



F.Y. 2019-20 Business Plan

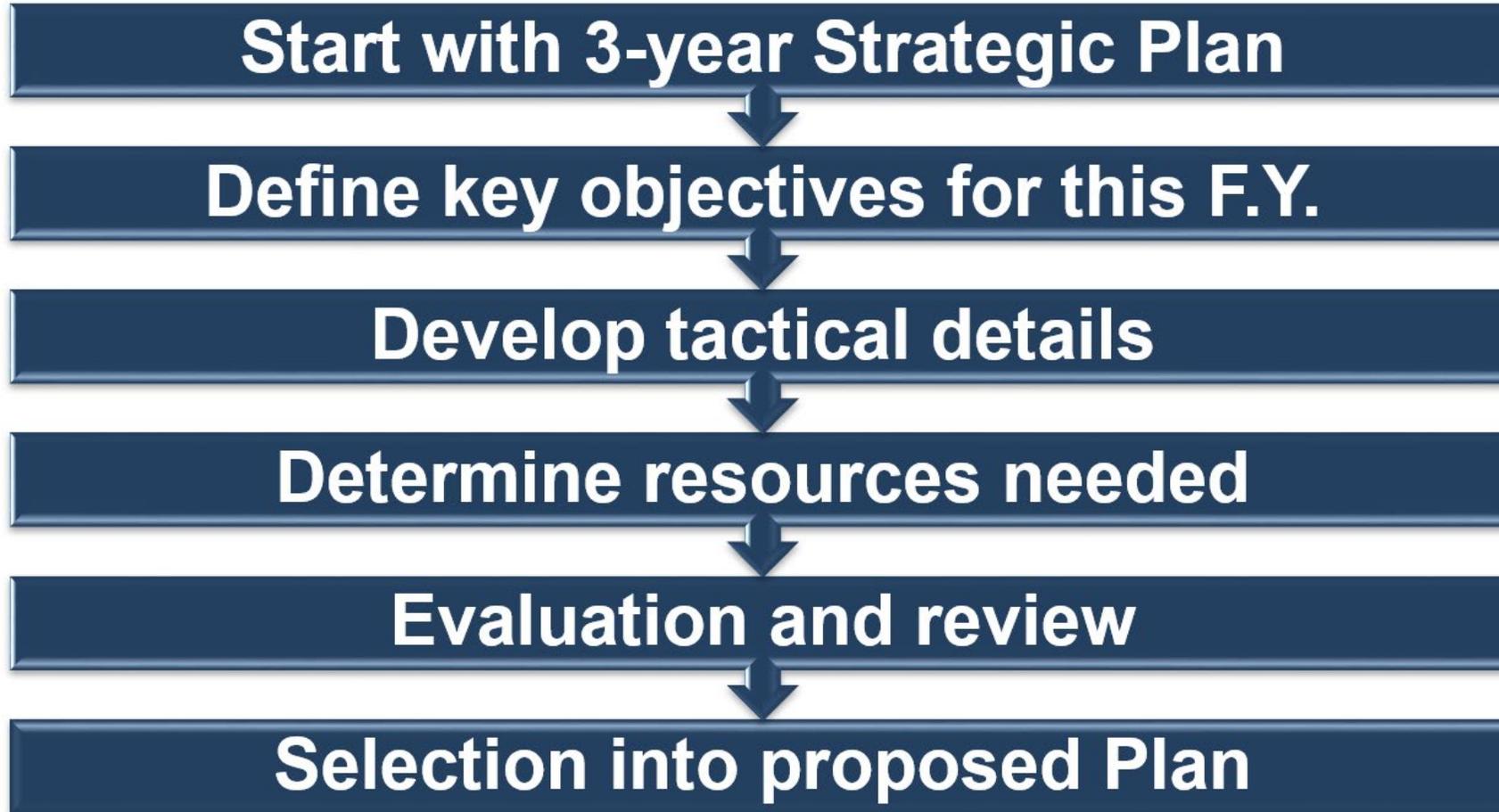
Presentation to
California State Lottery Commission
May 23, 2019

Accomplishments from F.Y. 2018-19

- Record-breaking sales: more than \$400 million higher than prior year
- Largest prize awarded in CA Lottery history: \$546 million
- Record-setting mobile app and website traffic during \$1.6 billion jackpot
- Lottery app receives Best of California Award for Check-A-Ticket feature
- Successful Pilot of same-day payment of claims at District Office
- Fresno District Office - awarded LEED Gold Certification, Santa Fe Springs District Office earned EPA Energy Star rating
- Over 22,000 new terminals installed at retail



Annual Process



Objectives for F.Y. 2019-20

In support of our key themes and strategies, we have developed 4 pillars for this Fiscal Year:

- Grow sales of all Jackpot Games and Hot Spot[®]
- Continue moderate growth of Scratchers[®] sales
- Improve the customer experience for players, retailers and internal customers
- Elevate perceptions about the Lottery to grow player base



Create Sales Growth in Jackpot Games and Hot Spot

Highlight from Business Review of Powerball

F.Y.	Jackpot	Sales	Earned Media
2016	\$500M	\$33.08M	\$2.86M
2017	\$535M	\$25.60M	\$1.28M
2018	\$570M	\$25.92M	\$2.91M
2019	\$550M	\$17.81M	\$1.85M
2018	\$620M	\$29.85M	\$4.36M
2019	\$625M	\$22.04M	\$1.13M
2017	\$700M	\$57.38M	\$3.89M
2018	\$750M	\$20.79M	\$2.06M
2019	\$750M	\$33.95M	\$3.01M

- More frequent big jackpots have reduced the interest and engagement of players and news media.
- Additional advertising support needed to offset decreased earned media when big jackpots occur.



Create Sales Growth in Jackpot Games and Hot Spot

- Draw Games have higher profit rates than Scratchers, making it a critical focus.
- A need to engage existing players through Marketing efforts particularly when big jackpots occur
- Fewer barriers to play these games exist presenting opportunities to attract new players



Discover Opportunities to Enhance Games to Fuel Future Growth

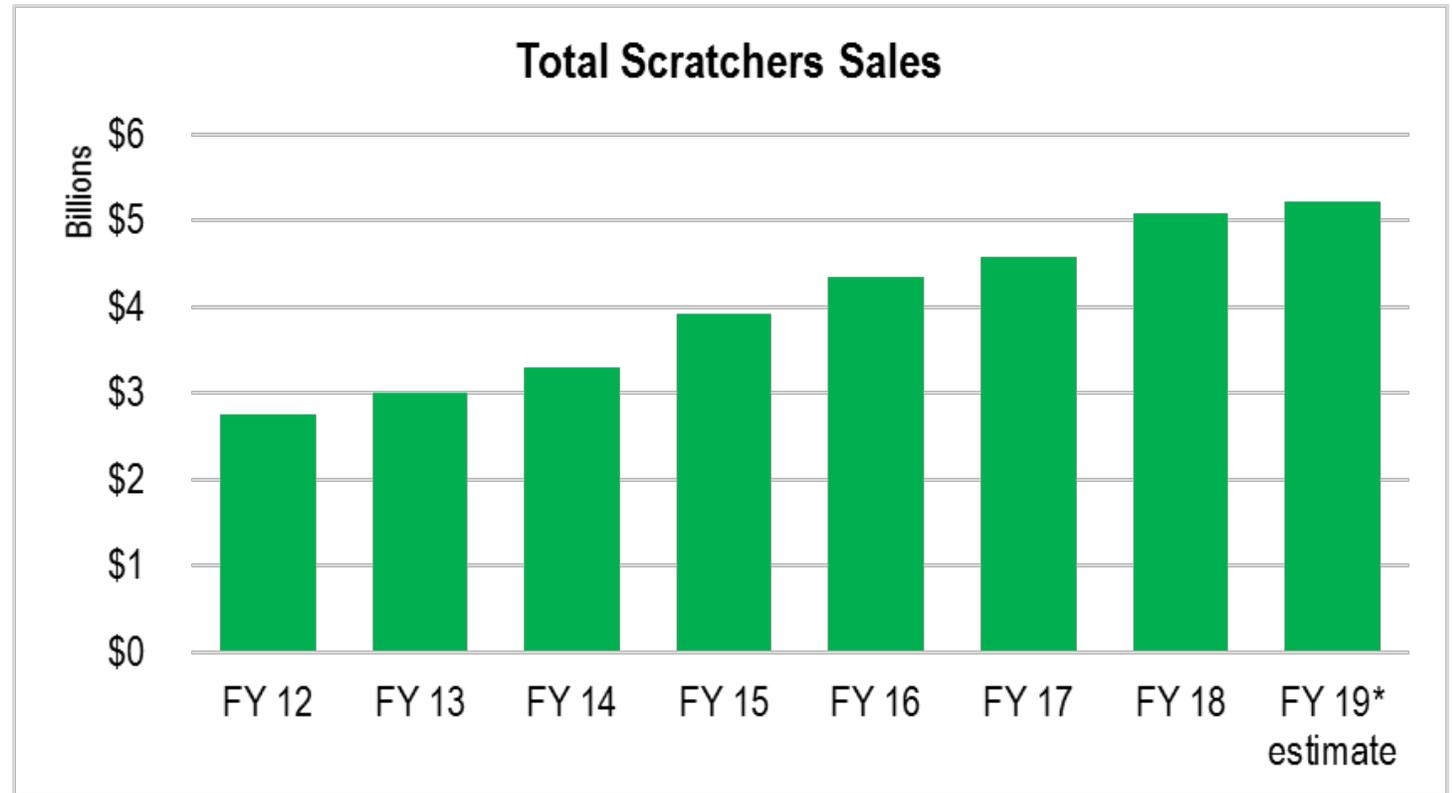
Examples include:

