

# Mexico's Televisa plans big expansion into the gaming business

Mexico City (AP) – Mexican media conglomerate Televisa, better known for its Spanish-language soap operas and its stable of pop stars, said Thursday it plans a big expansion in a new, potentially lucrative business: gaming.

Executive vice-president Alfonso de Angoitia said in a conference call that the Mexico City-based company will invest USD 60 million (EUR 45 million) this year into its gaming business, mostly into new electronic lottery machines.

Launched earlier this month, Grupo Televisa SA's gaming business now has 3,500 machines in pharmacies and convenience stores across Mexico and plans to have 10,000 by the end of the year, De Angoitia said.

Customers can buy tickets on one of four games or „multijuegos“ for as little as USD 0.05 (EUR 0.04) and win cash bonanzas of up to USD 1 million (EUR 760,000 million). The results are posted on a website and on Televisa's TV channels.

„Our gaming business is underway,“ De Angoitia said „We are very happy with its performance.“

He did not say, however, how much income it had generated since its launch.

Televisa has also opened five bingo parlors and plans to open another 10 by the end of the year, he said.

Mexico's gaming industry has long been dominated by a government-run National Lottery, but analysts believe it has huge private-sector potential.

Rogelio Urrutia, an analyst at ING Financial Markets in Mexico City, said he estimates the Mexican gaming market could be worth about USD 4.6 billion (EUR 3.5 billion) – equal to the country's media advertising market.

Some of that money will be made in off-track betting and other gambling but Urrutia predicted the lion's share will be in lotteries and bingo.

„Televisa is getting into the most profitable side of gaming. That is where the big money is going to be,“ Urrutia said.

Investment banks have estimated Televisa could generate revenues of about USD 200 million (EUR 152 million) – from the games this year and more than double that in 2008. The company had total revenues of about USD 3.45 billion (EUR 2.6 billion) in 2006.

The broadcaster got a gaming permit from the government in 2005 but its move into the business stalled after established companies and opposition legislators filed a legal complaint claiming the licence was unconstitutional. In January, Mexico's Supreme Court ruled in favour of the permit.

Caliente Group, run by Tijuana Mayor Jorge Hank Rhon, runs the biggest sports betting operation in Mexico and a few other companies have smaller gaming interests.

De Angoitia said the gaming investment will be part of a total capital expenditure of about USD 300 million (EUR 229 million) this year, similar to the USD 298.5 million it invested in 2006.

The company's satellite television business Sky Mexico will receive USD 100 million (EUR 76 million) of the 2007 investment, while USD 65 million (EUR 49 million) will be put into its cable TV business, he said.

Televisa reported Wednesday that its fourth-quarter sales rose

to 10.74 billion pesos (USD 980 million; EUR 748 million) from 10.04 billion pesos in 2005's fourth quarter, boosted by gains in satellite and cable TV as well as in broadcast revenue.

However, net profit fell to 2.34 billion pesos (USD 213 million; EUR 163 million) in the quarter from 2.62 billion pesos in the year-ago period. Net income was weighed by a 592 million peso (USD 54 million; EUR 41.2 million) tax provision in the 2006 quarter, compared with a benefit of 478.7 million pesos (USD 44 million; EUR 34 million) in the fourth quarter of 2005.

For full-year 2006, Televisa reported broadcast revenue rose 8.5 per cent from 2005, boosted by advertising related to the soccer World Cup and political campaigns in Mexico.

However, the company said it expected 2007 to be a more difficult year, without major television events, and predicted a decrease in television broadcasting sales of more than five per cent in real terms for the first half of the year. For the full year, sales will decrease marginally, it predicted.

Televisa's shares closed on the Mexico City stock exchange down 0.24 per cent at 65.37 pesos. Its American Depositary Shares slipped 0.54 per cent to USD 29.68.