

Giving back to move Delaware forward



2020 Annual Report
For the fiscal year ending June 30, 2020



Message from the Director



I am pleased to present this year's Delaware Lottery Annual Report for the fiscal year ending June 30, 2020. Our mission to create a fun and exciting gaming environment while maximizing General Fund revenue that aids in the delivery of state services was extremely

challenging during the last months of this fiscal year. However, despite the pandemic and evolving landscape of the gaming industry, the Lottery helped to provide a continued revenue stream for programs and services that benefit the citizens of Delaware. Although our revenue contributions fell short of our original target as the COVID-19 pandemic flattened revenue at our three racetrack casinos due to a temporary shutdown, the Lottery was able to return \$177.4 million to the beneficiaries of the State of Delaware in fiscal year 2020.

This global pandemic also temporarily shut down operations of most businesses, from restaurants and bars to convenience stores and movie theaters. Consumers sought out new ways for entertainment. As a result, iGaming products experienced an increase in sales that ended the fiscal year with a record-breaking 91% increase compared to the previous year.

We introduced a new licensed property Instant Game this year, The Addams Family Fortune, and were able to capitalize on the release of the 2019 animated movie based on the popular Addams Family classic TV series. Our Instant Game products continued to soar and surpassed previous fiscal years' sales, ending in a record-breaking \$92.9 million in sales revenue. This was a \$13.1 million increase over last year.

Since its inception, the Delaware Lottery has been able to return over \$5.6 billion to the State of Delaware citizens.

None of this would have been possible without the vital work and support of our 600+ Retailers. In a 44-year partnership with the Delaware Lottery, they have built a loyal customer base and ensured the vital flow of revenue stream to the General Fund. This was particularly true in 2020, when our Retailer network and retail staff kept their doors open to support their local communities and became frontline workers in a once-in-a-lifetime health emergency. Despite these challenges, retail sales of the Lottery products were a key contributor to the amount raised for the General Fund in 2020. Our staff and sales team kept the show on the road, revitalized our marketing as well as our digital platforms and continued to introduce new products, all while simultaneously transforming the processes and technology and adapting to new ways of working. It was a large and unexpected challenge and I saw firsthand the dedication and ingenuity that the Lottery team brings to their work. To have grown at the same time as adapting—and indeed improving—through that disruption is a real credit to the employees of the Delaware Lottery.

We look forward to continuing our service to the State of Delaware and its residents in fiscal year 2021.

Vernon Kirk
Director, Delaware Lottery

\$177⁺
million
to the state's General
Fund in 2020

\$5.6
billion
contributed
since 1975

600⁺
Retailers
licensed throughout
Delaware



Delaware Lottery Mission Statement

To create a fun and exciting gaming environment while maximizing General Fund revenue that aids in the delivery of state services.

Delaware Lottery Vision Statement

Leadership in public gaming by exemplifying integrity, responsibility and innovation.



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Cheryl Bailey - March 2020



Stephen Russell - February 2020



The Lottery staff hosts a private showing of The Addams Family® movie - October 2019

Collect 'N Win

Our Collect 'N Win loyalty program continued to grow in popularity throughout fiscal year 2020, which saw an expanded effort to raise customer awareness of the program. Players collect symbols for Delaware Lottery Collect 'N Win play cards by entering non-winning tickets through the Collect 'N Win website or mobile app. Once all six symbols on a play card are collected, the player is automatically entered to win monthly cash prizes.

Select Instant Games were added to the Collect 'N Win program to give players even more chances to win throughout fiscal year 2020. The first Instant Game, MOOLAH, was added in July 2019. As the program entered its second year in February 2020, more cash prizes were added to increase the number of monthly winners. The number of participants has grown to almost 20,000 as a result of these efforts.

Instant Games

The Lottery launched a new licensed property Instant Ticket, The Addams Family Fortune, in September 2019—the second Instant Game to become eligible for Collect 'N Win. To celebrate the release of MGM Studios' animated reboot of the franchise, we hosted a private showing of The Addams Family® movie for our Retailers on October 27, 2019. Nearly 200 Delaware Lottery Retailers attended the event. As fiscal year 2020 drew to a close, a new "Keep 'Em Full" Retailer promotion was introduced to reward Retailers for keeping Instant Game ticket dispensers well stocked and organized.

Sales for Instant Games in fiscal year 2020 totaled \$92.9 million.



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Celebrating Mardi Gras at Delaware Technical Community College's fundraiser



Lottery staff and Shore Stop Retailer having fun with Delaware Thunder

Sponsorships

New sponsorships were added to the roster this fiscal year just before the onset of the COVID-19 pandemic: the Delaware International Speedway and Delaware Thunder—the state's first professional ice hockey team, and a member of the Federal Prospects Hockey League. In 2020, the Lottery was also proud to sponsor special events, such as the Light Up The Queen Foundation's ninth annual "Shine A Light" fundraiser, which helped raise money for local music organizations. The Lottery also sponsored Delaware Technical Community College's "An Evening of Mardi Gras" fundraiser, which contributed to student scholarships on their Stanton and Wilmington campuses.

