



## Acquisition of Trans World Corporation (TWOC)

March 2018



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# 1. Transaction Details and Strategic Rationale

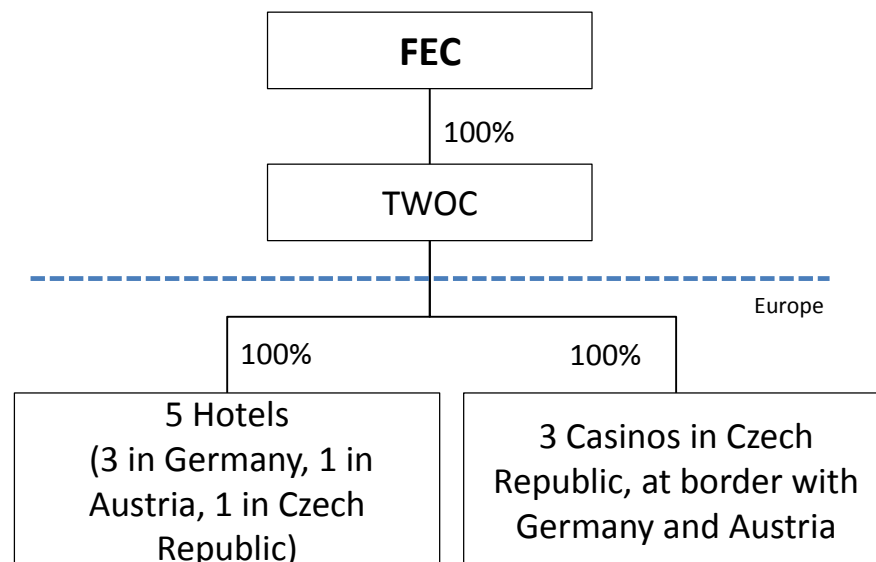


# Transaction Details

- Target: Trans World Corporation
  - Stock code: OTCQB:TWOC
  - Incorporated in Nevada in 1993, with headquarter in New York
  - Primarily engaged in the hospitality and gaming business in Germany, Austria and the Czech Republic
- Merger Agreement Date: 2 March 2018
- Consideration: Not exceeding **US\$42 million** for 100% shareholding<sup>(1)</sup>
- Upon closing of merger, the Target will continue as the surviving company and become a wholly owned subsidiary of FEC
- Material closing conditions precedent:
  - Written consent of Target's majority shareholders (~88% consent already obtained)
  - All applicable gaming approval be in full force at Closing
  - Any applicable waiting period under any antitrust law
  - No violation of any law, injunction, judgment, order, ruling
  - All applicable consents, approvals, authorisations obtained
  - Closing net indebtedness shall not exceed US\$11.55 million
  - No material adverse effect after merger agreement date
- Casino Licenses status
  - Basic licenses: 6 years from 2 January 2018
  - Local licenses: 3 years from 2 January 2018



## Post-completion simplified structure



(1) Subject to adjustments for any Dissenting Shares.

# Strategic Rationale

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## Investment Highlights

- Established hospitality platform in Europe
- Best in class casino assets in Czech Republic
- Hotel assets in Germany, Austria and Czech Republic
- Strong growth track record
- Positive long-term net impact from regulatory changes despite recent short-term impact

## Strong Balance Sheet with Good Recurring Cash Flow

- Strong asset backing of 5 self-owned hotels and 3 self-owned casinos with strong recurring cash flow
- Low net gearing ratio: 14%
- Consideration represents approx. 26.6% discount to NAV
- Historical Valuation multiples:
  - EV/EBITDA: FY2016 ~4.6x; Sept 17 LTM ~6.0x
  - P/E: FY2016 ~6.6x; Sept 17 LTM ~8.9x

## Strategic Rationale & Prospect

- A natural extension of Group's hospitality business
- Geographic diversification with expansion in Europe (Czech Republic, Austria, and Germany)
- Synergistic to the Group's hospitality business
- Platform for the Group to grow its gaming business following its investment in Queen's Wharf Brisbane project



## 2. Summary Financials



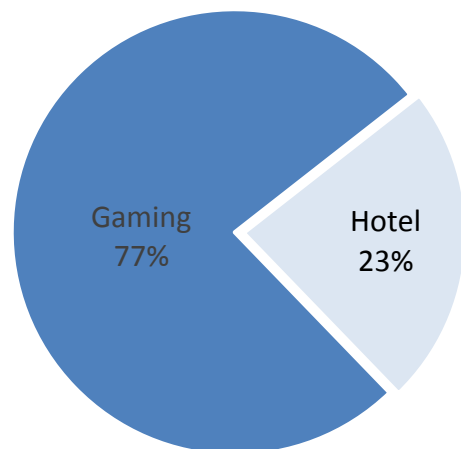
Hotel Kranichhöhe, Much, Germany



# Target's Financial Highlights<sup>(1)</sup>

- 3-year CAGR growth
  - *Revenue: 13.4%*
  - *EBITDA: 30.9%*
  - *Net Income: 38.3%*
- Implementation of new CMS to conform with regulatory changes affected recent performance

