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Complementing both RNG Lottery and Sports Betting... **Virtual Sports Explodes** on the Global Gaming Scene

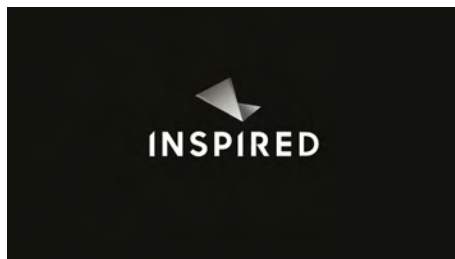
PGRI Introduction:

We met with Team Inspired at the ICE Totally Gaming Exhibit in London, where their exhibit booth was outfitted with multiple big-screens displaying Virtual Sports matches in all their glory. While Inspired continues to focus on maintaining its rapid growth in Europe, it is expanding globally and launching in major North American markets as we speak.

Your virtual sports implementation in Pennsylvania – are those games in land-based venues like bars?

Brooks Pierce: The Pennsylvania implementation is land-based Virtual Sports. The scheduled Virtual Sports events are displayed in a mixture of retail venues including bars and taverns throughout Pennsylvania via two dedicated channels every five minutes throughout the day.

The goal for this monitor gaming solution is to make lottery and gaming products available to different demographic player profiles – like people who are socializing in bars and other age-restricted venues rather than shoppers in a retail store. Lottery fits so well into these environments because it provides an interactive diversion for patrons to enjoy talking about and to play together.



The key component to sustainable success for lottery is getting more people to play, rather than getting the core players to spend more money. That's where Inspired fits into the big picture of lottery games. Virtual Sports is a whole new playing style that appeals to traditional lottery players, and more importantly, it attracts consumers who may not be playing the lottery now. The virtual games have a more social and interactive element than traditional lottery. Virtual Sports players skew younger and enjoy social gaming. Lottery has to expand its player base and increase game play by attracting these new consumer groups. That is Inspired's mission in this market.

Adding Virtual Sports to the portfolio of entertainment activities is also a big win for bars. Their goal is to provide a fun environment that keeps customers engaged so they stay longer. If people are staying to play the games, they are likely to be buying more food and drink, and leaving with a more favorable impression of the environment that provides a variety of fun entertainment options. So we have very receptive channel partners who want to promote the product.

You launched in Pennsylvania in August of last year.

Lorne Weil: We have two products right now—our American Football product and a car-racing game—and we're in discussions about launching a horse-racing game, which we are confident will be successful. These games are branded Xpress Sports by the Pennsylvania Lottery. The Xpress Football and Xpress Car Racing products were designed specifically for US lottery players, but we're seeing a learning curve. Virtual games offer players a new way to play and win. Since the games launched, we are learning right along with the Pennsylvania Lottery about what games and bets are popular, how best to promote them, and how to attract an audience that is unfamiliar with this game style. Virtual Sports are new to the North American market, and even traditional sports betting was illegal in most of the United States until very recently. This is new for everybody — the Lottery, the players, and even Inspired.

It sounds like you have already discovered some tweaks to improve the appeal and accessibility of Virtual Sports?

L. Weil: We always realized that the U.S. market would not be the same as markets in the UK, Italy, Greece and others where a legal sports betting market has been active for many years. In those markets, Virtual Sports was a natural fit, augmenting a robust existing consumer demand for sports betting. The sport element is a big draw, but the ease of play of these Virtual Sports

games is also a big draw. Anyone can play and win without any knowledge of sports betting. In the U.S., our development and promotional strategies are focused on appealing more to lottery players than to the sports-betting players. European players prefer to have a variety of options and player experiences, but in the U.S. we saw the broader range of choices becoming a barrier to ease and convenience of play. So we've modified the games to make them easier and more friendly for Virtual Sports newcomers.

players actually do have an equal chance of winning. But the football player experience is more varied, with more ways to wager. That makes football more exciting for the active gamer, but the novice might find it intimidating. We've tweaked the football to make it even more friendly to new players, easier to play with fewer betting options to confuse the novice.

What is an example of a game-play option that you deleted?

B. Pierce: Our focus groups indicated that many people do not know some common

Virtual Sports is like lottery that it is RNG-based. But the player experience is quite different.

L. Weil: The fundamental game logic is the same, but the player experience is totally different: you're wagering on the outcome of a sports contest instead of a number draw or scratch-off outcome. What we are trying to do is create a new sweet-spot that combines the simplicity and equal opportunity of the RNG-based lottery game with visually impactful entertainment. These games are as much about the player experience as they are about the outcome. The entertainment aspect of our Virtual Sports games may be new for lottery, but it's what younger people have grown up with and have come to expect. With Virtual Sports, we are just adding the component of wagering on the outcome to make the entertainment experience even more fun.

We have been talking about how Virtual Sports fits into the world of the lottery player. But in Europe, the convergence is with the sports-betting player more than the lottery player?

B. Pierce: Our Virtual Sports content is seen as complementary to and seamless with real world sports betting. Of course, Virtual Sports are easier to play than their real-life counterparts. Being RNG, every player has an equal chance with anyone else who places a wager. And unlike sports betting, no element of skill or knowledge is involved to improve your chance of winning. In that sense, Virtual Sports can be a welcome respite for the sports-betting player who wants a break to play an easier game. And in the real world, there is lots of downtime between sports contests. What's the player supposed to do while waiting for the next contest to start? Well,

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It seems like players want two things that are somewhat contradictory. On the one hand, they want fresh and new and interactive. On the other hand, they want ease and convenience and no learning curve. You don't want them to feel like they have to learn a complicated game, and certainly don't need to acquire game-playing skills in order to win.

