



hoosier lottery™

Indiana Lottery Commission  
October 3, 2012

**Section #1**

**Evaluation**



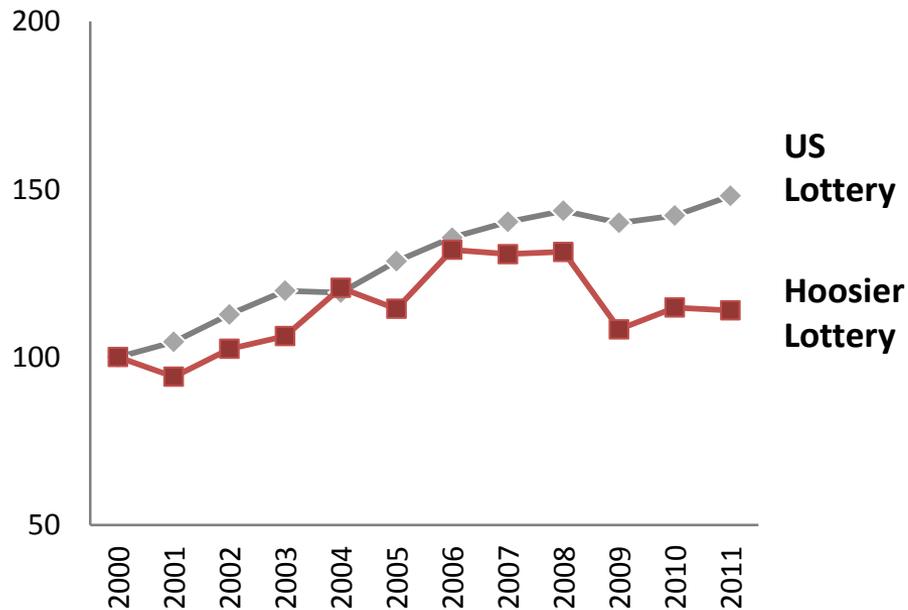
# Complete and Thorough Selection

- Selection Team representing a range of perspectives
- Subject-matter expert support: lottery operations, finance, legal and compliance
- Background investigations by Kroll, a leading global risk management firm
- Clarification meetings to introduce management teams and discuss questions
- Unanimous decision

