



FY 2025-26 Business Plan

Agenda Item 8(j)

Presented to California State Lottery Commission

May 13, 2025

Scope of Today's Presentation

- Recap from current fiscal year and insights from business and industry review that drove the objectives and strategies in the proposed FY 25-26 Business Plan
- Proposed objectives for the FY 2025-26 Business Plan
- Tactics to support the objectives

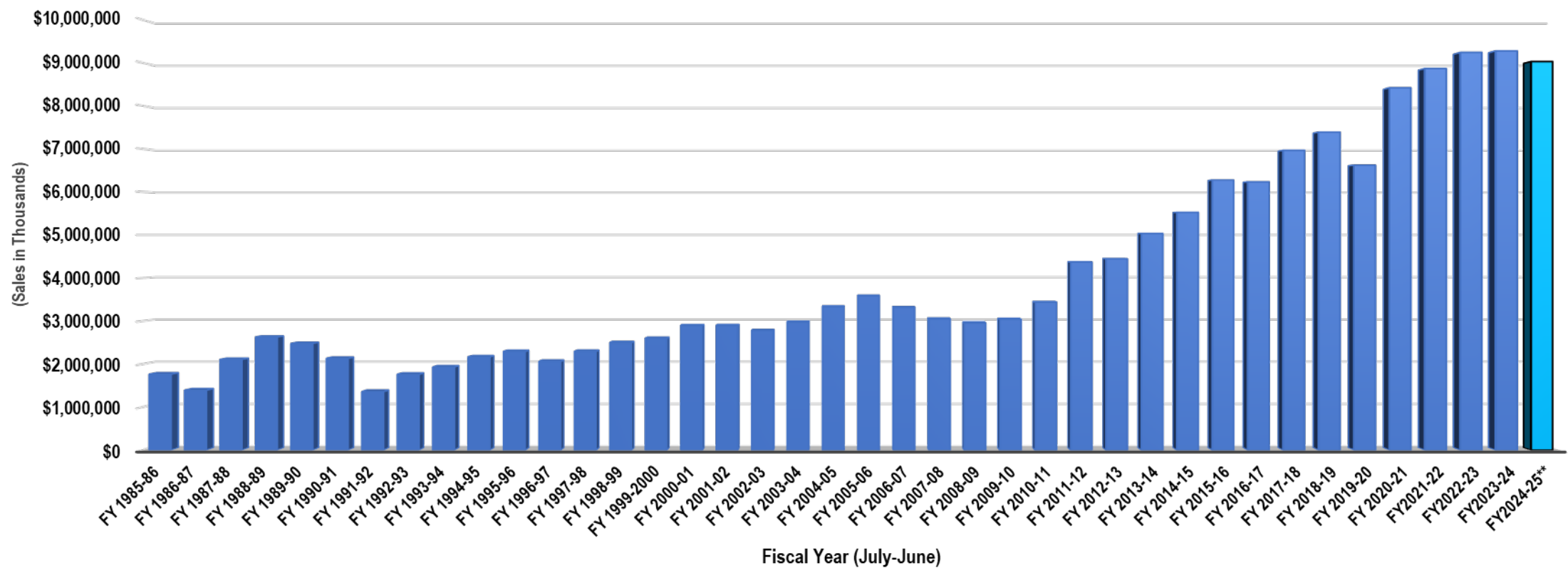


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On pace for 3rd year over \$9 billion in sales

Total Lottery Sales - History Since Inception

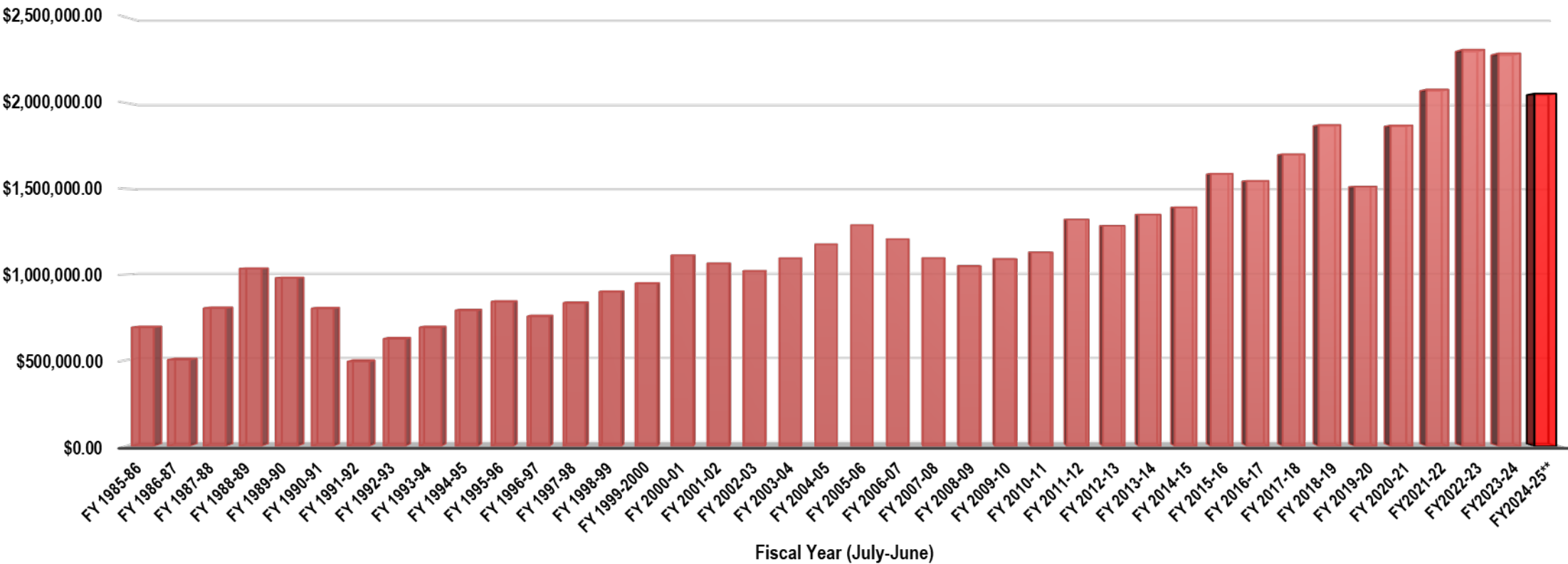


Source: Financial sales
**FY 2024-25 Very preliminary Finance figures as of May 2025



Contributions to education estimated to be over \$2 billion for 4th year in a row

