

2010 Survey of the Canadian Gaming Industry

Canadian Gaming Summit 2010

Calgary, Alberta

April 28, 2010



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Selected Highlights

Selected Highlights

- Respondents are quite bullish on revenue and bottom-line prospects for the upcoming fiscal year. (Note: HLT estimated that aggregate gaming revenue in Canada in the year ended March 31st 2010 was less than the previous year...the first ever year-over-year decrease).
- Internet gaming is the issue dominating discussion, yet:
 - Confusion exists over legality (even among regulators);
 - Marketing alliances are thought to be the key to success; and
 - Impact on existing forms of gaming is expected to be moderate.
- Responsible Gaming is taken seriously but the ultimate onus of responsibility is that of the player.
- An overwhelming majority support single-game/event sports wagering.
- Ontario and British Columbia respondents are more likely to favour greater private-sector involvement in all forms of gaming.

The Respondents

Origin of Respondents

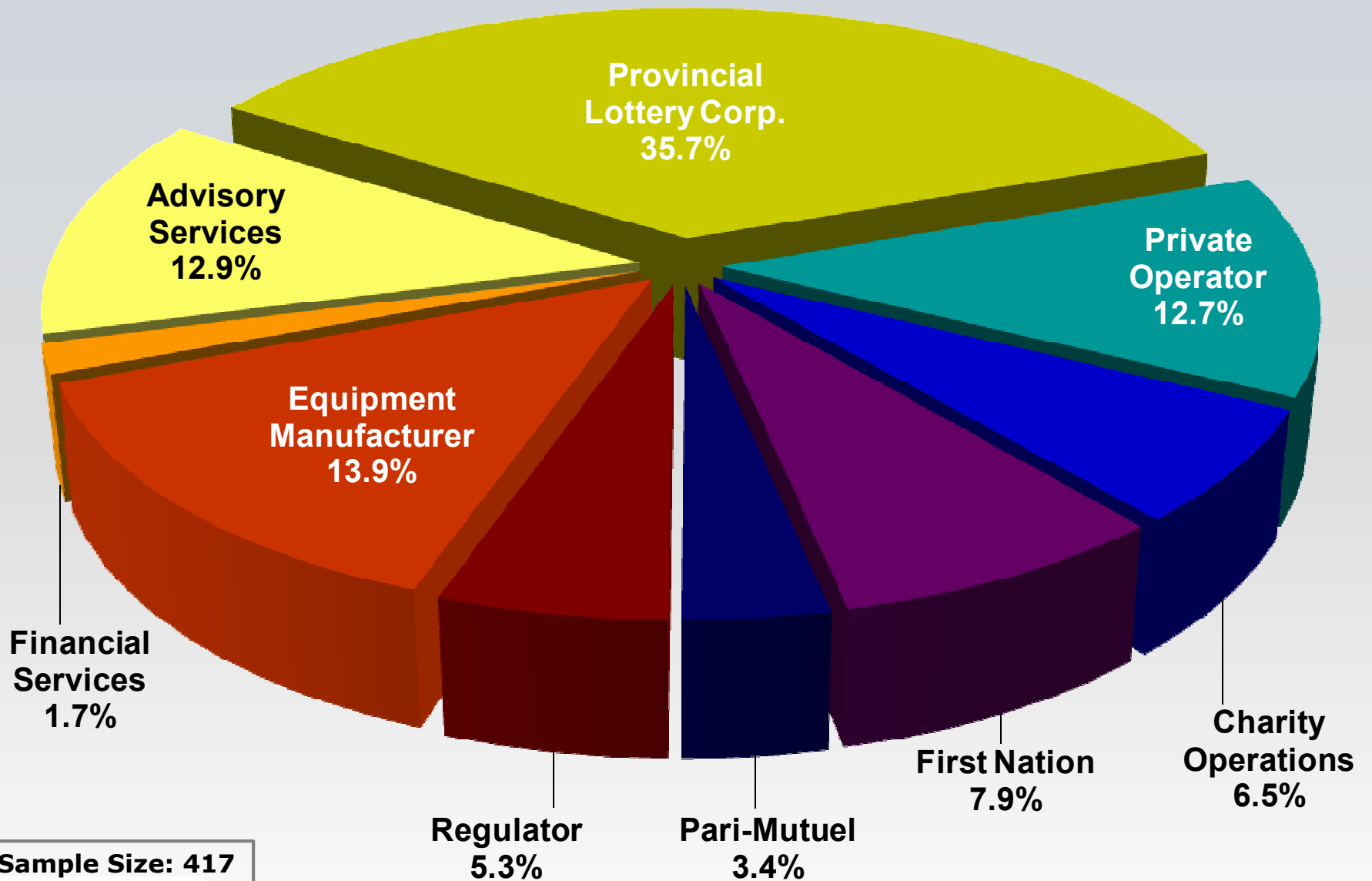
2010 CGA Survey Repondents				
Location	Survey Respondents		Gaming Win	
	Total	As % of Canada	Total (\$Million)	As % of Canada
BC	43	10.8%	\$2,000.7	13.1%
AB	48	12.0%	\$2,661.0	17.4%
SK	33	8.3%	\$720.0	4.7%
MB	24	6.0%	\$724.5	4.7%
ON	201	50.4%	\$5,423.8	35.4%
QC	24	6.0%	\$2,878.6	18.8%
NB	20	5.0%	\$239.1	1.6%
NS	5	1.3%	\$396.3	2.6%
PEI	0	0.0%	\$49.9	0.3%
NFLD	1	0.3%	\$218.3	1.4%
Canada	399	100.0%	\$15,312.0	100.0%
Canada	399	89.5%		
USA	39	8.7%		
Other Int'l	8	1.8%		
Other	446	100.0%		

Source: Canadian Gaming Industry Survey 2010.

Respondent Characteristics

- Survey Request sent to 4,000+ potential respondents
- Survey completed between March 20th and April 13th
- 446 full and partial responses
- Results are a snap shot and not necessarily representative
- Completely anonymous

Respondents by Business Type

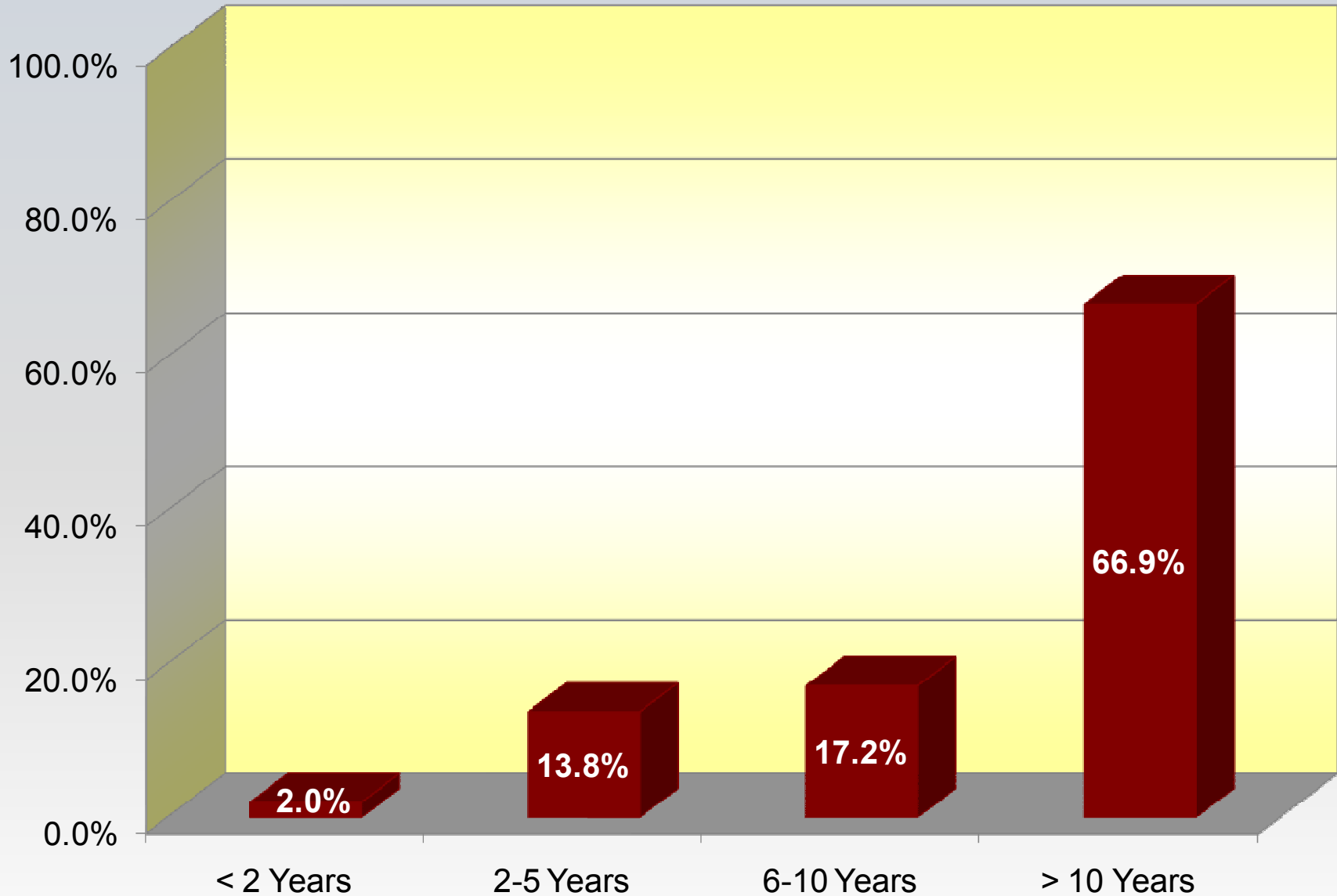


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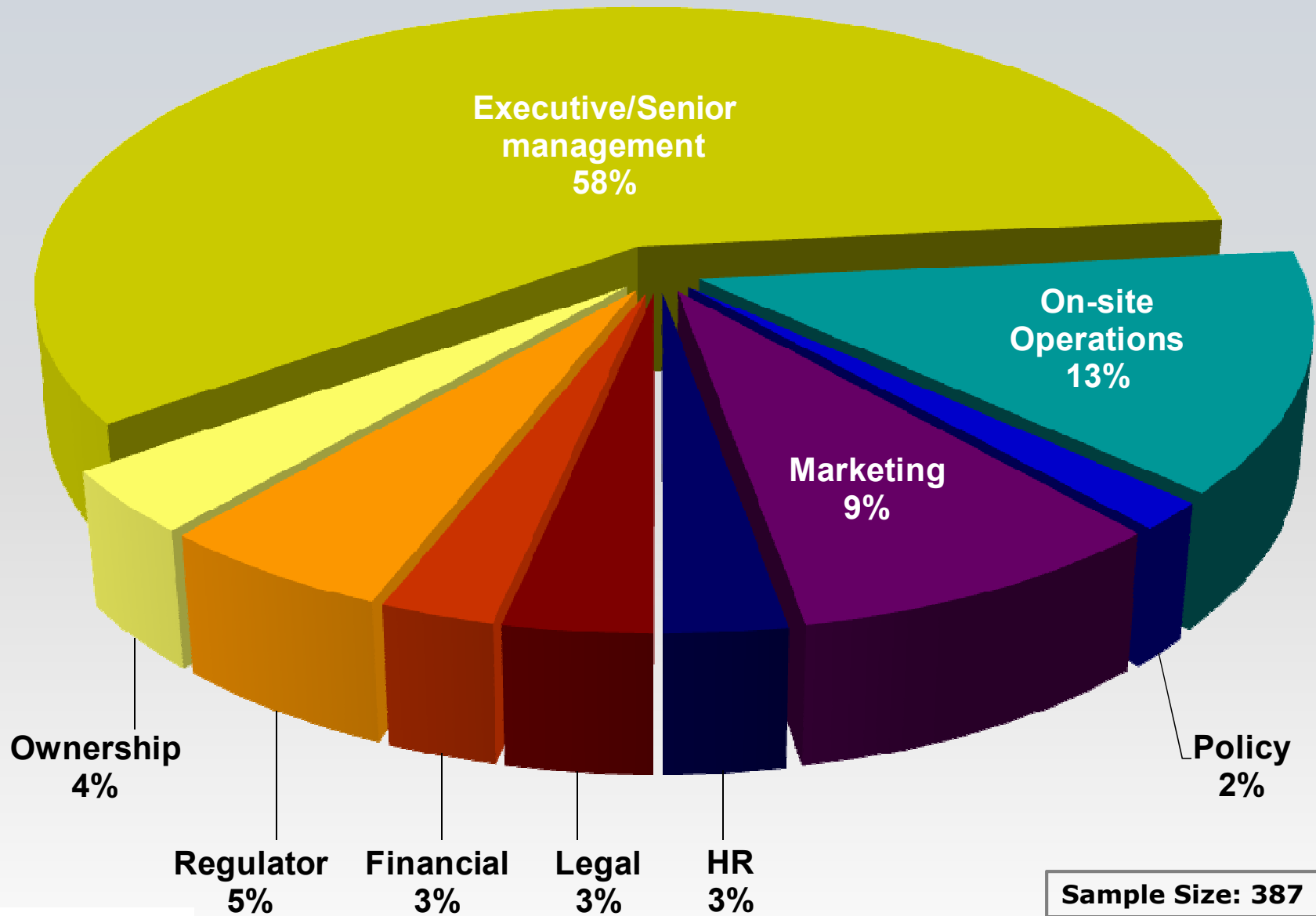


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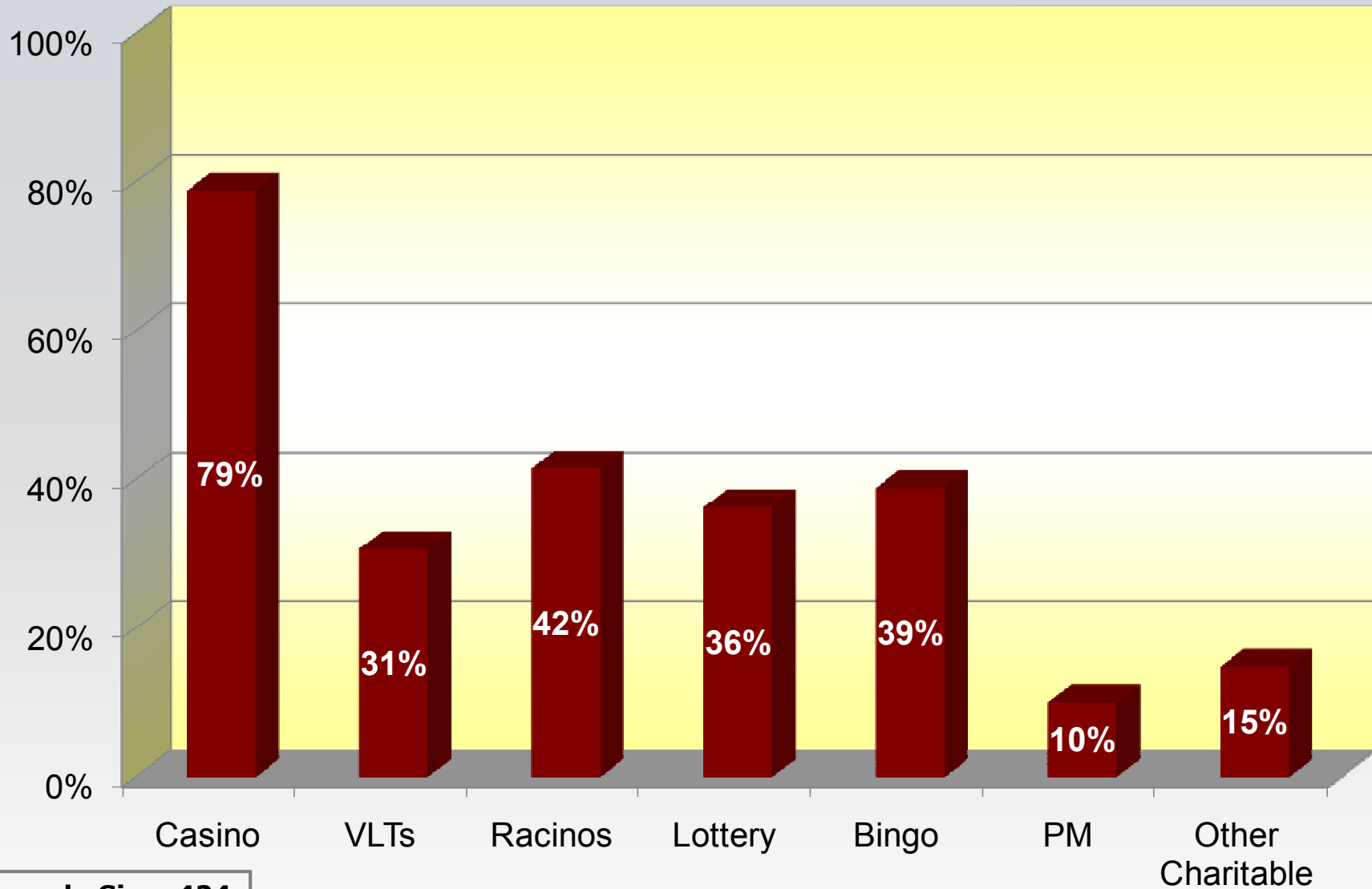
Active Years in the Industry



Description of Individual's Role



In What Sectors Do You Operate?



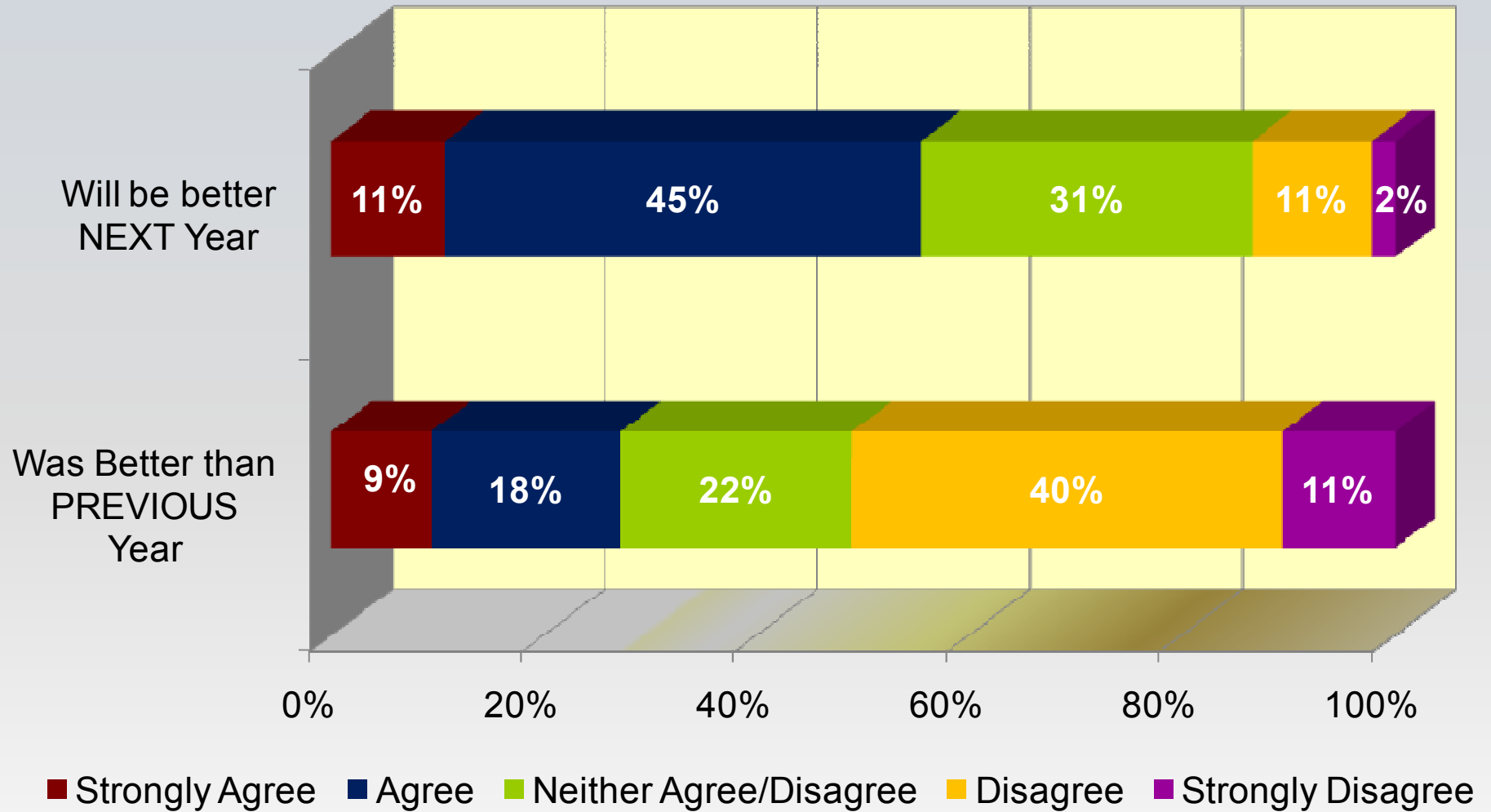
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Business Trends

Your Organization's Performance...

