

# Dijaya Corporation

Recommendation: **HOLD**

Stock Code: 5401

Bloomberg: DJC MK

Price: MYR1.06

12-Month Target Price: MYR1.10

Date: May 21, 2010

**Board:** Main

**Sector:** Property

**GICS:** Financials/Real Estate Development

**Market Value - Total:** MYR481.6 mln

**Summary:** Dijaya is one of the largest property developers in Petaling Jaya with two major golf resort-based residential township development projects: (i) Tropicana Golf and Country Resort and (ii) Damansara Indah. This stock is a component of FBM EMAS.

**Analyst:** Ching Wah Tam



## Results Review & Earnings Outlook

- Dijaya's 1Q10 results were below our expectations with 1Q10 net profit of MYR0.5 mln accounting for only 9% of our original full-year net profit forecast of MYR51.0 mln. The deviation was due to lower-than-expected progressive billings and project launch delays.
- Operationally, Dijaya posted a 47.9% YoY rise in gross profit to MYR24.7 mln on the back of a 30.3% YoY rise in revenue to MYR58.4 mln in 1Q10. The better performance was due to higher progress billings recognized from Villa Green 3A and also maiden contributions from its shopping mall.
- Pre-tax profit, however, declined by 58% YoY drop due mainly to higher wages and other costs related to the operation of its new Tropicana Mall, and also gains in the previous corresponding quarter (1Q09) from: (i) sale of a piece of land; and (ii) quoted investment.
- Going forward, Dijaya should see strong contribution from its recently launched high-end condominium project, Tropicana Grande, and soon-to-be-launched shop-offices, Tropicana Avenue, this year. Separately, Dijaya has made two substantial acquisitions recently: (i) an 8.03-acre property project in Mongolia with a GDV of USD174 mln for MYR171.0 mln; and (ii) 17.75 mln shares and 2.6 mln ICULS in Berjaya Corporation (BC MK, MYR1.50, Strong Buy) for MYR30.0 mln and MYR3.3 mln, respectively.
- Based on its lower-than-expected 1Q10 results, we have cut our 2010 and 2011 net profit forecasts to MYR30.6 mln and MYR37.9 mln from MYR51.0 mln and MYR60.6 mln, respectively.

## Recommendation & Investment Risks

- We downgrade our recommendation to Hold from Buy but maintain our 12-month target price of MYR1.10. Our recommendation downgrade is due to the more limited upside following the recent share price outperformance.
- Our 12-month target price of MYR1.10 is pegged to a 55% (unchanged) discount to Dijaya's 2009 NTA and includes projected net DPS. Our target multiples are in line with our valuation metrics (0.4x-1.0x P/NTA) for small- and mid-cap property companies within our coverage.
- Risks to our recommendations and target price are: (i) a drastic and prolonged slowdown in property demand in Malaysia; (ii) an unexpected rise in interest rates, which would depress sentiment; and (iii) an unexpected delay in construction of properties sold, which, in turn, will affect progressive recognition of income.

### Key Stock Statistics

FY Dec.	2009	2010E
Reported EPS (sen)	13.9	6.7
PER (x)	7.6	15.7
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	1.84	1.88
Book Value/Share (MYR)	1.85	1.89
No. of Outstanding Shares (mln)	454.4	
52-week Share Price Range (MYR)	0.83 - 1.29	
Major Shareholders:	%	
Tan Sri Danny Tan	63.4	
Permodalan Nasional Bhd	4.0	

\* Stock deemed Shariah compliant by the Securities Commission

### Per Share Data

FY Dec.	2007	2008	2009	2010E
Book Value (MYR)	1.75	1.84	1.85	1.89
Cash Flow (sen)	15.9	11.8	12.4	8.6
Reported Earnings (sen)	14.0	9.9	13.9	6.7
Dividend (sen)	3.0	1.5	3.0	3.0
Payout Ratio (%)	15.8	16.3	35.1	33.4
PER (x)	7.5	10.7	7.6	15.7
P/Cash Flow (x)	6.7	9.0	8.6	12.3
P/Book Value (x)	0.6	0.6	0.6	0.6
Dividend Yield (%)	2.8	1.4	2.8	2.8
ROE (%)	8.3	3.8	3.9	3.6
Net Gearing (%)	0.0	0.0	0.0	0.0

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**Quarterly Performance**

FY Dec. / MYR mln	1Q10	1Q09	% Change
Reported Revenue	58.4	44.8	30.3
Reported Operating Profit	24.7	16.3	51.5
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	6.6	15.9	-58.4
Reported Net Profit	0.5	9.6	-95.2
Reported Operating Margin (%)	42.3	36.4	-
Reported Pre-tax Margin (%)	11.3	35.5	-
Reported Net Margin (%)	0.8	21.4	-

Source: Company data

**Profit & Loss**

FY Dec. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	244.1	310.5	339.4	366.8
Reported Operating Profit	76.6	70.6	57.5	62.7
Depreciation & Amortization	-2.4	-1.4	-0.4	3.0
Net Interest Income / (Expense)	-2.9	-3.6	-9.4	-9.5
Reported Pre-tax Profit	76.7	71.7	53.4	59.2
Effective Tax Rate (%)	33.4	18.1	25.0	22.0
Reported Net Profit	34.4	49.7	30.6	37.9
Reported Operating Margin (%)	31.4	22.7	16.9	17.1
Reported Pre-tax Margin (%)	31.4	23.1	15.7	16.1
Reported Net Margin (%)	14.1	16.0	9.0	10.3

Source: Company data, S&amp;P Equity Research

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**Strong Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

**Strong Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

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**Recommendation and Target Price History**

Date	Recommendation	Target Price
New	Hold	1.10
1-Mar-10	Buy	1.10
19-Nov-09	Hold	1.10
28-Aug-09	Hold	1.03
25-May-09	Buy	1.03
26-Nov-08	Hold	0.86
2-Sep-08	Buy	1.20
9-Jun-08	Strong Buy	1.50

