

Massachusetts State Lottery Commission Meeting

Executive Director's Report

Delivered by: Michael R. Sweeney

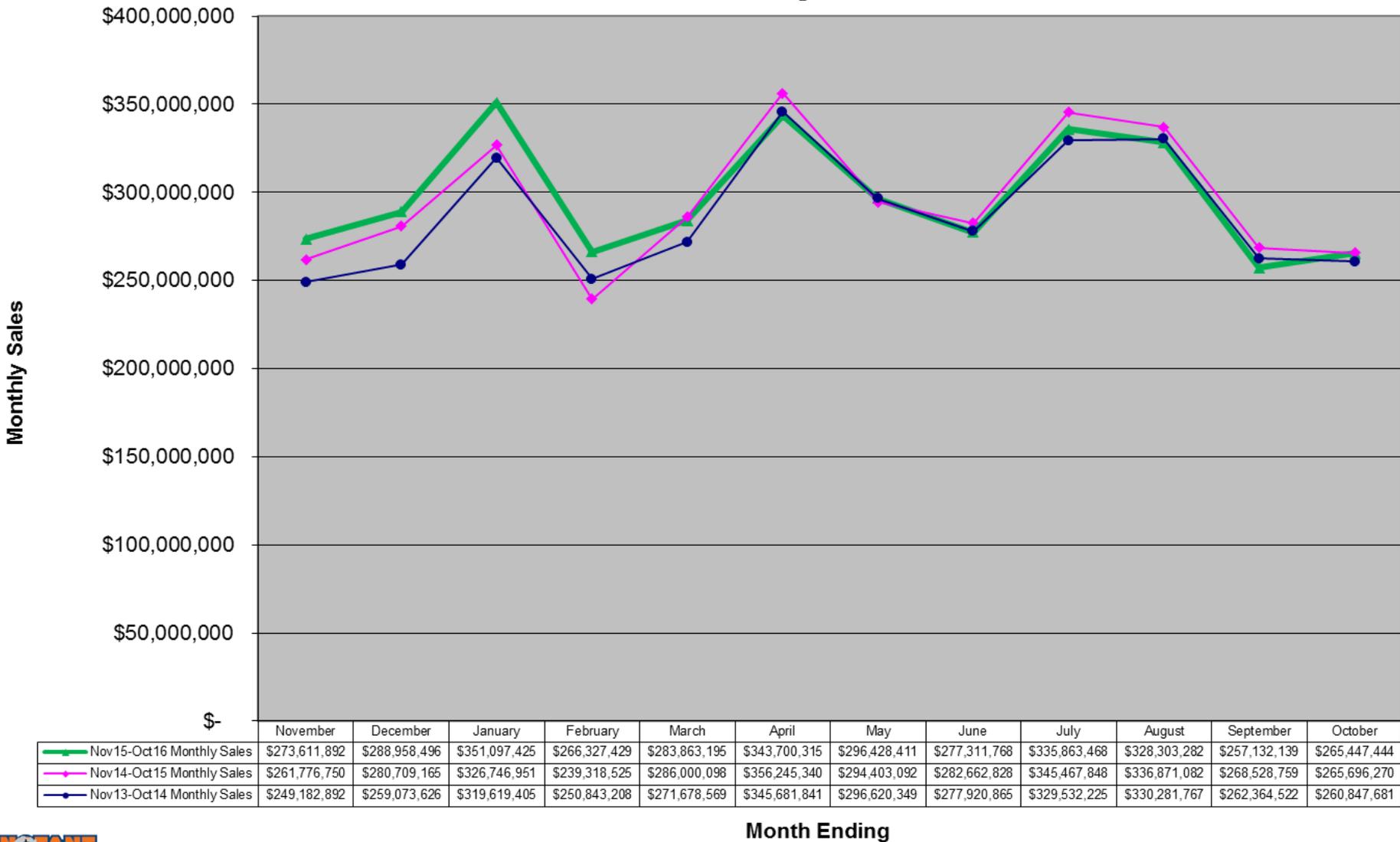
November 29, 2016



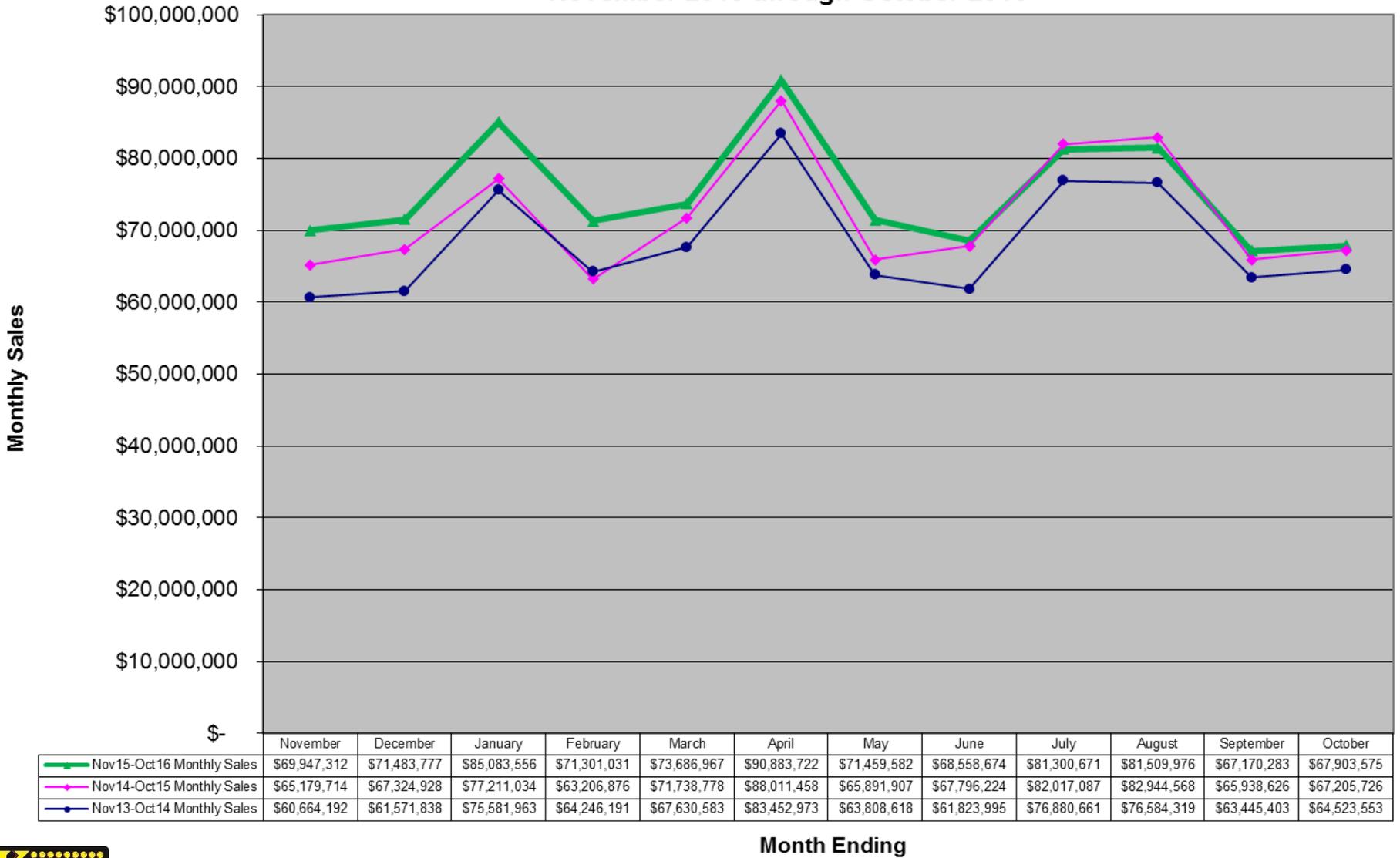
Lottery Sales Update - October

- Overall sales for October of 2016 were up \$897,358 from October 2015.
- Due in part to a shift in the calendar that resulted in 7 fewer days being included in the net profit figure for October 2016, net profit for the month was \$87.2 million compared to \$106.5 million in October 2015. After adding a 7-day average net profit figure of \$21.8 million, the adjusted change for October 2016 vs. October 2015 is a \$2.5 million increase in net profit.
- Our prize payout for October 2016 was 68.84 percent, as compared to 70.33 percent in October 2015. Due in part to the absence of last fiscal year's accrual related to the \$20 million end of game Mega Cash prize, our year-to-date prize payout for the first four months of FY17 is 71.95 percent, as compared to 73.93 percent for the first four months of FY16.
