

ASX : DNA

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## Reopening of Star Vegas provides encouraging Outlook

### Highlights

- Continued execution of prudent cost control strategy to preserve the balance sheet on the back of C-19 business inactivity.
- FY22 revenue of A\$2.44 million (FY21 revenue of A\$10.32 million) and negative EBITDA of A\$4.41 million (FY21 EBITDA of A\$0.07 million) stemming from limited activity.
- Fully repaid Loan Facility with main lender Mega Bank. Followed by a ~A\$7 million loan facility from Mr Lee Bug Huy for continued balance sheet protection.
- Positive outlook as Star Vegas resumes operations in June 2022 after an extensive period of closure, and Aristo selected as the only 5-star hotel in the Lao Cai province of Vietnam.
- Encouraging macro trends with broader industry conditions improving, as well as tourism infrastructure spend, and travel recommencing.
- Cash position of A\$6.1 million as at 30 June 2022.

Donaco International Limited (“Donaco” or “the Company”) announces its results for the financial year ended 30 June 2022 (FY22).

FY22 was affected by the limited activity of Donaco’s two businesses, Star Vegas Resort & Club (Star Vegas) and Aristo International Hotel (Aristo). Star Vegas, situated in Cambodia on the border with Thailand, was closed since April 2021, and was only able to reopen in mid-June 2022, following the approval from Cambodian local Government authorities for the reopening of casinos in the region. Operations at Star Vegas have recommenced on a limited scale, with Donaco positioned to progressively advance towards full operational capabilities over the coming months.

While Aristo, located in Vietnam, on the border with China, has been running on a limited basis since May 2020, in line with government restrictions in response to the pandemic.

The inactivity of the casinos resulted in FY22 revenue of A\$2.44 million (FY21 revenue of A\$10.32 million) and negative EBITDA of A\$4.41 million (FY21 EBITDA of A\$0.07 million).

To mitigate the effects of border closures throughout the period, the Board implemented several initiatives shifting the strategy towards attracting clientele from the local region to Aristo. As a result, Aristo’s FY22 revenue

increased by 23.9% to A\$1.5 million from A\$1.2 million in FY21. The business also reported negative EBITDA of A\$0.2m, compared to negative EBITDA of A\$ 0.9m in FY21. This improvement demonstrates the strength of the asset in the long term, as it shifted its focus on attracting clientele from the local region.

Encouragingly, Aristo was recently acknowledged as the only 5 star hotel in Lao Cai, province of Vietnam, by the Lao Cai Ministry of Culture, Sports and Tourism, and for a period of 5 years. The ranking presents a major opportunity for the casino to attract new customers, and in the long term, this will also be facilitated by the construction of the new Sapa airport in Lao Cai, close to Aristo's operations.

Looking at the financials, Donaco successfully repaid its full loan with principal lender Mega International Commercial Bank Co Ltd, known as Mega Bank. The remaining amount of approx. A\$9.4m from the initial loan facility of A\$131.54m, was settled in December 2021.

To preserve Donaco's balance sheet, the Board continued a prudent cost control strategy, with a reduction in cash burn in line with the targeted range. This led to FY22 Group operating expenses and corporate costs respectively reduced to A\$4.10 million (FY21 A\$6.92 million) and A\$2.74 million (FY21 A\$3.46 million).

On the back of the delayed reopening of Star Vegas, and to continue to guarantee the healthy position of the business, the Board approved a ~A\$7 million (US\$5 million) loan facility from Mr Lee Bug Huy, aka Techatut Sukcharoenkraisri, CEO and Executive Director of Donaco. Alternative options were considered, and the loan was judged as the best source of funding, to provide immediate financial stability and to assist in the transition towards Star Vegas's full operational capacity.

Donaco maintains a healthy cash balance of A\$6.1 million as at 30 June 2022.

On a corporate front, the Company held its Annual General Meeting (AGM) on 28 January 2022 and all resolutions were passed.

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

"FY22 was a tough year for Donaco as we tried to minimise the impact of C-19 on our two operations, Star Vegas and Aristo. I'm proud of the team who navigated through these difficult times, as necessary actions were taken to preserve the business while keeping tight control on costs.

"Pleasingly, with the reopening of Star Vegas, and a return to full-scale operations on the horizon, it seems the worse is behind us. Aristo has attracted some domestic tourists, and the recent award as the only 5 Star Hotel in the Lao Cai province, is also a way to attract new visitors.

"Macro-economic factors are improving – vaccination rates are at high levels, leading to the easing of borders and travel restrictions in the regions we operate. Of course, it will take some time before travel patterns return to normal, and we are prepared for when tourism will steadily resume again.

"On behalf of the Board, I would like to express my sincere gratitude to our shareholders for your loyalty and patience during this time, and we look forward to progressing our strategy in the year ahead."

**Group Summary**

<b>Group performance</b>	<b>FY2022</b>	<b>FY2021</b>
Rolling Chip VIP Turnover	AUD 10.9m	AUD 238.7m
Net Revenue	AUD 2.44m	AUD 10.32m
Operating expenses	AUD 4.10m	AUD 6.92m
Property level EBITDA	(AUD 1.66m)	AUD 3.38m

Corporate Costs	AUD 2.74m	AUD 3.46m
Group EBITDA	(AUD 4.41m)	(AUD 0.07m)

Currency Conversions: FY2022 1.3777AUD/USD; FY2021 1.3391AUD/USD

Note: numbers may not add due to rounding.

## Outlook

Donaco's operational and financial performance in FY22 is closely aligned to the global C-19 condition. A number of Southeast Asian countries have reopened their international borders as a result of high vaccination rates. The Thai Government commenced quarantine-free travel vaccinated arrivals from February 2022, followed by the Vietnam Government in March 2022. The Cambodian border with Thailand has also reopened, traditionally a country where the vast majority of Star Vegas' customers originate from.

Star Vegas reopened on 18 June 2022, with an encouraging turnover of A\$1.26 million for the month of July, and unaudited Group EBITDA of A\$0.9 million for the same period. Management is confident in the increase in customers and turnover in the coming months of FY2023.

However, the recovery remains highly uneven, as China, a key market for Aristo, is yet to open its borders and international tourism, and consequently, this has led Aristo to shift to a more domestic tourist market. Nonetheless, the construction of Sapa airport near Aristo, with a targeted capacity of 1.5 million passengers a year, presents a major opportunity for the casino to attract a significant number of new customers in the long term.

The Company is confident in its ability to bounce back, heightened by the reopening of Star Vegas, alongside the increased tourism infrastructure spend emerging in the region.

These positive macroeconomic factors, combined with Donaco's strengthened balance sheet and cost-efficient operations, place the Company in a solid position to achieve sustainable long-term growth as life and travel patterns gradually return to normal.

**[ENDS]**

*Authorised for release by the Board.*

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