

State Lottery Commission of Indiana



August 15, 2017 Meeting



IMAGINE THAT.

Administrative Orders

Chuck Taylor

Director of Legal Affairs & Compliance

August 15, 2017

Administrative Orders



- **Appeal of AMG Business Investments, Inc. dba All Star's Liquor, App. No. 11-02**





IMAGINE THAT.

Director's Report

Sarah M. Taylor

Executive Director

August 15, 2017



IMAGINE THAT.

FY 17 Financial Report

Carrie Stroud

Chief of Staff

August 15, 2017

Financial Report - FY 2017 Year End

Income Statement

For the Twelve Month Period ending June 30
(In Thousands)

	FY 2017 Unaudited as of 6/30/2017	FY 2017 Budget	FY 2016 Actual
Revenues	\$ 1,200,696	\$ 1,244,870	\$ 1,207,615
Game and Provider Expenses	906,782	953,116	921,772
Provider Net Income (PNI)	293,914	291,754	285,843
General and Administrative Expenses	6,357	8,040	6,224
Operating Profit	287,557	283,714	279,619
Other Income/(Expenses)	1,862	1,586	1,853
Surplus Revenue to the State	289,419	285,300	281,472
Fair Market Value Adjustment	-	-	8,846
Pension Obligation Adjustment	-	-	(336)
Net Income	\$ 289,419	\$ 285,300	\$ 289,982

NOTES (based on UNAUDITED numbers):

Revenues are down \$6.9m (0.6%) from prior year and \$44.1m (3.5%) from Budget

Game and Provider Expenses are down from Budget and prior year as a percentage of Revenues – 75.5% as opposed to 76.6% Budget and 76.3% prior year

General & Administrative Expenses are \$1.7m (20.9%) below Budget

Surplus Revenue to the State is \$7.9m (2.8%) greater than prior year and \$4.1m (1.4%) greater than Budget



Financial Report - FY 2017 Year End

Revenue Breakdown

For the Twelve Month Period ending June 30
(In Thousands)

	FY 2017 Unaudited as of 6/30/2017	FY 2017 Budget	FY 2016 Actual
Revenues			
Instant Tickets			
Scratch	\$ 895,203	\$ 901,844	\$ 869,946
Total Instant Tickets	895,203	901,844	869,946
Big Jackpot Draw Games			
Powerball	97,869	118,550	131,426
Hoosier Lotto	47,463	56,867	45,781
Mega Millions	32,747	31,379	33,186
Total Big Jackpot Draw Games	178,079	206,796	210,393
Non-Jackpot Draw Games			
Daily 3	36,346	38,314	37,022
Daily 4	35,068	37,603	36,231
Quick Draw	18,491	20,808	19,083
Cash 5	13,851	10,000	11,436
Poker Lotto	80	100	2,225
EZ Match	3,462	3,905	6,497
Mix & Match	-	-	-
Bingo-to-Go	-	-	1,938
FastPlay	11,957	12,500	12,844
Cash 4 Life	7,041	13,000	-
SUPERBALL	1,118	-	-
Total Non-Jackpot Draw Games	127,414	136,230	127,276
Total Revenues	<u>\$ 1,200,696</u>	<u>\$ 1,244,870</u>	<u>\$ 1,207,615</u>

NOTES:

- **Scratch Revenue** was \$6.6m less than Budget, and \$25.2m greater than prior year
- **Powerball Revenue** was \$20.7m less than Budget and \$33.5m less than prior year
- **Hoosier Lotto Revenue** was \$9.4m less than Budget, and \$1.6m greater than prior year
- **Mega Millions Revenue** was \$1.3m greater than Budget and \$439k less than prior year
- **Non-Jackpot Draw Games Revenue** was \$8.8m less than Budget and \$138k greater than prior year





IMAGINE THAT.

Operating Standards Checklist

Carrie Stroud

Chief of Staff

August 15, 2017

Contract Requirements Checklist

Frequency	Deliverable	Reference	Due Date
Weekly	Costs/Expenses from Operations of Provider	O.S. 3.1.1	
Quarterly	Patch Management Requirements & Needs	Security Plan, Section 13	July 1, 2017
Quarterly	MBE/WBE Plan Update	O.S. 6.1.2	July 1, 2017
Annually	SSAE 16	O.S. 3.2.1	August 1, 2017
Annually	Records Retention Schedule	O.S. 1.4.2(d)	July 1, 2017
Annually	Annual Forecast of Operating & Financial Performances	O.S. 2.2.6(c)	June 30, 2017
Annually	Analysis of Compliance with Financial Stability Requirements	O.S. 2.2.6(c)	June 30, 2017
Annually	Annual Business Plan	O.S. 2.3.2	March 31, 2017
Annually	Security Plan & Internal Control	O.S. 3.2.2	June 30, 2017
Annually	Marketing Code of Conduct	O.S. 5.1.3	July 1, 2017





IMAGINE THAT.

