



Close but no cigar, says SkyCity, now let the show go on

By **CARRIE LaFRENZ**

SKYCITY Entertainment Group has resolved the ownership of its cinemas and some of its casinos and has plenty of upside, analysts say.

SkyCity, New Zealand's biggest casino group, yesterday said it would retain the group's cinema business after the deal to sell the unit fell through at the last minute.

It said negotiations with a potential purchaser progressed to the point of signing but failed because the party was unable to achieve satisfactory financing.

Credit Suisse analyst Rob Bode said with the ownership issues now behind it and new management in place, SkyCity had plenty of upside. "While new management has yet to fully enunciate operational strategies, the injection of experienced gaming talent provides energy and ideas to revive growth," Mr Bode said in a research note.

Mr Bode said that each of SkyCity's wholly owned casinos — in Auckland and Hamilton in

New Zealand, and Adelaide and Darwin — had no competing licences and excellent licence tenure. He said the upside from casinos in Darwin and Adelaide depended on the successful execution of capital expenditure programs.

The Darwin casino was bought four years ago and had been a successful investment, Mr Bode said. As a condition of the licence extension, SkyCity is spending \$30 million to expand and refurbish the property.

Mr Bode said SkyCity's strong cash flows, excellent licence tenure and turnaround potential provided an attractive investment. He said he expected SkyCity's casino properties to deliver earnings growth of close to 10% a year over the long term.

SkyCity chief executive Nigel Morrison said it was disappointing that the New Zealand cinema sale would not proceed, given the time and effort involved, but it was business as usual.

"As stated at the beginning of this process, should a satisfactory sale outcome not be

achieved, we would retain the business and move to implement our own plans," he said. "The main thing we'll do in the short term is get some top-level management to lead that business."

In February, SkyCity posted its lowest profit in nine years as a listed company, of \$NZ1.3 million (\$A1.04 million), after a \$NZ60 million write-down of the cinema assets.

Mr Morrison said that after a few months in the top job, he felt the group had worked hard to get the structure of the organisation right. "(We have been) fine-tuning our corporate areas and reinvesting in quality management in our operation areas . . . and we have a couple of other key gaming appointments to make in the near term," he said.

Last week, Mr Morrison announced the appointment of Alistair Ryan as group chief financial officer. Peter Treacy was appointed general counsel and company secretary.

SkyCity closed down 1¢ at \$2.99.

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