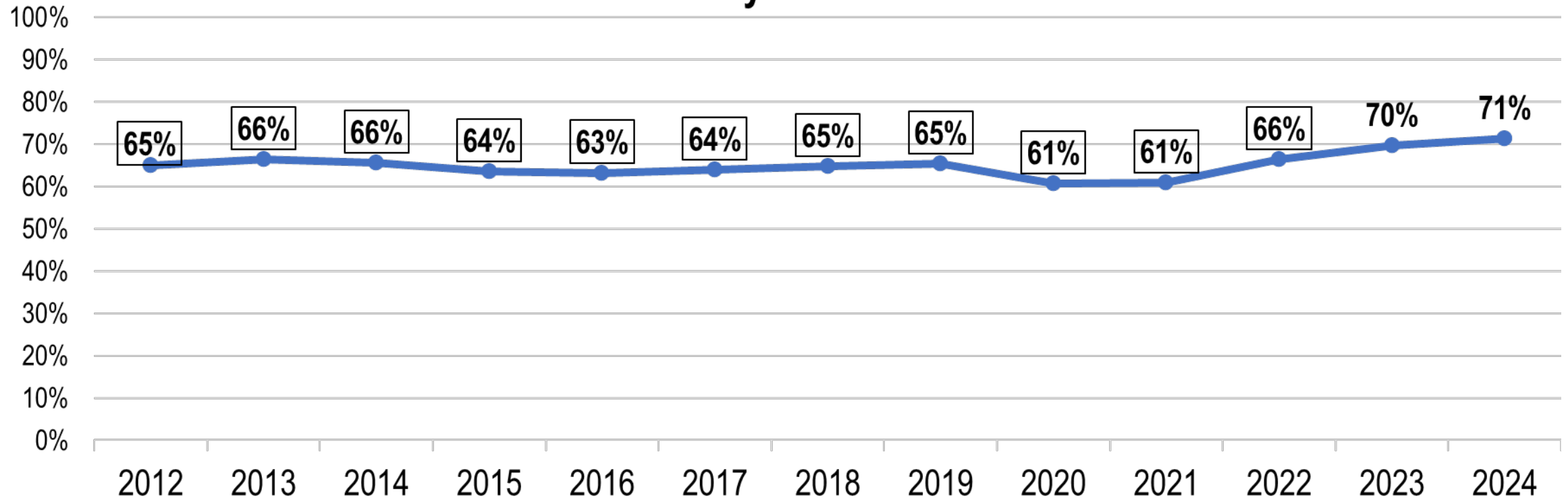
Contributions to Education - History since Inception



**FY 2024-25 Very preliminary Finance figures as of May 2025

7 out of 10 California adults have played the Lottery at least once in the past year.

CY Lottery Playership Over Time
Any Game



Source: Communications Effectiveness Tracking Study
Boxes indicate statistically significant difference from 2024 levels at 90% confidence.



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Examples in Other Business Sectors

Show Nervous Consumers and Inflationary Impacts

- In Las Vegas, 3 straight months of declining visitor counts to start 2025 with 2 of those 3 months with Gaming Revenue on the Strip also declining
- USA Today reported that McDonald's first quarter of 2025 showed a 3.6% drop in same store sales from the prior year; other fast-food chains closing some locations



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Consumer outlook on economy is still cautious

However, some responses are a bit less pessimistic than a year ago

| Please indicate how much you agree or disagree with each of the following statements on a scale from 1 to 5 where 1 is Strongly Disagree {4,5-Strongly Agree} Percent of CA Adults | Mar-23 (A) | Mar-24 (B) | Mar-25 (C) |
|---|---------------|---------------|---------------|
| Nowadays, a greater share of my disposable income is going towards essentials like food, housing, and other bills. | 66% | 71% (AC) | 66% |
| The worst of inflation will be behind us and prices will start stabilizing. | 33% | 30% | 34% (B) |
| I feel less financially secure than a year or so ago. | 53% | 52% | 50% |
| Finding ways to incorporate different types of fun, entertainment, and distraction into my life is more important to me than ever. | 54% (B) | 46% | 51% (B) |

In terms of consumer spending, respondents are also still cautious but less pessimistic than data from a year ago. The percentage who plan to spend “more” on some fun & leisure activities like dining out and lottery tickets over the next 6 months was slightly up in 2025.

FY 2025-26 Business Plan Objectives

- Continue to grow Draw Game sales
- Expand Scratchers sales by removing barriers to play among infrequent players
- Continue to improve knowledge and perceptions about the Lottery
- Explore new ways to expand and utilize the Lottery's strong retail network
- Become customer focused and continue to improve the customer experience (for players, retailers, and internal customers)
- Continue the celebration of the Lottery's 40th Anniversary



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FY 2025-26 Business Plan Objective

