



Interim results to 31 December 2011

# Agenda



## Introduction

Ian Burke, chairman and chief executive

## Review of financial results

Clive Jennings, finance director

## Strategy and operational update

Ian Burke





Clive Jennings, finance director

# Financial headlines



## Six months to 31 December 2011

- Gross revenue\*: £295.9m (H2 2010: £286.7m)
- EBITDA\*\*: £53.1m (H2 2010 : £49.2m)
- Operating profit\*\*: £34.6m (H2 2010 : £33.4m)
- Adjusted profit before tax\*\*: £32.5m (H2 2010 : £30.1m)
- Adjusted earnings per share\*\*: 6.1p (H2 2010 : 5.6p)
- Second interim dividend of 1.1p

## 12 months to 31 December 2011

- Gross revenue\*: £589.9m (2010: £567.8m)
- EBITDA\*\*: £100.9m (2010: £92.3m)
- Operating profit\*\*: £64.1m (2010: £62.0m)
- Adjusted earnings per share\*\*: 10.7p (2010: 10.2p)
- Operating cash flow: £97.0m (2010 : £93.1m)
- Net cash: £25.0m (£37.2m at 30 June 2011)
- Dividend per share: 2.1p

\* before adjustment for free bets, promotions and customer bonuses; \*\* before exceptional items





# Revenue & operating profit



<i>£m</i>	<i>Revenue*</i>		<i>Operating profit**</i>		<i>Revenue*</i>		<i>Operating profit**</i>	
	<i>H2 2011</i>	<i>H2 2010</i>	<i>H2 2011</i>	<i>H2 2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Grosvenor Casinos	125.8	122.0	20.4	18.4	249.2	238.6	40.6	36.0
Mecca Bingo	117.4	115.8	14.8	13.7	239.1	234.5	31.0	29.7
Rank Interactive	37.8	30.3	6.4	5.6	71.8	57.7	9.1	7.9
Top Rank España	14.9	18.6	0.5	3.8	29.8	37.0	0.7	6.8
Central costs			(7.5)	(8.1)			(17.3)	(18.4)
<b>Group</b>	<b>295.9</b>	<b>286.7</b>	<b>34.6</b>	<b>33.4</b>	<b>589.9</b>	<b>567.8</b>	<b>64.1</b>	<b>62.0</b>



\* before adjustment for free bets, promotions and customer bonuses; \*\* before exceptional items



# Grosvenor Casinos



<i>£m</i>	<i>Revenue*</i>		<i>Operating profit**</i>		<i>Revenue*</i>		<i>Operating profit**</i>	
	<i>H2</i>	<i>H2</i>	<i>H2</i>	<i>H2</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>				
London	46.5	49.3	10.2	9.3	93.2	94.7	19.0	17.6
Provinces	71.5	64.4	11.4	8.9	139.9	127.7	22.3	17.6
Belgium	7.8	8.3	(1.2)	0.2	16.1	16.2	(0.7)	0.8
	<b>125.8</b>	<b>122.0</b>	<b>20.4</b>	<b>18.4</b>	<b>249.2</b>	<b>238.6</b>	<b>40.6</b>	<b>36.0</b>

## KPIs

Visits (000s)	3,059	2,790	6,011	5,414
Spend per visit (£)	41.12	43.73	41.46	44.08

- Like-for-like revenue for 12 months up 4.9%
- In six months;
  - 3.1% revenue growth, 10.9% operating profit growth, 9.6% customer visit growth



\* before adjustment for free bets, promotions and customer bonuses; \*\* before exceptional items



# Mecca Bingo



<i>£m</i>	<i>2011 H2</i>	<i>2010 H2</i>	<i>2011</i>	<i>2010</i>
Revenue*	117.4	115.8	239.1	234.5
Operating profit**	14.8	13.7	31.0	29.7
<b>KPIs</b>				
Visits (000s)	7,163	7,167	14,652	14,688
Spend per visit (£)	16.39	16.16	16.32	15.96

