



**ARKANSAS
GENERAL
ASSEMBLY
SCHOLARSHIP
LOTTERY
OVERSIGHT
COMMITTEE
DECEMBER 2013**

The New Scientific Games

A leading developer of technology-based products and services
and associated content for worldwide gaming and lottery markets

Headquartered in New York City with
major operations in Georgia and Illinois

SG **WMS**
SCIENTIFIC GAMES®
Combined Revenue⁽¹⁾: \$1.6 billion

Global base of ~5,000 employees

Gaming Group

Product Sales



Gaming Systems



Gaming Operations



Lottery Group

Instant Games



Draw Games



iLottery



Sports Betting



Player Loyalty



Interactive Group

iGaming



Social Slots



Mobile Casino



(1) For twelve months ended June 30, 2013.



Global Gaming Company

- **40 Years of Leadership**

A world leading provider of fully integrated, player-engaging products and services to lottery and gaming organizations around the globe

- **Customer Driven**

Operations based on customer demand with state-of-the-art manufacturing and operational facilities in North America, Asia, Europe and South America

- **Creative Content**

Largest portfolio of licensed games and other creative content for the lottery industry

- **Innovative**

Introduced many lottery industry “firsts” – from breakthrough printing technologies to new game concepts, cooperative service programs, software systems, lottery game and gaming terminals, and marketing research products

- **Commitment to Excellence**

Industry-leading levels of security, integrity, business compliance, quality and ethical standards

Global Presence



North American Footprint



07/2013



Significant Achievements

- Created the world's first secure instant lottery ticket in 1974
- Started the first instant ticket game operations for nearly 70 lotteries – including most U.S. lotteries
- Pioneered Cooperative Services Program (CSP) for integrated instant product category management
- Launched full service instant ticket lottery for the China Sports Lottery in 2008, growing the market to nearly 20 billion RMB in 2011
- Launched the first North American lottery loyalty and rewards program in 2009 – now providing the program to six lotteries with 1 million+ members
- Helped grow sales for Italy's Scratch & Win business from \$618 million USD in 2004 to over \$13 billion in 2011 – now the highest per capita instant ticket lottery in the world
- Awarded the first private management agreement in U.S. through Northstar joint venture for Illinois Lottery – achieved 27% growth in instant game retail sales the first year of operation
- Completed the largest single supplier installation of server-based gaming machines in history in 2011
- With over 10 years of internet-based lottery experience, having launched over 450 websites for lottery customers

Lottery Instant Games



A World Leader in Instant Games

- Capacity to print 44 billion+ instant tickets annually
- Five highly sophisticated, secure printing facilities on four continents
- Cooperative Services Program (CSP) for integrated instant product category management
- A leading provider of game design, retail analysis and marketing services
- Extensive experience in emerging markets

Licensed Properties

Largest Library of Licensed Lottery Games



- Rights to nearly 150 popular brands
- More than 170 games launched worldwide in 2012
- Pioneer of multi-jurisdictional linked games like Wheel of Fortune[®], \$1 Million Las Vegas Game Show Experience (featuring popular game show brands) and Jackpot MONOPOLY[™]

- 2nd Chance drawings and promotional games



Lottery Loyalty and Rewards Programs



Properties Plus®

- 2009: MDI launches the first North American lottery loyalty program for the Arkansas Lottery
- Today: MDI provides Properties Plus to five additional lotteries: Kentucky, Maryland, Missouri, North Carolina and Tennessee
- Over 1 million players now belong to Properties Plus loyalty clubs

