



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2023 Quarter 3 (January 1, 2023 – March 31, 2023)
(20 ILCS 1605/9.1)*

Respectfully submitted to:

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

The Illinois Lottery – Private Management Current Status

In FY23, Camelot Illinois' ("Camelot") approved Annual Business Plan ("Plan") projected Operating Revenue of \$3.507 billion and Operating Income of \$822 million. The Operating Revenue is a 3.2% increase from the \$3.399 billion generated in FY22. The Operating Income projection is a 1.4% decrease from the \$833.6 million generated in FY22 and is reflective of an anticipated softening of lower prize payout games in FY23.

Q3 FY23 Operating Revenue was \$940.5 million, which was 9.4% higher than the Q3 FY22 Operating Revenue of \$859.5 million and 6.7% higher than the Q3 FY23 Plan target of \$881.5 million. Q3 FY23 Operating Income was \$231.0 million, which was 14.0% higher than the Q3 FY22 Operating Income of \$202.7 million, and 12.0% higher than the Plan target of \$206.4 million. Q3 FY23 Operating Revenue and Income is higher than the prior year and Plan primarily due to the performance of multi-state games during Q3. Fast Play Online performance also contributed positively to Operating Revenue.

Instant sales continue to underperform, primarily at the \$10 and \$20 price points, compared to prior year and Plan. We started to see a softening of Pick game sales starting in Q2 FY22 that has carried through to Q3 FY23. Sales are as expected and on track with Plan, but the positive impact that was seen after COVID for Pick sales has diminished.

Q3 FY23 iLottery sales are \$147.8 million and 72.7% higher than Q3 FY22 iLottery sales of \$85.6 million and 36.7% higher from Plan target of \$108.1 million. iLottery sales are much higher than the prior year mostly due to Fast Play sales. Fast Play iLottery sales to date in FY23 total \$212 million compared to \$54 million in the prior year.

Common School Fund transfers for Q3 FY23 are \$186.0 million and 2.5% higher than Q3 FY22 transfers of \$181.4 million. Specialty cause transfers were \$1.7 million and 26.4% lower than Q3 FY22 transfers of \$2.3 million. As a result of a finding in the Department's FY21 Financial Audit, performed by the Office of the Auditor General, the Department is responsible for reconciling historical excess proceed transfers between the Common School Fund, State Lottery Fund and Capital Projects Fund for periods prior to 2010 and again in 2018. Q3 FY23 Common School Fund transfers were not negatively impacted by this reconciliation. The reconciliation was complete as of the end of Q3 in accordance with 20 ILCS 1605/9.2.

Marketing paid media focused in Q3 FY23 on aligning with new game releases, seasonality and the "Get It" launch which was the launch of a new marketing platform dedicated to promoting the iLottery platform. Much of the quarter was spent reviewing creative assets from Dentsu Creative and filming for the launch of "Get It" on March 27th. The proposed media plan for Q3 and Q4 FY23 (Back Half Plan) slightly decreased the use of video and out-of-home media compared to the previous year in order to create a reserve for the "Get It" launch.

In Q3 FY23 the Illinois Lottery continued to sponsor the Chicago Bulls and Chicago Blackhawks teams leveraging associated numbers to promote the Pick game within Illinois Lottery digital

channels like the owned social and email, paid social and display, and website. A sweepstakes for player experiences with the Chicago Bulls and the Chicago Blackhawks were launched in January and February respectively.

The Public Relations team continued to feature winner and winning retailer stories in press releases throughout the quarter.

The three FY23 core objectives of the business plan are:

1. Fast Play growth through engaging content and experiences.
2. Excellence in execution across brand and marketing, Instants development, and retail and iLottery optimization.
3. Laying the foundations for future growth with investment in technology, including a Remote Gaming Server, engaging game content, and new products.

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

Overall Sales and Transfers to Good Causes

FY23	Sales Revenue	Transfers to Common School Fund¹	Transfers to Special Causes
Q1	\$872.4 M	\$150.0 M	\$2.4 M
Q2	\$936.6 M	\$150.0 M	\$1.7 M
Q3	\$939.3 M	\$186.0 M	\$1.7M
Q4	-	-	-
Total	\$2,748.3 M	\$486.0 M	\$5.8 M

Specialty Cause Detail

Specialty Ticket Cause	FY23 Transfers thru Q3
Veterans	\$1,181,006
Ticket for the Cure	\$615,139

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

Red Ribbon Cash	\$683,162
The MS Project	\$292,022
Special Olympics	\$485,451
Police Memorials	\$573,388
Homelessness Prevention	\$992,329
Alzheimer’s Awareness	\$973,779
Total	\$5,796,276

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

iLottery sales in Q3 FY23 were almost \$148 million, totaling \$387 million year to date.

FY23	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$99.2 M	\$4.4 M	\$103.6 M
Q2	\$130.9 M	\$4.8 M	\$135.8 M
Q3	\$142.9 M	\$4.9 M	\$147.8 M
Q4	-	-	-
Total	\$373.0 M	14.1 M	\$387.1 M

Responsible Gaming

Throughout the third quarter of fiscal year 2023, 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 2023, the Illinois Lottery published its second annual responsible gaming report to promote the transparency of responsible gaming efforts and seek feedback from interested

stakeholders on opportunities for future improvement. The report was distributed directly to key stakeholders and made publicly available on the Illinois Lottery website at: <https://www.illinoislottery.com/about-the-games/responsible-and-safe-play/our-commitment>.

Research

In advance of the 2023 Problem Gambling Awareness Month (PGAM) campaign, the Illinois Lottery tested various campaign messages to identify a headline that best advanced the PGAM goal of increasing public awareness of problem gambling treatment services. Participants indicated the message “Help and hope are here: call 1-800-GAMBLER” was understandable, memorable, and well-liked, so it was selected to anchor the 2023 PGAM campaign.

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 eight media placements, including one Hispanic placement in El Dia News Chicago and one radio interview on WLS-AM.
- Twelve posts across Lottery’s social media channels earning over 12,550 impressions and 254 engagements.
- 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 ESMM screens at retail.
- Messaging to retailers via the Photon terminals, Lottery Lowdown, and digital newsletter.
- Messaging displayed on Lottery’s Springfield billboard.
- Messaging to employees through the monthly newsletter, LinkedIn post, and internal communication channels.
- Assisting ICPG’s campaign participation by creating and providing email signature block emblems and a website banner.

Employee Program

A responsible gaming “Lunch Byte” training was offered to employees. The training provided a refresher on the ways in which the Illinois Lottery promotes a fun and healthy gaming environment for players. Nearly 40% of employees participated in the optional training and feedback received on the training was positive.

Business Enterprise Program (BEP) Spending

The Private Management Agreement encourages Camelot Illinois 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 FY23, the total budgeted spend by Camelot in these areas is anticipated to be \$31,709,244 resulting in a BEP spending goal of \$6,341,848.80 for FY23. Camelot's BEP spend in FY23 Q1 was \$2,106,243. Camelot's BEP Spending for Q2 was \$2,664,172 and Camelot's BEP spending for Q3 was \$2,647,872. Therefore, the total amount of BEP spend for FY23 is currently \$7,418,287. Camelot has currently already achieved approximately 117% of their spending goal for FY23.

FY23	BEP Spend
Q1	\$2,106,243
Q2	\$2,664,172
Q3	\$2,647,872
Q4	-
Total	\$7,418,287²

² This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 3-20-2023