- Assessment of draw times of in-state Draw Games
- Conduct R & D on potential new features or additions to Draw Games
- Network Expansion: Net gain of 75 more social retailers selling Hot Spot by June 2020



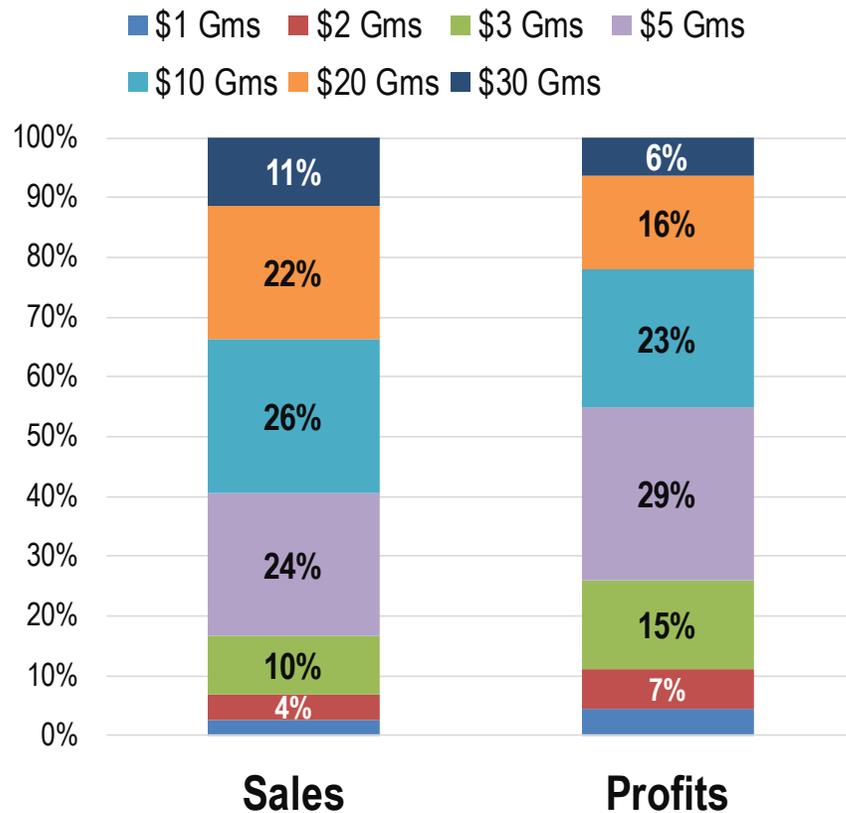
Continue Moderate Growth in Scratchers

- Scratchers has seen tremendous sales growth over past 10 years due to higher price points
- However, growth rate has slowed a bit
- F.Y. 2019-20 to focus on profitability



Greater Focus on Delivering Higher Profits

Share of Scratchers Sales & Profits
by Price Point



- Efforts should be proportionate to profit contribution not just sales contribution
 - \$2 Game provides more profits than \$30
 - \$3 Game nearly same profit dollars as \$20
- More emphasis on lower price points in F.Y. 2019-20
 - Full year of larger \$1 ticket
 - An additional \$1 game being launched
 - Types of games/themes for \$1 and \$2

