





























## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2020

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

---

#### **LABOUR RELATIONS**

The Company employs unionized employees at 16 of its properties. Below is a summary of the union related activities during 2020:

##### ***Ontario***

- Casino Woodbine and Teamsters, representing surveillance operators, reached a collective agreement on February 5, 2020 for a four-year term from October 1, 2019 to September 30, 2023.
- The Public Service Alliance of Canada, representing auditors and audit clerks of Casino Woodbine, was certified on January 21, 2020. Notice to bargain was received on March 31, 2020. Bargaining dates are yet to be determined.
- Elements Casino Flamboro and United Steelworkers, representing security team members will continue bargaining for a first collective agreement starting mid-November 2020.
- Unifor, Local 1090, representing hourly non-supervisory team members of Shorelines Casino Belleville (excluding security and surveillance, office and clerical team members), was certified on March 16, 2020.
- Shorelines Casino Belleville and Teamsters, representing security team members will be bargaining for a first collective agreement in December 2020.
- Flamboro Downs Racetrack and Service Employees International Union reached a collective agreement on February 19, 2020 for a three-year term from January 1, 2020 to December 31, 2022.

##### ***British Columbia***

- Hastings Racecourse & Casino and Unite Here, Local 40, reached a collective agreement on January 31, 2020. The collective agreement has a term from July 1, 2016 to May 1, 2022.
- Elements Casino Victoria and BC Government and Service Employees' Union ("BCGEU"), representing gaming team members, reached a first collective agreement on February 27, 2020 for a four-year term from February 27, 2020 to February 26, 2024.
- Elements Casino Victoria received an application to certify notification on March 16, 2020 from the Labour Relations Board for security team members to be represented by the BCGEU. A mail in ballot campaign took place from March 24 to April 21, 2020. Security team members have voted in favour to join the union. Bargaining dates are yet to be determined.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

### 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,		
	2020	2019	% Chg	2020	2019	% Chg
<b>REVENUES</b>						
Ontario	\$ 41.4	\$ 225.2	(82%)	\$ 293.1	\$ 662.1	(56%)
British Columbia	1.6	90.2	(98%)	68.4	264.7	(74%)
Atlantic	0.1	25.7	(100%)	18.2	71.5	(75%)
<b>Total Revenues</b>	<b>\$ 43.1</b>	<b>\$ 341.1</b>	<b>(87%)</b>	<b>\$ 379.7</b>	<b>\$ 998.3</b>	<b>(62%)</b>
<b>ADJUSTED EBITDA<sup>(1)</sup></b>						
Ontario	\$ 22.5	\$ 99.0	(77%)	\$ 147.1	\$ 293.6	(50%)
British Columbia	(5.6)	40.7		17.5	111.8	(84%)
Atlantic	(3.4)	9.4		(2.2)	23.6	
Corporate & Other	(4.6)	(6.8)	32%	(18.7)	(23.6)	21%
<b>Total Adjusted EBITDA</b>	<b>\$ 8.9</b>	<b>\$ 142.3</b>	<b>(94%)</b>	<b>\$ 143.7</b>	<b>\$ 405.4</b>	<b>(65%)</b>
<b>FREE CASH FLOW<sup>(1)</sup></b>						
Ontario	\$ (29.2)	\$ (49.0)		\$ (179.5)	\$ (74.7)	
British Columbia	(14.1)	23.3		(2.6)	78.5	
Atlantic	(5.1)	9.8		(7.2)	18.9	
Corporate & Other	(6.4)	(15.7)		(39.7)	(53.9)	
<b>Total Free Cash Flow</b>	<b>\$ (54.8)</b>	<b>\$ (31.6)</b>		<b>\$ (229.0)</b>	<b>\$ (31.2)</b>	
<b>CASH (OUTFLOW) INFLOW</b>						
Ontario	\$ 7.4	\$ (67.7)		\$ 6.2	\$ (71.4)	
British Columbia	(10.6)	9.1		(17.6)	14.3	
Atlantic	(4.0)	0.6		(9.6)	0.8	
Corporate & Other	(19.1)	(39.8)		163.2	(40.3)	
Cash inflow from discontinued operations	-	-		-	69.6	
<b>Total Cash (outflow) inflow</b>	<b>\$ (26.3)</b>	<b>\$ (97.8)</b>		<b>\$ 142.2</b>	<b>\$ (27.0)</b>	

<sup>(1)</sup> Adjusted EBITDA and Free Cash Flow are non-IFRS measures, 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