The COVID-19 pandemic posed new challenges in trying to maintain our year-round brand exposure and ensuring the continuation of the Delaware Lottery's long-standing sponsorships with local sports organizations, such as University of Delaware, Delaware State University, Delaware Sports League and the Wilmington Blue Rocks Minor League Baseball team. We were faced with adjusting or rearranging our marketing decisions to adapt to new initiatives that allowed us to stay in touch with our player base.



University of Delaware



Delaware State University



Wilmington Blue Rocks
Minor League Baseball Team



Delaware Thunder
Professional Hockey Club



Delaware International
Speedway

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KENO® and Sports Lottery

We started off the fiscal year with more focus and attention on elevating our product mix—and what better way to accomplish this than by having a party! In addition to the scheduled KENO® parties we were conducting, the Lottery started conducting “pop-up” KENO® parties and scheduling Sports parties at select retail locations. During these parties, the Lottery field reps would engage players and customers within each facility and promote the KENO® and Sports Lottery products by giving out various free Lottery-branded merchandise and free game play to promote awareness of the games.



Sales for KENO® in fiscal year 2020 totaled \$8.5 million.

Sales for Sports Lottery in fiscal year 2020 totaled \$103.2 million.



The giveaways at Sports Lottery parties were popular among players



A field rep demonstrates how players could win every four minutes in the game of KENO®



There was no shortage of giveaway options at KENO® parties in 2020

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Dave's Liquors



Appleby Shell

Retail

At the onset of the pandemic, the Delaware Governor issued a Stay-at-Home Order and the closing of all nonessential businesses, which included many of our retail and tobacco outlets. However, the Retailers found success in the face of adversity. After a few months, Delaware businesses reopened and had to adapt to new ways of operating once establishments were allowed to reopen.

In fiscal year 2020, our retail partners earned \$14.5 million in commissions, received \$1.3 million through our Retailer incentive program, paid out \$112.1 million in prizes and operated from over 600 retail locations.

Player Research Study

We kicked off a new Player Research Study during fiscal year 2020, which gave us new insights into the wants and needs of our customer base. The new study began at the ground level, establishing a solid foundation that we can continue to build upon and use to track progress. Continually finding new ways to better understand and exceed the expectations of our players is a key part of the Lottery's mission to maximize revenue for the State General Fund.

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PLAY 3[®] and PLAY 4[®]

While a promotional campaign for PLAY 3[®] and PLAY 4[®] was briefly postponed due to the pandemic in March 2020, it was successfully launched in April thanks to the dedication of our Delaware Lottery team. The campaign successfully garnered increased interest in PLAY 3[®] and PLAY 4[®], leading to a subsequent boost in sales. These popular Draw Games outsell all other traditional Draw Games in Delaware, and have consistently demonstrated all-time record sales.

Sales for PLAY 3[®] in fiscal year 2020 totaled \$29 million.

Sales for PLAY 4[®] in fiscal year 2020 totaled \$24.8 million.



Video Lottery

There are currently almost 6,000 video lottery terminals (VLTs) between the three Delaware casinos and 490 VLT terminals at various charitable gaming organizations. During fiscal year 2020, the COVID-19 pandemic led to a temporary shutdown of the three casinos. When they reopened in June 2020 in accordance with the Governor's COVID-19 Guidelines, only a limited number of VLTs returned to service in order to maintain six feet of social distancing in the casinos. However, the fiscal year still ended with five VLT jackpot winners over \$50,000 and one winning jackpot over \$100,000.



iGaming

During the COVID-19 pandemic, iGaming saw a 91.56% increase in net revenue, our highest to date. Additionally, mobile bets reported a 76.40% increase while house profits increased by 103.67%. In fiscal year 2020, iGaming jackpot games paid out over \$1 million.

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Keep 'Em Full promotion

Future and ongoing projects

- Plan and execute a promotion that celebrates the 45th anniversary of the Delaware Lottery.
- Enhance player loyalty and engagement by expanding loyalty programs and implementing a mobile app.
- Leverage sponsorship assets in communication with players and non-players.
- Expand and develop effective mass media and alternative media advertising programs, including digital and social media initiatives.
- Continue to effectively use the “cooperative services” program to develop new and exciting games and promotional programs.
- Conduct player and customer satisfaction surveys while continually improving service in accordance with the Lottery’s mission, objectives and goals.
- Continue to develop and implement Retailer relationship, reporting and communication solutions to be used by Lottery support staff and Retailers that capitalize on new technologies and contribute to the growth of products.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed Retailers.
- Continue the expansion of our Retailer network through active recruitment.

