

Dijaya Corporation – Malaysia

NOT RATED

Company Update

Getting aggressive

What's New

- We recently met with Dijaya Corporation's (Dijaya) management and understand the company is getting aggressive in land-banking activities. Like its peers, management remains bullish in the property market outlook and has planned a strong pipeline of new launches in the coming months (GDV: RM732m for FY11).
- Making its way into Subang...** Not surprisingly, Dijaya announced two land acquisitions yesterday. The first acquisition was for a 88.5-acre freehold land in Subang for RM385.5m. The land will be built into a mixed residential and commercial development with an expected GDV of RM2.5b. The residential development consists of condominiums, linked houses, semi-detached and bungalows. The commercial development will feature retail, shopping mall, serviced apartments and office lots.
- ... and capitalising on Kampar's growing student population.** The second acquisition was for a 12.9-acre leasehold land in Kampar, Perak, for RM5.6m. The land is earmarked for a mixed residential and commercial development, with a GDV of RM123.7m, featuring 5-storey apartments and 5-storey shop offices. Kampar houses two campuses, namely, Tunku Abdul Rahman College and Universiti Tunku Abdul Rahman, with a combined student population of about 10,000 and growing.
- Expect more land-banking acquisitions going forward.** Beyond these two acquisitions, we still expect Dijaya to continue its aggressive land-banking activities in the near to medium term, especially in Selangor and Johor. The company may also strike up some land deals in Penang in the longer term to penetrate the Penang property market.
- Dijaya currently trades at 8.5x 2011F PE (consensus) and 0.6x P/B. Management expects to maintain at least a 3% net dividend yield for 2011.

Stock Impact

- Total landbank of about 300 acres with total GDV of RM10.4b!** Following these acquisitions, Dijaya's two largest projects in the pipeline will be Tropicana Danga Bay, Johor (GDV: RM3.8b) and Subang land (GDV: RM2.5b). The remaining of the total GDV will be from its bread and butter business in the mature residential developments in Tropicana Indah - Tropicana Grande, Casa Tropicana, Tropicana City Mall and Tropicana City Tropics.
- Property launches worth RM3.36b by 2013.** Dijaya targets to launch properties worth RM762m, RM1.2b and RM1.4b in 2011 to 2013 respectively. Ytd, the company has achieved actual sales of RM116m, and management targets sales to hit RM520m this year (2010: RM500m). We believe this target is achievable, driven by new launches, such as Tropicana Bayou (GDV: RM400m), Tropicana Cheras (GDV: RM200m) and Tropez Residences, Danga Bay (GDV: RM525m), which are slated by the year-end. The newly-acquired Subang and Kampar land are expected to be launched in 2012. Total unbilled sales ytd stands at RM450m.
- Danga Bay offers a slice of the Iskandar Malaysia action.** Covering an area of about 450 acres, Danga Bay is nestled in the south-central part of Iskandar Malaysia along a 25km scenic waterfront facing the Straits of Johor. Dijaya's Tropicana Danga Bay (GDV of RM3.8b) is poised for a slice of the Iskandar Malaysia action. The project will include offices and

Share Price RM1.20

Company Description

A property developer known for its township developments around Tropicana Golf & Country Resort and Tropicana Indah since 1995. Strategically, it is moving into growth area like Danga Bay in Johor.

Stock Data

GICS sector	Property
Bloomberg ticker:	DJC MK
Shares issued (m):	455
Market cap (RMm):	546
Market cap (US\$m):	182
3-mth avg daily t'over (US\$m):	0.014

Price Performance (%)

52-week high/low	RM1.24/RM0.74			
1mth	3mth	6mth	1yr	YTD
0.88	6.54	11.76	18.6	10.68

Major Shareholders

	%
Tan Sri Tan Chee Sing	67.2

FY10 NAV/Share (RM)	2.11
FY10 Net Debt/Share (RM)	(0.15)

Price Chart



Source: Bloomberg

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commercial properties, a hotel, shopping complex, condominiums and a full range of world-class waterfront lifestyle projects. The maiden launch of the entire project is the 6-acre Tropez Residence by end-11.

