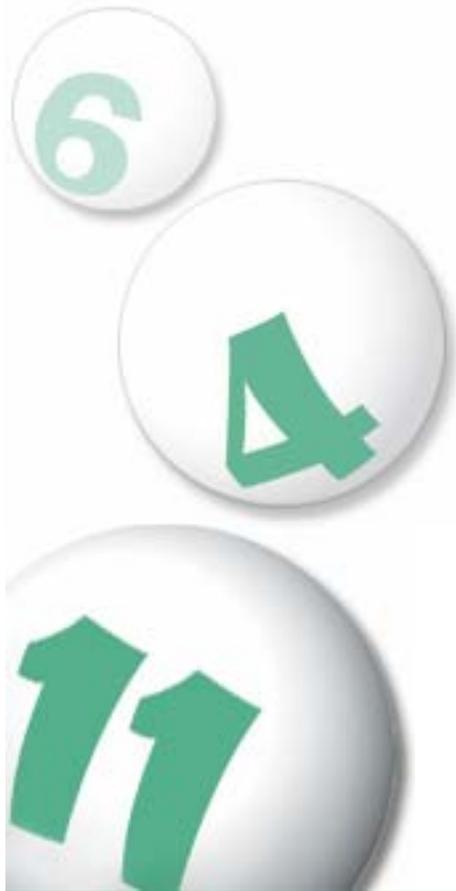


The Virginia Lottery



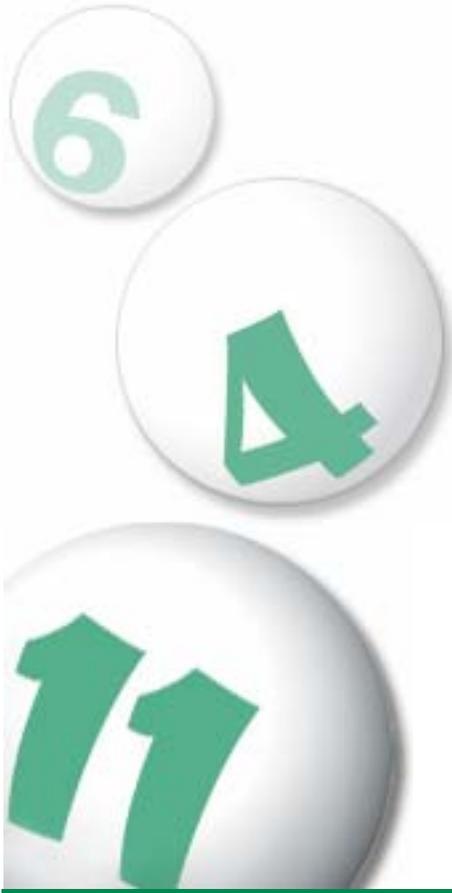
FY2007 Review Lottery Revenues & Profits

**House Appropriations Committee
September 17, 2007**

**Sheila Hill-Christian
Executive Director, Virginia Lottery**

Overview

- **FY2007 Lottery Revenues and Profits versus FY2007 Projections**
- **Review of FY2007 New Initiatives**
- **Update on the North Carolina Education Lottery**
- **FY2008 Initiatives**
- **FY2008 Forecast**

