

# **Financial briefing for Horse Racing Industry**

Feb. 24, 2012

# Agenda

- Introduction
- Flow of money through the industry
- Wagering analysis
- The Handle: a breakdown
- Questions

# **Flow of money through the industry**

- Without wagering, there is no horse racing industry
- After the wagers are placed, here's what happens to the money

- 2011 calendar year – Money In
  - Total handle: \$171.6 million

*Total of all revenue received through Live Wagering and Import Wagering from tracks, from Racebooks at tracks, from Teletheatres BC online and by phone (TBC/IVR) and from off-track betting facilities (TBC/Racebooks)*

Total handle: \$171.6 million

Subtract:

- *Prize payouts (about 82% of Gross Wagers)*
- *Federal levies*

Add:

- *Breaks (rounding down of payouts to the nearest 10-cent increment)*
- *Outs (unclaimed winning tickets)*

- **Amount left: \$31.6 million**  
(18.4% of Total Handle)

Amount left: \$31.6 million

Add:

- *Provincial betting levies collected and returned to Industry (\$5.1 million)*

Subtract:

- *Costs of running Gaming Policy & Enforcement activities (\$1.9 million per year)*

Add:

- *Simulcast Export revenues (\$0.7 million)*

Add:

- *Share of slots revenue from Fraser Downs (\$4.0 million)*
- *Share of slots revenue from Hastings (\$2.0 million)*
- *Top-up grant from Provincial Government (\$4.0 million)*



## Add:

- *Additional TBC contributions and interest earned (\$1.2 million)*

## Subtract:

- *TBC operating expenses (\$13.0 million)*

## Subtract:

- *Industry Marketing Fund administered by BCLC (\$0.8 million)*

- New subtotal: \$32.29 million

This amount is then allocated to the three industry participants according to the funding formula in place for 2011:

- Track Operator – 50%
- T-Breds – 30%
- S-Breds – 20%

# 2011 Funding Allocations

- Great Canadian Gaming (Track Operator)  
-- \$16.18 million
- Thoroughbreds -- \$9.67 million
- Standardbreds -- \$6.44 million

- For 2012, BC Horse Racing Industry Management Committee made a change to the allocation formula, responding to proposals put forward by both breeds.

|                       | <b>2011<br/>(millions)</b> |       | <b>2012<br/>(millions)</b> |       | Difference       |
|-----------------------|----------------------------|-------|----------------------------|-------|------------------|
| Great Canadian Gaming | 16.18                      | (50%) | 13.43                      | (43%) | - \$2.75 million |
| Thoroughbreds         | 9.67                       | (30%) | 10.45                      | (34%) | + \$0.78 million |
| Standardbreds         | <u>6.44</u>                | (20%) | <u>7.20</u>                | (23%) | + \$0.76 million |
| Subtotal              | 32.29                      |       | 31.08                      |       | - \$1.21 million |
| TBC costs             | 13.00                      |       | 11.51                      |       | - \$1.49 million |
| Marketing Fund        | <u>.80</u>                 |       | <u>.80</u>                 |       | ---              |
| Subtotal              | 13.80                      |       | 12.31                      |       | - \$1.49 million |
| Total Money Generated | 46.09                      |       | 43.39                      |       | - \$2.7 million  |

# **Wagering analysis**

**How different types of wagers drive industry revenues**

## Wagering analysis

- Based on 2011 wagering in B.C.
- \$171.6 million in Total Handle generated

- Three categories of wagers

1. Live wagering

On-track wagering at Hastings or Fraser Downs

2. Import wagering

Wagering by BC horseplayers on races conducted at non-BC racetracks

3. Export wagering

Wagering by horseplayers outside BC on races run in BC



- Three categories of wagers

1. Live wagering:

- On-track wagering at Fraser Downs and Hastings
- Wagers on Fraser Downs from Hastings horseplayers
- Wagers on Hastings from Fraser Downs horseplayers

| 2011                         | Gross Wagers<br>(\$ millions) | % of Total Handle |
|------------------------------|-------------------------------|-------------------|
| <u>Live wagering T-Breds</u> |                               |                   |
| Hastings Live                | 9.8                           | 5.7%              |
| Fraser Downs on Hastings     | <u>0.4</u>                    | <u>0.2%</u>       |
| Subtotal                     | 10.2                          | 5.9%              |
| <u>Live wagering S-Breds</u> |                               |                   |
| Fraser Downs Live            | 2.3                           | 1.4%              |
| Hastings on Fraser Downs     | <u>0.9</u>                    | <u>0.5%</u>       |
| Subtotal                     | 3.2                           | 1.9%              |

