



Summary of FY2023 Business Plan of Ontario Racing

Introduction

In 2022, Ontario Racing is hoping for near-normal operating conditions, similar to the pre-pandemic 2019 racing season. Ontario Racing's focus this year will be to support the return to near-normal and help the industry recover from the previous adversely impacted seasons. Ontario Racing will be looking to ensure that race conditions are set with a view to maximizing wagering handle on Ontario live horse races and provide horse people with the maximum number of opportunities to race their horses and earn purse money in the safest possible manner consistent with government regulations.

However, this task will not be without its challenges. In addition to the ongoing uncertainty posed by the COVID-19 pandemic, it is assumed that single event sports wagering will operate within the province throughout 2022. Increased competition for wagering dollars may have a negative impact on horse racing in Ontario.

The Ontario horse racing industry continues to demonstrate resilience when faced with adversity, as demonstrated through the continued development of new ways to operate safely with strict new operating protocols in place at racetracks throughout the province. In addition, the industry has proven that horse racing is a sport that can thrive in an environment without spectators when required, as most wagers accepted on horse racing in Ontario are placed at either off-track betting locations or on internet-based betting platforms.

Operational Objectives and Initiatives – FY2023

Ontario Racing’s goal for FY2023 is to play a leading role in helping the Ontario horse racing industry return to pre-COVID operating conditions. To that end, the overall theme of this year’s Business Plan continues with the previous year’s goal of returning the industry to near-normal. Specifically, returning to near normalcy means achieving the following objectives this year:

1. Maximizing wagering handle to reach near pre-COVID-19 levels
2. Contesting all scheduled race days in a safe manner by maintaining required safety protocols
3. Maintaining horse supply and working to recover from the contraction experienced during FY2021 and FY2022 due to lost racing opportunities and border closures
4. Welcoming guests back to racetracks and teletheatres, and focusing on Home Market Area (HMA) wagering recovery across all channels

Ontario Racing appreciates the significant risk that exists in trying to achieve an operating model in FY2023 that resembles pre-COVID operating conditions. The details outlining the operating strategies to achieve this lofty goal are outlined below; each section describes a crucial sub-section of the operating plan and, when taken as a whole, will hopefully lay the groundwork for a road map that sets the industry on the path to normalcy in FY2023.

Ontario Racing’s Key Initiatives:

In addition to the operational goal that seeks to set the industry in the direction of returning to near-normal operating output, Ontario Racing has also outlined the key initiatives it intends to undertake and advance, or complete, in FY2023. These initiatives are in addition to the work needed to marshal the industry back to consistent operating capacity. The initiatives outlined below represent a reasonable undertaking in terms of what can be accomplished given the resources of Ontario Racing (OR) and Ontario Racing Management (ORM), in addition to the day-to-day management and performance of key operating processes that keep the industry moving. Please note, due to significant staff changes, and the need to administer a relief program for the industry in FY2022, some of the below initiatives appeared in the FY2022 Annual Business Plan but were unable to be achieved. Tactics not completed in FY2022 have been carried over and the work from FY2022 will continue in FY2023.

Ontario Racing Effectiveness Assessment

Ontario Racing Management will work with the Ontario Lottery and Gaming Corporation (OLG) to address the specific concerns outlined by the Auditor General’s December 2019 report noted through documented action plans. The Ontario Racing Effectiveness Assessment is scheduled to begin in Q4 of FY2022 and continue through the first and second quarters of FY2023. The assessment is likely to take the form of a survey with specific thresholds, targets and audiences noted in advance to ensure the survey is valid.

Relief Program Audits

Ontario Racing intends to conduct audits on the relief program recipients and payments made across all three breeds to ensure that those who received funds fully met the criteria and completed all requirements to be entitled to those funds. A sample selection will be used, which will be statistically based on the number of program participants and the total funds distributed to determine the appropriate sample size. After setting up the program audit in Q4 FY2022, Ontario Racing Management finance staff will execute the Benefit Program Audit in the first, second and third quarters of FY2023.

Industry Wide Summit Led by Ontario Racing

Ontario Racing will execute at least one industry wide summit related to issues and matters currently facing the Ontario horse racing industry as a whole. This is an opportunity for Ontario Racing to bring the industry together for discussion and analysis of one or more pertinent topics that are relevant to the whole industry. This summit will ideally take place toward the end of calendar 2022 as the Thoroughbred racing season and major Standardbred stakes season winds down. Format, structure, communication and marketing will be finalized during either Q2 or Q3 of FY2023.

