

**For Immediate Release**



## **NagaCorp Announces 2021 Interim Results**

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**Gross Gaming Revenue (GGR) of US\$129.3 million**

**Adjusted EBITDA of US\$17.7 million**

Hong Kong, 30 August 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 financial and operating results for the six months ended 30 June 2021 (the “Period”).

**1) Gross Gaming Revenue (GGR)** of US\$129.3 million

**2) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)** of US\$11.2 million. **Adjusted EBITDA** of US\$17.7 million

**3) VIP Market GGR** of US\$80.5 million

**4) Mass Market Tables GGR** of US\$29.9 million

**5) Mass Market Electronic Gaming Machines (EGM) GGR** of US\$18.9 million

**6) Basic loss per share** of US cents 1.78

The financial results of NagaCorp Ltd. for the six months ended 30 June 2021 reflects the impact from the voluntary temporary suspension of business operations since 2 March 2021, in response to the COVID-19 outbreak in Cambodia. However, the Group maintained positive EBITDA with an Adjusted EBITDA (being EBITDA less one-off cost related to the employee mutual separation scheme) of US\$17.7 million during the Period, despite the fact that the Group has effectively only about two months of business operations during the Period. The Group has recorded stable recovery of gaming business volume in the first quarter of 2021 (the “1Q2021”), prior to the 20 February 2021 COVID-19 community outbreak. Since the voluntary temporary

suspension of business operations, the Group has undertaken a series of measures to minimise run-rate operating costs and cash expenditures.

As of 30 June 2021, the Group's cash and deposits were US\$275.4 million. The Group has sufficient liquidity and cash reserve to fund cash expenditures during the voluntary temporary suspension of business operations. The Company has no debt repayment obligation until July 2024. On 21 May 2021, the Company made full repayment of the US\$300 million aggregate principal amount of 9.375% senior notes due 2021 (the "2021 Senior Notes") together with the interest accrued to the maturity date on 21 May 2021. On 15 June 2021, the Company completed the issuance of an additional US\$200 million 7.95% senior notes due 2024 (the "Additional 2024 Senior Notes") priced at a yield of 6.625%, to strengthen the Group's working capital. The order book of the Additional 2024 Senior Notes reached an amount of over US\$580 million, which reflects investors' confidence in the Company's long term strategy and solid credit profile.

## **BUSINESS REVIEW**

Cambodia's economic outlook is expected to return to a positive level in 2021 despite the near-term uncertainty caused by the pandemic. The International Monetary Fund ("IMF") has projected Cambodia's real gross domestic product growth at 4.2% in 2021 and 6.0% in 2022, with an inflation rate of 3.1% and 2.8%, respectively (*Source: IMF – World Economic Outlook Database April 2021*). The World Bank is of the opinion that Cambodia's economic growth is gradually recovering and has projected it to grow at 4.0% in 2021, supported by a gradual recovery in domestic demand following the vaccine deployment and improvements in external demand and capital inflows (*Source: Cambodia Economic Update, World Bank, June 2021*).

Despite the Group having approximately only two months of operations during the Period, the Group maintained positive EBITDA with an Adjusted EBITDA of US\$17.7 million during the Period. The Group's 1Q2021 operational results were relatively stable and continued to record recovery of gaming business volumes. The relatively stable operational results prior to the voluntary temporary suspension of business operations and the positive Adjusted EBITDA during the Period was generally attributable to the following:

- 1. Business Migration:** The US-China trade tension has caused business migration to the Mekong region as it encouraged Chinese factories to relocate to lower cost countries such as Cambodia, which is consistent with the influx of foreign capital and expatriates into Cambodia, especially its capital Phnom Penh. The Group serves a wide and geographically diverse premium mass and mass-market customer base, mainly from South East Asia, East Asia and a captive local affluent expatriate community living in Cambodia patronizing NagaWorld in search of entertainment. As such, the Company is able to capitalize on and benefit from the wave of business migration during the period of COVID-19 global pandemic.

