

FINANCIAL REVIEW

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HD Jupiters **sale** would give Echo a better focus on Brisbane
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Casino operator, Echo Entertainment **Group**, is expected to announce the **sale** of its smallest **property**, Jupiters Townsville, within a week in a move that may free up cash to focus on its main properties.

The **transaction** is likely to be completed for about \$70 **million** but the **sale** will let Echo focus on protecting its monopoly hold on the Brisbane casino market. The **company** must also prepare for the 2019 entry of a rival to its Sydney casino, The Star, when James Packer's Crown Resorts opens its \$1.3 **billion hotel** and casino across the harbour at Barangaroo.

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Echo, which had net debt of \$707 **million** at June 30, spent \$870 **million** upgrading The Star. The **company** wants to spend more than \$1 **billion** building a casino, hospitality and entertainment complex on a Brisbane river-front development **site** adjacent to its Treasury Casino. But it has to outbid Crown and other Asian casino operators said to be interested in competing in a tender being run by the state government. It is believed Echo may look to secure a partner for its Brisbane bid.

Echo has previously said Townsville's future was "under consideration". The **company** declined to comment on Wednesday.

Offloading the Townsville casino is a move investors and analysts are likely to welcome because the smaller venue is not a natural fit with Echo's Jupiters on the **Gold Coast**, or the Treasury Casino in Brisbane.

There is also set to be greater competition in Queensland. The state government is flagging the possibility of three new regional casino licences. Echo chief executive John Redmond says Brisbane cannot sustain two casinos.

Industry sources told The Australian Financial Review that Singaporean **group** Lasseters, the operator of the Alice Springs casino, was a potential buyer for Townsville. However, the frontrunner is believed to be a domestic **company**. **Hong Kong property** developer Tony Fung last year bid for the Cairns and Canberra casinos.

The Townsville casino has 352 poker machines, just 9 per cent of the 3204 machines Echo runs in the state. Pokies are generally regarded as the most profitable offering in a casino. The **property** also has 33 table games, compared to 93 each in Brisbane and the **Gold Coast**. Echo has about 550 employees in Townsville, compared with about 1500 each in Brisbane and **Gold Coast**.

Analysts said it is difficult to estimate a market value for the **property**, because Echo does not break out its earnings. The **company** reports individual results for The Star, but lumps its three Queensland venues together.

The poor performance of the **company's** three Queensland casinos has led to pressure from both investors, and the state government.

The **company** reported a 1.7 per cent fall in normalised revenue at the three Queensland casinos to \$658 **million** in 2012-13. Gross revenue from Echo's Queensland pokies fell 2.5 per cent to \$276.2 **million** in the year, while revenue from table games, premium gaming and non-gaming all rose slightly.

Although much of Echo's lacklustre performance in the sunshine state is due to poor consumer sentiment, it is no secret the **company** needs to invest in its ageing venues. Queensland Premier Campbell Newman rammed this point home in August when he slammed the **company**'s three casinos in the state as not of "world standard".

Echo shares closed at \$2.45 on Wednesday.

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