THE INNOVATION GROUP

Gaming Market Assessment

Montreal, Quebec

Prepared for:

Mohawk Council of Kahnawà:ke

October 2023

Prepared by:

The Innovation Group
400 North Peters Street
Suite 206
New Orleans, LA 70130
504.569.3956
www.theinnovationgroup.com

Montreal Gaming Market Assessment

Table of Contents

List of Tables

List of Figures

INTRODUCTION

The Innovation Group was retained by the Mohawk Council of Kahnawà:ke to assess the potential for additional slot machine development (officially EGD, or electronic gaming devices) on the Reserve, which is located on the southern edge of the Montreal metropolitan area. The assessment evaluates the current level of supply of machines and gaming revenue generation in Quebec and in the Montreal market, compared to a peer set of other Canadian jurisdictions. This is followed by a gravity model analysis showing the potential for expansion of EGDs on the Kahnawà:ke Reserve.

The supply analysis indicates that the Montreal market is undersupplied for gaming and there is potential for expansion on the Reserve. For the gravity modeling, we proceeded in a series of four steps:

1. Calibration to FY 2023 results, based on Magic Palace and Playground data and Loto Quebec's Annual Report FY2023.
2. Adding the ~550 EGDs currently in storage at Playground to the market.
3. Adding an additional casino with 1,000 EGDs to the Reserve.
4. Forwarding the forecast model (#3) to 2026 to account for population and income growth.

The following table summarizes the gravity model forecasts for the Kahnawake Reserve. Net slot revenue is estimated to increase to nearly $230 million in today's dollars and $243 million in a 2026 scenario.

Table 1: Kahnawake Slot Machine (EGD) Gravity Model Forecasts

	Units	Net Revenue	WPU
Calibration FY 2023	1,000	$96,759,585	$265
With Playground Storage Slots Engaged (FY 2023)	1,550	$141,708,489	$250
With Third Facility (FY 2023)	2,550	$229,818,550	$247
With Third Facility (2026)	2,550	$243,741,214	$262

Source: The Innovation Group

We also estimated an unconstrained future scenario based on supply and demand metrics from the Comparative Analysis. The addition of a further 4,000 machines in the Montreal market would still result in supply and demand metrics (Win per Adult of $265 and 3.5 Positions per 1,000 adults) well within the median range of the comparative set.

Table 2: Unconstrained Forecast for the Montreal Market and Implied Metrics

Adult Pop	# of Machines	Casino & VLT Slot Revenue	WPA	Positions per 1,000 Adults
3,594,158	12,550	$952,451,891	$265	3.5

Source: The Innovation Group

In conclusion, the Montreal electronic gaming market is highly undersupplied compared to other Canadian jurisdictions, and even with the addition of more than 5,000 machines beyond the current supply, the market would not yet have reached a tipping point of saturation.

