ASX: DNA





29 April 2022

Donaco continues balance sheet protection as the business awaits for broader conditions to improve

Summary

- Continued cost control and operational efficiency to preserve Star Vegas and Aristo.
- Mega Bank Loan Facility fully repaid.
- Group EBITDA of negative A\$1.4 million and revenue of A\$0.2 million, stemming from operational inactivity due to COVID-19 restrictions.
- Encouraging long term outlook with improving broader business conditions, including the construction of Sapa airport, and international travel expected to flow.
- Cash position of A\$3.5 million as at 31 March 2022.

Donaco International Limited ("Donaco" or "the Company") provides the following trading update for the three month period ending 31 March 2022.

The March Quarter was another challenging period for Donaco as the COVID-19 pandemic, and its effects on the Company's casinos persisted as international travelling remains minimal.

In line with government restrictions in response to the pandemic, Donaco's Star Vegas casino in Cambodia has been closed since 27 April 2021, while the Aristo casino in Vietnam has been open and operating on a limited basis since 8 May 2020.

The pandemic has affected the Company's financial results, with Group revenue of A\$0.2m (March Quarter 2021: A\$2.77m) and negative EBITDA of A\$1.4m (March Quarter 2021: A\$0.29m).

In light of current circumstances, Donaco has carried out rigorous measures to protect the business, keeping costs down and preserving cash to protect its balance sheet. To this extent, the initial Loan Facility of A\$131.54m with main lender Mega Bank International Commercial Bank Co Ltd has been fully repaid, and the debt reduction has helped preserve shareholder value.

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

The Board is also exploring additional measures to protect the balance sheet to guarantee the business remains in a sustainable position until wider conditions improve.

As at 31 March 2022, Appendix 4C, cash holdings were A\$3.5 million.

Donaco International Limited ACN 007 424 777

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.

On a corporate front, Donaco held its Annual General Meeting (AGM) on 28 January 2022 and all resolutions were passed.

Outlook

Broader business conditions are expected to ameliorate in line with the ramp up in vaccinations. Almost all of Vietnam's population is fully vaccinated and COVID-19 infections are decreasing in the country¹, leading to the Government of Vietnam reopening to international tourism in mid-March².

Looking at Thailand, the country has reached more than a 94% vaccination rate compared to 70% two months ago, with infection rates also strongly reduced³. From 1 May, the Government of Thailand plans to allow vaccinated tourists to enter the country requirement-free, without the need for current entry schemes, making entry into the country to be more accessible. Furthermore, additional restrictions are envisaged to reduce as the covid situation improves⁴.

Star Vegas will be ready to reopen as Thai borders continue to relax and conditions ameliorate.

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

"The March Quarter has been another challenging period for Donaco. We are ready to resume our Star Vegas casino as conditions improve and once we receive the go ahead from Government authorities. As we wait for this to happen, we are exploring additional options to protect the balance sheet and guarantee the business remains in a sustainable position until broader conditions improve.

"We remain optimistic about Donaco's long term future. Vaccination rates have increased, leading to the easing of borders and travel restrictions in the regions we operate. It will take some time before travel patterns return to normal, and we are prepared for when international tourism will steadily resume again.

"We are also optimistic as the construction of Sapa airport in Lao Cai presents a significant opportunity for Aristo to attract a significant number of new customers, with an airport capacity of 1.5 million passengers a year.

"We are almost at the end of this bumpy journey, and 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 March 2022 to the three months to the end of March 2021 and is based on unaudited management accounts.

DNA Star Vegas

DNA Star Vegas Star Vegas, situated in Cambodia on the border with Thailand, has been temporarily closed since 27 April 2021, and minimal activity occurred before its closure as outbreaks were increasing.

DNA Star Vegas	March Quarter 2022	December Quarter 2021	March Quarter 2021
Rolling Chip VIP Turnover	N/A	N/A	AUD 69.28m

¹ https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/vietnam/

 $^{^2\,}https://e.vnexpress.net/news/travel/travel-firms-hotels-struggle-with-absence-of-chinese-tourists-4453600.html$

³ https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/thailand/

 $^{^4\,\}text{https://www.traveloffpath.com/thailand-plans-to-allow-vaccinated-tourists-to-enter-requirement-free-from-may-1/2}$

Net Revenue	AUD 0.01m	AUD 0.02m	AUD 2.51m
Operating expenses	AUD 0.44m	AUD 0.57m	AUD 1.31m
Property level EBITDA	(AUD 0.43m)	(AUD 0.55m)	AUD 1.20m
Average daily visitation	N/A	N/A	290 players
VIP win rate	N/A	N/A	3.94%

Currency Conversions: March Quarter 2022 1.3710 AUD/USD; December Quarter 2021 1.3663AUD/USD; March Quarter 2021 1.3530AUD/USD.

<u>Aristo International Hotel</u>

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	March Quarter 2022	December Quarter 2021	March Quarter 2021
Rolling Chip VIP Turnover	AUD 6.61m	AUD 10.19m	AUD 9.40m
Net Revenue	AUD 0.22m	AUD 0.35m	AUD 0.26m
Operating expenses	AUD 0.40m	AUD 0.41m	AUD 0.38m
Property level EBITDA	(AUD 0.18m)	(AUD 0.07m)	(AUD 0.12m)
Average daily visitation	12 player	12 players	15 players
VIP win rate	3.65%	4.91%	3.68%

Currency Conversions: March Quarter 2022 1.3710 AUD/USD; December Quarter 2021 1.3663AUD/USD; March Quarter 2021 1.3530AUD/USD.

Group Summary

DNA Group	March Quarter 2022	December Quarter 2021	March Quarter 2021
Rolling Chip VIP Turnover	AUD 6.61m	AUD 10.19m	AUD 78.68m
Net Revenue	AUD 0.23m	AUD 0.38m	AUD 2.77m
Operating expenses	AUD 0.84m	AUD 0.99m	AUD 1.70m

Property level EBITDA	(AUD 0.61m)	(AUD 0.61m)	AUD 1.08m
Corporate Costs	AUD 0.76m	AUD 0.63m	AUD 0.78m
Group EBITDA	(AUD 1.37m)	(AUD 1.24m)	AUD 0.29m

Currency Conversions: March Quarter 2022 1.3710 AUD/USD; December Quarter 2021 1.3663AUD/USD; March Quarter 2021 1.3530AUD/USD.

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Authorised for release by the Board.

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