



# **Lotto New Zealand**

Briefing for the Minister of Internal Affairs

7 November 2017

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## **A. MAIN POINTS**

### **1. Lotto New Zealand's purpose**

- Lotto New Zealand is a Crown entity established under the Gambling Act 2003 to market lottery products for the purpose of generating profits for distribution to the community.
- All profits, apart from any retentions approved by the Minister for capital expenditure purposes, are transferred to the New Zealand Lottery Grants Board.
- Last year, a record amount of \$272.8 million was transferred to the Lottery Grants Board for distribution to the community.
- Lotto NZ profits are distributed, via the Lottery Grants Board, to three statutory bodies – Sport New Zealand, Creative New Zealand, the New Zealand Film Commission (including Nga Taonga Sound and Vision) – and over 3,000 community causes around the country every year.
- We follow the well-established “no surprises” convention and the Minister can be assured that the Lotto NZ Board will keep her informed of all significant developments in the business as they occur.

### **2. Lotto New Zealand's business**

- Lotto NZ's products are Lotto, Strike, Powerball, Keno, Bullseye, Play 3 and Instant Kiwi. Our products are sold through our network of retail outlets and, with the exception of Instant Kiwi, through our online sales channels – MyLotto and the Lotto NZ App.
- Lotto NZ has New Zealand's largest retail network, with almost 1,500 lotto outlets located in diverse sites that range from supermarkets to corner dairies and fuel stations.
- Online sales through our website MyLotto.co.nz became available in 2008 and a complimentary mobile site was launched in 2012.
- The Lotto NZ App was launched in 2014, with the ability for players to check their physical tickets by scanning the barcode with their smartphone camera. The ability to purchase tickets through the App was introduced in 2016.
- Online sales, through MyLotto and the Lotto NZ App, now account for about 13% of total sales.
- Lotto NZ employs approximately 130 staff mostly based in Auckland, with a small number of retail support staff based in different regions of the country. In addition, our retail outlets directly employ more than 5,000 people.
- Our business is supported by sophisticated IT systems that each week process millions of transactions originated through the purpose-built terminals in our retail outlets or online. In view of data security and integrity considerations, each gaming system transaction is recorded three times – in the primary and secondary systems located in our Auckland premises and a third time in a disaster recovery site.

- Our business model works on the basis that a lot of people spend a relatively small amount of money in return for a chance to 'win big', and most adult New Zealanders play at least one of our games over the course of a year.
- We compete for the discretionary dollar against other consumer products and services such as movies, magazines, takeaway food, and pay TV. We do not see our main competition coming from the other gambling operators in New Zealand.
- Sales in the most recent financial year amounted to \$1.2 billion. This is larger than the New Zealand sales of Briscoes Group (Briscoes, Rebel Sports, and Living and Giving) and Restaurant Brands (KFC, Carl's Jr, Pizza Hut, and Starbucks) combined.
- In 2015/16, the most recent year for which data is available, expenditure on our products was 20% of the total gambling market. The largest gambling sector is gaming machines outside casinos, where expenditure is almost double that of lotteries.
- Lottery products are not strongly linked to problem gambling. Nevertheless, we take our responsibility to minimise the risks from problem and underage gambling seriously.
- Our responsible gaming programme is certified to level 4 (the highest possible level) by the World Lottery Association under its Responsible Gaming Framework. We are continually looking for opportunities to further improve our responsible gaming programme in order to provide a safe and friendly gaming environment. Lotto NZ is the current Chair of the World Lottery Association's Responsible Gaming Working Group.
- Our security management demonstrates international best practice and we have obtained key security certifications including the International Organisation for Standardisation's Information Security Management System Standard (ISO: 27001:2013) and the World Lottery Association's Security Control Standard.
- The success of our business is built on the integrity of our products, the transparency of our systems, and our commitment to growing our business without adverse social outcomes.

