

6 December 2012

Initiate Coverage

DIJAYA CORPORATION (DJC MK)

Rocketing Into The Major League

Backed by 847 acres of landbank with a potential gross development value (GDV) of RM38b, Dijaya has all the right ingredients to re-rate upwards at its “asset monetisation phase”, especially on the back of: a) stronger property sales and other forms of asset monetisation, including listing selected assets as REITs, b) healthy unbilled sales of close to RM733m, c) recurring income of RM45.8m in 2013 (47% of 2011’s EBIT), and d) its potential to play the role of an industry consolidator.

- **Levelling up its game after acquiring sizeable prime landbanks.** Following a series of major land acquisitions (centered on Klang Valley, Penang Island and Danga Bay, Iskandar) and an asset injection (amalgamation) exercise, Dijaya now has 847 acres of land with a potential GDV of RM38b.
- **Monetising assets – Launching big developments and disposing of smaller land parcels.** Dijaya targets to launch properties worth RM1.6b, RM2.3b and RM2.5b in 2012-14 respectively. Besides extracting value from developing its sizeable landbanks, it has jumpstarted a series of asset monetisation plans by recently disposing of one of its smaller land parcels for RM106m. We also expect Dijaya to significantly monetise some existing landbanks in Kuala Lumpur and Penang, and to engage in a capital preservation scheme for the construction of W Hotel. All these efforts will greatly reduce Dijaya’s gearing level and enhance working capital and cash flow.
- **Likely to capitalise on “REIT-ing”.** We believe Dijaya would stand in good stead to start REIT-ing its investment properties in the intermediate term. Potentially, its collective investment properties could be worth RM1.6b (1.95x of market cap) comprising RM1.1b of current assets and RM513m from its future Tropicana Gardens mall (600,000sf retail mall).
- **Initiate coverage with BUY with RNAV-based target price of RM1.41** (40% discount to fully-diluted RNAV/share of RM2.34). Our target price implies a 12.2x 2014F PE, deemed cheap given its sizeable prime landbanks, and it is packed with re-rating catalysts. We expect the current 40% discount to RNAV to narrow when Dijaya begins to deliver good sales and successfully monetise its non-core assets.

BUY

Share Price RM1.03
Target Price RM1.41
Upside +36.9%

Company Description

Dijaya is one of the leading property developers in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

Stock Data

GICS sector	Property
Bloomberg ticker:	DJC MK
Shares issued (m):	793.1
Market cap (RMm):	816.9
Market cap (US\$m):	268.6
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

52-week high/low	RM1.67/RM1.01			
1mth	3mth	6mth	1yr	YTD
(5.5)	(13.4)	(10.4)	(26.4)	(25.4)

Major Shareholders

	%
Tan Sri Danny Tan	66.4
TAEL One Partners	7.2
Tan Sri Vincent Tan	6.9

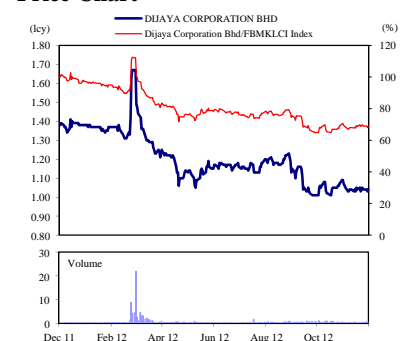
FY12 NAV/Share (RM)	1.46
FY12 Net Debt/Share (RM)	1.31

Key Financials

Year to 31 Dec (RMm)	2010	2011	2012F	2013F	2014F
Net Turnover	292.3	375.2	537.5	967.1	1,271.9
EBITDA	76.5	120.2	161.4	321.0	378.5
Operating Profit	62.0	103.8	126.0	222.3	283.7
Net Profit (Reported/Actual)	43.3	65.1	55.1	76.6	122.4
Net Profit (Adjusted)	42.0	66.7	55.1	76.6	122.4
EPS (sen)	8.1	11.7	4.9	6.1	9.1
PE (x)	n.m.	n.m.	n.m.	n.m.	n.m.
P/B (x)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	19.7	12.6	9.4	4.7	4.0
Dividend Yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net Margin (%)	14.8	17.4	10.3	7.9	9.6
Net Debt/(Cash) to Equity (%)	(3.4)	91.7	87.3	76.4	60.9
Interest Cover (x)	39.2	11.0	5.5	3.9	5.1
ROE (%)	3.3	4.9	3.3	4.4	6.8
Consensus Net Profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Dijaya., Bloomberg, UOB Kay Hian

Price Chart



Source: Bloomberg

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Contents

Investment Highlights	3
Valuation	5
Company Background	7
Dijaya’s Transformation – Step By Step	8
Recapping The Asset Amalgamation Exercise	9
Asset Monetisation Phase	12
Is The High Gearing A Concern?	17
Notable Key Projects	18
Industry Outlook: Selective Hotspots Will Sell Well	24
Financials	25
Risk Factors	26
Financial Statements	27

This report is based on the closing prices of 5 Dec 12.

Investment Highlights

The awakening. Dijaya has been in the “low-profile” seat for the past decade, confining its development to its high-end KL-suburban development enclave, Tropicana Golf & Country Resort (TGCR) and Tropicana Indah (TI). The tale changed when Dijaya’s management, led by CEO Tan Sri Dato’ Danny Tan, decided to take on a bigger ambition to emerge as a large-cap property stock. Backed by this foresight as well as admirable timing, Dijaya has over the last two years been gobbling up large landbanks cheaply in key hotspots in Malaysia, including recently completing an amalgamation exercise (which will be explained in detail in this report).

Asset monetisation phase kicking in. After its “fast and furious” landbanking activities, Dijaya is embarking on a consolidation (project) and asset monetisation phase to maximise its resources (focusing on larger projects) and reduce its lofty gearing level which hovers around 0.9x. Asset monetisation is the key re-rating factor for Dijaya, as it addresses investor concerns of lofty gearing, and shows that management is willing to cede some of its entrepreneurial flair for a more institutionalised model that embraces financial discipline.

The right recipe. We reckon Dijaya has the right ingredients to re-rate upwards, which include: a) stronger property launches/sales and other forms of asset monetisation, b) healthy unbilled sales of close to RM733m, c) stronger balance sheet, and d) high recurring income of about RM45.8m in 2013 (47% of 2011’s EBIT), which could comfortably offset the interest expense resulting from the amalgamation injection exercise. In addition, Dijaya also wants to be a sector consolidator, which would effectively allow it to become the first non-GLC large-cap property developer.

Launching them big! With 847 acres of land spread across the country’s several key property hotspots of Klang Valley, Penang and Iskandar, Dijaya is armed with a GDV of RM38b. Dijaya targets to launch properties worth RM1.6b, RM2.3b and RM2.5b in 2012-14 respectively. Conservatively, we are forecasting RM800m, RM900m and RM1.2b sales for 2012-14, stemming from key projects such as Tropicana Gardens in Kota Damansara, Tropicana Metropark in Subang, Penang World City in Penang and Tropez Residences in Tropicana Danga Bay, Iskandar. Ytd, Dijaya has clinched RM870m in sales.

Monetising assets through disposal of smaller lands... We expect Dijaya to significantly monetise some existing projects/landbanks in Kuala Lumpur and Penang. Dijaya has started to dispose of smaller land parcels, which is highly positive as: a) this is part of a sensible operational expansion strategy that focuses more on bigger developments rather than wasting resources on developing smaller niche developments, b) this creates a quick avenue of asset monetisation and de-leveraging, and c) profitably selling small land parcels which were part of the amalgamation exercise immediately erases skepticism that Dijaya has not benefitted from the amalgamation exercise. We understand that some of the land parcels have development orders in place, and are usually deemed as attractive to smaller developers. So far, Dijaya has announced disposing of RM121m worth of lands – RM15m from its Kampar land and RM106m from its 66 acres of Balakong land. We expect this exercise to continue, including possibly strategic sales of land parcels that form part of greater developments, which serve to enhance the values of such developments.

...and other means. We also foresee measures undertaken to minimise working capital. For instance, Dijaya could engage in a capital preservation scheme for the construction of W Hotel by appointing a turnkey third-party contractor, which in turn will take up the entire cost of construction of the hotel in exchange for certain stakes in the completed project. This way, short-term cash flow could improve tremendously, while allowing Dijaya to maintain a meaningful stake in the development.

REIT-ing potential that can significantly enhance valuations. Capitalising investment properties on the REIT investment theme would form a huge catalyst for the company, although this may only materialise in the longer term. By 2016, Dijaya will have collective investment properties worth RM1.6b (1.95x of market cap) comprising RM1.24b of current assets and RM564m of Tropicana Gardens mall (70%-owned 600,000sf of retail mall). Currently, its Tropicana City Mall alone is worth up to RM466m based on a cap rate of 5.5%. We are particularly excited about Tropicana Gardens mall, a hidden gem in Dijaya, given its prime location in Kota Damansara coupled with direct MRT-accessibility. Our assessment conservatively excludes other potentially “REIT-able” assets, including the existing Plaza Dijaya and future hotels (W Hotel and a hotel at Tropicana Gardens). In the interim, Dijaya has the option to sell off its existing REIT-able assets, and we believe there are interested parties keen to acquire Tropicana City Mall at an attractive exit price.

