

ASX : DNA

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Brighter outlook in 1H FY22 as travel restrictions ease

Highlights

- Donaco maintained prudent cost control and balance sheet protection in 1H FY22, as Star Vegas remained temporarily closed and Aristo was open on a limited basis, due to restrictions related to the pandemic.
- Successful settlement of the Loan Facility with main lender Mega Bank, with final payment made in December 2021.
- Strong vaccination rate in Thailand and Cambodia, with the government of Vietnam planning to resume international tourism flows into Vietnam from March 15.
- Sapa airport, with a capacity of 1.5m passengers per year, under construction near Aristo casino.
- Positive long-term business outlook with proliferation of vaccines globally, and across South-East Asia, as well as increased tourism infrastructure spend emerging in the region.

Donaco International Limited (“**Donaco**” or “**the Company**”) has announced its results for the six month period ended 31 December 2021 (1H FY22).

Star Vegas remained temporarily closed during the half year period (from 27 April 2021) and Aristo was open on a limited basis, due to restrictions related to the pandemic. The outbreak, and subsequent border closures, affected revenue and EBITDA resulting in 1H FY22 revenue of A\$1.13m (1H FY21: A\$6.3m) and negative EBITDA of A\$2.24m (1H FY21: A\$0.2m).

Aristo was affected by the drop in foreign visitors as the border with China remains closed. Nonetheless, Donaco’s pragmatic initiative to shift its focus towards attracting clientele from the local region enabled Aristo to achieve positive EBITDA of A\$0.30m for the first three months of FY22, demonstrating the strength of the asset.

The Board and Management team continued to execute disciplined cost control which led to a reduction in operating expenses to A\$2.07 million (1H FY21: A\$4.1 million) and corporate costs to A\$1.31 million (1H FY21: A\$2.0 million). The Company also reached a monthly cash burn target of approx. A\$322k, well in line with the targeted range.

In relation to this, Donaco has also strengthened its balance sheet by successfully paying off the remaining USD \$6.8m debt (approx.. A\$9.4m) with principal lender Mega Bank during the period, resulting in the Company fully

repaying the initially borrowed amount of A\$131.54m (equivalent to USD\$100m). Despite swiftly paying down the loan facility, Donaco maintained a healthy cash position of A\$4.4 million as at 31 December 2021.

The ability for Donaco to achieve long-term growth is strong, as the COVID-19 situation in the regions where Donaco operates improves in line with the ramp up in vaccinations. 99% of Vietnam's population is fully vaccinated, while Thailand has reached more than 70% of vaccination rates¹. Quarantine-free travel vaccinated arrivals have commenced from 1 February in Thailand with the government of Vietnam planning to resume international tourism flows into Vietnam from March 15².

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

"In the First Half of the Financial Year, we continued to focus on preserving our balance sheet and operational capabilities, taking all the necessary actions to minimise the impact of the virus on our casino operations.

"In light of the challenges resulting from the pandemic, we've taken rigorous measures to protect the business by keeping our costs down and preserving cash – whilst paying off the outstanding debt with our largest lender, Mega Bank.

"The pragmatic initiative to shift our focus towards attracting clientele from the local region, resulted in Aristo achieving positive EBITDA in the first three months of FY22, which demonstrates the strength of Donaco's assets in the long-term.

"Looking ahead I am optimistic about Donaco's future. Strong vaccination rates in the region where we operate have led the governments of both Thailand and Cambodia to target the easing of border and travel restrictions. Additionally, towards the end of 2021 the government of Vietnam approved the construction of Sapa airport, which presents a significant opportunity for our Aristo casino to attract new customers.

"These increasingly positive macroeconomic factors, combined with our strengthened balance sheet and cost efficient operations, have placed us in a good position to achieve sustainable long-term growth as life and travel patterns gradually return to normal."

FY22 Outlook

The strategy for the remainder of FY22 will build on Donaco's pragmatic initiatives, including the shift towards clientele from the local regions.

Increasing vaccination rates in Thailand and Cambodia have led both countries' Governments to target the easing of travel restrictions during 2H FY22.

In late October 2021 the Vietnamese Government approved the construction of Sapa airport, as the economy seeks to rebound from COVID-19. The airport will be built over the next 3-4 years in Lao Cai, the region where Aristo is located, with capacity of 1.5 million passengers a year. This presents a major opportunity for Donaco's Aristo casino to attract a significant number of new customers.

With the settlement of the loan facility with major lender Mega Bank, increasing operational efficiency due to the prudent cost control strategy, and an improving COVID-19 outlook in the region; Donaco is positioned for long term growth.

[ENDS]

Authorised for release by the Board.

¹ <https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/thailand/> and <https://e.vnexpress.net/covid-19/vaccine>

² <https://www.traveldailymedia.com/vietnam-to-reopen-with-restriction-free-travel/>

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