



Rank Group

The Rank Group Plc

Interim results for the
six months ended 31 December 2021



Introduction

John O'Reilly
Chief Executive



Recovery is now very much underway

Underlying LFL operating profit
£24.1m

LFL digital NGR
up 7%

Cash and available facilities
£224.8m



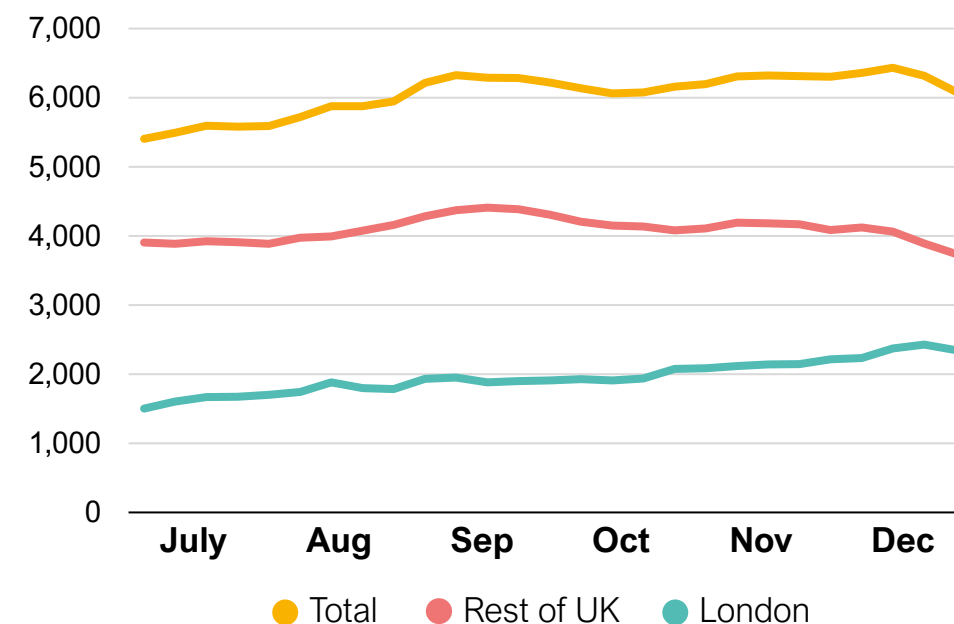
- The Group returned to profitability in H1 with underlying LFL operating profit of £24.1m
- Good progress across our venues businesses until rising COVID-19 case numbers, and resultant restrictions in the UK and Spain, saw NGR fall in November and December
- The digital business grew NGR 7% and we have successfully migrated the meccabingo.com business onto our proprietary technology platform
- Considerably strengthened balance sheet with net cash of £55.1m and cash and available facilities of £224.8m at 31 December 2021
- Very well positioned to return to the revenue and profit growth trajectory we were on before the pandemic
- The removal of COVID-19 restrictions provides a major fillip to H2 performance

Grosvenor venues – trading well free of restrictions

- £34.9m underlying LFL operating profit, a strong recovery with venues back open and despite ongoing pandemic restrictions
- LFL NGR 18% behind 2019; London down 33%, Rest of UK down 9%.
- Increase in COVID-19 case numbers, Plan B and travel restrictions softened visits in Q2 and into Christmas
- Good growth in London in November following the removal of most travel restrictions, suggesting strong latent demand
- Strong margins being delivered from continued investment in table management systems
- ID scanning technology and a new algorithmic model for identifying potentially at risk play rolled out across the estate
- Lots of opportunities for investment in products, systems, people and property to drive growth

