

20 April 2020

The Rank Group Plc

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Trading Statement

The Rank Group Plc (LSE: RNK) ('Rank' or 'the Group') provides an update on the impact of COVID-19, the mitigating actions being taken, Rank's contribution to the national effort, and a trading update for the quarter to 31 March 2020.

Economic Impact of COVID-19:

We provide this trading update in the context of the unprecedented situation caused by the COVID-19 pandemic which is having a material impact on the Group. Since our update on 17 March, we have continued to make progress on our plan to ensure that we withstand this crisis and re-emerge as a strong business. Whilst we have limited forward visibility and with it the likely pace of recovery, we are preparing for difficult trading conditions when we reopen our venues businesses.

The short-term economic impact to our venues businesses has been significant, but we have acted swiftly and decisively to mitigate where appropriate. Across our UK venues and support offices, circa 7,000 colleagues, out of a UK workforce of 7,600, have been furloughed. Where relevant, Rank has topped up the UK Government's Coronavirus Job Retention Scheme ('CJRS') so that all colleagues in furlough will receive 80% of their salary. The executive and non-executive directors have volunteered a 20% reduction in salaries and fees with effect from 1 April for as long as our colleagues are in furlough. The positive cash impact of the UK's CJRS, and similar schemes in Spain and Belgium, will be approximately £8m per month.

The Group also benefits by approximately £1m per month from the business rates holiday. Discussions to reduce our cash outflow are ongoing with suppliers and landlords. Our approach is to ensure that both Rank and our suppliers are able to survive the current economic crisis.

The Group has a small number of long running VAT claims. At the outset of the lockdown period, Rank requested repayment from HMRC of £25.2m in relation to VAT paid on slot machine revenue between 2002 and 2005 to maximise its liquidity and this was received in early April. Subsequently on 15 April 2020, following an appeal heard in January, the Upper Tribunal ruled in favour of Rank. If HMRC is granted permission to appeal this latest decision and the Court of Appeal rules in favour of HMRC, Rank would be required to repay the £25.2m. In that scenario, we do not expect any repayment to be made for at least 12 months. In addition, we have reached agreement with HMRC to defer circa £40m of tax and duty that was due to be paid in April 2020, initially until 30 June 2020.

The Group's next dividend would typically be paid in October 2020. The Board does not intend to recommend a dividend unless all creditors, directly arising from Group actions to mitigate the economic impact of COVID-19, have been resolved and we have the necessary visibility on future cashflows following the reopening of our venues.

Assuming that all venues remain closed for the rest of the financial year to 30 June 2020, underlying operating profit for the year is expected to be between £48m to £58m after IFRS 16 (£40m to £50m before IFRS 16). As a result, we expect the Group to meet all its bank covenants at 30 June 2020.

Immediately prior to lockdown measures in the UK we estimated that during a period of full closure of all venues, monthly cash outflow before mitigation was £25m and would be reduced to £17m with

mitigating actions within our control. As a result of the HM Treasury’s support measures and further progress on our own mitigations, we now estimate that our monthly cash outflow rate will be reduced to approximately £10m from May 2020. As at 31 March 2020, total available cash and facilities, after deducting customer balances, was £166m with the month of April expected to be broadly cash neutral. The Group is funded by the Stride acquisition facility of £128m and undrawn Revolving Credit Facilities of £85m (of which £30m expires on 29 September 2020, £40m in 2024 and £15m in 2025).

Our response to the Government’s call for contributions to the national effort:

The Rank Group’s Board and our colleagues are conscious of the need to contribute to the wider societal effort at this time of national crisis. Our customers know that our venues are community hubs and far more than just places to gamble, and our non-furloughed colleagues have stepped up to ensure we are able to use our venues, wherever and however possible within Government guidelines, to support key workers and vulnerable people in our communities.

