

Swire Properties

Divi raised 10% YoY; Moving into the harvest period

FY 14 Earnings slightly better on better rental margins

Swire Properties (Swire) reported FY14 underlying earnings of HK\$7,152m, up 13% YoY and 2% better than our forecast. The earnings beat was mainly due to better rental margins. The company's 2015 rental margins remained stable at 82.7%, similar to last year, despite the enhancement project at CityPlaza. Swire Properties increased its second interim dividend by 10% YoY to HK\$0.44/sh. Its full year DPS was HK\$0.66/sh, +10% YoY and representing 54% payout ratio on core earnings.

Rental income increased by 7% YoY; China commercial properties stand out

Swire's overall rental revenue increased 7% YoY, mainly driven by Swire's China commercial properties that delivered 17% YoY growth. Retail sales at its China malls in operation also grew by 11-66% last year despite a challenging year for China retail. Year to date, management stated that it continues to see double digit YoY growth in retail sales across its China portfolio. Its Hong Kong office and retail rental income grew 5% and 3% YoY respectively. We believe the future increase in rental income in HK will be mainly driven by new additions.

Swire moving into a period of harvest for its rental properties inv. from 2015

Swire intend to complete at least one new commercial project per year, starting from this year in the US, and then followed by China in 2016 and then HK in 2017/18. Upon completion of these projects in 2018, its rental property portfolio should have increased by c15% in GFA. Also, Swire's rental revenue could be expanded by c17%, based on our current rental assumptions and full occupancy. We expect the annual capex of HK\$4-6bn per annum in 2015-2018 to be covered sufficiently by its rental earnings of ~HK\$9bn pa, development sales and also a secured line of undrawn committed facilities.

Valuation: PT based on 25% target discount to NAV

We maintain a Buy rating on Swire Properties. We believe the company should be a beneficiary of the positive outlook of Central office rents. The company is also trading at what we consider to be an undemanding valuation of a 35% discount to NAV. We believe the planned rollout of new rental projects could offer potential NAV upside over the medium to long term.

Equities

Hong Kong
Real Estate

12-month rating **Buy**

12m price target **HK\$27.43**

Price **HK\$23.55**

RIC: 1972.HK **BBG:** 1972 HK

Trading data and key metrics

52-wk range HK\$27.10-20.15

Market cap. HK\$138bn/US\$17.8bn

Shares o/s 5,850m (ORD)

Free float 18%

Avg. daily volume ('000) 2,114

Avg. daily value (m) HK\$51.9

Common s/h equity (12/15E) HK\$207bn

P/BV (12/15E) 0.7x

EPS (UBS, diluted) (HK\$)

	From	To	% ch	Cons.
12/15E	1.24	1.26	1.98	1.22
12/16E	1.30	1.33	2.02	1.27
12/17E	1.42	1.28	-9.59	-

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Highlights (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net rental income	7,423	8,105	9,095	9,061	9,472	9,635	10,181	10,212
EBITDA	9,811	8,953	9,961	9,815	10,629	9,971	10,196	9,782
EPS (UBS, HK\$)	1.19	1.11	1.32	1.26	1.33	1.28	1.36	1.21
DPS (HK\$)	0.60	0.60	0.66	0.69	0.71	0.73	0.75	0.75
BVPS (basic, HK\$)	32.89	34.59	35.50	35.31	35.94	36.51	37.14	37.60
NAV per share (UBS, HK\$)	36.46	31.04	36.46	36.46	36.46	36.46	36.46	36.46
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
PE (UBS)	18.7	21.8	17.7	18.7	17.7	18.3	17.3	19.5
EPS (UBS) yield %	5.4	4.6	5.6	5.3	5.6	5.5	5.8	5.1
Net dividend yield %	2.7	2.5	2.8	2.9	3.0	3.1	3.2	3.2
Prem/(disc) to BVPS %	(32.7)	(30.3)	(34.2)	(33.3)	(34.5)	(35.5)	(36.6)	(37.4)
Prem/(disc) to NAV ps %	(39.3)	(22.3)	(35.9)	(35.4)	(35.4)	(35.4)	(35.4)	(35.4)
EV/EBITDA (UBS) x	17.2	20.5	17.6	18.3	17.2	18.4	18.2	18.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$23.55 on 18 Mar 2015 22:38 HKT

