

## Dijaya Corp (DJC MK)

### An "Explosive" Acquisition

Dijaya Corp is raising its stake in Tenaga Kimia Sdn Bhd (TKSB) from 33% to 73%. The acquisition is deemed cheap and will enhance Dijaya's earnings visibility, balance sheet and cash flow. Net profit would be lifted by 32%, 15% and 14% respectively for 2013-15. In the longer term, Dijaya could spin off and distribute TKSB to its shareholders as part of an exercise to reward shareholders. Maintain BUY. Target price: RM1.65.

#### What's New

- **Who is Tenaga Kimia?** TKSB manufactures and sells explosives, chemicals and blasting accessories. It has a regional business model whereby it supplies explosive products, blasting accessories, bulk emulsion delivery systems and technical services around Malaysia and Southeast Asia.
- **A good deal...** The total consideration of RM79.36m will be satisfied via RM39.6m cash and RM39.7m property inventories in Dijaya. The disposal of property inventories will contribute about RM18m net gain to net profit in 2013.
- **...benefitting shareholders in many ways.** We are positive on the acquisition given: a) Dijaya gets to control essentially a monopolistic business in the construction-related business, b) paying half the consideration via unsold inventory frees up its cash flow, c) the price tag is reasonable - we understand TKSB is trading at a prospective PE of below 10x, and d) in the long term, it is conceivable that Dijaya could spin off and distribute TKSB to its shareholders as part of an exercise to reward shareholders.

#### Key Financials

Year to 31 Dec (RMm)	2011	2012	2013F	2014F	2015F
Net turnover	375	630	1,353	1,700	1,949
EBITDA	120	243	398	480	526
Operating profit	104	243	300	369	419
Net profit (rep./act.)	65	55	140	177	225
Net profit (adj.)	53	55	140	177	225
EPS (sen)	9.3	4.6	10.8	12.9	14.7
PE (x)	16.4	33.1	14.1	11.8	10.3
P/B (x)	0.7	0.8	0.7	0.7	0.7
EV/EBITDA (x)	25.6	12.7	7.7	6.4	5.9
Dividend yield (%)	2.0	3.3	3.3	3.3	3.3
Net margin (%)	17.4	8.7	10.4	10.4	11.6
Net debt/(cash) to equity (%)	91.7	80.2	64.9	53.8	24.9
Interest cover (x)	11.0	8.8	4.7	6.6	9.8
ROE (%)	3.7	2.4	5.5	6.7	8.0
Consensus net profit	-	-	95	139	197
UOBKH/Consensus (x)	-	-	1.48	1.27	1.14

Source: Dijaya, Bloomberg, UOB Kay Hian

**BUY**  
(Maintained)

### Company Update

**Share Price** RM1.52  
**Target Price** RM1.65  
**Upside** +8.6%

#### Company Description

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

#### Stock Data

Stock Data	Financials
GICS sector	DJC MK
Bloomberg ticker:	793.1
Shares issued (m):	1,205.5
Market cap (RMm):	387.9
Market cap (US\$m):	0.3
3-mth avg daily t'over (US\$m):	

#### Price Performance (%)

52-week high/low	RM1.52/RM0.955				
1mth	3mth	6mth	1yr	YTD	
40.7	46.2	45.3	12.1	47.6	

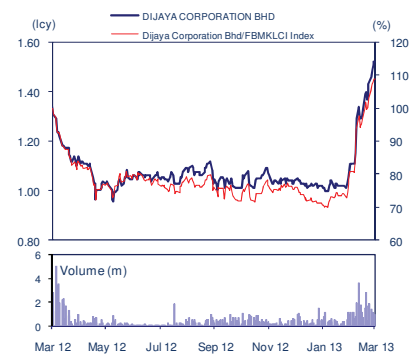
#### Major Shareholders

Major Shareholders	%
Tan Sri Danny Tan	71.4

FY13 NAV/Share (RM) 2.15

FY13 Net Debt/Share (RM) 1.40

#### Price Chart



Source: Bloomberg

#### Analyst

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**Stock Impact**

- **A good lift to earnings.** Including the net gain from sale of inventories and earnings contribution from TKSB, Dijaya's net profit for 2013-15 would increase by 32%, 15% and 14% respectively.
- **A decent entry price.** Based on TKSB's net profit of RM23.15m in 2012, the price tag of RM79.36m (for a 40% stake) implies a trailing PE of 9x. Compared with listed regional peers such as SiChuan YaHua Industrial (China), Biafo Industries (Pakistan) and Premier Explosives Ltd (India) which are trading at an average PE of 17.6x, the acquisition of TKSB is deemed cheap (refer to the regional peer comparison table below).
- **Proven track record for TKSB.** TKSB has been consistently recording profits of RM15m-17.6m and paying dividends with a payout ratio of 53-75% in 2009-11. Furthermore, it is a net cash company and will definitely contribute positively to the earnings, balance sheet and the cash flow of Dijaya.

**Earnings Revision/Risk**

- We increase our net profit forecasts by 32%, 15% and 14% respectively for 2013-15 after imputing the increase in contribution from TKSB.
- Note that net profit in 2013 will also be lifted by the RM18m net gain from the sale of inventories.

**Valuation/Recommendation**

- **Maintain BUY and target price of RM1.65, based on a 30% discount to RNAV.** The acquisition of TKSB has minimal impact on our RNAV but will contribute significantly to our earnings forecasts.
- Our target price implies 11.6x 2014F PE, deemed favourable given its sizeable prime landbanks and the stock is packed with re-rating catalysts.