MARKET AREA DEMOGRAPHICS

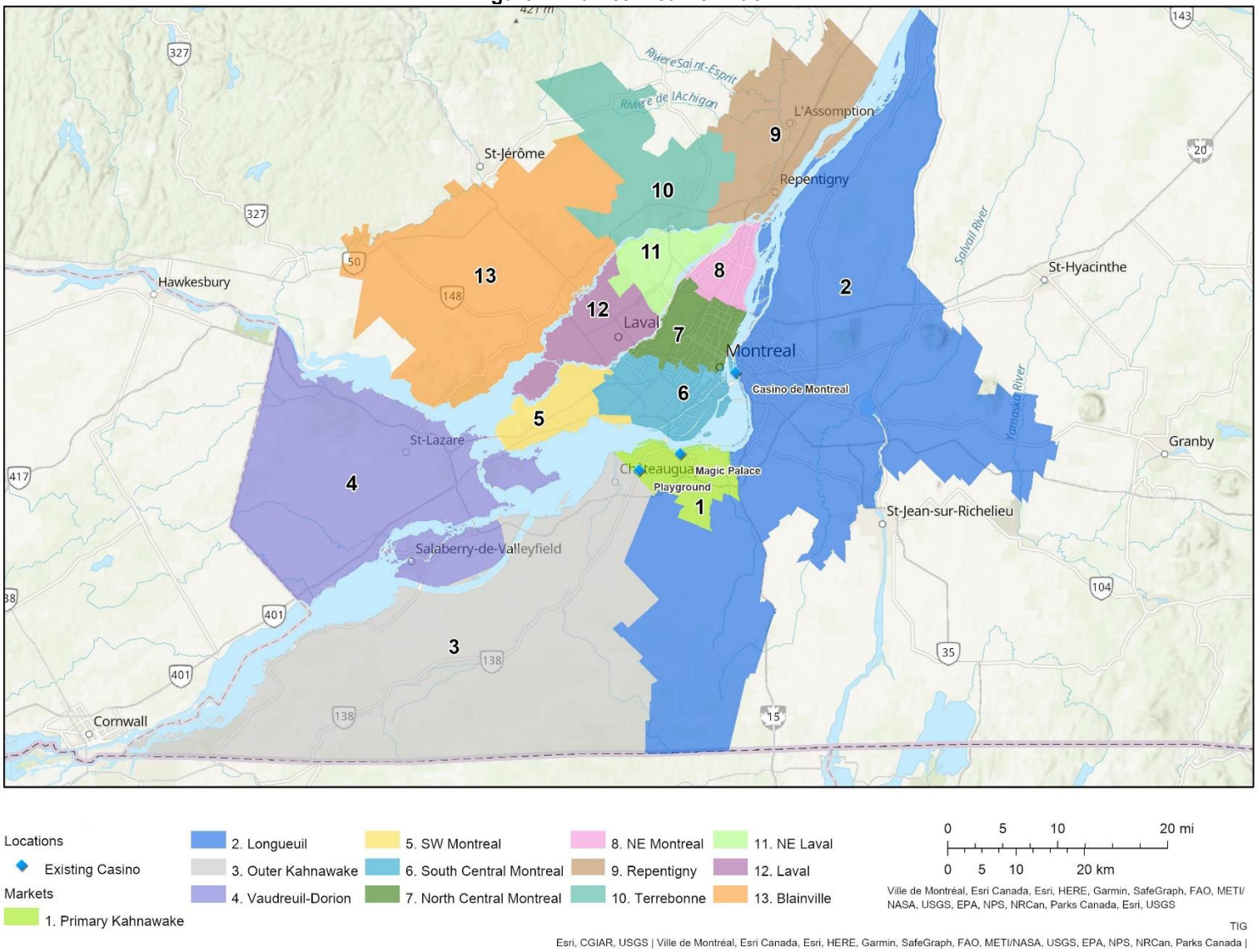
The Kahnawake market has been carved into 13 distinct market areas, from which different participation rates may be expected depending on the level and location of competition that is present in the market. The following map and table show the market areas and their respective adult population and average household income.

Table 3: Market Area Demographics

	Adult Pop 2022	Adult Pop 2027	*CAGR*	Average HHI 2022	Average HHI 2027	*CAGR*
1. Primary Kahnawake	48,086	52,053	1.6%	$113,568	$131,560	3.0%
2. Longueuil	640,545	673,752	1.0%	$117,262	$135,649	3.0%
3. Outer Kahnawake	96,441	103,180	1.4%	$94,330	$109,760	3.1%
4. Vaudreuil-Dorion	162,279	174,846	1.5%	$107,818	$125,209	3.0%
5. SW Montreal	183,691	189,860	0.7%	$138,248	$161,385	3.1%
6. South Central Montreal	562,977	585,766	0.8%	$113,069	$133,596	3.4%
7. North Central Montreal	741,568	754,608	0.3%	$85,136	$102,156	3.7%
8. NE Montreal	156,628	161,703	0.6%	$92,018	$107,425	3.1%
9. Repentigny	122,500	127,233	0.8%	$108,365	$124,129	2.8%
10. Terrebonne	139,310	150,159	1.5%	$108,779	$126,328	3.0%
11. NE Laval	69,377	72,688	0.9%	$122,751	$141,003	2.8%
12. Laval	291,615	304,331	0.9%	$110,017	$127,019	2.9%
13. Blainville	257,592	275,471	1.4%	$115,969	$133,531	2.9%
Average/Total	**3,472,609**	**3,625,650**	**0.9%**	**$107,315**	**$125,568**	**3.2%**

Source: ArcGIS/ESRI; The Innovation Group; CAGR=Compound Annual Growth Rate

Figure 1: Market Area Definition



COMPARATIVE ANALYSIS

In this section we compare the gaming supply and performance among Canadian jurisdictions, based on several key metrics.