Implementation of the Responsible Gambling Training Program

Ontario Racing Management will continue to use a track level strategy to implement the Responsible Gambling training program. Details of implementation are provided within the Responsible Gambling section of this document. Implementation began in Q3 and Q4 of FY2022 and will continue throughout FY2023.

Review Financial Process for Effectiveness and Value

Led by the Finance team, in consultation with the Woodbine Entertainment Group (WEG) finance department, Ontario Racing Management will undertake a review of financial processes to ensure they are effective and provide maximum value. The team will review access to important banking systems, the process for reviewing reports to ensure accuracy, and explore whether money could be saved through direct deposits vs. wire transfers. As part of this exercise, Ontario Racing Management will ensure business continuity through careful planning and identifying areas to cross-train, develop or add additional team members in order to fulfil the ambitious mandate.

Ontario Racing Management will also review the Proposed Annual Business Plan (PABP) creation process, assessing the interaction between racetracks, ORM staff and the OR Board of Directors, in an effort to enhance future PABP submissions. Ontario Racing Management will also work with the OR Board of Directors and OLG to revise the Capital Funding process with the aim to make it easier for racetracks to complete both long and short-term capital projects within specified time periods and budgets.

Increase the ownership base across all breeds in Ontario

Working with industry partners WEG, Horsemen's Benevolent and Protective Association of Ontario (HBPA), Central Ontario Standardbred Association (COSA), Quarter Racing Owners of

Ontario (QROOI) and Standardbred Canada, Ontario Racing Management will explore its role in increasing ownership across all three breeds. Currently, each organization has a different approach and program; the goal of Ontario Racing Management as part of this plan is to understand how each group contributes to the overall goal of increasing ownership in the province and to continue or alter the current OR program to best leverage the strengths and strategies of its member associations and partners.

Assumptions

Key Planning Assumptions

- Funding will be provided as per the current provisions of the Funding Agreement.
- Ontario Racing will continue to operate a centralized race office - administering and paying purses, coordinating schedules and race days, overseeing entries, etc. in FY2023, except for Ajax Downs (QH) and Fort Erie Race Track (TB).
- Operating and purse funding to the Member Racetracks will remain consistent with the 2020-2021 fiscal year, as it is a priority of Ontario Racing to maintain current purse structures at Ontario's racetracks.
- Race date calendars for each Member Racetrack will be substantially similar to 2020-2021 race date calendars, as outlined in the second amendment to the Long-Term Funding Agreement.
- The Additional Purse Enhancement Payment will be allocated to the Member Racetracks (save and except Woodbine and Woodbine Mohawk Park) based on an equitable formula, considering race dates as well as level of racing.
- The Capital Improvement Payment will be \$6 million in FY2023 base funding plus \$1,141,441 in carryover funds. Capital Improvement funds will be allocated to the Member Racetracks (save and except Woodbine and Woodbine Mohawk Park) based on a review of each racetrack's request(s), considering types of purchases, asset classes and depreciation timeframe. Due to the impact of the COVID-19 pandemic on the supply chain and skilled trades, there are a total of \$2.9 million projects allocated from the FY2021 and FY2022 capital improvement funds currently incomplete or yet to get under way. ORM will work with racetracks to ensure those projects can be completed in FY2023. Any projects, with the exception of those classified as multi-year, which are not complete in FY2023 will require racetracks to reapply for funding in FY2024. In the fall of FY2023, ORM will work with all member racetracks to develop a multi-year capital improvement plan.
- As part of the available funds for purses in FY2023, a total of \$7 million in carryover purses will be added to this year's available purse funds, \$117,000 to Quarter Horse purses, \$2.7 million to Thoroughbred purses and \$4.2 million to Standardbred purses. The carryover

funds include purses from race dates lost due to weather and other cancellations in FY2021 and FY2022 and unused relief funds. It is expected that the purse carryover will be reduced to near zero by the end of the Flamboro Downs and The Raceway at the Western Fair District meets in early FY2024.

