

**For Immediate Release**



## **NagaCorp Announces 2018 Annual Results**

\* \* \* \* \*

***“2018 Global Best Performing Gaming Stock...”***

- *Union Gaming*

### **Net Profit Growth of 53%**

Hong Kong, 13 February 2018 – **NagaCorp Ltd.** (“NagaCorp” or the “Group”, SEHK stock code: 3918), which owns, manages and operates NagaWorld, the entertainment centre of the Mekong Region, today announced robust financial and operating results for the full year ended 31 December 2018.

- 1) VIP Rollings increased 69%** to US\$35.7 billion
- 2) Mass Market Tables Buy-ins increased 57%** to US\$1.2 billion
- 3) Mass Market Electronic Gaming Machines (“EGM”) bills-in increased 22%** to US\$2.2 billion
- 4) GGR increased by 55%** to US\$1.4 billion
- 5) Net Profit increased by 53%** to US\$390.6 million
- 6) 60% Dividend Payout Ratio:** A final dividend for shareholders of US cents 2.91 per share (or equivalent to HK cents 22.55 per share) has been declared, representing a payout ratio of 60% based on the net profit generated for the year.

### **BUSINESS REVIEW**

The Cambodian economy continued to register stable growth in 2018. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years.

Visitation to Cambodia continued to grow with international arrivals increasing 11% to 5.4 million visitors in the first 11 months of 2018. China continues to be the leading source of visitation to Cambodia, growing by 69% to 1.8 million visitors. Arrivals at Phnom Penh International Airport grew 36% over the same period.

The Group achieved strong financial performance for the Year with GGR increasing by 55% to US\$1.4 billion, and net profit for the Year increasing by 53% to US\$390.6 million. For purposes of comparison, net profit for the Year would have increased by 100%, excluding the impact of the US\$60.0 million fee earned in 2017 in respect of the assignment of a licensing right to certain investors to operate a number of EGM. The Company has ready demand but did not opt for similar transaction in the Year.

Riding on the successful opening of Naga2 in November 2017, the Group continues its supply driven growth trajectory. The strong business volume growth across all segments of the business can be explained by the following:

1. The conclusion of the Cambodia General Election held on 29 July 2018, and the official and smooth formation of the new Royal Government of Cambodia on 6 September 2018, has contributed to the continued political stability of the operating environment. Subsequently, S&P Global Ratings upgraded the Group's credit rating to B+ on reduced operating risk in Cambodia. The Group is confident it will continue to enjoy long term win-win private public partnerships to further fuel the growth of tourism to Cambodia.
2. Naga2 significantly increased the appeal, capacity, quality, range and reach of VIP, mass gaming and non-gaming offerings, such as up-market gaming and complementary entertainment facilities and equally attractive non-gaming products/facilities including spa, theatre, shopping, competitive rooms and food and beverage ("F&B") offerings. Naga2 has been transformative and provided the Group with a competitive integrated casino resort ("IR") product comparable to IRs in other established gaming destinations in Asia.
3. The increase in VIP business volume is particularly attributable to customer demand for higher table limits and increased rollings at Naga2. Increasing investment-related visitation to Phnom Penh also contributed to the increase in VIP business volume. Apart from Macau-based junket operators who were already operating with the Group, Suncity Group signed an incentive agreement with the Group to set up a fixed base business operation with full-fledged office facilities, which commenced business on 1 March 2018 and contributed to increased number of players and rollings. Suncity operations in Naga2 will move to a larger and more desirable location in the first quarter of 2019. The Group expects all top four Macau mega junkets to operate in Naga2 by 2019. These junkets contributed 70% of Macau's total VIP rollings (source: CICC report, 16 January 2019). Despite the significant increase in VIP business volume, customer composition remains well diversified between South East Asia and North Asia.

4. Visitation and tourism growth continued to underpin headcount growth at the combined NagaWorld complex. In particular, visitation from China increased substantially. China is the leading source of visitation to Cambodia, growing by 69% to 1.8 million visitors in the first 11 months of 2018. In addition, we have a strategic partnership with the Ministry of Tourism of Cambodia (“MOT”), Bassaka Air and China International Travel Services in promoting tourism in Cambodia. As a result, the average daily foot traffic of the overall property has increased significantly and has also helped the Mass Market business.
5. In line with the increase in business volume, the Group also witnessed improvement in room and F&B revenue as a result of the increase in footfall. The 2,000-seat theatre in Naga2 has attracted much local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volumes.
6. Minimal cannibalization has been observed, with Naga1 retaining most of its existing players while Naga2 is attracting customers who are new to NagaWorld. This is reflected in an increase of average daily Mass Market Tables yield.
7. Despite the Group registering an increase of 903 rooms and other gaming and non-gaming facilities upon the opening of Naga2, staff headcount decreased by 0.8% from 8,618 (as at 31 December 2017) to 8,551 (as at 31 December 2018). Staff costs also decreased by 0.8%, as a result of improved operational efficiencies and increased human resource output due to multi-tasking.
8. In May 2018, the Company issued Senior Notes of US\$300 million for the purpose of boosting its VIP business and upgrading of Naga1. These Senior Notes are rated “B1” by Moody’s Investors Service and “B+” by S&P Global Ratings. The B1 rating by Moody’s Investors Service is one notch above their Cambodia sovereign rating of B2 and reflects the Group’s dominant market position, diversified business with exposure to mass-market players and VIP players across Asia, low labour cost and gaming tax environment support healthy EBITDA margins, track record of strong operating performance, solid financial metrics despite an increase in debt and excellent liquidity position over the next 12 months (Source: Moody’s Investors Service — Credit Opinion dated 30 April 2018). The proceeds of these Senior Notes increased the Group cash float and led to increased confidence of both junket operators and players which in turn led to increased check-in and higher bets. The Senior Notes also received a positive response in the secondary market. Yield to maturity compressed significantly from 9.375% (on issuance in May 2018) to 7.68% on 12 February 2018 (source: Bloomberg). The Senior Notes were one of the best performing debut offerings among high yield issuance in 2018 and honoured by FinanceAsia’s Achievement Awards as “Best High-Yield Bond for Asia” & “Best Cambodia Deal”, The Asset Triple A County Awards as “Best Bond in Cambodia” and IFR Asia Awards as “High-Yield Bond of the Year”.