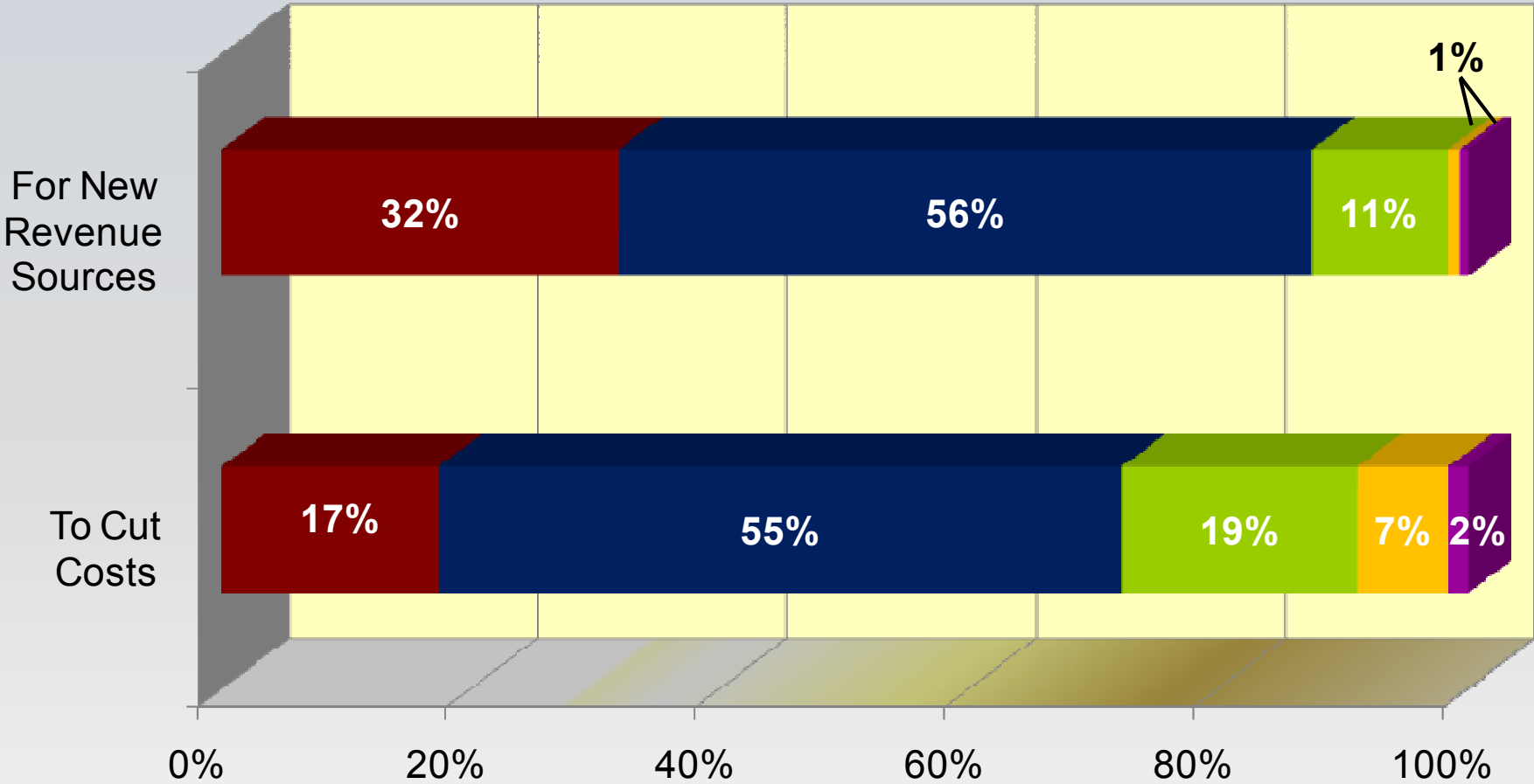


Sample Size: 327



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Is Your Organization Looking...



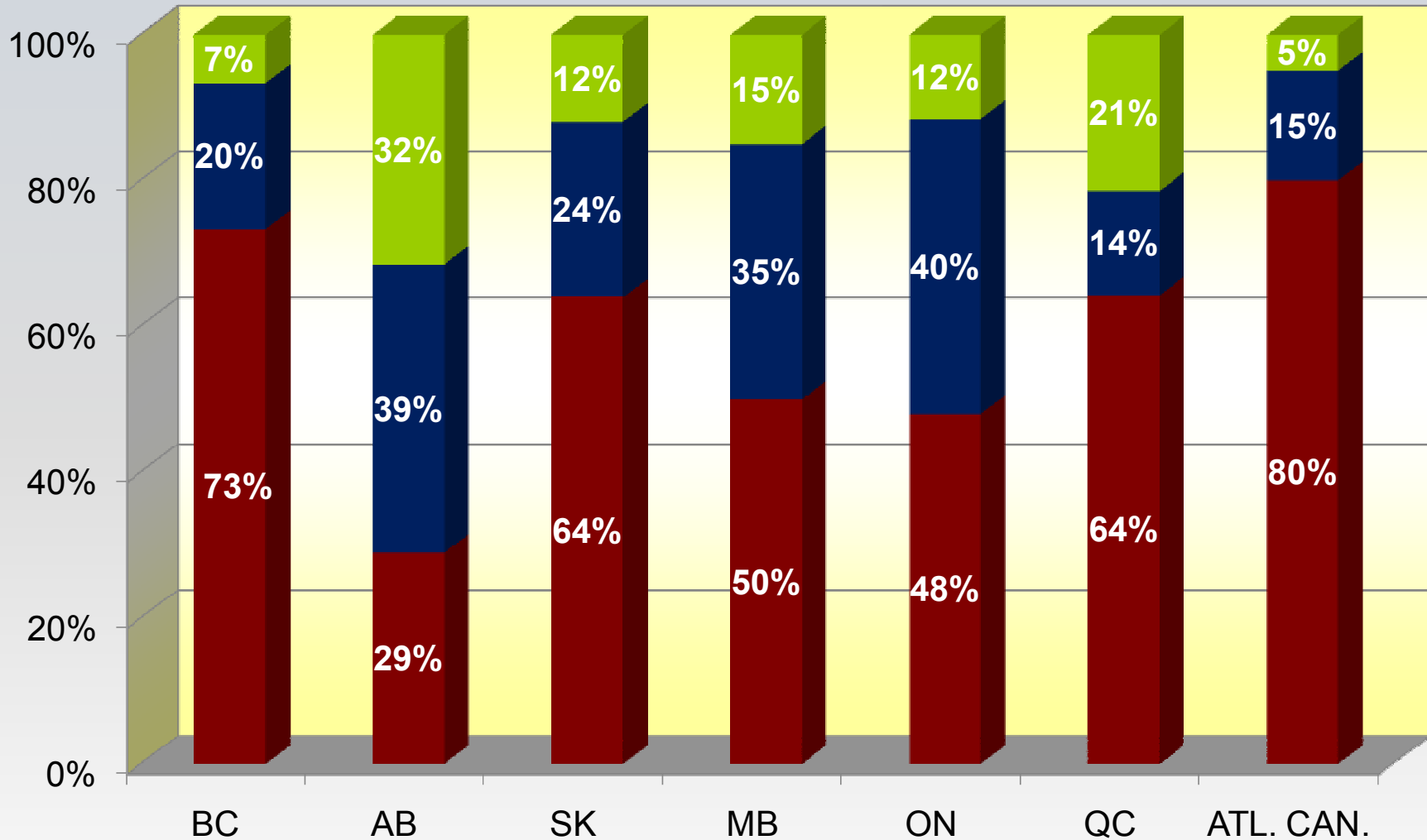
■ Strongly Agree
 ■ Agree
 ■ Neither Agree/Disagree
 ■ Disagree
 ■ Strongly Disagree

Sample Size: 327



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Organization's Performance Over the Next 12 Months Will Be Better



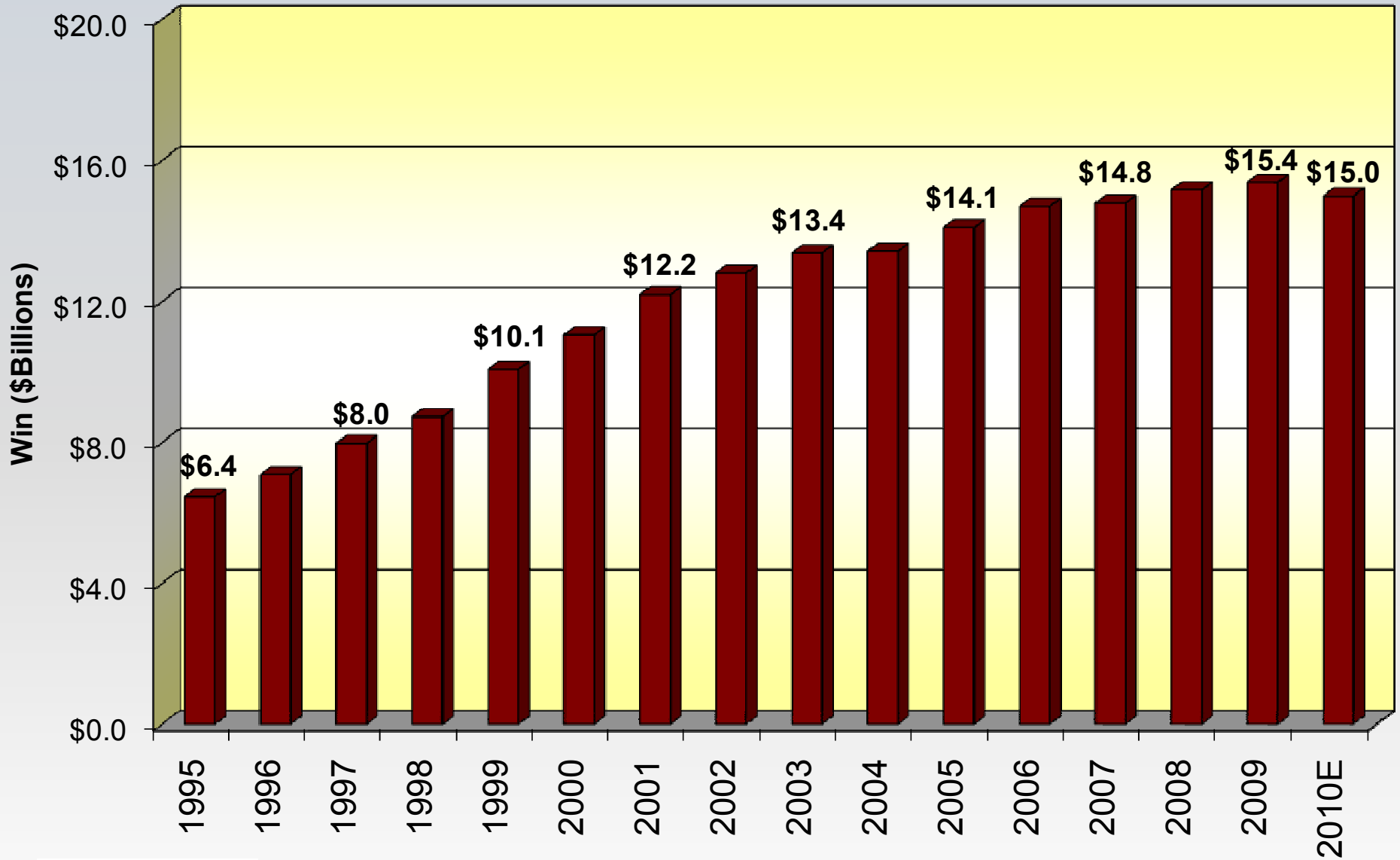
Sample Size: 293

■ Agree ■ Neither ■ Disagree

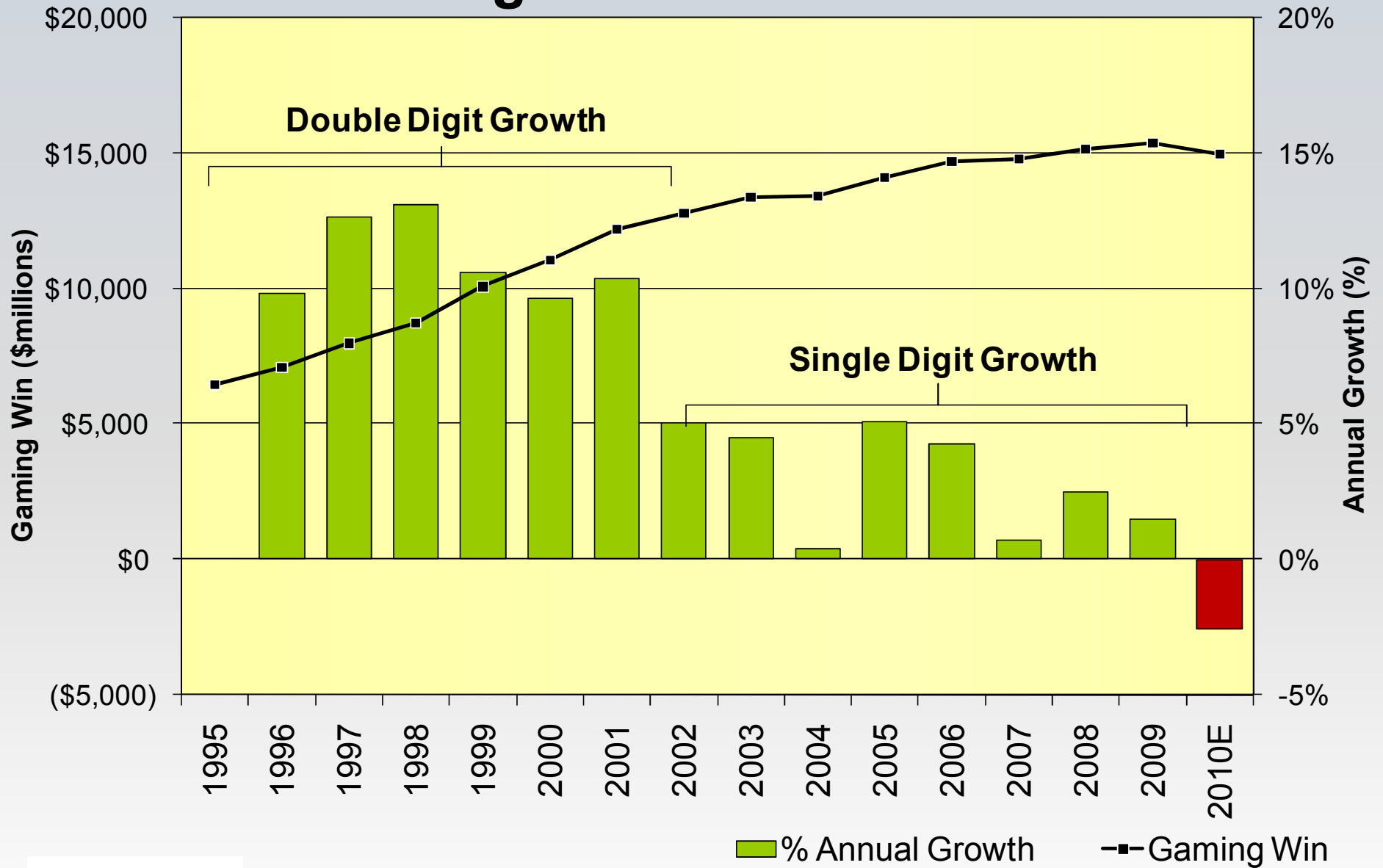


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Canadian Gaming Industry Win Performance

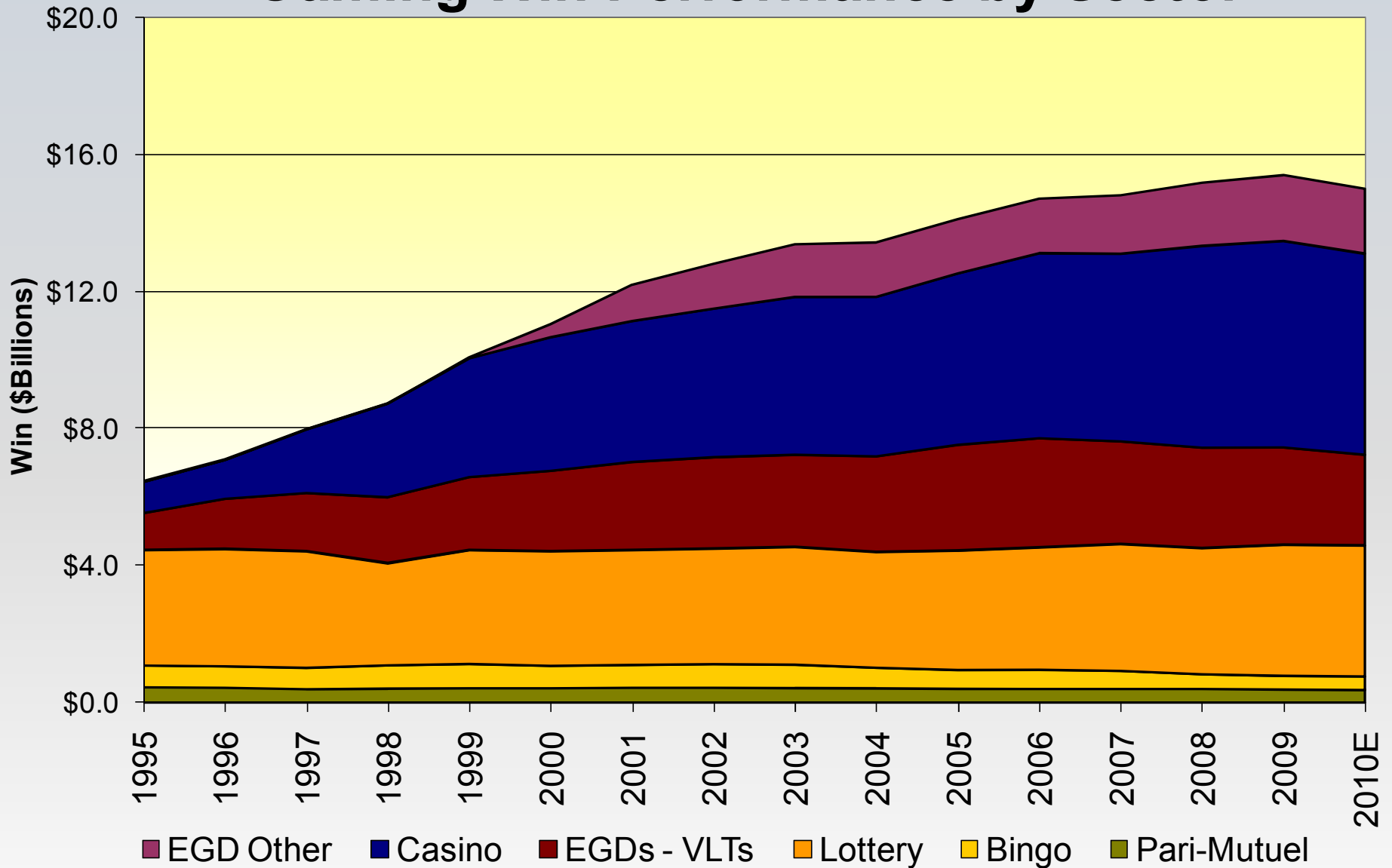


Gaming Win Growth Trends



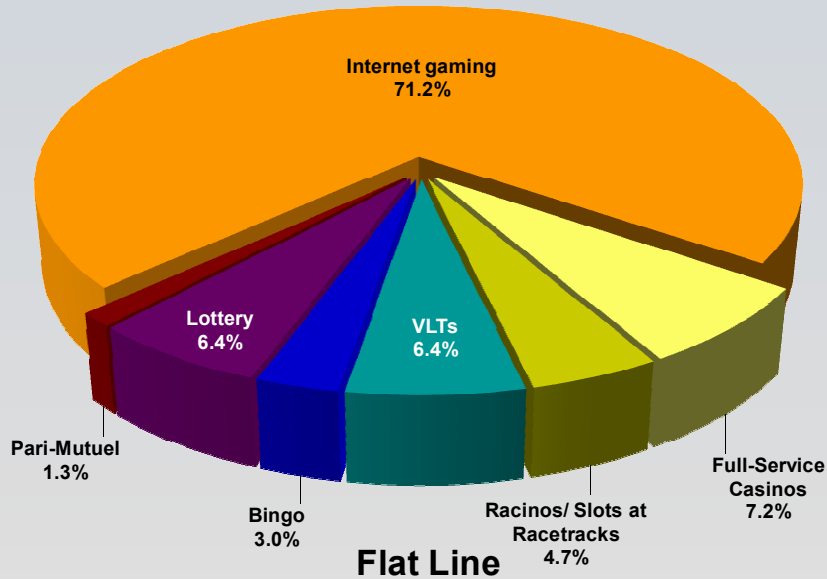
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Gaming Win Performance by Sector

