



# FEC遠東發展

*(Incorporated in the Cayman Islands with limited liability)*

*(於開曼群島註冊成立之有限公司)*

Stock Code 股份代號: 035



## Strategic Alliance with The Star Entertainment Group and Chow Tai Fook Group

March 2018



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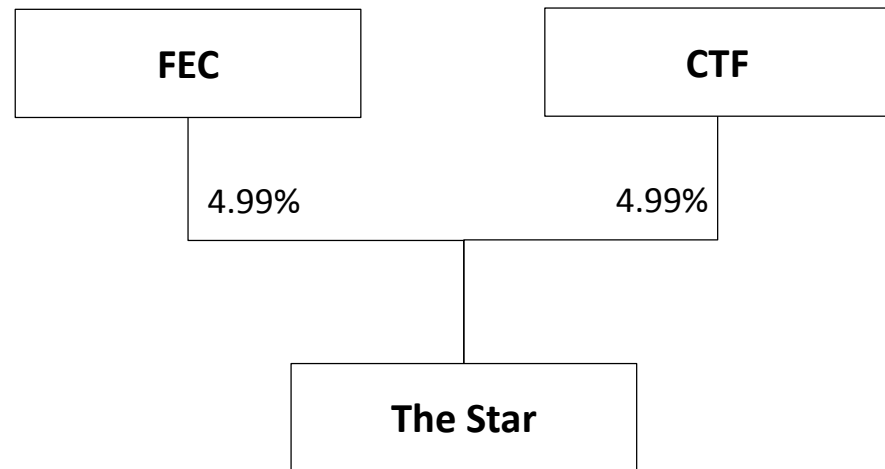
# 1. Transaction Overview and Strategic Rationale





# Strategic Alliance with The Star Entertainment Group (“The Star”)

- Enhancing existing relationship with The Star
- A\$490.3 million equity investment in The Star, A\$245.2 million by FEC
- The Star is to increase dividend payout ratio to at least 70% of normalised NPAT
- Marketing alliance on gaming businesses
- FEC/Chow Tai Fook (“CTF”) has first right to participate in future The Star development
- In principle commitment to participate in other Nominated Developments<sup>(2)</sup>
- FEC/CTF intend to apply to regulators to increase aggregate stake to over 10%



(1) For further details, refer to FEC’s announcement on 28 March 2018

(2) For Nominated Developments, refer to Appendix 1

# Strategic Benefits to FEC

- Strengthen already established relationship with The Star and CTF
- Forge partnership for potential mixed-use property projects
- Increase exposure to the gaming business in Australia
- Synergistic to the gaming platform of the Group following the anticipated acquisition of Trans World Corporation
- Benefit from The Star's future growth and increase in dividend payout

## Existing co-operations:



**Queens Wharf,  
Brisbane ("QWB")**

World-class integrated resort destination

FEC's stake: 25%

Hotels/Residential/Casino



**The Star Gold Coast  
Precinct**

One residential and hotel tower (Tower 1) and four additional new towers adjacent to The Star Gold Coast resort

FEC's stake: 33.3%

Hotel/Residential



**The Star Sydney**

One landmark residential and hotel tower adjacent to The Star Sydney, to be operated by The Ritz-Carlton

FEC's stake: 33.3%

Hotel/Residential



**Sheraton Grand Mirage,  
Gold Coast**

Gold Coast's only beachfront resort featuring 295 luxurious rooms

FEC's stake: 25%

Hotel

# Other Transaction Highlights

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## **Strategic Alliance Agreement *in Development and Marketing***

- Term: Evergreen, as long as we hold the shareholding
- First right of refusal to invest in future development projects by The Star in Australia and New Zealand on commercial terms
- Exclusivity arrangements in Australia / New Zealand casino opportunities

## **Subscription Agreement *in Equity Investment***

- FEC and CTF each acquires approx. 45.8m shares in The Star
- Subscription price: A\$5.35 per share (5-day VWAP)
- Top-up rights
- Ability to propose nominee directors upon shareholding reaching certain level, subject to certain conditions
- No lock-up. No sale to competitors
- Subject to regulatory approval, FEC and CTF could increase aggregate voting power in The Star to 19.9%, subject to certain exceptions and The Star's board approval



