

ASX : DNA

asx release

30 October 2023



Donaco Doubles Group EBITDA in Q1 2024

Summary

- Exponential growth in the September Quarter, resulting in Group net revenue of A\$9.71m (June quarter: A\$6.9m) and EBITDA of A\$5.73m (June quarter: A\$2.4m).
- Donaco's casinos are almost fully operational with DNA Star Vegas continuing to perform strongly following an increase in international tourism as the macro environment improves.
- The tourism industry is gradually recovering to its pre-COVID state due to China lifting its border restrictions with Vietnam. The Cambodian and Thai governments provide sustained support to the tourism industry, resulting in continued visitor numbers.
- Further earnings growth targeted for Donaco in the near and long term as travel activities increase.
- The Group retains a solid balance sheet, underpinned by a strong cash position of A\$22.0 million as of 30 September 2023 (A\$16.7 million at 30 June 2023).

Donaco International Limited (**Donaco** or **Company**) is pleased to provide the following trading update for the quarter ended 30 September 2023 (**September Quarter**).

The September Quarter represented a turnaround period for Donaco with further group earnings and EBITDA growth. Donaco's strategy to return its operations to full capacity following the lifting of COVID-19 restrictions is almost completed with visitation numbers rebounding from early post-COVID levels.

The September Quarter resulted in a substantial financial improvement, generating group net revenue of A\$9.71 million (June Quarter: A\$6.9m) and EBITDA of A\$5.73m, more than doubled compared to the June Quarter figure of A\$2.4m. This demonstrates the strength of Donaco's assets and momentum ahead.

DNA Star Vegas (**Star Vegas**) in Cambodia recorded net revenue of A\$7.24 million for the quarter (June Quarter 2023: A\$4.37 million) and property level EBITDA of A\$5.11 million, almost a threefold increase compared to A\$1.81m in the June Quarter.

The Aristo International Hotel (**Aristo**) in Vietnam, near the border with China, performed consistently with the June Quarter, recording revenue of A\$2.48 million (June Quarter 2023: A\$2.51m) and property level EBITDA of A\$1.22 million (June Quarter 2023: A\$1.31 million). Aristo is on track to reach full operational capacity over the current quarter.

Donaco has capitalised on the latent tourism growth from China to Vietnam as the borders have reopened, resulting in near pre-COVID levels of attendance, and tourism growth is expected to continue.

The Company is prioritising cost management and has subsequently ended the period with a cash position of A\$22.02 million (A\$16.7 million as of 30 June 2023).

Payments to related parties of the entity and their associates were made during the quarter. In total, approximately A\$192k was paid to Directors and their associates for salaries and contracted services.

During the period, the Company appointed Ms Joan Dabon as new Company Secretary. Ms Dabon is a Chartered Secretary with over 7 years' experience in providing company secretarial and corporate advisory services to ASX listed companies.

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

"Donaco has continued its strong momentum and turnaround following from COVID-19, and this is reflected in our September Quarter. Group net revenue was up more than 40% compared to the June Quarter, and Group EBITDA more than doubled in the same period.

The results highlight the effectiveness of our turnaround strategy and operational execution as the business delivers improved performance. I am pleased to report that the outlook for our businesses remains positive. The increase in travel from China to Vietnam provides a promising outlook as we've entered the 2024 financial year.

Moreover, the recently launched tourism campaign by the Cambodian Government aimed at attracting Thai visitors is a highly encouraging development for our Star Vegas casino, which is poised to benefit significantly from increased tourism in the region.

We are confident that our business is well-positioned to capitalise on this positive trend, and we remain optimistic about the future. We believe that our strategic approach and commitment to delivering exceptional customer experiences will continue to set us apart in a competitive industry. Overall, we aim to provide long-term value to our shareholders, and we are excited about the opportunities that lie ahead."

Outlook

Donaco's future growth prospects remain robust as the Company exhibits strong operational efficiency, reflected in the latest September Quarter. The Company's ability to navigate changing market dynamics demonstrates its ability to execute effectively and seize market opportunities.

The consistent increase in Chinese tourists visiting Vietnam is expected to positively impact Aristo, which is strategically situated near the Vietnamese-Chinese border.

As the sole 5-star hotel in Vietnam's Lao Cai province for five years, Aristo offers a significant opportunity to attract new customers. Furthermore, the construction of the Sapa airport in Lao Cai, the region where the casino is located, is progressing well and is poised to unlock substantial economic potential for Donaco. The airport is expected to open in 2025 and is projected to handle up to 1.5 million passengers annually.