- Our year-to-date net profit for the first four months of FY17 is \$344.3 million compared to \$319.1 million for the first four months of FY16. After adding a 2-day average net profit figure of \$5.7 million due to a shift in the calendar that resulted in 2 fewer days being included in the net profit figure for the first four months of FY17, the adjusted year-over-year change for the first four months of FY17 vs. the first four months of FY16 is a \$30.9 million increase in net profit.
- KENO, Powerball, Mass Cash and the Numbers Game all experienced sales increases in October of 2016 over October of last year. KENO sales were up \$697,849, Powerball sales were up \$690,606, Mass Cash sales were up \$91,459 and Numbers Game sales were up \$42,004. Sales of the All or Nothing monitor game, which launched July 18, totaled over \$1.3 million for the month of October.
- Mega Millions sales were down \$1.3 million in October of 2016 compared to October of 2015 (highest jackpot this October was \$49 million). Compared to October of 2015, Instant Ticket sales were down \$248,826, Lucky for Life sales were down \$118,356 and Megabucks Doubler sales were down \$109,380.

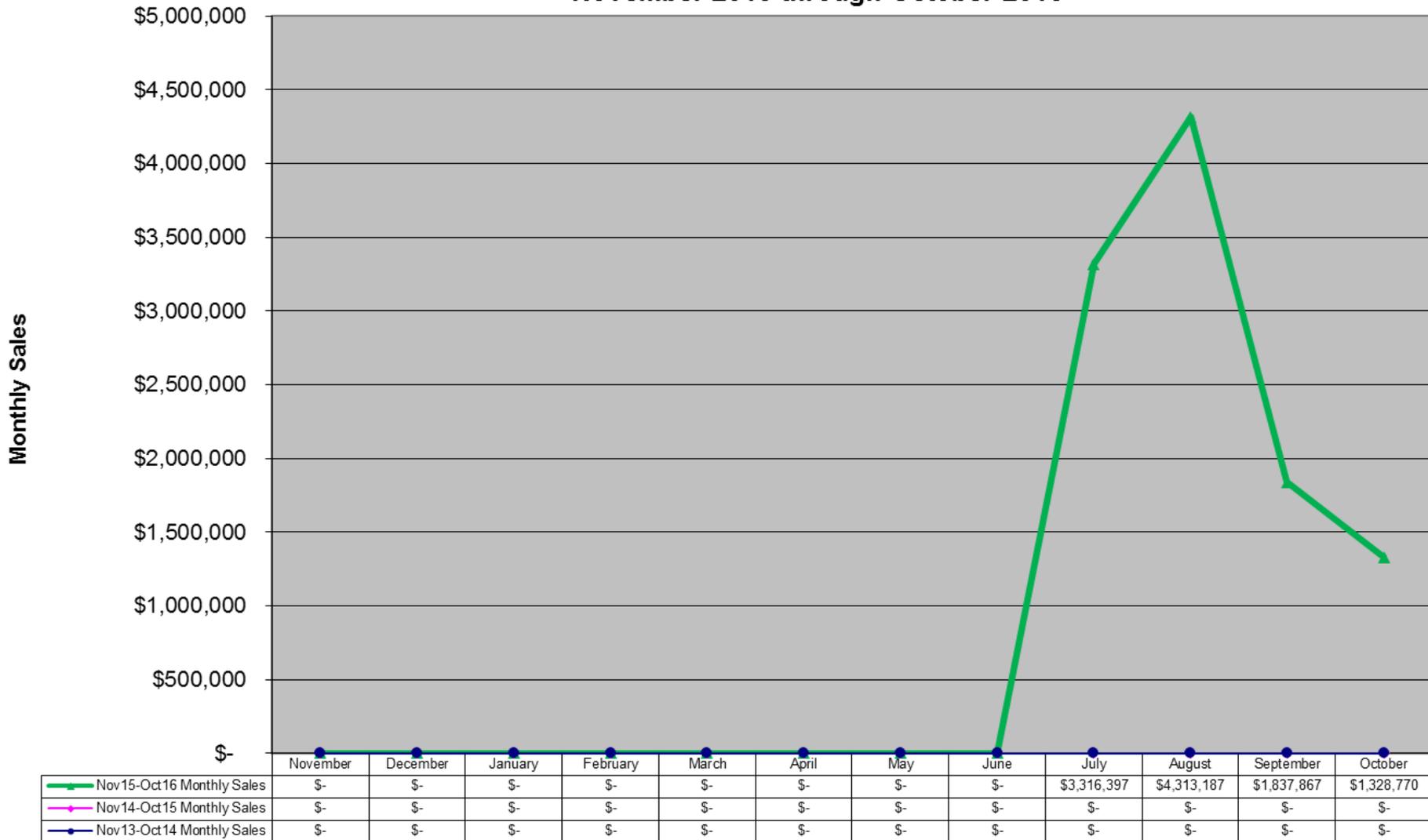
Instant Game Monthly Sales Unadjusted Non Fiscal Year November 2013 through October 2016



KENO Game Monthly Sales Unadjusted Non Fiscal Year November 2013 through October 2016



