

# Deepening mystery over SkyCity suitor

Providence Equity Partners has looked at buying SkyCity Entertainment.

But the US based private equity firm says its tentative interest doesn't meet SkyCity's definition of a potential takeover.

A source close to Providence confirmed it had considered SkyCity „as we do with all the deals that are out there“.

But the level of interest fell short of SkyCity's declaration to the NZX on Friday – a brief note that sent the SkyCity share price soaring and added more than NZD 400 million to the value of the casino company.

SkyCity said it has received „an indicative and confidential approach from a party expressing an interest in acquiring 100 per cent of shares in the company.

„In its approach, the party indicates a potential cash offer price range which would represent a significant premium to SkyCity's current share price, if a transaction were to eventuate.

„There has been no approach and Providence is not sure whether it is interested or not,“ a company insider said.

„They are not surprised that their name has been mentioned because they have invested in media and communications.“

SkyCity declined to clarify yesterday whether the statement to the NZX did or did not apply to Providence.

Other private equity sources have suggested that there may be more than one player interested in the troubled casino

company, which is struggling to recover profits and to find a new CEO.

There is talk that any sale may involve a split between its casino operations and its cinema and other entertainment assets. With the likes of PBL – the James Packer led company – taking an interest in the gaming division.

SkyCity has said it plans to sell its cinema interests partly because the company paid highly to buy out the 50 per cent stake held by former partners at Village cinemas. It is understood that some parties may already be interested in buying that business.

Sky Cinemas would be a tiny deal for the likes of Providence – which manages funds of USD 21 billion (NZD 28.25 billion) – but it does fit with its background in media and ownership the MGM movie studios and US cinema chains.

As for suitors with a core business of casinos, the Australian cinema company Tabcorp has indicated that it is not involved in an approach.

Casino interests involved with the James Packer organisation could not be reached for comment.

Meantime, investors have enjoyed a flurry of activity around the company share price bought on by SkyCity's declaration of a potential suitor. After Friday's declaration the SkyCity share price increased 93 cents or 21 per cent to close at NZD 5.28. Yesterday it closed at NZD 5.14 down 14 cents on the day.

Meanwhile, market players said any bidders for SkyCity will have to take into account the benefits from the low level of gambling tax paid by New Zealand casinos – and the possibility that the regime might change.

SkyCity enjoys beneficial position paying 4 cents in the

dollar gambling tax from bets which is around one third of that rate paid by casino companies in Australia.

Macquarie Equities investment director Arthur Lim said that the low level of gambling tax could be an impediment to any sale if there was a chance that the tax rate could be increased at a later date because any increase would come directly off the margins.

IRD said any change would have to be made through legislation and there were no such moves in that direction right now.

### **Facts on Offer**

- SkyCity has disclosed a possible buyer is considering a 100 per cent takeover bid.
- Providence Equity Partners has confirmed it is looking at SkyCity.
- But it does not believe it is the party referred to in Friday's disclosure.