

No smoke makes Rank fire off profit warning

A cut in the number of permitted GBP 500 jackpot machines coupled with the smoking ban have dealt Rank a double whammy, sending shares in the bingo and casino group plunging and threatening its dividend.

In a shock profits warning, Rank said its Mecca Bingo and Grosvenor Casinos businesses had „experienced a significant deterioration in revenue in recent weeks“.

Rank warned that should such disappointing trading continue „group operating profit would be significantly lower“ than 2006's GBP 77.4m.

The news sent Rank shares diving 21pc, down 34 to 125p, as analysts slashed their forecasts for 2007's operating profits from a consensus GBP 77.7m to around GBP 65m.

The hit to 2008 forecasts could be greater still as analysts responded to comments from Rank's chief executive, Ian Burke, that the group was seeing a GBP 500,000 per week reduction in machine gaming revenue. Forecasts for 2008 operating profits could be cut from GBP 75m to about GBP 50m, if the figure is annualised.

One analyst said: „This would leave the forecast 6p dividend covered only once by earnings. I think they'll cut the dividend.“

The warning also left perennial bid target Rank more vulnerable to predators.

Under the 2005 Gambling Act, bingo and casino operators have been required to reduce the number of Section 21 gaming terminals paying unlimited GBP 500 jackpots from September 1.

Only four are now allowed in each of Rank's 102 bingo clubs, while the group has also adjusted the number of Section 31 machines paying GBP 500 jackpots. Taken together, Rank has cut such machines across its bingo estate from around 1,300 to just over 400.

Rank said that, since September 1, like-for-like sales in its UK bingo clubs had plunged 19pc, with admissions down 13pc and spend per head falling 7pc.

This has been exacerbated by the smoking ban from July 1, which has hit bingo clubs particularly hard. More than half the 450,000-500,000 largely female players who frequent a Mecca hall each week are smokers.

A Rank spokesman said: „There's a proportion of customers for whom bingo has become less enjoyable because they can't smoke or play their favourite machines.“

At the casinos, where Rank has been forced to remove 230 Section 21 machines, revenues have fallen 9pc in the past five weeks, with admissions 1pc lower and spend per head down 8pc.

Rank claimed its recent trading difficulties „are shared by the broader UK bingo club and casino markets and are not unique to Rank“. However, its main competitor, Gala Coral, is understood to be trading in line with its expectations.