

**Fiscal Year 2026 Variance Analysis
(July 1, 2025 – September 30, 2025)**

Net Profit From Operations

Net profit for the first quarter is \$211,136,379 on a plan of \$202,401,874 creating a favorable variance of \$8,734,505 (4.3%). Sales over forecast and lower than expected expense in indirect expenses created the unexpected net profit.

	Net Profit Variance Favorable/(Unfavorable)			
	YTD			
	Actual	Budget	Variance	Percent
Net Revenue	\$ 356,064,055	\$ 350,851,714	\$ 5,212,341	1.5%
Indirect Revenue	5,873,514	4,946,033	927,481	18.8%
Direct Expense	116,895,401	115,878,328	(1,017,072)	-0.9%
Indirect Expense	33,905,789	37,517,544	3,611,755	9.6%
Net Profit from Operations	\$ 211,136,379	\$ 202,401,874	\$ 8,734,505	4.3%

Net Revenue (Sales After Prizes)

Net revenues are \$356,064,055 on a budget of \$350,851,714 generating a favorable variance of \$5,212,341 (1.5%).

	Net Revenue Variance Favorable/(Unfavorable)			
	YTD			
	Actual	Budget	Variance	Percent
Traditional	\$ 51,835,185	\$ 39,713,831	\$ 12,121,355	30.5%
Video	288,171,219	288,244,883	(73,665)	0.0%
Sports	16,057,651	22,893,000	(6,835,349)	-29.9%
	\$ 356,064,055	\$ 350,851,714	\$ 5,212,341	1.5%

- Total traditional gross sales were over expectations 24.5%.
 - Powerball sales were \$25.6M over budget as a result of the \$1.8B jackpot won on 9/6/25.
 - Mega Millions sales were under expectations 11.8%. This is likely caused by starting the year with only a \$50M jackpot offering. The jackpot had just started rolling again from a win on 6/27/25.
- Sports net revenues did not meet expectations. Gross wagers were under forecast 2.3% and players were lucky the first week of September. For the quarter, prizes were expected to be 89.0% of wagers but instead were 92.0%. Sports wagering is more than last year by 11.0%.

Direct Expenses - YTD unfavorable \$(1,017,072)

Commissions: YTD unfavorable \$(2,802,885)

Commissions Variance Favorable/(Unfavorable)		
	Traditional	Video
	YTD	YTD
Variance from sales	\$ (2,177,997)	\$ 177,325
Variance from budgeted rate	(170,927)	(631,285)
	<u>\$ (2,348,925)</u>	<u>\$ (453,960)</u>

- Traditional commissions are over projections with high Powerball sales.
- Video commissions are only .01% over budget. The video product overall is performing nearly exactly as expected for the first quarter.

Game Vendor Charges: YTD favorable \$3,023,447

Game Vendor Charges Variance Favorable/(Unfavorable)			
YTD			
	Actual	Budget	Variance
Traditional	3,261,956	2,674,235	(587,721)
Video	129,699	129,699	-
Sports	8,522,122	12,133,290	3,611,168
	<u>11,913,777</u>	<u>14,937,224</u>	<u>3,023,447</u>

- Sports product is the major source of savings in game vendor charges. Players had some lucky days in early September. When days of loss occur, losses are shared with the vendor and fees are reduced as a result of the shared revenue fee model.
- Traditional game vendor charges are over as a result of sales being over forecast. Traditional fees are a percentage of sales.

Ticket Expense: YTD unfavorable \$(71,389)

Ticket Expense Variance	
	YTD
Variance from sales	\$ (21,085)
Variance from budgeted rate	\$ (50,304)
	<u>\$ (71,389)</u>

- Most of the variance for ticket expense is driven by the budget being too low. The budget anticipated ticket cost would average out to be about \$.021 for every dollar of revenue. The actual cost was about \$.024 per dollar of revenue.

Sales Support: YTD favorable \$21,288

- Expenses are driven by repair and inventory needs so purchases may not exactly match the forecast of the expenses.

Game Equipment, Parts & Maintenance: YTD unfavorable \$(675,386)

- A video game set was received in the first quarter when it was anticipated to be in October (2nd quarter). This is causing about \$500K of the variance.
- The purchase of spare parts is not quite following the anticipated timeframes for the purchases causing some overages for the quarter.

Indirect Revenue - YTD favorable \$927,481

- The actual timing of the ebbs and flows of cash balances, while averaging closely to the anticipated amounts, have resulted in earning more interest than expected.
- Investment market value adjustments are not budgeted since it is unrealized gain or loss. Lottery holds the securities to maturity and will receive their face value.

Indirect Expenses - YTD favorable \$3,611,755

Public Information: YTD favorable \$310,484

- Generally, the variance is the result of the majority of anticipated expense being placed in the first quarter of the year. Actual expenses are not following this pattern as only 21% of the budget has been used so far. No true savings has been identified at this point in the year.

Services & Supplies: YTD favorable \$2,877,239

The favorable conditions are attributable to the following expense groups:

- Retailer Network Expenses – YTD favorable variance \$806,070
The budget for network expenses reflects anticipated costs as retailers transition to the new, higher cost platform. Migration of retailers to the new network is occurring faster but at a lower average cost per line than initially planned. However, these savings will reverse as the budget was allocated flatly across the year.
- Intergovernmental Charges – YTD favorable variance \$221,635
The most significant driver of the favorable variance is Secretary of State services that have not been invoiced yet. The financial audit is still underway and no savings is expected once the invoices come in.
- Technology Expenses – YTD favorable variance \$149,575
Some software costs anticipated in the first quarter did not occur within the first quarter. Additionally, there are savings from some software that was determined to be SBITA's and the costs have moved to depreciation. There were also some offsetting overages as well for software costs that are amortized throughout the year compared to a full year budget amount being placed in the first quarter.
- Professional Services – YTD favorable variance \$1,490,224
The FY26 budgets were front-loaded, meaning higher amounts were planned for early in the year. However, the security program and EIP contract activities haven't yet taken place to align with the budgeted amounts for the first quarter.

Capital Outlay Cash Acquisitions – YTD favorable \$25,612,888

- No new fiscal year projects/purchases using capital outlay were started in the first quarter.
- Capital asset purchases have continued for iLinks and VLT's which began in the prior fiscal year.