Peer States Comparison

Carrie Stroud

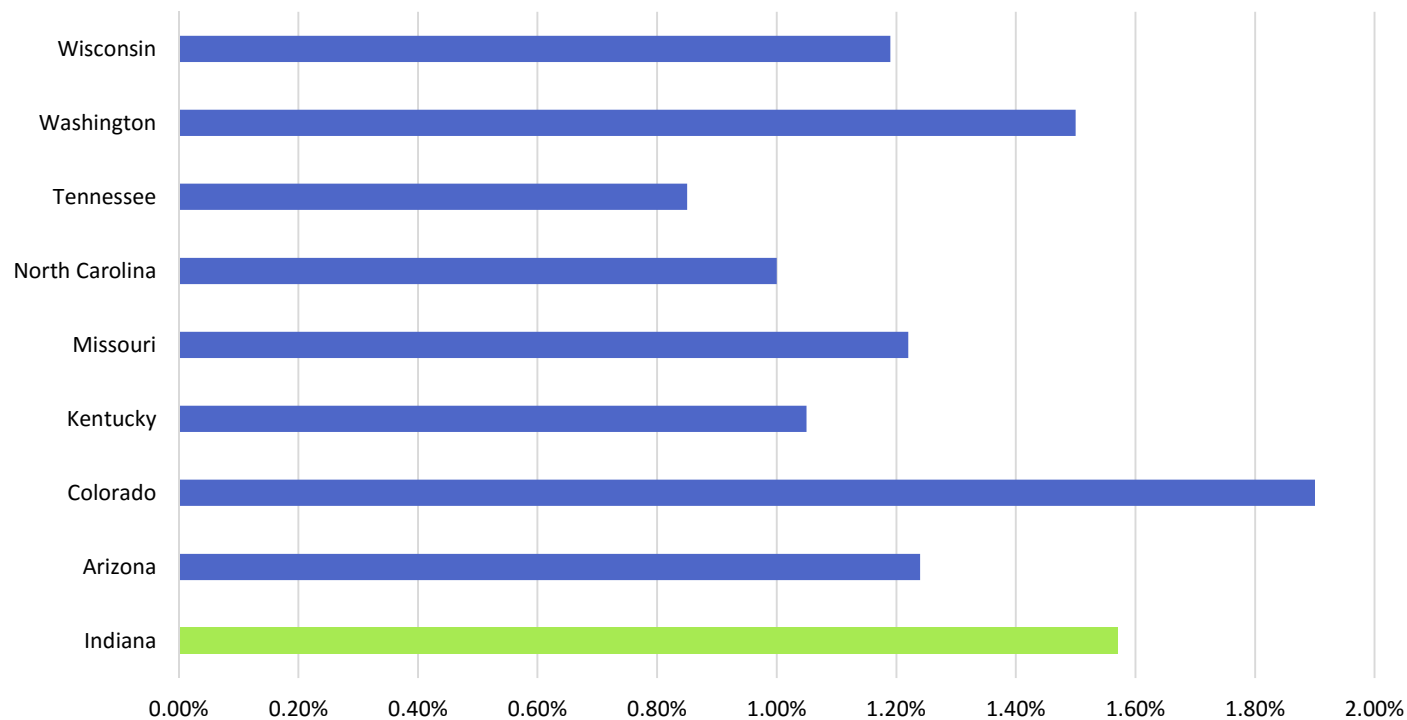
Chief of Staff

August 15, 2017

Peer State Comparison

Peer States: AZ, CO, IL, KY, MN, MO, NC, TN, WA, WI

Marketing Spend as a % of Revenues
Based on availability of FY16 numbers



August 15, 2017



IMAGINE THAT.

FY 17 Business Plan Review

Chuck Taylor

Director of Legal Affairs & Compliance

August 15, 2017

FY 2017 Key Accomplishments

Differentiated and optimized our portfolio of games

- Launched 51 new Scratch-offs
- 12 Fast Play game launches
- 5 new Draw game initiatives
- Improved Draw game add-on sales YoY by 40%



Drove player engagement

- Celebrated 3 big jackpot Hoosier winners
- Exceeded delivery of digital engagement KPIs



FY 2017 Key Accomplishments

Focused on retail marketplace

- 91 key account promotions
- 4,530 - 2 and 4 bin towers
- 3,300 - 5 bin Frenzy towers
- 6,640 Gen II bins in market
- 1,749 optimization projects completed, 403 retailer training sessions
- 1,210 self-service placements
- Completed over 115k customer visits at retail

