

Sky City says expects takeover offer

Wellington (Reuters) – New Zealand casino operator Sky City Entertainment Group Ltd, which has put itself up for sale, said on Wednesday it had been told by a potential buyer that a compelling offer may be made soon.

Sky City, which analysts say could fetch up to USD 2.2 billion, said one party that had been conducting due diligence was interested in pursuing a deal but not yet in a position to make an offer.

„The interested party further advises ... that it remains ,highly optimistic of securing suitable financing in the very near term‘ and remains hopeful of being able to provide a ,compelling offer‘ on an as-soon-as-possible basis,“ Sky said in a statement. Sky City said it did not anticipate receiving any other offers.

Shares in Sky City, which has a virtual monopoly on casinos in New Zealand and has two establishments in Australia, bounced on the company’s announcement but were still down 3.0 percent at NZD 4.80 in late trade.

Last week, Sky extended a deadline for offers to the end of this week amid reports that private equity group CVC Asia Pacific [CVC.UL], had pulled out, leaving private equity rival TPG [TPG.UL] as the only bidder.

Sky City was first approached by an unidentified potential bidder in early September after disappointing results earlier in the year and the departure of its chief executive.

It said then it would seek competing offers.

Analysts have said a private equity bidder could offer up to

NZD 5.75 a share, while a trade bidder may go as high as NZD 6.40, valuing the company at NZD 2.9 billion (USD 2.2 billion).

Sky City has an enterprise value-to-earnings before interest, tax, depreciation and amortisation (EV/EBITDA) ratio of 11.8, compared with a ratio of 9.5 for Tabcorp and Tattersall's 13.0.

Recent Australian casino deals have had an average EV/EBITDA ratio of around 10 times.

Australian rivals include Tabcorp Holdings Ltd, Tattersall's Ltd TTS.AX and Publishing and Broadcasting Ltd. Tabcorp and Tattersall's have said they are not interested.

Sky said its board remained focused on the appointment of a chief executive officer, and steps to improve revenue and cut costs.