

**For Immediate Release**



## **NagaCorp Announces 2019 Annual Results**

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**Mass Market Tables GGR Growth of 31%**

**VIP Rollings Growth of 31%**

**EBITDA Growth of 31%**

**Net Profit Growth of 33%**

Hong Kong, 10 February 2020 – **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 31 December 2019 (the “Year”).

- 1) Gross Gaming Revenue (“GGR”) increased by 20%** to US\$1.7 billion
- 2) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 31%** to US\$671.7 million
- 3) Net Profit increased by 33%** to US\$521.3 million
- 4) VIP Rollings increased 31%** to US\$46.6 billion
- 5) Mass Market GGR increased 31%** to US\$476.4 million
- 6) Mass Market Tables Buy-ins increased 33%** to US\$1.6 billion
- 7) Mass Market Electronic Gaming Machines (“EGM”) bills-in increased 25%** to US\$2.8 billion
- 8) 80% Dividend Payout Ratio:** A final dividend for Shareholders of US cents 5.09 per share (or equivalent to HK cents 39.45 per share) has been declared, representing a payout ratio of 80% based on the net profit generated for 2H2019

The Coronavirus in China has recently strained the global economy. Rarely has such an integral part of global multinational industry and trade faced such an abrupt and open-ended freeze out. We live in uncertain times. Such uncertainty over the virus which has infected about 40,614 people and killed about 910 people (Source: South China Morning Post, 10 February 2020) has disrupted worldwide trade and supply chains, depressed asset prices, and forced multinational businesses to make hard decisions with limited information.

Despite these challenging, the Company remains confident that even though its financial performance may see some impact by this situation the long-term prospects of the Company remain good. The board of directors of the Company (the "Board") has considered the following circumstances and events:

1. The Group was founded by Tan Sri Dr Chen Lip Keong 25 years ago - the Group is celebrating its Silver Jubilee this year;
2. At the beginning of a new decade 2020, it augurs well that the Company has achieved all-time high net profit of US\$521 million
3. This is the first time after operation of the Group for 25 years that the Company has decided to declare a special "bonus" to all its shareholders in the form of an extraordinarily high dividend for the year

Regardless of the coronavirus outbreak, which the Company feels will be short-lived, the Company is pleased to recommend an 80% payout of the net profits generated for the second half of 2019 as final dividend and payment. For each six month period, the Company shall review, assess and where appropriate, revise its dividend declaration policy in reaction to the position of the coronavirus crisis, global business environment and other factors.

## **BUSINESS REVIEW**

The Cambodian economy continued to register stable growth in 2019. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2019 and 6.8% in 2020, with an inflation rate of 2.3% and 2.5% respectively (Source: International Monetary Fund - World Economic Outlook Database October 2019).

The Group continued the journey of healthy and steady growth, with gross gaming revenue ("GGR") up 20% to US\$1.7 billion and net profit up 33% to US\$521.3 million for the Year. The stable business volume and revenue growth across all segments of the business is attributed to the following:

1. **Growing Cambodian Economy, Political Stability, Increasing FDI and Business-Related Visitation to Cambodia:** The stable socioeconomic and political environment has encouraged an increase in foreign direct investments ("FDI"), robust domestic investment activity and tourism growth. In 2019, FDI inflow into Cambodia amounted to US\$3.6 billion, representing a 12% increase from US\$3.2 billion in 2018 (Source: Macroeconomic and Banking Progress 2019 Report and 2020 Outlook, NBC), making it one of the four ASEAN nations receiving a record-level of FDI in 2019 (Source: ASEAN Secretariat and UNCTAD).

Furthermore, the Cambodia Development Council approved 268 investment projects worth US\$6.8 billion in the first 10 months of 2019, representing an increase of 33% compared to the corresponding period in 2018.