## 2. Overview of The Star's Businesses and Summary Financials

*The Star Sydney overlooking Sydney Harbour*



# About The Star

- An ASX 100 listed company (Stock code: SGR.AX) owning and operating world-class integrated resorts with gaming, entertainment and hospitality services
- One of incumbent operators in Australia with dominant position in Sydney, Gold Coast and Brisbane
- Healthy balance sheet with low leverage
- Quality assets generating strong recurring cash flow
- Entry price represents EV/EBITDA (FY18 estimate)<sup>(1)</sup> multiple of ~9.6x, P/E (FY18 estimate)<sup>(1)</sup> multiple of ~18.2x



	The Star Sydney	The Star Gold Coast	Treasury Brisbane
Casino	Largest casino in Sydney, with license until 2093 (exclusivity until 2019)	World-class casino with perpetual license, rebranding completed in 2017	Perpetual License (to be replaced by QWB's 99 years license with a 25 years exclusivity)
Permitted no. of tables/EGMs	Unlimited / 1,500	Unlimited / 1,651	Unlimited / 1,632 (QWB: Unlimited / 2,500)
Hospitality	Two five-star hotels and serviced apartments featuring 606 rooms, including Sydney's only Forbes five-star boutique hotel, The Darling	A premium hotel, featuring 596 newly refurbished rooms and The Darling containing 57 luxurious suites recently opened	One five-star heritage hotel of 127 rooms
Guests	FY17: 10.4 million	FY17: 3.4 million	FY17: 4.0 million

(1) Based on brokers' consensus estimate on Bloomberg as of 27 March 2018

# The Star's Summary Financials

- Growing normalized gross revenue with CAGR (1H FY14 to 1H FY18) of approx. 11.1%
- Solid profitability and improving operating efficiency
- Strong recurring cash flow with high cash conversion ratio<sup>(2)</sup> - 1H FY18: 129%, FY17: 97%, FY16: 98%
- Steady dividend growth with 3-year CAGR of DPS at 26%

## Analysis of contributors (in A\$m, unless otherwise stated)

	Sydney			Queensland			Total		
	FY16	FY17	1H FY18	FY16	FY17	1H FY18	FY16	FY17	1H FY18
Slots	312.9	318.6	164.3	317.6	308.8	164.9	630.5	627.4	329.3
Domestic tables	644.0	680.4	342.9	240.2	236.8	124.7	884.3	917.2	467.5
International VIP	555.1	547.9	275.9	41.2	91.7	52.6	596.3	639.6	328.5
Non-gaming	142.3	135.9	80.6	98.0	104.9	60.6	240.3	240.8	141.2
Other revenue	2.5	3.0	2.1	3.8	4.2	1.9	6.3	7.2	4.0
<b>Total gross revenue<sup>(3)</sup></b>	<b>1,656.8</b>	<b>1,685.8</b>	<b>865.8</b>	<b>700.9</b>	<b>746.4</b>	<b>404.7</b>	<b>2,357.7</b>	<b>2,432.2</b>	<b>1,270.5</b>
<b>Normalised gross revenue<sup>(3)(4)</sup></b>	<b>1,743.5</b>	<b>1,595.5</b>	<b>959.1</b>	<b>687.5</b>	<b>741.8</b>	<b>401.0</b>	<b>2,431.0</b>	<b>2,337.3</b>	<b>1,360.1</b>
<b>EBITDA<sup>(5)</sup></b>	<b>302.4</b>	<b>401.1</b>	<b>107.5</b>	<b>186.4</b>	<b>198.6</b>	<b>92.1</b>	<b>488.8</b>	<b>599.7</b>	<b>199.6</b>
<b>Normalised EBITDA<sup>(4)</sup></b>	<b>381.8</b>	<b>320.6</b>	<b>191.5</b>	<b>174.4</b>	<b>194.5</b>	<b>88.7</b>	<b>556.2</b>	<b>515.1</b>	<b>280.2</b>
<b>NPAT</b>							<b>194.4</b>	<b>264.4</b>	<b>32.9</b>
<b>Normalised NPAT<sup>(4)</sup></b>							<b>241.3</b>	<b>214.5</b>	<b>120.4</b>
<b>Diluted EPS (Australian cents)</b>							<b>23.6</b>	<b>31.9</b>	<b>4.0</b>
<b>Fully franked dividend per share (Australian cents)</b>							<b>13.0</b>	<b>16.0</b>	<b>7.5</b>

(1) Figures in the above table are extracted from the public financial information previously disclosed by The Star.

