



FY24 ANNUAL REPORT ON
THE PRIVATE MANAGEMENT AGREEMENT

(20 ILCS 1605/9.1(p)(3))

Respectfully submitted to:

Illinois Governor JB Pritzker

Senate President Don Harmon

Senate Republican Leader John Curran

Speaker Emanuel "Chris" Welch

House Republican Leader Tony McCombie

The Illinois Lottery -- Private Management Background

In 2009, the Illinois General Assembly passed legislation requiring the State to seek a private manager for the Lottery (“Department”). Consequently, the Department engaged its first private manager pursuant to the process outlined in Section 9.1 of the Illinois Lottery Law (20 ILCS 1605). The winning bidder was Northstar Lottery Group, LLC (“Northstar”), a consortium comprising the Department’s then-current supply vendors, GTECH Corporation and Scientific Games International, Inc. The Department entered into a private management agreement with Northstar on January 18, 2011, and Northstar entered into supply agreements with GTECH and Scientific Games.

On September 18, 2015, the Department, Northstar, International Gaming Technologies (“IGT” formerly GTECH), and Scientific Games (“SGI”) entered into a Letter Agreement of Termination due to performance issues. Subsequently a Request for Proposal (“RFP”) was released for a new private management partner. Camelot Illinois (“Camelot”) was the sole bidder. The Department and Camelot entered into a new 10-year private management agreement (“PMA”) on Oct. 13, 2017.

In January 2018, Camelot replaced Northstar as private manager and completed the transition of key business functions in Q3 of FY18. A comprehensive and extensive technology transition took place in parallel and largely concluded in Q4 of FY19. The technology transition included a new central gaming system, a new instant ticket management system, a new internal control system, all new retail terminals and equipment, a new iLottery platform, website and mobile app.

In early August of Q1 FY24 Camelot Illinois rebranded 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.

Allwyn continues to perform private manager responsibilities as of the date of this report and submits an annual business plan detailing its goals and objectives for the year. The following report provides a status overview.

FY24 Updated Annual Business Plan Objectives and Initiatives

Primary FY24 Focus

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.

FY24 Financial Targets

1. Operating Revenue – \$3,698 million (+2% FY23)
2. Operating Income – \$840 million (-5% FY23)
3. Instants Revenue – \$2,154 million (+5% FY23)
4. Retail Draw Based Games Revenue – \$956 million (-9% FY23)
5. iLottery Draw Based Games Revenue – \$595 million (+14% FY23)

FY24 Executive Summary

The Annual Private Management Agreement Report, per Illinois statute, is due 30 days prior to year-end. As a result, the following information is reflective of Quarters 1, 2 and 3 of FY24. A FY24 Q4 PMA report will be submitted after year end that will reflect the full fiscal year.

The FY24 Updated Annual Business Plan (Plan) sets forth Allwyn's business objectives, initiatives, and financial projections for the year. Below are details regarding Allwyn's financial performance through Q3 of FY24. Operating Revenue is \$2,904 million which is 5% more than Plan projections and 6% more than the same period in FY23. Operating Income is \$704 million, which is 12% more than Plan projections and 3% more than the same period in FY23.

Common School Fund (CSF). Through Q3 of FY24 \$635 million has been transferred to the CSF. Common School Fund transfers are up 31% from the same period in FY23. The 31% delta between FY23 and FY24 was largely due to a reconciliation performed in accordance with 20 ILCS 1605/9.2 that occurred in FY23. As a result of a finding in the Department's FY21 Financial Audit, performed by the Office of the Auditor General, the Department was responsible for reconciling historical excess proceeds transfers to the CSF for periods prior to 2010 and again in 2018. This reconciliation reduced the amount of CSF transfers in FY23 by \$134 million resulting in a net of \$486 million being transferred to the CSF through Q3 FY23.

Specialty Causes. Almost \$7 million has been transferred to specialty causes through specialty tickets sales through Q3 of FY24. Proceeds are up 16% from FY23 through Q3. In January 2024 a new, single joint specialty ticket was launched that will eventually fund all ten specialty causes by FY25.

Instant Tickets. Instant ticket sales through Q3 were \$1,595 million, 2% below Plan and 4% higher than the same period in FY23. Instant sales are down from Plan primarily due to a decrease in sales of the \$5 and \$10 price points. All price points are down compared to Plan with the exception the \$30 and \$50. \$30 ticket sales are up \$36 million and the Department's first and only \$50 ticket is up \$39 million from Plan, but the \$5 ticket category is down \$64 million from Plan and the \$10 ticket category is down \$24 million from Plan.

