

# THE RANK GROUP PRESENTS

INTERIM RESULTS

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**AGENDA**

Introduction

Ian Burke, chairman and chief executive

Review of financial results

Clive Jennings, finance director

Strategy and operational update

Ian Burke

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# Clive Jennings

finance director



# THE RANK GROUP PRESENTS FINANCIAL HEADLINES

	6 months to 31 Dec 2013 <sup>(1)</sup>	restated 6 months to 31 Dec 2012 <sup>(1)</sup>	change
Gross revenue <sup>(2)</sup>	£352.4m	£304.4m	16%
Operating profit <sup>(3)</sup>	£32.7m	£38.2m	(14)%
Adjusted earnings per share <sup>(3)</sup>	5.3p	6.8p	(22)%
EBITDA <sup>(3)</sup>	£54.2m	£57.6m	(6)%
Operating cash inflow	£49.7m	£60.7m	(18)%
Net (debt) / cash <sup>(4)</sup>	£(135.1)m	£62.6m	
Total dividend per share	1.35p	1.25p	8%

- Competitive and challenging economic environment
- London casino win in prior year exceptionally strong
- July hot weather and lower London casino win adversely impacted trading
- Impact was atypical profit split; Q1 40%; Q2 60%
- Balance sheet and cashflow remain strong

- (1) continuing operations
- (2) before adjustment for free bets, promotions and customer bonuses
- (3) before exceptional items
- (4) position at the end of the 6 month period