Cambodia's close geopolitical relationship with China and China's "Belt and Road" policy further drove business-related visitation to Cambodia. International business-related travel into Cambodia increased to 1,299,602 visitors in the first 11 months of 2019, representing a 111% increase from 615,177 visitors in the corresponding period in 2018. 77% of business visitors in the first 11 months of 2019 originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with business visitation from Thailand, Indonesia and Malaysia increasing by 77%, 65% and 57% respectively (Source: Ministry of Tourism, Cambodia).

The increase in FDI, strong domestic business activities and business travel helped drive visitation to NagaWorld, resulting in increased business volume. Furthermore, the much-anticipated casino law is expected to be promulgated within 2020, further strengthening the regulatory environment which has been improving in recent years. The Group is confident that it will continue to enjoy the benefits of a long-term win-win private public partnership initiative which further fuels the growth of tourism to Cambodia.

- 2. Naga 2's Contribution, Continued Increased in Appeal and Visibility of Combined NagaWorld Integrated Entertainment Complex:** Naga 2 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. During the Year, Naga 2 continued to boost and drive an increase in footfall, as well as average customer spend (in particular the mass market segment) of the combined NagaWorld Complex. In fact, average daily mass market gaming table yield during the Year increased by 27% to a level comparable to integrated resorts in other established gaming destinations such as Macau.

The 2,000-seat theatre in Naga 2 also attracted much interest, and the hosting of international shows and events increased business volume of both gaming and non-gaming segments. For instance, NagaWorld hosted the record-breaking World Poker Tour (first major international poker tournament in Phnom Penh), which attracted nearly 3,000 entries from 47 countries in 2019. The Group will continue to improve both gaming and non-gaming offerings of the combined NagaWorld Complex to suit customers' needs, which is expected to support the stable business volume growth of the Group.

- 3. Mass Market Growth:** The Mass Market, which has been a key focus of the Company's strategy, continued to benefit from visitation and tourism growth in Cambodia, and continued to underpin visitor headcount growth at the combined NagaWorld Complex. During the Year, the Mass Market Segment GGR increased by 31%, and continued to pick up speed, which resulted in a higher proportion of revenue contribution to the Group. Cambodia is geographically located in the midst of an area which is a corridor of fast economic growth and tourism development.

Its favourable location as a tourist destination and its good connectivity and network of international flights enabled it to service both South East Asian and North Asian (especially Chinese) markets. In the first 11 months of 2019, visitation to Cambodia continued to grow with international arrivals increasing by 8% to 5.9 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 20% to 2.2 million visitors in the first 11 months of 2019. Visitation from South East Asian countries increased by 9%, with Indonesia and Thailand (combined population of about 342 million) registering growth of 22% and 25%, respectively. The top three sources of arrivals - China (37%), Vietnam (14%) and Thailand (7%) - collectively accounted for 58% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 9% over the corresponding period (Source: Ministry of Tourism, Cambodia).

Cambodia also benefited from 894 weekly scheduled in-bound international flights (an increase from 877 and 386 of such flights in December 2018 and December 2013 respectively). Of these flights, 415 flights per week originated from Chinese cities, including top tier locations such as Shanghai, Guangzhou, Chengdu, Hangzhou, etc. Phnom Penh International Airport recorded 499 weekly scheduled in-bound international flights (an increase from 460 of such in December 2018). These flights contributed positively towards the business volume and revenue growth of the Group's Mass Market Segment during the Year.

4. **VIP Business Growth:** The increase in VIP business volume of the Group during the Year was driven by the continued influx of business visitation, tourists, and increased footfall to the combined NagaWorld Complex, in particular Naga 2, where there has been customer demand for higher table limits and increased rollings. A few large Macau-based junket operators have set up fixed based operations and officially commenced bringing in VIP players to NagaWorld during the Year. Overall, VIP customer composition remained well diversified coming from South East Asia and North Asia, with increasing headcount and check-ins originating from Chinese business visitation. Despite the 31% increase in VIP rollings during the Year, the management of the Group continued to adopt a conservative gaming policy with a balanced profit incentive scheme with overseas junket operators.
5. **Financial Strength and Prudent Finance Policy:** The market capitalisation of the Company increased to approximately US\$8 billion (as at 20 November 2019), representing a growth of over 18 times from US\$441 million since the Company's initial public offering in October 2006. Since its listing, the Company has paid out more than US\$1.2 billion in dividends. The Group has raised the international economic profile, attracted FDI, enhanced tourism and contributed to the socio-economic development of Cambodia. In 2019, the Group contributed approximately 27% of local GDP tourism growth and approximately 1.2% of national GDP in Cambodia (Source: National Institute of Statistics of Cambodia classification of hotels and restaurants compared with the Group's 2018 Annual Report).

