

US gambling giant linked to SkyCity

TPG Newbridge, one of the world's biggest private equity funds, seems set to emerge as SkyCity Entertainment Group's mystery suitor.

TPG Newbridge consists of Texas Pacific Group and its Asia-Pacific affiliate Newbridge Capital. TPG is already busy building a major position in the international casino sector.

With partner Apollo Management, it is set to complete the USD 27.8 billion (NZD 37.4 billion), or USD 90 a share, all-cash buyout of Harrah's Entertainment by the end of the year.

Las Vegas-based Harrah's owns more than 30 casinos under the Harrah's, Caesars and Horseshoe names.

Last December Harrah's bought London Clubs International to use as a platform for international growth. London Clubs operates seven casinos in Britain, two in Egypt and one in South Africa.

It has four more under development in Britain.

Harrah's involvement with SkyCity would be a case of back to the future.

It held a management contract for the Auckland casino in the mid-1990s before SkyCity bought it out in 1998, paying Harrah's more than USD 20 million in compensation.

SkyCity's then major shareholder, Brierley Investments, bought Harrah's 12.5 per cent SkyCity stake in 1997 for USD 6.75 a share.

Owen Blicksilver, a New York-based TPG spokesman, said yesterday that the firm would not comment on whether it was

considering a bid for SkyCity, which he termed „market speculation“.

On Friday morning, SkyCity said it had received an „indicative and confidential“ approach expressing interest in 100 per cent of its shares.

The potential cash offer price, subject to conditions, would represent a significant premium to SkyCity’s share price if a deal materialised.

SkyCity shares closed at USD 4.33 last Thursday.

They jumped as much as USD 1.23 to \$ 5.56 on Friday and closed down 7 cents at USD 5.07 yesterday.

Shane Solly, Mint Asset Management portfolio manager, said investors were looking forward to SkyCity’s board making a timely and full release of bid details.

„Full and fair disclosure is key to the way which capital markets operate,“ Mr Solly said.

„New Zealand corporates need to recognise this and act in the best interests of all investors.“

SkyCity did not respond to requests for comment yesterday.

TPG is a global private equity behemoth.

It was founded in 1992 and Newbridge in 1994.

They have more than USD 30 billion under management.

In partnership with KKR, TPG clinched the USD 31.8 billion acquisition of Texas power company TXU in February.

Other deals include the USD 1.5 billion acquisition of Burger King in 2002 and Australia’s Myer Department Stores for USD 1 billion last year.

TPG returned USD 16.7 billion to investors between 1985 and 2005, according to the Financial Times.

Harrah's had 2006 revenue of USD 9.7 billion and income from operations of USD 1.6 billion.