

Wednesday, 3 August 2011

Financial results Q2 FY11 Press Release

GALA ELECTRIC CASINOS PLC

Financial Highlights for the Group for the half year to 9 April 2011:

- Turnover of £616.2 million – a reduction of £21.0 million (3%) from the corresponding period in 2010
- Group EBITDA (pre-exceptionals) of £149.7 million, a reduction of £19.1 million (11%) from the prior year
- Cash generated from operating activities of £143.3 million – in line with the same period line the prior year. Unlevered free cash flow* was £159.1 million, benefiting from £36.0 million of asset disposal receipts.
- Capital investment of £19.6 million, an increase of £1.5 million over the corresponding period last year
- Cash at bank and in hand of £281.0 million, an increase of £20.6 million from 25 September 2010.
- £1,339.9 million of net debt for covenant purposes.**

Trading improved in the second quarter, with improvements in key metrics across most businesses. Group turnover of £276.6 million was £3.5 million (1%) below the corresponding quarter in the prior year. EBITDA (pre-exceptionals) in the second quarter reduced by £10.1 million (12%) from £81.1 million in 2010 to £71.0 million in 2011. Adjusting for the impact of the VAT rise in January, and prior year one-off income underlying EBITDA was only 4% below prior year levels.

Coral over the counter (OTC) turnover showed decent growth in the second quarter, with machines revenue stable. Gala Bingo continues to trade strongly with half year EBITDA up 17% year on year – partly due to the timing and phasing of cost savings. Gala Casinos was impacted by losses to high rollers, but underlying trading in the second quarter improved over the first quarter. Profitability in the Remote Gambling business was down 22% on the same period last year; however, the plan to re-platform all of the Group's Remote businesses onto Playtech's software and move certain operations to Gibraltar, is progressing well, with the launch of the first new website expected early in 2012. Eurobet Italia continues to grow market share with sports betting stakes up by 15% year on year, although mixed results have impacted gross win margins over the first half of the year.

Following the end of the quarter under review, the Group announced the appointment of Andy Hornby as CEO of Coral, with Andy formally joining the business in July. The agreement with Playtech for the re-platforming of the Remote Gambling websites was signed on 19 July, and represents a major strategic opportunity for the Group.

On 27 May 2011, the Group completed a refinancing of its entire senior secured loan facilities. Borrowings of £1,550.0 million (gross) were raised comprising Senior Secured Credit Facilities of £925.0 million (£825.0 million term loan and an undrawn £100.0 million revolving credit facility), Senior Secured Notes of £350.0 million and Senior Notes of £275.0 million. The net proceeds from these borrowings together with group cash of £138.4 million were used to repay all of the Group's existing Senior Secured Credit Facilities, totalling £1,537.2 million. These new borrowings are repayable between 2017 and 2019 and provide the group with a solid long-term capital structure.

The Group has completed its third quarter of trading and these results will be reported on 18 August. The quarter has seen some continued positive movements in the key metrics across most businesses, however the reported results will be affected by the impact of the World Cup in 2010.

Notes

* Unlevered free cashflow represents cash available to service net cash interest costs and debt repayments.

** The total net debt amounts to £2,124.9 million, including £804.1 million of non-recourse property debt and deeply subordinated shareholder loans.