- Growth in customers driving revenue (like for like up 3.5%) and operating profit
- 1.4% growth in spend per visit from improved food and drink offer and increasing popularity of electronic gaming terminals



\* before adjustment for free bets, promotions and customer bonuses; \*\* before exceptional items



# Rank Interactive



<i>£m</i>	<i>2011 H2</i>	<i>2010 H2</i>	<i>2011</i>	<i>2010</i>
Bingo & games	28.9	22.2	54.8	42.0
Casino	3.2	2.7	6.2	5.7
Poker	0.6	0.8	1.3	1.8
Sportsbook	5.1	4.6	9.5	8.2
<b>Revenue</b>	<b>37.8</b>	<b>30.3</b>	<b>71.8</b>	<b>57.7</b>
<b>Operating profit</b>	<b>6.4</b>	<b>5.6</b>	<b>9.1</b>	<b>7.9</b>

- meccabingo.com benefiting from referrals from land-based venues
- grosvenorcasino.com site upgraded
- Mobile applications now account for 6.7% of revenue





# Top Rank España



<i>£m</i>	<i>2011 H2</i>	<i>2010 H2</i>	<i>2011</i>	<i>2010</i>
Revenue	14.9	18.6	29.8	37.0
Operating profit*	0.5	3.8	0.7	6.8

## KPIs

Visits (000s)	1,064	1,197	2,074	2,339
Spend per visit (£)	14.00	15.54	14.37	15.82

- Effect of full smoking ban and challenging economic situation
- Cost control measures along with value promotions to increase market share



\* before exceptional items, 2011 amended to reflect reallocation of costs



# Operating costs



<i>£m</i>	<i>H2 2011</i>	<i>H2 2010</i>	<i>Change</i>	<i>2011</i>	<i>2010</i>	<i>Change</i>
Employment	93.5	95.9	(2.5)%	189.2	188.7	0.3%
Taxes & duties	47.3	44.0	7.5%	93.8	90.0	4.2%
Direct costs	27.2	25.5	6.7%	54.8	51.2	7.0%
Property costs	25.1	24.3	3.3%	49.6	47.1	5.3%
Marketing*	28.1	25.3	11.1%	56.9	51.9	9.6%
Depreciation**	18.5	15.8	17.1%	36.8	30.3	21.5%
Other	21.6	22.5	(4.0)%	44.7	46.6	(4.1)%
<b>Total</b>	<b>261.3</b>	<b>253.3</b>	<b>3.2%</b>	<b>525.8</b>	<b>505.8</b>	<b>4.0%</b>

- Online business investment in brands driving marketing expense
- Property costs increased following a series of rent reviews and new casinos
- Capital investment programme results in higher depreciation cost
- Rise in VAT rate increased taxes and duties

\* includes the cost of free bets, promotions and customer bonuses; \*\* includes amortisation



# Statutory profit & loss



<i>£m</i>	2011 H2	2010 H2	2011	2010
Adjusted profit before tax	32.5	30.1	58.8	55.2
Other	(0.7)	0.1	(0.6)	(0.7)
Profit before tax and exceptional items	31.8	30.2	58.2	54.5
Exceptional items	(12.9)	(24.1)	136.0	19.0
Profit before tax	18.9	6.1	194.2	73.5
Taxation	(4.6)	(5.8)	(44.1)	(24.6)
Discontinued operations	-	2.5	3.6	4.3
<b>Profit for the period</b>	<b>14.3</b>	<b>2.8</b>	<b>153.7</b>	<b>53.2</b>



