

Massachusetts State Lottery Commission Meeting

Executive Director's Report

Delivered by Paul R. Sternburg

August 24, 2012



Lottery Sales Update

- Overall sales for July 2012 rang in \$17 million higher than July 2011 sales; however, while there was considerable year over year sales growth, there was also a sizable increase in the prize payout for the month. As explained in previous correspondence, the payout percentage fluctuates based on the schedule or rate at which players cash in prizes.
- The prize payout for July 2012 was 75.5 percent, as compared to 69.2 percent in July 2011. This 2.1 percent increase in prize payout resulted in an \$8.8 million decrease in net profit as compared to last year.
- The sales increase can be attributed to a \$14 million increase in the Instant Ticket portfolio; a \$3 million increase in KENO sales following a July 4th second chance promotion; a \$1 million increase in Powerball sales due to a slightly larger jackpot offering; and, \$4 million in new sales were brought in from the regional Lucky for Life draw game, which debuted in March 2012.
- There are three games in the portfolio that experienced sales decreases in July. Mega Millions sales were down \$1 million due to smaller jackpot offerings as compared to last year; sales for The Numbers Game declined \$1 million due to continued cannibalization following Mass Cash's expansion to a seven night-a-week schedule; and, Cash WinFall sales were down \$4 million because there have been no ticket sales since the game officially ended on January 23.

Instant Ticket Release (September 4)

2012 New England Patriots Instant Ticket

Price Point: \$2

Estimated Sales: \$30.2 million, Estimated Net Profit: \$5.8 million



- 3rd Instant Ticket offering with the Patriots.
- Previous two games have both been great successes. The \$5 ticket, released in 2009 is 92% sold and projected to be gone before the end of this season. The \$2 ticket, released in 2011, ended on August 2 after just 11 months in market.
- To-date, the two tickets combined for \$169.1 million in sales and generated approximately \$23.3 million in net profit.
- New \$2 game features immediate cash prizes totaling over \$19.6 million, and also a 2nd Chance Drawing through which players can enter their non-winning tickets for a chance to win one-of-a-kind VIP Game Day packages, Away Game Trips and more money (\$15,000).
- One (1) lucky 2nd Chance winner will also be selected to participate in a "Halftime Challenge" at Gillette Stadium and win up to \$200,000 cash.

INSTANT
GAMES

2012 New England Patriots Instant Ticket Facebook Launch Contest

Massachusetts State Lottery 2012 NEP Instant Ticket Laun... Liked

NEW ENGLAND PATRIOTS™ CONTEST

THE LOTTERY

ENTER FOR A CHANCE TO WIN AN EXCLUSIVE PRIZE PACKAGE

- Two (2) tickets to enter the 2012 New England Patriots™ Instant Ticket Launch Event at Gillette Stadium on 8/27/12
- Watch the New England Patriots™ practice at Gillette Stadium prior to the Ticket Launch Event
- One grand prize winner will win (1) Away Game Trip Package to see the Patriots play in Miami on December 2, 2012.

Entry deadline: Friday, August 17, 2012 at 2:00 p.m. ET

ENTER NOW

OFFICIAL RULES SHARE WITH FRIENDS

- To celebrate the new \$2 ticket's launch, the Lottery sponsored a contest on Facebook through which 125 fans were selected via a random drawing to win two tickets to attend the Launch Event on August 27 at Gillette Stadium.
- The Lottery's 95 original retailers were also invited to attend the event which will feature a closed Patriots team practice.
- At the Launch Event, all 125 winners will be entered into a drum drawing in which one (1) entry will win an Away Game Trip to watch the Patriots play in Miami on December 2.
- Over 4,500 people entered the contest, 3,400 of which were new fans to our Official Facebook page. The Contest helped to build additional exposure to the page and further advance and enhance our social media marketing program.