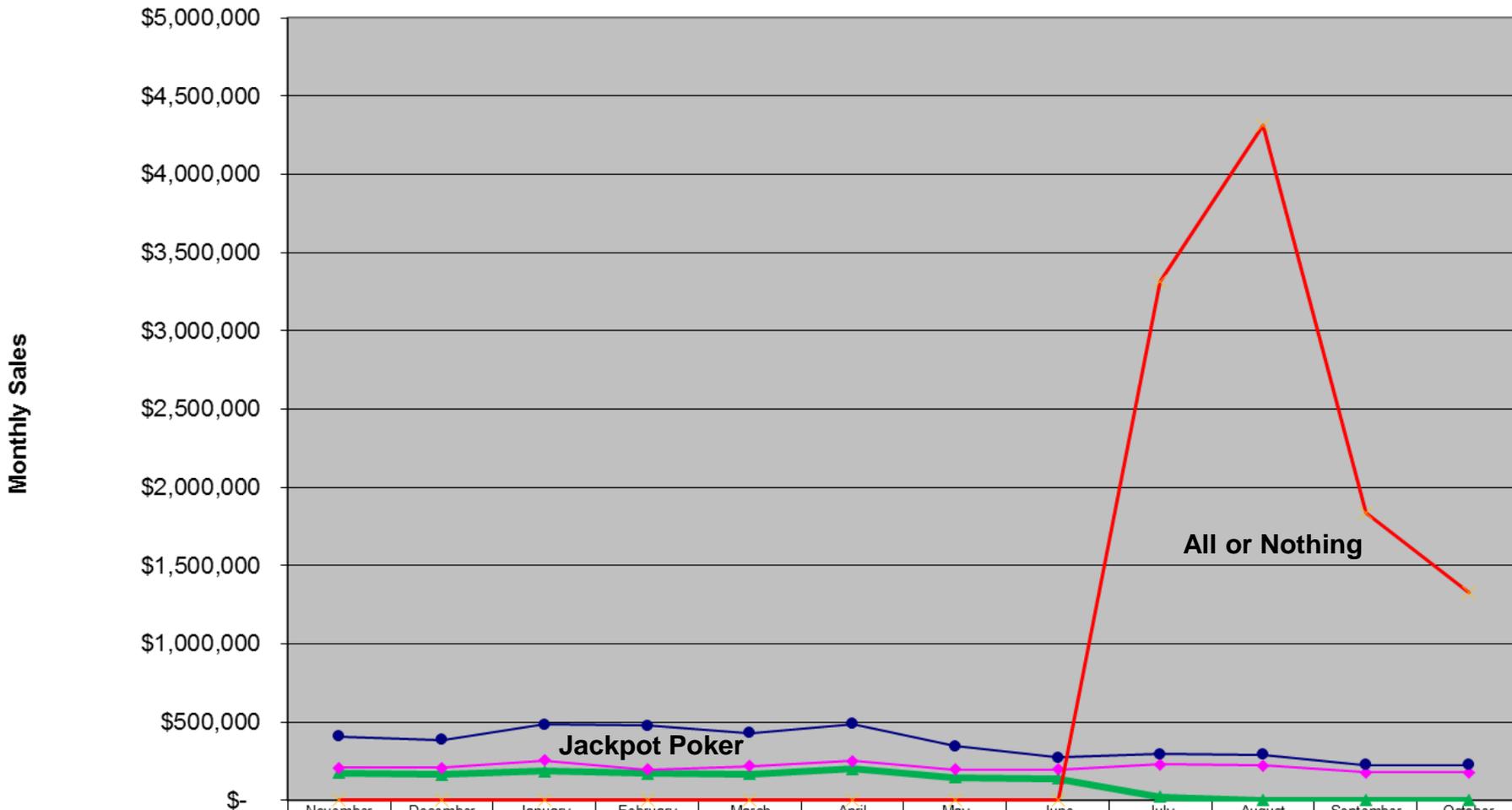
All or Nothing Game Monthly Sales Unadjusted Non Fiscal Year November 2013 through October 2016



Month Ending



Jackpot Poker and All or Nothing Games Monthly Sales Unadjusted Non Fiscal Year November 2013 through October 2016