CONTINUE TO GROW DRAW GAME SALES

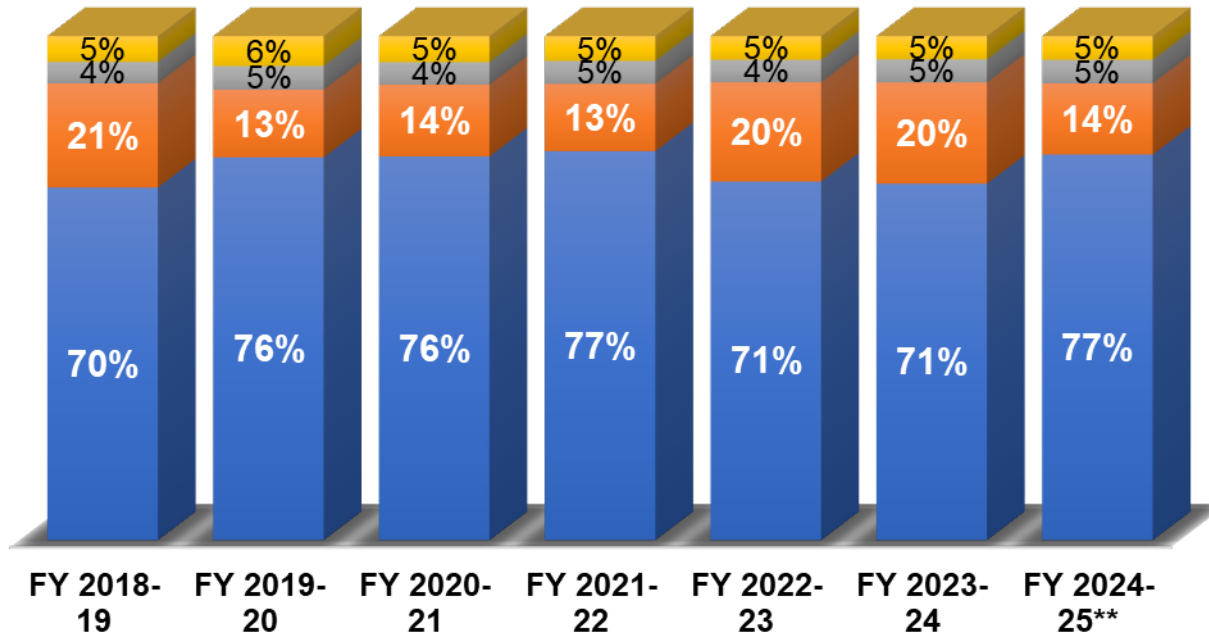


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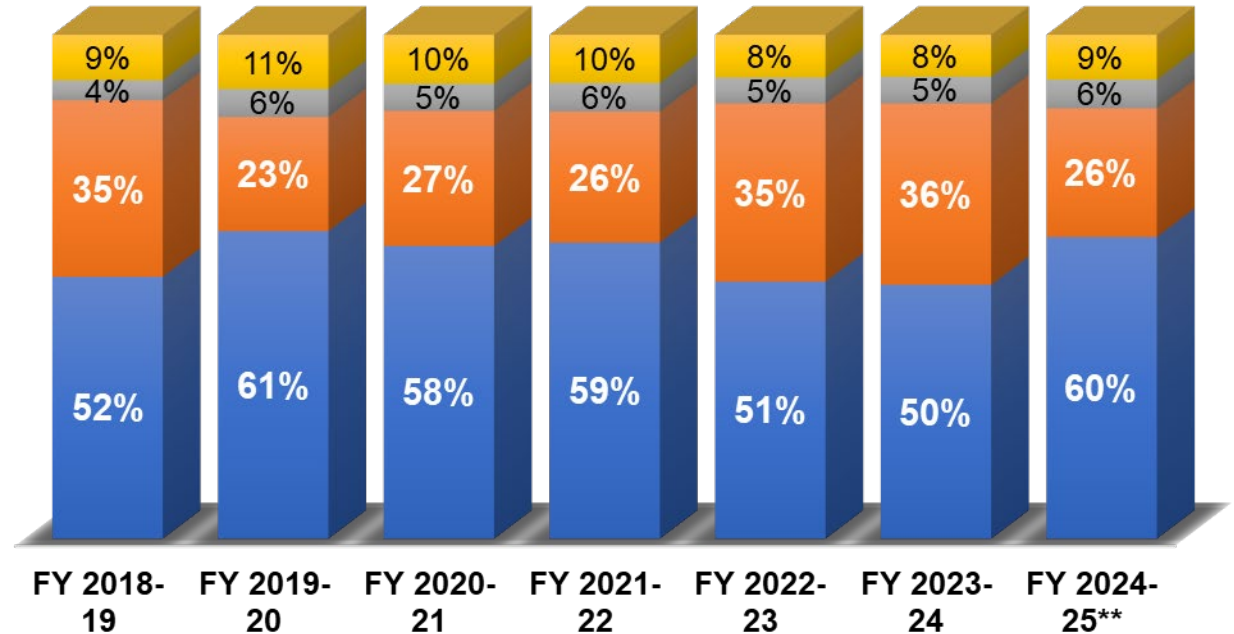


With just 23% of total Lottery sales, Draw Games still account for about 40% of profits

Sales by FY by Product



Estimate Profits by FY by Product



- Daily
- Hot Spot
- Jackpot Games
- Scratchers

**FY 2024-25 very preliminary Finance figures as of May 2025

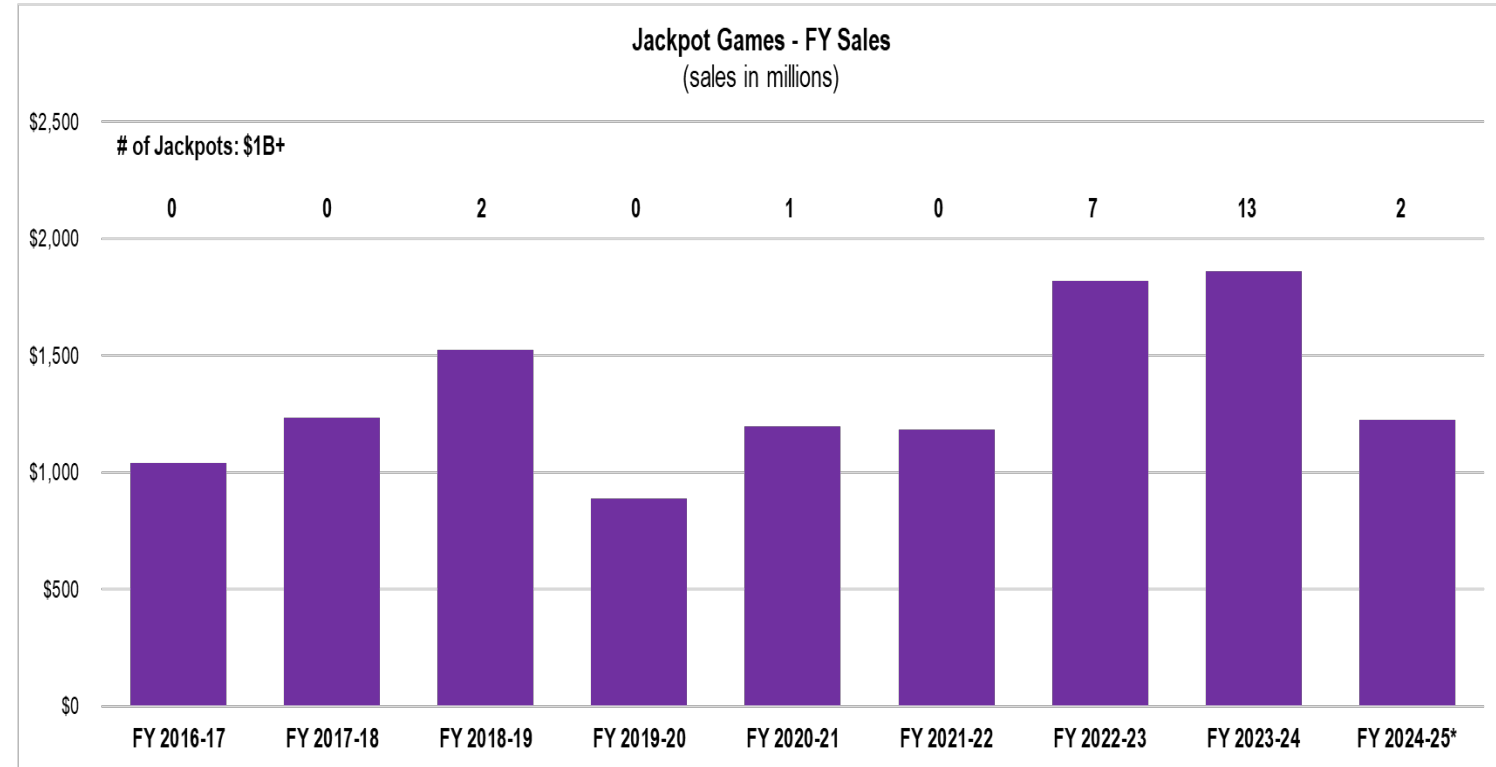


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FY 2024-25 Has Seen Much Fewer Large Jackpots Resulting in Much Lower Game Sales

- Sales estimates for the current year are much lower than FY 2018-19 when there were also two jackpots of \$1 billion or more.
- However, in that year, they were still novel – occurring for just the second time ever.