August 2012 Instant Ticket Sales

Lucky Stars

Price Point: \$1

2 Week Sales: \$688,356

Bank On It

Price Point: \$2

2 Week Sales: \$1,885,104

Aces & 8's

Price Point: \$2

2 Week Sales: \$1,743,098

Jumbo Bucks

Price Point: \$5

2 Week Sales: \$6,388,800



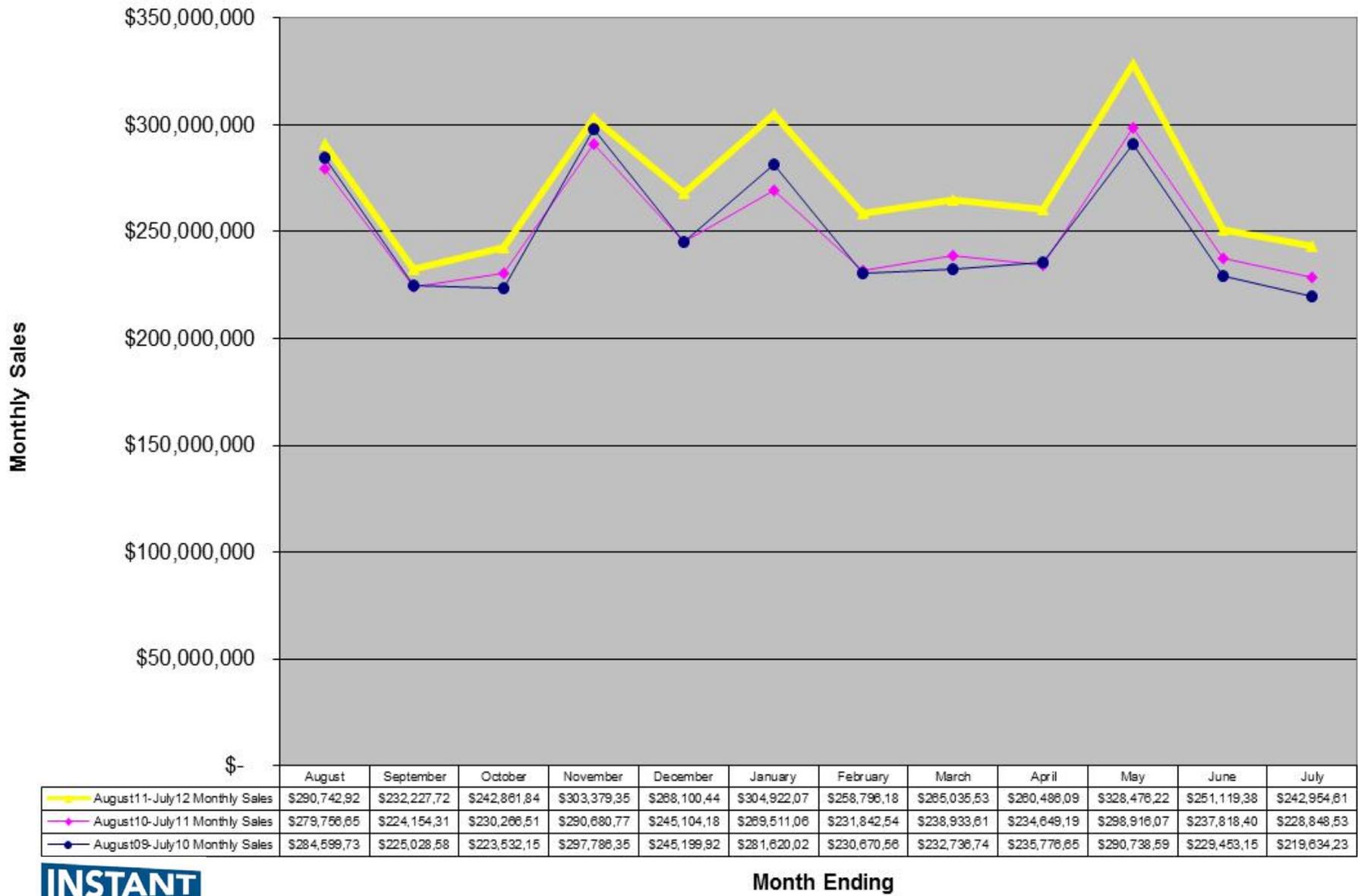
**INSTANT
GAMES**

Weekly Instant Sales Comparison FY06-FY13

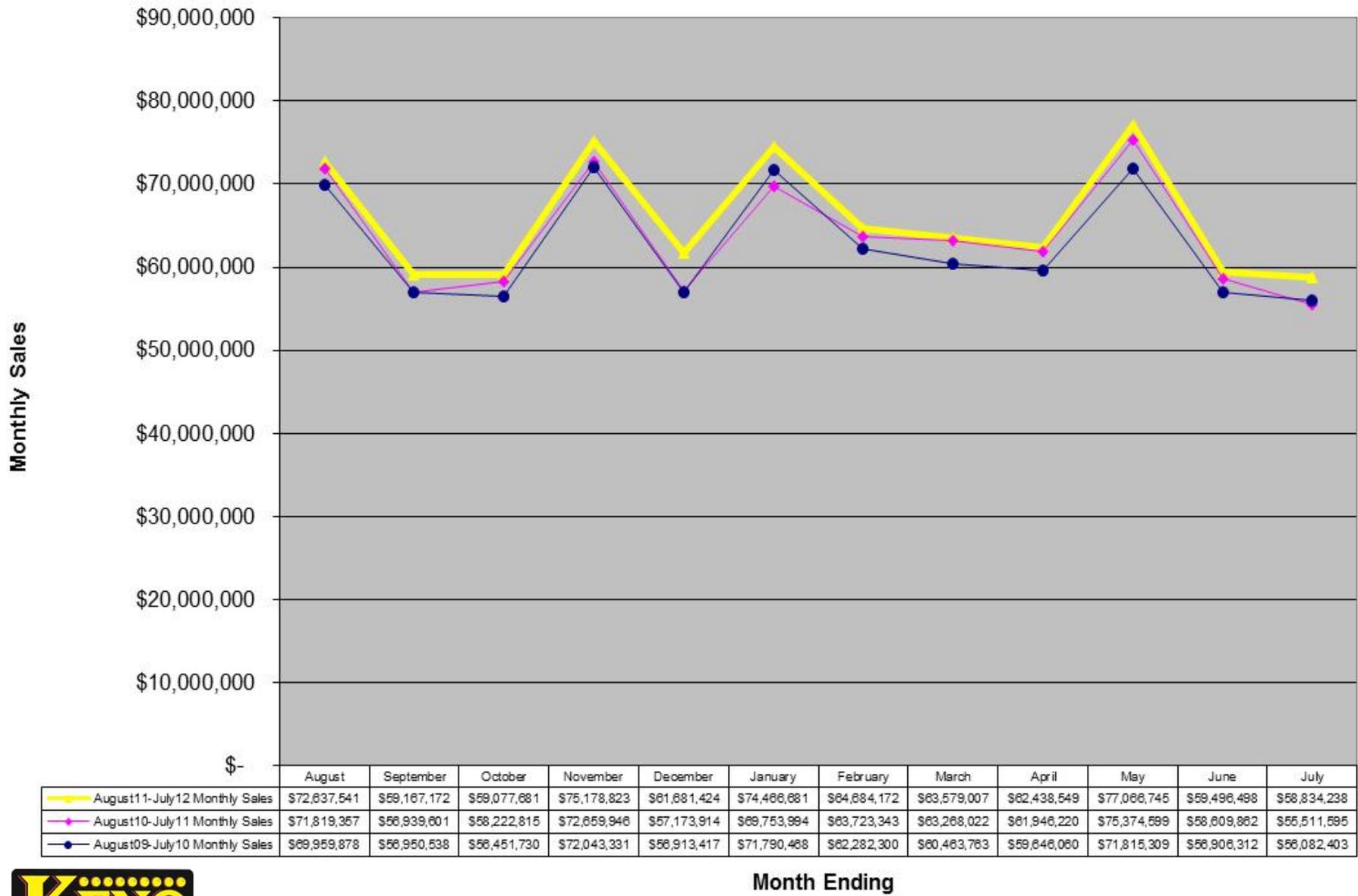
Week 7

FY 13	\$59,762,521
FY 12	\$58,151,472
FY 11	\$56,171,378
FY 10	\$56,542,285
FY 09	\$57,886,480
FY 08	\$55,750,904
FY 07	\$54,648,423
FY 06	\$56,320,258

