



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2024 Quarter 1 (July 1, 2023 – September 30, 2023)
(20 ILCS 1605/9.1)*

Respectfully submitted to:

**Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Republican Leader John Curran
House Speaker Emanuel "Chris" Welch
House Republican Leader Tony McCombie**

The Illinois Lottery – Private Management Current Status

In early August of Q1 FY24 Camelot Illinois rebranded themselves as Allwyn North America as a result of the acquisition of Camelot Illinois in December 2022 by the European lottery operator, Allwyn. Allwyn North America (“Allwyn”) will replace all references of Camelot Illinois (“Camelot”) moving forward.

In FY24, Allwyn’s approved Annual Business Plan (“Plan”) projected Operating Revenue of \$3.698 billion and Operating Income of \$840 million. The Operating Revenue projection is a 2.3% increase from the \$3.614 billion generated in FY23. The Operating Income projection is a 4.7% decrease from the \$881.6 million generated in FY23 and is reflective of an anticipated increase of our higher prize payout games in FY24.

Q1 FY24 Operating Revenue was \$967.3 million, which was 10.7% higher than the Q1 FY23 Operating Revenue of \$873.6 million and 8.0% higher than the Q1 FY24 Plan target of \$895.6 million. The Q1 FY24 Plan target was higher than expected due to the continued increase of Fast Play game sales and the jackpot performance of our in-state Lotto game and multi-state Powerball. We started the year with a jackpot roll series in our Lotto game that culminated with a jackpot of \$23.75 million that was won on September 21st. This is the largest jackpot the game has reached in several years. Additionally, the Powerball game reached a jackpot of \$1 billion before being won on July 19th. The game then started a new jackpot roll series that reached \$925 million by the end of September and ended on October 11th when a player won it at \$1.725 billion.

Q1 FY24 Operating Income was \$257.7 million, which was 20.0% higher than the Q1 FY23 Operating Income of \$214.7 million and was 25.3% higher than the Plan target of \$205.7 million. Operating Income was much higher compared to Plan projections and the prior year Q1 total. The dramatic increase in Q1 was mostly due to an increase in gross gaming revenue (GGR) resulting from increased sales of Lotto and Powerball driven by their high jackpots.

Q1 FY24 iLottery sales were \$165.7 million, which was 60.0% higher than Q1 FY23 iLottery sales of \$103.5 million and 22.4% higher than the Plan target of \$135.3 million. iLottery sales are much higher than the prior year mostly due to an increase in Fast Play sales. The Department had 7 more Fast Play games in market in FY24 compared to FY23 and increased Fast Play sales by \$40 million. Additionally, high jackpots in Lotto and Powerball drove higher sales than we had in Q1 FY23 for a combined increase of \$16.3 million due to those games.

Common School Fund transfers for Q1 FY24 were \$215.0 million, 43.3% higher than Q1 FY23 transfers of \$150.0 million. Specialty cause transfers were \$2.3 million, 0.5% lower than FY23 Q1 transfers of \$2.4 million.

Marketing tactics shifted in FY24 to focus more on instants. 44% of our budget for paid media for the first half of FY24 is dedicated to instants. Fast Play is a close second with 38% of paid media spend. Specifically, in-store and shopper media are significantly increased. The shopper marketing plan focuses on the shoppers throughout their purchase journey in-store. Several sweepstakes took place during Q1, including a Chicago Sky sweepstakes and Chicago Fire

sweepstakes, both focusing on Lottery and non-Lottery players who engage with the teams. The Illinois Lottery also continued to participate in the Powerball First Millionaire of the Year sweepstakes which took place in July for a chance to win \$1 million in January 2024. In addition to the Sky and Fire sponsorships, the Illinois Lottery also continued contracts with the Chicago Bulls and Chicago Blackhawks for their upcoming seasons.

Three large experiential activations took place in Q1. The Illinois State Fair and the WGCI Summer Jam Concert both took place in August. The Summer Jam partnership was accompanied by several marketing tactics with iHeartRadio that occurred late FY23 promoting the iLottery marketing campaign, Get It. In September, the Illinois Lottery hosted an activation at the Taste of Chicago.

FY24 Q1 marketing also focused on the launch of Fast Play 6 and continuing work on the new instant marketing platform, Scratch Away, which will launch in Q2 for holiday.

The three FY24 core objectives of the business plan are:

1. Modernize the product offering to capitalize on market opportunities and recent successes.
2. Grow and diversify the player base through engaging, data-driven marketing activities.
3. Evolve the in-store lottery experience for retailers and customers.