- Horse supply is expected to be consistent with FY2022 or slightly higher. Interruptions in the 2020 and 2021 racing seasons caused some owners to withdraw from the industry or transfer horses to jurisdictions where racing was not interrupted at the same frequency as seen in Ontario.
- It is assumed that fans will be able to enjoy live horse racing in Ontario in FY2023 complete with near-normal food and beverage services. Also, it is assumed that OTBs will be open to on-premises wagering with full operating conditions in FY2023.
- The phased in implementation of a 55 per cent Thoroughbred and 45 per cent Standardbred HIP allocation, as passed by the Board of Directors in September 2018, was completed in FY2022. The allocation will continue to be 55/45 Thoroughbred/Standardbred in FY23.
- For FY2023, HMA handle is forecasted to be \$770 million. This represents about a 14% increase when compared to forecasted FY2022. The full year HMA forecast for FY2022 is expected to be approximately \$675 million at the time of writing this plan. The estimated FY2023 increase is primarily driven by the availability of more opportunities to bet on live races as it is assumed the racing season will start on time in FY2023 and all race days will be run. The HMA projection for FY2023 is, however, slightly less than the FY2020 handle of \$787 million due to the threat of cannibalization from single event sports wagering.
- All Racetrack Members will at all times be and remain in compliance with the provisions of the Membership Agreement.

Key Performance Indicators

Gross Bet on Ontario Races

Targets, both per racetrack and industry-wide, are based on analysis of current trends. We expect wagering at both on-track and off-track locations to occur without interruption in FY2023. At this time, the forecasted gross bet is approximately \$1.22 billion for FY2023, however uncertainty surrounding the impact of single event sports wagering may impact the gross bet.

Home Market Area wagering is forecast at \$770 million for FY2023. The live racing interruptions in FY2021 and FY2022 had the most significant impact on HMA wagering levels, and although the FY2023 forecast is up 14% over FY2022, the longer-term trend of declining HMA revenues is expected to continue. In addition, it is HMA wagering levels that are at the greatest risk from the arrival of single event sports wagering in the province.

This is of critical importance in terms of assessing revenue levels for the industry as it is the HMA wager (bets made in Ontario) that are higher margin and more lucrative from a financial perspective. Typical HMA revenue is approximately 10% to 12% of the amount bet, whereas margin rates on remote bets average around 3%. Thus, even though there have been great strides made to attract new, out of province bettors to Ontario live horse races, and volume of remote betting has been growing over the last few years, this form of wager generates less in revenue when compared to HMA wagering. Therefore, it is important to ensure we are stabilizing the losses in the HMA market and reversing the trend of a declining HMA market. This risk is highlighted below in the risk section and discussed in the teletheatre strategy section.

Average Field Size

Like jurisdictions across North America, the Ontario horse racing industry continues to experience a horse supply shortage across all three breeds. The risk to horse supply was compounded in FY2021 and FY2022 as a result of the COVID-19 pandemic and the associated border restrictions that limited the number of US and international horses entering the province and competing at Ontario's racetracks. Ontario Racing does not anticipate border restrictions or travel advisories in FY2023.

Below is a chart that notes the average field size for the last five years across all breeds in Ontario, along with FY2023 projections.

Average Field Size — FY2023

Year	TB Field Size	SB Field Size	QH Field Size
FY2018	8	7.9	7.2
FY2019	7.9	7.9	7.4
FY2020	7.8	7.8	6.4
FY2021	7.9	8.2	6.5
FY2022	8.4	7.8	5.9
FY2023	8.3	7.9	6.0

Unique Starters/Total Starters

With open borders and the anticipation of a full racing schedule, both total and unique starts are expected to exceed those achieved in the 2020 and 2021 racing season, rebounding to near the levels from the 2019 season.

UNIQUE STARTS			
Year	Thoroughbred	Standardbred	Quarter Horse
FY2020	2,813	4,017	216
FY2021	2,351	3,841	220
FY2022 (to Q3)	2,104	3,180	181
FY2023 (forecast)	2,550	3,979	178
TOTAL STARTS			
Year	Thoroughbred	Standardbred	Quarter Horse
FY2020	11,903	57,158	1,312
FY2021	10,026	44,960	1,080
FY2022 (to Q3)	10,174	44,583	1,002
FY2023 (forecast)	11,090	48,901	1,200

Gross Wagering Commissions

With no closures anticipated, commissions across all channels — on live racing in the Home Market Area (HMA), simulcast and remote joint ventures — are forecast to rebound to FY2020 levels with live racing in the HMA commissions expected to reach \$41.2 million, simulcast commissions \$119.2 million and joint ventures \$41.3 million.