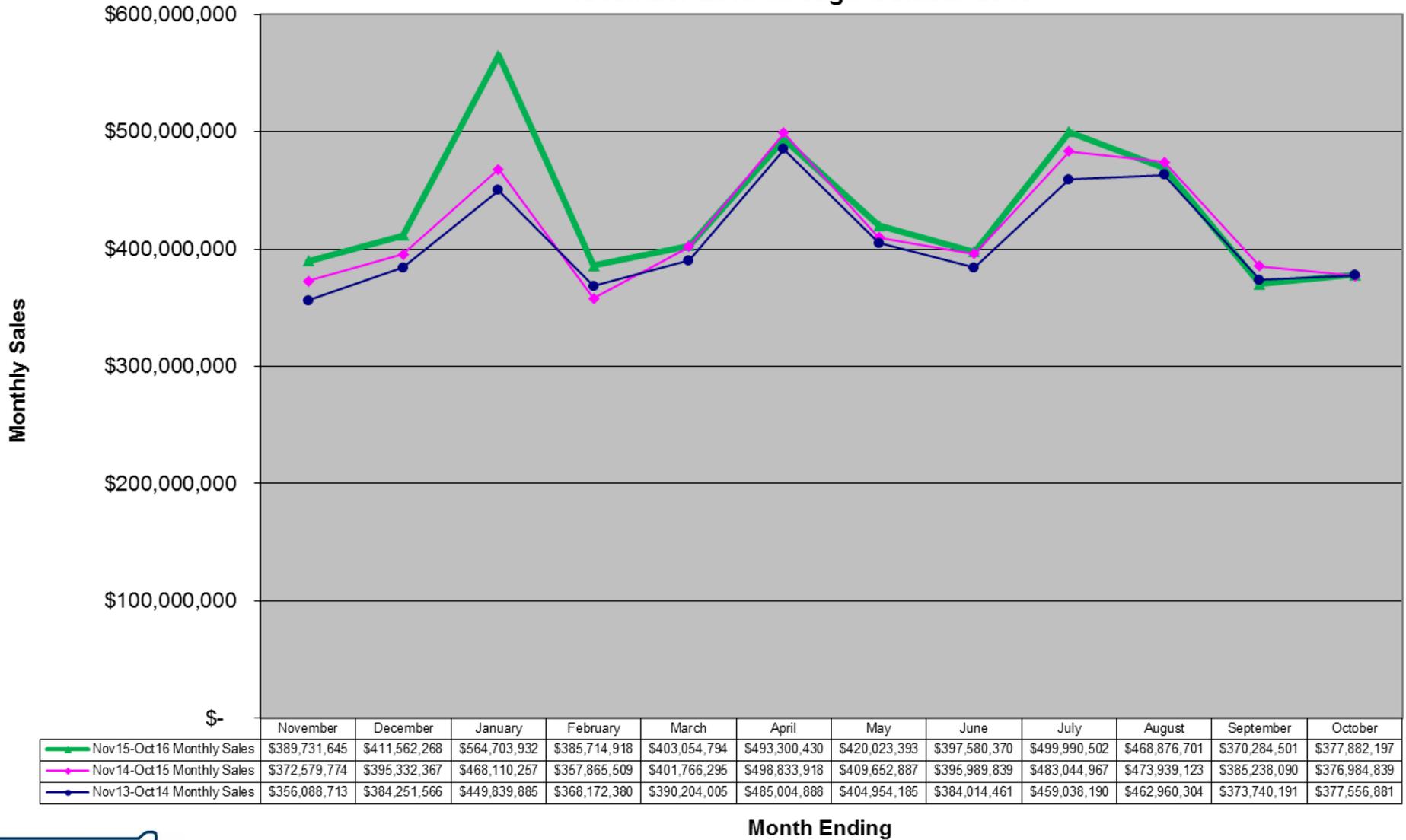


	November	December	January	February	March	April	May	June	July	August	September	October
Nov15-Oct16 Monthly Sales	\$174,639	\$164,016	\$186,392	\$172,861	\$169,729	\$202,065	\$145,481	\$139,328	\$22,044	\$-	\$-	\$-
Nov14-Oct15 Monthly Sales	\$209,846	\$208,961	\$255,257	\$197,143	\$219,914	\$253,143	\$196,269	\$196,660	\$230,357	\$224,836	\$178,966	\$177,892
Nov13-Oct14 Monthly Sales	\$409,225	\$385,333	\$485,656	\$479,462	\$431,701	\$490,246	\$346,769	\$274,347	\$295,174	\$291,774	\$226,893	\$226,311
Nov15-Oct16 Monthly Sales	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$3,316,397	\$4,313,187	\$1,837,867	\$1,328,770

