

ASX : DNA

asx release

28 January 2021



Return to positive EBITDA in December 2020 Quarter

Highlights

- Return to positive EBITDA in the December quarter following successful strategic initiatives including a shift in customer targeting, as COVID-19 impacts subside
- Quarterly revenue of A\$6.0m compared to A\$16.8m in prior corresponding year as a result of COVID-19
- Star Vegas settlement completed resulting in Donaco recording an other-income of A\$52.6m (equivalent to USD\$38m) from the settlement. This is a non-cash item.
- Reduced debt levels to USD\$7.8m and Donaco remains on track to paying down all remaining debt with Mega Bank in FY21
- Robust cash at bank and on deposit position of A\$12.7m, as at 31 December 2020

Donaco International Limited (“**Donaco**” or “**the Company**”) provides the following trading update for the three-month period ending 31 December 2020.

Since the reopening of the Star Vegas Resort and Club (‘Star Vegas’) in Cambodia in late September, and the Aristo International Hotel (‘Aristo’) in Vietnam, the December quarter was a turnaround period for Donaco with a return to positive EBITDA of A\$3.70m and negative EBITDA of A\$0.13m respectively, resulting in positive EBITDA of A\$3.57m for the overall group.

The result was driven by a number of strategic initiatives executed by the new Board and Executive team to weather the impact from the pandemic, including a shift in customer targeting, with a renewed focus on attracting clientele from the local region to Star Vegas, to in turn reduce international staff expenses. This was combined with a continued cost control strategy, including the adjustment of service provider agreements, restructuring arrangements with gaming machines and junket operators and the introduction of retail outlets.

In tandem with these initiatives, the gradual easing of COVID-19 restrictions in the region has improved the position of the business, and the casinos have operated flexibly as conditions dictate. Donaco’s strategy for CY21 will build on these pragmatic initiatives, underpinned by a strengthened balance sheet and cost control strategy.

The Company is also pleased that the dispute surrounding the Star Vegas casino has now formally concluded. This follows the approval from Mega Bank announced on 22 December 2020. In addition to earnings from operations, Donaco recorded A\$52.6m (equivalent to USD\$38m) other-income from the settlement, this is a

non-cash item. The accounts for the Half Year Ending 31 December 2020 will fully reflect the net positive outcome of A\$48.4m (equivalent to USD\$35m) in accordance to the terms of the settlement.

Donaco continues to carry its work with Mega Bank to pay down its debt facility under the agreement, which as at 31 December 2020 decreased by A\$6.5m (equivalent to US\$5m). The outstanding debt of A\$10.1m (equivalent to US\$7.8m) is a significant reduction from the initially borrowed amount of A\$129.8m (equivalent of USD\$100m), and the Company anticipates repaying the remaining debt in FY21.

Non-Executive Chairman Porntat Amatavivadhana said: “The December quarter was a turnaround period for Donaco with a return to positive EBITDA. We are extremely encouraged that since the casinos’ limited reopening, Star Vegas is no longer making a loss and the outlook for Aristo is increasingly positive.”

“Our strategy is bearing results, underpinned by targeting clientele from the local region, whilst keeping tight control over our costs following the revision of some service provider agreements. We are also experiencing a gradual easing of COVID-19 restrictions across South East Asia and the situation is expected to ameliorate.

“Our strategy for 2021 will build on these pragmatic initiatives, underpinned by a strengthened balance sheet as the performance from Star Vegas and Aristo continues to improve and provides a solid platform for growth.

“The reduction of our debt level also offers us some clear air as we explore additional options to access the gaming sector, and take advantage of this growing market.”

As at 31 December 2020 Appendix 4C, cash holdings was A\$12.7m.

An amount of A\$308,049 was paid to related parties during the quarter, which is associated to salaries and fees to executive and non-executive directors.

The following update compares in AUD the three months to the end of December 2020 to the three months to the end of December 2019 and is based on unaudited management accounts.

Financial Performance

DNA Star Vegas

Star Vegas reopened in September 2020 and despite operating on a limited basis, the casino experienced a return to positive EBITDA in Q2 FY21 as a result of attracting clientele to the local region.

Following the reopening, the rolling Chip VIP turnover of A\$132.75m and the net revenue of A\$5.57m was recorded for the quarter.

Management has kept tight control measures on the limited operations, with operating expenses reduced to A\$1.86m for the period, compared to A\$8.93m in the previous corresponding period.

DNA Star Vegas	December Quarter 2020	September Quarter 2020	December Quarter 2019
Rolling Chip VIP Turnover	AUD 132.75m	AUD 1.26m	AUD 462.41m
Net Revenue	AUD 5.57m	AUD 0.13m	AUD 13.62m
Operating expenses	AUD 1.86m	AUD 1.00m	AUD 8.93m
Property level EBITDA	AUD 3.70m	(AUD 0.87m)	AUD 4.70m
Average daily visitation	368 players	52 players	3,646 players

VIP win rate	4.76%	6.26%	3.48%
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Currency Conversions: December Quarter 2020 1.3837AUD/USD; September Quarter 2020 1.3982AUD/USD; December Quarter 2019 1.4606AUD/USD.

