



Lottery Sales Update for FY 2011-12

Presentation to
California State Lottery Commission
February 23, 2012

Role of Business Planning Office

- Provides analysis of sales trends, player behavior, consumer attitudes and industry sales
- Identifies strategic opportunities for growing sales
- Manages development of the 3-Year Business Plan as well as the Annual Business Plan
- Monitors performance of Business Plan metrics
- Provides research services to the Lottery
 - Pre-testing game concepts, ad campaigns, etc.



YTD Sales: Up 19% over Last Year

- Sales thru 2-4-2012 (first 31 weeks): over \$2.34 B
- Increase of 19% over first 31 weeks of last FY
- Sales at 100% of the YTD Sales Goals
- Among U.S. Lotteries, sales in CA growing at fastest rates:
 - Calendar 2011: +22% over CY 2010 - #1 in U.S.
 - Oct-Dec 2011: +32% over same Qtr LY - #1 in U.S.
- However, still rank #5 in CY 2011 in Total Sales compared to the 44 jurisdictions with lotteries
 - Ranked #3 in Total Sales over Oct-Dec, 2011

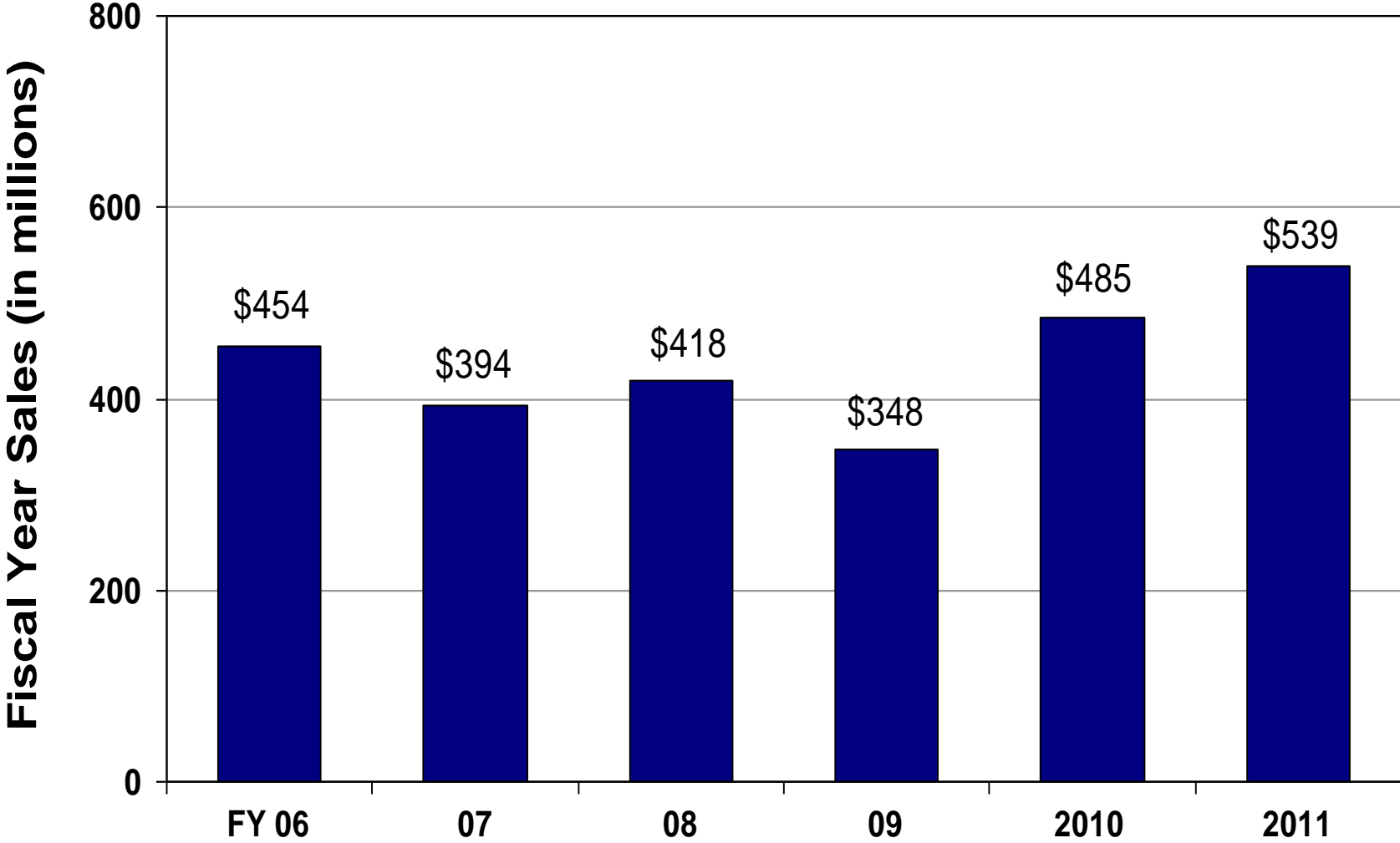


MEGA Millions

- Now, the Second Largest Selling Product
- Launched in June, 2005 to counter declining Super Lotto Plus sales
- CA became the 12th State Lottery to sell MEGA Millions in 2005
- Replaced Super Lotto Plus as the Second best selling game in CA during FY 2010
- Currently sold in 44 Jurisdictions
- Largest MM Jackpot: \$380 million

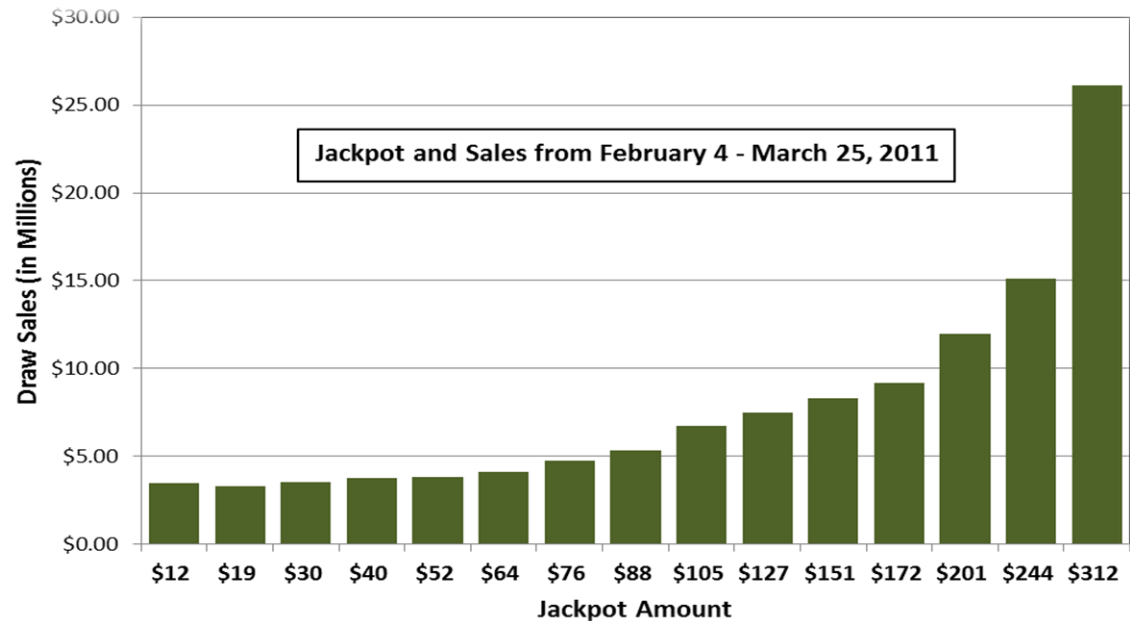


Mega Millions Sales History



MEGA Millions Sales Driven by Jackpot Size

- Large jackpots drive individual Draw Sales



- And, the number of big jackpots impact Fiscal Year Sales

	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12**</u>
FY Sales	\$418	\$348	\$485	\$539	
\$300 million +	1	0	1	2	0
\$200 - 299 MM	4	3	5	4	1
\$100 - 199 MM	20	16	24	14	7
\$50 - 99 MM	25	25	26	30	20
< \$50 million	54	61	48	54	35