*Estimate

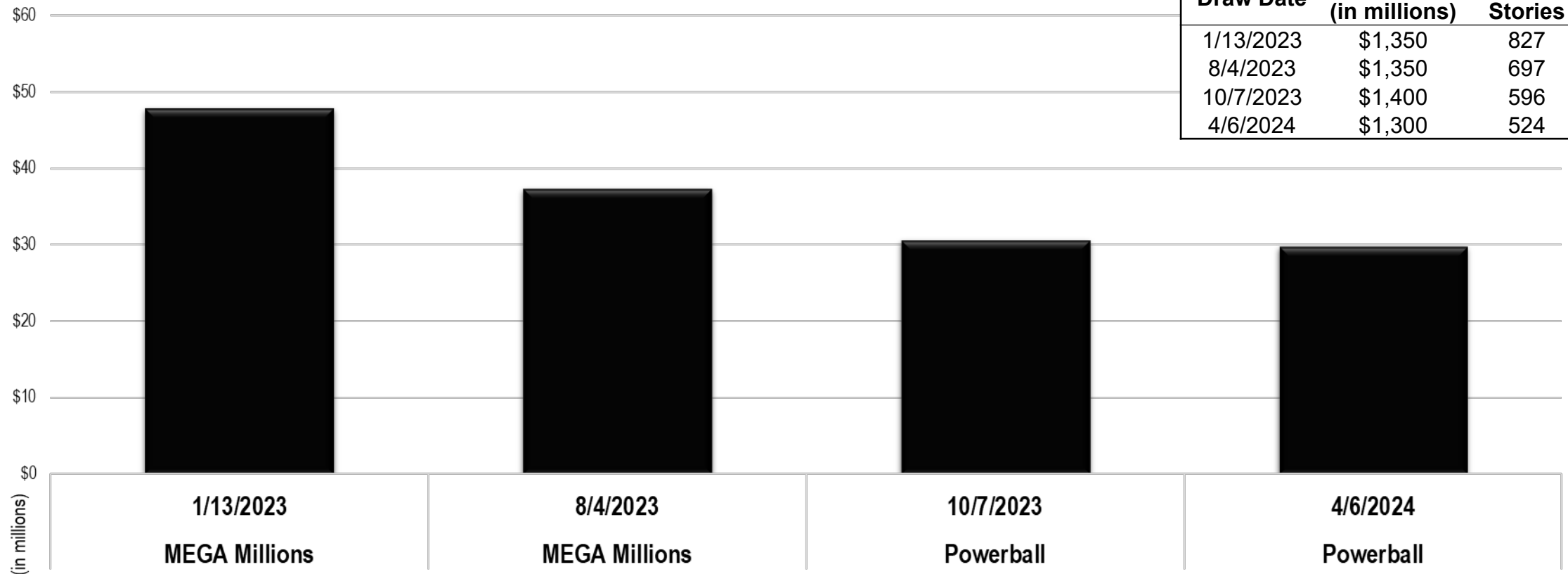


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When large jackpots become common, players become less interested.

Sales by draw for jackpots within \$1.3-\$1.4 billion over time



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Mega Millions Enhancements

- New game design allows for more big jackpots yet provides bigger winnings for prize levels more often won via a multiplier
- With just 8 draws, no conclusive data on the impact to sales; however, nationwide sales up 21% versus comparable jackpots.
- In terms of bigger prizes, the 112,086 winners during the first 3 weeks who just matched the Mega Number won between \$10 and \$50 with the multiplier compared to just \$2 in the old version
- For the 45,146 winners during the first 3 weeks who matched 1 number + the Mega number, they won between \$14 and \$70 instead of the \$3 or \$4 in the prior version of Mega Millions



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FY 2025-26 Tactics

- Focus will shift away from Multi-state games to California games like SuperLotto Plus, Hot Spot, and Daily Games
- Assess game enhancements/modifications for sales gains, resource needs, and timeline to implement
- Create a multi-year roadmap with tactics that can be quickly implemented prioritized first
 - Particularly SuperLotto Plus, which has not been modified since 2000
 - For Hot Spot, create policies and processes for periodic promotions
 - For Daily Games, investigate adding draws



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FY 2025-26 Business Plan Objective

EXPAND SCRATCHERS SALES BY REMOVING BARRIERS TO PLAY AMONG INFREQUENT PLAYERS



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Barriers to Playing Scratchers



| Barrier Category | Casual/Infrequent Players | Overall |
|--|---------------------------|---------|
| Experience to Select and Buy a Ticket | High | High |
| Perception of Gambling not Entertainment | Low | Medium |
| Trusting the Lottery Organization | Medium | Medium |
| Retail-Related Issues | Low | Low |
| Specific Game/Ticket Issues | Low | Low |

Scratchers Category Repositioning Efforts are improving perceptions of Scratchers and the Lottery.

| Percent of CA Adults who agreed (8,9,10) to the statement | FY21 Q2 | FY22 Q1 | FY22 Q2 | FY23 Q2 | FY24 Q2 | FY25 Q2 |
|--|------------|------------|------------|------------|------------|------------|
| It's fun to play Lottery games. | 43% | 36% | 40% | 42% | 38% | 47% |
| The Lottery games are played by people like me. | 37% | 38% | 40% | 38% | 37% | 43% |
| I feel guilty about spending money on Scratchers. | | 29% | 30% | 27% | 27% | 26% |
| Scratchers help show how easy it can be to add fun in your life. | | 32% | 33% | 35% | 28% | 36% |

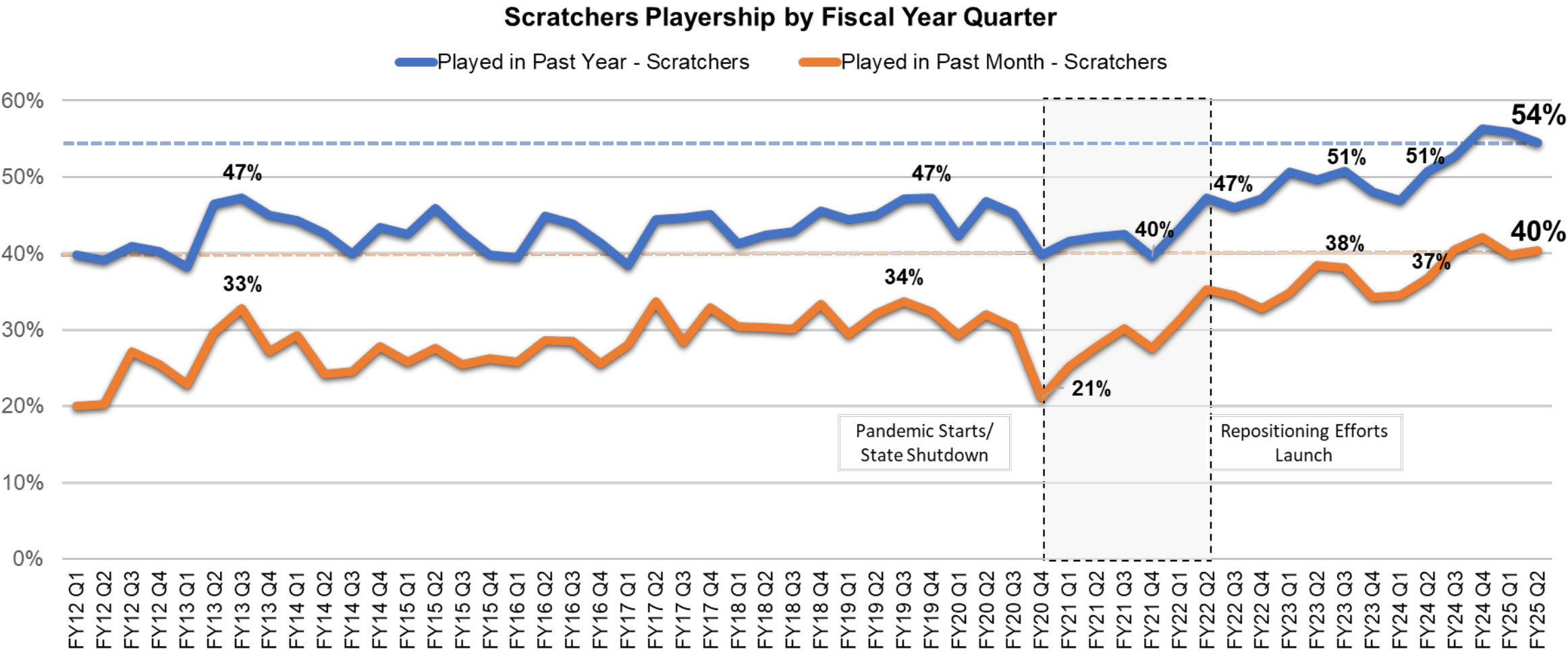
Source: Communications Effectiveness Tracking Study
 Red font/orange box indicate statistically significant lower/higher to FY2025 Q2 at 90% confidence level.



