

**Tuesday 12:15-1:45 PM**



— THE —  
**SYMPOSIUM ON RACING**  
*& Gaming*



**Keynote Address  
Symposium on  
Racing and Gaming 2005**

Lorne Weil  
Chairman & CEO  
Scientific Games

# My understanding of casino economics

Cost to build - in multiples of	\$ 1,000 MM
EBITDA	\$ 100 MM
Maintenance & Repair Capital	\$ 30 MM
Interest	\$ 70 MM
Free Cash Flow	---

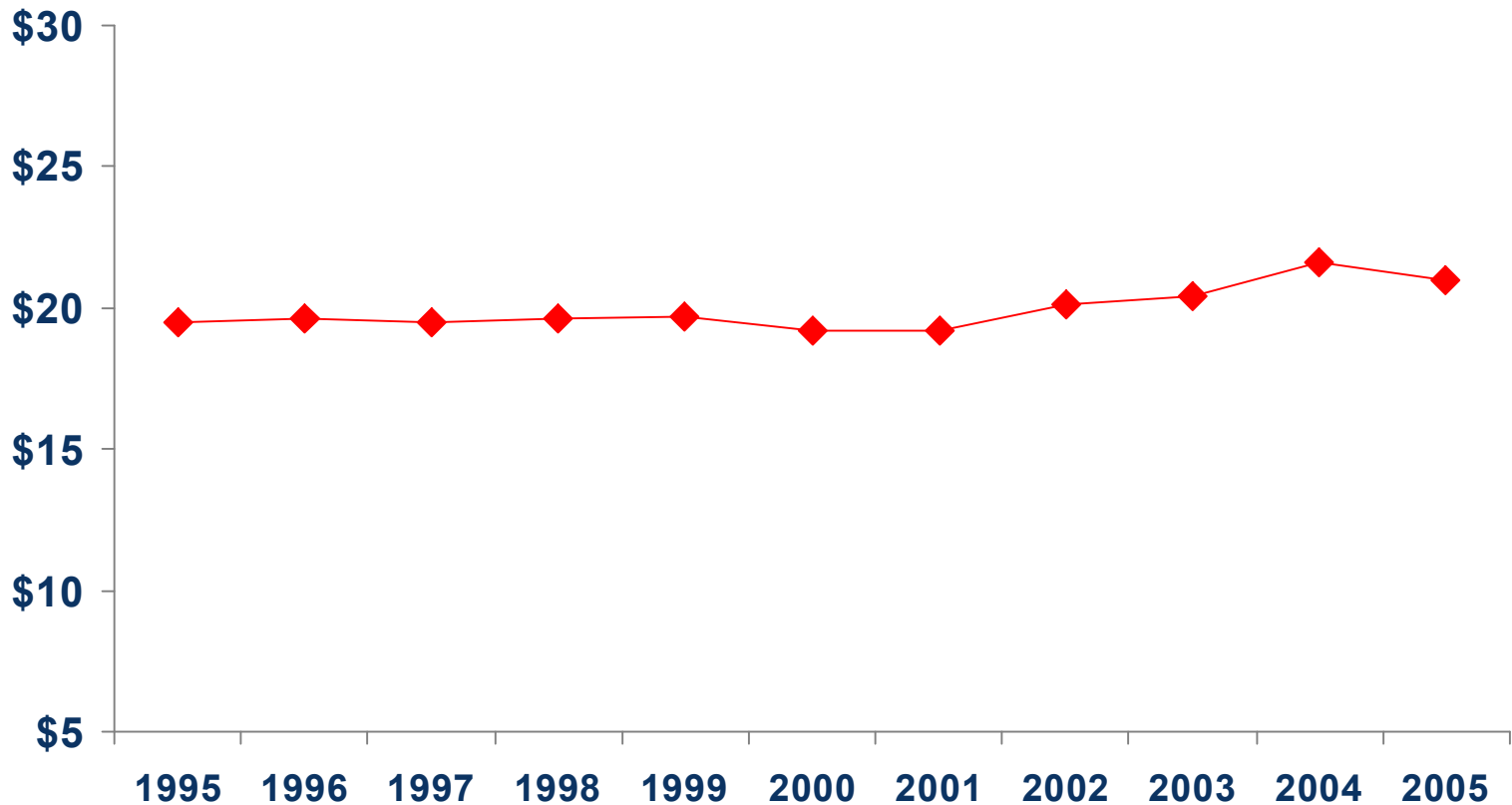


# Lottery Economics

	Industry Total (\$ Billions)	%
Sales	\$ 50.0 B	100 %
Prizes	27.5	55 %
Retention	22.5	45%
Overhead		
Commissions	2.5	5 %
Suppliers (Gtech, SG, etc.)	1.5	3 %
Other	3.5	7 %
Subtotal	7.5	15%
Profit	15.0	30%



