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Helping Lotteries Transform Play with Digital and Sports Betting

PGRI Introduction:

Following is our discussion with Enrico Drago (Senior Vice President, IGT PlayDigital) and Charles Cohen (Vice President, IGT PlayDigital Sports Betting) about how consumer desires and expectations are set to fuel the expansion of digital lottery play in the U.S. and the potential for lotteries to grow with sports betting.

Paul Jason: IGT has a strong position in the global digital business, and the company already provides digital solutions to customers in North America. Why did you recently introduce IGT PlayDigital as a brand?

Enrico Drago: We are always looking to support our customers' growth. IGT PlayDigital is a new organization that aligns our teams to deliver digital solutions that will help customers optimize their business. It expresses IGT's proactive approach to supporting customers entering the digital arena or expanding their digital offerings – an aspect of the gaming industry that's exciting, challenging, and constantly evolving with the expectations of players.

When you look across the consumer landscape, digital has become integral to everyday life through expanded smart phone use and ecommerce. It's now a fundamental consumer expectation, and this naturally carries into gaming. In terms of lottery, you can see the trend in the inter-

national jurisdictions that have offered digital lottery for some time, where digital has increased as a percentage of total sales – today representing about 50% of lottery sales in Finland, for example, and close to 25% in the U.K. Now there's the potential in the U.S. for expanded sports betting, which relies on real-time data and lends itself to digital game play. Competition from other digital entertainment and gaming is also rising, and consumers want their entertainment to be effortless – if there are any hurdles, players can and will move on with a simple click. IGT PlayDigital focuses on both convenience and entertainment to create content, platforms, and support services to help our lottery partners achieve greater success.

Paul Jason: You're featuring PlayDigital at IGT's NASPL booth, "Transforming Play." Is IGT PlayDigital just for lotteries?

Enrico Drago: The IGT PlayDigital portfolio isn't limited to any one type of business. Customers want flexibility and adaptability as much as players do, and we provide the content, platforms, and a full range of managed services for lottery, gaming, and sports betting. Customers can adopt a complete turnkey solution or use pieces of it to suit their needs, and attendees at NASPL will be able to experience the platform firsthand. Of our 100+ worldwide customers, no two are the same. Some are running digital content, others are running

IGT's PlayLottery solution, some are running the complete PlayDigital connected experience – and every combination in between. We can work with each

partner to help evaluate their technology and their situation to design a solution that fits their needs.

Paul Jason: Lotteries already have a connection to a substantial consumer base, a network of land-based retailers, existing web traffic and brand awareness, and an unmatched reputation for integrity – all represent a significant competitive advantage over other games-of-chance operators. How can lotteries best use digital to capitalize on these advantages?

Enrico Drago: It's all about delivering what your players and markets want. Simple to say. Hard to do. Every customer and market is different, and there is no single, perfect solution. Lotteries know their players better than anyone, and the strong bond of trust they've built with players over time is an incredible commodity in capturing the opportunity to reach and expand. We support lotteries as they think through what will complement their offering and what their players will want. We create products like PlaySpot™, which builds on large lottery retailer bases to offer in-store mobile gaming where online gaming is not yet regulated and appeal to consumers already in the store, including attracting younger players. This is just one of the ways



“ Digitization is about making it easier and enhancing the experience for everyone within the ecosystem of lottery gaming. ”

– Enrico Drago

lotteries can look ahead to the next generation and use their understanding of players to implement solutions that are flexible enough to grow as new trends emerge.

Paul Jason: How is digitization helping to make the player journey easier and more convenient?

Enrico Drago: Digitization is about making it easier for everyone within the whole ecosystem of lottery gaming. We're focused on user-centric design that touches everyone who interacts with it, including not only players, but also retailers, game developers, the customer service and technical support staff – all of us who have a stake in the success of lottery. Look at what Apple does to be the most valuable company in the world. They make everything not only easy and convenient for the consumer, they make it easy and convenient for the app developers and the technology partners to deliver more value to the consumer. They make it easy for everyone to interact with the devices, for consumers to access the “Genius Bar” for customer service, and so on.