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Investment Thesis

Swire Properties

Investment case

We believe Swire's limited renewals will protect it from potential occupancy loss and rental volatilities. Management's active tenant reshuffling in its HK retail property portfolio and expansion of future office rental portfolio through redevelopment and acquisition of development sites should help Swire secure a growing rental earnings profile over the medium to long term. We consider our tight NAV discount as justified, as it accounts for the current stable rents and bright future prospects. Our PT of HK\$27.4 is based on a target discount of 25% to our estimated NAV of HK\$36.2/share. Our 2014E earnings forecast is 2% lower and our 2015E earnings forecast is 3% higher than Bloomberg consensus.

Upside scenario

Swire has significant exposure to HK rental properties. If the global economy recovers faster than expected, it should lead to stronger than expected leasing demand in HK, which we believe would boost rents by 10% over our base assumptions. We estimate Swire's valuation could rise to HK\$31.4/share.

Downside scenario

If the economy in Hong Kong unexpectedly worsens, it would likely lead to higher vacancy rates in all the key office districts. We believe the commercial rents for Swire's HK portfolio could see 10% downside. Our valuation could be HK\$23.5/share in this scenario, based on a wider target NAV discount of 30% (from 25%).

Upcoming catalysts

Quarterly operating data update; Quarterly trend of Central and Island East office rents and vacancies; Leasing update of other Central office buildings

12-month rating

Buy

12m price target

HK\$27.43

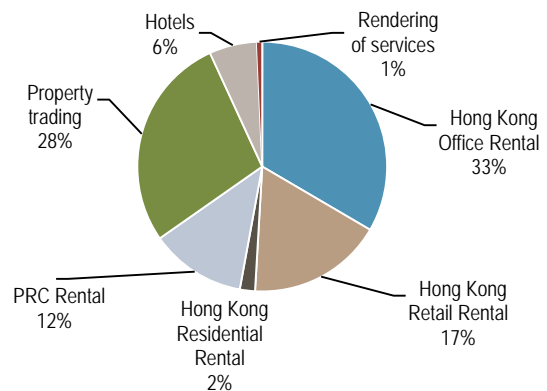
Business description

Swire Properties (Swire) is a leading commercial landlord in Hong Kong with a focus on office leasing. Swire developed its first major property project, Taikoo Shing (Cityplaza) in the 1970s. In the 1980-90s, it developed premium commercial complexes (Pacific Place, Festival Walk and TaiKoo Place). The company entered China in 2002 and completed four projects in Beijing and Guangzhou by end-2012. Swire currently owns 19m sqft of attributable gross floor area (GFA) from its existing investment properties in Hong Kong and China.

Industry outlook

Our 2015 growth outlook for Central office rents is +5% YoY.. We believe the limited new supply in HK offices have supported rents and hence significant downside risks for rents from current levels are unlikely. The demand from gradual expansion of mainland and new take-up from the non-finance sector should further lower the vacancy rate of Central offices from the current level of 3.7%.

2015E Revenues by region (%)



Source: UBS estimates

Gross profit by product segment

HK\$m	2013	2014E	2015E	2016E	2017E
Property leasing	7,978	8,001	8,488	8,952	9,085
Property sale	1,227	1,326	1,232	1,205	1,672
Hotel	126	125	153	142	171
Rendering of services	73	74	76	77	79
Total	9,404	9,526	9,949	10,377	11,006

Source: Source: Company data, UBS estimates

Investments starting to bear fruit over the coming years

Swire properties intend to complete at least one commercial project every year from 2015-2018. The projects below should increase its investment properties portfolio by 15% on a net basis. In addition, we note that the company continues to remain active in acquiring old buildings for redevelopment in Hong Kong. We believe the company's active deployment of capital into NAV accretive acquisitions should help expand the company's valuation in the long term.