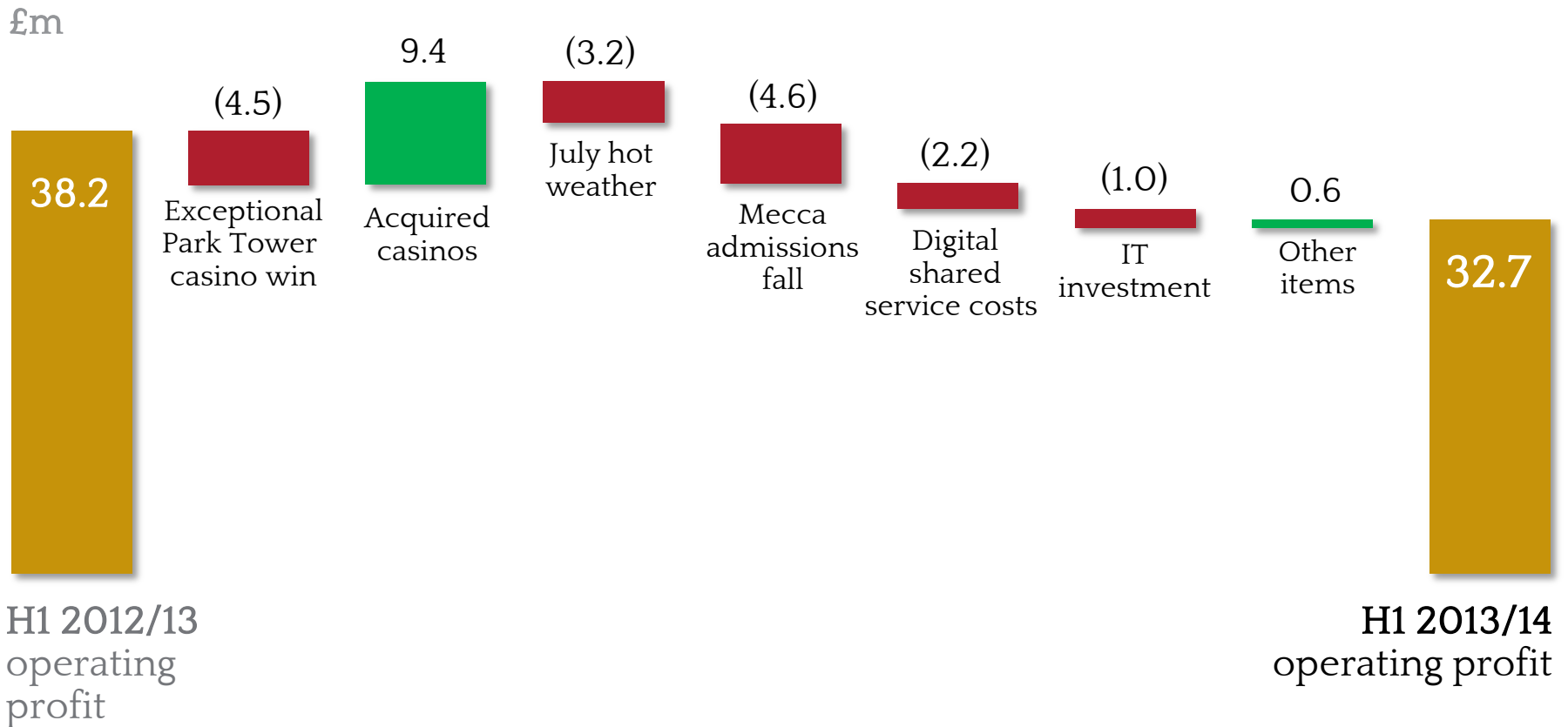
# THE RANK GROUP PRESENTS REVENUE AND OPERATING PROFIT

£m	Revenue <sup>(5)</sup>			Operating profit <sup>(6)</sup>		
	H1 2013/14	H1 2012/13	change	H1 2013/14	H1 2012/13	change
Grosvenor Casinos	194.2	144.5	34%	28.2	25.4	11%
Mecca	143.5	146.1	(2)%	13.9	22.5	(38)%
Enracha	14.7	13.8	7%	0.3	0.4	(25)%
Central costs				(9.7)	(10.1)	(4)%
<b>Total continuing</b>	<b>352.4</b>	<b>304.4</b>	<b>16%</b>	<b>32.7</b>	<b>38.2</b>	<b>(14)%</b>

(5) before adjustment for free bets, promotions and customer bonuses

(6) before exceptional items

# THE RANK GROUP PRESENTS OPERATING PROFIT BRIDGE



# THE RANK GROUP PRESENTS GROSVENOR CASINOS

£m	Revenue <sup>(7)</sup>			Operating profit <sup>(8)</sup>		
	H1 2013/14	H1 2012/13	change	H1 2013/14	H1 2012/13	change
London	46.8	57.2	(18)%	10.3	16.5	(38)%
Provinces	80.6	75.4	7%	9.4	10.8	(13)%
Belgium	7.5	7.5	0%	-	(0.1)	100%
Acquired casinos	53.5	-		9.4	-	
Venues total	188.4	140.1	34%	29.1	27.2	7%
Digital	5.8	4.4	32%	(0.9)	(1.8)	50%
<b>Total brand</b>	<b>194.2</b>	<b>144.5</b>	<b>34%</b>	<b>28.2</b>	<b>25.4</b>	<b>11%</b>

KPIs	Venues		change	Digital		change
Visits (000s)	4,082	3,052	34%	200	166	20%
Spend per visit (£)	46.15	45.90	1%	29.00	26.51	9%

- London: strong win margin in prior year – highest for 5 years
- Provinces: reduced customer visit frequency and increased costs
- H1 EBITDA for acquired casinos £10.9m vs Gala reported £22.2m for 12 months to 19 January 2013

(7) before adjustment for free bets, promotions and customer bonuses;

(8) before exceptional items



# THE RANK GROUP PRESENTS MECCA

£m	Revenue <sup>(9)</sup>			Operating profit <sup>(10)</sup>		
	H1 2013/14	H1 2012/13	change	H1 2013/14	H1 2012/13	change
Venues	113.7	115.7	(2)%	7.1	11.1	(36)%
Digital	29.8	30.4	(2)%	6.8	11.4	(40)%
<b>Total brand</b>	<b>143.5</b>	<b>146.1</b>	<b>(2)%</b>	<b>13.9</b>	<b>22.5</b>	<b>(38)%</b>

KPIs	Venues		change	Digital		change
Visits (000s)	6,209	6,864	(10)%	2,323	2,436	(5)%
Spend per visit (£)	18.31	16.86	9%	12.83	12.48	3%

- Venues: lower visits and active customers due to pressure on consumer discretionary income and July hot weather
- Digital: increasing active customers and spend per visit offset by declining visits in very competitive market

(9) before adjustment for free bets, promotions and customer bonuses

(10) before exceptional items



# THE RANK GROUP PRESENTS ENRACHA

	H1 2013/14	H1 2012/13	change
Revenue (£m)	14.7	13.8	7%
Revenue (euros m)	17.3	17.3	-
<b>Operating profit (£m)</b>	<b>0.3</b>	<b>0.4</b>	<b>(25)%</b>

KPIs			change
Visits (000s)	989	998	(1)%
Spend per visit (£)	14.86	13.83	7%

- Continuing tough economic conditions
- Barcelona venue converted to Enracha format in H1