# Total U.S. Online Lottery Sales - Billions



Note: Fiscal years ending June 30

Note: Online sales is made up of 4 digit, 3 digit, Lotto sales, BLOC sales and Keno

Source: LaFleur's World Lottery Almanac





# Accelerating U.S. Instant Ticket Growth

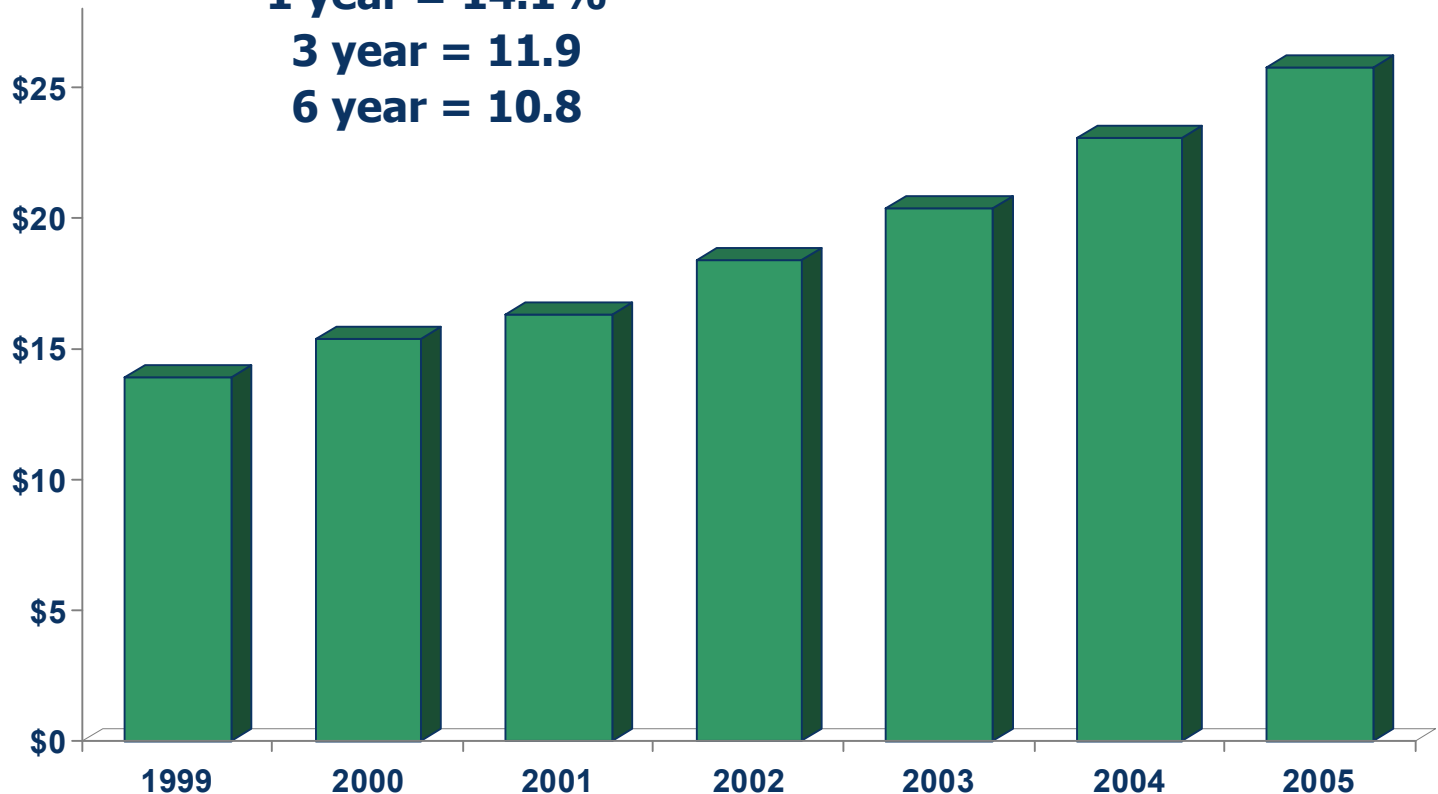
(US\$ in billions)