Figure 1: Project pipeline for Swire from 2015-2018

Year of completion	Project	Location	Stake	Attri. GFA ('000 sqft)	Usage
2015	Brickell City Centre Phase 1	Miami, USA	100%*	1,011	Retail, Office, Service apartments and Hotels
2016 by phases	Dazhongli Project	Shanghai, China	50%	1,729	Retail, Office and Hotels
2017	Tung Chung Town Lot No.11	Tung Chung, Hong Kong	20%	92	Retail
2017	New Kowloon Inland Lot No. 6312	Kowloon Bay, Hong Kong	100%	550	Office
2018	Somerset House	Island East, Hong Kong	100%	1,020	Office
2018	8-10 Wong Chuk Hang Road	Island South, Hong Kong	50%	191	Office
	Total			4,593	

Source: Company data *Swire only owns 86.5% of the retail portion in the BCC project but 100% for all the other parts of the project

HK portfolio: Limited rent expiry in office but weaker trend persists in Pacific Place

Management stated that the company will have limited expiries in its office portfolio. We expect the spot rents at Pacific Place offices could increase by ~5% YoY given the overall tight vacancy in Central. The positive rental reversion at its portfolio at HK Island East will likely to moderate, when compared with the 2014 level of 14-25% positive reversions. Retail sales growth at CityPlaza have turned positive on a YoY basis year to Feb 2015 but Pacific Place continues to decline over the same period. Management stated that they are constantly reviewing the tenant mix at its portfolio and will consider changing tenants that can better fit into their portfolio.

China portfolio: Sales continue to grow and outperform its peers

Swire's China retail portfolio achieved tenants' growth of 11-66% YoY in 2014 and management stated that sales continue to see a positive growth trend at the teens' level in 2015. Taikoo Hui in Guangzhou showed the most notable improvement in its sales performance after changing a number of tenants last year. Its Chengdu Taikoo Li project is currently 83% committed and management remains quite positive in the tenants' sales momentum of this new project. A major electronics store should start operation in H215 and we believe it should drive more shoppers' interest to the Taikoo Li project.

Earnings revisions

We revised our 2015/16/17 forecast by +2%/+2%/-10% mainly to factor in the change in our assumed booking for its development projects in Hong Kong and US.

Figure 2: FY14 profit and loss account

(in HK\$m)	FY14A	FY14E	FY13A	Actual vs forecast	YoY
- Rental income from investment prop	10,320	10,330	9,676	0%	7%
Hong Kong Office	5,355	5,307	5,098	1%	5%
Hong Kong retail	2,705	2,746	2,614	-1%	3%
PRC	1,907	1,953	1,635	-2%	17%
Residential	353	323	329	9%	7%
- Property trading	3,842	3,866	2,207	-1%	74%
- Hotels	1,089	1,042	942	5%	16%
- Rendering of services	136	112	110	21%	24%
Total turnover	15,387	15,350	12,935	0%	19%
Property leasing	8,534	8,480	7,978	1%	7%
Property sale	1,403	1,376	1,227	2%	14%
Hotel	165	200	126	-17%	31%
Rendering of services	109	74	73	46%	49%
Total Gross profit	10,211	10,130	9,404	1%	9%
Gross margin	66.4%	66.0%	72.7%	0.4ppt	-6.3ppt
Rental margin	82.7%	82.1%	82.5%	0.6ppt	0.2ppt
Operating profit	9,109	8,829	8,535	3%	7%
Operating margin	59.2%	57.5%	66.0%	1.7ppt	-6.8ppt
Finance charges	(1,324)	(1,348)	(1,525)	-2%	-13%
Finance income	97	86	78	13%	24%
Net finance charges	(1,227)	(1,263)	(1,447)	-3%	-15%
Share of profits for JCE and Asso	412	569	142	-28%	190%
Net Revaluation gain	2,437	2,357	6,425	na	-62%
Other non-recurring items	(73)	-	(248)	na	-71%
Profit before taxation	10,658	10,492	13,407	2%	-21%
Taxation	(936)	(956)	(771)	-2%	21%
Non-controlling interests	(206)	(182)	(111)	13%	86%
Net profit	9,516	9,354	12,525	2%	-24%
Core profit	7,152	6,997	6,348	2%	13%
Core net margin	46.5%	45.6%	49.1%	0.9ppt	-2.6ppt
EPS(HK\$)	1.63	1.60	2.14	2%	-24%
Core EPS(HK\$)	1.22	1.20	1.09	2%	13%
DPS(HK\$) - First Interim	0.22	0.22	0.20	0%	10%
DPS(HK\$) - Second Interim	0.44	0.44	0.40	0%	10%
DPS(HK\$) - Full year	0.66	0.66	0.60	0%	10%
DPS payout ratio	54%	55%	55%		

