

Mexico adds spice to the gaming mix

While Brazil takes tiny steps towards gaming legislation, Mexico continues to take huge strides and has proved the focus of attention during the switch from Class II to Class III

The Mexican gaming exhibition ELA took place for the third time in Mexico between 6th and 7th May 2010. After its inauguration in 2008 in Monterrey, the exhibition moved to Mexico City last year where it again took place this year. The ELA took place over two days between noon and 7pm. Each morning there were conferences – organised for the first time in Mexico by the Argentinian media portal Yogonet under the brand name EY! Mexico 2010.

All industry eyes are on Mexico at present. The federal ruling 'Reglamento para la Ley Federal de Juegos y Sorteos' from 2004 opened up the gaming market in Mexico. The previous ruling from 1947 – 'Ley Federal de Juegos y Sortes' saw no room for gaming machines. More recently the law has become more open, allowing not only the operation of so-called Class II (video bingo machines) but also Class III (slots).

EY! MEXICO 2010 CONFERENCE

The EY! Conference took place each morning before the exhibition with four hours each day on specific market subjects. It was an ideal opportunity to become acquainted with the Mexican market and the rules and regulations that the market has to adhere to. The topics were broad and wide:

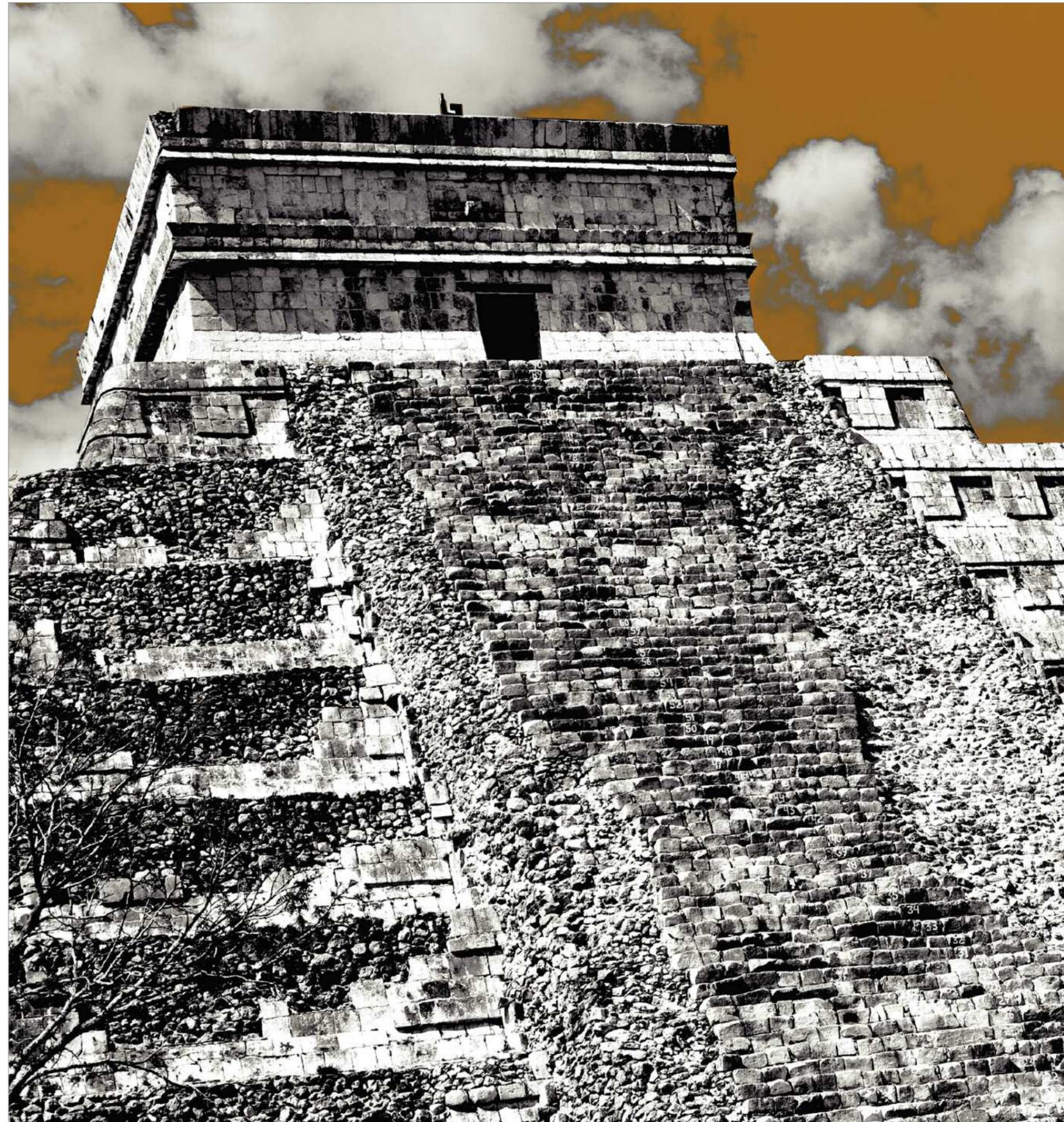
- Current status and future of gaming in Mexico
- The growth of Class III gaming in Mexico
- Mexico and machine certification challenges
- Slots managers – what is the Mexican operator buying?

