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SkyCity profit as expected

By DENE MACKENZIE

CASINO operator SkyCity Entertainment Group yesterday reported an operating profit in line with expectations, resulting in Forsyth Barr retaining its recommendations.

The earnings before interest, tax, depreciation and amortisation was $269.9 million, down 1% on the previous corresponding period due mainly to the Auckland operations, Forsyth Barr broker Peter Young said.

The group reported a 12% rise in underlying net profit to $129.1 million, despite a 1% fall in revenue to $837.9 million.

Net profit, before a tax adjustment for the Government's tax change to building depreciation, for the year to the end of June rose 22.9% to $141.7 million, while the reported profit was down 11.5% to $102 million.

The company is to pay a final dividend of 9.25c per share, taking the full-year dividend to 17.25cps.

Mr Young said that excluding cinema operations sold during the period, revenue was close to expectations at $777 million from $780 million, although Auckland gaming revenue was disappointing.

The dividend was better than forecast and the balance sheet remained strong following the equity issue last year, he said.

There was no change to his positive view of the company, centred on the turnaround potential of the Auckland business, although it was taking longer than expected.

Forsyth Barr had a buy on the company with a valuation of $3.52 a share. The shares last traded at $3.

SkyCity chief executive Nigel Morrison said strong competition for discretionary spending by consumers had resulted in flat returns here and modest earnings growth in Australia. The uncertain economic environment in both countries would continue to have an impact on gaming markets and earnings, he said.