(2) Calculated as dividing net cash inflow from operating activities before interest and income tax by EBITDA

(3) Net of gaming win, but gross of rebates and commissions paid to players and third parties

(4) Normalised results are adjusted using an average win rate of 1.35% on turnover for International VIP Rebate business. Normalised win rate of 1.35% is in line with The Star's win rate experience and consistent with the Australia and New Zealand market practice

(5) Adjusted for significant items



# The Star's Summary Financials (Con'd)

- Healthy balance sheet backed by quality assets
- Low leverage
  - *Net gearing ratio: 32.2%, with majority long-term debt*
  - *Quick ratio: 0.9x*



## Healthy Balance Sheet (In A\$m)

	2017.12.31	2017.6.30
Cash and cash equivalent	188.6	113.7
Trade and other receivables	258.3	192.7
Other current assets	85.8	121.2
PPE, net	2,557.6	2,360.5
Intangible assets	1,848.5	1,851.8
Investment in associate and JV	246.4	212.4
Other non current assets	54.1	163.0
<b>Total Assets</b>	<b>5,239.3</b>	<b>5,015.3</b>
Interest bearing liabilities – current	30.5	130.0
Trade and other payables	463.5	324.5
Other current liabilities	91.8	134.8
Interest bearing liabilities – non current	1,201.2	915.0
Other non current liabilities	212.9	235.4
<b>Total Liabilities</b>	<b>1,999.9</b>	<b>1,739.7</b>
<b>Net Asset Value</b>	<b>3,239.4</b>	<b>3,275.6</b>
<b>Net Gearing Ratio</b>	<b>32.2%</b>	<b>28.4%</b>



### 3. Appendices

Concept of Queen's Wharf Brisbane



# Appendix 1: Nominated Developments<sup>(1)</sup>

Potential future mixed use projects (subject to acquisition)

## The Spit Precinct

Gold Coast

An approx. 156,000 sqm site development opportunity adjacent to Existing Sheraton Mirage Resort

Boutique hotels, low-rise beachfront residential, commercial, carpark, marina, etc



## Pymont Precinct

Sydney

Development of a station in Pymont as part of the proposed Metro West project, in potential partnership with the NSW Government

Residential, hotel, and commercial



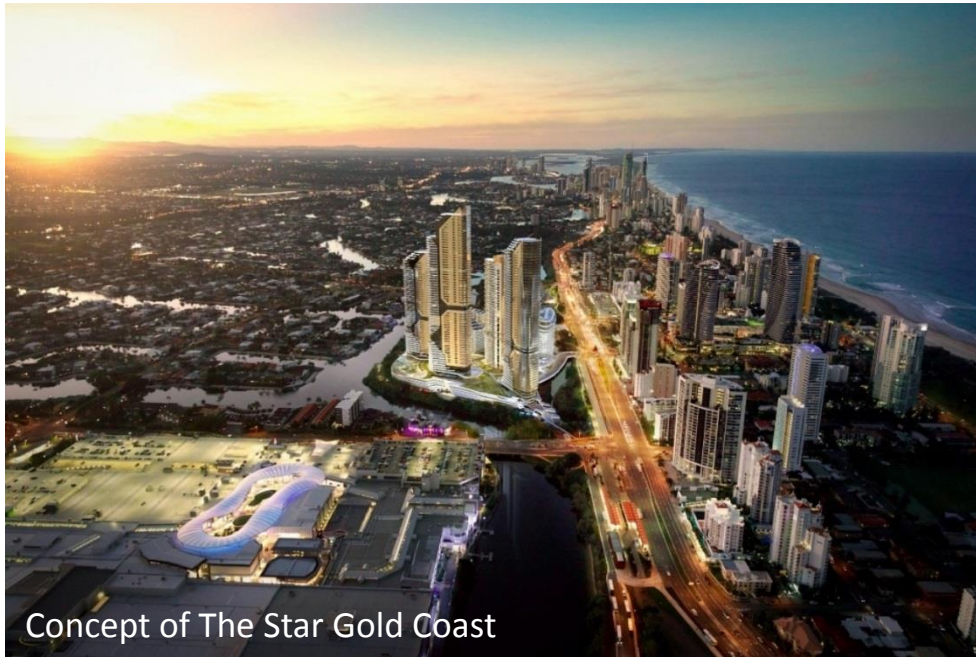
*(1) All developments are subject to securing projects and approvals*



## Appendix 2: The Star Gold Coast Masterplan

Expected approval from local council will permit:

- The development of up to 2,200 apartments on The Star Gold Coast site
- No limit on hotel or other integrated resort related development



Concept of The Star Gold Coast



The Star Gold Coast site plan



# Thank You

## Questions & Answers

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