

Testimony for the Hearing regarding Senate Bill No. 1031 - October 24th, 2019

To the Senate Committee on Finance of the State of Rhode Island General Assembly:

My name is Wayne Pickup and I am the Chief Executive of Camelot Lottery Solutions. I appreciate the opportunity to deliver this written testimony today as the committee reviews the future of the lottery in Rhode Island and considers options to protect and grow this important revenue stream for the State.

Camelot Lottery Solutions: A Proven Lottery Company

Camelot Lottery Solutions and its affiliates have the benefit of over 20 years' experience in the lottery industry, in lottery operation and management and provision of products and services. Our corporate headquarters are based in Chicago and we have technology centers of expertise and business offices in Chicago, London, Dublin, and Athens.

Camelot Lottery Solutions develops and delivers native and web-based apps, integration with third-party retail (point-of-sale and self-service), player account management, digital games, digital and draw-based games experiences, player services such as subscriptions and advanced responsible play controls, big data platform and analytics, and marketing platform which integrates with market-leading campaign management tools.

Our customers include the Illinois Lottery, the Arkansas Scholarship Lottery, the Irish and UK National Lotteries, and Loterie Romande (Switzerland), where Camelot Lottery Solutions provides technology, digital and data platforms, digital services, strategic advisory services, and has helped deliver outstanding results, including:

- Completing the largest retail and technology transition in US lottery history for the Illinois Lottery, rolling out 50,000 pieces of equipment across over 7,200 retailers and converting the lottery gaming system, while maintaining integrity, quality and reliability standards.
- Investing \$86 million into major improvements to the Illinois Lottery's retail operations including new technology, retail terminals, self-service vending machines, signage and ticket dispensers in more than 7,200 retail locations.
- Generating a record level of \$731 million in funding for Illinois' Common School Fund in first full year of operations in Illinois.
- Helping grow net income by over 35% since 2014 and delivering record scholarships in FY19 of \$98.4 million in partnership with the Arkansas Scholarship Lottery.
- Tripling digital sales, while retail sales also grew by 16%, since 2015 in partnership with the Irish National Lottery.

With lottery customers across North America and Europe, we have integrated technology, software, data management, lottery operations, and digital content with multiple lottery providers in the industry including IGT, Intralot, Pollard Banknote and Scientific Games.

We bring together best of breed companies, technologies and services to advance the interests of the Lottery, its players and the State. This includes partnering for traditional lottery terminal and central system host technology. For example, partnering with IGT in the UK and partnering with Intralot in Illinois and Ireland.

Illinois Lottery: A Commitment to Investment and Growth in Returns

As more background on our lottery operating and technology contract in Illinois, Camelot Lottery Solutions won the contract to be the private manager of the Illinois Lottery in 2017. That successful bid was founded on common goals with the State of Illinois and the Lottery to responsibly grow its player base, introduce new technology and innovation, eliminate conflicts of interest, and ensure responsiveness to public needs and concerns.

The technology transition of the Illinois Lottery from the previous operator was completed within 12 months.

The focus in Illinois is to provide the State with best of breed services across all areas of the business, and Camelot Lottery Solutions manages over 100 subcontracts for the operation of the Lottery, with over 25 separate technology contracts. The largest technology contract in Illinois is the subcontract with Intralot. This includes the supply of retail point-of-sale terminals and the provision of a lottery central operating system.

Camelot Lottery Solutions' technology teams have delivered into the Illinois Lottery:

- Business transition from the previous operator's central gaming and iLottery systems
- Big data platform and analytics (BI and CRM)
- Software development (including business requirements, software and infrastructure architecture, systems testing and integration, customer and operational acceptance testing, release management, and data migration)
- UX/UI design
- Technical architecture, platform engineering, hosting services, and IT service delivery, and network monitoring and support
- Security and integrity monitoring.

