

Product History and Future- Scratch games

Over the past couple of years, Scratch games offered at the higher price points have seen a dramatic increase in sales. So far in FY22, sales for the \$10 games are up 10.2 percent compared to the same time in FY21. The \$20 category is trending 22.7 percent ahead of last year's numbers, and \$50 sales are up nearly 96 percent compared to sales at that price point in FY21.

The same cannot be said for the lower price points. The games priced \$5 and less are trending below FY21 figures. Currently, the \$5 category is down 8.9 percent, the \$3 games are off 27.9 percent, \$2 games are down 6 percent and \$1 games are trending 39 percent down from FY21. This trend is not Colorado specific, as most lotteries in the industry are seeing the same results for higher vs. lower price points. In Colorado, one of the driving factors in the sales discrepancy is due to the fact that the number of facings at retail have increased for the higher price point games (due to their popularity) and have dropped for the lower price points (to make room for the higher price-point facings). The number of facings for each price point is as follows (24 game dispenser) -- \$1 --2, \$2 -- 3, \$3 -- 3, \$5 -- 5, \$10 -- 5, \$20 -- 4 and \$50 -- 2.

In an effort to increase Scratch sales in FY22 and beyond, the Colorado Lottery will enter into an extended partnership agreement with our primary Scratch vendor Scientific Games. This agreement will offer the Colorado Lottery unique programs that include a new pricing model for printed services (moving from price per thousand to a percentage of sales), the introduction of a new full-line player loyalty program, several license property games at no cost, an additional 300 vending machines/300 SCIQ units, and semi-annual sales rep and retailer training.

Jackpot Impacts

There are several external factors that can impact Jackpot Game sales. The biggest impact is the weather, of course and in Colorado snow is the number one suspect. Additionally, severe types of weather can not only impact the players from getting out to purchase tickets, it can also impact our Communications network that allows the terminals to provide the players their Jackpot Games purchases.