



Draft FY 2024-25 Business Plan

Informational Item xx
Presented to
California State Lottery Commission

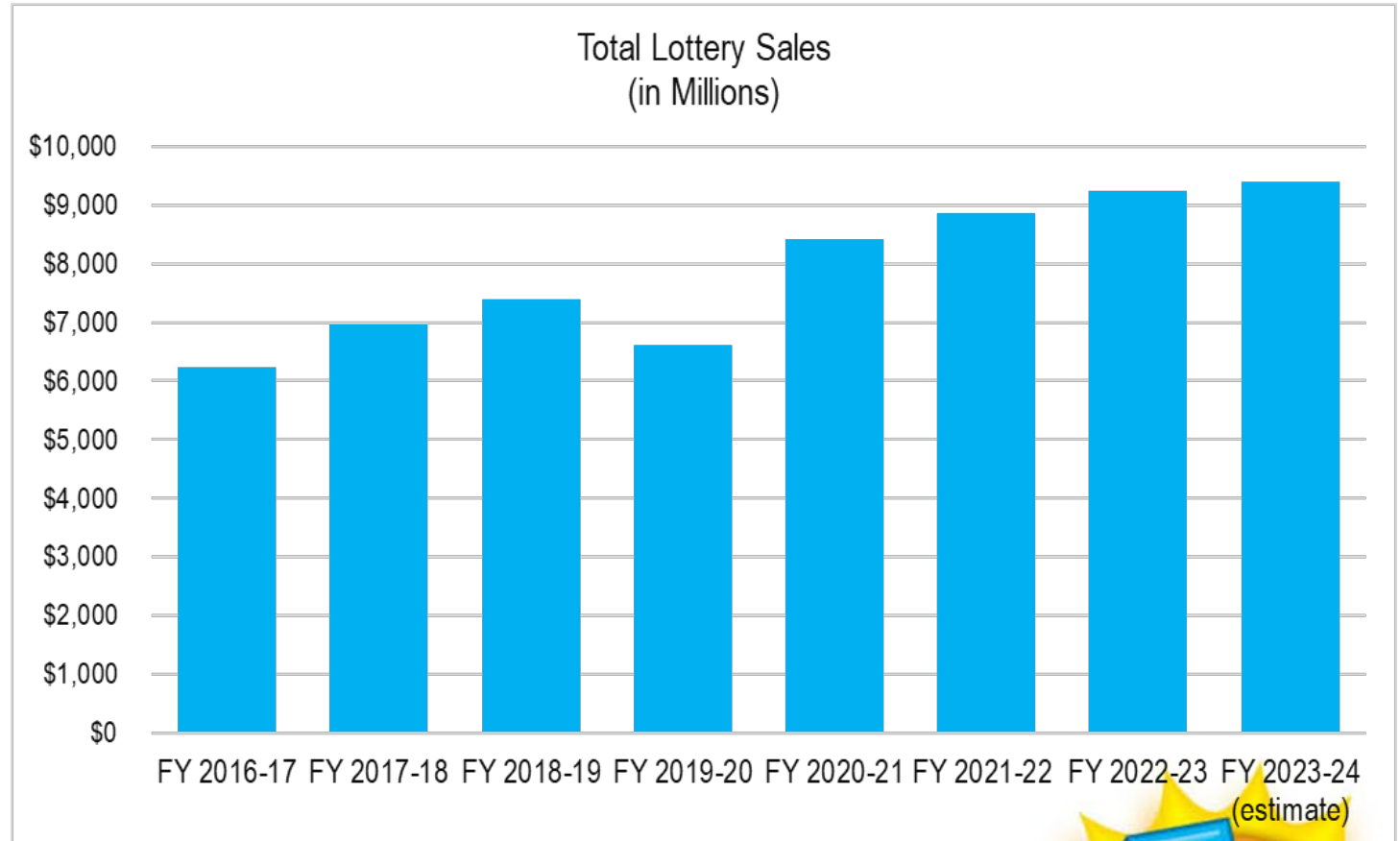
Scope of Today's Presentation

- Recap from current fiscal year
- Other Insights from a review of the business that help drive the objectives and strategies in the Business Plan
- Proposed Objectives for the FY 2024-25 Business Plan and beyond
- Details of the Tactics to support these objectives will be provided as part of the June presentation