Strong demand for the Woodbine Thoroughbred and Standardbred product will be the driving force across all three channels. While a number of Grassroots and Signature member racetracks have experienced growth in remote wagering due to increased distribution, primarily in the United States, those increases are a small portion of the gross wagering commissions.

Given the importance of the Woodbine Thoroughbred and Standardbred product, the impact of horse supply cannot be overstated. Horse racing bettors are consistent, they prefer large fields

presented in a professional manner, and any further reduction in field sizes over FY2022 could have a significant impact on wagering commissions in all three channels.

The most critical channel for long-term sustainability is the HMA wagering stream on both live (25%) and simulcast (75%) races, given the increased percentage of commission it generates, and the advent of Single-event Sports Wagering (SESW) could have a negative impact on two fronts. First, as the sports wagering market expands in Ontario it could have a negative impact on the overall amount wagered on horse racing. Second, as agreements are signed with Single-event Sports Wagering operators, those operators will require a percentage of the commission. Should current bettors shift all, or a percentage, of their wagering to those SESW platforms, it could erode the total HMA commissions. There is also the possibility that HMA commissions will receive a boost once agreements are signed with SESW operators, as new bettors are introduced to Ontario horse racing.

Fortunately, many current bettors embraced HPIbet during the pandemic, so if they are slow to return to the racetrack after two years of restrictions as addressed in the Other Racetrack Revenue section below, it is not expected to have a measurable impact on HMA commissions. It is also anticipated that some bettors introduced to horse racing via SESW partner platforms could transition to HPIbet.

Finally, WEG, as the holder of the wagering permit for the HMA, will continue to endeavor to partner with international markets (i.e., Europe, South America, Japan) in order to maximize foreign wagering revenues. The caveat being that foreign wagering generates substantially lower revenues than domestic wagering.

Racetrack Capital Reinvestment Rate

We have based these targets on the allocation of Capital Improvement funding to the member racetracks as provided under the Funding Agreement. As noted in the capital section below, in FY2023, the capital pool available to the tracks will be \$6 million in FY2023 base funding plus \$1,141,441 in carryover funds.

In addition, there are \$2.9 million in capital improvement projects from the FY2021 and FY2022 allocations that are incomplete or have yet to get under way due to pandemic-related supply chain interruptions and skilled trade shortages. As a result, the racetrack capital reinvestment rate (capital improvement funding as a percentage of total government support) for FY2023 is forecast to be 8.8%.

Other Racetrack Revenue

Other racetrack revenue consists primarily of food and beverage revenue. As noted above in the preliminary plan assumptions, it is assumed that tracks will be welcoming guests without interruption in FY2023.

While the amounts forecasted should be greater than FY2021 and FY2022, other Racetrack

Revenue is expected to be less than normalized FY2020 amounts because, with an older core demographic, some horse racing fans may be hesitant to return to the racetrack as restrictions end. Horse racing fans have become accustomed to wagering through online portals and that fact, when combined with increased competition for entertainment dollars, may result in less patrons onsite than in FY2020, ultimately impacting both food and beverage revenue at the tracks, and gaming revenue maximization at the casinos. Racetracks will hope to regain their on-track customers with their ability to offer special and signature events at full capacity, such as Family Fun Day at Ajax Downs, Legends Day at Clinton Raceway and the historic Queen's Plate at Woodbine Racetrack.

With no pandemic-related restrictions anticipated, racetracks that have negotiated casino commercial lease agreements that are tied to variable gaming revenue also anticipate a restoration of that revenue stream to FY2020 levels.

Wager to Purse Ratio

Targets are based on known calculations based on the targeted wagering handle as well as purse funding as described herein. Please see the associated KPI templates attached for member racetrack KPI details.

Racing Information

Race Dates

Among Ontario Racing's core objectives is the production of high-quality live racing for competitive purses throughout Ontario. A consistent and reliable calendar of dates, along with certainty regarding purse levels, is critical to stabilizing and growing the horse supply required to fill the proposed dates and meet the financial objectives of Ontario Racing. Horse owners need confidence to reinvest in Ontario horse racing. Providing an appropriate amount and level of racing to encourage investment and thus increase the limited horse supply currently being experienced in the Ontario racing industry is critical.

The Ontario Sires Stakes program continues to be administered by Ontario Racing Management at Ontario racetracks via the Standardbred Horse Improvement Program (HIP) and is recognized as one of the best in North America. Ontario Racing will continue to co-fund Ontario Sired and Ontario Bred Thoroughbred Stakes races via the Thoroughbred HIP program to reward horse owners who have achieved excellence, in an effort to accelerate reinvestment of these purse monies back into new Ontario Sired and Ontario Bred racing stock.