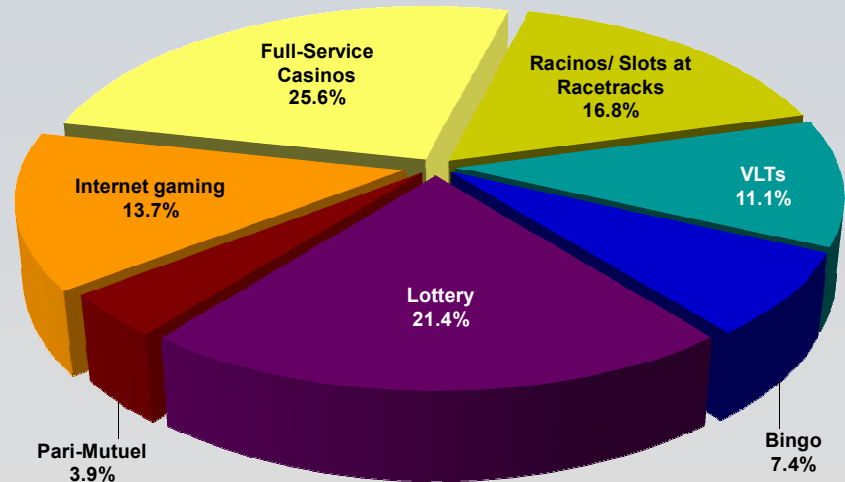


Growth Prospects for the Gaming Products

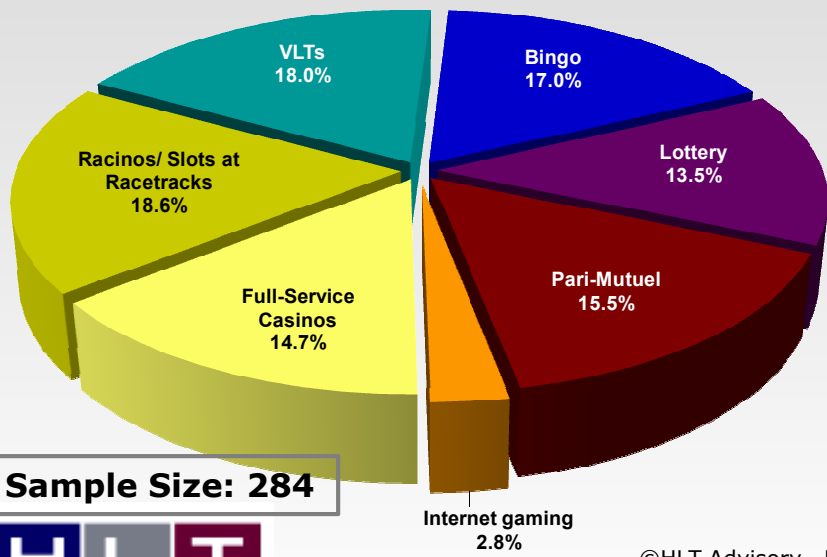
Substantial Growth



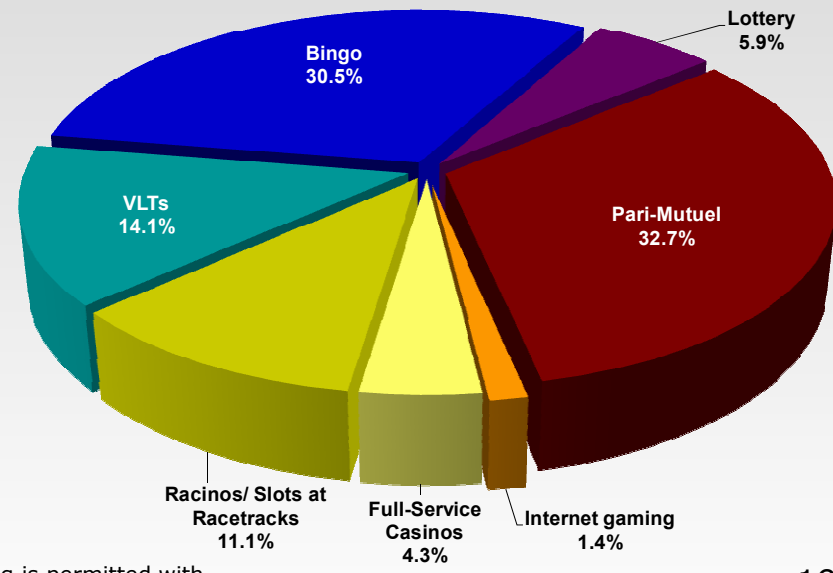
Modest Growth



Flat Line



Decrease

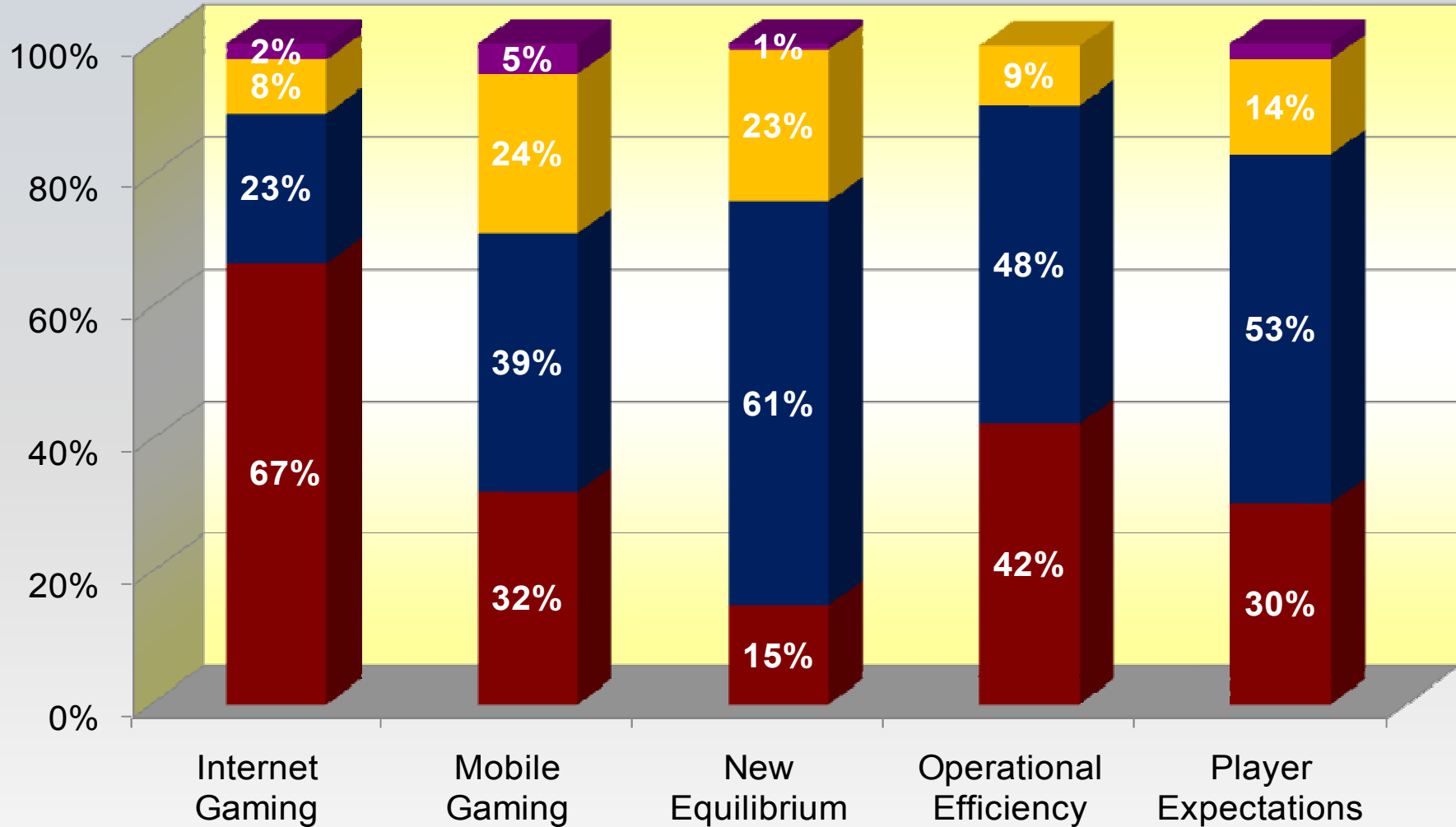


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Major Issues Concerning Canadian Gaming Industry



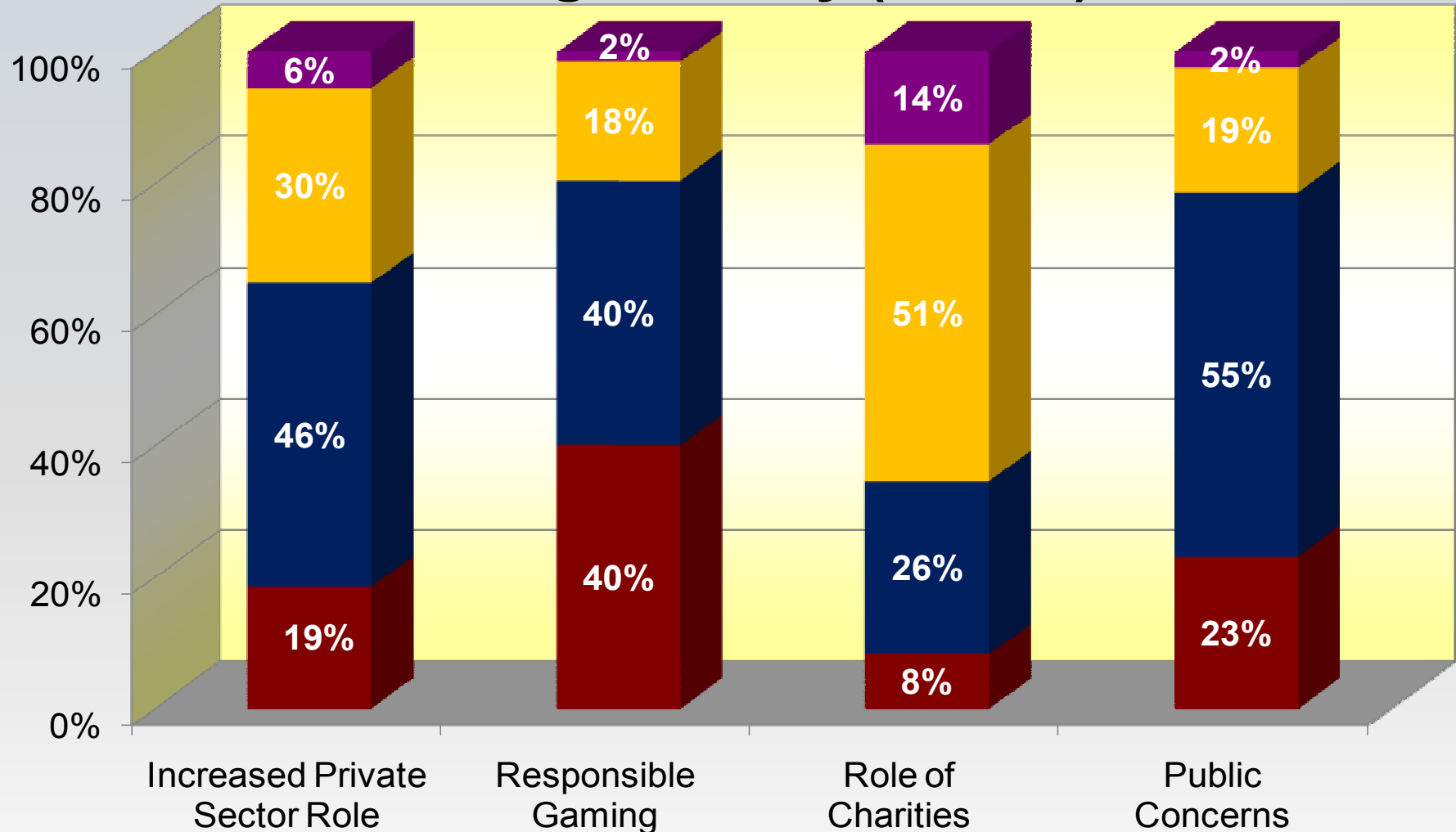
Sample Size: 327



- Significant
- Somewhat significant
- Not really significant
- Not Significant

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Major Issues Concerning Canadian Gaming Industry (cont'd)



Sample Size: 327



■ Not Significant ■ Not really significant
■ Somewhat significant ■ Significant

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Are the Following Issues Significant from Your Organization's Perspective?

	Provincial Lottery Corp.	Private Operator	Charity Operations	First Nation	Pari-mutuel	Regulator
Internet gaming	94%	68%	67%	65%	100%	91%
Mobile gaming	62%	42%	43%	39%	88%	70%
New Equilibrium	76%	76%	86%	61%	88%	50%
Operational Efficiency	93%	100%	95%	96%	100%	91%
Player expectations	93%	76%	95%	90%	78%	64%
Private Sector Role	37%	70%	57%	59%	56%	55%
Responsible Gaming	95%	59%	80%	91%	67%	91%
Role of Charities	24%	19%	71%	32%	22%	64%
Public Concerns	90%	62%	81%	82%	67%	91%

Note: Responses include "Significant" and "Somewhat Significant" answers
Source: Canadian Gaming Industry Survey 2010.

Sample Size: 185

Are the Following Issues Significant from Your Organization's Perspective?

	BC	AB	SK	MB	ON	QC	ATL. CAN.
Internet gaming	76%	72%	81%	95%	78%	100%	95%
Mobile gaming	54%	50%	31%	67%	54%	87%	85%
New Equilibrium	69%	86%	56%	63%	70%	71%	71%
Operational Efficiency	97%	92%	93%	95%	89%	88%	85%
Player Expectations	76%	94%	88%	85%	82%	100%	100%
Private Sector Role	71%	44%	35%	33%	55%	43%	85%
Responsible Gaming	69%	67%	100%	100%	80%	100%	85%
Role of Charities	7%	66%	8%	29%	37%	38%	32%
Public Concerns	90%	72%	88%	100%	75%	100%	90%

Note: Responses include "Significant" and "Somewhat Significant" answers
 Source: Canadian Gaming Industry Survey 2010.

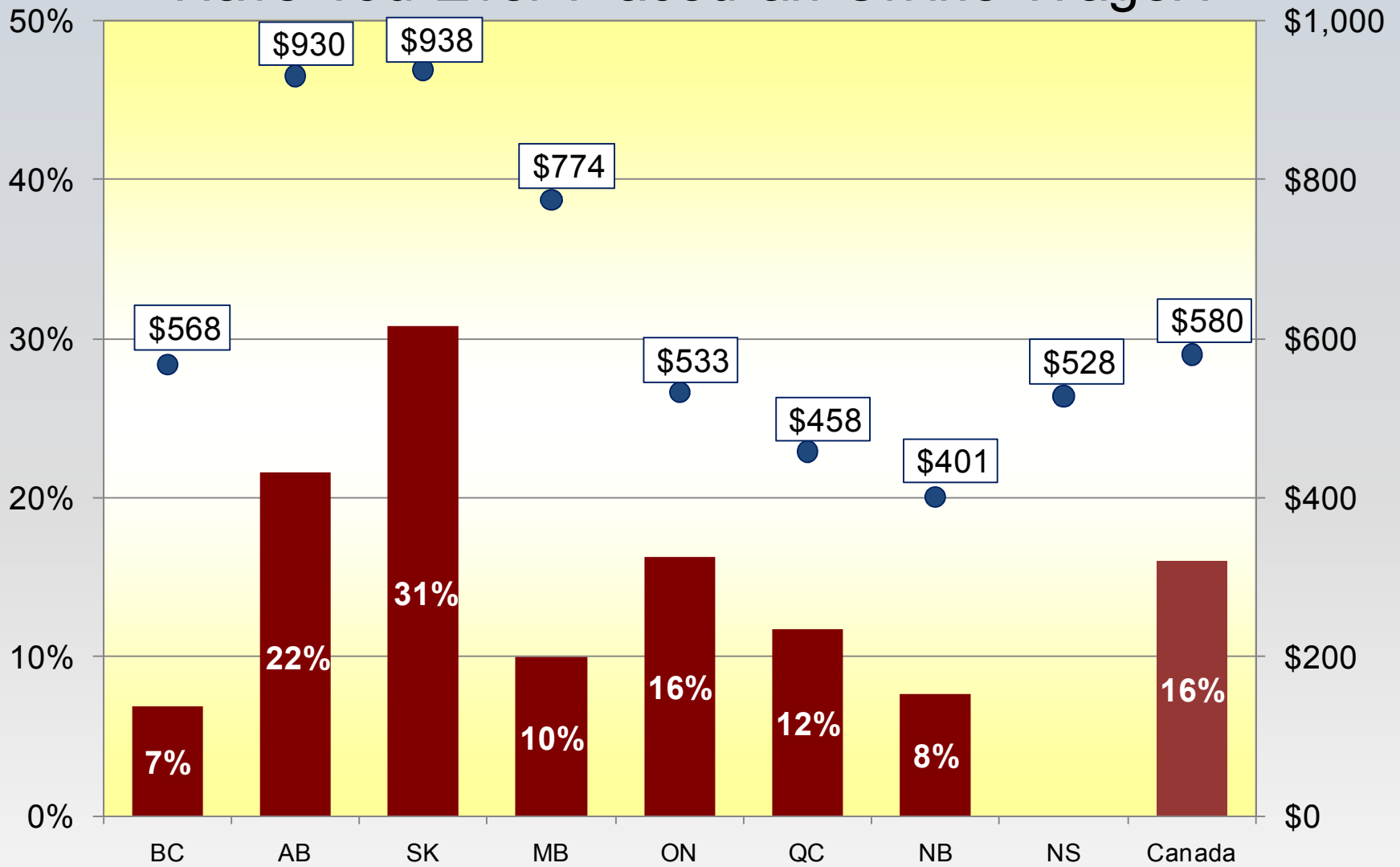
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Internet Gaming

Have You Ever Placed an Online Wager?



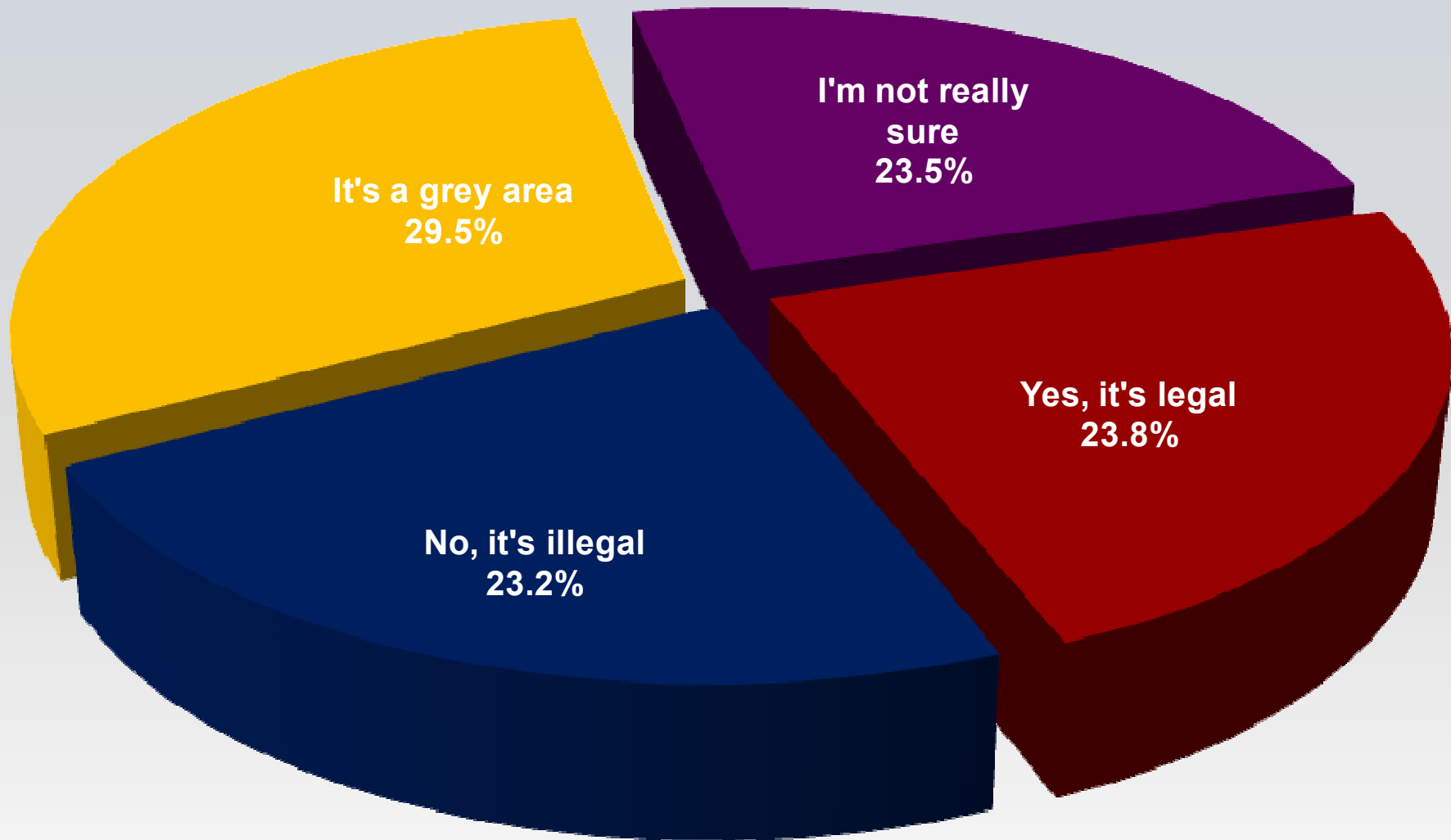
■ Percentage Who've Placed an Online Wager ● "Win per Adult" Estimates

Sample Size: 288



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Is it Legal to Place an Online Wager?

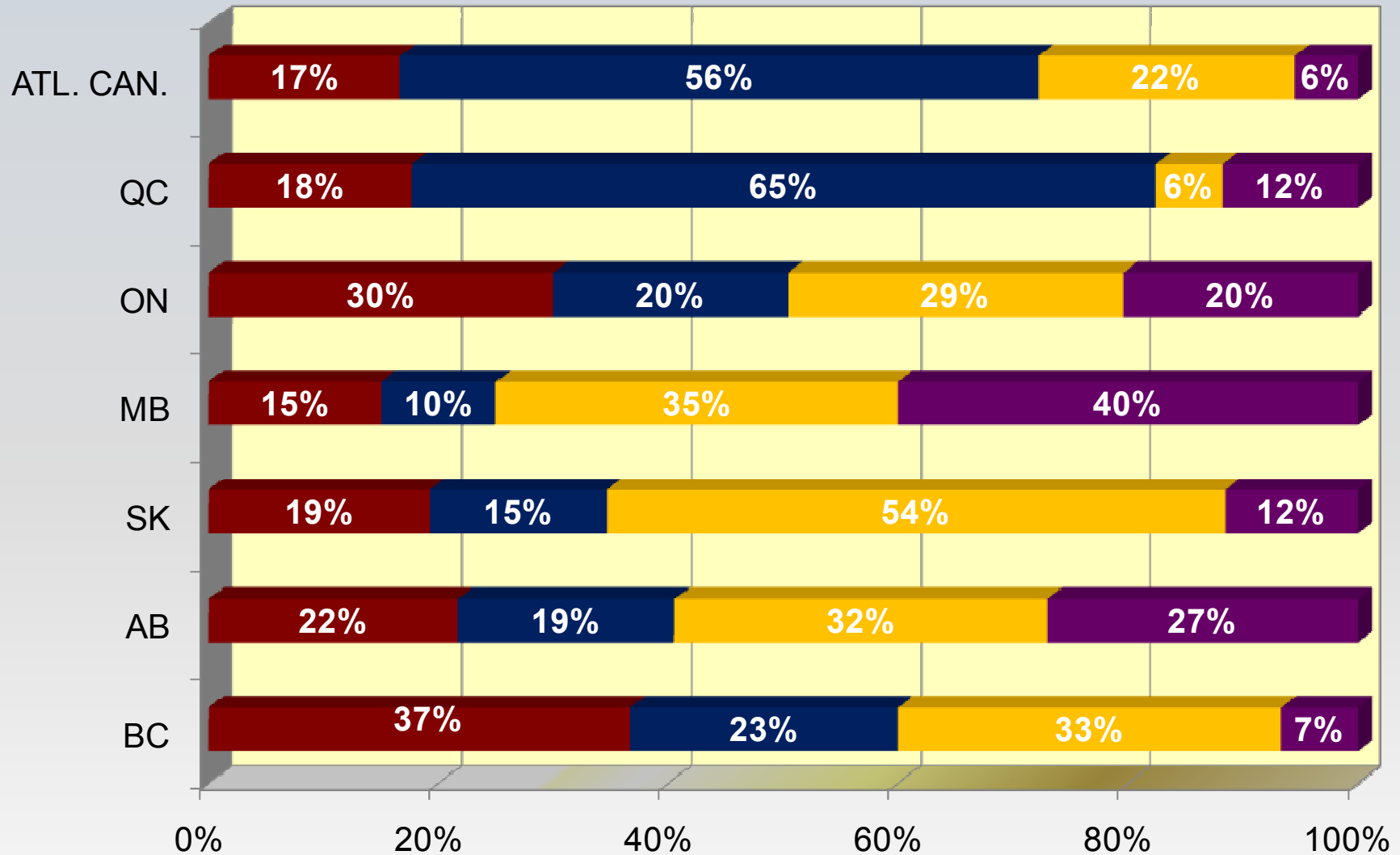


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Is it Legal to Place an Online Wager?