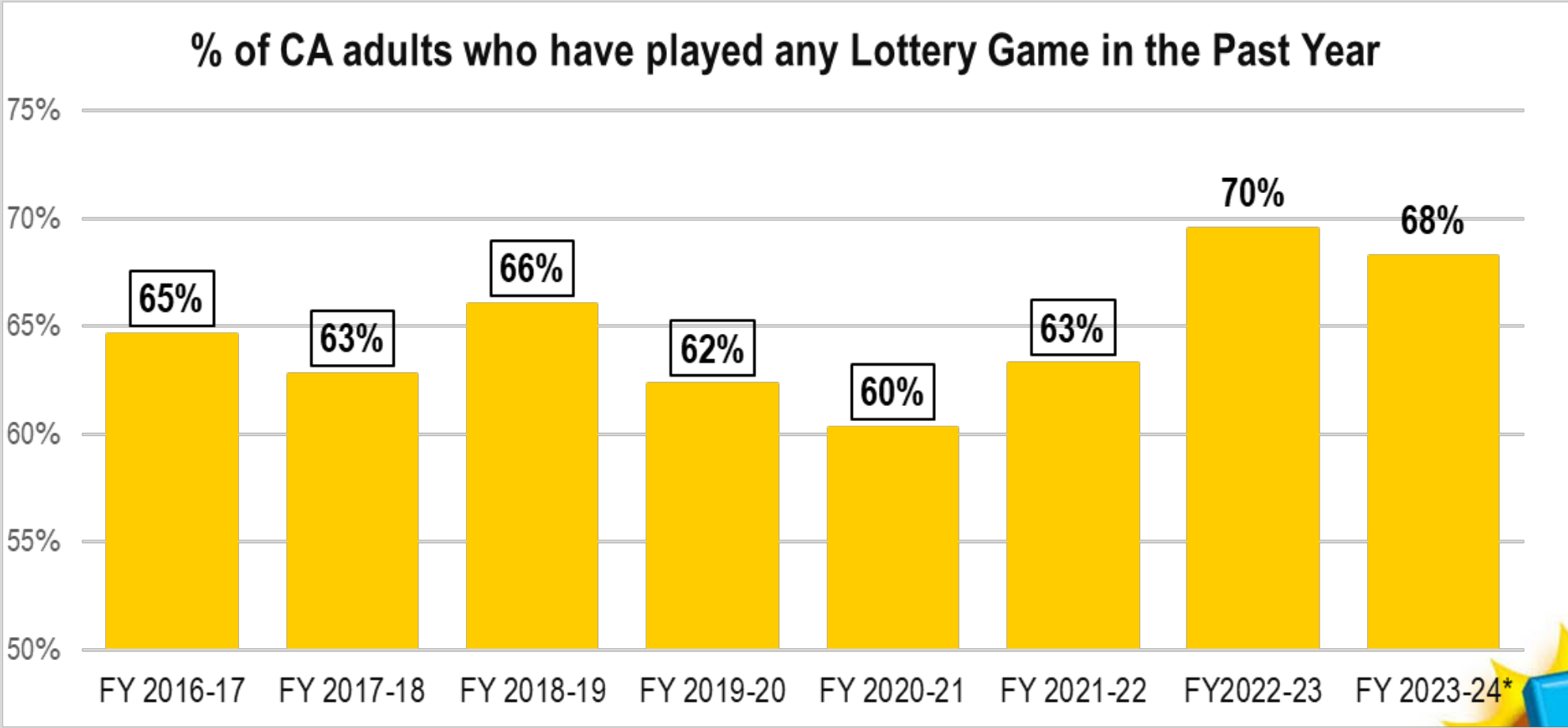


Lottery Sales by Fiscal Year

- The current year is on pace to set yet another sales record!
- The last four fiscal year have seen sales far exceed pre-pandemic levels



Lottery playership continues at high levels



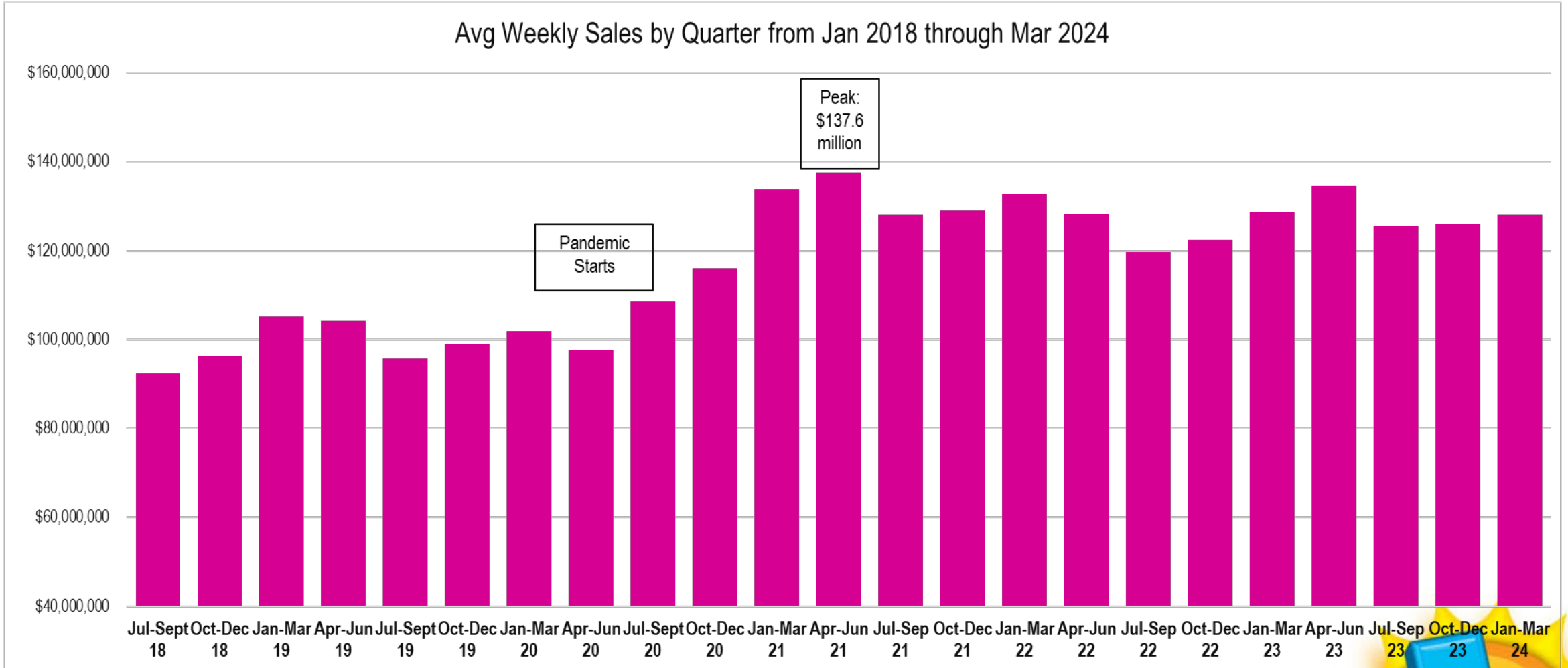
Note:

Source: Continuous Communications Effectiveness Tracking Study



Scratchers Sales Trends

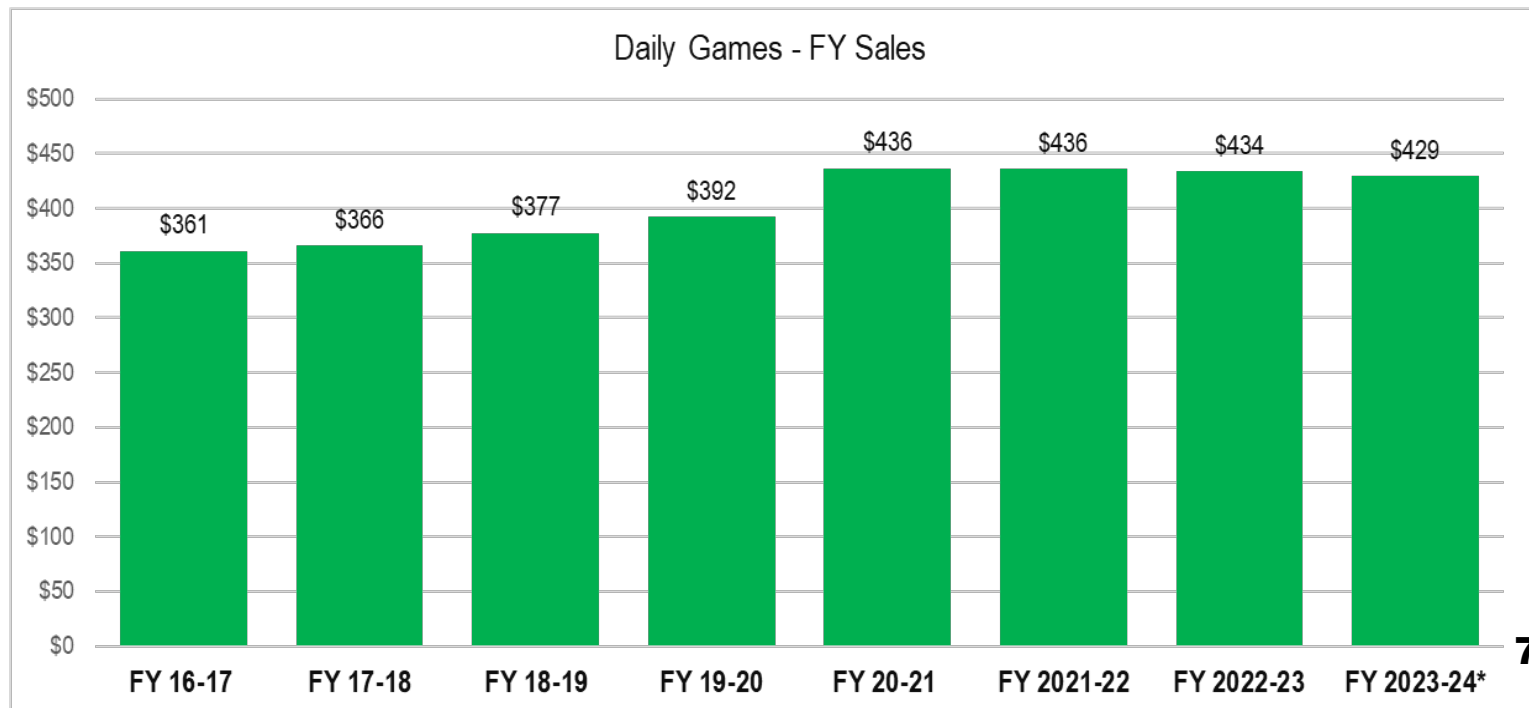
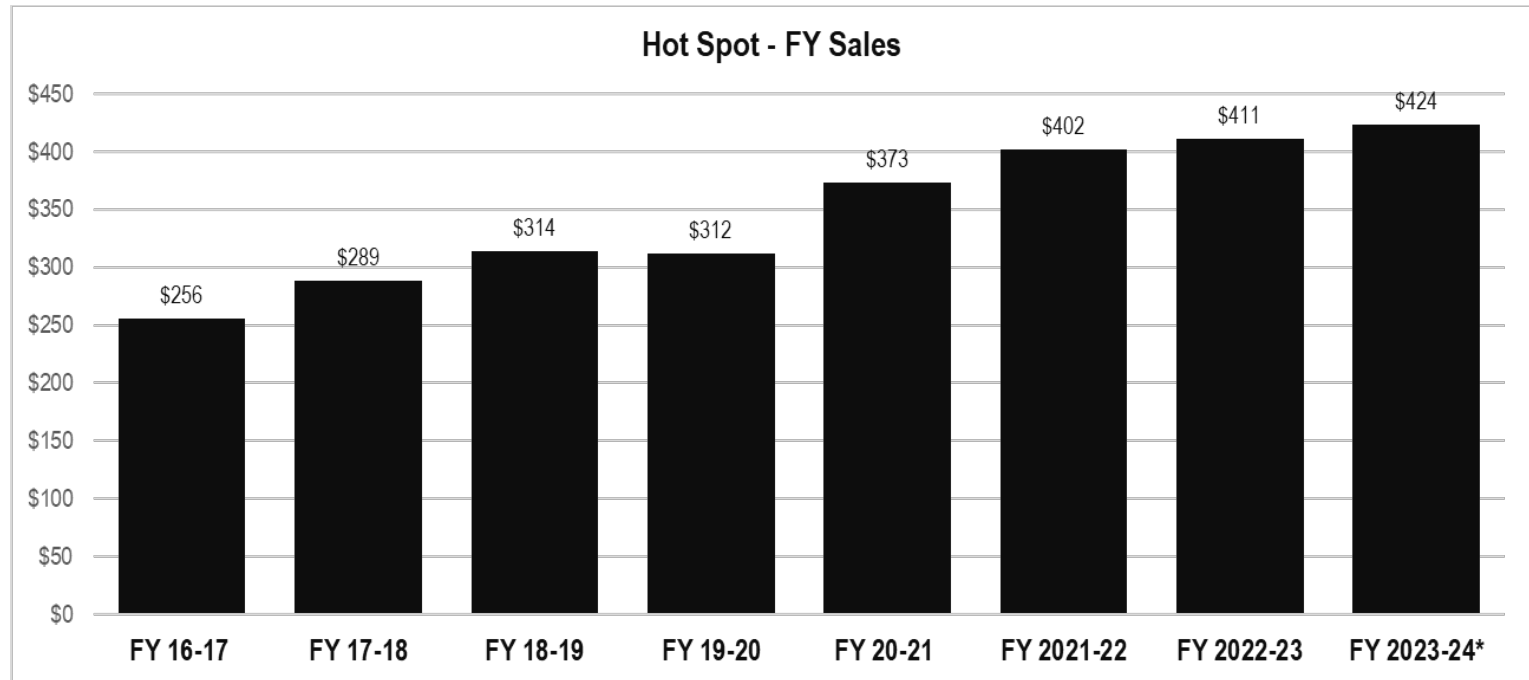
Avg Weekly Sales by Quarter from Jan 2018 through Mar 2024



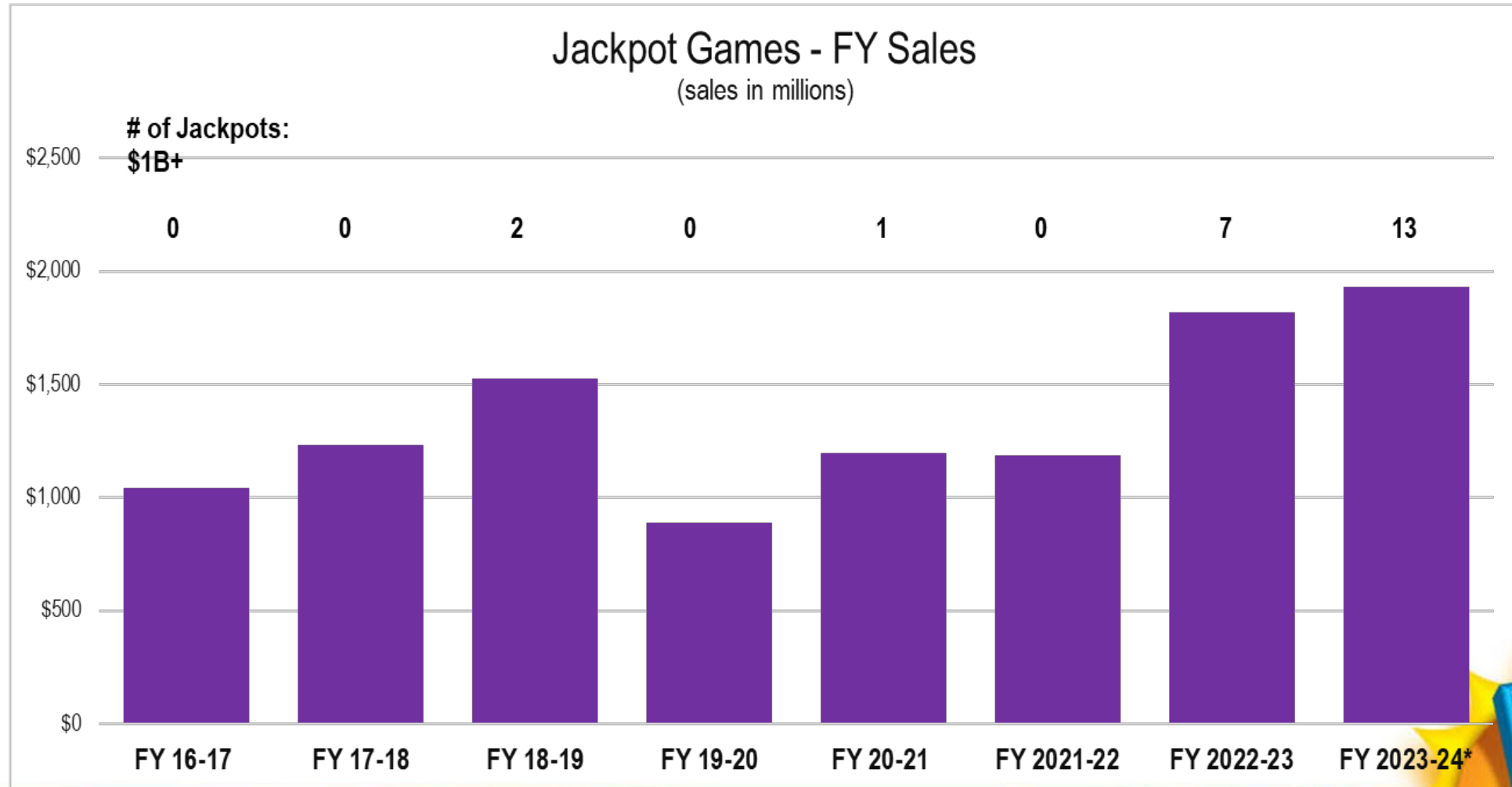
Hot Spot sales growth continued in FY 2023-24