Some of the key stakes races and marquee events that will be run during FY2023 include:

- Clinton Raceway – Kin Pace
- Flamboro Downs – Charles Juravinski Memorial Cup
- Georgian Downs – Earl Rowe Memorial
- Grand River Raceway – Battle of Waterloo and Battle of the Belles
- Hanover Raceway – Dream of Glory and Balanced Image
- Western Fair Raceway – Camluck Classic
- Woodbine Mohawk Park – North America Cup, Mohawk Million, Metro Pace, Canadian Trotting Classic, Breeders' Crown
- Fort Erie – Prince of Wales
- Woodbine – Queen's Plate, Woodbine Oaks, Breeders' Stakes, Cup and Saucer, Prince Elizabeth Stakes, Coronation Futurity, Plate Trial Stakes

FY2023 Race days are allocated as follows:

Racetrack	Race Dates	Breed	Type
Woodbine Thoroughbred	133	TB	Premier (TB)
Fort Erie	40	TB	Signature (TB)
Ajax Downs	25	QH	Quarter Horse
Woodbine Mohawk Park	222	SB	Premier (SB)
Western Fair Raceway	127	SB	Signature (SB)
Flamboro Downs	131	SB	Signature (SB)
Georgian Downs	39	SB	Signature (SB)
Grand River Raceway	48	SB	Signature (SB)
Rideau Carleton Raceway	72	SB	Signature (SB)
Clinton Raceway	15	SB	Grassroots (SB)

Dresden Raceway	11	SB	Grassroots (SB)
Hanover Raceway	15	SB	Grassroots (SB)
Hiawatha Horse Park	21	SB	Grassroots (SB)
Kawartha Downs	18	SB	Grassroots (SB)
Leamington/Lakeshore	13	SB	Grassroots (SB)
Total	930		

Subject to the available horse supply, Ontario Racing has created a coordinated racing schedule for the 2022- 2023 season as outlined above. This schedule includes 222 Premier Standardbred race days; 417 Signature Standardbred race days, 93 Standardbred Grassroots race days; 133 Premier Thoroughbred race days; 40 Signature Thoroughbred race days and 25 Quarter Horse race days.

Purses

For the 2022-2023 fiscal year, base purse allocation will remain consistent with the 2021-2022 fiscal year, as detailed in the chart attached as Appendix B. Purse levels will continue to be reflective of those average purse levels maintained during the previous fiscal year: \$35,000 per day for Grassroots level Standardbred racing; \$60,000-\$70,000 per day for Signature level Standardbred racing; and \$117,000 per day for Signature level Thoroughbred racing.

FY2023 purses will include an additional amount of approximately \$7 million which represents undistributed purses from the FY2022 year as a result of pandemic, weather and other related cancellations.

Thoroughbred and Quarter Horse purses under the Long-Term Funding Agreement are anticipated to remain consistent with FY2022 levels. These purse funds, combined with HIP allocations and, where applicable, racetrack top-up of purse funds, will continue to ensure the purse offering of Ontario's racetracks remains competitive on the North American horse racing scene for the 2022 racing season.

Additional Purse Enhancement Payment

As noted above, the Additional Purse Enhancement Payment will be allocated to the Member Racetracks (save and except Woodbine and Woodbine, Mohawk Park) based on an equitable distribution formula, considering race dates as well as level of racing (see attached Appendix E).

Racing Category	Average Base Purse per Race Day (includes Top-up & Carryover)	Average Purse incl. Purse Enhancements/Race Day
Standardbred Grassroots	\$35,000	\$44,000
Standardbred Signature – Flamboro & Western Fair	\$71,000	\$80,000
Standardbred Signature - Other	\$62,000	\$71,000
Standardbred Premier	\$197,000	\$220,000
Thoroughbred Signature	\$117,000	\$130,000
Thoroughbred Premier	\$483,000	\$497,000

Quarter Horse	\$42,000	\$105,000
---------------	----------	-----------

Transition Payment

Under the terms of the original Long-Term Funding Agreement, the Transition Funding Payment in the amount of \$3 million per year was scheduled to end at the conclusion of FY2021. This tranche of funding was critical to maintaining 15 racetracks in Ontario. Not having the Transition Funds available to the racetracks meant some would face significant risks to their purses and allocated race dates, potentially creating an environment where racetracks and racing opportunities would be eliminated.