**Revenue by Segments for 3Q 2017**



## Analysis of contributors (In US\$000)

	FY 2013	FY 2014	FY 2015	FY 2016	3Q 2017
Revenue					
- Gaming	36,487	37,556	38,762	48,262	31,597
- Hotel	-	919	3,624	4,976	9,621
Total revenue	36,487	38,475	42,386	53,238	41,218

EBITDA					
- Gaming	8,107	9,515	10,739	15,467	6,896
- Hotel	-	(191)	424	383	1,672
- Corporate	(3,001)	(3,700)	(3,842)	(4,396)	(2,755)
Consolidated	5,106	5,624	7,321	11,454	5,813
Net Income	2,390	2,638	3,858	6,323	2,924

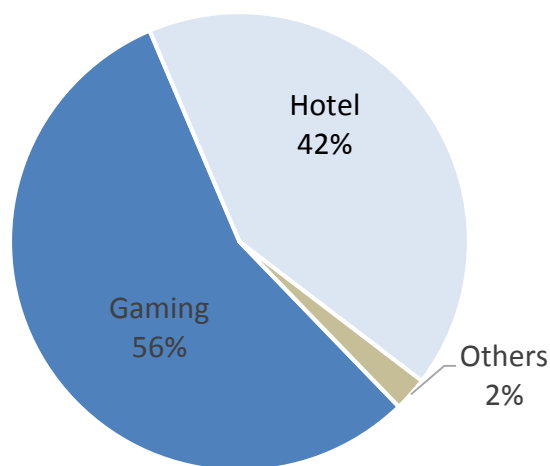
(1) Figures for years ended 31 December ("FY") 2013 to 2016 are based on audited financial statements and figures for the nine months ended 30 September 2017 ("3Q 2017") are based on unaudited financial statements published by TWOC.



# Target's Financial Highlights<sup>(1)</sup> (Cont'd)

- NAV @ 30/9/17: USD57.2 million
- Low leverage:
  - *Net gearing ratio @ 30/9/17: 14% (31/12/2016: net cash), with majority long-term debt*
  - *Interest coverage 3Q FY2017: 19x (FY2016: 47x)*

**Total Assets by Segments as at 30/9/17**



## Healthy Balance Sheet (In US\$000)

	2017.9.30	2016.12.31
Cash and cash equivalent	8,587	12,868
PPE, net		
- Gaming	31,418	23,550
- Hotel	28,516	17,226
- Corporate	860	748
Goodwill	5,659	4,857
Other assets	7,206	6,855
<b>Total assets</b>	<b>82,246</b>	<b>66,104</b>

Debt		
- Current	1,423	832
- Long term	14,930	10,646
Other liabilities	8,685	8,970
<b>Total Liabilities</b>	<b>25,038</b>	<b>20,448</b>

<b>Net Asset Value</b>	<b>57,208</b>	<b>45,656</b>
<b>Net gearing ratio</b>	<b>14%</b>	<b>Net cash</b>

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### 3. Appendices



*Hotel Freizeit Auefeld, Hann Münden, Germany*



# Appendix 1: Hotel Portfolio

- Five self-owned hotels, 3 in Germany, 1 in Austria and 1 in Czech Republic, all under the brand “TWH”)
- A total of 572 rooms
- Four 4-star rated and one 3-star rated (to be upgraded to 4-star in 2018)
- Brand of **Trans World Hotels** (TWH) has been established



Hotel Columbus	Hotel Freizeit Auefeld	Hotel Kranichhöhe	Hotel Donauwelle	Hotel Savannah (Route 59)
Seligenstadt, Germany	Hann Münden, Germany	Much, Germany	Linz, Austria	Czech-Austrian Border
117 rooms 5 conference rooms	93 rooms 10 conference rooms	107 rooms 18 conference rooms	176 rooms 6 conference rooms	79 rooms 8 conference rooms
★★★★★	★★★★★	★★★*	★★★★★	★★★★★