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### Ontario

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Chg	2020	2019	% Chg
Gaming revenues	\$ 37.8	\$ 208.6	(82%)	\$ 273.1	\$ 616.1	(56%)
Hospitality revenues	-	7.2	(100%)	6.0	19.3	(69%)
Racetrack, lease and other revenues	3.6	9.4	(62%)	14.0	26.7	(48%)
<b>Revenues</b>	<b>41.4</b>	<b>225.2</b>	<b>(82%)</b>	<b>293.1</b>	<b>662.1</b>	<b>(56%)</b>
Human resources	9.3	64.6	(86%)	72.4	188.5	(62%)
Property, marketing and administration	9.6	61.6	(84%)	73.6	180.0	(59%)
<b>Adjusted EBITDA</b>	<b>\$ 22.5</b>	<b>\$ 99.0</b>	<b>(77%)</b>	<b>\$ 147.1</b>	<b>\$ 293.6</b>	<b>(50%)</b>
Changes in non-cash working capital	35.4	(14.9)		2.4	(11.1)	
Capital expenditures, net of related accounts payable	(59.6)	(94.5)		(239.4)	(236.3)	
Payment of lease liabilities	(21.4)	(20.0)		(63.3)	(59.5)	
Interest paid	(4.1)	(3.8)		(19.3)	(14.2)	
Income taxes paid	(2.0)	(14.8)		(7.0)	(47.2)	
<b>Free Cash Flow</b>	<b>\$ (29.2)</b>	<b>\$ (49.0)</b>		<b>\$ (179.5)</b>	<b>\$ (74.7)</b>	
<b>Cash inflow (outflow)</b>	<b>\$ 7.4</b>	<b>\$ (67.7)</b>		<b>\$ 6.2</b>	<b>\$ (71.4)</b>	

#### Recent Developments

The temporary suspension of operations, as discussed in the "Temporary Business Interruption" section of this MD&A, resulted in decreases in revenues, expenses, Adjusted EBITDA, Free Cash Flow, and total cash flows for the three and nine months ended September 30, 2020, when compared to the same periods in the prior year.

Georgian Downs Racetrack and Flamboro Downs Racetrack commenced live racing season on June 6, 2020 and September 3, 2020, respectively. The live racing season at both racetracks are conducted for simulcast wagering only.

On September 28, 2020, the Company reopened its gaming properties in Ontario under restricted operating conditions, as discussed in the "Temporary Business Interruption" section of this MD&A.

#### Revenues

Revenues for the three months ended September 30, 2020, primarily consisted of the Ontario bundles' continued service provider base fixed fees and gaming revenues from three days of operations, as discussed in the "Major Developments" section of this MD&A.

Revenues for the nine months ended September 30, 2020 included revenues earned prior to the temporary suspension period, the Ontario bundles' annual entitlement of service provider fees for permitted capital expenditures recognized in full in the second quarter of 2020 and continued service provider base fixed fees during the closure period.

#### Expenses

Expenses for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in 2019, primarily due to management's response to mitigate expenses during the temporary suspension period. Expenses for the three and nine months ended September 30, 2020 included pre-opening costs for the reopening of Ontario properties and operating expenses for three days of operations starting on September 28, 2020.

Since the closures began on March 16, 2020, human resource expenses primarily consisted of costs related to remaining personnel required to support the business during the temporary suspension period, net of eligible government assistance, and the continuation of employer paid benefits for team members on temporary suspension. Property, marketing and administration expenses primarily consisted of direct property operating costs, including property taxes, insurance, utilities and maintenance, as well as license and subscription costs.



## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### Free Cash Flow

Negative Free Cash Flow of \$29.2 for the three months ended September 30, 2020 decreased, when compared to negative Free Cash Flow of \$49.0 for the same period in the prior year. The decrease was primarily due to decreased spending on capital development projects due to construction timing of the Company's development projects in Ontario.

Negative Free Cash Flow of \$179.5 for the nine months ended September 30, 2020 increased, when compared to negative Free Cash Flow of \$74.7 for the same period in the prior year. The increase was primarily due to decreased revenues, as mentioned above, partially offset by a decrease in income taxes paid.

#### Cash inflow (outflow)

Cash inflow for the three months ended September 30, 2020 consisted of cash received for the Ontario bundles' annual entitlement of service provider fees for permitted capital expenditures, which was recognized as revenue in the second quarter of 2020, partially offset by capital expenditures related to the Ontario developments and payment of lease liabilities.

Cash inflow for the nine months ended September 30, 2020 primarily consisted of increased borrowings under the credit facilities of OTG and OGWGLP, cash generated from operations prior to the temporary suspension period, partially offset by capital expenditures related to the Ontario developments.

