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On Creating a New Generation of iLottery Players

PGRI Introduction: Industry trailblazer and iLottery expert NeoGames is constantly expanding its offering—and the frontiers of innovation.

Its iLottery 360°™ solution, which includes the NeoSphere comprehensive player-centric iLottery platform, supports 360° player and game management across all channels. The company infuses interactive lottery games with cutting-edge player experiences; its extensive and constantly expanding portfolio includes more than 250 compelling and entertaining offerings—from iScratch and eInstant games through Keno and Bingo to its latest innovative Draw Games. These are complemented by a robust iGaming offering—a broad selection of sports betting, slots and other and casino-style games that are requested by lotteries in various regions. Robust integration with leading third-party partners ensures a diverse and high-caliber gaming experience delivering entertainment for every taste.

The iLottery suite is powered by more than a decade of experience in iLottery operations and game development. NeoGames is renowned for navigating customers across three continents to unprecedented interactive lottery success. It is constantly increasing its portfolio of customers, expanding its footprint in the global market for interactive lottery products, as reflected by its newly acquired APLA membership.

We met with NeoGames CEO Ilan Rosen at the ICE Totally Gaming event in London to discuss the success NeoGames is having in Europe and its successful partnership with Pollard Banknote, expanding service to operators in the United States via NeoPollard Interactive, a US-focused joint venture.

Paul Jason, PGRI: *Congratulations for the contract awards of Sazka in the Czech Republic and Lietloto, the operator of the Lithuanian national lottery.*

Ilan Rosen: Thank you. These are exciting new deals for us, each with a different nature and focus.

We're thrilled and honored that Sazka selected us. A venerable local powerhouse and one of the most respected local brands in the Czech market, with new

private ownership and a vibrant management team, Sazka was the fastest-growing lottery in Europe in 2015. Following a long and stringent selection process, they chose us—not only because of our superior technology and popular innovative games, but also because of our 11+ years of experience in running successful iLottery and iGaming operations.

The complete iLottery and iGaming solution that we are deploying in Sazka

includes NeoSphere, our player-centric management platform, with verticals of interactive sports and lottery games. We will add additional verticals as soon as regulations permit. A significant amount of the content will come from our own portfolio, such as our e-Instants and Keno games, and our openness makes it easy to offer additional content from third-party providers.

Our experts will support Sazka with

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consulting services—CRM, game optimization and more—to help Sazka achieve its iLottery and iGaming objectives. The Sazka team is wonderful to work with and I am confident that its online initiatives will yield unprecedented success.

Likewise with Lietoto, which has been very successful driving growth through the online channel in recent years in the Lithuanian market. They turned to us to significantly enhance their offering with a variety of services and games and help them maximize their business potential.

And you have been achieving success with your U.S. customers as well.

I. Rosen: There is a clear trend toward online lottery in the US, and NeoPollard Interactive, our joint venture with our great partner Pollard Banknote, has a lot to contribute to the state lotteries with our proven iLottery 360™ offering.

We are committed to helping our customers reach new levels of success by developing their online lottery services markets. We have had outstanding results supporting the iLottery initiative in Michigan, we have been selected to provide

e-Subscription services for Virginia Lottery, and we look forward to additional North American collaborations soon.

In my view, more and more US lotteries are finally starting to realize that iLottery is one of their most attractive growth engines, and many of them are taking steps to navigate their unique in-state environments to accommodate the launch of iLottery in the near future.

You mentioned that you have “US operations.” What do you mean?

I. Rosen: Some vendors in the lottery

industry are the masters of offline, and have a complete solution for retail-based lottery. We are masters of interactive lottery.

Interactive lottery is not only about technology, it is also about the ongoing management of players and providing the playing experience they expect through a seamless supporting service.

Our NeoPollard operations team assists the lottery with high-quality 24/7 player support. We handle payments, compliance issues and assist the lottery team to constantly analyze every aspect of the performance of their players, games and platforms. Moreover, our experts work closely to consult with the lottery on retention marketing and digital acquisition optimization.

Our operational experience and expertise is one of the main drivers of the industry-leading achievements of the Michigan State Lottery, which has become a benchmark for success in the US market.

What exactly is meant by “platform?”

I. Rosen: In the interactive lottery environment, similar to e-commerce, but even more so to e-entertainment, focus on the player is crucial for success. NeoSphere includes a wealth of high-performance modules: Player Account Management (PAM), e-Wallet, CRM, Marketing, Analytics, Payments, Compliance, Responsible Gaming and more.

All modules are integrated with internal workflows to support streamlined cross-department processes that provide an unparalleled customer experience and maximize the business potential.