- Online regulation supervision ruling
 - Security and fraud prevention in arcades
 - Money laundering in the gaming sector
- Important gaming personalities took part in the conference. New market entrants could learn more about the machine certification process. The NYCE (Normalizacion y Certificacion Electronica) is responsible for gaming machine certification. Mr. J. Salvador Sánchez Abarca is the contact person for the NYCE and provided in-depth information of machine certification.

The NYCE bases its decisions on the NMX – the voluntary regulations known as 'Normas Mexicanas'. As there are currently no testing houses in Mexico to certify the gaming machines, NYCE works closely together with the GLI and so machine manufacturers have to pass the specified GLI guidelines. Nine NMX standards derive from GLI standards. The international experience and the strong contacts that GLI have in Mexico puts this company in the driving seat as a testing house. It was stressed, nevertheless, during the conference that there is no monopoly on testing bodies in Mexico and so competition is invited here.

As is standard in the gaming industry, industry associations play an important role. The Operators' Association ('Asociación de Permisionarios de Juegos y Sorteos') is the major gaming association in Mexico and its president, Mr. Alfonso Pérez Lizaur, is the contact person for the industry.

The challenge to the industry is to drive



out the illegal machines and manufacturers made it clear that their technology is only available to legal operators. Therefore, player choice should go more in the direction of the legal market as the illegal market will only have second-rate machines on offer. Furthermore, there is a new regulation – well explained by Carlos Sanz Blanco of Codere – of the requirement to provide online information to the Mexican department of finance (called 'SAT').

It seems that SAT wishes to push this through quickly – so that machines are linked to the SAT by mid next year. All legal machines are linked to a specific system. Game play is activated by credits on an electronic card – and winnings are booked on to this card. This is controlled via a server through a systems company so the next step to provide financial real-time information to the SAT should not be too difficult a challenge for the industry.

Operators are facing increasing taxes in Mexico. Taxes have increased several times in recent years. The gaming association is working closely with the Mexican government to ensure a mindset change in the country towards gaming – moving from a negative image to a more positive one – that gaming is a form of entertainment that brings important tax revenues to the government. Slowly Mexican politicians are showing interest in the gaming industry and the ELA organizers have been petitioning hard for political recognition of the ELA exhibition. Mr. Pedro Galindo Guerra heads up the ELA and was proud to officially introduce political visitors for the first time to the ELA show.

STRONG GROWTH PREDICTED

No clear numbers of cited gaming machines were given during the conference. It is thought to be between 60,000 and 80,000. Add another 20 per cent to this number of illegal machines in the market.