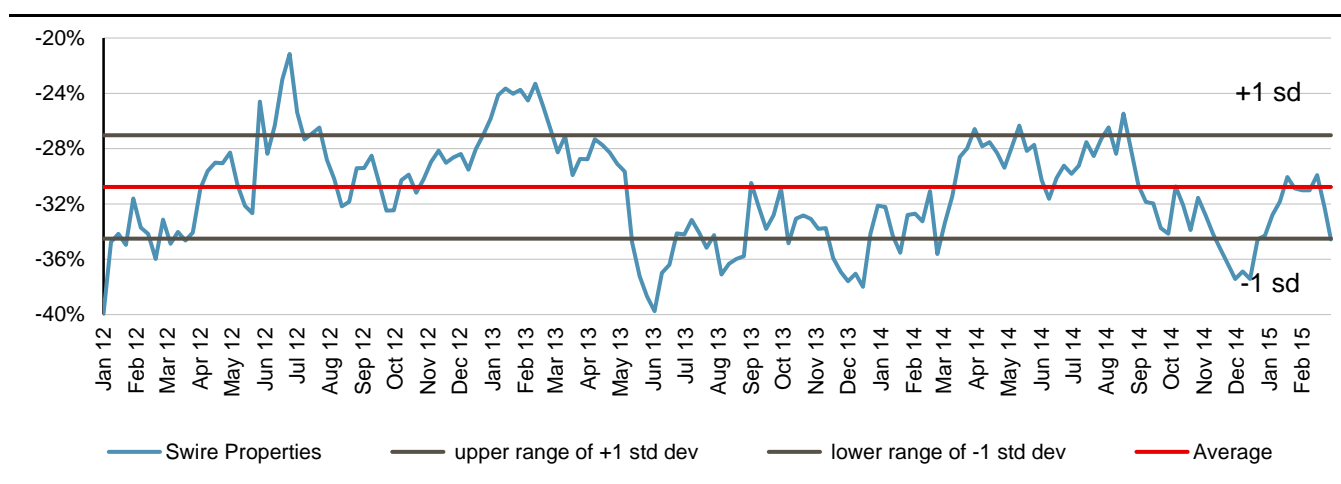
Source: Company data, UBS estimates

Figure 3: NAV breakdown

HK\$m	NAV	NAV	NAV
	HK\$m	HK\$/sh	%
Investment Property			
Hong Kong			
...Office	101,062	17.3	40.8%
...Retail	42,258	7.2	17.0%
...Residential	10,486	1.8	4.2%
...Car park	3,401	0.6	1.4%
Subtotal	157,206	26.9	63.4%
China			
...Office	7,828	1.3	3.2%
...Retail	33,307	5.7	13.4%
...Residential	499	0.1	0.2%
...Car park	373	0.1	0.2%
Subtotal	42,007	7.2	16.9%
HK + China subtotal	199,213	34.1	80.3%
Development Property			
Hong Kong	5,785	1.0	2.3%
China	0	0.0	0.0%
United States	1,064	0.2	0.4%
	6,849	1.2	2.8%
Investment prop under dev.			
Hong Kong	14,661	2.5	5.9%
China	5,920	1.0	2.4%
United States	7,505	1.3	3.0%
	28,086	4.8	11.3%
Hotels	13,805	2.4	5.6%
GAV	247,954	42.4	100%
Less: Net debt	(34,071)	-5.8	
NAV	213,883	36.6	

Source: UBS estimates

Figure 4: Historical NAV discount of Swire Properties



Source: UBS estimates

Swire Properties (1972.HK)