6 week rolling NGR

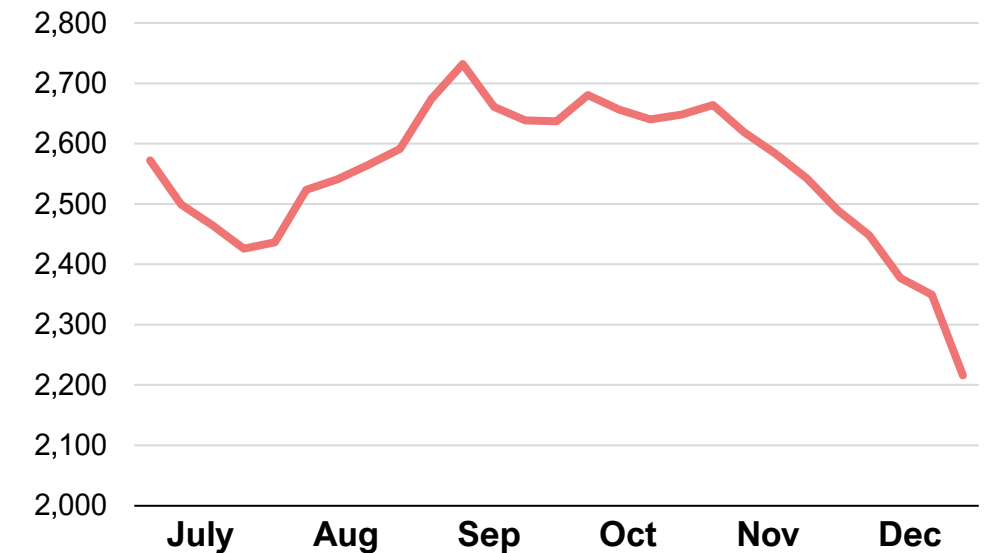
(£k)



Mecca venues – heavily impacted by customer caution

- £1.3m underlying LFL operating loss on revenue down 24% on 2019
- Customers visits grew until October, declining through November and December as the level of customer caution about indoor hospitality increased
- Visits down 32%. Spend per visit up 12%
- Investing in value in the main stage bingo game to drive customer visits as restrictions are removed and COVID-19 concerns ease
- Our objective is to grow venues-based bingo to ensure sustainable profitability from what are important social amenities for our local communities

6 week rolling NGR
(£k)



Enracha venues – strong performance amid Spain's tougher COVID-19 restrictions for hospitality venues

- £2.7m underlying LFL operating profit on revenues down 22% on 2019
- Visits down 32% reflecting capacity and opening hour restrictions and proof of vaccination⁽¹⁾
- Spend per visit up 16%, the result of investment into the Enracha Stadia gaming concept across the estate



(1) restrictions have varied by region

Digital – good progress with meccabingo.com successfully migrated to our proprietary platform

- Digital NGR growth of 7% on H1 2020, UK facing Rank Interactive +7%, Yo/Enracha +7%
- UK digital new customer volumes grew 16%; strong growth in Grosvenor + 57% and RIDE brands +88%
- Mecca successfully migrated onto our proprietary technology platform, a big milestone in terms of the Group's digital ambitions
- The migration of Grosvenor in the summer will release our in-house development capability to drive revenue growth in the UK and internationally. It will also release a further £5.5m in annualised synergies
- Yo brands grew revenue by 9% with new customers down 54% following marketing restrictions imposed in May
- Enracha successfully migrated to the proprietary Yo technology platform

£m	H1 2021/22	H1 2020/21	Change
Mecca	34.9	33.8	3%
Grosvenor	25.8	21.9	18%
RIDE brands	9.9	7.4	34%
Non proprietary brands	9.2	10.9	(16)%
Yo	10.0	9.2	9%
Enracha	0.4	0.5	(20)%
Passion Gaming	1.9	2.2	(14)%
Total	92.1	85.9	7%



Financial and operational performance

Simon Hay
Interim Chief Financial Officer



Financial headlines

	H1 2021/22	H1 2020/21	Change
NGR	£333.7m	£177.6m	88%
Underlying operating profit/(loss)⁽²⁾	£23.7m	£(41.8)m	-
Underlying EPS⁽²⁾	3.0p	(9.8)p	-
Net cash/ (debt) pre IFRS 16	£55.1m	£(45.2)m	-

