

# Casino revenue growth reaches peak

The latest figures due out from SA's listed casino groups are likely to show that growth in gaming revenues will most likely have peaked after a decade of strong growth.

The economic downturn, as well as the fact that there are few new casino licences up for grabs, is likely to put the brakes on revenue growth in the sector.

The Casino Association of SA's (Casa's) 2008 survey of casino entertainment shows that gross gaming revenue grew from ZAR 6,22bn in 2001-02 to ZAR 15,618bn in 2007-08. Gauteng, with its seven casinos, was by far the biggest in terms of revenue generation, grossing ZAR 1,405bn in the last quarter of last year, followed by Western Cape with ZAR 567m in the same period.

However, the figures show a levelling off in growth during last year. In Gauteng this was particularly evident, where casinos grossed ZAR 1,487bn in the second quarter, 5,5% higher than in the last quarter.

"As in all sectors, the casinos came under increased pressure in the past few months due to the economic turmoil. Gaming is essentially a form of entertainment and will be affected when people start tightening their belts," Derek Auret, chairman of Casa, said.

There is little prospect for growth with the National Gambling Act restricting the number of licences in SA to 40 – 37 of which have already been awarded. Three licences – one each in Mpumalanga, Limpopo and Eastern Cape – are still on offer.

The limited growth opportunities are likely to lead to consolidation in the sector and analysts expect that Tsogo

Sun's audacious bid for Gold Reef Resorts in 2007 would not be the last attempt by key players to acquire a larger slice of the gaming pie.

"There is bound to be some sort of cannibalisation in the next year or so and it is possible that the five main players will become four," Chris Gilmour, an analyst with Absa Asset Management Private Clients, said.

Industry giant Sun International is due to release its interim results later this month. The group said in a trading statement in November that in the first quarter it achieved overall revenue growth of 3% over the previous comparable period, which was reflective of the economic environment. Casino and rooms revenues were 1% and 13% ahead of last year.

Sun International CEO David Coutts-Trotter commented on the trend back in August at the release of the group's six-month results to June last year, when he said Sun's casino revenue would remain under pressure while a relatively buoyant international tourism market would aid hotel revenue in the year ahead.

However, the attention is likely to be on the group's first major foreign foray, the Monticello casino project in Santiago, Chile, which partly opened last October.

Gold Reef Resorts is also expected to report its full-year results to December soon. The results will be the first glance investors will get of Silverstar's first full-year performance and it will be interesting to see how Silverstar, Gauteng's seventh and last casino, will affect the performance of the group's flagship resort, Gold Reef City.

Interim results from Grand Parade Investments are also expected imminently.