



donaco

INTERNATIONAL

30 June 2018
Full Year Results Presentation

30 August 2018

Results Key Points

- **Statutory loss of \$124.5 million; Underlying net profit of \$18.3 million**
 - Statutory result includes previously announced \$143.9 million non-cash impairment charge in the value of the Star Vegas casino license, following the Thai vendor's breaches of contract
- **Management is effectively rebuilding the Star Vegas business**
 - Five new VIP junkets signed up, to replace those poached by the Thai vendor. VIP turnover up by 54% in the June half, compared to the December half
 - Significant improvements in non-gaming amenities
 - New slot machines and casino management system going live
- **Donaco announces the launch of its online gaming business at Star Vegas**
 - Expected to become a significant revenue contributor as the business grows
- **Aristo continues to perform solidly**
 - Revenues maintained and costs controlled
 - VIP turnover up 46%, but win rate lower than last year. Net profit after tax up 19%
- **Financial position remains solid**
 - Positive operating cash flow of \$34.6 million (\$47.4 million in pcp)
 - Ongoing debt reduction with net debt down to \$22.1 million (previously \$42.5 million)
 - Further repayment of USD8.6 million in August 2018 has reduced Mega Bank debt to USD40 million

Group Financial Performance Summary

All figures in AUD (millions)	FY18	FY17
Group Revenue	92.6	136.4
<i>Star Vegas</i>	66.6	110.2
<i>Aristo International Hotel</i>	25.9	26.2
<i>Corporate Operations</i>	0.0	0.0
EBITDA	42.4	65.3
<i>Underlying EBITDA</i>	42.4	84.4
<i>Star Vegas</i>	38.7	80.2
<i>Aristo International Hotel</i>	14.5	14.7
<i>Corporate Operations</i>	(10.8)	(10.5)
Statutory NPAT	(124.5)	31.0
Underlying NPAT	18.3	54.6

- Results consistent with trading update provided in April
- Revenue at Star Vegas significantly impacted by the breach of contract by the vendor, and subdued domestic demand in Thailand
- Star Vegas VIP win rate of 3.00% (3.54% in pcp)
- Revenue at Aristo impacted by lower than theoretical win rate of 1.91% (2.28% in pcp)
- Cost reductions in Corporate Operations outweighed by increases in legal costs
 - Marketing costs to substantially reduce in FY19, now that the Manchester United sponsorship has expired
- Statutory NPAT includes the non-recurring items

Non-Recurring Items

All figures in AUD (millions)	FY18	FY17
Star Vegas impairment	(143.9)	Nil
Star Vegas management fee	Nil	(19.0)
Warrant Revaluation	0.7	1.1
Working capital facility costs	Nil	(4.6)
Net Foreign Exchange Gain/(Loss)	0.3	(1.1)
Total	(142.9)	(23.6)

- Non-cash impairment charge on value of Star Vegas casino license
- No further management fees are payable to the Thai vendor
 - The FY17 fee was withheld due to the vendor's repudiation and breach of the management agreement
- Working capital facility costs reduced to zero as expected

Group Balance Sheet

All figures in AUD (millions)	30 June 2018	30 June 2017	% Change
Cash and cash equivalents	47.1	66.0	-29%
PP&E	162.2	161.3	1%
Intangibles (including licences)	254.1	389.1	-35%
Other Assets	14.8	22.7	-35%
Total Assets	478.1	639.2	-25%
Borrowings	70.4	108.5	-35%
Trade and other payables	34.7	41.8	-17%
Other liabilities	3.3	2.8	18%
Net Assets	369.7	486.1	-24%

- Cash position of A\$47.1 million at 30 June 2018
- Movements in PP&E and Intangibles reflect foreign exchange adjustments and the impairment to the Star Vegas casino licence
- Reduction in borrowings reflects ongoing principal repayments under the Mega Bank loan facility
 - Net Debt to equity reduced to 6.0% at 30 June 2018, from 8.7% previously
 - Further scheduled repayment of USD8.6m completed in August 2018

Cash flow

All figures in AUD (millions)	FY18	FY17
Cash flow from Operations	34.6	47.4
Cash flow from Investing	(5.7)	(5.7)
Cash flow from Financing	(48.0)	(53.5)
Net (decrease)	(19.1)	(11.8)
Cash at end of the year	47.1	66.0

