

Sealaska's annual report a mixed bag

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Vital signs of the business health of the state's largest regional Native corporation all dropped in the last accounting year as most subsidiaries sustained market injuries. Nonetheless, Sealaska's fiscal condition has apparently stabilized and past financial hemorrhaging has been stemmed by restructuring operations and debt, according to the 1984 annual report.

Discouraging aspects of the diagnosis include:

- Net earnings plummeted 57 percent to \$1.8 million.
- Total revenues from transportation services fell 30 percent.
- Total revenues from forest products declined nearly 28 percent.
- Overall revenues were down six percent to \$215 million.
- Long term debt is up 10 percent to \$33 million.

The report declares, "The \$1.8 million net profit...can be interpreted as satisfactory performance only within the context of the economic conditions in our

particular businesses: a continuing depression in the export timber market...a seafood industry littered with bankruptcies, and a transportation industry plagued with over-capacity driven to predatory pricing practices."

Sealaska tacked on three extra months (January-March, 1985) to its last accounting year in order to switch to a new bookkeeping calendar. That "stub year," a seasonally slow time for Sealaska companies, is to blame for a \$5.4 million loss, or nearly 40 percent of the total drop in revenue for the 15-month period.

Other statistics in the report show that the corporation, which claims 15,800 shareholders, has stabilized since a devastating \$25 million loss in 1982 when timber and salmon markets bottomed out. For example, total assets of the corporation and the value of its stock were dented only slightly. While the value of each share declined three percent to \$45.70, that can be attributed to another revised business practice: removing from the balance sheet the

worth of undeveloped timber.

"Our efforts to control the growth of bank debt and to build corporate liquidity and to enhance profitability was the focus of a rigorous planning process this year," reported Sealaska President Byron Mallot. The 18-member board of directors came up with a five-year business strategy to take the corporation through 1990.

"Given the current uncertainties surrounding 1991 issues such as stock alienation, the company needs to have the flexibility that comes from being financially

secure to act in the best interest of its shareholders," said Mallot.

The corporation was able to record some very positive readings, too. Revenues from its building materials subsidiaries were up by more than 16 percent with record sales of more than \$40 million, one-quarter of which flowed through the cash registers of the newly-acquired Fairbanks Sand and Gravel. And, shareholder hire was expanded "substantially" according to the report (although in July of 1984 direct employment of shareholders stood at just 10 per-

cent; that figure had jumped by half by July of this year, but won't show up until next year's annual report).

However, certain revenues are still in limbo. Two village corporations, Shee Atika and Haida, owe Sealaska \$5 million and \$.5 million respectively. And the company is being sued for \$10 million by Seattle First National Bank. Sealaska guaranteed a big loan taken by its subsidiary, Pacific Western Lines, for a huge equipment contract. Former of-

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ficers of Pac West are now being prosecuted by federal authorities for allegedly defrauding Sealaska, which is in turn suing the contractor who sold the equipment of Pac West.

The prognosis for the present business cycle? Sealaska is predicting "better operating profits" this year through a tightening of overhead and stepped up product marketing. The two previously ailing divisions — timber and seafood — are expected to see marked improvement, while the building products groups and Pac West will face tough competition in a cooling state economy.

The management team at Sealaska is expected to undergo few changes, reflecting a continuation of the conservative business philosophy adopted to stabilize the corporation in 1983," promises the report.