Instant Game Monthly Sales August 09 thru July 12



KENO Game Monthly Sales August 09 thru July 12



Labor Day KENO Second Chance Promotion

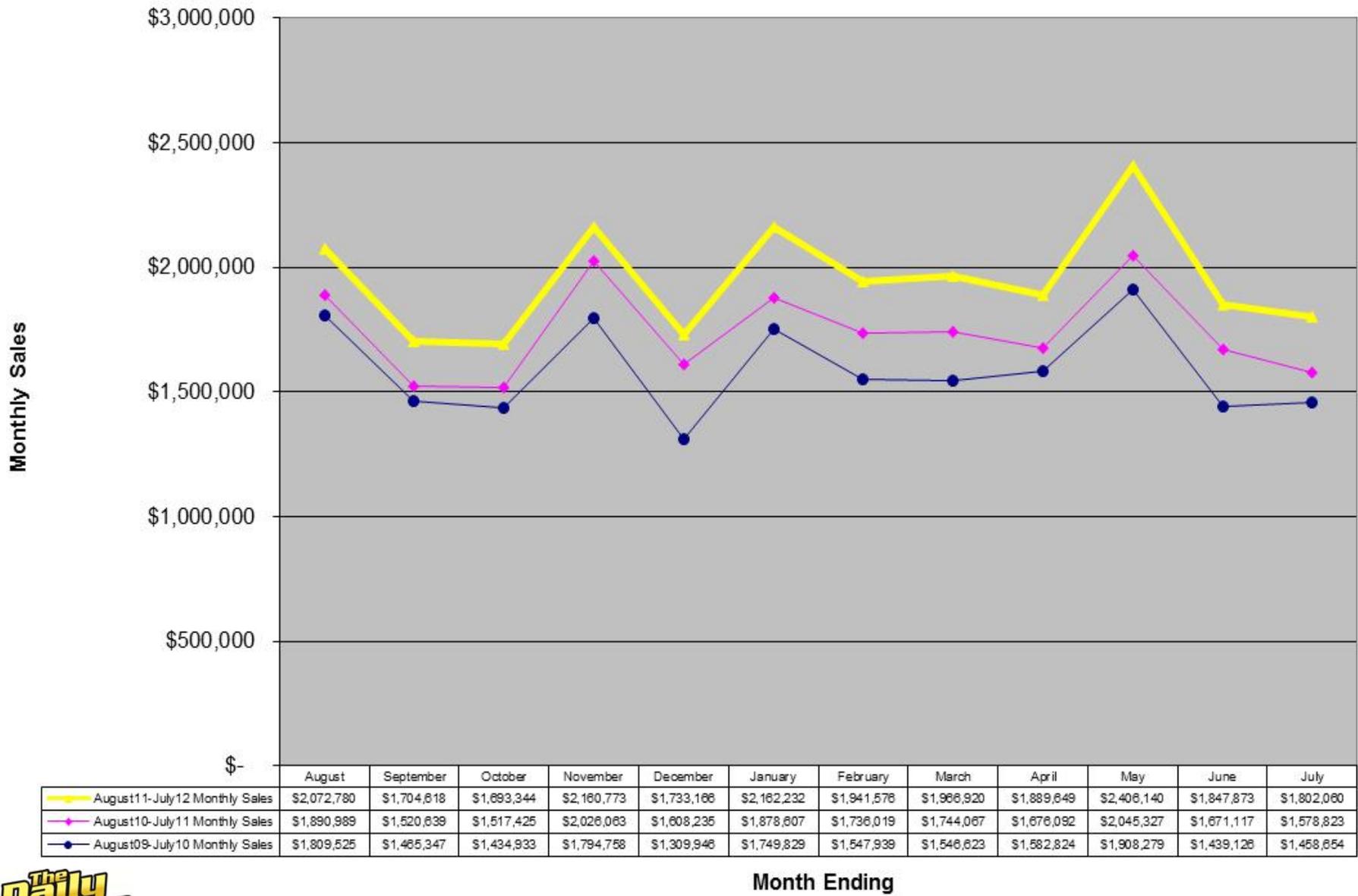
We will be holding a KENO second chance promotion during Labor Day weekend. Every KENO, KENO Bonus & KENO-to-Go ticket sold from August 31 – September 3 will have a second chance to win \$2,012.

We held the same type of promotion during Memorial Day weekend; sales were \$284,094 higher than sales on the same days in 2011 (which was also a second chance promotional period).

