



# GREAT CANADIAN GAMING CORPORATION

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Month and Nine Month Periods Ended  
September 30, 2019

*(Expressed in millions of Canadian dollars, except for per share information)*

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### INTRODUCTION

#### Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, major developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation ("Great Canadian", the "Company", "GCGC", "we", "our") is dated as of November 4, 2019.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 ("Condensed Interim Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2018 ("Annual Financial Statements"), our MD&A for the year ended December 31, 2018 and our Annual Information Form for the year ended December 31, 2018. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretation Committee ("IFRIC") have been omitted or condensed. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

This MD&A is presented on a regional and/or consolidated basis as described (and defined) in the "Business Description" and "Consolidated Results of Operations" section of this document. Capitalized terms are defined when they first appear.

#### Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

Except as otherwise noted in this MD&A, Adjusted EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, business acquisition, restructuring and other, gain on sale of land, and foreign exchange gain. Adjusted EBITDA is derived from the Condensed Interim Consolidated Statements of Earnings and Other Comprehensive Income, and can be computed as revenues less human resource expenses and property, marketing and administration expenses plus the share of profit of equity investments relating to principal operating entities. Unless otherwise noted, Adjusted EBITDA for the current and comparative periods exclude the results of discontinued operations. We believe Adjusted EBITDA is a useful measure because it provides information to management about the ongoing operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is also used by the investors and analysts for the purpose of valuing the Company. A reconciliation of Adjusted EBITDA to net earnings under IFRS is shown in the "Financial Highlights" section of this MD&A.

In order to view its operations on a more stand-alone basis based on its shareholders' proportionate interests in its Ontario partnerships, the Company has presented its Adjusted EBITDA attributable to the shareholders of the Company for the Ontario region. Adjusted EBITDA attributable to shareholders of the Company is Adjusted EBITDA, as defined above, less the non-controlling interest portion of Adjusted EBITDA.

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The following non-IFRS measures have common definitions in the gaming industry and provide both investors and management with indications of its business' operating volumes and the volatility inherent in the Company's casino games:

- Gross Gaming Revenues are the amounts wagered on gaming activities, less the payout or prizes won by customers, and comprises table hold, slot win and poker rake.
- Table drop means the collective amount of money customers pay to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes.
- Table hold is calculated as the table drop plus or minus the net change in casino chip inventory.
- Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips.
- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.
- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.
- Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period.
- Slot win percentage is the ratio of slot win divided by slot coin-in.

#### **Forward-Looking Information**

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of historical trends and other factors. Forward-looking statements are frequently but not always identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "targeted", "planned", "possible" or similar expressions or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. All information or statements, other than statements of historical fact, are forward-looking information, including statements that address expectations, estimates or projections about the future, the Company's strategy for growth and objectives, expected future expenditures, costs, operating and financial results, expected impact of future commitments, the impact of conditions imposed on certain VIP players, the impact of unionization activities and labour organization, the Company's beliefs about the outcome of its notices of objection and subsequent appeals challenging the Canada Revenue Agency's reassessments and its tax position on its facility development commission prevailing, the Company's expected facility investment commission amounts and the Company's projected future investments to obtain facility investment commission, the terms and expected benefits of the normal course issuer bid, the Company's expected share of B.C. horse racing industry revenue in future years, the Company and its affiliates meeting threshold revenue growth amounts in the Ontario gaming industry in future years, the Company's projected timeline for future development, and expectations and implications of changes in legislation and government policies, volatile gaming holds, the effects of competition in the market and potential difficulties in employee retention and recruitment. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties.

Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to unknown risks, uncertainties, and a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information. Such factors may include, but are not limited to: compliance with the terms of new operating agreements with lottery corporations; changes to gaming laws and regulations that may impact the operating agreements; pending, proposed or unanticipated regulatory or policy changes (including those related to anti-money laundering legislation or policy that may impact VIP play), volatile gaming holds, the effects of competition in the market; the development of

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properties in Ontario and transitioning of operations to the Company and affiliates; the Company's ability to obtain and renew required business licenses, leases, and operating agreements; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; actual and possible reassessments of the Company's prior tax filings by tax authorities; the results of the Company's notices of objection and subsequent appeals challenging reassessments received by the Canada Revenue Agency; the Company's tax position on its facility development commission prevailing; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the timing and results of collective bargaining negotiations and potential labour disruption; adverse changes in the Company's labour relations; the Company's ability to manage its capital projects and its expanding operations in jurisdictions where it operates; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; the risk associated with partnership relationships; First Nations rights with respect to some land on which the Company conducts operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; demand for new products and services; fluctuations in operating results; economic uncertainty and financial market volatility; technology dependence; privacy breaches or data theft; integration of acquired properties in Ontario; and changes to anti-money laundering procedures and protocols including additional requirements for determining source of funds. The Company cautions that this list of factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2018, and as identified in the Company's disclosure record on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information in documents incorporated by reference speaks only as of the date of those documents. The Company believes that the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. Readers are cautioned not to place undue reliance on the forward-looking information. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof, is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A.

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#### **Presentation of Financial Information**

##### ***IFRS 16, Leases ("IFRS 16")***

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Comparative information has not been adjusted for IFRS 16.

In the "Supplemental Financial Information" section of this MD&A, the accounting impact of IFRS 16 on the 2019 results is shown for the following financial information:

- Financial Highlights
- Adjusted EBITDA and Total Assets by Region
- Financial Position
- Cash Flows

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of its leases. Certain lease payments, which were previously recognized in "property, marketing and administration" expense, are now recorded against the lease liability as the payment occurs. Expenses for short-term leases, leases of low value assets, and variable lease payments based on performance or usage continue to be expensed in "property, marketing and administration" expense. At each reporting period, the Company recognizes amortization expense related to its right-of-use assets and interest accretion on lease liabilities.

The details of the changes in accounting policies are disclosed in the "Other Financial Information" section of this MD&A.

##### ***Discontinued Operations of United States Region***

On June 27, 2019, the Company sold all the shares of its wholly-owned subsidiary, Great American Gaming Corporation ("GAGC"), which represented the Company's U.S. region, a segment that was previously reported in the Company's Condensed Interim Consolidated Financial Statements and Annual Financial Statements.

Financial results of the U.S. region, including comparative information, have been presented as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Refer to the "Supplemental Financial Information" section of this MD&A for financial information on the discontinued operations.

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### FINANCIAL HIGHLIGHTS

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg
Gaming revenues	\$ 295.5	\$ 290.9	2%	\$ 871.1	\$ 732.1	19%
Hospitality revenues	29.9	27.4	9%	81.5	74.2	10%
Racetrack, lease and other revenues	15.7	14.4	9%	45.7	42.1	9%
<b>Revenues</b>	<b>341.1</b>	<b>332.7</b>	<b>3%</b>	<b>998.3</b>	<b>848.4</b>	<b>18%</b>
Human resources	107.7	95.8	12%	321.0	250.4	28%
Property, marketing and administration	91.9	99.7	(8%)	274.0	251.9	9%
Share of profit of equity investment <sup>(3)</sup>	(0.8)	(0.7)	14%	(2.1)	(2.0)	5%
	198.8	194.8	2%	592.9	500.3	19%
<b>Adjusted EBITDA<sup>(4)</sup></b>	<b>\$ 142.3</b>	<b>\$ 137.9</b>	<b>3%</b>	<b>\$ 405.4</b>	<b>\$ 348.1</b>	<b>16%</b>
Human resources as a % of Revenues	31.6%	28.8%		32.2%	29.5%	
Adjusted EBITDA as a % of Revenues	41.7%	41.4%		40.6%	41.0%	
<b>Less:</b>						
Amortization	37.6	22.2		111.8	59.2	
Share-based compensation	3.6	3.0		8.0	9.9	
Interest and financing costs, net	19.9	12.4		64.7	34.1	
Business acquisition, restructuring and other <sup>(3)</sup>	(4.7)	1.9		(0.2)	14.3	
Gain on sale of land	-	-		(6.6)	-	
Foreign exchange gain	(1.5)	(0.4)		(1.9)	(1.3)	
Income taxes	18.4	19.3		47.0	45.3	
<b>Net earnings from continuing operations</b>	<b>\$ 69.0</b>	<b>\$ 79.5</b>	<b>(13%)</b>	<b>\$ 182.6</b>	<b>\$ 186.6</b>	<b>(2%)</b>
Net earnings attributable to discontinued operations <sup>(2)</sup>	\$ -	\$ 1.8		\$ 50.4	\$ 4.0	
<b>Net earnings</b>	<b>\$ 69.0</b>	<b>\$ 81.3</b>	<b>(15%)</b>	<b>\$ 233.0</b>	<b>\$ 190.6</b>	<b>22%</b>
<b>Net earnings from continuing operations attributable to:</b>						
Shareholders of the company	\$ 49.7	\$ 50.8		\$ 128.7	\$ 119.8	
Non-controlling interests	19.3	28.7		53.9	66.8	
	\$ 69.0	\$ 79.5	(13%)	\$ 182.6	\$ 186.6	(2%)
<b>Net earnings attributable to:</b>						
Shareholders of the company	\$ 49.7	\$ 52.6		\$ 179.1	\$ 123.8	
Non-controlling interests	19.3	28.7		53.9	66.8	
	\$ 69.0	\$ 81.3	(15%)	\$ 233.0	\$ 190.6	22%
Shareholders' net earnings per common share from continuing operations						
Basic	\$ 0.85	\$ 0.83		\$ 2.19	\$ 1.96	
Diluted	\$ 0.82	\$ 0.79		\$ 2.12	\$ 1.89	
Shareholders' net earnings per common share						
Basic	\$ 0.85	\$ 0.86		\$ 3.05	\$ 2.03	
Diluted	\$ 0.82	\$ 0.82		\$ 2.95	\$ 1.95	
Weighted average number of common shares (in thousands)						
Basic	58,578	61,284		58,813	61,124	
Diluted	60,036	63,864		60,585	63,460	
				<b>September 30,</b>	<b>December 31,</b>	
				<b>2019</b>	<b>2018</b>	<b>% Chg</b>
Cash	\$ 309.8	\$ 336.8	(8%)	\$ 309.8	\$ 336.8	(8%)
Total assets	\$ 2,710.7	\$ 1,601.8	69%	\$ 2,710.7	\$ 1,601.8	69%
Long-term debt	\$ 670.6	\$ 631.6	6%	\$ 670.6	\$ 631.6	6%

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

<sup>(2)</sup> The results of the U.S. region have been presented as discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A. Comparative information has been re-presented to show the discontinued operations separately from continuing operations.

