

Casino chiefs on losing streak

Skycity Entertainment chief Evan Davies has become the second casino chief executive this year to pay the price for underperformance, after the board announced his immediate departure yesterday.

It comes two months after the company revealed a 23 per cent fall in interim profit and as the trans-Tasman operator steers through a major restructure – which is likely to lead to the sale of some of its assets – potentially leaving it a prey for James Packer's Crown Gaming and private equity. No explanation was given for the sudden departure but Mr Davies, who has been at the helm for 11 years, said that „without a doubt the last 12-18 months have been challenging“.

A market source later said there was a „confidence“ issue around Mr Davies.

Former New Zealand Post chief Elmar Toime, who sits on the Skycity board as a director, has been installed as interim executive director.

In March, rival Tabcorp – which could announce its new permanent boss next month – dumped its chief, Matthew Slatter, for underperformance.

The Australian understands that in the past month, executive search firm Egon Zehnder has been in contact with key industry stakeholders and sought their views on acting Tabcorp chief Elmer Funke Kupper's „appointment to the position of chief executive of Tabcorp“.

After Skycity's announcement yesterday, shares in its stock rose 11c to AUD 4.66.

Chairman Rod McGeoch told the Dominion Post that Mr Davies would leave the company with a NZD 1.7million (AUD 1.5 million) payout.

He also said that the leadership change „came on to the agenda of the board“ and Mr Davies agreed, after 18 months of challenging times and 11 years in the job, to leave.

Deutsche Bank analyst Mark Wilson said he was not surprised by the announcement, „given the company’s recent poor performance“.

In April, the company revealed a 23 per cent fall in interim profit and a month later announced a major restructure that would see 230 jobs axed and its key casino cinema assets up for sale review.

Market speculation emerged last week that Skycity management had met with investors in the past few weeks and that there was a „high“ probability Skycity Leisure and its 40.5 per cent holding in Christchurch Casino would be divested and that Adelaide Casino was „most likely“ to be sold.

It is also believed that the company has received „multiple unsolicited bids“, possibly from private equity, for Adelaide Casino and Skycity Leisure.

Goldman Sachs JB Were estimated that the total proceeds from the sale could be up to NZD 644million.

Mr McGeoch said an executive search was now under way globally.

Deutsche’s Mr Wilson said he believed Mr Davies’ departure was „likely to improve sentiment towards the stock and it increases our confidence that the company will be able to attain its targets“.

But he said Mr Toime’s appointment was „interesting“ given that he has been based in London since March 2003.