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1H FY21 Results Investor Briefing Q&A

Donaco International Limited (“**Donaco**” or “**the Company**”) hosted an investor briefing to discuss the Company’s Half Year Results on Friday 26 February 2021. Below is the accompanying summary provided by the Donaco management team during the briefing followed by investor questions answered during the webinar.

Presentation – Gordon Lo, Chief Financial Officer

The Half Year was a period of changes and challenges for Donaco, as we had to navigate external challenges with COVID-19 and internally navigate through shareholding and management changes.

The period saw Donaco deliver on its strategy with tight control over our operating costs, which resulted in opening DNA Star Vegas and Aristo International Hotel during the last three months of the Financial Year from September to December. We shifted our strategy to adapt through the pandemic, which led to a return to a positive EBITDA of A\$2.7 million for the final three months of the year, for a total Half Year EBITDA of \$0.2 million.

This was led by the number of strategic initiatives we implemented to weather the impacts of the pandemic and provide a solid platform for growth for the business. These initiatives included the change in targeted clients as we renew our focus on attracting clientele from the local region to Star Vegas, to in turn reduce our international staff expenses, alongside continued disciplined capital management and a reduction in our costs.

We also successfully paid down the debt with our principal lender Mega Bank which reduced to US\$7.8 million from the initial original US\$100 million – and we are on track to repay the remaining debt during the Financial Year 2021.

Another milestone achieved was the successful settlement of all legal cases in relation to Star Vegas. This follows the approval received from Mega Bank in December and the settlement provides a stable platform for long term growth for our Star Vegas operations.

Therefore the completed Board and Executive team renewal strategy has given positive results, as Star Vegas and Aristo continue to operate on a limited basis.

Looking at our financials, the positive EBITDA reached was driven by a proactive cost control strategy while reducing both operating and corporate expenses.

The approval of the Star Vegas settlement from Mega Bank led to Donaco recording A\$52.6m (equivalent to USD\$38m) non-cash income from the settlement, which equates to a net positive outcome of A\$48.4m (equivalent to USD\$35m).

As of the end of the period, we kept a healthy cash balance of A\$12.7 million, with no remaining effective interest coverage and debt ratio covenants. This follows a capital injection of A\$14.4 million to facilitate repayments to lender Mega Bank.

On the back of the COVID-19 impacts, our operating cash flow reduced to A\$1.4 million compared to A\$7.6 million in pcp.

Looking at Star Vegas specifically, the casino reopened in September 2020 at limited capacity, and the strategic initiatives adopted and proactive cost control measures, resulted in a positive EBITDA of A\$2.9 million.

While Aristo, which reopened in May 2020 and continues to operate on a limited basis, was affected by the drop in foreign visitors as the border with China remains closed, resulting in an EBITDA loss of A\$700k.

During this second half of the financial year, we will continue to execute on the strategic initiatives implemented in the first six months, while keeping tight control over costs.

In January a COVID-19 outbreak occurred around the broader regional area in which Star Vegas operates, and this will likely affect Donaco's near term revenue and EBITDA. However, we anticipate this will be a temporary short-term impact, outweighed by a positive long-term outlook for the business, as vaccinations commence in South-East Asia in the second half of the year. For instance, in Cambodia, COVID-19 vaccinations began this month, and Vietnam is meant to start before the end of March.

As mentioned earlier, we have executed an effective strategy during the Half Year which has led to a return to positive EBITDA.

We did everything we could during the first half to fix what had to be fixed internally, and we are now ready to move forward once the COVID-19 situation improves.

Q&A session – Lee Bug Huy, Chief Executive Officer and Gordon Lo, Chief Financial Officer

Q: Is there a possibility for the Thai Government to legalise gambling in Thailand? If so, what does the Board and Management have in place to mitigate the financial risk?

At this stage we do not expect the Thai Government to legalise gambling in the country. As we weather the impacts of COVID-19, we will carry on our rigorous cost control strategy and prepare for when the border reopens.

Q: I refer to Note 8 of the half year accounts, when is the \$1.8m Ocean Bank loan due?

The Ocean Bank loan is due in April 2021 and Donaco plans to extend this until the end of the year 2021.

Q: Is there a possibility for capital management once the situation normalises? What milestone needs to be hit before this happens?

We do not plan to raise funds anytime soon. We are not ruling out conducting a capital raise, but any raise we conduct will be to progress the financial growth of our business.

Q: What is different about the Star Vegas strategy today for players?

We are still adopting the same strategy for Star Vegas. However as a result of the impacts of the pandemic, we are attracting players from the local region to the casino, whilst of course keeping the safety of both our staff and players our number one priority.

Q: When does the Government of Vietnam and Cambodia expect full vaccinations to occur? I'm trying to estimate when Donaco expects full reopening of the casinos?

We are following the standards and protocols provided by the governments of Vietnam, Cambodia, alongside Thailand and China, and until now there is no confirmation as to when full vaccinations will take effect.

We will fully reopen our casinos as and when the COVID-19 situation improves. We are confident that the situation will improve as the proliferation of vaccines rapidly grows globally during the second half of 2021. For instance, in Cambodia vaccinations commenced in February and in Vietnam the latest reports state the country expects to receive its first COVID-19 vaccines before the end of March. This gives us optimism that the situation will start to ameliorate as vaccinations are rolled out across South-East Asia.

Q: The stock is trading materially below fair market value from its casinos - would management consider selling Aristo in order to return shareholder value to investors?

We have made considerable progress in the last half year. For us Aristo is a casino with a lot of potential and we are confident that once borders reopen the situation will stabilise. We are not considering selling Aristo at this stage, and we would only consider a sale of the casino if it provided superior value for Donaco shareholders.

Q: Does the company still have junket partners that it can rely on when the situation normalises at Star Vegas?

Yes we have many junket operators that wish to partner with us once the situation stabilises at Star Vegas.

Q: What happened with the slot business at Star Vegas, can we win that back?

There were a number of changes to slot machines provided which were not well received by clients so the new management has restructured the machines to match the requirements of our target clients, and we believe that as a result of this, our slot machine business will improve.

Q: Do you intend to repay all of the Mega Bank debt in 2021?

Yes, as per schedule Donaco intends to repay all the outstanding debt with Mega Bank before the end of the financial year 2021.

Q: If the company can return to profitability in the coming years, what are management's priorities with the resulting cash flow? Will it be used for dividends, buybacks, new developments, acquisitions, etc.?

At this stage we are investing back into the business. We are managing our liquidity position during this volatile period, and keeping tight control over our operating costs, whilst creating shareholders value.

Q: With regards to the trade payable of \$20.4 million, how much of this is outstanding gambling chips?

From the trade payable of \$20.4 million, outstanding gambling chips is equivalent to \$6.7 million.

Q: How do management stay ahead of competitions and have competitors closed down since last year?

Every casino in the region is in a similar situation to us, and is operating on a limited basis. We see Donaco having a competitive advantage as we are a well-established casino operator with a strong client base and junket arrangements. We will continue to implement our strategy, and build on our new initiatives, which supported by a strengthened balance sheet and cost control strategy, we are confident will deliver positive results.

[ENDS]

Authorised for release by the Board.

For further information contact:

Investors

Porntat Amatavivadhana

Media

Shane Murphy

Donaco International Limited
porntat@donacointernational.com

FTI Consulting
+61 420 945291
shane.murphy@fticonsulting.com

Donaco International Limited

c/- Lumina Chartered Accountants,
Level 18, 420 George Street
Sydney, NSW 2000

[TEL] +61 (02) 9106 2149 **[FAX]** +61 (02) 9106 2106
[ABN] 28 007 424 777