

Scotiabank Centre

Business Plan 2018/19

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Message from the CEO & Chair

Scotiabank Centre has built a strong reputation of hosting the best, most diverse lineup of sporting and entertainment events over its rich 40 year history. As we look to the future, we will build on this legacy, investing in a facility that has been a continued source of community vibrancy and pride in Halifax and Nova Scotia.

We will continue to focus on programs and partnerships that ensure we sustain our position as the leading sports and entertainment venue in Atlantic Canada. Through customer feedback and collaboration with our partner, Halifax Regional Municipality (HRM), we will develop a long-term vision and strategy that serves to enhance the in-venue and fan experience. We will do this all while successfully operating in a dynamic, ever-changing industry, where customer and community expectations continue to evolve.

Over the past 40 years, we've responded and adapted to many changes through facility enhancements, new partnerships and processes, but our focus has remain unchanged. We are committed to delivering memorable event experiences for each and every guest we welcome through our doors.

Yours truly,



Carrie Cussons,
President & CEO



Justin McDonough,
Chair, Board of Directors

Overview & Context

Scotiabank Centre is the largest multipurpose facility in Atlantic Canada, serving as the region's premier venue for major entertainment and sporting events and the nucleus of major event activity in Nova Scotia. It is owned by HRM and managed and operated by Events East Group. Our focus is on ensuring the professional and effective delivery of events that drive community and economic impact.

With a seating capacity of more than 10,000 and the versatility to accommodate a range of events, Scotiabank Centre offers a variety of event experiences. Each year we host over 400,000 attendees, resulting in average direct expenditures of approximately \$30-35 million annually. Our anchor tenants include the Halifax Mooseheads, the Halifax Hurricanes, and the Royal Nova Scotia International Tattoo.

As we embark on year two of our five-year Events East strategic plan, we will continue to focus on strategies that drive business growth and positively impact our guests' in-venue experience.

This year, Scotiabank Centre will be undergoing a significant capital renovation with the replacement of our ice slab, which is a core piece of infrastructure that has reached end of life. This necessary capital upgrade project will result in the closure of the facility from July to October 2018.

The sale of the existing WTCC and the Office Tower will also impact Scotiabank Centre this year, resulting in shared facilities and service agreements with the new owner. Emphasis will be placed on managing this transition responsibly while ensuring stable operations.

Our strategic focus for the coming year will be defining a long-term mandate for the facility in collaboration with HRM and ensuring critical strategies are developed to support our vision.

2018-19 Priorities & Activities

In 2018-19, we will continue to emphasize the effective delivery of our core business while looking for ways to evolve the in-venue and fan experience. Our strategic priorities are rooted in the following focus areas, which align with the organization's long-term vision:



Guest Experience: Treat all of our guests to a unique Nova Scotia experience.



Community Connection: Partner with our community to co-create a memorable guest experience.



Business Growth: Drive incremental business by leveraging our relationships and facility.



Talent & Culture: Create an authentic guest-focused culture.



Accountability & Sustained Performance: Demonstrate we are well-run and governed.

1. Guest Experience

Focused on delivering a unique, authentic experience for our guests, we will continue to identify key facility enhancements and programs that will augment the in-venue experience. As part of the implementation of our guest-focused strategy, we will also develop an improved approach to communication and engagement with our guests.

Actions:

- Continued emphasis on key facility enhancements and programs that will drive improved in-venue experience including:
 - Development of a multi-year concessions program in partnership with Centerplate to drive growth and increase customer satisfaction.
 - Continued assessment of our security program and implementation of key measures.
 - Assessment of Premium Seating experience.
- Enhance customer communication program to increase fan engagement and feedback. This will include full roll-out of our guest services program and additional tools to facilitate two-way communication, including a new website.

2. Community Connection

Consistent with our commitment to an enhanced guest experience, this year we will work with our partners to effectively position and communicate the role of Scotiabank Centre.

Actions:

- Roll out brand position and strategy.
- Highlight the value of the facility to the community through a proactive publicity strategy that promotes facility enhancements and marquee event announcements.
- Finalize a community relations program that clearly defines Scotiabank Centre's focus and commitment.

3. Business Growth

Attracting and hosting significant events is at the core of what we do. We will continue to foster key relationships to ensure we can deliver a strong event mix that will meet customer expectations and make our community proud.

Actions:

- Implementation of multi-year event attraction strategy, including stakeholder consultation.
- Validate prospective tenant and event development opportunities.
- Undertake corporate advertising/sponsorship review.