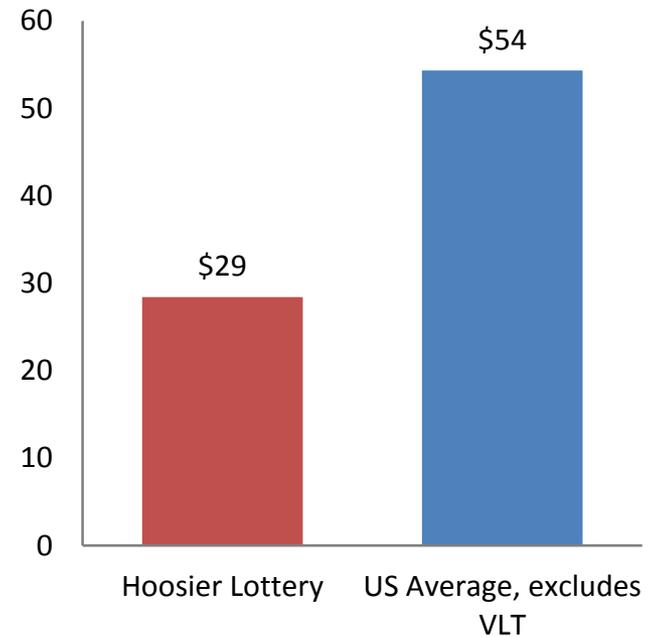


# Hoosier Lottery Lags US Performance

**Net Income: HL vs. US Lottery Industry<sup>1</sup>**  
2000-2011 (Indexed 2000 = 100)



**Net Income Per Capita Comparisons**  
FY11, USD

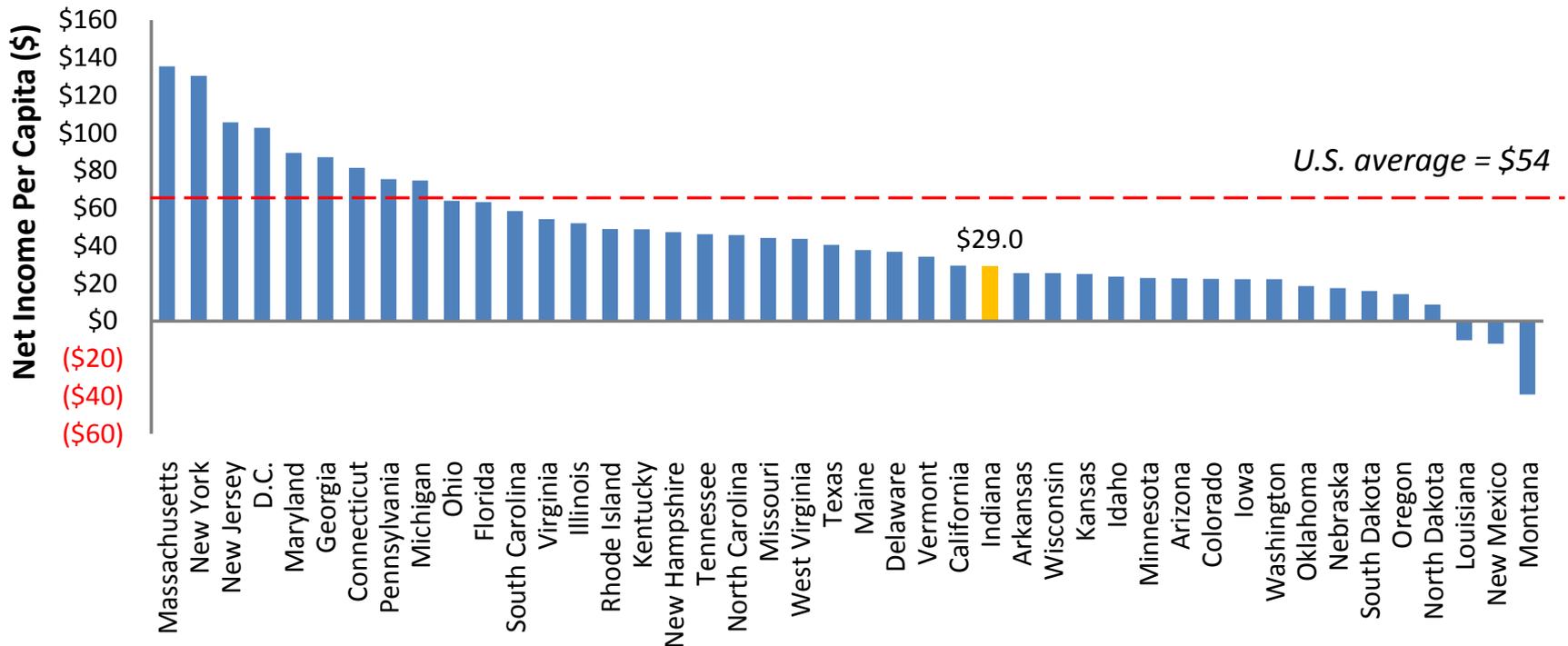


<sup>1</sup> Only lotteries that have been in operations since 1990 were included in the US Lottery calculation