B. Pierce: That's right. We see that in the data on who's playing the different Virtual Sports games. We expected U.S. football to be more popular than car-racing games. But we all know people whose knowledge about football is way more extensive than our own, right? So we might hesitate to play a football Virtual Sports game if we felt we were pitting our knowledge of the sport up against our friends, or against others who are walking almanacs of football stats and player performance data. Car racing, on the other hand, is so straightforward and we believe horse racing will be the same and maybe better as it is a familiar sport for betting. The game has twelve race cars, and the player picks three cars. You can get paid on 5 different outcomes including your cars coming in first, first and second in any order, first and second in exact order, first, second and third in any order and finally first, second and third in exact order. It's easy to learn, and easy for players to feel confident that they have as much chance to win as anyone.

Of course, the football game is also random number generator (“RNG”)-based, so all

football phrases, such as “turnover,” So the option to wager on when the next turnover would be was just confusing to players who didn't know what a turnover was. Those of us who watch football even a little were surprised by this, because we assumed that everyone watches at least some football. As it turns out, that's not true. Not everyone watches football, but many of the people who don't watch do go to bars and would like to play Virtual Sports. We are adjusting the games to appeal to all backgrounds, play styles and preferences.

Again, the reality is that all wager outcomes are 100% random-number-generated—so all players betting on the next turnover have an equal chance to win, even if they don't even know what a turnover is. Even

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so, in addition to the fact that players may not understand the RNG, it's not as much fun to wager on something when you don't know what outcome you're even rooting for. We are trying to marry the beauty and inherent fun and excitement of the Virtual Sports product with the ease and simplicity of RNG-based betting.

they can turn to Virtual Sports for a little recreational diversion while waiting for the next sports-betting event to cue up. It is in these ways that Virtual Sports complement and augment the whole sports-betting scene in Europe.

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We are confident that once sports-betting gains traction with players in the U.S., Virtual Sports will have the kind of appeal to the sports-betting player in the U.S. that they've always had in Europe. That will give Virtual Sports a massive audience in the U.S. as it connects the lottery-playing experience with the new style of entertainment games and augments the sports-betting player experience the same way it does in Europe.

So sports-betting augments, as opposed to competes with, Virtual Sports?

B. Pierce: Exactly. As I've said, the two games are quite different. That is a benefit to the operator, because the types of betting appeal to completely different sets of player motivations and connect with a much broader player base. Virtual Sports warms up the audience for sports betting and provides a friendlier wagering environment for those of us who do not want to compete with the data and stat experts who rule in that arena. Virtual Sports betting is different from live sports betting in regards to length of an event and frequency, providing more fun, betting options, and more chances to win. And they fill lulls in live sports content, as I mentioned. The two games are totally complementary.

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And a jurisdiction does not need to authorize sports betting in order to offer Virtual Sports.

L. Weil: It's not our role to decide parameters of regulatory policy. But we can say that Virtual Sports are exactly like the lottery in the most relevant way: the results are random number generated. The player's actions and decisions have zero influence on the outcome of the game. Sports betting is a completely different player experience that falls into the completely different regulatory bucket of skill-based games. The players' actions and decisions do influence the outcome of the game and whether they win or lose money. From this perspective, it would certainly seem

that the regulations that authorize lottery gaming would similarly authorize Virtual Sports.

Virtual Sports is like Instant Lottery games in another way. You do not have to wait hours for the outcome to be revealed, right?

L. Weil: Correct. If you are betting on an actual football or baseball game, you wait hours for the game to be completed. Our

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Virtual Sports games finish in four or five minutes! The almost-instant reveal is a vital attribute that differentiates Virtual Sports from sports-betting.

Tell us about the collaboration with IWG to combine virtual football with Instant scratch-cards.

B. Pierce: It's a virtual scratch-card. It looks like an electronic scratch card, but

the result is revealed by a virtual football game and later additional sports like basketball and soccer. They launched it right before the Super Bowl, and we were excited to see how it would be received. As virtual products have become more common in the lottery business, Virtual Sports feels like a natural new product line. The early-returns are extremely positive.

And your even more recent award to provide BCLC Canada with Virtual Sports and Interactive Casino content.

L. Weil: Inspired signed a multi-year contract with the British Columbia Lottery Corporation to provide its scheduled and on-demand Virtual Sports as well as its

Interactive casino content. BCLC delivers a seamless customer experience across channels and touchpoints, and we're delighted to be working with them to introduce our award-winning, differentiated content to the Canadian market.

We also launched some Virtual Sports products in Denmark in November, including Rush Football Matchday™, across multiple dedicated channels of

Virtual Sports content. These virtual events are streamed to venues via the latest streaming technology, which removes the requirement for in-venue graphics PCs. Denmark is a mature sports-betting market and Danske Spil is an experienced sports-betting operator, so we are very pleased to have met the high standards of sophisticated operators like Danske Spil, OPAP, and BCLC, Pennsylvania and Michigan Lotteries.

Inspired has won lots of contracts in Europe over the last few years. And now you are exploding on the North American gaming scene. Does it become a challenge to keep up with the high growth, just from an operational and executional point of view?

B. Pierce: We anticipated fast growth. We prepared for it, and continue to invest proactively in product development and the operational capabilities to ramp up and deploy as quickly as the market demands. It is an amazing time to be in this industry. Recreational gaming is now mainstream mass-market. Shapers of public policy recognize this reality and regulatory structures are evolving to align with changes in the marketplace and consumer behavior. Consumers are quick to embrace new and exciting gaming products. That is what Inspired offers. We are excited to be in this space and look forward to serving our operator clients and the players who drive progress in this amazing industry. 🎲