- Group operating cashflow of \$34.6 million
 - Star Vegas made a positive cashflow contribution despite lower VIP turnover
- FY18 cash outflow from financing of (\$48.0 million) consists of:
 - repayment of borrowings of (\$41.8 million)
 - payment for share buybacks of (\$2.1 million)
 - dividends of (\$4.1 million)
- Of total finance costs of (\$10.2 million), cash interest paid was (\$7.8 million). The balance relates to non-cash items:
 - Amortisation of Mega Loan (\$3.8 million)
 - Cash change in accrued interest \$1.4 million (positive)

Star Vegas – Update on Legal Matters

- Donaco obtained an injunction on 25 December 2017 ordering the closure of the Star Paradise and Star Paramax casinos, which were illegally operated by the vendor of the Star Vegas business
 - Both casinos were operating without licences, and in breach of non-compete agreements
 - After the injunction was obtained, Star Paradise changed its name to “Winsor”, and continues to operate
 - The vendor’s initial arguments against the injunction were rejected by the Cambodian court
 - The vendor has appealed to a higher court, but there is no progress on this appeal
- Donaco obtained a freezing order on the vendor’s DNA shares from the NSW Supreme Court on 29 March 2018
 - The order has now been extended until 2 November 2018
- The vendor’s claim for security rights over certain assets of Star Vegas, relating to his claim for the unpaid FY17 management fee, was rejected by the Cambodian court on 6 July 2018
 - Three days later, a different firm of lawyers acting for the vendor filed an essentially identical claim. Donaco has argued this is an abuse of process, and should also be rejected
- Donaco obtained an injunction to prevent the vendor’s threatened termination of the Star Vegas lease
 - The vendor has now commenced arbitration proceedings in Cambodia, which are in early stages
 - Donaco is hopeful of a positive resolution of this matter within the next six months
- The vendor has commenced defamation proceedings in Thailand against Donaco and two of its directors, seeking damages of THB1 million (approx. \$41,000)
 - The claim relates to Donaco’s ASX releases, which Donaco is legally required to issue
- Donaco has commenced arbitration proceedings in Singapore with a claim for USD190m relating to the vendor’s breaches of the sale agreements for Star Vegas
 - Due to unavailability of lawyers and the arbitrator, the hearing date is currently set for 29 July 2019, despite Donaco’s best efforts to obtain an earlier hearing date

Star Vegas – Profit & Loss

All figures in Thai Baht (millions)			
	FY18	FY17	% Change
Total Revenue	1,673.0	2,896.9	-42.2%
- Net Gaming Revenue	1,519.7	2,747.6	-44.7%
- Non-Gaming Revenue	153.3	149.3	+2.7%
Operating Expenses	(702.4)	(789.0)	-11.0%
EBITDA	971.1	2,107.9	-53.9%
Normalised EBITDA	901.3	1,457.7	-38.2%
Property Level NPAT	785.2	1,465.7	-46.4%
VIP Gross Win rate	3.00%	3.54%	

- Gaming revenue fell 42%, due to:
 - The breach of non-compete clauses by the Thai vendor, which harmed the VIP business
 - Slight increase in main floor visitation (1%), but spending subdued due to weak domestic demand in Thailand
- Junket commissions reduced by 48% in the period due to lower VIP turnover
- Operating Expenses down 11%
 - Reflects more efficient management by Donaco compared to the former Thai vendor
- Property level EBITDA down 54%, reflecting lower VIP turnover
- Normalised EBITDA down 38%, after adjusting for win rates
 - Last years' VIP win rate of 3.54% was unusually high and above the normal theoretical range of 2.7-3.0%

Star Vegas – Operational highlights



Key operational metrics		
(THB millions)	FY18	FY17
VIP Table Game Turnover	46,171	94,528
Gross Gaming Revenue – Table Games	1,831	3,853
Gross Gaming Revenue – Slot Machines	1,028	1,268
Net Gaming Revenue	1,520	2,748
Non-Gaming Revenue	154	149
VIP Gross Win Rate	3.00%	3.54%
Casino Visitors	1.47m	1.46m
Average Visitors / Day	4,037	3,995

