

The Rank Group Plc  
Preliminary Results 2001



# A lun Cathcart Chairman



Mike Smith  
Chief Executive



# Group - Results

- EPS up 30% to 22.5p
- Gaming very strong, up 16%
- Hard Rock down since 11 September
- Deluxe up, driven by positive film results
- Operating cash positive
- Lower debt (£248m)
- Final dividend up 5% to 8.4p

# Group – Progress

- Increasing confidence
- Allround strength
  - business performance
  - balance sheet
- Added second half revenue growth, whilst controlling margins
  - Gaming
  - Deluxe Film
- Positioned for further development

Ian Dyson  
Finance Director



# 2001 Results - Summary

£m	2001	2000
Continuing businesses*		
Turnover	<u>1,366.9</u>	<u>1,404.1</u>
Operating profit	209.7	203.1
Discontinued businesses	-	59.7
Associates	2.7	(9.4)
Interest	<u>(24.3)</u>	<u>(67.4)</u>
Profit before tax*	<u><u>188.1</u></u>	<u><u>186.0</u></u>
Earnings per share*	22.5p	17.3p
Net exceptional charge	(27.6)	(527.1)

\* before exceptional items

# 2001 Results - Financial position

- Net debt down to £248.1m
- Gearing of 42% , fixed charge cover of 4.6 times
- Net current assets of £331.9m
- Efficient tax situation
- Xerox issue resolved
- Pension surplus of 9%

# 2001 Results - Operating profit

£m	2001	2000	Change
Gaming	95.7	82.4	16%
Hard Rock	38.0	46.3	(18% )
Deluxe	74.1	73.3	1%
US Holidays	9.5	10.0	(5% )
Central and other	(7.6)	(8.9)	15%
Operating profit*	<u>209.7</u>	<u>203.1</u>	<u>3%</u>

\* continuing businesses before exceptional items

# Gaming - Operating Profit

£m	2001	2000	Change
M ecca Bingo			
UK	67.6	54.9	23%
Spain	3.5	3.6	(3% )
	<u>71.1</u>	<u>58.5</u>	22%
Grosvenor Casinos			
UK	23.4	21.0	11%
Belgium	0.7	0.7	-
	<u>24.1</u>	<u>21.7</u>	11%
RLM S	2.3	2.2	5%
Rank.com	<u>(1.8)</u>	<u>-</u>	
	<u><u>95.7</u></u>	<u><u>82.4</u></u>	16%

# Mecca Bingo UK - Growth rates

	H1	H2	2001
Spend per head	12.5%	10.0%	11.4%
Admissions	(11.1%)	(4.2%)	(7.8%)
Turnover	0.1%	5.4%	2.8%
Operating profit	25.9%	20.7%	23.2%
Profit margin	29.8%	30.0%	29.9%

# Grosvenor Casinos UK

£m	2001	2000	Change
Turnover			
London - upper	18.9	38.2	(51% )
London - other	51.9	47.0	10%
Provincial	69.8	61.7	13%
	<u>140.6</u>	<u>146.9</u>	<u>(4% )</u>
Operating profit			
London - upper	3.0	6.7	(55% )
London - other	11.6	9.2	26%
Provincial	16.5	12.7	30%
Overheads	(7.7)	(7.6)	(1% )
	<u>23.4</u>	<u>21.0</u>	<u>11%</u>

# Grosvenor UK - Growth rates

	H 1	H 2	2001
London - other			
Admissions	(1.3% )	1.6%	0.2%
Handle per head	2.6%	5.5%	4.3%
Turnover	3.4%	17.4%	10.4%
Provincial			
Admissions	(4.4% )	4.1%	(0.2% )
Handle per head	6.3%	18.4%	12.3%
Turnover	2.6%	23.9%	13.1%

# Grosvenor UK - Rebuilds

	Change in average weekly figures*
Admissions	+63%
Handle per head	+43%
EBITDA improvement	+£77k
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Capital cost	£17m
Return on capital	23.6%

\* Birmingham, Blackpool, Great Yarmouth, Newcastle and Southampton

# Hard Rock - Operating profit\*

£m	2001	2000
Owned cafes	41.5	54.3
Franchise and other income		
Cafes	7.5	7.9
Hotels	2.3	0.1
Territory sales	4.2	4.4
Advertising and promotion	(1.7)	(5.0)
Overheads	(14.1)	(15.4)
Restructuring	(1.7)	-
Operating profit	<u>38.0</u>	<u>46.3</u>
Profit to August	37.2	35.1

\* 2001 - 52 weeks (2000 - 53 weeks)

