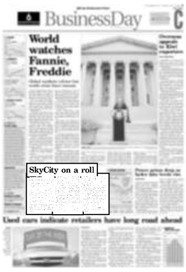
BusinessDay

World watches Fannie, Freddie

SkyCity on a roll

Used cars indicate retailers have long road ahead

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SkyCity on a roll

ANDREW JANES

CASH-STRAPPED consumers still have enough money for a drink and a flutter, if SkyCity's reaffirmation of its profit guidance is anything to go by.

In line with guidance issued in February, the casino operator said it was on track to achieve an after-tax profit of $108 million to $110 million for the year till June 30, not including a $60 million writedown in the value of its cinema business.

"There's a lot of concern that in this environment there are a lot of companies contemplating earnings downgrades and we wanted to confirm that we weren't," SkyCity chief executive Nigel Morrison said.

SkyCity generates about 70 per cent of its earnings from its flagship Auckland casino. Because the casino mainly served the local community, it was not seeing as much of a downturn as tourism-dependent ones in Las Vegas, Mr Morrison said. The company's Australian casinos — in Adelaide and Darwin — were continuing to benefit from the commodities boom.

Goldman Sachs JBWere analyst Marcus Curley said he was encouraged that SkyCity was able to meet expectations. "We've seen some of the retailers fall out of bed recently so, assuming it's a reasonable quality result, it's reassuring in terms of how the business is tracking."

"Most people are expecting negative news," Tyndall Investment Management joint equities manager Rickey Ward said. "So anybody who reaffirms previous guidance in this environment — it's not a bad thing."

Mr Morrison said softening tourism and corporates pulling back on spending would be offset by greater efficiencies and initiatives such as increasing occupancy rates in SkyCity hotels.

"And we think people still want to get out and have fun."

SkyCity has put any big new investment in its Adelaide casino on hold while it tries to negotiate an easing of the regulatory environment in South Australia.

It has been given a BBB- investment grade credit rating from Standard & Poor's.

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