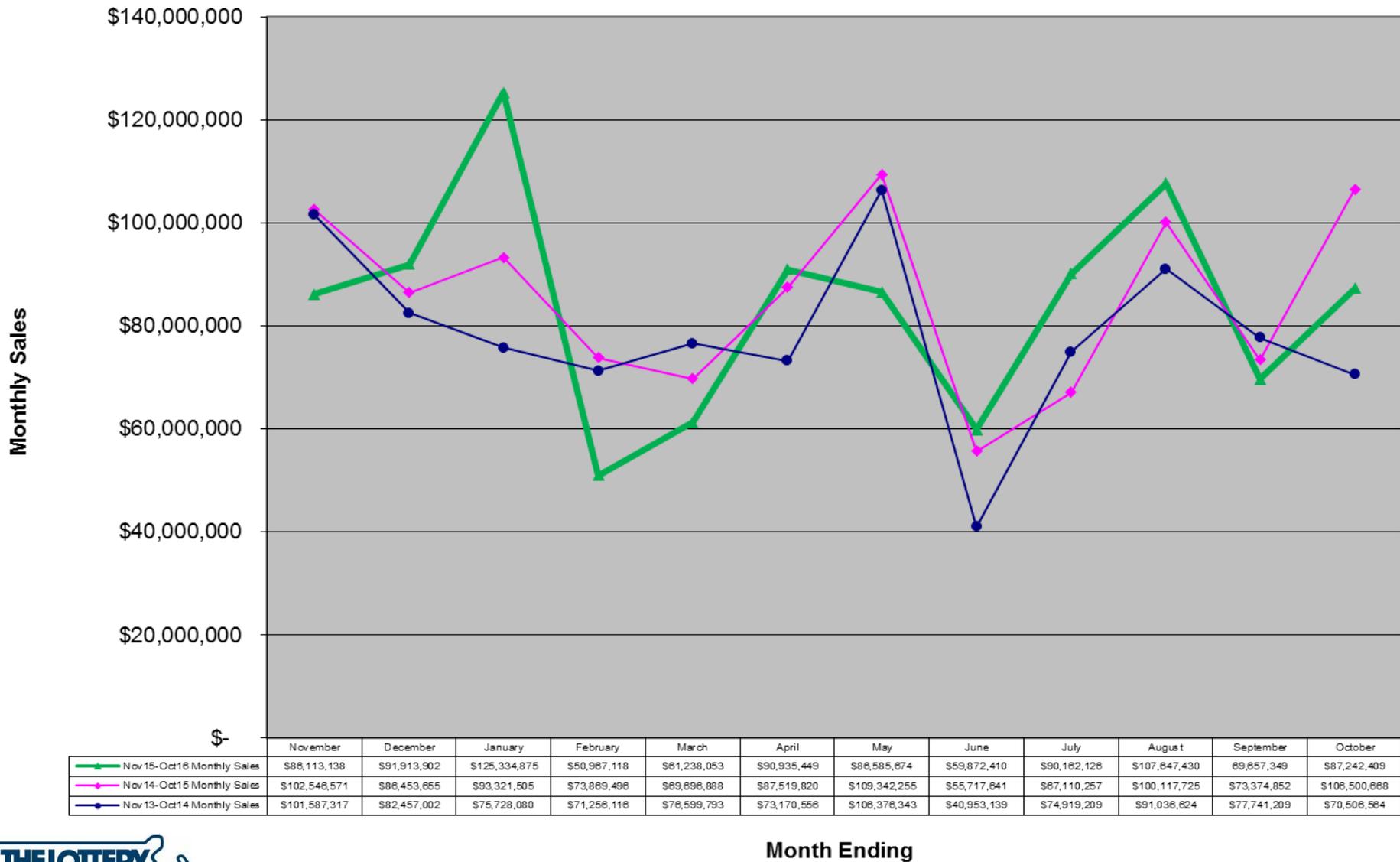


Month Ending

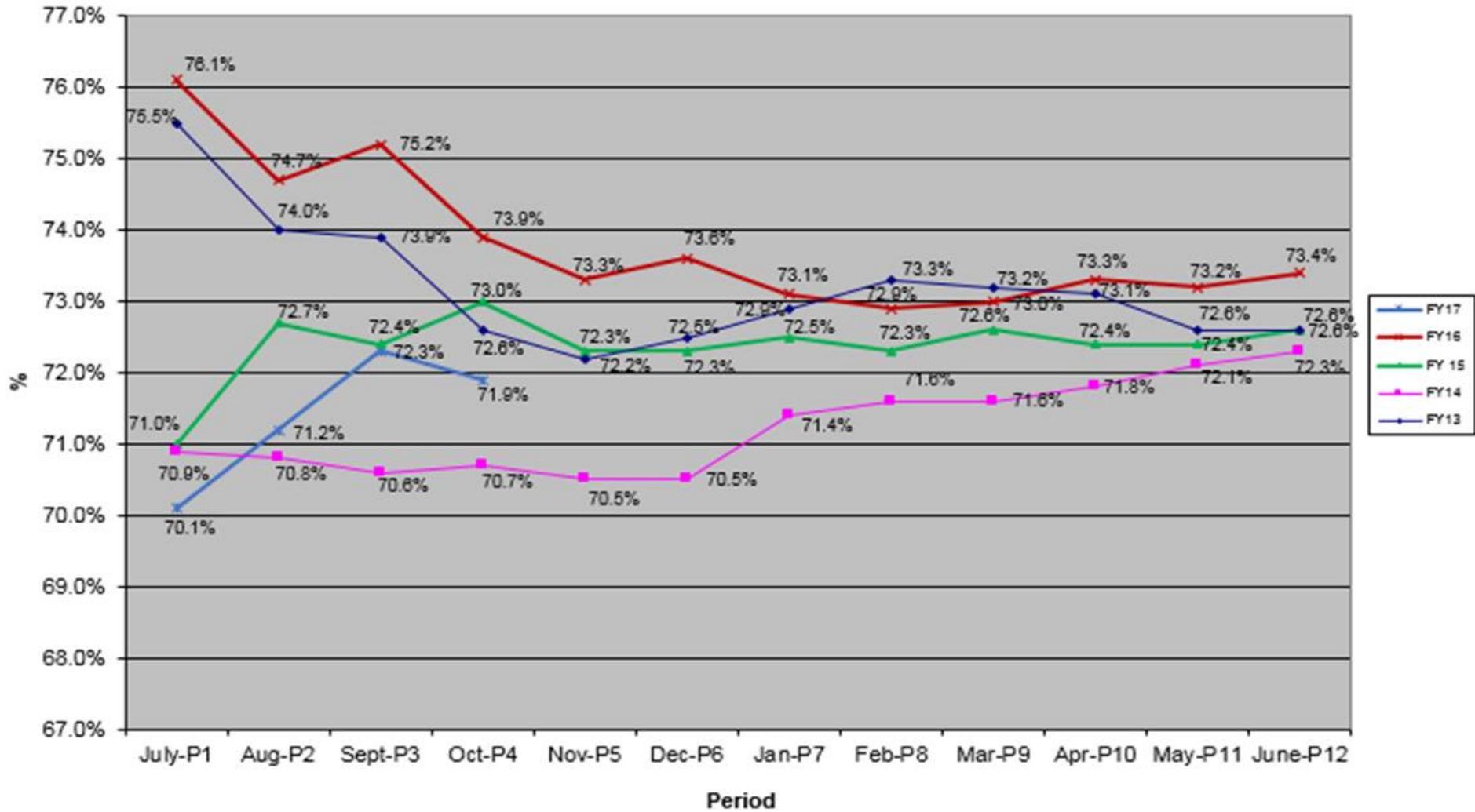
All Games Monthly Sales Unadjusted Non Fiscal Year November 2013 through October 2016



Monthly Net Profit November 2013 through October 2016



5 Year Comparison Prize Payout as a % of Sales Through October 2016



MSLC Gross Sales Results

OCTOBER FY17 vs. FY16 Unadjusted Non Fiscal Year

(\$ millions)

Through October 29, 2016

	FY17	% of Total	FY16	% of Total	\$ Change	% Change
Instant Tickets	\$265.4	70.2%	\$265.7	70.5%	-\$0.2	-0.1%
Mega Millions	\$3.2	0.8%	\$4.5	1.2%	-\$1.3	-29.2%
Powerball	\$6.0	1.6%	\$5.3	1.4%	\$0.7	13.1%
KENO	\$67.9	18.0%	\$67.2	17.8%	\$0.7	1.0%
Mass Cash	\$6.0	1.6%	\$5.9	1.6%	\$0.1	1.6%
All or Nothing	\$1.3	0.4%	\$0.0	0.0%	\$1.3	100.0%
Lucky for Life	\$1.9	0.5%	\$2.0	0.5%	-\$0.1	-5.8%
Numbers Game	\$24.6	6.5%	\$24.6	6.5%	\$0.0	0.2%
Megabucks Doubler	\$1.6	0.4%	\$1.7	0.5%	-\$0.1	-6.3%
Jackpot Poker	\$0.0	0.0%	\$0.2	0.0%	-\$0.2	-100.0%
Total	\$377.9	100.0%	\$377.0	100.0%	\$0.9	0.2%
Instant Tickets	\$265.4	70.2%	\$265.7	70.5%	-\$0.2	-0.1%
Draw Games + KENO	\$112.4	29.8%	\$111.3	29.5%	\$1.1	1.0%
Total	\$377.9	100.0%	\$377.0	100.0%	\$0.9	0.2%
Unadjusted	Month	10/2/16-10/29/16	Month	10/4/15-10/31/15		
		4 weeks		4 weeks		
		28 days		28 days		



MSLC Gross Sales Results

YEAR-TO-DATE FY17 vs. FY16 Unadjusted Non Fiscal Year

(\$ millions)

Through October 29, 2016

	FY17	% of Total	FY16	% of Total	\$ Change	% Change
Instant Tickets	\$1,186.7	69.1%	\$1,216.6	70.8%	-\$29.8	-2.5%
Mega Millions	\$29.2	1.7%	\$19.3	1.1%	\$9.9	51.6%
Powerball	\$39.2	2.3%	\$30.1	1.7%	\$9.1	30.4%
KENO	\$297.9	17.3%	\$298.1	17.3%	-\$0.2	-0.1%
Mass Cash	\$27.0	1.6%	\$26.6	1.5%	\$0.5	1.8%
All or Nothing	\$10.8	0.6%	\$0.0	0.0%	\$10.8	100.0%
Lucky for Life	\$8.6	0.5%	\$9.3	0.5%	-\$0.7	-7.8%
Numbers Game	\$110.6	6.4%	\$111.4	6.5%	-\$0.8	-0.7%
Megabucks Doubler	\$7.0	0.4%	\$7.2	0.4%	-\$0.2	-2.7%
Jackpot Poker	\$0.0	0.0%	\$0.8	0.0%	-\$0.8	-97.3%
Total	\$1,717.0	100.0%	\$1,719.2	100.0%	-\$2.2	-0.1%
Instant Tickets	\$1,186.7	69.1%	\$1,216.6	70.8%	-\$29.8	-2.5%
Draw Games + KENO	\$530.3	30.9%	\$502.6	29.2%	\$27.6	5.5%
Total	\$1,717.0	100.0%	\$1,719.2	100.0%	-\$2.2	-0.1%
Unadjusted	Year	6/26/16-10/29/16	Year	6/28/15-10/31/15		
		18 weeks		18 weeks		
		126 days		126 days		



Plainridge Park Casino – Lottery Sales

Quarter	2015	2016	\$ Difference	% Difference
1st	\$96,242	\$705,304	\$609,062	632.8%
2nd	\$162,173	\$758,852	\$596,679	367.9%
3rd	\$579,000	\$738,116	\$159,116	27.5%
Total	\$837,415	\$2,202,272	\$1,364,857	163.0%

Casino opened in June of 2015

Plainridge Park Casino currently has 5 instant ticket vending machines and 4 lottery terminals on site. Prior to the casino opening, the property had 1 instant ticket vending machine and 2 lottery terminals.