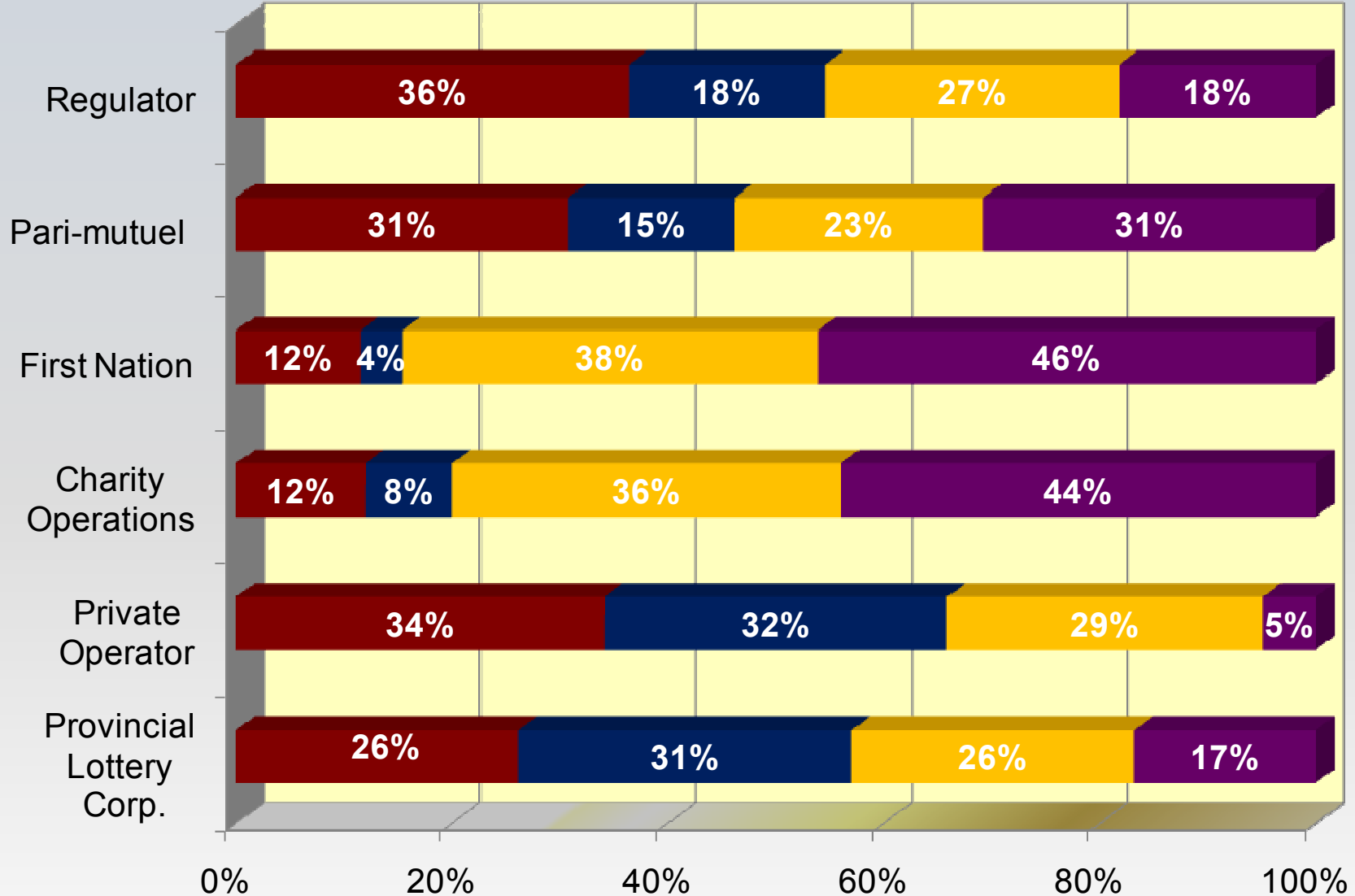
Sample Size: 285



- Yes, it's legal
- No, it's illegal
- It's a grey area
- I'm not really sure

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Is it Legal to Place an Online Wager?



Sample Size: 223



■ Yes, it's legal ■ No, it's illegal
■ It's a grey area ■ I'm not really sure

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If Provided by Offshore Entities, Should the Following Forms of Internet Gaming be Legal?

	Provincial Lottery Corp.	Private Operator	Charity Operations	First Nation	Pari-mutuel	Regulator
Poker	25%	46%	16%	31%	38%	9%
Sports Betting	25%	46%	16%	31%	31%	9%
Casino Games	20%	36%	8%	23%	23%	9%
Pari-Mutuel	21%	45%	12%	19%	23%	9%
Lottery	20%	43%	12%	12%	15%	18%
Bingo	20%	46%	16%	13%	23%	9%

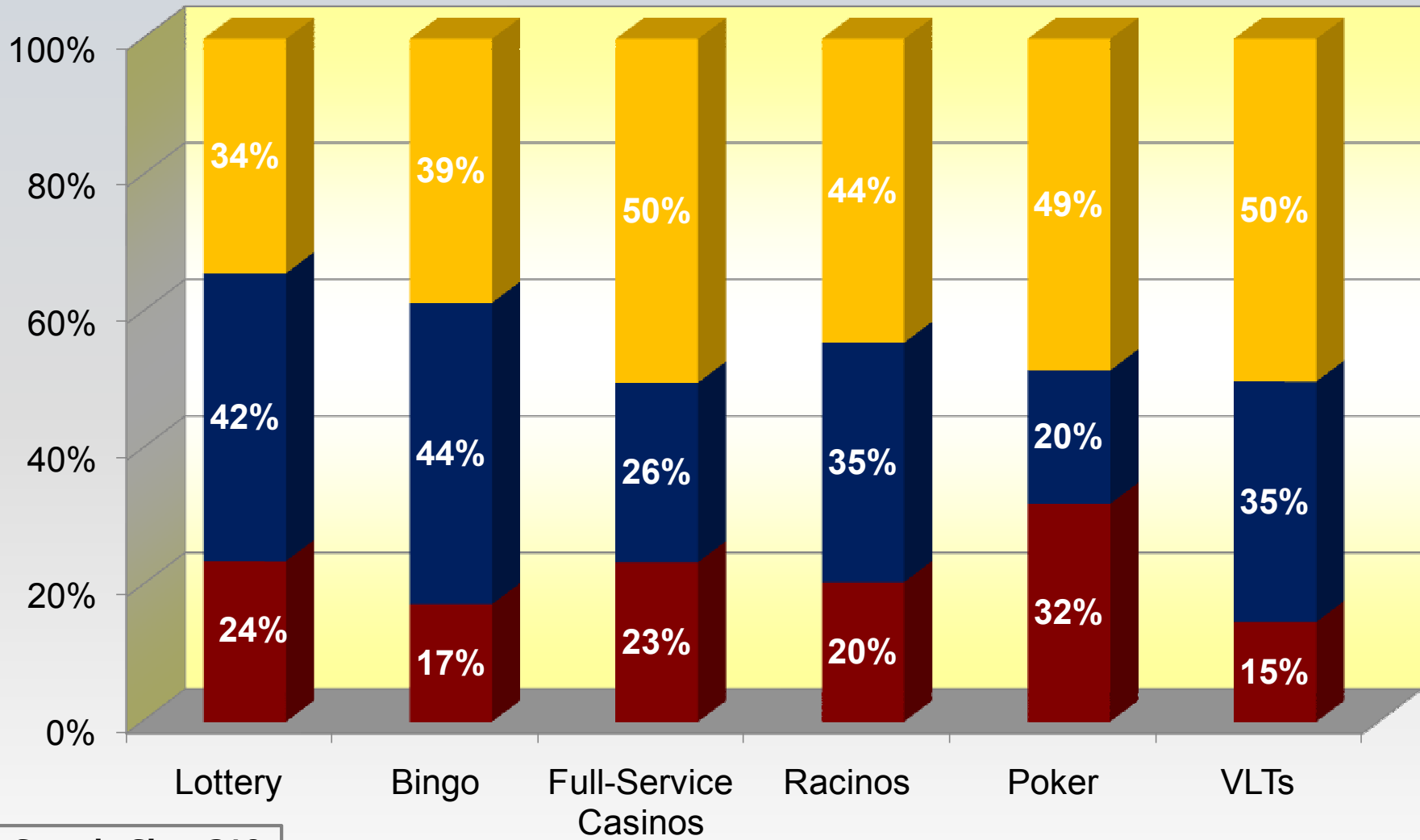
Note: Other options for respondents included "No", "Maybe", and "Don't Know"
 Source: Canadian Gaming Industry Survey 2010.

Sample Size: 300



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Impact on Land-Based Gaming from Internet Gaming?



Sample Size: 310

■ Negative ■ No impact ■ Positive



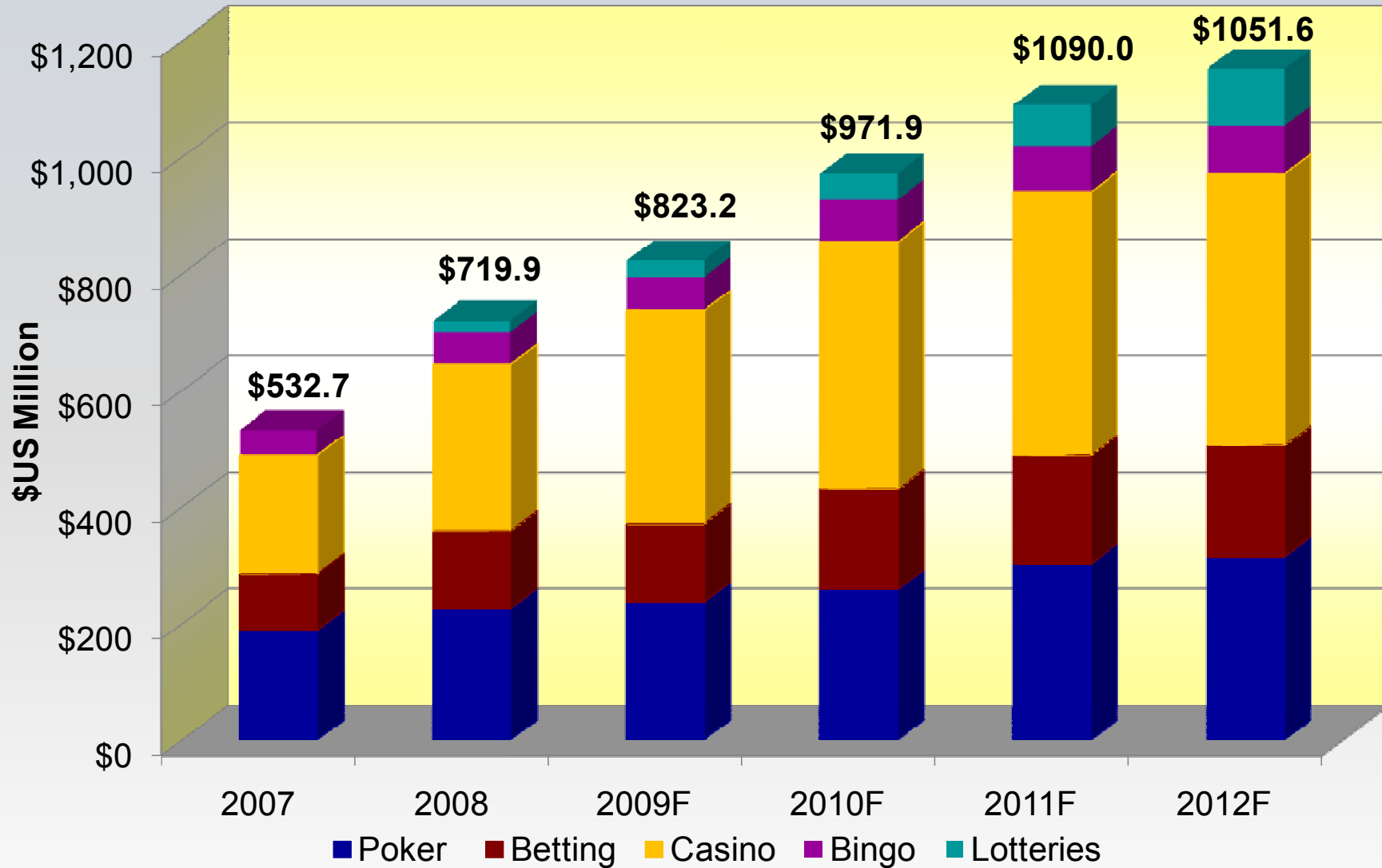
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Comparison of Existing and Future Global Internet Gaming Win Estimates (\$US Billion)

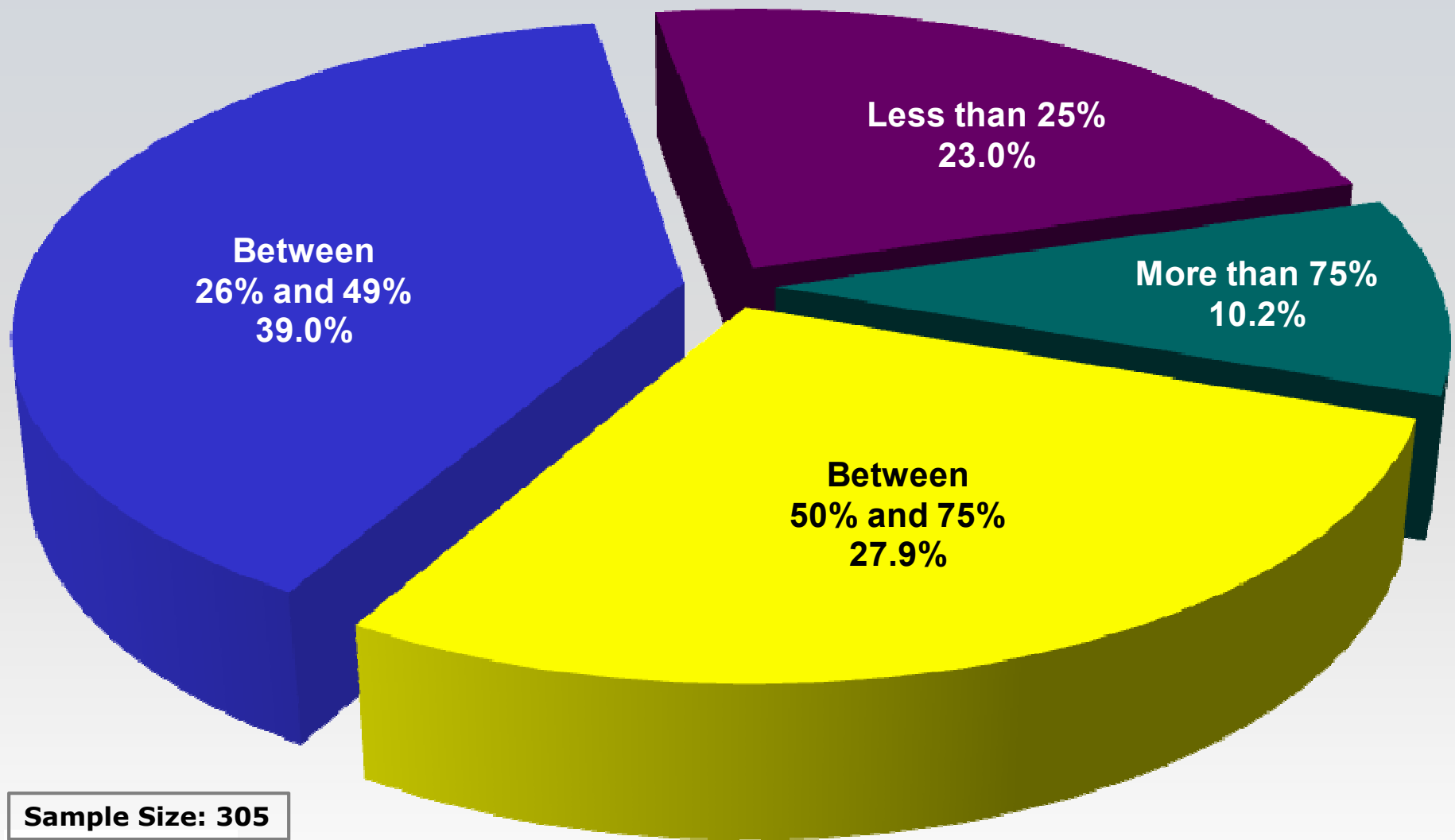
	2007	2008	2009E	2010F	2011F	2012F
H2 Gambling Capital (Dec 2008)	\$16.7	\$20.5	\$21.7	\$24.5	\$26.7	\$29.8
H2 Gambling Capital (Mar 2009)	\$18.2	\$22.6	\$25.3	\$29.5	\$32.1	\$34.3
H2 Gambling Capital (Aug 2009)	\$18.3	\$22.5	\$25.5	\$29.5	\$31.5	\$34.0
H2 Gambling Capital (Nov 2009)	\$18.9	\$23.8	\$26.8	\$31.1	\$34.0	\$36.4

Source: HLT Advisory Inc. based on Global Betting and Gaming Consultants' 3rd Global Gambling Review, 2nd Edition (2005), Christian Capital Advisors (2005, 2004, 2002); Dresdner Kleinwort Wasserstein "The Business of Gambling", March 2005 with estimates from Global Betting & Gaming Consultants; and H2 Gambling Capital (December 2008, August 2009, November 2009)
n.a.: Not Available.

Canadian Internet Gaming Win by Product H2 Gambling Capital (November, 2009)



How Much Can the Canadian Lottery and Gaming Corp. Capture?

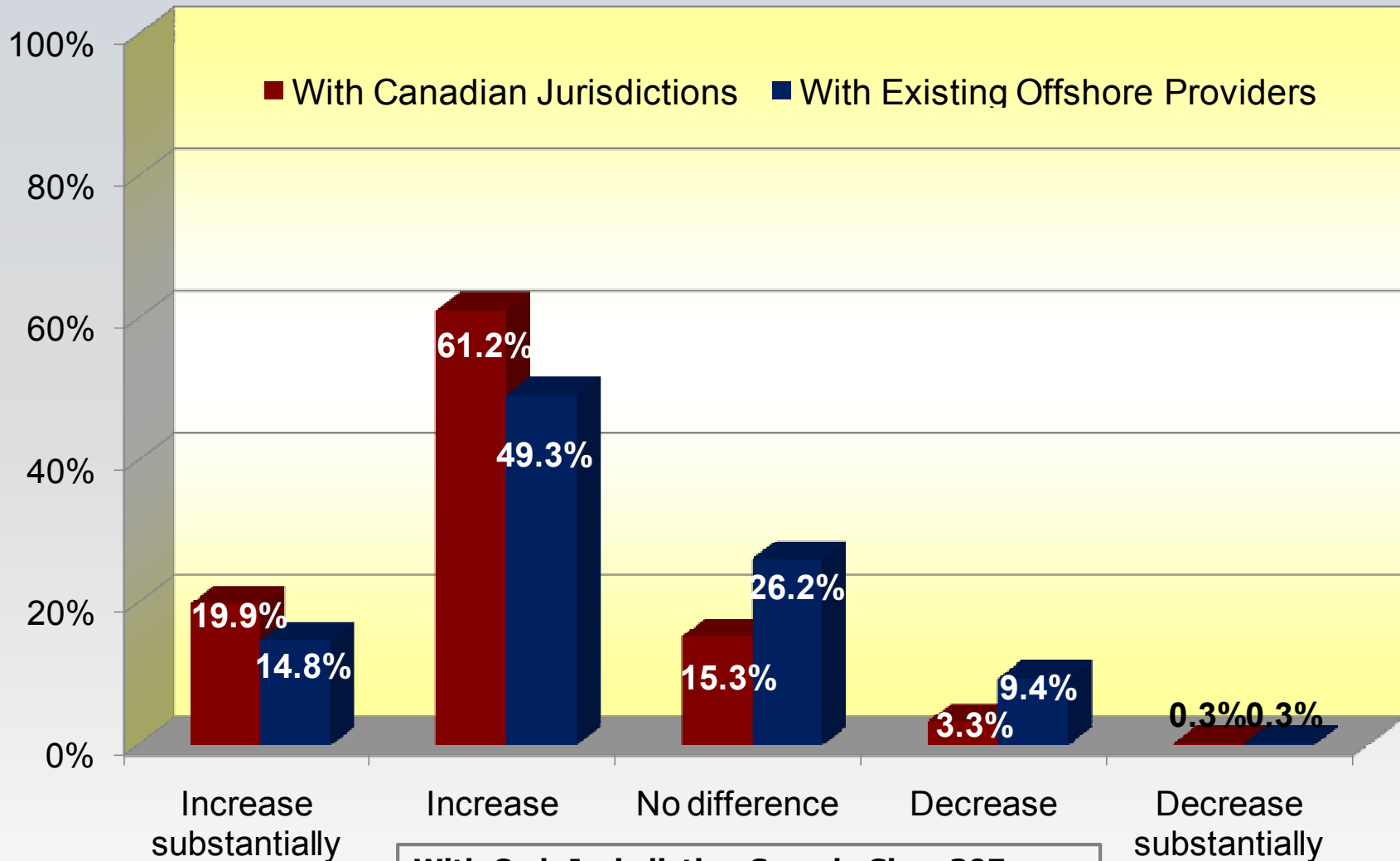


Sample Size: 305



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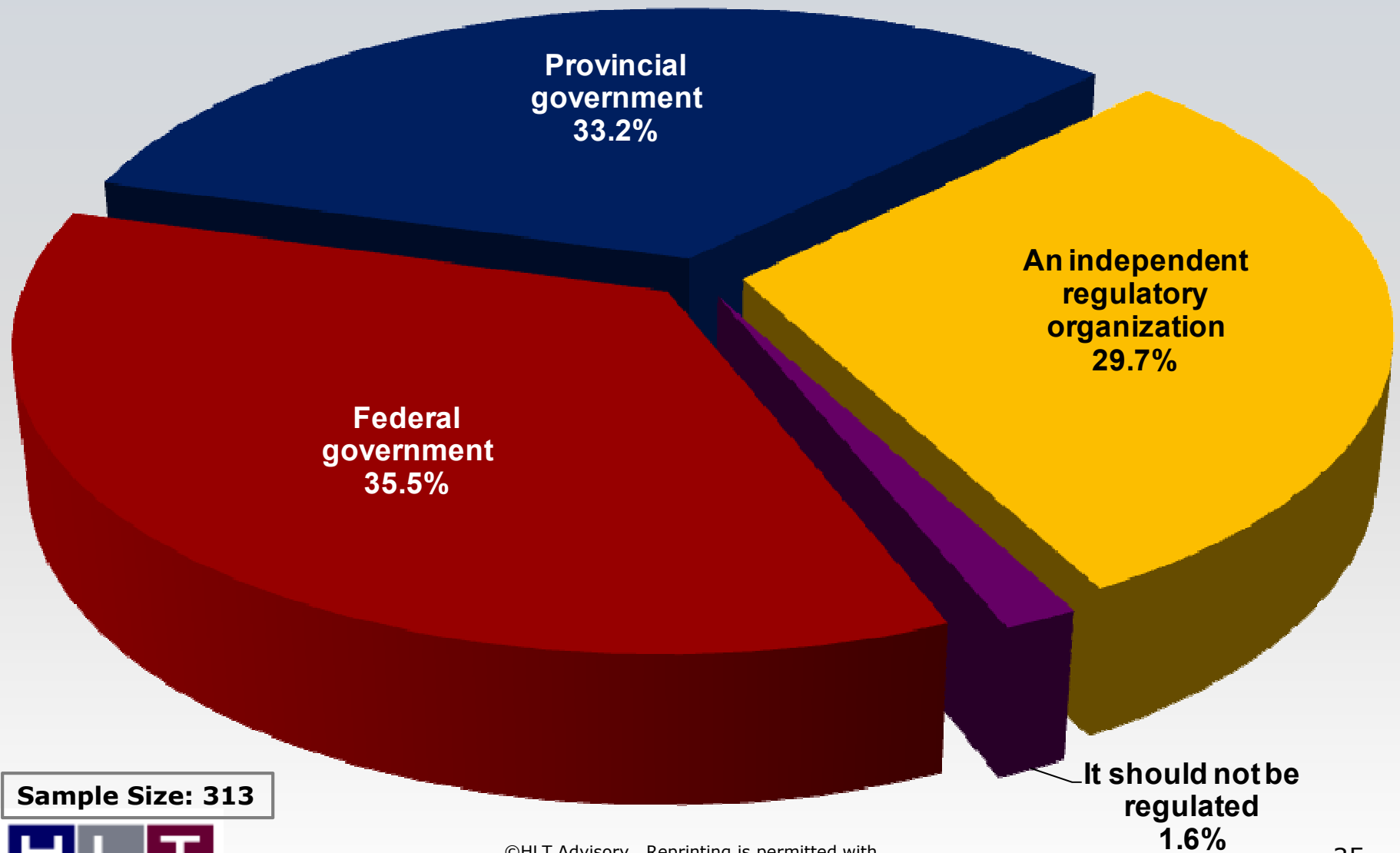
Internet Gaming Market Capture Resulting From Alliances



With Cnd. Jurisdiction Sample Size: 307
With Offshore Providers Sample Size: 298

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Who Should Regulate Internet Gaming in Canada?