** thru first 31 weeks



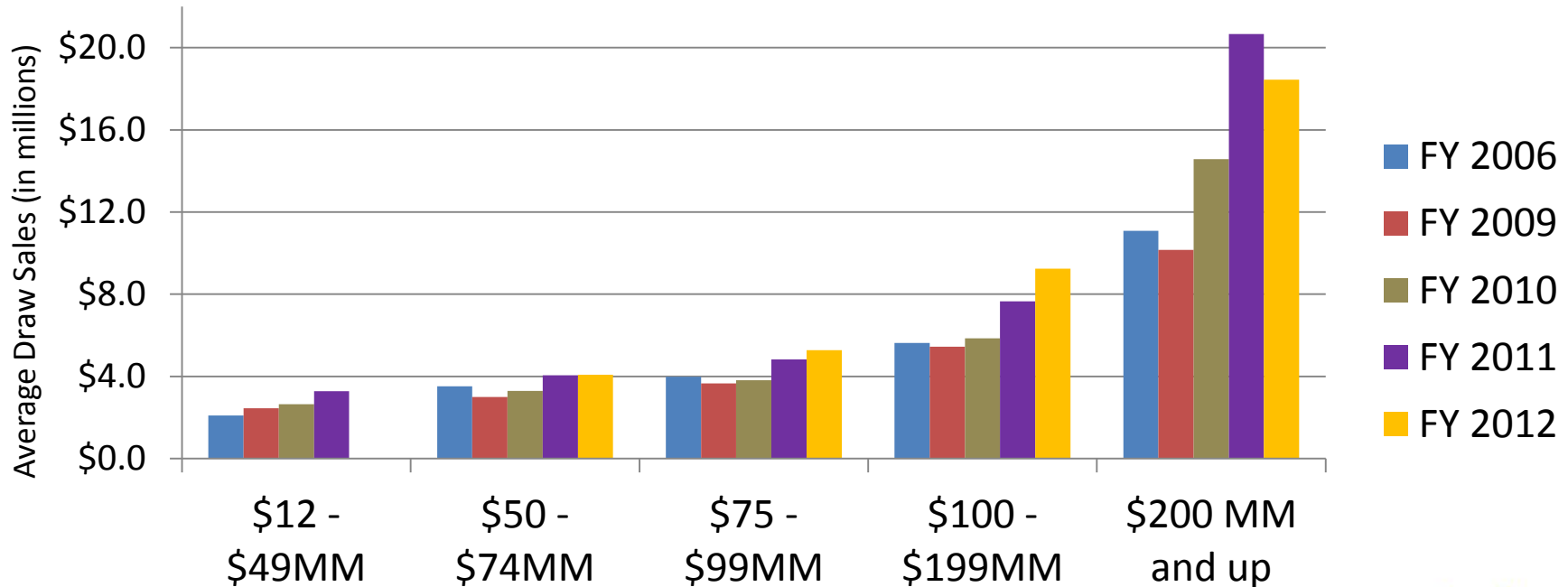
MEGA Millions: \$288 million

- Sales thru 2-4-12: \$288 million
- Down 12% from last year
- Stands at 93% of the YTD Sales Goal
- Sales below goal due to just 1 jackpot over \$200 million so far this fiscal year
 - Average of 5 per year (over past 4 years)
 - Budgeted for just 4 this year



Growth in Sales Response to Jackpots

- MEGA Millions advertising at jackpots of \$70 million & up
- Draw Sales are up around 40% - 80% for the jackpots above \$50MM in less than 3 years



Note: FY 2012 data thru 2-4-12;

Sales for draws under \$50 million not available;