## Instant Ticket CAGRs

1 year = 14.1%

3 year = 11.9

6 year = 10.8



Note: Fiscal years ending June 30  
Source: LaFleur's World Lottery Almanac



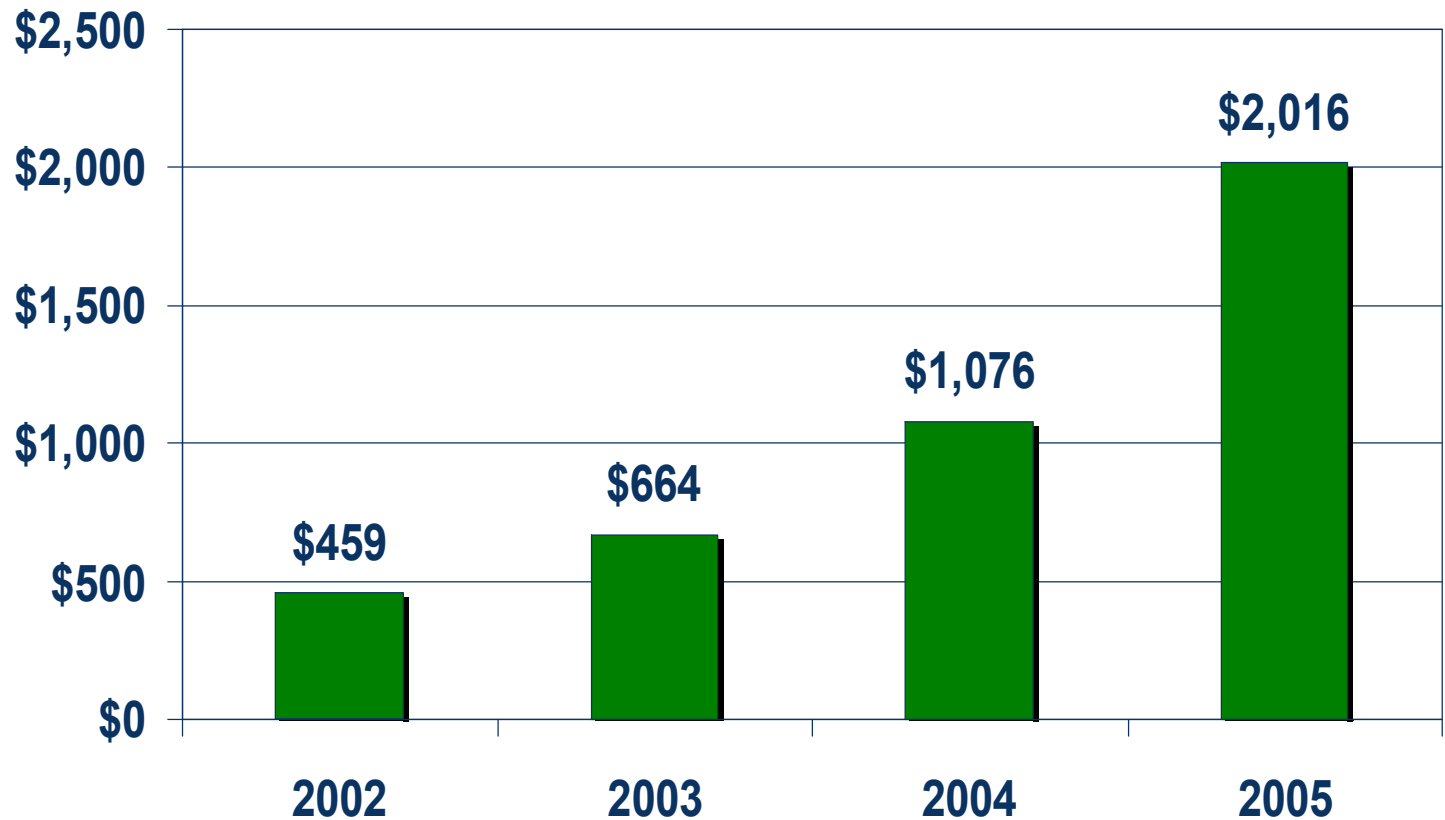
# Leading Portfolio of Brands and Games





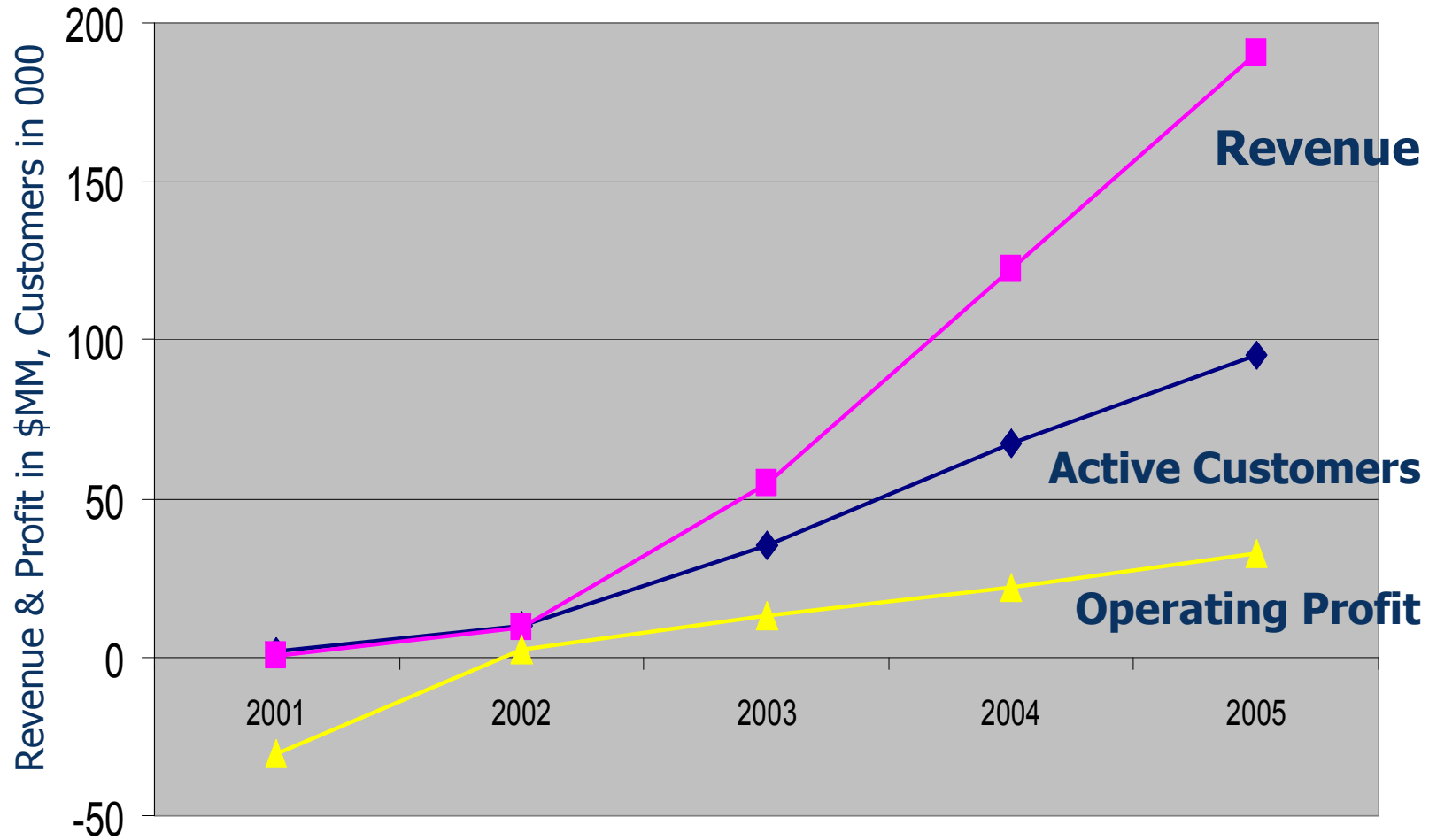
# Licensed Games Retail Sales

(US\$, millions)





# Betfair







# Sports Betting

- In Nevada, sports betting is about 4x larger than horse racing
- Worldwide legal sports betting is estimated to be around \$80B, growing at 20% per year
- National Gaming Impact Study estimated \$80-380B in illegal gambling in 1999, most of which was on sports



# Racing Distribution Overview

Thoroughbreds, 2003, \$B

	U.S.	France	U.K.
Handle Adjusted for Internet (\$B)	\$ 14.4 B	\$ 8.7 B	\$ 16.5 B
Population (MM)	295.7	60.6	60.4
Per Capita Handle	\$48.70	\$143.56	\$273.18
Points of distribution	700	8,530	8,800
Points of Distribution per million people	2	141	146



# Conclusions

- Be careful what we learn from the casino industry
- Racinos are not the savior of racing
- Technology in and of itself doesn't drive growth
- Exploit the growth in Sports Betting
- Broaden distribution
- Content is king

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