Cash outflows for the three and nine months ended September 30, 2019 were primarily due to capital expenditures related to the Ontario developments.

#### Adjusted EBITDA attributable to the shareholders of the Company

Adjusted EBITDA attributable to the shareholders of the Company for the Ontario region, 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,		
	2020	2019	% Chg	2020	2019	% Chg
Adjusted EBITDA	\$ 22.5	\$ 99.0	(77%)	\$ 147.1	\$ 293.6	(50%)
Less: non-controlling interests' portion of Adjusted EBITDA	(4.2)	(40.4)	(90%)	(42.8)	(120.3)	(64%)
Adjusted EBITDA attributable to the shareholders of the Company	\$ 18.3	\$ 58.6	(69%)	\$ 104.3	\$ 173.3	(40%)

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### British Columbia

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Chg	2020	2019	% Chg
Gaming revenues	\$ 1.0	\$ 66.7	(99%)	\$ 53.5	\$ 199.2	(73%)
Hospitality revenues	-	18.1	(100%)	9.8	49.2	(80%)
Racetrack and other revenues	0.6	5.4	(89%)	5.1	16.3	(69%)
<b>Revenues</b>	<b>1.6</b>	<b>90.2</b>	<b>(98%)</b>	<b>68.4</b>	<b>264.7</b>	<b>(74%)</b>
Human resources	3.2	30.5	(90%)	30.6	93.1	(67%)
Property, marketing and administration	4.9	19.8	(75%)	22.4	61.9	(64%)
Share of profit of equity investment	(0.9)	(0.8)	13%	(2.1)	(2.1)	0%
<b>Adjusted EBITDA</b>	<b>\$ (5.6)</b>	<b>\$ 40.7</b>		<b>\$ 17.5</b>	<b>\$ 111.8</b>	<b>(84%)</b>
Changes in non-cash working capital	(7.1)	(8.5)		(10.7)	(5.7)	
Capital expenditures, net of related accounts payable	(1.8)	(1.0)		(3.4)	(6.3)	
Payment of lease liabilities	(0.1)	(0.2)		(0.3)	(0.4)	
Interest paid	(0.1)	(0.2)		(0.5)	(0.6)	
Income taxes paid	0.6	(7.5)		(5.2)	(20.3)	
<b>Free Cash Flow</b>	<b>\$ (14.1)</b>	<b>\$ 23.3</b>		<b>\$ (2.6)</b>	<b>\$ 78.5</b>	
<b>Cash (outflow) inflow</b>	<b>\$ (10.6)</b>	<b>\$ 9.1</b>		<b>\$ (17.6)</b>	<b>\$ 14.3</b>	

#### Recent Developments

The temporary suspension of operations, as discussed in the "Temporary Business Interruption" section of this MD&A, resulted in decreases in revenues, expenses, Adjusted EBITDA, Free Cash Flow, and total cash flows for the three and nine months ended September 30, 2020, when compared to the same periods in the prior year.

From July 6, 2020 to October 1, 2020, Hastings Racecourse conducted a condensed live racing season and on September 30, 2020, Fraser Downs at Elements Casino Surrey commenced a condensed live racing season. The live racing season at both racetracks are conducted for simulcast wagering only.

#### Revenues

Gaming revenues for the three months ended September 30, 2020 consisted of the Company's proportionate share of revenues from PlayNow.com, as discussed in the "Major Developments" section of this MD&A. Racetrack and other revenues for the three months ended September 30, 2020 included racetrack revenues from Hastings Racecourse.

Revenues for the nine months ended September 30, 2020 included revenues earned prior to the temporary suspension period.

#### Expenses

Expenses for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in 2019, primarily due to management's response to mitigate expenses during the temporary suspension period.

Since the closures began on March 16, 2020, human resource expenses primarily consisted of costs related to remaining personnel required to support the business during the temporary suspension period, net of eligible government assistance, and the continuation of employer paid benefits for team members on temporary suspension. Property, marketing and administration expenses primarily consisted of direct property operating costs, including property taxes, insurance, utilities and maintenance, as well as license and subscription costs.

#### Free Cash Flow

For the three and nine months ended September 30, 2020, Free Cash Flow were negative \$14.1 and \$2.6, respectively, compared to positive Free Cash Flow of \$23.3 and \$78.5 for the same periods in the prior year. The decreases in Free Cash Flow were primarily due to decreased revenues, as mentioned above, partially offset by lower income taxes paid.

