

For Immediate Release



NagaCorp Announces 2020 Annual Results

* * * * *

Gross Gaming Revenue (GGR) of US\$869.6 million

EBITDA of US\$265.2 million

Net Profit of US\$102.3 million

Dividend Payout Ratio of 100% of 2H2020 Net Profit

Hong Kong, 8 March 2021 – **NagaCorp Ltd.** (“NagaCorp” or the “Company”, SEHK stock code: 3918), together with its subsidiaries (collectively referred to as the “Group”) which owns, manages and operates NagaWorld, the entertainment centre of the Mekong Region, today announced robust financial and operating results for the year ended 31 December 2020 (the “Year”).

1) Gross Gaming Revenue (GGR) of US\$869.6 million

2) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of US\$265.2 million

3) Net Profit of US\$102.3 million

4) Mass Market Tables GGR of US\$174.3 million

5) Mass Market Electronic Gaming Machines (EGM) GGR of US\$82.4 million

6) VIP Market GGR of US\$613.0 million

7) 100% Final Dividend Payout Ratio: A final dividend for Shareholders of US cents 1.88 per share (or equivalent to HK cents 14.57 per share) has been declared, representing a payout ratio of 100% based on the net profit generated for 2H2020.

Since the re-opening of the casino businesses on 8 July 2020, the Company has recorded an initial recovery rate (compared to the pre-closure period of 1Q2020) of about 95% for the Mass Market Segment and about 69% for the VIP Market Segment. NagaWorld, with its attractive and quality facilities located strategically in the city-centre, has since its inception been the focal point of leisure and entertainment activities in Phnom Penh. Hence, despite the prolonged regional travel restrictions and reduction in most international flights, the Group's Mass Market Segment has been quite steady.

As at 31 December 2020, the Company had cash and deposits of US\$452.0 million, and maintained a relatively low net debt to EBITDA ratio of 0.7x. The cash and deposits balance has increased further to US\$507.0 million as at 4 March 2021. The Company has sufficient cash reserves set aside to repay the existing US\$300 million 9.375% senior notes due in May 2021 (the "2021 Senior Notes"). Assuming full repayment of the existing 2021 Senior Notes, the Company will not have any debt refinancing obligation until July 2024.

BUSINESS REVIEW

The International Monetary Fund is projecting Cambodia's real gross domestic product growth to recover to 6.8% in 2021, with a moderate inflation rate of 2.8% (*Source: IMF – World Economic Outlook Database October 2020*). Similarly, Moody's Investors Service, Inc. ("Moody's") is projecting Cambodia's GDP to rebound by about 6% in 2021, due to strong fiscal buffers that will counter the disruptions in trade, and growth arising from the COVID-19 pandemic. In addition, Cambodia's latest credit profile reflected the country's solid growth prospects and highly affordable debt burden (*Source: Moody's Investors Service, Inc., 22 May 2020*).

Despite the temporary closure of our casino operations for over three months and a reduced level of tourist visits to Cambodia in 2020, the Group delivered relatively good financial results in the Year. This was because the Group was able to operate without much interruption in 1Q2020, and since the re-opening of casino businesses on 8 July 2020 until 31 December 2020, the Group recorded a sustained level of business volume recovery. The positive result was attributed to the following:

- 1. Promotional Activities of the 25th Anniversary Celebrations:** In conjunction with the 25th anniversary celebration, the Group rolled out a wide range of incentives and promotion packages targeting different tiers of the Mass Market (including premium players) and VIP Market Segment, which included complimentary hotel stay and food and beverage ("F&B") offerings with committed buy-ins in the gaming segments of Mass Market tables and EGM. Multi-level incentives for both Mass and VIP Markets were being offered to customers, with higher committed purchases of chips leading to higher value of incentives offered to customers. The competitive incentives offered have increased gaming business volumes.

