

ASX : DNA

## asx release

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### **Accelerated growth and EBITDA in 1H FY23 as international travel recommences**

#### **Summary**

- Positive turnaround for Donaco in 1H FY23 following the reopening of DNA Star Vegas and international country borders reopening.
- Resulting in Donaco Group net revenue of A\$9.9m and EBITDA of A\$3.3m.
- DNA Star Vegas achieved EBITDA of A\$4.94m with momentum expected to grow.
- Aristo to gradually reopen to full operations in coming months.
- China's reopening of its borders in January 2023 presents a significant upside potential for Donaco.
- Donaco is targeting further earnings growth in the near and longer term as a result of increased travel flow.
- Healthy 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 six-month period ending 31 December 2022 (1H FY23).

The half year was a turnaround period for Donaco with the reopening of the Company's main operation, DNA Star Vegas, located in Cambodia next to the Thai border. The reopening occurred in June 2022 following more than one-year of closure. Operations initially recommenced on a limited scale and progressively ramped up to full operations with increased momentum. This resulted in Star Vegas generating net revenue of A\$9.28 million (1H FY22: A\$0.1m) and EBITDA of A\$4.94 million (1H FY22: negative A\$1.2m).

While Donaco's Aristo International Hotel (Aristo) in Vietnam has operated on a limited basis since 8 May 2020, as 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\$0.6 million (1H FY22: \$1.1m) and EBITDA of negative \$0.4 million (1H FY22: A\$0.2m).

Donaco notifies that the Aristo Rolling Chip VIP Turnover for the September 2022 quarter was A\$6.34 million instead of the previously reported figure of A\$1.94 million (ASX announcement 31 January 2023). The Aristo December 2022 quarter Rolling Chip VIP Turnover previously reported remains correct at A\$11.08 million.

Group revenue reached A\$9.91 million (1H FY22: A\$1.1m) with group EBITDA of A\$3.33 million (1H FY22: negative A\$2.2m).

For the Half Year ended 31 December 2022, the Company recognised a non-cash asset impairment charge of A\$22.2 million for the Aristo Hotel and a A\$4.4 million impairment for Star Vegas. The impairment follows the recent subdued operating performance due to COVID-19 and a higher interest rates environment.

Donaco continues the execution of disciplined cost control. As at 31 December 2022, Appendix 4C, cash holdings were A\$9.3 million.

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

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

"We are encouraged by the performance of DNA Star Vegas since the operation's reopening, demonstrating an encouraging outlook for the business, as we come out from the effects of the pandemic.

"The long-term future for both operations looks bright, with international travel flow recommencing from China, and the gradual reopening of Aristo in the coming months.

"I am optimistic about the future path for Donaco. We have a healthy balance sheet, and despite taking a conservative approach to the carrying value of the casinos we have a strong operational base. The travel flows between the Thailand/Cambodia and Vietnam/China borders will continue to improve directly benefiting the Company's performance "As always, I would like to sincerely thank our shareholders for your patience and loyalty during the challenging last few years that we are now beginning to emerge from."

**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. The reopening of Thailand's and Cambodia's international travel borders to fully vaccinated tourists is expected to continue to benefit Donaco's operations going forward.

The reopening of China's borders in January 2023, is a significant opportunity for Donaco's operations, as historically a large portion of the Company's clientele came from China.

Therefore, the plan is for Aristo to return to full scale operations over the coming months, and strict cost control will remain a priority while heading into full scale operations. As part of the initiatives to attract VIP visitors, Aristo has changed the monthly minimum turnover to qualify as an active junket, reduced from RMB 6 million to RMB 3 million. This move helps to encourage the return of junket operators which as a result can accelerate the traction in VIP visitors. Aristo will also provide some complimentary services (i.e. room services / meal) to larger chip players in order to encourage player activity in the casino.

Encouragingly, VIP turnover at Aristo improved in February 2023 following the increase in visitors as borders reopened, with an average room occupancy of 30% on weekdays and up to 65% on weekends.

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, alongside the construction of the new Sapa airport in Lao Cai, close to Aristo's operations. The airport has a capacity of 1.5 million passengers a year and is expected to be open before 2025.

**[ENDS]**

*Authorised for release by the Board.*

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