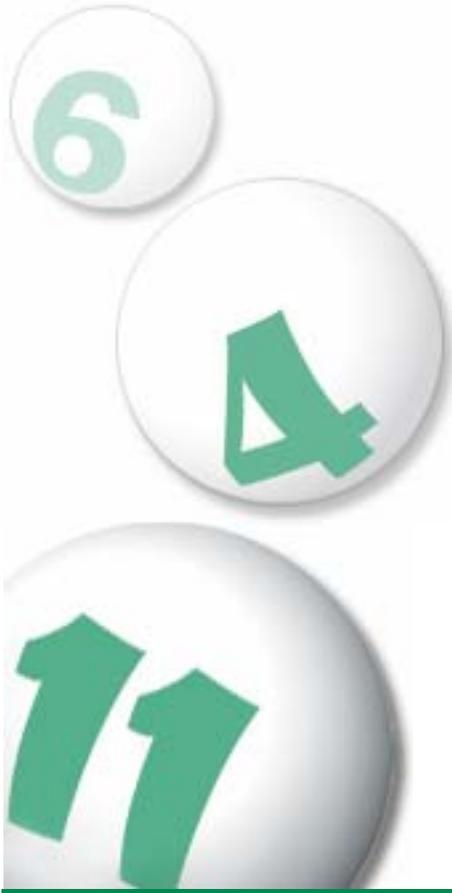


Highlights of FY07 Results

- 
- Total Lottery Sales and Profits significantly exceeded forecast, but did not exceed last year's record results
 - FY07 sales forecast: \$1.304 billion
 - FY07 actual sales: \$1.363 billion
 - \$59 million more than forecast
 - FY07 forecast profit transfers: \$405 million
 - **FY07 profit transfers: \$437 million**
 - **\$32 million more than forecast for FY07**

FY2007 Results

(in \$ millions)



	FY2007 Results	Change from Forecast	
Scratchers	\$698	+ \$6	+1%
Fast Play Bingo	\$13	+ \$13	n/a
Daily Games	\$473	+ \$29	+ 6%
Jackpot Games	\$178	+ \$11	+ 6%
Total Sales	\$1,362	+ \$59	+ 5%
Less: Prizes	(\$792)	+ \$28	+ 4%
Operating Costs	(\$68)	(\$3)	- 4%
Retailer Comp	(\$76)	+ \$2	+ 3%
Other Income	\$11	+ \$1	+ 13%
Net Income	\$437	+ \$32	+ 8%

Results vs. Forecast – Why?

- New game offerings were not included in the revenue forecast for FY07 or FY08
 - Lack of historical data for forecasting
 - Uncertainty about timing of new product offerings
 - Change in Lottery leadership

FY2007 New Initiatives VIRGINIA LOTTERY

Introduce traditional-style lottery products attractive to new players

Instant-win Bingo began February 2007

Fast Play Bingo

FY07 Expected sales: \$11 million

FY07 sales: \$13 million

FY07 Profits: \$3 million

Game sales have significantly declined since introduction, will require frequent “refreshing” to maintain player interest

Due to the success of this game, current studies are underway for a Fast Play line of products



FY2007 New Initiatives



Introduce traditional-style lottery products attractive to new players

Virginia's Millionaire Raffle in 4th quarter FY2007

Millionaire Raffle

FY07 Expected Sales: \$6.6 million

FY07 Sales: \$6.6 million (Sold Out!)

FY07 Profits: \$2 million

Game sold out during timeframe expected; drawing held on June 14th

North Carolina Education Lottery launched similar game



FY2007 New Initiatives VIRGINIA LOTTERY

Adjust products to meet player expectations

Sunday drawings for daily games began January 7, 2007

Annual profit projected: \$14 million

Sunday Drawings

FY07 Expected Sales: \$15 million

FY07 Sales: \$24 million

FY07 Profits: \$12 million



FY2007 New Initiatives

Maximize competitive advantages

“Blockbuster” style scratch game went on sale 1/18/07

Highest prize payout in Virginia Lottery history

\$100 Million Cash Extravaganza

FY07 Expected Profits: \$8 million

FY07 Profits: \$3 million

FY07 Sales top \$36 million

This game did not meet our expectations

\$20 VIRGINIA LOTTERY®

OVER \$100 MILLION IN TOTAL CASH PRIZES!

\$100 MILLION CASH EXTRAVAGANZA

Match any of the WINNING NUMBERS to any of YOUR NUMBERS, win prize shown for that number. Reveal a "\$\$" symbol, win prize shown automatically. Reveal a "10X" symbol, win 10 times the prize shown.

OVER 350,000 PRIZES FROM \$100 TO \$500!

TEN \$1,000,000 TOP PRIZES!

OVER 18,000 PRIZES FROM \$1,000 TO \$25,000!

WINNING NUMBERS

\$\$\$

YOUR NUMBERS

PRIZE	PRIZE	PRIZE	PRIZE	PRIZE
PRIZE	PRIZE	PRIZE	PRIZE	PRIZE
PRIZE	PRIZE	PRIZE	PRIZE	PRIZE
PRIZE	PRIZE	PRIZE	PRIZE	PRIZE

HIGHEST PAYOUT % IN VIRGINIA HISTORY!

\$50 BONUS **\$50 BONUS** **\$50 BONUS** **\$50 BONUS**

BONUS: Find two like symbols in the same \$50 BONUS box, win \$50!