**Share Price Catalyst**

- Disposal of assets while pocketing healthy gains.
- Potential of REIT-ing its investment properties in the medium term.

**Historical Earnings of TKSB**

(RMm)	FY09	FY10	FY11
Revenue	136.503	131.887	141.718
PBT	20.72	26.637	25.328
Net Profit	15.002	18.459	17.583
EPS (sen)	46.88	57.68	54.95
Net DPS (sen)	24.9	37.56	41.34
Net Assets	66.022	77.362	83.486
Gearing (x)	0.032	0.014	0.041
Net Gearing	Net Cash	Net Cash	Net Cash

Source: Bursa, UOB Kay Hian

**Regional Peer Comparison**

Compan	Country	PE Ratio (x)
Sichuan Yahua Industrial	China	32.57
Biafo Industries	Pakistan	9.19
Guangdong Hongda Blasting	China	22.32
Guizhou Jiulian Industrial	China	20.05
Premier Explosives Ltd	India	3.98
		17.62

Source: Bursa, UOB Kay Hian

**RNAV**

	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)
<b>RNAV</b>	<b>3,505.8</b>
Sharebase	1,069.0
RCULS	428.1
Enlarged sharebase	1,497.1
RNAV/share	3.28
RNAV/share ex RCULS	2.34
Discount	30%
Fair value	1.65

Source: UOB Kay Hian

**Notable Launches In 2013**

Project	GDV (RMm)
Tropicana Gardens	244
Tropicana Metropark	314
Tropicana Danga Bay	307
W Hotel & Residences	580*
Tropicana Danga Cove	277
Penang World City	500

\*Excluding GDV of the W Hotel  
Source: Dijaya, UOB Kay Hian

**Profit & Loss**

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
<b>Net turnover</b>	<b>630</b>	<b>1,353</b>	<b>1,700</b>	<b>1,949</b>
EBITDA	243	398	480	526
Deprec. & amort.	0	98	111	106
EBIT	243	300	369	419
Associate contributions	0	22	23	31
Net interest income/(expense)	(28)	(84)	(73)	(53)
<b>Pre-tax profit</b>	<b>215</b>	<b>259</b>	<b>319</b>	<b>397</b>
Tax	(42)	(65)	(80)	(99)
Minorities	(9)	(54)	(63)	(73)
<b>Net profit</b>	<b>55</b>	<b>140</b>	<b>177</b>	<b>225</b>
Net profit (adj.)	55	140	177	225

**Balance Sheet**

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Fixed assets	1,030	952	861	775
Other LT assets	2,513	2,585	2,658	2,739
Cash/ST investment	214	311	443	1,004
Other current assets	762	1,478	1,787	1,686
<b>Total assets</b>	<b>4,518</b>	<b>5,326</b>	<b>5,748</b>	<b>6,204</b>
ST debt	224	224	224	224
Other current liabilities	339	588	739	847
LT debt	1,642	1,742	1,692	1,542
Other LT liabilities	124	0	0	0
Shareholders' equity	2,061	2,548	2,740	3,064
Minority interest	128	223	353	526
<b>Total liabilities &amp; equity</b>	<b>4,518</b>	<b>5,326</b>	<b>5,748</b>	<b>6,204</b>

**Cash Flow**

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
<b>Operating</b>	<b>(17)</b>	<b>(444)</b>	<b>(308)</b>	<b>228</b>
Pre-tax profit	215	259	319	397
Tax	(18)	(65)	(80)	(99)
Deprec. & amort.	14	98	111	106
Associates	(45)	(45)	(45)	(45)
Working capital changes	(76)	(807)	(833)	(227)
Other operating cashflows	(107)	116	220	95
<b>Investing</b>	<b>(895)</b>	<b>325</b>	<b>225</b>	<b>225</b>
Capex (growth)	(560)	(20)	(20)	(20)
Investments	(45)	(45)	(45)	(45)
Proceeds from sale of assets	40	40	40	40
Others	(330)	350	250	250
<b>Financing</b>	<b>998</b>	<b>217</b>	<b>214</b>	<b>109</b>
Dividend payments	(17)	(44)	(47)	(52)
Issue of shares	322	161	161	161
Loan repayment	693	100	100	0
Others/interest paid	(0)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>86</b>	<b>97</b>	<b>131</b>	<b>561</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>115</b>	<b>214</b>	<b>311</b>	<b>443</b>
Changes due to forex impact	12	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>214</b>	<b>311</b>	<b>443</b>	<b>1,004</b>

**Key Metrics**

Year to 31 Dec (%)	2012	2013F	2014F	2015F
<b>Profitability</b>				
EBITDA margin	38.5	29.4	28.2	27.0
Pre-tax margin	34.1	19.2	18.8	20.4
Net margin	8.7	10.4	10.4	11.6
ROA	1.1	2.6	3.2	3.9
ROE	2.4	5.5	6.7	8.0
<b>Growth</b>				
Turnover	67.9	114.8	25.6	14.7
EBITDA	101.7	64.1	20.6	9.5
Pre-tax profit	148.0	20.7	23.0	24.4
Net profit	(16.2)	157.0	26.0	27.4
Net profit (adj.)	3.9	157.0	26.0	27.4
EPS	(50.7)	134.9	19.5	14.6
<b>Leverage</b>				
Debt to total capital	46.0	41.5	38.2	33.0
Debt to equity	90.5	77.1	69.9	57.6
Net debt/(cash) to equity	80.2	64.9	53.8	24.9
Interest cover (x)	8.8	4.7	6.6	9.8

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