

Swire Properties

Long-term growth taking time to play out

Among the different business segments, other than HK retail facing headwinds, most segments are expected to have stable growth in 2015. The diversified investment properties portfolio should continue to be the long-term growth driver for the company but the stock lacks drivers in the near term we believe. Maintain Neutral following broadly in-line FY14 results with underlying profit up by 13%.

- Pacific Place Mall sales staying weak:** Affected by Occupy Central and general retail market slowdown, retail sales of Pacific Place ("PP") Mall dropped 6.1% in 2014 and the weakness continues in 2015. Though the recent 20% price cut at luxury brand Chanel has stimulated demand, we think headwinds in the retail sector still exist as demand may be short-lived and it needs meaningful volume growth to compensate for the price cut. Occupancy cost of PP increased to high teens as a result of weakening sales. We estimate that PP accounts for 10% of Dec-15 GAV, which is under some downside pressure.
- Mid-end retail better than high-end in China:** Similar to HK, demand for luxury goods has weakened. However, the company expects demand for mid-price products to grow satisfactorily. Our site visits to their retail malls Taikoo Li Sanlitun and INDIGO in Beijing had similar findings. The mid-end part of Sanlitun has more footfall than the high-end part. And consumers are spending on lifestyle items like Starbucks. The positioning of the mall of Dazhongli project in Shanghai will have a lifestyle positioning and is not going for the extreme high-end.
- PP office seeing positive reversion:** In the outlook statement, it stated that rents will be under pressure in the Central district of Hong Kong. In the analysts briefing, management tone did not sound too negative and we think under pressure more refers to limited ability to raise rents in view of vacancy situation in buildings like Citibank Plaza and Exchange Square. For leases confirmed so far this year, small spaces in PP still achieved positive rental reversion and headline spot rent is around HK\$100 psf.

Neutral

1972.HK, 1972 HK

Price: HK\$23.95

Price Target: HK\$27.50

Hong Kong Hong Kong Property

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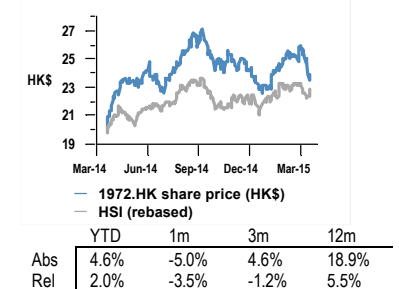
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Price Performance



Swire Properties (Reuters: 1972.HK, Bloomberg: 1972 HK)

HK\$ in mn, year-end Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue (HK\$ mn)	12,935	15,387	14,897	18,156	17,578
Net Profit (HK\$ mn)	12,773	9,589	7,235	7,265	7,656
Core Profit (HK\$ mn)	6,100	7,079	7,235	7,265	7,656
EPS (HK\$)	2.18	1.64	1.24	1.24	1.31
Core EPS (HK\$)	1.04	1.21	1.24	1.24	1.31
Core EPS growth (%)	(7.1%)	16.0%	2.2%	0.4%	5.4%
DPS (HK\$)	0.60	0.66	0.67	0.67	0.67
ROE	3.1%	3.5%	3.5%	3.4%	3.5%
P/E (Core)	23.0	19.8	19.4	19.3	18.3
P/BV (x)	0.7	0.7	0.7	0.7	0.6
BVPS (HK\$)	34.59	35.50	36.08	36.65	37.29
RNAV/Share			36.19	-	-
Dividend Yield	2.5%	2.8%	2.8%	2.8%	2.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Shares O/S (mn)	5,850
Market Cap (HK\$ mn)	140,108
Market Cap (\$ mn)	18,056
Price (HK\$)	23.95
Date Of Price	19 Mar 15
Free Float(%)	18.0%
3M - Avg daily vol (mn)	2.11
3M - Avg daily val (HK\$ mn)	51.83
3M - Avg daily val (\$ mn)	6.7
HSI	24,468.89
Exchange Rate	7.76
Price Target End Date	31-Dec-15
Price Target (HK\$)	27.50

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
<ul style="list-style-type: none"> Pick up in Central office leasing activities and rentals Opening and further ramp up of new investment properties in China Upcoming residential launches in HK New NAV accretive acquisitions 	<ul style="list-style-type: none"> Higher-than-expected office rental growth in Central Faster-than-expected residential sales in HK Better-than-expected performance of the investment properties in China including the mall in Chengdu 	<ul style="list-style-type: none"> A correction in HK office sector resulting from downsizing of tenants Persistently weak retail sales growth in HK and China Keen competition for prime sites in HK and China A potential interest rate hike

Key financial metrics	FY13A	FY14A	FY15E	FY16E
Revenues (HK\$)	12,935	15,387	14,897	18,156
Revenue growth (%)	-8%	19%	-3%	22%
EBITDA (HK\$)	8,678	9,396	9,812	10,008
EBITDA margin (%)	67%	61%	66%	55%
Tax rate (%)	7%	11%	13%	13%
Net profit (HK\$)	12,773	9,589	7,235	7,265
EPS (HK\$)	2.18	1.64	1.24	1.24
EPS growth (%)	-33%	-25%	-25%	0%
DPS (HK\$)	0.60	0.66	0.67	0.67
BVPS (HK\$)	34.59	35.50	36.08	36.65
Operating cash flow (HK\$ mn)	6,381	7,091	7,699	11,421
Free cash flow (HK\$ mn)	1,911	1,202	2,625	6,876
Interest cover (X)	6.0	7.7	6.3	5.6
Net margin (%)	99%	62%	49%	40%
Sales/assets (X)	0.05	0.06	0.06	0.07
Debt/equity (%)	17.0%	16.9%	19.0%	19.3%
Net debt/equity (%)	15.8%	15.5%	16.4%	15.5%
ROE (%)	3.1%	3.5%	3.5%	3.4%