Steady recurring rental income will cushion earnings. Dijaya currently owns and manages two major investment properties – the Tropicana City Mall (440,000sf NLA) and the adjacent 12-storey Tropicana Office Tower (101,000sf NLA). Tropicana City Mall’s occupancy rate has continued to improve, from 94.6% in 2011 to 95.1% in 1H12. On the other hand, the 12-storey office is now enjoying a 100% occupancy rate, up from 57.2% in 2010. On top of that, the asset injection also includes 825,700sf of net lettable area (NLA) which thereafter provides a significant level of recurring income for the group. We are forecasting its recurring income alone would deliver about RM45.8m in 2013 (47% of 2011’s EBIT), which will assist in offsetting the bulk of the interest expense incurred post-asset injection.

Longer-term ambition to be a sector consolidator. According to The Edge, Tan Sri Danny Tan has set his sights on bulking up Dijaya and is exploring a possible alliance with other developers in town, potentially with Mah Sing Berhad. A well-structured merger could offer the investment community an attractive proxy to a large cap that is a non-government linked property developer (which is currently non-existent), besides expanding Dijaya into a larger developer. However, it is too early to assess the effect of this potential merger, as it depends on the deal structure and how well the different corporate cultures can be blended. However, as an indication, the enlarged Dijaya-Mah Sing merged entity will be armed with more than 2,000 acres of land centered on Klang Valley, Penang Island and the Iskandar region, potentially offering a GDV of close to RM50b, unmatched in Malaysia.

Valuation

Initiate coverage with BUY call and RNAV-based target price of RM1.41 (40% discount to its fully-diluted RNAV/share of RM2.34). The share's 43% fall from its 2012 peak (adjusted for a recent rights and bonus issue) creates a timely opportunity to accumulate the shares. Our target price implies a 12.2x 2014F PE, which implies an upside of 36.9% from the current market price. We expect the current 40% discount to RNAV to narrow when Dijaya begins to deliver good sales and successfully monetise its non-core assets.

Figure 1: RNAV Breakdown

	(RMm)
Undeveloped Landbank Value	1,226.2
DCF of Project Profits	2,483.0
NPV of Unbilled Sales	119.6
Investment Properties	1,077.0
Net Debt	(1,400.0)
RNAV	3,505.8
Share Base (m)	1,069.0
RCULS (m)	428.1
Enlarged Sharebase (m)	1,497.1
RNAV/share (RM)	3.28
RNAV/share ex RCULS (RM)	2.34
Discount (%)	40%
Fair Value (RM)	1.41

Source: UOB Kay Hian

There is potentially substantial upside to our RNAV which has conservatively not factored in Tropicana Gardens mall (first phase completing in 2016) and leveraging on the REIT structure, which allows its REIT-able assets to take advantage of the corporate tax savings that are accorded to REITs and to also enjoy the large upside from re-rating. Note that retail-centric REITs now command implied forward PEs of 16-18x, well above Dijaya's prospective 2013F PE of 12.2x.

Yield compression theme will persist... In times of uncertainty, investors view REITs as a safe haven for their investments. Malaysia retail-centric REITs (MREITs) have appreciated nearly 30% over the past one year, with net yield compressed from an average of 6.5% to as low as 4.5%. As we expect the "yield compression" theme to persist, investors should continue to spot upcoming REIT plays in the medium term.

...and Dijaya could be upcoming beneficiary. We identify a few property developers with the potential to either "REIT" their portfolio of investment properties or sell them to existing REIT managers. These undervalued gems include properties from Dijaya. The potential values that can be unlocked are significant relative to their respective market caps, and it is interesting to note that REIT-able assets would not only significantly reduce tax liabilities but also significantly raise the assets' net profit contributions; they can also command valuations that imply forward PE multiples of 15-18x (ie the inverse of retail MREITS' prospective net yields), relative to these companies' prospective PEs of under 10x.

By studying the Price/RNAV and REIT-able assets/market cap (Figures 2-3), the message is clear. Most of these assets under various developers could fetch significant values, either through a REIT structure or a plain disposal. Also, the market value of Dijaya does not fully reflect the hidden values of these gems.

Figure 2: Property Developers With REIT-table Assets

Developer	Asset	NLA (sf)	Rental (RMpsf)	Net Operating Income Before Taxes (RMm)	Cap Rate (%)	Value (RMm)	Value/Market Cap (x)
Dijaya	Tropicana Gardens Mall (70% stake)	600,000	8.00	40.3	5.5	513.2	0.51
	Tropicana City Mall	440,000	7.50	27.7	5.5	504.0	0.50
	Tropicana City Office Tower	101,000	4.00	3.4	6.0	56.6	0.06
	Dijaya Plaza	150,000	8.00	10.1	6.0	168.0	0.17
	Total					1,241.7	1.24
MRCB	Kompleks Sentral	484,689	0.94	3.8	6.0	63.8	0.03
	Kompleks Sentral, Segambut, KL	433,349	3.00	10.9	6.0	182.0	0.08
	Plaza Alam Sentral, Shah Alam	77,126	5.50	3.6	6.0	59.4	0.02
	Platinum Park - Lot E	528,786	8.00	35.5	6.0	592.2	0.25
	Lot 348 - Shell Office Tower	542,358	7.95	36.2	6.0	603.6	0.25
	Nu Sentral Mall (51%)	650,000	9.00	49.1	5.5	455.7	0.19
	Total					1,956.7	0.82
WCT	Paradigm Mall	680,000	6.50	37.1	5.5	675.1	0.31
	KLIA2 Integrated Complex (70%)	350,000	10.00	29.4	5.5	374.2	0.17
	BBT Shopping Mall	1,000,612	4.00	33.6	5.5	611.3	0.28
	Total					1,049.2	0.48
KSL	KSL City	350,000	5.50	16.2	5.5	294.0	0.53

Source: Respective companies, UOB Kay Hian

Figure 3: Peer Comparison

Company	Ticker	Rec	Share Price 5 Dec 12	Market Cap (US\$m)	Target/Fair Price (RM)	PE (x)		Yield (%) 2012F	Price/RNAV (x)
						2012F	2013F		
KLCC Property	KLCC MK	HOLD	6.11	1,690.9	6.46	18.6	17.8	2.9	0.99
Dijaya	DJC MK	NR	1.03	266.9	n.a.	21.1	9.4	4.9	0.44
KSL	KSL MK	NR	1.43	181.2	n.a.	4.9	4.5	n.a.	0.55
WCT	WCT MK	HOLD	2.78	729.0	2.74	15.0	13.6	n.a.	1.01
MRCB	MRC MK	BUY	1.61	798.1	2.03	28.8	26.9	0.9	0.60

Source: Bloomberg, UOB Kay Hian

Company Background

A well-established mid-range to high-end developer. Dijaya is best known for its flagship development in Petaling Jaya, TGCR and TI. Covering almost 600 acres, TGCR and TI are known as two of the most prestigious residential enclaves within a golf resort, boasting a cumulative GDV of RM5b for the entire development. Since then, most of Dijaya's products are marketed under the "Tropicana" brand name, namely TI which has almost 410 acres. Plus, Dijaya is also the owner of the Tropicana City Mall, Dijaya Plaza and Tropicana City Office Tower in Petaling Jaya.

Taking on big ambitions since 2011. The year 2011 marked a new chapter for Dijaya, when new ambitions of being a large-cap developer emerged. Dijaya expanded aggressively by gobbling up prime landbanks, followed by the amalgamation exercise.

Today, the transformed Dijaya has a wide array of property developments, including billion-dollar key projects like Penang World City (Penang Island, GDV: RM10b), Tropicana Gardens (Kota Damansara, GDV: RM1.8b), Tropicana Danga Bay (Danga Bay, Johor GDV: RM3.8b) and Tropicana Danga Cove (Johor, GDV: RM2.9b).

Details of these key assets are provided in the Notable Key Projects section.

Dijaya's Transformation – Step By Step

Step 1: Levelling up its game by acquiring sizeable prime landbanks. In order to compete in a level playing field with larger competitors like SP Setia, UEM Land, Mah Sing and Sunway Berhad, Dijaya undertook a rather aggressive expansion strategy in 2011. It recruited an impressively diversified and seasoned operational team and acquired massive prime landbanks centered on Klang Valley, Penang Island and Danga Bay, Iskandar. Dijaya has bulked up and now owns 847 acres of land, which is expected to offer GDV of RM38b. We are positive on the long-term prospects of these acquisitions as the landbanks are strategically located and their acquisition prices are mostly reasonable.