- Win, Gaming Revenue (net or gross) refers to annual topline revenue to the casino or VLT operation before (gross) or after (net) payment of prizes to customers and covering certain promotional expenses. "Win" and gross gaming revenue (GGR) are essentially the same statistic.

- Win per Adult refers to *annual* topline gaming revenue per gaming age resident within the subject market population. Win per adult simply reflects the total amount of gaming revenue in the market on an adult per capita basis.

- Win per Position (per day) refers to *daily* topline gaming revenue per individual gaming position, or seat available, regardless of whether that is a seat at a slot machine or VLT, or at an electronic or live table. Win per Unit is a standard industry metric that measures market revenue performance. WPU is the total gaming revenue generated per machine per day, with high and low values indicating, respectively, capacity constraints or saturation.

- Positions/1,000 refers to the number of gaming positions per 1,000 adult residents. This metric measures the supply of gaming in reference to the available local population (or the Supply Ratio), with higher values indicating greater supply and accessibility.

Generally, as the supply ratio increases, suggesting greater access to casinos and supply more in line with demand, the win per adult will increase. Inversely, as the supply ratio increases, the WPU tends to decline as there are more gaming positions available to satisfy market demand.

For this analysis, we compare only jurisdictions that offer both casinos and VLTs. Western provinces tend to have the highest supply ratios as well as win per adult. Including the approximately 1,000 machines currently operating on the Kahnawake Reserve, Quebec has nearly two gaming positions per 1,000 adults, the second lowest ratio, and casino win per adult of just $112.

Table 4: Canadian Jurisdictions Casino Per Capita Performance

Province	Win per Adult	Win per Position	Positions/1,000
Alberta	$406	$208	5.4
Saskatchewan	$395	$260	4.2
Manitoba	$241	$236	2.8
PEI	$127	$274	1.3
New Brunswick	$114	$216	1.4
Quebec	$112	$161	1.9
Nova Scotia	$98	$180	1.5
Total	**$214**	**$219**	**2.6**

Source: Provincial Gaming Commissions & Control Boards; Kahnawake casinos; Canadian Census; The Innovation Group

The following table utilizes the same three metrics again, but for VLT play only. Quebec has the smallest level of supply on a per capita basis and the lowest win per adult. Of note, although Nova Scotia has a relatively under-developed casino market, it has a fairly robust VLT market.

Table 5: Canadian Province VLT Per Capita Performance

Province	Win per Adult	Win per Position	Positions/1,000
Manitoba	$336	$148	6.2
Saskatchewan	$249	$144	4.7
Nova Scotia	$227	$151	4.1
New Brunswick	$216	$193	3.1
PEI	$189	$225	2.3
Alberta	$174	$272	1.7
Quebec	$127	$240	1.5
Total	**$217**	**$196**	**3.4**

Source: Provincial Gaming Commissions & Control Boards; Kahnawake casinos; La Fleur's; Canadian Census; The Innovation Group

Combining casino *and* VLT play, Quebec has the lowest supply ratio and win per adult and the second lowest WPP.

Table 6: Canadian Province VLT + Casino Per Capita Performance

Province	Win per Adult	Win per Position	Positions/1,000
Saskatchewan	$644	$198	8.9
Alberta	$580	$224	7.1
Manitoba	$578	$175	9.0
New Brunswick	$330	$200	4.5
Nova Scotia	$325	$221	4.0
PEI	$316	$242	3.6
Quebec	$240	$195	3.0
Total	**$430**	**$208**	**5.7**

Source: Provincial Gaming Commissions & Control Boards; Kahnawake casinos; La Fleur's; Canadian Census; The Innovation Group

Moving on to a different set of statistics, the following table shows the revenue split, between casino and VLT revenue, ranked by casino revenue percentage. Quebec's split is close to 50%/50%, whereas the Maritimes tend to lean toward VLTs and the western provinces toward casinos.

Table 7: Province VLT vs Casino Revenue Split

Province	% Revenue VLT	% Revenue Casino
Alberta	30.3%	69.7%
Saskatchewan	38.6%	61.4%
Quebec	53.1%	46.9%
Manitoba	58.2%	41.8%
Prince Edward Island	59.7%	40.3%
Nova Scotia	62.5%	37.5%
New Brunswick	81.4%	18.6%

Source: Kahnawake casinos; Provincial Gaming Commissions & Control Boards; La Fleur's

In summary, the comparative metrics would indicate that Quebec is undersupplied for gaming, although the low WPP gives caution that the residents of Quebec would gamble to the extent experienced in the western provinces.