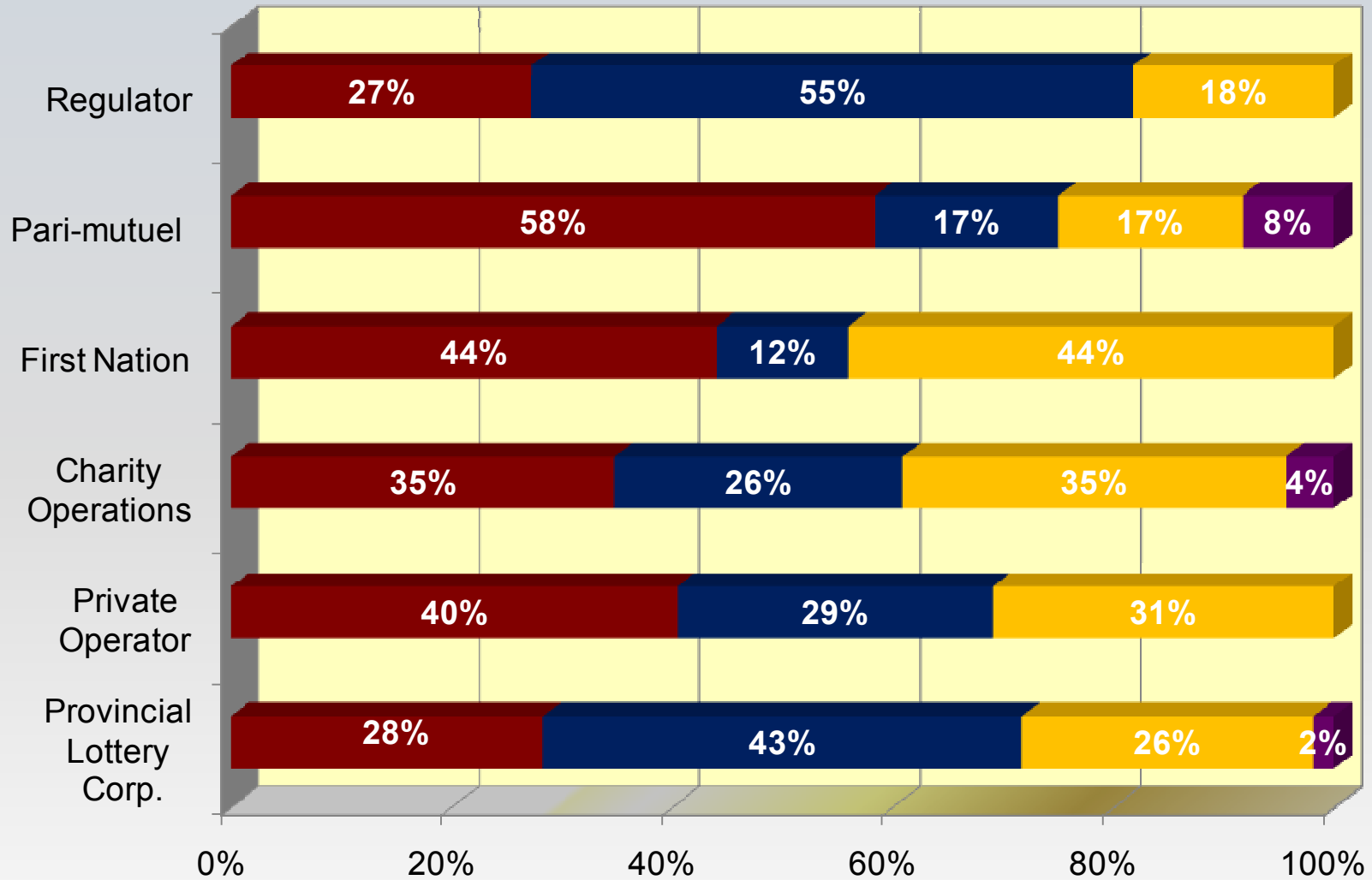


Sample Size: 313



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Who Should Regulate Internet Gaming in Canada?



Sample Size: 293

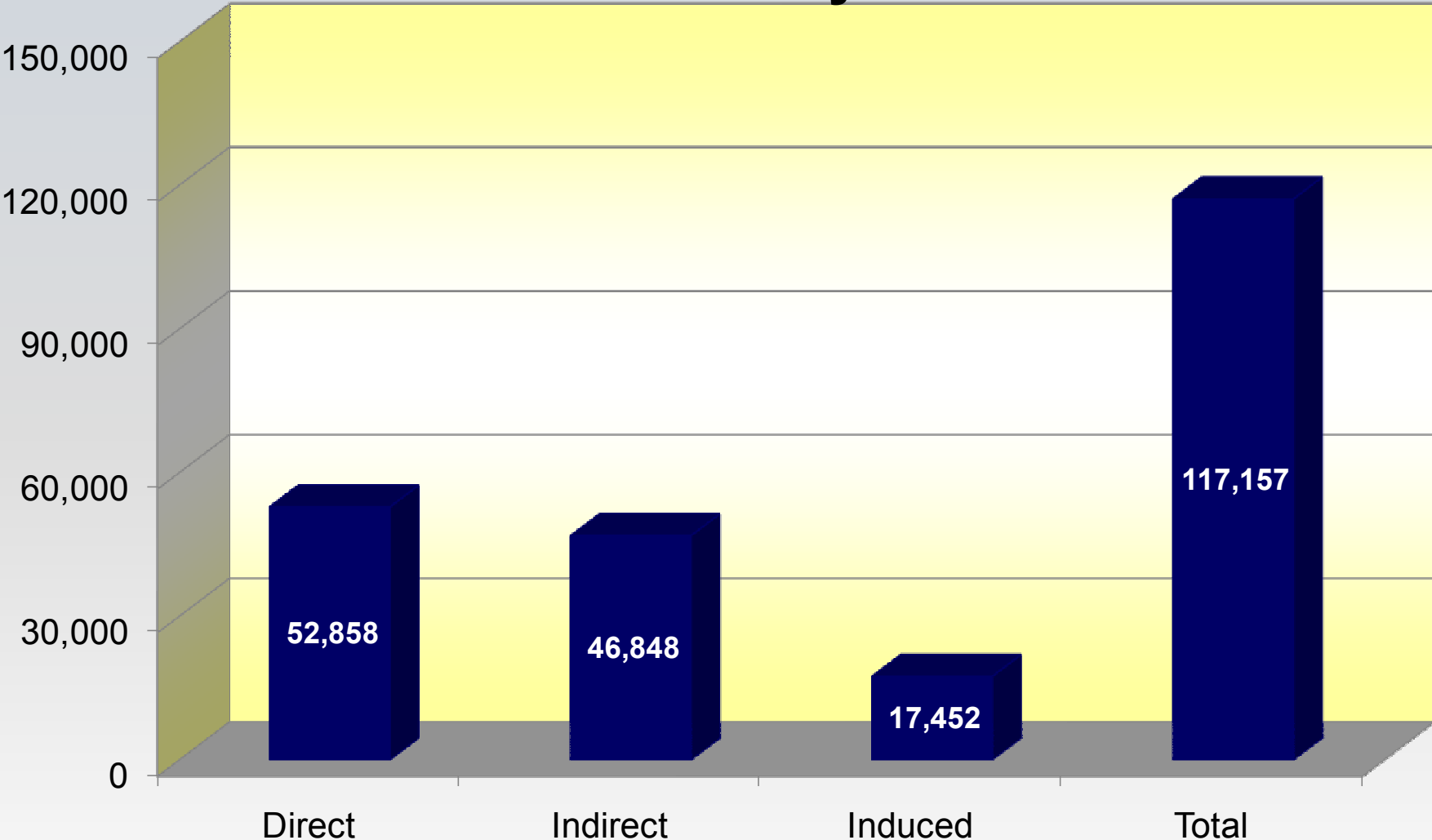


- Federal government
- Provincial government
- An independent regulatory organization
- It should not be regulated

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Human Resources

Employment Generated by the Gaming Industry

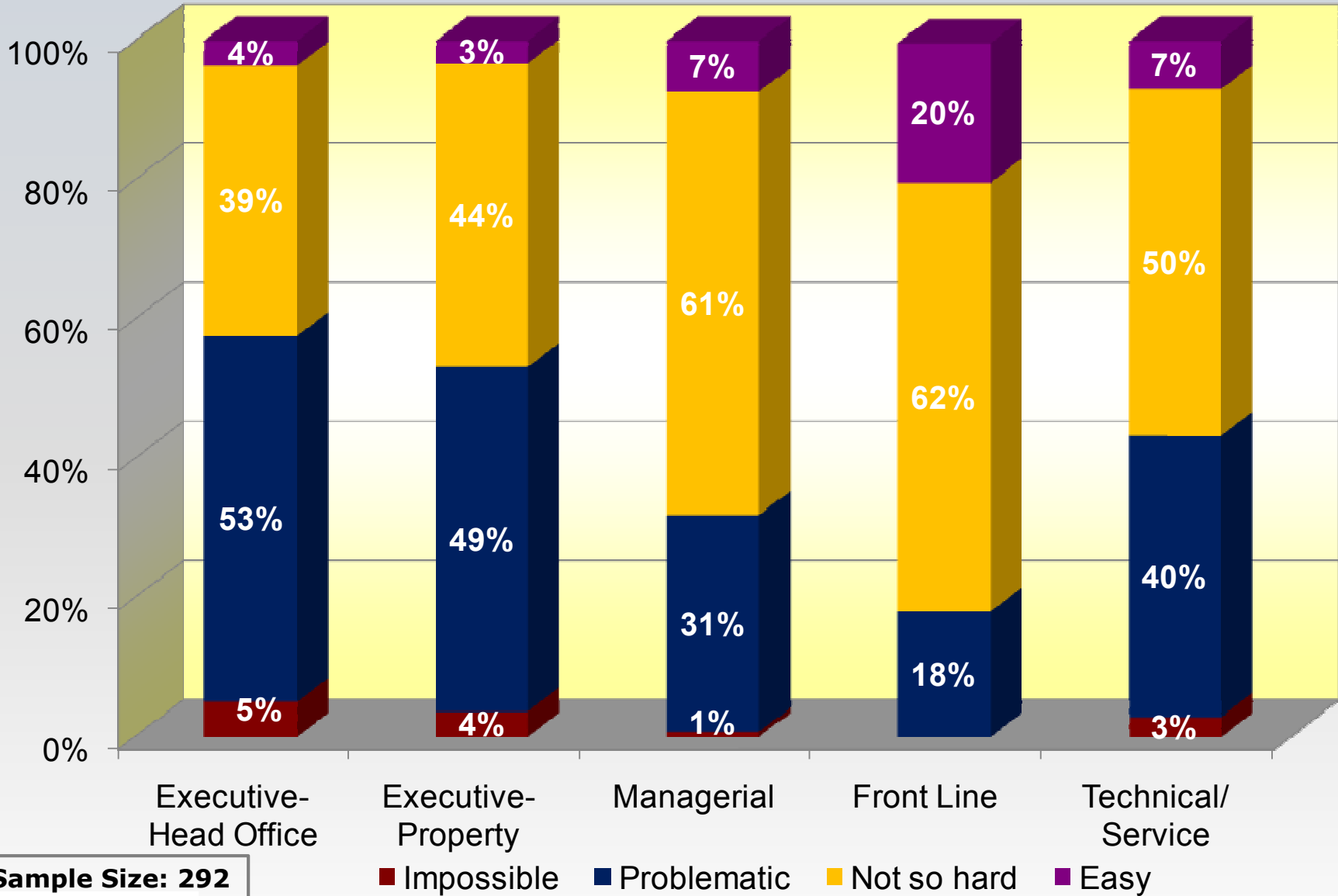


■ Gaming Operation

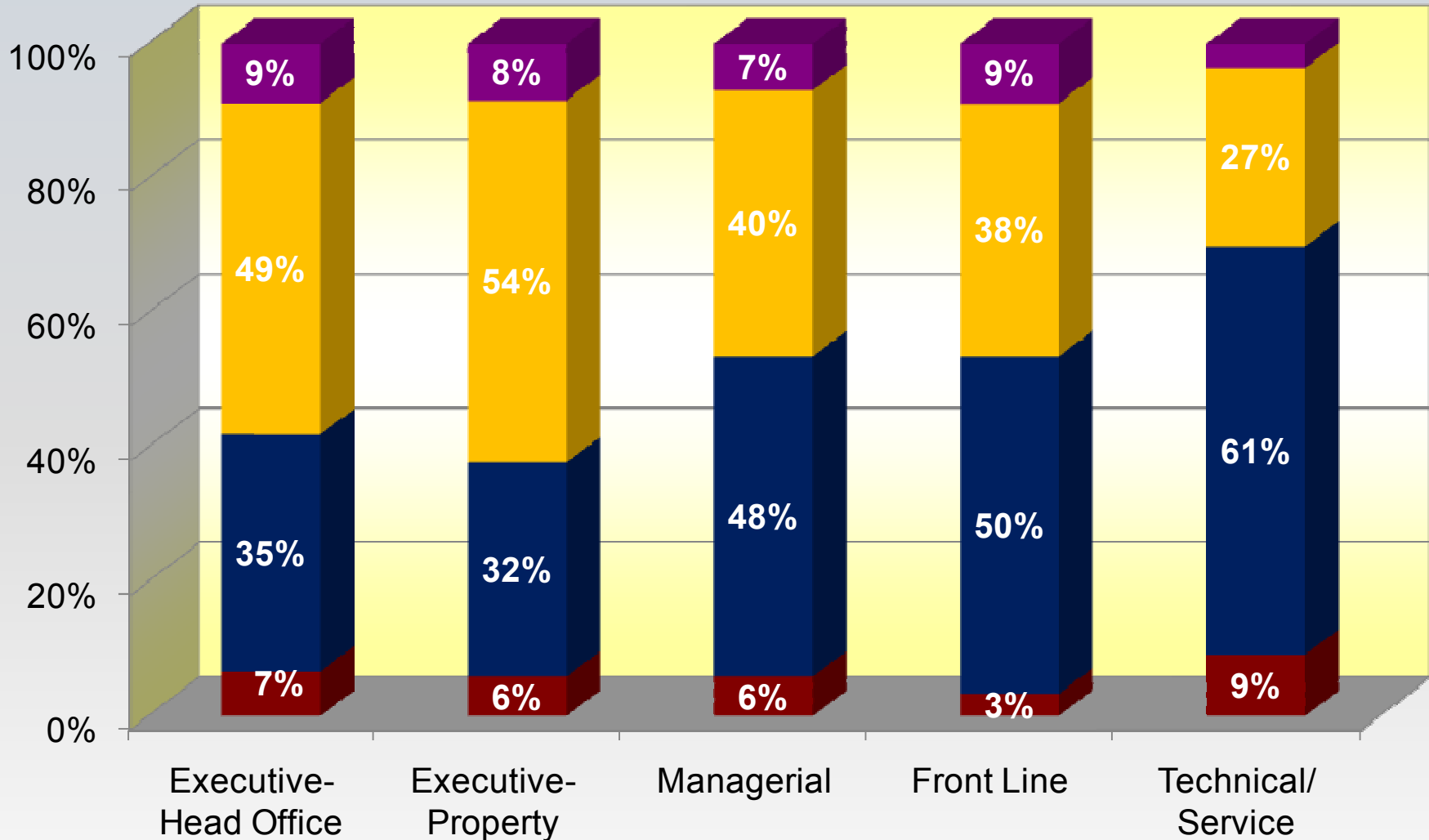


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Difficulty in Attracting Talent by Level



Canadian Universities and Colleges Provide Appropriate programs for...



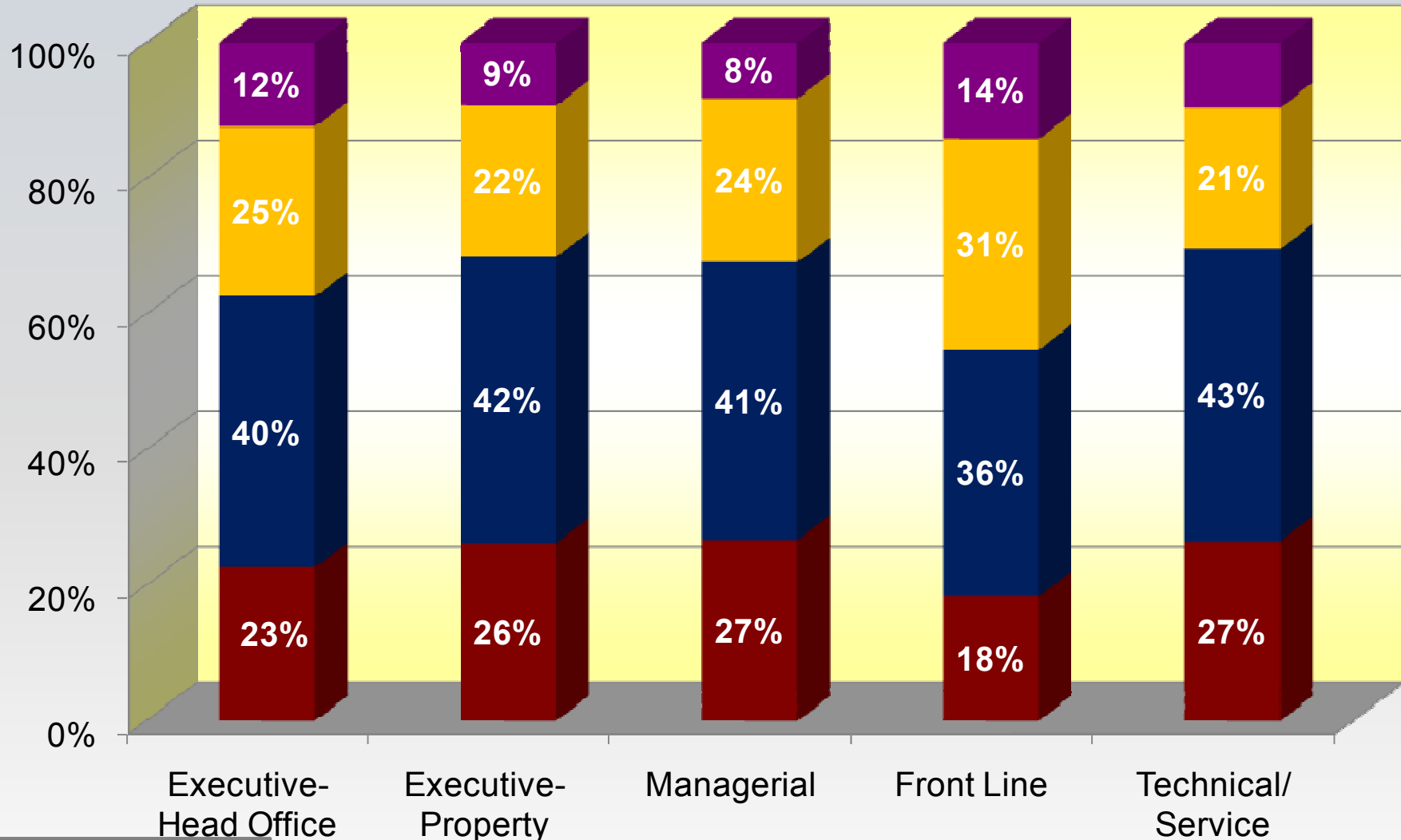
Sample Size: 276



■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

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Likelihood of Using Management Training Programs if Offered



Sample Size: 286



■ Absolutely
 ■ Probably
 ■ Maybe
 ■ No

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Comments on Organized Labour...

Provincial Lottery and Gaming Corporation:

- "None"
- "Absolutely killed customer service, productivity, and efficiency"
- "Negative due to red tape and negative relations between Union and Management"
- "Strikes have had a negative impact but once a contract is in place it has not had an impact"

Private-Sector Gaming Operator:

- "None"
- "It has an impact as there is rigidity in the operations where there is organized labour"
- "We have been subject to a number of organizing drives over the years. We use wage parity with unionized facility as a tool ...but it comes at a substantial financial cost"

Comments on Organized Labour...