Figure 4: Land Acquisitions Over The Past Two Years

Date	Location	State	Total Consideration (RMm)	Size (sf)	Size (acres)	Price (RMpsf)
25/6/2012	Mukim Pulau	Johor	105.07	2,398,849	55.1	43.80
8/6/2012	Flamingo Hotel	Kuala Lumpur	54.00	11,905	n.a.	4,535.91
11/11/2011	Bayan Mutiara	Penang	1,072.20*	4,467,514	102.6	240.00
8/6/2011	Subang	Selangor	385.50	3,855,060	88.5	100.00
8/6/2011	Kampar	Perak	5.60	561,924	12.9	9.97
1/8/2010	Danga Bay	Johor	258.81	1,362,171	31.3	190.00
1/8/2010	Danga Bay	Johor	49.65	261,347	6.0	189.98

* Full value (pre-50% stake)

Source: Dijaya, Bursa Malaysia

Step 2: Land acquisitions funded through “friendly” debt instruments. Tan Sri Dato' Danny Tan has recently completed an asset injection worth RM935m of his privately-held assets into Dijaya, with the intention of streamlining his assets. At the same time, he will be mitigating potential conflicts of business interests while transforming Dijaya into a stronger developer.

Consequently, the company's total landbank has swelled significantly. The acquisitions also include investment properties which collectively offer NLA of 825,669sf and provide a net yield of about 8%, lifting total NLA to 1.4m sf.

The value enhancements of this amalgamation exercise are discussed in the next section of this report.

Now comes the crucial Step 3 – Asset monetisation. Besides monetising its sizeable landbanks in three key prime locations, namely Klang Valley, Penang and Iskandar, we believe there is a series of asset monetisation plans in the pipeline in the near to medium term, which will greatly reduce Dijaya's gearing level, working capital and cash flow, and at the same time lift earnings to greater heights. These plans will be discussed in detail in this report.

Figure 5: Key Developments

Key Project	Location	GDV (RMm)	Lifespan
Tropicana Gardens	Kota Damansara	1,800	2012-2018
Penang World City	Penang Island	10,000	2013-2023
Tropicana Metropark	Subang	7,000	2013-2020
Tropicana Danga Cove	Johor	2,900	2013-2016
Tropicana Tropez	Danga Bay	3,400	2012-2016

Source: Dijaya

Recapping The Asset Amalgamation Exercise

We expect Dijaya to start monetising some of the development assets acquired under a recently-completed amalgamation exercise. Dijaya completed its earlier proposed asset amalgamation exercise in Nov 12, whereby Tan Sri Dato' Danny Tan injected RM935m worth of his privately-held assets into Dijaya, with the intention of consolidating his commercially-attractive non-listed assets into Dijaya. We believe the asset portfolio mix for Dijaya will be further optimised, resulting in more stable and recurring income generated from the long-term lease agreements attached to the injected investment properties.

A deal which benefits Dijaya's minority shareholders, the amalgamation exercise was structured to create shareholder value for Dijaya by enhancing both its development assets and recurring income, while minimising cash outlay.

Figure 6: A Shareholder-enhancing Amalgamation Exercise

Financial Exercise

- Consideration: Dijaya's acquisitions cost RM935m, paid via RM250m in cash and RM685m in RCULS.
- Dijaya raises RM319m via 4 new rights shares for every 5 existing share rights issued.
- Shareholders are also entitled to 1 bonus share for every 4 rights shares subscribed.

Impact

- Raises NLA by 150% to 1.38m sf and development assets by 63.7 acres to 913 acres.
- Development assets were bought at a slight discount to market value of RM385m.
- Investment properties provide 8% net yield, an annual rental income of RM45.2 in 2013.
- Neutral to cash outflow as cash payment to vendor is recycled back via a rights issue.

Source: UOB Kay Hian

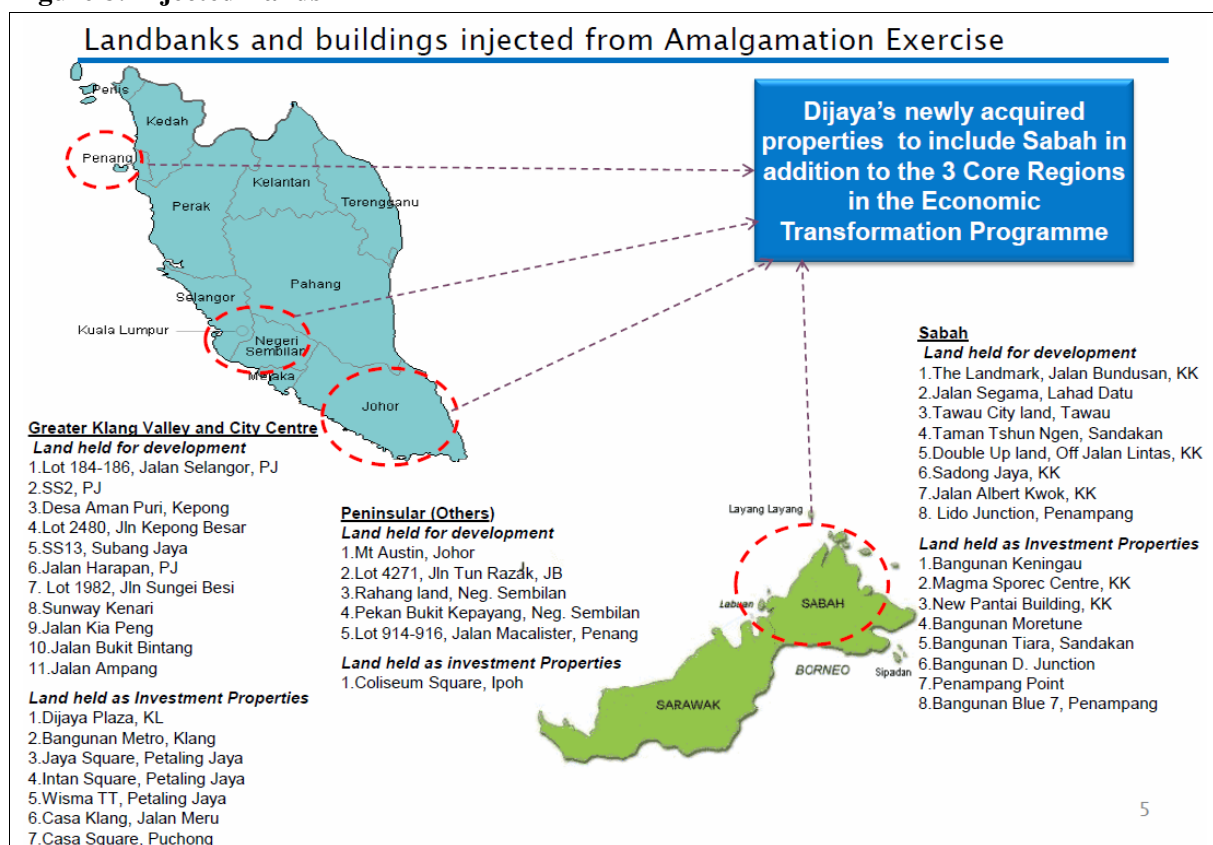
Figure 7: Details Of Asset Injection

Asset Market Value	RM1.1b
Purchase Price	RM935m
Payment Mode:	
Cash	RM250m
RCULS	RM685m
Total	RM935m
Also Raising Money from:	
4-for-5 Rights Issue*	RM290m
Indicatively MTN/CP	RM500m

* Tan Sri re-injects cash received into Dijaya, underwrites RM250m

Source: Dijaya, UOB Kay Hian

Figure 8: Injected Lands



Source: Dijaya

A cleverly-designed transaction which is cash neutral to Dijaya... The acquisition is funded by RM250m cash and the issuance of 10-year 3% coupon RCULS (redeemable convertible unsecured loan stocks). Dijaya simultaneously raises RM319m by issuing a 4-for-5 rights issue (which comes with a bonus issue on 1-for-every-4 rights basis), thereby getting back the RM250m from Tan Sri Dato' Danny Tan. Hence, the mechanism of this deal pre-empts any potential misgivings that the acquisition was a cashing out exercise by the founder.

...and also minimises dilution. The conversion terms of RCULS are also designed to minimise earnings dilution. The RCULS are convertible into new Dijaya shares at the option of the shareholders according to a specified conversion schedule (Figure 9). Conversion prices are staggered and rise over time, starting from RM1.30 to RM2.50. In addition, the maximum value of conversion for any given year is limited to the group's preceding financial year's announced net profits.