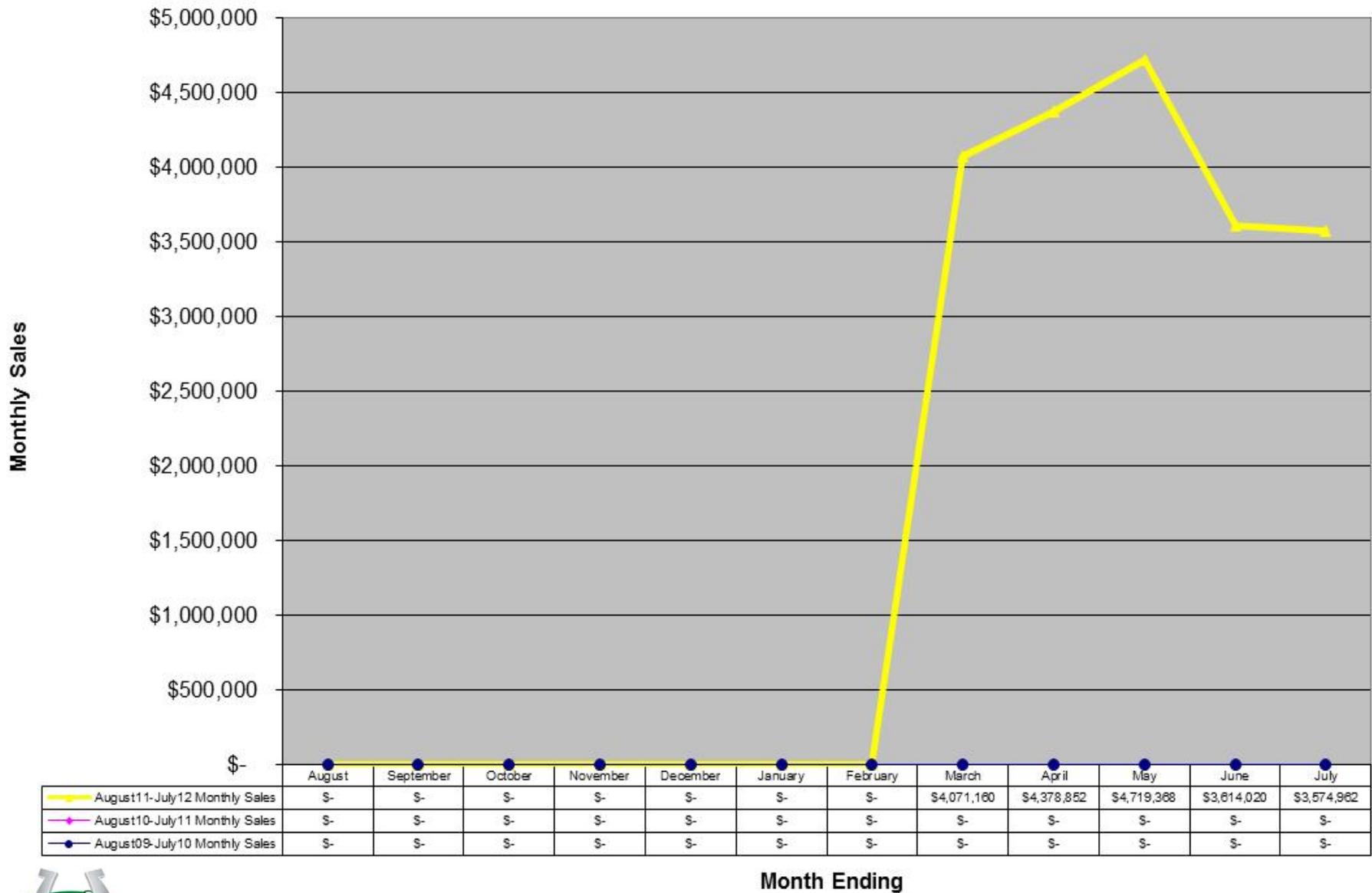


The graphic features a blue background with white stars. At the top left is the KENO logo. A large blue circle contains the text "WIN \$2,012". A white circle says "Sold from August 31 - September 3". A red circle says "TWENTY \$2,012 PRIZES WILL BE AWARDED". A white circle says "YOU CAN WIN MORE THAN ONCE!". A red circle says "SAVE YOUR TICKETS!". A blue circle contains the text "Every KENO, KENO Bonus or KENO TO GO ticket will have a second chance to win." Below this is a KENO ticket image with the text "Visit www.masslottery.com on September 4, 2012 after 2 p.m. to check your non-winning KENO ticket's serial number". The ticket shows "1 Draw", "MULTIPLIER PLAYED", "Serial Number", and "DRAW 1379081". At the bottom, there is fine print: "Winning ticket holders of the 'Labor Day' drawing must claim their prizes by October 3, 2012 at a Lottery Regional Office. (Visit www.masslottery.com for office locations.) To claim a prize, winning ticket holder must present winning ticket and proper identification. Prize checks will be mailed approximately two weeks after prize is claimed. Actual prize amount will be less applicable taxes and withholdings. You must be 18 years or older to play the Massachusetts Lottery." The logo for "THE LOTTERY masslottery.com" is in the bottom right corner.

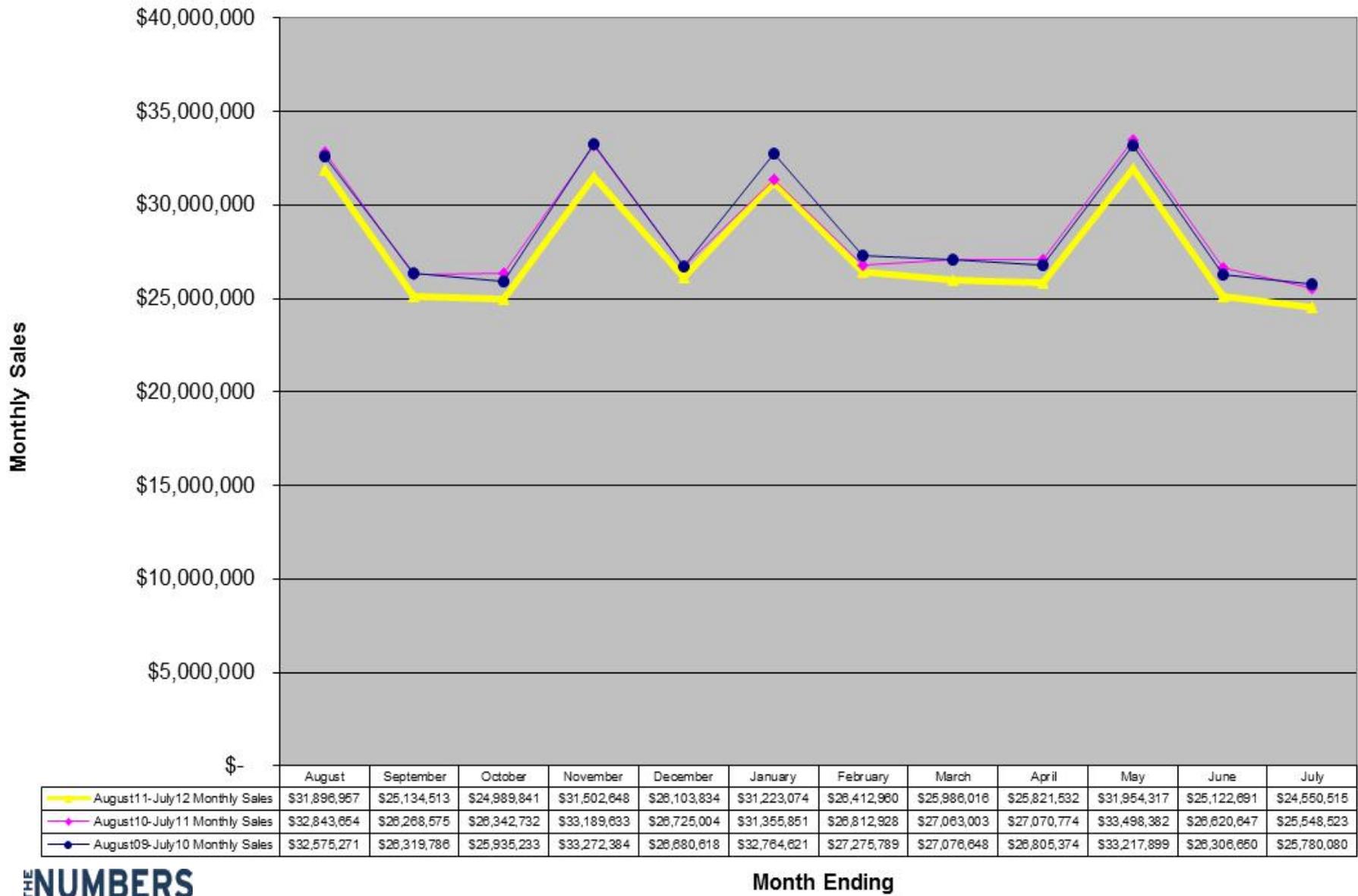
Race Game Monthly Sales August 09 thru July 12



