



**SERVING ARIZONA
FOR 36 YEARS**

Digital Transformation Update September 2017

- **Digital Transformation Update**
- **Current Situation Recap**
- **Proposed Solution Recap**
- **Vendor Selection Decision Criteria**
- **Vendor Value Proposition**
- **Implementation Strategy**
- **Total Cost of Ownership**

- September 2016 - ITAC met and approved AZ Lottery CRM-Digital Transformation Project
 - Development Cost: \$1,625,000
 - Operational Cost (5 Years): \$5,173,517
 - **Total 5 Year Cost: \$6,798,517**

Approval was based on pricing estimation from a customized Salesforce CRM and back-office solution. Implementation was subject to final market and product analysis.

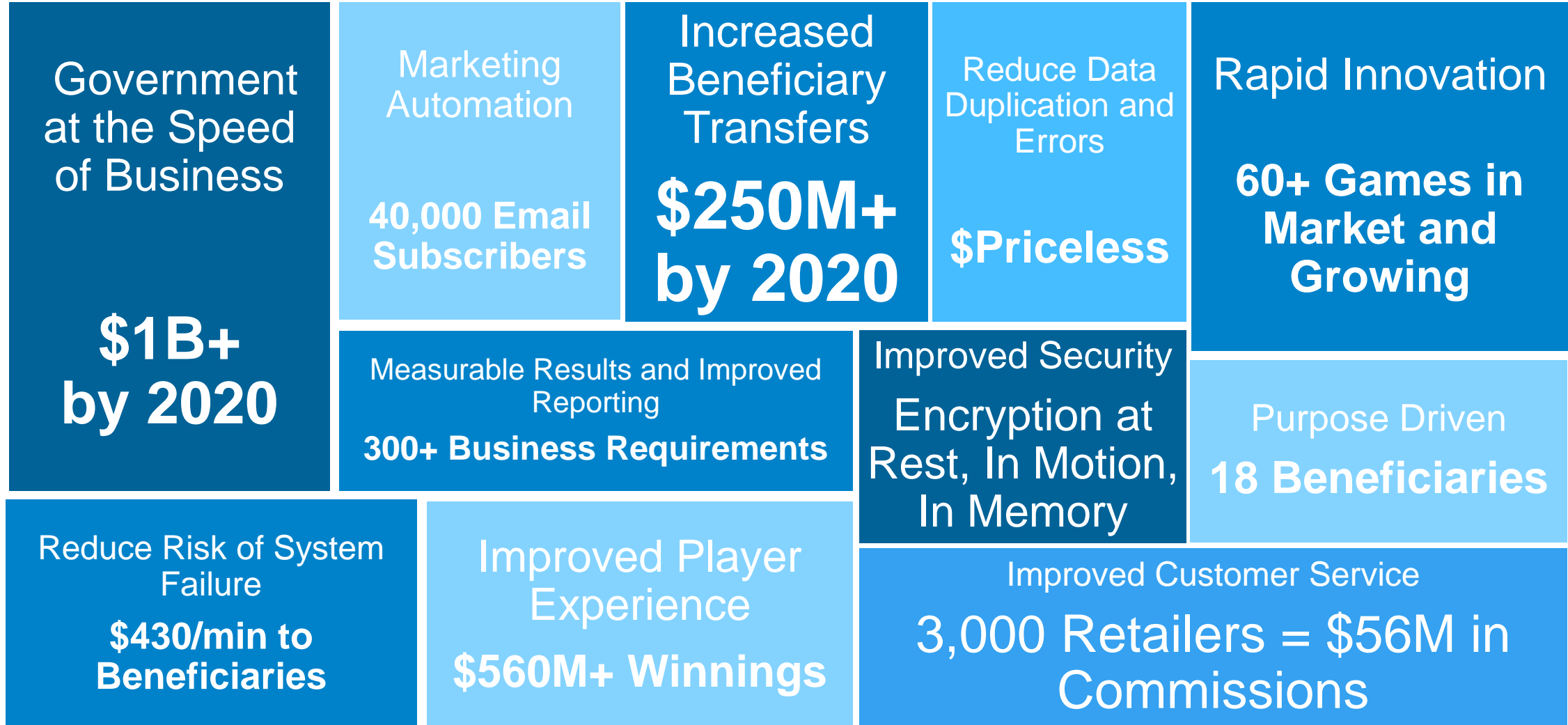
- May 2017 – Funding Approved for Digital Transformation
- Following ITAC and funding approval industry trends shifted to Lottery Vendors providing CRM and back-office solutions and support through acquisition.
 - July 2016 IGT acquired Hudson Alley Software
 - IGT - Arizona Lottery Warehousing & Dist. Vendor
 - July 2017 Scientific Games acquired Lapis Software Associates
 - SGI - Arizona Lottery Online Vendor
- **Based on the changes, Arizona Lottery revisited vendor solutions offered by Salesforce and Industry Gaming Vendors.**

Current Situation Recap

- Databases are decentralized, preventing us from working with our retailers, customers and vendors in a more fluid and collaborative fashion.
- Our external business processes are onerous to our retailers.
- Internal processes are duplicative and inefficient.
- Our systems limit our ability to support current and future needs of the Lottery.