### **3. Financial performance**

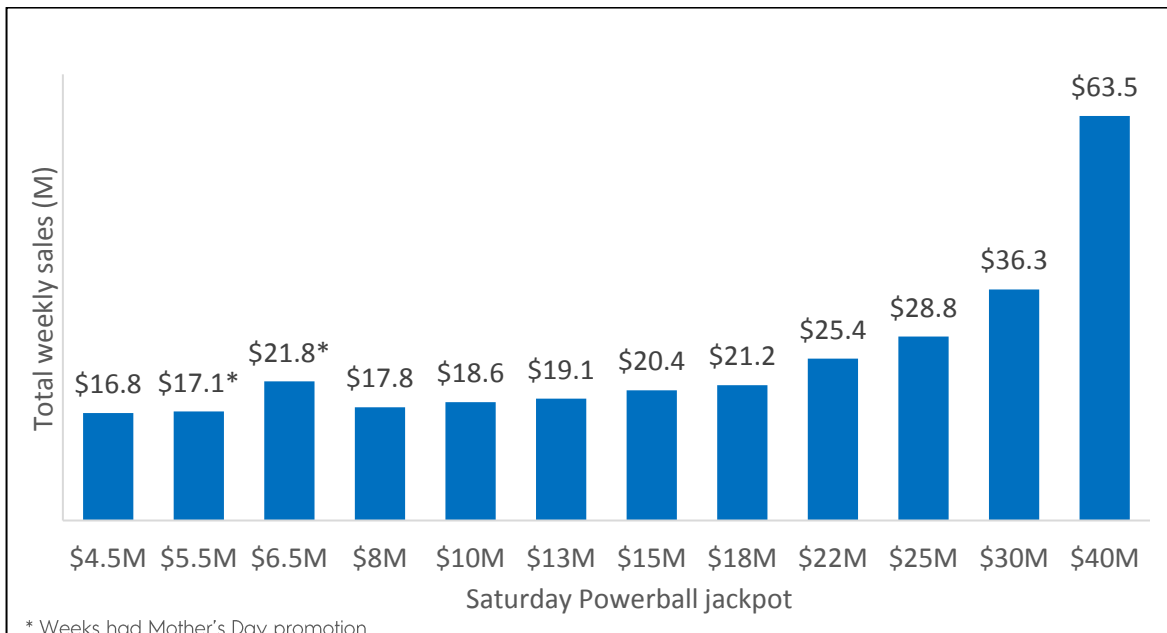
- Having remained relatively static in the late 1990s, lottery sales and profits declined significantly in the early 2000s. In 2003, annual sales had plummeted to \$540 million – \$104 million (16%) lower than the peak at that time set in 1999. Similarly, profit and therefore transfers to the Lottery Grants Board had dropped by \$31 million (22%) to \$107 million.
- Since then the business has been turned around and we continue to build on Lotto NZ's steady growth path.
- A number of strategic initiatives to support growth have been delivered over recent years including:
  - Introducing new games and improving games already in market

- Increasing the number of Lotto outlets around the country (while continuing to place great importance on customer service), with a particular focus on presence in supermarkets and fuel stations
- Modernising the look and feel of our branding and our retail outlets
- Introducing an online sales platform, with responsive-design and mobile accessibility
- Continuing to create relevant advertising that creates an emotional connection with our players and gets the right message across in an entertaining way
- Telling our community story to increase awareness of our core purpose.
- Our technology systems have evolved to handle the growth in volume and complexity of our business – especially since we launched our website, mobile site, and App.
- These and other improvements to the business have enabled us to increase distributions to the Lottery Grants Board significantly. Last year’s distribution of \$272.8 million was another record transfer, up \$68.8 million (34%) on the year before, which is over double the amount transferred in 2003, when the business was at a low ebb.
- At the same time, we have kept a watchful eye on expenses and this is paying off. Last year our expenses were 5.7%, down from 6.3% the year before (compared with 7.4% in 2003).

#### **4. Operating environment**

- To continue to grow, we need to ensure that we are doing everything we can to maximise revenues and profits from our current products, improving those products wherever possible, and that we continue to bring new products to market. However, it is worth noting the significant impact that jackpots have on our business.
- For all lotteries, jackpots are the fundamental driver of play, with higher jackpots causing more people to play. For example, in any given week, Lotto family sales are a direct result of the Powerball jackpot. In that respect, our business is inherently volatile and somewhat reliant on jackpot ‘luck’ in any given year. The ability to generate higher jackpots will have a significant impact on our sales.
- Powerball in 2016 provides a clear example of the relationship between jackpots and sales. As the Powerball jackpot increased, draw sales steadily increased. This culminated in a \$40 million Must Be Won Powerball jackpot in early July and a record week of sales. Incredibly, the following quarter saw the Powerball jackpot continue to climb, resulting in another Powerball Must Be Won draw of \$44 million and another significant week of sales. In comparison, the next quarter saw jackpots back at base level and accordingly sales were more modest, but meeting budget for the entire quarter.

### Lotto NZ weekly sales across jackpot run



- The demographic makeup of our players is skewed towards the middle-aged and older – 70% of our players are aged 45-plus. In order to keep growing, we need to make our business more relevant to a slightly younger demographic. By appealing to New Zealanders at an earlier life stage, for example from their early 30s, we would be able to expand our regular player base.
- Advances in technology have dramatically changed the environment in which our business now operates. Changing customer preferences towards retail, technology, media and entertainment have all changed how we connect with our customers. Mobile continues to dominate our digital landscape and this looks set to continue. One of our biggest challenges as a business is to stay relevant to our customers in this rapidly changing landscape.
- We are an agile business that generates almost \$1 billion in revenue annually (\$1.2 billion in our most recent financial year), supported by 130 staff. We strive to be an outstanding employer that attracts talented and ambitious people who will help us achieve our growth targets in the years ahead. We will continue to invest in our people, our technology and our brand with sound commercial principles and fiscal prudence, with the understanding that each dollar we save represents additional funds for community benefits.