Key model assumptions	FY15E
HK residential price chg	0%
HK office rental chg	3-5%
HK retail rental chg	3%
HK office cap rate	5.0-5.25%
HK retail cap rate	5.50%
China office cap rate	7.25-8.5%
China retail cap rate	7.25-8.75%

Source: J.P. Morgan estimates.

Sensitivity analysis	NAV Dec-15	EPS FY15E
Sensitivity to		
5% chg in HK residential price	0.3%	1.6%
5% chg in HK office rent	2.7%	1.2%
5% chg in HK retail rent	1.2%	0.6%
50 bps chg in HK cap rate	10.0%	n/a

Source: Bloomberg, Company data and J.P. Morgan estimates.

Comparative metrics

	CMP		Mkt Cap		P/E		NAV discount		P/BV		YTD Stock perf.
	HK\$	HK\$Bn	FY14E	FY15E	Dec-15	FY14E	FY15E				
Hang Lung Group	34.50	46.74	8.1	13.1	-35%	0.61	0.59	-2%			
Hang Lung Properties	21.40	95.99	9.6	15.8	-39%	0.72	0.71	-2%			
Great Eagle	26.85	17.62	9.2	10.2	-56%	0.34	0.39	6%			
Hong Kong Land Holdings (US\$)	7.57	17.81	20.1	18.8	-31%	0.66	0.65	12%			
Hopewell Holdings	28.50	24.83	20.2	18.6	-47%	0.57	0.56	1%			
Hysan Development	34.30	36.49	16.5	15.9	-44%	0.56	0.55	-1%			
Kerry Properties	25.45	36.77	10.4	9.9	-64%	0.46	0.45	-10%			
SHKP	117.30	336.88	14.8	14.7	-36%	0.77	0.74	-1%			
Swire Properties	23.95	140.11	19.8	19.4	-34%	0.67	0.66	5%			
Wharf Holdings	53.00	160.64	15.3	13.6	-42%	0.53	0.52	-5%			
Link REIT*	49.00	112.30	29.2	28.3	-1%	1.18	1.01	1%			
Champion REIT*	3.77	21.71	19.8	21.5	-10%	0.43	0.46	5%			
Fortune REIT*	8.49	15.93	25.2	22.8	-14%	0.71	0.67	9%			

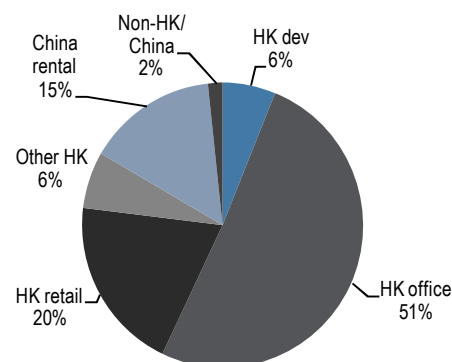
Source: Bloomberg, Company data and J.P. Morgan estimates. Prices are as of 19 March 2015.

*NPV for REITs

Valuation and price target basis

Our Dec-15 PT is based on a 25% discount to end Dec-15 NAV, which is the long-term average discount for Hong Kong landlords.

NAV breakdown (Dec-15E)



Source: Bloomberg, Company data and J.P. Morgan estimates.

JPM vs. consensus, change in estimates

EPS	FY15E	FY16E
JPM old	1.20	1.28
JPM new	1.24	1.24
% chg	3%	-3%
Consensus	1.23	1.28

Source: Bloomberg, Company data and J.P. Morgan estimates.

Stable growth in 2014 except HK retail

Swire Properties reported FY14 underlying profit of HK\$7,152 mn, up 12.7% Y/Y, broadly in line with our estimate of HK\$6,907 mn. Earnings growth was mainly attributable to positive rental reversions in HK, higher rental income from China and higher sales from HK residential properties. Second DPS increased 10% to HK\$0.44, resulting in full-year DPS of HK\$0.66 compared with HK\$0.6 in 2013. Gearing level remains healthy at 16.3%.