Applied to lottery, user-centered design ensures that everything that affects the player journey adds value and enhances the experience for everyone. The in-store consumer shopping experience continues to occupy center stage in the lottery players' journey. Everything IGT does, including and especially digitization, must enhance that in-store player experience. Digitization starts with the player's account, which travels with them wherever they play – capturing, organizing, and storing transactions and activity for future reference, as well as channeling messages, depositing funds, and interacting with lottery on different levels. Digitization makes everything much more convenient for the player, including shopping and buying lottery products at retail. It enables the player journey to be dynamic, beginning and ending wherever and whenever the player decides, with seamless migration among all devices, venues, and consumer touchpoints. That's the vision. And that is what IGT is positioned to deliver to its customers and to the consumer.

Paul Jason: What will you share with attendees at NASPL?

Enrico Drago: IGT PlayDigital has two areas of focus that visitors will want to see: PlaySpot, mentioned previously, which allows lotteries in any jurisdiction to offer the convenience of mobile play within a licensed retail location, including great new game content and business and player platforms. And, PlayShot™ our complete end-to-end sports betting solution that includes platform betting equipment options and managed service options. Both are complete turnkey solutions for lotteries looking to expand and offer digital games and betting to customers.

U.S. lotteries are naturally very focused on understanding the potential opportunity around sports betting, so PlayShot will be front and center. IGT has made significant investments to develop and tailor our enterprise-class sports betting solution for this market. And this market is different: the sports, the bet types, the where, the when and the how all needed to be addressed. To support customers in capturing the potential, we wanted to create not just a market-leading solution, but a market-defining one. Across IGT, we have applied more than two decades of experience developing sports betting platforms globally and hundreds of thousands of hours to create the solution that's now running in multiple U.S. jurisdictions. PlayShot includes everything that's needed to run an entire sports betting operation on behalf of or in support of a lottery and its employees, from the retail touchpoints that you would expect – self-service terminals, over-the-counter sales – to integration into the lottery distribution network, to working with partners as needed – for example, to provide risk management services.

Paul Jason: What is it about sports betting that has so galvanized the gaming industry in the U.S.? Is it something more than just another betting game?

C. Cohen: The interesting thing about sports betting is that the whole activity is driven by the sport rather than the betting. Betting is a way to make the activity of

watching a sport contest more exciting for the spectator. Of course, there are lots of different drivers, but simply enhancing the enjoyment of being a spectator is a key one. It's important for an operator to understand this, because then players' passion for sports becomes a pathway for building an interactive dialogue with them and continually enhancing their play experience.

Paul Jason: U.S. lotteries are exploring the possibilities for implementing sports betting. Where do they start?

C. Cohen: It's important to study how sports betting is operated not just by WLA operators, but by commercial operators as well, to learn about the business process, the technologies, the partners, and the supply chain. A good place to start is with your current technology and central system partners. Another resource is the lottery directors who already operate sports betting. IGT's international colleagues are happy to share learnings as well.

As in all gaming, gambling, and lottery, it's vital that we nurture alignment with political constituents and their public policy objectives. The strategic plan should include a focus on security, integrity, public relations, and the wide variety of considerations which may be ancillary to operating a sportsbook but which can be quite critical to the successful implementation of any initiative in the lottery industry. Sports betting will impact the entire games-of-chance marketplace in ways that will make this an exciting time for lottery operators. Lotteries are positioned well to take full advantage of the changes.