#### Cash (outflow) inflow

Cash outflows for the three and nine months ended September 30, 2020 consisted of payments to satisfy working capital obligations. Cash inflows for the three and nine months ended September 30, 2019 were due to cash generated from operations.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### Atlantic

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Chg	2020	2019	% Chg
Gaming revenues	\$ 0.1	\$ 20.2	(100%)	\$ 14.1	\$ 55.8	(75%)
Hospitality revenues	-	4.6	(100%)	3.4	13.0	(74%)
Other revenues	-	0.9	(100%)	0.7	2.7	(74%)
<b>Revenues</b>	<b>0.1</b>	<b>25.7</b>	<b>(100%)</b>	<b>18.2</b>	<b>71.5</b>	<b>(75%)</b>
Human resources	1.2	7.4	(84%)	8.4	21.9	(62%)
Property, marketing and administration	2.3	8.9	(74%)	12.0	26.0	(54%)
<b>Adjusted EBITDA</b>	<b>\$ (3.4)</b>	<b>\$ 9.4</b>		<b>\$ (2.2)</b>	<b>\$ 23.6</b>	
Changes in non-cash working capital	(1.1)	0.9		(3.2)	(2.6)	
Capital expenditures, net of related accounts payable	(0.2)	(0.3)		(0.2)	(0.7)	
Payment of lease liabilities	-	(0.1)		(0.2)	(0.2)	
Income taxes paid	(0.4)	(0.1)		(1.4)	(1.2)	
<b>Free Cash Flow</b>	<b>\$ (5.1)</b>	<b>\$ 9.8</b>		<b>\$ (7.2)</b>	<b>\$ 18.9</b>	
<b>Cash (outflow) inflow</b>	<b>\$ (4.0)</b>	<b>\$ 0.6</b>		<b>\$ (9.6)</b>	<b>\$ 0.8</b>	

#### Recent Developments

The temporary suspension of operations, as discussed in the "Temporary Business Interruption" section of this MD&A, resulted in decreases in revenues, expenses, Adjusted EBITDA, Free Cash Flow, and total cash flows for the three and nine months ended September 30, 2020, when compared to the same periods in the prior year.

Casino New Brunswick reopened on September 28, 2020 and Casino Nova Scotia Halifax and Sydney reopened on October 5, 2020 under restricted operating conditions as discussed in the "Temporary Business Interruption" section of this MD&A.

#### Revenues

Revenues for the three months ended September 30, 2020 consisted of gaming revenues from three days of operations at Casino New Brunswick.

Revenues for the nine months ended September 30, 2020 included revenues earned prior to the temporary suspension period.

#### Expenses

Expenses for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in 2019, primarily due to management's response to mitigate expenses during the temporary suspension period. Expenses for the three and nine months ended September 30, 2020 included pre-opening costs for the reopening of Atlantic properties and operating expenses for three days of operations starting on September 28, 2020.

Since the closures began on March 16, 2020, human resource expenses primarily consisted of costs related to remaining personnel required to support the business during the temporary suspension period, net of eligible government assistance, and the continuation of employer paid benefits for team members on temporary suspension. Property, marketing and administration expenses primarily consisted of direct property operating costs, including property taxes, insurance, utilities and maintenance, as well as license and subscription costs.

#### Free Cash Flow

For the three and nine months ended September 30, 2020, Free Cash Flow were negative \$5.1 and \$7.2, respectively, compared to positive Free Cash Flow of \$9.8 and \$18.9 for the same periods in the prior year. The decreases in Free Cash Flow were primarily due to the decrease in revenues, as mentioned above.

#### Cash (outflow) inflow

Cash outflows for the three and nine months ended September 30, 2020 consisted of payments to satisfy working capital obligations. Cash inflows for the three and nine months ended September 30, 2019 were due to cash generated from operations.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### Corporate & Other

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Chg	2020	2019	% Chg
Human resources	\$ (3.1)	\$ (5.2)	(40%)	\$ (13.2)	\$ (17.5)	(25%)
Property, marketing and administration	(1.5)	(1.6)	(6%)	(5.5)	(6.1)	(10%)
<b>Adjusted EBITDA</b>	<b>\$ (4.6)</b>	<b>\$ (6.8)</b>	<b>(32%)</b>	<b>\$ (18.7)</b>	<b>\$ (23.6)</b>	<b>(21%)</b>
Changes in non-cash working capital	2.0	6.7		0.8	0.9	
Capital expenditures, net of related accounts payable	(0.6)	(2.7)		(2.5)	(3.1)	
Interest paid	(3.3)	(3.8)		(17.0)	(11.6)	
Income taxes paid	0.1	(9.1)		(2.3)	(16.5)	
<b>Free Cash Flow</b>	<b>\$ (6.4)</b>	<b>\$ (15.7)</b>	<b>(59%)</b>	<b>\$ (39.7)</b>	<b>\$ (53.9)</b>	<b>(26%)</b>
<b>Cash (outflow) inflow</b>	<b>\$ (19.1)</b>	<b>\$ (39.8)</b>		<b>\$ 163.2</b>	<b>\$ (40.3)</b>	

#### Expenses

Human resource expenses and property, marketing, and administration expenses for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in 2019, primarily due to management's response to mitigate expenses during the temporary suspension period, as discussed in the "Temporary Business Interruption" section of this MD&A.

