

1Q FY Dec 2009 results

Dijaya Corporation

- 1Q09 results boosted by property sale gains
- Worst for sector likely over, RM90m new sales in 1Q09
- Unbilled sales rise from RM190m to RM264m
- Debt-free balance sheet, stock very attractively priced

BUY

 Price
RM1.01

 Market capitalization
RM262 million

 Board
Main

 Board
FBM Emas Syariah

 Sector
Properties

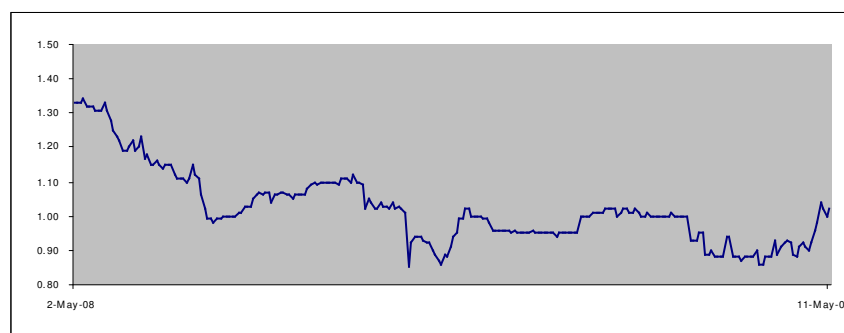
 Stock code
5401

 Analyst
Kevin Khoo

Key stock statistics	FYDec08	FYDec09E
EPS (sen)	12.7	12.1
P/E (x)	8.0	8.4
DPS (sen)	2.0	3.0
NTA/share (RM)	2.39	2.49
Issued capital (mil)	259.6	
52-week price range (RM)	0.87-1.35	

Major shareholders (%)

Tan Sri Danny Tan 63.3%

Share Price Chart


1Q FY Dec 2009 results highlights

Year end Dec (RMm)	1Q09	1Q08	% chg
Turnover	44.8	47.9	(6.6)
Pre-tax profit	15.9	8.2	93.2
Tax	(4.6)	(3.1)	49.7
Minorities	(1.7)	(1.8)	(6.6)
Net profit	9.6	3.3	187.6
EPS (sen)	3.7	1.3	
Pre-tax margin (%)	35.5	17.1	
Net margin (%)	21.4	6.9	

Dijaya Corp's results for 1Q FY Dec 2009 were above expectations due to one-off gains from sale of land. Excluding these gains, its underlying results would have been below our forecast, but the company tends to have lumpy profit recognition depending on project billings and completion.

For 1QFY09, Dijaya's turnover declined marginally by 6.6% y-y to RM44.8 million. Pre-tax profit almost doubled from RM8.2 million to RM15.9 million. Net profit rose 188% y-y from RM3.3 million to RM9.6 million, accounting for 31% of our full year forecast.

Profits were boosted primarily by one-off gains from the sale of a piece of land. We understand it booked in a gain of around RM11 million from the sale of its 517-acre agriculture land in Tanjung Malim for RM25 million. The land had been in Dijaya's books for a long time, but had been of little use. It also booked in gains of RM0.6 million from the sale of some shares.

Excluding these gains, we estimate underlying pre-tax profit would have fallen by about 47% y-y to RM4.3 million. However, its profits tend to be lumpy on a quarter-to-quarter basis, depending on progress billings and project completion.

Dijaya's earnings continue to be driven by its ongoing developments, namely the Tropics at Tropicana City, Casa Indah at Tropicana Indah and the shophouses at TSB Sungei Buloh.

Despite earlier land purchases and funding for the Tropicana City development, which are being kept for rental, its balance sheet remains very strong.

As at end-March 2009, net cash and equivalents stood at RM27.7 million, up slightly from RM25.7 million in Dec 2008. This includes payment of RM66.2 million for two earlier land purchases (Kajang and Cheras).

The earlier proposed Jenjarom land purchase for RM29.5 million was aborted in end-Feb 2009.

Outlook & recommendation

After a difficult period for much of 2008, and especially in 4Q08, the outlook for the property sector has improved over the last two months.

Sentiment has improved somewhat following the two-month global rally as investors start to see nascent signs of a bottoming for the US economy. To be sure, subsequent economic data have been more mixed, but the pace of declines has also moderated.

Low interest rates, coupled with aggressive financing schemes, have also helped boost demand for properties. Mortgage rates have fallen to just 3.2% to 3.5%. Indeed, mortgage loan approvals – which have been declining monthly since Oct 2008, started to rise in March 2009, gaining 10.7%.