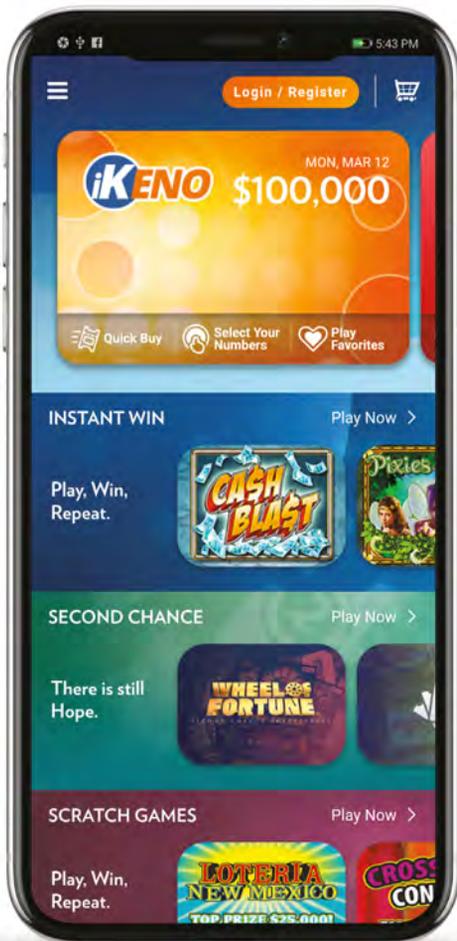


Paul Jason: How might sports betting be integrated into the existing distribution infrastructure of U.S. lotteries?

C. Cohen: Sports betting kiosks can be installed in any age-restricted venue such as bars and nightclubs, or in retail stores, much like ITVM's and TVM's are for lottery products right now. In the future, integrated self-service devices will make it easier for retailers to sell all lottery and sports products through a single kiosk. Sports betting could also be distributed in a clerk-assisted model, as lottery is now. In Italy, where IGT's Lottomatica is a B2C operator, retailers sell sports betting over-the-counter as well as in kiosks. Players fill out a parlay-card-type slip that looks a lot like a lottery slip, hand it to the clerk and pay for the sport bet just like they pay for a lottery ticket.

Even if the point-of-sale (POS) is not transaction-enabled for sports betting, lottery's massive retail network serves as thousands of consumer touchpoints where products, games, and brands are promoted to the consumer. The games could be promoted in conjunction with lottery products and land-based venues even while they are played online. Or, the retailer could provide a lottery hot-spot that enables shoppers to play lottery and sports betting on their mobile device.

The imaginative marketing people within lotteries could create games that leverage players' enthusiasm for sporting events. Maybe there could be new games that schedule the lottery draw to coincide with the kick-off of your home team's weekly football game or other big sporting events. There are countless ways to align lottery games with sporting events. Of course, everything is subject to regulatory laws. Our industry has a strong track-record of keeping Responsible Gaming at the forefront of all new opportunities, and sports betting will require the same attention and focus. It's particularly



IGT's PlayLottery mobile app (shown) and innovative PlaySpot™ solution allow any lottery to provide players with a digital play experience while meeting regulatory requirements.

important to think through the safeguards to help protect minors. The bond between younger players and sports is strong, and lotteries will naturally want to educate and inform their player base and retailer network on these points.

Paul Jason: Enrico, how do you see sports betting shaping and impacting the broader games-of-chance culture? For example, will it affect the play styles and preferences of the next generation of consumers?

Enrico Drago: We expect sports betting to enrich the entire gaming culture. First, we expect sports betting to produce incremental revenue for operators without cannibalizing other forms of gaming. And we believe that the consumer will expect operators to offer sports betting. When players walk into a casino or a lottery retailer, they will expect to have the option of sports betting even if that's not their main purpose. The same will be true when they go online to play the lottery. The consumer expectation for multiple options that you see in other economic sectors will be imposed on the games-of-chance sector. As a baseline, consumers will expect convenience and multiple gaming options.

Sports bettors and sports fans have strong bonds with their teams, and they build social bonds through sports with friends and families. It can be an entry point for new generations. As they enjoy sports together and see others placing bets, they may give it a go and in turn become lottery customers who later migrate to lottery games when they get into their thirties and forties – based on the trust they developed through sports betting. It's important for lotteries to be there when that happens.

Paul Jason: Will there be cross-promotional synergies for a lottery that also offers sports betting?

C. Cohen: Of course, it's important to cross-promote to make sure you are meeting the needs of consumers who are experimenting with different game styles, even though they may be likely to settle into one category more than another. For example, Enrico talks about how stores in Lot-tomatica's retail network in Italy are more successful when they sell a wide variety of game categories, often due to the ability to cross-promote and introduce consumers to the whole portfolio of games. The fact that players end up preferring one over another doesn't mean you should not cross-promote to help them figure out what they like. You'd rather have the consumer go through

that process within your gaming ecosystem than be forced to go to a competing operator to try new games.

Paul Jason: You referred to the expansion of gaming options and the importance of offering the broadest portfolio of games. Don't we need to make it easier for the consumer to migrate from one channel of distribution to another, and from one game category to another?