As a result, a second amendment to the Long-Term Funding Agreement was approved by the Ministry of Finance in December 2020 that extended the Transition Funds for an additional five years with the caveat, among others, that racetracks would be allocated a number of race days “substantially similar” to that allocated during the FY2021 fiscal year. Furthermore, the amendment to the Long-Term Funding Agreement made clear that the amount of Transition Funds to be allocated to each racetrack was not locked to the original allocations as noted in Schedule 5.6(a)(ii) of the original Long-Term Funding Agreement. Therefore, Ontario Racing is free to allocate Transition Funding as it sees fit.

Given that one of the main objectives of this Business Plan is to return the industry to “near-normal” operations after the tumultuous years experienced in FY2021 and FY2022, Ontario Racing did not make significant changes to the allocation of the Transition Payment, continuing to tie the payment to level of racing (Grassroots versus Signature) and number of race days, with the exception of Fort Erie Race Track and Ajax Downs, whose payments remained the same as prescribed in the LTFA.

Operational Enhancement Payment

The Operational Enhancement Payment will be paid in accordance with the provisions of Schedule 3.4(A) of the Funding Agreement.

Capital Improvement Payment

The Capital Improvement Payment will be \$6 million in FY2023 base funding plus \$1,141,441 in carryover funds. Capital Improvement Funds will be allocated to the Member Racetracks (save and except Woodbine and Woodbine Mohawk Park) based on a review of each track’s request(s), considering types of purchases, asset class and depreciation timeframe.

Ontario’s racetracks will continue to focus on improving the infrastructure (grandstands, track surfaces, etc.) and equipment at their respective tracks. Much of the infrastructure at Ontario’s racetracks is past its useful life and is in desperate need of replacing. Therefore, when deciding on which projects to approve, priority was given to those that would improve the infrastructure of the racetrack.

In addition, with the Transition Funding having been extended to Ontario’s racetracks for the next five years, the appetite to maintain Ontario’s 15 track model is strong, and therefore

infrastructure and equipment improvements will be essential to maintaining many of the smaller racetracks based in rural Ontario.

With the lens of infrastructure and equipment improvements as a guiding principle in allocating available capital against the requests made by the tracks, additional inputs used by Ontario Racing when reviewing the capital funding requests made by each racetrack, as outlined in their respective FY2023 business plans, included:

- Projects that improved Health and Safety and/or were mandated by government order
- Time frame to complete
- Return on Investment
- Financial viability assessments
- Equitable allocation
- Number of race dates
- Reasonable estimates/quotes
- Overall impact on the surrounding communities the racetrack operates within

A number of projects were approved in FY2022 (or previous) but will be carried over to FY2023 due to COVID-19 restrictions, contractor availability or issues obtaining supplies that prevented the projects from being completed. ORM will work with racetracks to ensure those projects can be completed in FY2023. Any projects, with the exception of those classified as multi-year, which are not complete in FY2023 will require racetracks to reapply for funding in FY2024. In the fall of FY2023, ORM will work with all member racetracks to develop a multi-year capital improvement plan.

As noted in Ontario Racing's Key Initiatives, *Review Financial Process for Effectiveness and Value*, ORM recognizes the difficulty racetracks face completing capital projects within the current system and environment. While the organization and Board of Directors work towards a long-term solution, ORM has elected to keep \$80,500 in reserve from FY2022 carryover funds as a contingency fund to address small overages due to project price increases over original quotes because of record-level inflation.

Horse Improvement Program

The goals of the Horse Improvement Program for FY2023 remain consistent with prior years and are outlined below:

- Rewarding excellence
- Developing and supporting programs that foster, sustain, and encourage long term investment within rural Ontario's Quarter Horse, Standardbred and Thoroughbred breeding sectors
- Ensuring incentives support investment in quality breeding stock and foster a profitable market for Ontario Sired and Ontario Bred yearlings
- Developing and supporting programs that promote a strong and sustainable live racing product at all Ontario racetracks in order to maintain and build the fan base and attract enhanced wagering
- Establishing conditions for the allocation of HIP funding for overnight races
- Investing in equine research
- Investing in after care programs for all three breeds
- Promoting the Ontario Horse Improvement Program to provide education on program benefits and eligibility requirements, promote the successes of Ontario Sired and Ontario Bred horses and introduce new fans and participants to the program

