

Scientific Games' Pat McHugh: Lottery Group acquisition will help drive digital instant game growth

By **Conor Porter** - December 23, 2021



Image source: Scientific Games

On the back of winning the Lottery Supplier of the Year award at the 2021 SBC Awards North America, we spoke to Scientific Games' Lottery Group Chief Executive Pat McHugh about the firm's recent sale to Brookfield Business Partners and its business plan for 2022.

SBC: Congratulations on winning the Lottery Supplier of the Year award at this year's SBC Awards North America! How do you and your team feel about winning this award?

Pat McHugh: We're excited and appreciative so thank you very much. We're really thrilled. Our teams work hard. We're doing a great job innovating our business for our customers and anytime you have great recognition like this, it means a lot to people who have invested so much effort and focus into it, so it's very exciting.

SBC: What does Scientific Games do differently as a lottery supplier to separate itself from the competition?

McHugh: Better than anyone else in the industry, we've positioned ourselves as the Apple of the industry, and what I mean by that is we're really focused on integrating game content, enabling technology, and services around those games. That's really what's been driving our business and driving value for our customers. There's not another company in the lottery space that's working in that intersect across all gaming categories as we are,

and so really being able to bring value-added solutions in every game category to help drive our performance for our customers.

Our job is to give lotteries the tools, support, and content to maximize proceeds for their beneficiaries in a responsible manner. Across every game category, we're doing that exceptionally well and we have a history of leading innovation in the global lottery industry to offer solutions that help our customers in that mission.

SBC: Back in October, it was announced that Scientific Games' lottery business would be sold to Brookfield Business Partners for \$6.05 billion. How has each stage of that sale process gone over the past few months?

McHugh: It's going very smoothly. We announced that we are anticipating a close in Q2 of next year and we're still on track for that. For us and for our customers, it's pretty seamless. We already operate very independently as a Lottery group, so our ability to stay focused on our customers and delivering their games, enabling technology and services hasn't and won't change. That is our primary goal through the transaction. We are 100% focused on lottery and our customers.

We're also working through the mechanics of separation on shared services like internal IT, finance, legal, etc. For us, most of the separation is the mechanics of internally separating and becoming a standalone company, but our delivery to our customers continues uninterrupted. As a matter of fact, we expect that this transaction will help accelerate our ability to invest in innovation for the lottery sector.

SBC: What does the sale of the lottery business mean for Scientific Games and for lotteries you supply around the world?

McHugh: First, we're thrilled about the transaction. As I mentioned, we operate fairly independently as a company. Scientific Games Corporation captured all the synergies we can on content, technology, and analytics between our Lottery and Gaming groups. The Lottery group has achieved all-time record growth across every category. We're a leader in retail instant games and we have been expanding rapidly in the digital space and sports betting for lotteries, as well as enabling systems and platforms.

We're very well-positioned to separate as our own company, stay focused 100% on our lottery customers in the lottery industry, and financially, with the investment from Brookfield, we'll be in a much better structure for having better access to capital to accelerate investment, growth and product innovation that will ultimately serve our customers.

SBC: What is the plan of action for Scientific Games lottery business in 2022?

McHugh: We're going to keep delivering as we have in every category – in retail and digital content, in the lottery space, the enabling platforms and in game categories. We'll also

continue providing sports betting platforms to our lottery customers. And we'll continue to execute with the same excellence as always.

One of the key areas for us, as a differentiator, are what I call game category services. SGEP, which stands for Scientific Games Enhancement Partnership programme, is a good example. It's where we partner with a lottery customer not just to provide individual retail instant scratch games but to also give them the tools and the support to manage the whole game category from game portfolio design through delivery to optimize sales increases.

We use predictive ordering systems, with analytics around the game portfolio and consumer base, and tie-in digital programmes that help expand retail. This is a great example of a bundled solution that adds value for our customers. We'll continue to accelerate those solutions in 2022.

We have a particular focus on the digital space coming into 2022. In June, we announced our acquisition of Sideplay Entertainment, a UK-based digital instant game content studio. As we have better access to capital for investment, we'll continue to look for those types of tuck-in acquisitions to add value. We're number one worldwide in the retail lottery instant games – and we want to be number one in digital instant games as well. Connecting retail and digital lottery experience are key areas of focus for us going forward.

Our digital lottery programs are the digital version of SGEP. We're partnering with our customers manage the whole digital game portfolio, enabling platforms and services to engage consumers and modernize the lottery experience.