There are over 100 gaming halls in Mexico at present. This could well grow to between 300 and 400 in the coming years. Naturally practically all of the best locations have been taken but in a country with over 100 million inhabitants, one would think there would be plenty of opportunities for growth. A growth rate between 10 – 15% per annum is seen as viable by industry commentators. New customers are entering the market every day and the challenge is to continually improve the service these customers are being offered.

CLASS II TO CLASS III

Class II – video bingo machines created the gaming machine market in Mexico.

The niche market is dominated by Spanish manufacturers, such as Metronia, Ortiz Gaming and Zitro. These companies naturally had large stands at the ELA. The focus, however, was on Class III games – the multi-game slots. All the major slots manufacturers were present at the ELA. Many companies exhibited for the first time, sensing now is the time to capitalise on the opportunities in Mexico.

Several gaming machine manufacturers announced the opening of a new subsidiary in Mexico or a strategic alliance with a local distributor. Indeed the ELA was a buzzing exhibition with company spokesmen and women in general having plenty to talk about.

The transformation from Class II to Class III gaming means that the ELA is becoming to resemble a mini G2E or IGE exhibition. Comments were made about the rate of transformation. Naturally suppliers of Class III games explained of strong transformation rates – up to 100% in some gaming halls.

Manufacturers of Class II video bingo machines explained that there is still strong demand for these machines. The question remains whether there are two distinctive types of players in Mexico – those who prefer Class II and those who prefer Class III. That should not be surprising given the size of the population and that gaming is still very much a young, growth industry to the Mexicans.

Each Class has its own advantages. The conference panel was made up of representatives of Class III gaming machine manufacturers who explained in detail about the increased diversity, flexibility, vastly improved mathematics and faster play time for Class III games. Major Class III manufacturers such as IGT, Bally, Williams, Aristocrat, Atronic and Novomatic exhibited only Class III games – as a statement to the market of the direction it is taking or should take in their opinion.

SALES OR PARTICIPATION?

Depending on the relations they have with the operators, the Mexican market can be a dream or extremely market to sell into. A handful of operators dominate the market. The largest by far is Codere from Spain, which is said to have up to a 40% share with its Caliente and CIE (Compañía Interamericana de Entretenimiento) brands.

The Pringsa brand from Cirsa – again from Spain – is another dominate operator. Local operators include Televisa and Big Bola. Clearly Spanish companies have defined this market in Spain with Class II games and on the operator side.

A COMMON LANGUAGE - BUSINESS.

Feedback from the conference and from exhibitors shows a clear tendency to participation with the major operators. They are well known and clearly trusted gaming brands.

Long-term earnings can be higher with the participation model and so both operators and manufacturers can profit from this – operators do not need to invest in large sums to purchase machines and manufacturers have a potentially long-term income stream.

Such a model will surely speed up the placement of new machines in the marketplace. The risks are much lower for operators who can then pick and choose the winning machines. Mexico is indeed a buyer's market with operators having a whelm of choice from international gaming machine manufacturers.

The ongoing economic and financial crisis has forced or motivated (depending on your point of view) many gaming machine manufacturers to focus on the Mexican market. The sales model remains active and is the preferred route to market for gaming machine manufacturers who either sell to smaller, less financially-secure operators or choose to sell their machines via a distributor.

PROGRESSIVES – THE FUTURE?

The EY! Conference also posed the question on progressives. Both manufacturers and operators agree of the advantages that progressives offer. The further benefit is that this will help to drive out the illegal market as players can only play on legal progressives. Therefore, progressives should benefit the market and secure the gaming market politically in Mexico.

GAME PLAY

Game play is activated via electronic cards only. Therefore, players use the card to book credits on to the gaming machine and book winning back on to it. Nevertheless, the manufacturers and distributors of TITO payment systems placed strong emphasis on this exhibition. The degree of the potential of TITO being introduced to the Mexican gaming market cannot be predicted.