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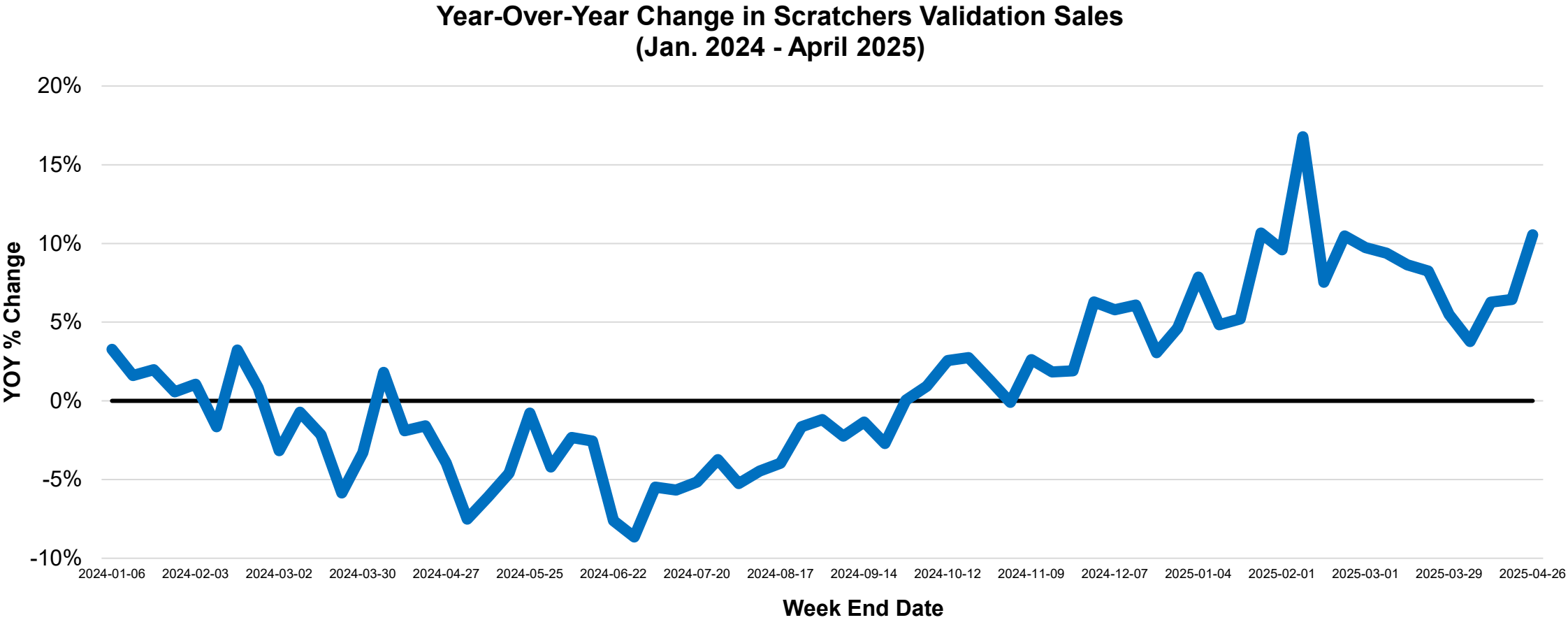
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Scratchers playership remains elevated since Scratchers Category Repositioning Efforts began.