Draw-Based Games (DBGs). Draw-based games' sales through Q3 were \$1,308 million and were 15% more than Plan and are 8% higher than DBGs during the same period of FY23. Sales are up from Plan in multi-state games, Fast Play, Lotto, and Lucky Day Lotto, but down in the Pick games. Mega Millions and Powerball sales are up \$148 million from Plan. Lucky Day Lotto sales up \$5 million from Plan, and Fast Play is up \$11 million from Plan. Lotto is up \$13.5 million from Plan. The Pick games are down \$11.5 million from Plan. There was a large jackpot roll for Lotto at the beginning of the year which was the highest Lotto jackpot since FY16. Mega Millions and Powerball saw one additional billion+ jackpot run in FY24 over FY23 which has helped drive strong DBG performance through Q3. We do not plan for large jackpot rolls in any of our jackpot games, as they are not guaranteed and cannot be predicted. The jackpot rolls in FY24 explains our over-performance to Plan.

iLottery. iLottery sales are a subset of total DBG sales, given only DBGs can be sold online. Total iLottery sales through Q3 were \$504 million, 30% more than the same period in FY23 and 18% more than Plan. There is an increase in all iLottery games compared to Plan with the largest increases in Mega Millions, Powerball and Fast Play, with increases of \$38 million and \$18 million respectively.

As we look to close the year strong, Allwyn is on target to exceed their Plan's Operating Revenue and Operating Income targets for FY24. The following summarizes other activities of the private manager.

FY24 Financial Performance Summary Detail through Q3

Total	FY23 Actual	FY24 Actual	FY24 Business Plan	FY24 Plan v. FY24 Actual		FY24 Actual v. FY23 Actual	
Operating Revenue	\$2,751,913,471	\$2,904,421,332	\$2,773,655,393	\$130,765,939	4.71%	\$152,507,861	5.54%
Operating Income	\$681,232,959	\$704,146,335	\$630,654,798	\$73,491,537	11.65%	\$22,913,375	3.36%
Instant Ticket Sales	\$1,539,979,076	\$1,594,558,010	\$1,630,800,992	(\$36,242,982)	-2.22%	\$54,578,934	3.54%
DBG Sales	\$1,208,403,844	\$1,308,073,158	\$1,139,487,963	\$168,585,195	14.79%	\$99,669,314	8.25%
Digital Sales	\$387,092,194	\$503,826,703	\$428,487,347	\$75,339,356	17.58%	\$116,734,509	30.16%
CSF Transfers	\$486,031,903	\$635,000,000				\$148,968,097	30.65%
Specialty Ticket Transfers	\$5,796,276	\$6,730,916				\$934,640	16.12%

Table 1 – FY24 Financial Targets and Results through Q3

Specialty Causes Detailed Transfers

Specialty Ticket Cause	FY24 Transfers Through Q3
Veterans	\$1,145,242
Ticket for the Cure	\$598,548
The MS Project	\$433,218
Red Ribbon Cash	\$705,753
Special Olympics	\$491,928
Police Memorials	\$571,980
Homelessness Prevention	\$795,639
Alzheimer's Awareness	\$1,161,280
UNCF	\$411,164
DREAM	\$416,164
Transfers to Specialty Causes	\$6,730,916

Table 2 – FY24 Specialty Ticket Proceeds through Q3

The Department funded 8 specialty causes in FY23 and 2 new specialty causes which were added in Q3 of FY24. In total for the remainder of FY24 the Department will fund ten specialty causes. Illinois is unique in the lottery industry with the number of specialty causes it supports directly through the sale of instant tickets. 100% of the profits from each ticket sold is used to support Veterans' causes, Special Olympics programs, breast cancer research and support, multiple sclerosis research, HIV/AIDS research and treatment, police memorial funding, Alzheimer's support, homelessness prevention, UNCF and the DREAM fund.

The Department was successful in FY23 in passing a new law that streamlined the program by allowing one joint ticket to be sold to support all 10 causes. The new law will improve the administration of the program, enable better planning for the causes, and improve the appeal of the program to a broader audience. Changes to the program will also help improve the health of our whole portfolio of instant tickets as the number of specialty tickets have almost doubled in recent years. It will also enable efficiencies to be created that would lead to an overall net increase in scratch tickets sales for the Department. 20 ILCS

1605/21.4 went into effect on Jan 1, 2024.

iLottery Program

Fiscal Year	Internet Sales	Subscription Sales	Total iLottery Sales	% of DBG Sales	% of Total Sales
2018 ¹	\$27,611,697	\$15,926,818	\$43,538,515	4.2%	1.5%
2019 ²	\$39,864,695	\$17,870,795	\$57,735,490	5.2%	1.9%
2020	\$72,236,397	\$13,988,021	\$86,224,418	9.0%	3.0%
2021	\$153,710,298	\$16,360,434	\$170,070,732	13.7%	4.9%
2022	\$261,466,730	\$17,280,757	\$278,747,487	22.5%	8.2%
2023	\$498,795,112	\$18,817,190	\$517,612,302	33%	14.3%
2024 Q1-Q3	\$489,198,683	\$14,628,020	\$503,826,703	38.5%	17.4%

Table 3 – iLottery Sales

The Department’s iLottery (internet) program was expanded in FY20 by House Bill 3661 which was signed into law by Gov. JB Pritzker on June 28, 2019. The bill extended the iLottery program by three years, through 2022, and allowed the Department to sell all its draw-based games (DBGs) through the iLottery program without a subscription. Previous legislation only allowed the sale of Mega Millions, Powerball, and Lotto without a subscription online. Lottery players were able to take advantage of these new capabilities in the beginning of FY20 which help fuel iLottery’s meteoric rise over the past 3 years. Allwyn’s new iLottery mobile app and website interface that went live in Q3 of FY19 leveraged the new capabilities of the law and were supported by new game development, innovation and various marketing efforts which were designed to build awareness and widen the base of players who play online. On April 19, 2022, Gov. JB Pritzker signed House bill 4700 which extended the iLottery program through FY25.