## 5. Portfolio changes

### Key recent changes

- In October 2015, following Ministerial approval and the commencement of the Lotto Amendment Rules 2014, we replaced Big Wednesday with midweek Lotto. This resulted in two Lotto draws per week, with the Powerball and Strike jackpot rolling over from draw to draw. At the same time, we introduced Powerball Division 7 (for matching three Lotto numbers and the Powerball) to create about 20,000 more winners each week.
- We introduced further game improvements to Lotto, Powerball and Strike in April this year, following Ministerial approval and the commencement of the Lotto Amendment Rules 2017. These game improvements were accompanied by a price increase of 10c per line for Lotto and 20c per line for Powerball:
  - New Lotto Division 7 (for matching three Lotto numbers) to create about 250,000 more winners each week
  - Increased prize pay-outs across all Powerball divisions
  - Offered customers the option to now play Strike as a stand-alone game and lowered the Strike Must Be Won threshold to \$700,000 to create more excitement in the game
  - Increased the Powerball jackpot threshold to \$50 million
  - New dip ticket options.
- The combination of the 2015 and 2017 game changes to Lotto, Powerball and Strike have seen the Powerball jackpot climb more quickly, resulting in a greater number of high Powerball jackpots. Jackpots drive play of our games, leading to increased sales and ultimately higher returns to the Lottery Grants Board. The price increase has driven greater profitability of our Lotto family of games, and has been supported by an enhanced play experience, with more winners every single draw as a result of the two new prize divisions.
- At the same time as game improvements were made to the Lotto family, we re-launched our website MyLotto with a responsive-design and modern look and feel, and introduced the ability to buy tickets for our games through the Lotto NZ App (previously it only had ticket-checking functionality).

### Upcoming changes

#### Instant Play

- In August 2016, Lotto NZ received Ministerial approval to offer digital instant-win games. The Digital Instant Game Rules 2017 were gazetted in June 2017 and came into force from 1 October 2017.
- We intend to launch Lotto NZ's portfolio of instant-win games online, known as "Instant Play", in November. We will keep your office briefed once the launch date for Instant Play is confirmed.

- Instant Play games are considered the online equivalent to Instant Kiwi, which New Zealanders have been playing in-store for almost 30 years (Instant Kiwi was introduced in 1989).
- We worked closely with the Ministry of Health and the Department of Internal Affairs to establish the right safeguards to deliver Instant Play games responsibly. Responsible play safeguards for MyLotto and Instant Play include:

Responsible gaming safeguard	Details
Registration process	Only registered MyLotto players can wager.
Age verification	All players must be officially age verified as 18+. Acceptable forms of ID are New Zealand driver license or passport (details will be confirmed with the respective databases of NZTA and the Department of Internal Affairs). Other acceptable forms of ID are international passports and HANZ18+ cards.
Maximum spending limits across MyLotto	Each player can spend no more than \$50 per week on Instant Play.  [Total spending limits on MyLotto are \$150 per week or \$500 per month]
Pre-commitment spending limits	Mandatory pre-commitment of weekly Instant Play spending limits (from \$10 per week up to a maximum of \$50 per week).
Identity verification	Limits one account per person .

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## **B. FURTHER INFORMATION**

### **1. Introduction**

The purpose of this paper is to provide the Minister of Internal Affairs with an overview of Lotto NZ and the environment in which it operates. Areas covered in this briefing include:

- The legislative, regulatory and competitive environments in which we operate
- Our structure, operations and performance
- Our strategic direction.

### **2. Legislation**

The activities of Lotto NZ are specifically authorised and controlled through the Gambling Act 2003 and the Crown Entities Act 2004. This legislation gives us four main statutory functions, to:

- Promote, organise and conduct New Zealand lotteries for the purpose of generating profits for distribution by the New Zealand Lottery Grants Board, or for a community purpose for which a special purpose lottery is promoted
- Maximise profits so generated, subject to ensuring that the risks of problem gambling and underage gambling are minimised
- Make rules regulating the conduct and operation of New Zealand lotteries
- Advise the Minister on matters relating to New Zealand lotteries.

### **3. Governance**

The Treasury's Commercial Operations unit monitors Lotto NZ on behalf of the Crown and provides performance and governance advice to the Minister.

As outlined in the directory at the rear of this paper, our Board has seven members appointed by the Minister of Internal Affairs. Day-to-day business operations are the responsibility of the Chief Executive, Wayne Pickup, who was appointed in March 2012, and the senior management team.

### **4. Regulatory control**

The Department of Internal Affairs (DIA) is Lotto New Zealand's primary regulator. We maintain a close working relationship with DIA, consulting frequently over issues that affect lottery gambling in New Zealand.

Under the Gambling Act, responsibility for developing a strategic plan for preventing and minimising gambling harm sits with the Ministry of Health (MoH). We consult with MoH on issues relating to gambling harm.

