

ASX : DNA

asx release



31 January 2022

## Donaco bolsters balance sheet with Thailand reopening on the horizon

### Summary

- Star Vegas remained temporarily closed and Aristo remained open on a limited basis due to COVID-19 related restrictions.
- Settlement of the Loan Facility with main lender Mega Bank, with final payment made to Mega Bank in December 2021.
- Strong vaccination rate in Thailand has led to scheduled easing of travel restrictions in February 2022, the strongest indication of Thai/Cambodia border reopening yet.
- Group EBITDA of negative A\$1.2 million and revenue of \$0.4 million, stemming from operational inactivity due to COVID-19 restrictions.
- Cash burn of approx. A\$405,646 per month, in line with the targeted range.
- Sapa airport, with a capacity of 1.5m passengers per year, under construction near Aristo casino.
- Cash position of A\$4.4m as at 31 December 2021.

Donaco International Limited (“**Donaco**” or “**the Company**”) provides the following trading update for the three-month period ending 31 December 2021.

During the quarter Donaco continued its focus on preserving and strengthening its balance sheet, as well as increasing its cost efficiencies amid the ongoing COVID-19 pandemic and its subsequent effects on the Company’s casinos. As a result of government-mandated restrictions, the Star Vegas casino in Cambodia has remained 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\$0.4 million (Dec Quarter 2020: A\$6.0m) and property-level EBITDA negative of A\$0.6m (Dec Quarter 2020: A\$3.6m).

However, the ability for Donaco to achieve long-term growth is strong, as the COVID situation in the regions where Donaco operates improves in line with the ramp up in vaccinations.

For example, in Thailand the fully vaccinated rate has increased from approximately less than 30% to over 65% during the December quarter, and in Vietnam the fully vaccinated rate increased from around 10% to 70% during the December quarter.

As a result, post-December quarter on 20 January 2022 the Thai Government announced that from 1 February 2022 quarantine-free travel vaccinated arrivals will commence.

In tandem with this, Donaco has bolstered its balance sheet after settlement of the Loan Facility with main lender Mega Bank, with final payment made to Mega Bank in December 2021. The Company has also maintained a key focus on maximising cost efficiencies during this period.

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 (A\$1.10 million to \$A1.24 million).

The December 2021 quarter result was well within the targeted range, with a cash burn of approximately A\$480,300 per month during the December quarter.

As at 31 December 2021 Appendix 4C, cash holdings were A\$4.4 million.

An amount of A\$198,150 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 settled its Loan Facility with main lender Mega International Commercial Bank Co Ltd, known as Mega Bank, on 30 December 2021 as per schedule.

The Company has fully repaid the initially borrowed amount of A\$131.54m (equivalent to USD\$100m) stipulated in 2015, re-drawn A\$26.31m (equivalent to USD\$20m) in 2016 and refinanced A\$74.98m (equivalent to USD\$57m) in 2017 (equivalent to the total of USD\$120m borrowings), with the final instalment of USD\$1.8m paid in December 2021.

There is no more outstanding loan balance owed to Mega Bank.

### **Non-Executive Chairman of Donaco, Mr Paul Porntat, commented:**

“While COVID-19 continued to impact our operations during the quarter, we enhanced our prudent cost control and balance sheet protection to position us for a bright long-term future.

“We have completely paid off our debt with our largest lender, Mega Bank, as well as maintaining a low cash burn.

“There is also significant positivity on a macroeconomic level, with the Thai Government resuming the ‘Test & Go’ scheme for international visitors on February 1.

“Additionally, in late October the Vietnamese Government approved the construction of Sapa airport, as the economy seeks to rebound from COVID-19. Sapa airport will be built over the next 3-4 years in Lao Cai, the region where Aristo is located, with capacity of 1.5 million passengers a year.

“Our strategy for the remainder of FY22 will be to build on Donaco’s pragmatic initiatives, including the shift towards clientele from the local regions.

“The Donaco Board and Management will continue to take 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.”

### **Financial Performance**

The following update compares in AUD the three months to the end of December 2021 to the three months to the end of December 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\$0.57m for the period.