And you make it easy and affordable for your lottery customers to integrate third-party content?

I. Rosen: Absolutely. NeoSphere is an open platform that can connect to any third-party content provider, and we have been doing so in Europe for years. We have already integrated with a large number of game providers and currently are in the process of activating this functionality enabling third-party content in the US as well.

Our philosophy has always been that collaborating with others to the benefit of our customers is the right approach.

How do you ensure that online initiatives are integrated with and support the land-based retail channel?

I. Rosen: Preserving growth in the land-based retail channel is most important to all lottery operators, and in 2015 our customers continued to report retail channel growth alongside high growth in the online channels.

Findings show that retail sales are growing for almost every lottery that has launched online sales around the world. For example, there is significant ongoing retail growth for JSC Portugal, Sazka in the Czech Republic, as well as in the US market, where Michigan reported growth of retail in tandem with their fantastic iLottery launch.

We have devoted much thought and resources into the omni-channel approach, connecting the online lottery with retail channels both technically and conceptually. In a number of markets in the US and Europe, we have combined solutions with the lottery's PoS, in order to enable the player to utilize the PoS for payments, cash-outs, and registration, as well as to power joint online/offline activities for player-club members.

There is a science to integrating the different distribution channels, making it easy, providing incentives for players to engage on all channels, and giving them more chances to win.

I'm thinking that many shoppers go into a store, buy what they need, and leave without ever even noticing the POS visuals that promote products like Lottery. If these consumers, especially the younger adults, could be engaged to play online, that would make it more likely that they would notice the POS visuals at the retail store and perhaps buy at the store as well. The new online player goes into the store and notices Lottery for the first time. "Wow, when did you start selling Lottery?" and the retailer responds "Thanks for noticing. We just started selling Lottery around 25 years ago."

I. Rosen: Totally! Channels of distribution also function as media that engage the audience.

PoS and online channels enable transactions, but they are also an important consumer touch point and media platform to promote the product and brand to the consumer. The online face to the consumer not only brings in new consumer groups for the lottery—those new players end up buying at retail, too. We saw that when introducing the Online Game Card program in Michigan. It created a positive movement of players in both directions. Online players went to retail for that unique payment option and vice versa. The same happened for Sazka, which has a player card and other programs that promote the omni-channel approach. The online connection actually broadens the base of retail consumers.

Moreover, our experience—backed by numerous studies, both in the lottery domain and in other e-Commerce verticals—proves that player/consumer value is higher with an omni-channel strategy than with any single channel, so it's a classic situation in which everyone wins.

Are online players different from retail consumers? If so, how?

I. Rosen: The average age of iLottery players is 10 to 15 years younger than the average age of retail players. Many of these online players traditionally did not buy lottery products offline, and even have a "blind spot" when it comes to the lottery brand in retail environments. That said, we do of course see an active base of loyal retail players who become active iLottery players while continuing their retail activities.

The incentive for online players to play, especially with high entertainment games such as e-Instants or e-Keno, is totally different from the motivation of offline players to purchase a lottery product. This is why the marketing efforts and the ways we approach online players are different, yet support each other. Importantly, once going online to play, players become more aware of lottery brand products at PoS.

Data analytics is the core of our success; it is embedded in everything we do.

Building that online connection with the consumer changes the whole nature of the relationship to being interactive instead of anonymous. Players must register to play online and that becomes the basis for a data-analytics approach for games and marketing strategies that appeal to the consumer. Changing the consumer connection from anonymous at retail to interactive online would seem to be the first step. NeoGames has been a pioneer in that field, starting many years ago with developing the products for the online consumer. You developed the skill sets, technology and the processes for really sophisticated data-analytics.

I. Rosen: Data analytics is the core of

our success, and it is embedded in everything we do.

First, it informs our product development process, so that we create products and content that are more appealing to the players. Second, it informs our approach to marketing and evolving the product mix: how to position products in the portfolio, how to promote the products and communicate with players, how to connect the right products with the right promotions at the right time, etc.

The information and knowledge base that we have acquired over many years drives our clients' success. What's exciting is that the potential to build on this knowledge base and improve the connection between player, product, place, price, and promotion is almost unlimited. It is about moving from segmentation to personalization—or as many call it, the segment of one. The online interactive connection makes possible things that are not possible in the retail environment.

Understanding player behavior benefits everyone, including players and the lottery. It also informs our approach towards responsible gaming, enabling significant expansion of the player base, while ensuring that the larger numbers of people play within their limits.

You have added interactive draw games to the portfolio of products available to your customers, and recently launched in Michigan.

