

# Shaping the Future of Lottery in Australia



**Sue van der Merwe**  
*Managing Director and Chief Executive Officer, The Lottery Corporation*

**PGRI INTRODUCTION:** As the driving force behind Australia’s leading lottery and Keno games and one of the best-performing lottery businesses in the world, **The Lottery Corporation** operates a diversified and balanced portfolio of high-profile brands under exclusive and/or long-term licenses and approvals, bringing Australia’s largest lottery games to more than 8 million active customers.

The successful demerger of the Lotteries and Keno business from the Tabcorp Group on 1 June 2022 enabled the creation of The Lottery Corporation as a standalone entity listed on the Australian Securities Exchange. It was a watershed moment for a business that dates back to 1881 when George Adams organized the first Tattersall’s public sweep on horse racing’s Sydney Cup. The Lottery Corporation’s story spans more than 140 years, with brands that are entrenched in the hearts and minds of Australians and today is one of the highest performing lotteries globally and the leader in the Australian lotteries and keno market.

Its business is one of significant scale and reach with the equivalent of 46% of the Australian adult population purchasing a lottery ticket in the past year, an extensive retail footprint of more than 7,200 outlets comprising one of Australia’s largest retail franchise networks, 4.1 million active registered lottery customers and high performing digital channels. The Lottery Corporation has a proud history of delivering life-changing wins to its customers and making a meaningful difference in Australian communities.

We are very pleased to bring to you this discussion with Sue van der Merwe, CEO of The Lottery Corporation. Sue, who also chairs the Asia Pacific Lottery Association, shares her views on the industry, The Lottery Corporation’s future, the role that lotteries play in the community, and balancing the needs of The Lottery Corporation’s stakeholders.

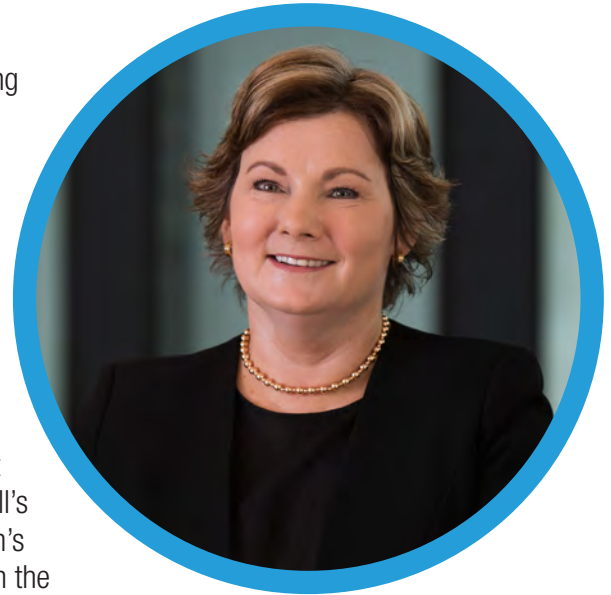
**Paul Jason:** Thanks very much for joining us in what must be a crazy busy time for you, Sue.

**Sue van der Merwe:** It’s a pleasure Paul, always happy to speak with you and to share insights with the lotteries community. It’s an exciting time for us at The Lottery Corpora-

tion having only begun life as a standalone ASX-listed company on June 1, albeit we’ve been operating lotteries in Australia in one form or another for more than 100 years.

**Your business was previously part of the Tabcorp Group?**

**Sue van der Merwe:** Yes, that’s right. Before



that, the lotteries business that we run was part of the Tatts Group. A Tabcorp-Tatts Group merger in late 2017 brought together six complimentary businesses to create three businesses under the Tabcorp brand – Lotteries and Keno was the largest business contributing 56% of FY21 revenues. I was Managing Director of the Lotteries and Keno business, which we’ve now demerged from Tabcorp.

**What was the rationale behind the demerger?**

**Sue van der Merwe:** The decision to pursue the demerger followed a strategic review by the Board which considered a number of potential alternatives to maximize shareholder value.

From a leadership point of view, it’s allowed us to solely focus on lotteries and Keno, whereas within the Tabcorp Group the focus was shared with the wagering and gaming businesses. I’m excited to have assembled an experienced, passionate and talented leadership team to drive our performance.

Having access to new and different investor categories was another element of the rationale. There are some investors, for example, that don't want to own shares in a gaming business but were comfortable with investing in lotteries and Keno. It's also allowed shareholders to value our lotteries and Keno business on a standalone basis.

**How did the demerger process go? I would think there are lots of challenging operational, distributional and logistical issues that a large-scale de-coupling like this must entail.**

**Sue van der Merwe:** The plan to demerge was first announced in July 2021. Within roughly 11 months, we obtained all the necessary approvals and shareholder support, along with conducting the extensive preparation for separation. It was complex and there was a lot of heavy lifting by our people. It's a credit to all involved that we were able to meet the June 1 timetable while dealing with the impact of the pandemic and maintaining momentum in the business.