# Cash flow



<i>£m</i>	2011	2010
<b>Continuing operations</b>		
Cash inflow from operations	97.0	93.1
Capital expenditure	(49.9)	(50.2)
Fixed assets disposals	0.8	0.1
<b>Operating cash inflow</b>	<b>47.9</b>	<b>43.0</b>
Acquisitions and disposals	(0.1)	0.8
Receipts - exceptional items and provisions	66.4	26.4
	114.2	70.2
Dividends	(10.4)	(8.1)
Net interest and tax receipts	56.8	0.7
Other*	(12.2)	0.6
Cash inflow	148.4	63.4
Opening net debt	(123.4)	(186.8)
Closing net cash (debt)	25.0	(123.4)

\* incl. purchase of own shares, new finance leases and fx translation

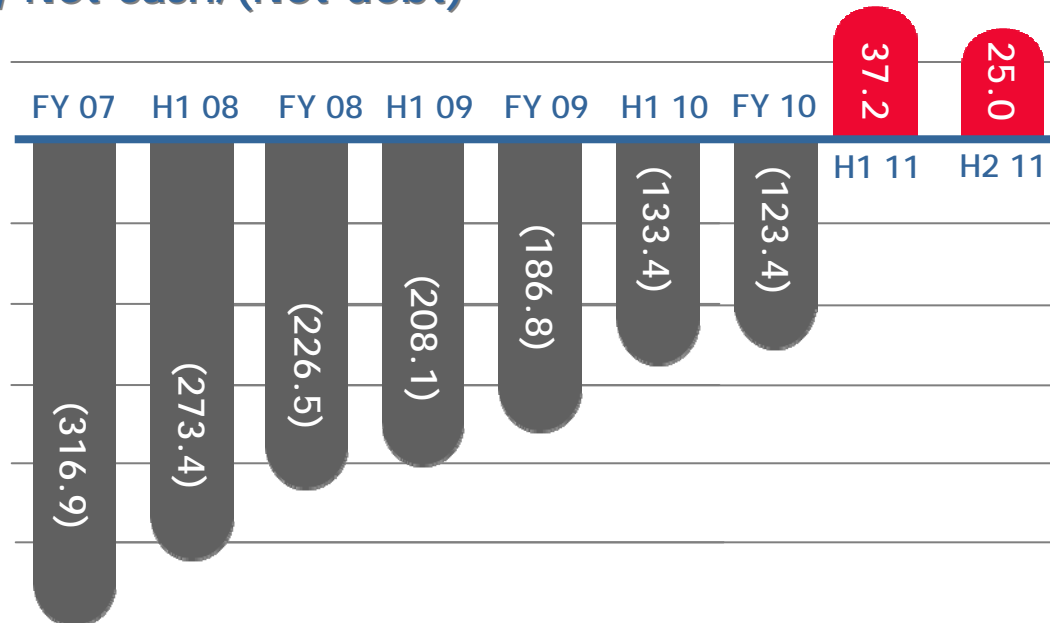




# Strengthened balance sheet



## Financial position (£m) 2007-2011, Net cash/(Net debt)



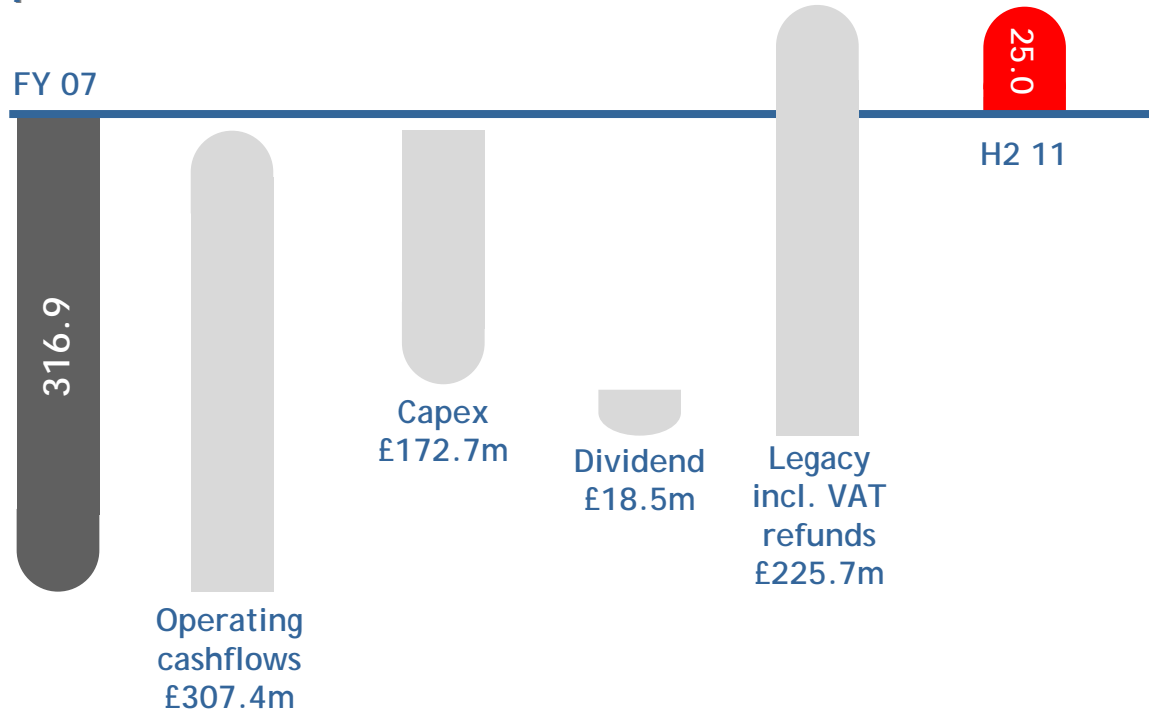
- New £80m bank facilities allow substantial investment in proven capital programmes
- UK casinos expansion programme on track to double modernised casino format by 2015
- HM Revenue & Customs concede £253m bingo claim



# Strengthened balance sheet



## Cash inflow (£m) 2007-2011



- Cash inflow from operations (excluding VAT receipts) over the last four years has funded; capital investment programme, dividends and £116.2m of debt reduction



# Capital investment to support growth



<i>£m</i>	<i>2011</i>	<i>2010</i>	<i>18 months to 30 June 2012F</i>
Grosvenor Casinos	23.5	19.4	42
Mecca Bingo	13.4	21.2	21
Rank Interactive	6.5	6.2	11
Top Rank España	5.0	1.9	5
Other	1.5	1.5	2
<b>Total</b>	<b>49.9</b>	<b>50.2</b>	<b>81</b>

- 74% of 2011 capital expenditure to extend reach and broaden appeal of brands
