

FY Dec 2008 final results

Dijaya Corporation

- Final results above expectations due to strong 4Q08
- 4Q08 lifted by strong contributions from TSB shops
- RM190m order-book, mall to sustain earnings
- Debt-free balance sheet, stock very attractively priced

BUY

Price
RM1.00

Market capitalization
RM260 million

Board
Main

Board
FBM Emas Syariah

Sector
Properties

Stock code
5401

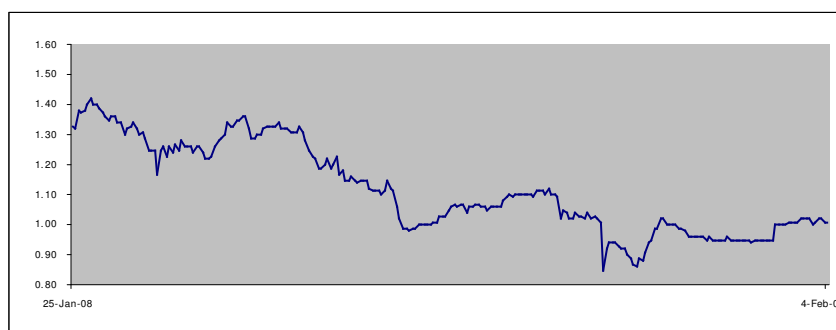
Analyst
Kevin Khoo

Key stock statistics	FYDec08	FYDec09E
EPS (sen)	12.7	12.1
P/E (x)	7.9	8.3
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



FY Dec 2008 final results highlights

Year end Dec (RMm)	2008	2007	% chg
Turnover	247.1	254.5	(2.9)
Pre-tax profit	73.6	71.6	2.8
Tax	(24.7)	(15.7)	57.4
Minorities	(16.1)	(7.1)	125
Net profit	32.8	48.8	(32.7)
EPS (sen)	12.7	18.8	
Pre-tax margin (%)	29.8	28.1	
Net margin (%)	13.3	19.2	

Dijaya Corp's final results for FY Dec 2008 were above expectations, with a very strong 4Q08 due to progressive billings from the TSB shops in Sungei Buloh. The company's full year net profit of RM32.8 million, although down 33% y-y, was some 56% above our earlier conservative forecasts.

Much of the spurt came in the fourth quarter, where Dijaya reported net profit of RM23.5 million – or 72% of the full-year total. Up until 3Q08, the company's earnings had been relatively weak, hit by one-off large tax expenses in 3Q08 and land acquisition-related costs in 1Q08.

The strong performance in 4Q08 came largely from progressive billings at TSB Sungei Buloh, which is undertaken as a joint venture with the landowner Aliran Firasat Sdn Bhd, a private company owned by major shareholder Tan Sri Danny Tan.

The terms are highly favourable for Dijaya for this project. It will fund the project's development up to RM40 million and will take a 60% share of GDV and profits. The land is valued very reasonably for the joint venture – at its original book value of RM65.6 million or RM72.40 psf.

For the full year, Dijaya's revenue was relatively flat at RM247.1 million. Pre-tax profit rose 2.8% to RM73.6 million. However, net profit declined 32.7% to RM32.8 million due to higher minority interests (from increasing contributions from TSB Sungei Buloh and Tropicana Indah), and higher taxes in 3Q08.

Dijaya's balance sheet remains debt-free and is in very good shape, although its cash position has fallen due to land purchases and ongoing funding for the Tropicana City development.

As at end-Dec 2008, net cash and equivalents stood at RM25.7 million, down slightly from RM26.6 million in Sept 2008, and from RM141.3 million in Dec 2007. This includes payment of RM66.2 million for two earlier land purchases (Kajang and Cheras). The Jenjarom land purchase (RM29.5 million of which 90% is outstanding) is still pending completion.

Outlook & recommendation

The outlook for the property sector remains weak. The deepening global financial crisis, especially since 4Q08, has crimped consumer spending and big-ticket item purchases. Investors are holding on to cash, worried over the prospects of a global recession and rising unemployment.

Most developers are holding back their launches, awaiting further clarity on demand and trying to clear existing inventory. This will continue for some time, depending on the length and breadth of the current downturn.

We do foresee a bottoming of the US economy in 4Q09. The stock market should recover 3-4 months ahead. With a bottoming of the economy, retrenchments tailing off and some stockmarket wealth effect, we expect sentiment for properties to improve in late 2009 / early 2010.

We are maintaining our earlier assumption that the two Tropicana projects will be launched in 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.

In the meantime, the company is busy completing its existing projects in Tropicana City and TSB Sungei Buloh, and selling the balance of its projects and inventory.

Tropicana City Mall opened for business in Dec 2008 and is about 80-85% leased, with tenants opening in stages. The mall will provide a new source of recurring income from 2009 onwards, with estimated rental income of over RM20 million.

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

While the operating environment for property developers is very challenging, we expect Dijaya to weather through this downturn relatively well.

The company has a debt-free balance sheet and unbilled sales of RM190 million that will support earnings for another year. In addition, it also will focus on selling the balance of its inventory and unsold units, which amount to about RM330 million.

Starting this year, it will also enjoy recurring income from Tropicana City Mall and later the adjoining office tower. These new streams of income – plus progressive billings – will sustain income to tide the company through the downturn.

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.

Between Dec 2007 and Feb 2008, the company acquired a total of 186.2 acres of mainly agriculture land – at relatively low prices – but within or near established areas, to be converted to residential status and development.

The land acquired include: 66 acres in Kajang, Selangor, for RM47.5 million (RM16.50 psf); 93.4 acres in Jenjarom, near Klang, for RM29.5 million (RM7.25 psf) and 26.8 acres in Cheras for RM18.7 million (RM16 psf).

With the new land bank, Dijaya will be able to widen its product and customer mix – from mainly high-end to the middle market as well. The company plans to launch the newly acquired 66-acre Kajang land in 3Q09, featuring mainly terrace houses, with GDV of RM167 million.

Maintain forecasts, BUY call

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 RM1.00, the stock is trading at undemanding P/E multiples of 8.3 and 5.4 times 2009-10 earnings, and a steep 58% below its latest book value of RM2.39, 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)	5.3	7.9	8.3	5.4
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	0.40	0.38
Cashflow/share (sen)	23.9	21.3	19.1	25.6
Price/Cashflow (x)	4.2	4.7	5.2	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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