

ASX : DNA

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Turnaround year as Donaco reports positive EBITDA

Summary

- Operational turnaround with FY23 Group revenue of A\$24.33m (FY22 revenue: A\$2.44m) and EBITDA of A\$9.61m (FY22 EBITDA: negative A\$4.4m).
- Casinos both open with DNA Star Vegas reaching full operational capacity and Aristo nearing a return to full operations.
- Positive outlook focused on maximising efficiencies across the two operations.
- Encouraging macro environment as tourism and travel spend ramp up.
- Donaco is targeting further earnings growth to leverage the projected increase in travel activity.
- Solid cash position of A\$16.7 million as at 30 June 2023.

Donaco International Limited ("**Donaco**" or "**the Company**") announces its results for the financial year ended 30 June 2023 (FY23).

FY23 was a turnaround period for Donaco with substantial improvements in the second half of the year at DNA Star Vegas (Star Vegas) and Aristo International Hotel (Aristo). The two operations gradually resumed to steady capacity following limited prior activity due to the pandemic.

At a Group level, Donaco generated FY23 net revenue of A\$24.33m (FY22 revenue: A\$2.4m) and EBITDA of A\$9.61m (FY22 EBITDA: negative A\$4.4m).

Operations at Star Vegas in Cambodia initially recommenced on a limited scale, and progressively advanced towards full capabilities. Star Vegas delivered FY23 net revenue of A\$19.92 million (FY22: A\$0.9 million) and EBITDA of A\$10.82 million (FY22 EBITDA: negative A\$1.5m).

The Aristo International Hotel in Vietnam delivered FY23 revenue of \$4.40 million (FY22 revenue: A\$1.5m) and EBITDA of A\$1.53 million (FY22 EBITDA: negative A\$0.2 million).

Encouragingly, the situation started to improve from January 2023 when mainland China announced the full reopening of its borders and travel flow, leading to Aristo methodically reopening.

As part of the initiatives to attract VIP visitors, during the year Aristo changed the monthly minimum turnover to qualify as an active junket, reduced from RMB 6 million to RMB 3 million. The move encouraged the return of junket operators, resulting in accelerated traction in VIP visitors. Aristo also commenced providing some complimentary services (i.e. room services / meal) to larger chip players to encourage casino activity. The asset

is performing well, and is on track to reach full operational capacity in the current quarter. Donaco is well positioned to capitalise on the latent tourism growth potential from China to Vietnam.

During the year, the Company recognised a non-cash asset impairment charge of A\$22.2 million for the Aristo Hotel and a A\$4.5 million impairment for Star Vegas. The impairment follows the recent subdued operating performance due to COVID-19 and a higher interest rates environment.

Moving forward, Donaco has a renewed focus on maximising operational efficiencies, leading to anticipate stronger earnings margins in the coming quarters.

Donaco continued the execution of disciplined cost control and held a healthy cash balance of A\$16.7 million as at 30 June 2023.

On a corporate front, the Company held its Annual General Meeting (AGM) on 25 November 2022 and all resolutions were passed.

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

"FY23 was a turnaround year for Donaco as we came out from the effects of the pandemic. I am proud of our management team and the whole staff for navigating through the year. Now that both Star Vegas and Aristo are returning to full scale operations, our outlook is promising, and we're targeting future earnings growth.

"The travel flows between the Thailand/Cambodia and Vietnam/China borders are expected to continue to ramp-up and benefit our operations.

"Backed by a healthy balance sheet and solid strategy, we are well placed to capitalise on the emerging opportunities ahead and deliver sustainable growth for our shareholders."

Group Summary

Group performance	FY2023	FY2022
Rolling Chip VIP Turnover	AUD 644.27m	AUD 10.93m
Net Revenue	AUD 24.33m	AUD 2.44m
Operating expenses	AUD 11.99m	AUD 4.10m
Property level EBITDA	AUD 12.34m	(AUD 1.66m)
Corporate Costs	AUD 2.73m	AUD 2.74m
Group EBITDA	AUD 9.61m	(AUD 4.41m)

Currency Conversions: FY2023 1.4850AUD/USD; FY2022 1.3777AUD/USD

Note: numbers may not add due to rounding.

Outlook

Donaco expects the upward trajectory in international tourism to benefit Star Vegas and Aristo, targeting further earnings growth as a result of increased travel flow and operational efficiencies.

As historically a large portion of Aristo's clientele came from China, the acceleration of Chinese tourism inflows into Vietnam is set to benefit Aristo, situated in Vietnam near the Chinese border.

Aristo acknowledged as the only 5-star hotel in the Lao Cai province of Vietnam, for a period of 5 years, also presents a major opportunity to attract new customers. The construction of Sapa airport in Lao Cai, the regional area where Aristo is located, is continuing to progress well and is envisaged to provide substantial economic potential for Donaco once opened in 2025. The airport is set to have an annual capacity of 1.5 million passengers.

Looking at Star Vegas, the Cambodian government recently launched a major tourism campaign to attract Thai visitors, which is highly encouraging for the casino, located in Cambodia near the Thailand border.

Additionally, late in the June quarter the Bank of Thailand and the National Bank of Cambodia launched phase two of their cross-border QR code payment system, designed to reduce the cost of currency exchange for visitors from Thailand to Cambodia and vice-versa.¹

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Authorised for release by the Board.

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¹ <https://www.khmertimeskh.com/501303481/cambodia-thailand-launch-cross-border-qr-payment-phase-ii/>