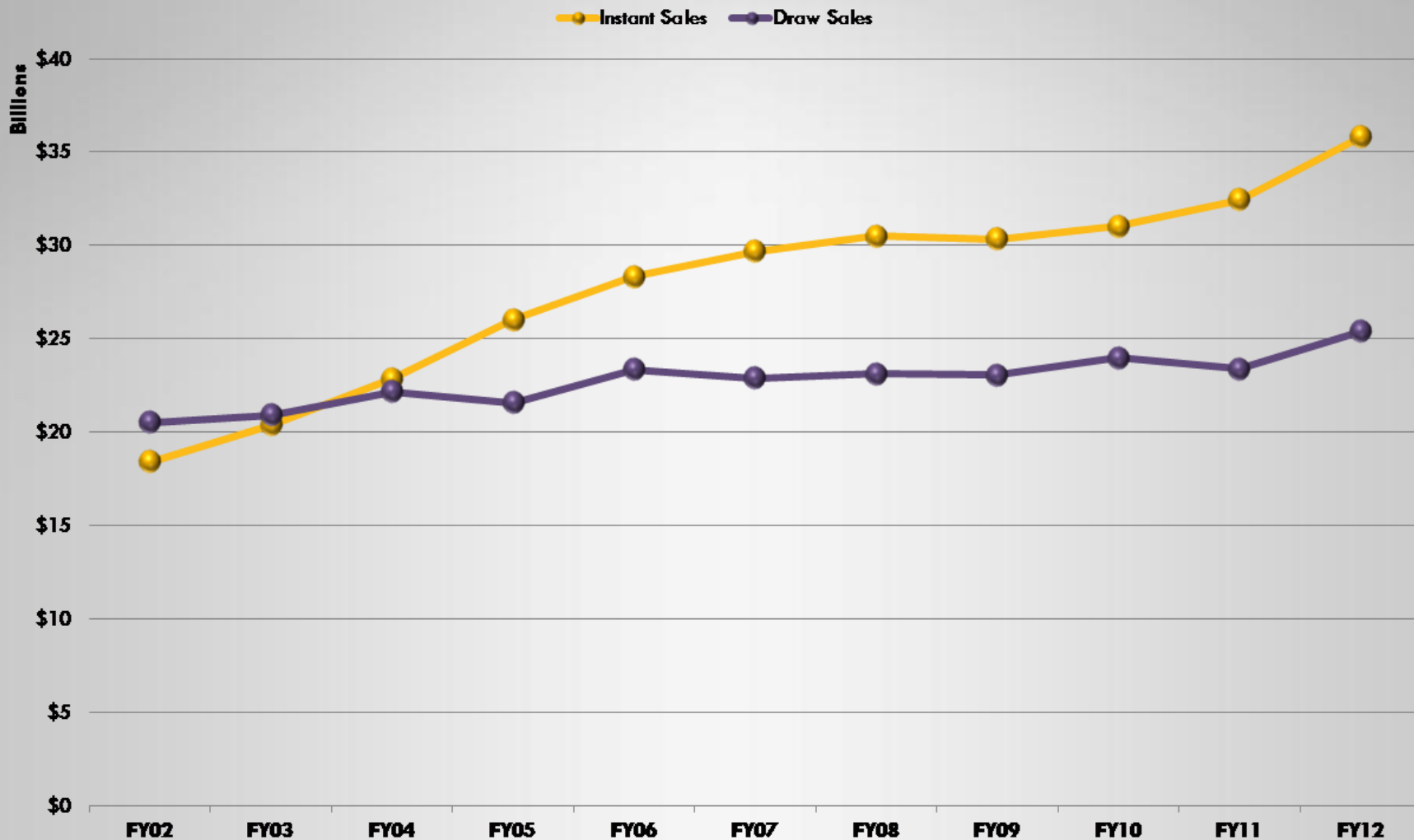
As allowed by all applicable laws, rules and regulations

Marketing Services & Research

- MAP™ patented system featuring 34,000+ games, nearly 1.5 million data points of weekly sales data and 25,000 ticket images
- Completed over 1,000 research projects
- Needs analysis, retail performance assessment and consumer research
- Global performance trends from game launch through entire life cycle
- Customized marketing plans for strategic account management and revenue growth
- SalesMaker™ retail development program has driven up to 20-30% sales increases with participating retailers



LOTTERY SALES SHIFT TO INSTANTS





THE REAL MARKET PLACE

- Nationally, instant ticket sales account for about 59% of all sales.
- In Arkansas, instant ticket sales account for about 81% of all sales.