(2) before separately disclosed items

- Return to profitability in the period with all venues open
- Continued decisive action taken to preserve cash and protect the balance sheet
- VAT repayment resulting in total cash proceeds of £83.1m
- Cash and available facilities of £224.8m at 31 December 2021
- Net cash position of £55.1m at 31 December 2021

Operational review: Venues

LFL NGR

£m	H1 2021/22	H1 2020/21	H1 2019/20 ⁽⁴⁾
Grosvenor	161.6	43.1	198.1
Mecca	65.7	38.4	86.3
Enracha	14.1	8.5	18.0
LFL Total	241.4	90.0	302.4

LFL Operating Profit⁽³⁾

	H1 2021/22	H1 2020/21	H1 2019/20 ⁽⁴⁾
	34.9	(20.9)	48.1
	(1.3)	(4.8)	13.8
	2.7	(0.6)	4.2
	36.3	(26.3)	66.1

(3) before separately disclosed items

(4) H1 2019/20 represents performance before the impact of COVID-19

- Grosvenor LFL NGR at £161.6m down 18% on pre-COVID-19 comparative
- Mecca LFL NGR of £65.7m, challenged by COVID-19 impact on customer visits
- Enracha LFL NGR of £14.1m despite opening hour and capacity restrictions in place across H1
- Venue energy costs in H1 of £9.8m, up 80% on H1 2019/20

Operational review: Digital

- Digital business grew revenues by 7%
- Grosvenor NGR growth of 18% to £25.8m
- Mecca NGR growth impacted by preparation of migration onto the RIDE proprietary platform which completed in January 2022
- Stride proprietary brands growth offset by decline in NGR from non-proprietary brands
- Yo NGR grew to £10.0m despite regulatory changes restricting marketing in Spain

LFL NGR

£m	H1 2021/22	H1 2020/21
Grosvenor	25.8	21.9
Mecca	34.9	33.8
Stride	21.0	20.5
Yo	10.0	9.2
Enracha	0.4	0.5
LFL Total	92.1	85.9

(5) before separately disclosed items

LFL Operating Profit⁽⁵⁾

H1 2021/22	H1 2020/21
3.7	1.3

Income statement

£m	H1 2021/22	H1 2020/21
Operating profit/(loss)	23.7	(41.8)
Net financing charge	(6.5)	(6.5)
Profit/(loss) before taxation and separately disclosed items	17.2	(48.3)
Separately disclosed Items	84.9	(11.1)
Profit/(loss) before taxation	102.1	(59.4)
Taxation on underlying profit	(3.3)	8.3
Taxation on separately disclosed items	(17.3)	1.5
Profit/(loss) after tax from continuing operations	81.5	(49.6)

- Underlying effective tax rate: 19.2%
- Expected underlying tax rate for FY 2021/22: 18.0 – 20.0%

Separately disclosed items

£m	H1 2021/22	H1 2020/21
Transformation and integration costs	(1.5)	(5.2)
Amortisation of acquired intangibles	(5.9)	(5.9)
Closure of venues	(1.2)	-
Impairment reversal	10.8	-
Tax refund	77.1	-
Operating profit/(loss) relating to continuing operations	79.3	(11.1)
Other financial gains	5.6	-
Profit/(loss) before tax relating to continuing operations	84.9	(11.1)
Taxation	(17.3)	1.5
Total profit/(loss) relating to continuing operations	67.6	(9.6)
Discontinued operations		
Profit on disposal of business	3.1	-
Total profit/(loss)	70.7	(9.6)

- Separately disclosed items includes the VAT proceeds of £83.1m (including interest) and reversal of impairments of £10.8m