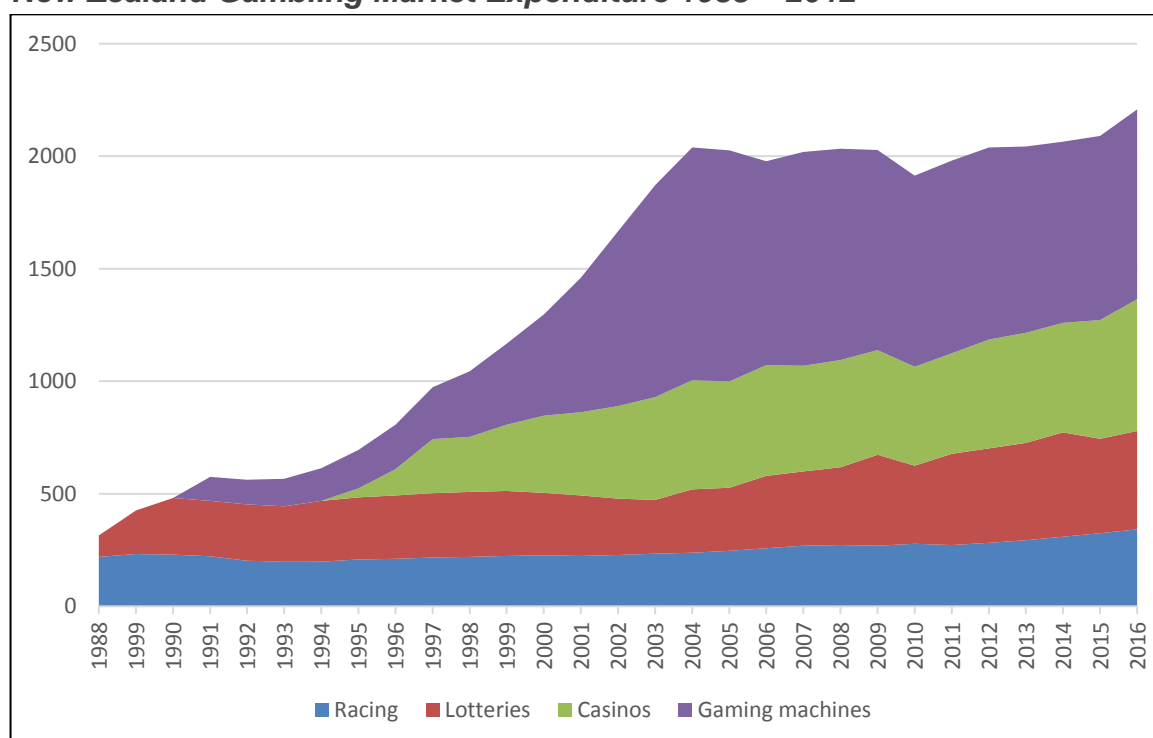
### **5. The operating environment**

Spending on Lotto NZ products comes from consumers' discretionary dollars, and the overall health of the economic and retail environment can affect our financial performance.

Competition for the discretionary dollar comes from a variety of indirect competitors including: pay television, video game consoles, mobile phones, sporting events, concerts, bars, clubs, cinemas and theatres, and 'small treat' purchases such as coffee, confectionery, magazines and newspapers.

Looking solely at the gambling industry, gaming machines outside of casinos are the largest of the four main forms of gambling. Although expenditure on these gaming machines has fallen by 19% from its peak in 2004, it still accounted for 38% of the total gambling market in 2016. Expenditure in casinos currently makes up around 27% of the total and the Racing Board accounts for 15%.

### ***New Zealand Gambling Market Expenditure 1988 – 2012<sup>1</sup>***



Expenditure on our products was \$437 million in 2016, accounting for 20% of total gambling expenditure<sup>2</sup>. This was the highest recorded annual expenditure for lottery products in any year. However, when inflation and population growth are taken into account, expenditure on lottery products is below mid-1990's levels. At that time, our share of total expenditure was over a third.

## **6. Lotto New Zealand's operations and products**

We operate from offices mainly in Auckland, with small teams in Wellington and Christchurch. All commercial operations and corporate support are conducted from Auckland, with regional sales teams based in Wellington and Christchurch. Some sales and training personnel, whose role is to support our network of retailers, are field-based.

<sup>1</sup> Gambling statistics derived from the Department of Internal Affairs website [www.dia.govt.nz](http://www.dia.govt.nz), which also has accompanying explanations on the data.

<sup>2</sup> 'Expenditure' means the gross amount wagered minus the amount paid out as prizes.

Our products are sold through our retail network of almost 1,500 lottery outlets throughout New Zealand. Retail outlets are not owned by Lotto NZ, but are operated under commercial agreements between the retailers and Lotto NZ.

Our online sales platform MyLotto.co.nz was established in 2008 and now has over 500,000 registered players. Registered players can buy tickets through either the website, the mobile-optimised site, or the Lotto NZ App.

Our business operates on modern and fully supported hardware and operating systems. There are two systems within the primary data centre that mirror each other. A third system, located at another site, is maintained for business continuity purposes.

The products we currently offer are Lotto, Strike, Powerball (collectively called the 'Lotto family'), Keno, Bullseye, Play 3, and Instant Kiwi. We will soon launch Instant Play as the online equivalent of Instant Kiwi.

GAME	HOW THE GAME IS PLAYED	WHEN
Lotto	<ul style="list-style-type: none"> <li>• 6 numbers and 1 bonus number drawn from 40 numbers.</li> <li>• To win, match a minimum of 3 of the 7 numbers drawn. Lotto First Division prize is \$1 million every draw.</li> <li>• Prizes won in an average week range between a bonus ticket and, for the correct 6 numbers, up to \$1 million.</li> <li>• Promotions for extra prizes involving vouchers with unique serial numbers, issued with qualifying Lotto tickets, are run 3 times a year (Christmas, Mother's Day and Father's Day).</li> </ul>	<ul style="list-style-type: none"> <li>• Saturdays at 8pm on TV1 and Wednesdays at approx. 8:20pm.</li> <li>• Available via TVNZ OnDemand approx 30mins after draw.</li> </ul>
Powerball	<ul style="list-style-type: none"> <li>• Played in conjunction with Lotto with a 1 from 10 draw.</li> <li>• Correct selection increases the size of your Lotto win.</li> <li>• Prizes range between \$15 and \$4 million-plus (up to \$50 million).</li> </ul>	As above (part of the Lotto draw)
Strike	<ul style="list-style-type: none"> <li>• Try to match the first 4 Lotto numbers drawn in the order in which they are drawn.</li> <li>• Win by matching 1 or more numbers.</li> <li>• Prizes range between a free ticket for 1 number and \$100,000-plus for 4 numbers.</li> </ul>	As above (part of the Lotto draw)
Keno	<ul style="list-style-type: none"> <li>• Correctly guess 0–10 numbers out of 20 numbers randomly drawn from 80 possible numbers.</li> <li>• Prizes range between \$1 and \$250,000.</li> </ul>	Daily at 10am, 1pm, 3pm, and 6pm.