At the very least these companies were working hard to strengthen their brands. Suzo Happ exhibited the MEI Cashflow SC note acceptor and the FutureLogic GEN2 printer. Hanco Technologies exhibited the JCM UBA note acceptor and the Transact Epic 950 printer. Indeed the MEI team was in force visiting the ELA as well as representatives from Money Controls and CashCode.



(Top) Kirsten Clark of Shuffle Master.

(Middle) The EY Conference at the ELA in Mexico proved a fascinating debate.

(Above) Frank Ziegler and Juan Jose Mantese of Merkur Gaming pictured at the ELA Mexico exhibition.

THE EXHIBITORS

The ELA has expanded much in size within the space of one year. This underlines the buoyancy and opportunities this market offers. Practically all the major names in the industry were exhibiting. The following information represents a cross-section of the exhibitors but by no means all the exhibitors at the ELA:

AMATIC INDUSTRIES

AMATIC Industries was present for the first time at the ELA. AMATIC has chosen a very strong partner in Mexico – namely Amusgo. Amusgo has established the Alfa Street electronic roulettes as the number

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(Top left) J. Salvador Sanchez Abarca of NYCE with Karen Marcela Sierra-Hughes and Gert Telkämper of GLI.

(Middle left) Mitsuhiro Miyazaki and Eduardo Aching of Konami.

(Bottom left) Ernesto Escobar of Gold Club.



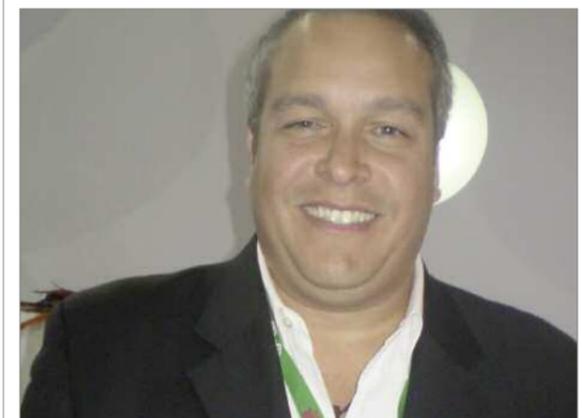
(Top right) Joseph Ma of Hanco Technologies.

(Middle right) Georg Steiner of Amatic Industries with Yeshua Martinez Sigala of Amusgo.

(Bottom right) Aquiles Mila de la Roca - Money Controls



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one choice in this market segment. Therefore, being able to offer Class III machines is an excellent extension of their product portfolio. AMATIC Industries were founded back in 1993 and focused from day one on multi-games. This experience, knowledge and success of AMATIC in multi-games together with such a strong partner local partner looks like a great recipe for success.

AMUSGO

The latest Alfastreet electronic roulettes were on display. The company states that it has over 120 electronic roulettes in the market that represents over 70 per cent market share. Furthermore, this Alfastreet

distributor in Mexico announced its partnership with AMATIC Industries. The stylish chairs from the Italian company StylGame are also distributed in Mexico by Amusgo.

APEX GAMING

APEX gaming exhibited for the first time at the ELA. The focus was on the new Pinnacle cabinet that houses two 22" wide screen monitors. Mr. Darek Borowiec is responsible for sales with Latin America for APEX gaming. He reported an excellent show with strong interest for the Pinnacle. Indeed all 48 machines on show were ordered by a Mexican operator. APEX gaming will look to expand its

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presence at the ELA 2011.

ARISTOCRAT TECHNOLOGIES

The focus on Latin America is very important to Aristocrat. Seamus McGill, COO of Aristocrat is placing maximum efforts in this region together with Álvaro Nores, Vice President for Latin America. An office is now open in Mexico as well as Argentina and Aristocrat is set to play a major role together with their distributors.

The Mexican market is growing and the major operators are expanding their presence around Mexico. The opening of the so-called 'Mexican class' that allows



Class III games has caused a technological revolution which has brought about the migration of Class II to Class III games.