Since the closures began on March 16, 2020, human resource expenses primarily consisted of costs related to remaining personnel required to support the business during the temporary suspension period, net of eligible government assistance. Property, marketing and administration expenses primarily consisted of fixed licenses and subscriptions and professional fees incurred.

#### Free Cash Flow

Negative Free Cash Flow for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in the prior year, due to decreased expenses during the temporary suspension period and decreases in income taxes paid. Negative Free Cash Flow for the nine months ended September 30, 2020 included interest paid on the Senior Unsecured Debentures issued in the first quarter of 2020.

#### Cash (outflow) inflow

Cash outflow for the three months ended September 30, 2020 decreased, when compared to the same period in 2019, due to decreased expenses during the temporary suspension period, fewer repurchases of shares under the normal course issuer bid, and reduced capital expenditures.

Cash inflow for the nine months ended September 30, 2020 was primarily due to \$189.0 of gross proceeds received from the Senior Unsecured Debentures during the first quarter of 2020. Cash outflow for the nine months ended September 30, 2019 was primarily due to the repurchase of common shares under the normal course issuer bid.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### DISCUSSION OF ITEMS EXCLUDED FROM ADJUSTED EBITDA

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Chg	2020	2019	% Chg
<b>Adjusted EBITDA</b>	\$ 8.9	\$ 142.3	(94%)	\$ 143.7	\$ 405.4	(65%)
<b>Less:</b>						
Amortization	38.2	37.6	2%	115.3	111.8	3%
Share-based compensation	0.3	3.6	(92%)	9.9	8.0	24%
Interest and financing costs, net	24.3	19.9	22%	73.8	64.7	14%
Business acquisition, restructuring and other	8.5	(4.7)		15.3	(0.2)	
Gain on sale of land	-	-		-	(6.6)	100%
Foreign exchange gain	-	(1.5)	100%	-	(1.9)	100%
Income tax	(13.4)	18.4		(13.7)	47.0	
<b>Net (loss) earnings from continuing operations</b>	\$ (49.0)	\$ 69.0		\$ (56.9)	\$ 182.6	

#### Amortization

Amortization increased for the three and nine months ended September 30, 2020, when compared to the same periods in 2019, primarily due to capital investments made to expand the Ontario properties.

#### Share-based compensation

Share-based compensation of \$0.3 for the three months ended September 30, 2020 decreased by \$3.3, when compared to the same period in the prior year, due to cash-settled share-based compensation recovery arising from a decrease in the underlying share price and fewer unvested options outstanding. Share-based compensation for the nine months ended September 30, 2020 increased, when compared to the same period in the prior year, due to the immediate recognition of the remaining compensation costs of \$6.9 associated with share options that were voluntarily cancelled in the second quarter of 2020, partially offset by cash-settled share-based compensation recovery due to a decrease in the underlying share price and fewer unvested options outstanding.

#### Interest and financing costs, net

Interest and financing costs, net, for the three and nine months ended September 30, 2020, increased when compared to the same periods in the prior year, due to additional interest expense on the Senior Unsecured Debentures issued on March 2, 2020, as discussed in the "Major Developments" section of this MD&A, and additional draws on credit facilities near the end of the first quarter of 2020 for general working capital purposes.

#### Business acquisition, restructuring and other

Business acquisition, restructuring and other for the three and nine months ended September 30, 2020 primarily consisted of severance payments related to restructuring as well as pre-opening costs related to the Pickering Casino Resort. The increase in business acquisition, restructuring and other for the nine months ended September 30, 2020, when compared to the same period in the prior year, was partially offset by a decrease in the estimated provision for the Company's contingent future trailing payments for Elements Casino Chilliwack.

Business acquisition, restructuring and other recovery of \$4.7 and \$0.2 for the three and nine months ended September 30, 2019 consisted primarily of the net proceeds from the marketing trust lawsuit with BCLC, partially offset by restructuring costs related to severance payments for redundant positions.