Figure 9: Salient Terms Of RCULS

Terms	Description										
Issuer	Dijaya										
Nominal Value	Up to RM685m of RM1.00 each										
Mode of Issuance	Direct issuance to the shareholders of the targeted companies										
Targeted Rating	To be determined - rating not required if the instrument is not tradable and investors do not require rating (to be determined)										
Coupon	3%										
Tenure	10 years										
Security	Not secured										
Convertibility	<p>- Convertible at any time into new Dijaya shares at the option of the holders in accordance with the following conversion schedule and prices at which the amount of RCULS to be converted would be subjected to the announced preceding financial year's net profits recorded by Dijaya Group:</p> <table border="1"> <thead> <tr> <th><u>Years from Issuance Date</u></th> <th><u>Indicative Conversion Price</u></th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>RM1.30</td> </tr> <tr> <td>3-5</td> <td>RM1.50</td> </tr> <tr> <td>6-8</td> <td>RM1.80</td> </tr> <tr> <td>9-10</td> <td>RM2.50</td> </tr> </tbody> </table> <p>- RCULS not redeemed will be automatically converted by end of tenure</p>	<u>Years from Issuance Date</u>	<u>Indicative Conversion Price</u>	1-2	RM1.30	3-5	RM1.50	6-8	RM1.80	9-10	RM2.50
<u>Years from Issuance Date</u>	<u>Indicative Conversion Price</u>										
1-2	RM1.30										
3-5	RM1.50										
6-8	RM1.80										
9-10	RM2.50										
Redeemability	Redeemable at any time at the option of the issuer subject to all the covenants for the CP/MTN being compiled										
Transferability	Non-transferable										

Source: Dijaya

Post exercise, we believe the asset portfolio mix of Dijaya will be further optimised, resulting in more stable and recurring income generated from the long-term lease agreements attached to the injected investment properties. Collectively, investment properties that offer NLA of 807,000sf (yielding about 8%) were injected, lifting total NLA to 1.4m sf. In addition, its total landbank is also boosted to 847 acres, mostly situated in key hotspots in prime locations.

Asset Monetisation Phase

Besides launching valuable property developments and townships, Dijaya has laid out a sensible strategy to monetise its assets, which includes disposing of smaller land parcels, carving out JVs to conserve development capex, and potentially REIT-eligible investment properties. We expect investors to be positively surprised by the sequence of events to come. In our opinion, there are ample opportunities for Dijaya to monetise its assets in the near term, and these are poised to be re-rating catalysts for the company.

These ongoing and potential asset monetisation assets are discussed below:

a) Disposal of small land parcels

We estimate Dijaya could pocket land disposal gains of RM264m over the next few quarters. Overall, we estimate Dijaya has over RM672m (about 0.8x its market cap) worth of mostly small land parcels which it can dispose of (Figure 10). It has recently jumpstarted the process by announcing the sale of 66 acres of landbank in Balakong for RM106m, recognising a gain of RM40m.

Great demand for smaller land parcels. We believe there is still great demand for small land plots and the target buyers are usually smaller developers. We understand some of the lands have development orders in place, and are usually deemed an attractive bargain for smaller developers.

Based on our estimates, some lands are easily disposed of (some pockets of land in Klang Valley and potentially a portion of the Penang land) and we reckon Dijaya will be able to pocket decent gains if these lands are sold. The impact to cash flow can be meaningful.

Figure 10: Landbank's Book Value vs Market Price

	Locations	Stake (%)	Size (acre)	(sf)	NBV (RMm)	BV/psf	MV/psf	(RMm)	Remarks
								<u>Disposal Gain</u>	
<u>Disposed Lands</u>									
Desa Aman Puri	Kepong	100	1.84	80,281	11.2	139.51	240.00	8.07	Disposed
SS2	Petaling Jaya	100	0.87	37,897	11.5	303.45	400.03	3.66	Disposed
Mt Austin	Penang Island	100	1.50	65,339	8.5	130.09	170.04	2.61	Disposed
Trop Bayou	Balakong	100	66.0	2,874,960	47.5	16.51	30.50	40.23	Disposed
Kampar Land	Kampar	100	12.9	561,924	5.6	9.97	26.69	9.40	Disposed
Total Disposed Land					84.26			63.96	
								<u>Disposal Surplus</u>	
<u>Injected Lands</u>									
Jalan Harapan	Petaling Jaya	100	2.82	122,839	22.00	179.10	420.00	29.59	
Lot 914-916, Jalan Macalister	Penang Island	100	2.09	91,040	41.50	455.84	500.00	4.02	
Lot 184-186, Jalan Selangor	Petaling Jaya	100	1.06	46,174	9.00	194.92	420.00	10.39	
Lot 4271, Jalan Tun Razak	Johor	100	25.95	1,130,512	146.00	129.15	150.00	23.58	
Jalan Kia Peng	Kuala Lumpur	100	1.45	63,087	146.00	2,314.26	2,500.00	11.72	
Jalan Bukit Bintang	Kuala Lumpur	100	3.26	141,865	175.00	1,233.57	1,500.00	37.80	
Jalan Ampang	Kuala Lumpur	100	0.90	39,148	20.00	510.88	600.00	3.49	
Rahang Land	Rahang	100	2.42	105,303	4.84	45.96	55.00	0.95	
Pekan Bukit Kepayang	Negeri Sembilan	100	2.00	87,112	9.00	103.32	150.00	4.07	
SS13	Subang Jaya	100	2.46	107,158	23.60	220.24	420.00	21.41	
Lot 2480, Jalan Kepong Besar	Kepong	100	0.84	36,592	10.20	278.75	280.00	0.05	
Lot 1982, Jalan Sungei Besi	Kuala Lumpur	100	3.58	155,754	13.00	83.46	120.00	5.69	
The Landmark, Jalan Bundusan	Kota Kinabalu	100	1.31	57,230	3.49	60.98	120.00	3.38	
Double Up, Off Jalan Lintas	Kota Kinabalu	100	1.15	50,267	5.00	99.47	250.00	7.57	
Sadong Jaya	Kota Kinabalu	100	1.00	43,603	8.80	201.82	250.00	2.10	
Jalan Albert Kwok	Kota Kinabalu	100	0.91	39,840	15.40	386.55	386.55	0.00	
Lido Junction, Penampang	Sabah	100	1.77	76,927	6.60	85.80	90.00	0.32	
Jalan Segama, Lahad Datu	Sabah	100	1.25	54,450	3.04	55.83	70.00	0.77	
Tawau City Land	Tawau	100	0.80	34,950	6.02	172.19	180.00	0.27	
Taman Tshun Ngen	Sandakan	100	1.52	66,211	3.60	54.37	80.00	1.70	
Total					672.09			168.86	
								<u>Disposal Gain</u>	
<u>Other Lands</u>									
Penang	Penang Island	55	102.6	4,469,256	1,100.00	246.13	420.00	85.48	Assume selling 20 acres
Sunway Kenari	Sunway	100	5.6	243,936	75.00	307.46	350.00	10.38	
Total					1847.09			95.86	
Potential Monetisation Value								264.71	

Source: Dijaya, UOB Kay Hian

b) Formation of JVs

We expect Dijaya to forge JVs with contractors to conserve its development capex. We believe this will apply to their ongoing construction of W Hotel. The entire GDV for W Hotel is about RM900m, which comprises 150 hotel rooms and 353 residential units.

Construction works have started. We believe Dijaya could sell off some of its stakes to a third-party contractor that will in turn take up the entire cost of construction of the hotel. This way, Dijaya could improve its short-term cash flow while maintaining a meaningful stake in the development.

c) Disposal or REIT-ing of eligible investment properties?

REIT-ing assets could by far unlock the most value. In times of uncertainty, investors view REITs as a safe haven for their investments. MREITs have appreciated nearly 30% over the past one year, with yields compressed from an average of 6.5% to 4.8%. We expect the “yield compression” theme to continue, and believe investors should continue to spot upcoming REIT plays in the medium term

REIT-ing potential that can significantly enhance valuations. Capitalising investment properties on the REIT investment theme would form a huge catalyst for the company, although this may only materialise in the longer term.

By 2016, Dijaya will have collective investment properties worth RM1.6b (1.95x of market cap) comprising RM1.1b of current assets and RM513m of Tropicana Gardens mall (600,000sf of retail mall).