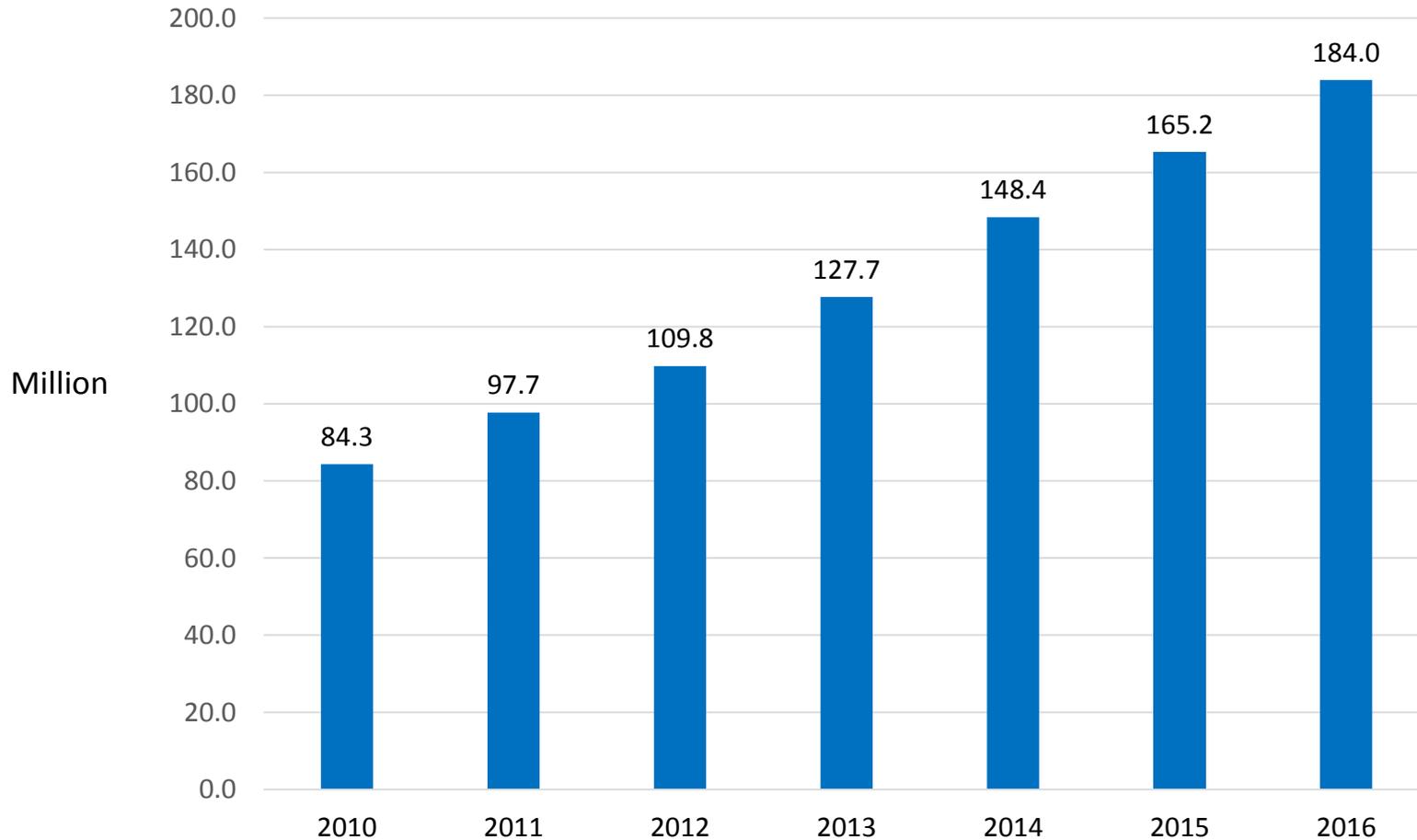


Cash Carrying

- In a 2012 survey,
 - Three in four Americans (73%) say they use less cash today than 10 years ago
 - Members of Gen X (ages 30-39) are most in favor of paying for everything electronically and not carrying cash (61%)
 - 44% of Baby Boomers (age 55 and over) favor a cashless society
- In a 2014 survey,
 - 78% of respondents said they carry less than \$50 in cash:
 - Between \$20 and \$50 29%
 - Less than \$20 40%
 - Don't carry cash 9%
 - Respondents from Western U.S. were more than twice as likely as their counterparts in the Midwest or South to say they don't carry cash.