<sup>(3)</sup> In calculating Adjusted EBITDA for the nine months ended September 30, 2018, "share of profit of equity investment" does not include the loss of \$1.1 relating to the Company's share of Ontario Gaming West GTA Limited Partnership's ("OGWGLP") transition costs incurred for the West GTA Gaming Bundle prior to the acquisition on May 1, 2018, in which OGWGLP was accounted for as an equity method investee. The loss of \$1.1 has been classified under "business acquisition, restructuring and other" instead.

<sup>(4)</sup> Adjusted EBITDA is a non-IFRS measure, as defined in the "Non-IFRS Measures" section of this MD&A, and excludes discontinued operations.

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#### Revenues

For the three months ended September 30, 2019, the Company recorded revenues of \$341.1, an \$8.4 or 3% increase from the same period in the prior year. For the nine months ended September 30, 2019, the Company recorded revenues of \$998.3, a \$149.9 or 18% increase from the nine months ended September 30, 2018.

The increases for the three and nine months ended September 30, 2019, when compared to the same periods in the prior year, were attributable to the expansion of gaming and non-gaming amenities in the Ontario properties.

Revenues for the nine months ended September 30, 2019 included an additional 22 and 120 days of operations from the GTA and West GTA gaming bundles, respectively. The increase in revenues for the nine months ended September 30, 2019 was partially offset by extreme winter conditions in the first quarter of 2019, which had a negative impact on guest attendance at the Ontario gaming facilities.

#### Adjusted EBITDA

For the three months ended September 30, 2019, Adjusted EBITDA was \$142.3, a \$4.4 or 3% increase from the three months ended September 30, 2018. For the nine months ended September 30, 2019, Adjusted EBITDA was \$405.4, a \$57.3 or 16% increase from the nine months ended September 30, 2018. The increases were primarily due to a \$20.7 and \$62.1 accounting impact from the adoption of IFRS 16 for the three and nine months ended September 30, 2019, respectively, partially offset by increased operating costs related to expanded operations in Ontario.

#### Shareholders' net earnings from continuing operations

Shareholders' net earnings from continuing operations of \$49.7 for the three months ended September 30, 2019 decreased by \$1.1 when compared to the same period in the prior year, primarily due to the net effect of adopting IFRS 16 which reduced net earnings, increased amortization related to capital investments for the Ontario developments, partially offset by the net proceeds from the marketing trust lawsuit recorded in business acquisition, restructuring and other (as discussed in the "Litigation and Disputes" section of this MD&A).

Shareholders' net earnings from continuing operations of \$128.7 for the nine months ended September 30, 2019 increased by \$8.9 when compared to the same period in the prior year, primarily due to the net proceeds from the marketing trust lawsuit, the gain on sale of land that occurred in the first quarter of 2019, partially offset by the net effect of adopting IFRS 16, and increased amortization relating to capital investments for the Ontario developments.



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### BUSINESS DESCRIPTION

As at September 30, 2019, the Company's principal operating entities which the Company consolidates were:

<u>Entity</u>	<u>Abbreviation</u>	<u>Location of operations</u>	<u>Ownership interest</u>
Flamboro Downs Limited	FDL	Ontario	100%
Georgian Downs Limited	GDL	Ontario	100%
Ontario Gaming East Limited Partnership	OGELP	Ontario	90.5%
Ontario Gaming GTA Limited Partnership (doing business as One Toronto Gaming)	OTG	Ontario	49% <sup>(1)</sup>
Ontario Gaming West GTA Limited Partnership	OGWGLP	Ontario	55% <sup>(1)</sup>
Chilliwack Gaming Ltd.	CGL	British Columbia	100%
Great Canadian Casinos Inc.	GCCI	British Columbia	100%
Great Canadian Entertainment Centres Ltd.	GCEC	British Columbia	100%
Hastings Entertainment Inc.	HEI	British Columbia	100%
Orangeville Raceway Limited	ORL	British Columbia	100%
Great Canadian Gaming (New Brunswick) Ltd.	GCGNB	New Brunswick	100%
Metropolitan Entertainment Group	MEG	Nova Scotia	100%

<sup>(1)</sup> On November 4, 2019, the Company completed the acquisition of certain non-controlling interests in its Ontario partnerships. As a result, the Company now owns 100% of OGWGLP and 50% of OTG. See Note 17 of the Condensed Interim Consolidated Financial Statements.

Under these principal operating entities, the Company operated 25 gaming, entertainment and hospitality facilities in the Ontario, B.C. and Atlantic regions:

<u>Ontario</u>	<u>British Columbia</u>	<u>Atlantic</u>
<u>OTG</u> Casino Woodbine Casino Ajax Great Blue Heron Casino	<u>GCCI</u> River Rock Casino Resort Hard Rock Casino Vancouver Elements Casino Victoria Casino Nanaimo Bingo Esquimalt	<u>GCGNB</u> Casino New Brunswick
<u>OGWGLP</u> Elements Casino Mohawk Elements Casino Brantford Elements Casino Flamboro <sup>(2)</sup> Elements Casino Grand River	<u>ORL</u> Elements Casino Surrey	<u>MEG</u> Casino Nova Scotia Halifax Casino Nova Scotia Sydney
<u>OGELP</u> Shorelines Casino Peterborough Shorelines Casino Belleville Shorelines Casino Thousand Islands Shorelines Slots at Kawartha Downs	<u>CGL</u> Chances Chilliwack	
<u>FDL</u> Flamboro Downs Racetrack <sup>(2)</sup>	<u>GCEC</u> Chances Dawson Creek Chances Maple Ridge	
<u>GDL</u> Georgian Downs Racetrack	<u>HEI</u> Hastings Racecourse & Casino	

<sup>(2)</sup> Elements Casino Flamboro and Flamboro Downs Racetrack operate in the same location, and together, they are considered one gaming facility.

On June 27, 2019, the Company sold all the shares of its wholly-owned subsidiary, GAGC, which represented the Company's U.S. region. As at September 30, 2019, GAGC is not a principal operating entity of the Company and as a result, the U.S. region is no longer an operating segment.

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### **MAJOR DEVELOPMENTS**

#### **Ontario**

##### ***GTA Gaming Bundle***

Key development initiatives of the GTA Gaming Bundle include the transformation of Casino Woodbine into an international destination casino resort, the development of a world-class casino resort in the Durham region located in Pickering, Ontario, and the expansion of Great Blue Heron Casino. The developments will also see expanded gaming offerings, renovations to the existing gaming floors, and integration of the gaming facilities with horse racing operations. In addition to expanded gaming, the Company intends to add a mix of premium hospitality and entertainment amenities at these properties to create resort destinations that will serve as hubs for locals and tourists.

Development of the casino building, including related food and beverage amenities, at the new Pickering Casino Resort is expected to complete by the end of the first quarter of 2020. The hotel and entertainment venue are expected to open by the end of 2020. During the nine months ended 2019, Great Blue Heron Casino opened its new building addition, which expanded the gaming floor, and completed various new food and beverage offerings. Further developments to the Great Blue Heron Casino to introduce new amenities and the expansion of Casino Woodbine continue to progress.

On April 24, 2019, the Company announced that it had completed agreements with the Ontario Lottery and Gaming Corporation ("OLG") and the owners of Ajax Downs allowing for the continued operation of Casino Ajax in the GTA Gaming Bundle, effective upon the opening of the new Pickering Casino Resort. Under the agreement, the Company reached terms with OLG to establish a new gaming zone for Casino Ajax and to provide typical allowances for the on-going operating costs and capital requirements. No changes were made to the pre-established threshold amounts for the GTA Gaming Bundle, and a prescribed mechanism was established to adjust for potential delays in property development plans and associated growth of gaming revenues. The agreement also provides for an additional 10 years to be added to the existing extension in the Casino Operating and Services Agreement, based on certain conditions being met. The ability for a new gaming facility to be developed and operated within the GTA remains unchanged.

The Company also completed a lease agreement with the owners of Ajax Downs with an initial term ending March 31, 2026, plus an extension at the Company's option for an additional 12 years. As part of the new lease, the owners of Ajax Downs have been granted the ability to reconfigure certain areas of the property for any future development opportunities they would like to pursue.

##### ***West GTA Gaming Bundle***

Key development initiatives of the West GTA Gaming Bundle include the development of full service casino resorts integrated with horse racing operations, renovations to the existing gaming floors, and expanded gaming offerings. The Company also intends to add an appropriate mix of gaming, hospitality and entertainment at these properties to deliver exceptional guest experiences within its respective markets.