# THE RANK GROUP PRESENTS

# TOTAL COSTS

EXCLUDING FREE BETS

£m	H1 2013/14	H1 2012/13	change
Employment	115.3	95.8	20%
Direct costs	28.2	26.0	8%
Property costs	30.8	25.3	22%
Other	23.9	18.7	28%
<b>Sub total</b>	<b>198.2</b>	<b>165.8</b>	<b>20%</b>
Marketing			
- online	6.1	5.5	11%
- offline	12.3	9.5	29%
Taxes & duties	66.2	52.2	27%
Depreciation	21.5	19.4	11%
<b>Total costs</b>	<b>304.3</b>	<b>252.4</b>	<b>21%</b>

- Acquired casinos impact £44.1m
- Existing venues: 3% underlying cost growth
- Digital channels: increase in shared costs allocation post Blue Square Bet disposal; increased headcount; increased marketing

# THE RANK GROUP PRESENTS STATUTORY PROFIT AND LOSS

£m	H1 2013/14	H1 2012/13
Profit from continuing operations	32.7	38.2
Net interest payable	(4.4)	(1.9)
Profit before tax and exceptional items	28.3	36.3
Exceptional items	(34.5)	(8.1)
Profit / (loss) before tax	(6.2)	28.2
Taxation	(4.1)	(10.0)
Taxation – exceptional	8.8	0.6
Discontinued operations	2.8	(0.7)
<b>Profit for the period</b>	<b>1.3</b>	<b>18.1</b>

- Effective tax rate: 25.3% [full year expected 25-26%]
- Cash tax rate: 13.4% [full year expected 15-18%]
- Exceptionals: VAT litigation; Gala transactions costs
- Discontinued: One-off tax refunds

# THE RANK GROUP PRESENTS CASH FLOW AND NET DEBT

£m	H1 2013/14	H1 2012/13
Cash inflow from continuing operations	49.7	60.7
Capital expenditure	(29.7)	(17.1)
Fixed asset disposals	0.2	2.0
<b>Operating cash inflow</b>	<b>20.2</b>	<b>45.6</b>
Net cash payments; provisions and exceptional items	(2.9)	(5.3)
Discontinued operations	(0.4)	(4.7)
Purchase price adjustment	0.9	-
Net interest and tax	(5.5)	(4.7)
Settlement of legacy tax issues	(31.1)	-
Dividends paid	(11.1)	(9.8)
New finance leases	(2.3)	(0.8)
Other <sup>(11)</sup>	0.9	0.5
<b>Cash (outflow) / inflow</b>	<b>(31.3)</b>	<b>20.8</b>
Opening net (debt) / cash	(103.8)	41.8
<b>Closing net (debt) / cash</b>	<b>(135.1)</b>	<b>62.6</b>

(11) includes fx translation

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# CAPITAL INVESTMENT TO SUPPORT GROWTH

£m	H1 2013/14	H1 2012/13
Grosvenor Casinos	13.0	10.4
Grosvenor Casinos - acquired	11.9	-
Mecca	3.7	3.8
Enracha	0.5	0.5
Central	0.6	2.4
<b>Total</b>	<b>29.7</b>	<b>17.1</b>
Finance leases – Grosvenor Casinos	-	0.5
Finance leases – Mecca	2.3	0.3
<b>Total capital expenditure</b>	<b>32.0</b>	<b>17.9</b>

- FY 2013/14 capex estimate £48m-£52m
- FY capex of £18m for acquired casinos is on track
- More than 80% of Group capex invested in Grosvenor Casinos
- From 2014/15 capex to be c.80% of current year depreciation charge

# THE RANK GROUP PRESENTS FINANCIAL STRENGTH

- Current undrawn revolving credit facilities of £60m
- Strong operating cash flow with annualised EBITDA of c.£110m
- Conservative leverage of less than 1.3 times
- No refinancing required for at least 2 years
- Application to appeal to the Supreme Court on slots litigation lodged; decision on permission to appeal expected H2 2013/14

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# THE RANK GROUP PRESENTS **CURRENT TRADING**

- Results only for a short 4 week period; in-line with management's expectations
- Group revenue continuing to grow year on year
- Anticipate H2 profits (excluding acquired casinos) will be broadly in line with last year

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# Ian Burke

chief executive



# THE RANK GROUP PRESENTS CEO UPDATE

- Current situation and improvement plan
- Strategy and priorities

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# CURRENT SITUATION AND IMPROVEMENT PLAN

## H1 Positives

- Integration of the acquired 19 casinos has gone well
- Growth (from a low base) in digital casino channel

## H1 Issues

- Mecca brand performance, in venues and digital
- London casinos win %

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# CURRENT SITUATION AND IMPROVEMENT PLAN