- Grosvenor expansionary capex year 2 cash-on-cash return; 21.6%
- Mecca expansionary capex year 2 cash-on-cash return; 11.8%
- Modernisation of casino estate; three new casinos and three casinos upgraded
- New finance leases of £8.7m in 2011 for amusement machines in addition to above



# Financial strength



- New revolving credit facility of £80m agreed
- Target return 15%; aggregate return on expansionary capex 18.9%
- Target dividend cover of 3.0x
- Certainty on bingo VAT receipts, and imminent decision on amusement machines
- Additional VAT claims pending; at least equivalent to proceeds received







Ian Burke

# Group Strategy



*Our goal is to increase shareholder wealth by driving sustainable growth in earnings per share*

- Develop trusted gaming based entertainment brands
- Operate responsibly in regulated markets
- Engage positively with government



# Our brands



*Rank's long term competitive advantage arises from the development of a portfolio of trusted brands*

Brand	Position	Core market
	Social, community gaming-based entertainment	Female-led Age: 25 to 55 years
 <small>grosvenorcasinos.com</small>	Social and competitive gaming-based entertainment	Male-led Age: 25 to 55 years
	Sports-led betting and gaming	Male Age: 25 to 44 years



# Our brands strategy



- Who are our customers and what are their needs?
  - insight and segmentation
- How do we deliver the product, service and experience customers demand?
- Where do we deliver these experiences?
  - venues, online and mobile