Sales for Jackpots of \$200 million + based on one draw (\$206 MM jackpot)

calottery

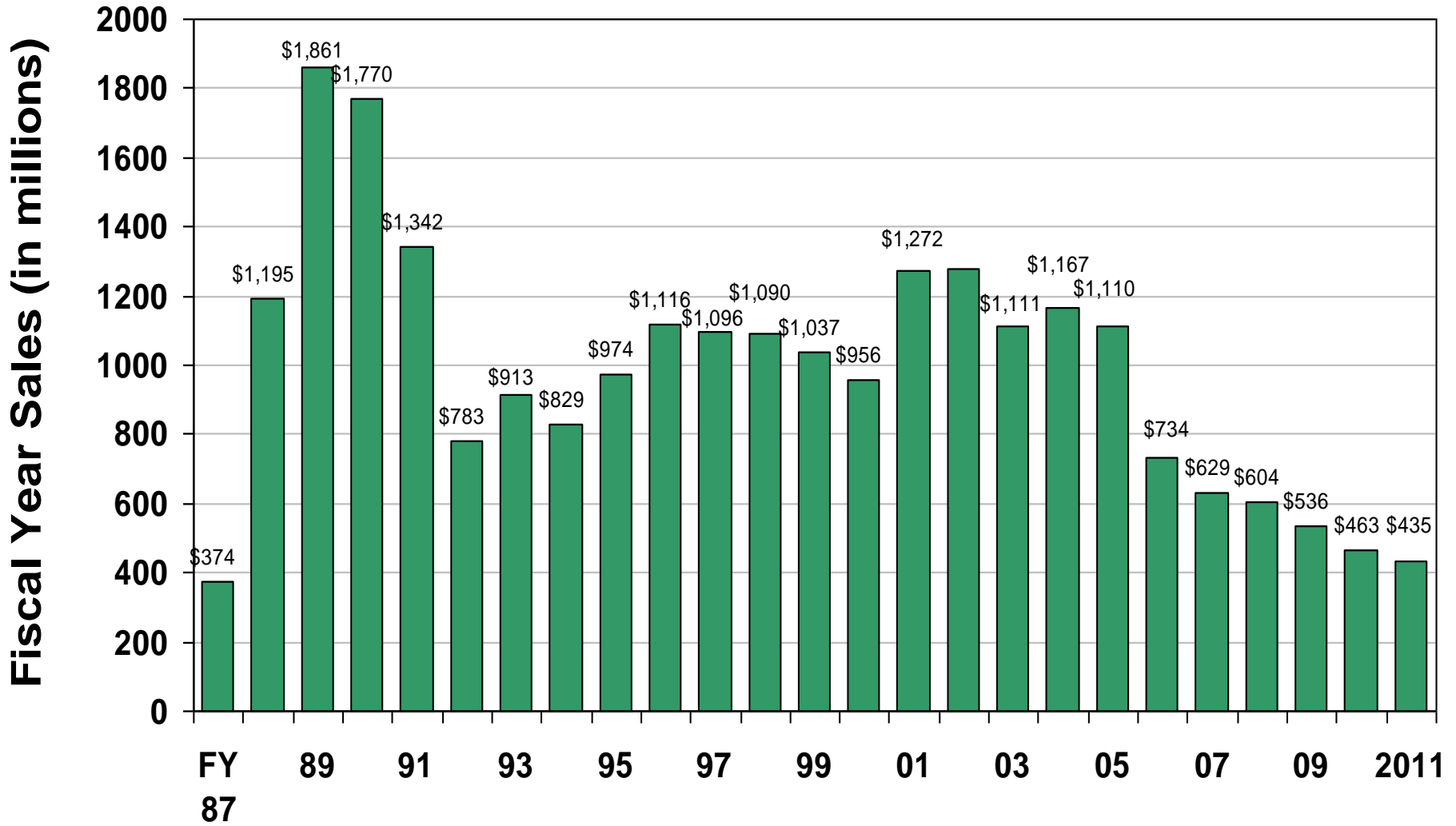


Super Lotto Plus

- Lotto started in October, 1986
- Game design has changed three times
- At times, this was the #1 selling game
 - From FY 1988 thru FY 1999
 - Again in FY 2001 and FY 2002
- Largest SLP jackpot was \$193 million (Feb 2002)
- Now, 3rd largest selling product in CA Lottery portfolio