This is an interesting migration and Aristocrat is capable of presenting its successful games throughout the country as has been validated in the whole of Latin America as well as around the rest of the world.

With the intention of providing a better service and customer attention, Aristocrat has opened an office in Mexico City. The office has enough space for technical assistance and a showroom, thus being a necessary infrastructure to enable sales and operations in the country.

The main operators have already chosen Aristocrat as supplier for their halls, demonstrating great confidence in Aristocrat's products. Installed game performance easily beats average returns. Aristocrat's strength is working together with operators to bring solutions that allow better game performance and thus position Aristocrat as a strategic partner in the marketplace.

ASTRO CORP.
Astro Corp. was present for the first time at the ELA and see this market as very important to the company. To-date Astro

has sold mainly PC boards in countries such as Chile and Venezuela. The strategy in Mexico is to partner with a local company to distribute the machines.

ATRONIC
The Three Stooges progressive was the major focus on the Atronic stand. The Three Stooges is a three-level progressive based on the TV show The Three Stooges. A very busy stand showed that this was well received in Mexico.

BALLY TECHNOLOGIES
With around three thousand machines of original Class II origin, Bally is busy converting these to Class III. This strong product base is reflected in high customer recognition. Bally is placing just as much emphasis on its systems solutions in Mexico than on its Class III machines.

BELATRA
Belatra is represented by AR in Mexico and exhibited for the first time at the ELA. The company states that well over 100 machines are already placed in the market and the positive feedback ensures Mexico will remain a focus for Belatra.

BETSTONE
BetStone is ideally placed in the Mexican market move to Class III machines. The demand for VLT solutions is set to grow which is the core competency of

(Left) Elaut distributor David Moel Arditti of GAMA with Patrick Magendans.

(Middle) Alfonso Pérez Lizaur - President of the Mexican gaming operator association.

(Right) Fred Brendel of Suzo Happ.

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Therefore, progressives should benefit the market and secure the gaming market politically in Mexico.

BetStone. Operators can now avail of wider gaming content on the BetStone platform which ranges from Video Slots, Video Poker, Table Games and Bingo. In addition BetStone's CMS software - BetStone Vision - provides operators with detailed reports and analysis in real time information of what is happening on their gaming floor. This allows operators to make more informed decisions relating to their business.

CADILLAC JACK
Management explained that Cadillac Jack was one of the first companies to enter the Class II market and thus can be seen as a pioneer. A local office ensures that over seven thousand machines are well supported.

GAMA - ELAUT
GAMA is the local distributor for Elaut in Mexico. Having exhibited at all three ELA's the brand awareness of Elaut is high. The focus was on the two wheel electronic roulette for up to six positions. The SIC-BO games also give GAMA/Elaut a competitive edge in Mexico.

GLI
GLI exhibited together with the local certification authority - NYCE. NYCE has been working together with GLI for over two years and uses GLI standards for machine certification in Mexico.

(Top left) Adolfo de los Rios Clapés of Bemex (Metronia).

(Middle left) Alejandra Burato of Beltra Games with representative Jimmy Hay Smith of ARO.

(Bottom left) APEX gaming stand at the ELA exhibition in Mexico.

(Top right) Ben Fuller and Rafael Luclo Munoz of IGT.

(Middle right) Carlos Carrion of Aristocrat Technologies.

(Bottom right) Carlos Engel of Bally Technologies.

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strong variety of games on display. Naturally the new sbX™ Experience Management System was on display. This went live in Las Vegas at ARIA at CityCenter in December - and IGT report that the execution was flawless.

