

SkyCity cuts dividend

SkyCity Entertainment Group has decided not to sell its Christchurch Casino stake, and has slashed its dividend.

However, the listed Auckland firm said yesterday that it was proceeding with plans to sell the Adelaide Casino and SkyCity Cinemas in deals that could reap it about USD 400 million.

SkyCity executive director Elmar Toime yesterday also revealed an 18 per cent fall in group net profit to USD 98m, in line with the casino firm's previous guidance.

Toime said 2007-08 profit should bounce back by between 10 per cent and 12 per cent, assuming a gradual recovery at SkyCity's Auckland Casino.

A final 12c dividend, payable on October 5, reduces the annual rate from 26c to a fully imputed 21c a share.

The gross dividend of 31.343c, gives a yield of 7.5 per cent, based on yesterday's closing share price of 416, down 4c.

After reviewing its Adelaide and cinema businesses, and receiving interest from several potential buyers for each, Toime said SkyCity had put the two on the block.

However, it had decided to keep its 40.5 per cent Christchurch Casino stake.

Analysts had speculated that Skyline Enterprises, which owns 40.5 per cent of the Christchurch Casino, was the most likely buyer of SkyCity's 40.5 per cent in Christchurch Casino if it was put on the market.

Skyline's chairman, Barry Thomas, said yesterday that he was not aware of SkyCity's decision.

„The only thing I've got to say is our stake is not for sale.“

Thomas battled to keep SkyCity from buying the stake from British casino business Aspinall in 2004. SkyCity paid USD 93.75m.

Toime said Skyline had pre-emptive rights on SkyCity's stake.

But he declined to comment on whether there had been talks with Skyline. Christchurch was a „strategic investment“.

Toime said SkyCity would only sell if offers outstripped its own valuations.

He expected decisions within two months.

Some of the money from any sales could be returned to shareholders.

„There's nothing mysterious about these things (SkyCity Cinemas and Adelaide Casino) so we'd be looking for pretty prompt action.

„We can't hang around and wait, we've got to run these businesses and if we're going to retain them we can't lose time,“ Toime said.

Analysts value the Adelaide Casino, which SkyCity bought from the South Australian Government for AUD 185m (NZD213m) in 2000, between AUD 224m and AUD 300m. SkyCity Cinemas, the country's biggest chain with 69 screens, is worth about AUD 110m.

SkyCity's move comes with James Packer's Publishing and Broadcasting also trying to sell its half stake in Australia's Hoyts cinema chain.

PBL's partner, West Australian Newspapers, recently turned down the chance to buy PBL's holding and wrote the value of its own stake down to AUD 145m from AUD 205m.

Toime said SkyCity had taken this into account but decided,

based on interest received and the Australian and New Zealand markets being different, to push ahead with a sale.

Seven parties had been asked to indicate their valuations for Adelaide. These may include Australian gambling operators and private equity groups.

Parties that may be interested in SkyCity Cinemas include Reading Cinemas, MFS Living & Leisure and private equity.

Chairman Rod McGeoch said SkyCity was down to a short-list of candidates to replace Davies.

Earnings a share eased from 28.5c to 22.3c. The net tangible asset firmed from a negative 27.3c to a negative 11.3c because of intangibles and goodwill related to the Darwin and Adelaide casinos.