

ASX : DNA

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31 January 2023

## Donaco delivers positive EBITDA of \$1.8m as international travel flow recommences

### Summary

- Donaco records Group net revenue of \$5.3m and EBITDA of \$1.8m for the December quarter, as a result of the DNA Star Vegas reopening.
- The result marks Donaco's continued EBITDA positive quarter since 1H FY21.
- DNA Star Vegas achieved EBITDA of \$2.7m for the quarter and has reached full operational capacity.
- Prudent cost control continues at Aristo with the expectation of the casino resuming operations as travel flow improves.
- Increasingly positive long-term outlook as China reopened its borders in January 2023 after three years. The news presents significant upside potential for Donaco's operations.
- Cash position of A\$9.3 million as at 31 December 2022.

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

During the December quarter, Donaco ramped up operations at the DNA Star Vegas located in Cambodia, next to the Thai border. DNA Star Vegas resumed operations in June 2022 after more than one year of closure due to Covid-19 restrictions. Operations at DNA Star Vegas originally recommenced on a limited scale and progressively ramped up, and are now at full operational capacity. The Company has swiftly capitalised on improving tourism conditions in the region where it operates, reflected in the quarterly numbers.

DNA Star Vegas generated net revenue of A\$5.12 million (December quarter 2021: A\$0.02m) and EBITDA of A\$2.69 million (December quarter 2021: negative A\$0.6m).

DNA Star Vegas was closed in the December quarter 2021 and maintained minimum operating costs. The increase in operating expenses to A\$2.43 million (December quarter 2021: A\$0.6m) is largely due to the ramp up of operations at the venue, also reflected in the administration and corporate costs.

While Donaco's Aristo International Hotel (Aristo) in Vietnam, has operated on a limited basis since 8 May 2020. This is due to the fact that travel between Vietnam and China, the country from where the vast majority of Aristo's patrons originate from, remained heavily restricted during the period as a result of residual COVID-19

measures. Encouragingly, the situation is due to improve as mainland China announced the full reopening of its borders and travel flow from January 2023.

Aristo delivered net revenue of A\$0.19 million (December quarter 2021: A\$0.4m) and EBITDA of negative A\$0.27 million (December quarter 2021: negative A\$0.1m).

Group revenue reached A\$5.30 million (December quarter 2021: A\$0.4m) with group EBITDA of A\$1.78 million (December quarter 2021: negative A\$1.2m).

The Company continued the execution of disciplined cost control underpinned by a strengthened balance sheet. As at 31 December 2022, Appendix 4C, cash holdings were A\$9.3 million.

Payments to related parties of the entity and their associates were made during the quarter. In total, approximately A\$198k was paid to Directors and associates for salaries and contracted services.

## **Outlook**

Donaco is targeting further earnings growth in the near and longer term as a result of increased travel flow, and borders reopening in a number of countries.

In November 2021, the Government of Thailand reopened its borders to international tourists for the first time in 18 months<sup>1</sup>, in addition to Cambodia also open to fully vaccinated travellers.

Donaco maintains a positive long-term outlook for Aristo. China reopening its borders in January 2023, is a significant step that will benefit Cambodia, Thailand, and Vietnam, with the expected return of Chinese tourists.<sup>2</sup>

Aristo acknowledged as the only 5 star hotel in the Lao Cai province of Vietnam, for a period of 5 years, also presents a major opportunity to attract new customers.

The construction of the new Sapa airport in Lao Cai, close to Aristo's operations, is also a means to attract customers in the long term. The airport has a capacity of 1.5 million passengers a year and is expected to be open before 2025. As travel patterns recommence, there's increased confidence for Aristo to resume wider operations.

### **Donaco's Non-Executive Chairman, Mr Porntat Amatavivadhana, commented:**

"Our December quarter was encouraging with steady contribution from DNA Star Vegas following the increase in international travel from neighbouring countries. Promisingly, it seems we are coming out from the effects of the COVID-19 pandemic with international travel set to continuously improve.

Momentum is expected to grow as mainland China recently reopened its borders, and this presents a substantial growth potential for us as historically a large portion of our clientele came from China.

The long-term future for our Aristo operation in Vietnam also looks bright. The construction of Sapa airport in Lao Cai, the region where Aristo is located, in conjunction with the Lao Cai Ministry of Culture, Sports and Tourism recently recognising Aristo as the only 5-star hotel in the region, is a key way for our casino to attract a significant number of new customers.

Backed by a robust balance sheet position, our two casinos have a solid operational strategy, and I am incredibly optimistic about the future path for Donaco. As always, I would like to thank our shareholders for their loyalty and patience, and we look forward to building on the positive outlook ahead."