On the other hand, sales of Daily Games continues to slightly decline

* Estimated Sales for FY 2023-24



Large jackpots in Mega Millions and Powerball continue to fuel sales in FY 2023-24



* Estimated Sales for FY 2023-24

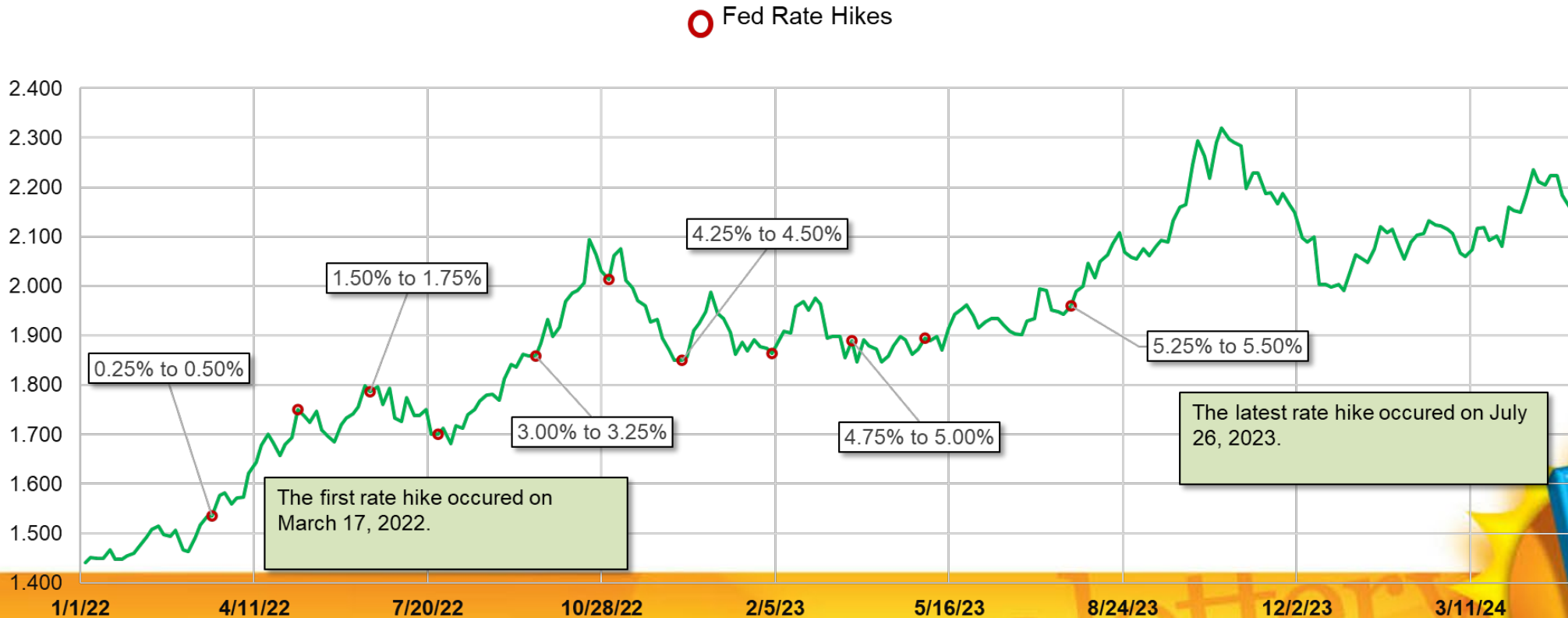
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Factors leading to More Big Jackpots in Recent Years

- Rising interest rates helped fuel bigger jackpots and sales
- Fortunate “rollover luck” – quantified

