



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

**December 2014
Half Year Results Presentation**

February 2015

December 14 Half – Highlights

- Normalised results* for the Vietnamese casino operations show 55% increase in operating revenue, and 52% increase in EBITDA, driven by the soft opening of the Aristo International Hotel in May 2014
 - 13% increase in table game turnover, with normalised revenue of \$9.04m
 - 746% increase in slot machine turnover, and 665% increase in revenue to \$0.78m
 - 822% increase in non-gaming revenue to \$3.33m
- For the group as a whole (including Gaming Technology businesses sold during the half), normalised results show 3% decrease in EBITDA, and 62% increase in NPAT (including non-recurring items)
 - Non-recurring items consist of costs of corporate activity, and gain on sale of businesses
- Construction of the Aristo International Hotel was completed, and the property moved out of soft opening mode, in November 2014
 - Five star certification granted 13 November 2014; full marketing commenced only then
 - Recent trading has shown promising signs, with casino visitation rising
- Spin off of iSentric mobile technology business completed in September 2014; Way2Bet online wagering marketing portal sold in October 2014
- Transformational acquisition of Star Vegas Resort & Club in Cambodia announced in January 2015

* Normalised results adjust the revenue received from the table games business, by applying a theoretical win rate of 2.85% to all table game turnover. This provides a more accurate guide to the underlying operating performance of the table games business, which can experience significant volatility over shorter periods.

Dec 14 Half – Group Financial Performance Summary

NORMALISED RESULTS				ACTUAL RESULTS		
Dec 14	Dec 13	% Change	AUD ^(a)	Dec 14	Dec 13	% Change
\$14,538,291	\$11,743,832	↑ 24%	Operating Revenue (inc. Gaming Technology) ^(c)	\$9,997,413	\$12,572,441	↓ 20%
(\$1,856,921)	(\$2,533,040)		– Cost of Sales	(\$1,856,921)	(\$2,533,040)	
(\$8,880,490)	(\$4,360,876)		– Operating Expenses	(\$8,880,490)	(\$4,360,876)	
(\$191,199)	(\$1,107,083)		– Minority interest	(\$16,123)	(\$1,256,245)	
\$3,609,681	\$3,742,833	↓ 3%	= EBITDA	(\$756,121)	\$4,422,280	↓ 117%
\$2,903,579	\$369,925		+ Net Interest and Other Income ^{(b), (c)}	\$2,903,579	\$369,925	
(\$1,335,983)	(\$128,844)		– Depreciation & Amortisation	(\$1,335,983)	(\$128,844)	
(\$1,108,384)	(\$1,476,111)		– Income tax expense	(\$65,548)	(\$1,708,198)	
\$4,068,893	\$2,507,803	↑ 62%	= Net Profit After Tax (incl. non-recurring items) ^(b)	\$745,927	\$2,955,163	↓ 75%
\$2,478,223	\$2,507,803	↓ 1%	Net Profit After Tax (excl. non-recurring items) ^(b)	(\$844,743)	\$2,955,163	↓ 128%

(a) All figures converted to AUD at the average exchange rate during each half year: Dec 14: 1 USD = 1.1217; Dec 13: 1 USD = 1.084 AUD.

(b) Interest, Other Income and Non-Recurring Items are set out on slide 12.

(c) The Gaming Technology businesses (iSentric and Way2bet) were sold during the December 2014 half. In this summary, their financial results up to the date of sale have been included in the operating revenue and cost lines, with gain on sale included in “Other Income” (see slide 12).

Aristo International Hotel – Results Commentary

- ❶ Soft opening of Aristo International Hotel on 18 May 2014, with not all facilities available. Construction continued until November 2014
- ❷ Trading affected by headwinds during soft opening period, including China/Vietnam tensions, Soccer World Cup, and Yunnan earthquake
- ❸ Despite this, table game turnover grew steadily, up 13% for the half
- ❹ VIP gross win rate unusually low in the September quarter, at 1.29% of rolling chip turnover, compared to 3.08% in the previous corresponding quarter
 - Normal feature of gaming operations – win rates fluctuate in the short term
 - In the long term, win rates tend to converge to a theoretical level, generally accepted as 2.85%
- ❺ VIP gross win rate rebounded to 2.94% in the December quarter, but still below theoretical for the December half, at 2.09%
- ❻ Slot machine turnover grew 746%, with 58 new machines in operation from 18 May, replacing 36 old machines. Gross revenue increased 665%, as win rate increased from 19.21% to 21.22% (on cash in)
- ❼ Hotel food and beverage, accommodation, and other revenue continues to accelerate, due to quality of new Aristo rooms, restaurants, and recreation facilities. Total non-gaming revenue increase was 822%