4. Talent & Culture

Our people are core to the delivery of the great events we host and the memorable experiences we create. We will continue to focus on shaping our internal culture to foster an engaged, committed team.

Actions:

- Development of employee recognition program aligned with corporate values.
- Implementation of Scheduling, Time and Attendance.

5. Accountability & Sustained Performance

In keeping with our commitment to accountability and effective governance, we will continue to operate in full compliance with our operating agreement, in collaboration with HRM. We will work together to ensure we have effective strategies in place to manage through our transition and continue to evolve our business to meet the expectations of our partners and community.

Actions:

- Meet budgeted revenue and expense targets.
- Continue with multi-year capital priorities plan with emphasis on the ice slab replacement project, including planning and risk mitigation.
- Develop long-term strategy to define the vision and mandate for Scotiabank Centre resulting in framework to drive multi-year operating agreement with HRM.
- Successful transition to new shared services and facilities agreement following WTCC building sale.

Core Outcomes & Measures

While our strategic priority areas will guide our activities, we will monitor and measure our performance in the following core areas:

CORE ACCOUNTABILITY MEASURES

MEASURE	2018-19 TARGET
Total direct spending and economic benefit	Generate direct spending of approximately \$29M as a result of the events we host
Number of events and attendees hosted	Host 105 events with total projected attendance of 390,000
Financial performance	Generate revenue of \$6.5M Manage event expense ratio to no more than 47%
Shareholder compliance	Compliance with operating agreement

Budget Context

Scotiabank Centre faces unique challenges from a budget and financial context. Our emphasis is on optimizing event mix, sustaining premium product and sponsorship revenue, and delivering on increasing customer expectations. We balance this with operational efficiency and the need to manage our infrastructure. Areas of risk to meeting our overall goals are the operation and maintenance of an aged facility as well as the variability of event mix and corresponding event attendance.

Historically, Scotiabank Centre has targeted a sustainable break-even operating financial position and consistent direct expenditures. The 2018-19 budget is a departure from historical operational budgets with a budgeted net loss of (\$730k). There are two significant one-time events that contribute to this:

- The replacement of the original facility ice slab, a major capital renovation; and,
- The transition to a new shared services and facilities agreement.

The ice slab replacement, a capital project funded by HRM, is scheduled to start in July and end with ice making in late October. During this time, there will be no event activity, resulting in a delayed start to the Halifax Mooseheads' 2018-19 home season and a condensed home schedule, as well as lost event opportunities.

The budget includes mitigation plans to reduce variable event costs, however, there is minimal opportunity to reduce fixed costs during the ice slab project. Included in event expenses is a risk mitigation provision focused on preventing revenue erosion and providing for contingency planning.

In late 2017-18, Armco took ownership of the WTCC and Office Tower building. This resulted in the creation of a shared services and facilities agreement between HRM and Armco related to the operation of the plant and facilities that are now shared between two owners. The agreement specifies the allocation of costs and contains a first year estimated budget.

This new private sector ownership of the WTCC complex introduces many unknowns for Scotiabank Centre in its role as operator of the facility. For this reason, forecast changes throughout the year are anticipated as the structure is assessed and the relationship solidifies.

The budgeted 2018-19 Scotiabank Centre Operating Income before Building Costs is budgeted to be \$458.4, compared to the \$938.8 forecast for 2017-18. After building costs, a deficit of \$730.0 is budgeted (2017-18 forecast \$0).

Operations Budget Summaries

(For the year ended March 31)

In \$000's	Budget 2018-19	Forecast 2017-18
Event Revenues	2,858.2	3,093.3
Advertising and Sponsorship	1,125.1	1,034.4
Premium Product	2,498.2	2,493.4
Other	25.0	96.2
Total Revenue	6,506.5	6,717.3
Event Expenses	3,051.3	2,798.5
	46.9%	41.7%
Contribution	3,455.2	3,918.8
	53.1%	58.3%
Indirect Expenses	2,996.8	2,935.0
Operating Income (Loss) Before Building Costs	458.4	983.8
Building Costs		
Shared Services & Facilities	957.6	
Recoverable Shared Services & Facilities	(489.3)	
SBC Property Services	584.1	983.8
Shared Spaces Fees	136.0	
Net Expense to SBC	1,188.4	983.8
Operating Income (Loss)	(730.0)	0.0