Annuity Factor over Time



As the Annuity Factor Increases, Fewer Sales are Needed to Fund the Jackpot

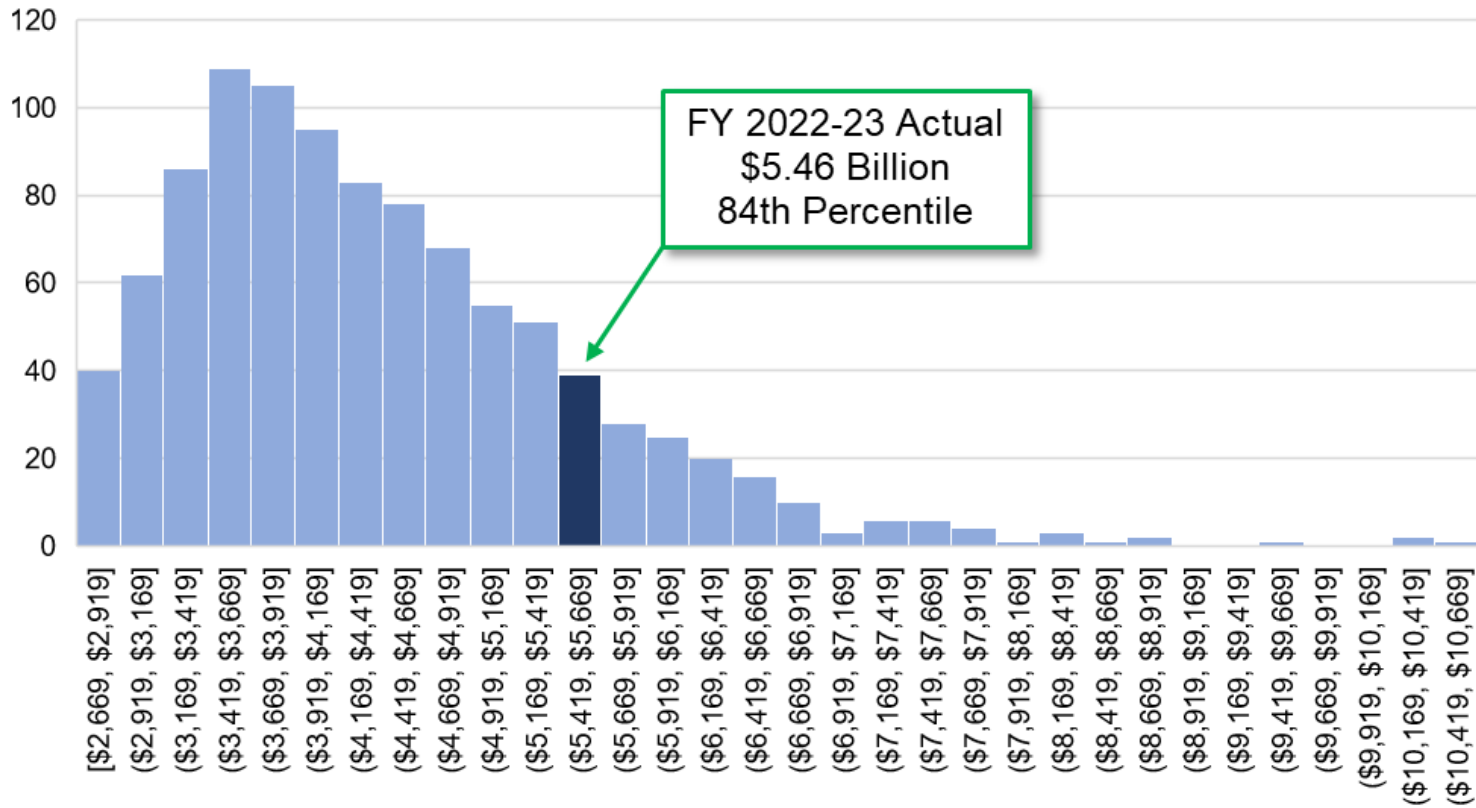
Mega Millions Sequences to \$1 Billion

| | Sequence 1 (Before Fed Rate Hikes) | Sequence 2 (2 nd and 3 rd Rate Hike) | Sequence 3 (6 th and 7 th Rate Hike) | Sequence 4 (Final 2 Rate Hikes) |
|--|---------------------------------------|---|---|------------------------------------|
| Date Range | 9/18/2020 – 1/22/2021 | 4/19/2022 – 7/29/2022 | 10/18/2022 – 1/10/2023 | 4/21/2023 – 8/1/2023 |
| Average Annuity Factor | 1.300 | 1.731 | 1.961 | 1.929 |
| Number of Rolls to reach \$1 Billion | 37 | 30 | 25 | 30 |
| Approx. Sales Needed to Fund a \$1 Billion Jackpot | \$2,043,060,774 | \$1,534,361,067 | \$1,354,400,310 | \$1,376,868,329 |



FY 2022-23 was a “lucky” year for Jackpots in both Multi-State Games

Mega Millions: Distribution of Potential Annual Sales Outcomes for FY 2022-23 (in millions)



- A 1,000-year simulation was used to show just how likely it was that each of the Multi-State games would have reached the sales levels they attained in FY 2022-23.
- **Powerball** had similar rollover luck with annual sales reaching the 85th percentile.



Jackpot Fatigue

- Sales at comparable jackpot levels are lower in 2023 after the multiple draws with jackpots of \$1 billion or more in CY 2022
- Similarly, the earned media from press pick up of big jackpots has decreased in 2023.

| | Jackpots of \$1 billion - \$1.3 billion | | Jackpots of \$1.5 billion or more | |
|---------|--|-----------------------------|--------------------------------------|-----------------------------|
| | Average Sales per Draw | Value of Earned Media | Sales | Value of Earned Media |
| CY 2022 | \$65,000,000 | \$361,495 | \$79,600,000 | \$434,653 |
| CY 2023 | \$28,400,000 | \$195,733 | \$36,800,000 | \$253,595 |



Implications

- With interest rates anticipated to be cut in 2024 and 2025, the prize money won't stretch as far – reducing the size of the annuitized J/P
- With jackpot fatigue, sales will be at 2023 levels or a bit lower resulting in jackpot sequences taking longer to reach high levels
- The sales goal can't assume such great rollover luck as we experienced in FY 2022-23 at the 85th percentile. These lucky years, create high years in the 5-year average for contributions.
- Assuming 'average rollover luck', sales goals for MM and PB will be much lower than actual sales the past couple of years.



Recap: Positive Impact from Scratchers Category Repositioning Effort



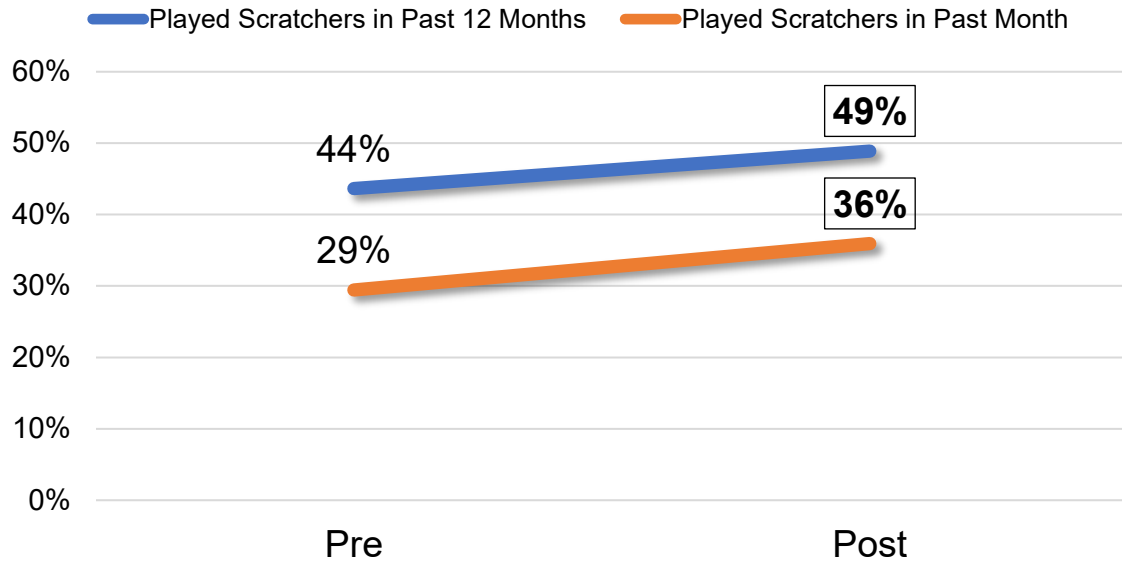
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The Scratchers Category Repositioning Efforts significantly increased Scratchers playership and brought new players into the category.