- **Property investment division improved tremendously.** Currently, Tropicana City Mall which has a net lettable area (NLA) of 436,193sf is 89% occupied, while Tropicana City Office Tower enjoys a 100% occupancy rate. Furthermore, we understand both the mall and office tower are enjoying a decent average rental psf. The property investment division is contributing about 15% to group revenue in 2010, vs 7% in 2009.

Earnings Revision/Risk

- **Low gearing ...** Dijaya has net cash of RM66m and future land acquisitions would bring it back to a leveraged position. Historically, it maintained a net gearing of below 0.2x, which is deemed healthy.
- **... but poor liquidity.** Major shareholder Y Bhg Tan Sri Dato Danny Tan Chee Sing holds about 67% of the company, direct and indirectly. Hence, we see liquidity risk, given the stock's 3-month average daily trading volume of just US\$14,000.

Valuation/Recommendation

- **UndAt RM1.20,** Dijaya trades at slightly above its historical mean of 7.6x PE and 0.6x P/B. Dijaya's GDV to market capitalisation is extremely high at about 19x, compared to sector leaders SP Setia's 3.1x and Mah Sing's 5.5x. Valuations are further supported by market expectations of a 3% net dividend yield.

Share Price Catalyst

- **Share price should react positively** if Dijaya's landbank acquisitions are in prime locations such as Klang Valley, Nusajaya in Johor, and Penang.
- **Rising land values in Nusajaya greatly benefits property developers.** Our recent channel checks indicate that prices of industrial and residential properties are continuing to climb in Johor, driven by the booming Nusajaya. Dijaya's Danga Bay project site is located only 6km from Johor Bahru, hence the establishment of the iconic development could potentially gain traction within the region.

Peer Comparison

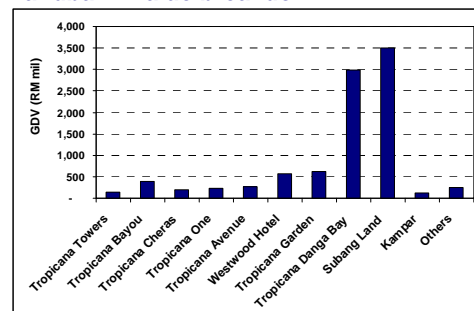
Company	Ticker	Rec	Price 8 Jun 11 (RM)	Target Price (RM)	Market cap (US\$m)	-----PE (x)-----			P/B	ROE
						2010	2011F	2012F	2010	2010
KLCC										
Prop	KLCC MK	BUY	3.26	3.80	1,009	13.4	10.0	8.5	0.6	12.6
Mah Sing	MSG MK	BUY*	2.59	2.59*	714	18.2	14.2	12.2	2.2	13.4
MRCB	MRC MK	BUY	2.18	3.02	1,001	31.0	32.4	23.3	2.3	6.9
SP Setia	SPSB MK	HOLD	4.08	4.00	2,391	38.4	27.9	23.6	2.8	26.2
Sunway^	SGW MK	BUY	2.56	2.75	518	9.6	9.3	8.5	1.6	18.9
UEM Land	ULHB MK	HOLD*	2.78	2.86*	3,753	115.0	100.2	63.3	2.9	4.7

^ To be reclassified as Property (previously Construction) post merger with Sunway City