Income statement (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net rental income	7,423	8,105	9,095	9,061	-0.4	9,472	4.5	9,635	10,181	10,212
Investment income	116	78	97	107	10.0	117	10.0	129	142	156
Trading income	2,712	1,227	1,403	1,366	-2.7	2,085	52.7	1,000	420	0
Associates and other income	964	880	977	1,109	13.5	1,086	-2.0	1,373	1,620	1,505
Total income	11,215	10,290	11,572	11,642	0.6	12,761	9.6	12,137	12,362	11,873
Interest payable	(1,865)	(1,852)	(1,737)	(1,853)	-6.7	(1,917)	-3.5	(2,188)	(2,404)	(2,538)
Admin and other	(1,059)	(1,117)	(1,102)	(1,159)	-5.2	(1,468)	-26.6	(1,233)	(1,014)	(1,012)
Revenue surplus / recurring income	8,291	7,321	8,733	8,630	-1.2	9,376	8.6	8,715	8,944	8,323
Interest capitalised	382	327	413	433	-1.2	268	8.6	382	496	40
Depreciation & amortisation	(222)	(291)	(291)	(291)	0.0	(291)	0.0	(291)	(291)	(291)
Pre-exceptional provisions	0	0	0	0	-	0	-	0	0	0
Profit before tax (UBS)	8,451	7,357	8,855	8,772	-0.9	9,354	6.6	8,807	9,150	8,072
Exceptionals	11,818	6,177	2,364	0	-	0	-	0	0	0
Profit before tax	20,269	13,534	11,219	8,772	-21.8	9,354	6.6	8,807	9,150	8,072
Tax	(1,197)	(771)	(936)	(1,350)	-44.2	(1,543)	-14.3	(1,260)	(1,162)	(966)
Profit after tax	19,072	12,763	10,283	7,423	-27.8	7,811	5.2	7,547	7,987	7,106
Minorities	(319)	(111)	(206)	(54)	73.6	(34)	37.5	(35)	(36)	(38)
Preference dividends	0	0	0	0	-	0	-	0	0	0
Extraordinary items (post-tax)	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	18,753	12,652	10,077	7,368	-26.9	7,777	5.5	7,512	7,951	7,068
Tax rate (UBS) (%)	14.2	10.5	10.6	15.4	45.6	16.5	7.2	14.3	12.7	12.0
EBITDA	9,811	8,953	9,961	9,815	-1.5	10,629	8.5	9,971	10,196	9,782
EBIT	9,589	8,662	9,670	9,524	-1.5	10,338	8.5	9,680	9,905	9,491
Per share (HK\$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS)	1.19	1.11	1.32	1.26	-4.5	1.33	5.5	1.28	1.36	1.21
Net DPS (HK\$)	0.60	0.60	0.66	0.69	5.0	0.71	2.6	0.73	0.75	0.75
BVPS (basic)	32.89	34.59	35.50	35.31	-0.6	35.94	1.8	36.51	37.14	37.60
NAV per share	36.46	31.04	36.46	36.46	0.0	36.46	0.0	36.46	36.46	36.46
Cash EPS (UBS)	1.16	1.10	1.30	1.24	-4.8	1.33	7.9	1.27	1.32	1.25
Average shares	5,850	5,850	5,850	5,850	0.0	5,850	0.0	5,850	5,850	5,850
Balance sheet (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Investment properties (book value)	202,296	213,708	218,955	223,231	2.0	226,480	1.5	229,895	237,762	238,196
Development properties (book value)	188	706	920	920	0.0	920	0.0	920	920	920
Other fixed assets	22,521	24,351	26,721	26,654	-0.2	22,582	-15.3	21,612	20,725	20,804
Total fixed assets (book value)	225,005	238,765	246,596	250,805	1.7	249,982	-0.3	252,427	259,407	259,919
Trading properties (book value)	6,948	8,020	7,979	6,604	-17.2	7,819	18.4	6,502	8,777	8,777
Cash & deposits	1,940	2,521	2,874	2,175	-24.3	862	-60.4	2,801	3,226	4,654
Other current assets	3,050	2,651	2,906	2,906	0.0	2,906	0.0	2,906	2,906	2,906
Total assets (book value)	236,943	251,957	260,355	262,491	0.8	261,570	-0.4	264,636	274,316	276,256
Debt	(30,861)	(34,535)	(36,945)	(39,302)	-6.4	(39,594)	-0.7	(42,056)	(47,641)	(47,066)
Other liabilities	(13,006)	(14,272)	(14,863)	(15,744)	-5.9	(10,774)	31.6	(7,990)	(8,374)	(8,178)
Preference shares	0	0	0	0	-	0	-	0	0	0
Minority interests	(642)	(800)	(856)	(910)	-6.3	(944)	-3.7	(979)	(1,015)	(1,053)
Shareholders equity / NTA	192,434	202,350	207,691	206,535	-0.56	210,258	1.80	213,610	217,285	219,960
Surpluses over book value (UBS)	0	0	0	0	-	0	-	0	0	0
S/h equity / NTA (basic)	192,434	202,350	207,691	206,535	-0.56	210,258	1.80	213,610	217,285	219,960
S/h equity / NTA (diluted)	192,434	202,350	207,691	206,535	-0.6	210,258	1.8	213,610	217,285	219,960
Cash flow (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EBIT	9,589	8,662	9,670	9,524	-1.5	10,338	8.5	9,680	9,905	9,491
Depreciation & amortisation	222	291	291	291	0.0	291	0.0	291	291	291
Net change in working capital	(1,447)	185	458	1,516	231.0	(2,378)	-	(184)	(793)	0
Net interest	(1,549)	(1,394)	(1,227)	(1,313)	-7.0	(1,531)	-16.7	(1,677)	(1,766)	(2,342)
Tax paid	(875)	(1,314)	(211)	(519)	-146.0	(1,350)	-160.1	(1,543)	(1,260)	(1,162)
Other (operating)	106	110	0	0	-	0	-	0	0	0
Operating cash flow	6,046	6,540	8,981	9,499	5.8	5,370	-43.5	6,568	6,378	6,277
Net (acquisitions) / capex	(3,113)	(5,443)	(11,236)	(4,276)	61.9	(3,249)	24.0	(3,415)	(7,867)	(434)
Dividends paid	(2,567)	(3,401)	(3,627)	(3,925)	-8.2	(4,054)	-3.3	(4,159)	(4,276)	(4,393)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Net other cash flows	(1,105)	(254)	247	337	36.2	328	-2.5	482	606	554
Cash flow (inc)/dec in net debt	(739)	(2,558)	(5,635)	1,635	-	(1,605)	-	(524)	(5,159)	2,004
Net (debt) / cash	(28,921)	(32,014)	(34,071)	(37,126)	-8.97	(38,732)	-4.32	(39,256)	(44,415)	(42,412)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Swire Properties (1972.HK)

Valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
PE (UBS) x	18.7	21.8	17.7	18.7	17.7	18.3	17.3	19.5
EV/EBIT (core) x	17.6	21.2	18.2	18.9	17.7	19.0	18.8	19.5
EV/EBITDA (core) x	17.2	20.5	17.6	18.3	17.2	18.4	18.2	18.9
P/CEPS (UBS) x	19.1	21.9	18.0	19.1	17.7	18.6	17.8	18.8
CEPS yield (UBS) %	5.2	4.6	5.6	5.2	5.7	5.4	5.6	5.3
Net dividend yield %	2.7	2.5	2.8	2.9	3.0	3.1	3.2	3.2
Net property yield %	4.5	4.5	4.7	4.9	5.0	5.0	5.1	5.1
BVPS (basic, HK\$)	32.89	34.59	35.50	35.31	35.94	36.51	37.14	37.60
NAV per share (HK\$)	36.46	31.04	36.46	36.46	36.46	36.46	36.46	36.46
Prem/(disc) to BVPS %	(32.7)	(30.3)	(34.2)	(33.3)	(34.5)	(35.5)	(36.6)	(37.4)
Prem/(disc) to NAV per share %	(39.3)	(22.3)	(35.9)	(35.4)	(35.4)	(35.4)	(35.4)	(35.4)
Enterprise value (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	129,507	141,084	136,627	137,768	137,768	137,768	137,768	137,768
Net debt (cash)	28,311	30,468	33,043	35,599	38,732	39,256	41,836	40,834
Buy out of minorities	587	721	828	883	944	979	997	1,016
Pension obligations/other	0	0	0	0	0	0	0	0
Total enterprise value	158,404	172,272	170,498	174,249	177,443	178,003	180,600	179,617
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	158,404	172,272	170,498	174,249	177,443	178,003	180,600	179,617
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Recurring income (UBS, pre-tax)	44.9	(11.7)	19.3	(1.2)	8.6	(7.0)	2.6	(6.9)
CEPS (UBS)	58.3	(5.0)	17.9	(4.8)	7.9	(4.9)	4.4	(5.5)
BVPS (basic)	9.3	5.2	2.6	(0.6)	1.8	1.6	1.7	1.2
NAV per share	-	(14.9)	17.4	0.0	0.0	0.0	0.0	0.0
EBITDA (core)	56.1	(8.8)	14.9	(1.5)	8.5	(6.4)	2.3	(4.2)
DPS	NM	0.0	10.0	5.0	2.6	2.8	2.7	0.0
Profitability	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
ROE %	3.8	3.3	3.8	3.6	3.7	3.5	3.7	3.2
Interest cover x	5.3	4.8	5.9	5.5	5.7	4.8	4.6	4.2
Dividend cover x	5.3	3.6	2.6	1.8	1.9	1.8	1.8	1.6
Cash earnings (UBS) dividend cover x	1.9	1.8	2.0	1.8	1.9	1.7	1.8	1.7
Productivity (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Pre-exceptional tax rate	14.2	10.5	10.6	15.4	16.5	14.3	12.7	12.0
Net debt/revalued net assets	15	16	16	18	18	18	20	19
Net debt/(revalued gross assets-cash)	12	13	13	14	15	15	16	16
Net debt/EV %	18.3	18.6	20.0	21.3	21.8	22.1	24.6	23.6
EBITDA/interest expense x	5.3	4.8	5.7	5.3	5.5	4.6	4.2	3.9
Net debt/EBITDA x	2.9	3.6	3.4	3.8	3.6	3.9	4.4	4.3
Investment properties by location %	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Japan	-	-	-	-	-	-	-	-
Asia (including Australia)	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Investment properties by sector %	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Offices	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-
Industrials	-	-	-	-	-	-	-	-
Hotels	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total commercial	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+16.5%
Forecast dividend yield	2.9%
Forecast stock return	+19.4%
Market return assumption	6.6%
Forecast excess return	+12.8%