	USA (Billions)	ARKANSAS (Millions)
INSTANT SALES	\$34	\$355
TOTAL SALES	\$58	\$440
PERCENT	59%	81%

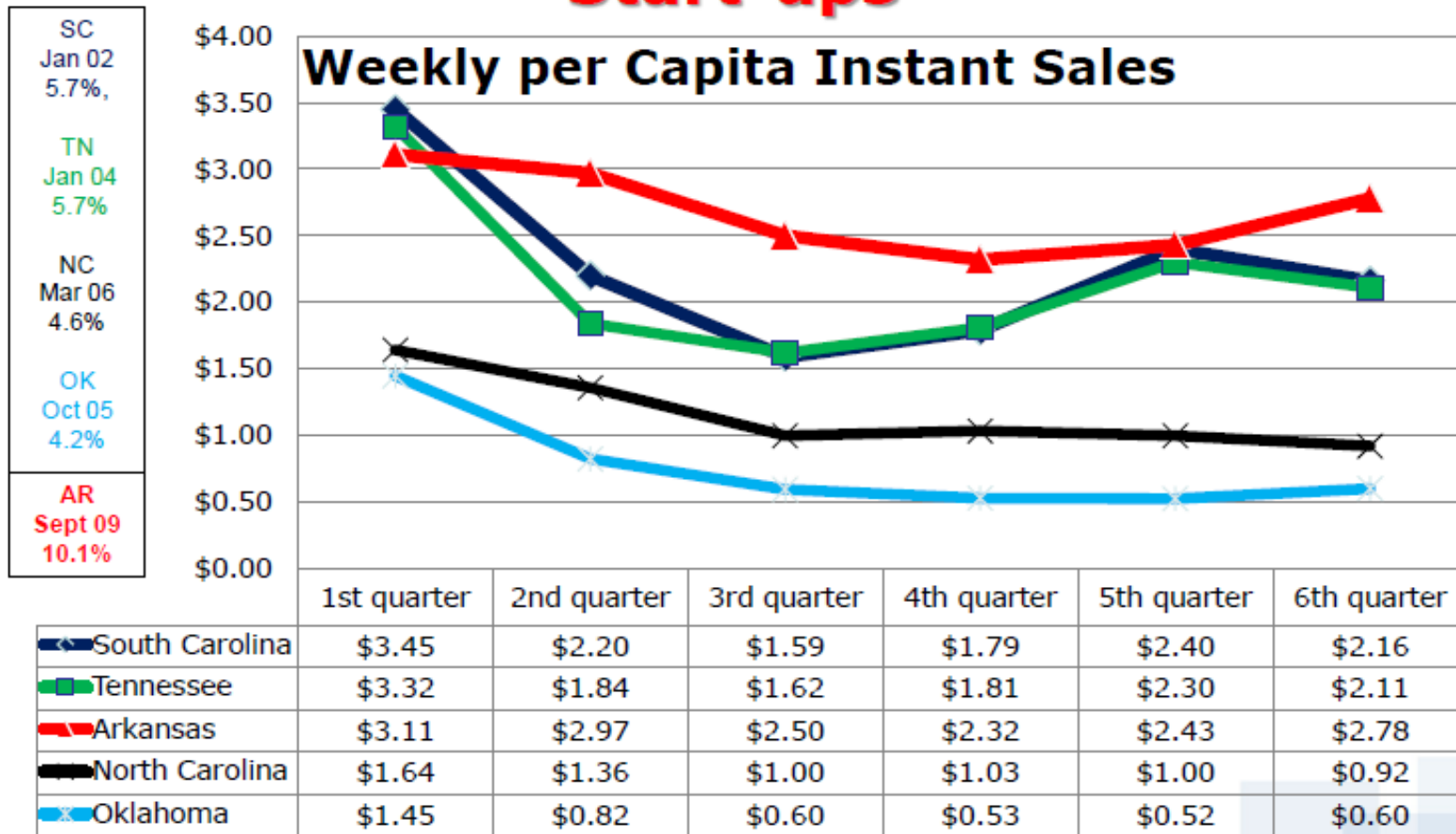


SUCCESS IS PROFIT

- The Arkansas Scholarship Lottery has far exceeded any projection.
- Due to the maturity of lottery products, and when the Lottery began operations, Arkansas consumers purchase more instant tickets than the national average.
- With higher prize payouts, instant product margins are lower by percentage. This reduces the Lottery's overall profit percentage.
- However, the attractiveness of the instant product has produced the significantly higher sales – producing the significantly higher profits.
- **MEANING MORE AND LARGER SCHOLARSHIPS!**

AN OUTSTANDING START

Arkansas Has Outperformed Other Recent Start-ups





AN EXTRA \$170 MILLION



ARKANSAS PRIZES ARE TYPICAL

PRIZE PAYOUTS – TOP 16

WPC Rank	Lottery	\$1 Payout	\$2 Payout	\$3 Payout	\$5 Payout	\$10 Payout	\$15 Payout	\$20 Payout	\$25 Payout	\$30 Payout	\$50 Payout
