

Rank spins the wheel for one last time

It's going, going and very nearly gong for the once all-conquering Rank Group. Once Britain's biggest leisure conglomerate, the final break-up of the business is close at hand. The City expects that within nine months Rank will disappear altogether with the sale of its bingo halls and casinos. And with it, around 70 years of business will be consigned to history.

Rank is in the midst of selling the 121 Hard Rock Cafes it owns around the world. Though perhaps a brand from yesteryear – the Hip Hop Cafe sounds more contemporary – the burger restaurants still claim to lure 54 million people each year. A sale is expected to fetch up to GBP 540m on revenues of GBP 244.7m; the brand still has strong appeal abroad.

It was Ian Burke, Rank's new chief executive, who announced that advisers were looking at options for Hard Rock last week. Analysts believe a US private equity firm would seek eventually to list the business on Wall Street, where the chain is still seen favourably.

It is understood that a leading private equity firm approached the Rank board four weeks ago with a large offer for the Hard Rocks in an attempt to beat the feeding frenzy. But the bid was rejected because the board was not quite ready to talk.

But now, having sold the Deluxe film copying business, Rank is ready to sell off one of its three remaining operations. The other two are casinos and Mecca bingo halls – Rank is the UK's second biggest bingo operator after Gala.

The bingo business is going through a tough time as the number of casinos expands and women flock to internet gambling sites.

Though company insiders say that Burke is trying to increase its gambling business by bidding for new casino licences and buying new online firms the offer of hard cash from hugely resourced private equity firms will prove impossible to resist, according to most observers.

For years Rank, under its last chief executive Mike Smith, tried to break into the high street by buying bookmakers. It had a real chance to scoop Coral Eurobet but was beaten by Charterhouse Development Capital, which bid £840m – £10m more than Rank – four years ago. Charterhouse sold Coral last year for GBP 1.3bn, making a GBP 560m profit – putting Smith's reluctance to bid aggressively into perspective.

There is a surge of acquisitions in the gambling industry at the moment. Stanley Leisure and London Clubs are talking about merging their casino businesses, while PartyGaming, the controversial online gambling site, has just bought a sport betting business. 888.com has been rumoured to be a takeover target, although this idea is dismissed by the firm's management.

Likely bidders for Rank's remaining businesses include industry rivals William Hill and Ladbrokes. But it is likely that private equity firms will win the race.

,Clearly the new chief is getting all the dirty laundry out in one hit,' says a boss of a rival to Rank. ,There are issues with trading and costs. The management are saying the smoking ban in Scotland is having an effect on the bingo halls and the World Cup has dampened visitor numbers. This has dampened the shares and will encourage a bidder to put in a healthy premium. Everyone knew the Hard Rock didn't fit – and now Deluxe has been sold, it's there for the taking.'

Another says: ,Rank is one of the most circled companies around but the private equity firms and others couldn't move until the Deluxe business was sold because of complicated pre-

emption rights. It's been an unloved company. The name will disappear by spring. Rank will be history. There is a wall of money looking for cash-generative businesses.'

Films, cinemas, holiday camps and the iconic copying business all once fell under the famous Rank umbrella when J Arthur Rank – a man beloved of practitioners of cockney rhyming slang – diversified his family's hugely successful flour milling business. A devout Methodist, he railed against the pernicious influence of both American and English films. When challenged to do something about it, he produced, in 1935, a film called Turn of the Tide. But he discovered that making the film was nothing compared with the difficulty of distributing and exhibiting it. So a whirlwind series of deals meant that within six years Rank was a dominant force in the film studio, distribution and cinema business. And although he generously endowed a religious charity, Rank seemingly ditched his principles to go to to back some of the finest, if not necessarily the most moral, moments in British cinema.

The firm has been listed for 11 years and over most of that time the share price barely moved. The one thing that has moved is a slew of assets – Pinewood Studios and Odeon cinemas, together with the Tom Cobleigh pubs, Nightscene clubs and Butlins camps were all sold under Smith.

Some experts have said that sales were badly timed, but Smith had little choice. Rank was labouring under a GBP 1.5bn debt burden and he had to act.

Shares in Rank finally slumped by a third in the last year, despite decent market conditions, and failed to rise despite a GBP 200m buyback. It does not seem long before the firm is put out of its misery. Time for the final gong?