

ASX : DNA

asx release



30 April 2020

## March 2020 Quarter Trading Update

### Highlights

- Quarterly revenue of A\$10.53 million compared to A\$25.50 million in prior corresponding year
- Board and Management continue to tightly control operating and capital expenses while operations remain impacted by COVID-19 restrictions
- Settlement reached with Thai Vendor to preserve shareholder value
- Ongoing discussions with principal lender Mega Bank
- Financial position strengthened by cash balance of A\$18.87 million as at 31 March 2020

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

The March quarter was significantly impacted by the onset of COVID-19 and the resultant restrictions on casino operations and border closures.

Overall group results were negative EBITDA A\$1.13 million for the March quarter compared to A\$10.82 million in the prior corresponding period of 1 January 2019 to 31 March 2019 (pcp).

In relation to the performance of each of the casinos:

- DNA Star Vegas, had revenue of A\$8.37 million and EBITDA of A\$0.5 million respectively.
- Aristo International Hotel, had revenue of A\$2.6 million and EBITDA was A\$0.5 million.

The Company has a negative cash flow from operations of A\$5.1 million and net debt increased from A\$50.9 million in pcp to A\$60.8 million.

Further, DNA Star Vegas and the Aristo Hotel have now been closed since 1 April 2020 due to Government orders in both Cambodia and Vietnam to temporarily close all casinos.

Aristo may reopen in May 2020 depending on a decision from the Government of Vietnam.

The closure of both casino operations is having a material impact on Donaco’s business while the Company is undertaking measures to reduce costs, including headcount, to preserve liquidity.

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As previously advised, while both operating casinos remain closed, the Company expects a cash burn run rate from maintaining the casino assets and associated corporate costs of approx. US\$800,000 to US\$900,000K per month.

Commenting on the period, Chairman Mel Ashton, said: "This was a tough quarter for Donaco with both of our casinos impacted by COVID-19 with considerably less gaming activity occurred. Now that our casinos are temporarily closed, the preservation of liquidity is a key priority. We will continue to make sure we have adequate measures in place and remain in a healthy financial position for when operations will restart."

Related party payments for the period included director fees paid from the approved pool of fees as approved by the shareholders of \$755k.

As at 31 March 2020, the Company's cash holding was A\$18.87 million.

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

### DNA Star Vegas

The VIP turnover decreased significantly by approximately 70% compared to the previous corresponding period mainly due to a drop in average daily visitations resulting from the COVID-19 pandemic and prior to this some of the other trading issues affecting the business including illegal casinos in Bangkok and increased competition in Poipet.

The average daily visitation dropped to 2,584 from 4,237 compared to the previous corresponding period.

The VIP win rate achieved of 3.22%, was 0.37% above the theoretical win rate of 2.85%. However, the higher win rate was offset by lower VIP turnover.

OPEX dropped by 34% compared to the previous corresponding period as the Company undertook cost reduction measures to mitigate the impact from the COVID-19 pandemic.

As a result of the above, net revenue and EBITDA dropped 60% and 94% respectively compared to the previous corresponding period.

<b>DNA Star Vegas</b>	<b>March Quarter 2020</b>	<b>March Quarter 2019</b>
Rolling Chip VIP Turnover	USD 195.9m	USD 642.9m
Net Revenue	USD 5.5m	USD 13.9m
Operating expenses	USD5.1m	USD7.7m
Property level EBITDA	USD 0.4m	USD 6.2m
Average daily visitation	2,584	4,237
VIP win rate	3.22%	3.37%

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### Aristo International Hotel

Aristo was heavily impacted by the COVID-19 pandemic due to its proximity to the Chinese border, the reliance on Chinese customers and the restrictions and border closures resulting from the crisis.

The Aristo business recorded a lower rolling chip turnover of USD\$105.5m over the March 2020 quarter, compared to USD\$294.1m in the March 2019 quarter.

Net revenue fell 60% to USD\$1.8m during the March 2020 quarter, due to lower net gaming revenue (down 53% to USD\$1.3m) and non-gaming revenue (down 71% to USD\$0.5m).

The overall VIP win rate recorded for the March 2020 quarter was 2.94%, above the 1.93% achieved during the March 2019 quarter. However, this higher win rate was offset by the effect of lower rolling turnover.