Financial Services:

- "All casinos should be unionized. Wages are too low"

Pari-Mutuel Operations:

- "None"
- "It's a major challenge"
- "Get real people with common sense in management positions"

Charity Gaming Operations:

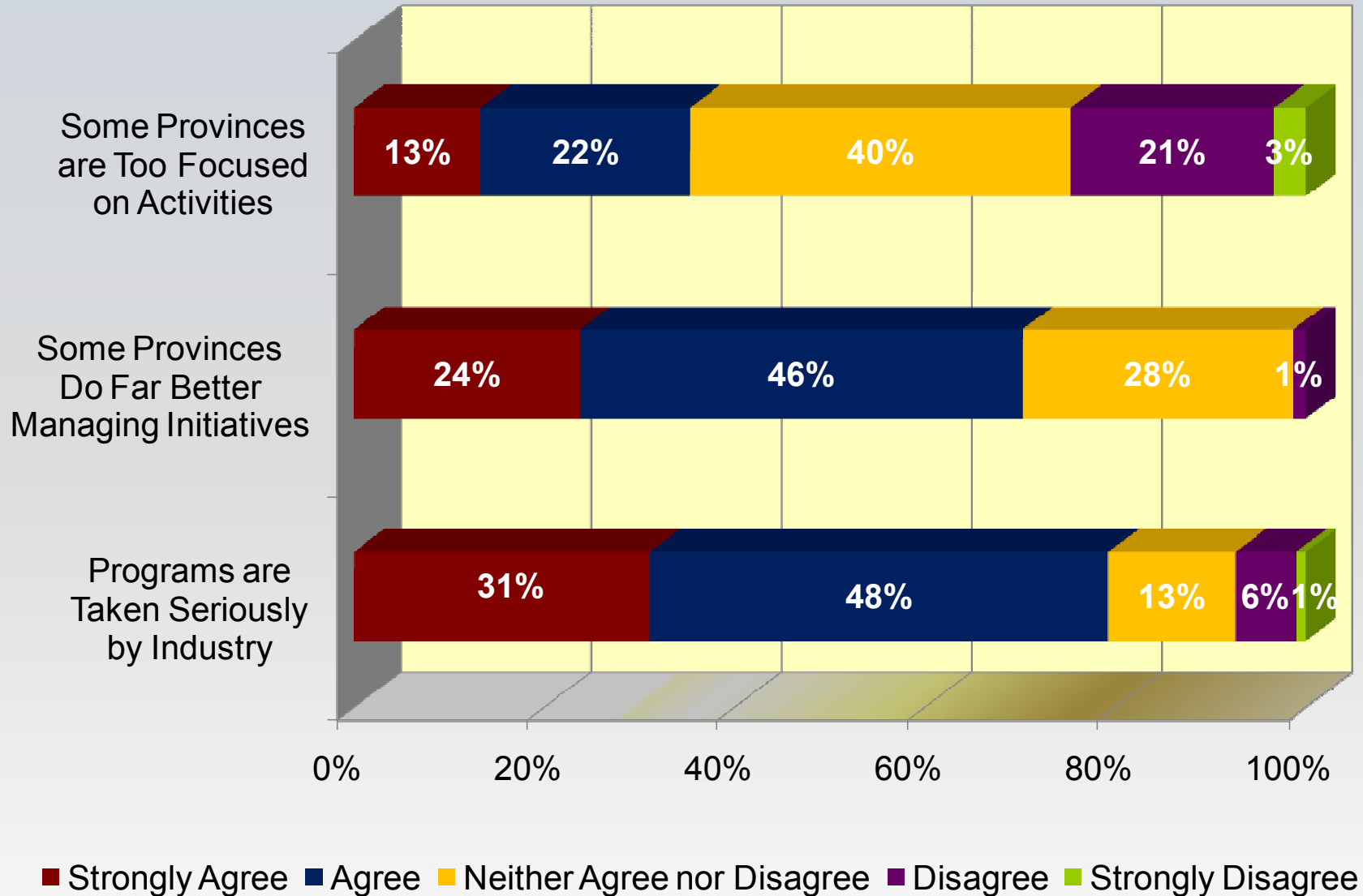
- "None"
- "Unions made it more difficult to hold employees accountable to meet service standards"

Regulator/First Nation:

- "None"

Responsible Gaming

With Respect to Responsible Gaming...

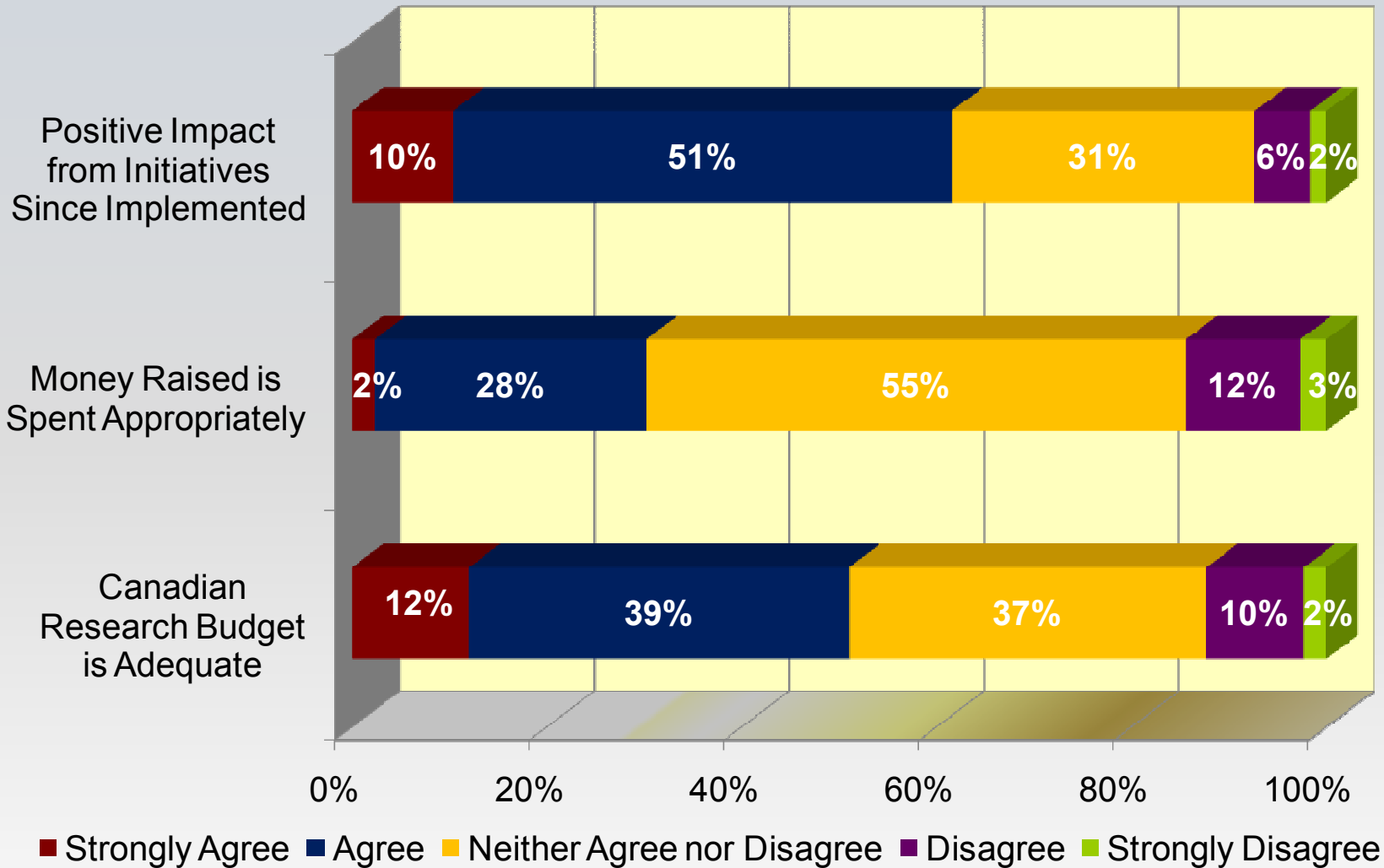


Sample Size: 300



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With Respect to Responsible Gaming in Canada...

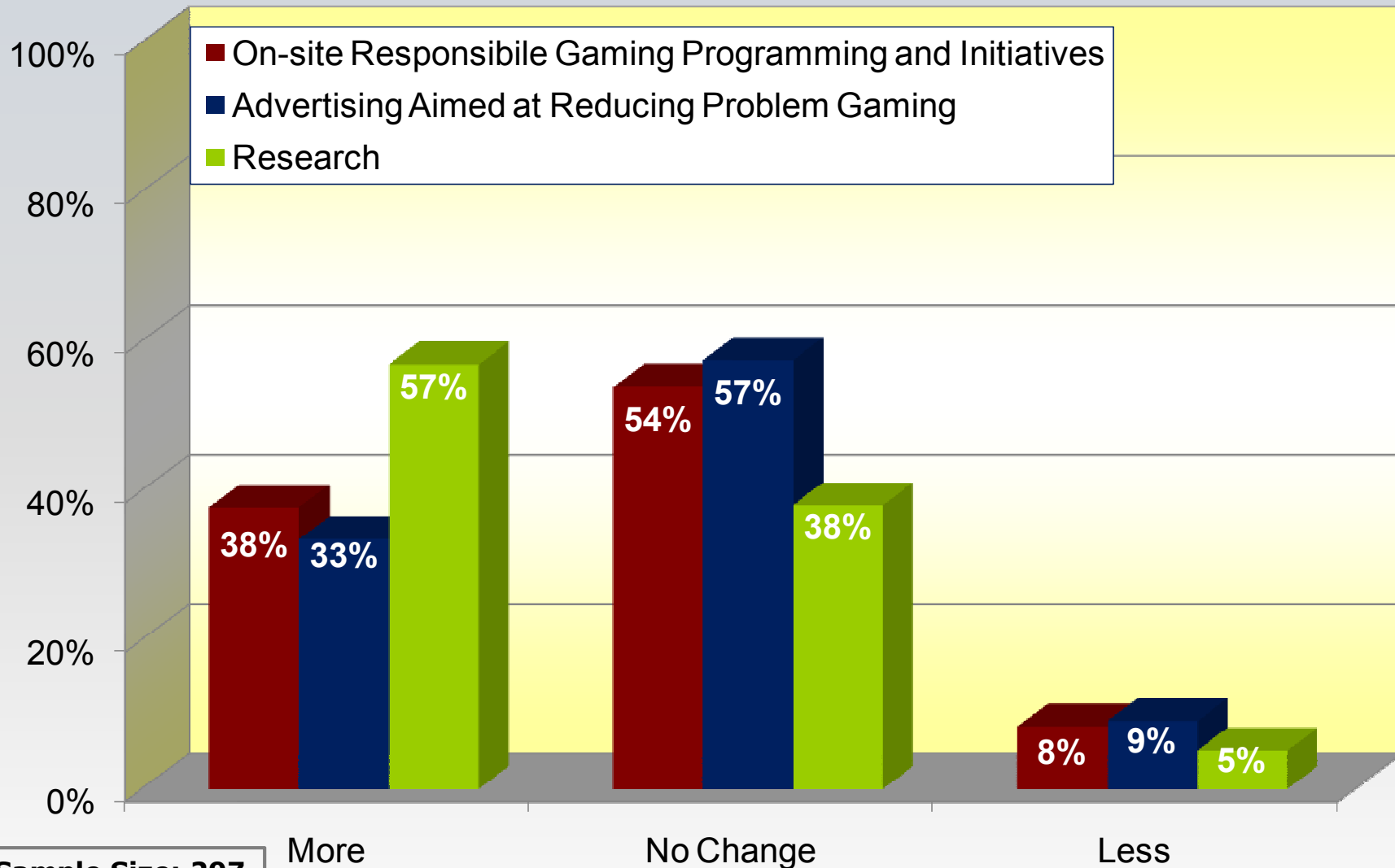


Sample Size: 300



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Government Should Do More or Less of the Following...

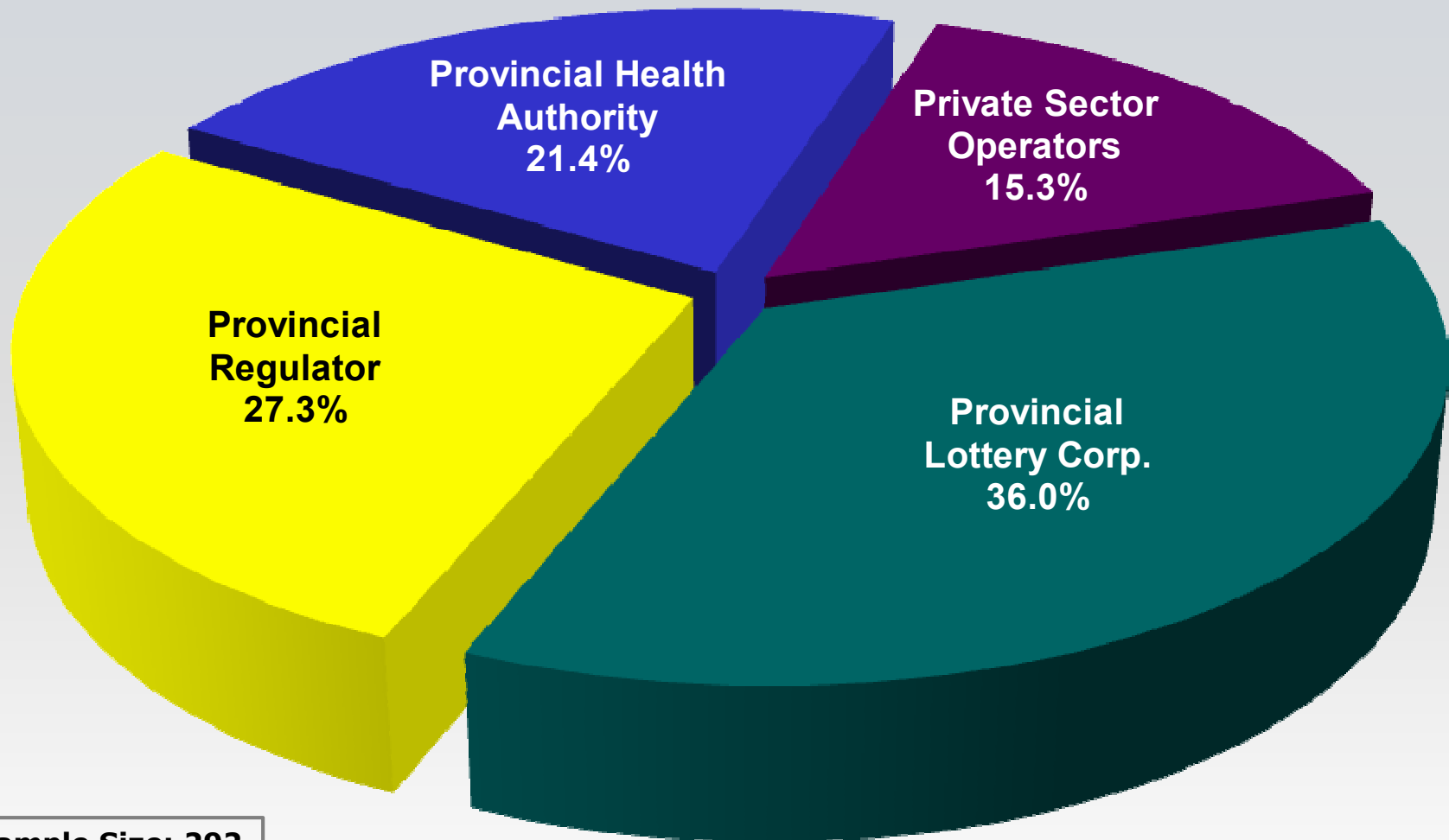


Sample Size: 297



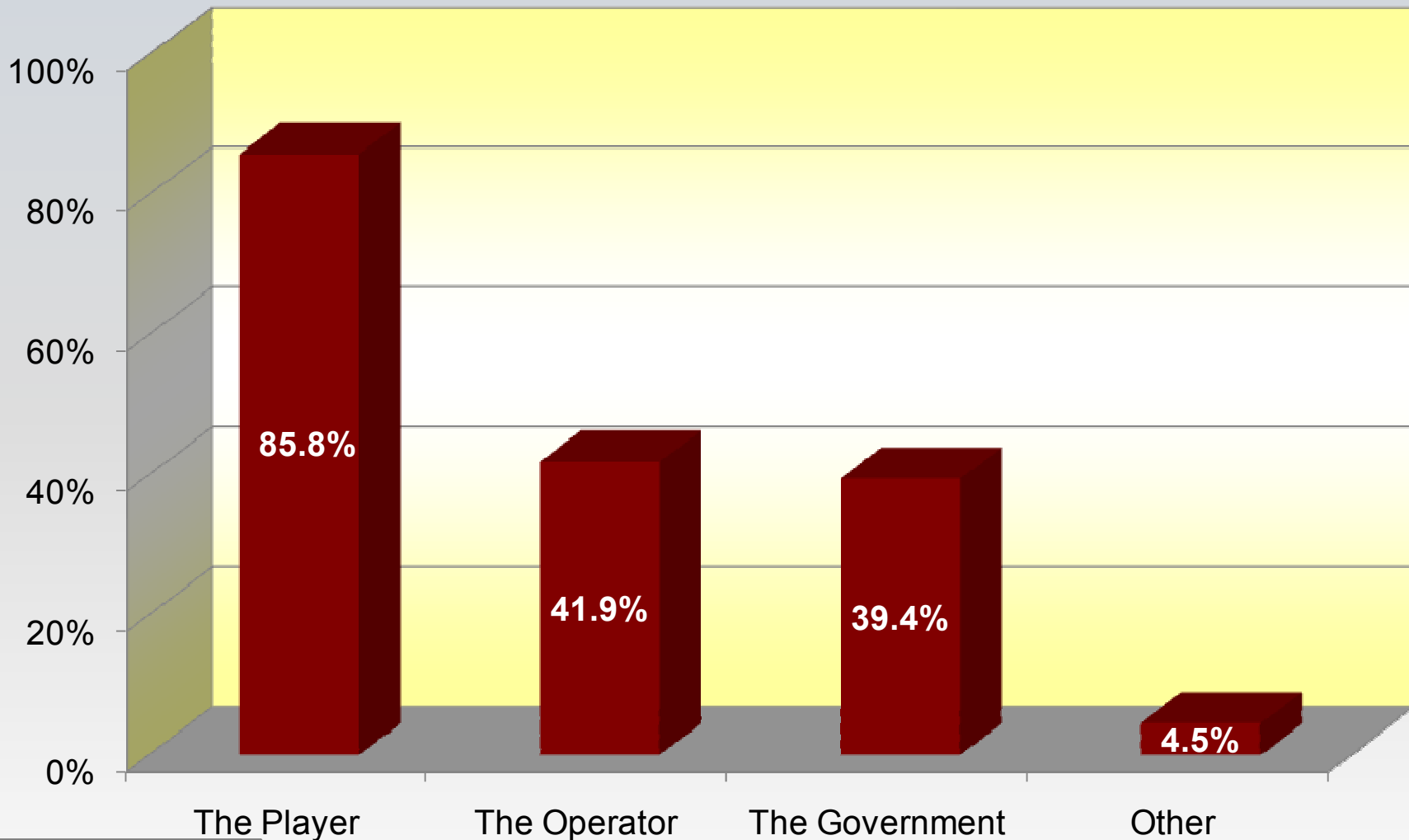
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Who Should be Responsible for the Development of Responsible Gaming Policy and Associated Programs?



Sample Size: 292

Responsibility for Problem Gambling is Primarily that of:



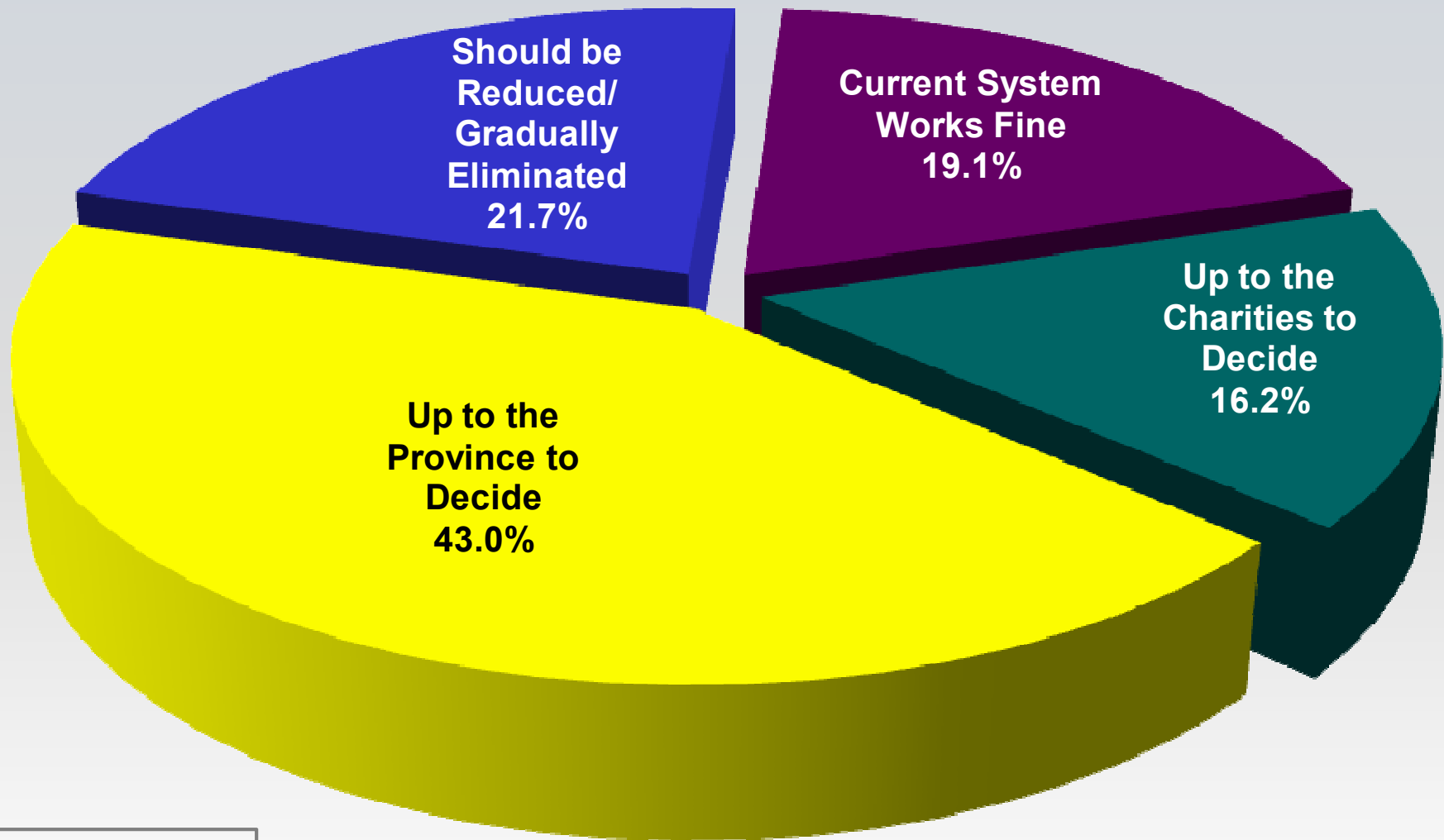
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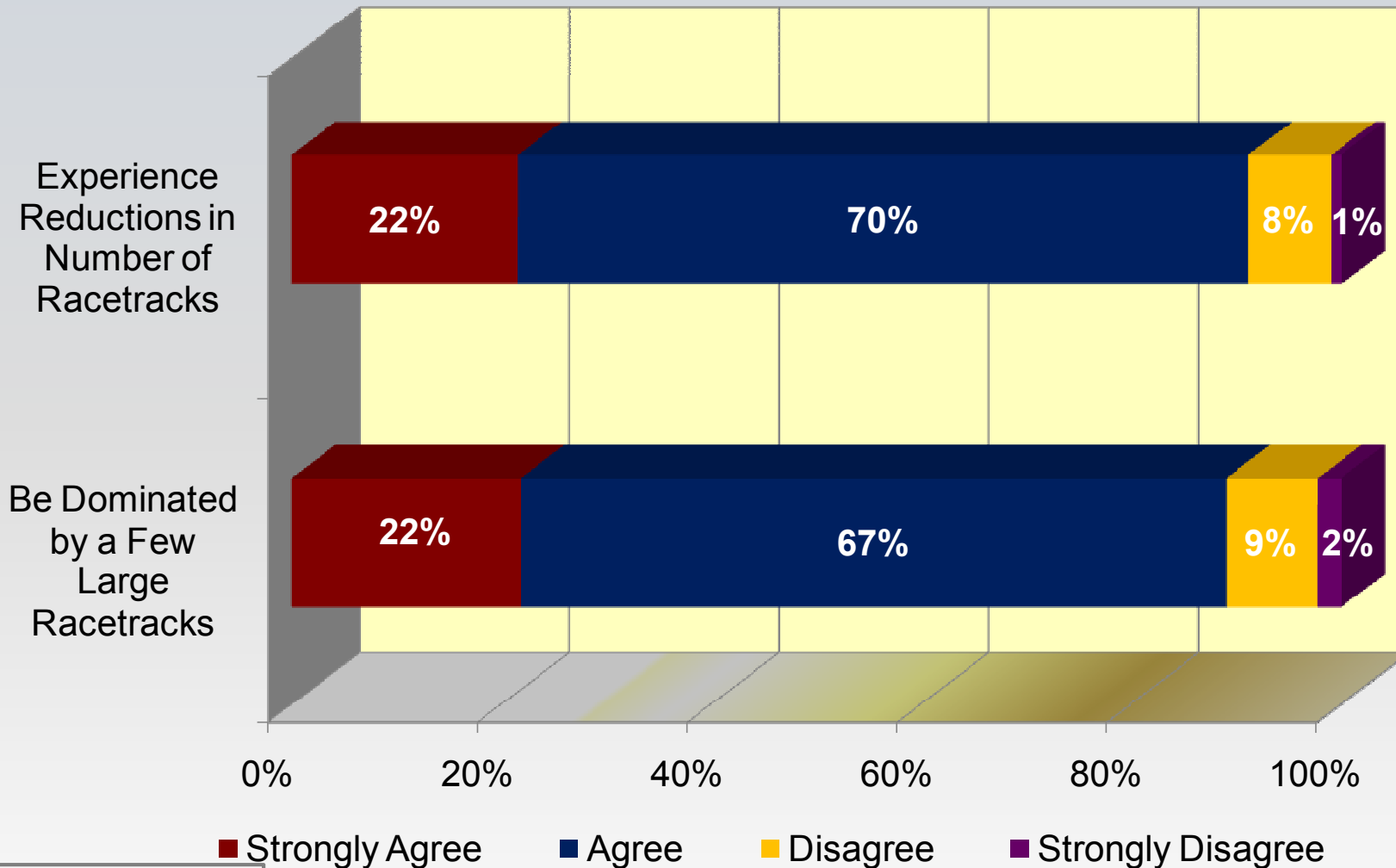
Gaming Sectors