Several projects completed during the nine months ended 2019, including gaming floor expansion and new food and beverage offerings. Additional enhancements to improve guest experiences are ongoing at each property and will continue into 2020.

#### **British Columbia**

On November 1, 2019, Chances Chilliwack opened as Elements Casino Chilliwack, following the municipal approval to introduce live dealer table games to its gaming mix for the first time at this gaming facility.

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#### **LABOUR RELATIONS**

As at September 30, 2019, the Company employed unionized employees at 15 of its properties. Below is a summary of the union related activities during 2019:

##### **Ontario**

The bargaining unit representing security team members at Elements Casino Flamboro voted on February 26, 2019 in favour of being represented by United Steelworkers. Bargaining commenced in September 2019 and is ongoing.

Elements Casino Flamboro and Unifor, representing hourly non-supervisory team members (excluding security and surveillance, office and clerical), reached a new collective agreement, ratified March 11, 2019, for a four year term from March 11, 2019 to March 10, 2023.

Great Blue Heron Casino and the United Steelworkers, representing security team members, had a collective agreement effective until April 21, 2019. Bargaining commenced in April 2019. A tentative agreement was reached on July 29, 2019 and was ratified on August 7, 2019.

Casino Woodbine and the Public Service Alliance of Canada ("PSAC"), representing hourly non-supervisory team members (excluding security and surveillance, office and clerical) had a collective agreement that expired March 31, 2019. A tentative agreement was ratified on August 15, 2019 for a four year term from April 1, 2019 to March 31, 2023.

Casino Woodbine and Teamsters, representing surveillance operators, have a collective agreement effective until September 30, 2019. Bargaining commenced in October 2019 and is ongoing.

Shorelines Slots at Kawartha Downs and the Service Employees International Union had a collective agreement effective until May 15, 2018. Bargaining commenced in July 2019 and a tentative agreement was ratified on July 25, 2019.

Flamboro Downs Racetrack and the Service Employees International Union have a collective agreement expiring on December 31, 2019. Notice to Bargain was received on October 3, 2019. Bargaining is scheduled to commence in December 2019.

##### **British Columbia**

Hastings Racecourse & Casino and Unite Here, Local 40, commenced bargaining for a new collective agreement in October 2018. A tentative agreement was reached on October 23, 2019, with a ratification vote to occur on or before November 12, 2019. The term of the agreement will be from July 1, 2016 to May 1, 2022 if ratified.

The bargaining unit representing team members at Elements Casino Victoria voted on May 24, 2019 in favour of being represented by the British Columbia Government and Service Employees' Union ("BCGEU"). Elements Casino Victoria and BCGEU commenced bargaining for a first collective agreement in September 2019. Bargaining is ongoing.

##### **Nova Scotia**

Casino Nova Scotia Halifax and the Service Employees International Union, Local 902, reached a new collective agreement, ratified on March 1, 2019, for a three-year term from February 1, 2018 to January 31, 2021.

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#### CONSOLIDATED RESULTS OF OPERATIONS

The Company's operating results are discussed on a regional basis as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg
<b>REVENUES</b>						
Ontario	\$ 225.2	\$ 215.0	5%	\$ 662.1	\$ 513.9	29%
British Columbia	90.2	92.4	(2%)	264.7	264.2	0%
Atlantic	25.7	25.3	2%	71.5	70.3	2%
<b>Total Revenues</b>	<b>\$ 341.1</b>	<b>\$ 332.7</b>	<b>3%</b>	<b>\$ 998.3</b>	<b>\$ 848.4</b>	<b>18%</b>
<b>ADJUSTED EBITDA<sup>(3)</sup></b>						
Ontario	\$ 99.0	\$ 90.0	10%	\$ 293.6	\$ 221.9	32%
British Columbia	40.7	44.7	(9%)	111.8	119.9	(7%)
Atlantic	9.4	9.6	(2%)	23.6	23.7	0%
Corporate & Other	(6.8)	(6.4)	(6%)	(23.6)	(17.4)	(36%)
<b>Total Adjusted EBITDA</b>	<b>\$ 142.3</b>	<b>\$ 137.9</b>	<b>3%</b>	<b>\$ 405.4</b>	<b>\$ 348.1</b>	<b>16%</b>

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

<sup>(2)</sup> The results of the U.S. region have been presented as discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A. Revenues and Adjusted EBITDA have been re-presented to exclude discontinued operations.

<sup>(3)</sup> Adjusted EBITDA is a non-IFRS measure, as defined in the "Non-IFRS Measures" section of this MD&A, and excludes discontinued operations.

Refer to the "Business Description" section of this MD&A for a list of properties under each of the regions.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

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(Expressed in millions of Canadian dollars, except for per share information)

#### Ontario

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018	% Chg	2019 <sup>(1)</sup>	2018	% Chg
Gaming revenues	\$ 208.6	\$ 201.9	3%	\$ 616.1	\$ 477.9	29%
Hospitality revenues	7.2	4.9	47%	19.3	13.2	46%
Racetrack, lease and other revenues	9.4	8.2	15%	26.7	22.8	17%
Revenues	225.2	215.0	5%	662.1	513.9	29%
Human resources	64.6	54.8	18%	188.5	128.0	47%
Property, marketing and administration	61.6	70.2	(12%)	180.0	164.0	10%
Adjusted EBITDA	\$ 99.0	\$ 90.0	10%	\$ 293.6	\$ 221.9	32%
Human resources as a % of Revenues	28.7%	25.5%		28.5%	24.9%	
Adjusted EBITDA as a % of Revenues	44.0%	41.9%		44.3%	43.2%	

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Average
Table Drop	\$ 542.0	\$ 512.2	\$ 486.7	\$ 486.7	\$ 282.1	\$ 178.6	\$ 90.5	\$ 16.3	
Table Hold	\$ 106.6	\$ 98.8	\$ 99.6	\$ 99.6	\$ 54.9	\$ 35.5	\$ 19.9	\$ 3.7	
Table Hold %	19.7%	19.3%	20.5%	20.5%	19.5%	19.9%	22.0%	22.8%	20.0%
Slot Coin-In	\$ 6,541.9	\$ 6,317.4	\$ 5,808.7	\$ 5,808.7	\$ 6,657.3	\$ 5,923.4	\$ 3,692.8	\$ 476.6	
Slot Win	\$ 442.1	\$ 434.5	\$ 395.2	\$ 395.2	\$ 451.4	\$ 402.4	\$ 245.7	\$ 38.7	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 460	\$ 466	\$ 442	\$ 498	\$ 556	\$ 576	\$ 577	\$ 286	
Slot Win %	6.8%	6.9%	6.8%	6.8%	6.8%	6.8%	6.7%	8.1%	6.8%

<sup>(1)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Recent Developments

Certain developments to expand gaming and add new food and beverage offerings in the Ontario properties were completed during 2019, as discussed in the "Major Developments" section of this MD&A.

#### Revenues

Revenues increased by \$10.2 and \$148.2 for the three and nine months ended September 30, 2019, respectively, primarily due to the expansion of gaming and non-gaming amenities in the Ontario properties.

Revenues for the nine months ended September 30, 2019 included an additional 22 and 120 days of operations from the GTA and West GTA gaming bundles, respectively. The increase in revenues for the nine months ended September 30, 2019 was partially offset by extreme winter conditions in the first quarter of 2019, which had a negative impact on guest attendance at the Ontario gaming facilities.

#### Expenses

Human resource expenses increased in the three and nine months ended September 30, 2019, when compared to the same periods in 2018, due to the addition of live table games at Casino Woodbine, Elements Casino Mohawk, and Elements Casino Flamboro, the opening of Shorelines Casino Peterborough, as well as new food and beverage offerings at several properties. Human resource expenses for the nine months ended September 30, 2019 also included an additional 22 and 120 days of operations from the GTA and West GTA gaming bundles, respectively, when compared to the same period in the prior year.

Property, marketing and administration expenses for the three and nine months ended September 30, 2019 excluded lease expense of \$20.5 and \$61.5, respectively, due to the adoption of IFRS 16. Property, marketing and administration expenses for the nine months ended September 30, 2019 also included an additional 22 and 120 days of operations from the GTA and West GTA gaming bundles, respectively, when compared to the same period in the prior year.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2019

(Expressed in millions of Canadian dollars, except for per share information)

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#### Adjusted EBITDA

Adjusted EBITDA increased by \$9.0 and \$71.7 for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018, primarily due to the accounting impact of IFRS 16, increased revenues as discussed above, partially offset by increased human resource and property, marketing and administration expenses as a result of the prior year acquisitions of the GTA and West GTA gaming bundles and the introduction of expanded gaming in these gaming facilities.