The Company's US\$300 million Senior Notes are rated "B1" by Moody's Investors Service (one notch above Cambodia's sovereign rating) and "B+" by S&P Global Ratings, whereby its yield to maturity compressed further to 5.0 as at 10 February

2020 from 9.375% on issuance in May 2018, implying over US\$13.8 million annual savings in finance costs with an assumption of refinancing at current yield. The Company has continued to adopt a prudent finance policy of nil to low gearing ratio. As at 31 December 2019, the Company maintained a net cash position with 0.45x debt to EBITDA ratio. The increasing market capitalization of the Group is a testimony of the market confidence towards the Group's financial strength, corporate governance and ability to provide world-class entertainment and hospitality products and services.

6. **Licensing Strength:** With no restrictions on the types of games, number of tables, electronic gaming machines, gaming space, gaming promoter commission and rebates, the Group has great flexibility to optimise its operations over time, including the ability to react swiftly to changes in market demand and alter its operations to best suit customers' needs. For example, the Group has introduced more leisurely games and hybrid baccarat games to cater for customers originating from certain areas of China for the comfort and enjoyment of wide customer base. Furthermore, in consideration of Group's contributions to the social-economic development of Cambodia, the Royal Government of Cambodia (the "RGC") has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. The Group believes the exclusivity extension to 2045 may be viewed as a long-term tourism infrastructure project which may generate recurrent revenue to the Company and its shareholders.
7. **Naga 1 Upgrade:** The first phase of upgrading 250 hotel rooms was completed within budgeted cost and reopened at the end of 2019, with no visible disruption to the Group's business volume growth during the Year. The newly upgraded hotel rooms have been well-received by customers, as the Group observed increase in average hotel room rate and yield from these upgraded hotel rooms. It is anticipated that the upgrade of the remaining 250 hotel rooms are expected to be completed with additional savings by first half of 2020. The Group believes that the completion of the Naga 1 upgrade project will contribute positively towards the quality, standard and comfort of Naga 1, driving business volume and revenue of the Group.

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.

The Group's strong growth trajectory, investors' confidence in the Group's future prospects and industry outlook have led to the Company being one of the global best performing gaming stocks in 2019. During the past 2-year period (2018-2019), the Group has generated about 132% shareholders' return in the form of increase in market capitalization and cash dividend distributed.

## **NAGA 3 UPDATE**

The Board is also pleased to announce that the Company has appointed Chicago-based Skidmore, Owings & Merrill LLP (“SOM”) in addition to the current Las Vegas-based architect planner Steelman Partners, both of these companies are evaluating and refining the existing conceptual designs which was disclosed in the circular of the Company dated 22 July 2019 that the conceptual designs are subject to change.

SOM has submitted many options of refinements to the Company and some of the features are highlighted as follow:

1. The total built-up area of Naga 3 shall remain the same as not less than 544,801 square metres. In fact in respect of the building submission to the Cambodian government, the total build area is 589,848 square metres. As per the DBA, all excess areas more than 544,801 square metres shall be paid by the Company’s controlling shareholder.
2. It is envisaged that the number of rooms shall be reduced to be replaced by a special Upper Podium or Upper Street (as named by SOM). The Upper Podium of the Upper Street shall be situated at the 57 level which consist of 4 floors, 2 floors shall be dedicated to VIP Gaming and 2 floors shall remain as a huge recreational area, likened to the swimming pool areas of Marina Bay Sand Singapore, overlooking the romantic Mekong River and the entire city below.
3. Naga 3 Complex shall consist of 3 towers; one 75-storey tower and two 61-storey towers linked by one Upper Podium or Upper Street. It is envisaged that Naga 3 will be a new landmark on the Phnom Penh skyline, the Naga 3 Integrated Entertainment Complex draws on the Group’s commitment to environmental and social responsibility and the rich tradition of Cambodian design. Designed by SOM, the project envisions a “Vertical City”: a casino and resort that stretches into the sky, taking inspiration from the vibrancy and excitement of city life.
4. Three towers rest atop a mixed-use, resort Lower Podium, all connected by a system of horizontal and vertical “streets” (elevated amenity bridges and gaming facilities) that are made accessible via a network of Naga Capsule exterior elevators. Just like a city, the resort will host a diverse mix of activities for families and guests – including hospitality, dining, conferencing, and theme park areas. This design will set a new standard for urban gaming resorts in Cambodia, and the world.
5. The design by SOM refines the original massing concept by proposing three towers instead of five. This proposed design achieves similar overall areas and the floor area ratio (FAR) of the previous development, but by deploying a mixed-use tower core design, allows for hotels to stack and thereby greatly improve the overall blended efficiency of the project. Three towers instead of five mean fewer stairs, fewer service elevators, less total façade area and an improved, less dense and

more elegant presence on the skyline. Because there are three towers instead of five, more space graces the distance between each façade, improving views and guest experience. The towers are designed to observe height restrictions imposed by practical concerns of economy and construction (they are not taller than necessary) and their floors are rationally designed for efficient, excellent resort and gaming facilities.

6. Tower One, the anchor of the development and the signature parcel in the resort fronts the park and greets the city on the north of the property. It is taller than the other towers, with one hotel stacked atop another. This creates a premier hotel property with a unique sky lobby experience in Cambodia. Perched above Tower One is Phnom Penh's new "City Room": a landmark golden lantern of four floors to be used for VVIP gaming. This glassy special building feature is wrapped in dynamic shading that adjusts its aperture throughout the day to respond to daylighting. It will be like an ever-moving, shimmering icon on the Phnom Penh skyline for years to come.
7. Naga 3 features amenity deck "Streets" that run through and span between the three hotel towers, interrupting the hospitality zones with unexpected lifestyle and wellness moments that culminate in the Parkway, a luxurious al-fresco bridge atop the towers with gaming, dining, and hospitality areas under the shade of a rooftop trellis.
8. Running vertically between the "Streets", the Naga Capsule elevators transport guest along the spines of each tower from "Street" to "Street" in glass cabs highlighting the spectacular panoramic views of Phnom Penh and the confluence of the Mekong River.
9. A holistic principal of the entertainment complex, Naga 3 prioritizes climate-sensitive building strategies and invites the local ecology inside, interweaving natural materials, lush plant-life, and sensory water features to form an urban oasis that spills into the adjacent Triangle Park, NagaWalk, and the bustling activity of the Suramarit Boulevard promenade.

Subsequently the SOM representatives held a special meeting with the Project Architect on 9 December 2019. The conceptual design is accepted by the Project Architect. On 10 December 2019, the SOM representatives and Project Architect held a special briefing to all the independent non-executive directors of the Company (the "INEDs") in the presence of the senior management and other Board members. At the end of the presentation, the conceptual design was approved by all the INEDs.

At the site of Naga 3, the soils tests have finished and the test piles have begun. It is expected that the 8,000 piles which will go down to 60 meters shall begin in the second half of 2020.