Strong bilateral ties between China and Cambodia have resulted in a continued increase in the number of Chinese people travelling to Cambodia for investment

purposes, reinforcing further the business migration and creation of more job opportunities in Cambodia.

- 2. International Arrivals and Direct Flights into Cambodia during the Pandemic Period:** Cambodia's borders remained open to international visitors during most of the first half of the year. In the first half of 2021, the country recorded total international arrivals of 102,560. Of the top 10 markets, Thailand was the highest at 51.0%, followed by China (29.0%), Vietnam (6.8%), Indonesia (3.3%), Korea (1.8%), U.S.A (1.6%), Taiwan (1.5%), Malaysia (0.9%), Japan (0.8%) and France (0.6%). These top 10 markets accounted for 97.2% of total arrivals. International business-related travel to Cambodia was 48,579 visitors in the first half of 2021, with 60.6% of this travel originating from China (*Source: MOT*).

As of 29 August 2021, weekly international direct flights to Phnom Penh, Cambodia stood at 27, including 7 direct flights from Greater China cities such as Guangzhou, Chengdu, Taipei and Hong Kong, as well as 9 from Seoul and 11 from Singapore (*Source: Cambodia Airports, airlines websites*). Monthly international business-related arrivals for the month of June 2021 was 4,732 visitors, representing an increase of 70% from the lowest point of 2,776 visitors recorded in April 2020 (*Source: the MOT*).

The MOT is expecting to revive international tourism during the fourth quarter of this year by inviting fully vaccinated international visitors from low-risk countries to enter Cambodia (*Source: Cambodian Tourism Minister statement, 21 May 2021*). The Royal Government of Cambodia ("RGC") has also outlined strategies and priority action plans aimed at promoting the quality, safety and sustainable development of the tourism sector, as well as to bolster Cambodia's social and economic development (*Source: Cambodian Tourism Minister statement, 5 April 2021*).

- 3. Cambodia Ranked Second Most Vaccinated Nation in ASEAN:** According to Moody's, the RGC's proactive management of COVID-19 has been widely viewed as effective. Similarly, the World Bank acknowledged the RGC's efforts in combating COVID-19 by ensuring rapid vaccination within the country. It also highly valued the government's Post-COVID-19 Economic Recovery Plan 2021-2023, which it noted was clear, realistic and comprehensive (*Source: Khmer Times, 26 June 2021*).

Since early February 2021, the RGC has launched a strategic plan for its COVID-19 vaccination campaign to build socio-economic resilience and strive to achieve herd immunity in Cambodia by the end of 2021, aiming to vaccinate all people aged 18 and above (*Source: Khmer Times, 7 May 2021*). As of 23 August 2021, Cambodia had received about 25.1 million doses of WHO approved vaccines (*Source: Jian Hua Daily, 23 August 2021*). It is more than sufficient to cover the government's initial plan to vaccinate 10 million people (*Source: Jian Hua Daily, 10 July 2021*). In August, the RGC revised its vaccination target to 12 million or 75% of the country's population by the end of 2021 (*Source: Khmer Times, 21 August 2021*). Furthermore, on 8 August 2021 the RGC began its 3rd 'booster' shot vaccination campaign for frontline workers located at the Cambodia-Thailand border, and on 12 August 2021 began the same vaccination campaign in Phnom

Penh to strengthen the vaccine's effect against the new COVID-19 variants (*Source: Khmer Times, 1, 7 & 10 August 2021*). So far, a total of 599,722 people have received their third vaccine dose (*Source: MOH*). Meanwhile, the RGC is actively involving in negotiations with licensed COVID-19 vaccine producers to secure sufficient doses for the ongoing 3<sup>rd</sup> 'booster' shot campaign.