#### Gain on sale of land

Gain on sale of land for the nine months ended September 30, 2019 consisted of 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.

#### Foreign exchange loss (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 tax generally changes as a result of changes to shareholders' net (loss) earnings from continuing operations before income taxes. Income tax recoveries for the three and nine months ended September 30, 2020 were due to shareholders' net loss from continuing operations before income taxes for the corresponding periods.

Income tax expense for OTG, OGWGLP, and OGELP only includes the Company's share of corporate income tax based on its respective ownership interests in OTG, OGWGLP, and OGELP.

# GREAT CANADIAN GAMING CORPORATION

## Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

### CONSOLIDATED QUARTERLY RESULTS TREND

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019 <sup>(1)</sup>	Q4 2018 <sup>(1)(2)</sup>
Revenues	\$ 43.1	\$ 62.8	\$ 273.8	\$ 357.4	\$ 341.1	\$ 354.4	\$ 302.8	\$ 331.4
Adjusted EBITDA	\$ 8.9	\$ 31.8	\$ 103.0	\$ 152.0	\$ 142.3	\$ 153.7	\$ 109.3	\$ 117.8
Adjusted EBITDA as a % of Revenues	20.6%	50.6%	37.6%	42.5%	41.7%	43.4%	36.1%	35.5%
Shareholders' net (loss) earnings from continuing operations	\$ (36.5)	\$ (31.4)	\$ 19.2	\$ 45.8	\$ 49.7	\$ 48.0	\$ 30.9	\$ 26.3
Shareholders' net (loss) earnings per common share from continuing operations								
Basic	\$ (0.66)	\$ (0.57)	\$ 0.35	\$ 0.81	\$ 0.85	\$ 0.81	\$ 0.53	\$ 0.44
Diluted	\$ (0.66)	\$ (0.57)	\$ 0.34	\$ 0.79	\$ 0.82	\$ 0.79	\$ 0.51	\$ 0.42

<sup>(1)</sup> These quarters have been re-presented to exclude the results of discontinued operations.

<sup>(2)</sup> Q4 2018 does not reflect the impact of IFRS 16, *Leases*, which was adopted by the Company on January 1, 2019.

#### Revenues

Revenues in 2020 were negatively impacted by the temporary suspension of operations, as discussed in the "Temporary Business Interruption" section of this MD&A.

Revenues in the fourth quarter of 2019 were higher relative to the other quarters in 2019 and 2018, primarily due to increased revenues at the Ontario properties. Revenues 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 generally increased in each quarter of 2019, when compared to the same quarter in 2018, primarily due to the expansion of gaming and non-gaming amenities at the Ontario properties. 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.

#### Adjusted EBITDA

Adjusted EBITDA generally changes as a result of changes in revenues. Adjusted EBITDA in each quarter of 2020 and 2019 include 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 extreme winter conditions as noted above.

#### Shareholders' net (loss) earnings from continuing operations

Shareholders' net (loss) earnings from continuing operations generally reflects trends in revenues and Adjusted EBITDA, but may fluctuate each period due to various items excluded from Adjusted EBITDA. Shareholders' net (loss) earnings from continuing operations in each quarter of 2020 and 2019 reflect the negative accounting impact of adopting IFRS 16.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2020

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

---

#### **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 and cash by region are disclosed in Note 4 and 10, respectively, of the Condensed Interim Consolidated Financial Statements.

As at September 30, 2020, the Company had the following cash, accounts receivable, and available undrawn credit on its credit facilities.

- Cash of \$471.9, an increase of \$142.2 since December 31, 2019, as further discussed in the "Cash Flows" section of this MD&A.
- Accounts receivable of \$30.3, 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.
- \$497.7 available credit on the Senior Secured Credit Facilities of GCGC, subject to compliance with the related financial covenants.
- \$488.6 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.
- \$59.1 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.
- \$17.1 available credit under OGELP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants.

As discussed in the "Temporary Business Interruption" section of this MD&A, some of the Company's operations have resumed under restricted operating conditions. Depending on the extent of operating restrictions on the Company's business, the Company may generate negative net operating cash flows. The Company's ability to settle its contractual obligations are subject to the temporary waivers on its credit agreements (see Note 4 of the Condensed Interim Consolidated Financial Statements) remaining in place, including any future extensions, as required, and/or the timing of when operating restrictions are lifted. The Company's capital spending and commitments are described further below.