Moreover, the Group sponsored seasonal events, such as the Christmas and New Year decorative lights illuminating the Hun Sen Park (in front of NagaWorld) etc.,

competitive hotel room rates increased hotel occupancy and attracted reasonably good crowd and headcount to the property during the Year.

- 2. Good Cash Generation and Financial Stability, Continued Gaming Policy of Conservatism:** The accumulated cash and deposits demonstrate the Group's continued ability to retain reasonably good cash position despite the COVID-19 pandemic. Furthermore, the Group's stable financial strength is reflected in the lower debt financing cost of 7.95% (the "2024 Senior Notes") incurred to refinance the existing 9.375% 2021 Senior Notes maturing in May 2021. The yield to maturity of the 2024 Senior Notes has compressed to about 6.5% as at 31 December 2020.

The Group has continued to adopt a prudent finance policy of low gearing ratio. As at 31 December 2020, the Group maintained a relatively low net debt to EBITDA ratio of 0.7x. This conservative approach to financial management of the Group is expected to generate confidence within the gaming and investing community towards stability and growth of the Group's businesses.

- 3. Cambodia Ranked in the Top World Best to Contain COVID-19:** According to the report of Le Bureau de Prospective Economique of Senegal on the COVID-19 Severity Index, Cambodia ranks No. 1 in Asia and No. 3 in the world (out of 166 countries) with the best effective measures to contain the spread of COVID-19 and to handle pandemic's fallout (*Source: Jian Hua Daily, 20 November 2020*). In addition, in The Lancet research report dated 14 September 2020, Cambodia was ranked No. 4 (top among 91 countries on the list) in terms of outstanding effort on combating against the spread of COVID-19 epidemic.
- 4. Cambodia Economic Outlook during COVID-19 Pandemic:** The Cambodian government allowed the reopening of school and a range of businesses at the end of 2020, with the condition that additional precautionary measures must be implemented. Domestic economic activity is expected to return to normalcy gradually. With further re-opening, the rate of sales recovery in Cambodia is better than other countries in Southeast Asia. It may improve faster provided COVID-19 pandemic remains under control without further lockdown (*Source: Cambodia Economic Update, World Bank Group, November 2020*).

The IMF and Moody's are projecting Cambodia's real GDP to recover and grow at 6.8% and about 6%, respectively, in 2021 (*Source: IMF – World Economic Outlook Database October 2020; Moody's 22 May 2020*). With the number of COVID-19 cases in Cambodia relatively well contained and the government granting social security and financial assistance to small and medium enterprises, the Asian Development Bank ("ADB") also expects Cambodia's economy to rebound and grow at 5.9% in 2021 (*Source: Jian Hua Daily, 24 September 2020*).

- 5. Improving Regulatory Environment:** Cambodia's Law on the Management of Integrated Resorts and Commercial Gambling ("LMCG") has officially been signed into law. The LMCG calls for better sector management and measures to protect against money laundering and terrorism financing, and acknowledges that the casino sector has contributed positively towards tourism development and job creation. Furthermore, the National Assembly of Cambodia approved the draft law on anti-money laundering and combating the financing of terrorism in 2020.

