

Dijaya Corp (DJC MK)

A Big Leap

Although Dijaya's surprise landbank acquisition runs against our earlier assessment that the company was in an asset monetisation and de-gearing mode, its acquisition of 1,172 acres of land in Canal City from the State of Selangor for effectively RM1.3b (RM25.41psf) is deemed cheap. The staggered payment over 12 years will have minimal impact on Dijaya's balance sheet. Maintain BUY. Target price: RM1.65.

What's New

- **Largest land acquisition in Dijaya's history.** Dijaya has entered into a sale and purchase cum development agreement with Menteri Besar Selangor and Pemodalan Negeri Selangor Bhd (PNSB) to acquire eleven parcels of leasehold lands measuring 1,172 acres for RM587m.
- **A favourable deal.** Although the acquisition contradicts our earlier assessment that Dijaya was in an asset monetisation and de-gearing mode, the price tag of RM587m implies a cheap land cost of RM11.50 psf. The deal also includes an interest of 5% p.a. of up to RM252m (subject to waiver) and a gross development value (GDV) sharing totalling a minimum amount of RM458.3m (out of a projected GDV of RM8.6b). This sums up to about RM1.3b, implying RM25.41psf which is still deemed cheap.

Stock Impact

- **Cheap entry cost to a good location.** The land is located next to IJM Land's Bandar Rimbayu that has attracted significant demand with over 6,000 registrants. The first phase of Bandar Rimbayu was fully sold with a price range of starting from RM580,000/unit. With connectivity to five major highways, namely KESAS, LKSA, ELITE, SKVE and WCE (once it is ready), we believe Dijaya's cheap entry provides a good margin buffer for their integrated self-contained township development.
- **Minimal impact to balance sheet.** This huge acquisition will have minimal impact on Dijaya's net gearing which currently stands at 0.9x, given the favourable terms of the payment. The purchase consideration of RM587m is staggered over 12 years, with annual commitments of between RM19m-68m (refer to RHS table overleaf). We believe the sum is manageable given Dijaya's cash pile of close RM214m, which should further strengthen given their strong unbilled sales of close to RM1b.

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)	16.7	33.8	14.4	12.0	10.5
P/B (x)	0.7	0.8	0.7	0.7	0.7
EV/EBITDA (x)	26.7	13.2	8.1	6.7	6.1
Dividend yield (%)	1.9	3.2	3.2	3.2	3.2
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	-	-	140	190	225
UOBKH/Consensus (x)	-	-	1.00	0.93	1.00

Source: Dijaya Corp, Bloomberg, UOB Kay Hian

BUY
(Maintained)

Company Update

Share Price RM1.55
Target Price RM1.65
Upside +6.5%

Company Description

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

Stock Data

	Financials
GICS sector	DJC MK
Bloomberg ticker:	856.9
Shares issued (m):	1,328.2
Market cap (RMm):	436.9
Market cap (US\$m):	0.5
3-mth avg daily t'over (US\$m):	

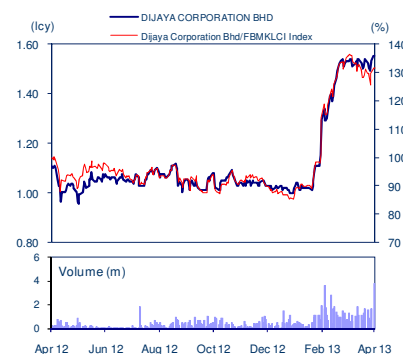
Price Performance (%)

	52-week high/low	RM1.55/RM0.955		
1mth	3mth	6mth	1yr	YTD
1.3	52.0	43.5	39.7	50.5

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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- **Landbank size and GDV levelled up significantly.** Dijaya plans to develop the lands into a mixed development comprising of residential and commercial properties that is expected to commence in 2015. This development is expected to offer a GDV of RM8.06b (RM20b in an optimistic case) spanning the next 20 years. Upon completion of this transaction, Dijaya's existing undeveloped landbank will more than double from approximately 800 acres to 2,000 acres. The future GDV will meanwhile rise from the current estimated RM50b to potentially RM70b.
- **Playing the master developer role?** With such a huge parcel of land, we believe Dijaya could potentially play the role of master developer with possibilities of carving out parcels of land to other developers to co-develop. This move would enable Dijaya to concentrate on the development of lands that may command better sales and take-up rates and also at the same time decrease Dijaya's burden on the yearly payments that it is required to satisfy. A huge parcel of land requires a great amount of capex, so we do not discount the possibility of potential equity raising in the near to medium term.
- **A bullish scenario – fully-diluted RNAV/share up to RM3.66.** Assuming a conservative value of the Canal City land at RM35psf, the surplus could potentially boost Dijaya's fully-diluted RNAV/share from RM2.35/share to RM3.15/share. Referring to the RHS, our most bullish scenario shows that the value of Dijaya could be lifted up to RM3.66/share assuming a market value of RM50/psf, which is 51% upside to our current RNAV/share of RM2.35.