# U.S. Lottery Benchmarks: Per Capita Net Income

## U.S. Lotteries Net Income Per Capita (Excludes VLT<sup>1</sup>) FY11

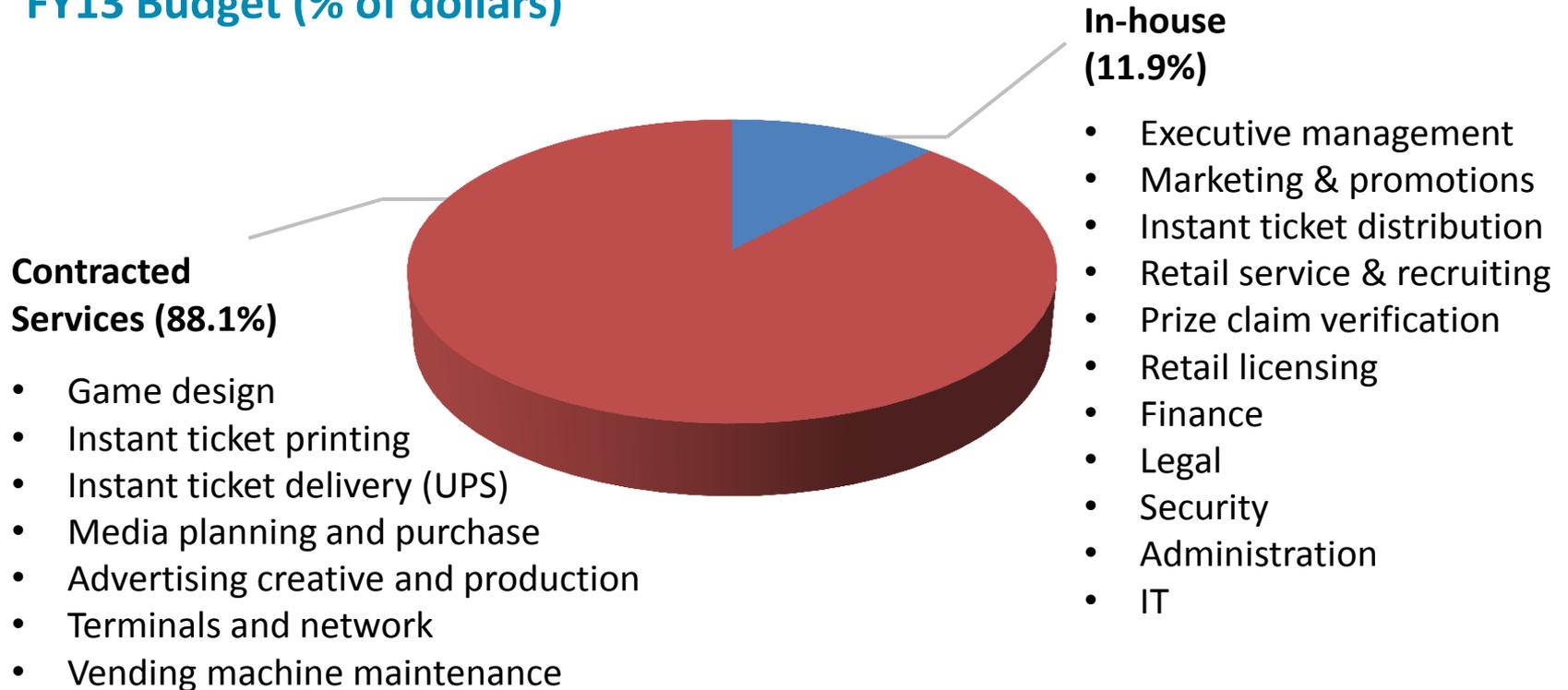


Source: La Fleur's 2011  
 1 Government VLT profit was used as a proxy to exclude profit gained from VLT – some indirect costs were not removed may not have been removed  
 October 3, 2012



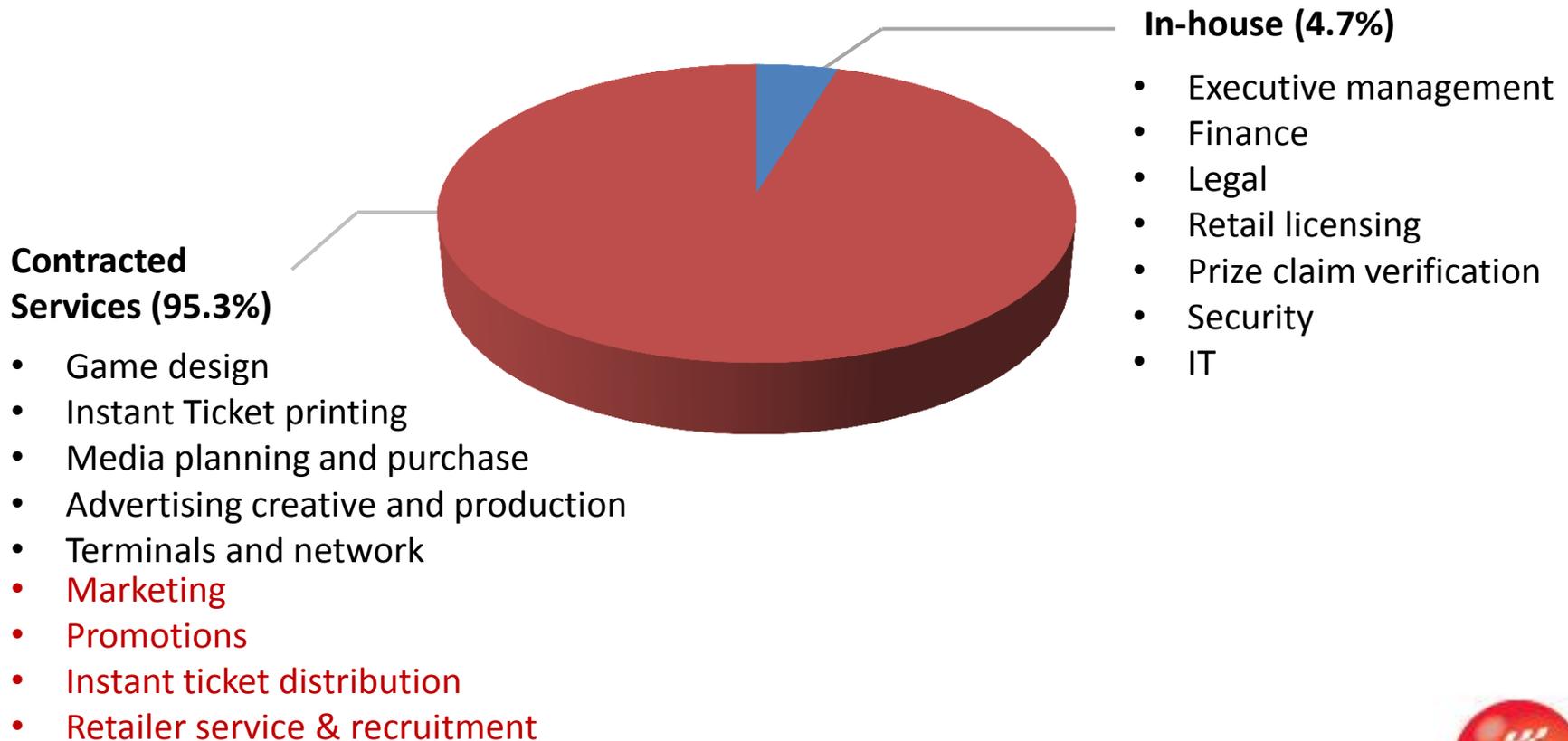
# 88% of Lottery services are contracted now