The primary objective of the Horse Improvement Program is to provide racing and breeding incentives to the Ontario horse racing industry through the enhancement of purse and stake offerings, as well as rewarding breeders and owners of successful Ontario Bred and Ontario Sired Quarter Horses, Standardbreds and Thoroughbreds. Breeder-focused programs aid in the recruitment of quality stallions and mares to Ontario, which supports the province's agricultural economy. Owner-focused programs ensure Ontario Sired and Ontario Bred horses are attractive to owners across the globe and encourage participation in overnight and stake races at racetracks across the province. A vibrant and successful Ontario Sired and Ontario Bred program contributes to full fields and competitive racing in all three breeds, which helps to build the customer base and maximize wagering dollars spent on Ontario racing.

The KPI's used to evaluate whether the Horse Improvement Program is meeting its stated objectives across the three breeds are as follows:

- Total Starters (Ontario Bred and Ontario Sired horses)
- Unique Starters (Ontario Bred and Ontario Sired horses)
- Average Field Size
- Registered Foals
- Live Foals
- Average Ontario Bred yearling sales price
- Number of registered mares in Ontario
- Number of registered stallions in Ontario
- Total Gross Bet on Ontario live races

FY2022 Summary

In FY2022, the HIP Committees were once again required to revise budgets, originally approved in January of 2021, to reflect the reality of lost race dates and program funding due to the COVID-19 pandemic.

The January budgets were prepared using a Home Market Area assumption of approximately \$715 million. After the third shutdown of live racing occurred during the first quarter of FY2022, that assumption was pared to \$657 million in June before being increased to \$690 million by the November forecast.

Given the altered economic realities, each HIP Committee reviewed their Breeders Rewards, Purse Programs and Administration costs, along with race schedules, to reflect the reduction in estimated Home Market Area handle and the reduction in race days.

The Quarter Horse and Thoroughbred Improvement Program Committees focused on reducing administrative and marketing costs, while anticipating savings in purse programs due to lost race days.

As wagering forecasts improved in the fall, the TIP Committee chose to increase the amount available in the Mare Purchase Program (MPP), which had seen significant participation through the early fall sales. The MPP program was increased from \$500,000 to \$700,000.

The Standardbred Horse Improvement Program Committee reduced the HIP contribution at both the Grassroots and Gold Series level and lowered Breeder's Rewards by \$500,000. The SIP Committee also allocated \$1.69 million in unused Standardbred purse relief funds to the OSS program. The Ontario Sires Stakes and Prospect Series schedules were compressed into four months.

The latest forecast of total Home Market Area handle for FY2022 is anticipated to be \$675 million, slightly reduced from the November forecast due to the January 3 closure of teletheatres. As a result of the anticipated negative impact of teletheatre closures on HMA wagering, the fiscal situation of all three breeds remains an uncertain situation.

- In spite of the interruptions in live racing and teletheatre operations, FY2022 featured a number of highlights in the Horse Improvement Programs:
- The Quarter Horse program saw three new stallions enroll as Ontario Sires during the fourth quarter of FY2022, for the 2022 breeding season.
- Ontario Sired Standardbred horses were once again well received at both online and in-person sales in Ontario and the U.S. A total of 461 Ontario Sired yearlings were sold at the major sales in 2021 for an average price of \$33,816.
- Thoroughbred breeding statistics were up across the board. The number of Ontario Sired

live foals reported to The Jockey Club through Oct. 4 was up 2.6 per cent over last year, the number of stallions registered in the province increased by 12.5 per cent and the number of mares reported bred through Oct. 18 was up 13.9 per cent. Ontario was the only jurisdiction with positive gains in all three categories. (Source: The Jockey Club <https://www.jockeyclub.com/default.asp?section=Resources&area=10&story=1297> and <https://www.jockeyclub.com/default.asp?section=Resources&area=10&story=1302>)

- A total of 305 different breeding entities (individuals, partnerships, farms) received TIP breeders' rewards in 2021, up from 276 in 2020, which was the first year Ontario Racing Management distributed all of the breeders' rewards.
- Ontario Sired and Ontario Bred Thoroughbred yearlings were well received at both the Canadian Thoroughbred Horse Society (CTHS) and Kentucky Yearling Sales. According to The Jockey Club (<https://www.jockeyclub.com/factbook/StateFactBook/Ontario.pdf>) 330 Ontario Bred yearlings were sold at auction in 2021, the most since 2013. At \$59,088, the average sale price was the highest recorded over the past 20 years of reporting.
- A total of 86 new mares arrived in the province through the TIP Mare Purchase (MPP) and Recruitment Programs (MRP), 35 through the MPP and 50 through the MRP. A total of 47 of these mare owners have indicated their intention to breed to an Ontario Sire in 2022.
- The inaugural Ontario Sire Heritage Series for three-year-old colts/geldings and fillies, with two legs and the final at Woodbine Racetrack and one leg at Fort Erie Racetrack, was enthusiastically embraced by owners and trainers.