Statement of Risk

The key risks related to Hong Kong property are 1) a rapid increase in interest rates; 2) government administrative policies; 3) a substantial increase in government-led supply; 4) general macro factors including a China hard landing. Another potential risk for Swire Properties is the slower than expected progress in its China property developments

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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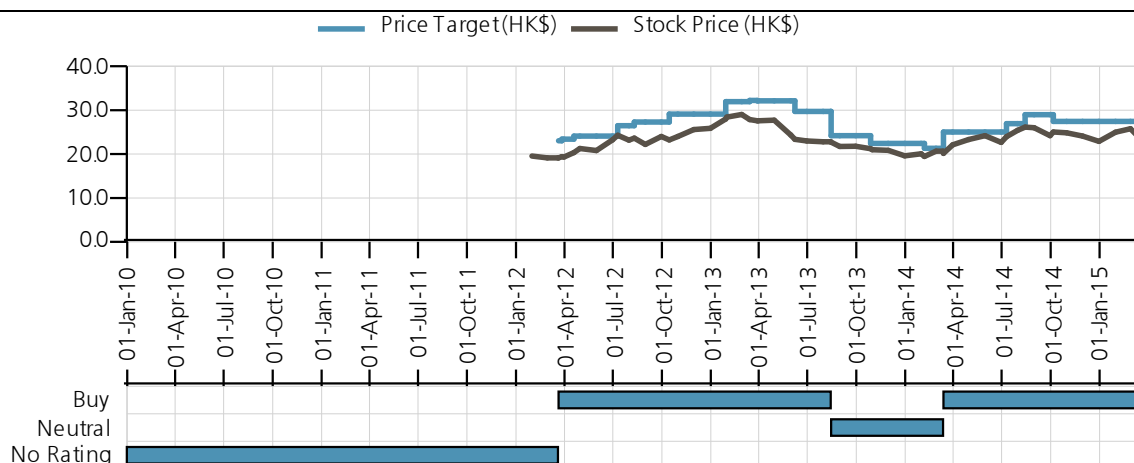
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Swire Properties	1972.HK	Buy	N/A	HK\$23.55	18 Mar 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Swire Properties (HK\$)



Source: UBS; as of 18 Mar 2015

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