Figure 11: Total Value Of Investment Properties

Investment Properties	Stake (%)	NLA (sf)	Valuation (RMm)	Basis Cap Rate (%)	Rental (RMpsf)
Tropicana City Mall	100	440,000	504.0	5.5	7.5
Tropicana City Office Tower	100	101,000	56.6	6.0	4.0
Dijaya Plaza Sdn Bhd	100	150,000	168.0	6.0	8.0
Dynamic Sensation Sdn Bhd	100	49,819	27.9	6.0	4.0
Ambang Cendana Sdn Bhd	100	45,554	25.5	6.0	4.0
Daya Petaling Sdn Bhd	100	39,346	22.0	6.0	4.0
Istama Budi Sdn Bhd	100	60,036	33.6	6.0	4.0
D&I Enterprise Sdn Bhd	100	68,552	38.4	6.0	4.0
Happy Graphic Recreation Sdn Bhd	100	105,171	58.9	6.0	4.0
Quantum Peace Sdn Bhd	100	45,221	25.3	6.0	4.0
Prospect Region Sdn Bhd	100	10,421	5.8	6.0	4.0
Unique Dynasty Sdn Bhd	100	16,389	9.2	6.0	4.0
D&I Corporation Sdn Bhd	100	22,924	12.8	6.0	4.0
Moretune Corporation Sdn Bhd & D&I Corporation Sdn Bhd	100	25,875	14.5	6.0	4.0
D&I Corporation Sdn Bhd	100	33,028	18.5	6.0	4.0
Lion Establishment Sdn Bhd	100	3,835	2.1	6.0	4.0
D&I Corporation Sdn Bhd	100	42,797	24.0	6.0	4.0
D&I Corporation Sdn Bhd	100	53,294	29.8	6.0	4.0
Tropicana Gardens Mall*	70	600,000	513.2	5.5	8.0
Total		1,913,262	1,590		

* Operational in 2016

Source: Dijaya, UOB Kay Hian

Investment properties under Dijaya are well sought-after. Under Dijaya, there are a few investment properties which we believe to be well sought-after, given their strategic locations and healthy tenancy. These are Tropicana City Mall, Tropicana Office Tower, Dijaya Plaza and W Hotel.

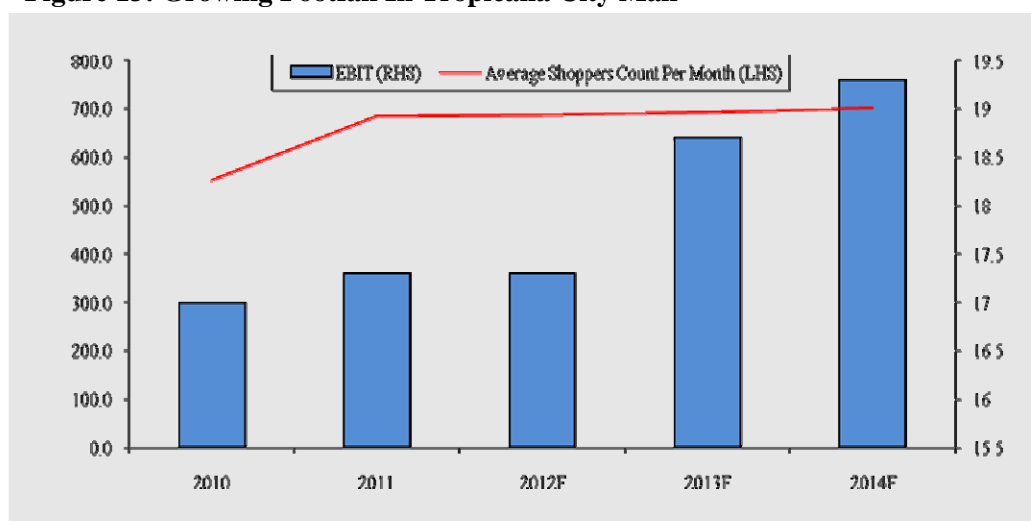
Figure 12: Potential “Monetisation” Value From Key Assets

Developer	Asset	NLA (sf)	Rental (RMpsf)	Net Operating Income (RMm)	Cap Rate (%)	Value (RMm)	Value/Market Cap (x)
Dijaya	Tropicana Gardens Mall (70% stake)	600,000	8.00	40.3	5.5	513.2	0.51
	Tropicana City Mall	436,193	7.00	25.6	5.5	466.3	0.47
	Tropicana City Office Tower	101,646	4.00	3.4	6.0	56.9	0.06
	Dijaya Plaza	150,000	8.00	10.1	6.0	168.0	0.17
Total						1,204.4	1.20

Source: Dijaya, UOB Kay Hian

The hidden gem – Tropicana City Mall. The Tropicana City Mall (440,000sf NLA) has grown rental income by 12% since its opening in 2010, and currently enjoys an occupancy rate of 94.6%. Footfall has also improved sharply from 1.1m (2010) to 1.3m in 2012. As at end-Dec 11, Tropicana City Mall carried a book value of RM279m, implying about RM631psf. In view of the strong traffic growth prospects, we believe the current book value has not fully reflected the growth potential of the properties. Based on a cap rate of 5.5%, the mall could fetch a whopping RM513m, or 50% of Dijaya’s market cap. There could be potential acquirers who are willing to acquire this asset at a cap rate of 5.5%, given the mall’s potential growth.

Figure 13: Growing Footfall In Tropicana City Mall



Source: Dijaya, UOB Kay Hian

Tropicana Office Tower. The 12-storey Tropicana Office Tower (101,000sf NLA) now enjoys a 100% occupancy rate, up from 57.2% in 2010. As at end-Dec 11, Tropicana City Mall carried a book value of RM47m, or RM462psf. Based on a cap rate of 6%, the office tower could easily fetch RM56.9m, which implies a disposal gain of RM9.9m if it is sold.

Tropicana Gardens mall, an emerging crown jewel. Tropicana Gardens is part of Dijaya's RM1.8b GDV commercial-cum-residential project. It sits on a 17.6-acre land parcel and is strategically wedged between a golf course and the future Dataran Sunway MRT station. The key selling point of the development is its direct accessibility or connectivity to the Dataran Sunway MRT station. Tropicana Gardens mall would be the only sizeable mall that serves the densely-populated and fast-growing Kota Damansara area. The mall would complement the Dataran Sunway commercial area just across the road. Dataran Sunway, which features mainly a vast layout of shoplots and a mini mall, is popular for its F&B and grocery offerings.

With an NLA of 600,000sf, a size equivalent to 50% of the highly successful Pavilion Shopping Mall in the CBD area, Tropicana Gardens mall should stand out as an iconic development in Kota Damansara. The MRT line will connect Tropicana Gardens mall to other prime shopping malls, private hospitals and universities in Petaling Jaya.

Is The High Gearing A Concern?

Although Dijaya has RM1.6b of debts on its shoulders, we are relatively comfortable as the bulk of the debt is the RM685m worth of ICULS held by Tan Sri Dato' Danny Tan himself. Moreover, the 3% coupon rate per annum for the RCULS is low borrowing cost. We estimate almost 65% of the interest expense is covered by its recurring income. Lastly, in view of better sales, land disposals and conversion of RCULS in the medium term, we expect interest cost to slide by 20% in 2013-15.

“Smart and friendly” funding. The injection of properties worth about RM1.1b by the owner into Dijaya was funded by RM250m in cash and issuance of RCULS with a nominal value of RM685m. The bulk of the debt (RCULS) is owed to Tan Sri Dato' Danny Tan, the major shareholder of Dijaya. In addition to the RCULS, Dijaya has also undertaken a debt funding exercise through MTN (which is yet to be utilised) for its future capex and working capital for its ongoing and future projects.

Bulk of interest expense covered by recurring income. We are not alarmed by the high gearing resulting from the aggressive land acquisitions and asset injections. Post asset injection, Dijaya's total debt (including MTN and RCULS) increased 70% from RM991m to RM1.6b, lifting interest expense to RM63m, based on our estimates. However, we are comfortable with this because Dijaya has managed to balance out the increase in interest expense with the recurring income of about RM41m generated from its vast portfolio of investment properties.

Gearing and interest expense to slide over time. We estimate the RCULS would be converted into equity in 2013-15 progressively, and subsequently help reduce the group's gearing to 0.55x (from 0.82x presently) and interest expenses by about 20% by 2014. We believe this is manageable and furthermore, if our estimates materialise, we could see further growth in Dijaya's earnings beyond 2015.

Figure 14: Potential Conversion, Plus Net Debt And Interest Cover

Total Value: RM685m	2012F	2013F	2014F	2015F
Estimated Conversion of RCLUS(RMm)	0	150	150	200
Interest Expense - RCLUS (RMm)	(3.4)	(20.6)	(16.1)	(11.6)
Interest Expense - Debt	(25.7)	(65.2)	(66.2)	(62.2)
Total Net Debt	(1,376.3)	(1,317.9)	(1,133.0)	(807.5)

Source: UOB Kay Hian

Notable Key Projects

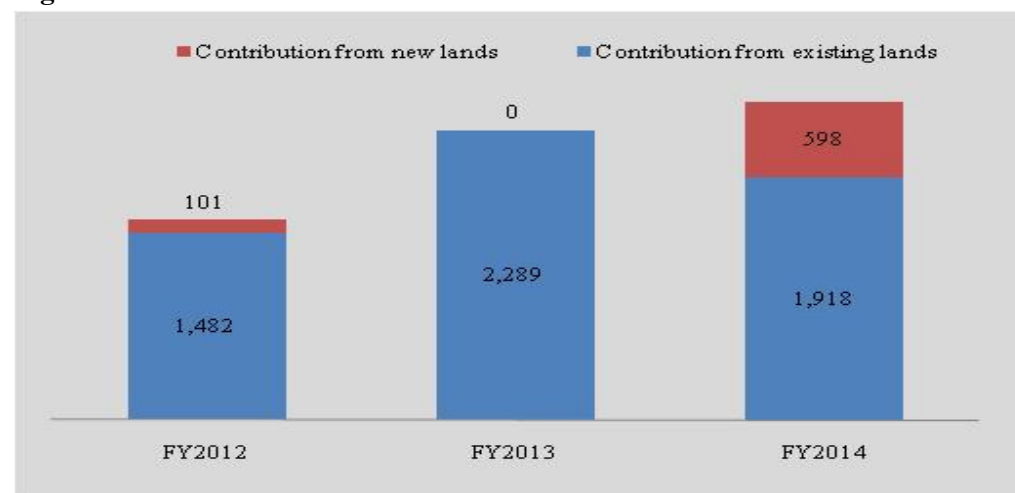
On the back of an 870-acre landbank with a potential GDV of RM36.6m spread across the country's several key property hotspots – Klang Valley, Penang Island, Danga Bay and some in East Malaysia, Dijaya has lined up RM1.6b worth of new properties to be launched in 2012, RM2.3b in 2013 and another RM2.5b in 2014.