#### **Capital Spending**

In response to the Pandemic, as discussed in the "Temporary Business Interruption" section of this MD&A, the Government of Ontario mandated the closure of all non-critical construction projects from April 4, 2020 to May 19, 2020, which temporarily halted the remainder of the Company's Ontario capital projects under development. Although these restrictions were lifted and construction recommenced with appropriate workplace safety measures in place, the Company continues to reassess the timing of its development projects in Ontario. Despite the impact on timing, the Company does not expect a material impact to the total planned capital spend on its development projects. As at September 30, 2020, the Company had \$280.5 of contractual commitments primarily related to the Ontario capital developments. The estimated timing in settling these commitments will also be reassessed accordingly.

The Company's capital expenditures, net of related accounts payable, for the three and nine months ended September 30, 2020 were \$62.2 (2019 - \$98.5) and \$245.5 (2019 - \$246.4), respectively. Capital expenditures during the three and nine months ended September 30, 2020 primarily related to the development of the gaming facilities in the GTA Gaming Bundle.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020  
(Expressed in millions of Canadian dollars, except for per share information)

#### Commitments

For the three and nine months ended September 30, 2020, there were no material changes to the Company's contractual obligations, except for the issuance of the Senior Unsecured Debentures (refer to "Major Developments" section of this MD&A) and amendments to the Company's credit agreements to temporarily waive compliance with financial and other covenants (see Note 4 of the Condensed Interim Consolidated Financial Statements).

The Company also has commitments related to its capital developments in Ontario. The estimated timing of settling these commitments continue to be reassessed, as discussed in the "Capital Spending" section of this MD&A.

#### Financial Position

	September 30, 2020	December 31, 2019	% Chg
Cash	\$ 471.9	\$ 329.7	43%
Accounts receivable	30.3	79.6	(62%)
Other current assets	49.6	25.0	98%
Property, plant and equipment	1,433.2	1,275.3	12%
Right-of-use assets	971.1	985.7	(1%)
Cash on deposit with Canada Revenue Agency	38.9	38.9	0%
Other long-term assets	117.9	117.7	0%
<b>Total Assets</b>	<b>\$ 3,112.9</b>	<b>\$ 2,851.9</b>	<b>9%</b>
Current liabilities	\$ 201.1	\$ 282.0	(29%)
Long-term debt	1,282.0	869.8	47%
Long-term lease liabilities	925.2	925.8	0%
Other long-term liabilities	106.2	113.1	(6%)
<b>Total Liabilities</b>	<b>2,514.5</b>	<b>2,190.7</b>	<b>15%</b>
Equity attributable to shareholders of the company	479.6	527.4	(9%)
Non-controlling interests	118.8	133.8	(11%)
<b>Total Equity</b>	<b>598.4</b>	<b>661.2</b>	<b>(9%)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,112.9</b>	<b>\$ 2,851.9</b>	<b>9%</b>

#### Total Assets

Total assets as at September 30, 2020 increased by 9% when compared to the balance as at December 31, 2019. The increase was primarily due to an increase in cash from the issuance of the Senior Unsecured Debentures, increased borrowings under credit facilities and additions to property, plant and equipment related to the development of the Ontario properties.

#### Total Liabilities

Total liabilities as at September 30, 2020 increased by 15% when compared to the balance as at December 31, 2019. The increase was primarily due an increase in borrowings under the credit facilities of OTG, OGWGLP and OGELP and the issuance of the Senior Unsecured Debentures for proceeds of \$189.0, as discussed in the "Major Developments" section of this MD&A.

#### Equity

Total equity as at September 30, 2020 decreased by 9% when compared to the total equity as at December 31, 2019. This decrease was primarily due to net loss of \$56.9, repurchase of common shares under the normal course issuer bid of \$15.3, distributions of \$6.8 to non-controlling interests made in the first quarter of 2020, partially offset by equity settled share-based compensation of \$13.4.



## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2020

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

#### Cash Flows

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash generated by operating activities	\$ 27.6	\$ 99.5	\$ 96.8	\$ 303.6
Cash used in investing activities	(61.2)	(96.9)	(241.2)	(161.9)
Cash generated by (used in) financing activities	7.3	(101.9)	286.6	(170.0)
Effect of foreign exchange on cash	-	1.5	-	1.3
Cash (outflow) inflow	\$ (26.3)	\$ (97.8)	\$ 142.2	\$ (27.0)

#### **Cash generated by operating activities**

Cash generated by operating activities for the three and nine months ended September 30, 2020 decreased, when compared to the same periods in 2019, primarily due to decreases in net earnings during the temporary suspension period, as discussed in the "Temporary Business Interruption" section of this MD&A, partially offset by decreases in income taxes paid. Cash generated by operating activities for the nine months ended September 30, 2019 also included cash generated by operating activities from discontinued operations of \$4.4.

