

For Immediate Release



## NagaCorp Announces 2018 Interim Results

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**VIP Rollings Growth of 117%**

**Gross Gaming Revenue (“GGR”) Growth of 85%**

**Continued Ramp-Up of Naga2**

Hong Kong, 24 July 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 six months ended 30 June 2018 (“1H2018”).

- 1) VIP Rollings increased 117% to US\$16.8 billion**
- 2) Mass Market Tables Buy-ins increased 53% to US\$573.8 million**
- 3) Mass Market Electronic Gaming Machines (“EGM”) bills-in increased 22% to US\$1.0 billion**
- 4) GGR increased by 85% to US\$713.9 million**
- 5) Net Profit increased by 20% to US\$180.1 million**
- 6) 60% Dividend Payout Ratio:** An interim dividend for Shareholders of US cents 2.49 per Share (or equivalent to HK cents 19.30 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 1H2018. The International Monetary Fund is projecting real gross domestic product growth of 6.9% 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 14% to 2.2 million visitors in the first four months of 2018. China continues to be the leading source of visitation to Cambodia, growing by 79% to 0.6 million visitors. Arrivals at Phnom Penh International Airport grew 41% over the same period.

The Group achieved strong financial performance for the Period with GGR increasing by 85% to US\$713.9 million, and net profit for the Period increasing by 20% to US\$180.1 million. Net profit would have increased by 99% for comparison purpose, removing the impact of the 2017 EGM US\$60.0 million assignment rights. The Company has not opted for a similar transaction in 1H2018.

The results are attributable to volume growth across all segments of the business. Reasons for this growth are as follows:

1. The opening of Naga2 in November 2017 significantly increased the appeal, capacity, quality, range and reach of VIP, Mass Gaming and Non-Gaming offerings. These offerings include up-market gaming and supportive entertainment facilities and equally attractive non-gaming products/facilities including spa, theatres, shopping, competitive rooms and food and beverage ("F&B") offerings. Naga2 is transformative and has provided the Group with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.
2. The 117% increase in VIP rollings in 1H2018 was due to an increase of business at both Naga1 and Naga2, but more pronounced at Naga2 where customer demand for higher table limits has increased rollings. It is also explained by the fact that in addition to a few Macau-based junket operators which are already operating in NagaWorld, another noted Macau-based junket operator, Suncity has signed an Incentive Agreement with the Group. Suncity set up a fixed base business operation with full-fledged office facilities, commencing business on 1 March 2018, contributing in increased number of players and rollings. An increasing number of South East Asian players, noticeably from Thailand, have also been observed in addition to the traditional large number of Malaysians and other customers from the region.
3. Visitation and tourism growth have continued to underpin the property's headcount growth. China is the leading source of visitation to Cambodia, growing by 79% to 0.6 million visitors in the first four months of 2018 (Source: Ministry of Tourism Cambodia). As a result, the average daily foot traffic of NagaWorld has increased significantly and has also helped the Mass Market business.

4. In line with the increase in business volume, the Group has 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.
5. Minimal cannibalization has been observed between the two properties, with Naga1 retaining most of its existing players, while Naga2 is attracting new customers.
6. It is noteworthy that despite more than doubling the number of rooms to 1,658 and addition of other gaming and non-gaming facilities due to the opening of Naga2, human resource headcount only increased by 36% from 6,406 (as at 30 June 2017) to 8,699 (as at 30 June 2018).

The Senior Notes issued by the Group in May 2018 of an aggregate principal amount of US\$300.0 million, which have been assigned a Moody's credit rating one notch above that of Cambodia's sovereign rating and which has increased the cash float of the Group, have increased the confidence of both junket operators and players leading to increased check-ins and higher bets. VIP revenue increased by 163% on the back of a record US\$16.8 billion in VIP rollings for the Period.

To further enhance NagaWorld's quality, the Group has embarked on an upgrade of Naga1, which is expected to be completed in 2019. Feedback from the industry is that Phnom Penh has come of age as favoured destination for operators and customers coming from South East Asia and East Asia, especially from China.

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 on costs control, the Group has been able to keep its operating costs reasonably low. Despite the doubling of gross floor areas (gaming and non-gaming) following the completion and opening of Naga2, increases in administrative and operating expenses were more modest.

From the angle of attracting the Chinese market, the Group is confident 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. Chinese arrivals to Cambodia, about 1.2 million visitors in 2017, represents a small percentage of the opportunity. Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and will continue to position itself as a noted emerging integrated resort in Asia.

## **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. NagaWorld, which is 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.

The continued solid and stable growth in the Mass Market segment has laid down a strong foundation for the Group to capture growth opportunities in the VIP Market segment. As the Group continues its trajectory of asset and business growth, it is also gaining increasing prominence and confidence among the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, fueling business growth and expansion.

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#### **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.

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