

ASX : DNA

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Donaco returns to positive EBITDA in 1H FY21

Highlights

- Positive EBITDA in each of the final three months of the half year, driven by proactive cost control strategy to navigate through COVID-19
- 1H FY21 revenue of A\$6.3 million (1H FY20: A\$40.9 million) and EBITDA of A\$0.2 million (1H FY20: A\$13.8 million)
- Reduced operating expenses to A\$4.1 million (1H FY20: A\$24.6 million) and corporate costs to A\$2.0 million (1H FY20: A\$2.5 million)
- Board renewal and CEO appointed; pivoting Donaco to deliver long-term growth as conditions improve
- Star Vegas settlement completed resulting in Donaco recording non-cash income of A\$52.6m
- Outstanding Mega Bank debt decreased to US\$7.8 million (30 June 2020: US\$17.8 million) and Donaco remains on track to pay down all remaining debt with Mega Bank in FY21
- Aristo and Star Vegas reopened and operated on a limited basis, as the Vietnam-China and Cambodia-Thailand borders remain closed
- Successfully completed A\$14.41 million capital raising to provide immediate stabilisation of the business
- Despite paying down debt, retained robust cash at bank and deposit position of A\$12.7 million at 31 December 2020
- Positive long-term business outlook with proliferation of COVID-19 vaccines globally

Donaco International Limited ("**Donaco**" or "**the Company**") has announced its results for the six month period ended 31 December 2020 (1H FY21).

Donaco posted a positive group EBITDA of A\$0.2 million for 1H FY21 (1H FY20: A\$13.8 million), with the final three months of 1H FY21 resulting in A\$2.7 million group EBITDA.

Positive EBITDA was recorded despite the revenue decline to \$6.3 million (1H FY20: A\$40.9 million), as COVID-19 related border closures and restrictions on casino operations impacted visitation numbers, which cascaded through to revenue.

As a result of the non-competition settlement in relation to DNA Star Vegas, Donaco reported a statutory net profit after tax of A\$42.5 million in 1H FY21, compared to a loss of A\$1.5 million in the prior corresponding period.

Following approval from the relevant government authorities, Aristo International Hotel in Vietnam reopened on 8 May 2020 on a limited basis, while DNA Star Vegas in Cambodia reopened on 25 September 2020, also at a limited scale.

The Company's EBITDA improvement as the first half of the 2021 fiscal year progressed, was driven by several strategic initiatives executed by the renewed Board and Executive team to navigate the impacts from the pandemic on the business.

These initiatives included attracting clientele from the local region to Star Vegas to reduce international staff expenses, which aligns with Donaco's cost control strategy that is being advanced.

In addition, the rigorous cost control approach has involved adjusting service provider agreements Donaco had in place, utilising its ample space to introduce retail outlets, and reorganising arrangements with junket operators for improved outcomes.

As a result, Donaco reduced operating expenses to A\$4.1 million (1H FY20: A\$24.6 million) and corporate costs to A\$2.0 million (1H FY20: A\$2.5 million).

The Company's disciplined capital management, in conjunction with successfully completing a \$14.41 million entitlement offer in July 2020, enabled a reduction in the debt with principal lender Mega Bank from US\$12.8 million as at 30 June 2020 (equivalent to A\$18.7 million) to US\$7.8m (equivalent to A\$10.1 million) as at 31 December 2020.

The Company remains on track to pay down all remaining debt with Mega Bank during FY21, and approval of the Star Vegas settlement from Mega Bank during 1H FY21 led to Donaco recording A\$52.6m (equivalent to US\$38m) non-cash income from the settlement, which equates to a net positive outcome of A\$48.4m (equivalent to US\$35m).

Non-Executive Chairman Porntat Amatavivadhana commented: "COVID-19 continued to present significant challenges for our business during the half year, but the implementation of pragmatic strategic initiatives by the renewed Board and Executive team, including our cost control strategy, underpinned a resurgence of our operational performance.

"This is highlighted by Donaco delivering three straight months of positive EBITDA for the final three months of the half, all while operating at limited capacity.

"Crucially, we've laid the foundations to continue this positive momentum, as we maintained a healthy cash position, finalised the Star Vegas settlement with a positive result, and reduced our debt with Mega Bank from an initial US\$100 million figure to US\$7.8 million."

FY21 Outlook

Due to the dynamic nature of COVID-19, Donaco has resolved to take a conservative approach and not issue specific financial guidance for FY21.

A COVID-19 outbreak around the broader regional area in which Star Vegas operates emerged in January. Star Vegas remains open at limited capacity, with additional protocols in place to minimise the risk of the virus, but the outbreak has reduced visitation numbers, which the Company forecasts will subsequently affect revenue and EBITDA. However, Donaco anticipates this will be a temporary and short-term impact, with a positive long-term outlook for the business, as the proliferation of COVID-19 vaccines rapidly grows globally during 2H FY21.

For instance, in Cambodia COVID-19 vaccinations commenced this month and in Vietnam the latest reports state the country expects to receive its first COVID-19 vaccines before the end of March.

“Donaco’s bolstered balance sheet has placed the Company in the optimal position to achieve long-term growth once the COVID-19 situation ameliorates and cross border travel recommences,” Mr Amatavivadhana added.

“We remain on track to pay down the remaining debt we have due with Mega Bank during FY21, which will enhance our position even further.

“We are optimistic that the COVID-19 situation will improve in FY21 as vaccinations begin across the South-East Asian region.

“In the interim, a key priority of the renewed and stabilised Board and Executive team remains the cost control strategy, which will support us in continuing to navigate the COVID-19 situation successfully.”

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Authorised for release by the Board.

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