Basic Statements

Net Position

Assets and Deferred Outflows	2020	2019
Current assets		
Cash and investments	\$ 2,171,692	\$ 4,748,553
Accounts receivable	13,981,606	12,369,828
Due from the State of Delaware	13,269,850	12,607,234
Total current assets	29,423,148	29,725,615
Noncurrent assets		
Deposit Multi-State Lottery	2,662,056	2,845,122
Total assets	32,085,204	32,570,737
Deferred outflows of resources	1,585,049	967,386
Liabilities, Deferred Inflows and Net Position		
Current liabilities		
Prizes liability	6,693,950	8,545,304
Accounts payable and accrued liabilities	9,066,867	6,872,002
Due to the State of Delaware	—	701,075
Total current liabilities	15,760,817	16,118,381
Noncurrent liabilities		
Multi-State Lottery reserve	2,662,056	2,845,122
Pension and OPEB liability	11,562,992	11,410,101
Total noncurrent liabilities	14,225,048	14,255,223
Total liabilities	29,985,865	30,373,604
Deferred inflows of resources	2,684,388	2,164,519
Net position		
Unrestricted	\$ 1,000,000	\$ 1,000,000

Basic Statements

Revenue, Expenses and Changes in Net Position

	2020	2019
Revenue		
Video lottery, net	\$ 300,767,635	\$ 367,399,349
Video lottery expired jackpots and credit slips	363,417	381,685
Casino license fees	178,800	211,300
iGaming	6,073,212	3,166,045
Sports lottery	103,173,797	158,630,194
Table games, net	40,764,240	56,611,092
Draw games	97,812,653	116,507,746
Instant games	92,860,086	79,809,999
Total revenue	641,993,840	782,717,410
Cost of games		
Video lottery commissions	132,022,000	156,338,344
Prize costs, net of reversions	189,235,110	244,362,133
Gaming vendor fees and costs	43,390,787	47,448,710
Instant and draw games commissions	12,944,732	12,178,982
Sports lottery commissions	5,674,958	6,699,434
Table games commissions	32,611,392	45,288,873
Total cost of games	415,878,979	512,316,476
Gross margin	226,114,861	270,400,934
Operating expenses		
Advertising and promotions	3,228,194	3,251,410
Payroll and related benefits	5,734,709	5,754,456
Other general and administrative	1,813,515	1,703,148
Total operating expenses	10,776,418	10,709,014
Operating income	215,338,443	259,691,920
Nonoperating expenses		
Delaware Standardbred Breeder's Program	3,000,000	3,000,000
Delaware Certified Thoroughbred Program	1,000,000	1,000,000
State of Delaware	211,338,443	255,691,920
Total nonoperating expenses	215,338,443	259,691,920
Change in net positions	—	—
Net position at beginning of year	1,000,000	1,000,000
Net position at end of year	\$ 1,000,000	\$ 1,000,000

Basic Statements

Cash Flow

	2020	2019
Cash flow from operating activities		
Receipts from customers	\$ 640,382,062	\$ 781,183,948
Payments to vendors for goods and services	(47,876,603)	(52,437,817)
Payments to employees for services	(5,627,876)	(5,799,826)
Payments for prizes	(191,086,464)	(242,479,461)
Payments for commissions	(181,665,846)	(220,219,008)
Net cash provided by operating activities	214,125,273	260,247,836
Cash flow from noncapital financing activities		
Transfers to the Delaware Standardbred Breeders' Program	(3,000,000)	(3,000,000)
Transfers to the Delaware Certified Thoroughbred Program	(1,000,000)	(1,000,000)
Transfers to the State of Delaware	(212,702,134)	(257,402,607)
Net cash used in noncapital financing activities	(216,702,134)	(261,402,607)
Net change cash and investments	(2,576,861)	(1,154,771)
Cash and investments at beginning of year	4,748,553	5,903,324
Cash and investments at end of year	\$ 2,171,692	\$ 4,748,553
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 215,338,443	\$ 259,691,920
Adjustments to reconcile operating income to net cash provided by operating activities		
Effect of changes in operating assets, liabilities and deferred inflow and deferred outflows		
Accounts receivable, net	(1,611,778)	(1,533,462)
Prizes liability	(1,851,354)	1,882,672
Pension and OPEB	152,891	(685,740)
Accounts payable and accrued liabilities	2,194,865	256,478
Deferred inflow and deferred outflows, net	(97,794)	635,968
Net cash provided by operating activities	\$ 214,125,273	\$ 260,247,836

Player information

**For winning numbers and other
Delaware Lottery information:**

Delaware Lottery Office
McKee Business Park
1575 McKee Road, Suite 102
Dover, DE 19904
302-739-5291

Call 1-800-338-6200 or visit delottery.com.