## In-House vs. Contracted Service Operations FY13 Budget (% of dollars)



# A small step for a monumental return

## In-House vs. Contracted Service Operations



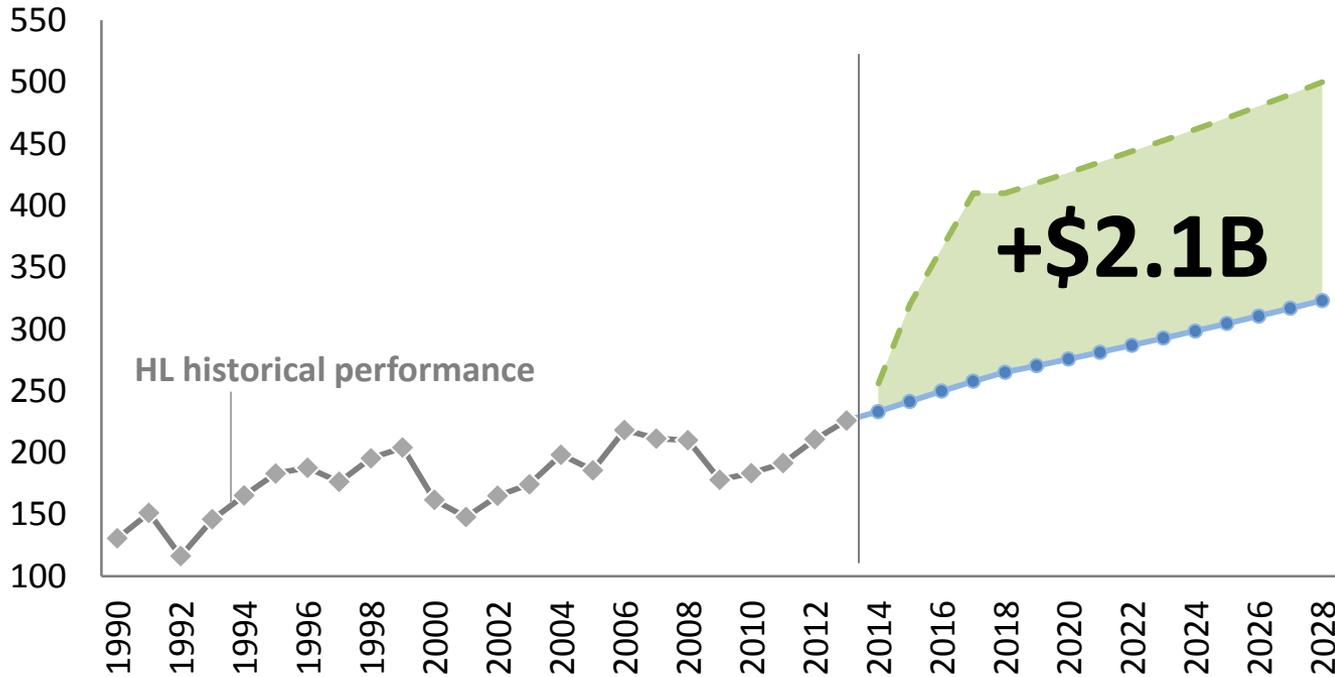
**Section #2**

Recommendation



# Recommendation Part 1: Contract

**Hoosier Lottery Income (\$M)**  
FY12 actuals; FY13-FY28 estimates



**Cumulative  
Income  
FY14-FY28**

**Threshold** \$6.340B

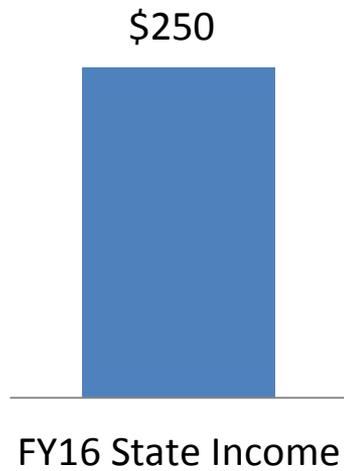
**Lottery projection** \$4.208B

**+\$2.1B**



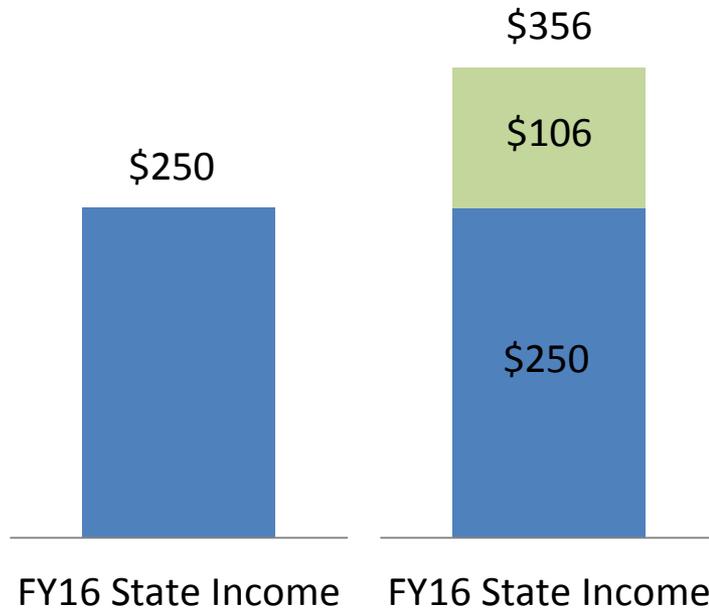
# Base case.