## 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.

Cambodia is a key country in China's "Belt and Road" initiative and China remains the world's largest market in outbound tourism with nearly 150 million outbound visitations made by Chinese travellers in 2018, an increase of 14.7% year-on-year according to a report issued by the China Tourism Academy and Ctrip (Source: Hong Kong Economic Journal, 14 March 2019). The Group is well-positioned 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 per-capita international tourism spend is also expected to reach above US\$2,000 by 2020, representing a 49% growth from 2018 to 2020 (Source: CLSA, 19 July 2017 and 14 June 2018). Chinese arrivals to Cambodia (mainly driven by business-related travel) represents a small percentage of the potential opportunities. Cambodia is targeting to attract at least 5.5 million Chinese tourists by 2025 (Source: The Commercial News, 15 January 2019).

Similarly, South East Asian countries, which have an estimated total population of 648 million, remain one of the Group's core target markets. Visitation to Cambodia from South East Asian countries including Indonesia and Thailand increased by double digit growth rates in the first 11 months of 2019. In particular, international business-related travel from Thailand, Indonesia and Malaysia into Cambodia increased by 77%, 65% and 57% respectively.

The strong growth in business-related travel (whereby such visitors tend to have higher disposal incomes and longer average length of stays) into Cambodia augurs well for the Group's future growth, in particular the Mass Market segment, which has always been the Group's key focus market. This is also in line with the Naga 3 development, whereby around 92% of total gross floor area will be allocated for non-gaming activities.

Flight connectivity between Cambodia and regional countries continues to improve. Direct weekly flights into Cambodia has increased from 877 (December 2018) to 894 (December 2019). As part of commemorating the 60th anniversary of diplomatic relations between Indonesia and Cambodia, direct flights between Phnom Penh and Jakarta was established in June 2019, with a total of 7 direct weekly flights. With the anticipated robust growth in visitation, the Cambodian Minister of Tourism (His Excellency Thong Khun) estimated that Cambodia will require 100,000 extra hotel rooms by 2028, of which 60,000 are required for the luxury high-end segment (Source: Khmer Times, 6 September 2018). Given the close geopolitical relationship between Cambodia and China and the continued influx of business-related travel from South East Asian countries, the Group sees good prospects ahead and will continue to be well-positioned as a notable emerging integrated resort in Asia.

The vision of the Group is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and position the Group as a competitive gaming powerhouse with a firm footing in the Asia Pacific region. Currently, the Group

operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong region.

Since its inception in 1994, the Company has been growing steadily with its market capitalisation multiplying more than 18 times from US\$441 million since the listing of the Company in October 2006 to approximately US\$8 billion as at 20 November 2019. Since listing, the Company has paid out more than US\$1.2 billion in dividends. The Group has raised the international economic profile, attracted FDI, enhanced tourism and contributed to the socio-economic development of Cambodia.

Having considered the uniqueness of a casino license, monopoly rights in the heart of a capital city, and after having operated successfully for the past 24 years in a region with political stability and consistent tourism and economic growth, the Group's vision of building Naga 3 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. Upon the expected successful completion of Naga 3 by 2025, Naga 3 shall increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Company's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

In consideration of the Group's contribution to the social-economic development of Cambodia and the Group's commitment to invest up to approximately US\$3.5 billion to construct and develop the Naga 3 integrated entertainment complex and the resultant economic value of thousands of jobs creation and incremental increase in tourist's visitation generated during and at the completion of Naga 3, the RGC has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. This is expected to further enhance the Group's ability to attain steady growth and deliver impressive and consistently improving financial performance.

Management is optimistic about the Group's future business prospects. Naga 1, Naga 2 and Naga 3 are sited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River. This inspires and encourages the Company to develop the biggest riverine integrated resort in the world, thereby enhancing the competitiveness of the Group as one of Asia's gaming powerhouses, with high quality standards set to rival other established integrated resorts in the region.

Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 24 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 are expected to position the Group as one of the regional sizable gaming resorts in the Asia Pacific area and is expected to generate steady recurrent revenue for the benefits of the Company and its shareholders.

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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 1994, 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 (1995-2065), and exclusive gaming rights for a period of around 51 years (1995-2045). In 2011, NagaCorp was selected for inclusion in the Hang Seng Foreign Companies Composite Index. 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)