Management of the Group continues to adopt a conservative gaming policy, diluting the risks by offering more incentives to junket operators. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to

keep its operating costs reasonably low. Despite the significant increase in gross floor area (gaming and non-gaming) following the completion and opening of Naga2, the increase in administrative and operating expenses was relatively low.

The strong growth trajectory and increased confidence in the future industry outlook have led to the Company being global best performing gaming stock in 2018 (source: Union Gaming). Another key corporate milestone was achieved on 10 September 2018, when the Group was included as a constituent of the Hang Seng Composite LargeCap & MidCap Index

## PROSPECTS

The continued growth of visitation to Cambodia is a reflection of the development of Cambodia as a prominent regional tourism and investment destination, brought about by continued political and social stability in the country. The expected introduction of a Casino Law in 2019 is another significant step forward in the investment and tourism prospects for Cambodia.

NagaWorld, a major attraction located in the city centre of Phnom Penh and the entertainment centre of the Mekong region, is poised to benefit from this growth. We benefit from a long duration casino license (until 2065) and an effective monopoly within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) until 2035.

The Group is well-positioned and “China ready” to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 (Source: CLSA, 19 July 2017). Chinese arrivals to Cambodia, reaching 1.8 million visitors in the first eleven months of 2018, represents a small percentage of the opportunity. Cambodian Prime Minister His Excellency Hun Sen was recently reported to say that Cambodia is targeting to attract at least 5.0 million Chinese tourists by 2025 (source: The Commercial News, 15 January 2019). Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and continues to be well positioned as a notable emerging IR in Asia.

Continued growth in the Mass Market segment has laid down a strong foundation for the Group to capture growth opportunities in the VIP Market segment. Our increasingly competitive VIP services are attracting an increasing number of junket operators, and we expect to open further junket rooms in 2019. As the Group continues its trajectory of asset and business growth, it is also gaining increasing prominence and confidence amongst the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, fuelling business growth and expansion.

To further enhance NagaWorld’s quality and the overall appeal of the combined NagaWorld complex, the Group has embarked on an upgrade of Naga1, which is expected to be completed in 2019. Feedback is that Phnom Penh has come of age as an attractive location and preferred destination for junket operators and players coming from both South East Asia and East Asia, especially China.

The Group is in advanced stages of planning for the development of Naga3; in view of the success and fast ramp-up of Naga2 and often-times facing capacity constraints for both gaming and non-gaming areas, increasing inbound tourism especially from

China and the stable political environment.. Based on feedback from stakeholders (including players, visitors, junket operators and investors), the Group is confident that additional capacity is necessary to further fuel business growth (both gaming and non-gaming) to position the Group as one of the most successful IR in Asia.

# # #

---

**ABOUT NAGACORP LTD.**

NagaCorp Ltd. was listed on The Hong Kong Stock Exchange in October 2006 (SEHK stock code: 3918). Established in 1995, NagaCorp's wholly owned subsidiary NagaWorld Ltd. owns, manages and operates the only world-class integrated entertainment and leisure complex in Phnom Penh, the capital of the Kingdom of Cambodia. It owns a casino license valid for 70 years, and exclusive gaming rights for a period of around 41 years (1995-2035). NagaCorp was selected for inclusion in the Hang Seng Foreign Companies Composite Index and the Hang Seng Global Composite Index launched on 5 September 2011. On 10 September 2018, the Group was included as a constituent of the Hang Seng Composite Large Cap & MidCap Index.

**For further information, please contact Hill+Knowlton Strategies Asia**

Ada Leung  
+852 2894 6225  
[ada.leung@hkstrategies.com](mailto:ada.leung@hkstrategies.com)

Geffron Auyeung  
+852 2894 6255  
[geffron.auyeung@hkstrategies.com](mailto:geffron.auyeung@hkstrategies.com)