

For Immediate Release



NagaCorp Announces 2019 Interim Results

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Mass Market Tables GGR Growth of 45%

EBITDA Growth of 41%

Net Profit Growth of 36%

Hong Kong, 23 July 2019 – **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 2019 (the “Period”).

- 1) VIP Rollings increased 38%** to US\$23.2 billion
- 2) Mass Market Tables Buy-ins increased 32%** to US\$756.3 million
- 3) Mass Market Electronic Gaming Machines (“EGM”) bills-in increased 29%** to US\$1.3 billion
- 4) GGR increased by 22%** to US\$872.4 million
- 5) Net Profit increased by 36%** to US\$245.1 million
- 6) 60% Dividend Payout Ratio:** An interim dividend for Shareholders of US cents 3.39 per share (or equivalent to HK cents 26.27 per share) has been declared, representing a payout ratio of 60% based on the net profit generated for the Period.

BUSINESS REVIEW

The Cambodian economy continued to register stable growth in 2018. The International Monetary Fund is projecting real gross domestic product growth of 6.8% in 2019 and 6.7% in 2020, with an inflation rate of 2.6% and 2.8% respectively (Source: International Monetary Fund - World Economic Outlook Database April 2019).

Visitation to Cambodia continued to grow with international arrivals increasing 11% to 2.9 million visitors in the first 5 months of 2019, mainly driven by East Asia and South East Asia with 26% and 5% growth respectively. China continues to be the leading source of visitation to Cambodia, growing by 40% to 1.1 million visitors. Arrivals at Phnom Penh International Airport grew 18% over the same period.

The Group achieved an increase in gross gaming revenue (“GGR”) of 22% to US\$872.4 million and an increase in net profit of 36% to US\$245.1 million for the Period, continuing the journey of healthy and steady growth. The stable business volume and revenue growth across all segments of the business are attributed to the following:

- 1. Political Stability, increasing FDI and Business-Related Visitation to Cambodia:** The official and smooth formation of the new Royal Government of Cambodia for another 5-year term from 6 September 2018 has contributed to the continued political stability of the operating environment, leading to increased foreign direct investments (“FDI”) and tourism growth. FDI inflow into Cambodia amounted to US\$3.1 billion in 2018, representing an 11% increase from US\$2.8 billion in 2017 (Source: The World Bank). A close geopolitical relationship with China and China’s “Belt and Road” policy further drives business-related visitation to Cambodia. International business-related travel into Cambodia increased to 567,357 visitors in the first 5 months of 2019, representing a 148% increase from 228,721 visitors in the same period in 2018, and 77% of such travel originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with visitation from Malaysia, Vietnam, Indonesia, Singapore increased by 50%, 30%, 70% and 27% respectively (Source: Ministry of Tourism, Cambodia). The increase in FDI and business travels have promoted visitation to NagaWorld, resulting in improved business volume growth. Furthermore, it is expected that the much-anticipated casino law shall be due to be promulgated within 2019, 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 long-term win-win private public partnership initiatives which further fuel the growth of tourism to Cambodia.
- 2. Naga 2’s Contribution:** 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 offerings. Naga 2 has been transformative and has provided the Group with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.
- 3. Visitation and Tourism Growth:** The Mass Market segment continued to benefit from visitation and tourism growth in Cambodia, and continued to underpin visitor headcount growth at the combined NagaWorld complex. Cambodia also benefits from 877 weekly scheduled in-bound international flights (an increase from 738 and 386 of such flights in June 2018 and December 2013 respectively). As a result, the average daily foot traffic and customer spend at the combined NagaWorld

complex continues to grow.

4. **VIP Business Growth:** The increase in VIP business volume of the Group during the Period was driven by the continued influx of tourists, especially visitation from China, and increased footfall to NagaWorld, in particular at Naga 2 where there has been customer demand for higher table limits and hence, 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 Period. In addition, another notable Macau-based junket operator, Suncity Group, has moved its operation in Naga 2 to a dedicated larger space that accommodates more VIP tables and other supporting entertainment facilities. Overall, both South East Asian and Macau-based junket operators have contributed encouraging VIP rollings during the Period.
5. **Financial Strength:** The market capitalisation of the Company increased to approximately US\$6 billion (as at 23 July 2019), representing a growth of over 13 times from US\$441 million since the Company's initial public offering in October 2006. 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 5.8% as at 22 July 2019 from 9.375% on issuance in May 2018. The Company has continued to adopt a prudent finance policy of nil to low gearing ratio. As at 30 June 2019, the Company maintained a net cash position with 0.5x debt to EBITDA ratio.
6. **Naga 1 Upgrade:** The renovation for Naga 1 with the refurbishment of 500 hotel rooms out of a total of 750 hotel rooms caused minimal disruption to the Group's business volume growth during the Period. The Group believes that the completion of the Naga 1 upgrade project is expected to contribute positively towards the Group's business volume growth.

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 Naga 2, the increase in administrative and operating expenses was relatively low.

At the corporate level, on 28 June 2019, the Group was awarded "Asia's Best CEO (Investor Relations)", "Best Investor Relations Company" and "Best Investor Relations Professional" at "The 9th Asian Excellence Awards 2019", which was organized by Corporate Governance Asia. The Group is committed to creating long-term value for all stakeholders and continuously strives to be a good corporate citizen by carrying out its business in a socially responsible way.