# Our brands – Grosvenor Casinos



34 venues in major cities in the UK

Our focus

1. Product and service improvements
2. Extending reach; capital investment
3. Extending reach; distribution



# Grosvenor Casinos - extending reach, capital investment



## Portfolio development 2011

- 3 G Casino Conversions
- 1 new G Casino

## Portfolio development plan to 2015

- £70m investment to grow portfolio to 45 casinos
  - Grosvenor Casino brand growing awareness through new markets
- 30 G Casinos by 2015
  - Larger venues in high profile locations suitable for large provincial markets
  - Uplift to visits, income and EBITDA margin means returns exceed 15% pre-tax hurdle



# Grosvenor- extending reach, distribution



## Online

- Upgraded website
  - Updated branding, new games, detailed information on venues
- 10 percentage point increase to customer satisfaction

## Mobile

- Website optimisation
- Interface tailored for individual mobile devices
- Widest selection of games content in the UK market



# Our brands – Mecca



Mecca is one of Britain's most familiar gaming brands

- Multi-channel distribution through 98 venues, online and mobile applications

Our focus

1. Product and service improvement; cross channel community gaming, food and drink, entertainment
2. Extending reach; developing inclusive gaming venues, online and mobile
3. Extending reach; distribution



# Mecca - extending reach, capital investment



## Full House Destination

- Converted clubs see increases to customer satisfaction, customer visits and a fall in the average age of customers
- Review of conversion costs means that the latest Full House conversion, to be reopened in March 2012, will cost less than half of previous conversions

## Full House Local

- During 2011, 14 more clubs upgraded to deliver improved food and drink and gaming product





# Mecca - extending reach, distribution



## Online

- Enhancements to website improve customer experience
- Increasing customer satisfaction
- New slots content, consistent with venues
- X-Factor agreement provides exclusive content

## Mobile

- Real money applications compatible with iPhone and Android
- Cashline bingo, Mecca venues' most popular product, available for online and mobile players



# Regulation and Taxation



The regulation and taxation of the gaming industry remains in flux, the results will have a profound effect on how Rank operates

## Regulation

- UK government launches review of Gambling Act 2005
- Reinstatement of triennial review for UK amusement machines
- Regulation of online gaming in Spain delayed for six months

## Taxation

- HM Treasury announces introduction of two tier Machine Games Duty
- UK online gaming duty, based on location of consumer, expected 2013/14
- Rank reiterates call for harmonisation of tax regime



# Summary



- Strong balance sheet
- Trusted brands
- Opportunities to develop multi-channel distribution





## Appendices

# Grosvenor Casinos data sheet



	<i>H2 2011</i>	<i>H1 2011</i>	<i>H2 2010</i>	<i>H1 2010</i>	<i>H2 2009</i>	<i>H1 2009</i>
<b>Casino licenses</b>						
London	4	5	5	5	5	5
Provinces	33	32	31	30	30	28
Belgium	2	2	2	2	2	2
<b>Total</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>37</b>	<b>37</b>	<b>35</b>
Unused licences	10	10	11	12	12	13
<b>Revenue (£m)</b>						
Revenue (£m)	<b>125.8</b>	123.4	122.0	116.6	113.3	106.7
EBIT (£m)	<b>20.4</b>	20.2	18.4	17.6	16.2	14.7
Operating margin	<b>16.2%</b>	16.4%	15.1%	15.1%	14.0%	13.8%
Customers MAT (000s)*	<b>1,194</b>	1,113	1,131	1,021	918	842
Customer visits (000s)	<b>3,059</b>	2,952	2,790	2,624	2,555	2,270
Spend per visit (£)	<b>41.12</b>	41.80	43.73	44.41	44.34	47.00
<b>Electronic gaming (UK only)</b>						
B1 machines	<b>707</b>	693	671	648	648	613
B3/C/D machines	<b>71</b>	34	48	48	20	16
Electronic casino terminals	<b>1015</b>	981	969	950	933	862