Super Lotto Plus Sales History



Super Lotto Plus: \$256 million

- After years of decline, sales have stabilized
- Sales thru 2-4-2012: \$256 million
- Down 3% compared to same time last year
- Stands at 106% of YTD Goal
 - The decline is lower than anticipated, which was based on prior year trends
- Now, sales not as jackpot driven as once before



Daily Games: \$201 million

- Composed of 4 games:
Daily 3, Daily 4, Fantasy 5 and Daily Derby
- Sales are up 3% versus the same time last year
- Stands at 104% of the YTD Goal
- Fantasy 5 and Daily 3 are up versus last year
 - Some migration from Daily 4 back to Daily 3
 - Fantasy 5 gains due to in-store LED signage showcasing Top Prize
- Small playerbase for these games



Hot Spot: \$77 million

- Last Year reversed a trend of declining sales for many years with a 10% increase over FY 2010
 - Sales increased with Higher Prize Payout Promotions
- This Year's Sales thru 2-4-2012: \$77 million
- Sales up 1% versus same time last year
- Stands at 98% of YTD Sales Goal
- This year, increased sales from adding additional ways to play Hot Spot
 - Even though fewer Prize Payout Promotion days

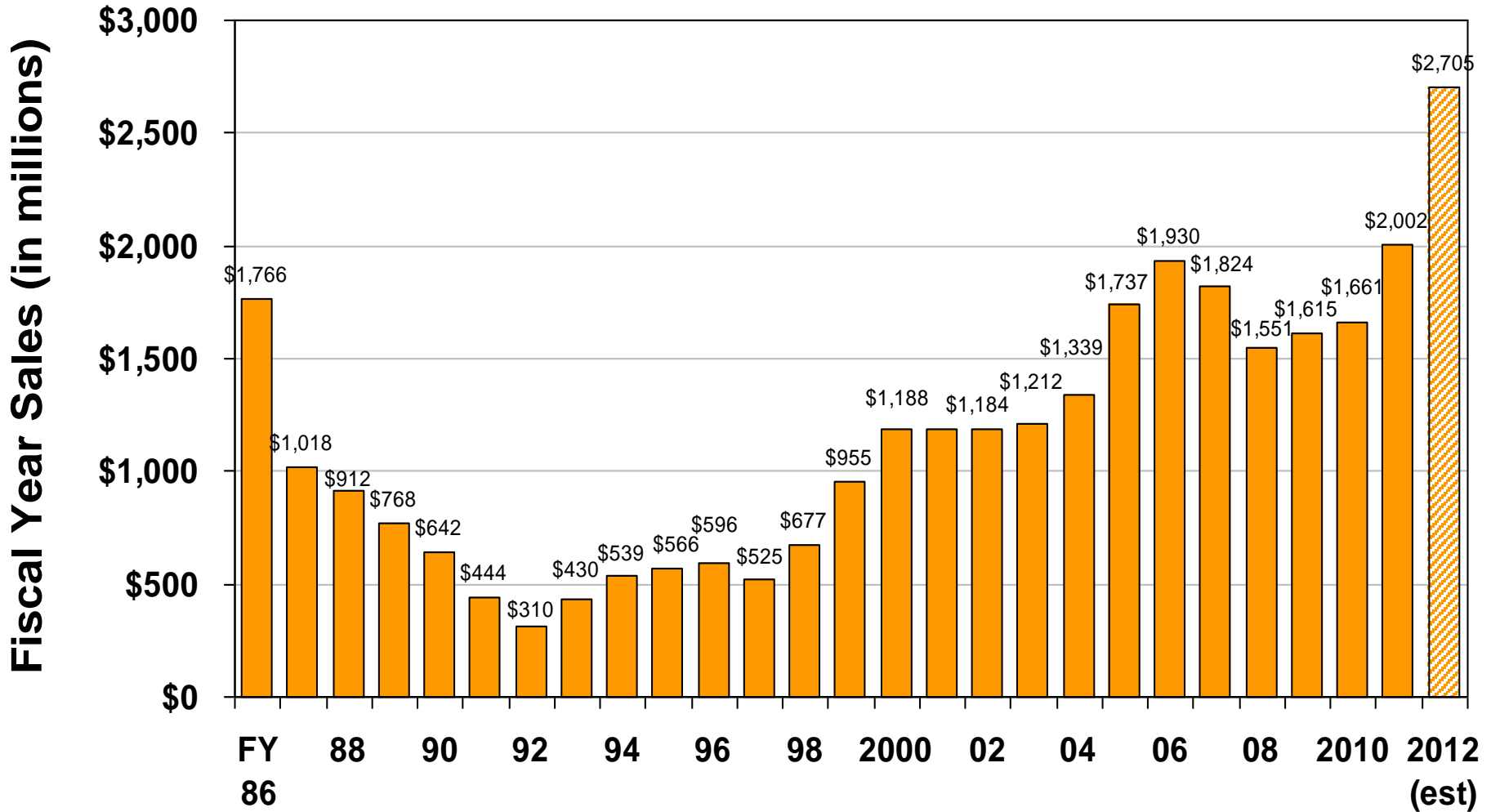


Scratchers

- First lottery product introduced in Oct 1985
- Largest selling product line for Lottery
 - Accounts for about 65% of total sales this year
- Major swings in Sales over Lottery history
- Sales responsive to product enhancements
- Increasing Prize Payout was key in 1997-2000 and critical for current growth



Scratchers Sales History



Industry Perspective

- Scratchers sales in CA growing at fastest rate:
 - CY 2011 sales up 35% over 2010 - #1 in U.S.
 - Oct-Dec sales up 59%
over same Qtr Last Year - #1 in U.S.
- For Scratchers Sales, CA was ranked fifth in the U.S. for CY 2011
- On a per capita basis, CA was ranked 29th for CY 2011 and 25th during the last quarter (Oct-Dec 2011)