As of 29 August 2021, a total of 9,092,155 people aged 18 and above (56.8% of the total 16 million population or 90.9% of the targeted 10 million population) in Cambodia had received at least one vaccine dose. Of which, 8,123,708 people (50.8% of the total 16 million population or 81.2% of the targeted 10 million population) had been fully vaccinated, i.e. already received their second vaccine dose (*Source: MOH*). In order to combat the COVID-19 pandemic effectively, the RGC began vaccinating children and youths aged between 12 and 17 on 1 August 2021, starting from Phnom Penh and the neighbouring Kandal province (*Source: Jian Hua Daily, 23 July 2021; Khmer Times, 24 July 2021; Phnom Penh Post, 1 August 2021*). A total of 1,470,840 children and youths (74.8% of the targeted 1,966,931 population) have received their first dose of COVID-19 vaccine since 1 August 2021 (*Source: MOH*).

Cambodia has made significant progress in its vaccination campaign and is ranked the second most vaccinated nation among ASEAN after Singapore (*Source: Phnom Penh Post, 29 April 2021; Khmer Times, 5 August 2021*). After nearly five months, the Cambodia sub-committee for COVID-19 vaccination wrapped up the COVID-19 vaccination drive in Phnom Penh after 2,128,791 people or 99.22% of the capital's adult population completed the two-dose inoculation (*Source: Khmer Times; Xin Hua, 8 July 2021*). According to investment and advisory firm Mekong Strategic Partners, Phnom Penh is the most vaccinated capital in the world (*Source: Khmer Times, 18 August 2021*). The successful rollout of this vaccination program should eventually lead to restoration of market confidence.

- 4. Cambodia Economic Outlook during COVID-19 Pandemic:** Cambodia's economy remains relatively stable despite the 20 February 2021 COVID-19 community outbreak, a three-week lockdown imposed in April 2021 and restrictions of movement and business activities since then. The B2 stable outlook rating on Cambodia retained by Moody's has reflected the country's strong growth prospects and moderate affordable government debt burden (*Source: Moody's, 21 May 2021*). According to the latest economic outlook of the Asian Development Bank, Cambodia's economy is forecast to recover and grow at 4.0% in 2021, followed by 5.5% in 2022 in view of the economic recovery in major trading partners, boosting demand for Cambodia's exports. Cambodia total exports rose by 17% and was valued at US\$8.2 billion in the first six months of 2021 compared with the same period of last year. This was contributed by the increased demand for non-garment products such as bicycles, electronic components, wood-made products and agricultural goods from international markets, particularly large economies and regions such as the US and the EU, which showed a positive move in trade activity (*Source: Ministry of Economy and Finance*).

Foreign Direct Investment ("FDI") remains resilient as FDI inflows steadily return, boosted by increased investment with the newly signed Cambodia-China Free Trade Agreement ("CCFTA") and the Regional Comprehensive Economic

Partnership (“RCEP”) (Source: *Cambodia Economic Update, World Bank, June 2021*). RCEP, the world’s largest free trade agreement comprising 16 member countries, establishes a comprehensive, modern, high-quality partnership framework that provides mutual economic benefits, and facilitates the expansion of regional trade and investment supply chains, in particular, contributing to the rapid recovery of the Cambodian economy (Source: *Khmer Times, 22 June 2021*). According to the 2021 World Investment Report by the United Nations Conference on Trade and Development, in spite of the global COVID-19 pandemic, FDI in Cambodia amounted to US\$3.6 billion, with the financial and banking sector growing by 13.0% to US\$1.4 billion in 2020. With the additional policy support and COVID-19 vaccination campaigns reaching millions of people, IMF projects Cambodia’s real Gross Domestic Product (“GDP”) to rebound and grow at 4.2% in 2021 (Source: *IMF, April 2021*). Based on Cambodian Development Council (“CDC”) data, FDI from China contributed approximately 69% of the total approved investment projects in the first half of 2021 (Source: *Jian Hua Daily, 9 July 2021*).