We have launched a new charity initiative in collaboration with Blue Light Card, the UK’s number one discount service for the NHS, Emergency Services, Social Care workers and Armed Forces. Rank colleagues are providing free meals to these key workers from some of our UK venues’ kitchens. We are also collaborating with a number of MPs and local councils to ensure whatever capacity we have in our kitchens is maximised to provide vulnerable people, including the homeless and elderly, with hot meals, cooked in Rank venues and distributed by our teams. Our colleagues are also calling our regular Mecca customers to check in on their wellbeing.

We are acutely aware of the need for heightened vigilance in identifying any signs of gambling-related harm in our digital business, and have redoubled our safer gambling efforts, incorporating the Betting & Gaming Council’s ‘10 pledge action plan’ and bolstering resource in our safer gambling teams.

Trading Update:

Rank’s like-for-like (‘LFL’) net gaming revenue (‘NGR’) was down 4% for the quarter ended 31 March 2020 (‘Q3’), with total NGR up 5%.

LFL revenue growth	Q3 2019/20 NGR	H1 2019/20 NGR
Digital	21%	14%
Grosvenor venues	(5)%	15%
Mecca venues	(17)%	(1)%
International venues	(12)%	9%
Group LFL	(4)%	10%
Stride LFL	3%	(2)%
Group statutory revenue	5%	14%

The Digital business continued to grow strongly. Grosvenor Digital grew NGR 27% in the quarter driven by continued growth in new players and strong levels of returning players. The proportion of Grosvenor’s NGR from multi-channel players increased to 44%, further demonstrating the opportunity to provide a fully integrated venue and digital experience to our customers. Mecca Digital also performed strongly with NGR up 20% with continued strong operational execution. Yo’s performance improved steadily through the quarter as the impact of management and operational changes made in Q2 started to take effect. Yo’s NGR for the quarter was up 9% with YoCasino continuing to perform in line with the launch plan. Since the closure of our UK and Spanish venues, Digital NGR growth rates have increased further.

Stride returned to growth in the quarter driven by its non-proprietary business. Integration activity has continued at pace and we still expect to complete integration within two years of the acquisition being completed.

We have introduced elevated levels of control to ensure the highest levels of protection for our digital customers including the introduction of lower deposit level triggers for safer gambling interactions, heavy promotion of setting deposit limits to our customers and stopping all social media advertising amongst a range of other measures during the lockdown period.

Our UK and International venues businesses all performed strongly and in line with expectations through the first two months of the quarter. Weaker trading conditions commenced towards the end of February and into March and, following the introduction of COVID-19 restrictions, our International venues were closed from 14 March 2020 and all our Grosvenor and Mecca venues were closed from 20 March 2020.

John O'Reilly, CEO of Rank, commented:

"With the tremendous support we have received from HM Treasury and HMRC, together with our own mitigations, we have established a robust financial position to address and withstand an extended period of economic turmoil. Given the uncertainty we face and continued social distancing measures likely to be in place for some time to come, we continue to work to protect cash and to prepare for the reopening of our venues in as safe a way as possible.

"I am enormously proud of our colleagues and how they have responded to the decisions we have had to take as well as their selfless response and contribution to the national effort. We know how important our venues are in many local communities and we've answered the call to contribute by stepping up to help those who need it most right now."

Ends

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Notes to editors:

1. Like-for-like excludes the effects of M&A, club openings, closures, relocations and foreign exchange.
2. All comparisons are with the same quarter in 2018/19.
3. Q3 is for the period 1 January to 31 March.
4. Digital comprises Grosvenor, Mecca, Yo and Enracha brands.
5. Stride's LFL performance for H1 2019/20 relates to its performance post acquisition by Rank on 4 October 2019.
6. The Upper Tribunal decision can be found here <https://www.gov.uk/tax-and-chancery-tribunal-decisions/the-commissioners-for-hm-revenue-and-customs-v-1-the-rank-group-plc-2-done-brothers-cash-betting-ltd-and-others-2020-ukut-0117-tcc>