

1 May 2017

March Quarter Trading Update

Donaco International Limited is pleased to provide the following trading update for the March 2017 quarter and FY17 year to date.

- Group EBITDA for the nine months to March 2017 is 10.5% ahead of the previous corresponding period, with strong performances at both properties during the March quarter.
- Star Vegas recovered strongly in the March quarter, with actual nine month EBITDA of THB 1,370m, up 1.3% on the previous corresponding period, driven by a strong win rate, increased non-gaming revenue, and tight cost control.
- Aristo International Hotel has recorded actual nine month EBITDA of RMB 62.7m, up 73% on the previous corresponding period, driven by a strong increase in mass market patronage and an improved win rate.

The underlying group EBITDA for the nine months to the end of March, based on unaudited management accounts, was A\$56.7 million. This represents a 10.5% increase over the previous corresponding period, following strong performances from both properties during the March quarter. The nine month group revenue was 1% ahead of the previous period at A\$96.3 million, with the underlying EBITDA performance being driven by tight cost management across the group.

Star Vegas

The Star Vegas casino and hotel has performed strongly in the March quarter, recovering well from the subdued performance reported at the December 2016 half year result. The March quarter EBITDA of THB 566.6m was an improvement of 47.1% on the March quarter last year, and benefited from a strong VIP gross win rate of 3.83%, well ahead of 2.85% in the previous March quarter.

Casino visitation and gaming turnover recovered in January, when VIP players began returning to the property after observing a 100 day royal mourning period in Thailand. However VIP turnover for the March quarter was still modestly down overall, by 4% on the same quarter last year. Pleasingly the level of non-gaming revenues significantly improved to THB 39.6m, which was 126.5% ahead of the THB 17.5m recorded last year. This was driven by the management fee for the Star Paradise property, which provided THB 18.8m of revenue in the quarter.

Management has continued to maintain very tight cost control at this property, with operating expenses reduced by 12% for the nine months to March 2017, compared to the previous corresponding period

As a result, the venue has recorded an EBITDA result of THB 1,370m for the nine months, 1.3% ahead of the THB 1,353m recorded in the previous corresponding period.

With the major public holiday period in Thailand still to feature in the final quarter of the year, combined with the strong performance of Star Vegas in the third quarter, the business is on track to reach or exceed the EBITDA target of US\$60 million for the full year. This would trigger the final management fee payment to the vendor following the full year result.

Planning for the management transition at Star Vegas is well under way, with a number of initiatives set to commence after the current two year management contract ends on 30 June 2017. The focus on utilising available space at the property is proceeding well, with the first deal signed with Poker King Club (see separate announcement today), and a number of other deals expected to be announced in coming months. As part of the transition planning, management continues to develop its plans to launch online gaming at the property in the coming months.

Aristo International Hotel

The Aristo continues to perform very strongly, benefiting from the strategic change of direction to focus on mass market play and away from the high-end VIP business.

Over the nine months to 31 March 2017, revenue increased 40.3% to RMB 105.8m, with growth coming from gaming and non-gaming sources. The nine month EBITDA of RMB 62.7m was up 73% on the RMB 36.3m recorded for the nine-month period last year.

Patronage continued to grow during the March quarter, albeit at a more modest rate of 3.5%, although this was on top of the very strong growth of 44.8% recorded in the previous March quarter. The nine-month patronage is up 41.2% on the same period last year.

The rolling chip turnover was up 4% for the quarter, although overall was down by 17.8% for the nine month period, consistent with the strategy to move away from targeting the high-end VIP segment. The VIP gross win rate improved on last year, reaching 2.95% for the nine months (1.99% in the pcp), and 2.59% in the March quarter (1.62% in the pcp).

Aristo also experienced strong growth in slot machine revenue, which was up by 72% to RMB 2.7m over the March quarter (and up 13% to RMB 6.2m over the nine months). In order to generate further growth, management has recently added 10 new Aruze slot machines on the gaming floor, with Aristo now having a total of 68 electronic gaming machine positions. This is the first step in strategic plans to increase the installed base of slot machines at Aristo.

Room revenue increased by 15% over the 9 month period to RMB 28.7m, benefitting from the combination of increased mass market patronage and initiatives to improve utilisation of non-gaming assets.

Donaco plans to announce its full year results on 30 August 2017.

For further information:

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ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure and entertainment businesses across the Asia Pacific region.

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

To learn more about Donaco visit www.donacointernational.com
