



Camelot | GLOBAL

# Business planning & consulting services to the Arkansas Scholarship Lottery

15<sup>th</sup> October 2015

## Camelot Global – our services

Camelot Global is a sister company to Camelot UK and leverages its operational experience of the UK National Lottery and combines it with global experience from North America & Europe

- Consumer goods mind-set means Camelot is a consumer-out company (adopting the Customer is Boss approach)
- Increased competition in the Lottery market means a new approach is required to marketing and selling the lottery

### 3 core services offered to the market:

- 1) Professional Services
- 2) Strategic Advisory
- 3) Technology

- Consulting covers: Strategic Planning (5 year planning process); Sales & Marketing expertise; Technology expertise (including transition/transformation); Organizational development and governance consulting



## Consultancy Projects & Case Studies

Camelot Global has worked in both North America and Europe providing sales & marketing consultancy, technology services and iLottery management

Lottery	Country	Project
ILC	Canada	Draw game re-design
ALC	Canada	Digital consulting and roadmap
WCLC	Canada	Digital strategy
Quebec	Canada	Digital Instant Win games
New York	USA	5 Year Business Plan, including digital roadmap
Massachusetts	USA	Technology procurement
California	USA	Business planning / Sales & Marketing
Kentucky	USA	Retail channel
Texas	USA	Business analysis
Nat. Lottery of Morocco	Morocco	Corporate Social Responsibility
Mauritius	Mauritius	Corporate Social Responsibility
Irish National Lottery	Ireland	20 year operating licence 2014-34 & iLottery Managed Service. iLottery management
EuroMillions	Various	Management & strategic planning



## Agenda

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- Background & Context
- Proposed Deliverables
- Contract terms for review
- Next Steps



## Background

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- Camelot Global (Camelot) was unanimously scored highest in the recent Arkansas RFQ for business plan & consulting services to the Arkansas Scholarship Lottery (ASL)
- Week of 17<sup>th</sup> August, Camelot and ASL started and completed commercial terms discussions for services related to the RFQ
- The commercial terms were drafted into a contract that was presented for review to the Lottery Oversight Committee (LOC) on 20<sup>th</sup> August
  - The contract had been rushed, due to the timing of the LOC meeting
  - The LOC asked for more time to review the contract which is now being presented to the LOC
  - Governance and more understanding of the costs associated were the area of focus
- This presentation is intended to provide more detail on the contract and its deliverables to LOC

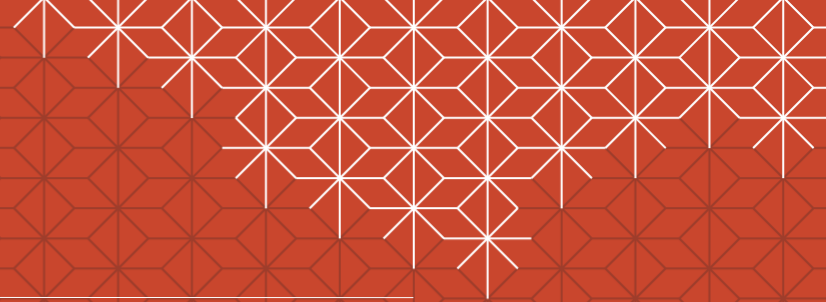
## Context

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- Arkansas Scholarship Lottery (ASL) hit a record \$97m returns to Scholarships in FY12.
- At the end of FY15 returns to Scholarships had fallen to \$72m (some \$25m down or 12,500 scholarships lost)
- ASL under performs versus neighboring and Peer States in terms of per capita sales, profit and player participation
- There is a perception of mistrust and general negative publicity towards the Lottery
- The launch of the Lottery did not follow best practice and early mistakes still taint the ASL's image today
- There is a latent demand for lottery products in Arkansas, however changes are required to sales and marketing strategy and activity planning
- With a year on year decline of -9.5% since FY12, there is a forecast this year of \$79m (FY16).

