



SkyCity looks to grow as profit hits \$129m

Casino firm eyes acquisitions as it pays off debt but NZ gaming income stays flat

by John Drinnan

A drop off in the kind of gamblers prepared to bet \$300 a hand dampened gaming results but SkyCity still ended the year with a 12 per cent lift in adjusted net profit.

The profit — \$129.1 million compared with \$114.3 million last year — was buoyed by paying off debt which cut \$20 million in interest payments. But New Zealand gaming floor revenue is still flat.

SkyCity chief executive Nigel Morrison said the strong balance sheet meant the company was now well positioned for acquisitions and he confirmed the company had actively been looking for assets.

Jeremy Simpson, an analyst with Forsyth Barr, had predicted profits would rise 10.89 per cent so the results were better than expected.

The company had also raised \$10 million more than expected — based on book value — from the sale of its cinema chain in February.

That could have been much worse given the impact of the global finance crisis, Morrison said.

The chain — which was sold to Australian cinema exhibitor Amalgamated Holdings for \$70 million — had recorded a net profit of \$3.2 million for the eight months from July

until it was handed over in February.

SkyCity is also promoting itself as a central player in festivities for the Rugby World Cup. Forsyth Barr's Simpson said that the buzz in the lead-up might boost spending.

Morrison acknowledged the increased activity from the cup activities was limited to six weeks.

But talking to analysts yesterday he was promoting more concrete possibilities for future growth that he hoped would be ready in time for the influx of visitors.

The meeting with analysts was festooned with plans for new and bars restaurants in a Federal St development — but they have yet to win planning approval.

SkyCity is also hopeful that its plans for a national convention centre in Hobson St will win government support ahead of four other contenders.

The question now is how SkyCity will drive growth in the table games which have been down 6.5 per cent, or in the pokies, where revenue was down 2.3 per cent.

SkyCity shares closed down 10c at \$2.89 yesterday.

Morrison said last year's results had suffered from a softening revenue from "premium play" New Zealand

customers — a group that had an average bet of \$300 per hand.

Bigger betting New Zealand customers, which SkyCity says could include property developers, retail traders and construction contractors, had faced a tough environment.

They had maintained their average spend per visit but were visiting less often, he said. Morrison predicted that this "VIP" segment of casino goers would improve strongly with the economy.

A new sponsorship relationship with NRL team the Warriors suggests marketing efforts will focus away from the premium tables.

International revenues — from flying big spending foreigners into town — more than doubled but still made up just \$14.5 million.

The once-troubled Adelaide casino has emerged as a star with profits up 7.1 per cent, to \$31.5 million.

Revenue from its Darwin casino had grown in the first half but softened in the second.

It had suffered due to a late start to the dry season which reduced tourist numbers, and was also suffering from legislation that banned smoking. Estimates are that the smoking ban would have an impact for 18 months.

SKYCITY

Year to June	2010	2009
Revenue	\$837.8m	\$846.5m
Operational profit	\$296.9m	\$300.5m
Normalised net profit	\$129.1m	\$115.3m
Dividend	19.5c per share	15.5c ps