Table 1: Swire Properties: FY14 annual results summary

HK\$MM, Year end Dec	FY13	1H14	2H14	FY14	% Y/Y	Comments	FY14E	% Var
Office - Hong Kong	5,098	2,630	2,725	5,355	5%	Positive rental reversions at PP and Island East	5,077	5%
Office - China	288	152	200	352	22%	Office occupancy of TaiKoo Hui improved from 89% in Dec-13 to 100% in Dec-14	369	-5%
Retail - Hong Kong	2,614	1,344	1,361	2,705	3%	Positive rental reversions	2,617	3%
Retail - China	1,347	742	813	1,555	15%	Higher retail sales (Sanlitun: +19%; TaiKoo Hui: 11%)	1,335	16%
Residential	329	169	184	353	7%	Occupancy of HK portfolio rose from 80% as of Dec-13 to 88% as of Dec-14, reflecting good demand for fully furnished suites at Pacific Place Apartments	323	9%
Other income	110	72	64	136	24%		127	8%
Gross rental income	9,786	5,109	5,347	10,456	7%		9,848	6%
Property trading	2,207	2,707	1,135	3,842	74%	Recognition of sales from Mount Parker Residence as well as inventory units at Azura and Argenta	3,474	11%
Hotel	942	522	567	1,089	16%		817	33%
Total revenue	12,935	8,338	7,049	15,387	19%		14,139	9%
EBIT breakdown								
Property investment	7,317	3,947	3,931	7,878	8%		7,440	6%
Property trading	1,035	807	373	1,180	14%	Lower than expected margin	1,521	-22%
Hotel	(65)	(8)	(14)	(22)	nm	Reduced loss for China hotels but still adversely affected by new hotels being opened	37	-159%
EBIT	8,287	4,746	4,290	9,036	9%		8,998	0%
Interest income	78	57	40	97	24%		38	157%
Gross interest expenses	(1,852)	(907)	(830)	(1,737)	-6%		(1,798)	-3%
Less: Interest capitalized	327	192	221	413	26%		338	22%
Net finance charges	(1,447)	(658)	(569)	(1,227)	-15%		(1,422)	-14%
Operating profit	6,840	4,088	3,721	7,809	14%		7,576	3%
Total associate/JCE profit	269	365	283	648	141%	Sale of 52 units at Dunbar Place recognised	600	8%
Profit before taxation	7,109	4,453	4,004	8,457	19%		8,176	3%
Taxation	(898)	(612)	(560)	(1,172)	31%		(1,061)	10%
Minority interest	(111)	(137)	(69)	(206)	86%		(209)	-1%
Core net profit	6,100	3,704	3,375	7,079	16%		6,907	2%
Adjusted underlying profit	6,348	3,775	3,377	7,152	13%		6,907	4%
Core EPS (HK\$ / sh)	1.04	0.63	0.58	1.21	16%		1.18	2%
Underlying profit (HK\$ / sh)	1.09	0.65	0.58	1.22	13%		1.09	13%
DPS (HK\$ / sh)	0.60	0.22	0.44	0.66	10%	Dividend raised in response to earnings growth	0.65	2%
EBIT margin								
Property investment (%)	75%	77%	74%	75%				
Property trading (%)	47%	30%	33%	31%				
Hotels (%)	-7%	-2%	-2%	-2%				

Source: Company reports and J.P. Morgan estimates.

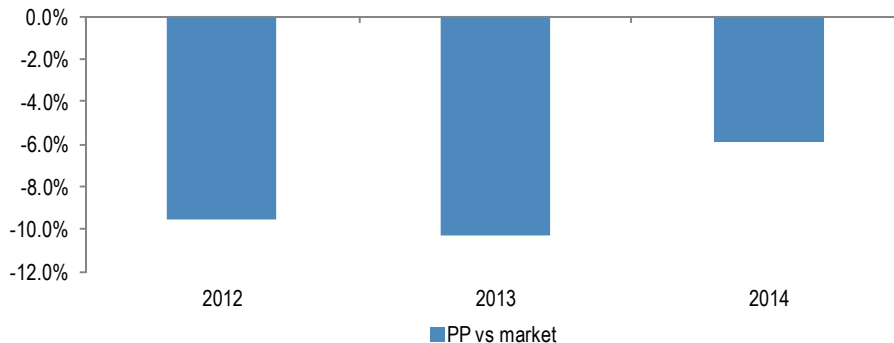
Table 2: Key developments of Swire Properties in 2014

Date	Event
Jan-14	Acquired 50% of DCH Commercial Centre, an office building (GFA 389,000 sf) in Quarry Bay, and renamed as Berkshire House in Jul-14.
Jan-14	Signed a framework agreement with CITIC Real Estate and Dalian Port Real Estate signifying the intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a JV (Swire holding 50% interest)
Feb-14	Acquisition of 20% of Taikoo Li Sanlitun in Beijing from GCA, a fund managed by Gaw Capital Partners, was completed in light of exercising of put option as served by GCA
Feb-14	Entered into an agreement with HK Government to acquire its interest in Cornwall House in TaiKoo Place where transaction is expected to be completed by Dec-16
Feb-14	Agreed with the Government to proceed with a modification of the Government Leases to convert Swire's industrial site (50% owned) at 8-10 Wong Chuk Hang Road in Aberdeen to commercial use to develop an office building with a GFA of 382,500 sf
Mar-14	Started presale of units in Mount Parker Residences
Jun-14	Started presale of units in Reach, a luxury residential condominium at the Brickell City Centre development in Miami, USA
Sep-14	Started presale of units in Arezzo
Oct-14	Opened Sino-Ocean Taikoo Li Chengdu, a shopping complex in Chengdu
Nov-14	Started presale of units in Rise, a second residential condominium at the Brickell City Centre development in Miami
Dec-14	HK\$100 mn enhancement project at Cityplaza completed with over 30 new retail brands introduced to the mall

Source: Company data.