**Live wagering**

- Three categories of wagers

## 2. Import Wagering:

A. Horseplayers placing wagers through Teletheatres BC (TBC) online and by telephone using their HorsePlayers Interactive accounts (identified as TBC/IVR):

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

| <u>Import – TBC /IVR</u> | <u>\$ Millions</u> | <u>% of Total Handle</u> |
|--------------------------|--------------------|--------------------------|
| T-Breds Hastings         | 2.1                | 1.2%                     |
| T-Breds Other tracks     | 39.5               | 23.0%                    |
| S-Breds Fraser Downs     | 1.0                | 0.6%                     |
| S-Breds Other tracks     | 9.2                | 5.4%                     |
| Subtotal                 | 51.8               | 30.2%                    |

## **Import: TBC/IVR Wagering**

- Three categories of wagers

## 2. Import Wagering:

B. Horseplayers placing wagers at the 18 Racebooks operated by Teletheatres BC throughout the province (identified as TBC/Racebooks):

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

| <u>Import – TBC/Racebooks</u> | <u>\$ Millions</u> | <u>% of Total Handle</u> |
|-------------------------------|--------------------|--------------------------|
| T-Breds Hastings              | 1.6                | 0.9%                     |
| T-Breds Other tracks          | 40.6               | 23.7%                    |
| S-Breds Fraser Downs          | 1.0                | 0.6%                     |
| <u>S-Breds Other tracks</u>   | <u>9.5</u>         | <u>5.5%</u>              |
| Subtotal                      | 52.6               | 30.7%                    |

**Import: TBC/Racebooks**

- Three categories of wagers

## 2. Import Wagering:

C. Through the Racebooks operated at Hastings Racecourse and at Fraser Downs:

- Wagers on T-Breds @ Hastings
- Wagers on T-Breds @ other tracks
- Wagers on S-Breds @ Fraser Downs
- Wagers on S-Breds @ other tracks

|                                   | <u>\$ Millions</u> | <u>% of Total Handle</u> |
|-----------------------------------|--------------------|--------------------------|
| <u>Import @ Hastings Racebook</u> | 38.3               | 22.3%                    |
|                                   |                    |                          |
|                                   |                    |                          |
|                                   |                    |                          |
| <u>Import @ Fraser Racebook</u>   | 15.4               | 9.0%                     |
|                                   |                    |                          |

## **Import: Racebooks at Tracks**



- Three categories of wagers

### 3. Export Wagering

Horseplayers outside BC placing wagers on BC racing watching signals transmitted from Hastings and Fraser Downs.

- Export Wagers on T-Breds @ Hastings
- Export Wagers on S-Breds @ Fraser Downs

| <u>Export</u>        | <u>\$ Millions</u> |
|----------------------|--------------------|
| T-Breds Hastings     | 21.0               |
|                      |                    |
|                      |                    |
| <u>Export</u>        |                    |
| S-Breds Fraser Downs | 7.9                |
|                      |                    |