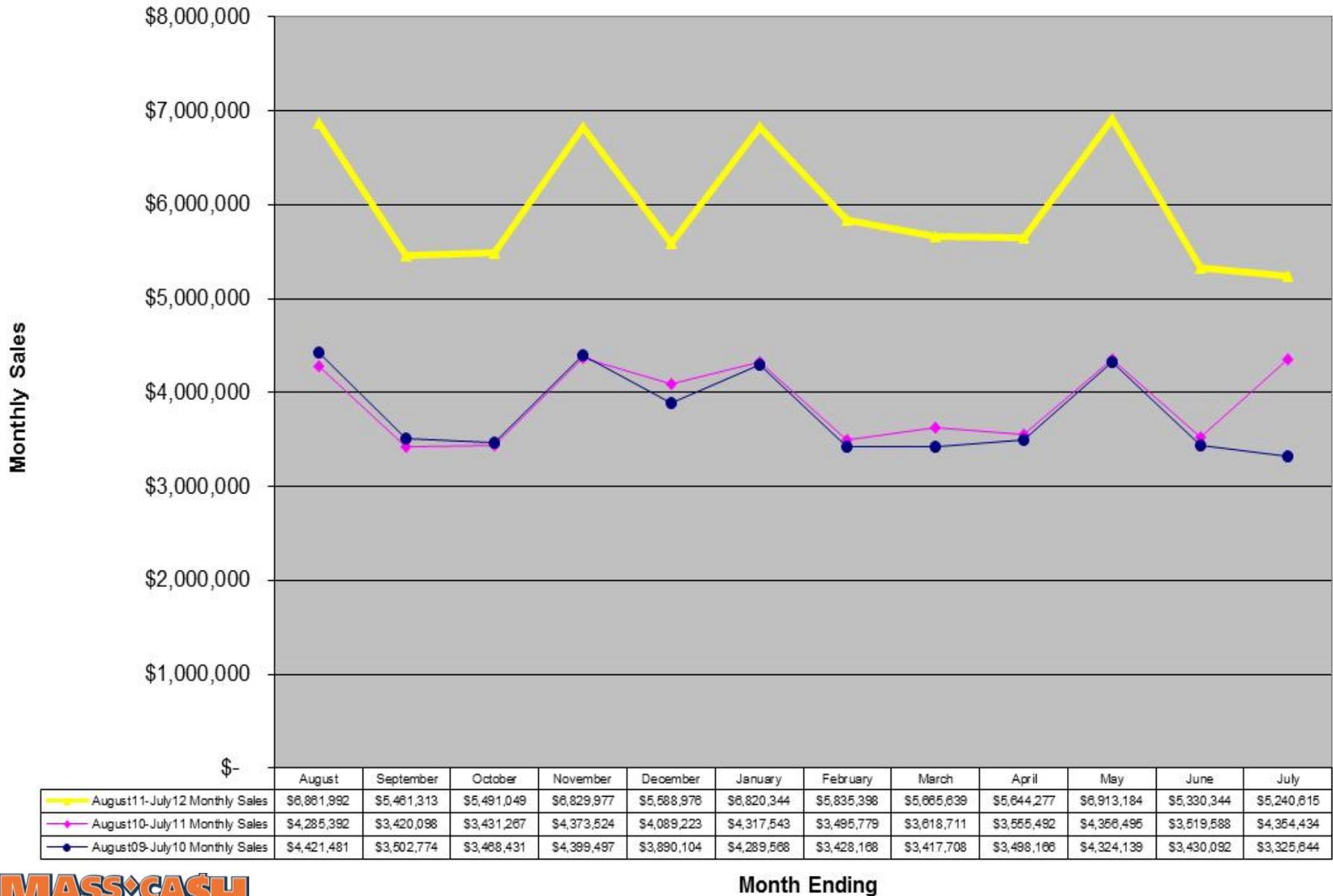
Lucky For Life Game Monthly Sales August 09 thru July 12



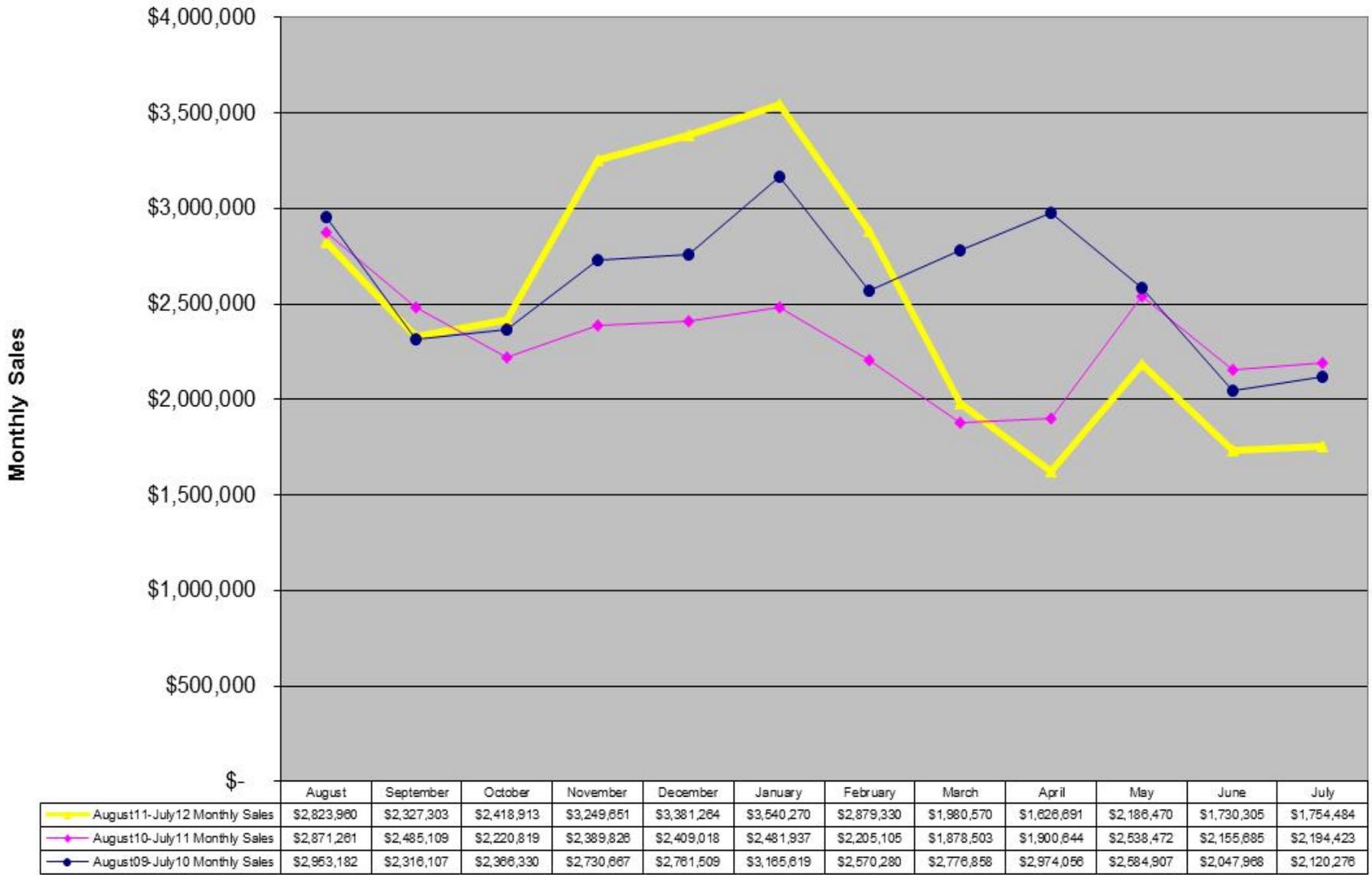
Numbers Game Monthly Sales August 09 thru July 12



