FINANCIAL REVIEW

SE Companies and Markets

HD **All bets off after Echo's late play**

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WC 1,262 words
PD 14 August 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 34
LA English

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Echo Entertainment is in a race against time as it tries to get fighting fit before James Packer's rival casino operation opens its doors in Sydney in 2019.

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Perhaps it is because his predecessors did such a bad job, but Matt Bekier's performance since he was appointed chief executive in May has been impressive so far.

Bekier, the **company**'s former finance chief, inherited the hot seat in May from John Redmond, who returned to the United States after a short and unspectacular reign. Redmond, in turn, replaced the colourful Larry Mullin, who was let go after Echo was embroiled in a management scandal at Sydney's The Star and the **company**'s results deteriorated.

Bekier is proving to be the stable pair of hands the gaming group desperately needed two years ago when James Packer launched a campaign to undermine its Sydney casino monopoly.

Presiding over his first set of results, Bekier delivered a better-than-expected 27.3 per cent lift in annual earnings. More importantly, he signalled the **company** is finally heading in the right direction, with most of the gains coming in the second half of the year.

A solid turnaround at The Star was the stand-out, and this is directly due to the work Bekier has done on marketing and loyalty, an area where Echo dropped the ball. He does note that Redmond deserves a lot of the credit, as much of the work started 12 to 18 months ago, although Bekier played a key role as CFO.Loyalty key

Loyalty is crucial for Echo, as it only has five years before Crown opens its doors down the road at Barangaroo to build up a loyal VIP customer base. Convincing them to stay after 2019 will be a whole new challenge.

The strategy is to treat VIP customers like gods so they keep coming back. Casino loyalty programs operate under the same tiered structure as those within an airline, with different levels of privileges. The rewards include perks like free hotel rooms, meals and personalised service.

With a new leadership team in place, Bekier has introduced a program called Transformation, which focuses on being more customer-centric than Echo has been in the past. Echo did not have enough salespeople internationally, an area where Bekier has beefed up staffing. As a result, the number of VIPs from interstate and Asia frequenting The Star has increased.

"We are really focused on getting the business ready for a very competitive marketplace," Bekier says, referring to Barangaroo.

"The most notable thing is we have been able to penetrate more junkets than we have in the past. Rather than relying on the usual suspects, we have had a concerted effort to broaden that range."

About 75 per cent of the challenge is building loyalty and improving customer service. While Echo has 250,000 members in its loyalty program, it has to find a way to make money from those passive members who sign up once but never return. Bekier also sees opportunities in signing up more loyalty members who are in the lower customer tier.$100m property spend

This also means investing in property, something Echo did not do enough of in the past. There are plans to inject a further $100 million into The Star, with the refurbishment of the Astral hotel, as well as plans to expand private gaming facilities in advance of Barangaroo opening.

The challenge is not throwing too much capital at the business when it is unclear how big an impact Crown will have. Analysts say the early signs are positive and the numbers look encouraging considering gaming revenues for Macau casinos have cooled.

Despite a 37 per cent increase in Echo's shares since the start of the year, there are fears the changes under Bekier have come too late. Packer's victory in Sydney means the company faces serious competition in its most important market, which will start impacting earnings in 2020-21.

Some analysts say the company is fully valued. Citi says it trades at a forward EV/EBITDA of 7.4 times earnings. Unlike his predecessors, Bekier does not have his head in the sand when it comes to the Packer threat and appears to have a clear strategy for getting the company prepared.

Echo's two other markets, the Gold Coast and Brisbane, are also crucial. Echo is redeveloping its Jupiters casino on the Gold Coast, selling a third casino in Townsville, and last month teamed up with Hong Kong-based Chow Tai Fook Enterprises and Far East Consortium on a multibillion-dollar development in Brisbane.

Asked if he is confident about Brisbane, Bekier gives a blunt "no". He is mindful there needs to be a Plan B for the Queensland capital, which would revolve around maximising value from its licence in that city, which still runs for 54 years.

The outcome of that process remains uncertain until October, when the Queensland government is expected to make a decision on bids to develop the Queen's Wharf site.Genting still waiting

The other question mark around Echo is what Genting Group has planned for the company.

Echo management are as bemused as Genting as to why it is taking so long for the Independent Liquor and Gaming Authority (ILGA) to make a decision on Genting's application to increase its stake in Echo beyond 10 per cent. The issue has been before the regulator for more than two years.

Malaysian billionaire KT Lim controls Genting and was in Sydney last month trying to get some answers. He was unsuccessful.

This is in sharp contrast to a boast by ILGA chief Micheil Brodie this week that Crown Resorts' application to operate a casino licence at Barangaroo took only three months.

He was quoted by Fairfax Media as saying the approval came after the NSW government directed the authority to take into account an earlier probity check into Crown.

Critics of the probity process will seize on those comments to question the independence of the approvals system. Genting has enormous gaming interests across Asia and plenty of free cash. That would make it an attractive partner for Echo.

The more realistic scenario is that it will lose patience and walk away, which means NSW potentially loses hundreds of millions of dollars in foreign investment.

Goodman Fielder's Asian suitors must be feeling a bit like nervous used-car buyers at the moment. The longer they peer under the hood, the less attractive the company looks.

Chief executive Chris Delaney has stressed that the food group's terrible annual result on Wednesday is no threat to the $1.3 billion takeover offer from Singapore's Wilmar International and Hong Kong's First Pacific. The bidders had some idea bad news was coming, given they had access to the company's books up until early July, when they lowered their offer price.

The company's deteriorating earnings and concerns about under-investment in plant and equipment justified the decision to reduce their offer to 67.5¢. A protracted regulatory approval process is not helping matters, either. Goodman expects to hold a shareholder meeting to vote on the deal in late November, instead of the previously scheduled November 3 date.

The deal remains alive, but investor frustration at the drawn-out process and nervousness around the **company**'s performance is reflected in the **company**'s stock, which closed down 1¢ at 63¢ on Wednesday.

Matthew Stevens is away.

CO	ekoee : Echo Entertainment Group Ltd.
IN	i97912 : Gambling Industries | ilea : Leisure/Arts/Hospitality
NS	c411 : Management Moves | cslmc : Senior Level Management | ccat : Corporate/Industrial News | c41 : Management | ncat : Content Types | nfact : Factiva Filters | nfcpex : FC&E Executive News Filter | nfcpin : FC&E Industry News Filter
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