COMPETITIVE ENVIRONMENT

Competition for the two Kahnawake casinos comes from Casino du Montreal and distributed VLTs in bars etc. Loto Quebec does not differentiate slot and table revenue in its reporting; it also does not identify revenue by casino or region or report the current number of gaming positions. Therefore, only the total Quebec casino revenue and VLT revenue in the table below are actual reported numbers. The other figures are estimated based on prior segmentation.

Table 8: Quebec and Montreal Casino VLT Revenue

	Quebec	Montreal*
Casino Revenue	$668,397,000	$408,558,336
Casino Slot Revenue	$467,877,900	$245,135,001
VLT Revenue	$868,259,000	$303,890,650
Total Machine Revenue*	$1,336,136,900	$549,025,651
# of Slot Machines*	5,941	3,000
# of VLTs*	10,000	3,000
Total # of Machines*	15,941	6,000
WPU*	$230	$251

Source: Loto Quebec; The Innovation Group; *Estimate

The two Kahnawake casinos have experienced tremendous growth since re-opening from the Covid closures. Total net EGD revenue has more than tripled even though there has only been a modest increase in number of machines (26%). Win per unit per day (WPU) has increased by 2.5 times, from $106 to $263. Win per visit (WPV) has nearly doubled, from $77 to $132.

Table 9: Kahnawake EGD Revenue Trends

	Win after Adjustments	# of EGDs on Floor	WPU	WPV
Playground				
Pre-Covid	$19,202,762	390	$135	$89
FY 2023	$74,386,211	607	$336	$144
Magic Palace				
Pre-Covid	$12,067,007	413	$80	$66
FY 2023	$22,819,387	405	$154	$106
Total				
Pre-Covid	$31,269,769	802	$106	$77
FY 2023	$97,205,598	1,012	$263	$132
% Change	211%	26%	147%	71%

Source: Kahnawake casinos; The Innovation Group

The growth has been driven entirely by off-Reserve patrons. Non-Kahnawake visitation has nearly doubled while Kahnawake visitation has slightly decreased.

Table 10: Kahnawake Visitation Trends

	Total Visits	Non-Kahnawake Visits	Kahnawake Visits	% Kahnawake
Playground				
Pre-Covid	181,128	173,419	7,709	4.3%
FY 2023	415,762	405,307	10,455	2.5%
Magic Palace				
Pre-Covid	182,393	157,197	25,196	13.8%
FY 2023	215,613	199,140	16,473	7.6%
Total				
Pre-Covid	363,521	330,616	32,905	9.1%
FY 2023	631,375	604,447	26,928	4.3%
% Change	73.7%	82.8%	-18.2%	

Source: Kahnawake casinos; The Innovation Group

GAMING MARKET ANALYSIS

Methodology

Please update everything highlighted in green as appropriate.

In developing this analysis a gravity model was employed. Gravity models are commonly used in location studies for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet and inversely related to the square of the travel distance. Thus the gravity model quantifies the effect of distance on the behavior of a potential patron, and considers the impact of competing venues.

The basic formulation is that the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their "masses" – here, gaming positions – and inversely as the square distance between them. Thus, expected interaction between gaming venue i and market area j is shown as:

$$k \times \frac{N_i \times P_j}{d_{ij}^2}$$

where N_i = the number of gaming positions in gaming venue i, P_j = the population (21+) in market area j, d_{ij} = the distance between market area j and gaming venue i, and k = an attraction factor relating to the quality and amenities to be found at each gaming venue in comparison to the competing set of venues. When this formulation is applied to each gaming venue gaming trips generated from any given postal code are then distributed among all the competing venues.

The gravity model included the identification of 13 discrete market areas based on drive times and other geographic features and the competitive environment. Using our GIS software and ESRI database[1], the adult population (21 and over), latitude and longitude, and average household income is collected for each postal code. The postal codes used in this analysis were Forward Sortation Areas (FSA).