Star Vegas – Results Commentary and Update

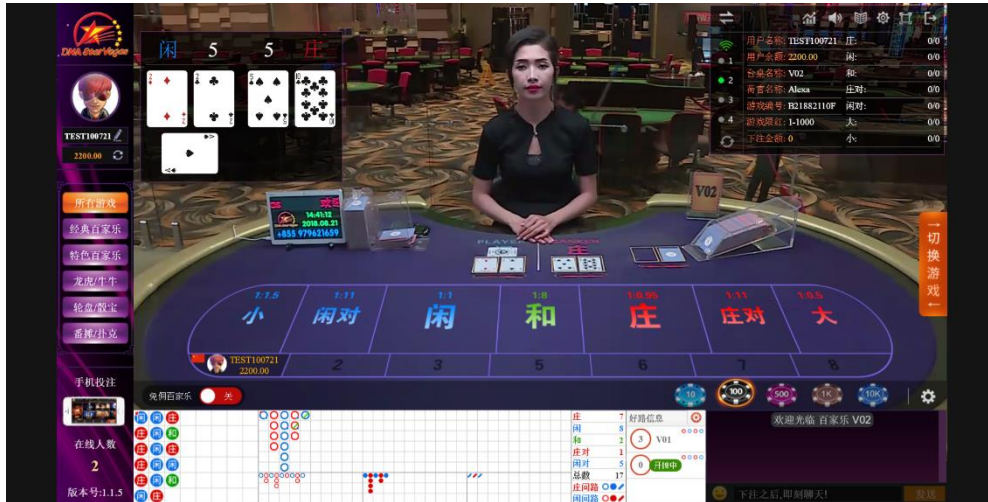


- The Donaco management team has been effectively rebuilding the business
 - Five new VIP junkets signed up in FY18
 - VIP turnover in June half improved by 54% on December half, to THB 28.0 billion
 - August 2018 turnover of THB 11.2 billion (to 27 Aug), with strong win rate of 3.22%. Highest level of monthly turnover since October 2015
- Significant improvement in non-gaming amenities, including refurbished hotel rooms
- Agreement in principle with Chinese tour group operator, to fill a second main hall
 - New tour groups expected to commence in September 2018
- Slot machine inventory refreshed and improved
 - Bally casino management system going live
 - Allows introduction of new loyalty program
 - New slot machines and systems expected to increase revenue during FY19
- Management has also focused on reducing operational costs, which were down 11% to THB 702.4 million

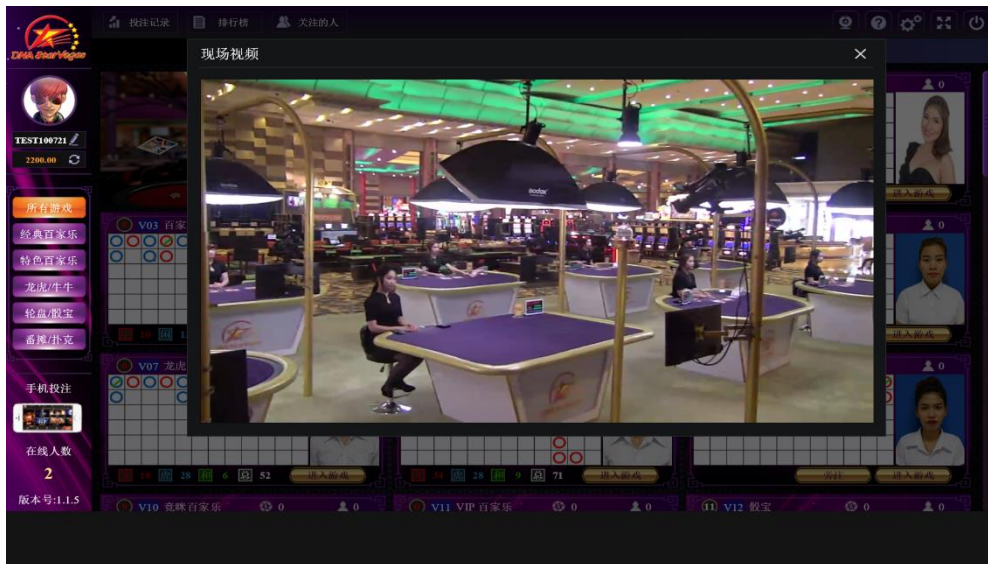
Star Vegas – New Arrangements with Vivo Tower

- Vivo Tower was originally engaged by Donaco to fill unused space in Star Vegas, by marketing it to international (non-Thai) junket operators and players, and by bringing in tenants to build and operate non-gaming amenities
- After the Star Vegas vendor breached the sale agreements and poached the former Thai junkets, Vivo was re-directed to work with Donaco to bring in new Thai junkets
 - New junkets have set up operations in both the existing Star Vegas VIP rooms, and in the areas marketed by Vivo
- Vivo has also assisted by:
 - improving the non-gaming amenities at Star Vegas, with a new nightclub, karaoke, spa and sauna, and Chinese restaurant
 - attracting third party online gaming operators, to occupy space under rental deals
 - working with Donaco to establish its own online gaming platform (see slide 12)
- Donaco has now completed the transition from the former Thai vendor, and has implemented new arrangements with Vivo:
 - The previous contract with Vivo has been terminated
 - Donaco now receives direct rental payments from the tenants brought in by Vivo, which will substantially replace the fixed fee that Vivo was paying
 - Vivo's role under the new agreement is to market and manage the Donaco online gaming platform, in return for a revenue share

