ 277	\$ 16,153	\$ 7,297	\$ 275,781	\$ 384,709
Cost of sales	12,051	-	117,901	135	5,059	2,185	137,331	149,855
	2,636	-	119,466	142	11,094	5,112	138,450	234,854
Expenses								
Operating	329	13,079	25,866	1,208	1,521	2,161	44,164	58,461
Depreciation and amortization	-	6,161	4,040	-	46	1,701	11,948	15,928
Goods and Services Tax	-	325	-	28	394	179	926	1,570
	329	19,565	29,906	1,236	1,961	4,041	57,038	75,959
Operating Income	2,307	(19,565)	89,560	(1,094)	9,133	1,071	81,412	158,895
Share of profit of Western Canada Lottery Corporation	-	-	-	13,366	1,379	-	14,745	13,858
Interest expense	-	(1,825)	(953)	(25)	(3)	(542)	(3,348)	(3,276)
Interest income	2	70	93	10	10	7	192	281
Income before Allocations and Payments	2,309	(21,320)	88,700	12,257	10,519	536	93,001	169,758
Allocations and payments	24	383	2,761	221	156	1,316	4,861	4,550
Net Income and Total Comprehensive Income	\$ 2,285	\$ (21,703)	\$ 85,939	\$ 12,036	\$ 10,363	\$ (780)	\$ 88,140	\$ 165,208

Notes to the Consolidated Financial Statements

1. These interim consolidated financial statements should be read in conjunction with the Manitoba Liquor and Lotteries Corporation 2019-20 Annual Report.
2. These interim consolidated financial statements have been prepared following the same accounting policies that are disclosed in the Annual Report.
3. Comparative operational information has been reclassified to conform to the presentation of the current year consolidated financial results.