# Proposed Deliverables

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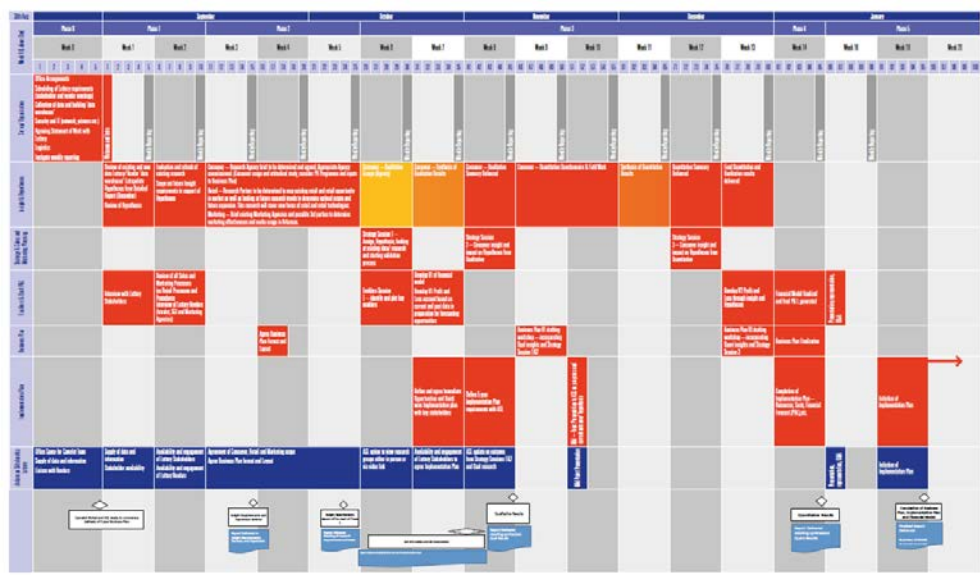
## Contract deliverables summary

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- Provide ASL with a 5 year business plan (the what)
  - Validated with research & proven in benchmarking
  - 5 Phased proprietary process used across Camelot Global's clients
  
- Provide ASL with the expertise to implement the business plan (the how)
  - A dedicated team of experts working with the ASL in Little Rock, complemented by Camelot Global's network of professionals from both the US and Europe

# 'Business Plan' delivery timeline

- The Timeline below has been developed to **deliver the 5 year business plan in 14 weeks** (RFQ Requirement) and will be shared with the client along with an explanatory/ marketing narrative



## Delivery Workstreams:

- Set-up/ Organization
- Insight and Hypothesis
- Strategy and Sales & Marketing Planning
- Enablers and Draft P&L
- Business Plan
- Implementation plan
- ASL's requirements

As well as covering activities, the Timeline clearly articulates the Milestones and Outputs that ASL will receive at each stage of the 14 week process.

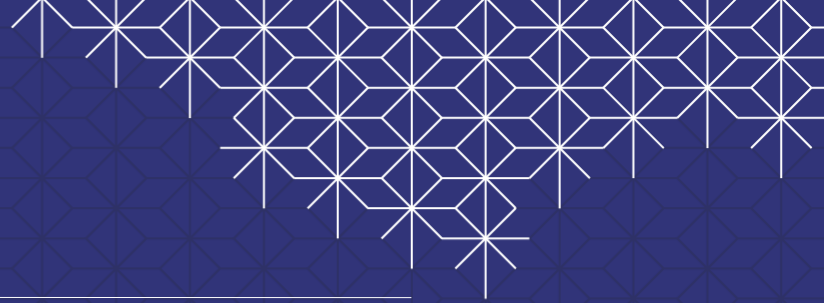
## Contract deliverables – business plan