[1]The GIS software used was ArcGIS. This software allows for custom data generally in a tabular format with a geographic identification code (census tract, postal code, latitude and longitude, or similar identifier) to be mapped or displayed and integrated with other geographic census based information such as location of specific population or roadways. ArcGIS is the most widely used programs in the geographic information systems industry; the data source behind the mapping program is Esri. Esri provides census demographic and psychographic data on a variety of geographic levels. The data is updated annually and includes a current year estimate and a five year forecast for the future.

Each of these market areas is assigned a unique set of propensity and frequency factors. Gamer visits are then generated from postal codes within each of the areas based on these factors. The gamer visits thus generated are then distributed among the competitors based upon the size of each facility, its attractiveness and the relative distance from the postal code in question. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market.

Each travel distance/time is evaluated to determine the likely alternative gaming choices for residents of the region. The model is constructed to include only those alternative venues that are considered to be within a reasonable travel time. These include competing casinos that have the potential to attract patrons, or siphon off visits from the market. Travel distances and time have been developed through use of our GIS system.

The following section provides a description and definition of the various components of the model.

Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each postal code. A gamer visit can include more than one visit to a casino.

Propensity

Propensity measures the percentage of adults who will participate in casino gaming within the postal code. This varies based upon a number of factors, which includes the number of gaming venues, their type (i.e. landbased versus riverboat), games permitted, availability of other entertainment and leisure options, and most importantly distance from a gaming venue. Propensity in the inner market areas from 0-50 miles can vary between the high thirty per cent range in a single casino market to the fifty percent range, or more, for multiple land-based casinos with a well-developed array of amenities.

Frequency

This measures the average number of visits that an adult will make annually to casinos in the subject market. Frequency is a function of annual gaming budget as indicated by income variations, the number of venues in the market, the type of gaming facility and most importantly distance from a gaming venue.

Win per Visit

Win per visit is the amount of wagering retained (or "won") by the casino after prize payouts. WPV varies not only by gaming jurisdiction, but also in some cases by individual facilities. Normatively, win per visit is a function of distance and income. Gamers traveling greater distances tend to spend more per visit, typically making fewer gamer visits on average.

WPV has risen dramatically in jurisdictions throughout the US, and at the Kahnawake casinos, in the aftermath of the Covid pandemic.

Attraction Factors

Attraction factors measure the relative attraction of one gaming venue in relation to others in the market. Attraction factors are applied to the size of the gaming venue as measured by the number of positions it has in the market. Positions are defined as the number of gaming machines plus the number of seats at gaming tables. A normative attraction factor would be one. When this is applied to the number of positions in a gaming venue there is no change in the size of the gaming venue as calculated by the model and hence its attraction to potential patrons. A value of less than one adjusts the size of the gaming venue downwards and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility. Attraction factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, which is then translated via non-linear equations into an increase in the number of gamer visits attracted to the gaming venue. This is based upon the location, size and number of competing gaming venues and their relationship to the market area to which the equation is applied. The variation of these factors is based upon The Innovation Group's experience in developing and applying these models, and consideration of the existing visitation and revenues. The latter represents the calibration of the model and has been accomplished by adjusting attraction factors to force the model to recreate the existing revenues and patron counts. In this case attraction factors have been adjusted for each casino for each market area. This is based upon known visitation patterns.

Model Calibration

The gravity model was calibrated to slot machine revenue for the last 12 months (through June 2023) using proprietary data from Playground and Magic Palace. Casino du Montreal was also input into the model as discussed in the Competitive Environment section above.

The following table shows the rates for propensity, frequency, and win per visit by market area that were used to re-create the actual conditions in the Base FY2023 model. Win has been varied based on differences between market areas in average household income and travel time. The table reflects total gaming visits and revenues from the defined market area in the last 12 months.

It should be noted that the gravity model has been calibrated to Net Gaming Revenue (net of free play credits). The calibration includes a heavy discount to frequency to reflect the current undersupply of gaming positions in the Montreal market.

