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# Packer deals again for Crown

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Australia's biggest punter, Mr Kerry Packer, is set to take control of his own casino after yesterday launching a fresh proposal to merge his Publishing and Broadcasting Ltd media empire with Melbourne's Crown Ltd.

The deal effectively values Crown at \$1.5 billion, compared with its total development cost of \$2.1 billion.

It is the second attempt by Mr Packer to snare Australia's largest casino and follows his earlier failed attempts to buy into Sydney's casino.

The revised deal by the Packer- controlled PBL - if approved by shareholders and regulatory authorities - will strengthen the financial structure of the troubled casino and is expected to lead to a refinancing of Crown's debt-laden balance sheet.

Under a scheme of arrangement, PBL will offer one PBL share for every 11 Crown shares, putting an effective value on the casino's issued capital of \$557 million.

This compares with the \$425 million that Mr Packer's private company

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THIS COMPARES WITH THE \$125 MILLION THAT MR PACKER'S PRIVATE COMPANY, Consolidated Press Holdings, offered for only half Crown's business in September.



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Some PBL shareholders and sharemarket analysts were immediately critical of the new deal, which will diversify the pure media company into a hybrid gaming and leisure group that is fully exposed to the volatile international casino industry.

However, the directors of the parties to the transaction have recommended the merger proposal to their shareholders. PBL said it would emerge with a third core business offering significant cross- promotional opportunities.

"We are offering Crown shareholders an attractive premium and providing them with the upside of owning shares in Australia's leading multimedia and entertainment company with an excellent asset base, strong balance sheet, immediate franked dividend paying capacity, superior growth prospects and a high-quality management team," PBL's chairman, Mr James Packer, said.

The share swap offer represents a value, in effect, of 59.5¢ a Crown share based on PBL's average share price of \$6.54 over the past month and compares with the casino's average share price over the same period of 45¢.

But it values Crown shares at 56¢ each based on PBL's closing price of \$6.14 before the bid was announced. CS First Boston gaming analyst Ms Moira Daw values Crown stock at 86¢, while Deutsche Bank's Ms Lily Kwong has a fundamental valuation on the shares of 55¢.

Mr Packer's CPH owns 44.8 per cent of PBL, and it already holds a 28.3 per cent relevant interest in Crown. CPH also owns 20 per cent of Hudson Conway Ltd, whose principals include Mr Lloyd Williams; the federal treasurer of the Liberal Party, Mr Ron Walker; and Sir Roderick Carnegie.

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As part of the deal, PBL will pay \$230 million to Crown's 37 per cent shareholder, Hudson Conway, in return for its Crown converting preference shares and its entitlement to receive the final tranche of the shares next year.

PBL will pay \$130 million in cash and \$100 million in unsecured notes bearing a 7.5 per cent coupon and one-year term to HudCon, so that the investment vehicle will emerge, in effect, with a 5.5 per cent stake in PBL ordinary shares and little else.

Sir Ron Brierley's Guinness Peat Group is also a new significant shareholder in HudCon, holding a stake just under 5 per cent.

Mr Packer's attempt to take control of Crown in September was scuttled when Crown's institutional investors informally indicated they would reject the joint-venture proposal on the grounds it was too favourable to CPH. Mr Packer is a close friend of Mr Williams, Crown's executive chairman.

One of Crown's institutional investors questioned the motivation behind the latest PBL move and its benefits to the casino's long-suffering minority shareholders.

"If you are asking me if it's a good deal for Crown shareholders, I have no idea, but I know that it's good for HudCon," he said. "Everything that has come up so far is designed to put dollars back into HudCon . . . It's not so much about other shareholder improvements."

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#### THE WILLIAMS/PACKER RELATIONSHIP

\* Jan 1994 - Details of Crown capital raising announced, with Kerry Packer's Consolidated Press Holdings among the major founding shareholders.

\* Sep 1996 - CPH sells a 15% stake in Crown, or 15 million shares, at \$2.72 each.

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\* Dec 1997 - Crown reports shock after tax loss of \$40 million for five months to November. Announces \$146 million rights issue, with CPH subsidiary sub-underwriting the raising at 55c a share.

\* Sep 1998 - CPH says it will inject \$425 million into Crown in joint-venture agreement with the casino.

\* Oct 1998 - CPH says joint-venture is conditional on the VCGA's granting a series of tax and regulatory concessions to the casino

\* Nov 1998 - Crown says CPH joint venture will not proceed.

\* Dec 1998 - Crown to merge with PBL under scheme of arrangement. PBL offering one share for 11 Crown shares, PBL also to buy Hudson Conway's converting preference shares for \$230 million.



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