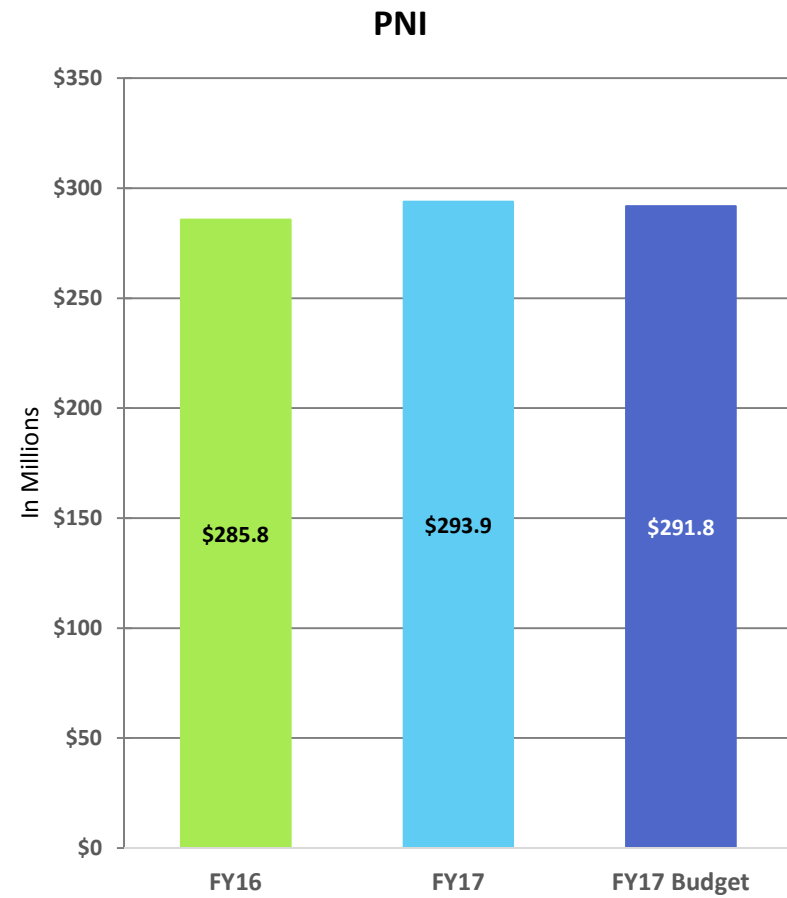
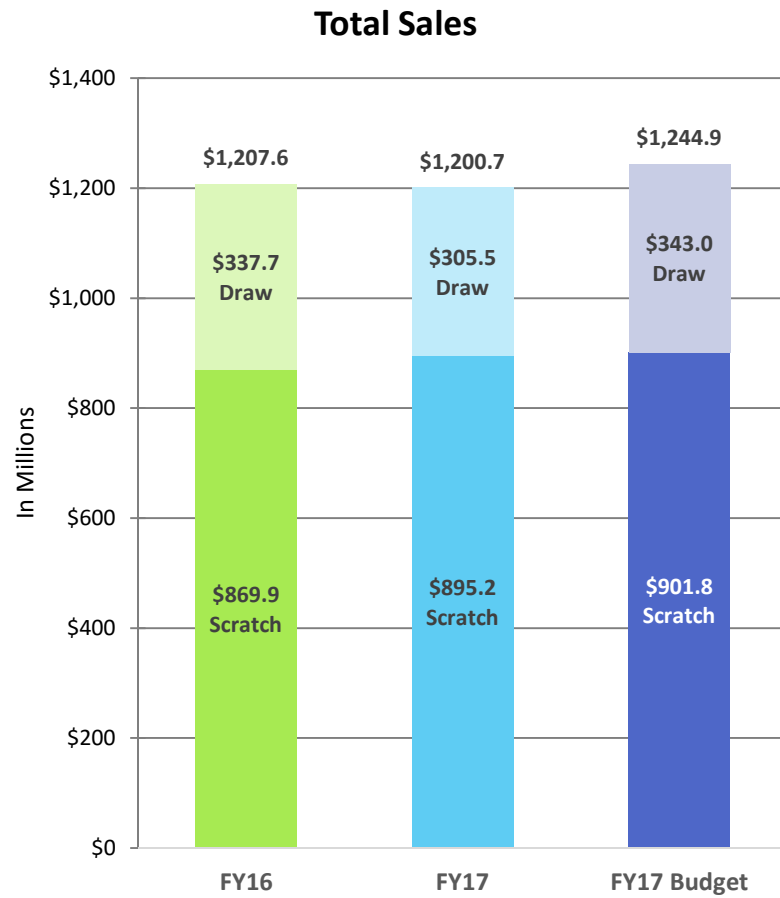


Provided outstanding service to our retailers and players

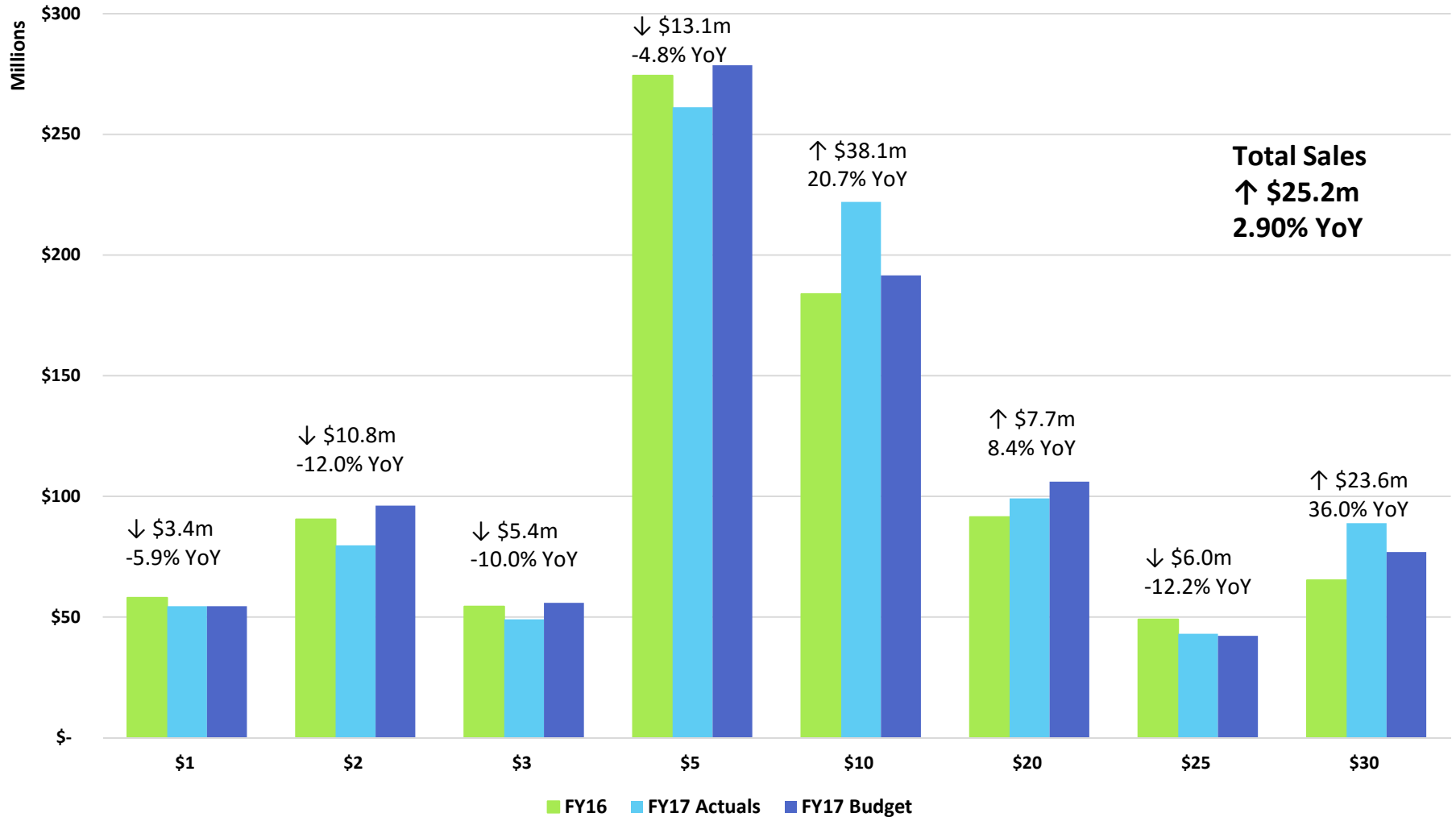
- Licensing
 - New applications – 191
 - Change of ownership applications – 208
 - Renewal applications – 341
- Prize Payment claims paid (Over \$599)
 - HQ – 7,237
 - North – 3,620
 - South – 751
 - Mail-in – 4,228