Table 11: Gravity Model Calibration Base FY 2023

	Gamer Pop. 2022	Propensity	Frequency	Gaming Visits	WPV	GGR ($M)
1. Primary Kahnawake	48,086	17.7%	6.0	51,084	$108	$5.5
2. Longueuil	640,545	17.0%	5.5	604,201	$109	$65.6
3. Outer Kahnawake	96,441	18.1%	6.0	104,448	$104	$10.8
4. Vaudreuil-Dorion	162,279	15.9%	5.0	130,018	$107	$13.9
5. SW Montreal	183,691	17.2%	5.6	178,128	$113	$20.1
6. South Central Montreal	562,977	18.1%	6.0	612,263	$107	$65.8
7. North Central Montreal	741,568	17.2%	5.6	718,660	$102	$73.6
8. NE Montreal	156,628	16.3%	5.2	133,279	$104	$13.9
9. Repentigny	122,500	14.6%	4.5	81,082	$108	$8.7
10. Terrebonne	139,310	14.4%	4.5	89,892	$108	$9.7
11. NE Laval	69,377	15.6%	5.0	53,709	$110	$5.9
12. Laval	291,615	16.6%	5.3	257,747	$107	$27.7
13. Blainville	257,592	15.5%	4.9	195,168	$109	$21.2
Total	**3,472,609**			**3,209,680**	**$107**	**$342.4**

Source: The Innovation Group

Playground Expansion

Next, we ran a model to assess the impact of the Playground Casino placing on the floor the approximately 550 machines it has in storage. We have eased up on the reductions in frequency related to capacity constraints.

Table 12: Gravity Model Playground Expansion

	Gamer Pop. 2022	Propensity	Frequency	Gaming Visits	WPV	GGR ($M)
1. Primary Kahnawake	48,086	17.7%	6.0	51,084	$108	$5.5
2. Longueuil	640,545	17.0%	6.3	684,761	$108	$74.2
3. Outer Kahnawake	96,441	18.1%	6.8	118,374	$104	$12.3
4. Vaudreuil-Dorion	162,279	15.9%	5.7	147,353	$107	$15.7
5. SW Montreal	183,691	17.2%	6.4	201,879	$112	$22.7
6. South Central Montreal	562,977	18.1%	6.8	693,898	$107	$74.3
7. North Central Montreal	741,568	17.2%	6.4	814,482	$102	$83.1
8. NE Montreal	156,628	16.3%	5.9	151,049	$104	$15.7
9. Repentigny	122,500	14.6%	5.1	91,893	$107	$9.9
10. Terrebonne	139,310	14.4%	5.1	101,877	$108	$11.0
11. NE Laval	69,377	15.6%	5.6	60,870	$110	$6.7
12. Laval	291,615	16.6%	6.0	292,114	$107	$31.3
13. Blainville	257,592	15.5%	5.5	221,191	$109	$24.0
Total	**3,472,609**			**3,630,826**	**$106**	**$386.2**

Source: The Innovation Group

Forecast Additional Expansion

Next, we ran a model to assess the impact of adding an additional 1,000 EGDs to the Kahnawake Reserve. We have further eased up on the capacity constraint reductions in frequency. For the purpose of this hypothetical forecast, we have necessarily assumed that a third casino would be developed since we were unable to identify how each of the two existing casinos would split the additional 1,000 machines. We also wanted to see how a third casino would impact Playground and Magic Palace.

Table 13: Gravity Model Additional Casino (2022 Population)

	Gamer Pop. 2022	Propensity	Frequency	Gaming Visits	WPV	GGR ($M)
1. Primary Kahnawake	48,086	17.7%	6.0	51,084	$108	$5.5
2. Longueuil	640,545	17.0%	7.3	792,174	$108	$85.4
3. Outer Kahnawake	96,441	18.1%	7.8	136,943	$103	$14.1
4. Vaudreuil-Dorion	162,279	15.9%	6.6	170,468	$107	$18.2
5. SW Montreal	183,691	17.4%	7.4	237,497	$112	$26.5
6. South Central Montreal	562,977	18.3%	7.9	816,112	$107	$86.9
7. North Central Montreal	741,568	17.2%	7.4	942,244	$102	$95.8
8. NE Montreal	156,628	16.3%	6.8	174,743	$103	$18.1
9. Repentigny	122,500	14.6%	5.9	106,307	$107	$11.4
10. Terrebonne	139,310	14.5%	5.9	119,852	$107	$12.8
11. NE Laval	69,377	15.7%	6.6	71,625	$109	$7.8
12. Laval	291,615	16.7%	7.1	343,550	$107	$36.6
13. Blainville	257,592	15.6%	6.5	260,216	$108	$28.2
Total	**3,472,609**			**4,222,814**	**$106**	**$447.4**

Source: The Innovation Group

Lastly, we advanced this forecast model to 2026 to reflect population and income growth.