WIN UP TO 24 TIMES! 773-V0-1DO

FY2007 New Initiatives



Increase our public information outreach in order to inform the public that 100% of Virginia Lottery profits are dedicated to supporting public education, grades K-12



VIRGINIA LOTTERY®

Helping Virginia's Public Schools

FY2007 expense rates compared to last year...

(Expenses as Percentage of Sales)

	<u>Actual</u>	<u>Prior Year</u>	<u>Variance</u>
6 Prize Expense	58.1%	56.7%	+1.4%
Scratch	66.6%	65.8%	+0.8%
Daily	49.6%	45.5%	+ 4.1%
Jackpot	48.2%	50.9%	- 2.7%
11 Retailer Compensation	5.6%	5.6%	+ 0.0%
Other Operating Expenses	5.0%	5.1%	- 0.1%

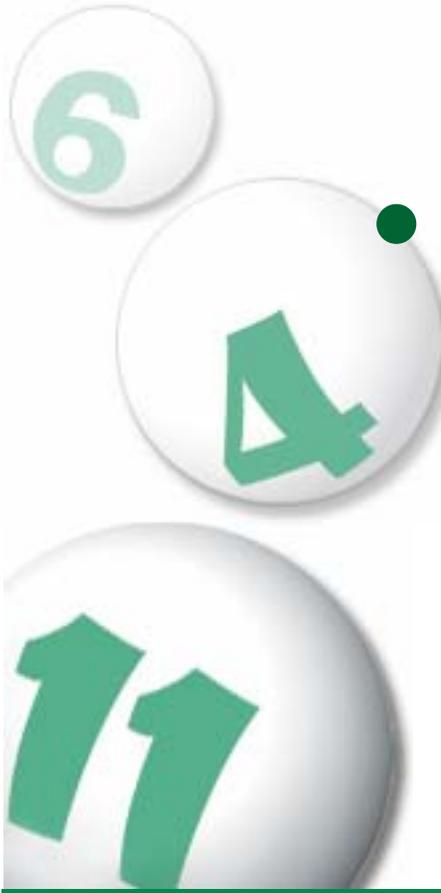
...and compared to budget

(Expenses as Percentage of Sales)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
6 Prize Expense	58.1%	58.5%	-0.4%
Scratch	66.6%	66.5%	+0.1%
Daily	49.6%	49.3%	+0.3%
Jackpot	48.2%	49.9%	- 1.7%
11 Retailer Compensation	5.6%	5.7%	- 0.1%
Other Operating Expenses	5.0%	5.5%	- 0.5%

North Carolina Education Lottery

- Virginia benefits from a competitive advantage in our ability to offer more attractive prizes to players
- North Carolina Lottery has announced plans to increase their prize payouts
 - Some NC players may purchase fewer tickets in Virginia
 - Some Virginians may purchase a larger proportion of their scratch tickets in North Carolina.



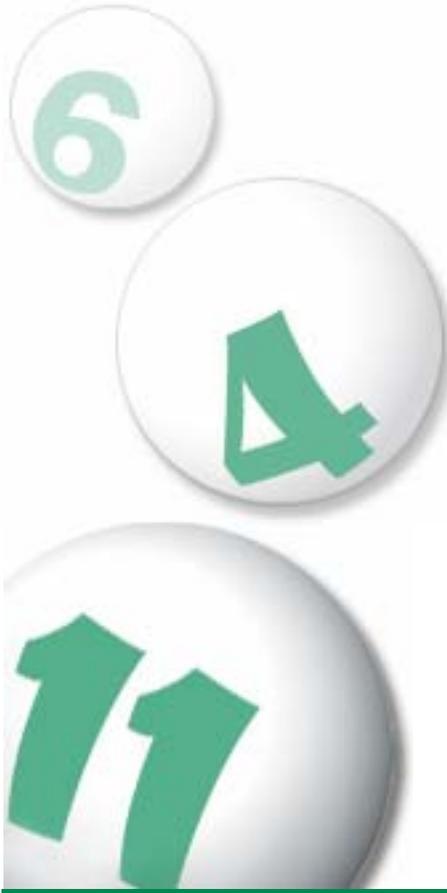
North Carolina Education Lottery

- Virginia addressed a key competitive shortfall by introducing daily game drawings 7-days per week in January
- NC has one additional daily game to introduce (Pick 4), and then daily game offerings will be nearly identical
- Powerball versus Mega Millions is an advantage for both states