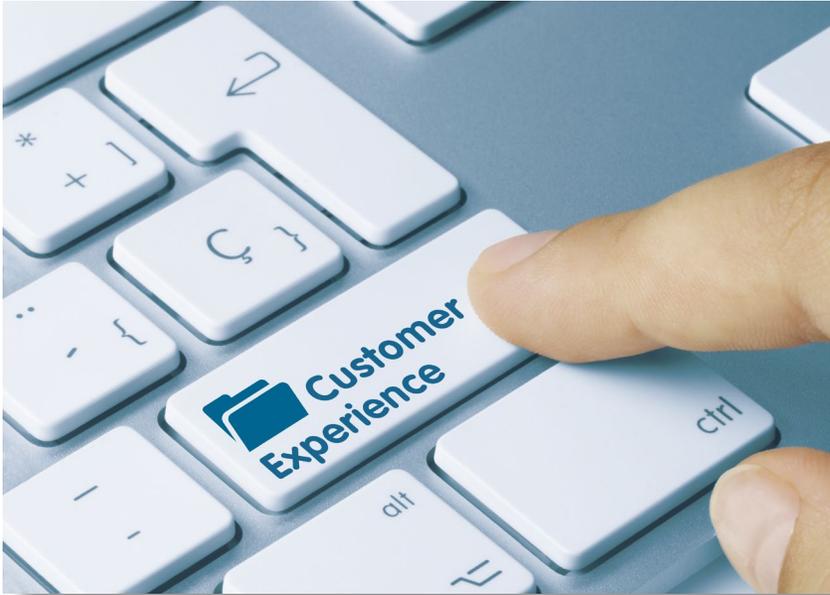


Other Elements for Scratchers Plans

- 52 Games being launched in F.Y. 2019-20
- Popular Crossword-style games continue to drive engagement with more versions like a holiday variant.
- Use data analytics to identify retail activities having greatest impact on Scratchers sales; then concentrate resources against those retail tactics
- Network Expansion: Net gain of 350 retailers
- Continue to evolve communications and advertising strategies and vehicles for existing players and non-players.



Customer Experience (CX) Remains Critical for Players, Retailers and Employees



- Driving force behind all of today's top performing companies
- With so many choices, customers walk away from business providing poor CX
- Understanding player and retailer touch points and “pain points”



Improvements at Retail



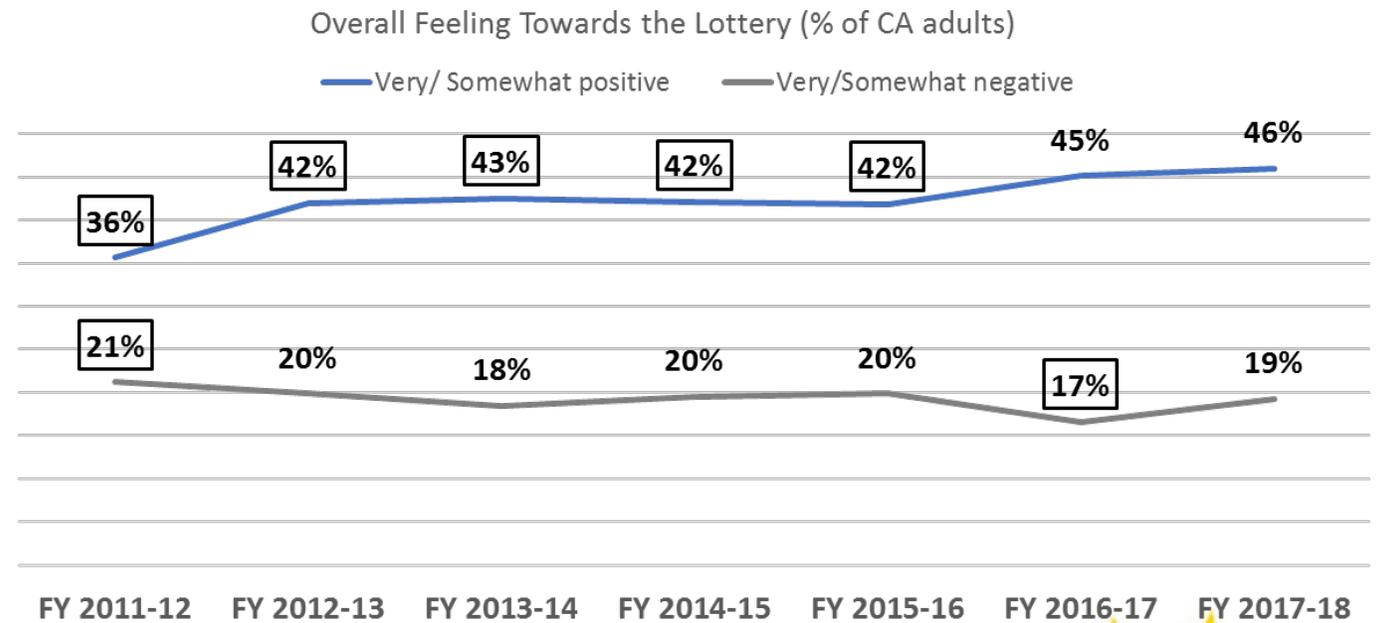
- Gaming System enhancements continue, including completion of new terminals across all Lottery retailers
- New Retailer Online Portal will be completed and launched



Elevate the Perception of the Lottery Brand

Highlight from Business Review

- Research shows that the perception of the Lottery is improving.
- Brand perception remains critical to drive participation.



Box indicates value is statistically different from F.Y. 2018 at 90% confidence level. Source: Communications Effectiveness Tracking Study, F.Y. 2018



It's All About Ensuring Trust



- Consumers trusting the Lottery to fulfill its mission and requirements; also trusting our products
- Doing the “right thing” by promoting Responsible Play and awareness of problem gambling help line
- Safeguarding consumers and retailers with enhanced data and information security projects



In Conclusion

- F.Y. 2019-20 narrows strategic focus on four pillars and delivers both sales gains in the current year and building for future growth