PayPal – Registered Users

118% increase from 2010 to 2016

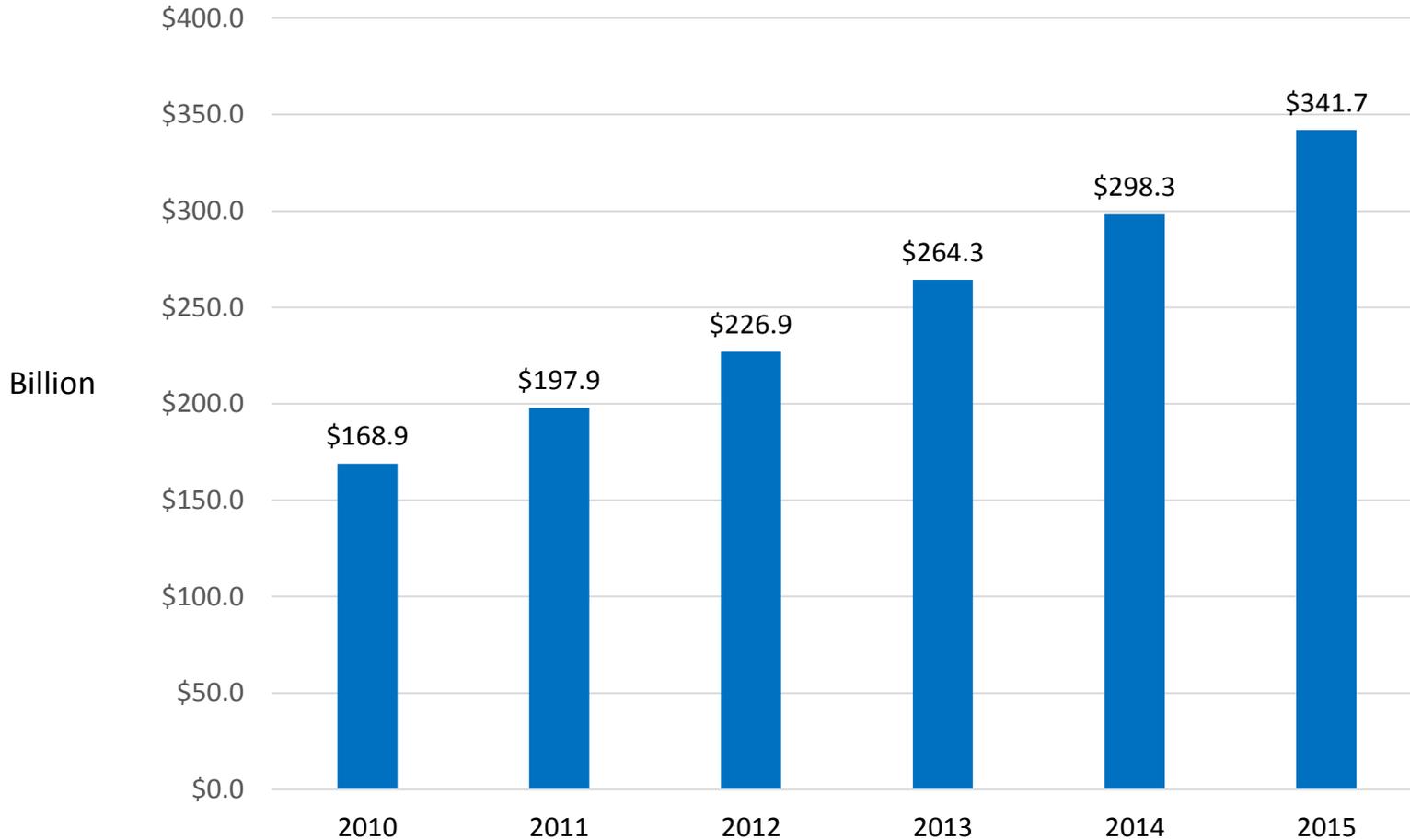


Apple Pay

- Launched October 2014
- 10 million contactless-enabled terminals worldwide, 2.5 million of which are in the U.S. (up from 2 million in February)
- \$10.9 billion in purchases in 2015 (estimated)
- 500% increase in transactions year-over-year in third quarter of 2016; September purchases alone surpassed entire FY15 purchases
- Recently added partnerships with 26 U.S. banks and credit unions. Total partnerships in U.S. total over 600.

E-Commerce Sales in the U.S.

102% increase from 2010 to 2015



Source: U.S. Commerce Department

Growth of E-Commerce

- U.S. e-commerce sales have grown 10% or more each year since 2010, with 5 of the 6 years hitting 15% or more
- Online sales accounted for more than a third of total retail sales growth in 2015
- E-commerce accounted for more than 10% of all retail sales in 2015 when factoring out items not normally bought online such as vehicles and fuel

Source: U.S. Commerce Department

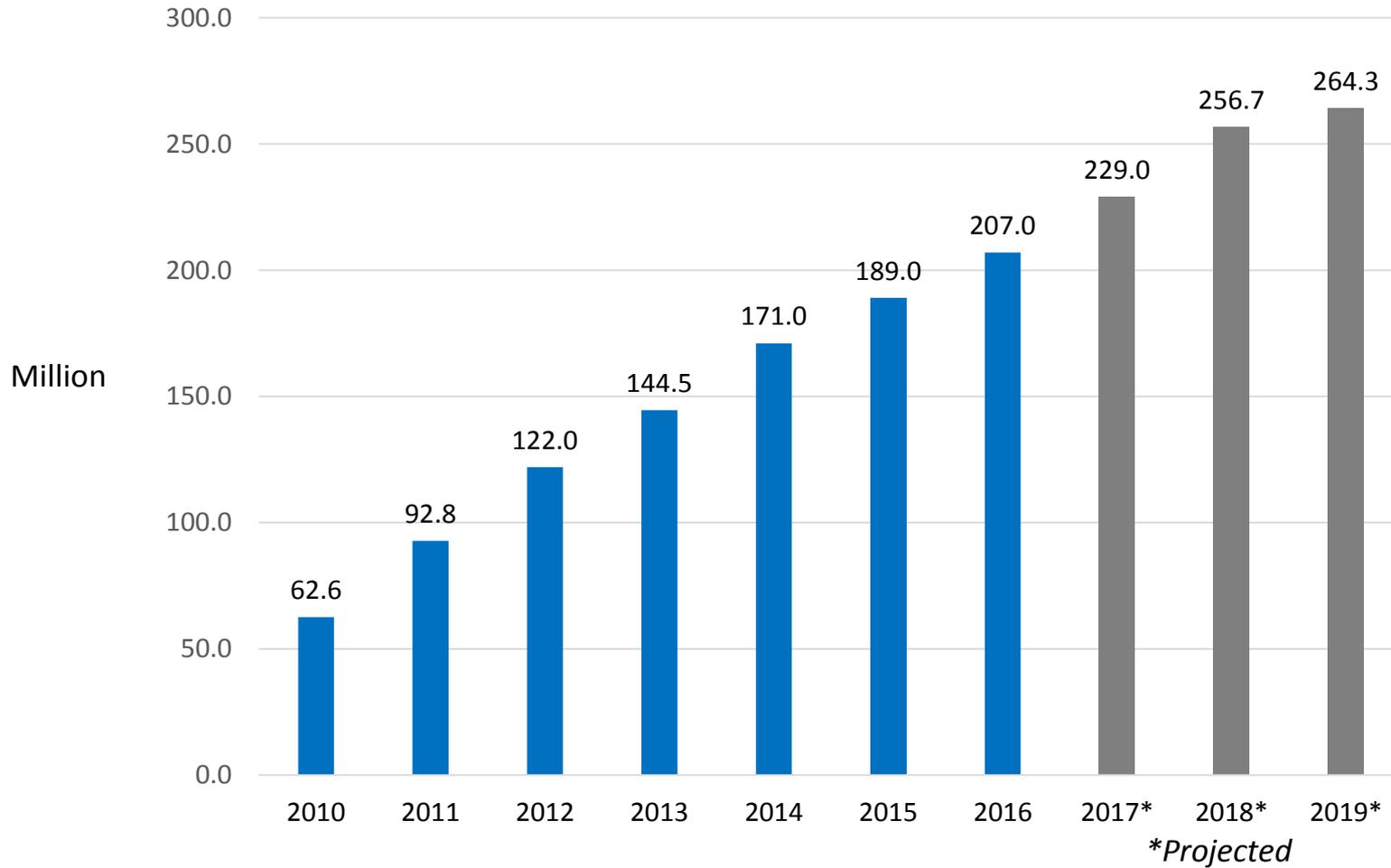
Holiday Shopping

- In the 2015 holiday shopping season, mobile devices (smartphones and tablets) drove 30.4% of online sales
- Retail e-commerce holiday season sales grew 13.4% from 2014 to 2015, while retail sales overall fell flat, growing just 1.7%, the slowest rate since the 2008-09 recession
- The 2015 holiday season “really crystallized the fact that mobile is here” (Elizabeth, Jackson, Chief Marketing Officer, HookLogic)
- Thanksgiving through Sunday, number of people (in millions) who:

	<u>2015</u>	<u>2016</u>
○ Shopped from computers and mobile devices	103	109
○ Shopped at brick-and-mortar stores	102	99
- “Story of the weekend was online increasing over in-store.” (L.A. Times, Pam Goodfellow, Principal Analyst, Prosper Insights and Analytics)

Smartphone Users in the U.S.

