

SkyCity likely to sell Adelaide casino – if it can rustle up a buyer

The Adelaide casino could soon be on the auction block, with James Packer's Publishing & Broadcasting Ltd likely to be the only bidder after New Zealand gaming company SkyCity Entertainment Group announced it would sell businesses that were not keeping up.

Gaming industry players Tabcorp and Tattersall's are believed to be unlikely to bid for the Adelaide casino.

Tabcorp, which owns three Queensland casinos as well as Sydney's Star City, is not a contender because it has ruled out any acquisitions for two years. Tattersall's has also said it does not want to buy any more casinos.

Adelaide is unlikely to attract a high price because of the lack of likely bidders and the fact that the casino is located in a heritage-listed building which is almost impossible to expand or renovate.

In the first half of this financial year the casino contributed NZD 9.4 million (AUD 8.3 million) in pre-tax earnings, compared to an average of AUD 47 million for each of Tabcorp's gambling palaces.

About half its revenue comes from the Auckland casino and a third from the Adelaide and Darwin casinos. It also owns three other New Zealand gaming sites.

SkyCity made the announcement at an update for analysts and institutional shareholders, where it also revealed a NZD 33 million cost-cutting program aimed at boosting its share price despite effectively downgrading its profit forecast.

It said it would cull 230 jobs and sell its NZD 54 million Metro building in Auckland. It would also consider selling its 40 per cent-owed Christchurch casino and cinema business.

The news comes two months after the company blamed a dearth of VIP gamblers at its Auckland casino for a 23 per cent slump in first-half profit.

SkyCity shares closed 14c higher at AUD 4.51 on the Australian exchange yesterday.

A gaming analyst who asked not to be named said he was not encouraged by the company's full-year profit forecast for 2007-08 of between NZD 107 million and NZD 122 million.

He said it was effectively a downgrade, as it would not be possible to hit those numbers without the NZD 33 million extraction of costs.