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- 5 phase business planning process – 14 weeks
  - Collection and review of existing information (weeks 1-2)
  - Defining hypothesis and insight requirements (weeks 3-5)
  - Validation and testing of hypothesis through insight (weeks 6-13) + implement quick wins
  - Finalization and delivery (weeks 13-14)
  - Presentation and implementation (week 15 and onwards)
- Quick wins across sales & marketing will be identified and implemented with ASL from week 1. Camelot Global's head of marketing and retail lead will buddy with their respective counterparts at ASL from week 1

# Contract terms for review

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## Commercial principles

### Term

- 5 years, with 2x 1 year automatic extensions, max 7 years. Years will align with ASL financial years ending 30<sup>th</sup> June

### Compensation & expenses

- Two forms of compensation & expenses:
  - Up to a maximum of \$650k, Camelot will have its expenses covered \*\*
  - Incentive compensation based on increasing returns to Scholarships (see table below)

Tier	Net Revenue range	Camelot share of incremental Net Revenue
Tier 1	Less than bogey (\$72.3m)	0%
Tier 2	\$72.3m - \$80m	12.50%
Tier 3	\$80-90m	13.75%
Tier 4	>\$90m	15.00%

\*\* The sell price of Camelot's expenses would be the equivalent of \$1.27m in Year 1 and \$1.17m Year 2 onwards

## Commercial principles

### Governance

- The Director DFA and the CEO of Camelot will be the highest point of escalation, with the Executive Director and Lottery Director being the next level down to handle issues
- Regarding the handling of the contract the following is proposed:

*An **annual meeting** will be held with Director DFA and representatives of LOC to review contract performance*

*Camelot will establish an **annual business planning process** as part of the service to ASL, this business planning process will set-out the annual plans for the lottery, sales forecasts, and any costs and investments for the year.*

*As part of this process Camelot will confirm its expenses for the year and a recommendation will be sent to the Director DFA and the LOC for approval. **All expenses are at the discretion of DFA** and the LOC*

***Quarterly meetings** are proposed to review marketing investment and time and materials deployment, with recommendations going to the Director DFA and LOC for approval*

*Monthly and weekly meetings will take place between OAL and Camelot*

### Transparency

- It is intended that Camelot will attend LOC monthly meetings and will present at least quarterly to the forum

## Commercial principles

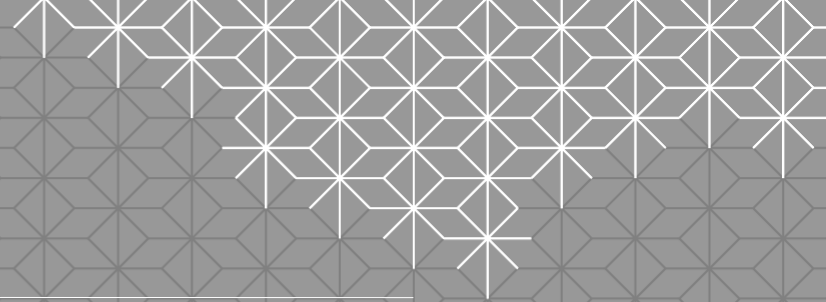
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### Adverse Actions

- Camelot will be compensated for early termination due to the nature of the services provided to ASL. It is recognized that during the term of the agreement Camelot will be transferring knowledge and intellectual property to ASL, and there should be a deterrent in the contract for early termination
- If the contract is terminated for convenience ,and without cause by ASL, Camelot will receive its incentive compensation in the following manner:
  - if the contract is terminated within the first 24 months Camelot will receive its incentive compensation at 12.5% rate for all net revenue over bogey for the remainder of the contracted period
  - if the contract is terminated after the first 24 months, Camelot will receive all of its incentive compensations for all net revenue over bogey for the remainder of the contracted period
  - if the contract is terminated for cause, Camelot will receive no compensation
  - if the contract is terminated by Camelot (other than for a lottery default), then no compensation will be paid

## Next Steps/Timetable

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## Next Steps/timetable

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- Camelot to agree an effective date with DFA (1 Dec'15)
- Start-up mobilization – Nov'15
- Start Business Plan – Dec'15 –Mar'16

Thank you

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