

Dijaya Corporation

Recommendation: **HOLD**

Stock Code: 5401 Bloomberg: DJC MK Price: MYR1.04 12-Month Target Price: MYR1.10 Date: November 19, 2009

Board: Main

Sector: Property

GICS: Financials/Real Estate Development

Market Value - Total: MYR270.0 mln

Summary: Dijaya is one of the largest 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 3Q09 results exceeded our expectations with its 9M09 cumulative net profit of MYR46.4 mln exceeding our original full-year 2009 net profit forecast of MYR19.3 mln. The variance was due mainly to a MYR19.9 mln reversal of provision for diminution in value of its portfolio of quoted investments in 3Q09.
- 3Q09 net profit jumped to MYR32.4 mln from MYR1.4 mln in 3Q08. The strong performance was due mainly to: (i) a reversal of provision for diminution in value of its quoted investments; and (ii) lower effective tax rate and minority interest.
- Meanwhile, its core property operations saw a 16.8% YoY decline and a 288% QoQ rise in operating profit to MYR20.6 mln from MYR24.8 mln in 3Q08 and MYR7.2 mln in 2Q09, respectively. Contributions came mainly from its two projects: (i) Tropics Suites at Tropicana City; and (ii) TSB Sungei Buloh Commercial Centre. Dijaya sold about MYR300 mln worth of properties YTD.
- Going forward, it plans to launch its high-end condominium project, Tropicana Grande, and shop-offices, Tropicana Avenue, in late 2009 or early 2010, with a combined GDV of over MYR600 mln. Dijaya also recently acquired a 76.8 mln sq ft piece of commercial land near the Sunway Menteri area in Petaling Jaya, which it can develop commercial properties in the near future. Due to the better-than-expected 3Q09, we raise 2009 and 2010 net profit forecasts by 195% and 100% respectively.

Recommendation & Investment Risks

- We maintain our Hold recommendation but raise our 12-month target price to MYR1.10 from MYR1.03 (ex-rights issue).
- Our 12-month target price of MYR1.10 is pegged to a 50% (55% previously) discount to Dijaya's 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. We have narrowed the discount to NTA in our valuation to reflect the turnaround in Dijaya's 3Q09 earnings and also the good YTD property sales.
- Dijaya recently went ex a 3-for-4 rights issue of up to 214.11 mln new shares with up to 142.74 mln free warrants. The rights issue enables it to raise MYR171 mln to be utilized as working capital for its various projects.
- 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.	2008	2009E
Reported EPS (sen)	9.5	16.5
PER (x)	11.0	6.3
Dividend/Share (sen)	1.5	0.8
NTA/Share (MYR)	1.82	1.98
Book Value/Share (MYR)	1.83	1.99
No. of Outstanding Shares (mln)	259.6	
52-week Share Price Range (MYR)	0.74 - 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.	2006	2007	2008	2009E
Book Value (MYR)	1.63	1.75	1.83	1.99
Cash Flow (sen)	13.4	15.9	11.4	18.4
Reported Earnings (sen)	11.7	14.0	9.5	16.5
Dividend (sen)	3.0	3.0	1.5	0.8
Payout Ratio (%)	7.2	6.1	4.6	1.3
PER (x)	8.9	7.4	11.0	6.3
P/Cash Flow (x)	7.8	6.5	9.1	5.7
P/Book Value (x)	0.6	0.6	0.6	0.5
Dividend Yield (%)	2.9	2.9	1.4	0.7
ROE (%)	7.5	8.3	5.3	8.6
Net Gearing (%)	0.0	0.0	0.0	0.0

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Quarterly Performance

FY Dec. / MYR mln	3Q09	3Q08	% Change
Reported Revenue	97.3	87.4	11.4
Reported Operating Profit	40.4	18.8	>100
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	41.2	19.4	>100
Reported Net Profit	32.4	1.4	>100
Reported Operating Margin (%)	41.5	21.5	-
Reported Pre-tax Margin (%)	42.4	22.2	-
Reported Net Margin (%)	33.3	1.6	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	270.4	247.1	263.0	324.9
Reported Operating Profit	70.5	71.7	95.6	86.5
Depreciation & Amortization	-2.9	-2.4	-1.4	-0.4
Net Interest Income / (Expense)	-0.9	-0.9	-3.2	-3.6
Reported Pre-tax Profit	70.3	73.6	95.5	86.3
Effective Tax Rate (%)	20.7	33.6	30.0	27.0
Reported Net Profit	48.6	32.8	57.0	52.8
Reported Operating Margin (%)	26.1	29.0	36.4	26.6
Reported Pre-tax Margin (%)	26.0	29.8	36.3	26.6
Reported Net Margin (%)	18.0	13.3	21.7	16.2

Source: Company data, S&P Equity Research

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Glossary

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
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