- 6. International Arrivals and Direct Flights into Cambodia during Pandemic Period:** Cambodia recorded total international arrivals of 1,286,074 visitors in the first 11 months of 2020. Weekly international direct flights to Cambodia had resumed gradually to 43 as of 1 March 2021, which included 25 direct flights from Greater China cities such as Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Kunming, etc. (Source: Cambodia Airports, airlines websites). Direct flights between Phnom Penh and Singapore resumed on 1 September 2020. The increased number of direct flights into Cambodia is a result of increasing business visitation. Monthly international business-related arrivals as of November 2020 was 10,959 visitors, representing an increase of 295% from the lowest point of 2,776 visitors recorded in April 2020 (Source: the MOT).
- 7. NagaWorld Precautionary and Preventive Measures Against COVID-19:** Preventive measures and measures for the protection of the safety and health of employees have been implemented since January 2020, well before the spread of the COVID-19 virus in the country. In compliance with the guidance from the MOH and the WHO, the Group implemented various preventive measures.
- 8. Mass Market Business:** The Mass Market Segment, which has been a key focus of the Group's strategy has continued to benefit from the visible increase in wealth and a reasonably sized expatriate community, and to some extent, visitors coming from East Asia (mainly China, South Korea and Taiwan). After the reopening of casino operations in July 2020, the Mass Market Segment has been leading the Group's gaming business volume recovery, registering an overall recovery rate of about 95%.
- 9. VIP Business:** Despite most cross-border travel policies in the Asian region remaining restrictive, the Group's VIP business volume recorded satisfactory recovery as average daily VIP Rollings recorded from 8 July 2020 to 31 December 2020 have reached 69% of the average daily volume recorded during the pre-closure period of 1Q2020. The sustained positive result (after the reopening of casino businesses) in the VIP business is largely driven by the reasonably sized and diverse number of expatriates currently living and conducting business in Cambodia. Moreover, with the preventive measures against COVID-19 (as endorsed by the MOH) undertaken, VIP players feel more comfortable visiting NagaWorld. The Group observed both repeat VIP customers and new clientele within both the junket hall as well as the direct VIP player gaming hall.
- 10. Non-Gaming Business:** The completion of the Naga 1 upgrade project has contributed positively towards the quality, standard and comfort of Naga 1 hotel rooms, helping to drive revenue of the Group.

The attractive and competitive non-gaming offerings continue to compliment and support the stable gaming business volume. Despite most cross-border travel policies within Asia remaining restrictive, Naga 2 hotel room occupancy was approximately 49% in 4Q2020. As property average daily footfall has increased (since reopening of casino businesses), approximately 70% of the F&B outlets within NagaWorld have resumed business operation.

11. Effective Cost Control and Nil Employee Retrenchment During Virus

Outbreak: With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. In addition, the Company has implemented a series of operating cost saving measures in response to the temporary closure of casino operations during the Year.

12. Environmental, Social and Governance in Pandemic Times: NagaWorld Kind Hearts, the Company's corporate social responsibility ("CSR") arm, is a grassroots initiative with long term contribution towards the betterment of communities in Cambodia. Since the initiative's inception up to the end of 2020, more than 390,000 Cambodians have benefited through the Company's CSR programmes.

At the shareholder level, the Group's founder and Controlling Shareholder personally contributed US\$5 million for the procurement of COVID-19 vaccines for the Cambodian people. This was in response to an appeal by the RGC to development partners and donors. In a letter, the Prime Minister acknowledged that "The contribution of Tan Sri Dato' Dr Chen Lip Keong is invaluable and will always be remembered in the history of the people of Cambodia" (*Source: Khmer Times, 14 December 2020*).

NagaWorld Kind Hearts' comprehensive suite of CSR initiatives were given the prestigious Stevie® Awards, the Global CSR Summit & Awards, the PRNews' Platinum PR and CSR & Non-profit Awards in 2020 for driving transformative changes in communities across Cambodia. The Company marks yet another milestone for its CSR initiatives after being recognised in the Stevie® Awards for the second consecutive year and this award was an endorsement of the Group's continuous effort on improving the social, environmental and economic aspects of Cambodia as well as its people's life.

PROSPECTS

The number of COVID-19 cases is relatively well contained in Cambodia. With the rollout of vaccination globally, Cambodia will continue to seek more doses, in order to vaccinate up to 80% of the total population. The Chinese government has committed to donating 1 million doses of vaccine, with the first batch of 600,000 doses of vaccines having arrived on 7 February 2021, such that around 500,000 Cambodians could be vaccinated by April 2021. Starting from 20 February 2021, the Ministry of Foreign Affairs announced that the resumption of E-Type Visa, which was suspended last year, with the aim to attract more short-term travellers to Cambodia (*Source: Cambodian Ministry of Foreign Affairs statement, 19 February 2021*). From observation, Cambodia's domestic demand and economic activity have been gradually returning to normalcy.

