

ASX : DNA

asx release

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Donaco maintains prudent cost control amid evolving COVID-19 situation

Summary

- Star Vegas remained temporarily closed and Aristo remained open on a limited basis due to COVID-19 related restrictions.
- Increasing vaccination rates in Thailand and Cambodia have led both countries' Governments to target the easing of travel restrictions during the December 2021 quarter.
- Cash burn of approx. USD\$380,408 per month, well within the targeted range.
- Group revenue of A\$7.6m (September 2020: A\$0.3m), stemming from operational inactivity due to COVID-19 restrictions.
- Proactively reduced balance of Mega Bank Facility to USD\$3.8m, with Donaco remaining on track to make final debt payment in December 2021.
- Cash position of A\$5.2m as of 30 September 2021.

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

Donaco remains focused on preserving its balance sheet and operational capabilities amid the ongoing COVID-19 pandemic and the subsequent effects on the Company's casinos. As a result of government-mandated restrictions, the Star Vegas casino in Cambodia has been temporarily closed since 27 April 2021, until further notice, and the Aristo casino in Vietnam has been operating on a limited basis since May 2020.

The ongoing restrictions have heavily reduced visitation numbers, affecting revenue and EBITDA, and resulting in Group revenue of A\$7.6m and negative EBITDA of A\$0.3m.

However, the Governments of Thailand and Cambodia have both outlined significant reopening plans during the December 2021 quarter.

The Thailand Government is set to commence quarantine-free entry and departure for vaccinated people to and from selected countries, including Cambodia, from next month.¹

Earlier this month, the Cambodian Prime Minister stated that the Government is targeting the reopening of the “economy and society across all sectors”², next month. Additionally, earlier this month the Cambodian Government reopened e-visa applications for international travellers coming into Cambodia.³

Donaco’s Star Vegas casino is located in Cambodia next to the Thailand border.

A continued strong emphasis has been maintained on prudent cost control measures and ensuring a robust balance sheet, with a reduction in cash burn to A\$0.4m, compared to \$0.7m in the prior corresponding quarter.

In the June 2020 quarter trading update (see ASX announcement dated 31 July 2020) Donaco set a monthly target cash burn rate from maintaining the casino assets and associated corporate costs, amid the effects of COVID-19 impacts, of approximately USD\$800,000 to USD\$900,000. The September 2021 quarter result was better than the targeted range, with a cash burn of approximately USD\$380,408 per month during the quarter.

As at 30 September 2021 Appendix 4C, cash holdings were A\$5.2m.

An amount of A\$197,850 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 continued to repay its debt facility diligently and proactively with principal lender Mega Bank from the initially borrowed amount of A\$131.54m, to the remaining sum of A\$5.27m (USD\$3.80m) as of 30 September 2021 (total debt as of 30 June 2021: USD\$8.34m; Mega Bank debt as of 30 June 2021: USD 6.8m).

Donaco remains on track to successfully pay the final instalment of USD\$1.8m by 31 December 2021.

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

“This was another challenging quarter for Donaco as the impacts of COVID-19 continued to linger on our casinos and the broader communities where we operate.

“During the quarter we focused on positioning the Company optimally to target significant growth once the external conditions improve; by proactively reducing our Mega Bank debt to preserve a robust balance sheet and maintaining prudent cost control.

“There are positive indications that COVID restrictions relevant to the region Star Vegas operates in will ameliorate in the near-term, with the Governments of Thailand and Cambodia both outlining reopening plans following strong vaccination rates in the two countries.

“Vaccination rates in Vietnam have also been starting to ramp up substantially since September, which is a highly positive sign for our Aristo casino.

“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.

“I would like to again thank our shareholders for their loyalty and patience during this period.”

¹ <https://www.mfa.go.th/en/content/listcategory13-2?cate=5f069ee372a783584326eb24>

² <https://www.khmertimeskh.com/50957080/more-signs-of-reopening-today-as-cambodia-records-lowest-new-case-total-for-6-months/>

³ <https://www.khmertimeskh.com/50954944/cambodia-re-opens-e-visa-for-tourists-and-investors/>

Financial Performance

The following update compares in AUD the three months to the end of September 2021 to the three months to the end of September 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 achieved low operating expenses, which decreased to A\$0.67m for the period.

DNA Star Vegas	September Quarter 2021	June Quarter 2021	September Quarter 2020
Rolling Chip VIP Turnover	N/A	AUD 15.80m	AUD 1.26m
Net Revenue	AUD 0.05m	AUD 1.10m	AUD 0.13m
Operating expenses	AUD 0.67m	AUD 0.86m	AUD 1.00m
Property level EBITDA	(AUD 0.62m)	AUD 0.25m	(AUD 0.87m)
Average daily visitation	N/A	138 players	52 players
VIP win rate	N/A	4.43%	6.26%

Currency Conversions: September Quarter 2021 1.3605AUD/USD; June Quarter 2021 1.3391AUD/USD; September Quarter 2020 1.3982AUD/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.

Cost-control initiatives remain in place, which led to a reduction in operating expenses to A\$0.41m for the period, compared to A\$0.75m in the September 2020 quarter.

Aristo International Hotel	September Quarter 2021	June Quarter 2021	September Quarter 2020
Rolling Chip VIP Turnover	AUD 22.06m	AUD 38.66m	AUD 26.29m
Net Revenue	AUD 0.71m	AUD 0.36m	AUD 0.20m
Operating expenses	AUD 0.41m	AUD 0.43m	AUD 0.75m

Property level EBITDA	AUD 0.30m	(AUD 0.07m)	(AUD 0.55m)
Average daily visitation	12 players	15 players	12 players
VIP win rate	5.56%	2.74%	1.88%

Currency Conversions: September Quarter 2021 1.3605AUD/USD; June Quarter 2021 1.3391AUD/USD; September Quarter 2020 1.3982AUD/USD.

June Quarter 2021: included audit adjustments in June 2021; numbers may not add up due to rounding.

Group Summary

DNA Group	September Quarter 2021	June Quarter 2021	September Quarter 2020
Rolling Chip VIP Turnover	AUD 22.06m	AUD 54.46m	AUD 27.54m
Net Revenue	AUD 0.76m	AUD 1.46m	AUD 0.33m
Operating expenses	AUD 1.08m	AUD 1.28m	AUD 1.75m
Property level EBITDA	(AUD 0.32m)	AUD 0.17m	(AUD 1.42m)
Corporate Costs	AUD 0.72m	AUD 0.72m	AUD 1.30m
Group EBITDA	(AUD 1.04m)	(AUD 0.55m)	(AUD 2.72m)

Currency Conversions: September Quarter 2021 1.3605AUD/USD; June Quarter 2021 1.3391AUD/USD; September Quarter 2020 1.3982AUD/USD.

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Authorised for release by the Board.

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