



High-roller profit up but no silver screen

\$58.4 million write-down of hard-to-sell cinema assets hammers bottom line

by Tamsyn Parker

SkyCity Entertainment Group has reversed its fortunes in its high-roller international VIP business but had a poor showing from its cinema assets.

The casino and hotel operator yesterday announced a 49.3 per cent drop in its net profits to \$49.9 million, dragged down by a \$58.4 million write-down of its cinema business and one-off costs of \$3.6 million associated with due diligence which failed to result in the sale of its cinema assets or a firm offer for the group as a whole.

But excluding the \$62 million in non-recurring items, the group made a \$111.9 million profit, up 19.3 per cent on the previous financial year.

Announcing his first annual result as chief executive, Nigel Morrison described it as a "sound result on an adjusted basis".

He said performance had been driven by the group's Darwin property and its international business, consisting of high-rolling VIP customers.

Earnings before interest, tax,

depreciation and amortisation (ebitda) for the international business were up 260.6 per cent from \$6.6 million to \$17.2 million. The increase was a turnaround from its last financial year, when losses from the high-roller room hit the company hard and almost resulted in a profit downgrade.

Morrison said revenue from the VIP business rose 75 per cent, from \$12.9 million to \$22.6 million.

The group's Darwin casino also had a strong year, with ebitda up 13.9 per cent from A\$35.2 million to A\$40.1 million.

Morrison said growth had been achieved across the business as the regional economic momentum continued and it was also on track for a A\$30 million redevelopment due to open by March. The Adelaide casino's ebitda was down 1 per cent to A\$20.7 million, although Morrison said that was better than expected after a smoking ban introduced in November.

But the Auckland business was flat. Revenue was up just 1 per cent to \$402.3 million while ebitda was down

0.1 per cent to \$208.3 million.

Morrison described it as a sound result in a challenging economic environment. The Auckland business had been affected by renovations to the main gaming floor that were completed in March, followed by tougher economic conditions.

"We do believe we have the management in place to improve the Auckland business," said Morrison, "but the extent to where we can grow it above where it is will depend on the severity of the downturn."

Morrison said he was budgeting for growth in the 2009 financial year and would be concentrating on increasing revenues, driving operational efficiencies and maximising ebitda while keeping a tight rein on capital expenditure.

Forsyth Barr analyst Jeremy Simpson said the performances from Auckland, Adelaide and Hamilton had been slightly worse than he expected but Darwin had been better.

SkyCity shares closed down 1c at \$3.42 yesterday.

SKYCITY ENTERTAINMENT GROUP

Year to June 30

	2008	2007
Revenue	\$818.8m	\$805.1m
Ebitda	\$311.2m	\$293.2m
Adjusted net profit	\$111.9m	\$93.8m
Net profit	\$49.9m	\$98.4m
Dividend	21.5c	21c



REFLECTION: SkyCity's Auckland business was flat in a tougher economic environment. PICTURE: DEAN PURCELL