The Company's Ontario partnerships, OTG, OGWGLP, and OGELP, have non-controlling interests. Adjusted EBITDA attributable to the shareholders of the Company, as defined in the "Non-IFRS Measures" section of this MD&A, is presented below:

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Chg	2019	2018	% Chg
Adjusted EBITDA	\$ 99.0	\$ 90.0	10%	\$ 293.6	\$ 221.9	32%
Less: non-controlling interests' portion of						
Adjusted EBITDA	(40.4)	(37.1)	9%	(120.3)	(89.9)	34%
Adjusted EBITDA attributable to the shareholders of the Company	\$ 58.6	\$ 52.9	11%	\$ 173.3	\$ 132.0	31%

## GREAT CANADIAN GAMING CORPORATION

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(Expressed in millions of Canadian dollars, except for per share information)

#### British Columbia

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018	% Chg	2019 <sup>(1)</sup>	2018	% Chg
Gaming revenues	\$ 66.7	\$ 69.1	(3%)	\$ 199.2	\$ 200.0	0%
Hospitality revenues	18.1	17.9	1%	49.2	47.6	3%
Racetrack and other revenues	5.4	5.4	0%	16.3	16.6	(2%)
Revenues	90.2	92.4	(2%)	264.7	264.2	0%
Human resources	30.5	29.6	3%	93.1	89.1	4%
Property, marketing and administration	19.8	18.8	5%	61.9	57.2	8%
Share of profit of equity investment	(0.8)	(0.7)	14%	(2.1)	(2.0)	5%
Adjusted EBITDA	\$ 40.7	\$ 44.7	(9%)	\$ 111.8	\$ 119.9	(7%)
Human resources as a % of Revenues	33.8%	32.0%		35.2%	33.7%	
Adjusted EBITDA as a % of Revenues	45.1%	48.4%		42.2%	45.4%	

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Average
Table Drop	\$ 273.4	\$ 256.7	\$ 282.8	\$ 297.9	\$ 299.6	\$ 276.3	\$ 322.9	\$ 355.2	
Table Hold	\$ 50.4	\$ 50.1	\$ 53.8	\$ 55.0	\$ 53.3	\$ 52.9	\$ 55.0	\$ 59.2	
Table Hold %	18.4%	19.5%	19.0%	18.5%	17.8%	19.1%	17.0%	16.7%	18.2%
Slot Coin-In	\$ 2,297.5	\$ 2,261.5	\$ 2,129.4	\$ 2,159.7	\$ 2,163.4	\$ 2,180.9	\$ 2,131.1	\$ 2,055.2	
Slot Win	\$ 158.9	\$ 154.3	\$ 148.3	\$ 150.3	\$ 151.3	\$ 150.4	\$ 145.3	\$ 139.2	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 337	\$ 332	\$ 322	\$ 320	\$ 325	\$ 328	\$ 336	\$ 345	
Slot Win %	6.9%	6.8%	7.0%	7.0%	7.0%	6.9%	6.8%	6.8%	6.9%

<sup>(1)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Gaming revenues for the three and nine months ended September 30, 2019 decreased, when compared to the same periods in 2018, primarily due to decreased Table Drop at River Rock, partially offset by improvements in gaming revenues at Hard Rock Casino Vancouver ("HRCV") due to the prior year labour disruption that resulted in limited gaming and hospitality offerings for a portion of 2018.

Hospitality revenues for the three and nine months ended September 30, 2019 increased, when compared to the same periods in 2018, primarily due to increased food and beverage revenues at HRCV as a result of the prior year labour disruption at HRCV and increased food and beverage revenues at Elements Casino Victoria after the rebranding in May 2018.

Racetrack and other revenues for the three and nine months ended September 30, 2019 remained relatively consistent when compared to the same periods in 2018.

#### Expenses

Human resource expenses for the three and nine months ended September 30, 2019 increased, when compared to the same periods in 2018, primarily due to increased contributions and benefit costs. In addition, during the nine months ended September 30, 2018, HRCV had limited gaming offerings due to the labour disruption, which resulted in lower human resource expenses for that period.

Property, marketing and administration expenses increased by \$1.0 and \$4.7 during the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018. The increases were mainly attributable to a full nine months of expanded offerings at Elements Casino Victoria and higher food and beverage costs due to increased sales. In addition, a new strategic marketing program was introduced at Elements Casino Victoria and at Elements Casino Surrey during the summer of 2019.

#### Adjusted EBITDA

Adjusted EBITDA for the three and nine months ended September 30, 2019 decreased, when compared to the same periods in the prior year, due to decreased gaming revenues and increased human resource and property, marketing and administration expenses.

## GREAT CANADIAN GAMING CORPORATION

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#### Atlantic

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018	% Chg	2019 <sup>(1)</sup>	2018	% Chg
Gaming revenues	\$ 20.2	\$ 19.9	2%	\$ 55.8	\$ 54.2	3%
Hospitality revenues	4.6	4.6	0%	13.0	13.4	(3%)
Other revenues	0.9	0.8	13%	2.7	2.7	0%
Revenues	25.7	25.3	2%	71.5	70.3	2%
Human resources	7.4	7.0	6%	21.9	21.3	3%
Property, marketing and administration	8.9	8.7	2%	26.0	25.3	3%
Adjusted EBITDA	\$ 9.4	\$ 9.6	(2%)	\$ 23.6	\$ 23.7	0%
Human resources as a % of Revenues	28.8%	27.7%		30.6%	30.3%	
Adjusted EBITDA as a % of Revenues	36.6%	37.9%		33.0%	33.7%	

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Average
Table Drop	\$ 27.2	\$ 26.1	\$ 23.7	\$ 24.5	\$ 25.1	\$ 23.2	\$ 21.6	\$ 23.9	
Table Hold	\$ 5.4	\$ 4.9	\$ 4.6	\$ 5.4	\$ 5.0	\$ 4.6	\$ 4.5	\$ 4.9	
Table Hold %	20.0%	19.0%	19.6%	22.3%	20.0%	19.9%	21.1%	20.4%	20.1%
Slot Coin-In	\$ 402.9	\$ 373.6	\$ 321.7	\$ 331.7	\$ 392.0	\$ 352.0	\$ 310.1	\$ 357.8	
Slot Win	\$ 34.0	\$ 31.6	\$ 28.1	\$ 27.9	\$ 34.0	\$ 30.4	\$ 27.2	\$ 29.6	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 246	\$ 231	\$ 206	\$ 204	\$ 248	\$ 228	\$ 207	\$ 221	
Slot Win %	8.4%	8.4%	8.7%	8.4%	8.7%	8.6%	8.8%	8.3%	8.5%

<sup>(1)</sup> Slot Win/Slot/Day is an average, presented in dollars

#### Revenues

Gaming revenues increased for the three and nine months ended September 30, 2019, when compared to the same periods in 2018, primarily due to increased Slot Coin-In and increased Table Drop at Casino New Brunswick, partially offset by decreased gaming revenues at the Casino Nova Scotia properties, which had temporary closures due to Hurricane Dorian in September 2019.

Hospitality revenues for the three months ended September 30, 2019 remained relatively consistent when compared to the same period in the prior year. Hospitality revenues decreased for the nine months ended September 30, 2019, when compared to the same period in the prior year, primarily due to lower entertainment revenues from fewer events at Casino New Brunswick.

Other revenues for the three and nine months ended September 30, 2019 remained relatively consistent when compared to the same periods in 2018.

#### Expenses

Human resource expenses for the three and nine months ended September 30, 2019 increased, when compared to the same periods in 2018, primarily due to statutory wage increases in New Brunswick.

Property, marketing and administration expenses for the three months ended September 30, 2019 were relatively consistent when compared to the same period in 2018. Property, marketing and administration expenses for the nine months ended September 30, 2019 increased, when compared to the same period in 2018, due to higher food and beverage costs and higher marketing costs incurred to promote gaming at Casino New Brunswick.

#### Adjusted EBITDA

Adjusted EBITDA decreased for the three months ended September 30, 2019, when compared to the same period in 2018, due to increased human resource expenses. Adjusted EBITDA for the nine months ended September 30, 2019 remained relatively consistent when compared to the same period in 2018.



## GREAT CANADIAN GAMING CORPORATION

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#### *Corporate & Other*

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Chg	2019	2018	% Chg
Human resources	\$ 5.2	\$ 4.5	16%	\$ 17.5	\$ 12.0	46%
Property, marketing and administration	1.6	1.9	(16%)	6.1	5.4	13%
Adjusted EBITDA	\$ (6.8)	\$ (6.4)	(6%)	\$ (23.6)	\$ (17.4)	(36%)

#### Adjusted EBITDA

Human resource expenses increased for the three and nine months ended September 30, 2019, when compared to the same periods in 2018, primarily due to additional resources required to support the Company's expanding operations.

Property, marketing and administration expenses for the three months ended September 30, 2019 decreased, when compared to the same period in 2018, due to lower legal fees and licenses and subscription costs. Property, marketing and administration expenses for the nine months ended September 30, 2019 increased, when compared to the same periods in 2018, mainly as a result of additional professional services incurred.

## GREAT CANADIAN GAMING CORPORATION

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#### DISCUSSION OF ITEMS EXCLUDED FROM ADJUSTED EBITDA

	Three months ended September 30,			Nine months ended September 30,		
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	% Chg
<b>Adjusted EBITDA</b>	\$ 142.3	\$ 137.9	3%	\$ 405.4	\$ 348.1	16%
<b>Less:</b>						
Amortization	37.6	22.2		111.8	59.2	
Share-based compensation	3.6	3.0		8.0	9.9	
Interest and financing costs, net	19.9	12.4		64.7	34.1	
Business acquisition, restructuring and other	(4.7)	1.9		(0.2)	14.3	
Gain on sale of land	-	-		(6.6)	-	
Foreign exchange gain	(1.5)	(0.4)		(1.9)	(1.3)	
Income taxes	18.4	19.3		47.0	45.3	
<b>Net earnings from continuing operations</b>	\$ 69.0	\$ 79.5	(13%)	\$ 182.6	\$ 186.6	(2%)

<sup>(1)</sup> 2019 financial results reflect the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

<sup>(2)</sup> The results of the U.S. region have been presented as discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A. Comparative information has been re-presented to show the discontinued operations separately from continuing operations.