KONAMI
The 'podium' cabinet was on proud display - a modular cabinet that allows operators great flexibility. The quality of the screen graphics is clear to see here. Winning games with excellent mathematics play a key role. Konami management also explained on the role of hardware. Tests have proven that new 'podium' cabinet increases cashbox

GOLDEN TOUCH - GLOBAL DRAW

The Global Draw is unveiling a raft of new gaming titles and marketing support for its machine installations in Mexico. The rollout begins with Golden Balls, an electronic bingo game with up to four cards per game to bet on and a bonus balls feature to help players achieve a full house. This will be followed by Black Yak, Global Draw's version of blackjack with options to split hands and double bets on two cards of the same value, Multi Draw Poker and Roulette, which has a 'neighbours bet' feature for placing multiple bets on a chosen section of the wheel.



Neil Moir, Director of International Business Development, The Global Draw.

A number of reel based games are also in development ready for release later in the year, including Totem Chiefs and Excalibur's Choice. New content has been designed exclusively for Global Draw's local customer in Mexico, Corporacion Interamericana de Entretenimiento (CIE). The diversified entertainment company currently has 1,200 digital gaming machines installed in 50 venues, most of which are licensed bingo halls.

The launch of Golden Balls is being celebrated with a series of promotional events, including customer prize draws across all venues. Neil Moir, director of international business development for The Global Draw, said: "We have a strong representation in Mexico with a team of 18 employees always on hand to assist CIE and enhance their gaming provision. A great deal of work has gone into content development and offering games tailored for the local market which have a proven pedigree in the UK and also fully exploit the technical capabilities of our newly installed terminals."

Many of the new games were previewed at ELA. Mr. Moir added: "This was an important event to get involved with as a way of reaffirming The Global Draw's commitment to developing our international business portfolio while also supporting a key customer in their local market. We used ELA to showcase new content developed by our own team, plus give a taste of what's to come from the linkup between The Global Draw and Videobet announced earlier this year.

"This partnership will deliver fantastic opportunities for our international customers to enhance their gaming provision and access the latest advances in server based gaming technology."

performance compared to the older cabinet (with the same games inside). This goes to show how important the cabinet is to machine success. Konami had their full range of gaming machines on display – allowing operator choice as they said.

LEGENDARY GAMING – EGT

Legendary Gaming represents the Bulgarian manufacturer in Mexico (as well as Box Sign Design and Heal Technology). With eight machines in test in Mexico, management reports very good feedback for the EGT machines.

MERKUR GAMING

This German powerhouse from the

This report was written for G3 by Carroll Consulting's John Carroll.

"The ELA show is growing year on year with more international manufacturers exhibiting and Operators attending. At this year's show BetStone were able to demonstrate our proven experience in the Latin American market, global expertise and illustrate first hand our extensive content and gaming platform. For this reason both new prospects and existing customers continue to choose BetStone as their Server Based Gaming provider of choice,"
Marzia Turrini, Head of Business Development and Marketing, BetStone at the ELA.

(Right) Euro Game Technology embraces the Mexican spirit at the show.

Gauselmann Group was exhibiting for the first time in Mexico. The upright cabinet 'wb4' was on display. This will be followed soon by the new Slant Top – which is creating a real stir in Germany. Merkur Gaming is looking to partner with a local distributor.

METRONIA

The local company of Metronia is Mexico is called Bemex. Metronia is one of the major suppliers of video bingo machines to the Mexican markets and the size and number of visitors reflected this.

ORTIZ GAMING

Ortiz Gaming – under its brand name Eibe – is well placed in the Mexican Class

II market. Ortiz took the largest stand in Mexico - at 500 m² it was double the size of the majority of the exhibitors.

Ortiz Gaming has built up a strong presence in Latin America and besides Mexico (where they have around 5,000 machines placed) the company is active in Guatemala, Costa Rica, Ecuador, Panama and Chile to name just a few. R. Franco Texas Hold'em multi-positions were on display as well.

NOVOMATIC

Novomatic exhibited once more at the ELA. Management explained its intention to open a subsidiary in Mexico very soon. The direct route to customers is preferred

by Novomatic. Novomatic intends to solely sell machines in Mexico and not enter into machine operations. Naturally, the strong product range of Novomatic was on display.