Stable growth was recorded in 2014 for most segments except HK retail, where Pacific Place Mall experienced a 6.1% retail sales drop mainly due to weakening retail market and also Occupy Central where protesters gathered at Admiralty where PP is located. The mall accounts for 10% of our Dec-15 GAV estimate and overall HK retail revenue accounted for 17.6% of FY14 total revenue. We stay cautious on the HK retail market outlook. With occupancy cost at high teens, there may be downside risks in rental if there is further weakness in tenants sales, which could create some drag on the share price performance.

Figure 1: Pacific Place Mall retail sales vs HK retail sales



Source: Company data, CEIC, J.P. Morgan estimates.

China retail portfolio achieved better sales growth than HK

Both the HK and China retail markets are facing weak demand for luxury goods. Within Swire Prop's portfolio, retail sales of the China malls grew in the range of 11% to 66% in 2014. Our site visits to Taikoo Li Sanlitun and INDIGO Mall in Beijing observed that the middle class consumers are willing to spend on lifestyle items, which coincides with the company's expectation of satisfactory growth in demand for mid-price products. So far this year the China malls all experienced double-digit retail growth, e.g., 20% for TaiKoo Hui in Guangzhou, low teens for

Taikoo Li Sanlitun. The tenants mix rebranding at TaiKoo Hui starts to show positive impact.

Table 3: China malls recorded higher retail sales growth

Hong Kong	2013	2014
Pacific Place Mall	+0.7%	-6.1%
Cityplaza Mall	+2.4%	-0.4%
Citygate Outlets	+13.5%	+4.6%
Mainland China	2013	2014
Taikoo Li Sanlitun	+17.0%	+18.8%
TaiKoo Hui Mall	+24.9%	+11.0%
INDIGO Mall	N/A	+66.1%

Source: Company data.

Our visit noted that there is more footfall in Taikoo Li Sanlitun South where the tenants are mainly selling mid-end projects and lifestyle stores like coffee shops. And shoppers are carrying shopping bags of mid-end products like Nike, Uniqlo. However, in Taikoo Li Sanlitun where it is positioned as high-end, there is much less footfall and we saw few shoppers carrying shopping bags.

Figure 2: Taikoo Li Sanlitun South



Source: J.P. Morgan.

Figure 3: Taikoo Li Sanlitun North



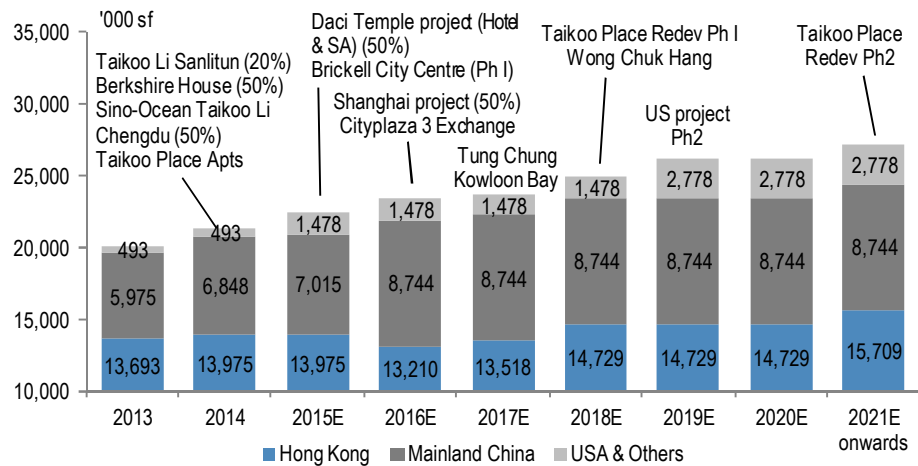
Source: J.P. Morgan.

Long-term growth from IP

With the landbank in Hong Kong being gradually realized, the earnings contribution from residential sales is expected to gradually fade in two to three years time. Rental income contribution from the investment properties (“IP”) completion will help to fill the gap. In 2014, the retail complex of Daci Temple Project in Chengdu, Sino-Ocean Taikoo Li Chengdu has started operation. The net yield on cost on a stabilized basis is at high single digits.

In five years time, total attributable GFA is expected to grow 28%, gradually enhancing the recurring income base. The execution of the completed projects has been so far satisfactory. Swire Prop is looking for potential acquisitions in China such as mixed-use project in Dalian. We expect the long-term growth potential from the IP pipeline will take time to play out in the share price.

Figure 4: Expected attr. GFA of completed IP portfolio (incl. hotels) to go up by 28% by 2021E



Source: Company data.