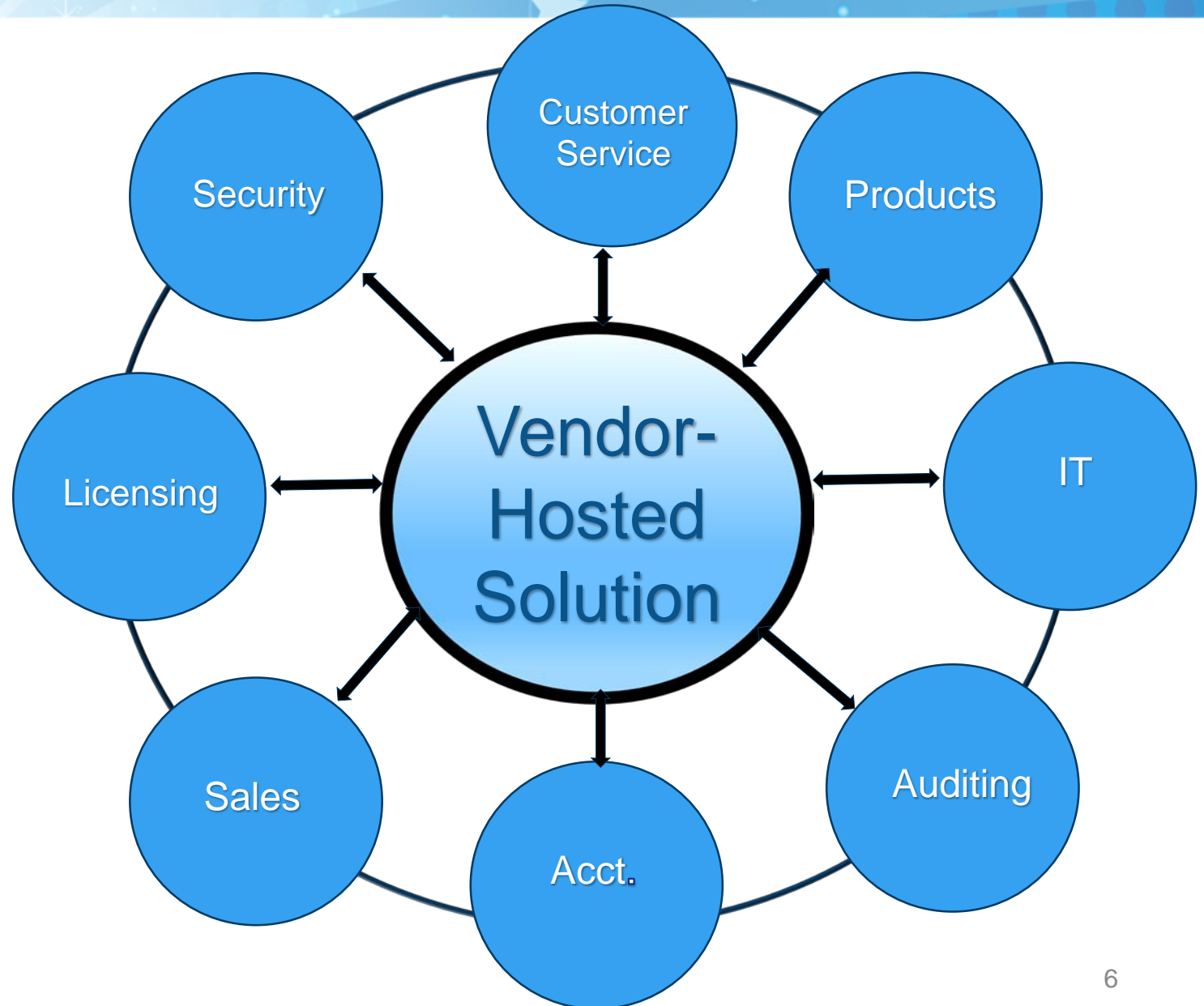


Why Transform Lottery?