**Export: Wagering outside BC on BC races**

|   | 2011                              | Gross Wagers |                    |
|---|-----------------------------------|--------------|--------------------|
|   |                                   | (\$millions) | % of Total Handle  |
|   | <u>Live wagering T-Breds</u>      |              |                    |
|   | Hastings Live                     | 9.8          | 5.7%               |
| L | Fraser Downs on Hastings          | 0.4          | 0.2%               |
| I | Subtotal                          | 10.2         | 5.9%               |
| V |                                   |              | Live wagering as % |
| E |                                   |              | of Total Handle    |
|   | <u>Live wagering S-Breds</u>      |              | 7.8%               |
|   | Fraser Downs Live                 | 2.3          | 1.4%               |
|   | Hastings on Fraser Downs          | 0.9          | 0.5%               |
|   | Subtotal                          | 3.2          | 1.9%               |
|   | <u>Import -- TBC/IVR</u>          |              |                    |
|   | T-Breds Hastings                  | 2.1          | 1.2%               |
|   | T-Breds Other tracks              | 39.5         | 23.0%              |
|   | S-Breds Fraser Downs              | 1.0          | 0.6%               |
|   | S-Breds Other tracks              | 9.2          | 5.4%               |
|   | Subtotal                          | 51.8         | 30.2%              |
| I |                                   |              |                    |
| M | <u>Import -- TBC/Racebooks</u>    |              | Import wagering as |
| P | T-Breds Hastings                  | 1.6          | 0.9%               |
| O | T-Breds Other tracks              | 40.6         | 23.7%              |
| R | S-Breds Fraser Downs              | 1.0          | 0.6%               |
| T | S-Breds Other tracks              | 9.5          | 5.5%               |
|   | Subtotal                          | 52.6         | 30.7%              |
|   | <u>Import @ Hastings Racebook</u> |              |                    |
|   | Subtotal                          | 38.3         | 22.3%              |
|   | <u>Import @ Fraser Racebook</u>   |              |                    |
|   | Subtotal                          | 15.4         | 9.0%               |
|   | <b>Total Handle</b>               | <b>171.6</b> |                    |
|   | <u>Export</u>                     |              |                    |
| E | T-Breds Hastings                  | 21.0         |                    |
| X |                                   |              |                    |
| P |                                   |              |                    |
| O | <u>Export</u>                     |              |                    |
| R | S-Breds Fraser Downs              | 7.9          |                    |
| T |                                   |              |                    |

# Key points:

- Live Wagering as a percentage of Total Handle – 7.8%
- Import Wagering as a percentage of Total Handle – 92.2%

Commission (or Takeout) is applied to Gross Wagers to produce Gross Commissions

|                     | Average                   | Gross              | % of Gross         |
|---------------------|---------------------------|--------------------|--------------------|
| <u>Gross Wagers</u> | <u>Commission/Takeout</u> | <u>Commissions</u> | <u>Commissions</u> |
|                     |                           | (\$millions)       |                    |
| Hastings            |                           |                    |                    |
| \$10.2 million      | 18.1%                     | 1.8                | 6.0%               |
| Fraser Downs        |                           |                    |                    |
| \$3.2 million       | 18.5%                     | 0.6                | 2.0%               |

## Live Wagering – Gross Commissions

| <b>Import Wagering</b>   | Average                   | Gross Commissions   | % of Gross         |
|--------------------------|---------------------------|---------------------|--------------------|
| <u>Gross Wagers</u>      | <u>Commission/Takeout</u> | <u>(\$millions)</u> | <u>Commissions</u> |
| <u>TBC/IVR</u>           |                           |                     |                    |
| \$51.8 million           | 17.1%                     | 8.9                 | 29.0%              |
| <u>TBC/Racebooks</u>     |                           |                     |                    |
| \$52.6 million           | 18.0%                     | 9.5                 | 31.0%              |
| <u>Hastings Racebook</u> |                           |                     |                    |
| \$38.3 million           | 18.1%                     | 6.9                 | 22.7%              |
| <u>Fraser Racebook</u>   |                           |                     |                    |
| \$15.4 million           | 18.5%                     | 2.9                 | 9.3%               |

## **Import Wagering – Gross Commissions**

| <b>Export Wagers</b>            |                                    |            |
|---------------------------------|------------------------------------|------------|
| <u>Wagering on Hastings</u>     | <u>Hastings commission/fee</u>     | Revenue    |
| \$21.0 million                  | 2.4%                               | 0.5        |
| <u>Wagering on Fraser Downs</u> | <u>Fraser Downs commission/fee</u> |            |
| \$7.9 million                   | 2.2%                               | <u>0.2</u> |
|                                 | Export revenue                     | 0.7        |

**Export Wagering – Revenue produced**



# Key points:

- Live Wagering as a percentage of Gross Commissions – 8.0%
- Import Wagering as a percentage of Gross Commissions – 92.0%