Looking at Star Vegas, the recently launched major tourism campaign by the Cambodian Government to attract Thai visitors, is highly encouraging for the casino, strategically positioned near the Thailand border.

Financial Performance

The following update compares in AUD the three months to the end of September 2023 to the three months to the end of June 2023, as well as the three months to the end of September 2022, and is based on unaudited management accounts.

DNA Star Vegas

DNA Star Vegas, situated on the Cambodia-Thailand border, continues to perform strongly following its reopening in June 2022 and is benefitting from international tourism.

DNA Star Vegas	September Quarter 2023	June Quarter 2023	September Quarter 2022
Rolling Chip VIP Turnover	AUD 41.78m	AUD 19.46m	AUD 181.29m
Net Revenue	AUD 7.24m	AUD 4.37m	AUD 4.10m
Operating expenses	AUD 2.13m	AUD 2.56m	AUD 1.87m
Property level EBITDA	AUD 5.11m	AUD 1.81m	AUD 2.22m
Average daily visitation	920 players	1,065 players	1,054 players
VIP win rate	3.87%	-1.06%	-0.05%

Note: Currency Conversions —September Quarter 2023 1.5279AUD/USD; June Quarter 2023 1.4850AUD/USD; September Quarter 2022 1.4628AUD/USD.

Aristo International Hotel

Aristo, based in Vietnam, and situated near the border with China, has performed consistently with the June quarter.

Aristo International Hotel	September Quarter 2023	June Quarter 2023	September Quarter 2022
Rolling Chip VIP Turnover	AUD 287.74m	AUD 322.96m	AUD 1.94m
Net Revenue	AUD 2.48m	AUD 2.51m	AUD 0.43m
Operating expenses	AUD 1.25m	AUD 1.20m	AUD 0.53m
Property level EBITDA	AUD 1.22m	AUD 1.31m	(AUD 0.09m)
Average daily visitation	242 players	247 players	12 players
VIP win rate	1.73%	1.66%	6.41%

Note: Currency Conversions - September Quarter 2023 1.5279AUD/USD; June Quarter 2023 1.4850AUD/USD; September Quarter 2022 1.4628AUD/USD.

Group Summary

DNA Group	September Quarter 2023	June Quarter 2023	September Quarter 2022
Rolling Chip VIP Turnover	AUD 329.52m	AUD 342.42m	AUD 183.23m
Net Revenue	AUD 9.71m	AUD 6.88m	AUD 4.53m
Operating expenses	AUD 3.38m	AUD 3.76m	AUD 2.40m
Property level EBITDA	AUD 6.33m	AUD 3.12m	AUD 2.13m
Corporate Costs	AUD 0.60m	AUD 0.72m	AUD 0.63m
Group EBITDA	AUD 5.73m	AUD 2.40m	AUD 1.50m

Note: Currency Conversions - September Quarter 2023 1.5279AUD/USD; June Quarter 2023 1.4850AUD/USD; September Quarter 2022 1.4628AUD/USD.

[ENDS]

Authorised for release by the Board.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Donaco International Limited

ABN

28 007 424 777

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,836	10,836
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,442)	(1,442)
(c) advertising and marketing	(184)	(184)
(d) leased assets		
(e) staff costs	(2,142)	(2,142)
(f) administration and corporate costs	(826)	(826)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(553)	(553)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	5,689	5,689
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(25)	(25)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(25)	(25)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	519	519
3.6	Repayment of borrowings	(519)	(519)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,724	16,724
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,689	5,689
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25)	(25)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held	(368)	(368)
4.6	Cash and cash equivalents at end of period	22,020	22,020

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	22,020	16,724
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	22,020	16,724

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	192
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	19,820	18,813
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		1,007
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>Lender 1 (unsecured loan) Name: Lee Bug Huy Interest rate: 6.00% Maturity term: 22 July 2027</p> <p>Lender 2 (unsecured loan) Name: Lee Bug Huy Interest rate: 6.00% Maturity term: 13 May 2026</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	5,689
8.2 Cash and cash equivalents at quarter end (item 4.6)	22,020
8.3 Unused finance facilities available at quarter end (item 7.5)	1,007
8.4 Total available funding (item 8.2 + item 8.3)	23,027
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2023

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.