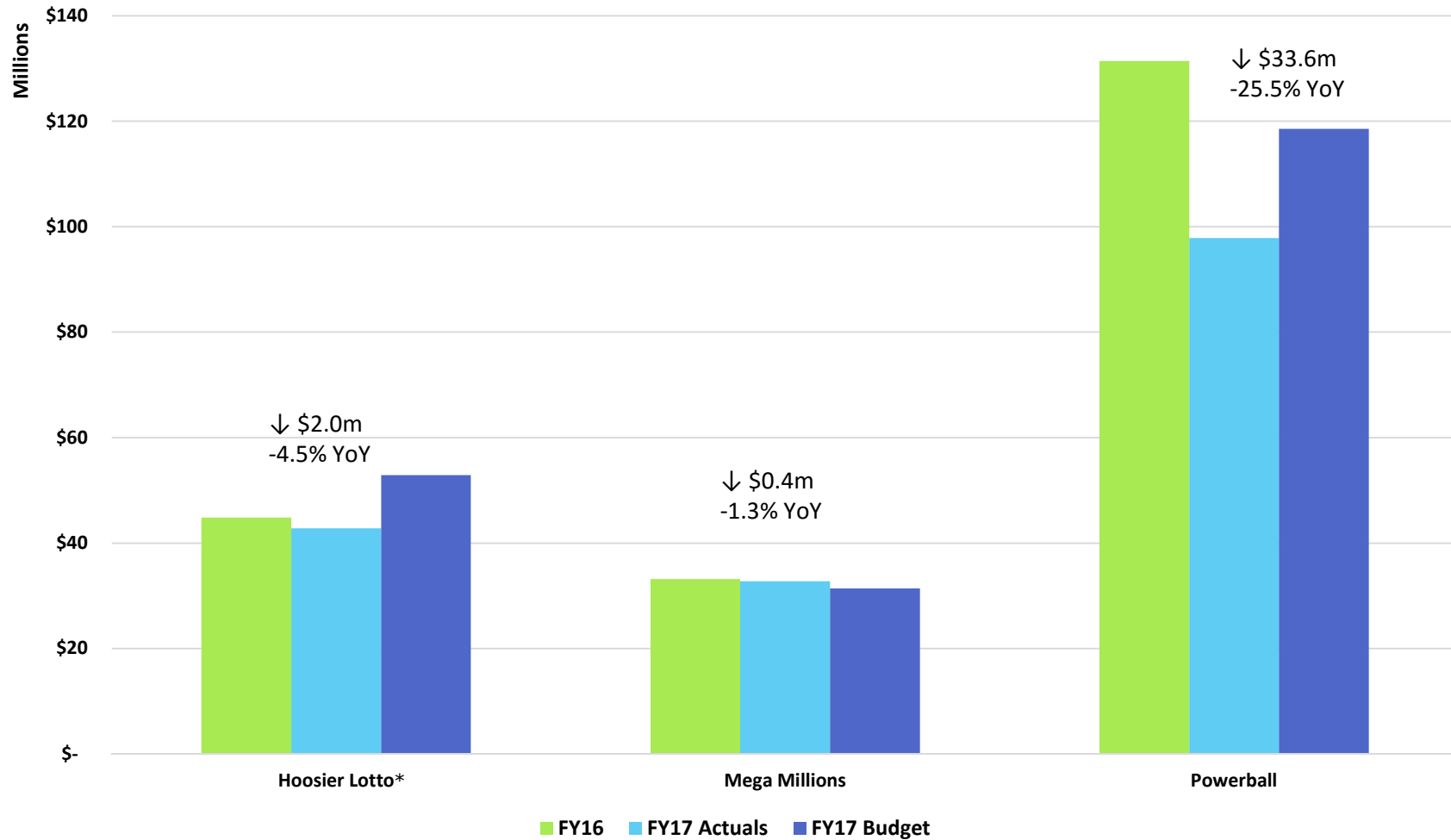
Total Sales and PNI



Scratch-off Sales YoY



Jackpot Sales YoY

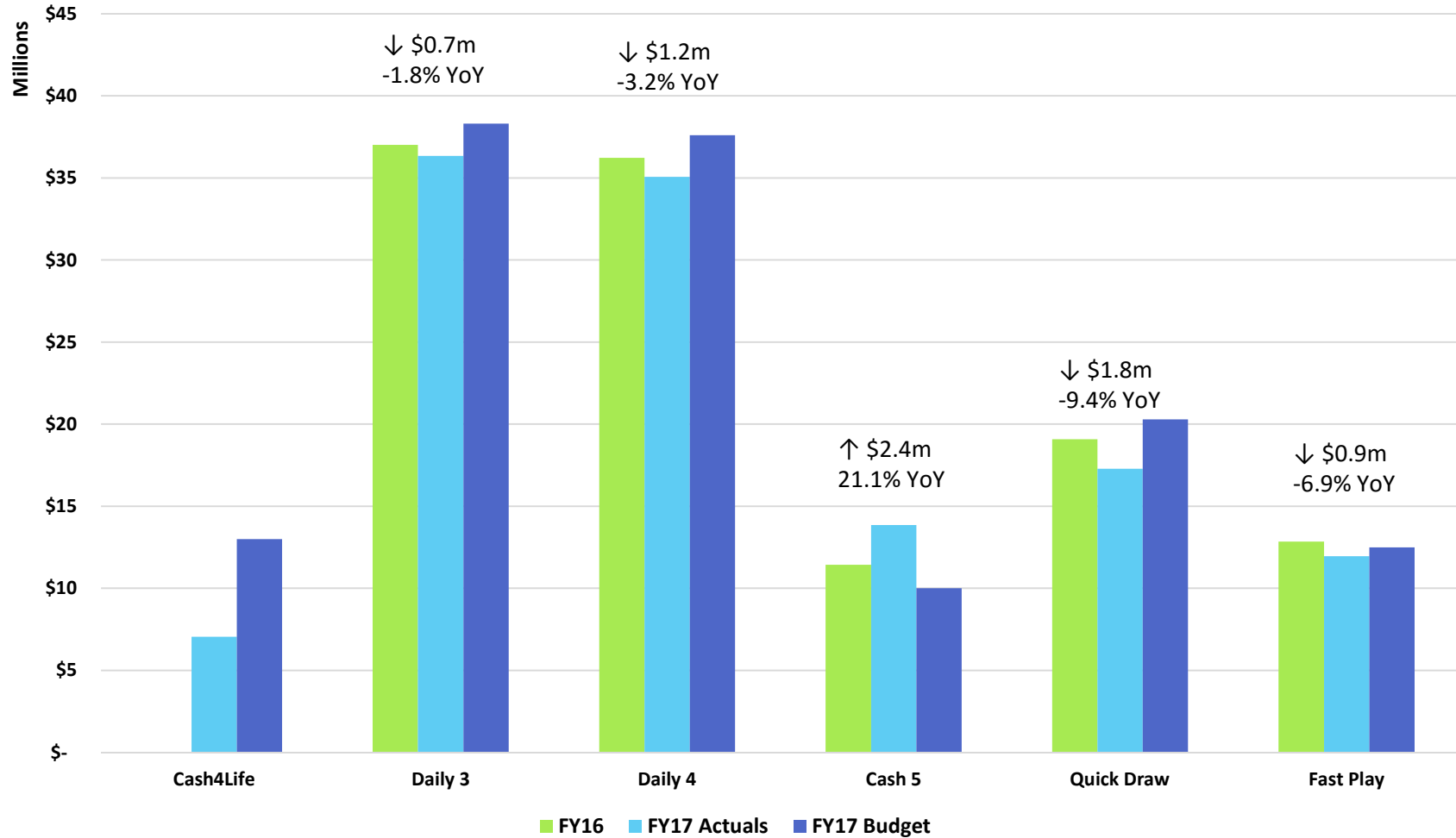


*Does not include Plus



August 15, 2017

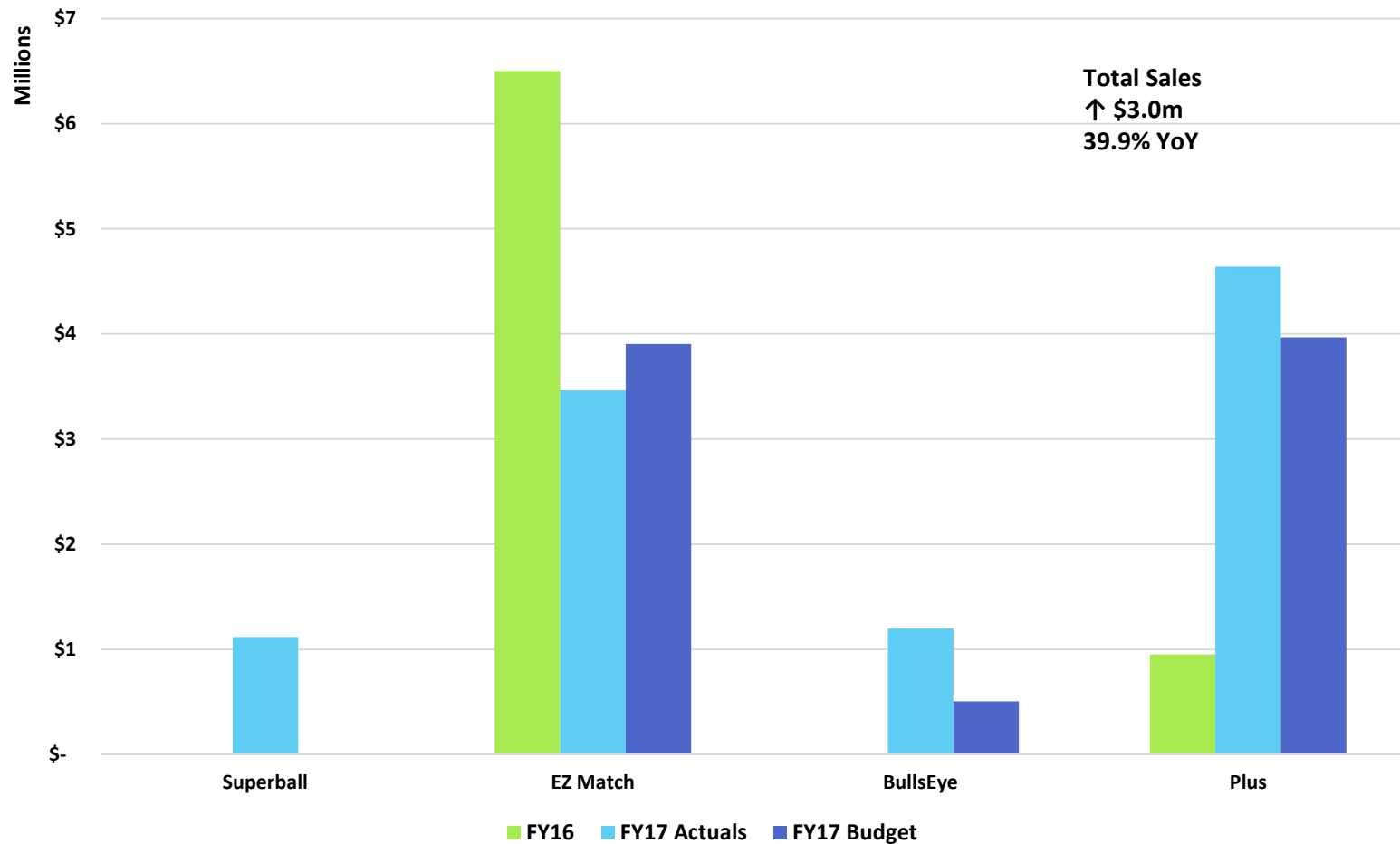
Non-Jackpot Sales YoY



*Cash4Life launched 9/18/2017



Draw Add-on Sales YoY



*Superball launched 3/19/2017, BullsEye launched 1/15/2017, Plus launched 4/24/2016





IMAGINE THAT.

FY 18 Financial Report

Carrie Stroud

Chief of Staff

August 15, 2017

FY18 Net Income Thresholds

$PNI < MNI$

Shortfall Payment to Lottery

$PNI \geq MNI$ but \leq
INI

*No Shortfall Payment to Lottery
No Incentive Compensation to IGT Indiana
Lottery retains 100% of Net Income*

$PNI > INI$

$\$302.3M\ PNI > \$300M\ INI$
Incentive Compensation to IGT Indiana
50% to IGT Indiana/50% to Lottery



Financial Report - FY 2018 Budget

Income Statement

For the Twelve Month Period ending June 30
(In Thousands)

	FY 2018 Budget	FY 2017 Unaudited	Percentage Variance	FY 2016 Actual	Percentage Variance
Revenues	\$ 1,266,788	\$ 1,200,696	5.5%	\$ 1,207,615	4.9%
Game and Provider Expenses	964,418	906,782	6.4%	921,772	4.6%
Provider Net Income (PNI)	302,370	293,914	2.9%	285,843	5.8%