#### **Cash used in investing activities**

Cash used in investing activities for the three months ended September 30, 2020 was lower, when compared to the same period in 2019, as a result of decreased capital expenditures due to construction timing of the Company's development projects in Ontario.

Cash used in investing activities for nine months ended September 30, 2020 was higher, when compared to the same period in 2019, due to the proceeds received from the sale of the Company's U.S. region of \$65.2 and sale of land of \$15.9 which partially offset cash used in investing activities for the nine months ended September 30, 2019.

#### **Cash generated by (used in) financing activities**

Cash generated by financing activities for the three months ended September 30, 2020 primarily consisted of the increase in borrowings under the credit facilities of \$44.2, partially offset by the payment of lease liabilities of \$21.5 and repurchase of common shares of \$8.0. Cash used in financing activities for the three months ended September 30, 2019 primarily consisted of repurchase of common shares of \$71.9 and payment of lease liabilities of \$20.3.

Cash generated by financing activities for the nine months ended September 30, 2020 primarily consisted of proceeds received from the issuance of the Senior Unsecured Debentures (as discussed in the "Major Developments" section of this MD&A) and increased borrowings under the credit facilities of OTG and OGWGLP, partially offset by payment of lease liabilities. Cash used in financing activities for the nine months ended September 30, 2019 primarily consisted of the repurchase of common shares under the normal course issuer bid of \$98.5, payment of lease liabilities of \$60.1, and distributions made to non-controlling interests of \$43.2, partially offset by proceeds from the exercise of incentive share options of \$23.3.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2020

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

---

#### **Share Capital**

##### ***Normal Course 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. The bid commenced on July 3, 2019 and expired July 2, 2020. All purchases under this issuer bid ended in January 2020 when the Company purchased for cancellation the remaining 172,724 common shares available under the bid at a weighted-average price per share of \$42.29.

On June 29, 2020, the Company announced receiving approval from the TSX to renew a normal course issuer bid for up to 3,674,077 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on July 3, 2020 and will end on July 2, 2021, 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. 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 300,471 common shares during the three month period ended September 30, 2020 at a weighted-average price per share of \$26.55. The Company did not repurchase any common shares subsequent to September 30, 2020.

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

As at September 30, 2020, there were 55,034,983 common shares issued and outstanding compared to 55,367,493 as at December 31, 2019. 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, 2020.

As at September 30, 2020 there were 3,350,062 share options outstanding at a weighted-average exercise price of \$25.44.

As at November 9, 2020, there were 55,103,317 common shares outstanding and 3,281,728 share options outstanding.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2020

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

---

#### **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.

#### ***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 and June 2, 2018, if CRA's current position on FDC prevails, preliminary estimates indicate the Company's consolidated current tax expense would increase \$57.2, deferred tax expense would decrease \$56.1, and interest and financing costs would increase \$16.7, resulting in a one-time \$17.8 decrease in net earnings and a corresponding decrease to basic net earnings attributable to the shareholders of the Company per share of approximately \$0.32 per share, based on the number of shares outstanding as at September 30, 2020.

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 on 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, 2020, the Company and its subsidiaries have deposited a net amount of \$38.9 (2019 - \$38.9) to CRA and is reflected in "cash on deposit with Canada Revenue Agency" on the Condensed Interim Consolidated Statements of Financial Position.

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. In response to the Pandemic, the Company and the Respondent agreed to delay the process with revised timelines still to be determined.

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

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2020

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

---

#### **OTHER INFORMATION**

##### **Significant Accounting Policies**

The accounting policies applied in the Condensed Interim Consolidated Financial Statements are the same as those disclosed in Note 4 of the Company's Annual Financial Statements and include the additional disclosures in Note 1(c) of the Company's Condensed Interim Consolidated Financial Statements.

##### **Critical Accounting Estimates and Judgments**

The critical accounting estimates and judgments applied in the Condensed Interim Consolidated Financial Statements are the same as those disclosed in Note 5 of the Company's Annual Financial Statements and include the additional disclosures in Note 1(d) of the Company's Condensed Interim Consolidated Financial Statements.

##### **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, OGWGLP's Non-recourse Revolving Credit Facility, and OGELP's Non-recourse Revolving Credit Facility as described in Note 11 of the Company's Condensed Interim Consolidated Financial Statements.

##### **Internal Control over Financial Reporting**

For the three and nine months ended September 30, 2020, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

##### **Additional Information**

Additional information relating to the Company, including the Company's latest 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 copies 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.