Earnings Revision/Risk

- We maintain our earnings forecasts, as the Canal City land will only be launched in 2015.

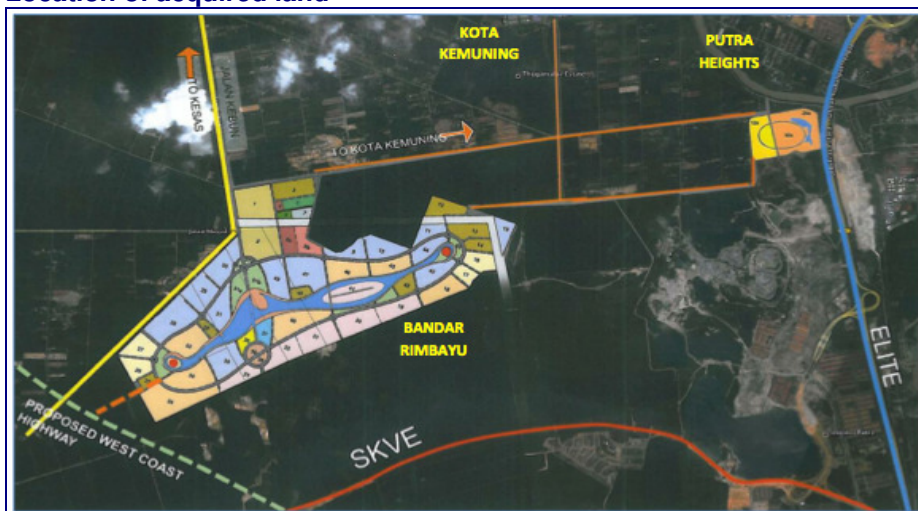
Valuation/Recommendation

- **Maintain BUY and target price of RM1.65, based on a 30% discount to RNAV.** Our target price implies 12.8x 2014F PE, deemed favourable given its sizeable prime landbanks along with the stock being packed with re-rating catalysts.
- Once the deal is finalised, we believe RNAV/share will be lifted to RM3.32 from RM2.35, after factoring in a conservative RM40psf to the Canal City land. Pegging a similar discount of 30%, our target price could be lifted to RM2.32.

Share Price Catalyst

- Better-than-expected take-up rates of projects.
- Potential REIT-ing of investment properties in the medium term.

Location of acquired land



Source: Bursa, Dijaya Corp

RNAV Table

	RMm
Undeveloped landbank value	1,226.2
DCF of project profits	2,652.4
NPV of unbilled sales	212.7
Investment properties	1,077.0
Net debt	(1,650.0)
RNAV	3,518.3
Sharebase	1,069.0
RCULS	428.1
Enlarged sharebase	1,497.1
RNAV/share	3.29
RNAV/share ex RCULS	2.35
Discount	30%
Fair value	1.65

Source: UOB Kay Hian

Sensitivity Test

Market Value of Canal City land (RMpsf)	RNAV/share (RM)
35	3.15
40	3.32
45	3.49
50	3.66

Source: UOB Kay Hian

Salient Terms of the Deal

Details	RMm
Land Acquisition	587
Interest cost of 5%	252
GDV and Profit Sharing	458.3
Total	1,297.3

Source: UOB Kay Hian, Dijaya

Payment Schedule

Construction Period	Installments (RMm)
Year 0 (Deposit)	50
Year 1	19
Year 2	30
Year 3	30
Year 4	30
Year 5	30
Year 6	50
Year 7	50
Year 8	50
Year 9	60
Year 10	60
Year 11	60
Year 12	68
Total	587

Source: UOB Kay Hian, Dijaya

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Profit & Loss

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Net turnover	630	1,353	1,700	1,949
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)
Pre-tax profit	215	259	319	397
Tax	(42)	(65)	(80)	(99)
Minorities	(9)	(54)	(63)	(73)
Net profit	55	140	177	225
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
Total assets	4,518	5,326	5,748	6,204
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
Total liabilities & equity	4,518	5,326	5,748	6,204

Cash Flow

Year to 31 Dec (RMm)	2012	2013F	2014F	2015F
Operating	(17)	(444)	(308)	228
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
Investing	(895)	325	225	225
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
Financing	998	217	214	109
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
Net cash inflow (outflow)	86	97	131	561
Beginning cash & cash equivalent	115	214	311	443
Changes due to forex impact	12	0	0	0
Ending cash & cash equivalent	214	311	443	1,004

Key Metrics

Year to 31 Dec (%)	2012	2013F	2014F	2015F
Profitability				
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
Growth				
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
Leverage				
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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