<b>DNA Star Vegas</b>	<b>December Quarter 2021</b>	<b>September Quarter 2021</b>	<b>December Quarter 2020</b>
Rolling Chip VIP Turnover	N/A	N/A	AUD 132.75m
Net Revenue	AUD 0.02m	AUD 0.05m	AUD 5.57m
Operating expenses	AUD 0.57m	AUD 0.67m	AUD 1.86m
Property level EBITDA	(AUD 0.55m)	(AUD 0.62m)	AUD 3.70m
Average daily visitation	N/A	N/A	368 players
VIP win rate	N/A	N/A	4.76%

Currency Conversions: December Quarter 2021 1.3663AUD/USD; September Quarter 2021 1.3605AUD/USD; December Quarter 2020 1.3837AUD/USD.

#### **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\$0.56m in the December 2020 quarter.

<b>Aristo International Hotel</b>	<b>December Quarter 2021</b>	<b>September Quarter 2021</b>	<b>December Quarter 2020</b>
Rolling Chip VIP Turnover	AUD 10.19m	AUD 22.06m	AUD 9.40m
Net Revenue	AUD 0.35m	AUD 0.71m	AUD 0.43m
Operating expenses	AUD 0.41m	AUD 0.41m	AUD 0.56m

Property level EBITDA	(AUD 0.07m)	AUD 0.30m	(AUD 0.13m)
Average daily visitation	12 players	12 players	11 players
VIP win rate	4.91%	5.56%	6.53%

Currency Conversions: December Quarter 2021 1.3663AUD/USD; September Quarter 2021 1.3605AUD/USD; December Quarter 2020 1.3837AUD/USD.

Group Summary

DNA Group	December Quarter 2021	September Quarter 2021	December Quarter 2020*
Rolling Chip VIP Turnover	AUD 10.19m	AUD 22.06m	AUD 142.15m
Net Revenue	AUD 0.38m	AUD 0.76m	AUD 6.00m
Operating expenses	AUD 0.99m	AUD 1.08m	AUD 2.42m
Property level EBITDA	(AUD 0.61m)	(AUD 0.32m)	AUD 3.57m
Corporate Costs	AUD 0.63m	AUD 0.72m	AUD 0.90m
Group EBITDA	(AUD 1.24m)	(AUD 1.04m)	AUD 2.67m

Currency Conversions: December Quarter 2021 1.3663AUD/USD; September Quarter 2021 1.3605AUD/USD; December Quarter 2020 1.3837AUD/USD.

\*Numbers based on final audited Appendix 4D 2020

**[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 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	408	1,745
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(491)	(1,228)
(c) advertising and marketing	(3)	(7)
(d) leased assets		
(e) staff costs	(757)	(1,509)
(f) administration and corporate costs	(277)	(979)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(321)	(659)
1.6 Income taxes paid		
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>(1,441)</b>	<b>(2,636)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	(1)
(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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	(1)

<b>3.</b>	<b>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	5,738	9,837
3.6	Repayment of borrowings	(5,200)	(9,633)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>538</b>	<b>204</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,175	6,317
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,441)	(2,636)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	538	204
4.5	Effect of movement in exchange rates on cash held	107	495
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,379</b>	<b>4,379</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	4,379	5,175
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>4,379</b>	<b>5,175</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	198
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities	12,553	11,726
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>12,553</b>	<b>11,726</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>827</b>
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.		
<p><u>Lender 1 (secured loan)</u>  Name: Joint Stock Commercial Ocean Bank  Interest rate: 4.30% (USD currency), 7.60% (VND currency)  Maturity date: 2 October 2022</p> <p><u>Lender 2 (secured loan)</u>  Name: Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)  Interest rate: 6.00%  Maturity date: 18 September 2022</p> <p><u>Lender 3 (unsecured loan)</u>  Name: Lee Bug Huy  Interest rate: 6.00%  Maturity term: 22 July 2024</p>		

<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)	(1,441)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,379
8.3 Unused finance facilities available at quarter end (item 7.5)	827
8.4 Total available funding (item 8.2 + item 8.3)	5,206
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3.61</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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	



8.6.2 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

8.6.3 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

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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: 31 January 2022

Authorised by: 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.