#### Amortization

Amortization increased by \$15.4 and \$52.6 for the three and nine months ended September 30, 2019, when compared to the same periods in 2018, primarily due to \$12.7 and \$39.8 additional amortization from right-of-use assets recognized at January 1, 2019 as a result of adopting IFRS 16. Amortization also increased due to higher property, plant and equipment in 2019 primarily due to capital investments for the expansion of the Ontario properties.

#### Share-based compensation

Share-based compensation expense of \$3.6 and \$8.0 for the three and nine months ended September 30, 2019, respectively, comprised of equity-settled share-based compensation expense of \$2.8 and \$6.6 (2018 - \$1.3 and \$4.7) and cash-settled share-based compensation expense of \$0.8 and \$1.4 (2018 - \$1.8 and \$5.3). Equity-settled share-based compensation for the three and nine months ended September 30, 2019 increased, when compared to the same periods in 2018, due to higher grant date valuation of options. Cash-settled share-based compensation expense decreased for the three and nine months ended September 30, 2019, when compared to the same periods in 2018, primarily due to a lower underlying share price, partially offset by a higher number of Restricted Share Units and Deferred Share Units.

#### Interest and financing costs, net

Interest and financing costs, net of interest income, increased by \$7.5 and \$30.6 for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018, primarily due to \$12.5 and \$38.0 of interest accretion on lease liabilities recognized at January 1, 2019 as a result of adopting IFRS 16. Interest expense on the non-recourse revolving and capital expenditures facilities of OTG and the non-recourse revolving credit facility of OGWGLP, which were entered into on March 6, 2018 and April 30, 2018, respectively, were higher for the nine months ended September 30, 2019 due to an increase in drawn amounts outstanding in 2019 compared to 2018. The increase in interest and financing costs were partially offset by lower borrowing costs on the amended Senior Secured Credit Facilities of GCGC after the redemption of the 6.625% \$450.0 Senior Unsecured Notes in the fourth quarter of 2018.

#### Business acquisition, restructuring and other

Business acquisition, restructuring and other recovery of \$4.7 and \$0.2 for three and nine months ended September 30, 2019 consisted primarily of the net proceeds from the marketing trust lawsuit (as discussed in the "Litigation and Disputes" section of this MD&A), partially offset by restructuring costs related to severance payments for redundant positions. Business acquisition, restructuring and other expense of \$1.9 and \$14.3 for three and nine months ended September 30, 2018, respectively, consisted primarily of development, restructuring and severance costs related to the acquisition of the GTA and West GTA gaming bundles.

#### Gain on sale of land

Gain on sale of land includes the sale of a parcel of vacant land in B.C. that was sold for proceeds of \$15.9 during the first quarter of 2019, resulting in a gain of \$6.6, net of associated disposal costs.

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#### Foreign exchange gain

Changes in foreign exchange gain were primarily due to unrealized foreign exchange on revaluation of U.S. dollar denominated monetary balances.

#### Income taxes

Income taxes decreased by \$0.9 for the three months ended September 30, 2019, when compared to the same period in 2018, primarily due to a corresponding decrease in shareholders' net earnings from continuing operations before income taxes.

Income taxes increased by \$1.7 for the nine months ended September 30, 2019, when compared to the same period in 2018, primarily due to a corresponding increase in shareholders' net earnings from continuing operations before income taxes.

Income tax expense from OTG, OGWGLP, and OGELP only includes the Company's share of corporate income tax based on its 49%, 55%, and 90.5% share of OTG's, OGWGLP's, and OGELP's taxable income, respectively.

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#### CONSOLIDATED QUARTERLY RESULTS TREND

	Q3 2019 <sup>(1)</sup>	Q2 2019 <sup>(1)</sup>	Q1 2019 <sup>(1)</sup>	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenues	\$ 341.1	\$ 354.4	\$ 302.8	\$ 331.4	\$ 332.7	\$ 295.2	\$ 220.5	\$ 140.7
Adjusted EBITDA	\$ 142.3	\$ 153.7	\$ 109.3	\$ 117.8	\$ 137.9	\$ 122.7	\$ 87.5	\$ 47.5
Adjusted EBITDA as a % of Revenues	41.7%	43.4%	36.1%	35.5%	41.4%	41.6%	39.7%	33.8%
Shareholders' net earnings from continuing operations	\$ 49.7	\$ 48.0	\$ 30.9	\$ 26.3	\$ 50.8	\$ 40.6	\$ 28.4	\$ 11.2
Shareholders' net earnings per common share from continuing operations								
Basic	\$ 0.85	\$ 0.81	\$ 0.53	\$ 0.44	\$ 0.83	\$ 0.66	\$ 0.47	\$ 0.18
Diluted	\$ 0.82	\$ 0.79	\$ 0.51	\$ 0.42	\$ 0.79	\$ 0.64	\$ 0.45	\$ 0.18

<sup>(1)</sup> The 2019 quarters reflect the accounting impact of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A. Previous quarters were not restated for the adoption of IFRS 16.

The results of the U.S. region, including comparative information, have been presented as discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A. All quarters in the table above exclude results from discontinued operations.

Revenues and Adjusted EBITDA in the third quarter of 2019 were lower than the second quarter of 2019 primarily due to the recognition of substantially all of the annual entitlement of permitted capital expenditures ("PCE") for the Ontario gaming bundles in the second quarter of 2019.

The second and third quarters typically generate higher revenues than the first and fourth quarters due to peak tourist seasons and improved weather conditions impacting player attendance. The second quarter of 2019 generated higher revenues than the first quarter of 2019, as a result of this seasonal trend and the recognition of substantially all of the annual entitlement of PCE. Higher patron attendance is also observed on key holidays such as Christmas, New Year's Eve and Chinese New Year.

Revenues decreased in the first quarter of 2019, when compared to the fourth quarter of 2018, primarily due to extreme winter conditions experienced in Ontario, which negatively impacted guest attendance at the Ontario gaming facilities. Revenues generally increased in each quarter of 2018, when compared to the same quarter in the prior period, due to the acquisitions of the GTA Gaming Bundle and the West GTA Gaming Bundle. The second and third quarters of 2019 had higher revenues when compared to each quarter in 2018 due to the expansion of gaming and non-gaming amenities at the Ontario properties.

Adjusted EBITDA generally changes as a result of changes in revenues. Adjusted EBITDA for each quarter of 2019 includes the positive accounting impact from adopting IFRS 16, which decreased property, marketing and administration expenses. Adjusted EBITDA decreased in the first quarter of 2019, when compared to the fourth quarter of 2018, due to the decrease in revenues noted above.

Shareholders' net earnings from continuing operations trend reflects the items noted above. Shareholders' net earnings from continuing operations in each quarter of 2019 were partially offset by increases in amortization expense and interest and financing costs, net, due to the recognition of right-of-use assets and lease liabilities at January 1, 2019 related to the adoption of IFRS 16. In the first quarter of 2019, the increase in shareholders' net earnings from continuing operations, when compared to the fourth quarter of 2018, included the gain on sale of land. Shareholders' net earnings from continuing operations in the third quarter of 2019 included the net proceeds from the marketing trust lawsuit recorded in business acquisition, restructuring and other (as discussed in the "Litigation and Disputes" section of this MD&A).

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#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its credit facilities. Details of the Company's long-term debt are disclosed in Note 7 of the Condensed Interim Consolidated Financial Statements.

As at September 30, 2019, the Company had:

- Cash of \$309.8, a decrease of \$27.0 since December 31, 2018, as further discussed in the "Cash Flows" section of this MD&A.
- Accounts receivable of \$84.0, of which the majority were due from the Provincial Crown corporations, federal government, and racetrack operators.
- Low exposure to foreign currency exchange rate movements since it has relatively low levels of foreign denominated assets and liabilities.
- \$397.6 available credit on the Senior Secured Credit Facilities of GCGC, subject to compliance with the related financial covenants.
- \$855.5 available credit under OTG's Non-recourse Revolving and Capital Expenditures Credit Facilities, subject to verified construction draws under the credit agreement and equity commitments as applicable.
- \$137.5 available credit under OGWGLP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants, verified construction draws under the credit agreement and equity commitments as applicable.
- \$76.1 available credit under OGELP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants.

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#### Financial Position

	September 30, 2019 <sup>(1)</sup>	December 31, 2018	% Chg
Cash	\$ 309.8	\$ 336.8	(8%)
Accounts receivable	84.0	67.5	24%
Land held for sale	-	8.1	(100%)
Other current assets	28.7	26.5	8%
Property, plant and equipment	1,147.2	989.1	16%
Right-of-use assets	979.4	-	
Cash on deposit with Canada Revenue Agency	38.9	38.9	0%
Other long-term assets	122.7	134.9	(9%)
<b>Total Assets</b>	<b>\$ 2,710.7</b>	<b>\$ 1,601.8</b>	<b>69%</b>
Current liabilities	\$ 277.2	\$ 231.3	20%
Long-term debt	670.6	631.6	6%
Long-term lease liabilities	917.5	-	
Other long-term liabilities	112.9	116.2	(3%)
<b>Total Liabilities</b>	<b>1,978.2</b>	<b>979.1</b>	<b>102%</b>
Equity attributable to shareholders of the company	568.5	469.4	21%
Non-controlling interests	164.0	153.3	7%
<b>Total Equity</b>	<b>732.5</b>	<b>622.7</b>	<b>18%</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,710.7</b>	<b>\$ 1,601.8</b>	<b>69%</b>

<sup>(1)</sup> The financial position as at September 30, 2019 reflects the adoption of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A.

