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Understanding U.S. Scratch Game Growth Opportunities

Amid the adjustments still taking place since U.S. lottery instant game sales hit historic highs during the pandemic, there are success stories and plenty of growth opportunities. Here are observations and advice from some of the top subject matter experts at Scientific Games as lotteries look to maximize returns to good cause programs in 2025.

Cameron Garrett, VP of Analytics and Insights: In Q4, U.S. instant game sales had weeks of real growth. The holiday season was bright, with games performing relatively stronger than the entire year. In 2025, we are continuing to encourage lotteries to think of the portfolio holistically and assess what's working to ensure you meet your players' needs because different player segments have different expectations. Pay attention to what your players value. Invest in knowledge through data analytics. Scientific Games' consumer insights and research help lotteries form a foundational understanding of their players, which helps ensure a well-balanced portfolio. The key is to offer something for everyone and games that can potentially drive playership—particularly if you're in a competitive gaming entertainment environment. This means rethinking every product in the portfolio, from low-price-point games to families of games.

Danielle Hodges, Senior Director, Instant Product Innovation: To support our lottery partners' annual growth, we're continuing to recommend meaningful Strategic Product Enhancements in their portfolios. SPEs helped generate more sales in calendar year 2024 than ever before. Forty-one percent of retail sales were from games featuring at least one SPE. Platinum, the newest reflective paper to enter the instant game market, continued growth in its second year. In 2024, 87 games were produced on Platinum, growing to \$1.7 billion in retail sales. Retail sales of games featuring the Dimension finishing technique with color-refracting holographic patterns grew by 72%. Sparkle, an opulent layer of holographic or metallic used in elements of the game design or the display area, appeared in 32% more games. The growth driven by products with SPEs was possible with Scientific Game's investment in more specialty production technology to meet our partners' demand for these products. In 2025, we're continuing to invest in the development of insight-driven innovations to drive more growth, like the extension of our HD Games line and some exciting new papers specifically curated for premium games.

Angela Goodwin, VP SGEP Operations: In fiscal year 2023-24, our instant game management drove 31% higher sales performance for U.S. participants. Expert management of instant products truly made a difference. We call it the Scientific Games

Enhanced Partnership, and it's customized for your lottery. SGEP includes portfolio management and game design services, data-driven analytics, advanced logistics, licensed brand services, retail sales and marketing support and digital engagement—all working together. And all powered by our patented predictive ordering and advanced logistics technologies. SGEP improved

forecasting and inventory control and optimized sales and profits. It's working. As our technologies continue to advance in 2025, performance will only get better. Right now, five of the top six performing instant game lotteries in the world (based on per capita sales) use SGEP—and they're all U.S. lotteries.

Matt Lynch, President, Digital: As 2024 came to a close, lotteries in the U.S. are still quite underpenetrated from a digital perspective—both from a pure digital play experience and an omnichannel approach. Scientific Games is innovating new digital products that help lotteries develop their digital channel,

whether games are sold online or not. With omnichannel games, the player can buy a scratch game at retail and begin their entertainment experience, then continue online, or vice versa. Our second-chance games are a good example of extending play from retail to digital. One of our newest products, Scratch Connect, adds entertainment value for the player by extending the physical scratch game to also include a digital play component. As other brands have already done successfully, lotteries must find ways to meet consumers where they are and bring the physical and digital experience together in 2025.

Michael Martin, VP Retail Solutions: In 2024, numerous U.S. lotteries launched modernization initiatives to meet the current and future needs of consumers and retailers. It's key for lotteries to future-proof their business with technology that allows their retailers to manage lottery as a category and engage players at various points-of-sale (customer service, self-checkout, clerk lanes and vending). A seamless solution, such as our SCiQ retail ecosystem offering these four pillars is imperative: 1) data for real-time and strategic lottery insights, 2) retail efficiencies for operations and modern space management, 3) player marketing with fresh content utilizing real-time data of the products in the store and 4) product security. Our SCiQ system, including PlayCentral Powered by SCiQ, is driving results in more than a dozen U.S. states—providing strategic insights (such as what lottery players are buying in their market baskets) that help lotteries refine game portfolios. Overall, retail modernization will continue in 2025, accelerating with the speed of technology that combines physical and digital shopping.