Cashflow

£m	H1 2021/22	H1 2020/21
Net cash generated from/(used in) continuing operations	57.9	(29.9)
Net cash generated from SDI	81.7	11.1
Net cash generated from discontinued operations	3.1	1.3
Capital expenditure	(13.4)	(11.2)
Lease payments	(13.9)	(19.6)
Repayment of RCF	(11.0)	-
Net interest and tax	(10.2)	(7.7)
Net proceeds from equity placing	-	68.1
Others	(0.3)	(0.3)
Net increase in cash and cash equivalents	93.9	11.8

- No rent and duty deferrals, supplier payment management back to business as usual
- Net cash of £55.1m
- Cash and available facilities of £224.8m

Liquidity and full year considerations

- Final £50m liquidity test under bank waivers on 31 March 2022, then revert to financial covenants of
 - i) net debt to EBITDA ratio of less than 3x and
 - ii) EBITDA to net interest payable ratio of more than 3x from 30 June 2022
- Dividend capability unlocked once bank waivers expire
- Full year capex guidance of £50m



Strategic Update and Outlook

John O'Reilly
Chief Executive



Transformation 2.0 – a busy H2 ahead

Grosvenor venues	Nine refurbishment projects expected to complete in H2	Rollout of new table management systems	New progressive game on ER terminal, Lucky Lady's Charm
Mecca venues	Investment in bingo value – lower prices and bigger guaranteed prizes	Opening of Mecca Luton – new styled Mecca venue targeting a broader customer base	Trial programme of smaller property investments to improve kerb appeal
Enracha	Complete rollout of new gaming machine management system	Further electronic gaming investments	Further investment in sports betting facilities
Omni-channel	Omni-channel journey improvements for existing Grosvenor venue customers	Micro-sites for Mecca Luton and The Rialto casino, Leicester Square	Joint liquidity Mecca Fortune game to become core part of the weekend bingo schedule online and in venue
Digital	Development effort focused on the migration of Grosvenor to the RIDE platform	Roadmap of improvements for meccabingo.com	Launch of sports betting on Enracha and Yo and YoBingo to launch in Portugal
Safer gambling	Development of a single risk model within the UK facing digital business	Further enhancements to the risk model in Grosvenor venues	New training programme to strengthen safer gambling culture across the Group
Organisational capability	Further automation of finance procedures	Completing in-housing of technology development	Roll-out of further components of the employee value proposition

The UK Government's Gambling Review

Key regulatory changes sought by the land-based casino and bingo sectors

- Harmonisation of 1968 Act casinos with those of the 2005 Act enabling up to 80 gaming machines, from the current restriction of 20, and the ability to offer sports betting
- The ability to provide table games on electronic terminals based upon a random number generator (as occurs online) rather than necessarily on a live gaming event enabling blackjack and other games to be offered at lower stakes than can be delivered on live tables
- The ability to enable customers to access cashless gaming transactions in the way we do any other retail transaction
- For the bingo sector the key changes are the removal of the current requirement that no more than 20% of gaming machines are category B3 which are by far the most popular machines with our customers, enabling the provision of additional side games alongside mainstage bingo and the provision of cashless gaming

Current status

- White paper expected in next few months
- Likely tightening of online regulations
- Hopeful of modest changes for land-based casino and bingo
- Proposed regulatory changes for land-based casinos and bingo can be delivered by secondary legislation with the likely exception of sports betting in casinos



- Publication of Rank's first Responsible Business Report
- Overview of the work undertaken in determining our ESG strategy
- Four focus areas – customer experience, colleague experience, environmental management and community engagement
- Next stage is to further develop the core initiatives and to define KPIs
- Going forwards, we will report on our social and environmental impacts alongside our financial reporting calendar

Current trading and outlook



- COVID-19 restrictions have resulted in soft trading across our venues businesses in the first three weeks of January. The digital business is trading in line with expectations and meccabingo.com has already returned to pre-migration revenue levels
- We are well positioned to regain the strong growth momentum we had previously built up as we now come out of the pandemic. With most UK COVID-19 restrictions now removed, we expect trading to recover quickly across the Grosvenor estate, particularly when inbound tourism picks up. For the Mecca venues business we expect a slower build as consumer confidence gradually recovers
- With the expectation of no further material restrictions and with trading, therefore, improving across our venues businesses in the second half of the year, management expects underlying EBIT for the year ending 30 June 2022 to be within the range of £55m to £65m