GAME	HOW THE GAME IS PLAYED	WHEN
Bullseye	<ul style="list-style-type: none"> <li>• Correctly guess a number from 000,000 to 999,999 and the closer the selection is to the number randomly drawn that day, the bigger the prize that can be won.</li> <li>• The top prize starts at \$100,000 and jackpots daily if not won.</li> <li>• The jackpot can grow up to \$400,000 at which stage a must be won draw is called.</li> </ul>	6pm daily
Play 3	<ul style="list-style-type: none"> <li>• Players pick a 3-digit number and a Play Type (e.g. Exact order, any order, or pairs).</li> <li>• For a win the number needs to be matched to the number drawn on the day.</li> <li>• This game includes a top prize of \$500.</li> </ul>	6pm daily
Instant Kiwi	<ul style="list-style-type: none"> <li>• Scratch off latex coverings on cards of varying designs with different game play for each design.</li> <li>• There are up to 21 different Instant Kiwi designs available at any one time.</li> <li>• Prizes range between a free ticket and \$250,000.</li> </ul>	Whenever a Lotto store is open
Instant Play	<ul style="list-style-type: none"> <li>• Interactive digital games of varying designs with different game play for each design.</li> <li>• Instant Play will be launched with eight games on offer, with prizes ranging from the original ticket price to \$75,000.</li> </ul>	Will be launched in November. Games will be available during MyLotto's operating hours.

As per the respective Game Rules, the jackpot thresholds for Powerball, Strike, and Bullseye are determined by Lotto NZ and published in Jackpot Policies that are available online and in-store.

Audit New Zealand scrutinises game draws and verifies the results. Lotto family draws are broadcast on television, with online TVNZ on-demand viewing available about 30 minutes after the draw, and the results are published in many daily and weekly newspapers. Results for Keno, Bullseye and Play 3 are drawn using a Random Number Generator, with the game results available online at MyLotto, through the Lotto NZ App, by phoning the official results line, or from all Lotto outlets.

## 7. Responsible gaming

The Gambling Act 2003 has a strong focus on harm prevention and minimisation and it is one of Lotto NZ's statutory functions to ensure that the risk of problem gambling and underage gambling in relation to our products is minimised.

We are committed to providing a safe, secure and friendly gaming environment that encourages responsible play. Our vision is to be a world-leading lottery for the maximum benefit of New Zealand communities. We cannot achieve our objective of maximising benefits for New Zealand communities if playing our games is causing undue harm.

As part of our commitment to best practice responsible gaming, our responsible gaming programme has been certified under the World Lottery Association's (WLA's) Responsible Gaming Framework, which sets the international benchmark for responsible gaming. Lotto NZ's responsible gaming programme has been recognised to Level 4 (the highest possible level) under the WLA's RG Framework.

Our responsible gaming programme is focused around 10 core elements: research, employee training, retailer training and information, game design, remote gaming channels, advertising and marketing communications, player education, treatment referral, stakeholder engagement, and measuring and reporting.

Currently, our only age-restricted products are Instant Kiwi in-store and Instant Play, which is due to be launched online this year. We have a range of measures in place to minimise the risk of underage players accessing these games.

For Instant Kiwi this includes:

- An R18 mark appears on all collateral, including the back of all Instant Kiwi tickets, in-store point of sale, and external marketing and advertising
- Internal guidelines that provide a framework to ensure that harm minimisation is a key consideration when Instant Kiwi tickets are designed
- An onscreen terminal message in-store prompts Lotto staff to check for age verification before selling an Instant Kiwi ticket
- Ongoing activity promotes awareness among our retailers including regular communication via our weekly newsletter and regular 'mystery shopping' to ensure retailers are adhering to the required ID process.

For Instant Play this will include:

- Players must be registered with MyLotto, where only one account can be linked to official ID details
- A robust age verification process with official ID form
- An R18 mark on all Instant Play collateral (predominantly digital)
- Internal guidelines that provide a framework to ensure that harm minimisation is a key consideration when Instant Play games are designed
- Social media advertising restricted to 18+ profiles
- Ongoing age restriction reminders.

We consult with MoH on harm minimisation issues, particularly when proposing changes to existing games and developing new games. We support programmes that help protect people most at risk, through funds raised from the Problem Gambling Levy. The Problem Gambling Levy is set by MoH every three years. It is

calculated using a formula that includes expenditure per sector and the number of customer presentations to problem gambling services attributed to each sector. MoH are set to review the Problem Gambling Levy calculation again in 2020.

We are continually looking for opportunities to further improve our responsible gaming programme in order to provide a safe and friendly gaming environment, and ensure we demonstrate best practice. Our responsible gaming programme was recently awarded the 'Best Overall Responsible Gaming Programme' in the 2016 Responsible Gaming awards hosted by the WLA.

