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My Lottery's Dream Game

The New Mexico Lottery overcame its 30% profit mandate to create a potential game of the year program.

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1st Quarter Sales Report

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The Retail Issue

The industry has seen unprecedented growth over the past few years due to its successes in retail. To continue growing sales, lotteries must deal with increasing crime rates, new technologies, responsible gaming, and changing consumers' habits. Read about how they're juggling it all.

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Inspire

The Fun.

We take pride in keeping fun at the center of lottery play.
This means using our *Healthy Play* program across every product we offer so that each one unleashes the power of fun and a moment happiness.



Why Were Investors So Attracted to Scientific Games?

Scientific Games, a lottery company established in 1973, acquired two gaming companies (WMS and Bally Technologies) back to back in 2013 and 2014 and became a lottery, gaming, digital, and sports betting goliath. Fast forward to July 2021, and in a strange twist of fate, the company announced it would be selling its global lottery and commercial sports betting businesses – with the lottery business retaining the Scientific Games brand.

Pat McHugh, now CEO of the new 100% lottery-focused Scientific Games, made hundreds of investor presentations with some of the largest and most sophisticated investment firms worldwide. Investors were excited by both Scientific Games and the lottery industry. They listened to McHugh's view of the lottery industry, the evolution of Scientific Games Lottery business, and the company's strategic plan for moving forward. The presentations occurred during the midst of a pandemic, showing how resilient lottery sales were during a global crisis. Twice in the past 15 years, the sector showed its strength and resiliency: during the Great Recession and again through COVID-19.

Meanwhile, Scientific Games managed the global crisis exceptionally well, growing across all areas of its lottery business due to strategic decision-making. Fortunately, before the pandemic, the Lottery Group's executive team had diversified the global supply chains for instant products and lottery retail equipment and launched digital channels for lotteries around the world. The team remains in place at the helm of the new Scientific Games with the addition of several other company leaders.

"That proactive investment before the pandemic paid dividends through the pandemic when supply chain delays disrupted shipments of raw materials for lottery products. We were able to move games between manufacturing facilities and still supply our customers. And in 2020, we delivered a record number of lottery retail point of sale terminals to our customers," McHugh said.

Evolution

Investors were even more impressed by Scientific Games' evolution over the

past decade. "In the past, people used to look at us as an instant product company and a lottery systems company. Today we're just one lottery company offering products to all of our customers. Everything we do combines games, technology, analytics and wraps those with services where we can provide expert advice to our customers on how to grow productively," McHugh said.

For countries like Denmark, Turkey, Germany, Azerbaijan, and Hungary, to name a few, Scientific Games provides platforms that integrate the entire lottery ecosystem across retail and digital. The ecosystem allows lotteries to promote all their games seamlessly as a portfolio, including traditional retail games, iLottery, and sports betting. Since many lotteries in Europe use multiple vendors for different parts of their business. Scientific Games adapts to plug into any part of a lottery's ecosystem.

"We're the largest lottery systems supplier in Europe," McHugh said. "Because we're such a large player in the international market, our systems have developed to meet any need for any part of the game portfolio. We provide components or all of the ecosystem. Everything we're doing now is about creating value around game categories, value-add applications, and analytics that we can help lotteries maximize sales and proceeds in each category."

Competition

For most of the past eight years, Scientific Games utilized the synergies between the casino, sports betting, and lottery sectors. By 2021, many of these synergies had been exhausted. Yet a growing internal issue was the competition between the iLottery and iCasino sides of the business. "We were being constrained by competing internal priorities," McHugh said.

In the April 2022 sale to Brookfield Business Partners, Scientific Games retained the company's iLottery assets. Any internal competition will now shift entirely to external. However, McHugh points to Pennsylvania as an excellent example of how both markets can successfully coexist in a jurisdiction.

"Pennsylvania is one of the most competitive gaming markets in the

U.S. At the same time we helped the Pennsylvania Lottery launch iLottery, the casinos launched sports betting at retail and digital, then they launched iCasino," McHugh said. "It's huge numbers on the casino and commercial side, but the Pennsylvania Lottery had one of the most successful iLottery programs in the industry while also achieving record retail sales. If positioned properly, then a rising tide can lift all boats."

As gaming expands in other jurisdictions, McHugh believes lottery will compete successfully with other products if they have equal opportunities to modernize. With Scientific Games no longer balancing casino customers, it is in a prime position to help defend its lottery partners' interests. "We can shift from being supportive to customers in different industries to being pure advocates for our lottery customers. We don't have any conflict there, which puts us in a unique position," McHugh said.

Inflection Point

The industry will continue to face more competition in the future and not only from other forms of gaming. Different entertainment options are constantly pulling at players' attention spans.

"We're at an inflection point," McHugh said. "We have to make sure that we as an industry are modernizing to stay relevant and maintain lottery beneficiary funding. If we do that and keep investing, we're very bullish on the industry. But we must keep pace. For Scientific Games, we're now more agile, better funded, and excited about innovating with our customers for the future."

Scientific Games leadership can now dedicate the company's free cash flow, which had been used to support the company's other business areas, to helping lotteries in any way they need and by continuing to invest in the intersection of games, technology, analytics, and services.

"That's where we will provide the most value for our customers," McHugh stressed. "Not only in a transaction of delivering games but being a trusted partner, shoulder-to-shoulder, using technology and expertise to help shape the lottery portfolio and help the industry move forward."

Game On!

Life is always an adventure with these exciting new instant games that your players will love!

Contact your Scientific Games representative for details.

\$00 the Game of LIFE

BONUS Get a symbol, win \$20 instantly!

START CAREER RENT AN APARTMENT GO HIKING

BUY HOUSE THROW A PARTY NEW CAR PAY DAY GO SHOPPING BABY GIRL GET MARRIED PAY DAY

PAYDAY prizes cannot be used towards a match 3 win.

DONATE TO UNIVERSITY GET A RAISE! REMODEL HOME TAXES DUE PAY DAY UPGRADE COMPUTER NEW BIKE PAY DAY BUY SAILBOAT

SEE TICKET BACK FOR PLAY INSTRUCTIONS.

FAMILY VACATION! VISIT DOCTOR FIX CAR JOIN HEALTH CLUB BIRTHDAY PARTY! PLAY LOTTERY

TAXES DUE VOTE! WIN TALENT SHOW MAKE NEW FRIEND HELP HOMELESS PAY DAY INVEST BUY SUMMER HOME BBQ RETURN LOST WALLET PAY DAY

BONUS Get a symbol, win \$50 instantly!

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ADAPT A DOG BIRTHDAY PARTY! PLAY LOTTERY

GO OUT TO DINNER YARD SALE LEARN SECOND LANGUAGE PAY DAY SKI VACATION RETIRE!

WIN UP TO \$000,000!

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BONUS Get a symbol, win \$20 instantly!

START CAREER THROW A PARTY RENT AN APARTMENT GO HIKING

BUY HOUSE GET A RAISE! BABY GIRL PAY DAY GET MARRIED PAY DAY

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END! RETIRE! VISIT DOCTOR VOTE! TAXES DUE GO OUT TO DINNER PAY DAY

TOP PRIZE \$00,000!

