



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2024 Quarter 4 (April 1, 2024 – June 30, 2024)
(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 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.

Q4 FY24 Operating Revenue was \$957.0 million which was 11.0% higher than the Q4 FY23 Operating Revenue of \$862.2 million and 3.5% higher than the Q4 FY24 Plan target of \$924.5million. Sales increased for both instant tickets and draw based games from Q4 FY23. Additionally, Fast Play sales continue to increase and were \$44 million higher in Q4 FY24 than Q4 FY23.

Q4 FY24 Operating Income was \$179.9 million, which was 14.8% lower than the Q4 FY23 Operating Income of \$211.1 million, and 14.0% lower than the Plan target of \$209.4 million. While sales increased in Q4 year over year, our overall Operating Income did not increase due to increased sales of our higher payout game categories such as Fast Play and the \$50 instant ticket which have a higher prize expense. These games do not contribute as much to the bottom line as our other portfolio games.

Q4 FY24 iLottery sales were \$178.5 million and 36.7% higher than Q4 FY23 iLottery sales of \$130.5 million and 14.7% higher than the Plan target of \$155.6 million. iLottery sales continued to increase year over year primarily due to the continued popularity of the Fast Play game category. ~90% of Fast Play sales are online.

Common School Fund transfers for Q4 FY24 were \$242.5 million and 1.0% higher than Q4 FY23 transfers of \$240.0 million. Specialty cause transfers were \$3.4 million and 1.7% higher than FY23 Q4 transfers of \$3.3 million. The increase in the Common School Fund transfers is mostly because FY23 was the year a historical reconciliation of lottery transfers took place leading to increased income. It should also be noted that a new joint ticket supporting the Specialty Ticket program was launched in Q3 FY24. The program now has one, larger ticket that will support all ten specialty causes instead of smaller individual tickets.

May 2024 marked the beginning of our 50th anniversary celebration efforts. The launch began with paid and owned media tactics that target the entire state. Marketing tactics will go until September and will include:

- A “Celebrations” scratch ticket family launching in May
- A Retail Bus Tour across the state visiting 50 locations
- A large marketing event in July leaning on nostalgia and the lottery throughout the decades

- The Illinois Lottery Business Summit (internal event) in August
- Marketing support across all media channels
- Promotions and Sweepstakes through September
- Player appreciation events at the prize centers
- A stakeholder event bringing together partners from our past and present

In Q4 we continued our sponsorships with the Chicago White Sox and Chicago Cubs seasons supporting them with two sweepstakes.

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	\$933,780,172	\$205,000,000	\$1,771,730
Q3	\$1,002,038,998	\$215,000,000	\$2,609,780
Q4			
Total	\$2,901,940,276	\$635,000,000	\$6,730,916

Specialty Cause Detail

Specialty Ticket Cause	FY24 Transfers thru Q3
Veterans	\$1,145,242
Ticket for the Cure	\$598,548
Red Ribbon Cash	\$705,753

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

The MS Project	\$433,218
Special Olympics	\$491,928
Police Memorials	\$571,980
Homelessness Prevention	\$795,639
Alzheimer’s Awareness	\$1,161,280
UNCF	\$411,164
DREAM	\$416,164
Total	\$6,730,916

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 iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

iLottery sales through FY24 Q3 were over \$503 million.

FY24	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$160,599,457	\$5,093,182	\$165,692,639
Q2	\$154,369,885	\$4,776,050	\$159,145,935
Q3	\$174,229,342	\$4,758,788	\$178,988,130
Q4			
Total	\$489,198,683	\$14,628,020	\$503,826,703

Responsible Gaming

Throughout the third 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.

Stakeholder Engagement

In March 2024, the Illinois Lottery published its third annual responsible gaming report to promote the transparency of positive play efforts and solicit feedback from interested stakeholders on opportunities for future improvement. A copy of the report was shared with key stakeholders, including the National Council on Problem Gambling, the Illinois Council on Problem Gambling, and the Illinois Alliance on Problem Gambling. Illinois Lottery employees and retailers received information about the report, which is also publicly available at:

<https://www.illinoislottery.com/about-the-games/responsible-and-safe-play/our-commitment>.

Employee Education

A responsible gaming training was developed and included in the onboarding manual for Illinois Lottery sales representatives (LSRs). The training provides an overview of the Illinois Lottery's responsible gaming commitment and practices, problem gambling warning signs and support resources, and responsible gaming resources and materials available to all Illinois Lottery retailers, players, and LSRs.

Player and Retailer Education

Throughout March, the Illinois Lottery again joined with the National Council on Problem Gambling to raise awareness of problem gambling and available support resources. Campaign efforts included:

- The player-tested slogan: "Help and hope are here: call 1-800-GAMBLER."
- A media release issued jointly with the Illinois Council on Problem Gambling (ICPG). The release earned 11 media placements with an audience reach of over 6.2 million.
- 20 posts across Lottery's social media channels earning over 30,000 impressions.
- Print and digital advertisements displayed by Lottery's multicultural media partners, including media outlets representing the African American Community Market, Hispanic Community Market, and Asian Community Market.
- Messaging displayed on customer-facing Horizon / ESMM screens at retail.
- Messaging to retailers via the Photon terminals, Lottery Lowdown, and digital newsletter.
- Messaging to employees through the monthly newsletter, LinkedIn post, and internal communication channels.
- Dedicated PGAM messaging appearing on the front of draw game tickets during the month of March.
- Assisting ICPG's campaign participation by creating and providing email signature block emblems and a website banner.

Stakeholder Engagement

The Illinois Lottery sponsored the 1st Annual African American / Black Conference on Problem Gambling to raise awareness about problem gambling in the African American / Black community

and initiate conversations on effective prevention and support strategies. The event was organized by the Illinois Council on Problem Gambling, and representatives from the Illinois Lottery's responsible gaming program were in attendance.

Business Enterprise Program (BEP) Spending

The Private Management Agreement encourages Allwyn to maintain a goal that awards at least 30% 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 \$10,957,356 for FY24. Camelot's BEP spend in FY23 Q1 was \$2,985,802 and the spend in Q2 was \$3,019,830 and the spend in Q3 was \$2,539,016. Therefore, Allwyn has achieved approximately 78% of their BEP spending goal for FY24 thus far.

FY23	BEP Spend
Q1	\$2,985,802
Q2	\$3,019,830
Q3	\$2,539, 016
Q4	
Total	\$8,544,648²

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