In response to the activity slowdown, management has implemented a number of cost-saving measures including a reduction in total headcount and deferring various capital expenditure projects. Accordingly, operating expenses decreased to USD\$1.5m, compared to USD\$2.1m in the March 2019 quarter.

Due to the above factors EBITDA was down 87% to USD\$0.3m.

<b>Aristo International Hotel</b>	<b>March Quarter 2020</b>	<b>March Quarter 2019</b>
Rolling Chip VIP Turnover	USD 105.5m	USD 294.1m
Net Revenue	USD 1.8m	USD 4.5m
Operating expenses	USD 1.5m	USD 2.1m
Property level EBITDA	USD 0.3m	USD 2.3m
Average daily visitation	171 players	513 players
VIP win rate	2.94%	1.93%

### Group Summary

<b>DNA Group</b>	<b>March Quarter 2020</b>	<b>March Quarter 2019</b>
Rolling Chip VIP Turnover	AUD 203.75	AUD 675.26
Net Revenue	AUD 10.53m	AUD 25.50m
Operating expenses	AUD 11.92m	AUD 15.59m
Property level EBITDA	AUD1.01m	AUD 12.51m
Corporate Costs	AUD2.14m	AUD 1.69m
Group EBITDA	(AUD1.13m)	AUD 10.82m

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The decrease in EBITDA was mainly driven by lower revenue from both of the Company's casino properties. The slight increase in corporate costs was mainly due to termination payments for management staff in Feb 2020 and weaker AUD currency in pcp.

### Star Vegas Settlement

During the March Quarter, Donaco reached a pragmatic settlement with the Thai Vendor of the DNA Star Vegas operations.

As announced on 17 April, the settlement parties have agreed to defer settlement payments and additional lease payment, whilst awaiting Mega International Commercial Bank's Co Ltd (Mega Bank) consent.

Donaco is party to a Facility Agreement with Mega Bank. Provisions of the Facility Agreement require the Company to obtain Mega Bank's consent to fulfil parts of the settlement. The Company remains confident it will receive approval from Mega Bank to support the settlement reached with the Thai Vendor and for the ultimate continuation of the DNA Star Vegas Casino.

The settlement with the Thai Vendor preserves shareholder value, secures agreeable lease terms and boosts Donaco's balance sheet at a critical time.

### Board Changes

In February, Marika White was appointed Company Secretary, following the resignation of Ben Reichel.

The search for a highly skilled CEO continues with a number of quality candidates under consideration.

**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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,177	57,520
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,277)	(10,699)
(c) advertising and marketing	(1,110)	(3,887)
(d) leased assets		
(e) staff costs	(7,056)	(20,032)
(f) administration and corporate costs	(1,817)	(8,006)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	24
1.5 Interest and other costs of finance paid	(685)	(2,355)
1.6 Income taxes paid	(1,378)	(10,033)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,145)</b>	<b>2,532</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(167)	(1,123)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		52
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(167)</b>	<b>(1,071)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(568)	(10,590)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(568)</b>	<b>(10,590)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	24,896	27,378
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,145)	2,532
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(167)	(1,071)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(568)	(10,590)
4.5	Effect of movement in exchange rates on cash held	(149)	618
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>18,867</b>	<b>18,867</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	18,867	24,896
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>18,867</b>	<b>24,896</b>

**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

<b>Current quarter \$A'000</b>
755

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 to directors, consisting of fees for non-executive directors and salaries for 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	31,322	31,322
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>31,322</b>	<b>31,322</b>

**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: 8.5601%

Maturity date: 28 June 2021

## Lender 2

Name: Joint Stock Commercial Ocean Bank

Interest rate: 9.8%

Maturity date: 2 October 2020

## Lender 3

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

Interest rate: 8%

Draw down date: 20 February 2020

Maturity term: 9 months

All loans are secured.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(5,145)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	18,867
8.3 Unused finance facilities available at quarter end (Item 7.5)	
8.4 Total available funding (Item 8.2 + Item 8.3)	18,867
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>3.67</b>

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:

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:

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:

### 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: 30 April 2020

Authorised by: The Board of Donaco International Limited  
(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.