

ASX : DNA

asx release

30 July 2021



Donaco continues mitigation efforts to manage effects from C-19

Highlights

- Latest wave of infections in Thailand and Cambodia have led to the temporary closure of Star Vegas.
- As a result of the casino's inactivity, Group revenue of A\$1.5m compared to March 2020 Quarter revenue of A\$2.8m.
- Continued cost control measures remain in place.
- Reduced debt levels to USD\$8.34m and new loan repayment plan agreed with Mega Bank with final payment in December 2021.
- Cash position of A\$6.3m as of 30 June 2021.

Donaco International Limited (“**Donaco**” or “**the Company**”) provides the following trading update for the three-month period ending 30 June 2021.

Donaco is continuing its mitigation efforts following the recent outbreaks of COVID-19 in the regional area near Star Vegas. As a result of the latest wave of infections, Cambodian local authorities mandated the temporary closure of all casinos in the Banteay Meanchey province to prevent the curb in community outbreak, leading to the temporary closure of Star Vegas since 27 April 2021, until further notice.

The ongoing outbreaks have heavily reduced visitation numbers, affecting revenue and EBITDA, and resulting in Group revenue of A\$1.5m and negative EBITDA of A\$0.5m.

The Donaco Board and Management have taken all necessary actions to minimise the impact from the virus on its Star Vegas and Aristo operations; and keeping staff and visitors safe remains top priority.

A heavy emphasis has been kept on continued cost control measures and mitigation activities, resulting in the reduction in operating expenses to A\$1.3m compared to the prior corresponding quarter.

As at 30 June 2021 Appendix 4C, cash holdings was A\$6.3m.

An amount of A\$194,327 was paid to related parties during the quarter, which is associated to salaries and fees to executive and non-executive directors.

Mega Bank Facility

Donaco has been diligently repaying its debt facility with its principal lender Mega Bank from the initially borrowed amount of A\$131.54m to the remaining sum of A\$11.09m (USD\$8.34m) as of 30 June 2021. In light

of the temporary closure of Star Vegas, a new loan repayment plan was agreed with the lender, comprising an alternative monthly repayment of USD\$1m over six monthly instalments commencing in June 2021 to November 2021, and a final instalment of USD\$1.8m to be paid by 31 December 2021.

A shareholder loan from Mr. Lee Bug Huy, aka Techatut Sukcharoenkraisri, Chief Executive Officer & Executive Director of Donaco, was approved by the Board to borrow a sum of up to USD\$7.8 million. The loan is repayable over the next three years, on terms that are materially the same as those of the Mega Bank facility. The loan is expected to be repaid from operational cash flow, within the loan term.

Vaccinations

The Governments of Thailand and Cambodia are rolling out vaccinations in their respective countries to curb the latest Delta variant.

The Thai Government has secured 150 million doses to minimise the risk of infection, with a total of more than 12 million vaccine doses administered to date, at a rate of 270,000 doses administered daily.

Looking at Cambodia, the country was also recently hit by a wave of infections and early vaccinations have commenced. More than 8 million people have received the COVID-19 jab to date, and Cambodia is now second only to Singapore for the number of vaccinations it has provided in the region.

Non-Executive Chairman of Donaco, Mr Paul Porntat, commented:

“This hasn’t been an easy period for Donaco. The pandemic has impacted the industry as a whole, and society as a whole as a direct result of restrictions, and prioritising public health and the safety of our staff and visitors has remained a number one priority.

“Following the order from the Cambodian local government for the closure of casinos in the region to prevent community outbreak, including Star Vegas, we have continued to focus on protecting our balance sheet, and we’ve taken rigorous measures to protect the business by keeping our costs down and preserving our cash.

“Nonetheless, we are ready to bounce back once conditions improve as vaccinations are rolled out. As recently demonstrated, Donaco made a profit during the December quarter which was a remarkable achievement in the current circumstances, and this gives us confidence in our capabilities to bounce back once the situation recovers.

“Vaccinations will continue to be administered across Southeast Asia during the second half of the year to curb the virus and its new variant. In the meantime, we are well-equipped to meet the challenges we expect to face in the short term and we are ready to move forward once external conditions stabilise.

“I’d also like to take this opportunity to thank all of you, our shareholders, for your patience and understanding during this period.”

Financial Performance

The following update compares in AUD the three months to the end of June 2021 to the three months to the end of June 2020 and is based on unaudited management accounts.

DNA Star Vegas

Star Vegas, situated in Cambodia on the border with Thailand, has been temporarily closed since 27 April, and minimal activity occurred before its closure as outbreaks were increasing.

The business kept low operating expenses which decreased to A\$0.84m for the period.

DNA Star Vegas	June Quarter 2021	March Quarter 2021	June Quarter 2020
Rolling Chip VIP Turnover	AUD 15.80m	AUD 69.28m	N/A
Net Revenue	AUD 1.10m	AUD 2.51m	AUD 0.04m
Operating expenses	AUD 0.84m	AUD 1.31m	AUD 1.29m
Property level EBITDA	AUD 0.26m	AUD 1.20m	(AUD 1.24m)
Average daily visitation	138 players	290 players	N/A
VIP win rate	4.43%	3.94%	N/A

Currency Conversions: June Quarter 2021 1.3391AUD/USD; March Quarter 2021 1.3530AUD/USD; June Quarter 2020 1.4895AUD/USD.
June Quarter 2020: included audit adjustments in Jun'20.

Aristo International Hotel

The Aristo business in Vietnam, located on the border with China, has been operating on a limited basis since May 2020, as China, the country from where the vast majority of Aristo's patrons originate, remains closed as part of the restrictions.

Cost-control initiatives remain in place which led to a reduction in operating expenses to A\$0.43m for the period, compared to A\$0.94m in the June 2020 quarter.

Aristo International Hotel	June Quarter 2021	March Quarter 2021	June Quarter 2020
Rolling Chip VIP Turnover	AUD 38.66m	AUD 9.40m	AUD 50.69m
Net Revenue	AUD 0.36m	AUD 0.26m	AUD 0.62m
Operating expenses	AUD 0.43m	AUD 0.38m	AUD 0.94m
Property level EBITDA	(AUD 0.07m)	(AUD 0.12m)	(AUD 0.32m)
Average daily visitation	15 players	15 players	14 players
VIP win rate	2.74%	3.92%	2.79%

Currency Conversions: June Quarter 2021 1.3391AUD/USD; March Quarter 2021 1.3530AUD/USD; June Quarter 2020 1.4895AUD/USD.
June Quarter 2020: included audit adjustments in Jun'20.

Group Summary

DNA Group	June Quarter 2021	March Quarter 2021	June Quarter 2020
Rolling Chip VIP Turnover	AUD 54.46m	AUD 78.68m	AUD 50.69m
Net Revenue	AUD 1.46m	AUD 2.77m	AUD 0.67m
Operating expenses	AUD 1.27m	AUD 1.70m	AUD 2.23m
Property level EBITDA	AUD 0.19m	AUD 1.08m	(AUD 1.56m)
Corporate Costs	AUD 0.72m	AUD 0.78m	AUD 1.26m
Group EBITDA	(AUD 0.53m)	AUD 0.29m	(AUD 2.82m)

Currency Conversions: June Quarter 2021 1.3391AUD/USD; March Quarter 2021 1.3530AUD/USD; June Quarter 2020 1.4895AUD/USD.

The Company anticipates the short-term impact of COVID-19 to be outweighed by the long-term more encouraging outlook, as vaccinations commence to be rolled out in Southeast Asia during 2H FY21.

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Authorised for release by the Board.

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