WAYES of Success

The Florida Lottery, which is ranked No. 4 in the world for instant game total sales (La Fleur's Almanac) shattered their last year's sales record Lottery and Scientific Games with more than \$6.7 billion (USD) in total sales. But the real celebration are riding the crest of success is for the state's Educational Enhancement Trust Fund, which received more than \$1.75 billion in estimated contributions from the Florida Lottery.

"These remarkable milestones for the

Florida Lottery have been achieved through careful planning and an innovative instant game marketing strategy," said Florida Lottery Secretary Jim Poppell. "Earlier this year we broke the U.S. record for weekly instant game sales, and we hope the record-breaking continues as it helps fund education in Florida, our number one priority. We are committed to making a difference in the lives of Florida's students and their families."

With total instant game sales up 9.6 percent from the previous fiscal year, \$4.65 billion or 69.4 percent of the Lottery's total fiscal year 2018 sales were driven by instant games, led by the popular 100 X the Cash game and the Week for Life family of games.

These top-sellers in the Sunshine State did not disappoint.

With a total of \$352.3 million in sales, 100X the Cash – the Florida Lottery's first \$30 game in 10 years – averaged more than \$20 million in sales per week during the 17 weeks it was on sale in fiscal year 2018. *The Week for Life* family of games (\$1-\$2-\$5-\$10-\$20), which were in the market most of fiscal year 2018, topped \$660 million in sales.

Performing well beyond the U.S. lottery industry in fiscal year 2018, the Florida Lottery experienced a 9.8 percent increase in sales of \$2 instant games, a 19.5 percent increase in sales of \$5 instant games, and a 25.5 percent increase in sales of \$10 instant games.

Scientific Games provides 95 percent of the Florida Lottery's instant games, and the Lottery participates in Scientific Games' Enhanced Partnership (SGEP). SGEP is a full-category management program covering every aspect of the instant game life cycle starting with insights and including instant product development and management, advanced logistics, retail optimization and interactive integration. The company serves more than 13,000 Florida Lottery retailers from its instant game facility in Orlando.

The high-tech operation launched in 1997. And the partnership has driven success.

Scientific Games' *SciTrak*[™] supply chain solution was deployed at the Orlando facility. The system securely manages instant game inventory with more accuracy and efficiency than other supply chain solutions, and it allows the Lottery to be highly responsive to retail sales volume and player demand. Automated sorting technology was added in 2009 with *OrderSorter*™, and predictive ordering technology was added with OrderCast[™] in 2011.

"Our next generation system, *SciTrak Ultra*[™], has made incredible advancements with predictive ordering," says Sam Wakasugi, Vice President, Strategic Business Management at Scientific Games. "In just the last seven years (2011-2018), instant game sales in Florida have grown 109 percent. The OrderCast technology has played an important role in instant game growth here."



In 2013, Scientific Games worked with the Lottery to create a sixweek game introduction cycle that would offer players bigger games and better prize structures. Today, the Lottery introduces approximately 36 new games each year and up to 70 games in market at any given time – 58 percent of instant sales are at the \$10 price point and above.



Record-breaking Sales for the Florida Lottery

Seven Straight Years of

Building upon years of instant game innovation, strategic portfolio management and advanced predictive ordering technologies, the Florida in a seventh straight year of record-breaking sales for fiscal year 2018.



Scientific Games

In the land of perennial sunshine, the Florida Lottery is perennially one of the highest performing instant game lotteries in the world.

"Scientific Games is honored to celebrate another record-breaking year with the Florida Lottery. We could not be prouder of the accomplishments our teams have achieved together," said John Schulz, Senior Vice President, Instant Products for Scientific Games. "We will continue our collaboration with the Lottery to bring entertaining instant games to Floridians, along with our technology and services that help generate more contributions to help fund education in the state."

The Technologies Behind Scientific Games' Enhanced Partnership

Scientific Games' Enhanced Partnership (SGEP) is a full-category management program for the instant game life cycle including

- Instant product development and management
- Advanced logistics
- Retail optimization
- Interactive integration

Based on the key principles developed through the company's Cooperative Services Program from the 1980s forward, SGEP incorporates state-of-the-art technologies, dynamic data resources and innovative practices to create a significantly improved approach to serving lotteries and their players.

SGEP is currently in play with 20+ lotteries globally. In 2018, the company and its SGEP partners in the U.S. – about 25 percent of domestic lotteries (excluding Puerto Rico) – together generated \$17.8 billion dollars in instant product retail sales.

"When we partner closely with our customers to provide consumer insights, game design and manufacturing in addition to product distribution, it is a proven formula for success that we call full category management," explains Wakasugi. "We've worked very hard with our lottery partners and retailers to advance the technologies behind SGEP and we are driving growth like no other program in the industry."

