

Calgary Exhibition and Stampede Limited COVID-19 Impacts and Credit Facility Amendments (Confidential)

COVID-19 impacts – Short term projections

	2020 Revised Budget	2019	2018	2017	2016
Gross Revenue	32,112	154,105	149,255	142,998	135,993
Provincial Government Grants	6,672	7,112	7,674	7,674	7,674
Direct Expenses	(22,081)	(104,034)	(102,631)	(97,314)	(93,282)
Subtotal	16,703	57,183	54,298	53,358	50,385
Indirect Expenses (Note 2)	(35,178)	(40,059)	(38,298)	(37,755)	(35,246)
Amortization	(13,712)	(14,876)	(12,361)	(12,541)	(12,922)
Excess of Revenue over Expenses	(32,187)	2,248	3,639	3,062	2,217

Note 1: Includes Amortization of deferred contributions, based on an accounting change to realign CES reporting with other not-for-profit organizations (CES' Auditor, PwC has reviewed and concurs, based on its experience with other not-for-profits).

Note 2: Includes Administration, Marketing, Park Maintenance, Interest, and Employee Benefits.

	2020 Revised Budget	2019	2018	2017	2016
EBITDA less UCE before Deferred Contributions	(23,234)	8,449	6,440	7,575	8,504
Deferred Contributions	4,726	5,394	4,273	4,358	4,338
EBITDA less UCE*	(18,508)	13,843	10,713	11,933	12,842
Debt Service Requirements (Post Principal Holiday)	4,147	7,905	7,961	7,601	7,511
Annual DSCR**	-4.46	1.75	1.35	1.57	1.71
4-Year Rolling Average DSCR**	0.65	1.59	1.53	1.58	1.57
=EBITDA Less UCE/(Debt Service Requirements)					

Revised 2020 budget:

Due to current restrictions in effect for all public gatherings resulting from the COVID-19 pandemic, CES's year-round business has been halted since mid-March including cancellation of the 2020 Stampede Exhibition. As such, the organization has prepared a revised 2020 budget based on known and probable activity over the next several months.

For fiscal year 2020, the budgeted loss reflected in the revised budget is approximately \$32.2 million with a negative EBITDA less unfunded capital expenditures of (\$18.5) million. The original 2020 budget contemplated excess revenue over expenses of \$2.3 million and EBITDA less unfunded capital expenditures of \$12.8 million.

The revised budget reflects the full cancellation of the Stampede Exhibition for the 2020 year after \$3.5 million in sunk costs were already incurred but naming rights remain for sponsorship revenues. No event revenues are anticipated from 2020 March 12 to 2020 July 31 inclusive. Activity is forecasted to gradually resume in August 2020 assuming the provincial relaunch strategy supports this timeframe. Events held post-relaunch will be smaller and less complex than previously planned.

The revised budget takes into account temporary layoffs of 90% of CES staff, which began on March 17th. Related benefit costs and two weeks of wage top-ups provided to those laid off are reflected in the revised budget. The current level of staffing will continue to the end of August when CES anticipates bringing back staff to approximately 50% of pre-layoff levels to service its year-round events business and start planning for the 2021 Calgary Exhibition and Stampede.

CES plans to halt all discretionary spending in order to reduce fixed and variable expenses wherever possible. Where contracts are in place, CES will work to reduce, defer and/or cancel those obligations in response to the current economic environment. Regulatory and compliance based expenses are allowed to continue, however, CES has reviewed all such expenses in detail to ensure that all expenditures are absolutely necessary. Only internal events and community programs where revenues are expected to exceed expenses were incorporated in the revised budget, with all other events assumed to remain cancelled for the duration of 2020.

The original 2020 capital budget was set at \$6.0 million. All capital spending has been placed on hold with the exception of items that are considered operationally necessary, which items primarily relate to the BMO Expansion project. The revised 2020 capital budget is now \$2.4 million which includes \$986 thousand of capital committed to date plus \$1.5 million of capital deemed necessary in the remainder of the year.

With respect to CES's BMO credit facilities and financial covenants, the revised 2020 budget reflects a current year Debt Service Coverage Ratio ("DSCR") of -4.46 and a 4-year average of 0.65, which is below (in breach) of the 1.0:1 covenant requirement. The projected operating shortfall is approximately \$9.6 million and, in the absence of a covenant waiver or amendment, CES would need to generate cash through operations or increased government support. Note: projected 2020 DSCR assumes that CES receives a long-term debt principal holiday for the remaining three payments during the year.

Based on revised excess revenue over expenses of negative \$32.2 million, adjusted for non-cash items and timing differences of cash inflows and outflows, and including debt servicing costs, the revised budget implies \$17.5 million of CES's available credit facilities will be needed to fund operations in 2020. The forecast incorporates \$1.0 million repatriated from the casino applied to pay a portion of the land lease owing to CES and \$3.0 million from the Calgary Stampede Foundation applied to pay a portion of the \$5.0 million loan used by the Foundation to renovate the Transalta School for the Performing Arts. Also, CES has collected approximately \$15 million in deposits toward premium seating and rodeo and evening show ticketing. The revised budget estimates that \$4.8 million will need to be refunded to customers with the remainder being left as deposits for 2021. This impacts timing of cash flow.

The revised budget was intended to provide a conservative, but reasonable scenario based on the most current information available to CES at the time of budgeting, however, any further delays experienced with resuming its event business and activities in the fall could further reduce operating profit.

BMO Credit Facilities Amendment Request

Based on its revised 2020 budget, CES has requested amendments to its BMO credit facilities to assist with near term liquidity challenges resulting from COVID-19 and various actions taken to help prevent its spread and maintain the health and safety of Calgarians.

BMO has provided its approval of the following amendments; The City's consent is required in order to formalize such amendments and put them into effect:

- 1) CES's operating facility to remain at \$20 million on a year-round basis compared to a reduction to \$12.5 million from August to February of each year;
- 2) A principal holiday on City-guaranteed facilities starting 2020 June 30 with principal payments resuming 2021 September 30;
- 3) Exclusion of fiscal year 2020 operating results from CES's 4-year rolling DSCR; and
- 4) Other amendments as required to carry out the changes stated above.

Amendments and/or waivers of financial covenants in The City's credit facilities will also be required in order to permit and align with the foregoing proposed changes.