FY24 Q1-Q3 iLottery sales were almost \$504 million which is a 30% increase over FY23 Q1-Q3 sales. iLottery sales account for approximately 39% of all draw-based games sales and 17% of total sales in FY24 Q1-Q3.

Responsible Gaming

The Illinois Lottery is committed to responsibly growing sales and revenue in an ethical and socially responsible way for the benefit of K-12 schools and the specialty causes we support, while providing players with tools and resources to support responsible play.

Certifications

To ensure the continuous improvement of responsible gaming efforts consistent with industry best practices, the Illinois Lottery maintains nationally and internationally recognized responsible gaming certifications. The Illinois Lottery maintains the highest level of responsible gaming certification from the World Lottery Association. To qualify for Level 4 certification under the rigorous standards, the Illinois Lottery demonstrates an ongoing commitment to incorporate and continuously improve responsible gaming practices in day-to-day operations.

¹ FY18 was a partial year for Camelot who assumed private management responsibilities in Q3.

² The Department transitioned to the Camelot’s iLottery platform in late Q3 2019

Additionally, the Illinois Lottery maintains the highest level of responsible gaming verification—Sustaining Level—from the North American Association of State and Provincial Lotteries and the National Council on Problem Gambling by demonstrating strong leadership in responsible gaming efforts.

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. Following the campaign, an analysis of the campaign message effectiveness and reach was performed. Findings from the post-review survey indicated the campaign’s slogan had a positive effect for encouraging adults not to gift lottery tickets to minors. While only 12% of survey respondents reported seeing a campaign ad, 71% indicated that, after seeing it, they were less likely to gift a lottery ticket to a minor.

Employee Program

A bespoke responsible gaming training was provided to the Marketing team and its key agency partner to ensure these teams are well-versed in responsible gaming considerations and advertising best practices. The training covered the Marketing Code of Conduct, specifically those sections that provide guidance on responsible gaming; diversity, equity, inclusion, and accessibility; and placement of the odds language. Feedback received from training participants was positive.

Player and Retailer Education

[Gift Responsibly and PGAM Campaigns](#)

The Illinois Lottery launched two statewide responsible gaming campaigns to promote positive play. Throughout November and December 2023, a “Gift Responsibly” message was widely promoted to remind adults that lottery tickets are not suitable gifts for children. During March 2024, which is recognized throughout the U.S. as problem gambling awareness month, the Illinois Lottery helped to raise awareness of problem gambling and available treatment services. Efforts for both campaigns included social media messaging, radio public service announcements, messaging on customer-facing screens in lottery retail locations, advertisements, and media releases.

[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.

[Game Design](#)

All new games and game changes are reviewed to ensure that Illinois Lottery products balance fun and entertainment with an acceptable level of risk. Game updates during 2023 included the addition of a \$50 price point to the instant tickets offered at retail. The new price point was reviewed for potential problem gambling risks prior to public release.

Stakeholder Engagement

[Problem Gambling Support Sponsorships](#)

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.

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.

Stakeholder Education

Representatives from the Illinois Lottery’s responsible gaming program presented at the ICPG’s Responsible Gifting webinar in mid-November for problem gambling providers in Illinois. Information about the Lottery’s commitment to responsible gaming and 2023 Gift Responsibly campaign efforts were shared as part of the presentation.

Reporting

To promote the transparency of the Illinois Lottery’s responsible gaming efforts and encourage stakeholder feedback on opportunities to advance the responsible gaming program, the Illinois Lottery published its third annual responsible gaming report covering activities from calendar year 2023. The report was shared with representatives from key stakeholders and made publicly available on the Our Commitment responsible gaming webpage on IllinoisLottery.com.

BEP Spending

The Private Management Agreement (PMA) encourages Allwyn to maintain a goal that awards at least 20 percent of the company’s spend in marketing, advertising, and shipping/freight to State of Illinois BEP-certified minority owned businesses. Although the PMA only encourages 20%, Allwyn’s efforts have been in support of the new 30% goal as stated in (30 ILCS 575/) the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

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. Allwyn’s BEP spend in FY24 through Q3 was \$8,544,648. Therefore, Allwyn has achieved approximately 78% of their BEP spending goal for FY24 thus far.

FY24	BEP Spend
Q1	\$2,985,802
Q2	\$3,019,830
Q3	\$2,539, 016
Q4	Q4 not completed
Total	\$8,544,648

Table 4 – BEP Spend by Quarter