Figure 15: Timeline Of Project Launches

Year	Project	Total GDV (RM)
Jun-12	Tropicana Avenue - Retail	135
Feb-12	Tropez Residences (Danga Bay)	101
4Q 2012	Tropicana Gardens Phase 1	1,800
4Q 2012	Tropicana Metropark	6,253
2H12	Tropicana Danga Cove	2,900
1Q13	SS2, PJ	84
1Q13	The Landmark, KK	90
1H13	W Kuala Lumpur Hotel & Residences	900
1H13	Tropicana Senibong	280
1H13	Tropicana Ivory	1,100
1H14	Tropicana Heights	2,034

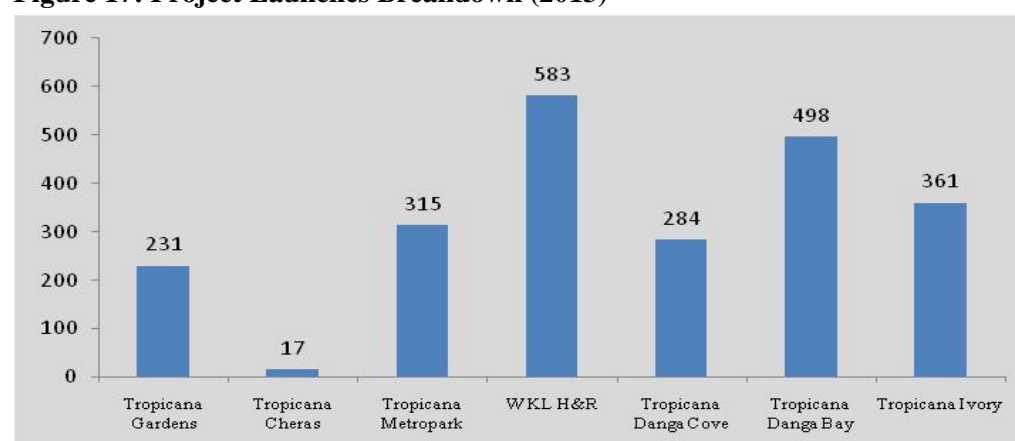
Source: Dijaya

Figure 16: Launch Plan



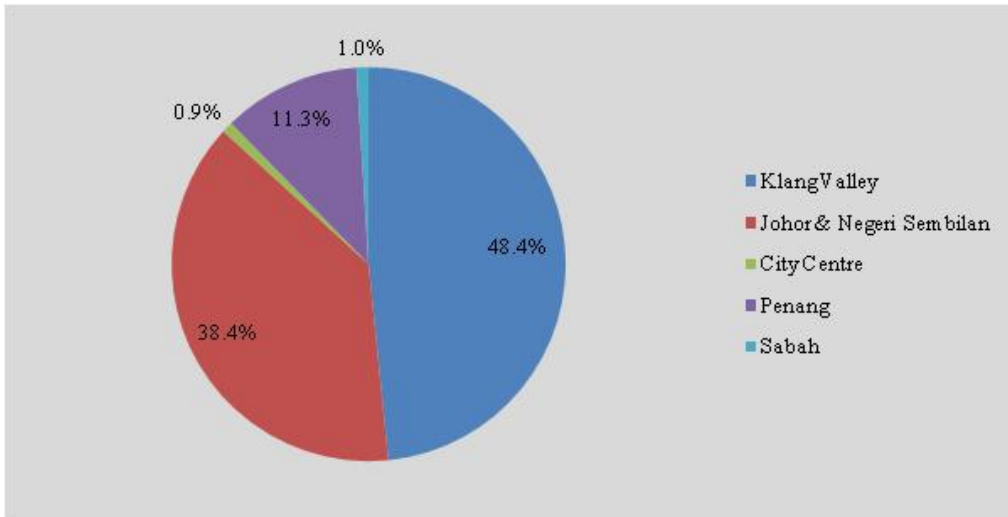
Source: Dijaya

Figure 17: Project Launches Breakdown (2013)



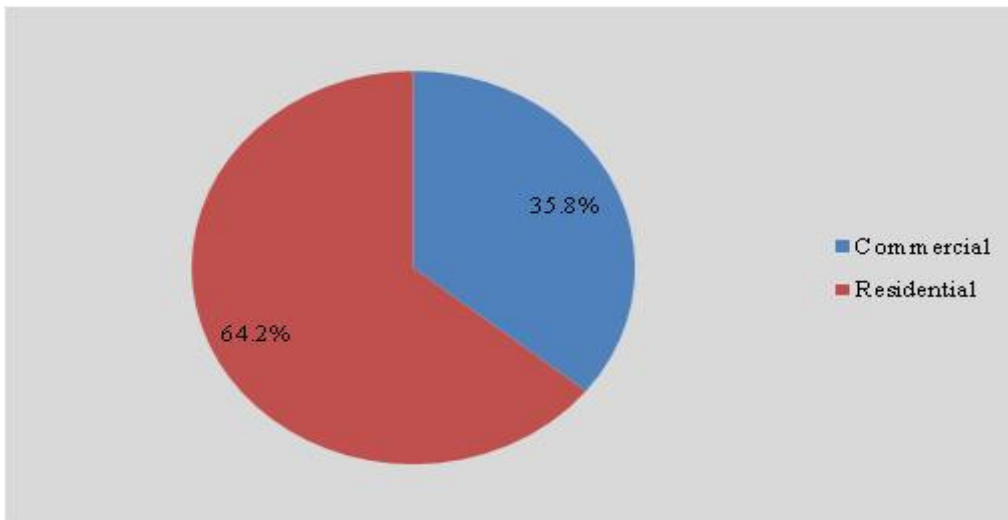
Source: Dijaya

Figure 18: GDV Breakdown By Location



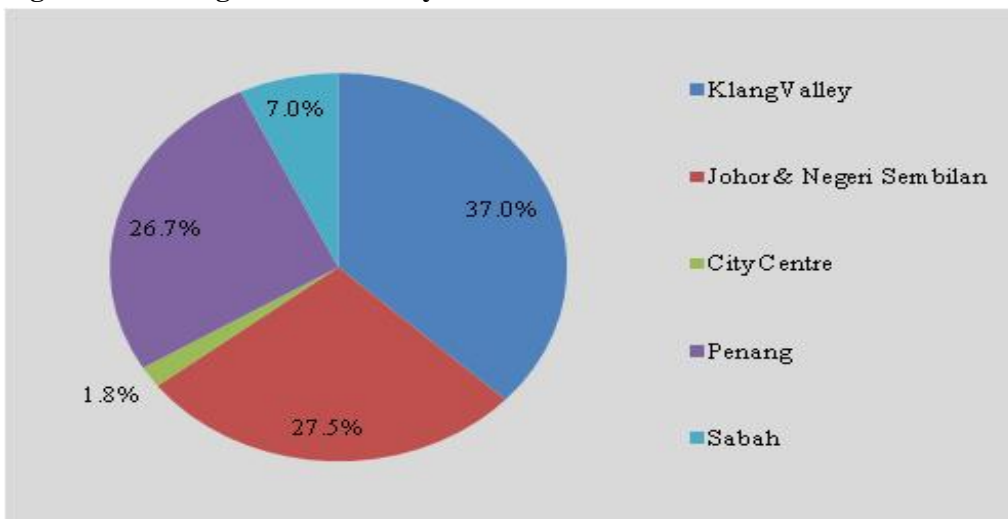
Source: Dijaya

Figure 19: GDV Breakdown By Product Mix



Source: Dijaya

Figure 20: Acreage Breakdown By Location



Source: Dijaya

Figure 21: Key Notable Projects

Landbanks	Stake (%)	Acres	GDV (RMm)	Launch
Klang Valley				
Tropicana Gardens, Kota Damansara	100	17.6	1,800	4Q12
Tropicana Metropark, Subang Jaya	100	88.0	6,200	4Q12
Tropicana Heights, Kajang	100	198.5	2,000	1H13
W Hotel and Residence, Kuala Lumpur	100	1.3	950	1H13
Jalan Sultan Ismail, Kuala Lumpur	100	1.2	780	n.a.
Iskandar				
Tropicana Tropiez, Danga Bay	60	37.0	3,400	On-going
Tropicana Danga Cove, Johor	50	227.0	2,900	2H12
Penang Island				
Penang World City	55	102.6	10,000	1H13
Total			27,997	

