

Seems no one game to wager on casinos

New Zealand casino operator SkyCity Entertainment is not the only one having problems finding a suitor who can secure finance. The US gambling giant Harrah's Entertainment is having similar problems with a private equity bid for its business.

It is believed the same suitor – TPG and Apollo Management – was involved in both deals.

The groups were running the ruler over SkyCity but balked when it came to securing finance in December. Yesterday they gave up on Harrah's after failing to secure USD 14 billion (AUD 15.4 billion) in debt.

The ditched Harrah's attempt came as Goldman Sachs JBWere's gaming analyst in New Zealand, Marcus Curley, yesterday upgraded SkyCity's stock to a buy from hold, saying the ailing Kiwi casino company was a bargain.

He said SkyCity's revenues were set to return to previous levels now that the refurbishment of its main gaming floor at the Auckland Casino was nearly complete. The company has blamed the disruption of building work, which had been going on for 18 months, for falling turnover on its tables and poker machines.

Mr Curley said he expected earnings at Auckland, its biggest casino, would rebound soon and outperform previous earnings.

There was still potential takeover activity when the credit market normalised later this year, he said.

When it became obvious to shareholders last month that no bid was imminent, the shares fell to their lowest point in nearly

five years. The stock trades at 8.2 times future earnings. Its rivals' stocks cost 10.5 times their expected earnings.

The stock closed 4c lower yesterday, at AUD 3.74. It should gain in value soon if a suitor returns, or if punters spend up big in the plush new surrounds.

The new fittings, including a new baccarat room, were aimed at reversing a seven-year fall in market share and enticing more Asian players to visit.

The last time the casino refurbished the main floor, gaming revenue rose by 5 per cent.

A similar upgrade at the Tabcorp's Conrad Jupiters on the Gold Coast in 2006 sparked an increase in revenues and visitor numbers of about 4 per cent.

Most casinos are keen to attract more Asian gamblers because they spend more than non-Asian gamblers. At Auckland Casino they already comprise 40 per cent of customers.