Mass Cash Game Monthly Sales August 09 thru July 12

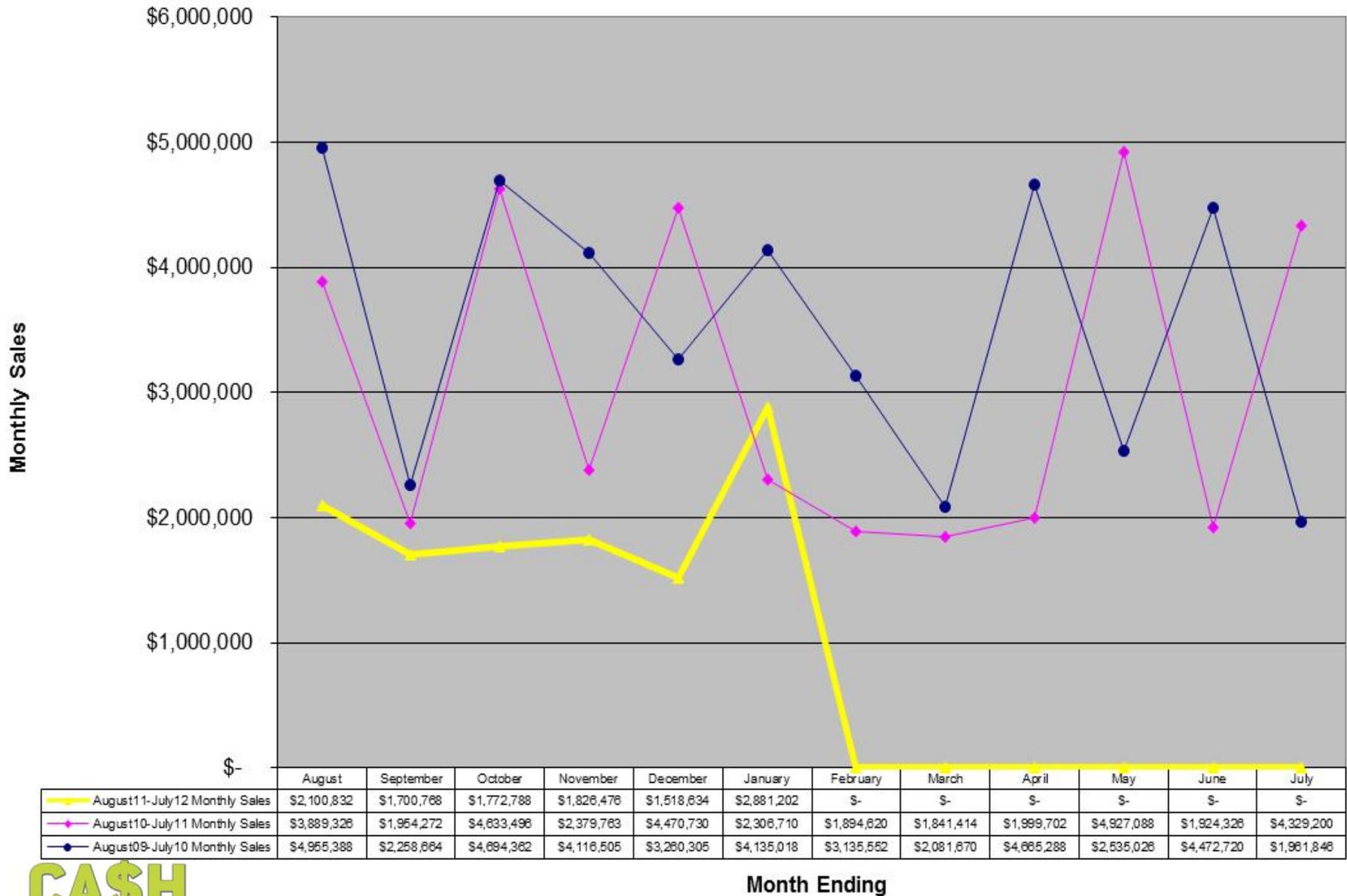


Megabucks Game Monthly Sales August 09 thru July 12