Source: Dijaya

Figure 22: Tropicana Gardens

Land Area	17.6 acres
Gross Floor Area	3m sf
Gross Development Value	RM1.8b
Property Type	Mixed: Commercial: Mall + SOHO +Office & Residential: Serviced Apt
Launching & Development Period	4Q2012 for 7 years
Approved Plot Ratio	1:4
Authority Status	Submitted building plan for Phase 1: 14.7 acres (residential tower)

Source: Dijaya

Tropicana Gardens - Leverage on MRT project. This 17.6-acre land parcel is strategically located next to the Kota Damansara MRT station. This project will have a GDV of RM1.8b with a mixture of commercial and residential components. We expect this development to contribute RM280m, RM360m and RM450m in revenue to the group in 2012-14 respectively. Revenue contribution from this project would represent 27-33% of the total revenue for the group in 2012-14 respectively.

Leveraging on MRT line. We believe the concept of this development is unique and has the right ingredients for great salability. There will be four blocks of serviced residences erected on top of a 600,000sf retail mall (also known as Tropicana City Mall) and other commercial components. The key selling point of the development is its direct accessibility or connectivity to the Dataran Sunway MRT station.

An iconic mall in Kota Damansara. With an NLA of 600,000sf, the size of Tropicana Gardens mall is equivalent to 50% of Pavilion Shopping Mall, which should stand out as an iconic development in Kota Damansara. The MRT line will connect Tropicana Gardens mall to other prime shopping malls, private hospitals and universities in Petaling Jaya, such as One Utama Shopping Mall, The Curve in Mutiara Damansara, Tropicana Medical Centre, SEGI College, Sri KDU Secondary School and HELP University.

First block snapped up in two days. The first block (about 300 units) was soft-launched in Oct 12, and was snapped up in just two days with an ASP of RM820psf. The second block is slated to be launched in 1Q13 and we believe similar success could be replicated. Consequently, we are positive that Tropicana Gardens can garner good sales in the coming 2-3 years.

Figure 23: Tropicana Ivory

Land Area	102.56 acres (67.56 acres existing land, 35 acres to be reclaimed)
Gross Development Value	RM10b
Land Cost	RM1.1b
Property Type	Mixed: Commercial + residential
Effective Interest	55%
Launching & Development Period	1H13 for 15 years

Source: Dijaya

Tropicana Ivory – Benefitting from prime location in Penang Island. This development is a JV between Ivory Properties and Dijaya, with the latter holding a 50% stake. The 102.6-acre freehold land (67.56 acres of existing land, 35 acres to be reclaimed) offers a mixed development with both residential (high-rise and landed units) and commercial developments. Dijaya targets a GDV of RM10b spanning over 15 years.

Given the strategic location of the land (left side after passing the Penang bridge) and the good track records of both Dijaya and Ivory Properties, we believe good value can be monetised and unlocked from this development. Also, judging from the success of IJM Land's The Light on the opposite side of the island, we reckon similar success could be replicated with Tropicana Ivory. We expect this project to contribute 4-6% towards the total revenue of Dijaya in 2013-15 respectively.

Figure 24: Tropicana Metropark

Location	Subang Jaya
Land Area	88 acres
GDV	RM6.3b
Land Cost	RM385.5m
Property Type	Residential (serviced apartment) and integrated commercial development (retail, offices and shopping mall)
Proposed Plot Ratio	1:4
Launch & Development Period	4Q2012 for 16 years
Authority Status	Pending master plan approval

Source: Dijaya

Tropicana Metropark – Stepping into Subang. The 88 acres of freehold land will be built into a mixed residential (serviced apartments) and commercial development (retail, offices and shopping mall) with an expected GDV of RM6.2b. We are positive about this development, as we believe there will be spillover demand from mature townships in USJ, Subang Jaya, GlenMarie and Shah Alam. Tropicana Metropark is expected to contribute RM180m-188m in revenue from 2013 to 2015. This figure is expected to represent 14-17% of our revenue forecasts for 2013-15.

Figure 25: Tropicana Heights

Location	Kajang
Land Area	198.5 acres
Gross Development Value	RM2b
Land Cost	RM228m
Property Type	Residential development: landed residential and high rise
Launch & Development Period	1H13 for 11 years
Status	Master planning stage

Source: Dijaya

Tropicana Heights – Tapping into Kajang’s growing market. The 198.5-acre freehold land offers residential developments with a combination of high-rise and landed units. The expected GDV is RM2b spanning over 10 years. We believe this development is able to attract spillover demand from mature townships in Kajang and Bangi.

Figure 26: Tropicana Danga Cove

Land Area	227 acres
Gross Development Value	RM3b
Land Cost	RM220m
Property Type	Mixed development: landed properties, serviced apartments, retail
Effective Interest	50%
Launching & Development Period	2H12 for 13 years
Authority Status	1 st plot: Launching in 2H12 2 nd plot: Master planning stage

Source: Dijaya

Tropicana Danga Cove – Riding on the Iskandar wave. The 227-acre freehold land offers a mixed development with both residential (high-rise and landed units) and commercial developments. Dijaya targets a GDV of RM2.9b spanning over 13 years. Tropicana Danga Cove is a JV project by Dijaya whereby Dijaya would hold a 55% stake. The coastal highway which connects Medini to Johor Bahru city will cut through Danga Bay (15 minutes of travelling time) and will provide greater accessibility in Nusajaya and Johor Bahru, causing a spillover effect for Danga Bay.

Furthermore, with the Rapid Transit System (RTS) coming in 2018, we foresee improving sentiment in the Johor property market. Hence, Dijaya's Tropicana Danga Bay is poised for a slice of the Iskandar Malaysia action. We expect close to 70% of the project to be taken up within three years from its launch date.

Industry Outlook: Selective Hotspots Will Sell Well

Property market will remain flattish in 2013... Since the beginning of 2012, we have noticed fewer property launches and diminishing new sales momentum. Recent launches by property developers indicate that the excitement in the property market may not be as hot (average of 50-65% now) as compared with the early part of the year and the 80-90% take-up rates a year ago.

...but selective “hotspots” will continue to rake in good sales. Property prices in selective “focus” areas should continue to rise modestly, especially areas in Klang Valley with MRT accessibility. Thus, home prices in such areas should sustain.

KVSBK MRT lines continue to generate interest. We continue to believe developers with landbanks near proposed MRT alignments could benefit from stronger sales and higher selling prices compared with other areas. Since the announcement of the Klang Valley Sungai Buloh-Kajang (KVSBK) line in 2011, property launches around the MRT stations have done excellently, scoring close to 100% take-up within a short period.

One of the MRT line beneficiaries is Dijaya, as its key project Tropicana Gardens has direct access to the Dataran Sunway station. The MRT line will connect Tropicana Gardens mall to other prime shopping malls, private hospitals and universities in Petaling Jaya, such as One Utama Shopping Mall, The Curve in Mutiara Damansara, Tropicana Medical Centre, SEGI College, Sri KDU Secondary School and HELP University. The first block was fully taken up in two days.

Iskandar continues to enjoy spillover demand from foreign buyers. Developers within the Iskandar region, specifically in Medini, Danga Bay and Johor Bahru, enjoy good sales as more infrastructure and iconic developments materialised in 3Q12. Channel checks reveal that foreign buyers (mainly Singaporeans) make up the bulk of the buyers. We reckon investment interest from Singaporeans will grow, as investors now take advantage of the strong Singaporean dollar. Moreover, land and home prices in Singapore are high due to land scarcity.

Financials

Earnings outlook. We are expecting a quantum leap in revenue in 2014 while net profit is projected to grow at a CAGR of 28% over the next three years, mainly boosted by stronger property sales coupled with better margins.

Figure 27: Headline Numbers

(RMm)	2010	2011	2012F	2013F	2014F	2015F
Revenue	292.3	375.2	630.3	1,129.3	1,314.2	1,460.0
Net Profit	43.3	65.1	81.4	116.0	144.1	172.8
Net Profit Margin (%)	15	17	13	10	11	12
Sales	219.8	538.0	414.2	837.9	1,021.7	1,237.5
Launches	518.1	700.0	566.0	1,384.0	1,935.0	1,750.0
Investment Income	n.a.	29.0	45.2	45.8	45.8	48.5

Source: Dijaya, UOB Kay Hian

Profitability will improve over time. After gearing up to acquire landbanks over the past one year, Dijaya's profitability ratios are likely to improve. As most of the interest expense is offset by recurring income, we expect pre-tax margin to improve steadily from 18.9% to 21.1% in 2013-15. Margins are sustainable at this level, if not better, as we believe the debts will be pared down eventually and sales momentum will remain healthy for Dijaya's key developments.