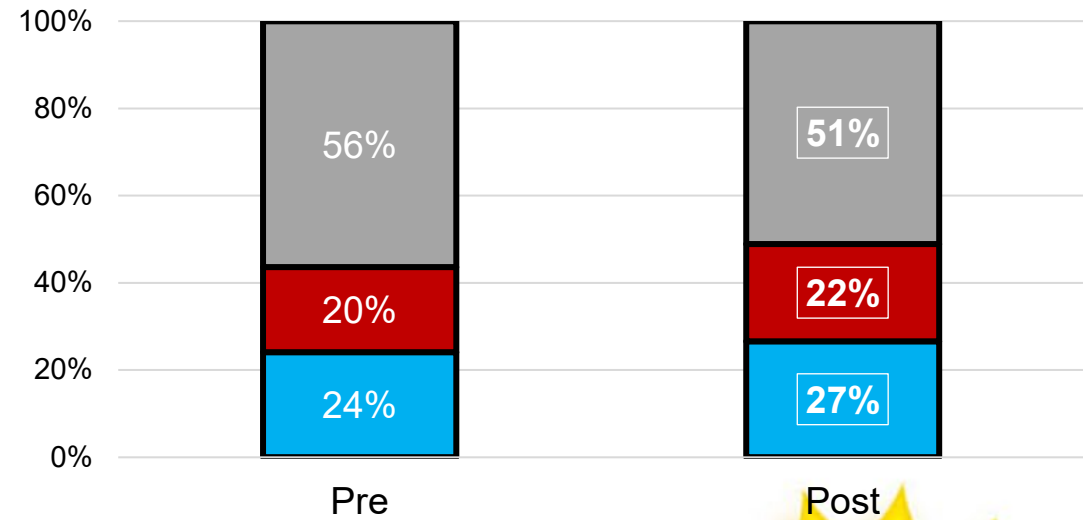
Scratchers Playership

% of CA Adults



Scratchers Player Segments

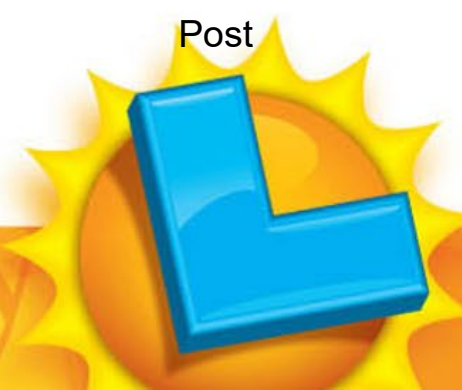
% of CA adults



- Did not play Scratchers in past 12 months
- Casual Scratchers Player
- Core Scratchers Players

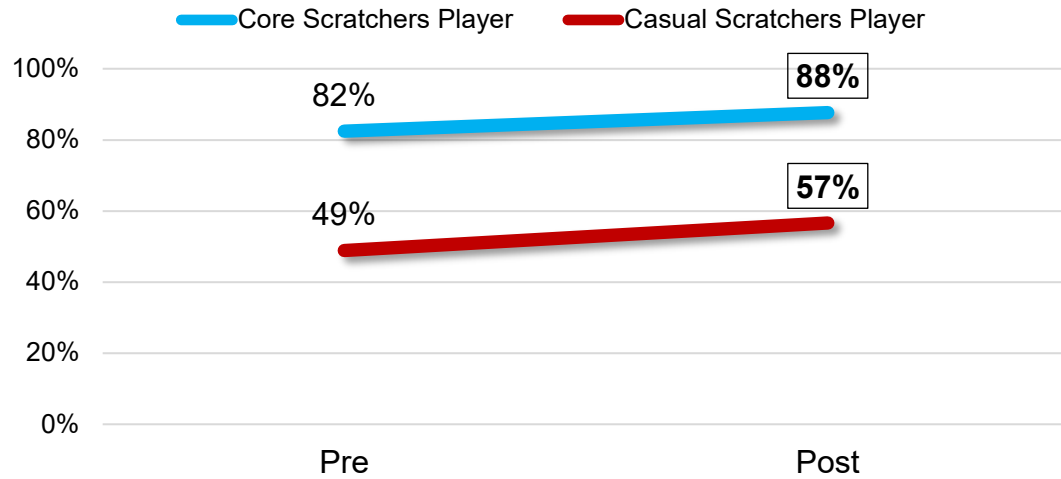
Boxes indicate statistically different at 90% confidence level from Pre.
Pre (FY19-FY22Q1), Post (FY22Q2-FY24Q3)

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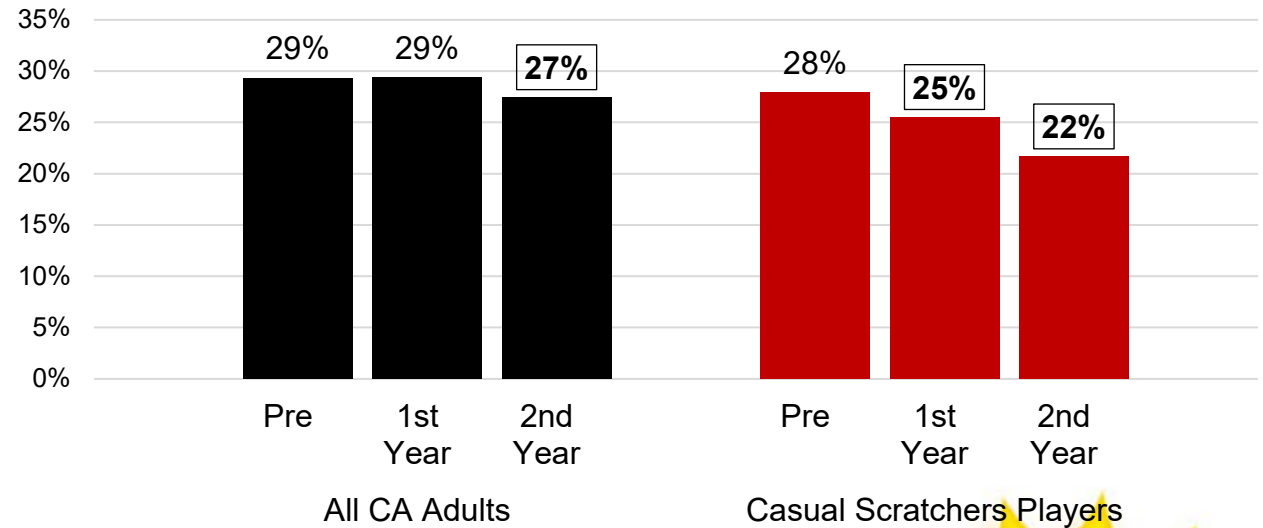
Casual Players, the key audience for the efforts, are playing more frequently as perceptual barriers are weakening.

