



**donaco**  
I N T E R N A T I O N A L

## **FY14 Results Presentation**

**August 2014**

# FY14 Highlights

- 80% increase in operating revenue, driven by:
  - 33% increase in operating revenue at Lao Cai International Hotel (18% in USD terms)
  - 67% increase in VIP turnover (49% in USD)
  - 144% increase in slot machine turnover (117% in USD)
  - Full 12 month contribution from acquired Gaming Technology businesses
- Results in line with market expectations, with a 29% increase in EBITDA, and a 52% increase in NPAT (excluding non-recurring items)
  - FY13 comparison is to Donaco Singapore as a private company for 7 months, prior to ASX listing on 1 February 2013
  - Cost increases due to ASX listing, acquired businesses, and Aristo pre-opening costs
- Soft opening of new Aristo International Hotel on 18 May 2014, with 400 guest rooms, 40 gaming tables and 58 slot machine/EGM positions
  - Very limited contribution to FY14 result – six weeks in soft opening mode only
- Completed acquisition of additional 20% stake in Lao Cai International Hotel joint venture (moved to 95% ownership as of 1 January 2014)
- Restructured and strengthened the Board
- Announced spin off of iSentric mobile technology business, to be completed September 2014

# FY14 Financial Performance Summary

	FY14	FY13	% Change
<b>Operating Revenue</b>	\$28,240,282	\$15,671,759	↑ <b>80%</b>
<b>– Cost of Sales</b>	(\$6,358,524)	(\$1,020,377)	
<b>– Operating Expenses</b>	(\$11,543,863)	(\$5,745,565)	
<b>– Minority interest</b>	(\$1,476,679)	(\$2,017,037)	
<b>= EBITDA</b>	\$8,861,216	\$6,888,780	↑ <b>29%</b>
<b>+ Net Interest and Other Income *</b>	\$1,127,139	\$2,996,866	
<b>– Depreciation &amp; Amortisation</b>	(\$292,090)	(\$191,877)	
<b>– Income tax expense</b>	(\$2,902,862)	(\$2,667,590)	
<b>= Net Profit After Tax (reported)</b>	\$6,793,403	\$7,026,199	↓ <b>3%</b>
<b>Net Profit After Tax (excl. non-recurring items) *</b>	\$7,927,502	\$5,208,825	↑ <b>52%</b>
<b>Earnings Per Share</b>	2.22 cents	2.53 cents	

\* *Interest, Other Income and Non-Recurring Items are set out on slide 12*

NOTES: (a) All figures converted to AUD at the average exchange rate during each year: FY14: 1 USD = 1.0931 AUD;  
FY13: 1 USD = 0.9736 AUD.

(b) FY13 includes acquired Gaming Technology businesses for part of the year only: Two Way Limited from 1 February 2013;  
iSentric Sdn Bhd from 1 June 2013. FY14 includes both businesses for the whole year.

# Lao Cai International Hotel – Results Commentary \*

- ❶ Results represent the final year of operation of the old Lao Cai International Hotel
  - Replaced by Aristo International Hotel for the last 6 weeks of the period (18 May-30 June 2014)
- ❷ VIP gaming turnover increased 67%. As a result, VIP junket commissions up 68%
- ❸ VIP net gaming revenue increased by 41%, due to VIP gross win rate dropping from 2.98% to 2.78%
  - Within the range of normal fluctuations, but restricted revenue growth, despite higher turnover
- ❹ Mass market turnover dropped 8%, due to occasional adverse weather events during the year. Gross win rate increased slightly (from 3.24% to 3.27%)
- ❺ Total visitation up 1.8%, due to strong increases in May and June 2014 (up 41%), primarily in VIP customers
- ❻ Slot machine turnover grew 144%, with 58 new machines in operation from 18 May. Revenue increased 94%, as win rate dropped from 31.21% to 24.84% (on cash in)
- ❼ Hotel food and beverage, accommodation, and other revenue is accelerating, due to quality of new Aristo rooms, restaurants, and recreation facilities. Total revenue increase was 96%, with most of the increase in May and June 2014

# Lao Cai International Hotel – Revenue

## Key Metrics

	FY14	FY13
Visitation (persons)	70,864	69,560
Av Daily Rev Per Table <sup>‡</sup>	\$5209*	\$4674
<sup>‡</sup> 8 tables, to 17 May 2014	* USD4765	