#### Total Assets

Total assets as at September 30, 2019 increased by 69% when compared to the balance as at December 31, 2018. The increase was primarily due to the recognition of right-of-use assets on January 1, 2019 as a result of adopting IFRS 16 and additions to property, plant, and equipment related to the developments in Ontario.

#### Total Liabilities

Total liabilities as at September 30, 2019 increased by 102% when compared to the balance as at December 31, 2018. The increase was primarily due to the recognition of lease liabilities on January 1, 2019 as a result of adopting IFRS 16, and an increase in borrowings under the credit facilities of OTG and OGWGLP, partially offset by the repayment of the outstanding debt balance on the revolving credit facility under the Senior Secured Credit Facilities of GCGC.

#### Equity

Total equity as at September 30, 2019 increased by 18% when compared to the total equity as at December 31, 2018. This increase was primarily due to net earnings of \$233.0 and the exercise of incentive share options of \$23.3, partially offset by \$105.8 related to the repurchase of common shares under the normal course issuer bid and distributions of \$43.2 to non-controlling interests.

## GREAT CANADIAN GAMING CORPORATION

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#### Cash Flows

	Three months ended September 30,			Nine months ended September		
	2019 <sup>(1)</sup>	2018	% Chg	2019 <sup>(1)</sup>	2018	% Chg
Cash generated by operating activities	\$ 99.5	\$ 120.7	(18%)	\$ 303.6	\$ 306.8	(1%)
Cash used in investing activities	(96.9)	(8.3)		(161.9)	(290.1)	
Cash (used in) generated by financing activities	(101.9)	(28.8)		(170.0)	238.9	
Effect of foreign exchange on cash	1.5	-		1.3	1.6	
Cash (outflow) inflow	\$ (97.8)	\$ 83.6	(217%)	\$ (27.0)	\$ 257.2	(110%)

<sup>(1)</sup> Cash flows for the three and nine months ended September 30, 2019 reflect the accounting impact of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A. The comparative period was not restated for the adoption of IFRS 16.

Cash generated by operating activities for the three and nine months ended September 30, 2019 decreased, when compared to the same periods in 2018, primarily due to higher income taxes paid, partially offset by the reclass of lease payments to financing activities due to the adoption of IFRS 16 in 2019.

Cash used in investing activities in the three months ended September 30, 2019 was higher, when compared to the same period in 2018, mainly due to purchases of property, plant and equipment related to the expansion of the Ontario properties. Cash used in investing activities in the nine months ended September 30, 2019 was lower, when compared to the same period in 2018, primarily due to cash used in 2018 to fund the acquisitions of the GTA and West GTA gaming bundles, amounts deposited in 2018 with the Canada Revenue Agency ("CRA") (as discussed in the "CRA Disputes and Audit" section of this MD&A), as well as proceeds received from the sale of GAGC in 2019.

Cash used in financing activities for the three and nine months ended September 30, 2019 increased, when compared to the same periods in 2018, primarily due to the payment of lease liabilities, repurchase of common shares under the normal course issuer bid, and distributions made to non-controlling interests. Cash generated by financing activities for the nine months ended September 30, 2018 primarily consisted of borrowings on the credit facilities of OTG and OGWGLP of \$240.7 to fund the acquisitions of the gaming assets in the GTA and West GTA Gaming Bundles as well as \$62.1 in contributions received from non-controlling interests, partially offset by \$40.7 in interest paid and \$20.9 paid relating to debt financing costs.

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#### **Capital Resources**

##### ***Normal Course Issuer Bid***

On June 27, 2018, the Company received approval from the Toronto Stock Exchange ("TSX") to renew a normal course issuer bid for up to 4,108,074 of its common shares. The bid commenced on July 3, 2018 and ended on July 2, 2019. During 2019, the Company purchased for cancellation 609,710 common shares at a weighted-average price per share of \$43.55 under this issuer bid.

On June 27, 2019, the Company received approval from the TSX to renew a normal course issuer bid for up to 3,971,976 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on July 3, 2019 and will end on July 2, 2020, or earlier if the number of shares sought in the issuer bid has been obtained. The Company will not purchase shares during its self-imposed blackout periods and reserves the right to terminate the bid earlier. Pursuant to TSX policies, daily purchases made by the Company will not exceed 64,439 common shares or 25% of the prior six-month average trading volume of 257,759 common shares on the TSX, subject to certain prescribed exceptions. Purchases will be made by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's rules. No purchases will be made other than by means of open market transactions during the term of the normal course issuer bid and conducted at the market price at the time of acquisition. All shares purchased by the Company will be subsequently cancelled. Under the current issuer bid, the Company purchased for cancellation 1,912,856 common shares during the three month period ended September 30, 2019 at a weighted-average price per share of \$41.37.

Subsequent to September 30, 2019, the Company purchased for cancellation 583,256 common shares at a weighted-average price per share of \$41.34.

##### ***Outstanding Share Data***

As at September 30, 2019, there were 56,948,691 common shares issued and outstanding compared to 58,143,556 as at December 31, 2018. This decrease was due to the repurchase of common shares by the Company, partially offset by the exercise of employee stock options during the nine months ended September 30, 2019.

As at September 30, 2019, there were 4,421,380 share options outstanding at a weighted-average exercise price of \$28.19.

As at November 4, 2019, there were 56,484,083 common shares outstanding and 4,302,732 share options outstanding.

#### **Capital Spending and Development**

The Company is eligible to receive additional remuneration from the provincial authorities for capital and certain non-capital expenditures made for its gaming operations, as described below for each province.

The Company's capital expenditures, net of accounts payable and excluding discontinued operations, for the three and nine months ended September 30, 2019 were \$98.5 (2018 - \$28.9) and \$246.4 (2018 - \$93.6), respectively.

Capital expenditures during the three months and nine months ended September 30, 2019 were primarily related to the development of the gaming facilities in the GTA Gaming Bundle and West GTA Gaming Bundle. For the remaining three months of 2019, the Company estimates that capital expenditures will total approximately \$200.0, largely due to the construction costs associated with the GTA and West GTA development programs.



## **GREAT CANADIAN GAMING CORPORATION**

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#### **Litigation and Disputes**

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

#### ***Marketing Trust Lawsuit***

On March 26, 2015, the Company commenced a legal action against the British Columbia Lottery Corporation ("BCLC") in relation to a dispute over the collection of marketing contributions by BCLC from the Company since 2009. An agreement was reached on August 19, 2019 with the net proceeds recorded in "business acquisition, restructuring and other".

#### ***CRA Disputes and Audit***

The Canada Revenue Agency ("CRA") has conducted audits of the Company's and its subsidiaries' Facility Development Commission ("FDC") filing positions of its B.C. operations for the 2009 to 2014 years. CRA has taken the position that FDC was received by the Company and its subsidiaries during 2009 and subsequent years as service fee income and should be included in taxable income when received. For income tax purposes, the Company and its subsidiaries treat the reimbursement by BCLC of the approved gaming related property, plant and equipment costs as a reduction in the capital cost of the asset. CRA's current position is inconsistent with the results of CRA's findings in their previous audits of the Company's Great Canadian Casinos Inc. subsidiary for the 2000 and 2001 taxation years.

If CRA's current position prevails, it would accelerate the timing of the Company's and its subsidiaries' recognition of taxable income, but would also increase the tax depreciation deduction (capital cost allowance) that they could recognize in prior and future years.

Based on the FDC received from BCLC between January 1, 2009 to June 2, 2018, if CRA's current position of FDC prevails, preliminary estimates indicate the Company's consolidated current tax expense would increase \$59.9, deferred tax expense would decrease \$58.8, and interest and financing costs would increase \$15.6, resulting in a one-time \$16.7 decrease in net earnings and a corresponding decrease to basic net earnings attributable to shareholders of the Company per share of approximately \$0.29 per share.

During 2015, the Company received notices of reassessment from CRA for itself and three of its subsidiaries related to the income tax treatment of FDC received from BCLC in 2009 and 2010. During 2016, the Company and five of its subsidiaries received notices of reassessment related to the income tax treatment of FDC received from BCLC in 2011, and 2012, and in some cases 2013. As a part of the notices of reassessment received during 2016, the CRA waived \$1.1 of interest relating to the 2011 and 2012 taxation years. During 2017, the Company and five of its subsidiaries received notices of reassessment related to the income tax treatment of FDC received from BCLC in 2013 and 2014.

The Company strongly disagrees with the CRA's current position of FDC and CRA's adjustments to the taxable income of it and its subsidiaries in respect of FDC. Management believes that it is probable that the Company's and its subsidiaries' tax filing positions with respect to FDC will prevail and consequently the Company and its subsidiaries have not accrued for additional income tax liabilities, income tax expenses, and interest as a result of the reassessments received from CRA.

The Company and its subsidiaries intend to vigorously defend their tax filing positions and the five subsidiaries that have received notices of reassessment from CRA for 2009 to 2014 have filed notices of objection with CRA's Appeals Division. In order to file a notice of objection, the Company and its subsidiaries are required to pay at least 50% of the amounts reassessed and will record a corresponding income tax receivable from CRA until the dispute is resolved. As at September 30, 2019, the Company and its subsidiaries have deposited a net amount of \$38.9 (December 31, 2018 - \$38.9) to CRA and is reflected in "cash on deposit with Canada Revenue Agency" on the Condensed Interim Consolidated Statements of Financial Position.