Table 4: Profile of capital commitments for investment properties and hotels

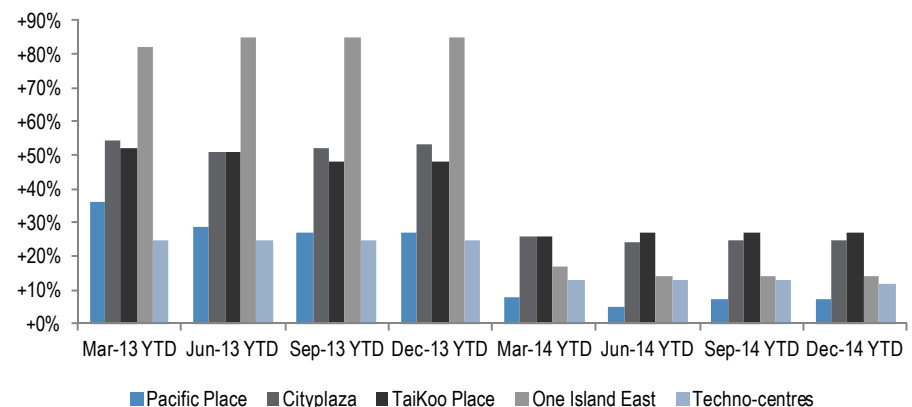
HK\$ mn	Expenditure		Forecast year of expenditure			Commitments
	2014	2015E	2016E	2017E	2018E & beyond	As at 31-Dec-2014
Hong Kong	4,657	1,564	4,122	4,030	7,781	17,497
Mainland China	2,272	1,955	1,620	244	827	4,646
U.S.A. and others	2,051	1,707	290	-	-	1,997
Total	8,980	5,226	6,032	4,274	8,608	24,140

Source: Company data.

Limited office expiry in 2015

Positive rental reversions have been achieved for the HK office portfolio in 2014, ranging from 7% to 27%. For leases confirmed so far this year, small spaces in PP still achieved positive rental reversion and headline spot rent is around HK\$100 psf. While the company stated that rents will be under pressure in the Central district in HK, the company expects occupancy of PP office to remain stable given no major leases expiry in 2015. Overall there is 10.3% office lease expiry in 2015.

Figure 5: Swire Properties - Positive office rental reversions for HK portfolio



Source: Company data.

Table 5: Swire Properties: Hong Kong office asking rentals

	Latest Rentals (HK\$ psf pm)		
	Dec-13	Jun-14	Dec-14
One and Two Pacific Place	95 to 110	95 to 110	95 to 110
Three Pacific Place	90 to 95	90 to 95	90 to 95
Cityplaza	low 40s to mid 40s	low 40s to mid 40s	mid 40s to high 40s
TaiKoo Place	low 40s to mid 40s	low 40s to high 40s	low 40s to high 40s
Techno-centres	mid 50s to high 60s	mid 50s to high 60s	mid 50s to high 60s
One Island East	low 20s to mid 20s	mid 20s	mid 20s

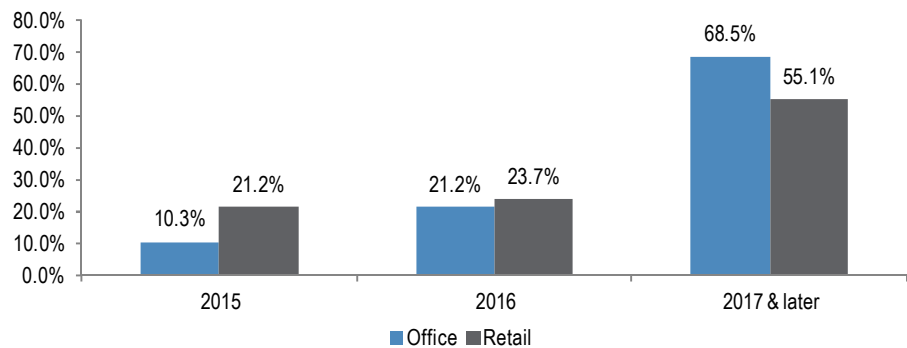
Source: Company reports.

Table 6: Swire Properties - occupancy of major investment properties

Occupancy / Lease commitments			
Office			
	Dec-13	Jun-14	Dec-14
Hong Kong			
Pacific Place	91%	93%	94%
Cityplaza	97%	98%	100%
TaiKoo Place	99%	99%	98%
One Island East	100%	100%	98%
Techno-centres	100%	97%	100%
Mainland China			
TaiKoo Hui Offices	89%	99%	100%
ONE INDIGO	97%	96%	100%
Retail			
Hong Kong			
Pacific Place Mall	100%	100%	100%
Cityplaza Mall	100%	100%	100%
Citygate Outlets	100%	100%	100%
Mainland China			
Taikoo Li Sanlitun	94%	97%	95%
TaiKoo Hui Mall	99%	99%	99%
INDIGO Mall	96%	95%	95%

Source: Company reports.

Figure 6: HK office and retail lease expiry profile (as at Dec 2014)



Source: Company data.

HK residential properties

Lower margin in 2014

Swire Properties recorded 74% Y/Y increase in property trading revenue whereas EBIT grew only 14% Y/Y, implying a lower margin at 31% for FY14. The sales recognized in FY14 were mainly generated by Mount Parker Residence, Dunbar Place (at associates level) as well as inventory units at Argenta and Azura. We believe Mount Parker Residence would be the project causing lower margin.

HK development profit contribution to continue until 2016 at least

Looking into 2015, Swire Prop expects to complete Arezzo and 160 South Lantau Road. We expect the company to recognize sales from Arezzo (partly sold and completed in Jan-15), whereas it is uncertain for 160 South Lantau Island now as the project has not been launched yet. The remaining residential project at 100 Caine Road is slated for completion in 2016. Development profit from HK will therefore continue to contribute to earnings until 2016 at least.