With instant game per capita sales for all U.S. lotteries using SGEP services outpacing the industry by 40 percent, the program's operating scale accounts for approximately one-third of total U.S. retail sales. Based on real results achieved for customers, it is currently the most successful and effective category management program in the industry.

In total, with SGEP and instant game customers combined, Scientific Games produces nearly 75 percent of instant game retail sales in the U.S.

15 Determinants of Demand

At the very foundation of SGEP are the 15 10. Determinants of Demand[™]. After decades of research on instant games in jurisdictions around the globe, Scientific Games developed its 15 Determinants of Demand for instant products – all grounded in the basic principles of consumer marketing:

LAY ON BACK



MAP

Another crucial component of SGEP is the MAP[™] gaming management platform. MAP stands for Marketing Analysis Planning, and the proprietary platform tracks how and why an instant game performs. It's a secure, interactive data system developed by Scientific Games to help make the best planning and marketing decisions possible for a lottery's instant game portfolio.

Populated with data for more than 50,000 instant games, 39,000 ticket images and 2.5 million data points for weekly sales, MAP is much more than sales data. Attributes such as game theme, play style, features, payout and even color are captured for every game and this information is used in conjunction with sales performance data to design games with features that appeal most to a specific lottery's player base. With the click of a mouse, Scientific Games data analysts can quickly and easily determine from MAP how an instant game (or type of game) has performed based on performance data collected over time in multiple jurisdictions.

SciTrak Ultra

SGEP is powered by SciTrak Ultra™ technology, a supply chain solution for instant game management grounded on the SciTrak system developed by Scientific Games and continuously improved over two decades to its current form. The system enables the company to securely manage instant game inventory, with more accuracy and efficiency than other supply chain

solutions. Most importantly, it allows lotteries to be much error in their instant more responsive to retail sales volume and player demand.

SciTrak Ultra includes a powerful predictive ordering system, OrderCast[™], and an automated sorting system, OrderSorter[™]. All of these technologies integrate with retail sales functionality, called Tel-Sell or inside sales, to help the lottery manage instant products.

OrderCast

To help lotteries optimize the product mix and inventory levels at retail, Scientific Games developed OrderCast, a predictive ordering system informed by the company's MAP analytics. It combines traditional inventory estimation methods with economic and mathematical prediction models. OrderCast actually "learns" over time, getting smarter and smarter with every set of data collected. The system continually adjusts recommendations based on the data it receives, and then communicates revised recommendations to the lotteries inside sales team.

The biggest benefits of SGEP are the efficiencies created, The bottom line benefits of efficient ordering is there is which allow the lottery to be much more responsive to no guesswork involved in this very important aspect of retailer needs and player demand – and in turn, these managing instant products. Now using nearly 100 variables, efficiencies drive more profit for the lottery and its OrderCast tailors data-driven adaptable orders. The system good causes. predicts the ideal product mix and inventory levels required for a specified sales period for each individual retailer But there are player benefits as well, players benefit by in the lottery's network to help ensure optimal sales at having a variety of the best-selling games available to them each location. The sales then integrate with operational due to the analytics of the powerful OrderCast predictive considerations, such as pack sizes, order cycles and "safety ordering technology. Games match the playing preferences stock" to generate a final recommended order for each and key attributes of consumers in that particular retailer. game. The internal sales team can review the order and customize further based on their communication with the Whether it's creating waves in the headlines for the Florida retailer before the order is finalized and shipped. Lottery's record sales - or the record sales years for the

OrderSorter

The other key component of SciTrak Ultra is OrderSorter, a technology originally developed in 2007 to take the instant advanced technologies. game packing and distribution process to the next level. All [®] notices signify marks registered in the United States. The highly automated technology is similar to technology © 2018 Scientific Games Corporation. All Rights Reserved used in major global consumer packaging operations. With scanners that read ticket pack barcodes, it adds another level of security and increases the accuracy in packing orders. Data transfers between *SciTrak Ultra* and the lottery's system for shipment auditing and approval. An order can be tracked at any point in the packaging process, and the lottery is therefore much less reliant on human interaction or

game distribution operations.

OrderSorter significantly impacts delivery speed, efficiency and effectiveness: allocations are packed faster, higher volumes of orders are sent to retailers faster, and games can be launched in market faster and more efficiently than ever before.

"The time required to pick and pack orders is greatly reduced with OrderSorter, it is currently the most efficient and accurate instant ticket processing system in the industry," says Wakasugi.

Retail Integration

Pennsylvania Lottery, Tennessee Education Lottery and the Oklahoma Lottery - SGEP is making a splash with a new name, and a whole new era of instant games powered by