\* Active customers on a Moving Annual Total basis, excluding Belgium





# Mecca Bingo data sheet



	<i>H2 2011</i>	<i>H1 2011</i>	<i>H2 2010</i>	<i>H1 2010</i>	<i>H2 2009</i>	<i>H1 2009</i>
Clubs	98	100	103	103	103	103
Revenue (£m)	<b>117.4</b>	121.7	115.8	118.7	116.7	116.3
EBIT (£m)	<b>14.8</b>	16.2	13.7	16.0	13.3	19.0
Operating margin	12.6%	13.3%	11.8%	13.5%	11.4%	16.3%
Customers MAT (000s)	943	924	911	895	881	912
Customer visits (000s)	7,163	7,489	7,167	7,521	7,442	7,491
Spend per visit (£)	16.39	16.32	16.16	15.78	15.68	15.53
<b>Electronic gaming</b>						
B3 / B4 machines*	1,114	913	997	1,036	971	1,043
C/D machines	4,451	4,335	4,542	4,572	4,508	4,552
Electronic bingo terminals	7,545	7,545	7,300	7,051	6,922	6,891

\* includes B3 machines located in adult gaming centres, operated by Rank and located adjacent to Mecca Bingo clubs



# Rank Interactive data sheet



	<i>H2 2011</i>	<i>H1 2011</i>	<i>H2 2010</i>	<i>H1 2010</i>	<i>H2 2009</i>	<i>H1 2009</i>
Bingo/games	<b>28.9</b>	25.9	22.2	19.8	17.9	16.4
Casino	<b>3.2</b>	3.0	2.7	3.0	2.7	2.4
Poker	<b>0.6</b>	0.7	0.8	1.0	1.2	1.7
Sportsbook	<b>5.1</b>	4.4	4.6	3.6	4.1	4.4
Revenue (£m)	<b>37.8</b>	34.0	30.3	27.4	25.9	24.9
EBIT (£m)	<b>6.4</b>	2.7	5.6	2.3	4.5	3.0
Operating margin	<b>16.9%</b>	7.9%	18.5%	8.4%	17.4%	12.0%



# Top Rank España data sheet



	<i>H2 2011</i>	<i>H1 2011</i>	<i>H2 2010</i>	<i>H1 2010</i>	<i>H2 2009</i>	<i>H1 2009</i>
Clubs	11	11	11	11	11	11
Revenue (£m)	<b>14.9</b>	14.9	18.6	18.4	18.1	18.1
EBIT (£m)	<b>0.5</b>	0.2	3.8	3.0	2.9	2.7
Operating margin	3.4%	1.4%	20.4%	16.3%	16.0%	14.9%
Customers MAT(000s)	308	319	331	341	314	316
Customer visits (000s)	1,064	1,010	1,197	1,142	1,180	1,130
Spend per visit (£)	14.00	14.75	15.54	16.11	15.34	16.02



# Casinos market supply (December 2011)



<i>Operator</i>	<i>Operating licences</i>	<i>Non-operating licences</i>	<i>Total Licences</i>
Genting Stanley	46	9	55
Grosvenor Casinos	37	10	47
Gala	27	4	31
Caesar's / London Clubs	10	0	10
A&S Leisure	6	0	6
Aspers / Aspinall's*	5	1	6
Club 36	3	0	3
Clockfair	2	0	2
Guoco	1	5	6
Independents	13	9	22
<b>Total</b>	<b>150</b>	<b>38</b>	<b>188</b>

\* Includes 1 club operating under 2005 Act license



# Bingo clubs market supply (December 2011)



<i>Operator</i>	<i>Clubs*</i>
Gala Bingo	146
Mecca Bingo	98
Top Ten Bingo	22
Carlton Clubs	14
Others	195
<b>Total</b>	<b>475</b>



\* Company Research; excludes the conversion of adult gaming centres to bingo clubs