Table 7: Profit booking schedule for HK residential projects

Project	Swire's interest (%)	Completion	Total no. of units	No. of units sold as at Mar-17	No. of units booked before FY14	No. of units booked in FY14	No. of units left for profit booking
Azura	88%	2H12	126	122	119	3	0
Argenta	100%	Jun-13	30	27	12	15	0
Dunbar Place	50%	Dec-13	53	52	n/a	52	0
Mount Parker Residences	80%	Apr-14	92	86	n/a	82	4
Arezzo	100%	Jan-15	127	79	n/a	n/a	79

Source: J.P. Morgan estimates, Company data.

Change in earnings and NAV estimates

We revise up our FY15 profit estimate in light of better-than-expected rental income in FY14, whereas we reduce our FY16 earnings estimate after change in property booking assumptions. Our Dec-15 NAV estimate edged down slightly by 1%.

Table 8: Changes in earnings estimates

	FY15E	FY16E	FY17E
Old Earnings (HK\$m)	7,049	7,516	n/a
New Earnings (HK\$m)	7,235	7,265	7,656
% change	3%	-3%	n/a
Old EPS (HK\$)	1.20	1.28	n/a
New EPS (HK\$)	1.24	1.24	1.31
% change	3%	-3%	n/a
Old DPS (HK\$)	0.67	0.67	n/a
New DPS (HK\$)	0.67	0.67	0.67
% change	0%	0%	n/a
Old NAV	36.45		
New NAV	36.19		
% change	-1%		

Source: J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

Swire Properties (Neutral; Price Target: HK\$27.50)

Investment Thesis

Among the different business segments, other than HK retail facing headwinds, most segments are expected to have stable growth in 2015. The diversified investment properties portfolio will continue to be the long-term growth driver for the company but the stock lacks drivers in the near-term.

Valuation

Our Dec-15 price target of HK\$27.5 is based on a 25% discount to NAV, which is the long-term average discount for Hong Kong landlords.

	Dec-15 NAV		% of
	HK\$MM	HK\$/sh	
Hong Kong Investment Properties			
Office (incl Techno Centres)	128,042	21.9	51%
Retail	50,328	8.6	20%
Luxury Residential	11,055	1.9	4%
Hotel (rooms, HK\$ mn / room)	5,262	0.9	2%
	194,688	33.3	77%
China Investment Properties			
Office	10,673	1.8	4%
Retail	25,050	4.3	10%
Luxury Residential	12	0.0	0%
Carpark	578	0.1	0%
Hotel (rooms, HK\$ mn / room)	1,069	0.2	0%
	37,383	6.4	15%
Other Investment Properties			
Hotel (rooms, HK\$ mn / room)	1,718	0.29	1%
	1,718	0.29	1%
Hong Kong Development Properties			
Luxury Residential	9,870	1.7	4%
Carparks (units, HK\$ / unit)	59	0.0	0%
Amalgamation Properties	5,403	0.9	2%
	15,332	2.6	6%
Other Development Properties			
US Development Properties	2,527	0.4	1%
	2,527	0.4	1%
Total Enterprise Value (HK\$ mn)	251,648	43.0	100%
Net cash / (debt)	(34,071)	(5.8)	
Associated net debt	(5,844)	(1.0)	
Net assets value (HK\$ mn)	211,733	36.2	
Number of share outstanding (mn)	5,850		
NAV per share (HK\$)	36.19		

Source: J.P. Morgan estimates

Risks to Rating and Price Target

Downside risks include a correction in the HK office market, weaker-than-expected retail sales growth in HK/China, slower-than-expected HK residential sales and cap rate expansion.

Upside risks include better-than-expected retail sales growth in HK/China, fast sell-through and higher-than-expected margins of HK residential projects as well as higher income contributions from new projects in China.