**Tell us about the scale of the business now.**

**Sue van der Merwe:** We're now an ASX50

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company with a market capitalisation of more than A\$9.5bn at the current share price. We operate a complex multi-jurisdictional business across seven of the eight Australian jurisdictions, under varying forms of legal arrangements. To that end we have multiple stakeholders across the various state governments, retailer bodies, responsible gambling groups and the like.

On the Lotteries side we operate a balanced portfolio of 10 popular games sold through retail and digital channels. Our lottery retail model is a franchise and accordingly we operate one of Australia's largest franchise networks. On the Keno side, the game is distributed via licensed venues (pubs and clubs) and online in those jurisdictions where this is permitted.

To give you an idea of the prominence of our brands and products, the equivalent of

46% of the adult population bought one of our products in the past 12 months. That's 8.3 million customers, and just under half of those are registered to our database.

We have around 750 employees, including a large technology team as we operate our own technology system.

**How is the new company going?**

**Sue van der Merwe:** We have started with momentum and we've just delivered a strong result in the past financial year, coming off strong performance in 2020 and 2021 when we saw increased purchase of lottery products during the onset of COVID.

Our revenues grew more than 9%, and we had an increase of almost 12% in EBITDA on a comparable basis in FY22 – by comparable, we mean the reported results, which were affected by the demerger, have been

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adjusted to allow for a more representative view of performance.

Our team is engaged and passionate about the future of our business. We put a lot of effort into “Day 1”, personally welcoming the team and signifying a new beginning, changing the branding through our offices, creating an energy and drive. Since then, we’ve been collaborating with the team to define our culture and ways of working.

#### What were some other highlights of the past 12 months?

**Sue van der Merwe:** One of the aspects of our performance I was really pleased with was to see the strength across our game portfolio. We actively manage our overall portfolio for growth by having games that appeal to different player motivations.

In FY22, Powerball returned to a higher level of jackpot activity. At the same time our Saturday Lotto game and Set for Life held up well, demonstrating the success of previous changes we’d made to those games. We also continued to innovate and optimize the portfolio introducing a game change to Oz Lotto, which, along with Powerball, forms our jackpot games segment. [

The change to the game matrix, launched in May, was designed to deliver bigger jackpots and reinforce Oz Lotto’s strategic position in the jackpot segment of the game portfolio.

## “We are very focused on data-driven, personalized marketing so we can offer the right products to our customers at the right time without serving offers that don’t align with their preferences.”

It’s been well received by players. Oz Lotto is our third-biggest contributor to digital sales and one of the main acquisition games in our portfolio.

Our focus on digital, both from a marketing point of view and as a distribution channel, continues to deliver benefits. Digital sales grew 26% in FY22 and our active registered customer number grew by 330,000 customers. Pleasingly our retail channel was resilient, with retail revenue also growing.

And on Keno, we secured a new 20-year license in the state of Victoria on a non-exclusive basis, and that runs through to 2042 and now allows for digital sales.

#### What’s ahead?

**Sue van der Merwe:** Significant themes for us this year will include embedding our own

company culture, enhancing our commitment to community and continuing to innovate with our product portfolio and optimize our distribution channels.

Taking retailer store syndicates online is an exciting initiative which delivers another element to our omni-channel strategy to align the retail and digital experience. Store syndicates, where we bring a group of people to purchase game entries together, are important to our retailers. This will make it easier for customers to discover and join syndicates wherever they are playing.

With Keno, we’ll seek to leverage the digital element to the new Victorian license, and offer enhanced features and offers on the app for customers playing in venues.

We’ll continue to evolve our diverse retail network and work with our retailers to drive growth in their stores.

#### How does de-coupling lottery from the other gaming sectors add value to your players?

**Sue van der Merwe:** We’ve always been customer-led and had a deeply ingrained customer focus in our business. As an example, we are very focused on data-driven, personalized marketing so we can offer the right products to our customers at the right time without serving offers that don’t align with their preferences.

Being a separate company now, we are able

to fully control how we prioritize initiatives and allocate our resources, which is a benefit.

### How does the demerger enhance your relationship with political stakeholders and the beneficiaries of lottery funding?

**Sue van der Merwe:** Again, I think it is about focus. Both these areas are highly important to the future of our business in different ways. As I mentioned earlier, we're licensed in seven jurisdictions in Australia (all states and territories excluding Western Australia) and it's important that we work effectively with all governments.

The demerger helps simplify working with government as the range of licenses, products and issues is narrower than when we were part of a bigger group, and of course retaining strong and productive relationships with governments that license us is very important to us.

