

18 October 2019

September Quarter Trading Update

Donaco International Limited (ASX:DNA) provides the following trading update for the three month period ending September 2019.

The overall group results show a very strong improvement from the September 2018 quarter (the prior corresponding period or pcq). The result was driven by higher group revenues (up 42%), and tighter management of corporate costs (reduced by 19%). Overall group EBITDA increased by 167% (in AUD terms).

At DNA Star Vegas, the overall revenue increase was 3%, and the overall EBITDA increase was 7% (in THB terms). At the Aristo, the overall revenue increase was 164%, and the EBITDA increase was 1163% (in USD terms), due to the weak performance in the pcq.

The following update compares the three months to the end of September 2019 to the three months to the end of September 2018, and is based on unaudited management accounts.

DNA Star Vegas

	September Quarter 2019	September Quarter 2018
VIP Turnover	THB 12.09bn	THB 19.78bn
Net Revenue	THB 357.82m	THB 347.99m
Operating expenses	THB 229.61m	THB 227.85m
Property level EBITDA	THB 128.21m	THB 120.15m
Average daily visitation	4,182	4,967
VIP win rate	3.55%	2.41%

During the September 2019 quarter, the new management team at DNA Star Vegas began rationalising the VIP junket arrangements, with a focus on eliminating poor quality business practices, and improving margins. Accordingly, while VIP turnover declined due to the departure of unprofitable junkets, net revenue increased. This was partially due to an improved win rate, which in turn is partially attributable to better operating procedures.

The VIP win rate will always fluctuate on a month to month and quarter to quarter basis. The months of July and August showed even stronger VIP win rates, but the September month was weaker. Fluctuations in the VIP win rate are a normal feature of gaming operations, and are to be expected. However better operating procedures can assist to manage this risk.

The slight increase in operating expenses was due to higher legal costs caused by the dispute with the Thai vendor, and additional diesel costs for back-up generators, due to national outages in the electricity grid in Cambodia. Visitation showed the impact of increased competition in the Poipet area.

Aristo International Hotel

	September Quarter 2019	September Quarter 2018
Rolling Chip Turnover	USD 247.2m	USD 7.7m
Net Revenue	USD 4.99m	USD 1.89m
Operating expenses	USD 1.99m	USD 1.70m
Property level EBITDA	USD 3.00m	USD 0.19m
Average daily visitation	488 players	347 players
VIP win rate	2.52%	7.34%

The Aristo business had a good quarter, with a very strong improvement compared to the unusually weak pcp. The VIP win rate of 2.52% was solid. The win rate recorded in the pcp is not statistically meaningful, due to the small volume of turnover recorded in that period.

Cost control was strong, but operating expenses (including cost of goods sold) did rise, reflecting the increase in business volume and daily casino visitation.

Group Summary

	September Quarter 2019	September Quarter 2018
Net Revenue	AUD 24.25m	AUD 17.03m
Property Level EBITDA	AUD 10.46m	AUD 5.26m
Corporate Costs	AUD 1.55m	AUD 1.92m
Group EBITDA	AUD 8.91m	AUD 3.34m
Group NPAT	AUD 3.81m	(AUD 1.76m) loss

Summarising the overall results for the three months of the September 2019 quarter in Australian dollar terms, the strong increase in EBITDA was driven by higher revenues and tighter cost control across the Group.

The increase in revenues is pleasing given that the September quarter is traditionally not a particularly busy quarter for either of the Company's casino properties. The public holiday calendar in Cambodia and Vietnam tends to skew the results towards the June half year.

The new management team led by CEO Paul Arbuckle has just begun to implement improvements in operating procedures, which are expected to generate further improvements in results in future periods.



The net profit performance reflects a slight increase in depreciation and amortisation costs (up from AUD2.48m to AUD2.58m). However this was more than outweighed by a significant decrease in finance charges, reflecting the Board's commitment to an ongoing debt reduction program. Finance charges were reduced from AUD1.86m to AUD0.97m.

These results include all non-recurring items, including the legal fees incurred in the dispute with the Thai vendor of the Star Vegas business, most of which are currently reflected in the Star Vegas results. When the Company reports its half year and full year results, the legal costs recorded at Star Vegas will be reclassified to Corporate Costs, and treated as a non-recurring item.

For further information:

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ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure and entertainment businesses across the Asia Pacific region.

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

To learn more about Donaco visit www.donacointernational.com