Scratchers past month playership among core and casual players



Percent of those who feel guilty about spending money on Scratchers

Top 3 Box (8,9,10)



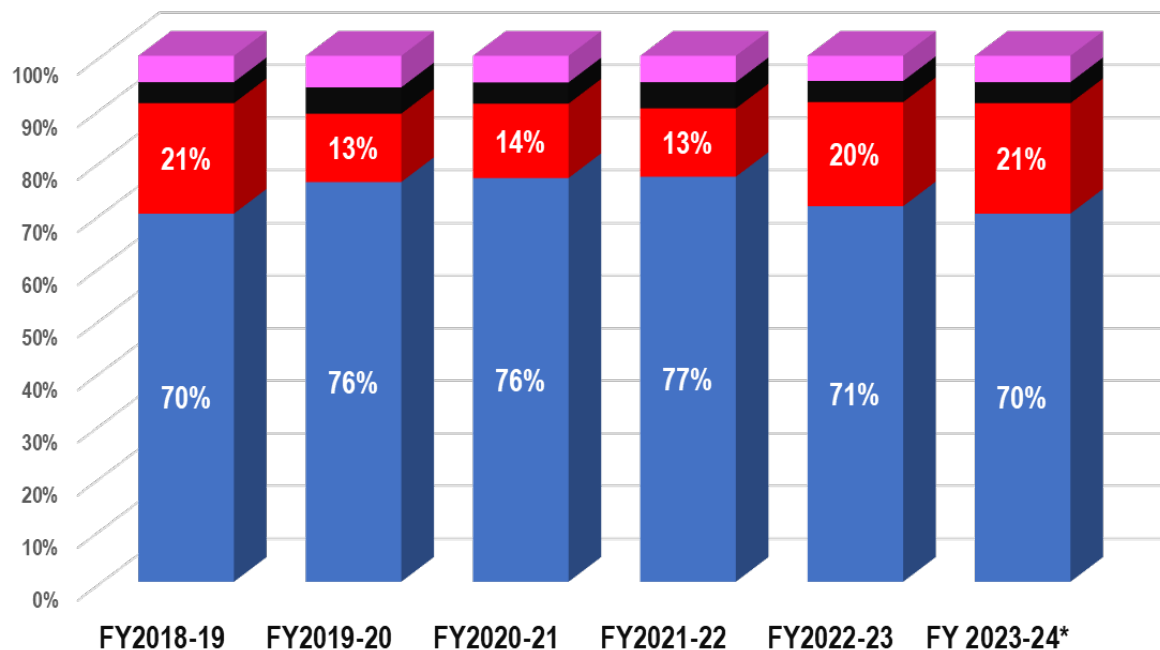
Boxes indicate statistically different at 90% confidence level from Pre.
Pre (FY19-FY22Q1), Post (FY22Q2-FY24Q3)
Perceptions: Data begins FY22



Jackpot Games provide a higher share of Education Contribution than their share of sales

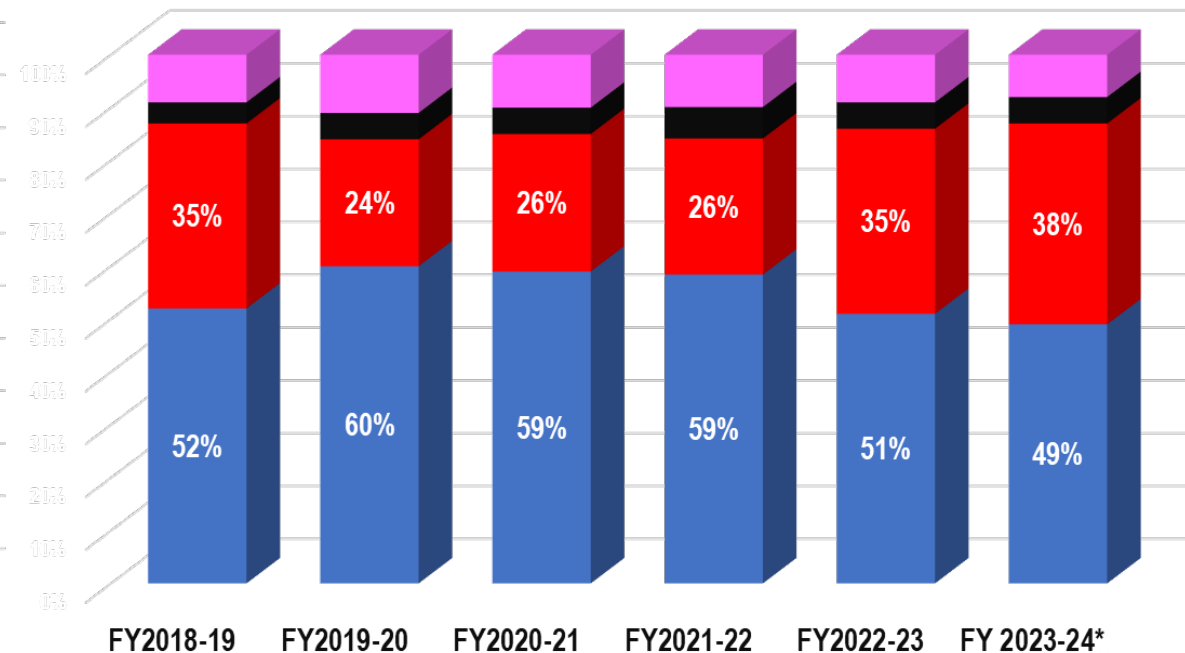
Share of Sales by Product Category by Fiscal Year