I. Rosen: Adding interactive draw games was a milestone for us.

We pioneered the growth of the e-Instant category in the online space over a decade ago. The next phase was broadening the games offering, providing platforms and services, the iLottery 360™ solution. Now we are adding another core product of lotteries: draw games.

Most recently, we introduced our central draw games system with four online draw games in Michigan, including two multi-state games, Powerball and Mega Millions, whose jackpots frequently reach

into the tens of millions of dollars. NeoPollard has also been selected to provide the new enhanced eSub solution to the Virginia Lottery, which is naturally, in its core, built upon this system.

The addition of the online draw games central system to our portfolio transforms NeoGames into an iLottery solutions provider with a full solution: platform, games and services to answer all of the lottery's needs into the future. This positions us to approach the widest range of opportunities in the market.

The instant product category provides a rich canvas for innovation and new ideas. Draw-games would seem to be a little more intractable, fewer moving parts and more immutable attributes that don't give as much flexibility. Any clever ideas for how to create more entertainment value for the draw-based games? Will your expertise in the on-line instant product category translate to the draw-game world?

I. Rosen: When it comes to draw games, I agree with you, Paul, that innovating in this category presents a different kind of challenge. The focus here is to understand what is important for a player at each phase and step, for a fast and easy purchase process.

We designed our draw games solution with a mobile-first approach, understanding that for draw games, due to the impulse nature of the action masses will take—particularly during high jackpots—mobile will play an even greater role than for other games. When you buy a lottery ticket, everything needs to be smooth and intuitive at every step.

But to your point, many aspects of the draw game experience are ripe for innovation: the choosing of numbers, patterns, favorites, and lots of gaming attributes that we hope to surprise you with in the coming year. We have many ideas in development that we'll roll out in the coming year that will add innovative features to the game purchase process, with the goal to maxi-

mize average purchase while not disturbing the fast nature of the purchase process.

We're putting a lot of thought into making the draw game experience more engaging for the player; after all, it is still the most popular lottery game in the world today.

Regarding instant games, we have been in the vanguard of innovation in that market segment for years, but we still feel that we haven't more than scratched the surface (pun alert!) of innovation yet.

For example, we initially developed a Keno-on-Demand game enabling, for the first time, instant play without needing to wait between each game. This is what online players expect and want. When we saw the impressive traction of this game, we developed Keno into a category of its own, introducing a variety of attractive elements and environments catering to different player tastes.

The main challenge in innovation in the lottery space is regulations. Lotteries often feel that they are bound by a myriad of restrictions that prevent them from reaching higher levels of innovation. Our philosophy here is to "innovate inside the box," meaning, understand your boundaries very well, and understand also what you are allowed to do but haven't yet thought about, then boldly go there.

We often suggest things that our customers hadn't considered. We ask them to bring their legal team to the table together with our in-house Games Studio experts. This round table approach has always proven fruitful to pave the way for innovation in a specific way for each market. A cookie-cutter approach wouldn't work with iLottery games; you need to be ready to make changes for every jurisdiction and regulation.

Brick-and-mortar draw games already do well around the world. How important is it for them to have an online component?

I. Rosen: In January this year, the largest Powerball jackpot in history—\$1.58 billion—caused a frenzy in participating

states throughout the US. Sales spiked, with the media broadcasting pictures and video clips of long lines of consumers waiting to buy tickets.

My question, though, is: how many sales were lost because of people who were unwilling or unable to stand in line in the cold of winter to buy their Powerball ticket? How much higher might sales have been, how much more money could have flowed to good causes, if Powerball had been available for promotion and purchase online as well?

Last year you have added a significant shareholder to NeoGames in the form of gaming giant William Hill. What synergies have you found between the organizations?

I. Rosen: The strategic investment we received from William Hill enables us to upgrade our investment and focus on the iLottery market. This was marked by WH as part of their diversification strategy.

In addition, there is much for us to learn and gain from William Hill. They are a recognized world leader in sports betting, and as you know many of our Lottery customers around the world also offer sports betting. Having access to the best knowledge and experience in this space puts us in an excellent position.

William Hill is also in the forefront of omni-channel innovation, an area that, as we discussed, is of the highest interest to our Lottery market customers.

What other areas of growth do you see going forward?

I. Rosen: One clear area for us is geographic expansion, of course. We have had great success stories with our customers in Europe for many years, NeoPollard's operations in the US are growing fast, and we have recently joined the Asia Pacific Lottery Association because we feel this region, which already has its first few lotteries with an online offering, presents interesting opportunities for us going forward. ■