



Quarterly Financial Report

For the six months ended September 30, 2020

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Consolidated Statement of Financial Position As at September 30

(\$000s, unaudited)

	2020	2019
ASSETS		
Current assets		
Cash	\$ 78,671	\$ 37,318
Trade and other receivables	57,329	54,027
Inventories	65,052	59,123
Prepayments	6,475	7,787
	<u>207,527</u>	<u>158,255</u>
Non-current assets		
Property and equipment, net	346,546	369,535
Right-of-use assets, net	70,972	76,098
Intangible assets, net	10,322	11,916
	<u>427,840</u>	<u>457,549</u>
	<u>\$ 635,367</u>	<u>\$ 615,804</u>
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	\$ 126,042	\$ 112,435
Contract liabilities	9,953	7,006
Payable to the Province of Manitoba	91,107	43,876
Current portion of long-term debt	52,074	53,493
Current portion of lease liabilities	7,259	7,822
	<u>286,435</u>	<u>224,632</u>
Non-current liabilities		
Long-term debt	277,593	316,682
Lease liabilities	66,339	69,490
	<u>343,932</u>	<u>386,172</u>
Equity		
Retained earnings	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
	<u>\$ 635,367</u>	<u>\$ 615,804</u>

Consolidated Statement of Cash Flows For the six months ended September 30

(\$000s, unaudited)

	2020	2019
Operating Activities		
Net income and comprehensive income	\$ 251,107	\$ 329,876
Add items not involving cash:		
Depreciation related to property and equipment	17,600	25,401
Depreciation on assets related to Conduct and Management agreements	852	1,486
Depreciation related to right-of-use assets	4,589	4,467
Amortization related to intangible assets	1,618	2,543
Loss on disposal of property and equipment	3,990	653
	<u>279,756</u>	<u>364,426</u>
Net change in non-cash working capital items:		
Increase in trade and other receivables	(20,520)	(98)
Increase in inventories	(10,488)	(9,487)
Increase in prepayments	(2,093)	(3,094)
Increase (decrease) in trade and other payables	5,236	(6,389)
Increase (decrease) in contract liabilities	2,186	(680)
Cash provided by operating activities	<u>254,077</u>	<u>344,678</u>
Investing Activities		
Purchase of property and equipment	(12,243)	(11,909)
Purchase of intangible assets	(243)	(2,040)
Proceeds from disposal of property and equipment	534	117
Cash used in investing activities	<u>(11,952)</u>	<u>(13,832)</u>
Financing Activities		
Cash distributions to the Province of Manitoba:		
Current year	(200,000)	(331,000)
Prior year	(2,302)	(5,075)
Repayment of principal portion of lease liabilities	(3,927)	(3,188)
Proceeds from long-term debt	-	30,140
Repayment of long-term debt	(26,194)	(30,165)
Cash used in financing activities	<u>(232,423)</u>	<u>(339,288)</u>
Net increase (decrease) in cash during the period	9,702	(8,442)
Cash, beginning of the period	<u>68,969</u>	<u>45,760</u>
Cash, end of the period	<u>\$ 78,671</u>	<u>\$ 37,318</u>

Operational Highlights

Consolidated net income and comprehensive income for the six months ended September 30, 2020 was \$251.1 million, a decrease of \$78.8 million from the same period last year. There were increases of \$23.1 million in Liquor Operations, \$14.7 million in Online Gaming (previously reported under Casinos), \$3.2 million in Lottery, and \$2.6 million in Cannabis Operations; offset by decreases of \$64.1 million in Casinos and \$58.3 million in Video Lotto. The COVID-19 pandemic directives from Manitoba Health for individuals to stay home and the closure of certain businesses in the province, which included all VLT site locations until June 26, 2020 and the casinos until July 29, 2020, has had a substantial negative impact on the financial results.

Revenue, net of cost of sales, decreased \$113.4 million from the same period last year, while the share of profit of Western Canada Lottery Corporation increased \$5.6 million. On the expenditure side, operating expenses decreased \$21.4 million; depreciation and amortization, GST expense and interest expense net of interest income decreased \$9.5 million; and allocations and payments increased by \$1.9 million.



Consolidated Statement of Operations
For the six months ended September 30
(\$000s, unaudited)

	2020						2019
	Cannabis Operations	Casinos	Liquor Operations	Lottery	Online Gaming	Video Lotto	Total
Revenue	\$ 34,409	\$ 23,969	\$ 482,125	\$ 644	\$ 30,126	\$ 89,330	\$ 660,603
Cost of sales	27,901	1,049	239,429	320	8,860	28,883	306,442
	6,508	22,920	242,696	324	21,266	60,447	354,161
Expenses							
Operating	713	28,474	53,583	2,915	2,952	6,635	95,272
Depreciation and amortization	-	11,924	8,407	-	89	3,387	23,807
Goods and Services Tax	-	699	-	74	722	659	2,154
	713	41,097	61,990	2,989	3,763	10,681	121,233
Operating Income	5,795	(18,177)	180,706	(2,665)	17,503	49,766	232,928
Share of profit of Western Canada Lottery Corporation	-	-	-	31,622	2,767	-	34,389
Interest expense	-	(3,624)	(1,887)	(47)	(5)	(1,070)	(6,633)
Interest income	4	156	138	18	14	80	410
Income before Allocations and Payments	5,799	(21,645)	178,957	28,928	20,279	48,776	261,094
Allocations and payments	32	1,083	4,582	757	624	2,909	9,987
Net Income and Total Comprehensive Income	\$ 5,767	\$ (22,728)	\$ 174,375	\$ 28,171	\$ 19,655	\$ 45,867	\$ 251,107
							\$ 329,876

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.