

Dijaya Corporation

Recommendation: **HOLD**Stock Code: **5401**Bloomberg: **DJC MK**Price: **MYR1.00**12-Month Target Price: **MYR1.00**Date: **February 27, 2009****Board:** Main**Sector:** Property**GICS:** Financials/Real Estate Development**Market Value - Total:** MYR259.6 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. The stock is a component of FBMEMAS.

Analyst: Ching Wah Tam

Results Review & Earnings Outlook

- Dijaya's 2008 results were above our expectations. Net profit jumped to MYR23.5 mln in 4Q08 from MYR1.4 mln in 3Q08 despite an 11.8% QoQ decline in turnover. The variance was due to lump sum income recognition in 4Q08 upon completion of some of its property projects. Operating margin jumped to 41.5% in 4Q08 from 21.5% in 3Q08, thanks to contribution from higher-margin products.
- Although pretax profit edged up slightly by 2.8% in 2008, net profit declined 32.7% due to higher taxation and minority interest. The effective tax rate rose to 33.6% in 2008 from 20.7% in 2007 as a result of losses at some of its subsidiaries and underprovision of tax in prior years. Meanwhile, higher contribution from its 70%-owned Damansara Impian and 60%-owned TSB Sungei Buloh resulted in higher minority interest.
- We have raised our 2009 net profit forecast by 3.5% and introduce our 2010 forecast. Apart from unbilled sales of about MYR180 mln, Dijaya also has an inventory of MYR79.5 mln worth of completed properties in its various property projects. Dijaya is planning to launch its high-end condominium project, Tropicana Grande and Tropicana Avenue lifestyle shops this year.

Recommendation & Investment Risks

- We maintain our Hold recommendation and our 12-month target price of MYR1.00. Although near-term earnings will be affected by the current economic downturn, Dijaya is trading near its six-year average P/BV valuation of 0.47x and its share price is supported by a high estimated RNAV of MYR3.39.
- Our 12-month target price of MYR1.00 (unchanged) is based on a 50% discount to Dijaya's 2008 NTA (roll over from 3Q08) of MYR2.39. The target multiple is in line with our valuation metrics (5x-9x PER and 0.4x-1.0x P/NTA) for small- and mid-cap property companies within our coverage.
- Dijaya has terminated its proposed purchase of 93.4 acres of landbank in Jenjarom, Klang for MYR29.5 mln because the seller was unable to fulfill some of the conditions. Given the recent decline in share prices, in our opinion, Dijaya is likely to further defer its proposed renounceable 3-for-4 rights issue of up to 214.11 mln new shares (at MYR1 each, of which shareholders will only pay 80 sen and the balance 20 sen will be capitalized from the company's share premium account) with up to 142.74 mln free warrants.
- Risks to our recommendations and target price are: (i) a sharp and prolonged drop in property demand in Malaysia; (ii) an unexpected rise in interest rates, which would depress sentiment; and (iii) an unexpected delay in the construction of properties sold, which, in turn, will affect progressive recognition of income.

Key Stock Statistics

FY Dec.	2008	2009E
Reported EPS (sen)	12.7	7.4
PER (x)	7.9	13.4
Dividend/Share (sen)	2.0	1.0
NTA/Share (MYR)	2.43	2.50
Book Value/Share (MYR)	2.44	2.51
No. of Outstanding Shares (mln)	259.6	
52-week Share Price Range (MYR)	0.85 - 1.36	
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)	2.17	2.33	2.44	2.51
Cash Flow (sen)	17.9	21.2	15.2	10.0
Reported Earnings (sen)	15.6	18.7	12.7	7.4
Dividend (sen)	4.0	4.0	2.0	1.0
Payout Ratio (%)	7.2	6.1	4.6	3.9
PER (x)	6.4	5.3	7.9	13.4
P/Cash Flow (x)	5.6	4.7	6.6	10.0
P/Book Value (x)	0.5	0.4	0.4	0.4
Dividend Yield (%)	4.0	4.0	2.0	1.0
ROE (%)	7.5	8.3	5.3	3.0
Net Gearing (%)	0.0	0.0	0.0	0.0

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FY Dec. / MYR mln	4Q08	4Q07	% Change
Reported Revenue	77.1	78.6	-1.9
Reported Operating Profit	32.0	32.6	-1.9
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	32.8	32.3	1.7
Reported Net Profit	23.5	24.1	-2.4
Reported Operating Margin (%)	41.5	41.5	-
Reported Pre-tax Margin (%)	42.6	41.0	-
Reported Net Margin (%)	30.5	30.6	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	270.4	247.1	193.0	244.9
Reported Operating Profit	70.5	71.7	32.5	41.2
Depreciation & Amortization	-2.9	-2.4	-1.4	-0.4
Net Interest Income / (Expense)	-0.9	-0.9	-2.9	-2.9
Reported Pre-tax Profit	70.3	73.6	31.6	40.6
Effective Tax Rate (%)	20.7	33.6	30.0	27.0
Reported Net Profit	48.6	32.8	19.3	26.3
Reported Operating Margin (%)	26.1	29.0	16.8	16.8
Reported Pre-tax Margin (%)	26.0	29.8	16.4	16.6
Reported Net Margin (%)	18.0	13.3	10.0	10.8

Source: Company data, S&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
26-Nov-08	Hold	1.00
2-Sep-08	Buy	1.40
9-Jun-08	Strong Buy	1.75