Expect balance sheet to strengthen. We expect Dijaya's cash flow to be stronger going forward, mainly stemming from stronger sales and gains from land disposals. As a result, we foresee its net debt being reduced substantially from 0.82x in 2012 to 0.55x in 2014, on the back of growing cash balances. We strongly believe the sales momentum is sustainable over the next three years, and the debt level is manageable.

Steady recurring rental income will cushion earnings. Recurring income will amount to about RM45.8m in 2013, or 38% of 2011's EBITDA, with this percentage representing by far the highest among property developers.

Risk Factors

A key investment risk is Dijaya losing focus on asset monetisation and financial prudence halfway through its institutionalisation process. Like any other entrepreneurially-run entity, strong corporate stewardship is crucial in propping up investor confidence, particularly in the light of the current stage in the property cycle.

Increasingly more speculators may raise concerns. It is only natural for a property boom to attract strong participation from speculators. Speculators who buy high-end properties usually have the ability to hold on to their property investments. At this juncture, we notice the high-end segment has cooled off compared with two years ago.

Political risk exists but minimal. The MRT lines will run across Kuala Lumpur and Selangor whose lands are governed by the federal and state governments. The state governments may have a say in terms of alignment because land remains a state matter. However, the risk is minimal given that the MRT project carries significant priority in the Economic Transformation Programme.

More tightening policies. Further tightening policies or an increase in borrowing cost will dampen buying interest, which could lead to a fall in asset prices.

Figure 28: Profit & Loss

Year to 31 Dec (RMm)	2010	2011	2012F	2013F	2014F
Revenue, Net	292.3	375.2	537.5	967.1	1,271.9
Operating Expenses	(230.3)	(271.4)	(411.4)	(744.8)	(988.2)
EBIT	62.0	103.8	126.0	222.3	283.7
Associate Contributions	6.6	6.3	21.6	26.9	31.7
Net Interest Income/(Expense)	(2.0)	(10.9)	(31.0)	(87.7)	(83.2)
Exceptional Items	(13.2)	(12.5)	0.0	0.0	0.0
Pre-tax Profit	53.4	86.7	116.6	161.6	232.2
Tax	(5.7)	(14.0)	(29.2)	(40.4)	(58.0)
Minorities	(4.4)	(7.6)	(32.4)	(44.8)	(51.8)
Net Profit (Reported/Actual)	43.3	65.1	55.1	76.4	122.4
Net Profit (Adjusted)	42.0	66.7	55.1	76.4	122.4
Depreciation & Amortisation	14.6	16.4	35.3	98.6	94.8
EBITDA	76.5	120.2	161.4	321.0	378.5
Per Share Data (sen)					
EPS - Diluted	8.1	11.7	4.9	6.0	9.0
Reported EPS - Diluted	8.3	11.4	4.9	6.0	9.0
Book Value Per Share (BVPS)	197.5	208.9	147.5	145.5	149.4
Dividend Per Share (DPS)	14.0	3.0	5.0	5.0	5.0

Source: Dijaya, UOB Kay Hian

Figure 29: Balance Sheet

Year to 31 Dec (RMm)	2010	2011	2012F	2013F	2014F
Cash/Near Cash Equivalent	240.6	120.0	92.4	125.8	168.0
Accounts Receivable/Debtors	77.8	156.5	167.8	241.8	282.6
Stocks	33.2	19.8	53.7	96.7	127.2
Other Current Assets	236.8	446.6	375.8	590.9	558.1
Current Assets	588.4	742.9	689.7	1,055.1	1,135.9
Fixed Assets	403.5	437.2	421.9	343.2	268.4
Investments	26.0	52.5	74.1	101.0	132.7
Other Financial Assets	81.6	61.5	61.5	61.5	61.5
Intangible Assets	3.3	4.8	4.8	4.8	4.8
Other Non-current Tangible Assets	437.4	1,172.2	2,634.2	2,684.2	2,734.2
Total Non-current Assets	951.9	1,728.2	3,196.4	3,194.7	3,201.6
Total Assets	1,540.3	2,471.1	3,886.1	4,249.8	4,337.4
Accounts Payable/Creditors	179.9	238.5	233.7	420.5	553.0
Short-term Debt/Borrowings	2.6	145.7	0.0	0.0	0.0
Other Current Liabilities	29.3	6.6	89.8	0.0	0.0
Current Liabilities	211.8	390.8	323.5	420.5	553.0
Long-term Debt	207.8	845.6	1,580.6	1,680.6	1,630.6
Other Non-current liabilities	161.2	166.0	272.6	260.0	52.3
Total Non-current Liabilities	368.9	1,011.7	1,853.2	1,940.6	1,682.9
Total Liabilities	580.7	1,402.5	2,176.7	2,361.1	2,235.9
Minority Interest - Accumulated	60.8	118.0	132.9	164.9	240.5
Shareholders' Equity	898.8	950.6	1,576.5	1,723.8	1,861.0
Liabilities & Shareholders' Funds	1,540.3	2,471.1	3,886.1	4,249.8	4,337.4

Source: Dijaya, UOB Kay Hian

Figure 30: Cash Flow

Year to 31 Dec (RMm)	2010	2011	2012F	2013F	2014F
Operating Cash Flows	75.2	(229.9)	(241.9)	(326.6)	(315.4)
Pre-tax Profit	53.4	86.7	116.6	161.6	232.2
Tax	(5.7)	(14.0)	(29.2)	(40.4)	(58.0)
Depreciation & Amortisation	14.6	16.4	35.3	98.6	94.8
Associates	0.0	(24.4)	(24.4)	(24.4)	(24.4)
Working Capital Changes	(112.9)	(148.3)	(374.1)	(657.1)	(685.8)
Others	125.8	(146.3)	33.8	135.2	125.9
Cash from Investing Activities	(178.8)	(628.8)	5.6	305.6	205.6
Capex (Growth)	(206.2)	(98.3)	(20.0)	(20.0)	(20.0)
Investments	0.0	(24.4)	(24.4)	(24.4)	(24.4)
Proceeds from Sale of Assets	20.2	51.8	0.0	0.0	0.0
Others	7.2	(557.9)	50.0	350.0	250.0
Cash from Financing Activities	47.2	742.3	209.9	55.6	153.3
Dividend Payments	(23.7)	(41.8)	(40.1)	(44.4)	(46.7)
Issue of Shares	0.7	3.5	0.0	0.0	0.0
Loan Repayment	70.3	780.6	50.0	100.0	100.0
Others/Interest Paid	0.0	0.0	200.0	0.0	100.0
Net Increase/(Decrease) in Cash	(56.3)	(116.4)	(26.3)	34.6	43.5
Beginning Cash	287.8	240.6	120.0	92.4	125.8
Changes Due to Forex Impact	9.1	(4.1)	(1.3)	(1.3)	(1.3)
End Cash	240.6	120.0	92.4	125.8	168.0

Source: Dijaya, UOB Kay Hian

Figure 31: Ratios

Year to 31 Dec (%)	2010	2011	2012F	2013F	2014F
Growth					
Turnover	(69.8)	28.4	43.2	79.9	31.5
EBITDA	n.a.	57.1	34.2	98.9	17.9
Pre-tax Profit	n.a.	62.3	34.5	38.5	43.7
Net Profit	n.a.	50.5	(15.4)	38.7	60.3
Net Profit (Adjusted)	n.a.	58.6	(17.4)	38.7	60.3
EPS	34.7	43.9	(58.4)	24.0	49.8
Profitability					
EBITDA Margin	26.2	32.0	30.0	33.2	29.8
EBIT Margin	21.2	27.7	23.4	23.0	22.3
Gross Margin	26.2	32.0	30.0	33.2	29.8
Pre-tax Margin	18.3	23.1	21.7	16.7	18.3
Net Margin	14.8	17.4	10.2	7.9	9.6
ROE	3.3	4.9	3.3	4.4	6.8
ROA	1.5	1.9	1.4	1.8	2.8
ROIC	1.7	2.6	2.0	4.0	5.0
RONTA	1.8	2.6	2.5	5.6	6.3
Leverage					
Interest Cover (x)	39.2	11.0	5.2	3.7	4.5
Debt to Total Capital	18.0	48.1	48.0	47.1	43.7
Debt to Equity	23.4	104.3	100.3	97.5	87.6
Net Debt/(Cash) to Equity	(3.4)	91.7	94.4	90.2	78.6
Current Ratio (x)	2.8	1.9	2.1	2.5	2.1

Source: Dijaya, UOB Kay Hian

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