Aristo International Hotel – Financial Performance (Normalised) ^(a)

	Dec 14	Dec 13	% Change
Gaming Turnover	\$976.65m	\$861.78m	↑ 13%
Gross Gaming Revenue	\$28.78m	\$24.69m	
– Marketing costs, inc. junket commissions	(\$14.74m)	(\$13.12m)	
– Gaming tax	(\$4.22m)	(\$3.48m)	
= Net Gaming Revenue	\$9.81m	\$8.09m	
+ Non-Gaming Revenue	\$3.33m	\$0.40m	
= Total Net Revenue	\$13.14m	\$8.49m	↑ 55%
– Operating Expenses and Cost of Sales	(\$5.54m)	(\$2.52m)	
– Minority Interest ^(b)	(\$0.19m)	(\$1.11m)	
= EBITDA	\$7.41m	\$4.86m	↑ 52%
– Net Interest and Other Income	(\$0.74m)	\$0.03m	
– Corporate Income Tax	(\$1.08m)	(\$1.48m)	
– Depreciation & Amortisation	(\$1.33m)	(\$0.10m)	
= Net Profit After Tax	\$4.27m	\$3.32m	↑ 29%

(a) All figures converted to AUD at the average exchange rate during each half year: Dec 14: 1 USD = 1.1217; Dec 13: 1 USD = 1.084 AUD.

(b) Minority interest reflects the share owned by Donaco's JV partner – 25% up to 31 December 2013, then 5%.

Aristo International Hotel – Trading Stats

Key Statistics	Dec 14	Dec 13
Casino Visitors	37,690	32,740
Table Game Turnover	\$971m	\$861m
Slot Machine Turnover	\$5.8m	\$0.7m
Gross Gaming Revenue – Table Games (Normalised)	\$27.7m	\$24.5m
Gross Win / Slot / Day	\$104	\$22
Hotel Occupancy	56%	n/a
Average Revenue per Occupied Room	\$67	n/a



Aristo International Hotel – Trading Update



- ❶ Casino visitation up 15% in the December half, but up 45% in December month, and up 82% in January 2015
 - Reflects acceleration of marketing efforts, and downgrading of the China travel warning for Vietnam
 - Hotel occupancy in January reached 71% - best monthly result to date
- ❷ Strongest growth is in tourists, primarily from China. VIP visitation growth relatively slow
- ❸ Aristo's Hanoi marketing office continues to run visitor programs for expats every weekend
- ❹ Chinese New Year trading has followed the usual pattern, with quieter levels in the first few days (due to family reunions), followed by an increase in the later part of the holiday period

Aristo International Hotel – Marketing Update



📍 Aristo continues to attract new junket operators, with 33 approved junkets now operating

- New junkets both from within Yunnan Province and elsewhere, including Shanghai, Malaysia, Singapore, and Macau
- New rebate programs developed to attract new junkets. Must meet minimum buy-in and visitation criteria

📍 Non-Yunnanese players prefer to come via Hanoi, using the new highway to Lao Cai (3 hours drive from Hanoi airport)

📍 Table games now in 3 categories:

- VIP – minimum bet size RMB4000
- Premium – minimum bet size RMB600-2000
- Main hall – minimum bet size RMB50-400

📍 Junket commissions no longer paid on main hall tables, so turnover has migrated to premium tables

