

Blow-out in turnover weighs on Aristocrat

Poker machine maker Aristocrat Leisure yesterday gave details of the extent of its sales decline in the US and warned of an oversupply of machines in its other important market, Macau.

It also gave an insight into a distressing trend where their casino customers were holding onto their outdated machines for three times longer than ever before, a move which has crimped sales of replacement machines.

The surge of bad news delivered by Aristocrat chief executive Paul Oneile at a conference hosted by Macquarie Bank resulted in company's shares closing 3.5 per cent lower yesterday. They finished 26c lower at AUD 7.14.

The share price has fallen on all but one day since Mr Oneile issued an effective profit warning last month.

Mr Oneile said on April 29 that he expected 2008 would be the fourth consecutive year of relatively flat profit growth.

He blamed the US economic decline on a reduced appetite for gambling, saying sales to its biggest market this calendar year would be down by more than 20 per cent on expectations.

Mr Oneile said the company now expected to sell 75,000 machines to the US market this year, compared to previous estimates of between 90,000 and 95,000.

Most of the sales slump is due to casinos keeping old machines in service for longer than before, even though in the past they would have been considered well past their use-by date.

Replacement sales are expected to be down by a third on previous anticipated figures.

He said US customers usually replace their machines every five to seven years, but they were now waiting up to 16 years before upgrading to new stock.

This was also happening in Australia, where for the past three years replacement orders have been at similarly low levels.

Just under half of the total sales to the US are to either new casinos or to venues which are increasing their gambling capacity after regulators approved an expansion. Mr Oneile said the problems were not limited to the US.

Casinos in the former Portuguese enclave of Macau – now the world's biggest gambling zone – had over-ordered poker machines and they were now lying dormant in warehouses.

One reason they were not being put to work was that visitor numbers and spending were not high enough to justify their use.

Mr Oneile said visitor numbers and the amount they were putting through machines in Macau were still growing, so it would not be long before the warehoused machines would go into service.