1	MA	69.90%	72.00%		76.00%	80.00%		80.40%			
2	GA	63.00%	68.70%	68.80%	69.90%	74.30%		78.30%			
3	NY	62.96%	63.92%	63.99%	66.95%	72.57%		76.49%			
4	CT	63.88%	64.02%	68.16%	68.50%	70.28%		71.00%		72.94%	
5	PA	59.35%	64.17%	65.87%	70.46%	73.29%		74.28%			
6	TN	59.90%	66.40%	65.90%	66.30%	67.50%		71.40%			
7	NJ	55.00%	65.00%	65.00%	65.00%	75.00%					
8	SC	59.73%	65.76%	68.60%	70.92%	76.11%					
9	NH	60.50%	65.50%	65.50%	68.00%	72.00%		73.43%		69.50%	
10	FL	62.50%	69.50%	69.50%	70.50%	75.00%		77.20%			
11	AR	60.54%	65.31%	69.29%	71.84%	76.23%		78.29%			
12	OH	61.00%	65.00%	65.00%	69.00%	73.00%		75.00%			
13	IL	63.80%	67.00%	65.20%	68.10%	75.00%		77.40%		78.00%	
14	ME	60.33%	65.70%	66.50%	67.70%	71.50%		73.00%			
15	MO	62.64%	66.67%	66.74%	69.27%	75.09%		76.16%			
16	VT	62.00%	64.00%	68.00%	69.00%	70.00%		74.00%			
	Avg.	62.52%	66.93%	66.56%	70.00%	74.61%		76.74%		76.58%	