Proposed Solution Recap

- Centralize all aspects of the retailer experience
- Transition from current AS400 system to a vendor hosted solution
- Leverage industry knowledge and expertise
- Cost reductions through faster transactions, improved efficiency & advanced analytics
- Seamless automated transactions with 3rd party entities – BOA, IRS, DOR, AFIS & Retailers
- A single mobile-capable application platform
- Automate previously manual workflows and remove paper based interactions
- Ongoing upgrades and support for back-office solution included in annual fees



Vendor Selection Decision Criteria

Decision Factor			
Price – Five Year – TCO	Highest Quote (Available upon Request)	\$6,060,000	2 nd Highest Quote (Available Upon Request)
Implementation Experience	Ability to Provide Industry Best Practice Implementation	Ability to Provide Industry Best Practice Implementation	Limited to Automating Current State Due to Lack of Lottery Experience
Ongoing Support	Included: Industry-Dedicated Resources	Included: Industry-Dedicated Resources	Included: Managed Services Model
Security	Meets high industry standards	Meets high industry standards	Gov Cloud (additional cost)
Technology Platform	Proprietary Platform	Outsystems - Gartner Magic Quadrant	Salesforce - Gartner Magic Quadrant
Business Requirement Capabilities	Requires 3 rd Party Solution/Platform to Meet Full Requirements	Meets Requirements – can leverage existing lottery customer solutions	Requires 3 rd Party Integration to Meet Full Requirements

Based on the selection criteria, the Lottery selects Scientific Games as the back-office solution provider.

SGI is an industry leader and vested partner in Arizona Lottery operating our most prominent and profitable games

SGI's technology and lottery solutions are at work today in 150 Lotteries on six continents

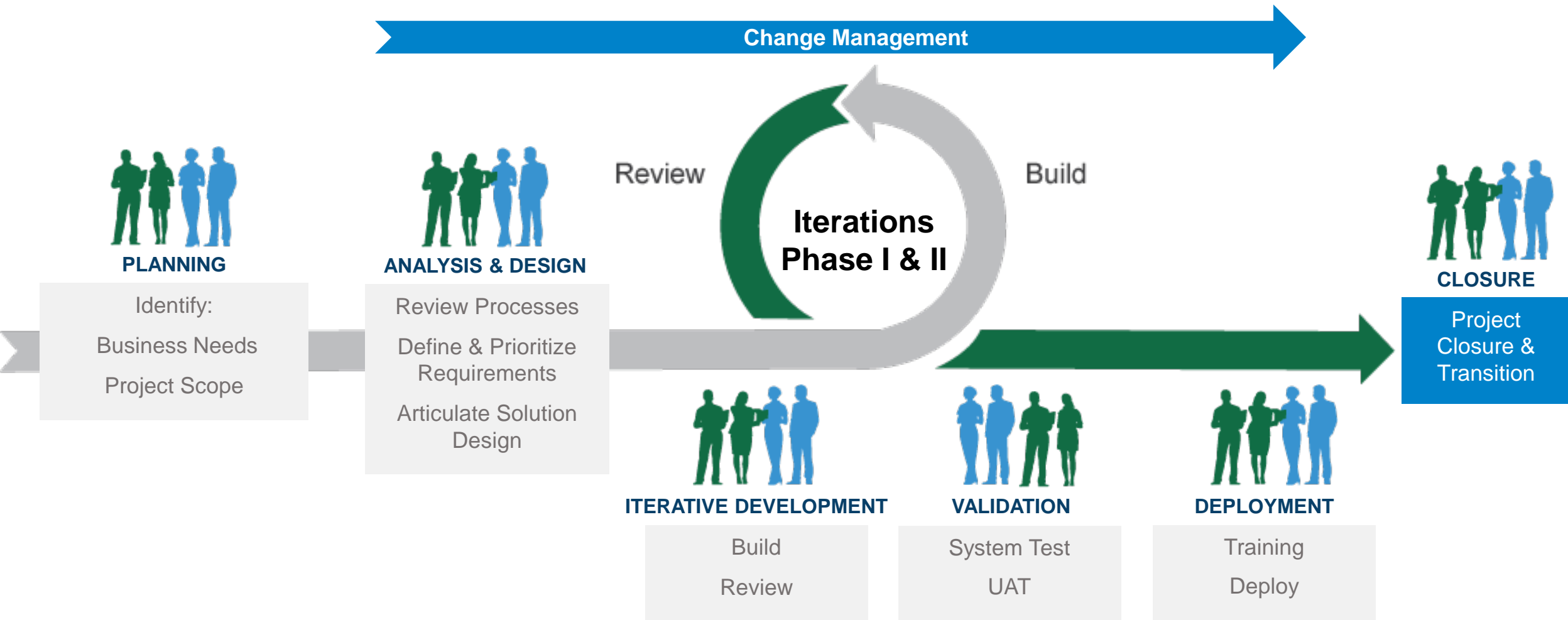
SGI's solution for Arizona Lottery generates over \$700K in savings

Opportunity to fully integrate both gaming and back-office solutions into the same platform

Biggest library of lottery CRM/back-office features and modules with outstanding customer references

SGI's solution provides long term value, low operational and deployment risk, and alignment with the interests of the Arizona Lottery.