To be sure, most developers are still very cautious. Most continue to hold back their launches, and prefer to focus on clearing existing inventory with aggressive financing schemes and discounts.

Dijaya is no exception. The company has been focusing on selling its existing inventory – and with good success too. In 1Q09, we understand the company sold RM90 million worth of properties – from its earlier inventory of RM330 million. Most of these were at the Tropics in Tropicana City.

With this, Dijaya's unbilled sales have risen from RM190 million in Dec 2008 to RM264 million in April 2009, and will support earnings for the next year or so.

Earnings for the company are being driven by three ongoing projects – Tropics at Tropicana City, Casa Indah at Tropicana Indah and the TSB Sungei Buloh shophouses. The company also has about RM100 million worth of completed inventory that can be converted to cash if sold.

We are maintaining our earlier assumption that the two Tropicana projects will be launched by mid-2010, although we understand the company may attempt to launch Tropicana Grande in 2H09.

Tropicana Grande consists of 241 condos with large built-up space of 2,500-4,500 sq ft, located on 5.2 acres of land. Tropicana Avenue comprises three blocks of 9 and 11 storey shop-offices on 7 acres of land.

Tropicana City Mall opened for business in Dec 2008 and is about 75% leased, of which 70% have already been occupied. The mall will provide a new source of recurring income this year onwards, with estimated rental income of over RM20 million. The company expects occupancy to pick-up after the GSC cineplexes open in late June 2009.

The office tower, once completed, will provide rental income of around RM5 million when fully occupied.

We are likely to have seen the worst for the property sector – and Dijaya has weathered through the downturn profitably.

The company has a debt-free balance sheet and unbilled sales of RM264 million to sustain near-term earnings. Starting this year, it will also enjoy new recurring income streams from Tropicana City Mall and later the adjoining office tower.

Dijaya has a large land bank, with much of it acquired at low prices, especially in Tropicana and Tropicana Indah. The company has also put into place a longer-term footprint by enlarging its land bank at low prices, which will also widen its product and customer mix.

Maintain BUY recommendation

We are maintaining our 2009-10 forecasts and **BUY** recommendation.

We expect pre-tax profit to fall 21% to RM58.4 million in 2009, but net profit to remain fairly stable at RM31.3 million. Stronger growth will be evident in 2010 as the property market recovers and Dijaya is able to resume launches. The mall and office tower will also contribute fully by then.

Our forecasts assume the two Tropicana projects are launched in mid-2010. We have not factored in the launch of the Kajang project, or the Indian joint venture project, which will be postponed until the market there recovers.

As previously noted, we also expect the earlier proposed two-call, 3-for-4 rights issue, which has been deferred indefinitely, to be eventually called off given current market conditions and its existing strong balance sheet.

At RM1.01, the stock is trading at undemanding P/E multiples of 8.4 and 5.5 times 2009-10 earnings, and a steep 59% below its latest book value of RM2.48, which is already severely understated due to low land costs.

Profit & Loss Analysis

Year end Dec (RM mil)	2007	2008	2009E	2010E
Turnover	254.5	247.1	187.2	255.5
Operating profit	73.9	73.9	61.8	82.3
Depreciation	(6.0)	(6.5)	(7.0)	(7.5)
Interest income/(exp)	2.0	3.0	-	1.0
Associates	1.7	3.2	3.5	3.9
Pre-tax profit	71.6	73.6	58.4	79.7
Tax	(15.7)	(24.7)	(15.8)	(20.7)
Minorities	(7.1)	(16.1)	(11.3)	(11.3)
Net profit	48.8	32.8	31.3	47.7
Operating margin (%)	29.0	29.9	33.0	32.2
Pre-tax margin (%)	28.1	29.8	31.2	31.2
Net margin (%)	19.2	13.3	16.7	18.7
Effective tax rate (%)	21.9	33.6	27.0	26.0

Per Share Data

Year end Dec	2007	2008	2009E	2010E
EPS (sen)	18.8	12.7	12.1	18.4
P/E (x)	5.4	8.0	8.4	5.5
Dividend (sen)	4.0	2.0	3.0	3.0
Dividend yield (%)	4.0	2.0	3.0	3.0
Payout (%)	16	12	18	12
Book value (RM)	2.34	2.39	2.49	2.65
Price/Book value (x)	0.43	0.42	0.41	0.38
Cashflow/share (sen)	23.9	21.3	19.1	25.6
Price/Cashflow (x)	4.2	4.7	5.3	3.9
Gearing ratio (%)	Net cash	Net cash	Net cash	Net cash
ROE (%)	8.0	5.3	4.8	6.9

Note: forecasts excludes rights issue



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