



## Sky City Half-Year Profit Rises 24% on Gaming Spend (Update1)

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By Gavin Evans



Aug. 19 (Bloomberg) -- [Sky City Entertainment](#)

[Group Ltd.](#), New Zealand's biggest casino operator, reported a 24 percent increase in second-half profit as sales rose and cost controls boosted earnings.

Net income rose to NZ\$60.5 million (\$41 million) in the six months ended June 30 from NZ\$48.6 million a year

earlier. The half-year result was calculated by deducting first-half profit from the NZ\$115.3 million annual profit Auckland-based Sky reported today. Second-half earnings at the company's Adelaide casino jumped 75 percent from a year earlier.

Sky City has slowed investments and is increasing promotion of its Australian and New Zealand casinos to maintain sales as recession reduces spending in its home market. Earnings at the [Auckland](#) casino and conference center, which accounts for about 70 percent of group pretax profit, rose 4.6 percent in the half.

Higher earnings reflect a "back-to-basics" approach across all the company's sites, Chief Executive Officer [Nigel Morrison](#) told investors on a conference call. "We're very, very pleased

with the momentum we've built up in Adelaide."

Sky City rose 10 cents, or 3 percent, to NZ\$3.40 at 1:10 p.m. in Wellington trading. Full-year profit of about NZ\$113 million was expected, based on the average of five analysts' **estimates** collated by Bloomberg.

Second-half profit before interest, tax and depreciation at Auckland climbed to NZ\$105.2 million. Revenue increased 2.4 percent, led by increasing table gaming and higher food and beverage sales. Gaming machine revenue fell 1 percent from a year earlier.

#### Machine Revenue

Sky's value relies on the performance of the Auckland gaming floor which was "pretty unimpressive" **Nick Dravitzki**, who helps manage NZ\$1 billion at New Zealand Funds Management Ltd., said in an e-mailed note. Machine revenue "has to grow" if Sky is to improve earnings, he said.

The lack of machine revenue growth, after a 3.2 percent contraction in the first-half, was disappointing, Morrison said. Lifting revenue is a "core focus" and there has been no discernable impact from player information displays mandatory on the company's New Zealand machines since July 1, he said.

Earnings before interest, tax and depreciation at Adelaide in South Australia jumped to A\$15.2 million (\$13 million) with new gaming rooms and increased promotion driving a 19 percent increase in sales.

At Darwin in Australia's Northern Territory, earnings rose 6 percent to A\$17.6 million, with new bars and restaurants contributing to a 12 percent increase in revenue.

Earnings improved at the company's casinos in Hamilton, Christchurch and Queenstown, and jumped 61 percent to NZ\$4.5 million at its New Zealand cinema arm.

International high-value gaming earnings fell 65 percent to NZ\$1.6 million, with swine flu concerns contributing to an 18 percent decline in second-half revenue to NZ\$9.9 million, Sky City said.

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