Vietnam Regulatory Update

- ❖ Vietnamese Government has announced plans to change the tax rates for casinos, with effect from 1 January 2016
- ❖ The following changes will take effect at that date:
 - Reduction in corporate income tax rate, from 22% to 20%
 - Elimination of personal income tax on casino winnings (this is nominally levied on players, but in practice is collected and remitted by the casino)
 - Increase in gaming tax from 30% to 35% of gross gaming revenue. Note that as junket commissions and marketing costs can be deducted, the effective rate of gaming tax is currently less than half the nominal rate
- ❖ The impact on the Aristo as a stand-alone business is non-material – an estimated reduction in net profit after tax (compared to previous tax rates) of less than 3%
- ❖ For the Donaco group as a whole, including Star Vegas, the impact is negligible
- ❖ The impact on the Aristo is further offset by the elimination of import tax on gaming machines and equipment, with effect from 1 January 2015. Import tax rate was previously 5-10%, now reduced to 0% when importing from ASEAN countries
- ❖ Draft decree still under consideration to allow locals to gamble. Likely that one or two trial locations will be selected initially
 - Proposed locations include Van Don Island and Phu Quoc Island
- ❖ Donaco's local partner in the Aristo joint venture company changed from Lao Cai Tourism Co to Lao Cai Lottery Co. No change to operation of JVC, or Vietnamese Government shareholding, which remains at 5%

Other Income and Non-Recurring Items

Other Income (excluding non-recurring items)	Dec 14	Dec 13
Net interest income	\$583,887	\$173,976
Net exchange rate gains	\$93,660	\$195,949
Total	\$677,547	\$369,925

Non-Recurring Items	Dec 14	Dec 13
Gain on sale of iSentric	\$1,753,464	nil
Gain on sale of Way2Bet	\$449,910	nil
Corporate activity and restructuring costs	(\$612,704)	nil
Total	\$1,590,670	nil

Corporate activity and restructuring costs relate to:

1. The disposal of the Gaming Technology businesses, iSentric and Way2Bet.
2. The proposed acquisition of Star Vegas Resort & Club in Cambodia.

Expense Increases in Dec 14 vs. Dec 13

Major Operating Expense Categories	Dec 14	Dec 13
Hotel Staff	\$2,786,400	\$1,102,500
Hotel Property, Marketing, Travel, and Other Expenses	\$2,052,500	\$890,400
Employee Options Expense	\$1,218,036	nil
Corporate Operations	\$2,735,119	\$1,225,900

- Ⓢ Hotel staff reflects increase from 420 staff in June 2013, to current complement of 800 staff employed to operate expanded casino and hotel business
- Ⓢ Employee options expense is a non-cash item. Options expensed from the first date of allocation to employees, on 1 July 2014. Each tranche of options expensed on a monthly basis, up to the date of vesting of each tranche:
 - One third expensed in full on 1 July 2014
 - One third expensed over 12 months to 30 June 2015
 - One third expensed over 24 months to 30 June 2016
- Ⓢ Corporate operations include non-recurring costs of corporate activity (see slide 10), in addition to Board, senior management, travel costs, listing fees, audit fees, tax advice, and other regulatory costs

Transformational Acquisition of Star Vegas Resort & Club



- ❖ Binding agreement announced on 30 January 2015 to acquire the Star Vegas Resort & Club in Poipet, Cambodia
 - Star Vegas is the newest and most luxurious of the Poipet casino hotels
 - Located on the border of Thailand - primary clientele are Thai nationals
- ❖ Acquisition price of US\$360 million, representing < 6.0x CY14 EBITDA
 - The Star is expected to generate robust EBITDA of ~US\$60.5 million for CY14
- ❖ The vendor has provided a warranty that EBITDA will total at least US\$60 million per year for the 2 full years following completion of the acquisition
 - Any EBITDA shortfall to be topped up by the vendor in cash
- ❖ The purchase consideration will be financed through a combination of the below:
 - Equity to the vendor: US\$120 million (147,199,529 DNA shares);
 - Existing cash-on-hand: US\$40 million;
 - New bank debt facility: US\$100 million; and
 - Equity financing: US\$100 million
- ❖ The acquisition provides enhanced scale and diversification, as well as meaningful and immediate earnings per share accretion
- ❖ Based on pro forma consolidated income statement for FY14:
 - Increase in revenue of 630% to \$154.9m
 - Increase in NPAT of 590% to \$55.9m
- ❖ Please refer to the Shareholder Booklet and Independent Expert's Report dated 24 February 2015 for full details on the transaction