# Hard Rock - Like for like sales

%	2001	Pre 11 Sept	Post 11 Sept	2002 to date
Total	-6.7	-3.0	-17.1	-4.4
Food and Beverage	-4.1	-0.6	-13.4	-0.6
Merchandise	-9.8	-5.8	-22.1	-10.6
North America	-8.0	-4.6	-17.9	-4.0
Europe	-0.5	+4.4	-13.9	-6.7

# Hard Rock - Owned cafes cost structure

	% of revenues	
Revenues		
F&B	55	
M erchandise	<u>45</u>	
		100
Cost of Sales		
F&B	(16)	
M erchandise	<u>(12)</u>	
		(28)
Labour		(22)
Other variable costs		<u>(8)</u>
Gross profit		42
Rent, property and related		(17)
Depreciation		<u>(5)</u>
Cafe trading profit		<u><u>20</u></u>

# Deluxe - Operating profit

£m	2001	2000
Turnover		
Film processing	341.5	300.2
Video services	285.9	346.8
DVD replication	7.2	4.1
	<u>634.6</u>	<u>651.1</u>
Operating profit*		
Film processing	53.9	48.6
Video services	22.9	29.4
DVD replication	(2.7)	(4.7)
	<u>74.1</u>	<u>73.3</u>

\* before exceptional items

# Deluxe - Cash flow

£m	2001	2000
Operating profit	74.1	73.3
Depreciation	28.7	35.1
Contract advances		
Amortisation	71.2	63.3
New advances	(38.2)	(75.8)
Working capital	(13.7)	(10.0)
Capitalexpenditure	(33.5)	(24.2)
Operating cash flow	<u>88.6</u>	<u>61.7</u>
Acquisitions/disposals	49.1	44.1
Net cash generated	<u><u>137.7</u></u>	<u><u>105.8</u></u>

# Deluxe - Balance sheet

£m	2001	2000
Tangible fixed assets	120.9	179.7
Contract advances		
Receivable	200.8	191.5
Payable	(86.0)	(44.5)
	<u>114.8</u>	<u>147.0</u>
Net working capital	79.6	69.3
Provisions	(8.6)	(6.5)
Net operating assets	<u><u>306.7</u></u>	<u><u>389.5</u></u>

# 2001 Results - Cash flow

£m	2001	2000
Operating cash flow	178.3	233.5
Interest, tax and dividends	(151.1)	(179.5)
Associates	<u>2.4</u>	<u>2.6</u>
Free cash flow	29.6	56.6
Acquisitions / disposals	38.5	1,167.6
Share buy back	-	(304.3)
Net cash flow	<u><u>68.1</u></u>	<u><u>919.9</u></u>
Net debt	<u><u>248.1</u></u>	<u><u>319.9</u></u>

# Capital expenditure

£m	2001	2000	2002 estimate
Gaming	48.5	34.3	60 - 70
Hard Rock	20.0	13.9	35 - 40
Deluxe	33.5	24.2	20 - 25
Other	1.3	1.1	-
Continuing businesses	<u>103.3</u>	<u>73.5</u>	<u>115 - 135</u>
Discontinued	-	71.1	
	<u>103.3</u>	<u>144.6</u>	

Mike Smith  
Chief Executive



# Gaming - Results

- Bingo - a record
  - admissions / spend per head
  - promotional activity
  - second half growth
- Casinos - a record
  - admissions / spend per head
  - rebocations / facilities
  - second half growth

# Gaming - Growth and development

- The general dynamic - very positive
- Full year in pact
  - investment
  - later opening
  - machines
- More upgrades to the same formula
- Hard Rock Casinos
- Budd / Deregulation
- Internet Gaming

# Hard Rock - A story of two parts

- First part
  - improving sales trend
  - increased profit
- Second part
  - virtually zero profit
  - gradual sales recovery

# Hard Rock - Growth and development

- Local marketing (+ tourism recovery?)
- Cafe reconfiguration
- Cafe expansion / development
- Hotels
- Gaming

# Deluxe

Film - a record      Video - further restructuring

- Film
  - increased footage
  - Rome Lab      } *further positive*
  - Toronto Lab   } *in pact in 2002*
- Video
  - US successful      } *organisational*
  - Europe problematic } *integration*

# Deluxe - Development and growth

- Film
  - dynamic remains positive
  - European market opportunity
- Video
  - decline but consolidation opportunities
  - distribution strength
- DVD
  - an improving market
- Added services

# Conclusion

- Strategy delivering the results
- Improving growth prospects in both short and medium term
- Increasing strength
- Seeking further opportunities