FY2008 Initiatives & Future Strategies

- Continually assess jackpot games with consortium members (Mega Millions and Win for Life)
- Market Research
- Assess opportunities to increase revenues through potential gaming expansion
- New opportunities to re-energize interest in games



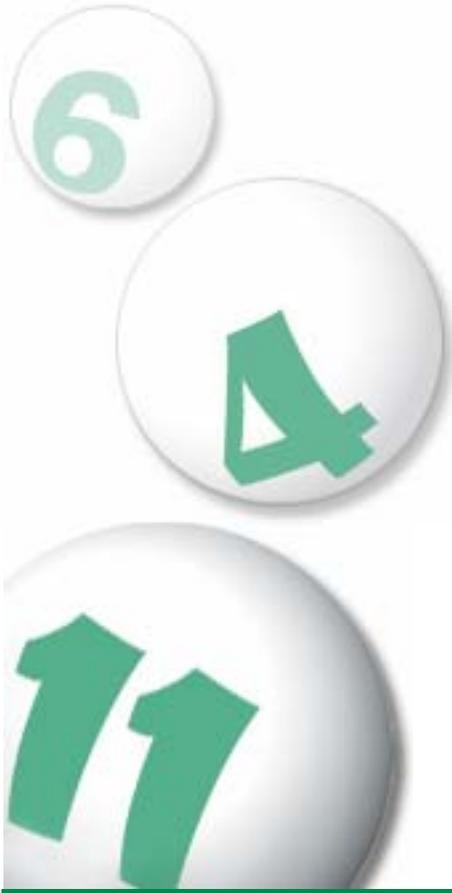
FY2008 New Games

- Raffle x 2
 - #1 – Virginia's New Year's Millionaire Raffle
 - November 4 launch
 - New Year's Eve drawing
 - \$20, 440,000 tickets
 - #2 – Potential New Concepts
 - May launch
 - Drawing before July 1
 - Cars and Cash
- Fast Play - New Games launch
 - February 2008
 - April 2008



New Business Development

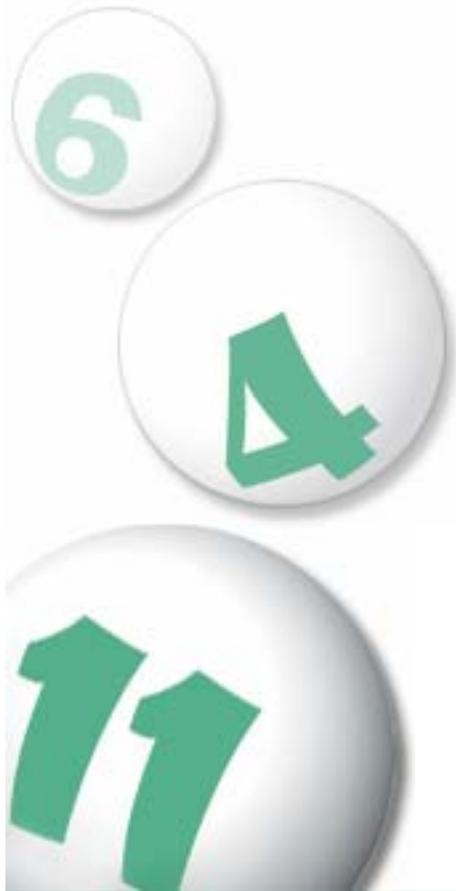
- Retailer Expansion and Efficiencies
 - Increased distribution of self-service selling equipment to improve consumer convenience
 - Replace retailer terminals with new, state of the art “touch screen” equipment, along with new communications network
 - Distribute new point of sale electronic advertising displays
 - Distribute new equipment so that players can check the winning status of their tickets themselves, in retailer locations
- In the works...
 - Offering Lottery products in airports, malls, Dollar General, CVS, Wal Mart, Home Depot, Costco



Future Forecast Issues

- **Jackpot dependency for Mega Millions**
- **Variability of prize expenses**
- **Ongoing risk of border states' game offerings**
 - **Maryland, North Carolina in particular, but also Tennessee, D.C. Lottery, and West Virginia**

Questions?



Sheila Hill-Christian
Executive Director, Virginia Lottery