■ Scratchers ■ Jackpot Games ■ Hot Spot ■ Daily Games



Estimated Share of Contribution to Education by Product Category

■ Scratchers ■ Jackpot Games ■ Hot Spot ■ Daily Games



* Estimated Sales for FY 2023-24

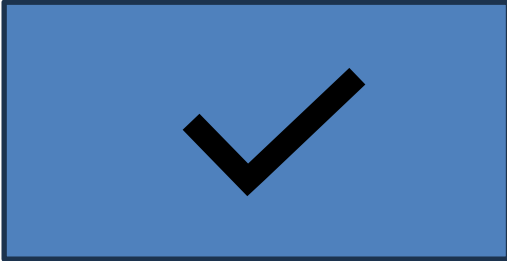


Research on Consumer Reactions to Corporate Anniversary Programs

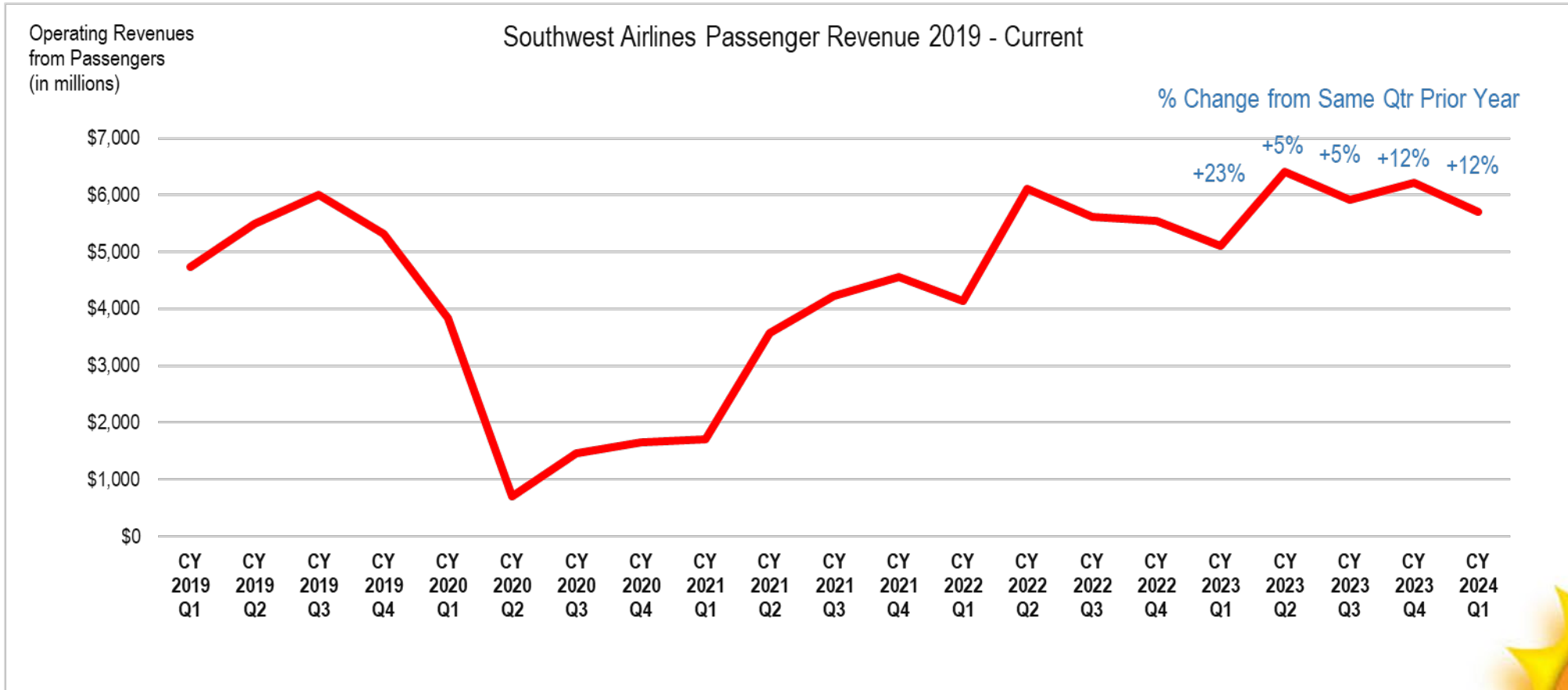


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Consumer Sentiment Survey



Air travel continues to have higher revenue



Highlights from Retail



- Walmart was reported as already becoming the Lottery's 9th largest seller!!!
- News about a Pilot providing retailers Scratchers inventory management tool



Business Objectives for FY 2024-25 and Beyond

Drivers for Future Lottery Growth

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New Objective Added for FY 2024-25

“Complete planning and begin celebrating the Lottery’s 40th Anniversary”

- Use the year 2025 to celebrate the anniversary rather than the specific date of October 3, 2025
- Launch \$40 Scratchers game for the 40th Anniversary



Expand Scratchers sales by removing barriers to play among infrequent players

- Continue the Scratchers Category Repositioning Campaigns
- Develop a pilot for using debit cards at selected self-service machines



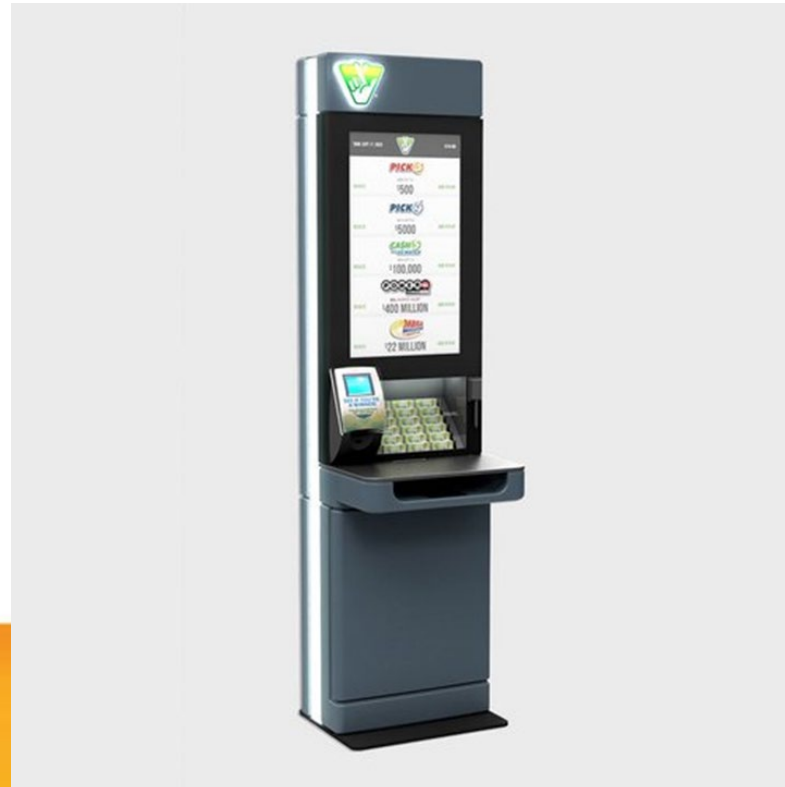
Grow Draw Game Sales particularly in Jackpot Games and Hot Spot

- Consortium looking at enhancements for Mega Millions
- Lottery continuing to explore Draw Game product modifications



Explore New Ways to Expand and Utilize the Lottery's Strong Retail Network

- New Tradechannels being pursued in recruitment efforts
- Improve presence in existing locations: Developing a pilot for new digital signage



Continue to Improve Knowledge and Perceptions about the Lottery

- The campaign to improve awareness about the Lottery benefitting CA public schools continues and expands



In Preparation for the June Meeting and the Presentation of the FY 2024-25 Business Plan

- Finalize tactical details and determine project priorities and available staff resources
- The June presentation will provide a more detailed review of the key initiatives and progress on multi-year projects



Questions?

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