HL projection:



# ...the State wins

HL projection:      Meet threshold:



**+% from  
projection:**

**+43%**

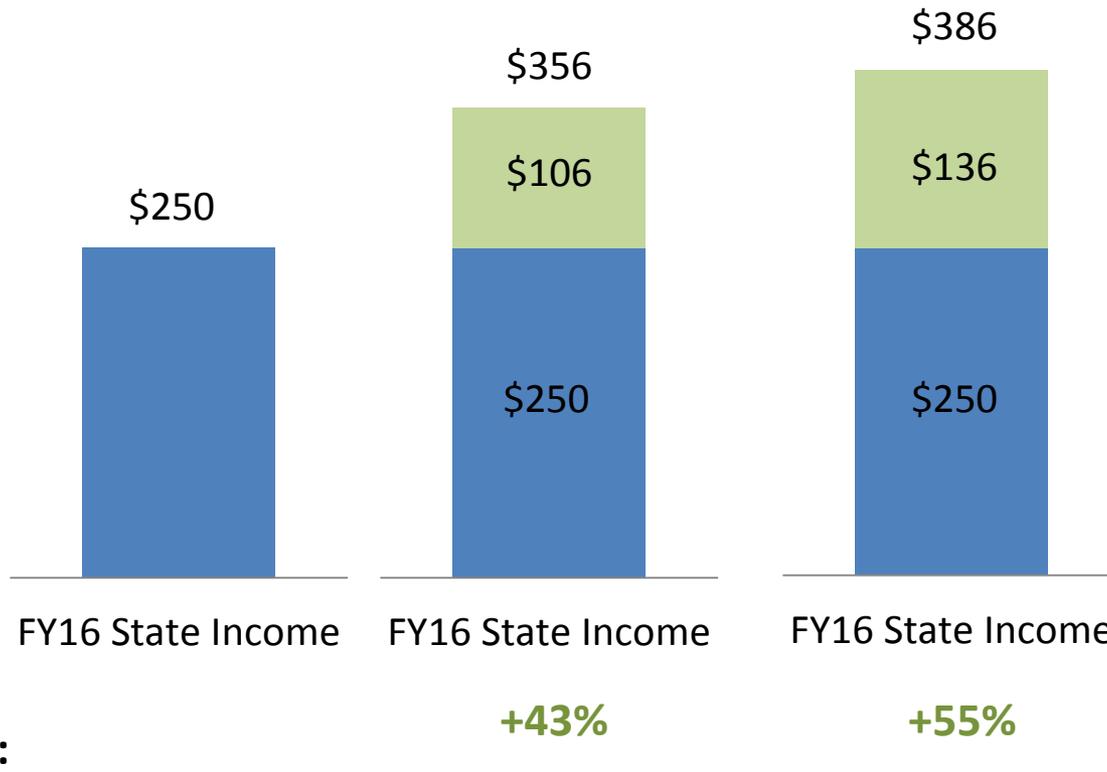


# ...the State wins...the State wins

HL projection:

Meet threshold:

Exceed threshold:

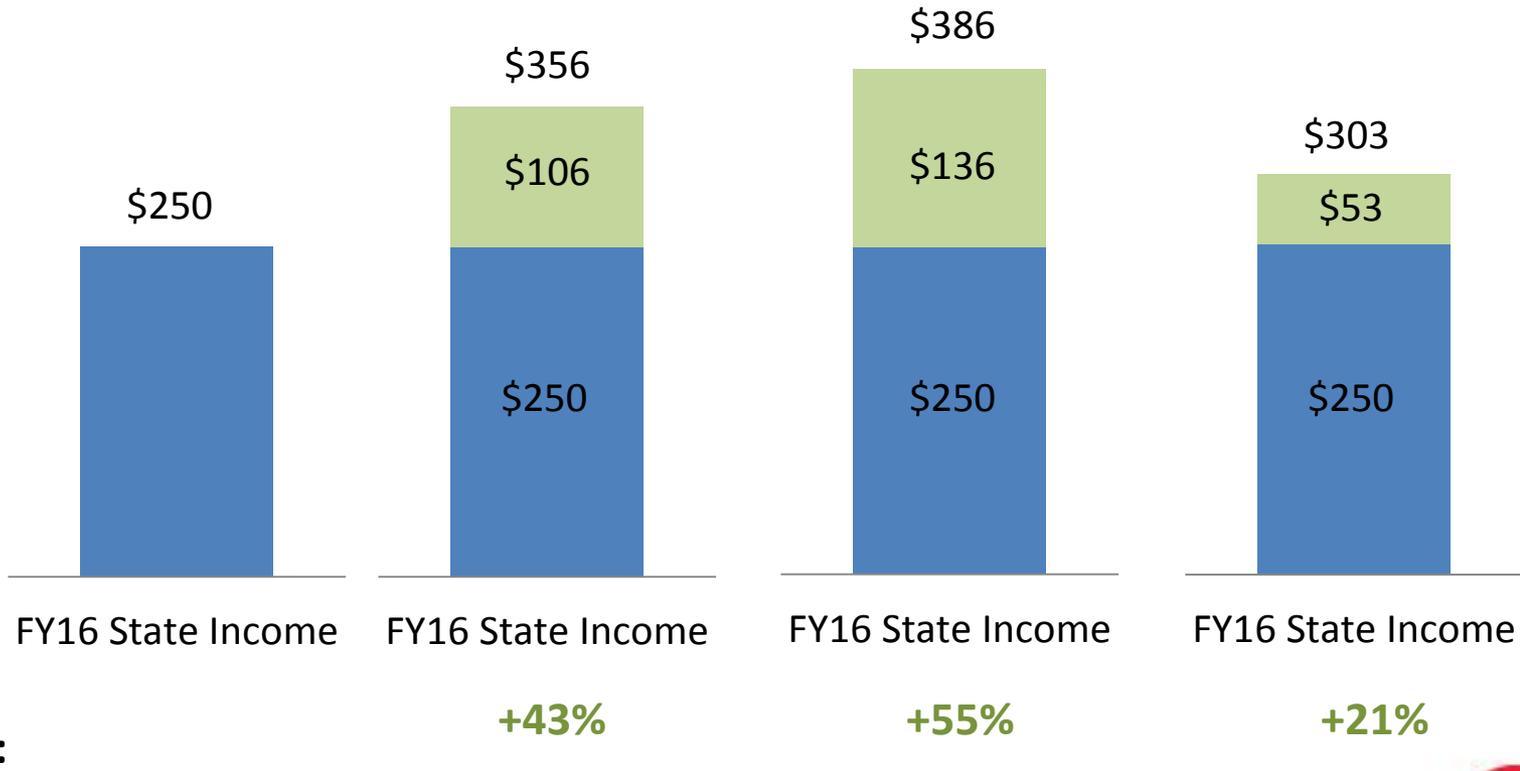


Incremental income



# ...the State wins...the State wins...the State wins

HL projection:      Meet threshold:      Exceed threshold:      Miss threshold:



Incremental income



# Recommendation Part 2: GTECH



- Offered the highest threshold amount
  - \$1.761B over first 5-years of the agreement
- Detailed, credible business plan supported by experience
- Passed initial background investigation
  - A deeper review will be conducted prior to final execution
- Financially sound with appropriate liquidity



# Business plan strategies: Overview

- Expand the Player Base
- Reengineer the Instant Ticket category
- Energize and innovate draw games
- Expand the retailer network
- Maximize advertising investment
- Align sales staff priorities
- Enhance Brand Equity



# Benefits – a win for all stakeholders

## *Taxpayers*

- Every additional dollar contributes to the General Fund

## *Consumer*

- More Fun
- Increased ways to win

## *Retailers*

- Increased sales
- Increased enthusiasm
- More commissions

## *Employees*

- Opportunity to work for world-class lottery manager
- Enhanced career opportunities
- More training and support



**Section #3**

**Next Steps**



# Overview of Transition

*Nov 1, 2012*

## Agreement Signed

*Nov 1, 2012 –  
Jan 31, 2013*

## Transition Phase

- Administrative organization
- No Management Fee

*Feb 1, 2013–  
Jun 30, 2013*

## Ramp Up

- Begin managing marketing and sales
- Prepare to Implement Business Plan
- Management Fee
- Reimbursement of lottery expenses
- No incentive opportunity