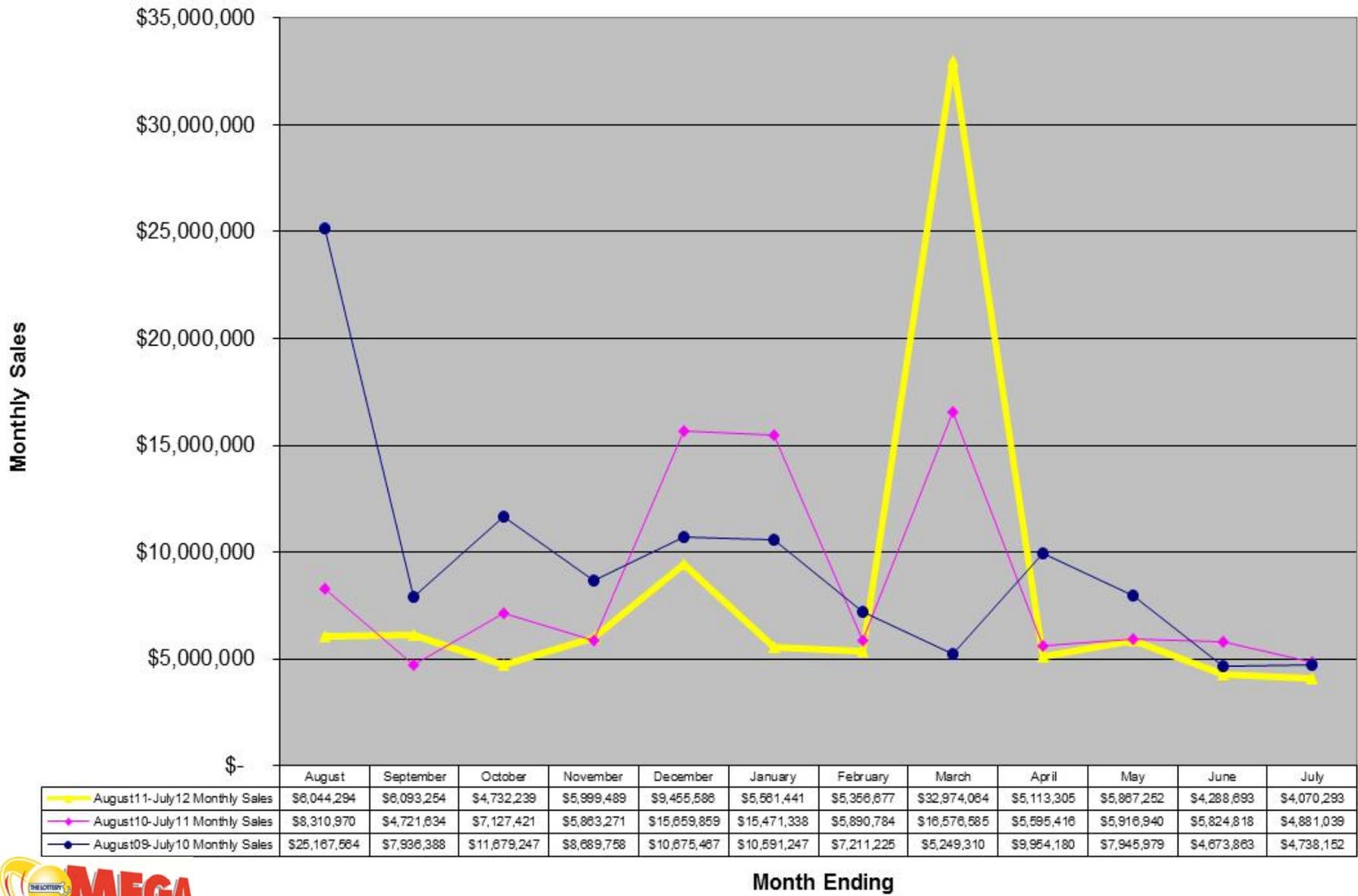


Month Ending

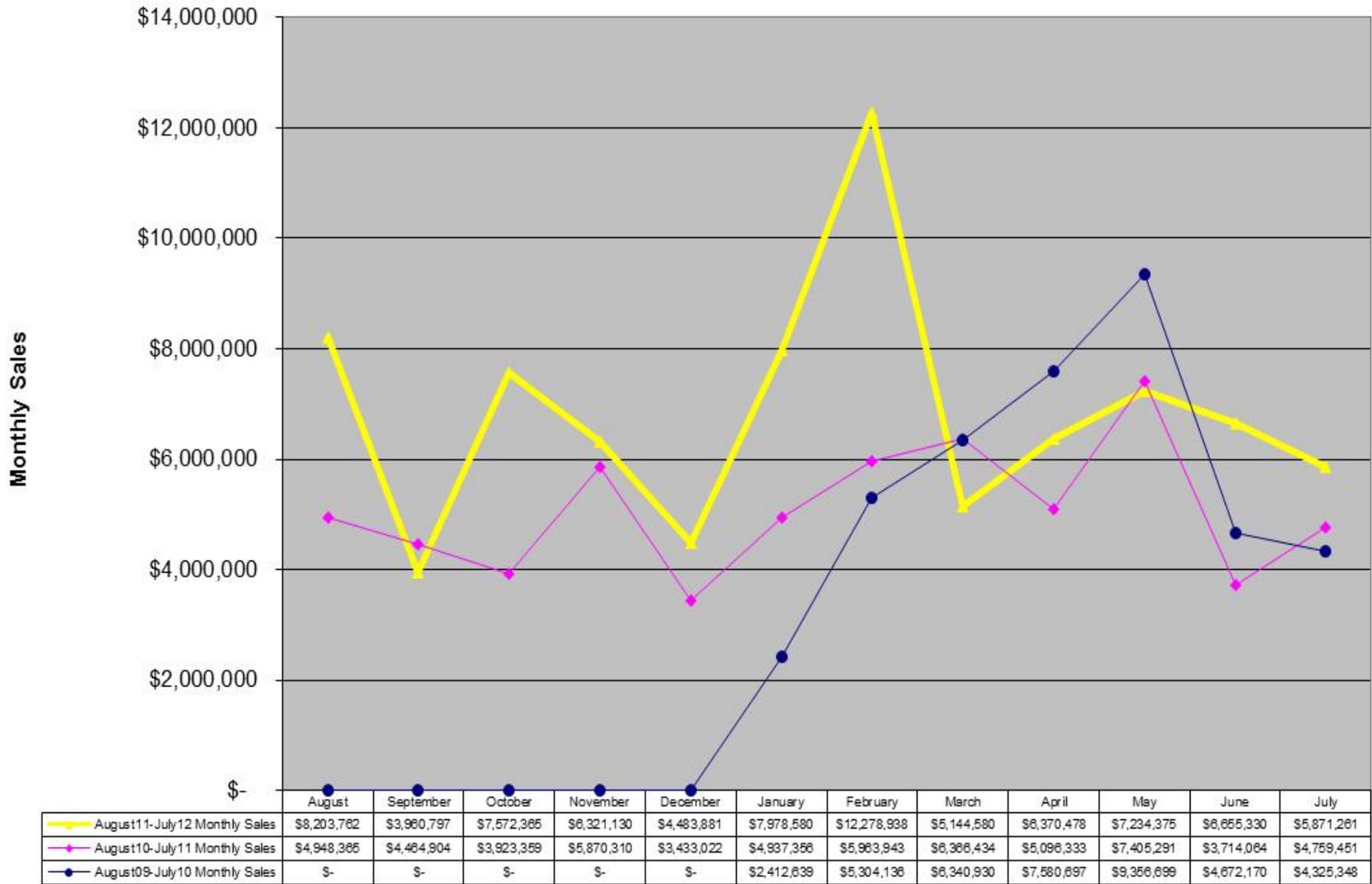
Cash Winfall Game Monthly Sales August 09 thru July 12