C. Cohen: Absolutely. IGT's sports betting solution is built to support this flexibility and respond to both operator and consumer needs with a portfolio and platforms that allow quick and easy integration of gaming options, regardless of the channel – retail or digital. In jurisdictions that are interested and permitted to offer it, the operator can integrate sports betting experiences directly into the existing lottery POS systems. The solution is user-friendly, enabling intuitive interaction not only between the vendor and store staff and the system, but also in terms of consumer interaction with the system. IGT customers are positioned well for this, because they will be able to turn their massive network of retailers into sports-betting POS's. The business is more complicated than ever, and IGT has been preparing to support customers in pursuing new opportunities, using our breadth and depth of experience to integrate the back-end technology with the channel partners and the consumer-facing front end to deliver a fabulous player experience. We want to unlock the full potential for the benefit of operators and players alike.

Enrico Drago: As a technology partner to most of the world's lottery operators, IGT is primarily a B2B business. Understanding the player and the consumer is essential to supporting our customers' success – it's a cornerstone of our corporate culture and one we carry forward with IGT PlayDigital. Our whole approach is designed to help our partners optimize their business, drawing on IGT's operator experience with Lot-tomatica – the second largest B2C lottery operator in the world after China – and the insights from our robust consumer research and testing focused on players, the key component for all lottery stakeholders. We are bringing that experience and knowledge to bear as we continue to develop the content, platforms, and services to meet the needs of digital players and sports betters. With customers as our top priority and a focus on understanding their players and markets, the whole IGT PlayDigital team is ready for game time everywhere. 🎲

Chad Kornett

Director of Technical Compliance, Gaming Laboratories International, LLC (GLI)



Bringing Process Integrity and Technical Security to Sports Betting

PGRI Introduction:

Each jurisdiction is responsible for establishing the standards of performance required of all gaming devices and systems operating within that jurisdiction. GLI's business is to test, review, and report on gaming devices and systems against those standards. Since public and regulatory policy vary from jurisdiction to jurisdiction, there is no singularly "best" set of standards. There is, though, a basic template provided by GLI that helps regulators systematically address the questions and issues pertinent to the process of building an effective set of performance standards. GLI Standards serve as the foundational starting point for regulators to customize and develop the standards that serve the unique objectives of their jurisdiction. GLI's base standards for gaming devices and systems are used by regulators around the world. These 'white papers' are freely available to everyone (thank you, GLI) and can be found on GLI's website at www.gaminglabs.com/gli-standards.

The most recent standard is GLI-33 which is used as a compliance guideline for technologies pertaining to Event Wagering Systems. The purpose of my discussion with Chad Kornett is not to drill down on the details of GLI-33 so much as to sort out some of the big-picture foundational issues relating to sports betting that everyone in the games-of-chance industry should understand.

Paul Jason: What should the lottery operator who is beginning the process of implementing sports betting be paying attention to?

Chad Kornett: There are so many configurations, options, and decisions that take place within a sports-wagering operation. The emphasis needs to be on establishing confidence in the technical infrastructure and process that supports the overall system.

The fundamental goal is to ensure that all devices and systems perform as expected. Clear and thoughtful technical standards set a bar that ultimately protects the player, the operation, and the brand. They also help a regulator establish confidence that the deployed product is robust and secure.

GLI-33 establishes a clear foundation of requirements that cover the core regulatory objectives established by the global community of regulators and operators. This foundation can then be customized to layer in additional jurisdiction-specific requirements to meet the local needs of the operation, enabling customization as needed while also establishing enough standardization so that the industry can flourish without an excess of disparate requirements from jurisdiction to jurisdiction.

Gaming and technology suppliers then submit their products to GLI's laboratory for our engineers to evaluate against the set of specifications established by the jurisdictional

regulators. Ultimately, a certification is issued giving the technology provider and regulator confirmation from an independent source that the product performs as expected and is compliant with the regulations.

Paul Jason: Aside from differences in scale, what are some standards that may vary from jurisdiction to jurisdiction?