- 5. Environmental, Social and Governance (ESG) During a Pandemic:** 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. In order to support the RGC’s effort to contain the surge of cases in the community, NagaWorld Kind Hearts donated US\$100,000 in food supplies to Phnom Penh City Hall for communities struggling with the latest impact brought upon by the increasing number of COVID-19 cases when the capital went into lockdown on 15 April 2021. The total amount donated was sufficient to assist 3,500 families in the most affected areas.

By partnering with Naga Farm, which was established in recent years in the Ang Snuol district, with local community members as employees, NagaWorld Kind Hearts has continued its support of local communities most affected by COVID-19 by jointly donating food packages to 1,000 families in need in Ang Snuol district, Kandal province. Working with the local authorities, Naga Farm and NagaWorld Kind Hearts have donated crucial food supplies where it was most needed.

During the pandemic, NagaWorld Kind Hearts has been making regular donations to public institutions to help keep Cambodian communities safe and combat the spread of COVID-19. This includes contributions of world-class medical equipment and testing kits as well as preventive supplies such as surgical masks, hand sanitizers and temperature checkers to the MOH, the Ministry of Education, Youth and Sport, the Ministry of Land Management, Urban Planning and Construction, the General Commissariat of National Police and Phnom Penh City Hall. Overall aid from the Company during the pandemic now stands at more than US\$245,000 in value.

The Company has made annual contribution to the Cambodian Red Cross, and contributed to the Water Wells Foundation of Cambodia to create new and hygienic water sources as part of sustainable rural development of Cambodia. Over the years, the Company has contributed about US\$31 million for public interests and charitable purposes in Cambodia.

NagaWorld Kind Hearts' comprehensive suite of ESG initiatives mark another

achievement after being recognised in the Stevie® Awards for the third consecutive year. The 2021 awards given were a Gold Stevie® Award for Continuous Efforts in Fostering the Development in Cambodia; three Silver Stevie® Awards for Making the World a Better Place: Its a Lifelong Learning Journey, NagaWorld Kind Hearts' Sports Initiatives Spur a Nation's Development, and Taking a Stand: NagaWorld Against COVID-19; and a Bronze Stevie® Award for Moving Generations to Go Green. These awards are an endorsement of the Group's continuous efforts towards improving the social, environmental and economic aspects of Cambodia as well as the lives of its people.

At the corporate level, the Company has been recognized as an Honoured Company in the Small & Mid-Cap category by the renowned financial publication *Institutional Investor* for outstanding leadership, including “Best CEO” and “Best CFO” in the Gaming & Lodging sector. This recognition is part of *Institutional Investor's* 2021 All-Asia Executive Team annual rankings which are regarded globally as the financial industry's benchmark for excellence.

The Company is dedicated to enhancing long term value for all stakeholders and continuously strives for excellence by ensuring the sustainable growth of business.

**6. Improved Liquidity and Cost Efficiency:** As of 30 June 2021, the Group's cash and deposits were US\$275 million. The Group has sufficient liquidity and cash reserves to fund cash expenditures during the voluntary temporary suspension of business operations. On 15 June 2021, the Company completed the issuance of the Additional 2024 Senior Notes priced at a yield of 6.625%, to strengthen the Group's working capital. The Company fully repaid the outstanding principal amount of US\$300 million together with the interest accrued to the maturity date of the 2021 Senior Notes due on 21 May 2021, with cash on hand. Following the full repayment of the 2021 Senior Notes, the Company will not have any debt repayment obligation until July 2024.

The accumulated cash and deposits demonstrate the Group's continued ability to retain a stable cash position and raise external funding despite the unprecedented challenging period of the COVID-19 pandemic.