Implementation Strategy



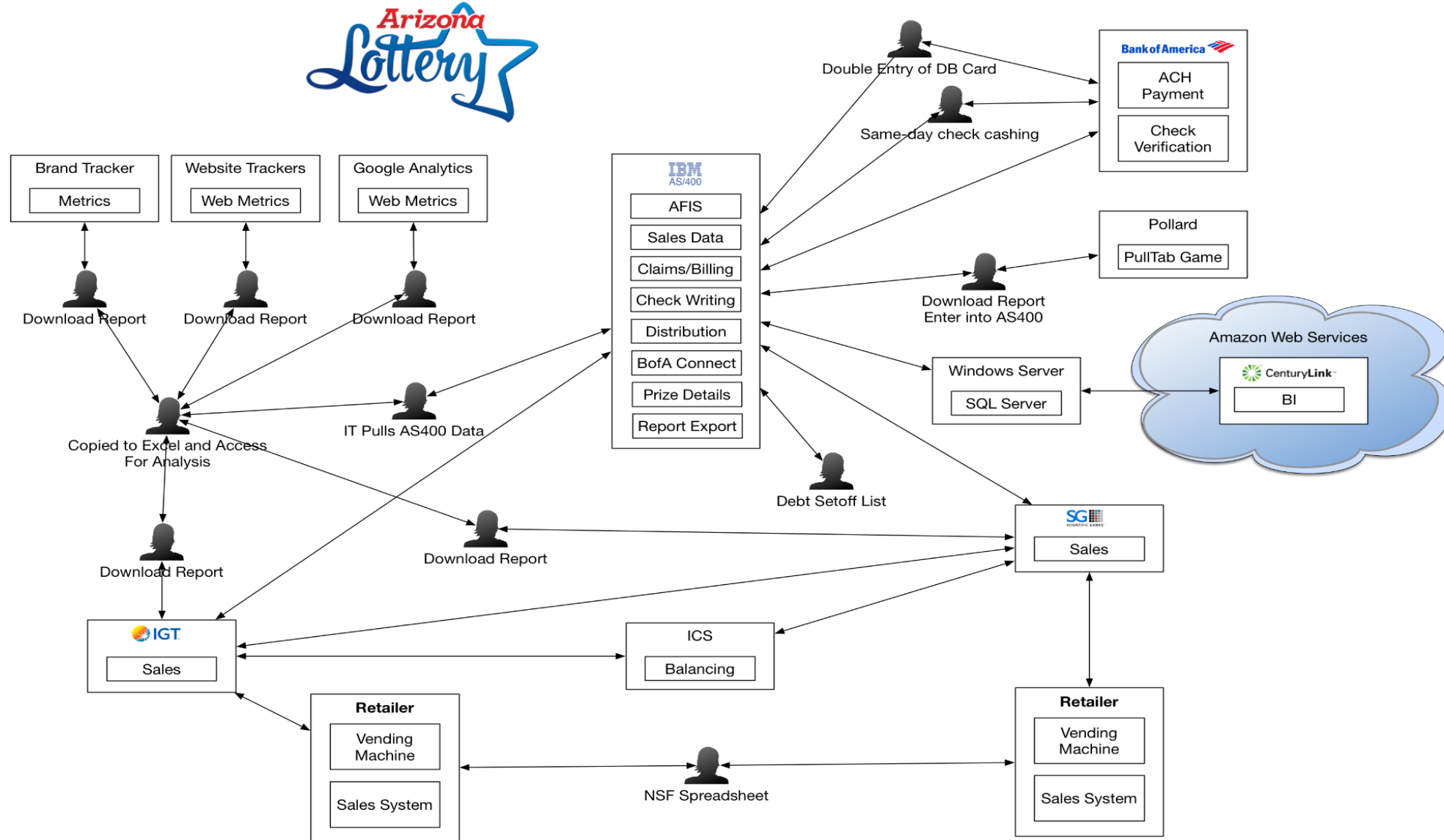
The Lottery is requesting the following to fund this comprehensive project

System implementation and customization (Year 1 Cost)	\$2,500,000
Change Management and Data Analytics (Year 1 Cost)	\$400,000
Annual software, hardware, technical support, and licensing agreements (Year 2-5 Total Cost) – \$790K Annually	\$3,160,000
Total 5 Year Cost	\$6,060,000

Questions?

Appendix

Landscape Today



Proposed Solution