Swire Properties: Summary of Financials

Income Statement					Cash flow statement				
HK\$ in millions, year end Dec	FY14	FY15E	FY16E	FY17E	HK\$ in millions, year end Dec	FY14	FY15E	FY16E	FY17E
Revenues	15,387	14,897	18,156	17,578	EBIT	9,036	9,427	9,617	9,599
% change Y/Y	19.0%	(3.2%)	21.9%	(3.2%)	Depr. & amortization	360	385	390	396
EBIT	9,036	9,427	9,617	9,599	Change in working capital	94	546	4,295	2,477
% change Y/Y	9.0%	4.3%	2.0%	(0.2%)	Others	(1,227)	(1,557)	(1,785)	(1,560)
EBIT Margin	58.7%	63.3%	53.0%	54.6%	Cash flow from operations	7,091	7,699	11,421	9,786
Net Interest	(1,227)	(1,557)	(1,785)	(1,560)	Capex	(6,946)	(6,428)	(6,099)	(3,355)
Earnings before tax	10,967	8,424	8,484	8,903	Disposal/(purchase)	0	0	0	0
% change Y/Y	(20.4%)	(23.2%)	0.7%	4.9%	Net Interest	-	-	-	-
Tax	(1,172)	(1,102)	(1,097)	(1,125)	Free cash flow	1,202	2,625	6,876	7,794
as % of EBT	10.7%	13.1%	12.9%	12.6%	Equity raised/(repaid)	(470)	0	0	0
Net income (reported)	9,589	7,235	7,265	7,656	Debt raised/(repaid)	3,721	3,022	1,411	(4,589)
% change Y/Y	(24.9%)	(24.5%)	0.4%	5.4%	Other	607	2,066	0	0
Core net profit	7,079	7,235	7,265	7,656	Dividends paid	(3,627)	(3,861)	(3,920)	(3,920)
% change Y/Y	16.0%	2.2%	0.4%	5.4%	Beginning cash	2,521	2,874	5,372	8,186
Shares outstanding	5,850	5,850	5,850	5,850	Ending cash	2,874	5,372	8,186	6,109
EPS (reported) (HK\$)	1.64	1.24	1.24	1.31	DPS (HK\$)	0.66	0.67	0.67	0.67
% change Y/Y	(24.9%)	(24.5%)	0.4%	5.4%					
Core EPS (HK\$)	1.21	1.24	1.24	1.31					
% change Y/Y	16.0%	2.2%	0.4%	5.4%					
Balance sheet					Ratio Analysis				
HK\$ in millions, year end Dec	FY14	FY15E	FY16E	FY17E	% , year end Dec	FY14	FY15E	FY16E	FY17E
Cash and cash equivalents	2,874	5,372	8,186	6,109	EBIT margin	58.7%	63.3%	53.0%	54.6%
Accounts receivable	2,821	2,821	2,821	2,821	Net margin	46.0%	48.6%	40.0%	43.6%
Inventories	8,976	8,430	4,135	1,659	SG&A/Sales	-	-	-	-
Others	8	8	8	8					
Current assets	14,679	16,631	15,150	10,596	Sales per share growth	19.0%	(3.2%)	21.9%	(3.2%)
					Sales growth	19.0%	(3.2%)	21.9%	(3.2%)
LT investments	-	-	-	-	Net profit growth	16.0%	2.2%	0.4%	5.4%
Net fixed assets	226,658	232,700	238,409	241,368	EPS growth	16.0%	2.2%	0.4%	5.4%
Total Assets	260,355	268,905	273,784	273,053	Interest coverage (x)	7.7	6.3	5.6	6.4
Liabilities					Net debt to total capital	13.4%	14.1%	13.4%	12.4%
ST loans	2,402	7,589	7,589	7,589	Net debt to equity	15.5%	16.4%	15.5%	14.1%
Payables	8,193	8,193	8,193	8,193	Sales/assets	0.1	0.1	0.1	0.1
Others	1,799	1,799	1,799	1,799	Assets/equity	1.2	1.3	1.3	1.3
Total current liabilities	12,394	17,581	17,581	17,581	ROE	3.5%	3.5%	3.4%	3.5%
Long-term debt	32,744	32,645	34,056	29,467	ROCE	3.2%	3.3%	3.3%	3.3%
Other liabilities	6,670	6,670	6,670	6,670					
Total Liabilities	51,808	56,896	58,307	53,718					
Shareholder's equity	207,691	211,065	214,411	218,147					
BVPS	35.50	36.08	36.65	37.29					

Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile

Swire Properties Limited (HONG KONG / Financials)

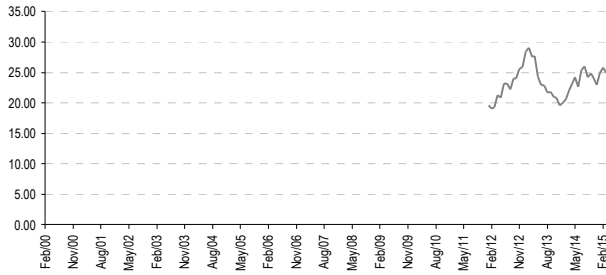
As Of: 13-Mar-2015

Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

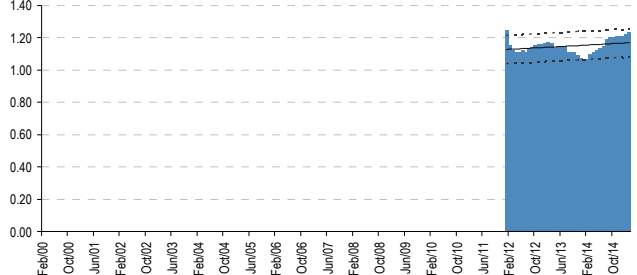
Local Share Price

Current: 24.95



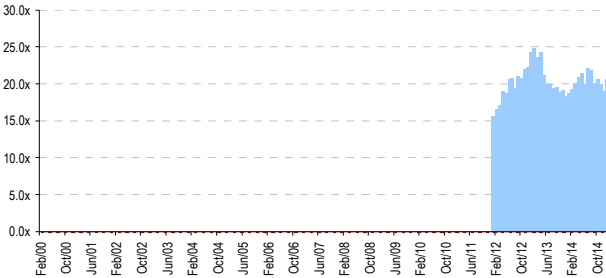
12 Mth Forward EPS

Current: 1.23



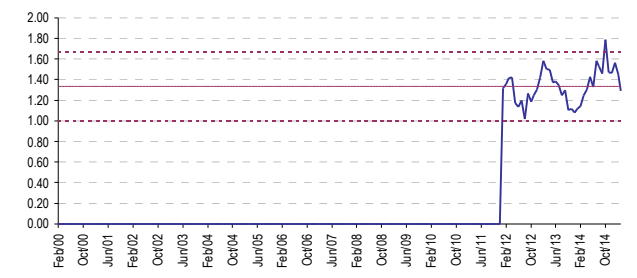
PE (1Yr Forward)