## PROSPECTS

Amid rising cases of COVID-19 infections, Cambodia is aggressively rolling out a vaccination program that will help the nation reach herd immunity. Some non-essential businesses remain closed while the Cambodian government has allowed the reopening of essential businesses, i.e. restaurants and local markets with strict social distancing and other health measures in place including requiring everyone to wear a mask, maintain social distancing, washing hands with sanitisers and scanning the "Stop COVID" QR Code before entering public venues (*Source: Khmer Times, 15 June 2021*). As of 23 August 2021, Cambodia had received about 25.1 million doses of vaccine which is sufficient to achieve the COVID-19 vaccination campaign goal of 12 million vaccinated people (75% of the country's population) by the end of 2021 (*Source: Khmer Times, 21 & 23 August 2021*). Furthermore, the vaccination drive in Phnom

Penh has been completed and the city is ranked the most vaccinated capital in the world, with almost every resident vaccinated (*Source: Xin Hua, 8 July 2021; Khmer Times, 18 August 2021*). The Cambodian government's efforts in COVID-19 vaccination campaign are widely viewed as successful, particularly when measured by the increased vaccination up-take; this positive response to the vaccination campaign is the key to boosting market confidence.

During the COVID-19 pandemic, Cambodia-China relations have been continually strengthening and China has played a vital role in boosting Cambodia's economic recovery, especially with the supply of vaccines. In term of investment, China's investment in Cambodia stood at approximately US\$2.0 billion in the first half of 2021, accounting for 69% of total investment. The Cambodian government believes that China will remain Cambodia's largest source of investment and will help drive its economic growth through trade and investment activities (*Source: Jian Hua Daily, 11 July 2021*). The prospects of CCFTA, which may go into effect this year, will help further boost investment, and thus support overall agricultural production for exports, especially to the Chinese market (*Source: Cambodia Economic Update, World Bank, June 2021*). The bilateral trade volume between China and Cambodia remained strong despite the global outbreak of COVID-19, reaching US\$8.2 billion in 2020. In the first six months of 2021, the bilateral trade volume between China and Cambodia stood at US\$6.1 billion, an increase of approximately 44% year-on-year (*Source: Jian Hua Daily, 11 July 2021 & 12 August 2021*). According to Cambodia's Commerce Ministry, the RCEP is expected to come into effect early next year, which will enable Cambodia to modernize and diversify its economic structure through long term partnership trade opportunities (*Source: Khmer Times, 16 July 2021*). Subject to recovery in domestic and international demand following wide vaccine deployment, Cambodia's economy is expected to recover gradually with IMF and World Bank projecting the country's real GDP to grow at 4.2% and 4.0%, respectively in 2021.

According to the Cambodia Tourism Minister's statement on 21 May 2021, the MOT is working towards a possible reopening of the Cambodia tourism industry in the fourth quarter of this year to fully vaccinated tourists. With the COVID-19 pandemic taking a toll in the tourism industry, the country's rapid vaccination drive puts Cambodia on track for the possible reopening of its borders to low-risk countries in 4Q2021.

The Group continued to focus on the execution of its existing development projects. The development of Naga 3 is in progress. It is expected that the combined complex of NagaWorld (Naga 1, Naga 2 and Naga 3) will have approximately 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. Naga 3's long term strategy is the continuation of Naga 2's success. The Company is committed to developing and completing the Naga 3 Project to stimulate and enhance Cambodia's tourism industry. Given the uniqueness of a casino

monopoly in the heart of a capital city, the combined complex of NagaWorld is expected to position the Group as one of the most sizable riverine integrated resorts and entertainment centres in the Asia Pacific region.

Looking ahead, 2021 will remain challenging largely resulting from economic uncertainties arising from the unprecedented COVID-19 pandemic. Nonetheless, with the relaxation of restrictions and the global economy slowly returning to normalcy, NagaWorld is expected to continue drawing tourists from South East Asia and East Asia, especially with incoming business migration inflows to Cambodia. The Group expects to continue its growth trajectory, and believes that the long term prospects and outlook of the Group will remain stable.

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#### **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.

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