Chad Kornett: A major decision is how it will be distributed - the channels that deliver sports wagering to the players. Will it be limited to land-based venues or licensed to online operators or both? Will it be licensed to commercial casinos or operated by the state lottery or both? GLI-33 illuminates the issues relating to all the different methods of distribution - retail environment, self-service kiosks, mobile, and full-on internet, as well as in-venue mobile where players can connect to the internet but only within a limited range; for example, within a retail store or within a casino.

Another area where we might see variance is the handling of the trading operation that sets the lines and pricing for each



wager. This is a highly complex process with a skillset that is not easily learned, especially for in-play wagers and real-time wager buybacks. We're seeing it accepted more and more to allow centralized experts to handle these operations. Many jurisdictions are permitting the use of those skillsets from experts outside of the jurisdictions and/or licensee, but it's possible we'll see some variance there as well.

Lastly, we might see some variance in the technical standards. GLI-33 is currently the most widely adopted standard, but the NJ and NV technical standards are also being used as well.

Paul Jason: Is there a relevant distinction between event wagering and sports betting?

Chad Kornett: Sports betting is a type of event wagering, but there are certainly lots of bets placed on events that aren't sports. Bets are taken every day on all types of events, from who will win a political campaign to which bachelor will be selected on the reality TV show to how many tweets Donald Trump will post tomorrow.

Paul Jason: How would you describe the objectives of a thoughtful regulatory framework?

Chad Kornett: It should provide player protection, integrity, security, and align with jurisdiction-specific public policy objectives. It should also operate with accuracy, transparency, and support for innovation.

In addition to meeting the technical requirements set by the regulator, sports wagering systems are unique because they're highly dependent on operational procedures - things like adjustments, overrides, event cancellations, schedule changes, rain delays, rejected wagers, cancelled wagers, etc. An effective regulatory framework will give a regulator visibility into not only the technology that supports the system but also that procedural aspect of the operation. The elements of operational auditing and certification of the technology should be fused so that both aspects are covered and done in a way that a technology provider can quickly introduce innovations and update their systems in an agile way.



Of course, there are also many public policy issues which require thoughtful assessment, like whether sports betting should be made available online or limited to land-based venues or how to handle investigations for suspected underage play. The GLI standards provide a toolset to support the chosen policy decisions that a regulatory agency makes and then the testing ensures that the technology is safe, secure, and complies with those standards established by the regulator. GLI's laboratory assesses a myriad of the system's functions and interfaces and then provides that report to the regulator so that they can make informed decisions to match their risk profile. One example might be the decision to institute a modern change management process that allows more flexibility in making non-critical changes and auditing those changes after installation.

Paul Jason: What are the technical vulnerabilities, potential problem areas or hot-button issues for implementing sports-betting systems?

Chad Kornett: The most critical areas have a bit of overlap from online casino and poker systems. As a trend, we're seeing more and more interest in taking sports

wagering to mobile, which makes complete sense due to the convenience factors it affords patrons when watching a game at a sports bar or arena or in their home, or wherever else they watch sports. When that happens, those familiar safeguards we have in place for internet gaming also need to be in place for sports wagering. That would include prevention of underage play, preventing account collusion and money laundering, robust location tracking that isn't easily spoofed to make sure they're not afoot of federal or state laws, and finally, there is accuracy in reporting. When wagers are accepted via mobile and there is no hard currency count to reconcile against, reliance on the accuracy of system-generated reports for revenue and tax purposes becomes extremely important. The world of sports wagering is high frequency, highly

transactional, prone to exceptions, and dependent on external feeds for stats and pricing where there are almost constant adjustments. Because of all this complexity, extreme care must be taken to ensure the system-generated reports have no inaccuracies or oversights.

Another area specific to sports wagering that is becoming more and more critical is the posting of accurate wagering rules. That may sound very simple, but many players don't always know the detail of what they are wagering on. A simple example would be a player feverishly rooting for their team during overtime, only to return to collect their winnings and realize they actually lost their wager because the wager didn't include overtime and the tie at the end of regulation was considered a loss. That's a simple example, but when you get into the world of ticket buybacks, parlays, teasers, game rainout, cancellations, etc., the details in the game rules become extremely important. If there is ambiguity, and the payout surprise does not fall in the direction of the player, this can contribute to public concern about the integrity of the game.