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During 2018, five of the Company's subsidiaries received notices of confirmation for the taxation years under audit. The five subsidiaries filed notices of appeal to the Tax Court of Canada to each notice of confirmation received. During the first quarter of 2019, the Company and its subsidiaries received the Respondent's Replies to the notices of appeal. During the second quarter of 2019, the Company and the Respondent agreed on a litigation timeline with a deadline of June 2020 to communicate with the Tax Court of Canada if a hearing date should be set.

The Company and its subsidiaries plan to file notices of objection to CRA's Appeals Division to each notice of reassessment received for any subsequent years, where appropriate.

Effective June 3, 2018, the Company no longer receives FDC from BCLC due to new OSAs signed for its B.C. properties, which introduced Facility Investment Commission ("FIC") and eliminates FDC. The Company concluded that the tax treatment of FIC should be treated as income in the year earned, because the FIC is not directly tied to qualified amounts spent under the Minimum Investment Required ("MIR") program. Management is of the opinion that the appropriate income tax treatment of FDC under CRA audit is unaffected by the introduction of the MIR program.

#### **Commitments**

There are no material changes outside of the Company's ordinary course of business that affected the Company's contractual obligations for the nine months ended September 30, 2019.

#### **Future Cash Requirements**

The Company's current cash requirements are primarily for the comprehensive development plans for the gaming facilities in the GTA Gaming Bundle and the West GTA Gaming Bundle. The Company intends to make additional capital investments to its gaming facilities in B.C.

The operational requirements and major developments of the Ontario partnerships' gaming facilities can be funded by the partnerships' existing cash, cash generated from operations, and existing capacity in the partnerships' credit facilities. In certain circumstances, the Company may be required to make additional capital injections into the partnership in order to satisfy the terms of the partnerships' equity agreements or financial covenants, as applicable.

Management believes that the Company's current operational requirements, major development and business acquisition plans, and required partnership contributions, if any, can be funded from existing cash, cash generated from operations, and existing capacity on our Senior Secured Credit Facilities agreement.

If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

## GREAT CANADIAN GAMING CORPORATION

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#### OTHER INFORMATION

##### Changes in Significant Accounting Policies

Except as described below, the accounting policies applied in the Condensed Interim Consolidated Financial Statements are the same as those disclosed in Note 3 of the Company's Annual Financial Statements.

Effective January 1, 2019, the Company adopted the following new and revised IASs and IFRSs issued by the IASB:

a) *IFRS 16, Leases ("IFRS 16")*

IFRS 16 specifies how to recognize, measure, present and disclose leases for lessees and lessors. For lessors, the accounting remains largely unchanged from the previous standard under IAS 17, *Leases* ("IAS 17") in which lessors continue to classify leases as finance or operating leases. For lessees, the new standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a lessee, the Company previously classified leases as operating or finance leases under IAS 17 based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

The Company had operating lease commitments as at December 31, 2018. The presentation of the majority of these operating leases, which were recorded as "property, marketing and administration" expense under IAS 17, has changed under IFRS 16 by recognizing right-of-use assets and lease liabilities for these leases, resulting in an increase in total assets and total liabilities in the Condensed Interim Consolidated Statement of Financial Position as at January 1, 2019. The presentation of certain lease expenses on the Condensed Interim Consolidated Statement of Earnings and Other Comprehensive Income as a component of "property, marketing and administration" expense has changed to "amortization" and "interest and financing costs, net". On the Condensed Interim Consolidated Statement of Cash Flows, lease payments are presented as "cash used in financing activities", and is offset by an increase in "cash generated by operating activities" of the same amount.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments and lease incentives received. For leases previously classified as finance leases under IAS 17, right-of-use assets were measured at the carrying amount of the assets immediately before the date of adoption.

The Company elected to apply the following practical expedients and exemptions when applying IFRS 16 to leases:

- Elect to rely on the assessment on whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application, as an alternative to an impairment review.
- Exclude initial direct costs from measuring the right-of-use asset at the date of initial application.
- Exclude intangibles assets from the application of IFRS 16.
- Apply the exemptions not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and leases of low-value assets.
- Elect, by class of underlying asset, not to separate non-lease components from lease components.

The Company's lease accounting policy in accordance with IFRS 16 is provided below.

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At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

#### **Right-of-use assets**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment, which are intended to reduce the carrying value to the estimated residual value, if any. In addition, the right-of-use asset is subject to impairment assessment and adjusted for certain remeasurements of its associated lease liability.

#### **Lease Liabilities**

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate specific to the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments;
- lease payments that depend on an index or a rate (such as inflation), initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net earnings if the carrying amount of the right-of-use asset is nil.

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A lease modification is accounted for as a separate lease if there is an increase in the scope of a lease and a corresponding increase in consideration, such as adding the right to use one or more underlying assets in a contract. Otherwise, a lease modification is considered a remeasurement of the lease liability, as discussed above.

Lease payments that depend on performance measures or usage of the underlying asset are considered variable lease payments, which are recognized in "property, marketing and administration" expense in the period in which they occur. Lease payments that are initially structured based on a variable event, but for which the event will be resolved after the commencement date, will become in-substance fixed payments when the variability is resolved.

#### Recognition Exemptions

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes short-term leases and leases of low-value assets in "property, marketing and administration" expense on a straight-line basis over the lease term.

#### Business Impact

IFRS 16 will not affect the Company's compliance with its financial covenants under the terms of its long-term debt agreements. The Company's financial covenants continue to be determined without the accounting impact of IFRS 16.

IFRS 16 has not initiated any material changes to the Company's business practices.

#### b) *IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23")*

IFRIC 23 provides guidance that adds to the requirements in IAS 12, Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation requires an entity to:

- Determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- Measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

Management completed its assessment of the new interpretation and concluded that it does not have a material impact on the Company's Condensed Interim Consolidated Financial Statements.

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#### Critical Accounting Estimates and Judgments

Except as described below, the critical accounting estimates and judgments applied in these Condensed Interim Consolidated Financial Statements are the same as those disclosed in Note 4 of the Company's Annual Financial Statements.

The following changes in critical accounting estimates and judgments are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2019.

- *Identification of Leases*

In assessing whether a contract is, or contains, a lease, management makes judgments when determining whether the contract involves the use of an identified asset, and whether the Company has the right to control the use of the identified asset.

- *Lease Liabilities*

The Company's lease liabilities are measured at the present value of the lease payments discounted using the applicable incremental borrowing rate of the Company. Determination of the discount rate requires significant judgment and may have significant quantitative impact on the lease liability valuations.

Under IFRS 16, the lease term considers extension periods where it is reasonably certain that a lease extension option will be exercised or that a lease termination option will not be exercised. Judgment is required when determining the term of leases with extension or termination options, specifically for property leases whose terms are dependent on factors such as the term of its respective operating agreement with the Provincial Crown corporation.

Remeasurement of the lease liability as a result of changes in future lease payments (due to timing of payments or change in index or rate) or changes in the lease term (which will require a revised discount rate at the date of reassessment) will result in an adjustment to the corresponding right-of-use asset.

#### Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, evaluate market conditions to fix its floating interest rate debt when appropriate. The financial instruments that give rise or may give rise to the most significant exposure to floating interest rate risk are the Senior Secured Credit Facilities, OTG's Non-recourse Revolving and Capital Expenditures Credit Facilities, and OGWGLP's Non-recourse Revolving Credit Facility.

#### Additional Information

On November 2, 2019, Christopher W. Hart decided to retire and has resigned as a director of the Company.

Additional information relating to the Company, including the Company's latest Condensed Interim Financial Statements, Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com).

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.



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#### Adjusted EBITDA and Total Assets by Region – IFRS 16 Adjustments

The following table shows the accounting impact of IFRS 16 on Adjusted EBITDA and Total Assets by region:

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	Pre-IFRS 16 Results	IFRS 16 Adjustment	As Reported	Pre-IFRS 16 Results	IFRS 16 Adjustment	As Reported
<b>ADJUSTED EBITDA</b>						
Ontario	\$ 78.5	\$ 20.5	\$ 99.0	\$ 232.1	\$ 61.5	\$ 293.6
British Columbia	40.6	0.1	40.7	111.5	0.3	111.8
Atlantic	9.3	0.1	9.4	23.3	0.3	23.6
Corporate & Other	(6.8)	-	(6.8)	(23.6)	-	(23.6)
<b>Total Adjusted EBITDA</b>	<b>\$ 121.6</b>	<b>\$ 20.7</b>	<b>\$ 142.3</b>	<b>\$ 343.3</b>	<b>\$ 62.1</b>	<b>\$ 405.4</b>
<b>TOTAL ASSETS</b>						
	<b>As at September 30, 2019</b>					
	Pre-IFRS 16 Results	IFRS 16 Adjustment	As Reported			
Ontario	\$ 984.9	\$ 928.1	\$ 1,913.0			
British Columbia	645.3	3.7	649.0			
Atlantic	107.8	1.5	109.3			
Corporate & Other	39.4	-	39.4			
<b>Total Assets</b>	<b>\$ 1,777.4</b>	<b>\$ 933.3</b>	<b>\$ 2,710.7</b>			



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#### Financial Position – IFRS 16 Adjustments

The following table shows the accounting impact of IFRS 16 on the Company's Condensed Interim Consolidated Statement of Financial Position as at September 30, 2019:

	Pre-IFRS 16 Results	IFRS 16 Adjustment	As Reported
<b>Assets</b>			
Current			
Cash	\$ 309.8		\$ 309.8
Accounts receivable	84.0		84.0
Prepays, deposits and other assets	28.7		28.7
	422.5		422.5
Property, plant and equipment	1,195.4	(48.2)	1,147.2
Right-of-use assets	-	979.4	979.4
Intangible assets	93.3		93.3
Goodwill	13.5		13.5
Deferred tax assets	12.9	2.1	15.0
Cash on deposit with Canada Revenue Agency	38.9		38.9
Other assets	0.9		0.9
	\$ 1,777.4	\$ 933.3	\$ 2,710.7
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	\$ 240.6	(2.9)	\$ 237.7
Lease liabilities	-	32.3	32.3
Income taxes payable	2.7		2.7
Other liabilities	4.5		4.5
	247.8	29.4	277.2
Long-term debt	670.6		670.6
Lease liabilities	-	917.5	917.5
Deferred credits, provisions and other liabilities	29.9		29.9
Deferred tax liabilities	83.0		83.0
	1,031.3	946.9	1,978.2
<b>Equity</b>			
Share capital and reserves	337.8		337.8
Accumulated other comprehensive income	0.1		0.1
Retained earnings	236.5	(5.9)	230.6
Equity attributable to shareholders of the Company	574.4	(5.9)	568.5
Non-controlling interests	171.7	(7.7)	164.0
Total equity	746.1	(13.6)	732.5
	\$ 1,777.4	\$ 933.3	\$ 2,710.7

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### Cash Flows – IFRS 16 Adjustments

The following table shows the accounting impact of IFRS 16 on the Company's Condensed Interim Consolidated Statements of Cash Flows for the nine months ended September 30, 2019:

	Pre-IFRS 16 Results	IFRS 16 Adjustment	As Reported
<b>Cash Flows from Operating Activities</b>			
Earnings before income taxes from continuing operations	\$ 245.3	\$ (15.7)	\$ 229.6
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization	72.0	39.8	111.8
Share-based compensation	8.0		8.0
Interest and financing cost, net	26.7	38.0	64.7
Gain on sale of land	(6.6)		(6.6)
Foreign exchange gain	(1.9)		(1.9)
Other	(2.7)		(2.7)
Changes in non-cash operating working capital	(16.5)	(2.0)	(18.5)
Income taxes paid	(85.2)		(85.2)
Cash generated by operating activities from continuing operations	239.1	60.1	299.2
Cash generated by operating activities from discontinued operations	4.4		4.4
Cash generated by operating activities	243.5	60.1	303.6
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment, net of related accounts payable of \$40.4	(246.4)		(246.4)
Proceeds from sale of land	15.9		15.9
Interest income received	4.2		4.2
Other	(0.8)		(0.8)
Cash used in investing activities from continuing operations	(227.1)		(227.1)
Cash generated by investing activities from discontinued operations	65.2		65.2
Cash used in investing activities	(161.9)		(161.9)
<b>Cash Flows from Financing Activities</b>			
Payment of lease liabilities	-	(60.1)	(60.1)
Increase in borrowings under credit facilities	171.0		171.0
Repayment of debt	(135.0)		(135.0)
Debt financing transaction costs	(1.1)		(1.1)
Proceeds from exercise of incentive share options, net of issuance costs	23.3		23.3
Repurchase of common shares	(98.5)		(98.5)
Distributions to non-controlling interests	(43.2)		(43.2)
Interest paid	(26.4)		(26.4)
Cash used in financing activities from continuing operations	(109.9)	(60.1)	(170.0)
Cash used in financing activities from discontinued operations	-		-
Cash used in financing activities	(109.9)	(60.1)	(170.0)
Effect of foreign exchange on cash	1.3		1.3
<b>Cash outflow</b>	(27.0)		(27.0)
<b>Cash, beginning of period</b>	336.8		336.8
<b>Cash, end of period</b>	\$ 309.8	-	\$ 309.8

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2019

(Expressed in millions of Canadian dollars, except for per share information)

#### Discontinued Operations

The following table shows the financial information of the Company's U.S. region, which have been presented as discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A.

(in Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenues	\$ -	\$ 10.4	\$ 19.3	\$ 30.5
Human resources	-	(4.8)	(8.9)	(14.9)
Property, marketing and administration	-	(3.0)	(5.6)	(9.7)
Other expenses <sup>(1)</sup>	-	(0.8)	(1.4)	(1.9)
<b>Net earnings from operating activities</b>	<b>\$ -</b>	<b>\$ 1.8</b>	<b>\$ 3.4</b>	<b>\$ 4.0</b>
Gain on sale of discontinued operations	-	-	53.6	-
Income tax on gain on sale of discontinued operations	-	-	(6.6)	-
<b>Net earnings attributable to discontinued operations</b>	<b>\$ -</b>	<b>\$ 1.8</b>	<b>\$ 50.4</b>	<b>\$ 4.0</b>
Shareholders' net earnings per common share				
Basic	\$ -	\$ 0.03	\$ 0.86	\$ 0.07
Diluted	\$ -	\$ 0.03	\$ 0.83	\$ 0.06

<sup>(1)</sup> Other expenses consist of amortization expense and income taxes from operations.

Net earnings attributable to discontinued operations of \$nil for the three months ended September 30, 2019 (2018 – \$1.8) and \$50.4 for the nine months ended September 30, 2019 (2018 – \$4.0) are attributable entirely to the shareholders of the Company.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2019

(Expressed in millions of Canadian dollars, except for per share information)

#### Consolidated Quarterly Results Trend By Region

The following table shows the Company's quarterly results trend on a regional basis. Revenues and Adjusted EBITDA for all quarters have been re-presented to exclude discontinued operations, as discussed in the "Presentation of Financial Information" section of this MD&A.

	Q3 2019 <sup>(1)</sup>	Q2 2019 <sup>(1)</sup>	Q1 2019 <sup>(1)</sup>	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
<b>Gaming Revenues</b>								
Ontario	\$ 208.6	\$ 226.5	\$ 181.0	\$ 202.6	\$ 201.9	\$ 173.6	\$ 102.5	\$ 19.1
British Columbia	66.7	66.0	66.5	68.3	69.1	64.6	66.2	67.8
Atlantic	20.2	18.7	16.9	17.2	19.9	18.0	16.3	17.7
	<b>295.5</b>	<b>311.2</b>	<b>264.4</b>	<b>288.1</b>	<b>290.9</b>	<b>256.2</b>	<b>185.0</b>	<b>104.6</b>
<b>Hospitality Revenues</b>								
Ontario	7.2	6.1	5.9	6.2	4.9	4.5	3.9	2.9
British Columbia	18.1	17.3	13.9	17.0	17.9	16.4	13.1	15.6
Atlantic	4.6	4.3	4.1	5.6	4.6	5.0	3.9	5.3
	<b>29.9</b>	<b>27.7</b>	<b>23.9</b>	<b>28.8</b>	<b>27.4</b>	<b>25.9</b>	<b>20.9</b>	<b>23.8</b>
<b>Racetrack, Lease and Other Revenues</b>								
Ontario	9.4	8.7	8.6	8.2	8.2	6.5	8.0	6.3
British Columbia	5.4	5.9	5.1	5.3	5.4	5.6	5.7	5.0
Atlantic	0.9	0.9	0.8	1.0	0.8	1.0	0.9	1.0
	<b>15.7</b>	<b>15.5</b>	<b>14.5</b>	<b>14.5</b>	<b>14.4</b>	<b>13.1</b>	<b>14.6</b>	<b>12.3</b>
<b>Revenues</b>	<b>\$ 341.1</b>	<b>\$ 354.4</b>	<b>\$ 302.8</b>	<b>\$ 331.4</b>	<b>\$ 332.7</b>	<b>\$ 295.2</b>	<b>\$ 220.5</b>	<b>\$ 140.7</b>
<b>Adjusted EBITDA</b>								
Ontario	\$ 99.0	\$ 117.2	\$ 77.3	\$ 78.5	\$ 90.0	\$ 81.3	\$ 50.6	\$ 8.4
British Columbia	40.7	36.2	35.0	39.1	44.7	39.6	35.5	36.5
Atlantic	9.4	7.9	6.3	7.3	9.6	8.3	5.9	7.4
Corporate & Other	(6.8)	(7.6)	(9.3)	(7.1)	(6.4)	(6.5)	(4.5)	(4.8)
	<b>\$ 142.3</b>	<b>\$ 153.7</b>	<b>\$ 109.3</b>	<b>\$ 117.8</b>	<b>\$ 137.9</b>	<b>\$ 122.7</b>	<b>\$ 87.5</b>	<b>\$ 47.5</b>
<b>Reconciliation of Adjusted EBITDA to previously reported Adjusted EBITDA</b>								
Adjusted EBITDA			\$ 109.3	\$ 117.8	\$ 137.9	\$ 122.7	\$ 87.5	\$ 47.5
Adjusted EBITDA from discontinued operations			2.3	2.5	2.6	1.9	1.4	1.7
			<b>\$ 111.6</b>	<b>\$ 120.3</b>	<b>\$ 140.5</b>	<b>\$ 124.6</b>	<b>\$ 88.9</b>	<b>\$ 49.2</b>

<sup>(1)</sup> The 2019 quarters reflect the accounting impact of IFRS 16, as discussed in the "Presentation of Financial Information" section of this MD&A. Previous quarters were not restated for the adoption of IFRS 16.