### What is the scale of the funds generated by the Lottery Corporation that go to the governments?

**Sue van der Merwe:** In FY22, our operations generated A\$1.7bn for communities through taxes paid to governments. We also

generated more than A\$500m in commissions for our retail partners, many of which are small businesses. We also paid out more than A\$4.9bn in prizes to customers.

### How does the demerger enhance your ability to serve and support your channel partners, mainly retailers?

**Sue van der Merwe:** We did a lot of very valuable work with our retailers when we were part of the Tabcorp Group. This included working with retail stakeholders to develop a model that saw them share in revenue from digital sales, and benefit from this transition to digital that we see occurring across a range of areas. We're very conscious of the importance of the retail channel. It gives us prominence and visibility and helps promote our products. And it remains our largest channel.

The omni-channel model we've developed is very much about allowing customers to buy entries when, how and where they like. In many cases a customer will buy across a range of channels depending on their activities.

I think that as a separately listed company, it gives us an even greater ability to retain that focus on our more than 7,000 retail

outlets. As an example, we now have a Chief Channel Officer (Antony Moore) on our Executive Leadership Team. That's important in terms of ensuring we support our channel partners and manage our network effectively.

### What will The Lottery Corporation do going forward that would likely not have been done before?

**Sue van der Merwe:** We have much work to do in terms of bedding in the demerger and standing up our own operations in those areas where we are still on shared systems operating under transition service agreements.

We've just launched our strategy, vision and purpose. Our vision is to be the world's best lottery operator, and our purpose is to create positive impacts.

In terms of new opportunities, we've said that we are interested in opportunities relating to new licenses, or enhancements to our existing licenses, but they have to stack up against our criteria.

### How are consumers in Australia responding to the new environment of higher inflation and interest rates?

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## “Taking retailer store syndicates online is an exciting initiative which delivers another element to our omni-channel strategy to align the retail and digital experience.”

**Sue van der Merwe:** While Australia has certainly seen inflationary pressure and rates have risen, the scale of increase has not been to the same level we have seen, for example, in the United States or in the UK.

We know lotteries have been resilient through different phases of the economic cycle. And the average ticket purchase with us is about A\$12, so we are at the lower end of the range in terms of discretionary spending.

We said when we delivered our results in August that we’ve been pleased with trading to date in the current financial year (from 1 July 2022). For example, the base (non-jackpot) games in the portfolio have been holding up well, in line with

recent volumes. And we’re pleased at how Keno has rebounded strongly now that we’ve emerged from the era of COVID lockdowns.

We have also just had a A\$160m Powerball jackpot – the largest prize offer in Australian lotteries history, which attracted significant interest and was shared by three winners.

### What are some of your own priorities this year?

**Sue van der Merwe:** This will be the first full financial year of The Lottery Corporation as a standalone company, and we have a lot to do. Among my focuses will be executing our strategy and embedding our culture now that we’ve defined who we

want to be as an organization. I’m proud of the amazing team we have at The Lottery Corporation and I’m energized about what we can create together!

We truly are very fortunate, I believe, to work in this industry and play a role in what lotteries does across the globe in terms of the positive impact it makes. And it’s always so special to catch up with friends and colleagues from around the world and share experiences and insights.

Already this year has involved more travel than the previous two years that’s for sure! We held our Asia Pacific Lottery Association conference in Singapore in September and of course the World Lottery Summit in Vancouver was a great success in terms of sharing insights within the industry.

On a personal front I’m planning a holiday in Italy, which I’m very much looking forward to!

### That’s great Sue, thank you for your time and insights.

**Sue van der Merwe:** It’s a pleasure Paul, thank you for the opportunity. ■

## Lotto America Reaches New Heights continued from page 18

For an additional \$1 per play, players can add the All Star Bonus® multiplier feature to their Lotto America ticket. So far, the Monday drawing hasn’t negatively affected the add-on feature’s participation rates. On average, 26.4% of Lotto America purchasers included the All Star Bonus in Cycle A, compared to 25% in Cycle B. Following the launch of the Monday draw, the All Star Bonus participation rate has increased to 27.3%.

The Monday draw and the All Star Bonus

also seem to appeal to players who frequently engage in the product. As a result, the performance result of the All Star Bonus closely follows the base game results - weekly All Star Bonus sales including the Monday drawing averaged 22.4% greater than Cycle A and 29.6% greater than Cycle B.

“The Monday drawing has been a multi-faceted solution,” Toyne noted. “Lotteries are able to engage their frequent players an extra night, and the additional sales

from the Monday drawing are generating dynamic jackpot growth, which in turn, is attracting more people to the game.”

“The Lotto America Product Group has established a solid draw lineup by having Lotto America and Powerball both offered every Monday, Wednesday, and Saturday,” Prock added. “We’ve seen that a strong jackpot run in one game can cross over and lift the sales of other products. We want to promote that symbiotic relationship between Powerball and Lotto America.” ■

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the latest issue of  
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