IF ARKANSAS WAS LIKE THE USA

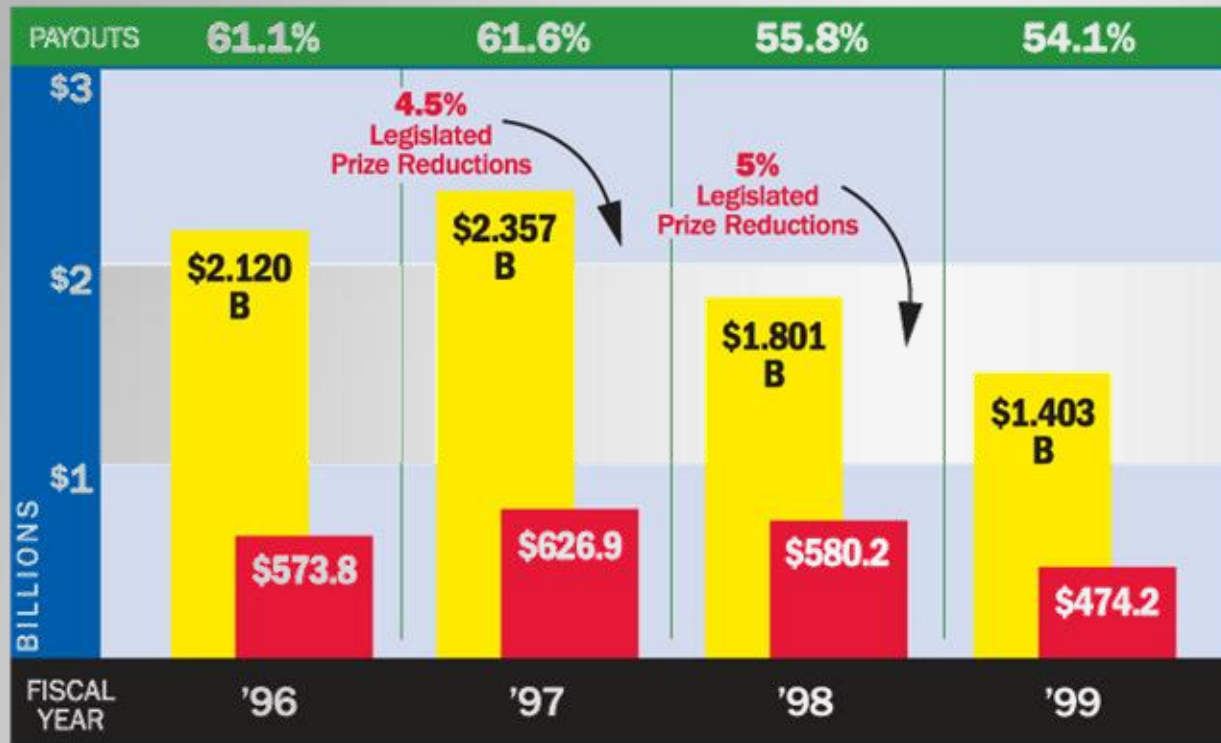
	2013 ARKANSAS	IF AT USA
Instant % of Sales	82%	59%
Online % of Sales	17%	41%
Instant Sales	\$355.0	\$279.4
Instant Prizes	\$250.1	\$195.8
Prize Percentage	70.5%	70.1%
Margin	\$104.9	\$83.6
Online Sales	\$84.5	194.2
Online Prizes	\$42.0	97.6
Prize Percentage	49.7%	50.2%
Margin	\$42.5	96.6
Sales	\$439.5	473.6
Prizes	\$292.1	293.4
Margin	\$147.4	180.2
Operating Income	\$87.9	116.9
Profit Percentage	20.0%	24.7%



TEXAS DISASTER

- **Texas increased its profit percentage by cutting back the percent paid out in prizes.**
 - Sales from from \$2.3 billion dollars to \$1.4 billion in just two years.
 - When the Legislature returned to session two years later, they reinstated the higher payout and saw immediate results.
 - It took five more years of growth for the Lottery to return to its previous production levels.
 - In those seven years, the Lottery's sales fell a cumulative \$3.54 **Billion** and cut Lottery revenues by almost \$1.1 **Billion**.

TEXAS DISASTER



Two-phased mandate produced an immediate and sharp decline

INSTANT TICKETS

40%

ALL GAMES

31%

■ Instant Sales
 ■ Share Earnings From Instant Category*
 ■ Instant Prize Payout

TEXAS DISASTER





WHY?

- **The Lottery entered a mature national marketplace.**
- **The assumption that the Arkansas consumer would move through the product process just as the nation had was false.**
- **The Lottery received instant benefit from Properties Plus and Points for Prizes.**
- **Other mature lotteries will slowly more mirror Arkansas.**



**Driving performance for
lottery and regulated gaming
worldwide**