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 promulgation of

the casino law in 2019 is another significant step forward in the investment and tourism prospects for Cambodia.

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 per trip 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).

Similarly, South East Asian countries with an estimated total population of 648 million remains one of the Group's core target market. Visitation from South East Asian countries including Malaysia, Indonesia, Thailand increased by double digit growth of 10%, 17% and 10% respectively in the first 5 months of 2019. In particular, international business-related travel from Malaysia, Vietnam, Indonesia, Singapore into Cambodia increased by 50%, 30%, 70% and 27% respectively.

The strong growth in business-related travel (with higher disposal income and longer average length of stay) into Cambodia augurs well on the Group's future growth, in particular the mass market segment which has been always the Group's key focus market. This is also in line with 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 738 (June 2018) to 877 (June 2019). As part of commemoration of the 60th anniversary of the diplomatic relations between Indonesia and Cambodia, direct flights between Phnom Penh and Jakarta was established in June 2019, with total of 7 direct weekly flights. With the anticipated robust visitation growth, 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 is 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 another gaming powerhouse in Asia Pacific, further securing its firm footing on the competitiveness of the Group. The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region.

Since its inception in 1994, NagaWorld has been growing steadily with its market capitalization multiplying more than 13 times from US\$441 million since the listing of the Company in October 2006 to approximately US\$6 billion. Since listing, the Company has paid out more than US\$1 billion in dividends. The Group has raised the international economic profile, attracted foreign direct investment, enhanced tourism

and contributed to the socio-economic development of Cambodia. In 2018, the Group contributed 23% of local GDP tourism and approximately 1.3% of national GDP in Cambodia (Source: MOEF classification of rooms and F&B compare with the Group's 2018 Annual Report).

Cambodia is expected to register 7% GDP growth in 2019 (Source: Macroeconomic and Banking Sector Development in 2018 and Outlook for 2019 prepared by the National Bank of Cambodia). Following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US\$1,230 in 2017. Driven by garment exports and tourism, Cambodia sustained an average growth rate of 7.7% between 1995 and 2017, making the country the sixth fastest-growing economy in the world. As global demand peaks in 2018, economic growth is expected to reach 7%, compared to 6.9% in 2017. Growth is expected to remain robust over the medium term. (Source: The World Bank). Cambodia is expected to attract at least 5.5 million Chinese visitors by 2025 with the current growth recording an impressive increase of 67% in 2018 (with 2,024,443 Chinese arrivals) as compared to 2017 (with 1,210,782 Chinese arrivals) (Source: Ministry of Tourism of Cambodia). Close geopolitical relationship with China helps drive Cambodia's economic and tourism growth. China's "Belt and Road" policy drives a large number of business travelers resulting in the construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

The smooth and official formation of a new government for another 5-year term from 6 September 2018 provides continued political stability, social security, tourism and economic development in the operating environment. It is expected that the much-anticipated casino law shall be promulgated in 2019, further strengthening the regulatory environment that has been improving in recent years.

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometre radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia, the unique position of which has helped the Group to attain steady growth and to deliver impressive and consistently increasing financial performance. Some of the key features of the casino license are: no restrictions on the number of tables, electronic gaming machines, gaming space, gaming promoter commission and rebates, each of which allows the Company the flexibility to optimize its operation over time.

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 Group's vision of building the Naga 3 Project, a complex with 4,720 bays which only satisfy 4.7% of the total estimated additional hotel rooms of 100,000 as required by the Ministry of Tourism by 2028 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. As stated in the unaudited operational highlights for the three months ended 31 March 2019, the hotel occupancy of the combined existing NagaWorld Complex has already increased to 86% by March 2019. The Company believes that the launch of Naga 3 is not only timely but certainly, also

the answer to solve future capacity problems and surer way to continue the journey of earnings growth, especially after recent successful ramping up of Naga 2.

US-China trade war has undoubtedly created uncertainty towards the macro business environment. However, the Group's business is expected to be relatively less affected due to the following reasons:

1. **Well balance of different geographical customer base and mass market focus:** The Group served a wide diversified customer base mainly from both South East Asian and North Asia. About 54% of the Group's gross profit was contributed from mass segment, which is of lower risk, lower volatility and higher profit margin.
2. **Business-related travel being the core purpose of visitation to Cambodia:** during the first 5 months of 2019, international business-related travel into Cambodia increased by 148% to 567,357 visitors. The US-China trade has in fact 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 (Source: CICC report, 19 July 2019).
3. **Flexibility in current licensing environment:** with no restrictions on the number of tables, electronic gaming machines, game type offered, gaming space, gaming promoter commission and rebates, Company has the flexibility to optimize its operation over time, including the robustness of reacting to change in market demand with offering that best suits customers' need.
4. **Close geopolitical relationship between China and Cambodia:** the close geopolitical relationship helps drive Cambodia's economic and tourism growth. China's "belt and road" policy drives a large number of business travellers resulting in the construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

Management is optimistic about the Group's future business prospects. Naga 1, Naga 2 and Naga 3 being cited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River inspires and encourages the Company to develop the biggest riverine integrated resort in the world and aims to enhance the competitiveness of the Group as one of the Asian gaming powerhouse, with new quality standard set to rival other established integrated resorts in the region.

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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 41 years (1995-2035). 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.

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