Percent of California Adults
Source: Communications Effectiveness Tracking Study

Spring sales have shown promising growth

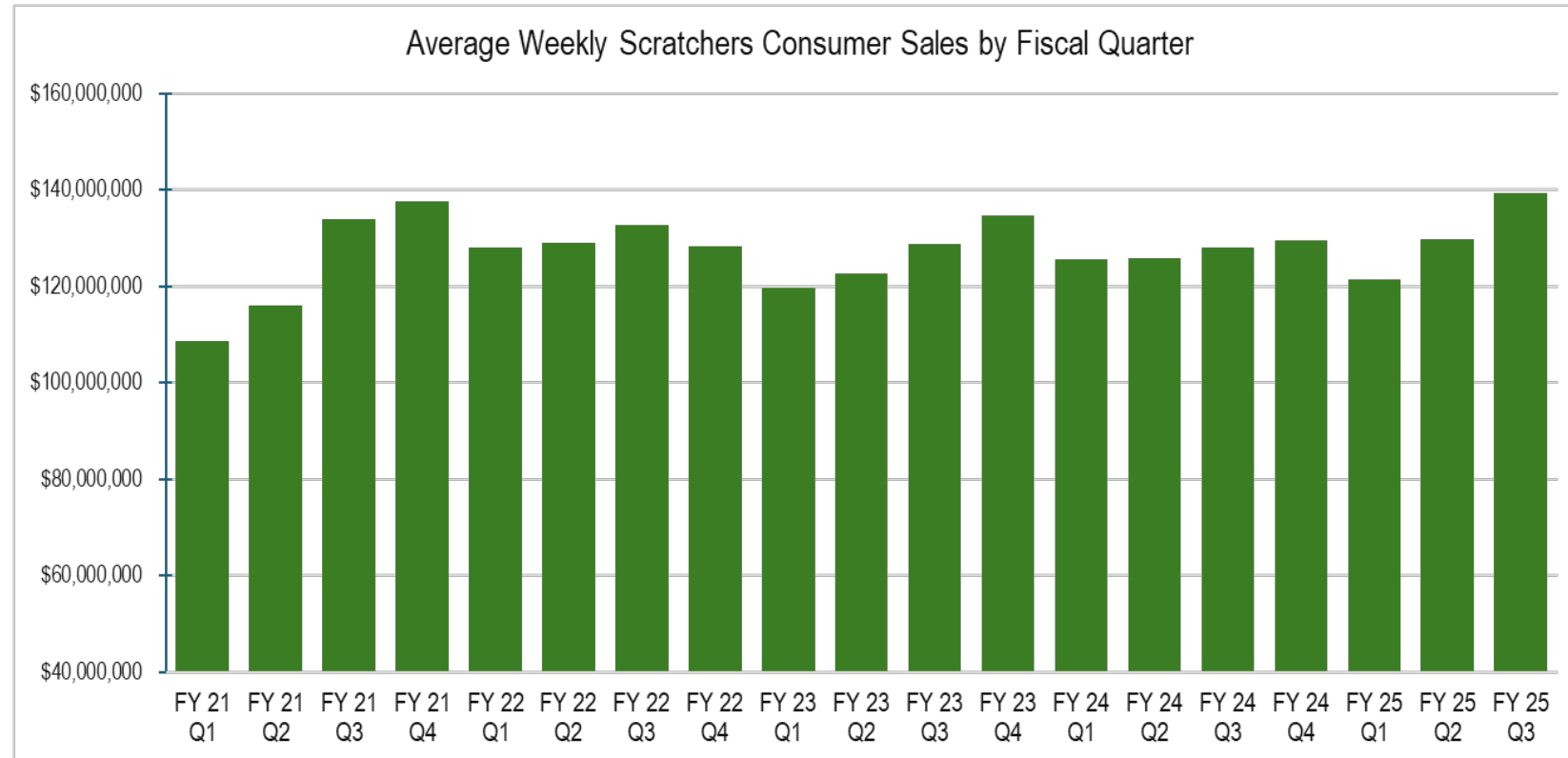


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Most Recent Quarter Had Highest Average Weekly Sales in History – Over \$139 million per week

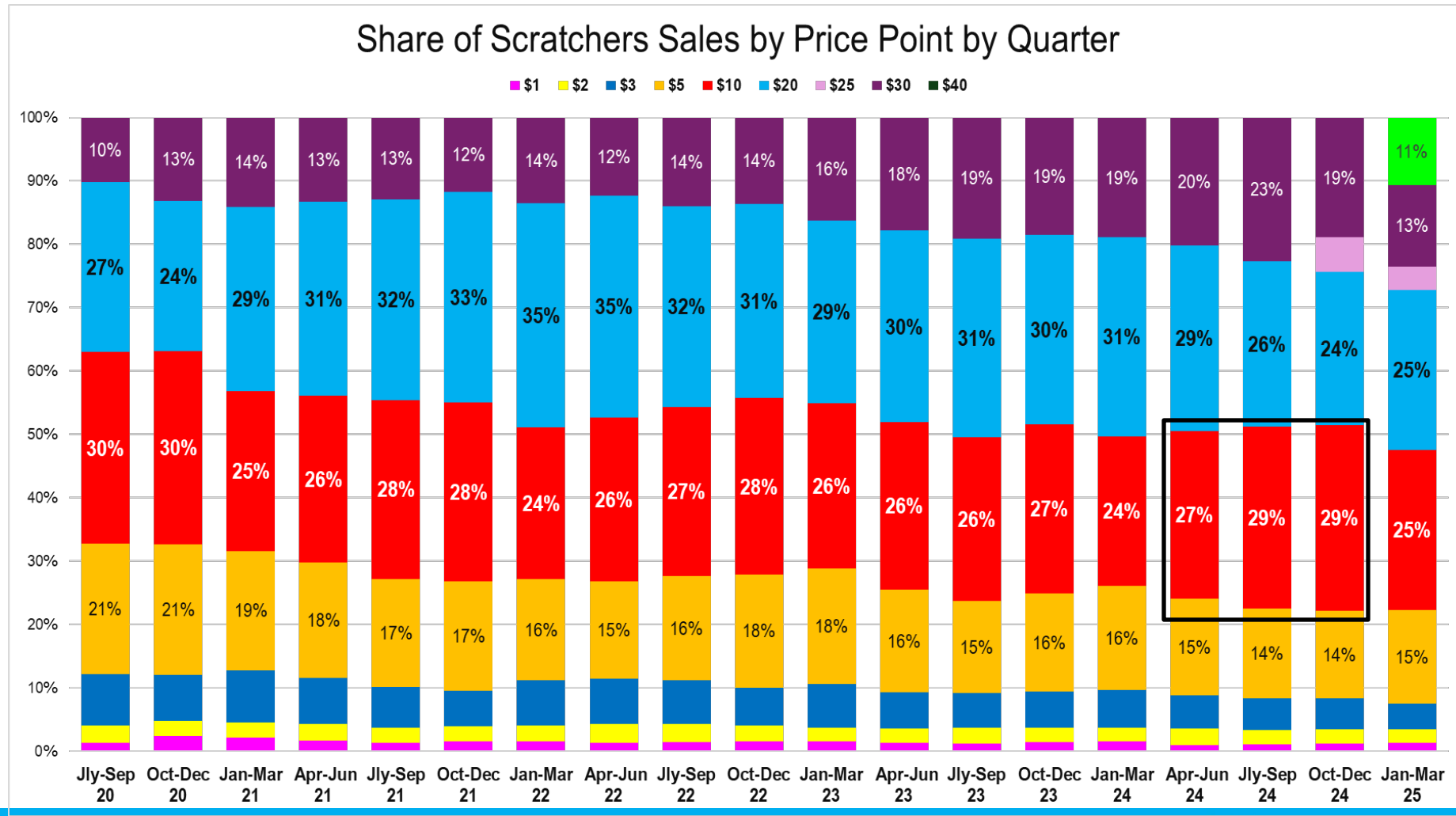
- Sales rose to historic heights by Spring '21.
- In 2022 sales softened, as other entertainment options were pursued
- The most recent two quarters have seen strong gains



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Share of Sales from \$10 Scratchers shifted higher in Summer 2024 after years of decline



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2nd Chance experiences encourage loyalty, positive perceptions of the Lottery and game interest.