## VIP Table Games

	FY14	FY13
Gross Win %	2.78%	2.98%
Net Win after tax (\$)	\$14.14m	\$10.05m

## Main Hall Table Games

	FY14	FY13
Gross Win %	3.27%	3.24%
Net Win after tax (\$)	\$3.35m	\$3.60m

## Slot Machines

	FY14	FY13
Net Win after tax	\$573k	\$296k



## Hotel Revenue – Food & Beverage

	FY14	FY13
Revenue after tax	\$893k	\$570k

## Hotel Revenue – Accommodation / Other

	FY14	FY13
Revenue after tax	\$517k	\$151k

# Lao Cai International Hotel – Economic Model

	FY14	FY13	% Change
<b>Gaming Turnover</b>	\$1,927.64m	\$1,258.12m	↑ 53%
<b>Gross Gaming Revenue</b>	\$55.31m	\$38.47m	↑ 44%
<b>– Marketing costs, inc. junket commissions</b>	(\$29.48m)	(\$18.53m)	↑ 59%
<b>– Gaming tax</b>	(\$7.77m)	(\$5.99m)	↑ 30%
<b>= Net Gaming Revenue</b>	\$18.06m	\$13.95m	↑ 29%
<b>Accommodation / F&amp;B Revenue</b>	\$1.41m	\$0.72m	↑ 96%
<b><u>Total Reported Revenue</u></b>	<b><u>\$19.47m</u></b>	<b><u>\$14.67m</u></b>	<b>↑ 33%</b>
<b>Other income</b>	\$0.23m	\$0.5m	↓ 54%
<b>Operating Expenses and Cost of Sales</b>	(\$7.32m)	(\$4.17m)	↑ 76%
<b>Corporate Income Tax</b>	(\$2.86m)	(\$2.67m)	↑ 7%
<b>Depreciation &amp; Amortisation</b>	(\$0.25m)	(\$0.26m)	↓ 4%
<b>Net Profit After Tax</b>	\$9.27m	\$8.07m	↑ 15%

- NOTES:
- (a) All figures converted to AUD at the average exchange rate during each year: FY14: 1 USD = 1.0931 AUD; FY13: 1 USD = 0.9736 AUD.
  - (b) Before minority interest (ie. does not reflect the share owned by Donaco's JV partner – 25% up to 31 December 2013, then 5%).
  - (c) Figures may not add due to rounding.

# Aristo International Hotel – Construction Update

- Successful soft opening on 18 May 2014
- Five star hotel with 400 guest rooms. Additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- Four room types from standard to executive suite
- Five restaurants, including fine dining, theatre restaurant and VIP lounge
- Swimming pool, gym, tennis court
- Eight retail shops, including ticketing agency
- Proposals for food court, video arcade and driving range under consideration
- Handover from construction team is in progress
- Remaining works include normal touch up and defect work
- Now ready to begin full marketing

# Quality Facilities



ARISTO  
INTERNATIONAL  
HOTEL  
凯源国际大酒店





# Trading Update and Outlook

- ❶ Aristo has been in soft opening mode, with not all facilities available
- ❷ Temporary factors have affected trading during the soft opening period:
  - China/Vietnam tensions began in May, and are now easing. Oil rig was removed from contested waters on 15 July, but travel warnings remain in place
  - Soccer World Cup (mid June to mid July)
  - Yunnan earthquake 3 August – no physical impact (700km away), but affected sentiment in Kunming
- ❸ Despite these headwinds, visitation and turnover have accelerated to record levels. VIP turnover was up 74% in June/July
- ❹ VIP gross win rate was below average in June/July. This is purely the luck factor, and will inevitably normalise
- ❺ Slot machine business is essentially new, with very strong growth in June/July (turnover up 976%, revenue up 496%). More slot machines may be added
- ❻ Non-gaming hotel business is also new (revenue up 788% in June/July). July occupancy of available rooms 58%, average room rate USD59

# Marketing Update

- ❶ New junket operators have already brought players from Shanghai and Malaysia
- ❶ New highway from Hanoi is now due to complete ahead of schedule, in September 2014. Will cut driving time to c.4 hours
- ❶ Lao Cai is the gateway to Sapa, which is already a very popular tourist destination. Aristo is the only five star hotel in the region
- ❶ Representative office will be opened shortly in Hanoi, which has a large expat community. Expats will be offered weekend tour packages
- ❶ New CRM and loyalty card program at Aristo
  - Investment in technology to encourage repeat visits by mass market players
- ❶ Aristo VIP players would be premium mass market players (at best) in Macau. Macau VIP growth has slowed, but premium mass continues to grow strongly – this is our key target market