General and Administrative Expenses	7,877	6,357	23.9%	6,224	26.6%
Operating Profit	294,493	287,557	2.4%	279,619	5.3%
Other Income	1,723	1,862	-7.5%	1,853	-7.0%
Provider Incentive Payment	(1,185)	-	0.0%	-	0.0%
Surplus Revenue to the State	295,031	289,419	1.9%	281,472	4.8%
Fair Market Value Adjustment	-	-	N/A	8,846	-100.0%
Pension Obligation Adjustment	-	-	N/A	(336)	-100.0%
Net Income	<u>\$ 295,031</u>	<u>\$ 289,419</u>	<u>1.9%</u>	<u>\$ 289,982</u>	<u>1.7%</u>

Notes:

- a) Revenues are budgeted at \$66m (5.5%) over prior year
- b) Game and Provider Expenses are in-line as a percentage of Revenues, year-over-year
- c) General & Administrative Expenses are budgeted at \$1.5m (24%) higher than prior year (Pension Plan unwinding)
- d) Surplus Revenue to the State is budgeted at \$5.6m (1.9%) more than prior year



Financial Report - FY 2018

Revenue Breakdown

(In Thousands)

	FY 2018 Forecast as of 7/31/2017	FY 2018 Budget	FY 2017 Unaudited	FY 2016 Actual
Revenues				
Instant Tickets				
Scratch	\$ 948,584	\$ 948,585	\$ 895,203	\$ 869,946
Total Instant Tickets	<u>948,584</u>	<u>948,585</u>	<u>895,203</u>	<u>869,946</u>
Big Jackpot Draw Games				
Powerball	98,699	98,700	97,869	131,426
Hoosier Lotto	52,008	51,715	47,463	45,781
Mega Millions	30,856	30,856	32,747	33,186