231% increase from 2010 to 2016



U.S. Lotteries Today

- Four U.S. lotteries are currently selling online lottery products:
 - Illinois (March 2012)
 - Georgia (November 2012)
 - Michigan (August 2014)
 - Kentucky (April 2016)
- *Delaware Lottery offers online casino-style games*
- *Minnesota Lottery offered online products from September 2013 through August 2015*

Holiday Instant Tickets Sales Update

\$10,000 Holiday Magic

Price Point: \$1

4-Week Sales: \$1,257,566



\$100,000 Holiday Magic

Price Point: \$2

4-Week Sales: \$4,255,234



Frosty Cashword

Price Point: \$2

4-Week Sales: \$3,399,174



\$1,000,000 Holiday Magic

Price Point: \$5

4-Week Sales: \$14,934,350



\$2,500,000 Holiday Magic

Price Point: \$10

4-Week Sales: \$20,608,110



Season Tickets Holiday Discount Period

We are offering a discount on all Season Ticket purchases now through January 7, 2017. Season Tickets are available for Lucky for Life, Mega Millions, Megabucks Doubler and Powerball.

As an extra incentive, every Season Ticket bought or renewed during this discount period and registered by January 21, 2017 will also be entered into a drawing to win \$1,000. Ten \$1,000 prizes will be awarded.

Winners' names will be posted on the Lottery website on January 24, 2017.

BIG SALE **SAVE \$**

YOUR FAVORITE DRAW GAMES DISCOUNTED!

NOVEMBER 20 THROUGH JANUARY 7, 2017

REGULAR PRICE:	DISCOUNTED PRICE:	REGULAR PRICE:	DISCOUNTED PRICE:
\$100	\$90	\$200	\$180
\$50	\$45	\$100	\$90
\$25	\$23	\$50	\$45

WIN \$1,000 IN THE LOTTERY'S HOLIDAY BONUS DRAWING!

Every Season Ticket bought or renewed during this holiday discount sales period and registered by January 21, 2017 will also be entered into a drawing to win \$1,000!* The drawing will take place on January 23, and ten \$1,000 prizes will be awarded. Winners' names will be posted on masslottery.com after 2:00 p.m. on January 24, 2017.

*Actual prize amount will be less applicable taxes and withholdings.

You must be 18 years or older to play the Lottery. If you have a problem with gambling, help is available. Call 1-800-426-1234.

THE LOTTERY **SALE**
masslottery.com

Facebook, Twitter, Instagram, YouTube icons

8 x 11 Poster



Responsible Play

The Lottery is once again joining lotteries across North America in participating in the National Council on Problem Gambling and the International Centre for Youth Gambling Problems and High-Risk Behaviors at McGill University Lottery Holiday Campaign. We will be promoting responsible play in the following ways:

- Producing and posting POS materials at Lottery retailers during the holiday season discouraging underage play
- Providing the Mass. Council on Compulsive Gambling (MCCG) with radio inventory as part of the Lottery's annual holiday advertising campaign
- Including the MCCG's 1-800 hotline number in paid and POS advertising

Responsible Gifting - Holiday Toy Drive

New this year, to promote responsible gifting during the holiday season, the Lottery is conducting toy drives at our Braintree headquarters and regional offices, encouraging our customers to donate toys while reminding them that lottery tickets are not suitable gifts for those under the age of 18.

**LOTTERY TICKETS
AREN'T CHILD'S PLAY.
GIFT RESPONSIBLY.**

TOYS FOR TOTS HOLIDAY TOY DRIVE
NOVEMBER 28-DECEMBER 16, 2016

Drop off new, unwrapped toys at the Lottery's Braintree, New Bedford, Springfield, Woburn or Worcester offices. All toys will be donated to local Toys for Tots campaigns.

Presented by the International Centre for Youth Gambling Problems at McGill University (Canada) and the National Council on Problem Gambling (US).
www.icpgambling.org/holiday • www.youthgambling.com

8.5x11 Poster

Social Media Messaging



mastatelottery

17 likes

2w

mastatelottery Kasey Cote of Plymouth has claimed her prize won in our #SpookyCash promo. Congratulations!

*“Spooky Cash”
promotion winner
(Instagram)*

♡ Add a comment...



Download the "MA Lottery 2nd Chance" app & scan your non-winning #MonopolyJackpot tickets for #SecondChanceDrawings!
masslottery.com/games/instant/ ...

*Awareness of
2nd Chance app
(Twitter)*

*Numbers Game drawings
now on Facebook Live*



Massachusetts State Lottery was live.

Published by Donald Craven [?!] · 16 hrs · *



9,483 people reached

Boost Post

1.9K Views



Social Media Messaging



mastatelottery

30 likes 1w

mastatelottery Congratulations to Joseph McAndrew of Braintree, winner of \$10,000 in an #OnceChallenge at tonight's @nhlbruins game! He won the chance to do this in a #SecondChanceDrawing in the 2014 #BostonBruins Instant Ticket game.

Bruins On-Ice Challenge winner (Instagram)

You Retweeted

Boston Bruins @NHLBruins · Nov 1

The B's & @MAStateLottery will salute members of the US Armed Forces at B's games this season. Nominate a soldier: bbru.in/2ejT5Aa



Bruins "8-Spoked Salute" (Twitter)

Celtics "Heroes Among Us" (Facebook)

Responsible play (Twitter)

You Retweeted

Mass Council CG @MassCouncilCG · Oct 19

Need to talk about your gambling? We are here for you - call 24/7 at 800-426-1234 ow.ly/xUsu3056OFq

Massachusetts State Lottery at TD Garden.

Published by Christian Teja [?] · October 27 at 3:44pm · ✨

October 26, 2016 - Topsfield native Abbey D'Agostino has dedicated her life to cross country running and, after a decorated career at Dartmouth College, set her sights on the Olympics.

This summer in Rio, Abbey was running a 5,000 meter heat when she and another competitor collided, tearing Abbey's ACL as they fell to the ground. Despite her injury, Abbey's first instinct was to help the other runner to her feet so they could continue the race. Determined to finish, Abbey ran more than a mile on her injured leg and the two runners crossed the finish line together.

For her selfless actions and display of sportsmanship, please join the Celtics in honoring tonight's Hero Among Us, Abbey D'Agostino.



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