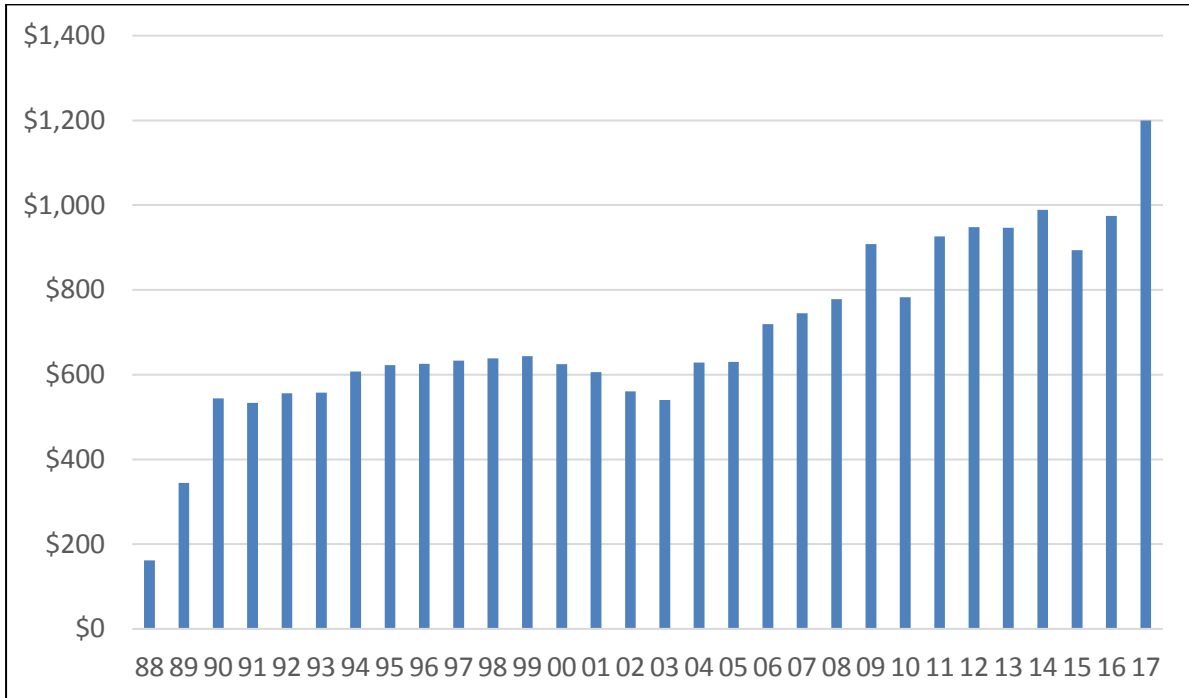
We will continue our positive working relationships with your office, the Department of Internal Affairs, the Ministry of Health, industry groups, and gambling harm support services to ensure we continue to have the right balance in place.

## **8. Lotto New Zealand's performance**

Spending on our products remained relatively static over the years until 1999, and then declined until 2003. Sales have increased since then thanks to the successful implementation of several key strategic initiatives. In recent years, this includes:

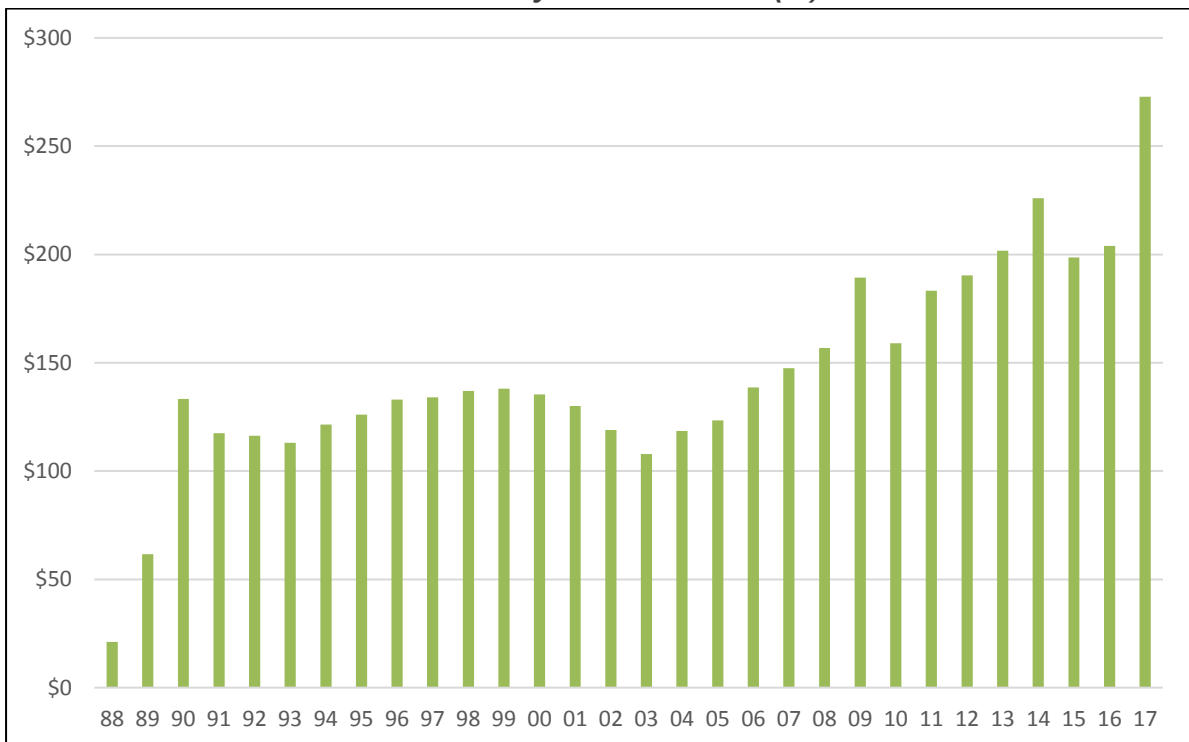
- Incremental game improvements to Lotto, Strike and Powerball draws, divisions, prizes, and number of possible winners. Most recently, this included introducing a second weekly Lotto family draw on Wednesday, introducing a new winning division for Lotto and Powerball, increasing the prize pay-outs across all Powerball Divisions, adding new dip options, and offering Strike as a stand-alone game independent of Lotto.
- Popular additional promotions such as the Lotto Triple Dip promotions which feature extra prizes for players at Christmas, Mother's Day and Father's Day.
- The introduction of an online sales platform, which now includes a website, a mobile-optimised site, and an App.
- The introduction of 'pay-as-you-go' online subscriptions in December 2013, enabling registered customers to subscribe for 3, 6 or 12 months of weekly ticket purchases; and a 'text to play' service which allows MyLotto players to get their favourite ticket via text message.
- Increasing the size of our retail network from 640 in 2004 to almost 1,500 outlets today, making it more convenient to purchase our products.
- Introducing a fresher, modern retail format that is more flexible and takes up less space. This includes the introduction of new digital signage screens across most of our retail network.
- New communications strategies for Powerball and Instant Kiwi, including award-winning advertising campaigns