- One of the top reasons for purchasing last year's "The Big Spin" Scratchers game was because of the 2nd Chance bonus promotion which included a Play-For-Fun experience to spin a digital wheel for extra 2nd Chance entries.
- 2/3 said they wanted the Lottery to do more of these types of experiences
- 1/2 of the participants said they were more likely to purchase Scratchers after participating

FY 2025-26 Product Plan

- 53 Games launched during the fiscal year – same as current year
 - Price points: One more \$10 game than FY 2024-25 but one fewer \$1 game
 - Keeping the new \$25 and \$40 games in the mix – launching 1 each
 - Total for the year:
 - \$1 games – 4; \$2 games – 10;
 - \$3 games – 5; \$5 games – 10;
 - \$10 games – 10; \$20 games – 8;
 - \$25 games – 1; \$30 games – 2; and \$40 games - 1
- Leverage Licensed Properties and Lottery brands in the Product Plan



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Other FY 2025-26 tactics under this objective

- Continue the Scratchers Category Repositioning Efforts
- Launch a pilot program with 100 self-service machines accepting cashless payment
- Engage loyal customers through exciting digital 2nd Chance experiences



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FY 2025-26 Business Plan Objective

CONTINUE TO IMPROVE KNOWLEDGE AND PERCEPTIONS ABOUT THE LOTTERY



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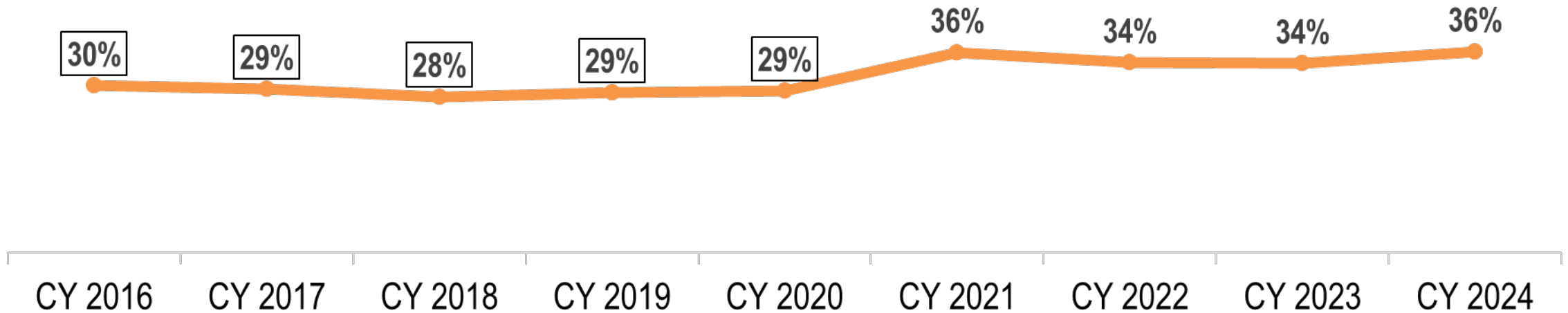
The Lottery's story matters.

- Research has indicated that 83% of Millennials prefer brands that align with their values.
- Over half of California adults think it is extremely/very important to purchase from businesses that supported the community.
- A key factor to Californians' perceptions of the Lottery is our economic impact on the State of California, which includes our mission contributions and the funds going out to the community to our players and retailers.

In recent years, more Californians are learning the Lottery benefits education, but still only around a third.

Playing Lottery Games helps schools and education.

Percent of California adults who agree



Source: Communications Effectiveness Tracking Study
How much do you agree with the following statements. 8,9,10-strongly agree
Boxes indicate statistically significant difference from 2024 levels at 90% confidence.



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Areas that have received full media support from the Mission Campaign have shown significant growth in beneficiary awareness.

| Beneficiary Awareness | Fresno/San Diego | | Fresno/San Diego | |
|---|------------------|------|------------------|---------|
| | Sep (pre) | Jul | Oct | Jan/Feb |
| | 2023 | 2024 | 2024 | 2025 |
| | E | F | G | H |
| Knows Lottery beneficiary | 31% | 41% | 46% | 40% |
| | | E | E* | E* |
| Doesn't know/Thinks the Lottery beneficiary is something else | 69% | 59% | 54% | 60% |
| | FGH | | * | * |

Full support in Fresno and San Diego launched January 2024.

Source: Communications Effectiveness Tracking Study
After administrative costs are covered and the prizes are paid out, do you know where the profits from the Lottery go in California?
To the best of your knowledge, which one of the options listed below best describes where you think proceeds from the California Lottery go?
Letters indicate statistically significant difference from 2024 levels at 90% confidence. Red font means statistically lower than Oct 2024.



FY 2025-26 Tactics

- Continue the Education Campaign
 - Promote the Lottery's impact to education through authentic story-telling
 - Optimize reach and localization to further educate and breakdown skepticism
- Continue to utilize key media opportunities to organically promote the Lottery's contributions to education
- Take advantage of the 40th anniversary to share more about the mission and contributions to the community



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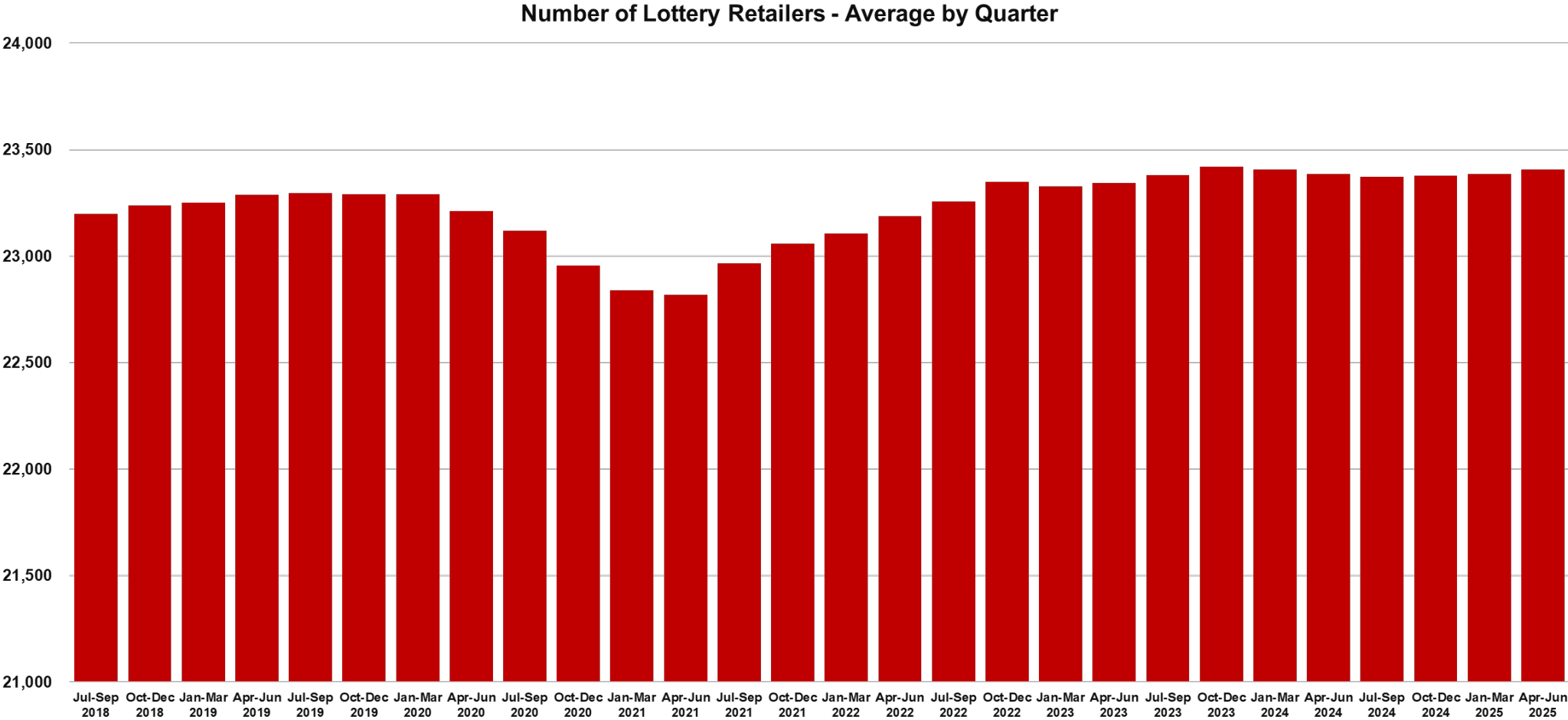
EXPLORE NEW WAYS TO EXPAND AND UTILIZE THE LOTTERY'S STRONG RETAIL NETWORK