❶ “Macau is for the super rich. Here the middle rich are treated like high rollers.”  
*Chen, Aristo junket operator from Zhejiang Province*

# Licensing and Regulatory Update

- ⊕ Vietnamese Government now considering draft decree allowing local citizens to enter casinos
  - Border casinos in Cambodia have c.1500 visitors a day from Vietnam\*
  - Estimated that locals ban costs Vietnam USD800m per year in lost tax revenue\*
- ⊕ Timing and detail of potential changes is uncertain, but would benefit Aristo by allowing development of local mass market

## Other Income and Non-Recurring Items

Other Income (excluding non-recurring items)	FY14	FY13
Net interest income	\$1,005,465	\$250,200
Net exchange rate gains	\$121,674	\$313,650
<b>Total</b>	<b>\$1,127,139</b>	<b>\$563,850</b>

Non-Recurring Items	FY14	FY13
Exchange rate gain – Singapore *	nil	\$945,158
Gain on sale of “TAB Active”	nil	\$862,964
Creditor written back before listing on ASX	nil	\$624,904
Corporate restructuring costs	(\$532,759)	(\$615,652)
Pre-opening costs at Aristo International Hotel	(\$601,341)	nil
<b>Total</b>	<b>(\$1,134,099)</b>	<b>\$1,817,374</b>

\* One-off gain on conversion of AUD20m to USD

# Expense Increases in FY14 vs. FY13

Major Expense Categories	FY14 Increase
iSentric Cost of Sales (network charges etc)	\$4,747k
Other Costs of Acquired Businesses	\$1,994k
Hotel Staff (excluding pre-opening costs)	\$1,186k
Hotel Marketing, Travel, and Other Expenses	\$1,067k
Corporate Operations / Listing Costs (to support ASX listing)	\$901k

- Comparison is primarily to Donaco Singapore, which was a private unlisted company for seven months of FY13. Now part of a much larger public company group listed on the ASX
- Costs of acquired businesses reflect full 12 month cost base of iSentric and remaining Australian operations
- Hotel staff reflects increase from 420 staff in June 2013, to current complement of 850 staff employed to operate expanded casino and hotel business
- Corporate operations include Board, senior management, travel costs, listing fees, audit fees, tax advice, and other regulatory costs

# Spin-Off of iSentric



- Ⓞ Designed to unlock value for DNA shareholders
- Ⓞ Mobile commerce space is growing rapidly, with iSentric seeing many opportunities
- Ⓞ ASX listed entities in this space have had good support from investors
- Ⓞ iSentric spin off due to complete in mid September 2014
- Ⓞ Shareholders will receive approx. 0.13 iSentric shares for every DNA share
- Ⓞ Minimum holding of 19,178 DNA shares (on record date of 12 September) required to receive iSentric shares
  - Holders with fewer shares will have their entitlements sold, and will receive cash
  - Holders with more shares may also elect to use sale facility
- Ⓞ Distribution is part special dividend, and part capital return (as approved by DNA shareholders at the EGM on 25 August 2014)
- Ⓞ Please refer to the iSentric prospectus dated 19 August 2014 for further information on the business

# iSentric Financial Performance

	FY14
<b>Operating Revenue</b>	\$8,074,671
<b>– Cost of Sales</b>	(\$5,087,529)
<b>– Operating Expenses</b>	(\$1,443,673)
<b>= EBITDA</b>	\$1,543,469
<b>+ Net Interest and Other Income</b>	\$59,257
<b>– Depreciation &amp; Amortisation</b>	(\$21,937)
<b>– Income tax expense</b>	(\$10,659)
<b>= Net Profit After Tax (reported)</b>	\$1,570,130

Revenue growth due to new content distribution agreements signed with Huawei and others

Cost of sales relates to sharing with trade partners, network charges etc

Operating expenses relates to manpower, office utilities, marketing costs etc

*NOTE: All figures converted to AUD at the average exchange rate during the year: 1 MYR = 0.3359 AUD.*