Star Vegas Transaction Status



- ❶ Conditions precedent to transaction being resolved in an orderly fashion
- ❶ Due diligence being finalised, with no significant issues identified
- ❶ Donaco currently completing fully underwritten accelerated non-renounceable rights issue, which will raise AUD132 million (before costs)
 - 100% of institutional component taken up, raising AUD92.4 million
 - Retail component closed on 23 February, and was well supported, raising AUD24.9 million
 - Shortfall has been placed with sub-underwriters, who have already given binding commitments
- ❶ Debt facility for USD100 million being finalised with major Taiwanese commercial bank
 - Interest rate adjusted slightly, to be a margin of 6.75% over the 6 month USD LIBOR rate (ie. current total interest rate of ~7.14%)
 - 70% of principal repayable over the 3 year term of the facility, with 30% balloon payment at the end (could be rolled over)
- ❶ Donaco shareholders will be asked to approve the acquisition, and the issue of shares to the vendor, at an EGM on 27 March 2015
 - The independent expert, Crowe Horwath Corporate Finance, has concluded that the acquisition is fair and reasonable to Donaco shareholders
- ❶ Transaction still planned for completion in April 2015, subject to satisfaction of conditions precedent

Key Corporate Information

Capital Structure	Current Capital Structure	Post Acquisition & Financing
ASX Ticker	DNA	DNA
Ordinary shares on issue	617.3m	830.5m
Options on issue	23.3m	23.3m
Current share price (26 Feb 2015)	A\$0.69	n/a
Current market capitalisation	A\$425m	n/a
Cash & cash equivalents	A\$99.6m ¹	A\$50.5m ²
Indebtedness	A\$13.9m ¹	A\$139.3m ²

1. As at 30 December 2014.

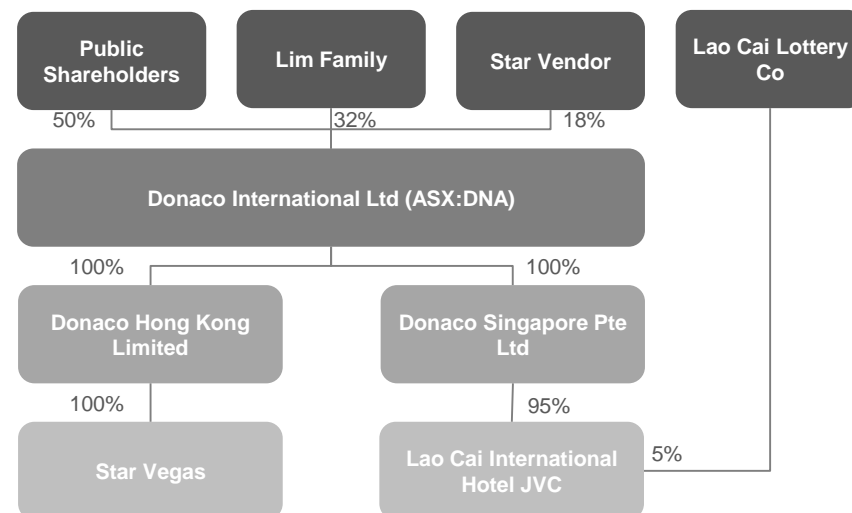
2. As per pro forma accounts in Shareholder Booklet dated 24 February 2015.

Board of Directors (Post Acquisition)

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
Ham Techatut Sukjaroenkraisri	Executive Director
Paul Porntat Amatavivadhana	Non-Executive Director

Major Shareholders	Current	Post Acquisition & Financing
Lim Controlled Shares	42.9%	31.8%
Star Vendor	nil	17.7%
Perpetual Limited	11.6%	8.6%

Corporate Structure (Post Acquisition)



Summary and Outlook

- ❶ Aristo trading rebounded strongly in the December 2014 quarter
- ❷ Normalised results for the Aristo for the December 2014 half show 55% increase in revenue, and 52% increase in EBITDA
- ❸ Strong growth in casino visitation in December 2014 and January 2015, mostly in main hall and premium players, with VIP player growth slower
- ❹ Major areas of revenue growth are in slot machines and non-gaming revenue
- ❺ Full marketing efforts under way for both Yunnan Province and elsewhere, with significant visitor numbers now coming from other areas of China, and other countries
- ❻ Transformational acquisition of Star Vegas Resort & Club will lead to dramatic increase in the size and scale of Donaco, and provide strong accretion in earnings per share, as well as significant diversification benefits

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