

ASX : DNA

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Donaco receives green light to resume Star Vegas operations

Summary

- Star Vegas casino reopens following the Cambodian Government's approval.
- Aristo acknowledged as the only 5-star hotel in Lao Cai, province in the northwest of Vietnam.
- Approval of a \$5 million loan facility for continued balance sheet protection.
- Group EBITDA of negative A\$0.8 million and revenue of A\$1.1 million, derived from limited activity due to COVID-19 restrictions.
- Encouraging macroeconomic outlook, including the construction of Sapa airport, and international travel expected to flow.
- Cash position of A\$6.1 million as at 30 June 2022.

Donaco International Limited ("**Donaco**" or "**the Company**") provides the following trading update for the three-month period ending 30 June 2022.

Star Vegas Resort & Club (Star Vegas) resumed operations on 18 June 2022 following the Government of Cambodia lifting the temporary closure of casinos in the Banteay Meanchey province, where Star Vegas is located. The casino had been closed from 27 April 2021.

Operations at Star Vegas have recommenced on a limited scale, with the Company positioned to progressively advance towards full scale activities over the coming months. Encouragingly, the Cambodian border with Thailand has also reopened, which has traditionally been where the vast majority of Star Vegas' customers originate from.

Meanwhile, Aristo International Hotel (Aristo) in Vietnam, operating on a limited basis since 8 May 2020, was recently acknowledged as the only 5-star hotel in Lao Cai, province of Vietnam, by the Lao Cai Ministry of Culture, Sports and Tourism. The recognition is for a period of 5 years and presents a major opportunity to attract new customers in the long term as the construction of the new Sapa airport in Lao Cai, with a capacity of 1.5 million passengers per year, is underway.

The June Quarter remained a challenging period for the Company as the effects of the COVID-19 pandemic on the casinos persisted as international travelling remained minimal.

This resulted in Group revenue of A\$1.1m (June Quarter 2021: A\$1.5m) and negative EBITDA of A\$0.8m (June Quarter 2021: negative EBITDA of A\$0.6m).

The Company has continued to carry out rigorous measures to preserve cash and protect its balance sheet. To this extent, the Board approved a loan facility for US\$5 million (~A\$7 million) from Mr Lee Bug Huy, aka Techatut Sukcharoenkraisri, CEO and Executive Director of Donaco. The loan was judged as the best source of funding to guarantee the Company remains in a sustainable position while operations are limited and to assist in the transition towards full operational capacity.

The monthly cash burn rate has also been kept within the targeted range.

As at 30 June 2022, Appendix 4C, cash holdings were A\$6.1 million.

An amount of A\$201,000 was paid to related parties during the quarter, which is associated with salaries and fees to executive and non-executive directors.

Outlook

Donaco is confident in the broader outlook as borders with foreign countries continue to relax, and conditions ease in line with the ramp-up in vaccinations.

Infection rates are decreasing in Vietnam and the Country is experiencing an initial flow of tourists following the lifting of most COVID-19 travel restrictions. The international tourism market will experience a slower recovery as its key market China and South Korea are yet to fully reopen their tourism industries. Vietnam targets 5 million foreign arrivals this year, around 30% of 2019 when their numbers had reached record levels.¹

Meanwhile, the Thai Government has also removed restrictions for international travellers, resulting in a steady increase in visitor numbers. The Government estimates between 5 and 15 million international travellers this year, a large increase from last year's 428,000 foreign arrivals but far from the nearly 40 million tourists who arrived in 2019.² Overall, and with time, the situation is expected to improve.

Donaco's Non-Executive Chairman, Mr Porntat Amatavivadhana, commented:

"The highlight of the Quarter was the reopening of Star Vegas with the goal to return to full-scale operations as conditions improve. It will take some time before activities return to how they were before, but these external factors are a huge step forward.

"With our business slowly resuming and with the loan facility under our belt, we are in a stable position to protect the balance sheet. We are optimistic about Donaco's future as vaccination rates and international travel patterns continue to improve.

"As always, I would like to sincerely thank you, our shareholders, for your patience and loyalty."

Financial Performance

The following update compares in AUD the three months to the end of June 2022 to the three months to the end of June 2021 and is based on unaudited management accounts.

DNA Star Vegas

DNA Star Vegas Star Vegas, situated in Cambodia on the border with Thailand, was temporarily closed from 27 April 2021 and reopened on 18 June 2022.

¹ <https://e.vnexpress.net/news/travel/central-vietnam-enjoys-post-covid-tourism-boom-4486563.html>

² <https://www.cnn.com/2022/07/04/whats-required-to-travel-to-thailand-only-one-covid-document-now.html>

DNA Star Vegas	June Quarter 2022	Mar Quarter 2022	June Quarter 2021
Rolling Chip VIP Turnover	AUD 10.93m	N/A	AUD 15.80m
Net Revenue	AUD 0.87m	AUD 0.01m	AUD 1.10m
Operating expenses	AUD 0.72m	AUD 0.44m	AUD 0.86m
Property level EBITDA	AUD 0.14m	(AUD 0.43m)	AUD 0.25m
Average daily visitation	835	N/A	138 players
VIP win rate	4.11%	N/A	4.43%

Currency Conversions: June Quarter 2022 1.3777 AUD/USD; March Quarter 2022 1.3710 AUD/USD; June Quarter 2021 1.3391 AUD/USD. June Quarter 2021: included audit adjustments in June 2021; numbers may not add up due to rounding.

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.

Operating expenses have remained low, and Aristo continues to shift its business model to attract clientele from the local region.

Aristo International Hotel	June Quarter 2022	Mar Quarter 2022	June Quarter 2021
Rolling Chip VIP Turnover	AUD 3.22m	AUD 6.61m	AUD 38.66m
Net Revenue	AUD 0.20m	AUD 0.22m	AUD 0.36m
Operating expenses	AUD 0.45m	AUD 0.40m	AUD 0.43m
Property level EBITDA	(AUD 0.25m)	(AUD 0.18m)	(AUD 0.07m)
Average daily visitation	11 players	12 players	15 players
VIP win rate	4.94%	3.65%	2.74%

Currency Conversions: June Quarter 2022 1.3777 AUD/USD; March Quarter 2022 1.3710 AUD/USD; June Quarter 2021 1.3391 AUD/USD. June Quarter 2021: included audit adjustments in June 2021; numbers may not add up due to rounding.

Group Summary

DNA Group	June Quarter 2022	Mar Quarter 2022	June Quarter 2021
Rolling Chip VIP Turnover	AUD 14.15m	AUD 6.61m	AUD 54.46m

Net Revenue	AUD 1.07m	AUD 0.23m	AUD 1.46m
Operating expenses	AUD 1.17m	AUD 0.84m	AUD 1.28m
Property level EBITDA	(AUD 0.10m)	(AUD 0.61m)	AUD 0.17m
Corporate Costs	AUD 0.66m	AUD 0.76m	AUD 0.72m
Group EBITDA	(AUD 0.76m)	(AUD 1.37m)	(AUD 0.55m)

Currency Conversions: June Quarter 2022 1.3777 AUD/USD; March Quarter 2022 1.3710 AUD/USD; June Quarter 2021 1.3391 AUD/USD.

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Authorised for release by the Board.

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