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Number of Lottery Retailers above Pre-Pandemic Levels



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Exploring New Types of Retail

- Expanding the Lottery retail footprint is more than just numbers
- Need to expand into other types of retailer
- This year, began selling at Gelson's Rove Recharge: a fresh market with 40 EV recharging stations in southern CA. Next year, they will finish building additional locations
- In FY 2025-26, begin Lottery ticket sales at Amazon Fresh: a new type of grocery store that offers a seamless shopping experience

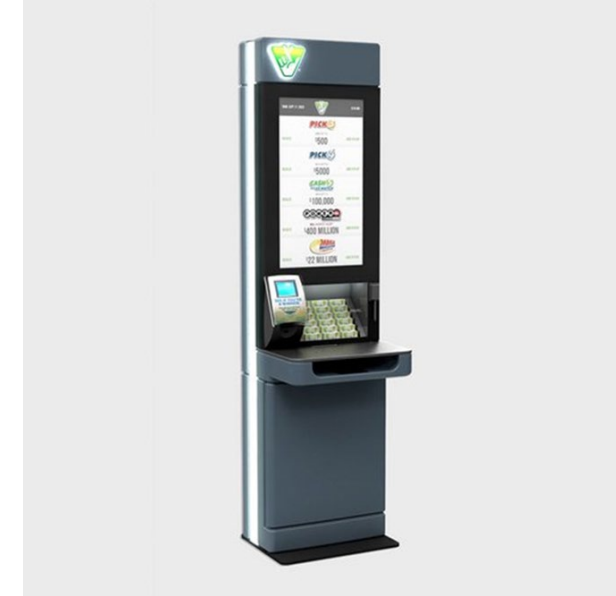


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Increasing Visibility at Retail

- Complete planning and launch pilot program for two different types of digital signage at retail
- Digital Menu Boards – a 98” display to showcase jackpots, new games, which Scratchers tickets can be purchased
- Digital Playcenter – most retailers have a Lottery playcenter to house game information and Draw Game playslips



FY 2025-26 Business Plan Objective

BECOME CUSTOMER FOCUSED AND CONTINUE TO IMPROVE THE CUSTOMER EXPERIENCE



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High customer satisfaction proven to lead to growth and loyalty.

Companies that are CX leaders are **3X** more likely to meet financial targets and be viewed as a great place to work

-Medallia 2022

When companies improve brand reputation and CX together there is a compounding effect: up to a **3.5x** higher revenue impact.

-Forrester 2025

Lottery Customers: Players, Retailers, and Employees



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Satisfaction with the Lottery is strong among retailers but still has room to grow for players.

- Last year, **three-quarters of retailers** are at least ‘fairly satisfied’ with their overall Lottery relationship – up 3pp vs. 2023
- **Roughly 40% of California adults** are at least ‘somewhat satisfied’ with their experiences interacting with the Lottery
- While perceptions of the Lottery’s economic impact on California stands out, quality of customer service was an identified area for improvement.
- More research underway to better identify and prioritize the Lottery’s customer service/experience pain points for our players.

Employee experience and satisfaction is also important.

Average scores for employee engagement **improved by 4%** from 2020 – biggest improvement since 2011.

- Mission, Vision, Values
- Monthly spotlights to share how each unit contributes to the Lottery's mission
- Informal recognition efforts
- Leadership training and forums



FY 2025-26 Tactics to improve the Customer Experience

- Cashless Vending Pilot
- Improving prize payment processes for winners
- 2nd Chance system upgrades
- Expansion of retail inventory management and security system (SmartCount)
- Human Resources digitization and modernization efforts
- Continued focus and research on promoting internal culture
- Facility improvements to better meet safety standards and operational needs
- Several other external and internal projects are still being prioritized



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FY 2025-26 Business Plan Objective

CONTINUE THE CELEBRATION OF THE LOTTERY'S 40TH ANNIVERSARY



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40th Anniversary Efforts so far generating player excitement

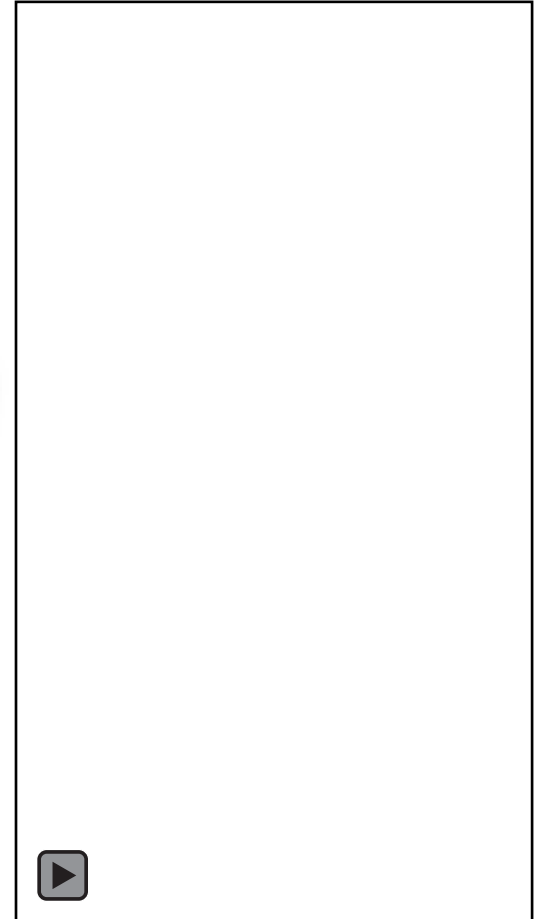


Dedicated Public Website Page

Fan Favorite Games



40th Anniversary Games



Anniversary Social Media

The celebration will continue in FY 2025-26



- Continued marketing efforts promoting the Lottery's 40th anniversary
 - Launch of fan favorite and 40th anniversary Scratchers games throughout the year
 - Scratchers game with “fun facts” to uncover interesting trivia about the Lottery’s history
 - Social media elements that highlight the Lottery’s history, appreciation for its players, and our mission
 - Incorporate 40th anniversary elements into marketing, products, and promotions
- Continued internal efforts to engage, educate, and celebrate Lottery employees



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