

Programs, Net Position and the Liquor Enterprise Fiscal Year 2018

INTRODUCTION

JobsOhio plays a leading role in economic development and serves as a catalyst to accelerate growth by investing in communities, helping Ohio's businesses expand and attracting new companies to the state – all contributing to job creation, greater payrolls and more investment.

Our strategies and programs are designed to improve the lives of Ohioans and strengthen the communities where they live. JobsOhio focuses on nine industries and five cross sector strategies that help to diversify Ohio's economy. These industries and strategies leverage Ohio's strengths and offer significant future investment and job growth. JobsOhio focuses its economic development efforts on a diverse portfolio of targeted industries and business functions that drive the state's economy and have the greatest impact on job creation.

This document highlights the JobsOhio programs and activities that help drive economic development in Ohio and the liquor enterprise that funds JobsOhio. All figures are as of June 30, 2018, the end of JobsOhio's fiscal year.

JOBSOHIO PROGRAMS

Loans receivable balance of \$90.9 million as of June 30, 2018 relates to disbursements to 44 companies. The loans receivable balance is 88.4 percent higher than the same time last year. JobsOhio has loan agreements with 55 companies and the terms of the loans outstanding provide for disbursements of up to \$129.4 million.

Grant expense for the year was \$72.5 million, representing a 27.3 percent increase over last year. As of June 30, 2018, JobsOhio had \$118.4 million in committed, but unpaid grants.

In addition to program expenses, JobsOhio's increase in operating costs was largely due to a 16.3 percent increase in payroll expenses as JobsOhio continues to invest in and build out its team. At June 30, 2018, JobsOhio had 88 associates, compared to 74 a year earlier.

NET POSITION

Net position was \$584 million as of June 30, 2018, up from \$493 million a year earlier. The net position includes \$143 million in restricted cash tied to the liquor enterprise and is pledged for operating expenses, debt service and supplemental payments.

JobsOhio's net position does not include \$286 million in commitments (not executed agreements) in economic development projects that are potential future liabilities. These commitments must be considered when assessing JobsOhio's available capacity for additional projects and investments.

(\$ in millions)	Twelve months ended		Change
	6/30/18	6/30/17	
Revenues			
Total Revenues	\$1,196.6	\$1,103.5	8.4%
Expenses			
Operating	\$937.7	\$863.4	8.6%
<i>Operating Margin</i>	21.4%	21.7%	
Bond interest	\$54.8	\$55.7	
Total Expenses	\$992.5	\$919.1	8.0%
Net Income	\$204.1	\$184.4	10.7%
JobsOhio Beverage System			
Operating Income	\$255.6	\$239.1	6.9%
Operating Margin	21.4%	21.7%	
Adjusted Operating Income	\$347.6	\$307.8	12.9%
Adjusted Operating Margin	29.1%	27.9%	

JOBSOHIO BEVERAGE SYSTEM

Revenues from sales of spirituous liquor for fiscal year 2018 increased by 7.6 percent to \$1.187 billion. Sales volume increased by 4.0 percent. Consumer preferences for more premium products helped drive overall sales growth.

Retail sales to customers totaled \$863.2 million, representing an 8.5 percent increase over last year. Wholesale liquor sales to bars and restaurants totaled \$323.7 million, representing a 5.5 percent increase over last year.

Adjusted operating profits (adjusted for intangible asset amortization and supplemental payments) for JOBS were \$347.6 million during the year, yielding an adjusted operating margin of 29.1 percent, which is 1.2 percentage points higher than last year. The increased margin was driven by investments JOBS made in new IT systems, distribution centers, customer service representatives, and a new third-party logistics partner in fiscal year 2017.

JOBS sells liquor to consumers through its Contract Liquor Agency Stores (“Stores”) on a consignment basis. JOBS inventory at June 30, 2018 was \$76.0 million, which is a 3.4 percent increase from the inventory balance on June 30, 2017. This increase was driven by JOBS’ updated inventory management system, which now includes minimum product levels to help prevent Stores from running out of stock.

In 2018, the Ohio Division of Liquor Control (“DLC”) has committed to add new Store contracts based on market research conducted by an independent business analytics firm. To that end, DLC has advertised for 35 potential locations and has awarded 26 contracts for new Stores. With four existing Stores closing this calendar year, DLC has added 22 net new contracts in 2018.

As part of JOBS’ acquisition of the liquor enterprise from the State, JOBS agreed to make supplemental payments to the State based on the operating profits of the enterprise. For fiscal year 2018, JOBS paid the State \$36.8 million, representing the largest supplemental payment made to date. Since the acquisition, JOBS has paid the State more than \$126 million in supplemental payments.