What Role Should Charities have in the Operation of Gaming?



Sample Size: 277

The Future of Horse Racing in Canada is Likely to...

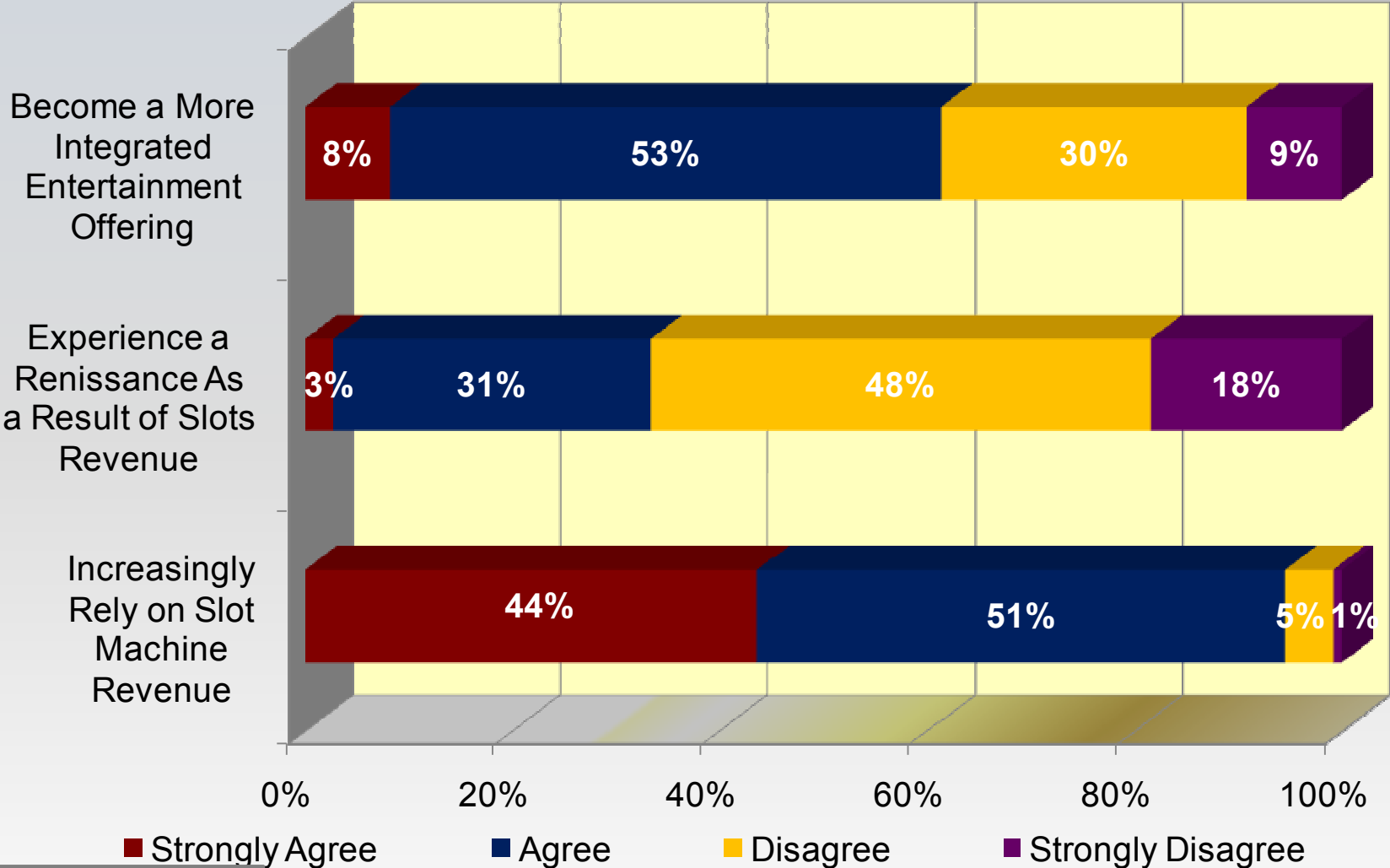


Sample Size: 274



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The Future of Horse Racing in Canada is Likely to:

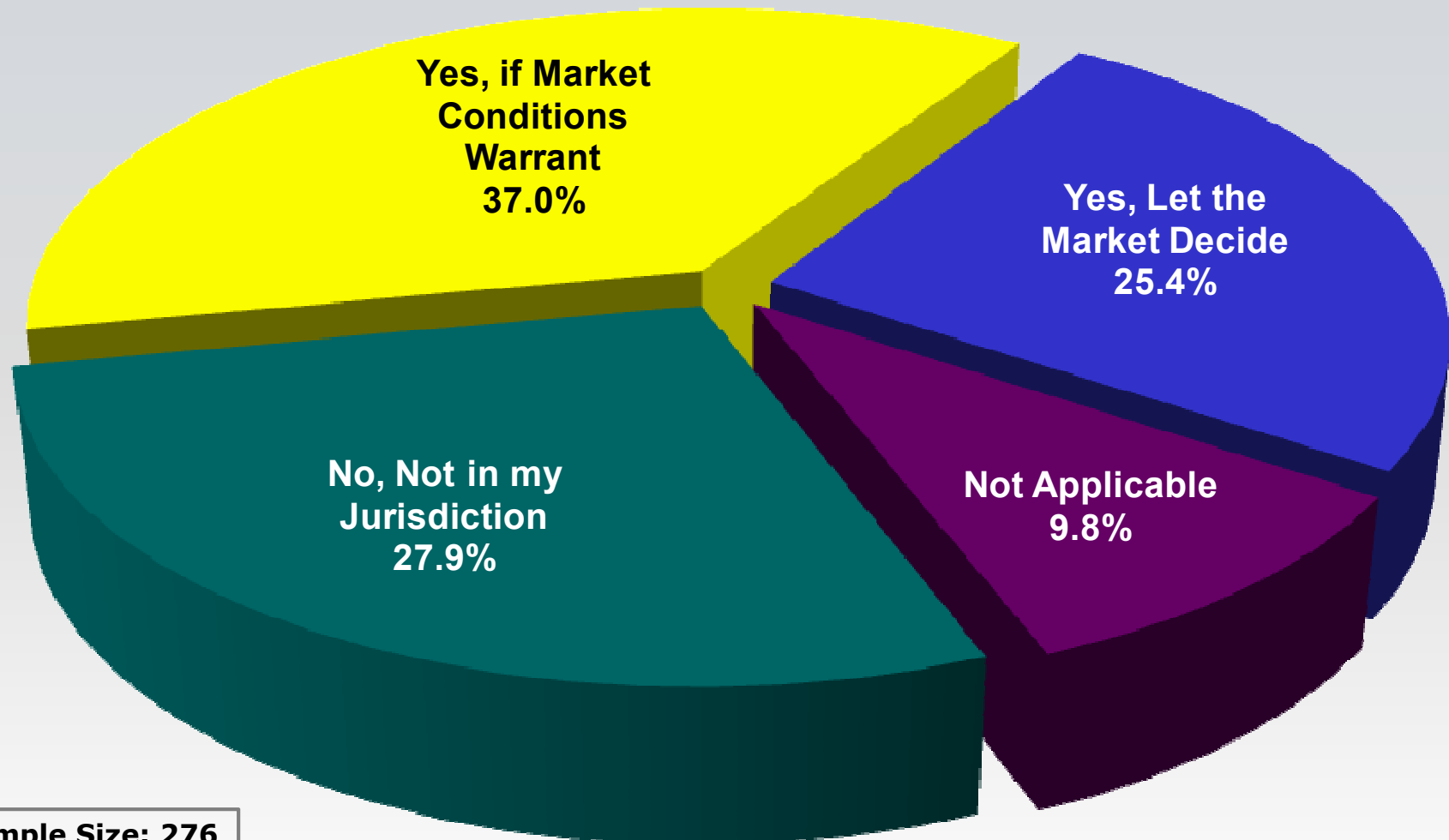


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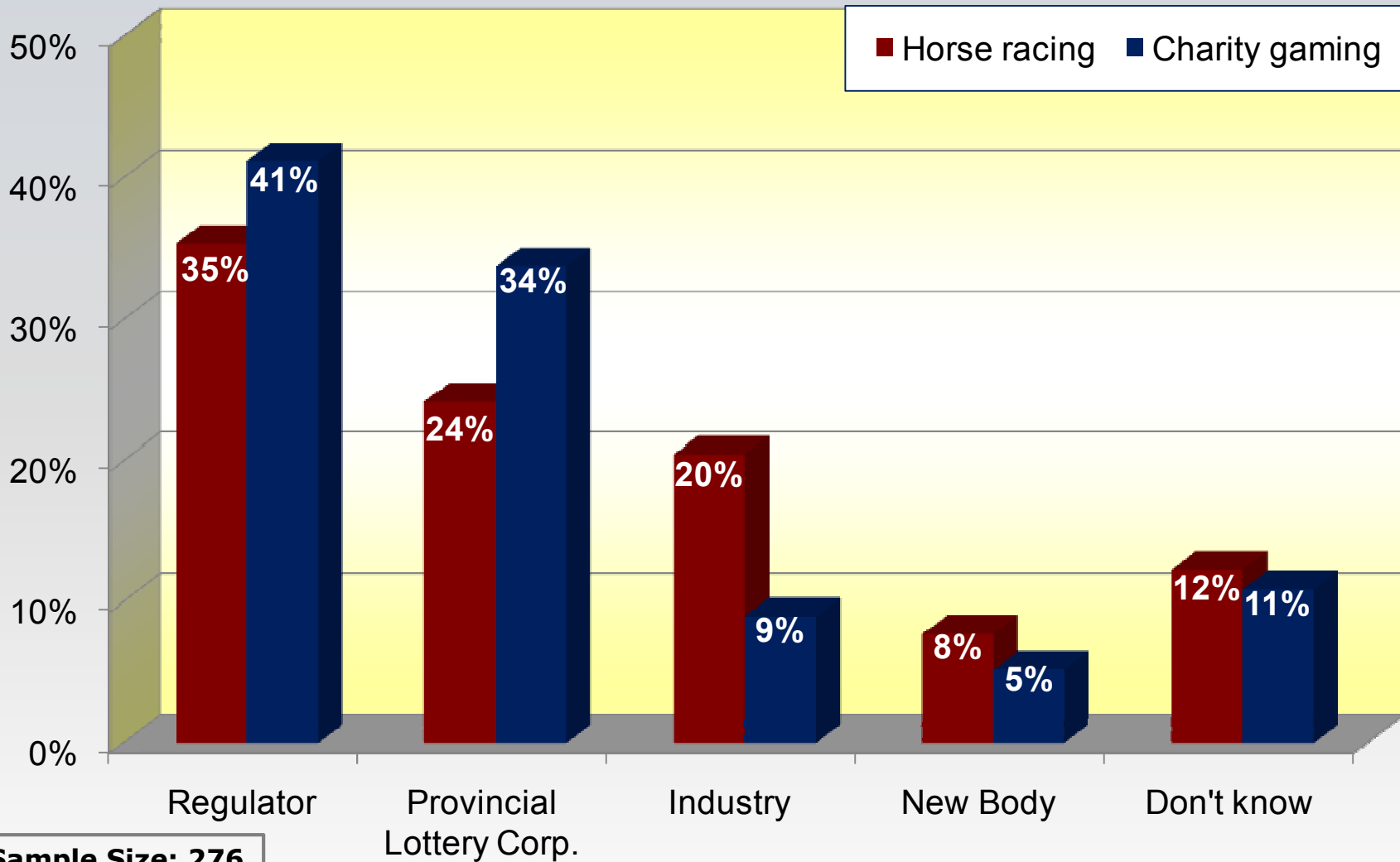
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Should Consideration be Given to the Introduction of Table Games at Racetracks?



Sample Size: 276

Who Should Be Responsible for the Economic Regulation of...



Sample Size: 276



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With Respect to Involvement by the Private Sector in Gaming Operations in Your Province

	BC	AB	SK	MB	ON	QC	ATL. CAN.
The Current Conduct and Manage Structure is Appropriate	79%	71%	57%	68%	53%	83%	64%
More Government Operational Control	3%	26%	9%	22%	14%	42%	0%
More Private Sector Involvement in all Forms	76%	45%	39%	32%	69%	25%	50%
More Private Sector Involvement in Casinos	76%	42%	41%	32%	66%	25%	86%

Note: Responses include "Strongly Agree" and "Agree" answers. Other answers included "Disagree", "Strongly Disagree", and "No Comment"

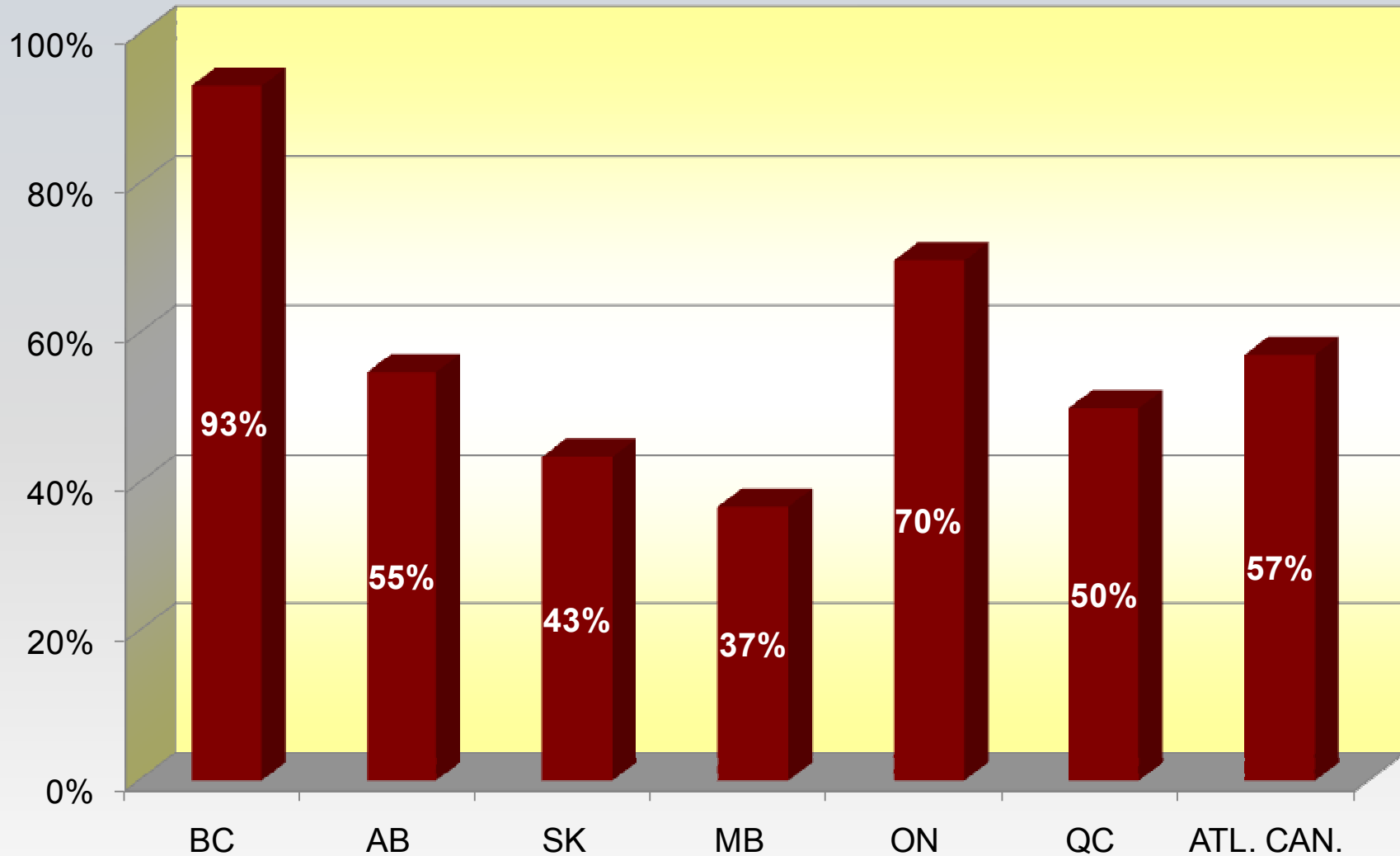
Source: Canadian Gaming Industry Survey 2010.

Sample Size: 246



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Across Canada, Governments Should Involve Private Sector More

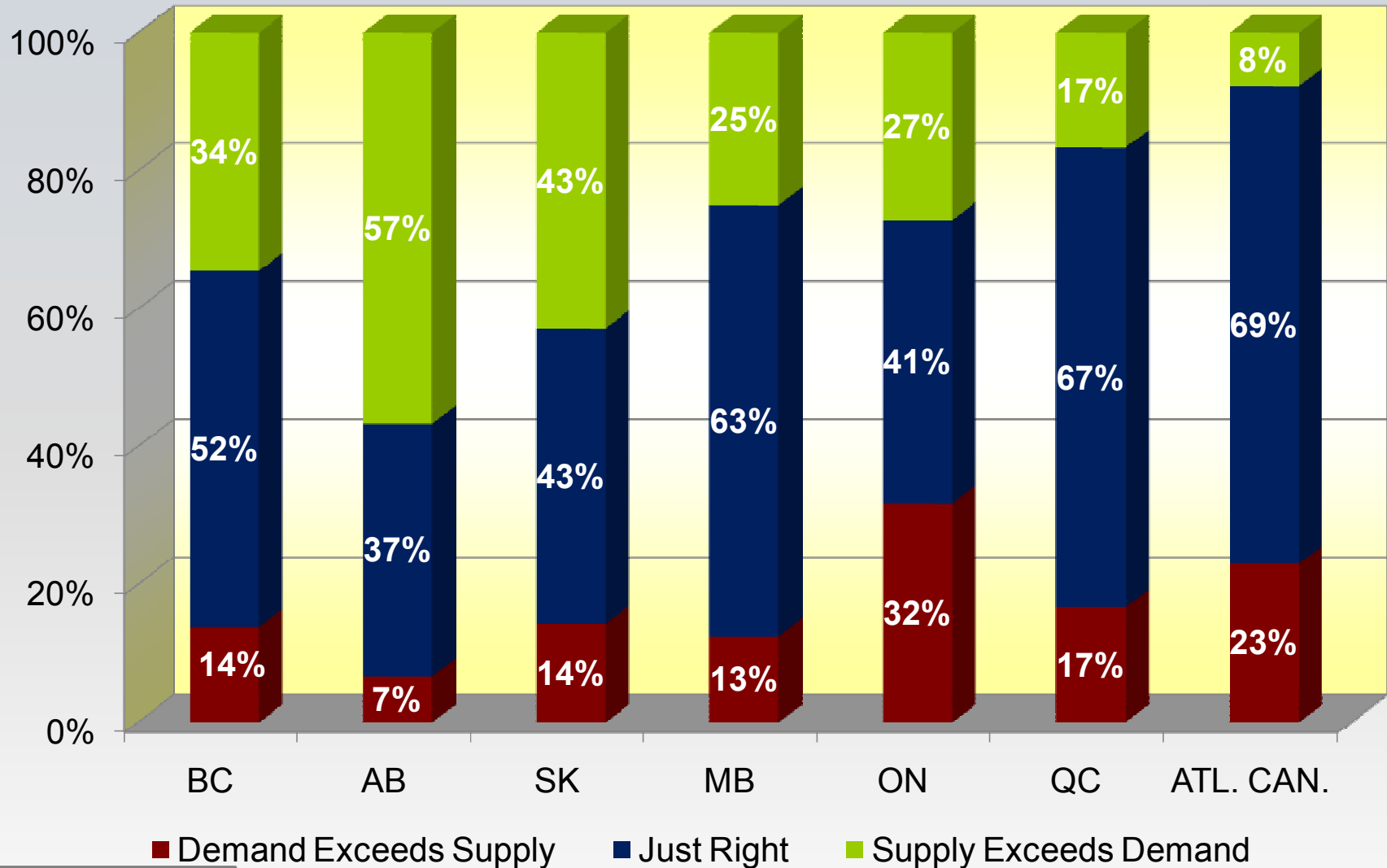


Sample Size: 245



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What is the Supply-Demand Balance for Full-Service Casinos in Your Province?

