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## Looping In Latin America

Opportunity abounds in 2021 for LatAm, but uncertainty remains

The gaming market throughout Latin America continues to emerge. While gaming has been a strong form of entertainment, Latin America can be a mystery to some that have not followed it as closely. Like Asia, it remains one of the great opportunities for expansion in the industry on a wide scale, from sports betting to further development of brick-and-mortar facilities from Mexico to Brazil to Uruguay.

Many of these governments at all levels continue to face challenges as they had relied on gaming as a source of tax revenue prior to the Covid-19 pandemic as revenue is still rebounding. This has further put burdens on governments, as those employed in gaming have also struggled in 2020 with facilities operating under limited function post-shutdown and in some cases will remain closed until the end of 2020.

As in other parts of the world, issues of taxation and regulation are the dominant factors that come into the success of the market. These are two of the questions that any operator is concerned about as they enter a market, as well as continue to operate in a jurisdiction. Major changes and disruptions in a market can force individuals to alter their business activities or not consider a market if it becomes too challenging. A key example of this was at the end of 2020 when Jalisco, Mexico imposed a 10 percent tax on player winnings in addition to the existing casino tax.

The unbanked community also raises challenges that will continue into 2021. While these individuals are not typically dissuaded from finding ways to gamble, this does create additional challenges for operators and regulators as they seek to provide sound financial policy to ensure that games are fairly regulated and implement anti-money laundering measures. Payment systems and cashless technologies remain a strong opportunity in the LatAm market as operators continue to unravel the unbanked community's access to gaming.

Brazil tends to get the most attention because of its long-rumored movement to allow integrated resorts. However, the movement at the end of 2020 was largely focused on the lottery. Scientific Games and IGT teamed up to jointly run the national instant lottery from LOTEX and were granted a concession in October 2019.

Earlier this year, the two companies issued a statement that they were no longer pursuing the agreement due to the failure to execute an agreement with CAIXA, the largest lottery network. This was in addition to the ruling by the Supreme Court of Brazil stating that the federal government's monopoly on the lottery was unconstitutional. This allowed the 26 states in Brazil to consider their own individual lotteries, adding further layers to an already complicated playing field. Sports betting, which is currently undergoing the regulatory phase, and the continued discussions over IRs will be key in the future of gaming in Brazil in 2021.

Uruguay launched another process for integrating a casino into a five-star hotel on the Rocha coast. This is the second integrated resort development in the country that announced a project in Punta del Este that was spearheaded by Giuseppe Cipriani. Uruguay, unlike some other markets in the region, provides a tremendous amount of stability and a positive regulatory environment.



Additionally, there is a tremendous amount of wealth that exists in the region to help supply the local market. Uruguay can continue to grow as a destination within South America if it provides the right tools for operators leading into 2021.

Gaming continues to evolve in countries such as Argentina, which is debating how to regulate online gaming that is already operational in some provinces. Recent changes to the regulatory structure in Colombia, which oversees the lottery and gaming concessionaires, allowed expansion to facilitate sales at the territorial level. Mexico, Peru, Chile and others provide strong markets where opportunities may arise in 2021. Sports betting, online gaming, brick and mortar, lottery, and local games of skill or chance provide opportunities for existing operators to rebound in 2021 from the Great Shutdown, as well as allow other new market entrants to look to new revenue sources in expanding markets.

While the opportunity for gaming expansion remains strong, Latin America continues to show some signs of uncertainty as it looks to expand. As operators, both local and global, look for additional revenue sources to grow their business, Latin America can provide a solid opportunity provided that the right market is created that allows strict regulation in a competitive market.

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