- Tax expenses reduced due to MSC Malaysia pioneer status (up to 30 June 2014)
- iSentric currently provides technical support for the property management system, loyalty program, and third party system integration etc for the Aristo International Hotel
- Also provides technical support for the Way2Bet wagering marketing and games business in Australia, which had revenue of \$694k in FY14 (not included above). This business is likely to be sold separately

# Corporate Activity Update

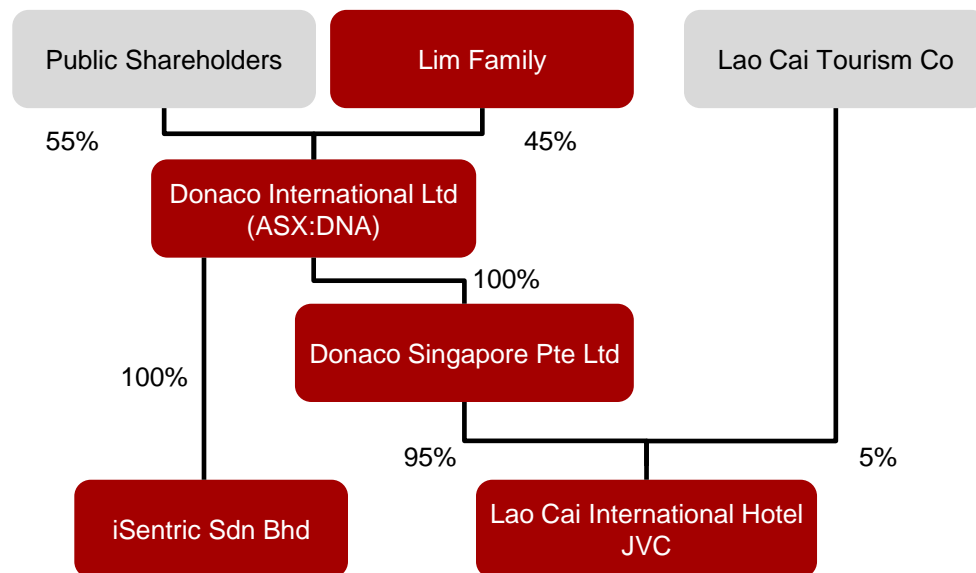
- Donaco was never intended to be a single property company
- Cash has been raised for acquisitions, and will be used for that purpose
- Management continues to work on a strong pipeline of opportunities
- All opportunities play to our strengths in leisure and hospitality, particularly in boutique properties, which can be very profitable
- Focus area is south-east Asia, but other regions have not been ruled out
- Board and management are extremely disciplined. We have walked away from deals if they do not make sense for shareholders, and will continue to do so
- On-market buy-back program announced on 22 July 2014
  - Provides flexibility for efficient use of surplus cash, where not immediately required for acquisitions
  - DNA has cash balance of \$98m as at 30 June 2014 (excluding iSentric), with more cash constantly being added from operations



# Current Corporate Structure

## Capital structure

ASX code	DNA
Ordinary shares on issue	460.3m
Options on issue	9.1m
Current share price (25 Aug 2014)	A\$0.87
Current market capitalisation	A\$398m
Cash (30 June 2014) (excl. iSentric)	A\$98m
Debt facility (A\$12m drawn 30 June 2014)	US\$17.5m



## Board of Directors

Stuart James McGregor	Chairman
Joey Lim Keong Yew	Managing Director & CEO
Benedict Paul Reichel	Executive Director
Benjamin Lim Keong Hoe	Non-Executive Director
Robert Andrew Hines	Non-Executive Director

## Major Shareholders (as at 26 August 2014)

Slim Twinkle Limited	18.3%
Convent Fine Limited	19.5%
Lim Keong Yew	7.2%
<b>Total (Lim controlled)</b>	<b>45%</b>

# Summary and Outlook

- 🎰 New hotel and casino construction completed
- 🎰 Strong growth in visitation and VIP turnover
- 🎰 Even stronger growth in slot machines and non-gaming revenue
- 🎰 Headwinds easing as property moves out of soft opening mode
- 🎰 Spin off of iSentric mobile technology business close to completion
  - ✓ Share distribution to provide a reward to DNA shareholders
- 🎰 Management continues to focus on earnings accretive acquisitions
- 🎰 Share buy-back for efficient use of excess cash, where not immediately required for acquisitions

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