Mega Millions Game Monthly Sales August 09 thru July 12

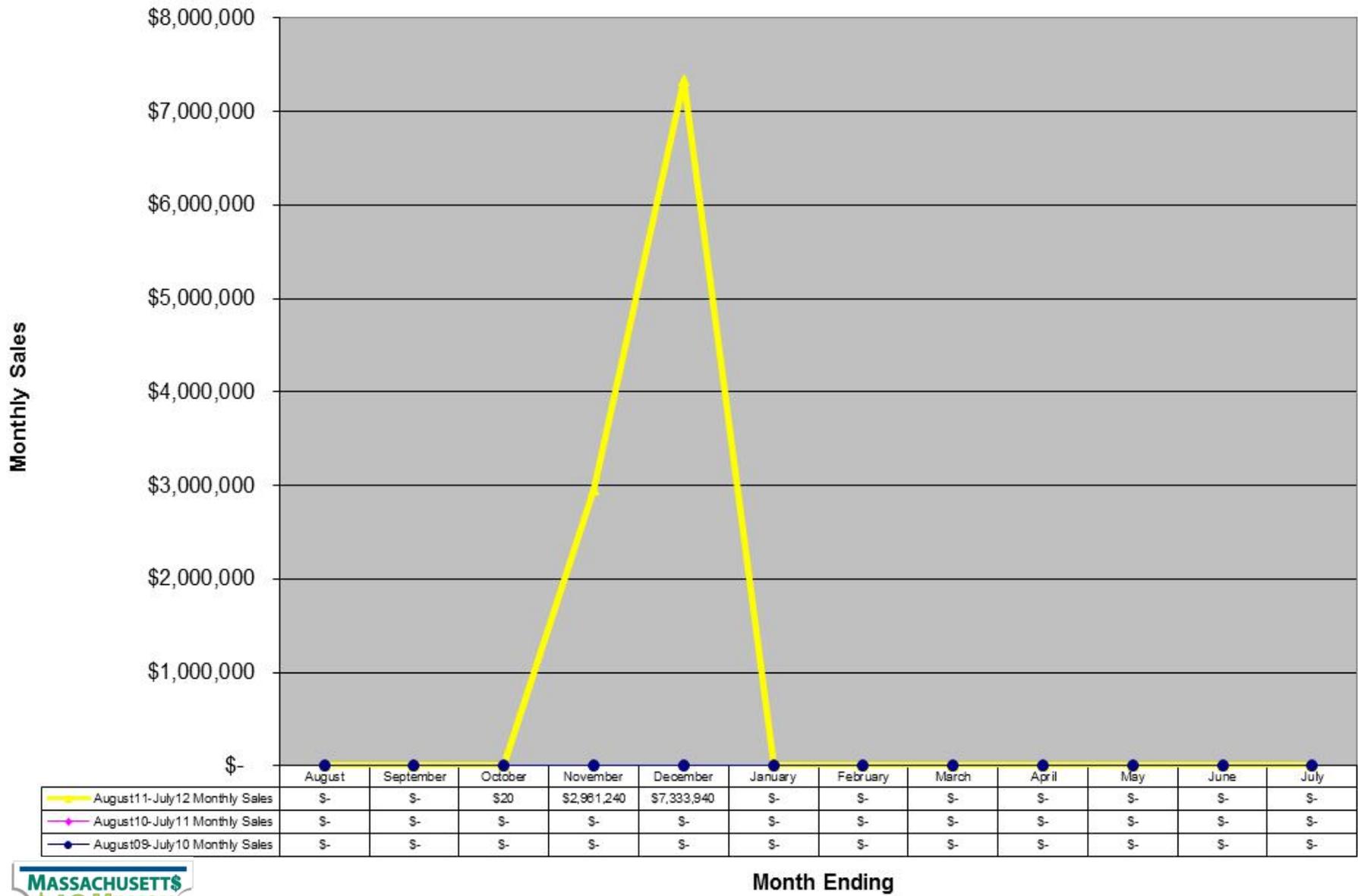


Powerball Game Monthly Sales August 09 thru July 12

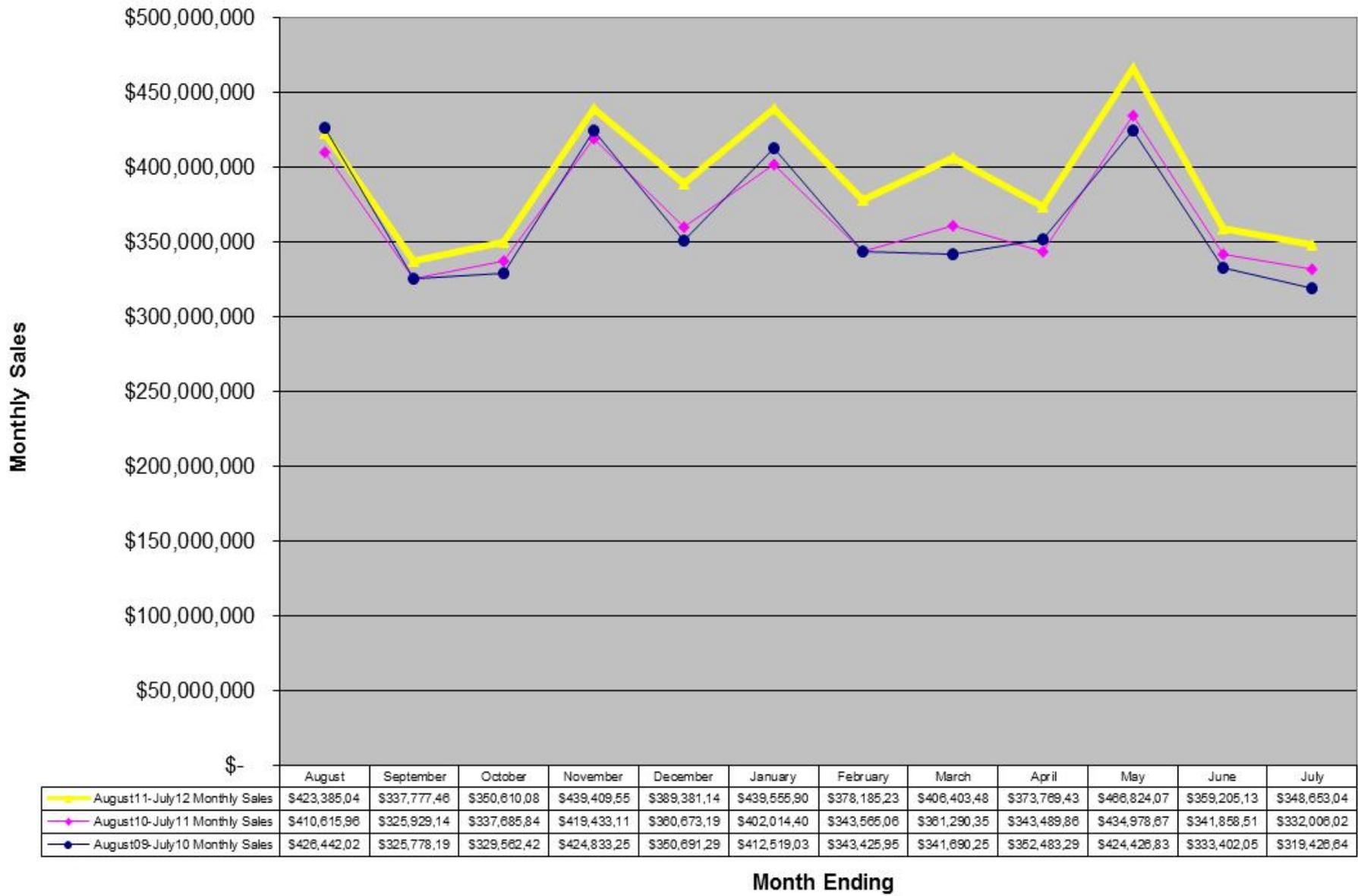


Month Ending

Online Raffle Game Monthly Sales August 09 thru July 12



All Game Monthly Sales August 09 thru July 12



MSLC Revenue Results

FY13 vs. FY12

(\$ millions)

Through July 28, 2012

	<u>FY13</u>	<u>% of Total</u>	<u>FY12</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Instant Tickets	\$243	69.7%	\$229	68.9%	\$14	6.2%
MegaMillions	4	1.2%	5	1.5%	-1	-16.6%
Powerball	6	1.7%	5	1.4%	1	23.3%
Keno	59	16.9%	56	16.7%	3	6.0%
Mass Cash	5	1.5%	4	1.3%	1	19.5%
Race Game	2	0.5%	2	0.5%	0	13.9%
Lucky For Life	4	1.0%	0	0.0%	4	100.0%
Cash WinFall	0		4		-4	-100.0%
Numbers Game	25	7.0%	26	7.7%	-1	-3.9%
Megabucks	2	0.5%	2	0.7%	0	-20.1%
Total	\$349	100.0%	\$332	100.0%	\$17	5.0%
Instant Tickets	\$243	69.7%	\$229	68.9%	\$14	6.2%
Online Games	106	30.3%	103	31.1%	2	2.4%
Total	\$349	100.0%	\$332	100.0%	\$17	5.0%

Lottery Reform Scorecard

- **Procurement**
 - Developing two new procurement instruments: (1) to ensure management of potential conflicts by vendors and (2) to remind PMT members of disclosure responsibilities upon circulation of bids.
- **Operations**
 - Continued development of compliance policies and procedures.

Thank you for the opportunity to share this information. We look forward to your feedback and to further discussion on these figures, as well as other Lottery initiatives.