Aristo International Hotel

The Aristo business is also operating on a limited basis since reopening in May 2020.

The border with China, the country from where the vast majority of Aristo's patrons originate from, remains closed as part of COVID-19 restrictions. Despite this, Aristo is experiencing a positive outlook as the situation continues to improve.

Compared to the December 2019 quarter, the business recorded a lower rolling chips VIP turnover of A\$9.40m and net revenue was A\$0.43m as a result of the impact from COVID-19.

Donaco has proactively implemented several cost-control initiatives to reduce operating expenses to A\$0.56m for the period, versus A\$2.72m in the December 2019 quarter.

As a result of the COVID-19 impacts, EBITDA was down to negative EBITDA of A\$0.13m.

Aristo International Hotel	December Quarter 2020	September Quarter 2020	December Quarter 2019
Rolling Chip VIP Turnover	AUD 9.40m	AUD 26.29m	AUD 364.17m
Net Revenue	AUD 0.43m	AUD 0.20m	AUD 3.13m
Operating expenses	AUD 0.56m	AUD 0.75m	AUD 2.72m
Property level EBITDA	(AUD 0.13m)	(AUD 0.55m)	AUD 0.41m
Average daily visitation	11 players	12 players	488 players
VIP win rate	6.53%	1.88%	1.73%

Currency Conversions: December Quarter 2020 1.3837AUD/USD; September Quarter 2020 1.3982AUD/USD; December Quarter 2019 1.4606AUD/USD.

Group Summary

DNA Group	December Quarter 2020	September Quarter 2020	December Quarter 2019*
Rolling Chip VIP Turnover	AUD 142.15m	AUD 27.54m	AUD 826.58m
Net Revenue	AUD 6.00m	AUD 0.33m	AUD 16.76m
Operating expenses	AUD 2.42m	AUD 1.75m	AUD 11.65m
Property level EBITDA	AUD 3.57m	(AUD 1.42m)	AUD 5.11m
Corporate Costs	AUD 0.76m	AUD 1.30m	AUD 1.47m
Group EBITDA	AUD 2.81m	(AUD 2.72m)	AUD 3.64m

Currency Conversions: December Quarter 2020 1.3837AUD/USD; September Quarter 2020 1.3982AUD/USD; December Quarter 2019 1.4606AUD/USD.

*Numbers based on final audited Appendix 4D 2019

Note: Settlement of USD\$38m is considered as other income and not included in EBITDA.

As the Group's performance continues to improve, from the September 2020 quarter to the December 2020 quarter performance, Donaco is confident in a solid platform for growth and recovery ahead.

Board Changes

Following the Board and Executive transition, and with Donaco's strategy bearing positive results, Executive Directors Mr Leo Chan and Mr Kurkye Wong resigned from the Board during the period to pursue other business interests. Mr Chan and Mr Wong remain supporters in Donaco's long-term prospects as the Company advances its strategy.

[ENDS]

Authorised for release by the Board.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Donaco International Limited

ABN

28 007 424 777

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,930	9,053
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,478)	(3,180)
(c) advertising and marketing	(461)	(480)
(d) leased assets		
(e) staff costs	(770)	(1,748)
(f) administration and corporate costs	(458)	(1,310)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(858)	(889)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	4,906	1,447
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(177)	(177)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(177)	(177)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		14,413
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(201)	(201)
3.5	Proceeds from borrowings	220	220
3.6	Repayment of borrowings	(7,602)	(14,127)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(7,583)	305

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,645	12,630
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,906	1,447
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(177)	(177)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7,583)	305
4.5	Effect of movement in exchange rates on cash held	(89)	(1,503)
4.6	Cash and cash equivalents at end of period	12,702	12,702

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,702	15,645
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,702	15,645

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

308

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amounts in item 6.1 are payments of salaries and fees to executive and non-executive directors.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	11,824	11,824
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	11,824	11,824

7.5 Unused financing facilities available at quarter end

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender 1

Name: Mega International Commercial Bank Co Ltd

Interest rate: 6.7693%

Maturity date: 28 June 2021

Lender 2

Name: Joint Stock Commercial Ocean Bank

Interest rate: 4.30% (USD currency), 8.10% (VND currency)

Maturity date: 2 October 2021

Lender 3

Name: Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)

Interest rate: 6%

Draw down date: 4 November 2020

Maturity term: 9 months

All loans are secured.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	4,906
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,702
8.3	Unused finance facilities available at quarter end (Item 7.5)	
8.4	Total available funding (Item 8.2 + Item 8.3)	12,702
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.