\* To be upgraded to 4-star in 2018

## Appendix 2: Casino Portfolio

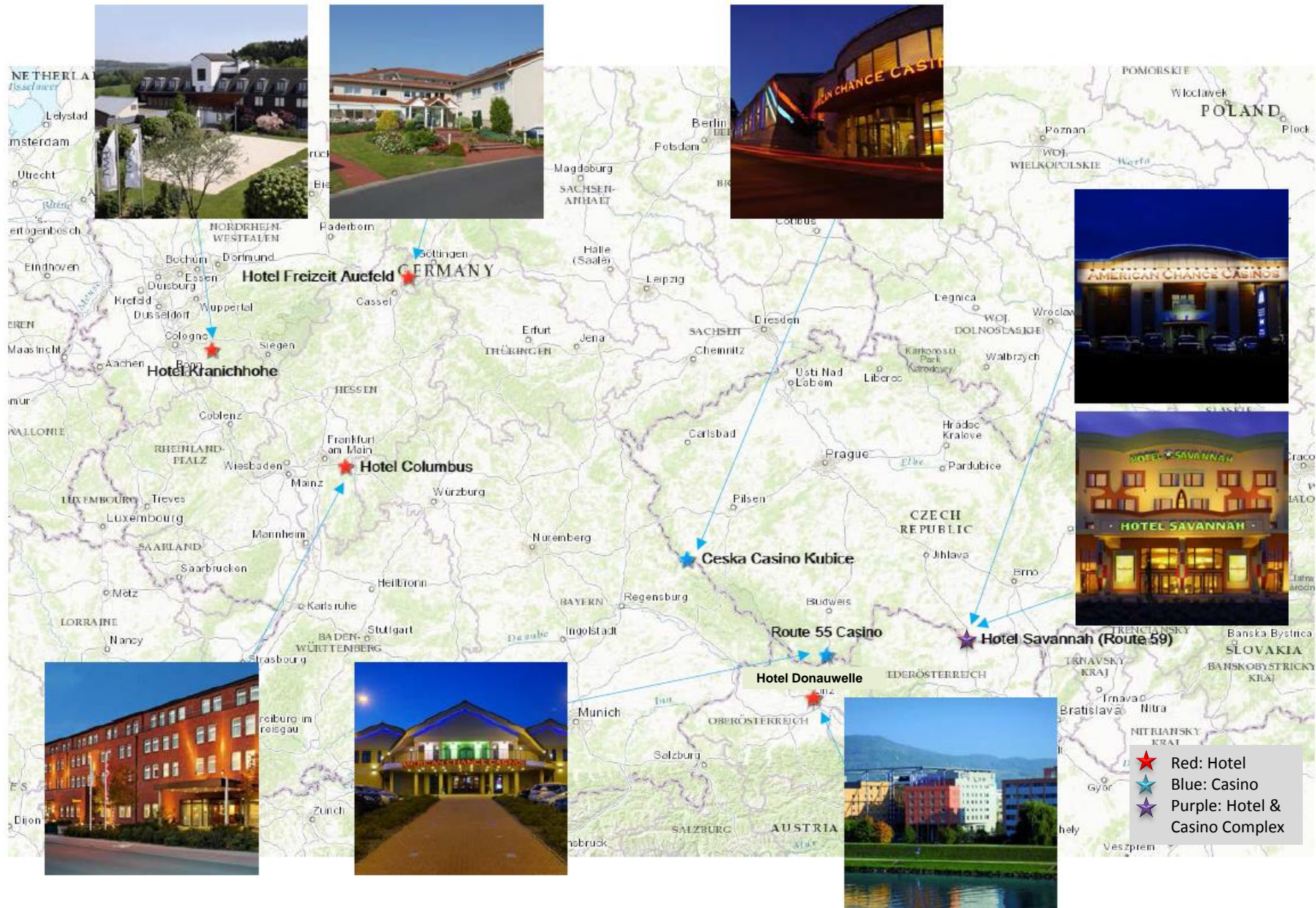
- Three casinos, 2 at Czech-Austrian border, 1 at Czech-Germany border, all under the brand **American Chance Casinos** (“ACC”)
- Gaming area of 71,253 sq. ft. with 498 slot machines and 62 tables



	Route 59	Route 55	Ceska Kubice
Region	Czech-Austrian Border Approx. 45-60 mins North of Vienna, Austria	Czech-Austrian Border Approx. 35 mins North of Linz, Austria	Czech-Germany Border, Approx. 60 mins East of Regensburg, Germany
Gaming area	25,512 sq.ft.	20,315 sq.ft.	25,426 sq.ft.
Slots	190	190	118
Tables	25	23	14
Major market	Vienna and Austrian towns nearby	Linz, Freistadt, Marchstein, nearby regions of Austria	German towns nearby, Regensburg, Straubing, Bogen, Munich, etc



# Appendix 3: Property Overview Map



# Appendix 4: Economic and Industry Overview

Quick Facts (2016)	Czech	Austria	Germany
Population	10.5 mn	8.6 mn	82 mn
Nominal GDP	\$194 bn	\$386 bn	\$3,303 bn
GDP per capita	\$18,326	\$43,637	\$40,246
Unemployment rate	4.0%	6.6%	4.2%
Gross gaming revenue*	€153 mn	€328 mn	€660 mn

\* Source: European Casino Association

## Recent Gaming regulations change:

- Adoption of *2017 Gambling Act* and *2017 Gambling Tax Act*
- Tightening of licensing requirements, strengthening of player protection, and an increase in tax rate
- All licensees are required to be compliant with new requirements for license renewal
- New regulations will result in significant decrease of gaming supply due to closures of slot parlors and casinos incapable to meet the capital intensive requirements, which will benefit the strongest players such as TWOC

## Casino Market in Czech Republic

- Generally smaller scale with focus on foreign tourist play
- Casinos mostly located near national borders and four largest cities (Prague, Brno, Ostrava and Pilsen)
- Taxation:
  - Slots: 35% of gaming revenue
  - Live games: 23% of gaming revenue
  - Income tax: 19% on net income

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# Thank You

## Questions & Answers

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