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<sup>1</sup> <https://www.voanews.com/a/thailand-reopens-borders-for-tourists-caution-still-remains/6298173.html>

<sup>2</sup> <https://edition.cnn.com/2023/01/06/economy/china-tourist-boom-post-covid-impact-intl-hnk/index.html>

## Corporate

Donaco's Annual General Meeting (AGM) was held on 25 November 2022 in Sydney. This was an opportunity for the Company's Chairman, Porntat Amatavivadhana, to provide a presentation of Donaco's operations and strategic initiatives underway. All resolutions were passed at the meeting.

### **Financial Performance**

The following update compares in AUD and local currency the three months to the end of December 2022 and is based on unaudited management accounts.

#### **DNA Star Vegas**

DNA Star Vegas, situated in Cambodia on the border with Thailand, was temporarily closed from 27 April 2021 and reopened on 18 June 2022.

DNA Star Vegas	December Quarter 2022	September Quarter 2022	December Quarter 2021
Rolling Chip VIP Turnover	AUD 11.44m	AUD 181.29m	N/A
Net Revenue	AUD 5.12m	AUD 4.10m	AUD 0.02m
Operating expenses	AUD 2.43m	AUD 1.87m	AUD 0.57m
Property level EBITDA	AUD 2.69m	AUD 2.22m	(AUD 0.55m)
Average daily visitation	841 players	1,054 players	N/A
VIP win rate	6.72%	-0.05%	N/A

DNA Star Vegas	December Quarter 2022	September Quarter 2022	December Quarter 2021
Rolling Chip VIP Turnover	THB 281.39m	THB 4,500.34m	N/A
Net Revenue	THB 125.35m	THB 102.1m	THB 0.58m
Operating expenses	THB 58.57m	THB 46.65m	THB 14.01m
Property level EBITDA	THB 66.78m	THB 55.53m	THB 13.43m
Average daily visitation	841 players	1,054 players	N/A
VIP win rate	6.72%	-0.05%	N/A

Currency Conversions: December Quarter 2022 1.4914 AUD/USD; September Quarter 2022 1.4628 AUD/USD; December Quarter 2021 1.3663 AUD/USD.

#### **Aristo International Hotel**

The Aristo business in Vietnam, located on the border with China, has operated on a limited basis since May 2020. Donaco expects the situation to improve soon as travel from China recommences.

Aristo International Hotel	December Quarter 2022	September Quarter 2022	December Quarter 2021
Rolling Chip VIP Turnover	AUD 11.08m	AUD 1.94m	AUD 10.19m
Net Revenue	AUD 0.19m	AUD 0.43m	AUD 0.35m
Operating expenses	AUD 0.46m	AUD 0.53m	AUD 0.41m
Property level EBITDA	(AUD 0.27m)	(AUD 0.09m)	(AUD 0.07m)
Average daily visitation	8 players	12 players	12 players
VIP win rate	3.40%	6.23%	4.92%

Aristo International Hotel	December Quarter 2022	September Quarter 2022	December Quarter 2021
Rolling Chip VIP Turnover	RMB 53.06m	RMB 30.57m	RMB 48.69m
Net Revenue	RMB 0.89m	RMB 2.09m	RMB 1.66m
Operating expenses	RMB 2.13m	RMB 2.53m	RMB 1.98m
Property level EBITDA	(RMB 1.24m)	(RMB 0.43m)	(RMB 0.32m)
Average daily visitation	8 players	12 players	12 players
VIP win rate	3.40%	6.23%	4.92%

Currency Conversions: December Quarter 2022 1.4914 AUD/USD; September Quarter 2022 1.4628 AUD/USD; December Quarter 2021 1.3663 AUD/USD.

### Group Summary

DNA Group	December Quarter 2022	September Quarter 2022	December Quarter 2021
Rolling Chip VIP Turnover	AUD 22.52m	AUD 183.23m	AUD 10.19m
Net Revenue	AUD 5.30m	AUD 4.53m	AUD 0.38m
Operating expenses	AUD 2.89m	AUD 2.40m	AUD 0.99m
Property level EBITDA	AUD 2.41m	AUD 2.13m	(AUD 0.61m)
Corporate Costs	AUD 0.63m	AUD 0.63m	AUD 0.63m
Group EBITDA	AUD 1.78m	AUD 1.50m	(AUD 1.24m)

Currency Conversions: December Quarter 2022 1.4914 AUD/USD; September Quarter 2022 1.4628 AUD/USD; December Quarter 2021 1.3663 AUD/USD.

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*Authorised for release by the Board.*

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