*July 1, 2013*

## Base Services

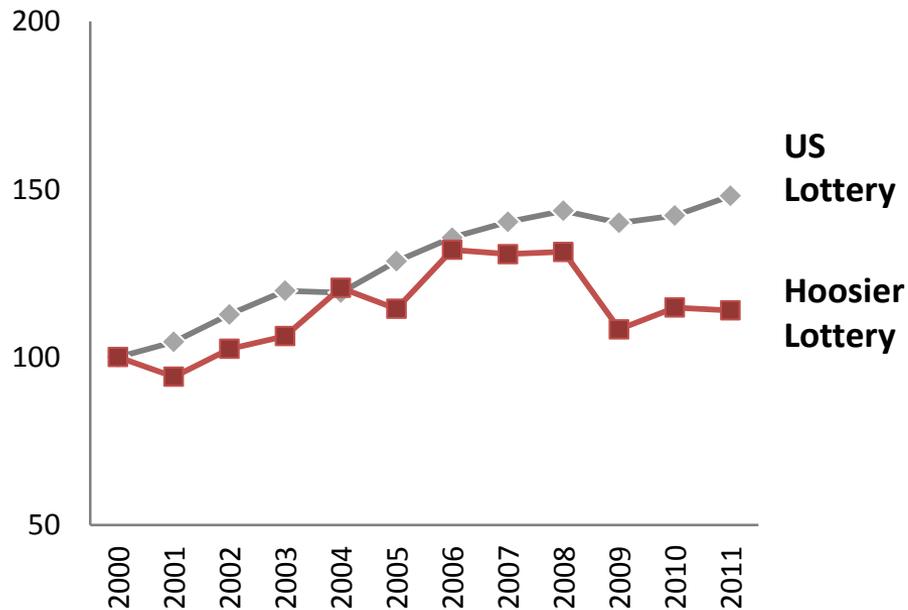
- Execution of business plan
- Management Fee
- Reimbursement of lottery expenses
- Incentive compensation

Note: Timing is subject to change by the Lottery in its discretion.

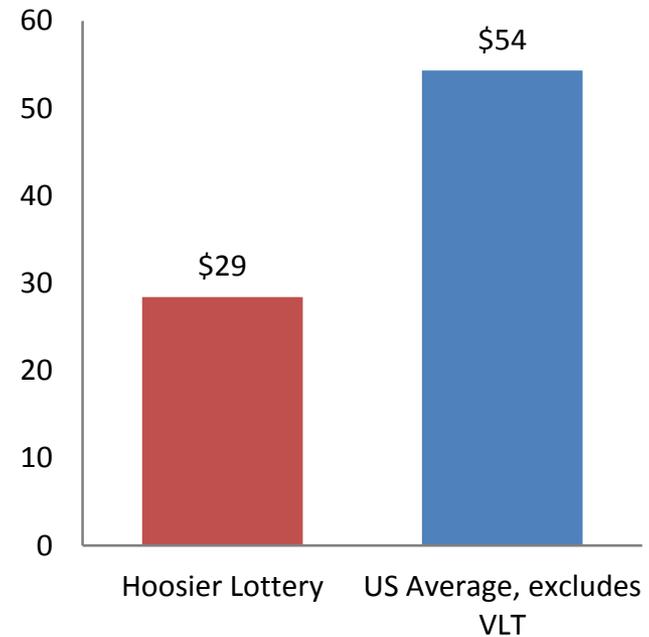


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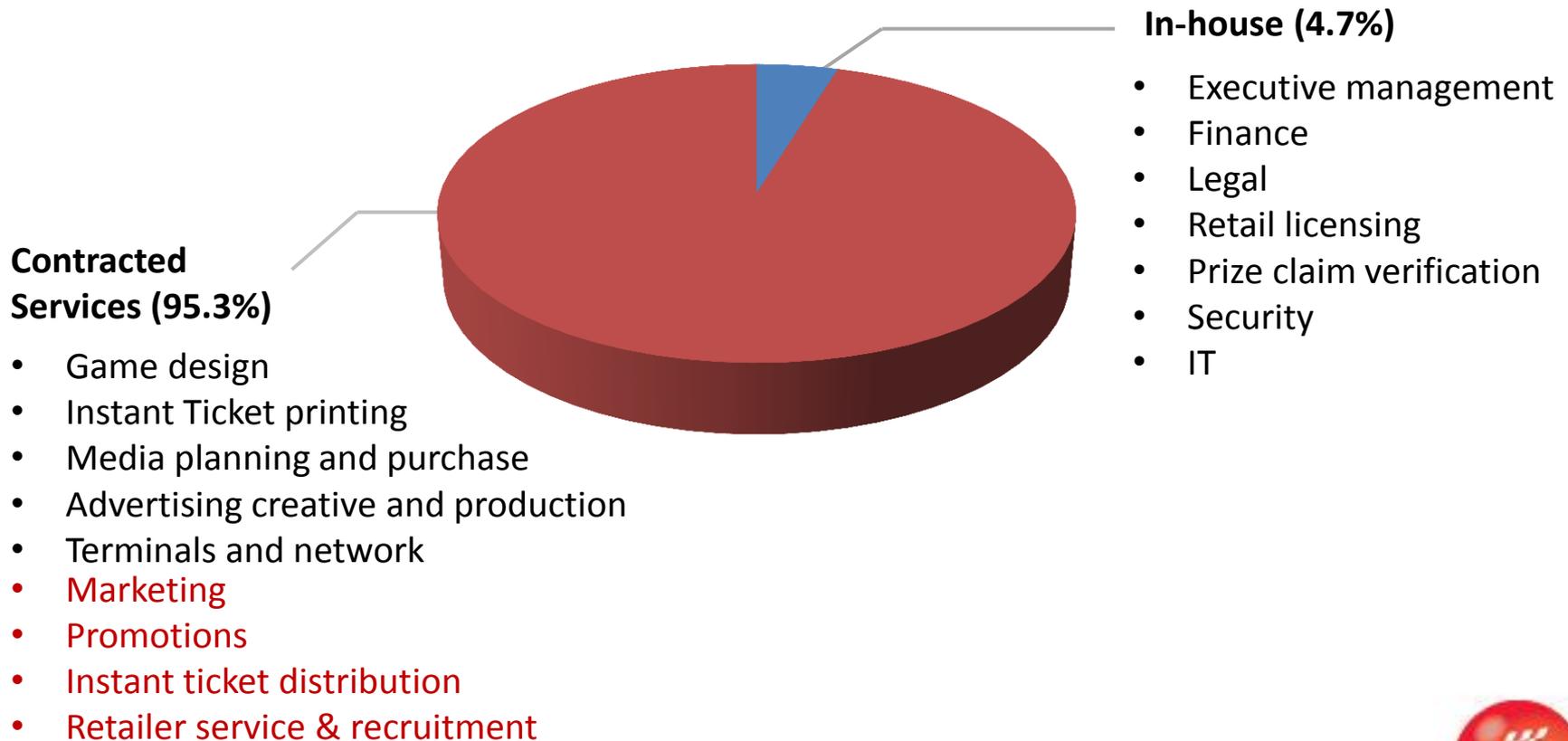