Air traffic from North Asia and South East Asia to Phnom Penh is recovering, and expatriates and business travellers have begun to return to Cambodia since early May

2020 (Source: CICC report dated 7 July 2020; Centre for Asia Pacific Aviation). The influx of FDI has driven a relatively good number of business travellers to Cambodia, who have continued to stay in the country because of their businesses established in Cambodia. The bilateral trade volume between China and Cambodia stood at US\$9.4 billion in 2019. The figure almost hit the US\$10 billion target the two countries have set out to reach by 2023 (Source: Jian Hua Daily, 29 April 2020; Xin Hua, 16 May 2020). The recent signing of the Cambodia-China Free Trade Agreement (“CCFTA”) and the likelihood that the CCFTA will enter into force in 2021 will help promote domestic investment and regional trade. In addition, the benefits of being a member of the Regional Comprehensive Economic Partnership (“RCEP”), the largest free trade area in the world that was signed in November 2020, should begin to flow starting in 2021 (Source: Cambodia Economic Update, World Bank, November 2020). Subject to the easing of regional travel restrictions, Cambodia’s economy is expected to recover gradually with IMF and Moody’s projecting Cambodia’s real GDP to grow at 6.8% and about 6%, respectively in 2021.

The development of Naga 3 is progressing, with completion expected by 2025, which will 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 EGM and many other non-gaming attractions. About 93% of Naga 3’s gross floor area will feature non-gaming offerings, which is in line with the Group’s long-term strategy of offering comprehensive lifestyle products and services. Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 25 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) is expected to position the Group as one of the most sizable integrated resorts and entertainment centres in the Asia Pacific region.

Angkor Wat is a famous UNESCO World Heritage site, which received about 5 million annual visitation and generated about US\$99 million entrance fee ticket sales in 2019. In October 2020, the MOT announced the Siem Reap Tourism Development Master Plan 2020-2035, which included establishing a new Siem Reap city near the new international airport, now under construction. The development plan aims to create thousands of jobs and bring in seven million tourists annually by 2035 (Source: Agence Kampuchea Presse, 28 Oct 2020). The Company’s proposed non-gaming IR development project in Siem Reap (ALOW) is expected to provide entertainment and hospitality facilities which are lacking in surrounding Angkor Wat. This project is expected to enhance the overall attractiveness of Angkor Wat and encourage repeat visitation. Upon completion, ALOW shall receive streaming memberships and gated incomes annually in addition to other revenue. Furthermore, the Group expects the flow of patrons between ALOW in Siem Reap and NagaWorld in Phnom Penh as a result of cross-selling will generate incremental cash flow and visitation for the two integrated resorts at the two different locations.

It is the intention of the Group to be perceived as a more comprehensive and quality integrated resort (“IR”) developer to create and offer comprehensive lifestyle products, with an emphasis also on non-gaming as a source of revenue. We anticipate that the non-gaming and gaming IRs will co-exist with each other in a mutually beneficial manner. It is the intention of the Group to explore viable and profitable IR development

in Cambodia. The Group is expected to gain a foothold as a strategic, sizable and comprehensive world-class IR developer to help promote tourism in the Kingdom of Cambodia.

Therefore, the Group expects to continue its growth trajectory, and believes that the long-term prospects and outlook of the Group will remain stable.

#

ABOUT NAGACORP LTD.

NagaCorp Ltd. has been listed on The Hong Kong Stock Exchange since 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 51 years (1995-2045). NagaCorp was selected for inclusion in the Hang Seng Foreign Companies 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 & Mid Cap Index.

For further information, please contact Hill+Knowlton Strategies Asia

Ada Leung
+852 2894 6225
ada.leung@hkstrategies.com

Geffron Auyeung
+852 2894 6255
geffron.auyeung@hkstrategies.com