**Sales revenue since the inception of Lotto NZ in 1987/88**



As a result of our increased sales revenue, we have increased the funding available for distribution to the Lottery Grants Board. Since 2003, we have consistently exceeded our budgeted transfers to the Lottery Grants Board. This has enabled a steady increase in the amount of funding available to Creative New Zealand, Sport New Zealand, Film New Zealand and over 3,000 community groups and projects that receive lottery funding every year.

**Profits transferred to the NZ Lottery Grants Board (M) since 1987/88**

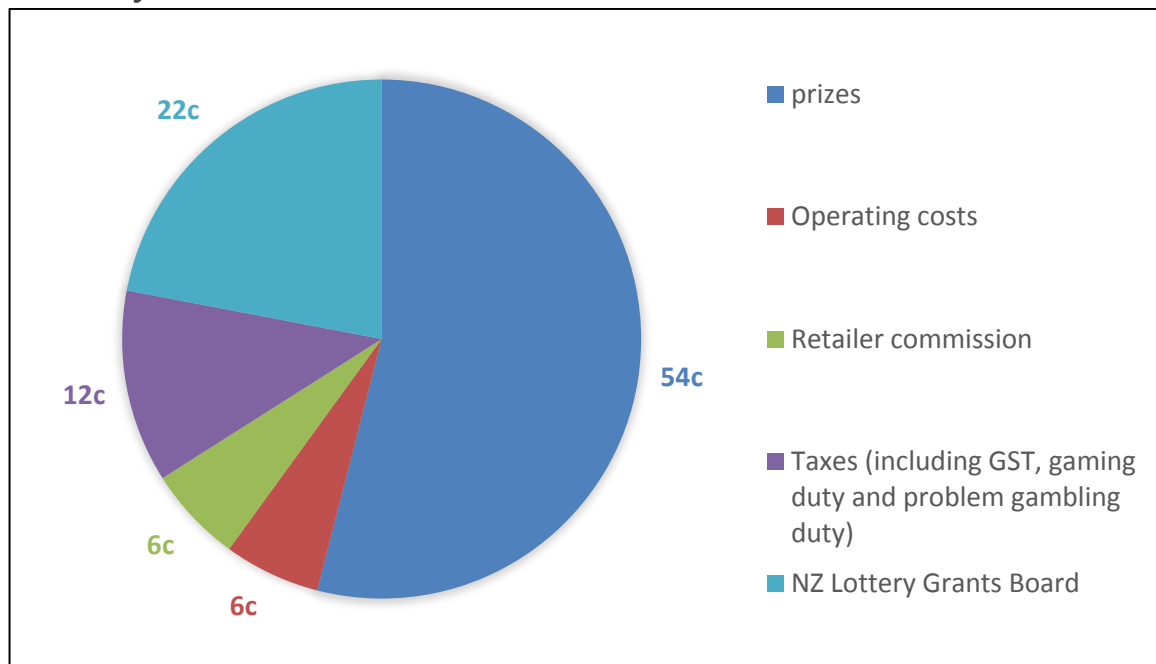


Based on our results to date and a continuation of current trading patterns we expect the transfer for 2017/18 to be in line with the budget of \$225 million.

## 9. New Zealand Lottery Grants Board

All Lotto NZ profits, outside of retained earnings for business renewal, are transferred to the Lottery Grants Board for distribution. Lotto New Zealand is the sole funder of the Lottery Grants Board. Our profits are a major source of funding for sport and recreation, arts and culture, and community services.