## Key elements of improvement plan

- Improving value for money for our customers
- Tight control of costs
- Capex focused on acquired casinos and new casino on Edgware Road

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# THE RANK GROUP PRESENTS STRATEGY AND PRIORITIES

- Building winning brands (in a multi-channel world)
- Delivering operational excellence (through people and support systems)
- Wider brand distribution

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# THE RANK GROUP PRESENTS **BUILDING WINNING BRANDS**

- Customer insight critical
  - understanding of needs (social, excitement, escape, control)
  - RFM (Recency, Frequency, Monetary Value)
- Product, service, experience development based on insight
  - improved gaming, food, drink and entertainment product
- Marketing programmes driven by Customer Relationship Management data

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# DELIVERING OPERATIONAL EXCELLENCE

- People (recruit and retain)
  - satisfaction 79%, annual team turnover 25%
  - consistent over past 3 years
- Systems
  - gaming platform to deliver games content to customers (where they want to play)
  - business intelligence
  - infrastructure support

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# THE RANK GROUP PRESENTS WIDER BRAND DISTRIBUTION

- Venue development
  - 3 conversions to G format (Glasgow Merchant City, Liverpool, Leicester)
  - major refurb (Tottenham Court Road Dec 13)
  - new casino on Edgware Road plus refurbishment of the Victoria
  - new clubs Southend (open autumn 14)
- Mobile development
  - iPhone /iPad/Android applications

# THE RANK GROUP PRESENTS PRIORITIES

- Deliver a strong H2 on back of actions underway
- Medium term focus on:
  - Grosvenor Casinos venue development (product, design)
  - building digital business (particularly mobile)
  - preparing for introduction of Remote Gaming Duty (POC)
  - stabilising Mecca venues
  - strengthening IT capability

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# GROSVENOR CASINOS VENUE DEVELOPMENT

To continue the momentum of venue development initiated with the G Casino format

- Gaming product
  - addition of bingo and sports betting
- Non gaming product
  - food, drink and entertainment
  - late night sports

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**BUILDING DIGITAL BUSINESS**

## To meet customer needs to play online

- Web redesign
- Content management systems
- Games range
- Mobile

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# THE RANK GROUP PRESENTS REMOTE GAMING DUTY

## To mitigate the impact of the duty due end 2014

- Point of consumption tax basis
- Significant disruption to digital market (assumption is 15% tax rate)

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# THE RANK GROUP PRESENTS STABILISING MECCA VENUES

## To stabilise and rebuild performance

- Improved value for money for existing customers
- Development of proposition to attract and retain new customers
- Capex restricted to essential works
- Industry lobby for 15% tax rate (target March budget)

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# THE RANK GROUP PRESENTS STRENGTHENING IT CAPABILITY

## To create IT system capable of supporting multi-brand multi-channel environment

- New senior team
- Investments in infrastructure (club servers, PCs, networks)
- Simplification of 3rd party applications
- Outsourcing non-core elements
- Improvement to digital platform

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# THE RANK GROUP PRESENTS SUMMARY

- Rank operates in regulated markets and continues to work constructively with Governments and regulators
- Grosvenor Casinos is the leading casino brand with opportunities for growth in all channels
- Stabilising Mecca brand performance this year is a priority
- Balance sheet remains strong

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# Appendices



# THE RANK GROUP PRESENTS ANALYSIS FOR DATA SHEETS

- Rank's year end changed to 30 June
- Each operating businesses' results recast to 30 June accounting reference date
  - H1 2013/14 6 months to 31 December 2013
  - FY 2012/13 12 months to 30 June 2013
  - H1 2012/13 6 months to 31 December 2012
  - FY 2011/12 12 months to 30 June 2012
  - H1 2011/12 6 months to 31 December 2011
  - FY 2010/11 12 months to 30 June 2011