Star Vegas – Online Gaming Platform



- DNA Star Vegas has launched its online gaming operations
 - Advanced software platform, fully optimised for mobile and desktop devices
 - Live dealer online casino and sportsbook
 - Multi-language and multi-currency
 - Platform will be offered to downstream partners, who will market to their own customer bases



Aristo International Hotel – Profit & Loss

All figures in RMB			
(millions)	FY18	FY17	% Change
Total Revenue	131.8	133.6	-1.2%
- Net Gaming Revenue	71.4	80.0	-10.8%
- Non-Gaming Revenue	60.4	53.6	+12.7%
Operating Expenses	58.1	58.8	-1.2%
EBITDA	71.8	74.8	-4.1%
Normalised EBITDA	151.3	109.7	+37.8%
Property Level NPAT	38.0	31.8	+19.3%
VIP Gross Win rate	1.91%	2.28%	

- Gaming revenue declined 11%, while non-gaming revenue was up 13%
 - Visitation down 12% to 153k patrons, due to cancellation of marketing initiatives used in FY17 which were not meeting objectives
 - VIP table game turnover up 46%, as management accepted selected new junkets into the property
 - Win rate of 1.91% was below last year's win rate of 2.28% and below the 2.85% theoretical win rate
 - The win rate was negatively impacted by a single VIP player winning RMB 22.6 m in July-August 2017. VIP win rate has stabilised in recent months
 - Non-gaming revenue now 46% of total revenue, reflecting management initiatives to diversify the business
- Property level EBITDA down 4% due to the lower win rate
 - Normalised EBITDA up 38%, after applying the theoretical win rate
- Property level NPAT up 19%, reflecting lower finance costs and D&A

Aristo International Hotel – Operational highlights



Key operational metrics

(RMB millions)	FY18	FY17
VIP Table Game Turnover	13,170	9,044
Main Hall Turnover	492	422
Gross Gaming Revenue – Table Games	296.2	248.9
Gross Gaming Revenue – Slot Machines	14.2	14.9
Net Gaming Revenue	71.4	80.0
Non-Gaming Revenue	60.4	53.6
VIP win rate	1.91%	2.28%
Casino Visitors	152,935	174,626
Average Visitors / Day	419	478

Outlook

- **Operational**
 - Donaco continues to rebuild and improve the business at Star Vegas, with multiple initiatives in progress
 - Medium term growth expected from the newly launched online gaming platform, improved slot machines and systems, and new mass market tour groups
 - Marketing strategies for Aristo continue to be focussed on increasing the number of mass market players visiting the property, while selectively allowing junket play where appropriate
 - Management is also focussed on growing non-gaming revenues at both Star Vegas and Aristo, to diversify earnings streams
- **Litigation**
 - Multiple legal actions are in progress involving the Star Vegas vendor. Donaco believes its position is strong, as shown by favourable court decisions issued to date
 - Injunction continues in force to prevent the vendor's attempt to terminate the Star Vegas lease. Donaco is hopeful of a positive resolution of this matter within the next six months
 - The arbitration in Singapore for the USD190 million damages claim is likely to exceed 12 months, with a hearing due to commence on 29 July 2019
- **Capital management**
 - Mega Bank debt now reduced to USD40 million, following August 2018 repayment of USD8.6 million
 - No FY18 dividend is payable, due to the impairment charge (dividends are restricted to 100% of NPAT)
 - Further capital management strategies, including any extension of the current buyback, will require approval from the lender

APPENDIX – FY18 Financial performance



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Property Performance (Normalised and Actual)

	FY18 Normalised			FY18 Actual		
All figures in AUD (millions)	Star Vegas	Aristo	Total	Star Vegas	Aristo	Total
Total Revenue	63.7	42.0	105.7	66.6	25.9	92.6
- Net Gaming Revenue	57.6	30.1	87.7	60.5	14.0	74.5
- Non-Gaming Revenue	6.1	11.9	18.0	6.1	11.9	18.0
Operating Expenses	(28.0)	(11.4)	(39.4)	(28.0)	(11.4)	(39.4)
Property level EBITDA	35.8	29.5	65.3	38.7	14.5	53.2
Property level NPAT	28.4	20.2	48.6	31.3	7.5	38.8