### *For every \$1 from combined sales*



*Based on results for the year ended 30 June 2017*

In the 2016/17 financial year, we transferred \$272.8 million to the Lottery Grants Board, another record profit transfer. Since Lotto New Zealand began in 1987, we have transferred in excess of \$4.3 billion to the Lottery Grants Board for community causes.

We have a close working relationship with the Lottery Grants Board and together we look for opportunities to promote the wide range of community grants, amongst our retailers and with the general public.

In recent years, this has included telling Lotto NZ's community story through a campaign that thanks Lotto players for the role they play in generating essential community funding. We aim to highlight the importance of lottery funding to community projects, while generating greater awareness of our core purpose and making an emotional connection with our players.

We are also working with the Lottery Grants Board to increase visibility of lottery funding with grant recipients by providing signage for display by grant recipients.



In 2013, we formed a partnership with Sport New Zealand to show appreciation for sports volunteers in the community who help make sport happen through the 'Thank a Sport Maker' programme. As part of the partnership, thousands of deserving sports volunteers around the country have been awarded over \$1 million in sporting merchandise.

## **10. Lotto New Zealand's business goals**

### **Our purpose**

To provide safe gaming that allows New Zealanders to play and win while contributing money back to New Zealand communities.

### **Our vision**

To be a world-leading lottery for the maximum benefit of New Zealand communities.

### **Goal**

Our goal for the next four financial years is to transfer a minimum of \$200 million to the Lottery Grants Board every year.

### **Key results**

In all of our activities, we aim to:

- Maximise profits for transfer to the Lottery Grants Board for distribution to the community
- Minimise the risk of any problem gambling and underage gambling associated with our products.

## **11. Lotto New Zealand's strategic direction**

Our long-term strategic priorities remain in line with those set in our 2016-2019 Statement of Intent and our 2018 Statement of Performance Expectations. We will modify certain areas of our strategy to reflect both the changing environment we are operating within and progress made to date.

We have three key business strategies that will work together to help us transfer \$225 million to the Lottery Grants Board in this financial year. These are to:

- Drive demand
- Grow digital
- Increase diversification

We need to ensure that we continue to drive demand for our games through offering a strong Lotto family game proposition that brings more people into the game, more often. We want to continue to make it easy for New Zealanders to purchase our products, and ensure people feel good about our games and the contribution they are making to the community when they play.

We will invest where we see momentum and will continue to focus on strengthening our digital channel in order for MyLotto to evolve in line with advances in technology and the growing demands of our customers over time. This will include offering

new ways to play our games and delivering improved services to enhance the customer experience.

Actively managing our game portfolio will ensure long-term sustainability of the business, adopting our product offering and extending the appeal of brands in order to connect with an increasingly diverse New Zealand market.

Solid business foundations in responsible gaming, risk and security management, health and safety, and the operational availability and performance of our systems will continue to underpin all future programmes of work.

## **12. Budget for 2017/18**

We have budgeted for sales of \$1.08 billion for 2017/18, and a distribution to the Lottery Grants Board of \$225 million.

The 2016/17 financial year started with an unprecedented jackpot run that led to two Powerball Must Be Won draws with jackpots of \$40 million and \$44 million, within the first six months of the year, leading to a record sales result for the year. While not to the same extent as the 2016/17 year, the current financial year has also had a strong start. A \$30 million Powerball jackpot run in September led to our second best quarter of all time – second only to the second quarter of the previous financial year where we had a \$44 million Must Be Won Powerball draw and Christmas trading. This result is largely reflective of the recent game changes to the Lotto family of games.

As a result, sales for the first quarter of the year are tracking 18% over budget and we are therefore confident of meeting our budgeted transfer to the Lottery Grants Board for the 2017/18 financial year.

We would welcome the opportunity to meet with the Minister, at your earliest convenience, to have a more in-depth discussion about our organisation and our strategic direction – either in Wellington or at the Lotto NZ head office in Auckland if that is more convenient.



Matthew Boyd  
**Chair**  
On behalf of the board

## C. DIRECTORY

### Board

<b>Board member</b>	<b>Board appointment date</b>
Matthew Boyd (Chair)	November 2016 (appointed Chair, May 2017)
Tony Mossman (Deputy Chair)	May 2011
Monique Cairns	May 2017
Mark Gilbert	May 2015
Kieran Horne	November 2015
Logan Sears	November 2015
David Tapsell	November 2016

### Executive team

Wayne Pickup	Chief Executive
Dan Balasoglou	Chief Financial Officer
Ben Coney	Chief Innovation and Technology Officer
Guy Cousins	Chief Marketing Officer
Kathryn Haworth	General Manager, Strategy
Chris Lyman	Chief Operating Officer
Amie McKinlay	General Manager, People and Culture
Emilia Mazur	General Manger, Corporate Communications and Social Responsibility

### Offices

Auckland  
Level 1, 73 Remuera Road, Newmarket

Wellington  
Level 3, 54 – 56 Cambridge Terrace

Christchurch  
66 – 68 Mandeville Street, Riccarton

Auckland is our head office and where all of our commercial operations and corporate support functions are based. Smaller satellite teams are based in Wellington and Christchurch. All premises are leased.