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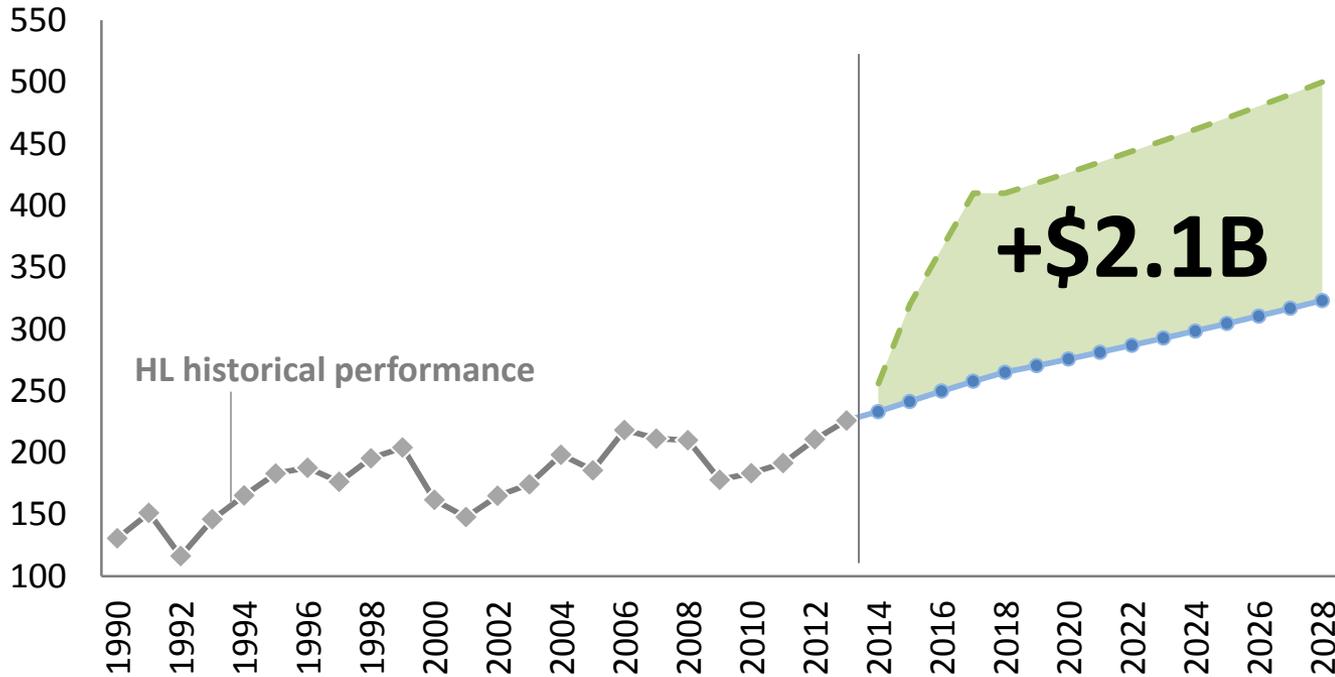
# A small step for a monumental return

## In-House vs. Contracted Service Operations



# Recommendation Part 1: Contract

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Income  
FY14-FY28**

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**Lottery projection** \$4.208B



# Resolution 12-10

- Approve recommended Offeror
- Approve Integrated Services Agreement, subject to Director's final negotiation
- Approve the Initial Business Plan
- Authorize Director to continue RFI process
  - Finalize Integrated Services Agreement
  - Execute Integrated Services Agreement
  - Execute any additional documents necessary to carry out the Resolution





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