

Another buoyant year seen for Swire

By GARETH HEWETT

FOLLOWING yesterday's announcement of Swire Pacific's 1993 results, analysts are predicting bumper profits in 1994, with 35 per cent growth to around \$6.3 billion.

The return to growth after a slow five per cent gain in 1993, to \$4.658 billion, is based on the assumption that Cathay Pacific's results will stand still, or rise very slightly, and the huge property gains from sales at Robinson Place.

With no expected dilution to contend with, because Swire has used debt financing to raise cash, the growth ought to be reflected

in earnings per share of around \$3.95 in 1994.

Generally, analysts were pleased with the 1993 results.

"The gain was at the top of market expectations," Jardine Fleming analyst John So said.

At Credit Lyonnais Securities Asia analyst Peter Rice said: "They were good results and I think 1995 is going to be a good year because a significant proportion of the earnings are already booked."

Philip Mok, head of equities research at Barclays de Zoete Wedd, said: "With its exposure to property, hotels and even passenger airlines, which could see some im-

provement, Swire Pacific remains firmly on our buy list."

The *Estimate Directory* was expecting one per cent growth at \$4.44 billion.

Some analysts, who had not gone to the group's press briefing, were confused by some of the accounting items, but aviation and property divisions had come within expectations, give or take \$10 million.

In the breakout of the profit and loss account, analysts focused their attention on "Other net (expenses) and/or income and consolidation adjustments".

In 1992 there was a deduction of \$104 million compared to a gain of \$488

million in 1993, representing a swing of almost \$600 million.

Swire said this item included \$234 million transferred from the group's property valuation reserve on disposal of investment properties during the year.

Speaking at the press conference, group chairman Peter Sutch also attributed the gain to a special dividend from the sale of the Lee Gardens Hotel and the sale of shares at Hong Kong Aircraft Engineering Company and Hong Kong Air Cargo Terminals.

The keys in forecasting Swire's net profit are aviation and property, which make up the vast majority of

earnings, while industry, marine and insurance services make little over \$500 million.

Analysts are looking for stagnation to 19 per cent growth in Cathay Pacific next year, placing the net profit in a range \$2.3 billion and \$2.7 billion.

The 70 to 75 per cent earnings from sales at Robinson Place will be the most significant factor for earnings in 1994.

Estimates of how much these earnings will be range from a conservative \$2 billion to \$2.8 billion.

The results give Swire a historic price earnings ratio of 18.77.