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FINANCIAL REVIEW

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HD Echo \$345m casino do-up still on cards

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LP Echo Entertainment chief executive Matt Bekier says the casino operator is pressing ahead with a \$345 million refurbishment of its Gold Coast property, despite a Chinese-backed developer being given provisional approval for a \$7.5 billion cruise ship terminal and second casino for the city.

Mr Bekier said there were many unanswered questions that tempered his concerns about the potential rival. "We can't put things on hold with the anticipation of something that may or may not happen," he said.

TD The Newman government on Tuesday approved the provision of a gaming licence to ASF Consortium for its Broadwater Marine Project. Listed company ASF Group, with a market value of \$89 million, is a member of the consortium, which said in a statement it welcomed the "step in the process".

A proposal from Aquis, backed by Hong Kong property player Tony Fung, for a \$8.15 billion Cairns' casino was also approved. Echo is still in the running, alongside bidders like Crown Resorts and Lend Lease, to build a \$1 billion casino resort complex in Brisbane, with a final decision expected in early 2015. Concern 'in concept'

Although the ASF proposal's price tag was a concern "in concept", Mr Bekier said there was no detail about how much would be for the construction of a casino, nor how many poker machines, gaming tables or other services the property would offer.

"Our view with our investment on the Gold Coast is that we have probably waited for too long to make the investment that we think is absolutely necessary," he said. "We are very confident with what we're planning to do and that that's going to bring us back into a better competitive position."

Echo has flagged spending \$345 million on Jupiters, its Gold Coast casino.

The property has suffered from underinvestment since it was built in the mid-80s. It has failed to capture the growing VIP market without the luxury hotel rooms and flash private gaming suites demanded by high rollers. Mr Bekier said it was "full bore ahead" and digging of the site for the new six star hotel tower was about to begin. A new pool and food and beverage outlets are expected to be finished within 12 months, with the rest of the project due to be finished in time for the 2018 Commonwealth Games. "We are going full bore ahead with refurbishment," he said.

Nervous investors pushed the stock down 1.4 per cent to \$2.84. Perpetual Investments head of equities Matt Williams, who controls a 12.7 per cent Echo stake, said a new casino could "split the market". "It's certainly a disappointing outcome for Echo," he said. "More casinos equals more competition."

But he said the Jupiters investment was a chance for Echo to improve a "good property in a good location".

CLSA analyst Sacha Krien said the ASF plan could hurt Jupiters. A refurbishment of a nearby football club had stolen some high end pokies gamblers, but on recent reforms Echo seemed to have recouped some lost share, he said.

Mr Krien said ASF could hit a "stumbling block" in the form of environmental approvals needed to dredge at the proposed Broadwater site.

Echo also announced the managing director of its Treasury Casino in Brisbane Geoff Hogg would take on an expanded role across both Queensland casinos, resulting in Jupiters' boss Aaron Gomes being squeezed out.

Mr Bekier said the change made sense because the two casinos share about 50 per cent of their combined customer base. Echo wanted to put forward an integrated offering and ensure the Queensland casinos weren't competing with each other, he said.

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