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# THE RANK GROUP PRESENTS GROSVENOR CASINOS VENUES DATA SHEET

	H1 2013/14	FY 2012/13	H1 2012/13	FY 2011/12	H1 2011/12	FY 2010/11
Casino licences						
London	9	8	4	4	4	5
Provinces	54	51	33	33	33	32
Belgium	2	2	2	2	2	2
<b>Total</b>	<b>65</b>	<b>61</b>	<b>39</b>	<b>39</b>	<b>39</b>	<b>39</b>
Non-trading licences	13	17	10	10	10	10
<b>Revenue (£m)</b>	<b>188.4</b>	<b>290.5</b>	<b>140.1</b>	<b>255.8</b>	<b>125.8</b>	<b>245.4</b>
<b>EBIT (£m)</b>	<b>29.1</b>	<b>49.5</b>	<b>27.2</b>	<b>42.8</b>	<b>20.4</b>	<b>38.6</b>
Operating margin	15.4%	17.0%	19.4%	16.7%	16.2%	15.7%
Customers MAT (000s) <sup>(1)</sup>	1,713	1,288	1,282	1,193	1,194	1,113
Visits (000s)	4,082	6,052	3,052	6,095	3,059	5,742
Spend per visit (£)	46.15	45.44	45.90	41.97	41.12	42.74
Electronic gaming (UK only)						
B1 machines	1,167	724	704	704	707	693
B2 machines	18	10	10	10	-	-
B3/C/D machines	104	100	79	93	71	34
Electronic casino terminals	1,639	1,154	1,092	1,072	1,015	981

(1) Active customers on a Moving Annual Total basis, excluding Belgium

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# GROSVENOR CASINOS - LICENCE UPDATE UK

	Current estate (at 31 December 2013)	Forecast estate (2015)
Grosvenor Casinos – Traditional	32	28
Grosvenor Casinos – G format	24	29
Licences located alongside existing casinos	7	11
Non-trading licences	13	8 <sup>(2)</sup>
<b>Total licences</b>	<b>76</b>	<b>76</b>
<b>Total casino venues</b>	<b>56</b>	<b>57</b>

(2) Wolverhampton(x2), Middlesbrough, London Kensington, Oldbury, Swansea, Acocks Green & Hove

# THE RANK GROUP PRESENTS MECCA VENUES DATASHEET

	H1 2013/14	FY 2012/13	H1 2012/13	FY 2011/12	H1 2011/12	FY 2010/11
Venues	97	97	97	97	98	100
Revenue (£m)	113.7	234.9	115.7	237.8	117.4	237.5
EBIT (£m)	7.1	23.0	11.1	28.3	14.8	29.9
Operating margin	6.2%	9.8%	9.6%	11.9%	12.6%	12.6%
Customers MAT (000s)	940	958	958	965	943	924
Visits (000s)	6,209	13,559	6,864	14,407	7,163	14,656
Spend per visit (£)	18.31	17.32	16.86	16.51	16.39	16.20
<b>Electronic gaming</b>						
B3/B4 machines <sup>(3)</sup>	1,841	1,908	1,224	1,164	1,114	913
C/D machines	3,423	3,577	4,213	4,285	4,451	4,335
Electronic bingo terminals	8,170	8,075	8,100	8,055	7,545	7,545

- All electronic bingo terminals can have Category C content on them and 20% can have Category B content

(3) includes B3 machines located in adult gaming centres, operated by Rank and located adjacent to Mecca Bingo clubs

# THE RANK GROUP PRESENTS ENRACHA VENUES DATASHEET

	H1 2013/14	FY 2012/13	H1 2012/13	FY 2011/12	H1 2011/12	FY 2010/11
Venues	11	11	11	11	11	11
Revenue (£m)	14.7	28.5	13.8	29.2	14.9	33.5
EBIT (£m)	0.5	1.6	0.8	1.4	0.5	4.0
Operating margin	3.4%	5.6%	5.8%	4.8%	3.4%	11.9%
Customers MAT (000s)	278	276	291	305	308	319
Visits (000s)	989	1,980	998	2,049	1,064	2,207
Spend per visit (£)	14.86	14.39	13.83	14.25	14.00	15.18

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# THE RANK GROUP PRESENTS UK CASINOS MARKET SUPPLY

Operator	Casino Venues	Total Licences
Grosvenor Casinos	56	76
Genting	40 <sup>(4)</sup>	57 <sup>(4)</sup>
London Clubs	9	11
A&S Leisure	6	6
Double Diamond	5	5
Aspers/Aspinall's	4	7 <sup>(4)</sup>
Club 36	3	3
Clockfair	2	2
Guoco	1	1
Gala	-	1
Others	11	29 <sup>(4)</sup>
<b>Total</b>	<b>137</b>	<b>198</b>

Source: company research

(4) includes 2005 Act casino licences

# THE RANK GROUP PRESENTS UK BINGO CLUBS MARKET SUPPLY

Operator	Clubs <sup>(5)</sup>
Gala Bingo	137
<b>Mecca Bingo</b>	<b>97</b>
Top Ten Bingo	11
Carlton Clubs	13
Castle	11
Club 3000	11
Beacon	9
Others	95
<b>Total</b>	<b>384</b>

Source: Bingo Association

(5) excludes the conversion of adult gaming centres to bingo clubs