Appendices

Group datasheet

	H1 2021/22	FY 2020/21	H1 2020/21	FY 2019/20	H1 2019/20	FY 2018/19
Net gaming revenue (£m)	333.7	329.6	177.6	629.7	391.8	685.5
- YOY growth	88%	(48%)	(55%)	(9%)	13%	1%
Operating profit (£m)	23.7	(84.5)	(41.8)	49.1	58.7	74.3
- YOY growth	157%	(272%)	(171%)	(35%)	84%	(2)%
Operating margin (%)	7.1	(25.6)	(23.5)	7.8	15.0	10.8
Capex (£m)	13.4	22.2	11.2	50.7	23.4	33.9
Underlying EPS (p)	3.0	(20.3)	(9.8)	6.7	10.9	15.1
Dividend (p)	-	-	-	2.80	2.80	7.65

Grosvenor Venues datasheet

	H1 2021/22	FY 2020/21	H1 2020/21	FY 2019/20	H1 2019/20	FY 2018/19
Casino licences:						
London	9	9	9	9	9	9
Rest of UK	63	62	62	62	62	61
Total	72	71	71	71	71	70
Non-trading licences	7	7	8	8	8	9
Net gaming revenue (£m)	161.6	79.2	43.1	275.9	198.1	338.2
Operating profit (£m)	34.7	(40.7)	(21.2)	40.2	48.1	44.9
Operating margin (%)	21.5	(51.4)	(49.2)	14.6	24.3	13.3
Electronic gaming						
B1 machines	1,376	1,369	1,369	1,367	1,366	1,337
B3/C/D machines	105	116	116	236	107	65
Electronic casino terminals	1,518	1,525	1,627	1,624	1,650	1,665

Mecca Venues datasheet

	H1 2021/22	FY 2020/21	H1 2020/21	FY 2019/20	H1 2019/20	FY 2018/19
Venues	72	72	76	77	77	82
Revenue (£m)	65.9	55.5	39.0	130.7	91.9	193.5
Operating profit (£m)	(1.5)	(18.9)	(5.3)	6.0	13.7	28.6
Operating margin (%)	(2.3)	(34.1)	(13.6)	4.6	14.9	14.8
Visits (000s)	2,553	1,903	1,347	5,780	3,902	8,725
Spend per visit (£)	27.25	28.86	28.95	22.61	23.55	22.18
Electronic gaming						
B3/B4 machines ⁽⁶⁾	1,539	1,809	2,021	2,011	2,011	2,132
C/D machines	2,770	2,688	2,774	2,809	2,809	2,906
Electronic bingo terminals	11,164	11,516	11,778	12,186	12,186	12,893

(6) includes B3 machines located in adult gaming centres, operated by Rank, located adjacent to Mecca bingo venues

Enracha Venues datasheet

	H1 2021/22	FY 2020/21	H1 2020/21	FY 2019/20	H1 2019/20	FY 2018/19
Revenue (£m)	14.1	17.5	9.0	26.9	18.6	35.3
Operating profit (£m)	2.7	(0.2)	(0.6)	3.3	4.2	7.8
Operating margin (%)	19.1	(1.1)	(6.7)	12.3	22.6	22.1

Digital datasheet

	H1 2021/22	FY 2020/21	H1 2020/21	FY 2019/20	H1 2019/20	FY 2018/19
NGR (£m)	92.1	177.4	86.5	196.2	83.2	118.5
Operating profit (£m)	3.7	3.2	1.5	28.7	11.9	23.9
Operating margin (%)	4.0	1.8	1.7	14.7	14.3	20.2