Current: 20.2x



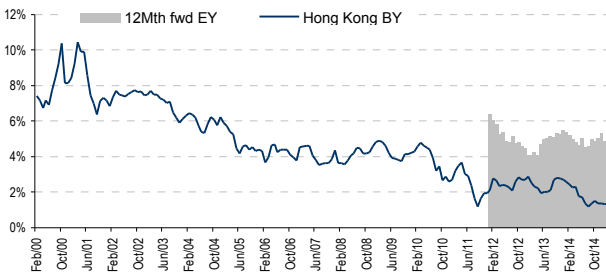
P/E Relative to Hong Kong Index

Current: 1.29



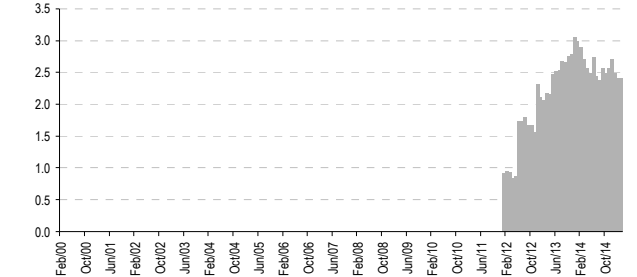
Earnings Yield (& Local Bond Yield)

Current: 5%



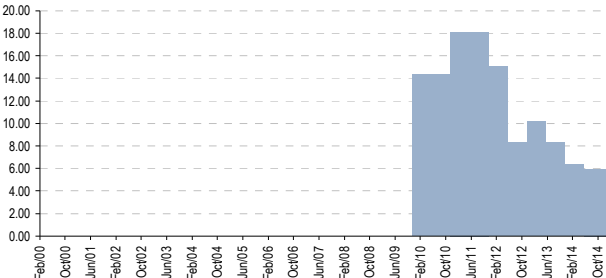
Dividend Yield (Trailing)

Current: 2.41



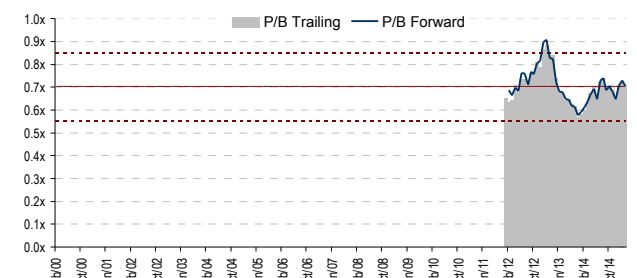
ROE (Trailing)

Current: 5.96



Price/Book (Value)

Current: 0.7x



Summary

Swire Properties Limited		TICKER 1972 HK		As Of: 13-Mar-15							
HONG KONG				Local Price: 24.95							
Financials				EPS: 1.23							
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	20.25x										
P/BV (Trailing)	0.71	0.57	0.88	0.70	0.70	0.85	0.55	-20%	24%	-1%	-1%
Dividend Yield (Trailing)	2.41x	0.85	3.06	2.44	2.20	3.46	0.95	-65%	27%	1%	-9%
ROE (Trailing)	5.96	5.96	18.11	10.18	11.54	20.61	2.46	0%	204%	71%	93%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, JPMorgan Quantitative & Derivative Strategy

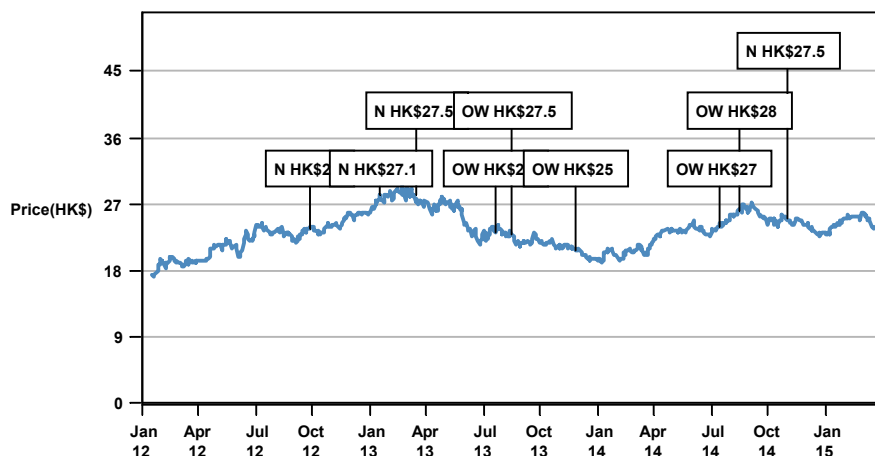
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Swire Properties (1972.HK, 1972 HK) Price Chart



Date	Rating	Share Price (HK\$)	Price Target (HK\$)
27-Sep-12	N	23.75	26.00
17-Jan-13	N	28.20	27.10
15-Mar-13	N	28.15	27.50
22-Jul-13	OW	23.10	28.00
16-Aug-13	OW	22.70	27.50
26-Nov-13	OW	20.60	25.00
14-Jul-14	OW	23.90	27.00
15-Aug-14	OW	26.15	28.00
30-Oct-14	N	24.95	27.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Sep 27, 2012.

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IB clients*	75%	67%	52%

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