Total Big Jackpot Draw Games	<u>181,563</u>	<u>181,271</u>	<u>178,079</u>	<u>210,393</u>
Non-Jackpot Draw Games				
Daily 3	36,323	36,147	36,346	37,022
Daily 4	35,401	35,204	35,068	36,231
Quick Draw	16,504	16,695	17,292	19,083
Cash 5	14,500	14,500	13,851	11,436
Poker Lotto	-	-	80	2,225
EZ Match	2,965	2,981	3,462	6,497
Bingo To Go	-	-	-	1,938
Cash4Life	6,775	8,320	7,041	-
Bullseye	2,387	2,922	1,199	-
Fast Play	14,809	14,812	11,957	12,844
SUPERBALL	3,264	5,351	1,118	-
Total Non-Jackpot Draw Games	<u>132,928</u>	<u>136,932</u>	<u>127,414</u>	<u>127,276</u>
Total Revenues	<u>\$ 1,263,075</u>	<u>\$ 1,266,788</u>	<u>\$ 1,200,696</u>	<u>\$ 1,207,615</u>

Notes:

- Forecasted Scratch Revenue is \$53m over the prior year and equal to Budget
- Forecasted Powerball Revenue is \$830k greater than prior year and equal to Budget
- Forecasted Hoosier Lotto Revenue is \$4.5m greater than prior year and \$293k greater than Budget
- Forecasted Mega Millions Revenue is \$1.9m less than prior year and equal to Budget
- Forecasted Non-Jackpot Draw Games are \$5.5m more than prior year and \$4m less than Budget



Financial Report - FY 2018 YTD

Income Statement

For the One Month Period ending July 31
(In Thousands)