In delivering these objectives, Allwyn aims to maximize net Income for the Common School Fund and good causes. The Department and Allwyn utilize the Plan’s core objectives to guide decision making throughout the year.

Total Sales and Transfers to Good Causes

FY24	Sales Revenue	Transfers to the Common School Fund¹	Transfers to Special Causes
Q1	\$966,121,106	\$215,000,000	\$2,349,406
Q2			
Q3			
Q4			
Total	\$966,121,106	\$215,000,000	\$2,349,406

¹ Transfers to the Common School Fund (CSF) are made based upon net Income available to transfer.

Specialty Cause Detail

Specialty Ticket Cause	FY24 Transfers thru Q1
Veterans	\$64
Ticket for the Cure	\$37,455
Red Ribbon Cash	\$701,704
The MS Project	\$17,054
Special Olympics	\$74,177
Police Memorials	\$474,157
Homelessness Prevention	\$719,848
Alzheimer’s Awareness	\$324,947
Total	\$2,349,406

iLottery Program

HB 4700 passed the Legislature in spring 2022 and was signed by Gov. JB Pritzker on April 19, 2022. The bill extends the iLottery program to July 1, 2025. The Department and Allwyn believe that the iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

iLottery sales in FY24 Q1 were over \$160 million.

FY24	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$160,599,457	\$5,093,182	\$165,692,639
Q2			
Q3			
Q4			
Total	\$160,599,457	\$5,093,182	\$165,692,639

Responsible Gaming

Throughout the first quarter of fiscal year 2024, the Illinois Lottery continued to focus on supporting and strengthening its responsible gaming program consistent with best practices recommended by the World Lottery Association and the National Council on Problem Gambling.

Research

In advance of the 2023 Gift Responsibly holiday campaign, the Illinois Lottery tested various campaign messages to identify a headline that was memorable and best discouraged gifting lottery tickets to minors. “’Tis the Season to Gift Responsibly. Lottery games are for grown-ups not kids.” was the strongest performing message overall and was selected to anchor the Illinois Lottery’s 2023 Gift Responsibly Campaign.

Player Education

Refreshed RG Logo and Messaging

Launched at the start of FY24, a refreshed version of the responsible gaming logo and message began appearing on Illinois Lottery marketing assets. The refresh helps to elevate the presence and improve visibility of the RG message. Additional parameters around the sizes and specifications of the RG message accompanied the refresh and will help streamline asset creation and review processes, as well as ensure consistent use of the message across marketing efforts.

Gift Responsibly Campaign

Expanded promotion of the holiday Gift Responsibly message was developed to improve campaign awareness at point-of-sale and further discourage adults from purchasing lottery tickets as gifts for minors. New for the 2023 campaign, a marketing wobbler was created that can be used interchangeably on Win30 and DTS instant ticket vending machines, as well as other retail points of sale. The marketing wobbler will exclusively feature the message “’Tis the Season to Gift Responsibly. Lottery games are for grown-ups not kids.” and matches the overall look and feel of the Illinois Lottery’s holiday marketing efforts. The Gift Responsibly campaign will launch in November.

Stakeholder Engagement

Positive Play Study

Findings from the 2023 Positive Play Study—the third assessment of positive play among people who gamble in Illinois—were shared with the Illinois Council on Problem Gambling, who in turn shared with its membership, including representatives from the addiction treatment community. Further, a representative from the Illinois Lottery’s responsible gaming program presented the findings at the Illinois Alliance on Problem Gambling’s August meeting. The presentation was well-received, and members of the Alliance indicated that the biennial Positive Play Study findings are helpful to the efforts of their problem gambling advocacy and support groups.

Problem Gambling Support Sponsorship

The Illinois Lottery was an Impact-level sponsor at the Way Back Inn’s Annual Rebuilders

Dinner. The Way Back Inn is a non-profit organization in Illinois that supports individuals recovering from drug, alcohol, and gambling use disorders, and the funds raised from the dinner support addiction treatment services in Illinois.

Business Enterprise Program (BEP) Spending

The Private Management Agreement encourages Allwyn to maintain a goal that awards at least 20% of the company's spend in marketing, advertising, and shipping/freight to State of Illinois BEP-certified minority owned businesses.

For FY24, the total budgeted spend by Allwyn in these areas was anticipated to be \$36,524,519 resulting in a BEP spending goal of \$7,304,903 for FY24. Allwyn's BEP spend in FY23 Q1 was \$2,985,802. Therefore, Allwyn has achieved approximately 41% of their BEP spending goal for FY24 thus far.

FY23	BEP Spend
Q1	\$2,985,802
Q2	
Q3	
Q4	
Total	\$2,985,802²

² This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 12-1-2023