

SE Finance
HD **Packer's CPH to consolidate with profits on the rise**

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THE Packer family's private investment **company** is poised for a period of consolidation after posting another strong annual financial performance, underpinned by share price growth across its listed investments and reduced losses in its fashion business.

The annual accounts of James Packer's private **company** Consolidated Press Holdings, obtained by The Australian, show CPH posted a net profit last year of \$181.4 million, up from the previous year's result of \$179.3m. Its major listed investments were in casino **group** Crown, jobs **group** Seek and fund manager Magellan Financial **Group**.

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Crown's market capitalisation grew by \$3 billion last year.

CPH paid dividends of \$119.5m, down from the \$143.1m paid a year earlier. The dividends are the only means for Mr Packer to realise the value of his investments, given he does not draw a salary from his position as chairman of Crown.

Forbes Asia this week increased its estimate of Mr Packer's wealth by 10 per cent to \$6.6bn, retaining his position as Australia's third-richest person.

CPH executive director Michael Johnston said CPH had entered a period of relative stability after a major restructuring that had seen it shed non-core assets in a range of industries, including beef processing and beef production, cosmetics, leisure and entertainment, financial services and media.

It is unlikely to make fresh investments or sell more assets in the year ahead.

"In the year ahead it will be steady as she goes," Mr Johnston said.

"We have gone through the process of reconfiguring the asset portfolio and we are very comfortable where it is at right now."

Its biggest headache remains its wholly owned Pretty Girl Fashion **Group**, the owner of the 425-store Rockmans womenswear chain as well as the Table Eight corporate uniforms business and W Lane brand.

According to accounts lodged with the Australian Securities & Investments Commission, Pretty Girl reported a net loss last year of \$11.8m.

Current liabilities exceeded current assets by \$3.7m. At June 30 the **group** was in a net liability position of \$21.1m. The accounts show CPH has provided a letter of support for Pretty Girl for at least another 12 months.

However, the level of losses almost halved last year, as did the deficiency in net assets.

Following its June 30 balance date, CPH netted a profit of an estimated \$150m on selling its stakes in Seek and Magellan Financial **Group**.

All of the proceeds of those sales were invested in booming real **estate** website Zillow, the so-called REA **Group** of the US, and RatPac Entertainment, a Hollywood film development and production finance **company**.

“Both Zillow and RatPac are early-phase businesses that we believe have significant potential for growth. James has a very good track record in picking early-stage internet investments,” Mr Johnston said.

Entities controlled by CPH have a 9.3 per cent stake in Zillow. Mr Johnston confirmed that CPH took its initial stake early last year before buying more shares with the proceeds of the Seek and Magellan sales.

“Zillow is currently the market leader in the US. We came in at a time when that was starting to be the case and since then it has only become clearer,” Mr Johnston said.

“We think it has great potential for future growth.”

On the RatPac investment with filmmaker Brett Ratner, Mr Johnston said: “James sees an opportunity to leverage RatPac’s Western technology in filmmaking into other markets.”

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In an interview with Forbes Asia published yesterday, Mr Packer went further, saying RatPac was looking at opportunities in **China** tailored specifically for the **Chinese** consumer, as well as India and throughout Asia.

“RatPac is a chance to bring together Western and Eastern culture,” Mr Packer said. But CPH was unlikely to **buy** more shares in RatPac.

In addition to its 50.1 per cent stake in Crown, CPH retains a small media investment of just 9 per cent in the Ten Network, whose shares have risen almost 30 per cent this month.

CPH’s other remaining assets are in online jobs in **China** and ski resorts. It has a 15 per cent stake in **Chinese** online job **site** Zhaopin, which is earmarked for a sharemarket float, and 75 per cent of ski resort Perisher Blue, an asset it inherited in 1972, when CPH acquired Perisher Smiggins and the Perisher **Hotel** through its **purchase** of Murray Publishers.

Mr Johnston said CPH had “quite a low level of debt overall” despite the accounts recording billions of dollars of borrowings from controlled entities within the **group**, and he said it remained optimistic about the outlook for the **Chinese** economy. We are still comfortable with the thematic of growth in the Macau market given the ongoing growth in **China**,” Mr Johnston said.

Crown has a 34 per cent stake in Melco Crown, a pan-Asian gaming joint venture with Lawrence Ho with casinos in Macau.

The investment has grown to represent half of Crown’s total value, is now almost debt-free at the holding-**company** level, and it has independent financing in place for new developments in Macau and The Philippines.

Mr Packer said late last year that Crown’s investment in Melco Crown cost \$US600m and was now worth \$US6.2bn (\$7.1bn).

“We uphold our optimistic view on **China**’s economy, as well as Macau’s,” he told Forbes Asia. “The increasingly affluent PRC population has led to a greater demand for quality entertainment. I don’t pretend to be an economist, but **China**’s growth rate is still the envy of most of the world. Half a billion people have moved from poverty to the middle class.”

While CPH’s accounts lodged with ASIC are indicative of its financial performance, the **company** is ultimately owned by Bahamas-based entities and posts unconsolidated accounts, so they do not give a full picture of the Packer family’s private investment empire.

CO peamag : Magellan Financial Group | nphlau : New Privateer Holdings Ltd

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