	FY 2018 Actual	FY 2018 Budget	Percentage Variance	FY 2017 Unaudited	Percentage Variance
Revenues	\$ 90,108	\$ 97,158	-7.3%	\$ 99,925	-9.8%
Game and Provider Expenses	69,181	73,968	-6.5%	74,314	-6.9%
Provider Net Income (PNI)	20,927	23,190	-9.8%	25,611	-18.3%
General and Administrative Expenses	506	578	-12.5%	454	11.5%
Operating Profit	20,421	22,612	-9.7%	25,157	-18.8%
Other Income	150	143	4.9%	137	9.5%
Provider Incentive Payment	(98)	(98)	-	-	-
Surplus Revenue to the State	20,473	22,657	-9.6%	25,294	-19.1%
Fair Market Value Adjustment	-	-	-	-	-
Net Income	<u>\$ 20,473</u>	<u>\$ 22,657</u>	<u>-9.6%</u>	<u>\$ 25,294</u>	<u>-19.1%</u>

Notes:

- a) Revenues are down \$9.8m (9.8%) from prior year and down \$7m (7.3%) from Budget
- b) Game and Provider Expenses are in-line with Budget and prior year as a percentage of Revenues (within 2.5%)
- c) General & Administrative Expenses are \$52k (11%) greater than prior year and \$72k (12%) below Budget
- d) Surplus Revenue to the State is down \$4.8m (19.1%) from prior year and down \$2.1m (9.6%) from Budget





IMAGINE THAT.

FY 18 Internal Audit Plan

Carrie Stroud

Chief of Staff

August 15, 2017

FY 2018 Internal Audit Plan

Functions for Review under Internal Audit Plan in FY 2018:

- Game Accounting: Revenue Recognition/Prize Expense
- Unclaimed Prizes
- Fixed Asset Management
- Budgets/Financial Reporting
- Contract Compliance

Risk Model used to Identify Functions for Review:

- System Changes
- Prior Audit Findings
- Financial Statement Impact
- Changes to Policies, Procedures, Management
- Employee Turnover
- Complexity





IMAGINE THAT.

Retailer Update & Sponsorships

Flora Jones

Director of Operations

August 15, 2017

FY17 Retailer Network Update

FY17 Recruitment	FY17 Total
Traditional Applications Received	146
Traditional Applications Approved	142

CLT Applications Received	36
CLT Applications Approved	35

Non-Traditional Applications Received	9
Non-Traditional Applications Approved	3

Total Applications Received	191
Total Applications Approved	180

FY16 Recruitment	FY16 Total
Traditional Applications Received	152
Traditional Applications Approved	140

CLT Applications Received	50
CLT Applications Approved	45

Non-Traditional Applications Received	25
Non-Traditional Applications Approved	27

Total Applications Received	227
Total Applications Approved	212

FY17	FY17 Total
Attrition Tracking	
Non-COO Terminations	247
Ending Retailer Count	4,493

Termination Reason	
Insufficient Sales to Cover Costs	25
Store Closed	123
Excessive NSF	41
COO Planned	25

FY16	FY16 Total
Attrition Tracking	
Non-COO Terminations	199
Ending Retailer Count	4,531

Termination Reason	
Insufficient Sales to Cover Costs	51
Store Closed	65
Excessive NSF	29
COO Planned	14



FY17 Lottery Engagement

Sports Sponsorships



Community Events



Retail Events



FY18 Lottery Engagement

Sports Sponsorships



Community Events



Retail Events



Indiana State Fair - Hoosier Lottery Day

- Saturday, August 12th
- All attendees 18+ who brought the Hoosier Lottery gate flyer voucher to Lotto Town received one (1) free \$1 Goatload scratch-off ticket
 - State Fair distributed flyers at all gates



August 15, 2017

Indiana State Fair - Truck Giveaway

- Purchase requirement is the \$25 Million Prize Pool Scratch-off ticket
 - Non-winning tickets can be entered in the drawing for the truck.
 - Tickets must be purchased in Lotto Town to be eligible
 - Entries accepted during Lotto Town open hours
 - Last day, Sunday August 20th entries accepted until 4:30pm
 - Drawing to occur at approximately 5:15pm
 - Drawing live on Hoosier Lottery Facebook
 - Sarah Taylor to draw the winning ticket





IMAGINE THAT.

Around The Corner

Dennis Rosebrough

Director of Public Relations

August 15, 2017

On Sale: August 20th

Fast Play

\$1

TIC TAC CASH

WIN UP TO \$500

\$500	\$2	\$10	\$25	\$200
\$1	💰	★	💰	
\$3	💎	\$	🃏	
\$50	🏆	♥	💵	

WINNING SYMBOLS

🏆 7 💎 \$ 💰

HOW TO WIN
Match three WINNING SYMBOLS in any vertical, horizontal or diagonal line, win prize for that line.

Overall Odds: 1:4.01
DO NOT MARK BELOW THIS LINE

\$5

DIAMOND DOLLARS

WIN UP TO \$25,000

	\$5	
\$10	\$50	\$500
\$100	\$25	\$7
\$1,000	\$100	\$75
\$500	\$10	\$5
	\$50	

HOW TO WIN
Match three like prize amounts, win that amount.

LUCKY DIAMOND BONUS
In either Bonus Game, get two like prize amounts, win that prize AUTOMATICALLY!
Each Bonus game played separately.