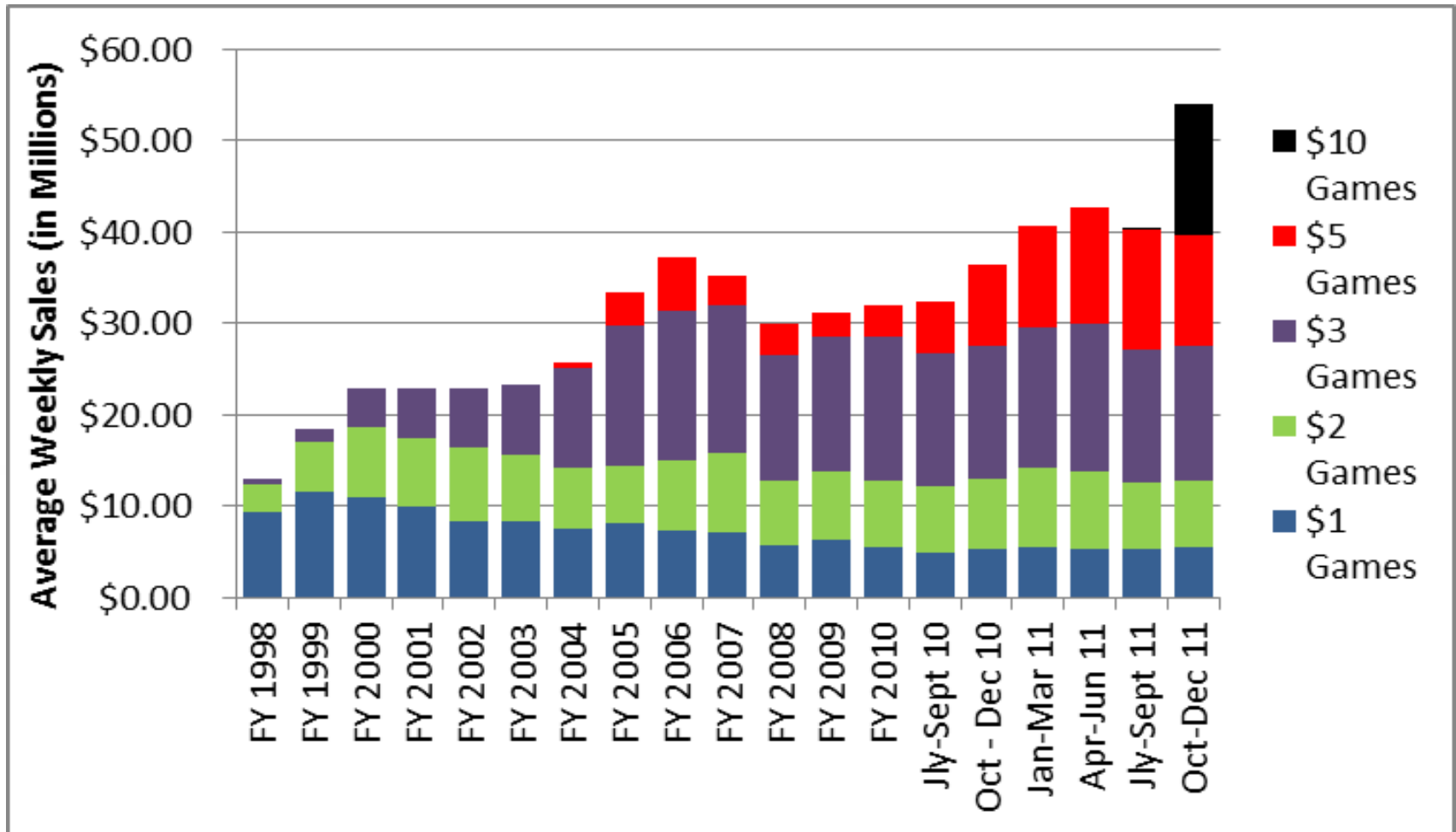


Scratchers: \$1.52 billion

- Consumers Sales thru 2-4-2012: \$1.52 billion
- Sales up 38% over first 31 weeks of last year
- Stands at 100% of YTD Sales Goal
- Factors in sales growth:
 - Prize Payout and Higher Price Point strategies
 - Retail initiatives improving Activation rate Key Performance Indicators (KPI's)
 - Advertising in selected media markets



Higher Price Points Fuel Sales Growth



FY 2011-12 Sales Estimates

Assumptions:

- Scratchers:
 - Average weekly sales will rise from \$54 million (Q2) to \$57 million (Q4) as anticipated; \$10 game continues to sell above original projections
 - Gains from advertising flights and continued improvement in Retail KPI's
- MEGA Millions:
 - Just one more sequence with a jackpot above \$200 million this year
- Other Games:
 - Estimates based on trend analysis



FY 2011-12 Sales Estimates

- Scratchers, SLP and Daily Games will exceed Goals for the Year
- MEGA Millions and Hot Spot just shy of Goal
- Results in Total Sales: \$20 million above goal

	FY 2011-12 Sales Goal	FY 2011-12 Estimate	% Change from FY 2010-11
	(in millions)		
Scratchers	\$2,700	\$2,705	35%
MEGA Millions	\$519	\$510	-5%
Super Lotto Plus	\$403	\$417	-4%
Daily Games	\$328	\$339	2%
Hot Spot	\$140	\$139	7%
Total	\$4,090	\$4,110	+20%



FY 2011-12 Profit Estimates

- Goal: \$1.19 billion to public education
- Current Year Prize Payout higher than anticipated due to strength of \$10 game
- Current Conservative Estimate: \$1.17 billion to public schools
- Gain of at least \$40 million over last year and \$120 million over AB 142 Base Year



