

ASX : DNA

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Donaco Consolidates Financial Position and Targets Future Earnings Growth

Summary

- Donaco continues its operational turnaround strategy in the June quarter, with Group net revenue of A\$6.9m (March quarter: A\$7.6m) and EBITDA of A\$2.4m (March quarter: A\$4.1m) for the quarter.
- Aristo is nearing a return to full operations and DNA Star Vegas is running stably after reaching full operational capacity in the March quarter.
- With Aristo's operational recovery now almost complete, Donaco will refine its focus on maximising operational efficiencies across both its operations in the coming quarters.
- Positive outlook maintained as Chinese tourism flows to Vietnam increase, in addition to the Cambodian and Thai governments seeking to boost border tourism between the two countries.
- Donaco is targeting further earnings growth in the near and long term to leverage the projected increase in travel activity.
- The Group retains a healthy balance sheet, underpinned by a solid cash position of A\$16.7 million as at 30 June 2023 (A\$16.5 million at 31 March 2023).

Donaco International Limited ("**Donaco**" or "**the Company**") provides the following trading update for the three-month period ending 30 June 2023.

The June quarter represented the continued evolution of Donaco's strategy to gradually return its operations to full capacity following prolonged closures due to COVID-19 restrictions.

At a Group level Donaco generated net revenue of A\$6.88 million (March Quarter 2023: A\$7.55m) and EBITDA of A\$2.40m (March quarter 2023: A\$4.07m). There has been a substantial and sustained improvement since the June 2022 quarter, where Group EBITDA was negative A\$0.8 million and revenue of A\$1.1 million, which stemmed from limited activity due to COVID-19 restrictions.

DNA Star Vegas (Star Vegas) in Cambodia produced net revenue of A\$4.37 million for the June 2023 quarter (March Quarter 2023: A\$6.29 million) and EBITDA of A\$1.81 million (March Quarter 2023: A\$4.17m).

Star Vegas' EBITDA result was impacted by an anomalous VIP win rate and non-recurring audit adjustments. This in conjunction with a renewed focus on maximising operational efficiencies moving forward has led Donaco to anticipate stronger earnings margins in the coming quarters.

The Aristo International Hotel (Aristo) in Vietnam grew its revenue to A\$2.51 million (March Quarter 2023: A\$1.26m) and EBITDA to A\$1.31 million (March Quarter 2023: A\$0.58 million).

A core focus for Donaco during the June quarter was to progress its gradual and methodical reopening of Aristo towards full operating capacity. Donaco commenced this reopening strategy in the March 2023 quarter after China, the country where the vast majority of Aristo's patrons originate from, announced the full reopening of its borders with Vietnam in January this year.

Aristo is on track to reach full operational capacity in the current quarter.

As of May 2023, China has been Vietnam's fastest growing tourism market and numbers still remain below pre-COVID levels.¹

Donaco is well positioned to capitalise on the latent tourism growth potential from China to Vietnam.

The Company continues to prioritise prudent financial management and has subsequently ended the June quarter with a cash position of A\$16.68 million (31 March 2023: A\$16.55 million).

Payments to related parties of the entity and their associates were made during the quarter. In total, approximately A\$201k was paid to Directors and associates for salaries and contracted services.

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

"The June quarter marked an important step for Donaco as we reach a return to full-scale operations.

"Pleasingly, the outlook for our business remains promising. Travel inflows from China to Vietnam are expected to continue to ramp-up and the Cambodian government recently launched a major tourism campaign to attract Thai visitors, which is highly encouraging for our Star Vegas casino.

"Backed by a healthy balance sheet and a clear line of sight towards enhanced operational efficiencies, we are well placed to capitalise on the emerging opportunities ahead and deliver long-term value for our shareholders."

Outlook

As previously mentioned, Chinese tourism inflows into Vietnam are on an upwards trajectory, which is set to benefit the Aristo operation that is situated in Vietnam near the Chinese border.

The construction of Sapa airport in Lao Cai, the regional area where Aristo is located, is continuing to progress well and is envisaged to provide substantial economic potential for Donaco once opened in 2025. The airport is set to have an annual capacity of 1.5 million passengers.

Additionally, late in the June quarter the Bank of Thailand and the National Bank of Cambodia launched phase two of their cross-border QR code payment system, designed to reduce the cost of currency exchange for visitors from Thailand to Cambodia and vice-versa.²

The initiative aims to facilitate additional cross-border tourism in the region, which is beneficial for Donaco's Star Vegas casino located in Cambodia near the Thailand border.

¹ <https://www.asgam.com/index.php/2023/05/04/chinese-visitation-to-vietnam-on-the-rise-report/>

² <https://www.khmertimeskh.com/501303481/cambodia-thailand-launch-cross-border-qr-payment-phase-ii/>

Financial Performance

The following update compares in AUD the three months to the end of June 2023 to the three months to the end of March 2023, as well as the three months to the end of June 2022, and is based on unaudited management accounts.

DNA Star Vegas

Since its reopening on June 18, 2022, DNA Star Vegas, situated on the Cambodia-Thailand border, has made significant progress.

DNA Star Vegas	June Quarter 2023	March Quarter 2023	June Quarter 2022
Rolling Chip VIP Turnover	AUD 19.46m	AUD 10.02m	AUD 10.93m
Net Revenue	AUD 4.37m	AUD 6.29m	AUD 0.87m
Operating expenses	AUD 2.56m	AUD 2.11m	AUD 0.72m
Property level EBITDA	AUD 1.81m	AUD 4.17m	AUD 0.14m
Average daily visitation	1,065 players	1,066 players	835 players
VIP win rate	-1.06%	4.09%	4.11%

Currency Conversions: June Quarter 2023 1.4850AUD/USD; March Quarter 2023 1.4814AUD/USD; June Quarter 2022 1.3777AUD/USD.

Aristo International Hotel

The Aristo business in Vietnam, situated near the border with China, has seen strong growth in customer numbers since the reopening of China's international borders.

Aristo International Hotel	June Quarter 2023	March Quarter 2023	June Quarter 2022
Rolling Chip VIP Turnover	AUD 322.96m	AUD 88.23m	AUD 3.22m
Net Revenue	AUD 2.51m	AUD 1.26m	AUD 0.20m
Operating expenses	AUD 1.20m	AUD 0.68m	AUD 0.45m
Property level EBITDA	AUD 1.31m	AUD 0.58m	(AUD 0.25m)
Average daily visitation	247 players	119 players	11 players
VIP win rate	1.66%	2.99%	4.94%

Currency Conversions: June Quarter 2023 1.4850AUD/USD; March Quarter 2023 1.4814AUD/USD; June Quarter 2022 1.3777AUD/USD.

Group Summary

DNA Group	June Quarter 2023	March Quarter 2023	June Quarter 2022
Rolling Chip VIP Turnover	AUD 342.42m	AUD 98.25m	AUD 14.15m

Net Revenue	AUD 6.88m	AUD 7.55m	AUD 1.07m
Operating expenses	AUD 3.76m	AUD 2.79m	AUD 1.17m
Property level EBITDA	AUD 3.12m	AUD 4.75m	(AUD 0.10m)
Corporate Costs	AUD 0.72m	AUD 0.68m	AUD 0.66m
Group EBITDA	AUD 2.40m	AUD 4.07m	(AUD 0.76m)

Currency Conversions: June Quarter 2023 1.4850AUD/USD; March Quarter 2023 1.4814AUD/USD; June Quarter 2022 1.3777AUD/USD.

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Authorised for release by the Board.

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