SHUFFLE MASTER

Shuffle Master had a broad product range on display – for electronic craps, the Table Master and video slots. Indeed the newly opened office in Mexico underlines the growth potential for Shuffle Master.

STEEL GAMING

Steel Gaming is a local company that has ensured a bright market entry to Germany's Merkur Gaming. Steel Gaming exhibited the Merkur 'Games Unlimited' games library in their own cabinets.

SUZO HAPP

Suzo Happ showed a very proactive stance with the focus on the MEI Cashflow SC note acceptor and FutureLogic GEN2 printer. Such products are not allowed at present. Nevertheless, the Suzo Happ team knows of the international success and benefits of TITO and was in Mexico to inform the market about this. Furthermore, the team focused on Signs4U signs – seeing many opportunities in this growing market.

WMS GAMING

WMS did not enter the Mexican market

until June 2009 but is making quick and strong progress. Management reported on an excellent show. WMS has the advantage that there are many second hand WMS machines in the market so many Mexican players already know WMS machines.

WMS demonstrated over 50 products at ELA 2010, each developed through an extensive process that leverages the Company's Player Driven Innovation to ensure the consistent delivery of high player-appeal game dynamics. The broad product lineup ranged from WMS' next generation foundational technologies – Community Gaming, Sensory Immersion Gaming and Transmissive Reels Gaming – to a robust library of standalone and local area progressive games and the premiere in the Mexico market of the Company's Bluebird xD gaming cabinet, an entirely new form factor for slot floors.

"WMS continues to deliver a wide-range of games, technologies and platforms that reflect our commitment to Player Driven Innovation and we believe our portfolio of products on display at ELA 2010 will serve to further demonstrate that commitment," said Sebastian Salat, president, WMS International. "Our product line-up is a testament to WMS' proven and expanding ability to leverage our 'Culture of Innovation' to address



RIDING THE MEXICAN WAVE - BETSTONE

BetStone is leading the way in offering the Mexican market best-of-breed content since the legalisation of Class III gaming. Operators can select from a wider gaming content on the BetStone platform, which ranges from Video Slots, Video Poker, Table Games and Bingo. BetStone's server-based gaming platform allows for this variety of gaming content to be experienced through a single machine that caters to different player preferences.



Marzia Turrini, Head of Business Development and Marketing, BetStone at the ELA

Players too are aware of the BetStone network and anxiously await new games which are released quarterly. These regular game releases provide players with constantly refreshed content, greater variety and quality of games.

In addition BetStone's CMS software -BetStone Vision – provides Operators with detailed reports and analysis in real time information of what is happening on their casino floor. This allows operators to make more informed decisions relating to their business.

"The ELA show is growing year on year with more international manufacturers exhibiting and Operators attending. At this year's show BetStone was able to demonstrate our proven experience in the Latin American market, global expertise and illustrate first hand our extensive content and gaming platform. For this reason both new prospects and existing customers continue to choose BetStone as their Server Based Gaming provider of choice. The ELA show is a key date in the gaming calendar internationally and BetStone will continue to support this show," said Marzia Turrini, BetStone.

"The Mexican market is in a steep growth phase and we expect this trend to continue in the coming years. BetStone is committed to this market and with our local customer support team are able to provide Operators with customized service and support," continued Ms. Turrini. "Having this locally based team dedicated to servicing the Mexican territory ensures faster response times to customer requests and efficient management of their server based gaming platform."

"We are excited to make our first appearance at this important trade show as the company looks forward to extending the market presence of our innovative products in this growing market."
Sebastian Salat, WMS Gaming.

worldwide gaming markets with new and next generation products that deliver measurable value for casino operators as well as unique, unparalleled gaming experiences for players.

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ZEST GAMING

Zest exhibited at the ELA from day one and so has focused on Class II machines. Class II machines represent over 90 per cent of their machine base in Mexico. Both Class II and Class III solutions were on display.