Note: numbers may not add due to rounding

Currency Conversions:
FY18: 1 AUD = 0.7753 USD; 25.17 THB

FY18 – Group Financial Performance Summary

All figures in AUD	NORMALISED RESULTS			ACTUAL RESULTS		
	Jun 18	Jun 17	% Change	Jun 18	Jun 17	% Change
Operating Revenue	105.7	118.2	-10.6%	92.6	136.4	-32.1%
Property Level EBITDA	65.3	76.8	-14.9%	53.2	94.9	-43.9%
Corporate Costs	(10.8)	(10.5)	+2.5%	(10.8)	(10.5)	+2.5%
= Group EBITDA	54.5	66.2	-17.7%	42.4	84.4	-49.7%
Net Interest income and Finance costs	(10.1)	(15.9)	-35.9%	(10.1)	(15.9)	-35.9%
Other income	1.0	0.0	n/a	1.0	0.0	n/a
Non-recurring items	(143.9)	(23.6)	n/a	(143.9)	(23.6)	n/a
Depreciation & Amortisation	(10.0)	(10.1)	-1.5%	(10.0)	(10.1)	-1.5%
Income tax expense	(6.3)	(4.5)	+41.6%	(3.7)	(3.5)	+3.5%
Minority Interest	(0.3)	(0.2)	+31.8%	(0.3)	(0.2)	+31.8%
= Net Profit After Tax (incl. non-recurring items)	(115.0)	11.9	n/a	(124.5)	31.0	n/a
= Net Profit After Tax (excl. non-recurring items)	27.8	35.6	-21.9%	18.3	54.6	-66.5%

Note: numbers may not add due to rounding

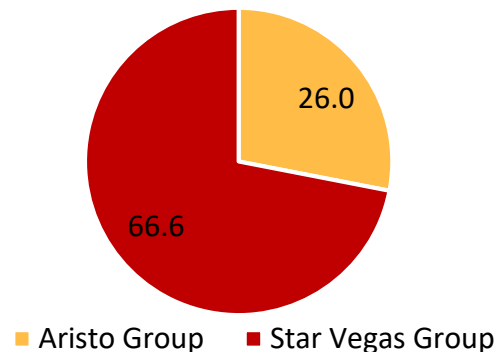
Currency Conversions:

FY18: 1 AUD = 0.7753 USD; 25.17 THB

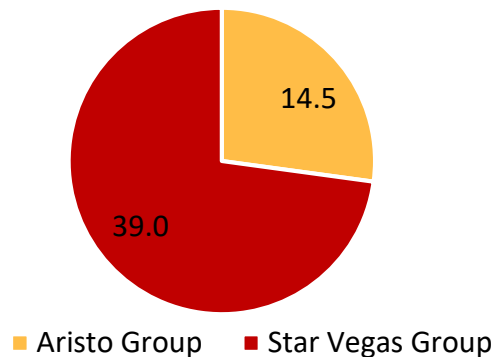
FY17: 1 AUD = 0.7545 USD; 26.34 THB

Two strategically located leisure and entertainment businesses

FY18 Revenue (A\$ millions)



FY18 EBITDA (A\$ millions)



Star Vegas

- Largest and most profitable Poipet casino hotel
 - 385 guest rooms
 - Multiple restaurants, shops, health spa, pool
 - Non-gaming revenues growing
- Substantial casino facilities
 - 133 gaming tables, predominantly baccarat
 - 1,098 Electronic Gaming Machines (EGMs), of which 338 are owned outright and the rest under profit share deals
 - Wagering and online gaming licences

Aristo International Hotel

- Five star luxury resort
- 400 guest rooms; additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- Five restaurants, swimming pool, gym, spa, tennis courts
- Retail shop leases
- Boutique gaming facilities
 - 40 gaming tables, primarily baccarat
 - 68 electronic gaming machine positions, with 44 linked jackpot slot machines, and 24 electronic roulette seats, with license allowing up to 300 EGM's

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Normalised results adjust the revenue received from the VIP table games business, by applying a theoretical win rate of 2.85% to VIP rolling chip turnover. This provides a more accurate guide to the underlying operating performance of the VIP table games business, which can experience significant volatility over shorter periods. This is consistent with the practice of Asian listed gaming operators.

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