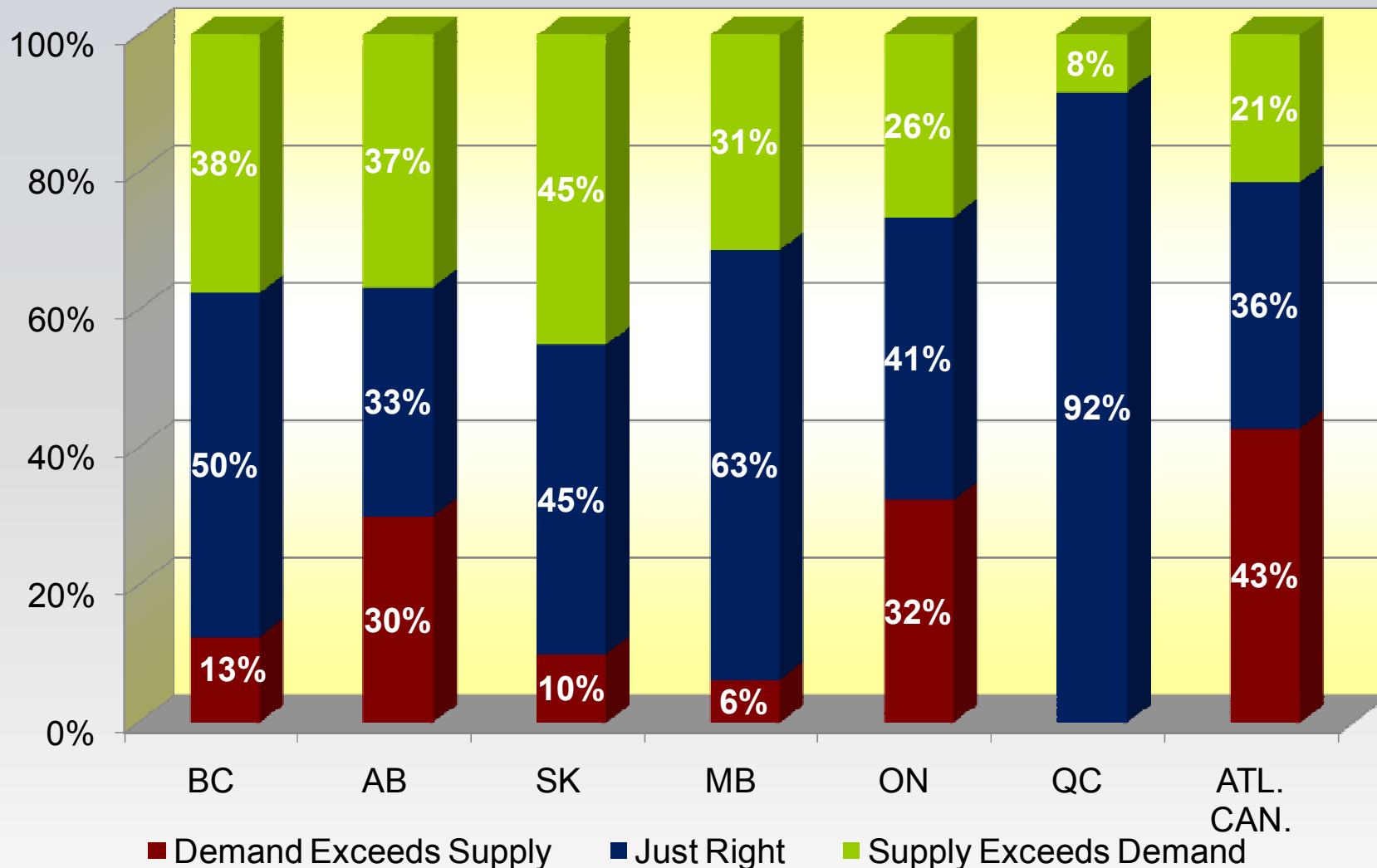


Sample Size: 227



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What is the Supply-Demand Balance for VLTs in Your Province?

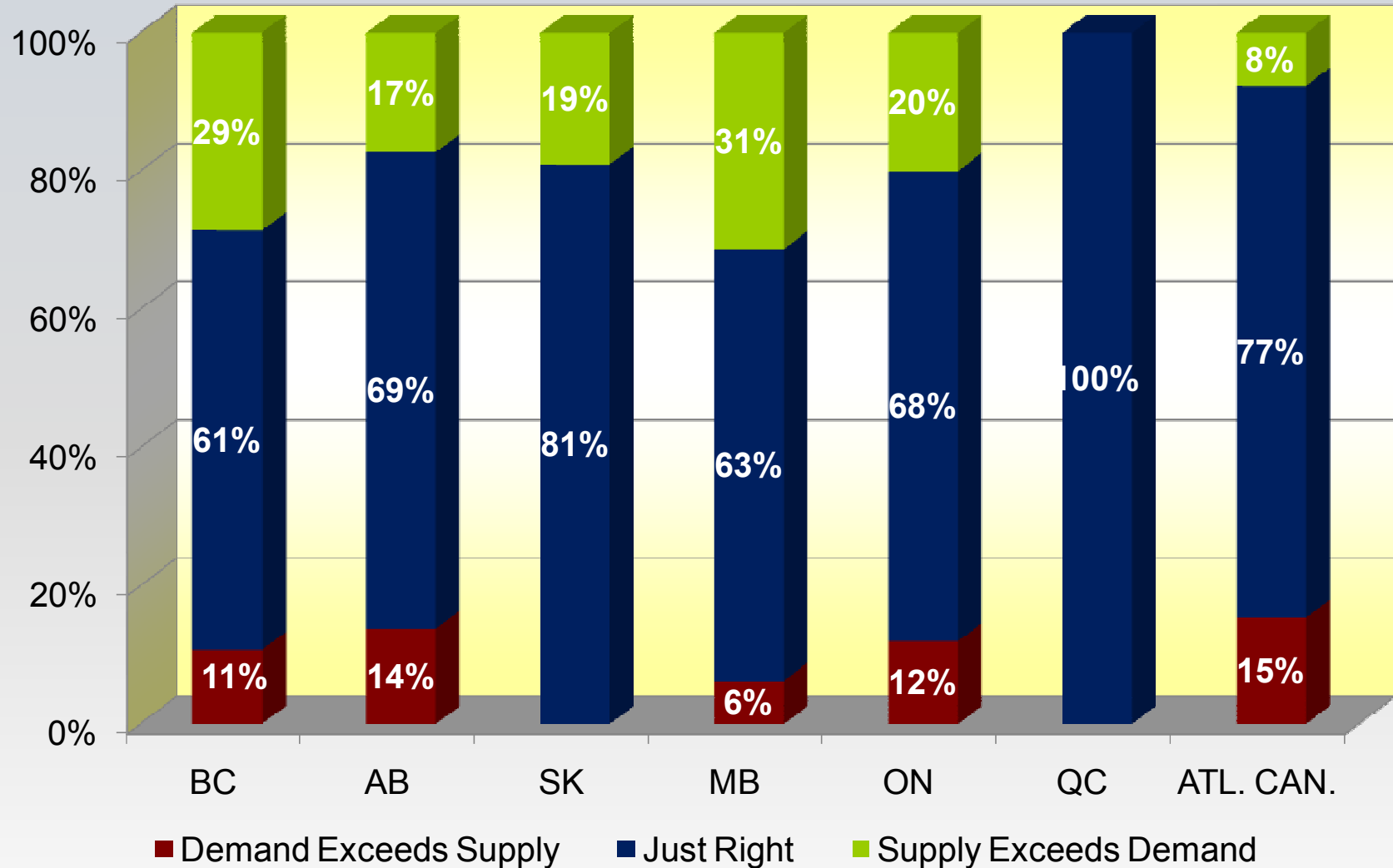


Sample Size: 113



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What is the Supply-Demand Balance for Lottery Kiosks in Your Province?

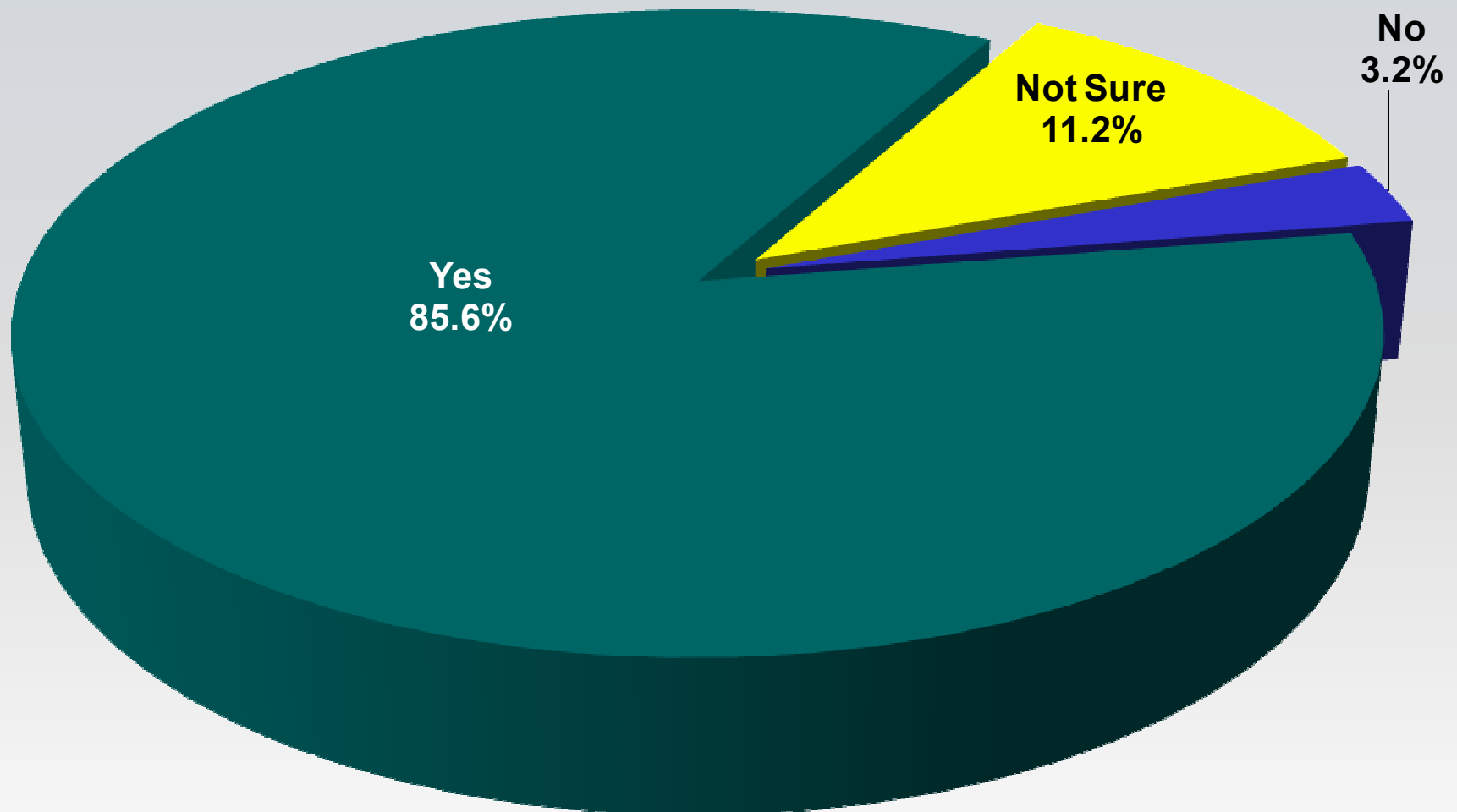


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Should Single Game/Event Sports Wagering be Permitted in Canada?

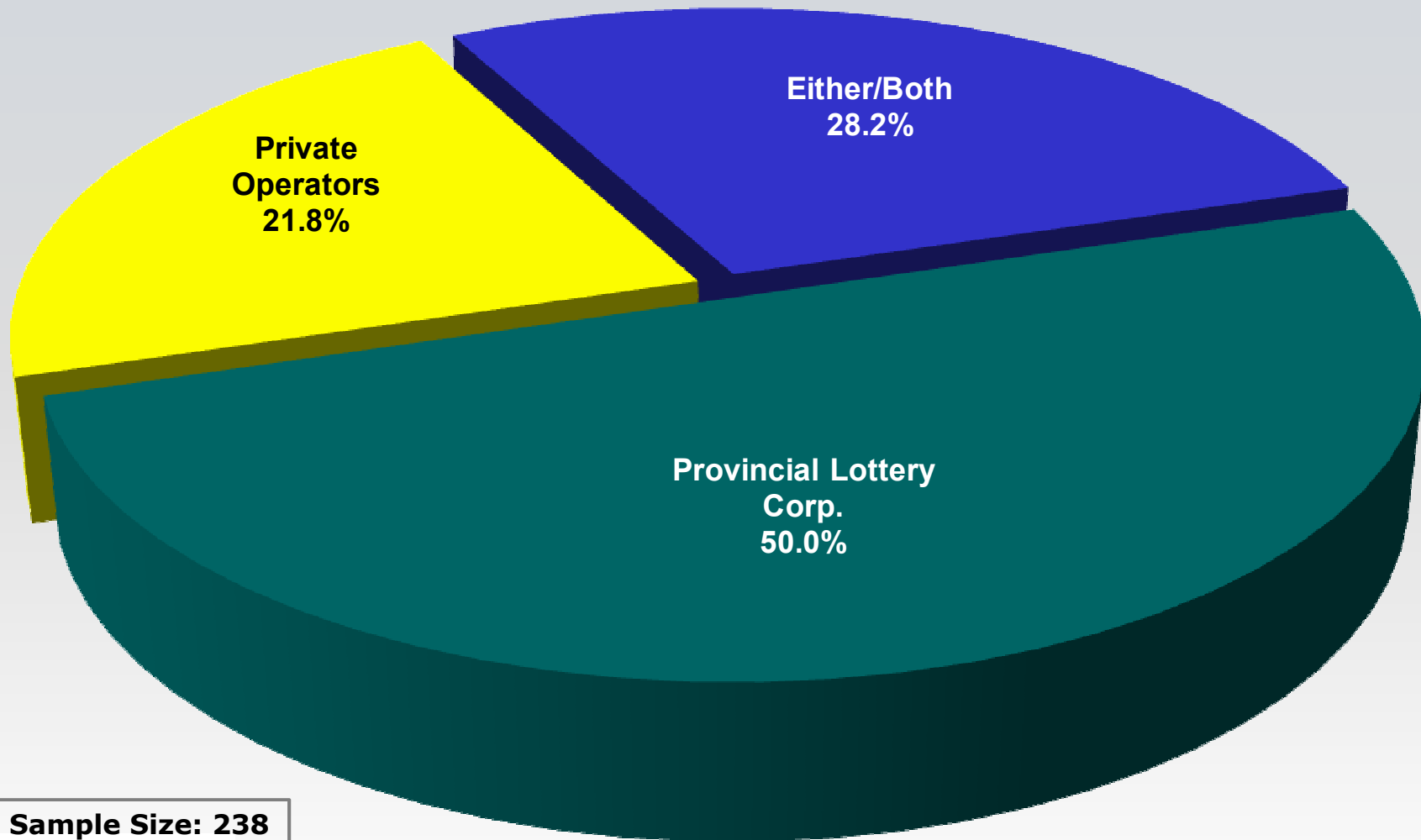


Sample Size: 278



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Single Game/Event Sports Wagering Should Be Delivered Through...



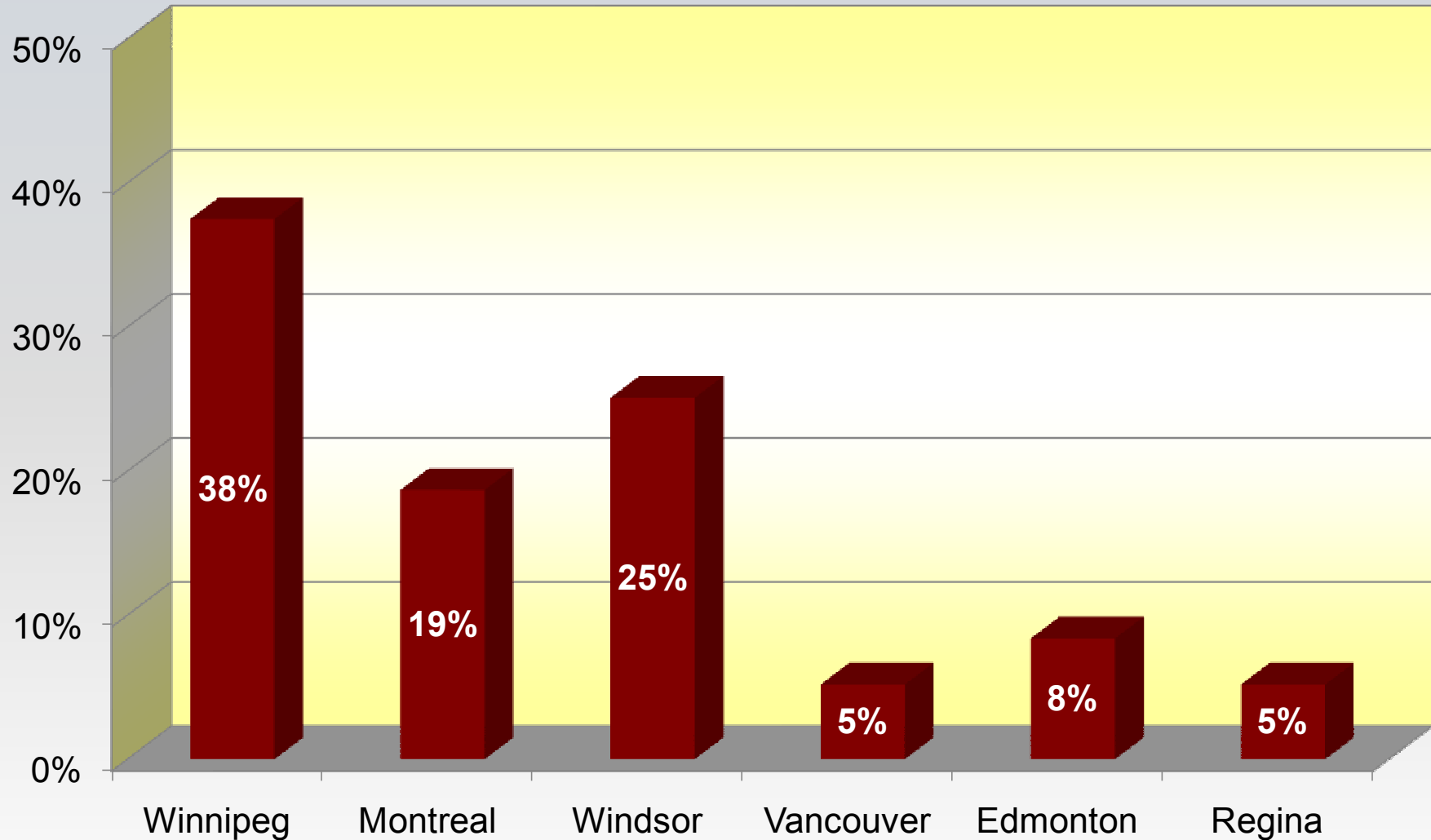
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A Little Fun...

In What City Was Canada's First Full-Service, All-Year Casino Opened?



Who has had the Greatest Impact on the Industry?

Ron Barbaro

Muriel Grimble

Ralph Klein

Vic Poleschuk

And Receiving the Most Votes...

Ross McLeod

What Would You Change About the Industry?

Provincial Lottery & Gaming Corp:

- "Single event sports betting"
- "Internet gaming from Canadian jurisdictions"
- "Improve/Create a solid communication network amongst operators (more unity)"
- "Application of the law"

Private-Sector Gaming Operator:

- "To have less government influence in business growth and operational decision making"
- "A level playing field between all operators in each jurisdiction"
- "Move more quickly to keep up with technology (i.e. sports betting)"
- "Limit growth until demand exceeds supply"

What Would You Change About the Industry?

Regulators:

- "Sec 207 of the Criminal Code"

Charity Gaming Operators:

- "Give the charities more options and the ability to implement"

- "The amount that the provinces take from charitable gaming"

First Nation:

- "Less government regulation"

- "More national consistency in provincial gaming regulations"

- "Create a national Keno game played at all casinos"

Questions?

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HLT Advisory Inc. is a privately incorporated company located in Toronto, Canada. HLT's team of professionals provides specialized consulting and support services to the Canadian and international gaming, hospitality, leisure and tourism industries.

HLT Advisory Inc. was formed in 2005 by Lyle Hall and Rob Scarpelli. Until April 2004, Lyle was Managing Director/Partner of KPMG's National Hospitality and Leisure practice area. Rob held a similar position (Managing Director/Partner) at PricewaterhouseCoopers' National Hospitality and Leisure practice area until April 2005. Both Lyle and Rob left their respective partnerships to form HLT Advisory Inc. Together, Lyle and Rob offer more than four decades of industry-focused consulting experience.

Since forming HLT, the firm has completed a broad range of assignments across Canada as well as internationally of which over half have been in the gaming industry. The clear majority of HLT's current gaming clients have been long-standing clients for multiple years (e.g., British Columbia Lottery Corporation, Great Canadian Gaming Corporation, Paragon Gaming, Alberta Gaming and Liquor Commission, Saskatchewan Gaming Corporation, Saskatchewan Indian Gaming Authority, Manitoba Gaming Control Commission, Clairvest LLP, Ontario Lottery and Gaming Corporation, Alcohol and Gaming Commission of Ontario, Nova Scotia Gaming Corporation, Atlantic Lottery Corporation and New Brunswick Lotteries and Gaming Corporation).

HLT Advisory Inc. is widely-recognized as Canada's leading gaming industry advisory firm. We have extensive experience and knowledge of the Canadian gaming industry and maintain an extensive in-house database of gaming data, annual reports and industry publications. HLT (or its Principals) have completed or are completing over 250 gaming and gaming related assignments in every region and province in Canada. More information on our work experience is available upon request.

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