Bonus 1 **Bonus 2**

🏆 \$50 🏆 \$50 🏆 \$25 🏆 \$7

Overall Odds 1:3.23
DO NOT MARK BELOW THIS LINE

\$10

HIT \$500

LOADED WITH \$500 PRIZES

GAME	YOUR NUMBERS	WINNING NUMBER	PRIZE
1	9 14 17 12	10	\$500
2	4 13 22 36	11	\$50
3	40 1 24 18	21	\$50
4	24 33 20 7	33	\$500
5	19 6 16 40	14	\$500
6	4 3 29 31	30	\$50
7	20 32 22 12	2	\$50
8	29 23 27 22	19	\$50
9	37 38 9 39	31	\$500
10	29 19 37 22	23	\$500
11	19 1 13 2	4	\$50
12	9 3 17 30	20	\$500
13	25 36 3 40	27	\$500
14	15 17 23 32	1	\$50
15	20 5 14 10	28	\$50
16	2 15 37 1	8	\$500

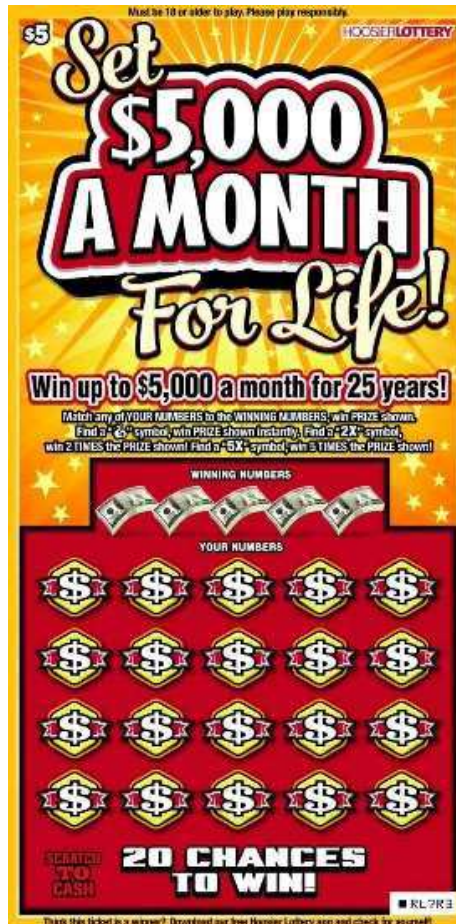
HOW TO WIN
Match any of YOUR NUMBERS to the WINNING NUMBER, win prize shown for that GAME. Each GAME played separately.

Overall Odds: 1 in 10.21
DO NOT MARK BELOW THIS LINE



August 15, 2017

Set For Life! Launching in September

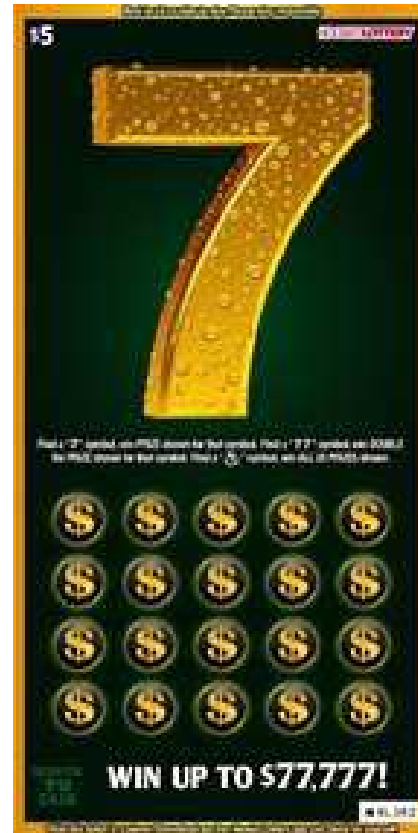


SCRATCH OFFS SCRATCH AWAY



August 15, 2017

Launching in October



August 15, 2017

Launching October 15th

**YOUR CHANCE TO WIN
NOW & LATER**

Scratch to win up to \$20,000 now.
Then, choose your nightly draw to win up to
\$500,000 later.



**2 GAMES IN ONE
OVERALL
ODDS 1 IN 3**

ON SALE OCT 15 f t i o s

1-800-888-8888
HOOPER'S LOTTERY
PLAY RESPONSIBLY

Black Pearl Combined Estimated Overall Odds 1 in 3 • Black Pearl Instant Game Estimated Overall Odds 1 in 4.63 • Black Pearl Draw Game Overall Odds 1 in 6.60



August 15, 2017

Purchase Journey



1. Player asks for ticket from Retailer
2. Player pays \$5 for ticket
3. Player receives ticket from retailer



4. Player scratches Instant Game ticket to reveal play area. If ticket is a winner, the player can redeem the Instant Game immediately.
5. Player scratches the Draw Game ticket, then determines which drawing they want to enter.



Mega Millions Enhancement

NOW WITH EVEN MORE
MEGA

- ★ **NEW!** Jackpots start at \$40 million
- ★ **NEW!** Larger prizes for matching 1-3 numbers

NEW! Play for your chance at **JUST THE JACKPOT.™**
 Get 2 Quick Picks for just \$3.

STARTING OCT. 28 \$2 TO PLAY
 Mega Millions Overall Odds 1 in 24.
 Just the Jackpot Overall Odds 1 in 303 million.
 Just the Jackpot gameplay cannot be combined with Megaplier and is not eligible for non-jackpot prizes.

HOOSIER LOTTERY
MEGA MILLIONS

1-800-884-8448
 PROBLEM GAMING? RELAPSE PLAY RESPONSIBLY

f t y i

hoosierlottery.com
 download on the App Store GET IT ON Google play

Get 2 Quick Picks for \$3
 That's two chances to win only the jackpot!

STARTING OCT. 28

Look for Just the Jackpot at the bottom of your playslip and select the number of Quick Picks you'd like to play - up to 10 plays. You get two sets of Quick Pick numbers for \$3 for every Just the Jackpot play!

You can use the same playslip to play Just the Jackpot and your other Mega Millions plays. Tickets will print separately since Just the Jackpot means you're only playing for the jackpot and is not eligible for winning other prizes.

NEW

JUST the JACKPOT.™
 Play for the Jackpot only!
 Get two Quick Pick plays for \$3.

Price: \$3 \$6 \$9 \$12 \$15
 Plays: 2 4 6 8 10

HOOSIER LOTTERY



End of Presentation

August 15, 2017