Responsible Gambling

Ontario Racing worked with the OLG to develop a Commitment Statement and Policy with respect to Responsible Gambling (RG), which has a dedicated page on the Ontario Racing website. Ontario Racing has made these documents available to the racetracks and encouraged them to incorporate the Statement and Policy on their websites as well. In FY2021, Ontario Racing and OLG worked with the Responsible Gambling Council (RGC) to develop a Responsible Gambling training program that was to be implemented at the various horse racing tracks across the province prior to the pandemic.

The training program and materials developed by Ontario Racing and other stakeholders was completed in 2020 but was not implemented at the racetrack level across the province due to pandemic restrictions. Implementation began in Q3 of FY2022 and will continue throughout FY2023 at Ontario's 15 racetracks.

Ontario Teletheatre Network

The teletheatre strategy is based on the concept that a consistent and integrated wagering model, including OTB and ADW, can best leverage product offerings and provide the best case for ongoing integration with OLG and the provincial gaming strategy. The teletheatre network offers efficiencies and provides a platform to take advantage of new features for pari-mutuel wagering.

The teletheatre network is currently comprised of 46 Champions off-track betting locations in the HMA, including the Greenwood Teletheatre and WEGZ Stadium Bar. The off-track network, which is operated by WEG, provides a fully integrated service designed to maximize wagering and convenience. Through this integrated model, paired with the online HPIbet platform, customers do not have to choose whether they will play on-track, off-track or through Advance Deposit Wagering – they play how it is most convenient for them on whichever platform they choose and receive consistent rewards through WEG’s HPI loyalty program. Customer interaction has been greatly simplified and presents significant opportunities for further product marketing and innovation which is a focus of WEG’s future plans.

Ontario Racing will work with WEG very closely to understand HMA wagering trends against budgeted amounts, and specifically handle generated in the teletheatre network, to ensure any material changes to handle projections can be flowed through to those programs that benefit from HMA handle levies.

As Ontario Racing’s overall theme to the FY2023 business plan entails returning the industry to “near-normal” operating conditions, Ontario Racing will ensure resources are adequately apportioned to short-term plans that maximize wagering at the teletheatres.

Conclusion

The FY2023 road map as laid out by Ontario Racing will seek to restore the industry back to near-normal operating levels in terms of wagering, horse supply, and racing activity, consistent with those levels experienced prior to the COVID-19 pandemic's impacts on the industry.

With a relatively consistent horse supply in Ontario across all three breeds for the 2022 racing season, and the expectation of full racing seasons at each racetrack, normalized wagering levels are still expected to be less than that of the FY2020 year. In FY2020, the industry gross bet increased slightly over the previous year (+2.1%) driven by strong growth in the Standardbred handle (+8.4%), with Thoroughbred wagering declining slightly (-2.7%) and Quarter Horse falling more significantly (-13.2%). Among the reasons for forecasting FY2023 wagering at less than FY2020 levels are the uncertainty around the impact of sports wagering, potential unwillingness of older patrons to return to the racetrack without public health mandated COVID-19 mitigations in place and the potential for less growth within the Standardbred wagering product.

Continued investment in Ontario's racetrack infrastructure, along with targeted marketing support, will allow racetracks to welcome back old fans and introduce new fans to the sport and offer engaging experiences, translating into potential revenue expansion for the industry, which is needed given the increased competition Ontario's horse racing industry is facing relative to other forms of entertainment available to today's consumer.

Heading into FY2023 the industry remains in a state of recovery after two consecutive seasons severely impacted by the COVID-19 pandemic. As the organization and brand continue to mature, OR and ORM will evaluate, enhance, and advance the ways we work with partners and industry participants for the benefit of the Ontario horse racing industry. The above plan captures the intentions and goals that will ensure Ontario Racing can continue to holistically support and represent horse racing in our province.