Table 14: Gravity Model Additional Casino (2026 Population)

	Gamer Pop. 2026	Propensity	Frequency	Gaming Visits	WPV	GGR ($M)
1. Primary Kahnawake	51,234	17.7%	6.0	54,428	$110	$6.0
2. Longueuil	666,927	17.0%	7.3	824,801	$110	$91.1
3. Outer Kahnawake	101,789	18.1%	7.8	144,536	$106	$15.3
4. Vaudreuil-Dorion	172,243	15.9%	6.6	180,934	$109	$19.7
5. SW Montreal	188,605	17.4%	7.4	243,850	$114	$27.9
6. South Central Montreal	581,034	18.3%	7.9	842,288	$109	$91.9
7. North Central Montreal	751,955	17.2%	7.4	955,442	$104	$99.6
8. NE Montreal	160,665	16.3%	6.8	179,248	$106	$19.0
9. Repentigny	126,267	14.6%	5.9	109,577	$110	$12.0
10. Terrebonne	147,919	14.5%	5.9	127,258	$110	$14.0
11. NE Laval	72,012	15.7%	6.6	74,345	$112	$8.3
12. Laval	301,736	16.7%	7.1	355,473	$109	$38.8
13. Blainville	271,773	15.6%	6.5	274,541	$111	$30.4
Total	**3,594,158**			**4,366,721**	**$109**	**$474.1**

Source: The Innovation Group

Summary

The following table summarizes the gravity model forecasts for the Kahnawake Reserve. Net slot revenue is estimated to increase to nearly $230 million in today's dollars and $243 million in a 2026 scenario.

Table 15: Kahnawake Slot Machine (EGD) Gravity Model Forecasts

	Units	Net Revenue	WPU
Calibration FY 2023	1,000	$96,759,585	$265
With Playground Storage Slots Engaged (FY 2023)	1,550	$141,708,489	$250
With Third Facility (FY 2023)	2,550	$229,818,550	$247
With Third Facility (2026)	2,550	$243,741,214	$262

Source: The Innovation Group

The following table shows the results by casino.

Table 16: Kahnawake Slot Machine (EGD) Gravity Model Forecasts by Facility

	Third Facility	Magic Palace	Playground	Total Kahnawake
Calibration FY 2023	$0	$22,691,039	$74,068,547	$96,759,585
With Playground Storage Slots Engaged (2023)	$0	$21,871,727	$119,836,763	$141,708,489
With Third Facility (2023)	$109,338,327	$18,371,300	$102,108,922	$229,818,550
% Change		-16.0%	-14.8%	62.2%
With Third Facility (2026)	$115,830,308	$19,507,467	$108,403,439	$243,741,214

Source: The Innovation Group

To validate the reasonableness of our projections, we assessed the implications for total gaming supply and revenue in the Montreal market, including VLTs, to compare to the comparative set in Table 6. The addition of 1,550 machines at Kahnawake would result in only modest increases in Win per Adult and Positions per 1,000 adults.

Table 17: Implied Metrics for the Montreal Market

	Adult Pop	# of Machines	Casino & VLT Slot Revenue	WPA	Positions per 1,000 Adults
Calibration FY 2023	3,472,609	7,000	$646,231,250	$186	2.0
With Playground Storage Slots Engaged (FY 2023)	3,472,609	7,550	$690,042,074	$199	2.2
With Third Facility (FY 2023)	3,472,609	8,550	$751,233,301	$216	2.5
With Third Facility (2026)	3,594,158	8,550	$777,932,025	$216	2.4

Source: The Innovation Group

Lastly, we estimated an unconstrained future scenario based on median-level metrics from Table 6. The addition of a further 4,000 machines in the Montreal market would still result in supply and demand metrics (Win per Adult of $265 and 3.5 Positions per 1,000 adults) well within the median range of the comparative set.

Table 18: Unconstrained Forecast for the Montreal Market and Implied Metrics

Adult Pop	# of Machines	Casino & VLT Slot Revenue	WPA	Positions per 1,000 Adults
3,594,158	12,550	$952,451,891	$265	3.5

Source: The Innovation Group

In conclusion, the Montreal electronic gaming market is highly undersupplied compared to other Canadian jurisdictions, and even with the addition of more than 5,000 machines beyond the current supply, the market would not yet have reached a tipping point of saturation.

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.