Of particular importance in Illinois is the performance-based compensation model, which aligns compensation with net returns versus topline lottery sales. Our contract in Illinois also has tiered performance incentives, which pays bonuses to the company as we grow returns for the State of Illinois over the term of the contract. A focus on growing returns and optimizing performance of the Lottery aligns with the State's mission for successful lottery operations. This model is very similar to lottery operating contracts in New Jersey and Indiana, both IGT jurisdictions, and a model we recommend the Lottery in Rhode Island consider for its next contract.

As a key technology partner in Illinois, Camelot also has an agreement with Intralot to provide the central gaming system and the retail equipment to Rhode Island, should an open bid process go ahead. Intralot USA has 13 contracts in the US and in the past 10 years has

been selected over the incumbent technology of IGT in four jurisdictions (IL, LA, NM, and OH) and has converted systems technology, retail networks, and 19,000 retail locations.

The Changing Customer and Retail Experience

The global lottery services industry continues to move forward at pace, with even more transformation across technologies at retail and digital expected over the years ahead. As lotteries seek to engage with a new generation of customers they need systems that are flexible, channel agnostic, and use data to drive business decisions.

A key characteristic of retail in the next decade will be change. The retail environment and customer experience will continue to evolve rapidly. Last year, Amazon Go introduced customers to “just walk out” technology, a unique mix of traditional shopping and mobile technology. It is now called the future of shopping and is expected to be a game changer for the retail industry.

Traditional “bricks and mortar” stores are quickly changing and adapting to changes in people’s shopping habits and the growth of digital shopping channels. The lines between digital and retail are blurring as player accounts and mobile phones change the shopping experience.

Lottery will need to remain flexible, adapt and have the ability to integrate seamlessly into a changing retail model.

In today’s digital-first society, data is everywhere. It’s now possible to capture an incredible wealth of data on the actions, interests and preferences of lottery players. Context-rich data allows lotteries to make informed, intelligent, data-driven decisions, across all channels to become more relevant to their players, provide increasingly personalized products and services, and build loyalty and motivation to play.

Traditional lottery terminal deployments will become less effective as a strategy to grow returns as consumer shopping and checkout trends evolve.

While legacy providers seek to lock lotteries into long-term contracts with upfront technology choices that are costly and complex to change over time, Camelot Lottery Solution’s systems are customer-centric, data-driven and based on open standards.

This allows a modern lottery to communicate with its players based on their preferences, ensuring the delivery of relevant and engaging content and messaging, and mitigates the risk of being locked into static technology that is unable to keep pace with changing customer preferences.

Camelot Lottery Solutions views the lottery contract in Rhode Island beyond a like-for-like technology upgrade. Growing the lottery responsibly and increasing returns to the State of Rhode Island requires a transformation of the gaming experience to deliver increased financial performance and profitability for the General Fund. The lottery customer should be

at the core of business decision-making, guided by a data-led ecosystem that aligns the retail and digital experience.

Commitment to Success for Rhode Island: Camelot Lottery Solutions and Twin River Worldwide Holdings, Inc.

Camelot Lottery Solutions is excited to enter into a partnership with Twin River to offer a significantly better deal to the State of Rhode Island. This partnership is binding through 2022, with the intention to jointly bid in any RFP in Rhode Island that combines lottery systems and VLTs. Together, we are committed to investing the necessary capital and creating 1,100 jobs in Rhode Island. The addition of Scientific Games to the Twin River consortium further strengthens the position that an open bid process will drive a better deal for Rhode Island.

It is not our intention to disrupt a political process and we will respect the decision that is deemed in the best interest of the State. Camelot Lottery Solutions presents itself as a qualified and experienced lottery company with the benefit of over two decades experience delivering lottery contracts and driving sustainable growth in returns. We believe an open bid process complies with purchasing laws, encourages healthy competition for the lottery and ensures the best outcomes for all stakeholders - in particular players, retailers and the residents of the State.

With more than four years remaining on Rhode Island Lottery's current technology contract, it provides ample time to execute a robust process to ensure the Lottery's and State's requirements are being met and the future of the Lottery is protected.

We look forward to submitting our proposal should the government decide to tender the lottery contract in an open, competitive bidding process.

Sincerely,



Wayne Pickup

Chief Executive
Camelot Lottery Solutions