Balance sheet

	At 31 December 2021	At 30 June 2021	At 31 December 2020
Assets			
Non-current assets			
Intangible assets	503.6	504.6	514.9
Property, plant and equipment	112.2	117.4	130.7
Right-of-use assets	134.4	128.6	135.1
Deferred tax assets	4.7	3.6	1.2
Other receivables	6.5	5.1	5.1
	761.4	759.3	787.0
Current assets			
Inventories	2.5	2.0	2.1
Other receivables	19.3	16.3	18.1
Government grants	-	0.8	6.5
Income tax receivable	1.1	10.1	4.7
Cash and short-term deposits	163.5	69.6	82.9
	186.4	98.8	114.3
Asset held for sale	-	-	2.7
Total assets	947.8	858.1	904.0

	At 31 December 2021	At 30 June 2021	At 31 December 2020
Liabilities			
Current liabilities			
Trade and other payable	(144.8)	(126.3)	(128.4)
Lease liabilities	(40.0)	(42.2)	(50.9)
Income tax payable	(1.7)	(3.1)	(2.2)
Financial liabilities – loans and borrowings	(31.0)	(39.4)	(18.0)
Provisions	(5.8)	(5.4)	(3.0)
	(223.3)	(216.4)	(202.5)
Non-current liabilities			
Trade and other payables	-	-	(0.1)
Lease liabilities	(156.3)	(164.7)	(172.2)
Financial liabilities – loans and borrowings	(77.7)	(77.7)	(106.5)
Deferred tax liabilities	(26.2)	(18.3)	(15.3)
Provisions	(16.0)	(16.0)	(15.9)
Retirement benefit obligations	(3.7)	(3.8)	(3.8)
	(279.9)	(280.5)	(313.8)
Liabilities directly associated with assets held for sale	-	-	(2.1)
Total liabilities	(503.2)	496.9	(518.4)
Net assets	444.6	361.2	385.6

Net cash/ (debt)

£m	H1 2021/22	H1 2020/21
Cash	163.5	82.9
Debt	(108.4)	(128.1)
Net cash/(debt) pre IFRS 16	55.1	(45.2)

£m	H1 2021/22	H1 2020/21
Net cash/(debt)	(141.2)	(268.3)
IFRS16 Leases	196.3	223.1
Net cash/(debt) pre IFRS 16	55.1	(45.2)

£m	H1 2021/22	H1 2020/21
Cash	163.5	82.9
Undrawn facilities	80.0	55.0
Customer funds	(18.7)	(9.6)
Cash and available facilities	224.8	128.3

LFL revenue reconciliation H1 2021/22

	Digital	Grosvenor venues	Mecca venues	International venues	Total
LFL revenue (NGR)	92.1	161.6	65.7	14.1	333.5
Add: Mecca closures	-	-	0.2	-	0.2
Total revenue (NGR)	92.1	161.6	65.9	14.1	333.7

Operating profit reconciliation

£m	H1 2021/22	H1 2020/21
LFL underlying operating profit/(loss)	24.1	(41.2)
Closed and opened venues	(0.4)	(0.8)
Foreign exchange	-	0.2
Underlying operating profit/(loss)	23.7	(41.8)
Separately disclosed items	68.5	(11.1)
Operating profit/(loss)	92.2	(52.9)

Tax charge reconciliation

£m	H1 2021/22	H1 2020/21
Current tax (charge) / credit on underlying	(7.3)	2.3
Deferred tax credit on underlying	4.0	6.0
Tax (charge) credit on separately disclosed items	(17.3)	1.5
Reported tax (charge) / credit on continuing operations	(20.6)	9.8
Current tax (charge) on discontinued operations	-	(0.3)
Total reported tax (charge) credit	(20.6)	9.5

EPS reconciliation

	H1 2021/22	H1 2020/21
pence		
Underlying EPS	3.0	(9.5)
Separately disclosed items	15.1	(2.4)
EPS	18.1	(11.9)