* Under Review

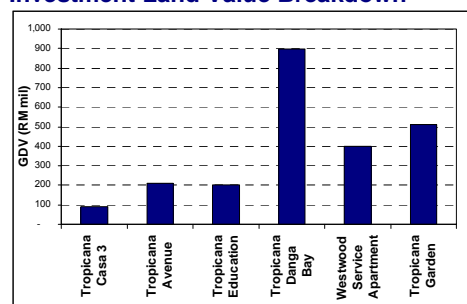
Source: Bloomberg, UOB Kay Hian

Landbank Value breakdown



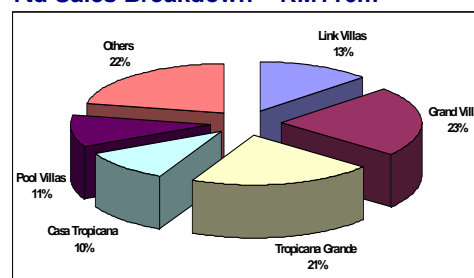
Source: Dijaya, UOB Kay Hian

Investment Land Value Breakdown



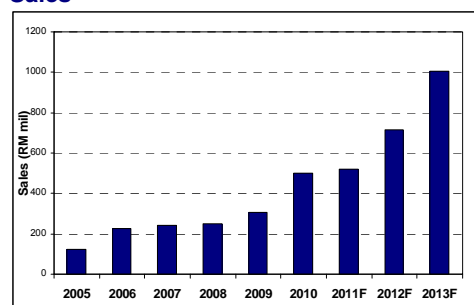
Source: Dijaya, UOB Kay Hian

Ytd Sales Breakdown – RM116m



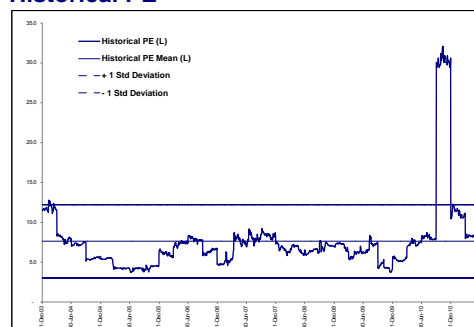
Source: Dijaya, UOB Kay Hian

Sales



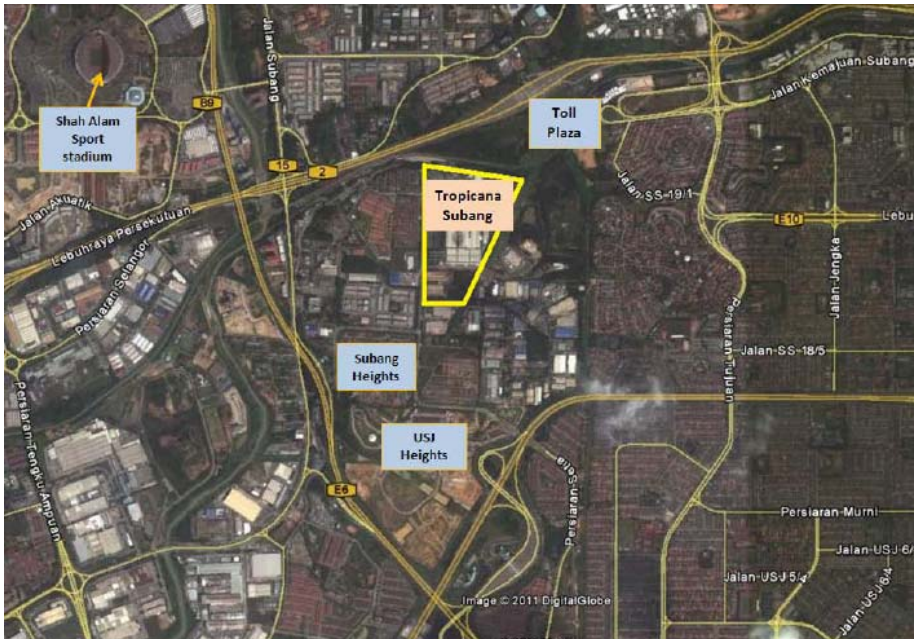
Source: Dijaya

Historical PE



Source: Bloomberg, UOB Kay Hian

Tropicana Subang Land location



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